Annual Report 2014

Strengthen Business Structure then Create New Products

TOAGOSEI

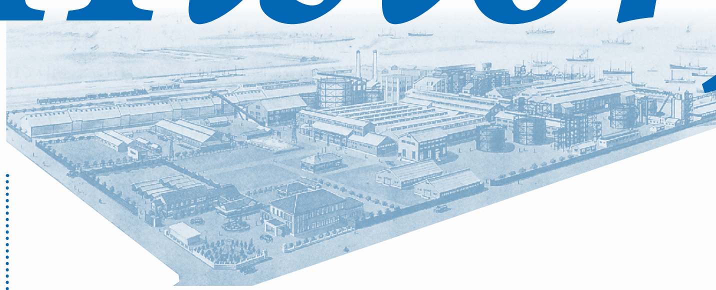
Profile

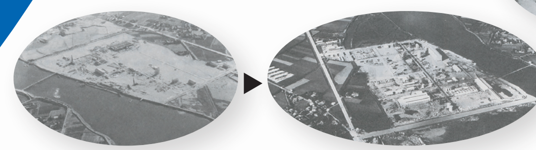
Since its establishment on March 31, 1942, Toagosei Co., Ltd. has continued to grow along with the whole chemical sector in Japan. Including the parent, Toagosei, the Group comprises 35 companies, engaged in four principal business domains, Commodity Chemicals, Acrylic Products, Specialty Chemicals and Plastics, each of which leverages its unique strengths to push out the frontiers in technological and product development.

As of December 2014, the Group's sales came to ¥149 billion and its workforce totaled 2,442, both on a consolidated basis.

Under its slogan "Sharing more happiness with more people through the chemical business," the Group manufactures and markets high value-added products on a global scale, from bases in Japan, Singapore, China, Taiwan, South Korea and the United States.

Corporate History





1933

Yahagi Kogyo Co., Ltd., a predecessor of Toagosei, was founded. Manufacturing of ammonium sulfate, sulfuric acid, and nitric acid commenced using surplus electricity from its parent company.

1942

The second Yahagi Kogyo Co., Ltd. was founded, resulting in the establishment of Toagosei.

1944

Showa Soda Co., Ltd., Hokkai Soda Co., Ltd. and Rayon Soda Co., Ltd. were merged into the second Yahagi Kogyo Co., Ltd. to form "Toagosei Chemical Industry Co., Ltd."

1957

A new factory (Tokushima Factory) was established to produce caustic soda and organic solvents in Tokushima Prefecture.

1960

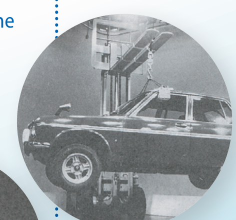
An acrylic ester plant was completed in the Nagoya factory for the first time in Japan.

1963

Manufacturing of instant glue *Aron Alpha* commenced.

1973

Affiliated company Toajushi Kogyo Co., Ltd. merged with Teraoka Seisakusho, forming "Aronkasei Co., Ltd."



1930's

1940's

1950's

1960's

1970's

Contents

Head Office

General Center of R&D

Monodukuri Center
(Aronkasei Co., Ltd.)

1983

"Oita Chemical Co., Ltd." was established in Oita Prefecture to produce acrylic acid.

1991

"Institute for Advanced Sciences (formerly Tsukuba Research Laboratory)" was founded to develop new technology and products centered on life science.

1994

Our company was renamed "Toagosei Co., Ltd." on our 50th anniversary.

2001

The industrial gas business was spun off, and its operation was commenced as "Toa Techno-Gas Co., Ltd."

2003

Kyoei Shoji Co., Ltd. and Sansei Shoji Co., Ltd. merged, resulting in a company named "TG Corporation."

2006

The polymer flocculant business was split off and MT AquaPolymer, Inc. was established as a joint venture with Mitsui Chemicals Inc.

2007

MT Ethylene Carbonate Co., Ltd. was established for manufacture of ethylene carbonate as a joint venture with Mitsui Chemicals Inc.

2011

Aronkasei Co., Ltd. became a wholly owned subsidiary.

2013

Tsurumi Soda Co., Ltd. and Nihon Junyaku Co., Ltd. were merged into Toagosei Co., Ltd.

Commercialization of the Gas-Diffusion Electrode Method, the world's first energy-saving technology.

2010's

2000's

1990's

1980's

1989

The New York Office was locally incorporated to establish "Toagosei America Inc."

1993

"Toagosei Hong Kong Limited" was established to market *Aron Alpha* in Hong Kong.

1994

Our first overseas factory was established in Ohio, U.S.A. Filling and packaging of *Aron Alpha* (U.S. brand name: *Krazy Glue*) were commenced.

1995

"Toagosei Asia Pte Ltd." was established in Singapore.

1996

Production in China was commenced at "Toagosei (Zhuhai) Limited," a factory for filling and packaging *Aron Alpha*.

1997

A facility for manufacturing acrylic acid and acrylic esters was completed in Singapore and its operation was commenced.

2000

Toa-Jet Chemical Co., Ltd. and Taiwan Toagosei Co., Ltd. were established to manufacture and market UV-curable resin (*Aronix*) in Taiwan.

2004

TOA-DIC Zhangjiagang Chemical Co., Ltd." was established in Zhangjiagang, Jiangsu Province in China for manufacturing and marketing of UV-curable resin.

Singapore Acrylic Ester Pte Ltd. became a wholly-owned subsidiary,renamed "Toagosei Singapore Pte Ltd."

Toagosei's Strengths

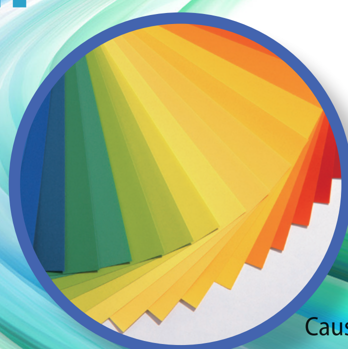
Diverse and stable business portfolio

Broad product lineup from upstream to downstream

Toagosei's operations span from Commodity Chemicals used in various industries to Specialty Chemicals like *Aron Alpha*.

Upstream

Commodity Chemicals



Caustic soda

Sodium hypochlorite

Acrylic monomers

Sulfuric acid

Specialty Chemicals

Acrylic polymers

Business Domains

Toagosei conducts business in four business domains—Commodity Chemicals, Acrylic Products, Specialty Chemicals, Plastics.

Plastics

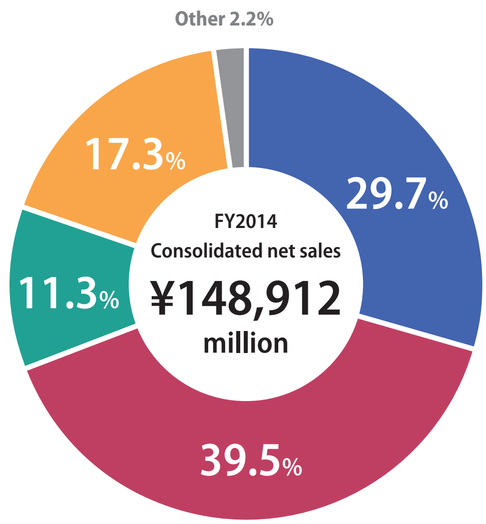
Sales
¥25,705 million

Segment income
¥1,416 million

Specialty Chemicals

Sales
¥16,833 million

Segment income
¥3,802 million



Commodity Chemicals

Sales
¥44,305 million

Segment income
¥2,841 million

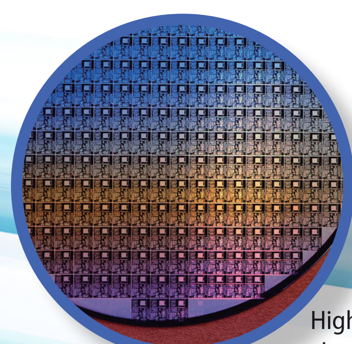
Acrylic Products

Sales
¥58,787 million

Segment income
¥3,936 million

Establishment	Total assets	Number of consolidated subsidiaries
1942	¥201,168 million	35

Instant glues *Aron Alpha*
(U.S. brand name: *Krazy Glue*)



High-purity inorganic chemicals

UV-curable resins

Downstream

Nursing care products

Amenity care materials

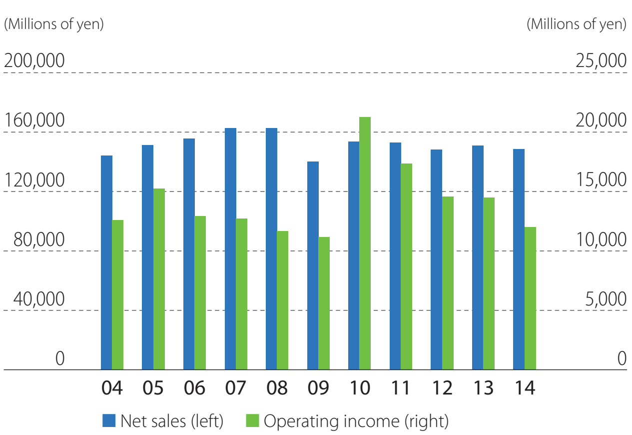
Eleven-Year Summary

Toagosei Co., Ltd. and Consolidated Subsidiaries

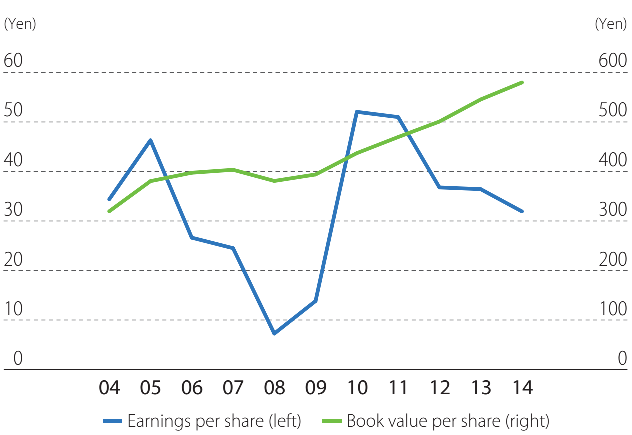
Years ended December 31	2004	2005	2006	2007
Income				
Net sales	¥144,283	¥151,443	¥155,804	¥162,729
Operating income	12,611	15,236	12,950	12,719
Income before income taxes and minority interests	10,321	16,846	13,522	13,295
Net income	8,996	12,131	6,961	6,403
Capital investment	6,895	7,071	9,241	6,949
Research and development expense	5,032	5,275	5,010	4,794
Cash flows				
Cash flows from operating activities	14,912	18,380	11,600	15,651
Cash flows from investing activities	(9,469)	(6,889)	(10,093)	(4,209)
Free cash flow	5,443	11,491	1,507	11,442
Cash flows from financing activities	(2,316)	(10,711)	583	(15,894)
Balance sheet				
Total assets	174,766	186,521	195,607	182,681
Net worth*	83,513	99,501	103,870	105,339
Per share of stock				
Earnings per share (Yen)	34.4	46.3	26.6	24.5
Book value per share (Yen)	319.7	380.6	397.6	403.5
Cash dividends applicable to the year (Yen)	6.0	7.5	7.5	8.0
Ratio				
Return on equity (ROE) (%)	10.8	13.3	6.8	6.1
Return on total assets (ROA) (%)	5.1	6.7	3.6	3.4

* Net worth refers to the amount of net assets after deduction of minority interests.

Net sales / Operating income

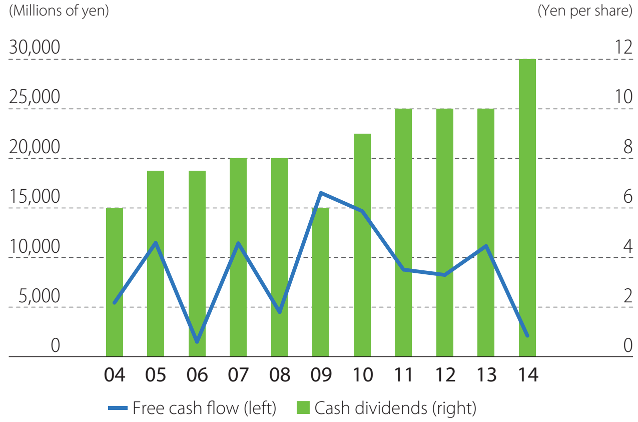


Earnings per share / Book value per share

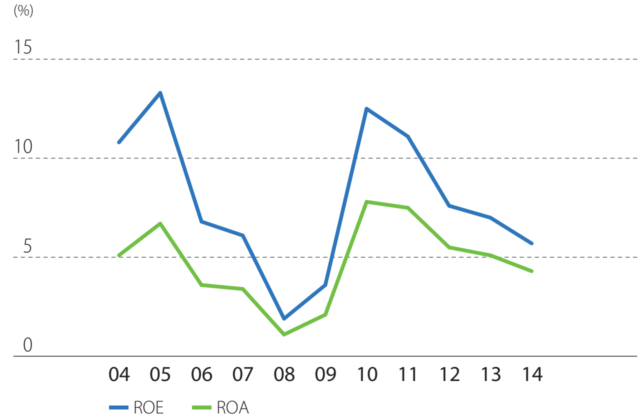


	2008	2009	2010	2011	2012	2013	Millions of yen **2014**	Change (%) 14/13
	¥162,615	¥140,033	¥153,779	¥153,007	¥148,203	¥151,081	**¥148,912**	(1.4)
	11,668	11,158	21,271	17,338	14,583	14,501	**12,015**	(17.1)
	6,869	7,205	17,917	18,992	14,518	14,731	**13,164**	(10.6)
	1,895	3,541	13,133	13,000	9,699	9,605	**8,414**	(12.4)
	6,689	5,971	10,555	10,449	12,886	7,425	**7,768**	4.6
	4,753	4,472	4,582	4,603	4,360	3,767	**3,865**	2.6
	13,280	22,701	24,843	17,828	23,293	18,023	**16,098**	(10.7)
	(8,776)	(6,174)	(10,155)	(9,041)	(15,041)	(6,852)	**(13,981)**	(104.0)
	4,504	16,527	14,688	8,787	8,252	11,171	**2,117**	(81.0)
	(4,057)	(13,992)	(4,117)	(7,320)	(3,377)	(2,094)	**(3,063)**	(46.3)
	172,464	161,609	173,847	171,046	181,451	193,086	**201,168**	4.2
	99,271	99,449	110,283	123,826	132,074	143,722	**152,712**	6.3
	7.3	13.9	52.1	51.0	36.8	36.4	**31.9**	(12.4)
	381.0	394.0	437.1	469.6	500.9	545.5	**579.8**	6.3
	8.0	6.0	9.0	10.0	10.0	10.0	**12.0**	20.0
	1.9	3.6	12.5	11.1	7.6	7.0	**5.7**	—
	1.1	2.1	7.8	7.5	5.5	5.1	**4.3**	—

Free cash flow / Cash dividends



ROE / ROA



Interview with the President

Q Market environment in 2014 and business performance

The Japanese economy continued to lack overall vigor in 2014, mainly due to a significant downturn in consumer spending following the increase in the consumption tax rate and faltering growth in exports due to the slowdown in the Chinese economy. The lackluster performance defied expectations for a supportive effect from the financial and fiscal policies of the government and the Bank of Japan.

