



# Financial Results for 2Q FY2020

**August 7, 2020**

This document is a translation of the official Japanese version provided for information purpose only.

## Scope of consolidation

Number of consolidated subsidiaries: 19 (2 less than in FY2019. Liquidation of two logistics subsidiaries has been completed.)

Number of equity-method affiliates: 2 (no change)

		2019 2Q	2020 2Q	Change	
Net sales	(Millions of yen)	72,023	65,775	-6,248	-8.7%
Operating income	(Millions of yen)	7,305	5,665	-1,640	-22.4%
Operating income ratio		10.1%	8.6%	-1.5%	—
Ordinary income	(Millions of yen)	8,053	6,200	-1,852	-23.0%
Net income attributable to owners of parent	(Millions of yen)	5,537	3,786	-1,751	-31.6%
Net income per share	(Yen)	42.07	28.82	-13.25	—
Interim dividend [annual dividend]	(Yen)	15.0 (30.0)	15.0 (30.0)	— (—)	

## <Business Environment>

- Substantial slowdown in the global economy due to the impact of the spread of COVID-19 infection
- Although the state of emergency declaration has been lifted, case numbers are climbing again, and there is no sign of the pandemic being brought under control
- Crude oil and naphtha prices fell, and sales prices declined for some commodity products

## <Financial Results for the 2nd Quarter of FY2020>

1. Demand declined across a broad range of industries, including automotive
  - Decrease in income and profit, despite suppression of nonessential and nonurgent expenditure
2. Robust demand for semiconductor and antimicrobial/antivirus-related products
  - Move to transform industry structure to adapt to the new normal
3. Steadily implemented medium and long-term measures
  - Implemented medium and long-term measures to enhance corporate value, such as promotion of research and development and share buy-backs, according to plan

# Consolidated Results (by Segment)

## Net sales (by consolidated segment)

(Millions of yen)

	2019 2Q	2020 2Q	Change in net sales		
			Volume	Unit price	Change
Commodity Chemicals	32,692	28,748	-2,673	-1,269	-3,943
Polymer & Oligomer	14,566	13,684	-733	-148	-881
Adhesive Material	5,475	4,849	-453	-173	-626
Performance Chemicals	4,113	4,447	212	121	333
Plastics	13,285	12,179	-1,133	27	-1,106
Other	1,889	1,865	-23	0	-23
<b>Total</b>	<b>72,023</b>	<b>65,775</b>	<b>-4,805</b>	<b>-1,441</b>	<b>-6,248</b>

## Operating income (by consolidated segment)

(Millions of yen)

	2019 2Q		2020 2Q		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	2,805	8.6%	1,995	6.9%	-809
Polymer & Oligomer	1,922	13.2%	1,693	12.4%	-229
Adhesive Material	757	13.8%	291	6.0%	-466
Performance Chemicals	1,197	29.1%	1,300	29.2%	103
Plastics	579	4.4%	359	2.9%	-220
Other/adjustments	43	—	26	—	-17
<b>Total</b>	<b>7,305</b>	<b>10.1%</b>	<b>5,665</b>	<b>8.6%</b>	<b>-1,640</b>

# Other Income/Expenses and Extraordinary Income/Loss (Consolidated)

## [Other income/expenses]

(Millions of yen)

	2019 2Q	2020 2Q	Change
Interest and dividend income	644	495	-148
Equity in earnings of affiliates	140	158	17
Rent income on non-current assets	133	161	28
Miscellaneous income	114	112	-2
Foreign currency exchange gain	33	-	-33
Interest expense	(47)	(47)	0
Foreign currency exchange loss	0	(217)	-217
Environment readiness fee	(195)	(50)	145
Cost of idle assets	(25)	(17)	8
Miscellaneous expenses	(51)	(59)	-8
<b>Total</b>	<b>747</b>	<b>535</b>	<b>-212</b>

### •Equity in earnings of affiliates

(Millions of yen)

	2019 2Q	2020 2Q	Difference
Elmer's & Toagosei	126	117	-9
Chubu Liquid Oxygen	47	137	90
<b>Total</b>	<b>173</b>	<b>254</b>	<b>81</b>

## [Extraordinary income/loss]

(Millions of yen)

	2019 2Q	2020 2Q	Change
Gain on sales of non-current assets	3	-	-3
Gain on sales of investment securities	5	-	-5
Subsidy income	9	-	-9
Loss on disposal of non-current assets	(28)	(233)	-204
Loss on valuation of investment securities	-	(361)	-361
<b>Total</b>	<b>(10)</b>	<b>(595)</b>	<b>-584</b>

### •Loss on disposal of non-current assets

2020: Takaoka Plant building removal expenses, Kawasaki Plant power transformer renewal expenses, Aronkasei plant restructuring-related removal expenses, etc.

