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## **New Medium-Term Management Plan (2011-2013)**

### **- “ALL TOA 2013” -**

The Toagosei Group aims to continually develop distinctive high-performance products while also creating new products and businesses to support sustainable growth as a value-creating, highly profitable corporate group. Under our new medium-term management plan, dubbed “**ALL TOA 2013**,” we have sketched out a vision of the kind of corporate group we aim to become by the year 2020. “**ALL TOA 2013**” is positioned as our action plan for the three-year period from 2011 to 2013, and will be the first stage in realizing this vision.

Under our previous medium-term management plan, “**ALL TOA 2010**” (2008-2010), to accelerate the Group’s growth and further strengthen its earning power, we took steps on a Groupwide basis to expand high-value-added product operations, reinforce our existing core businesses, and create new businesses. Our efforts coincided with the onset of the worldwide economic downturn from the end of 2008, and as a result, we experienced a series of drastic changes in our operating environment. Nonetheless, we steadfastly pursued the action plan under our medium-term management plan. Thanks to this, and aided by the sharp recovery staged by the Asian economies, we expect to post record-high figures for earnings for fiscal 2010, the final year of the plan. In addition, aiming at speeding up new business creation, we have established the General Center of R&D to serve as a new research and development headquarters for the entire Toagosei Group, and have also carried out renovation work on our research facilities.

Regarding overseas economic developments in 2011 and beyond, we project overall growth led by emerging markets, but there are a number of causes for concern regarding the health of the U.S., European, and Chinese economies. The outlook of the Japanese economy currently remains very unclear. In the chemical industry, an increase in the number of companies operating petrochemical complexes in the Middle East, China, India and elsewhere, and newly participating in downstream operations, has created a more competitive situation on the international market. The operating environment is thus forecast to become even more difficult.

In these circumstances, to make possible further significant progress for the Toagosei Group, the Group's management recognizes the necessity for all Group employees to work together in the determined pursuit of common long-term goals. It is on this basis that we have drawn up the **"ALL TOA 2013"** new medium-term management plan. By 2020 we aim to become a high-profile chemicals group boasting sales of over ¥300 billion and operating income of over ¥40 billion per annum on a consolidated basis. Our **"ALL TOA 2013"** new medium-term management plan, which commences from 2011, will constitute the first step on the road to achieving these numerical targets.

Under **"ALL TOA 2013"** we plan to set out separate strategies for higher competitive power for each individual product. We will optimally allocate management resources on a Group-wide basis so as to strengthen the earnings power of our existing core products and grow our high-value-added product operations into high-earnings businesses. At the same time, under the lead of our General Center of R&D, we will implement aggressive initiatives to create new products and new businesses so as to reach the next stage in our growth - ¥200 billion in sales and ¥25 billion in operating income on a consolidated basis in fiscal 2013.

#### **1. Review of the Group's previous medium-term management plan – "ALL TOA 2010"**

We succeeded in posting the figures shown below as a result of implementation of the each **"ALL TOA 2010"** action plan.

##### **(1) Reform of Operational Structure**

- Strengthened high-value-added product operations (expand sales of UV-curable resins and high-purity silicon-based gases, and improved these products' profitability)
- Strengthened core businesses (terminated production of chlorinated organic solvents, invested in additional facilities for production of synthetic hydrochloric acid)
- Invested in new businesses (high-purity grade sulfuric acid, water-soluble polymer businesses in Singapore, raw materials for production of animal feed additives, raw materials for production of electrolyte for lithium ion batteries, maritime ballast water purification agents)
- Promoted integration of affiliated companies (Tsurumi Soda, Nihon Junyaku, Aron Ever-Grip specialize in manufacturing, Toagosei responsible for selling their products.)

## (2) Numerical Targets & Results (consolidated)

	“ALL TOA 2010” Targets	2010 Forecasts
Sales	¥193 billion	¥153.8 billion
Operating income	¥23 billion	¥21 billion
Operating income margin	12%	13.7%
Net income	¥12 billion	¥13 billion
EPS	¥45	¥51.53

Note: Projections for 2010 are figures released on January 28, 2011.

## (3) Financial Indicators

	2007	2010 Forecasts
Ordinary income margin (ordinary income as percentage of total assets)	7.4%	12.0%
R&D cost ratio (R&D costs as percentage of sales)	2.9%	3.0%

## 2. Our Corporate Vision for 2020

Leveraging our technological capabilities, we will continually develop distinctive high-performance products in each of our business fields of commodity chemicals, acrylic products, specialty chemicals, and plastics, and create new products and businesses to support our sustainable growth as a value-creating, highly profitable corporate group.

- The number of core products (those accounting for over ¥1 billion in operating income) will increase to 20 or more, and the Group will possess a number of “representative products” (those earning ¥2 billion or more in operating income). As a result, the Toagosei Group will have a strong market presence, with sales of ¥300 billion or more and operating income of ¥40 billion or more.
- The Group will enjoy a solid overseas business base, featuring a number of products with strong competitiveness in the U.S., Asian and other areal markets.
- In support of the above, the Group’s human resources will boast advanced technological expertise and high-level management know-how.