The business environment surrounding the Toagosei Group presented external changes going into the second half of 2014, such as the sharp drop in crude oil prices, but overall, fuel and raw material prices remained high due to the yen's depreciation and high crude oil prices—a tough situation that continued to weigh on our earnings.

In this situation, the Functional Chemicals and Plastics segments recorded year-on-year increases in earnings, but the Group saw overall sales and income decline, mainly due to a delay in the correction of product prices in the Commodity Chemicals and Acrylic Products segments.

Q Initiatives in 2014 and challenges for 2015

In 2014, we strengthened the foundation of our acrylic business, with our subsidiary Oita Chemical Co., Ltd. achieving a smooth start of operations at its new acrylic acid plant, which has an annual production of 80,000 tons. Meanwhile, we decided

Kazuaki Nakagawa, *President*

Profile

April 1977	Joined Toagosei
April 2006	Division Director of Adhesive Department
March 2007	Executive Officer, Functional Materials Department
April 2010	Executive Officer, Acrylic Products Department
March 2012	Director, Supply Chain Management Division
March 2013	Director, Administrative Division
March 2015	President and Representative Director

to expand the range of high purity inorganic products at our Tokushima Plant. Moreover, in instant adhesive products, we launched a new product in the *Aron Alpha* line in Japan called *Color Change* in August, while in the U.S. market we are preparing to launch new *Krazy Glue* products in the first half of 2015.

In 2015, we will intensify our sweeping reforms in our existing businesses in Japan, aiming to further strengthen our internal structure and accelerate new product development. We will also examine options for overseas expansion in the fields of acrylic polymer products and adhesives.

Q Dividend payments for 2014 and policy on shareholder returns

Our basic shareholder return policy is to pay stable dividends of ¥10 per share annually (Note). In determining the amount of dividends to be paid, we take into account the performance for the fiscal year in question, and factors such as the future outlook, and forecast performance figures. In 2014, we celebrated our 70th founding anniversary, and so in addition to the ordinary dividend of ¥10, we have decided to pay a commemorative dividend of ¥2 for a total annual dividend of ¥12.

In allocating our internal reserves, we will place importance on ensuring a sufficient amount of retained earnings to maintain a sound financial position. We must secure sufficient funding to finance R&D activities and capital investment needed to prepare us for an expected increase in competition.

(Note) The stable dividend standard will change to ¥20 per share following a reverse stock split scheduled to take place on July 1, 2015.

Q Forecast for 2015

The outlook for the Japanese economy remains uncertain. On one hand, wage increases are expected to stimulate a recovery in personal consumption by increasing real incomes, but there are issues of concern such as the prolonged slowdown in China's economic growth and economic turbulence in Europe. The chemical industry is also likely to remain in an unpredictable situation, with the drop in crude oil prices bringing down manufacturing costs, while at the same time creating concern over a fall in product prices.

In 2015, the Toagosei Group is forecasting net sales of ¥150,000 million (up 0.7% year on year), ordinary income of ¥14,000 million (up 16.5%), ordinary income of ¥14,800 million (up 14.8%), and net income of ¥9,500 million (up 12.9%). In addition to an interim dividend of ¥6 per share (before the reverse stock split), we are planning to pay a year-end dividend of ¥12 (after the reverse stock split; equivalent to ¥6 per share ignoring the reverse stock split) for an annual dividend at the same level as 2014.

Notification of change of unit share and reverse stock split

1. Change of the unit share

(1) Reason for the change

Securities exchanges throughout Japan have announced an action plan for unifying the trading unit of shares, aimed at having all listed Japanese companies adopt a unified trading unit for common stock (unit share) of 100 shares. Since it is listed on the Tokyo Stock Exchange, the Company is complying with this move by changing the trading unit for its shares (unit share) to 100 shares.

(2) Details of the change

The Company's unit share of common stock will change from 1,000 shares to 100 shares.

(3) Effective date for the change of the unit share

July 1, 2015

2. Reverse stock split

(1) Purpose

In addition to changing the Company's unit share from 1,000 to 100 shares, the Company is also considering the preferred level of investment unit amount on the Tokyo Stock Exchange (between ¥50,000 and ¥500,000) in conducting the reverse stock split.

(2) Details of the reverse stock split

The Company will conduct a 1-for-2 reverse stock split of its common stock.

In accordance with the Companies Act, the Company will cancel any fractional shares generated by the reverse stock split in a single transaction, and the payment for their cancellation will be allocated to the shareholders of the fractional shares in proportion to their share of the fractional shares.

(3) Effective date for the reverse stock split

July 1, 2015

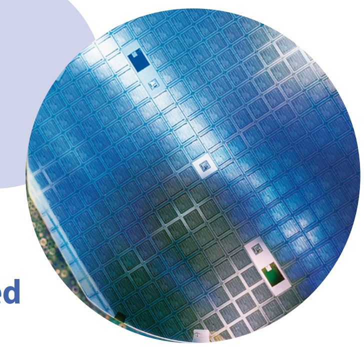
Overview by Business Segment

Commodity Chemicals

In our Commodity Chemicals business, which boasts the longest history of all operations in the Toagosei Group, we produce caustic soda and chlorine through electrolysis of salt water. Chlorine is then combined with other elements to produce a variety of inorganic chemical products such as hydrochloric acid, and sodium hypochlorite which is used to sterilize tap water. We also manufacture high-purity inorganic chemical products, which are employed in the production of such leading-edge industrial products as semiconductors and liquid crystals. In this way, we work to develop new products that match society's ever-evolving needs.

Caustic soda

As caustic soda is used as a basic raw material in a variety of fields, the degree of development of the soda industry is considered by some to be a yardstick for a country's economic development. The Toagosei Group's caustic soda is used in wood chip digestion and bleaching in the manufacture of dissolving pulp and chemical products, among other applications. It is supplied to widespread areas by tanker trucks, ships, and other means.



High-purity liquefied hydrogen chloride

High-purity liquefied hydrogen chloride is a product that has been highly purified to the 99.999% purity level by drying, dehydrating, and purifying hydrogen chloride gas generated from synthetic hydrochloric acid. Toagosei is the only manufacturer of this chemical in Japan.

This chemical is essential in the semiconductor manufacturing process and is used in such cutting-edge fields as electronics, pharmaceuticals, and LCD manufacturing.

Toagosei boasts world-leading product quality through consistent control, including container provision.

Sulfuric acid

As a basic material in the chemical and related industries, sulfuric acid is widely demanded and used as a raw material for fertilizers, synthetic fibers, inorganic chemicals, and other areas.

Sodium hypochlorite

Sodium hypochlorite is used for applications such as disinfecting or sterilizing water. High grade sodium hypochlorite with few impurities is used in applications requiring a high level of safety, such as tap water or swimming pools. Amid increasing calls for safer and more secure water supplies in recent years, special grades of the chemical with extremely low levels of impurities such as chloric acid or bromic acid are becoming widespread.

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Strengthening Competitiveness in the Electrolysis Segment

- Continuing commercialization of gas-diffusion electrode-type electrolysis at the Tokushima Plant, we will propagate the method to other factories in line with the electrolysis plant process reforms initiated by the project team launched in 2014

Business Expansion in High-Purity Inorganic Products

- Decision to expand liquefied hydrogen chloride at the Tokushima Plant following an increase in exports to Asia

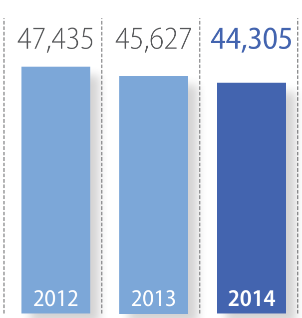
2014 Review—First Year Achievements of Medium-Term Management Plan

In 2014, sales and income rose in high-purity products, while declining in chlor-alkali and sulfuric acid products and industrial gases

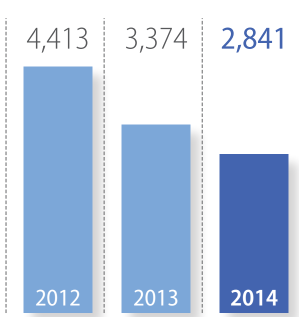
The Toagosei Group's Commodity Chemicals business comprises the chlor-alkali and sulfuric acid business, high-purity products business, and industrial gases business. Under the current medium-term management plan, we have set ourselves the target of aggressively developing and expanding the high-purity products business as a profit generator, while ensuring stable performance in the other more mature, established businesses of chlor-alkali and sulfuric acid products and industrial gases.

In 2014, both sales and income were significantly lower than initial targets, due to sluggish demand for chlor-alkali and sulfuric acid products, as well as higher raw material prices. Moreover, industrial gas products also fell short of target on weak demand. On the other hand, sales and profits for high-purity products remained nearly on target due to an upswing in shipments in line with brisk performance in the key electronic materials field—including for semiconductors and LCDs—as well as improved margins due to price revisions.

Sales
(Millions of yen)



Segment income
(Millions of yen)



Medium-Term Management Plan Initiatives in 2015 (Issues to Be Addressed)

In 2015, target expanded in earnings performance with an eye to efficient management of core businesses and aggressive promotion of business strategies

Tsurumi Soda Co., Ltd. was integrated with Toagosei in January 2013 and was repositioned as the Yokohama Plant. By optimizing the production system of the three plants in Nagoya, Yokohama, and Tokushima and practicing efficient business management, our goal is to strengthen the position of our chlor-alkali business in the industry and further increase earnings.

In the chlor-alkali and sulfuric acid business, we are investing to strengthen our production base in order to achieve consistent earnings performance. In particular, we have successfully started operation of Japan's first gas-diffusion electrode-type electrolysis tank, which we introduced at the Tokushima Plant in 2013 to reduce electricity costs. The new method has achieved its initial targets, and we plan to gradually introduce it at the Yokohama and Nagoya plants.

In the high-purity products business, we aim to further boost earnings. To this end, we will continue making strategic investments in high-purity liquefied hydrogen chloride to adequately address rising demand from the semiconductor sector, mainly in East Asia; improve productivity; establish a BPC; and promote a streamlined production, filling, and shipping system. In high-purity agents, we will focus on promoting further increases in purity and differentiation of existing products in order to meet customers' needs

In the industrial gases business, we plan to become the most profitable industrial gas supplier in the Chubu (Nagoya) region by building an efficient business model and stepping up marketing. We are also upgrading to state-of-the-art industrial gas facilities.

Overview by Business Segment

Acrylic Products

The Acrylic Products business is one of the core operations of the Toagosei Group, and Group enterprises within Japan and overseas are working together to strengthen our business base in this field. Our aim is to expand our operations in acrylic derivatives—the downstream portion of our acrylic chain—while also strengthening our business base in the Group's acrylic acid operations, which is the initiation point of the chain, by enabling the production of cost-competitive derivatives. We boast one of the world's highest levels of technological expertise in the field of UV-curable resins, and our products are being manufactured in Japan, Taiwan, and China and marketed all around the globe under the brand name *Aronix*.

Acrylate esters

Acrylate esters, which were first successfully industrialized in Japan by Toagosei, are manufactured by combining crude acrylic acid and alcohol and then rectifying it. They possess outstanding properties including flexibility, durability, glossiness, transparency, and adhesiveness.

Acrylate esters are used as a raw material for various acrylic polymers as well as textiles, paints, adhesives, and other products.

Polymer flocculants

ARONFLOC

The *ARONFLOC* series includes cationic polymer flocculants suitable for treating various kinds of organic sludge such as sewage, human waste, and household and industrial wastewater.

Acrylic polymers

Acrylic polymers utilize the outstanding properties of acrylate esters in additives such as dispersants and thickeners, and are also used in adhesives, binders, paint vehicles, pharmaceuticals and cosmetics, as well as in toiletries, and a wide range of other fields.