### •Exchange rate (Yen/USD)

Jun. 30, 2019	Dec. 31, 2019	Jun. 30, 2020
107.79	109.56	107.74

# Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2019	Jun. 30, 2020	Change
Cash and deposits	32,989	40,013	7,023
Notes and accounts receivable ①	42,534	37,396	-5,138
Securities	44,000	35,000	-9,000
Inventories	18,161	18,924	763
Other current assets	1,275	3,227	1,952
Non-current assets	74,376	76,451	2,074
Investment securities ②	28,711	25,284	-3,426
Other non-current assets	5,165	5,085	-79
<b>Total assets</b>	<b>247,211</b>	<b>241,382</b>	<b>-5,829</b>
Notes and accounts payable	14,413	12,374	-2,038
Bank loans and debt	11,534	11,455	-79
Accrued income taxes	2,030	1,660	-369
Other liabilities	20,652	18,839	-1,815
<b>Total liabilities</b>	<b>48,632</b>	<b>44,330</b>	<b>-4,302</b>
<b>Total net assets ③</b>	<b>198,579</b>	<b>197,052</b>	<b>-1,527</b>
<b>Total liabilities and net assets</b>	<b>247,211</b>	<b>241,382</b>	<b>-5,829</b>

## [Balance Sheet]

- ① Notes and accounts receivable decreased due to the decline in net sales
- ② The fair value of investment securities declined
- ③ Net assets decreased due to the implementation of share buy-backs

## Cash Flows

(Millions of yen)

	2019 2Q	2020 2Q	Change
Cash flows from operating activities	13,104	12,482	-621
Cash flows from investing activities	(8,148)	(7,218)	930
Free cash flow	4,955	5,264	308

# Overview of Consolidated Subsidiaries (Results for 2nd Quarter of FY2020)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			2019/2Q	2020/2Q	2019/2Q	2020/2Q	2019/2Q	2020/2Q
1 Toa Techno-Gas	Commodity Chemicals	100	2,250	2,135	142	171	106	133
2 (Oita Chemical)	↓	91.15	6,622	5,364	(14)	(15)	(26)	(22)
3 Toagosei Singapore	↓	100	1,753	1,198	51	32	90	71
4 (MT Ethylene Carbonate)	↓	90	265	234	2	2	2	2
5 MT AquaPolymer	Polymer & Oligomer	51	5,148	4,949	367	308	254	215
6 Taiwan Toagosei	↓	100	569	623	26	47	22	37
7 Toa-Jet Chemical	↓	51	865	639	42	46	43	38
8 TOA-DIC Zhangjiagang Chemical	↓	90	792	654	25	76	17	34
9 Toagosei (Thailand)	↓	100	129	1,081	(72)	(10)	(127)	(72)
10 Toagosei America	Adhesive Material	100	865	729	(3)	(61)	30	23
11 (Aron Packaging)	↓	100	131	126	0	0	0	0
12 Toagosei Hong Kong	↓	100	138	144	13	17	74	16
13 Toagosei (Zhuhai)	↓	100	205	193	37	3	33	14
14 Aronkasei	Plastics	100	13,300	12,186	640	515	444	239
15 Aronkasei (Thailand)	↓	100	2	24	(24)	(159)	(24)	(161)
16 TOA Kogyo	Other	100	490	486	(14)	(3)	3	5
17 Toa Business Associe	↓	100	1,055	1,228	11	45	8	31
18 TG Corporation	↓	100	6,169	5,752	169	186	116	128
19 (Toa Logistics)	↓	100	222	273	11	29	25	35
20 (Shikoku Toa Logistics)	↓	70	619	-	0	-	0	-
21 (Hokuriku Toa Logistics)	↓	90	0	-	0	-	0	-
Simple aggregation			41,598	38,018	1,411	1,229	1,096	766

Company names in parentheses indicate that almost all of their transactions are with the Company.