## 3. Outline of Toagosei’s new medium-term management plan - “ALL TOA 2013”

“ALL TOA 2013”, our medium-term management plan for the period 2011-2013, will serve as an action plan paving the way toward the realization by 2020 of our vision of the kind of corporate group we aim to become. The outline is as follows:

(1) **Slogan of “ALL TOA 2013” – Further growth through collaborative expertise**

To realize our targets under the “ALL TOA 2013” medium-term management plan, we focus on the following two actions;

- ① Mobilize the collective expertise of all Group employees
- ② Strengthen fruitful collaboration both among Group members and with external partners.

(2) **Performance Targets under “ALL TOA 2013”**

The principal targets are sales of ¥200 billion, operating income of ¥25 billion, and an operating income margin of 12.5%. We are considering making a total investment of approximately ¥100 billion over the three-year period, including new investments to realize our growth strategies.

	2010 Forecasts (consolidated)	2013 Targets (consolidated)
Sales	¥153.8 billion	¥200 billion
Operating income	¥21 billion	¥25 billion
Operating income margin	13.7%	12.5%
Net income	¥13 billion	¥15 billion
EPS	¥51.53	¥60

Financial indicators	2010 Forecasts	2013 Targets
Ordinary income margin (ordinary income as percentage of total assets)	12.0%	12% or more
R&D cost ratio (R&D costs as percentage of sales)	3.0%	Around 4%

(3) **Strategies and Policies under “ALL TOA 2013”**

Under “ALL TOA 2013” the Toagosei Group will pursue three growth strategies and follow three management policies. Concrete plans will be drawn up to realize these strategies and policies.

◆ **Growth Strategies**

① **Expanding earnings from core products**

We will continually expand the scale of operations of existing core products (those posting operating income of ¥1 billion or more), and will invest management resources in the production and sale of products thought likely to grow into core products in the near future, with the aim of expanding their earnings scale to ¥1 billion or more in operating income. In this way, the total number of core products will be increased.

## **② Accelerating growth in scale of high-value-added products**

Regarding the Group's high-value-added product operations, such as our downstream acrylics business, high-purity inorganic chemicals, and semiconductor materials, among others, we will not only develop products that perfectly match our customers' needs, we will also strategically open up new markets by proposing solutions to issues faced by our customers' users further downstream. In this way we will create win-win relationships with our customers and their users, which will enable us to maintain high rates of return on our investments. We will thus realize accelerated growth in the Group's operations.

## **③ Creating new products and new businesses**

All divisions within the Group, under the lead of the General Center of R&D and Aron Kasei's Monozukuri (craftsmanship) Center, will work swiftly to develop new high-value-added products. Work will also be pursued in collaboration with external resources such as universities and other companies with which the Group can share common goals at the management level.

### **◆ Management Policies**

#### **① Nurturing and utilizing human resources**

Our basic policy with regard to human resources development is to train Toagosei Group staff so all employees are able to effectively leverage their own particular expertise in their jobs. Building on this, we will also nurture specialists in each of our operational areas, as well as employees capable of fully displaying their abilities on the global stage. We will employ merit-based systems to promote qualified personnel into the ranks of the Group's future management, and give all employees the opportunity to work without worrying about their future.

#### **② Strengthening collaboration**

We will integrate related operations under the Toagosei Group umbrella and promote more efficient methods. We will swiftly implement our growth strategies through close collaboration among the different divisions of the Group, and speed up the process of creation of new products and the development of new businesses through collaboration with external resources that effectively complement the Group's own operations.

#### **③ Increasing CSR efforts**

In line with our motto: "Share more happiness with more people through the chemical business" we have drawn up a set of CSR policies for the entire Toagosei Group. Based on these policies, we are carrying out CSR activities at all our work sites both in Japan and overseas, covering the

fields of compliance, corporate governance, responsible care (RC) activities, and social contribution and communication.

#### **4. Action Plan for Operational Divisions under “ALL TOA 2013”**

##### **(1) Commodity Chemicals**

**Ensuring reliable earnings from electrolysis operations at three sites (Tsurumi of Yokohama, Nagoya, and Tokushima)**

- ① Further integration between Tsurumi Soda and Toagosei’s electrolysis operations
- ② Expansion of high-purity, highly functional product business
- ③ Aggressive development of strategic product operations
- ④ Strengthening of industrial gas operational base

##### **(2) Acrylic Products**

**Raising profitability of acrylic monomers to develop business into one of the Group’s core domains**

- ① Establishing acrylic ester operations on permanent profit-making basis through radical action
- ② Expanding operational scale, with strong earning capability both upstream and downstream
- ③ Achieving improved cost-competitiveness through use of cutting-edge technology, leading to improved earnings and growth

##### **(3) Specialty Chemicals**

**Achieving steady earnings expansion in consumer-use instant adhesives business, and expansion of business scale in high-value-added products**

- ① Increasing earnings and raising profitability in Chinese market by strengthening brand power of consumer-use instant adhesives
- ② Expanding industrial-use adhesives business through aggressive marketing of new applications, and effective R&D activity
- ③ Radical rethinking of business strategy in construction materials field
- ④ Expanding scale of sales of high-profitability products such as semiconductor materials and inorganic functional materials
- ⑤ Expanding earnings from sale of raw materials used in electrolyte for lithium ion batteries

##### **(4) Plastics**

**Maintaining earnings level of pipes and couplings business, and expanding nursing care products business**

- ① Raising profitability of the pipes and couplings business through radical restructuring

- ② Strengthening brand power in field of nursing care products, and expanding total business scale through new product development
- ③ Expanding downstream operations by combining Toagosei's management resources with Aron Kasei's proprietary technology