Toagosei offers a product lineup that includes the highly reactive macromolecule macromonomer, graft polymers, and the solvent-free polymer *ARUFON*.

UV-curable resin

Aronix is the name for special acrylic monomers and oligomers manufactured and sold by Toagosei. They are UV-curable resins that can be cured in a short period of time by exposure to light, including UV light. Because *Aronix* can also be used in heat-sensitive materials, it is utilized in a wide range of fields including as a surface coating in mobile phones and devices, and in inks and paints. *Aronix* is manufactured at Toagosei's Nagoya Plant, at Taiwan Toagosei Co., Ltd. in Taiwan, and at TOA-DIC Zhangjiagang Chemical Co., Ltd. in China.

Key Business Segment Action Plans

Strengthening Competitiveness Capabilities in Downstream Products

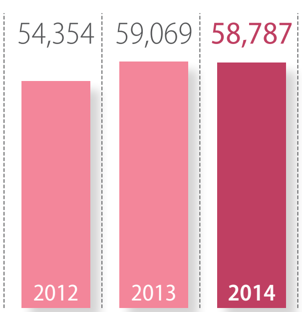
- Select new themes for polymer products in energy, infrastructure, electronic materials, and promote development within the newly established New Products Research Group
- Opened new markets for completely toluene-free environmental products with *Aronix* and developed products with high functionality

2014 Review—First Year Achievements of Medium-Term Management Plan

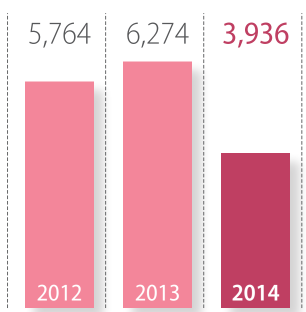
The Acrylic Products business is engaged in producing chemicals ranging from monomers, including acrylic acid—the starting point of the business—and acrylic ester, to downstream derivatives such as acrylic polymers and UV-curable resins (*Aronix*). In the monomer business, we continued to focus on the stable improvement of profits through the building of a new business model for production and sales. Further, Toagosei made steady progress in construction to increase acrylic acid production capacity at Oita Chemical Co., Ltd. from 60,000 tons to 140,000 tons per year. Construction was completed in January 2014, and production commenced in May of the same year.

In the polymer business, we took active steps to raise productivity in order to boost profitability and increase market share. At our operations in Singapore, we worked to secure profits from monomer products and actively expanded sales of water-soluble polymers. In the *Aronix* business, sales of some products in the electronic materials field declined. Although we could not offset the decline completely, we took steps to improve existing products to conform to the regional characteristics of Japan, China, and Taiwan, and aggressively developed new products for advanced applications such as flat panel displays.

Sales
(Millions of yen)



Segment income
(Millions of yen)



Medium-Term Management Plan Initiatives in 2015 (Issues to Be Addressed)

In spring of 2014, Toagosei boosted the annual production capacity of Oita Chemical Co., Ltd.'s acrylic acid facilities to 140,000 tons per year in order to further enhance its competitiveness across the entire acrylic chain, from upstream monomers to downstream functional polymers. Now, we will take steps in the monomer business to further increase profitability by creating a new business model to undertake domestic and overseas production and sales in tandem with the Company's Singapore base. In the polymer business, we will make maximum use of the increase in acrylic acid production capacity. To this end, we will further expand sales of polymer products and enhance our manufacturing technology capabilities. We will also increase the production efficiency of its mainstay water-soluble polymer and emulsion product lineups and expand into peripheral fields. In addition, we will work to improve profitability by promoting the development of high-value-added products that utilize our seed technologies.

In addition, we plan to develop competitive new products in the flocculant business at MT AquaPolymer, Inc. and in the water-soluble polymer business in Singapore, and to promote business development that will improve earnings. In the *Aronix* business, we will leverage the strengths of our three production bases in Japan, China, and Taiwan, focusing on developing chemical products in grades tailored to local needs. We will also work to expand sales by using innovative manufacturing technologies to develop other distinctive products.

In the energy, infrastructure, and optics fields, we will work to strengthen downstream businesses and further improve profitability by identifying market needs from new perspectives and advancing technological innovation, and channeling this to create demand for acrylic products. We will expand these downstream products, develop new manufacturing technologies, and aggressively roll out new competitive product lines in Asia while working to increase the overall profitability of the Group's acrylic chain.

Overview by Business Segment

Specialty Chemicals

Functional Chemicals

We manufacture a wide range of adhesives offering unique features and developed by our proprietary technologies. In addition to instant glues, we offer hot melt, light curable, and reactive adhesives, meeting user needs in the electronics and automotive industries, and many other fields. Our environmentally friendly products for architectural and civil engineering use help improve the longevity of buildings and other structures.

Functional adhesives

In the field of industrial adhesives, Toagosei offers an extensive product lineup, including *Aron Alpha* for industrial use; hot melt adhesives, which adhere by melting with heat; and UV-curable adhesives, which adhere by exposure to light.

Products for construction and civil engineering

As for products for construction and civil engineering, Toagosei offers a rich product lineup centered on acrylic rubber waterproofing coating materials, including waterproofing coating materials for rooftops and protective coatings for exterior walls.

Toagosei also provides services that extend the life of buildings, such as protective coatings and deterioration protection for various structures.

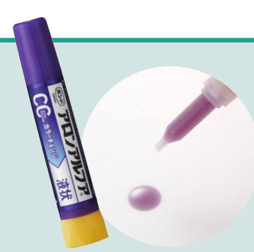
In addition, we offer civil engineering-related products, such as ground stabilizer used in foundation construction.

TOPICS

Launch of the *Aron Alpha Color Change Formula* from the United States that goes on purple and dries clear

Although a purple liquid when applied, it turns clear after drying. This instant glue, which is sold under the name *Color Change Formula* in the United States, was developed and first sold by the Toagosei Group in 2002 based on feedback provided by local customers. Because of its coloring, it is easy to see where it has been applied and can be safely used by young and old, making it convenient to use. As a result, 10 years after its initial launch, it is still favored by customers today.

We have named the *Color Change Formula*, which is popular in the United States, with the Japanese equivalent of the English name and started sales in Japan. With the proprietary technological capabilities of a top manufacturer, we will promote the development of the high-performance and high-quality *Aron Alpha* products that meet the needs of our customers.



Aron Alpha Color Change Formula goes on purple and dries clear

Color Change Formula sold in the United States

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Newly Developed High-Value-Added Adhesive

- Further developed order-made functional adhesives with customers for use in advanced applications
- Now developing new *Aron Alpha* products to expand the applications for instant adhesives to follow on from the *Color Change* product

2014 Review—First Year Achievements of Medium-Term Management Plan

In adhesives, we achieved the goals set for 2014 and the medium-term management plan through higher sales of the household-use product, *Aron Alpha*, and adhesives for electronics materials used to make mobile devices. The *Aron Alpha* brand of instant adhesives retained top share due to brisk sales of established product such as *EXTRA High-Speed All-Purpose* and *EXTRA GEL*, as well as the effect of launching the new "*Color Change*" product.

Moreover, in addition to our sales campaign, we promoted brand recognition among younger consumers through craft events and so forth. In the United States, *Krazy Glue* maintained its top market share because of enhanced promotional activities based on TV commercials and the Internet. In China, we focused on marketing to convenience stores and Japanese mass retailers.

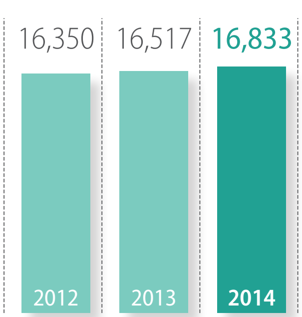
Despite sluggish performance in the area of housing materials, partly because of the impact of an increase in the consumption tax rate, overall sales of functional adhesives were driven by increased sales of reactive type adhesives used in mobile devices and automobiles.

As a result, sales and income in the adhesives business increased, which enabled us to achieve medium-term management plan targets.

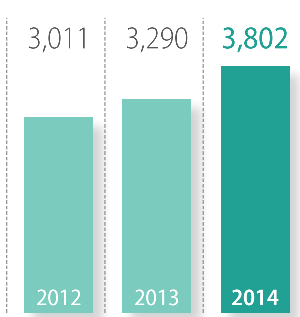
In construction materials, despite increased sales of construction repair materials and ground hardeners, we were unable to reach the medium-term management plan targets for 2014. In construction repair materials, we continued to steadily build our performance record in construction by aggressively promoting our mainstay exterior wall and rooftop waterproofing materials and tile coatings and by increasing our sales team. As a result, sales exceeded fiscal 2014 targets; however, operating income did not meet the target, as the higher sales could not completely absorb a rise in expenses.

In civil engineering, sales of surface protection coating materials declined and did not reach the full-year target.

Sales
(Millions of yen)



Segment income
(Millions of yen)



Medium-Term Management Plan Initiatives in 2015 (Issues to Be Addressed)

In adhesives, we will expand sales of the new Color Change product in Japan and step up promotion activities to bolster the *Aron Alpha/Krazy Glue* brands and increase their market share.
Meanwhile, for overseas markets, we will launch new products with innovative new containers that are easy to use.

In order to create attractive new products, we will strengthen systems for developing adhesives, containers, and sales channels and deepen collaboration among Group companies in Japan, the United States, and China.

In functional adhesives, we will tap into new demand and promote ongoing business expansion to address the rapidly increasing functionality of electronic materials used in the automobile and telecommunication fields.

In construction materials, we will standardize and systemize our proposal-type sales activities, while making a shift to SNS-based sales promotion activities and achieving marketing reforms. Through these initiatives, we aim to expand sales of the construction repair materials business.

Looking ahead, as Japan experiences an expected increase in construction work including work related to the 2020 Tokyo Olympic and Paralympic Games, peripheral redevelopment projects, and the government's project for Building National Resilience, we will make an all-out effort to expand our construction materials business, including in the civil engineering field.

Overview by Business Segment

Specialty Chemicals

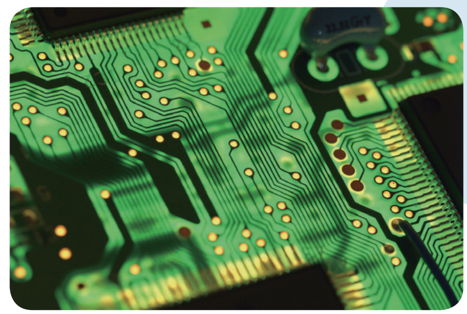
Advanced Chemicals

Our amenity care materials feature a variety of functions, including superior heat resistance and safety, in order to support people's comfortable daily lifestyles. We have also developed a next-generation series of hybrid electronic materials with high functionality and high purity, and offer customized solutions to suit each user's needs.

Silver-based antimicrobial agent

Novaron

Novaron, a silver-based antimicrobial agent derived from inorganic ion exchangers developed by Toagosei, has uniform fine particles, low moisture absorption, and outstanding heat resistance. It can be easily mixed into textiles, films, and molded plastic products, and can also be dispersed easily in paints. Highly stable both physically and chemically, it possesses excellent resistance to color and fading. *Novaron* is extremely safe and has been approved by the United States Food and Drug Administration. It has shown to be effective in disabling a variety of viruses including influenza and SARS.



High functionality ion-trapping agent

IXEPLAS

IXEPLAS is a new product based on the ion-trapping agent *IXE* with a finer particle size and higher performance. It offers a dramatic improvement in ion-trapping capability for copper or chlorine ions. By controlling migration* and trapping impure ions, *IXEPLAS* enhances the reliability and durability of electronic components.

* Migration: A phenomena in which the metal used for wires or electrodes migrates to the surface of an insulator.

TOPICS

Deodorizes foul odors
Launch of chemical absorbent deodorant *KESMON MASK*

KESMON MASK is a deodorizing non-woven mask that is combined with the chemical absorbent deodorant *KESMON* developed by Toagosei. The *KESMON* deodorant coated onto the deodorizing filter has an instant chemical reaction with foul odors that pass through the mask. This deodorizing feature reduces odor concentration to a level unattainable by conventional activated charcoal masks that deodorize without chemical reaction. With its strong deodorizing effect on odors, especially highly unpleasant odors

KESMON MASK with deodorant *KESMON*

and excretory odors, the mask will improve the work environment for people working at waste treatment plants, cattle farms, sewage treatment plants, garbage disposal facilities, hospitals, and nursing care facilities, as well as people working around the home.

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Downstream Development of Amenity Care Products

- Strengthened brand development for amenity care products using Toagosei's proprietary functions, such as deodorizing and antimicrobial, as well as development of functional textiles in an outside of Japan

2014 Review—First Year Achievements of Medium-Term Management Plan

Released advanced amenity care materials and streamlined production

We commenced sales of the end product *KESMON MASK* for mainly industrial use. This new highly functional amenity-application materials product uses its characteristic chemical adsorption to deliver superior deodorizing performances in a wide array of industrial settings. We also began examining the market for deodorizing non-woven fabric as a product that can be processed into various items by customers.

In manufacturing, we revised and streamlined the zirconium phosphate compound production process and operating conditions at the Tokushima Factory.

Strengthened the foundation of the electronic materials business

We strengthened our cost competitiveness in high-purity hexachlorodisilane (HCD) used for semiconductor insulating films by making ongoing improvements to manufacturing technology. Thanks to this, we have maintained our position as the world's leading manufacturer of HCD.

We have received positive customer evaluations for the consistent high quality of our high-purity ethylene carbonate (EC) material, which is used as an electrolyte in lithium-ion secondary batteries. We established a supply system to meet expanding demand going forward.