Differences have emerged in the speed of each country's recovery from the coronavirus crisis, while friction between the U.S. and China has intensified

Uncertainty surrounds the future of measures to prevent the spread of infection in Japan, and measures designed to stimulate socioeconomic activity

**Although the worst economic conditions have passed, only an L-shaped recovery is forecast in the second half of the fiscal year**



1. Continue safe and stable operation while ensuring the health of employees
2. Continue appropriately-timed capital investment
3. Focus on developing products in advanced fields to meet the needs of the age

**No change in the policy to shift to high-value-added businesses set forth in the Medium-Term Management Plan  
"Stage up for the Future"**



# Consolidated Results Forecast for FY2020

(Millions of yen)

	FY2019 (A)	FY2020 1H	FY2020 2H (forecast)	FY2020 forecast (B)	Change (B-A)
Net sales	144,955	65,775	68,225	134,000	-10,955
Operating income	13,782	5,665	6,335	12,000	-1,782
Operating income ratio	9.5%	8.6%	9.3%	9.0%	-0.6%
Other income/expenses	1,447	535	364	900	-547
Ordinary income	15,230	6,200	6,699	12,900	-2,330
Extraordinary income (loss)	60	(595)	(104)	(700)	-760
Income before income taxes (a)	15,290	5,605	6,594	12,200	-3,090
Income taxes (b)	(4,634)	(1,691)	(2,008)	(3,700)	934
Tax rate (b)/(a)	30.3%	30.2%	30.5%	30.3%	0.0%
Net income attributable to non-controlling interests	(268)	(127)	(172)	(300)	-31
Net income attributable to owners of parent	10,387	3,786	4,414	8,200	-2,187
Dividend (Yen)	30			30	-
<Reference>					
Average exchange rate (Yen/USD)	¥109.45			¥110.00	
Naphtha price (Yen/kl)	¥42,025			¥27,000	

Note: Change of 1,000 yen in naphtha price per kl will have an impact of ±300 million yen on the Company's performance.

Depreciation of yen by 1 yen/USD will have an impact of -70 million yen on the Company's performance.

## Net sales

(Millions of yen)

	FY2019 results	FY2020 forecast	Change	Factors for change
Commodity Chemicals	65,667	58,100	-7,567	[Decrease] Acrylic monomer, caustic soda, industrial gases
Polymer & Oligomer	29,112	27,800	-1,312	[Decrease] Acrylic polymer, UV-curable resin, polymer flocculant
Adhesive Material	11,174	9,900	-1,274	[Decrease] Functional adhesives, instant glues
Performance Chemicals	8,148	9,000	852	[Increase] High-purity inorganic chemicals, inorganic functional materials
Plastics	27,079	25,400	-1,679	[Decrease] Piping equipment products, nursing care products
Other	3,772	3,800	28	
<b>Total</b>	<b>144,955</b>	<b>134,000</b>	<b>-10,955</b>	