Medium-Term Management Plan Initiatives in 2015 (Issues to Be Addressed)

Revamp amenity care functional products and accelerate downstream expansion

(1) Establish an overall brand for amenity care materials and secure regular customers by entrenching the brand.

To enlarge and strengthen the business base for amenity care functional products, we will secure the market and customers who make continued use of them. We will establish an overall brand for amenity care functional products that can provide a wide range of functions such as antimicrobial, antifungal, antiviral, and antiallergenic properties, and actively develop them into a market.

(2) Plan and commercialize industrial-use amenity care products as an initiative for downstream product development, and pioneer new sales promotion methods.

Accelerate commercialization involving partnership with industrial product manufacturers, display the Company's brand on products whose functional effectiveness has been confirmed, and increase and establish the brand capabilities of amenity care functional materials among product manufacturers and users.

(3) Promote development toward fabricated products (masterbatch, dispersing liquids, etc.) and provide integrated services from instruction on use to efficacy assessment.

Focus on deodorants as an application where the product effect is clearly evident. Target deodorizing fibers that can demonstrate the characteristics of fine particles, and promote development of masterbatch and dispersing liquids.

Strengthen the foundation of the EC business

(1) Prepare for start of automotive LiB applications by increasing differentiation from competitors' products.

Smoothly commence supply of high quality EC, and win further customer trust through consistent product quality.

(2) Promote development of new applications.

Continue application development focused on composite material and cleanser applications that can fully leverage the characteristics of EC.

Overview by Business Segment

Plastics

In 1951, Aronkasei Co., Ltd. became the first Japanese enterprise to launch rigid PVC piping products on the market, under the brand name *Aron Pipe*. Since then, Aronkasei has leveraged its original *monodukuri* (excellence in manufacturing) capabilities to meet society's needs, responding to new developments from one generation to the next. In addition to the plastics processing technologies we have developed and perfected over many years, we also deploy our staff's expertise in the properties of materials, as well as their know-how required for the practical commercialization of products, enabling the Company to make important contributions to society in a wide field from daily life through infrastructure construction and maintenance to urban development.

Piping equipment

The piping equipment business has advanced with the spread of rigid PVC piping and has accumulated an extensive track record that extends over more than half a century. The small diameter joint boxes and manholes made of polyvinyl chloride that we developed based on the creative ideas of Aronkasei Co., Ltd. have greatly contributed to the spread of sewer systems. In addition, in the field of rainwater drainage, we have developed a small-diameter rainwater inlet.
Small diameter inlet made of polyvinyl chloride

Aron Pipe, the first rigid PVC piping product created in Japan, in 1951

Nursing care products

Anjyu is a trademark of Aronkasei nursing care and welfare products. Aronkasei continues to offer nursing care and welfare products that are safe, have a variety of functions, and are "people friendly," including nursing care goods such as portable toilets and bathing chairs, home renovation goods such as handrails, and ambulatory aids including wheeled walkers and canes for the elderly.

Elastomer AR

Elastomer AR is a thermoplastic elastomer compound primarily derived from styrene. It enables a wide variety of molds including mold injection, extrusion molds and film molds while being highly sanitary and having a rubber-like elasticity. Also, all kinds of value can be added including radiation, fire, and earthquake-resistance. Because it can be recycled, it not only offers cost advantages, but is also attracting attention in terms of environmental conservation.

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Management Resource Concentration and Business Expansion in the Piping Equipment Division

- Currently revising the plant production line up to strengthen competitiveness through efficient production

Launched of Differentiated Products from the Nursing Care Division

- Developed new products such as the *Little Turn Walker* to achieve entry and expansion in the rental field, with its significant business scale

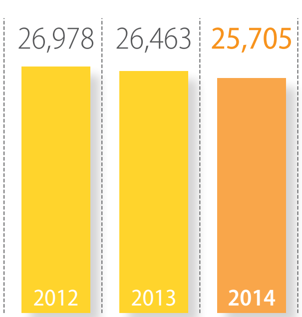
2014 Review—First Year Achievements of Medium-Term Management Plan

In fiscal 2014, the first year of the new medium-term management plan, Aronkasei Co., Ltd. achieved its plan targets on a consolidated basis. The nursing care products business recorded a decline in both sales and income due to negative factors such as changes in the nursing care insurance system. However, the piping equipment products business achieved a significant increase in both sales and income due to a price increase.

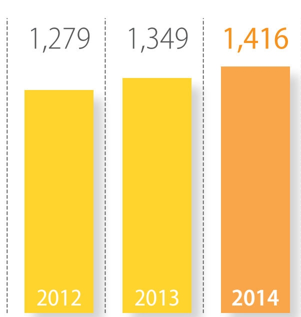
In the nursing care products business, expectations of growth with a focus on nursing care products were disappointed by lackluster sales and income, mainly due to changes in the nursing care insurance system, tougher sales competition within the industry, and an increase in production costs. In the piping equipment products business, a fall-back from a surge in demand that occurred ahead of an increase in the consumption tax rate, and delays in the recovery of business conditions contributed to an adverse economic environment. Under these conditions, we made steady progress in passing on an increase in raw material prices to sales prices. As a result, although sales volumes declined, monetary sales and income both reached their target.

In July 2014, Aronkasei Co., Ltd. integrated the piping equipment business of subsidiary Mikuni Plastics Co., Ltd., enabling it to strengthen sales through further interaction of human resources and streamline administrative processes, thereby strengthening the overall business foundation of the piping equipment business.

Sales
(Millions of yen)



Segment income
(Millions of yen)



Medium-Term Management Plan Initiatives in 2015 (Issues to Be Addressed)

Toagosei will strengthen collaboration within the Company, among Group companies and with other industries to increase its comprehensive strength and achieve its targets. With this framework, we will target two critical issues: (1) Rebuild manufacturing systems and undertake innovations to reduce costs in the piping equipment business and (2) Expand our business by entering new nursing care product fields and releasing differentiated products.

Starting with the piping equipment business, we will continue to investigate the optimal proposals under the factory innovation project that we started to optimize production items, capacity and facilities. Meanwhile we will continue to improve profitability of the business through downsizing, and by eliminating unprofitable items from the product line. With regard to nursing care business products, we will continue to expand into new fields by developing products for new growth areas such as rental nursing care products. In addition, we aim to achieve business growth by increasing brand power through the development of differentiated products that are ahead of the competition.

Building on the aforementioned initiatives, we will build a close cooperation framework with Toagosei Group companies to create new products that embody the technological know-how of the Group as a whole. We still have further to go in new product development and new business creation and expansion based on strengthening our *monodukuri* capabilities. We will therefore focus on promoting innovation to improve productivity, and on contributing to future development.

Finally, we recognize the critical need to maintain a sound and healthy position in order to achieve the measures outlined above. To this end, we will strengthen our compliance structure and promote CSR activities, including hiring people with disabilities, to ensure optimal work-life balance as well as harmonious co-existence with society. Through these means, we will endeavor to become a company in which the community and households can take immense pride.

Research & Development

General Center of R&D

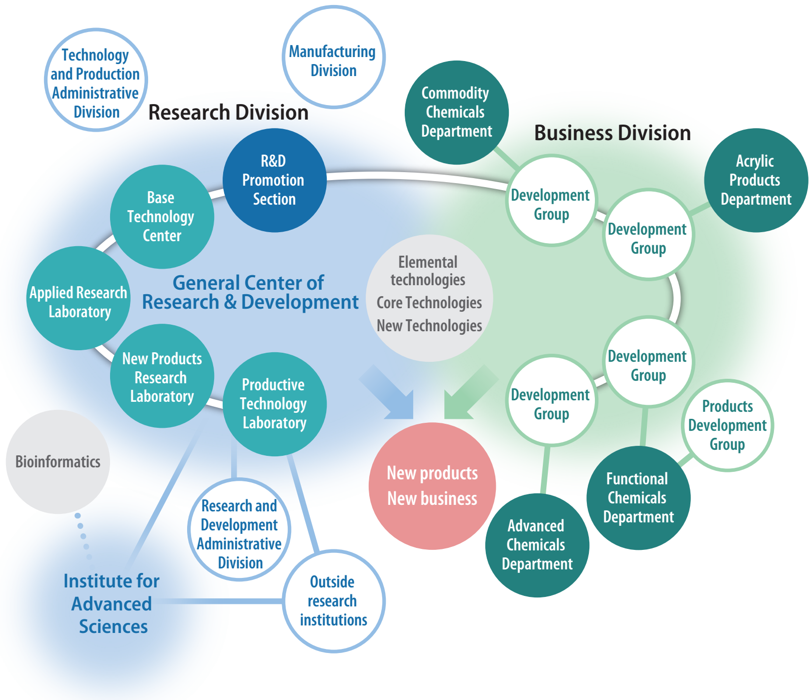
Changing the focus from providing facilities to reforming management

R&D as the starting point of growth for the Toagosei Group

Toagosei's R&D structure was reorganized in April 2014 from a corporate research structure and vertically separated research structure based on business departments into four research laboratories under the General Center of Research & Development; namely the Base Technology Center, Applied Research Laboratory, New Products Research Laboratory, and Productive Technology Laboratory. This was done to make flexible and effective use of R&D staff and streamline development to speed up the launch of new products. At the same time, we established an R&D Promotion Section within the General Center of Research & Development and a Development Group for each business department to strengthen coordination and collaboration within the Company. The Development Groups now work with the R&D Promotion Section to hasten the take-up, revision or termination of R&D themes, and to optimize the overall progress of R&D for the Company. To achieve optimal R&D for the Group as a whole, we are also promoting joint research with affiliate companies. Through these measures, the Toagosei Group will conduct R&D to continuously generate distinctive, highly functional products, as well as new products and businesses. This will drive our continued growth and value creation as a highly profitable company.

Generating next-generation products and new businesses

For the Toagosei Group to grow, it must generate new businesses capable of sustaining high profits through their own merit by accelerating the development of new products. We have therefore positioned the development of next generation products as our top growth strategy, and selected priorities from among our unique core technologies as an initial step. Moving forward, we have decided to concentrate on (1) organic and inorganic composites, and (2) polymers characterized by plasticity and ruggedness as priority R&D fields. Through these efforts, we



will endeavor to create new businesses that extend beyond the traditional boundaries of the Group's business fields.

In addition, all Toagosei business divisions will continue collaborating on development of high functional, high-value-added products and "customer oriented" R&D, with the General Center of Research & Development and Monodukuri Center providing the starting points. Furthermore, we are concentrating our human and budgetary resources on selected priority research themes in order to speed up the pace of R&D. To create new businesses going forward, the Group will also reinforce its R&D base in future-oriented fields where it has insufficient core technologies, and enhance its technological capabilities by leveraging the resources of universities and other public research institutions and collaborating with other companies with like-minded management objectives.

Nurturing human resources and a corporate culture conducive to R&D

Toagosei is also promoting a corporate culture conducive to an organization that functions well at solving technological challenges. Our ideal researchers are capable of autonomous growth and aware of the need for robust research themes with the potential for generating profit. They each have the necessary management skills for taking up and promoting those research themes, as well as revising or terminating them and managing their progress. To nurture such researchers, we organize them into small cross-organizational groups made up of people involved with different departments, and provide them with an environment in which they can freely discuss and exchange ideas. The goal is to generate new businesses that extend across product categories and operational boundaries. In this way, we will give our talented R&D personnel free rein to fully utilize their knowledge and expertise.

Monodukuri Center
(Aronkasei Co., Ltd.)

Corporate Social Responsibility

Toagosei aims to maintain the public's trust through the fulfillment of its social responsibilities as a chemical manufacturer, and achieve sustainable growth as a Group

The corporate ethical stance of the Toagosei Group is encapsulated in our slogan: "Sharing more happiness with more people through the chemical business." In line with the spirit of this slogan, we carry out CSR activities on a comprehensive Group-wide basis.

To comprehensively monitor the implementation status of CSR activities in each Group company and in each business, and to improve those activities, the Toagosei Group has established the Group CSR Committee, which rigorously promotes all Group CSR activities by conducting routine audits.

Management focused on the interests of stakeholders

At Toagosei, we pursue our business operations with a strong emphasis on relationships with our customers, shareholders, employees, the communities in which we operate, and all other stakeholders. In all aspects of business we aim to realize an optimal balance between profitability, social contribution, and protection of the environment.

Rigorous compliance

We have established an in-house system to ensure a continued focus on compliance, and are conducting compliance educational programs.

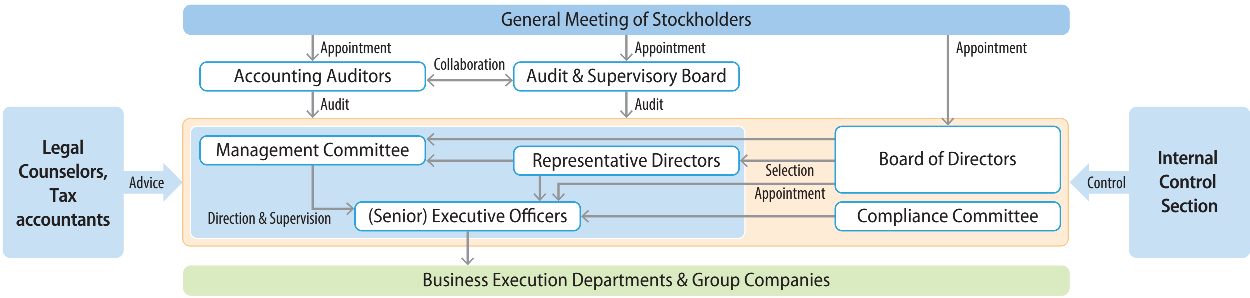
- Review and revision of the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards
- Monitoring by the Compliance Committee
- Installation of the whistleblower hotline systems for reporting suspected instances of illegal or unethical conduct
- Distribute the Compliance Handbook to all Group employees in Japan and conduct groupwide education program

Systems for internal control and corporate governance

Toagosei has created effective systems for internal control and corporate governance to enable fast and precise response to dramatic changes in the business environment, and to ensure fair and transparent management. Measures taken thus far include the following.