## Operating income

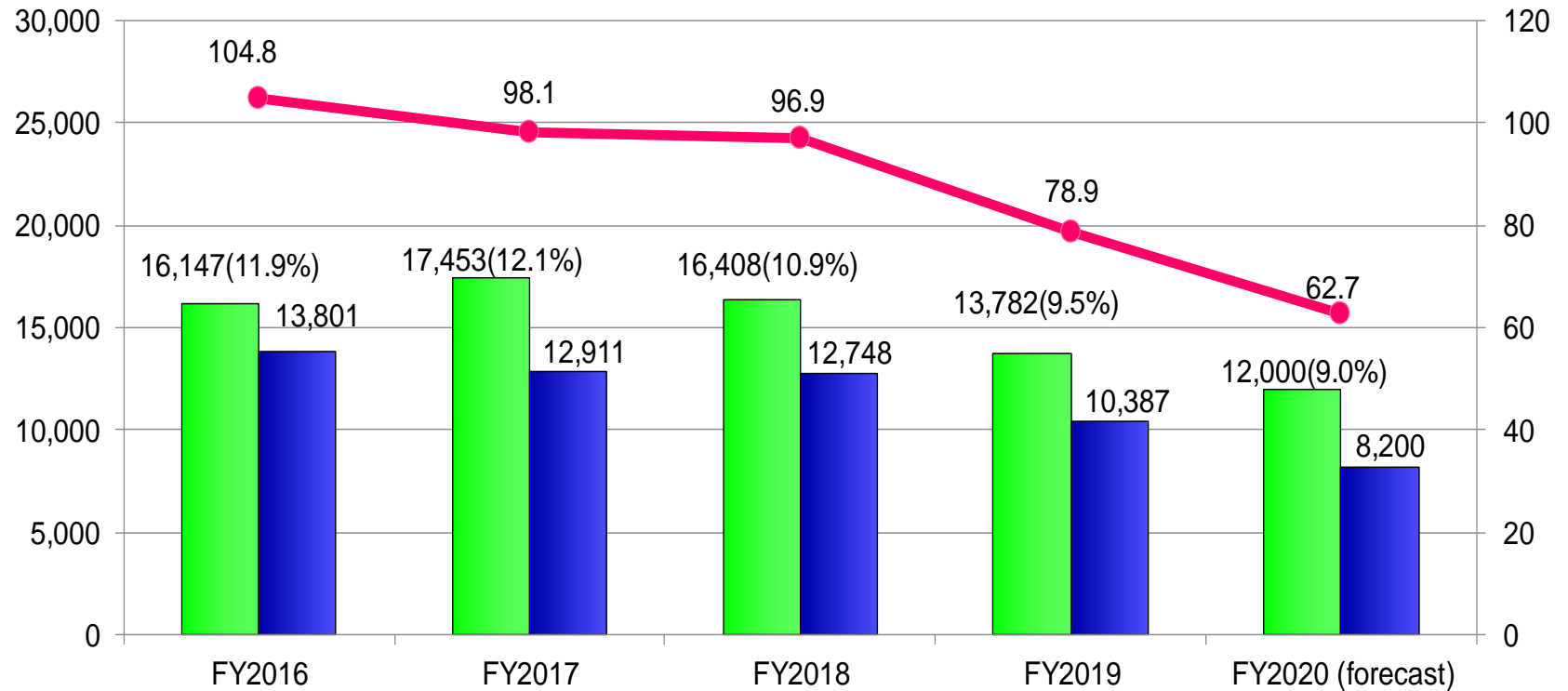
Figures in square brackets are operating income ratio.

(Millions of yen)

	FY2019 results		FY2020 forecast		Change	Factors for change
Commodity Chemicals	5,442	[8.3%]	4,600	[7.9%]	-842	[Decrease] Acrylic monomer, caustic soda
Polymer & Oligomer	3,526	[12.1%]	3,600	[12.9%]	74	[Increase] Polymer flocculant, UV-curable resin
Adhesive Material	1,356	[12.1%]	500	[5.1%]	-856	[Decrease] Functional adhesives
Performance Chemicals	2,116	[26.0%]	2,500	[27.8%]	384	[Increase] High-purity inorganic chemicals, inorganic functional materials
Plastics	1,233	[4.6%]	700	[7.8%]	-533	[Decrease] Piping equipment products, nursing care products
Other	106		100		-6	
<b>Total</b>	<b>13,782</b>	<b>[9.5%]</b>	<b>12,000</b>	<b>[9.0%]</b>	<b>-1,782</b>	

(Millions of yen)

(Yen)



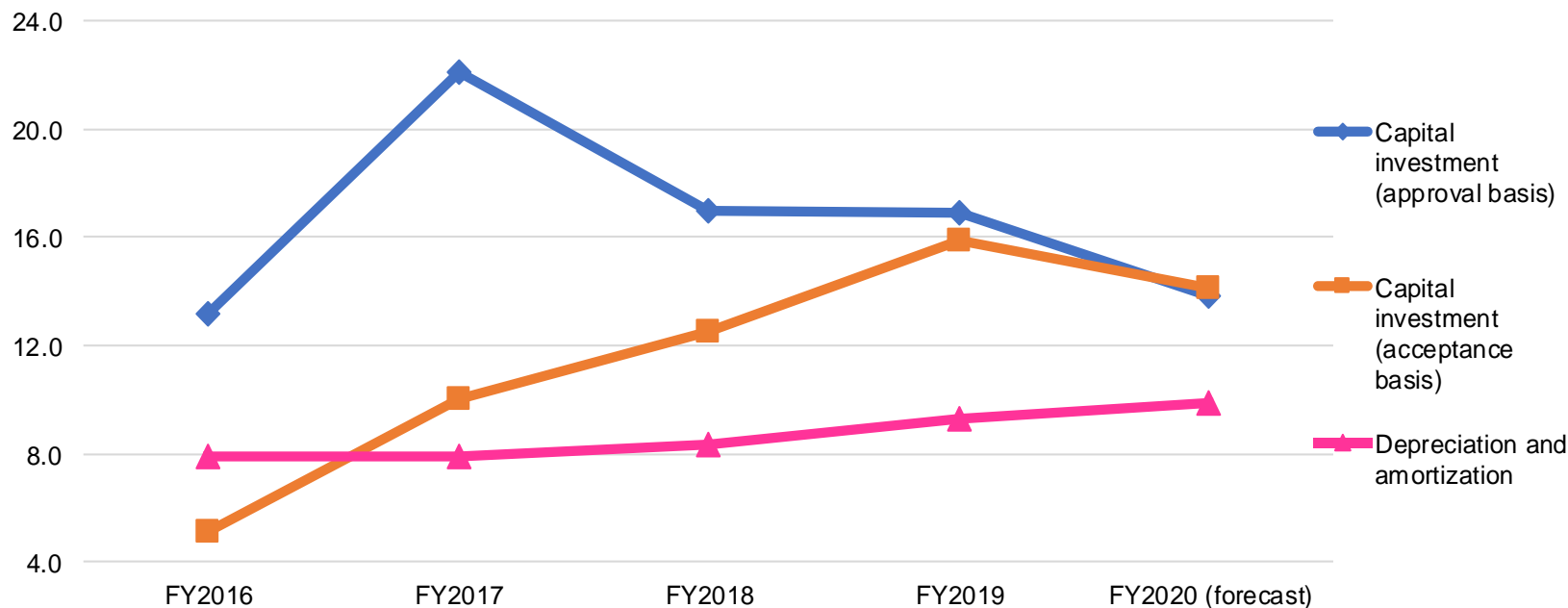
■ Operating income (Operating income to net sales ratio)    