- Introduction of executive officer system
- Participation in the management by outside directors
- Establishment of Internal Control Section
- Establishment of Corporate Auditor Section to assist corporate auditors

Corporate Governance System



(1) Directors and Board of Directors

The Company has nine directors, one of whom is an independent outside director. We separated management from business execution in 2001 with the introduction of the executive officer system. With this change we have reduced the number of directors and built an efficient management system. In 2004, we changed the term of directorships to one year as a measure to further clarify the management responsibility of directors.

The Company's Board of Directors conducts swift decision-making and frank and open discussions, with the outside director helping to strengthen management oversight of the board.

(2) Management meeting

The management meeting is held each week in principle, and comprises all the directors except the outside director. Activities at the meeting include deliberating on matters to be discussed subsequently by the Board of Directors, important matters related to management, operation progress reports, and other matters of importance.

(3) Internal audit

Duties related to internal audits and internal control are conducted by the Internal Control Section (three members). To strengthen the internal auditing function, the Operations Audit Group has been established below the Internal Control Section. In this group, designated employees serve as auditors to conduct internal audits.

(4) Audit by the Audit & Supervisory Board Members

The Audit & Supervisory Board comprises one standing Audit & Supervisory Board member and three part-time Audit & Supervisory Board members (all three are outside Audit & Supervisory Board members). The Audit & Supervisory Board members audit the execution of duties by attending the Board of Directors' meetings, exchanging opinions at regular meetings of Audit & Supervisory Board, and related activities.

(5) Status of measures to enhance the function of Audit & Supervisory Board Members

Status of ensuring human resources and systems for supporting Audit & Supervisory Board Members

The Audit & Supervisory Board members receive explanations as required from the accounting auditor regarding accounting audit plans and results. They also exchange opinions with the accounting auditor as needed. Moreover, the Audit & Supervisory Board members receive reports on internal audit results from the Internal Control Section and maintain close coordination with it to enhance the auditing system.

Risk management

The Toagosei Group has established a Risk Management Committee, and is taking steps to create a framework for identifying and assessing risks envisaged for the Group, drawing up risk countermeasures, and checking regularly on the status of the countermeasures. At the same time, the Group is strengthening its system for making a unified group-wide response to crisis situations.

● Establishment of Risk Management Committee

We established a Risk Management Committee as a mechanism for the routine identification and assessment of potential risks. Based upon this, risk countermeasures are formulated and the status of those countermeasures is checked.

Potential risks

- Natural disaster and infectious disease risks
- Environmental and safety risk
- Financial risk
- Legal risk
- Geopolitical risk
- Product risk
- Social risk
- Personnel and labor risk
- Other external environment-related risks

Comprehensive emergency-preparedness drill (Nagoya Plant)

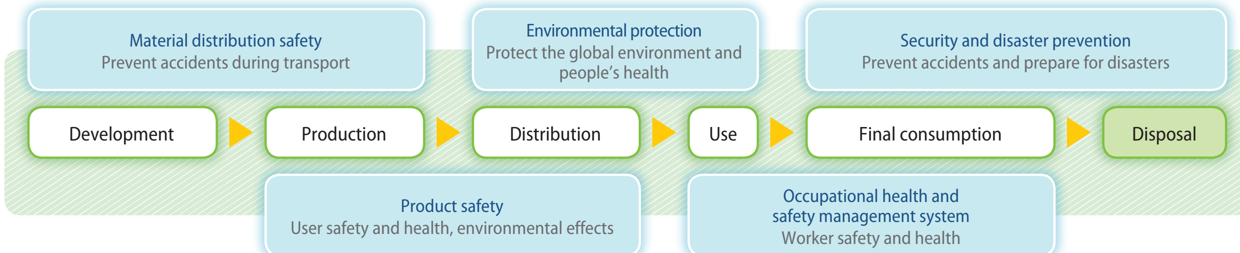
Corporate Social Responsibility

Responsible Care (RC) activities

In order to steadily pursue initiatives to ensure safety and protect the environment as a chemical company, the Toagosei Group conducts Responsible Care (RC) activities under basic policies for RC.

Basic polices for RC

The Toagosei Group is committed to ensuring the safety of its products, as well as workforce safety and hygiene, and to reducing the impact on the environment of these products and their manufacturing processes at all stages from development through use to final disposal. By these means, the Group raises its reputation for trustworthiness among both its customers and society at large.



What is RC ?

Responsible Care is an activity wherein companies that handle chemical substances voluntarily communicate to society the results of their efforts and activities to ensure the protection of the environment, safety, and health at all stages of the product lifecycle, from development, production, and distribution, to use, final consumption, and disposal. RC activities are indispensable for the harmonious development of chemical companies with society.

Efforts to reduce our environmental impact

- **Prevention of global warming**
  We are switching to low-emission fuels and installing energy-efficient equipment as we pursue our goal of reducing CO_2 emissions.
- **Reduction of industrial waste**
  We thoroughly separate and recycle waste at each of our operating locations, and are accordingly taking steps to recycle waste plastics toward achieving our zero-landfill goal for the entire Group.
- **Reduction of emissions of substances harmful to the environment**
  We are working to reduce volumes of emissions of substances subject to Pollutant Release and Transfer Register (PRTR) assessment by Japan Chemical Industry Association.

Promoting social contribution activities

Adhesive craft event "Future Crafts"

The Company held the craft event "Future Crafts" using the instant adhesive *Aron Alpha* in Fukuoka and Hyogo prefectures in August 2014. "Future Crafts" is a craft activity for children, allowing them to use their intuitive creative abilities to fashion the future as they imagine it using *Aron Alpha*.

A total of around 600 elementary school-aged children and their parents attended the two events. The participants enjoyed creating futuristic townscapes using *Aron Alpha*. We will continue to plan various experiential events using the product to encourage the development of imagination and creativity among children, who are the future.

Environmental activities data

The material balances in the Toagosei Group's manufacturing activities are shown below. The figures shown cover companies involved in manufacturing over the one-year period from January 1 to December 31, 2014.

INPUT

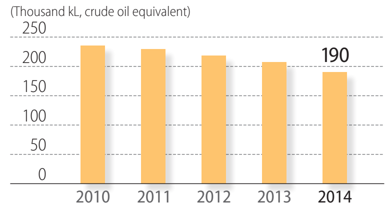
Energy (Crude oil equivalent)

	Toagosei Group
Energy (Thousand kL)	190

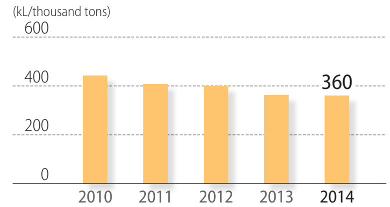
Water

	Toagosei Group
Water consumption (Million m³)	55

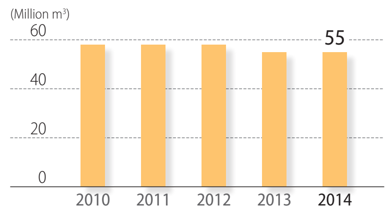
Energy



Energy consumption per base unit



Water consumption

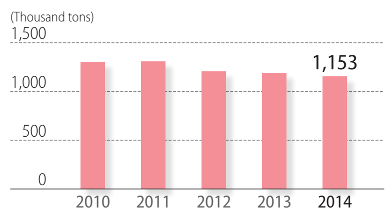


Production base

Production volume

	Toagosei Group
Production volume (Thousand tons)	1,153

Production volume



OUTPUT

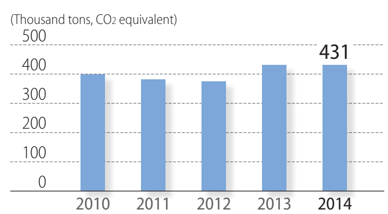
Air pollutant emissions

	Toagosei Group
CO_2 Emission (Thousand tons, CO_2 equivalent)	431
SOx Emission (Tons)	32
NOx Emission (Tons)	68
Soot and dust (Tons)	10

Effluent volume

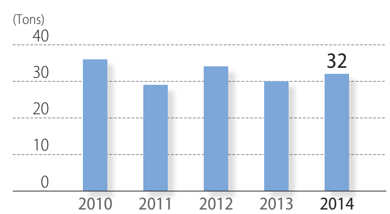
	Toagosei Group
Total effluent volume (Million m³)	40
COD (Tons)	118
Total nitrogen (Tons)	27
Total phosphorus (Tons)	1.0

CO_2 Emission

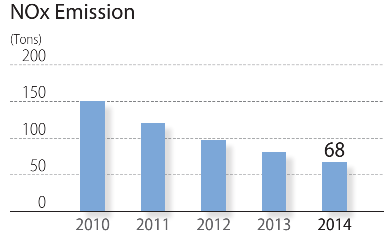


The CO_2 emission amount changes significantly due to changes in the CO_2 emission coefficient.
(The CO_2 emission coefficient for electric power has increased dramatically since the Great East Japan Earthquake.)

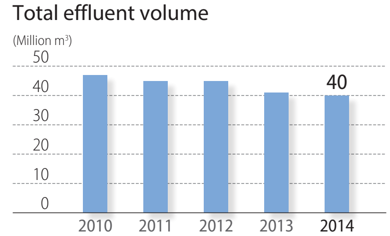
SOx Emission



NOx Emission



Total effluent volume



Corporate Data

Organization

(As of April 1, 2015)

- General Meeting of Shareholders
- Board of Directors
- Chairman
- President

Corporate Management

Corporate Strategy Division
- Corporate Planning Department
- Secretariat Group
- Information System Department

Technology & Production Administrative Division
- Technology Administrative Group
- Quality Assurance, Environment & Safety Group
- Engineering Center
- Technical Training Center

Research & Development Administrative Division
- R&D Planning Group
- Intellectual Property Group
- Institute for Advanced Sciences

General Center of Research & Development (General Center of R&D)
- R&D Administrative Section
- R&D Promotion Section
- Base Technology Center
- Applied Research Laboratory
- New Products Research Laboratory
- Productive Technology Laboratory

Administrative Division
- General Affairs & Legal Department
- Investor & Public Relations Section
- Human Resources Department
- Finance Department

Supply Chain Management Division
- Purchasing Department
- Sales Administrative Department

Operations Management

Commodity Chemicals Department
- Chlorine & Alkali Products and Sulfuric Acid Group
- High Purity Inorganic Products Group
- Development Group

Acrylic Products Department
- Monomer & Oligomer Group
- Polymer & Photopolymer Group
- New Products Research Group
- Development Group

Functional Chemicals Department
- Adhesives Group
- New Products Development Group
- Consumer Product Marketing Group
- Construction Products Group
- Development Group

Advanced Chemicals Department
- Electronics & Amenity Care Materials Group
- Consumer Product Marketing Group
- Development Group

Tokyo Sales Department
- Commodity Chemicals Group
- Acrylic Products Group
- Functional Chemicals Group
- Sapporo Sales Office

Osaka Branch
- General Affairs Group
- Commodity Chemicals Group
- Acrylics & Functional Chemicals Group
- Shikoku Sales Office
- Fukuoka Sales Office

Nagoya Branch
- General Affairs Group
- Commodity Chemicals Group
- Acrylics & Functional Chemicals Group

Nagoya Plant
- Administrative Department
- Office Management Department
- Productive Technology Department
- Manufacturing Department I
- Manufacturing Department II
- Maintenance Technology Group

Yokohama Plant
- Administrative Department
- Manufacturing Department

Takaoka Plant
- Administrative Department
- Manufacturing Department

Tokushima Plant
- Administrative Department
- Manufacturing Department

Sakaide Plant

Kawasaki Plant

Hirono Plant

Corporate Auditor Section

Internal Control Section

Board of Directors and Corporate Auditors

(As of March 27, 2015)

Chairman

Futoshi Hashimoto

President

Kazuaki Nakagawa

Vice President

Mikishi Takamura

Directors

Souichi Nomura
Nobuhiro Ishikawa
Akira Komine
Katsuyuki Ito
Shinichi Sugiura
Ryoji Miura*

Corporate Auditors

Hideo Kato (Standing)
Kazuo Hara**
Tsutomu Harada**
Yasuo Kitamura**

* Outside Director
** Outside Corporate Auditor

Executive Officers

Akira Kuriyama
Hidemi Nagano
Tomio Kanbayashi
Hisashi Hara
Moriyuki Kenjou
Akio Sato
Shin Takahashi
Hisao Honma
Hiroshi Inukai
Yoshifumi Kawaura
Ryosuke Fujiwara
Yoshifumi Suzuki
Yoshikazu Mori
Kazuaki Sawada
Shigeyuki Aota

Directory

Domestic Network

Head Office
1-14-1 Nishi-Shimbashi, Minato-ku,
Tokyo 105-8419
Tel: +81-3-3597-7215 Fax: +81-3-3597-7217

Osaka Branch
Nakanoshima Mitsui Bldg. 11F, 3-3-3
Nakanoshima, Kita-ku, Osaka 530-0005
Tel: +81-6-6446-6551 Fax: +81-6-6446-6571