 ■ Net income attributable to owners of parent

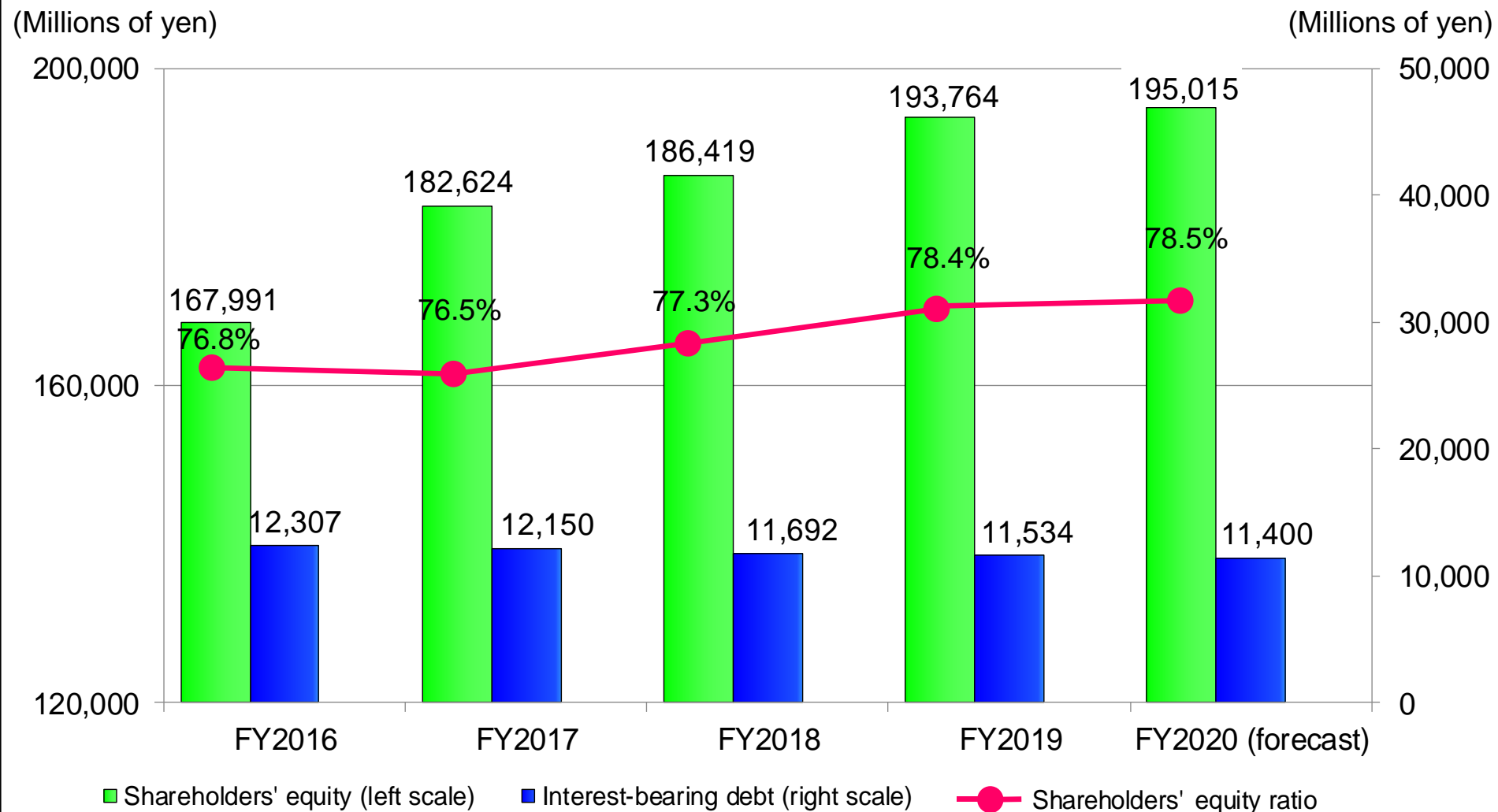
● Net income per share (right scale)