Nagoya Branch
Mitsui Life Nagoya Bldg. 6F, 1-4-6 Nishiki,
Naka-ku, Nagoya 460-0003
Tel: +81-52-209-8591 Fax: +81-52-209-8671

Shikoku Sales Office
2-4-1 Showacho, Sakaide, Kagawa 762-0004
Tel: +81-877-46-3300 Fax: +81-877-46-3200

Fukuoka Sales Office
Tenjin Nishi-dori Business Center, 7F, 2-8-30
Tenjin, Chuo-ku, Fukuoka 810-0001
Tel: +81-92-721-1902 Fax: +81-92-721-1914

Nagoya Plant
17-23 Showacho, Minato-ku, Nagoya
455-0026
Tel: +81-52-611-9804 Fax: +81-52-612-5733

Yokohama Plant
1-7 Suehirocho, Tsurumi-ku, Yokohama
230-0045
Tel: +81-45-503-7300 Fax: +81-45-502-6960

Takaoka Plant
2-1-3 Fushiki, Takaoka, Toyama 933-0195
Tel: +81-766-44-7401 Fax: +81-766-44-7410

Tokushima Plant
575-1 Nakashima, Kawauchicho, Tokushima
771-0188
Tel: +81-88-665-2111 Fax: +81-88-665-6321

Sakaide Plant
2-4-1 Showacho, Sakaide, Kagawa 762-0004
Tel: +81-877-46-3161 Fax: +81-877-45-4727

Kawasaki Plant
7-4 Ukishimacho, Kawasaki-ku, Kawasaki
210-0862
Tel: +81-44-277-2211 Fax: +81-44-277-1920

Hirono Plant
1-16 Iwasawa, Kamikitasako, Hirono,
Fukushima 979-0401
Tel: +81-240-28-0111 Fax: +81-240-27-4371

General Center of R&D
8 Showacho, Minato-ku, Nagoya 455-0026
Tel: +81-52-611-9901 Fax: +81-52-611-1693

Institute for Advanced Sciences
2 Okubo, Tsukuba, Ibaraki 300-2611
Tel: +81-29-865-2600 Fax: +81-29-865-2610

Corporate Data

Principal Overseas Subsidiaries

Toagosei America Inc.
1450 West Main St., West Jefferson, Ohio 43162, U.S.A.
Tel: 1-614-718-3855 Fax: 1-614-718-3866

Toagosei Singapore Pte Ltd.
460 Alexandra Road, PSA Building #22-04, Singapore 119963
Tel: 65-6273-0800 Fax: 65-6273-0500

Toagosei KOREA Co., Ltd.
Cambridge Bldg. 19F, 825-18, Yeok samdong, Gangnam-gu, Seoul 135-080, Korea
Tel: 82-2-567-2252

Toagosei Hong Kong Limited
Room 607-9, 6F., No.1 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Tel: 852-2763-1086 Fax: 852-2763-1798

Taiwan Toagosei Co., Ltd.
10F-1, No.189, Keelung Rd., Sec2, Taipei 11054, Taiwan, R.O.C.
Tel: 886-2-8732-3677 Fax: 886-2-2378-9036

Toa-Jet Chemical Co., Ltd.
No.15, Rong-Kong South Road, Guan-Inn Industrial District, Tau-Yuan, 32849, Taiwan, R.O.C.
Tel: 886-3-4832-953

TOA-DIC Zhangjiagang Chemical Co., Ltd.
66 Chanjiang Road, Jiangsu Yangtze River, International, Chemical Industrial Park, Zhangjiagang, Jiangsu Province 215633, China
Tel: 86-512-5893-7320 Fax: 86-512-5893-7321

Toagosei (Zhuhai) Limited
No.2, Factory Bldg., Xiangzhou Ind. Park of Science & Technology, No.2372 Meihua West Road, Qianshan, Zhuhai, Guangdong 519070, China
Tel: 86-756-850-8810 Fax: 86-756-850-8906

Principal Subsidiaries and Affiliates

(As of April 1, 2015)

Name of Company	Lines of Business	Our Share (%)	Capital (¥ in millions)
Aronkasei Co., Ltd.	Manufacture & sale of synthetic resin molded products	100.0	¥4,220
Oita Chemical Co., Ltd.	Manufacture of chemical products	91.1	¥450
Toagosei America Inc.	Manufacture & sale of chemical products; technological research	100.0	US$6,100,000
TG Corporation	Sale of chemical products	100.0	¥174
Toa Logistics Co., Ltd.	Product distribution	100.0	¥16
Toa Techno-Gas Co., Ltd.	Manufacture & sale of industrial gases	100.0	¥400
Toa Business Associe Co., Ltd.	Real estate management, brokerage & other services	100.0	¥40
Toa-Jet Chemical Co., Ltd.	Manufacture & sale of chemical products	51.0	NT$15,000,000
Toa Kogyo Co., Ltd.	Product distribution	100.0	¥25
Taiwan Toagosei Co., Ltd.	Sale of chemical products	100.0	NT$5,000,000
Aron Packaging Co., Ltd.	Filling & packaging of adhesives	100.0	¥10
Toagosei Singapore Pte Ltd.	Manufacture & sale of chemical products	100.0	S$60,571,000
Hokuriku Toa Logistics Co., Ltd.	Product distribution	90.0	¥10
Shikoku Toa Logistics Co., Ltd.	Product distribution	70.0	¥10
TOA-DIC Zhangjiagang Chemical Co., Ltd.	Manufacture & sale of chemical products	60.0	US$5,600,000
Toagosei Hong Kong Limited	Sale of chemical products	100.0	HK$10,988,000
Toagosei (Zhuhai) Limited	Manufacture & sale of adhesives	100.0	HK$9,188,000
MT AquaPolymer, Inc.	Manufacture & sale of chemical products	51.0	¥460
MT Ethylene Carbonate Co., Ltd.	Manufacture of chemical products	90.0	¥480
Chubu Liquid Oxygen Co., Ltd.	Manufacture of industrial gases	30.0	¥480
Elmer's & Toagosei Co.	Sale of adhesives	50.0	US$31,392,000

Investor Information

Established

March 1942

Common Stock

Authorized: 550,000,000 shares

Issued: 263,992,598 shares

Capital: ¥20,886 million

Number of shareholders: 20,540

Listings: Common stock listed on the first section of the Tokyo Stock Exchange

Transfer Agent for Common Stock

Sumitomo Mitsui Trust Bank, Limited

1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233

Certified Accountants

Ernst & Young ShinNihon LLC

Hibiya Kokusai Bldg., 2-2-3 Uchisaiwai-cho,
Chiyoda-ku, Tokyo 100-0011

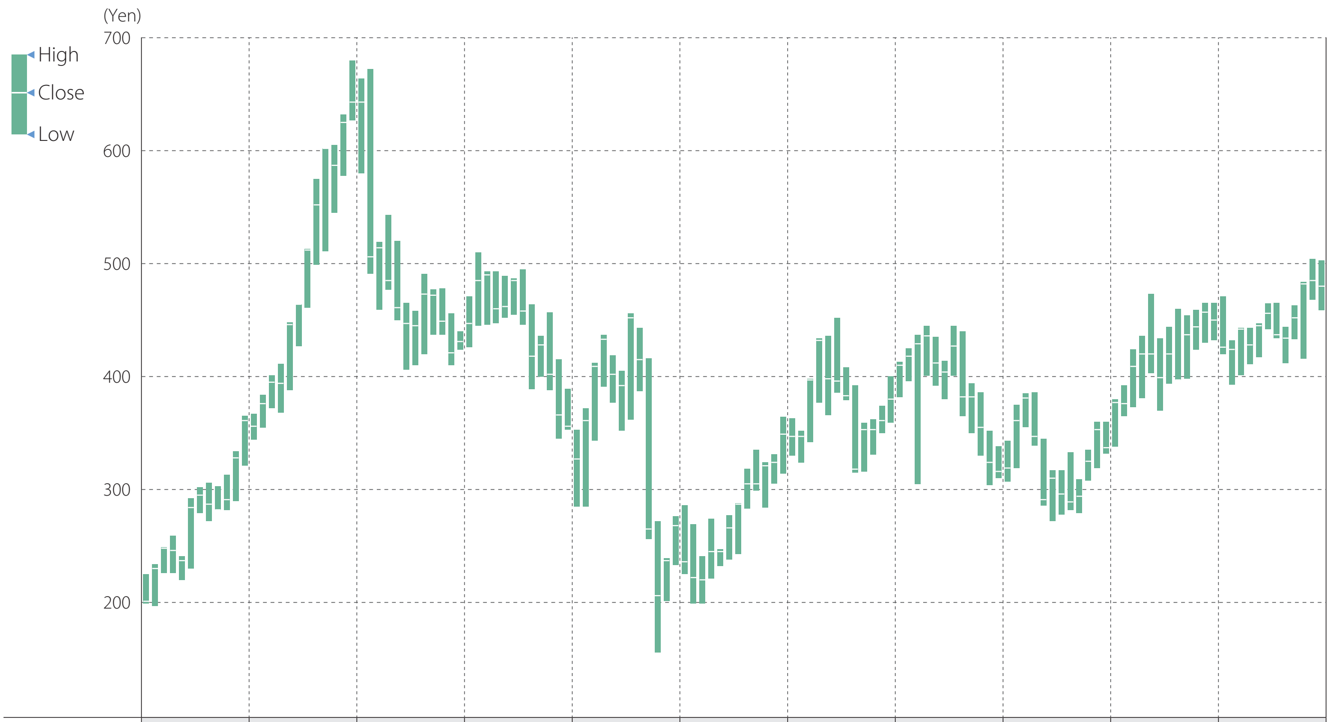
Major Shareholders

	(%)
Sumitomo Mitsui Banking Corp.	4.42
Japan Trustee Services Bank, Ltd. (Trust account)	3.68
The Master Trust Bank of Japan, Ltd. (Trust account)	3.39
Business Partner Shareholders' Committee	3.00
Employee Shareholders' Committee	2.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.14
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	1.99
Bank of New York Mellon SA/NV 10	1.61
The Norinchukin Bank	1.50
Mitsui Life Insurance Company Limited	1.40

(As of December 31, 2014)

Stock Price Range & Trading Volume

(Tokyo Stock Exchange)



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High (Yen)	¥365	¥680	¥672	¥510	¥456	¥364	¥452	¥445	¥386	¥473	¥504
Low (Yen)	¥197	¥344	¥406	¥345	¥156	¥199	¥315	¥304	¥272	¥338	¥393
Close (Yen)	¥361	¥643	¥431	¥356	¥268	¥349	¥380	¥316	¥337	¥450	¥480
Trading Volume (Thousands shares)	202,598	301,403	259,723	225,040	410,334	165,780	204,402	220,880	151,579	147,697	119,306

Management's Discussion & Analysis

The financial section was translated into English based on some disclosed documents including the securities report of the Japanese version and is provided for information purpose only.

Overview of Fiscal 2014

During the reporting term (January 1 to December 31, 2014), although further recovery of domestic economy was expected to be achieved via economic policies of the Japanese government and the Bank of Japan, it remained stagnant due to sharp decline in personal consumption triggered by the rise in consumption tax and sluggish exports associated with a slowdown in Chinese economy.

Although Toagosei Group (hereinafter "the Group") saw some changes in its business environment such as the drastic decline of fuel prices towards the end of the term, the overall surroundings remained harsh and the Group's earnings continued to come under pressure mainly due to delay in revisions of product prices to offset rising fuel and raw material prices resulting from weak yen and high crude oil prices.

As a result, net sales in the reporting term decreased by 1.4% year on year on a consolidated basis to ¥148,912 million, operating income decreased by 17.1% to ¥12,015 million, and net income declined by 12.4% to ¥8,414 million.

Sales by Segment

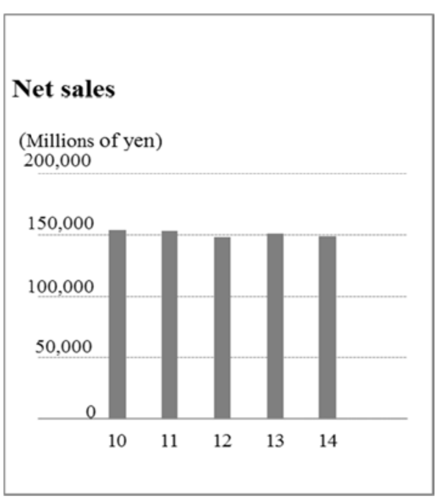
Commodity Chemicals

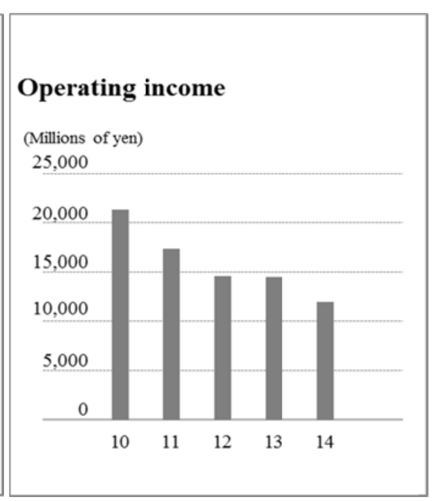
In Commodity Chemicals, overall sales volumes of caustic soda and inorganic chlorides were weak due to delay in revision of product prices to offset high fuel and raw material prices. High-purity products sales were firm as total sales of products centered on semiconductor applications increased. Sales of sulfuric acid and industrial gasses were on par with the previous fiscal year due to stable demand

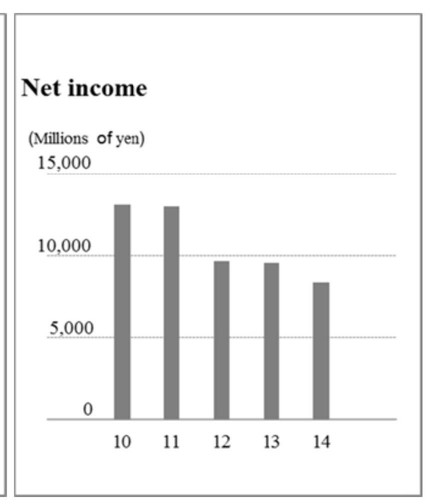
As a result, sales in this segment decreased by 2.9% year on year to ¥44,305 million, and segment income fell by 15.8% to ¥2,841 million.

Acrylic Products

Sales of acrylic acid and acrylic esters were weak as a result of intensified competition caused by unbalanced demand in both domestic and foreign markets despite our efforts to revise product prices to deal with increased fuel and raw material prices. Sales of acrylic polymers remained firm thanks to steady demands in general. Sales of polymer flocculants were weak due to decline in sales as a result of intensified competition with foreign







manufacturers. UV-curable resins sales were also weak as sales of painting and electronics materials declined.

As a result, sales in this segment decreased by 0.5% year on year to ¥58,787 million. Segment income also decreased by 37.3% to ¥3,936 million owing to delayed product price revisions in addition to increased depreciation related to capital investments.

Specialty Chemicals

Adhesive sales were favorable thanks to increased sales of functional adhesives mainly for mobile devices. Despite firm demand for construction repair materials, overall sales of products for construction and civil engineering remained unchanged year on year due to a drop in demand for soil improvement agents. Sales volume of amenity care materials and electronics materials were sluggish due to overall downturn in sales volumes.

As a result, sales in this segment increased by 1.9% year on year to ¥16,833 million, and segment income rose by 15.6% to ¥3,802 million.

Plastics

Sales of piping equipment remained at the same level as in the previous fiscal year due to revisions of sales prices despite of lower demand. Nursing care product sales were weak because of lower overall sales volume. Elastomer compounds performed similar to the previous fiscal year.

As a result, sales in this segment decreased by 2.9% year on year to ¥25,705 million, and segment income increased by 4.9% to ¥1,416 million.

Other Businesses

Sales for this segment which comprises new product development operations, the construction and repair of plants and production facilities, goods transportation services, and trading house operations decreased by 3.6% year on year to ¥3,280 million, and segment losses totaled ¥44 million.

Cash Flows

Net cash provided by operating activities decreased by ¥1,924 million year on year to ¥16,098 million due to a decrease in Income before income taxes and minority interests and an increase in working capital.

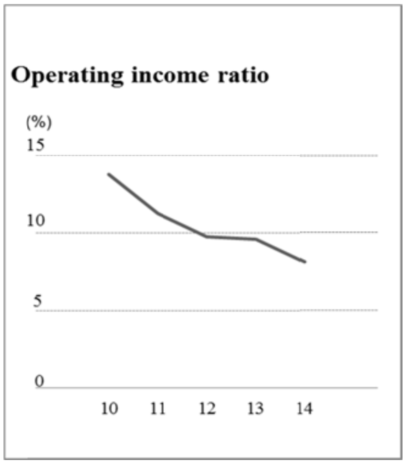
Net cash used in investing activities increased by ¥7,128 million to ¥13,981 million due to increase in purchases of property, plant and equipment and long term prepaid expense.

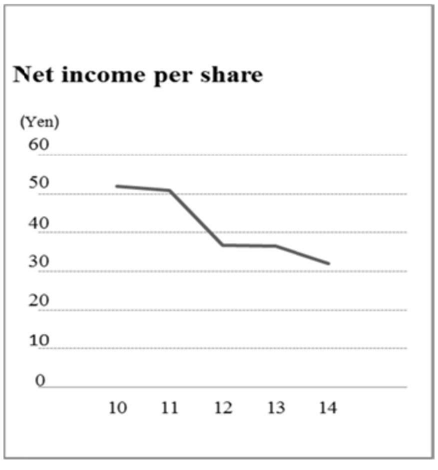
Net cash used in financing activities increased by ¥968 million to ¥3,063 million due to the conversion of long-term debt.

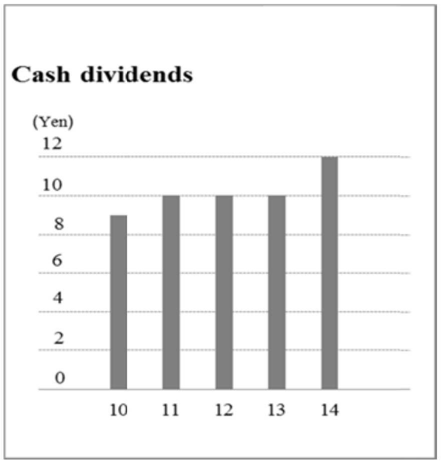
As a result, cash and cash equivalents at end of the year stood at ¥39,285 million, a decrease of ¥513 million from the previous term-end.

Business Performance Prospects for Fiscal 2015

For the current term, ending December 31, 2015, we forecast net sales of ¥150.0 billion, operating income of ¥14.0 billion, and net income of ¥9.5 billion.







Cash Flow Prospects for Fiscal 2015

Net cash provided by operating activities is expected to be ¥17.0 billion, due to an increase in Income before income taxes and minority interests.

Net cash used in investing activities is expected to total ¥11.0 billion mainly due to purchases of property, plant and equipment.

Net cash used in financing activities is expected to total ¥4.0 billion mainly due to dividend payments.

Basic Policy on Shareholder Returns and Dividends for Fiscal 2014 and 2015

Our basic shareholder return policy is to pay stable dividends of ¥10 per share annually, taking into account the performance for the fiscal year in question, the future outlook, and forecast performance figures. However, we also place importance on ensuring a sufficient amount of retained earnings to maintain a sound financial position. We must secure sufficient funding to finance R&D activities and capital investment needed to prepare us for an expected increase in competition. Also, if the implementation of one-for-two reverse stock split is authorized at our 102th Annual Shareholders' Meeting which is scheduled to be held on March 27, 2015, ¥20 per share will be the annual standard for our stable dividends policy.

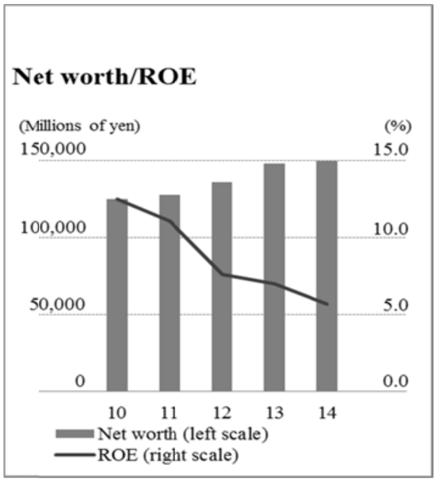
For fiscal 2014 ended December 31, 2014, we made a term-end dividend payment of ¥5 per share with our 70th commemorative dividends of ¥1 per share which was announced on July 30, 2014 to make it ¥6 per share. We have already paid an interim dividend of ¥6 per share, bringing the total annual dividend to ¥12 per share.

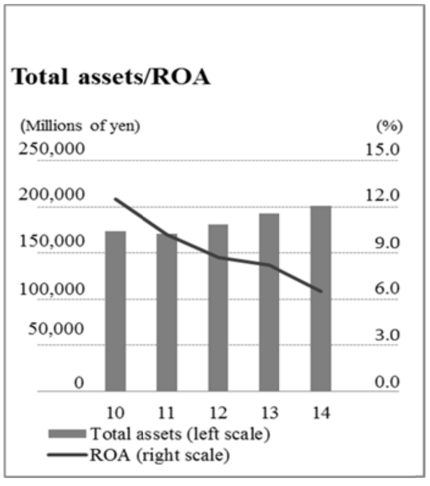
For the current term ending December 31, 2015, we are planning an interim dividend payment of ¥6 per share, and a term-end payment of the same sum, for an annual dividend of ¥12 per share taking into consideration the planned reverse stock split. By not taking into account the reverse stock split, a term-end payment is expected to be ¥6 yen per share, and the total annual dividend to be ¥12 per share.

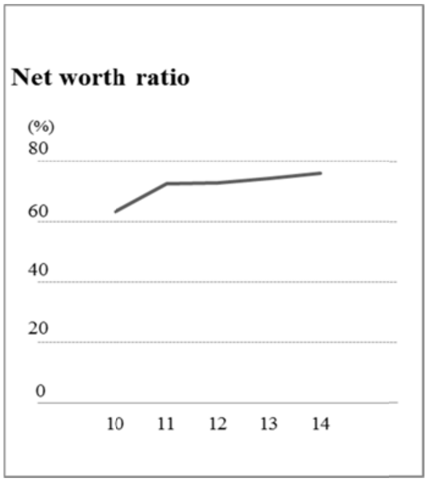
Business Risks

(1) Cost competition

The Group manufactures and sells many products that are difficult to differentiate from those of other companies in terms of their function and performance. Given the present trend of intensifying price competition, there is a possibility that the Group, despite its efforts to strengthen marketing activities and reduce costs, may not be able to maintain its competitive edge over rival companies that are able to sell products with the same qualities at lower prices. This could adversely affect the business performance and financial position of the Group.







(2) Changes in the price of crude oil and naphtha

The purchase prices of the major raw materials of products manufactured and sold by the Group are affected by changes in crude oil and naphtha prices. Therefore, if the Group is unable to sufficiently raise its product prices, and/or if the Group is unable to rationalize its operations sufficiently to offset the rising prices of crude oil and naphtha, there is a possibility that the Group's business performance and financial position will be adversely affected.

(3) Product liability

In spite of our efforts to ensure a high level of product quality, there is a possibility that a customer or other party may experience financial losses or other forms of damage as a result of an unexpected defect in products manufactured and sold by the Group. As not all losses incurred will be covered by product liability insurance, this factor may adversely affect the business performance and financial position of the Group.

(4) Impact of natural disasters

The production plants of the Group are located mostly in the Tokai Region of Japan, which is said to be particularly at risk of the occurrence of a major earthquake. If such an earthquake were to occur, substantial losses, including the suspension of operations, could result, and this would adversely affect the business performance and financial position of the Group.

(5) Major litigation

In the event of a major lawsuit being brought against the Group in the future, there is a possibility that this will adversely affect the Group's business performance and financial position.

(6) Deferred tax assets

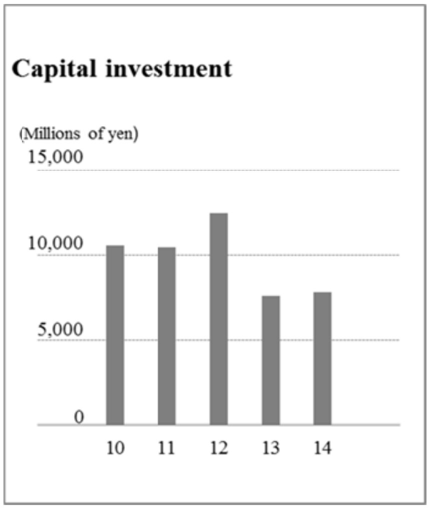
The deferred tax assets of the Group are based on an amount that is recorded after judging the potential for collection based on forecasts of future taxable income. If such forecasts deviate significantly from actual results, there is a possibility that this will adversely affect the business performance and financial position of the Group.

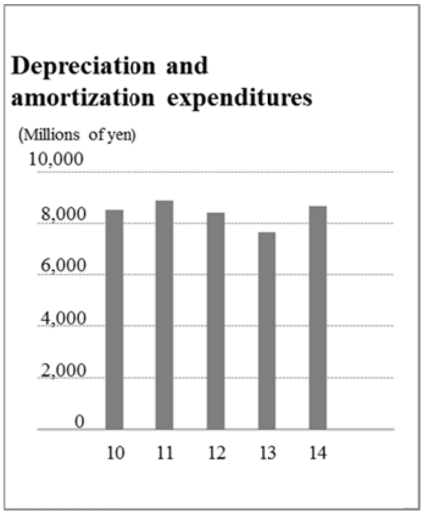
(7) Changes in foreign currency exchange rates

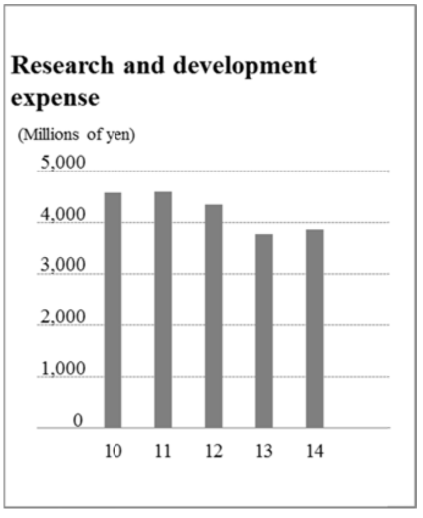
For the reporting period, overseas sales of the Group accounted for 16.6% of total sales. The Group includes seven overseas consolidated subsidiaries and one overseas affiliated company subject to the equity method. There is therefore a possibility of a change in exchange rates adversely affecting the business performance and financial position of the Group.

(8) Changes in interest rates

The Group has been raising funds for its business operations and there is a possibility that a change in interest rates will influence the business performance and financial position of the Group.