(Billions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020 forecast
Capital investment (acceptance basis)	5.1	10.0	12.5	15.8	14.1
Capital investment (approval basis)	13.2	22.1	17.0	16.9	13.8
Depreciation and amortization	7.9	7.9	8.3	9.2	9.9
Research and development expenses	3.6	3.7	3.6	3.7	4.0
Overseas sales	21.6	24.2	24.5	22.6	22.6
Interest-bearing debt	12.3	12.1	11.6	11.5	11.4

(Billions of yen)

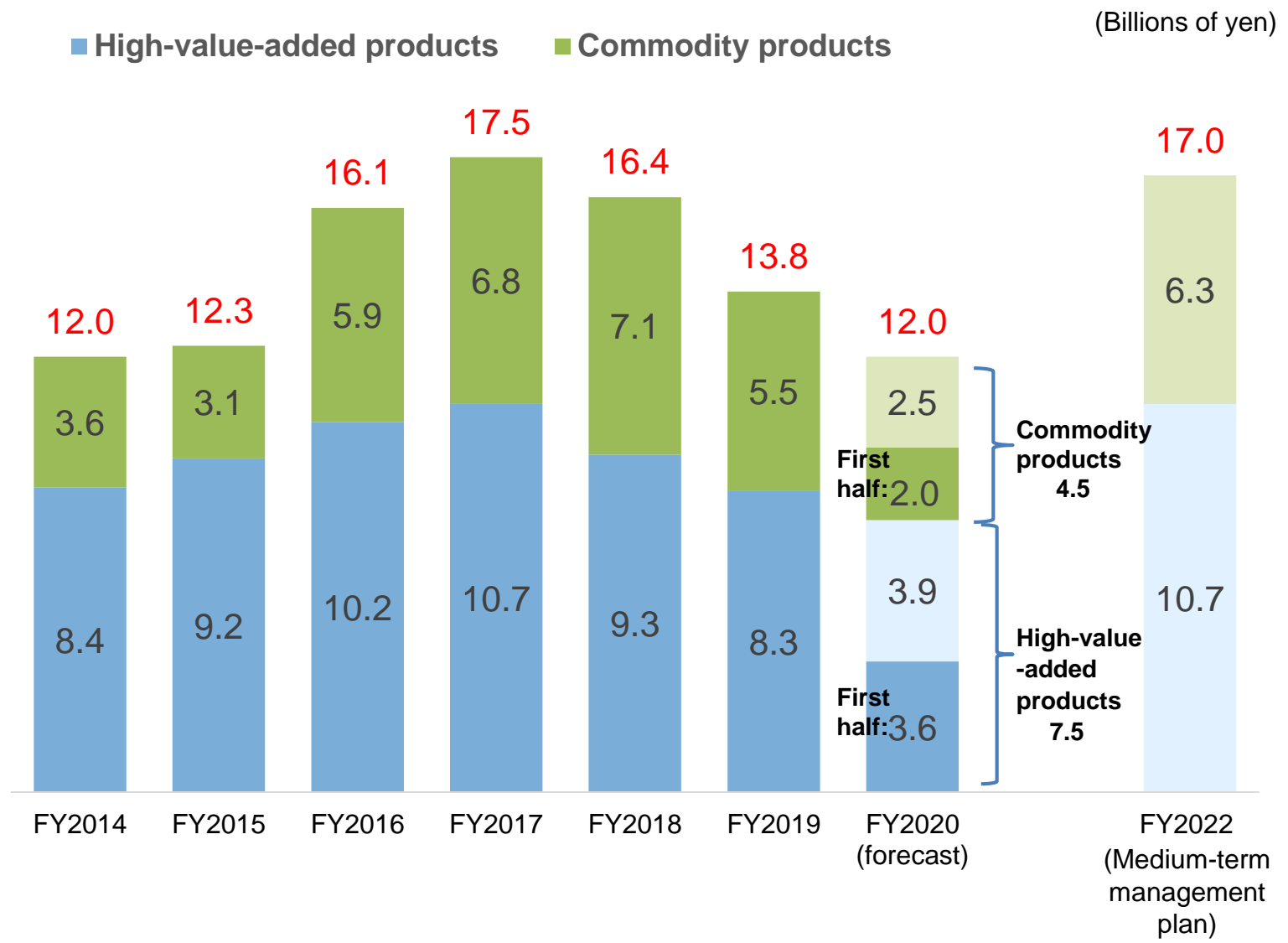




\* "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. have been applied since 2019. These partial amendments have been retrospectively applied to shareholders' equity ratios.

# Medium-Term Management Plan "Stage up for the Future"

## Operating Income Trend



## Polymer & Oligomer Segment

### **Mass-production facilities commence operation using the new ester interchange production method for ARONIX**

We established a mass production system for this toluene-free, environmentally-friendly new product of outstanding potential, with high purity meeting the stringent quality requirements of electronic materials, and new applications (anti-fog coatings, for example) utilizing features such as its total water-solubility. We plan to achieve net sales in the order of 300 to 500 million yen per year under the present medium-term management plan.



## Adhesive Material Segment

### **Expanded sales of general-purpose Aron Alpha in China**

We commenced online sales on the Alibaba Group's "Tmall.com" platform, China's largest Internet shopping mall.

We are actively launching new products in addition to our existing offerings, and will strive to swiftly secure top share in the expanding e-commerce market.



## Performance Chemicals Segment

### **Expanded and enhanced manufacturing facilities for inorganic functional materials**

Demand is increasing for antimicrobial and antivirus applications to combat the novel coronavirus infection. We have expanded and enhanced manufacturing facilities, with the increasing demand for deodorant, anti-allergen and other products that achieve a healthy and comfortable living environment. We will work to expand the business through enhanced product quality and product line-up.

### **Constructed a new filling facility for high-purity liquid hydrogen chloride at Yokohama Plant**

We completed a state-of-the-art container filling facility to respond to the shift to higher quality and increasing demand in the semiconductor industry. We achieved productivity improvements by 30% or more, through the promotion of automation and enhanced product analysis and management.

By responding to the shift to higher quality and increasing demand from users, we will promote the further strengthening of the business base.





## Commodity Chemicals Segment

### **Decided to establish a hydrogen station in Tokushima**

We support Tokushima Prefecture’s “hydrogen grid initiative,” and have decided to establish a hydrogen station on land adjoining the Tokushima Plant, in collaboration with Japan H<sub>2</sub> Mobility, LLC, in order to promote the spread of fuel cell vehicles. We will continue to contribute to achieving the goal of a “hydrogen society” and promoting sustainable society.