Management's Discussion & Analysis

(9) Application of accounting for the impairment of fixed assets

In line with accounting law in Japan, the Group has applied impairment accounting for fixed assets. As a result, in the event of a significant future decline in market prices of land, and/or a deterioration in the Group's operating environment, there is a possibility of the posting of a substantial impairment loss, which would adversely affect the Group's business performance and financial position.

The Group is fully aware of the risks outlined above, and has measures in place to minimize their impact on operating results and financial position, at the Group and Group company level.

Estimates or projections included in this report are based on facts known to the Company's management as of the time of writing, and actual results may therefore differ substantially from such statements.

1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

(Millions of yen)

December 31,		2013		2014
Assets				
Current assets				
Cash and deposits		17,029		16,117
Notes and accounts receivable	*5	43,028	*5	42,403
Securities		23,000		25,500
Inventories	*1	15,795	*1	17,490
Deferred tax assets		1,411		757
Income taxes receivable		194		218
Other current assets		1,385		1,852
Allowance for doubtful receivables		(70)		(42)
Total current assets		101,774		104,297
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		19,982		19,792
Machinery, equipment and other, net		18,091		25,217
Tools, furniture and fixtures, net		1,976		1,993
Land		17,801		17,805
Leased assets, net		185		158
Construction in progress		7,863		1,125
Total property, plant and equipment	*3, *4	65,901	*3, *4	66,092
Intangible fixed assets				
Goodwill		28		19
Leased assets		5		4
Other		780		555
Total intangible fixed assets		815		578
Investments and other assets				
Investment securities	*2	19,092	*2	25,670
Prepaid pension cost		2,997		—
Net defined benefit asset		—		599
Deferred tax assets		813		77
Other assets	*2	1,762	*2	3,906
Allowance for doubtful receivables		(70)		(54)
Total investments and other assets		24,595		30,199
Total fixed assets		91,311		96,870
Total assets		193,086		201,168

See accompanying notes to consolidated financial statements.

(Millions of yen)

December 31,		2013		2014
Liabilities				
Current liabilities				
Notes and accounts payable	*5	15,735	*5	15,704
Short-term bank loans	*3	7,238		2,885
Lease obligations		75		64
Accrued income taxes		2,269		582
Accrued bonuses for employees		19		16
Other current liabilities	*5	8,989	*5	8,125
Total current liabilities		34,327		27,379
Long-term liabilities				
Long-term debt		5,861		10,349
Lease obligations		125		108
Deferred tax liabilities		225		1,602
Accrued retirement benefits for employees		313		—
Accrued retirement benefits for directors		20		20
Net defined benefit liability		—		154
Other long-term liabilities		4,064		4,204
Total long-term liabilities		10,610		16,439
Total liabilities		44,938		43,818
Net Assets				
Shareholders' equity				
Common stock		20,886		20,886
Capital surplus		16,798		16,798
Retained earnings		100,790		106,306
Treasury stock		(178)		(230)
Total shareholders' equity		138,296		143,760
Accumulated other comprehensive income				
Unrealized holding gain on available-for-sale securities		4,424		6,249
Translation adjustments		1,000		2,306
Remeasurements of defined benefit plans		—		395
Total accumulated other comprehensive income		5,425		8,951
Minority interests		4,426		4,637
Total net assets		148,148		157,349
Total liabilities and net assets		193,086		201,168

See accompanying notes to consolidated financial statements.

ii) [Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

(Millions of yen)

Years ended December 31,		2013		2014
Net sales		151,081		148,912
Cost of sales	*1	112,204	*1	113,193
Gross profit		38,877		35,719
Selling, general and administrative expenses				
Selling expenses	*2	15,124	*2	14,525
General and administrative expenses	*3, *4	9,251	*3, *4	9,178
Total selling, general and administrative expenses		24,376		23,703
Operating income		14,501		12,015
Non-operating income				
Interest income		39		44
Dividend income		410		464
Equity in earnings of affiliates		294		324
Foreign currency exchange gains		186		172
Rent income on non-current assets		145		173
Miscellaneous income		280		314
Total non-operating income		1,357		1,495
Non-operating expenses				
Interest expenses		127		121
Inactive facilities expenses		125		135
Environment readiness fee		99		85
Miscellaneous expenses		158		275
Total non-operating expenses		511		617
Ordinary profit		15,346		12,892
Extraordinary gains				
Gain on sales of non-current assets		—	*5	275
Subsidy income		294		506
Compensation income	*6	124		—
Total extraordinary gains		418		781
Extraordinary losses				
Loss on disposal of non-current assets	*7	249	*7	509
Impairment loss on property, plant and equipment	*8	784		—
Total extraordinary losses		1,033		509
Income before income taxes and minority interests		14,731		13,164
Income taxes -- Current		4,845		2,952
Income taxes -- Deferred		11		1,505
Total income taxes		4,857		4,458
Income before minority interests		9,874		8,706
Minority interests		269		292
Net income		9,605		8,414

See accompanying notes to consolidated financial statements.

[Consolidated Statements of Comprehensive Income]

(Millions of yen)

Years ended December 31,	2013		2014	
Income before minority interests		9,874		8,706
Other comprehensive income				
Unrealized holding gain on available-for-sale securities		3,015		1,815
Translation adjustments		1,883		1,397
Total other comprehensive income	*1	4,898	*1	3,213
Comprehensive income		14,772		11,920
Comprehensive income attributable to:				
Owners of the parent		14,340		11,535
Minority interests		432		384

See accompanying notes to consolidated financial statements.

iii) [Consolidated Statements of Changes in Net Assets]

(Millions of yen)

Year ended December 31, 2013	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	16,796	93,821	(120)	131,384
Changes during the year:					
Cash dividends			(2,635)		(2,635)
Net income			9,605		9,605
Purchase of treasury stock				(63)	(63)
Gain on sales of treasury stock		1		5	6
Net changes in items other than shareholders' equity					
Total changes during the year	—	1	6,969	(57)	6,912
Balance at end of the year	20,886	16,798	100,790	(178)	138,296

Year ended December 31, 2013	Accumulated other comprehensive income: Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of the year	1,412	(722)	—	689	4,166	136,240
Changes during the year:						
Cash dividends						(2,635)
Net income						9,605
Purchase of treasury stock						(63)
Gain on sales of treasury stock						6
Net changes in items other than shareholders' equity	3,012	1,723	—	4,735	259	4,994
Total changes during the year	3,012	1,723	—	4,735	259	11,907
Balance at end of the year	4,424	1,000	—	5,425	4,426	148,148

See accompanying notes to consolidated financial statements.

(Millions of yen)

Year ended December 31, 2014	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the year	20,886	16,798	100,790	(178)	138,296
Changes during the year:					
Cash dividends			(2,898)		(2,898)
Net income			8,414		8,414
Purchase of treasury stock				(54)	(54)
Gain on sales of treasury stock		0		2	2
Net changes in items other than shareholders' equity					
Total changes during the year	—	0	5,516	(52)	5,464
Balance at end of the year	20,886	16,798	106,306	(230)	143,760

Year ended December 31, 2014	Accumulated other comprehensive income: Unrealized holding gain on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at beginning of the year	4,424	1,000	—	5,425	4,426	148,148
Changes during the year:						
Cash dividends						(2,898)
Net income						8,414
Purchase of treasury stock						(54)
Gain on sales of treasury stock						2
Net changes in items other than shareholders' equity	1,824	1,305	395	3,525	211	3,736
Total changes during the year	1,824	1,305	395	3,525	211	9,200
Balance at end of the year	6,249	2,306	395	8,951	4,637	157,349

See accompanying notes to consolidated financial statements.

iv) [Consolidated Statements of Cash Flows]

Years ended December 31,	2013	2014
		(Millions of yen)
Operating activities		
Income before income taxes and minority interests	14,731	13,614
Depreciation and amortization	7,645	8,668
Impairment losses on property, plant and equipment	784	—
Amortization of goodwill	9	9
Increase (decrease) in provision for doubtful receivables	12	(36)
Decrease in other provisions	(13)	(2)
Increase in prepaid pension costs	(233)	—
Increase in net defined benefit asset	—	(118)
Decrease (increase) in prepaid pension costs	(141)	—
Decrease in net defined benefit liability	—	(37)
Interest and dividend income	(450)	(509)
Interest expense	127	121
Foreign currency exchange gain	(287)	(152)
Equity in earnings of affiliates	(294)	(324)
Gain on sales of non-current assets	—	(275)
Subsidy income	(294)	(506)
Compensation income	(124)	—
Loss on disposal of non-current assets	249	509
Decrease in receivables	794	862
Decrease (increase) in inventories	554	(1,395)
Increase (decrease) in payables	627	(193)
Other, net	(524)	(167)
Subtotal	23,174	19,615
Interest and dividends received	769	808
Interest paid	(134)	(126)
Subsidy income received	294	226
Compensation income received	124	—
Income taxes paid	(6,205)	(4,425)
Net cash provided by operating activities	18,023	16,098
Investing activities		
Decrease (increase) in time deposits	1,417	(1,796)
Purchases of investment securities	(353)	(833)
Proceeds from redemption of investment securities	115	—
Purchases of property, plant and equipment	(6,917)	(8,855)
Proceeds from sales of property, plant and equipment	—	289
Purchase of long-term prepaid expenses	(798)	(2,584)
Other, net	(315)	(199)
Net cash used in investing activities	(6,852)	(13,981)

See accompanying notes to consolidated financial statements.

Years ended December 31,		2013		2014
				(Millions of yen)
Financing activities				
Decrease in short-term bank loans		(46)		(41)
Proceeds from long-term debt		4,721		5,029
Repayment of long-term debt		(3,802)		(4,852)
Proceeds from sales of treasury stock		6		2
Purchases of treasury stock		(63)		(54)
Repayment of lease obligations		(102)		(78)
Cash dividends to shareholders		(2,634)		(2,903)
Cash dividends paid to minority shareholders		(172)		(164)
Net cash used in financing activities		(2,094)		(3,063)
Effect of exchange rate changes on cash and cash equivalents		1,192		432
Net increase (decrease) in cash and cash equivalents		10,269		(513)
Cash and cash equivalents at beginning of the year		29,529		39,798
Cash and cash equivalents at end of the year	*1	39,798	*1	39,285

See accompanying notes to consolidated financial statements.

[Notes]

(Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 21

Consolidated subsidiaries are shown in “4. Information on Subsidiaries and Affiliates” under “I. Overview of the Company.”

Because Aron Ever-Grip Ltd. completed its liquidation in the current fiscal year, the said company, a consolidated subsidiary in the previous fiscal year, has been excluded from the scope of consolidation.

(2) Unconsolidated subsidiaries: 3

A major unconsolidated subsidiary is Toa Kenso Co., Ltd.

The unconsolidated subsidiaries have an immaterial effect on the Company’s consolidated financial statements as a whole in terms of the sum of total assets, the sum of net sales, the sum of net income/loss, and the sum of retained earnings.

2. Application of equity method

(1) Unconsolidated subsidiaries and affiliates which are accounted for by the equity method

Affiliates: 1 Partnership: 1

Chubu Liquid Oxygen Co., Ltd.

Elmer’s & Toagosei Co.

(2) Unconsolidated subsidiaries and affiliates which are not accounted for by the equity method

Unconsolidated subsidiaries: 3

Affiliates: 11

Toyo Denka Kogyo Co., Ltd.

(3) Reason for exclusion from application of equity method accounting:

Because the effect of their net income/loss and retained earnings on the Company’s consolidated financial statements is immaterial and they are not important as a whole in accounting terms.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year-end of consolidated subsidiaries is the same as the Company’s consolidated fiscal year-end.

4. Accounting policies

(1) Basis and method for valuation of major assets

1) Securities

(a) Held-to-maturity securities

Held-to-maturity securities are carried at amortized cost.

(b) Available-for-sale securities

Marketable securities classified as available-for-sale securities

Marketable securities classified as available-for-sale securities are carried at fair value determined based on the average of quoted prices (or their equivalent) in the one-month period prior to the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets.

Non-marketable securities classified as available-for-sale securities

Non-marketable securities classified as available-for-sale securities are carried at cost. Cost of securities sold is determined by the moving average method.

2) Derivative

Derivative financial instruments are carried at fair value.

3) Inventories

Inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method. (The balance sheet amounts are written down if there is any decrease in profitability.)

(2) Depreciation and amortization of major depreciable and amortizable assets

1) Property, plant and equipment (excluding leased assets)

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets and their residual value.

The useful lives for major property, plant and equipment are as follows:

Buildings and structures	2–75 years
Machinery, equipment and other	2–17 years
Tools, furniture and fixtures	2–20 years

2) Intangible fixed assets (excluding leased assets)

Amortization of intangible fixed assets, primarily consisting of software, is calculated by the straight-line method based on the estimated useful lives of the respective assets in this category (5 years for software).

3) Leased assets (leased assets relating to finance lease transactions that do not transfer ownership)

Depreciation of leased assets shall be calculated based on the assumption that the useful lives equal the lease term and the residual value is zero.

In addition, finance lease transactions that do not transfer ownership, of which the lease term commenced on or before December 31, 2008, continue to be accounted for as operating leases.

(3) Posting standards for providing major allowance

1) Allowance for doubtful receivables

The allowance for bad debts and doubtful receivables in respect of individual bad debts is provided in an amount sufficient to cover credit losses based on the collectability of individual receivables. The allowance for receivables other than those described above is based on past credit loss experience.

2) Accrued bonuses for employees

Accrued bonuses for employees are provided at the estimated amounts expected to be paid to employees for one consolidated subsidiary.

3) Accrued retirement benefits for directors

The Company and one consolidated subsidiary provide the estimated amounts of retirement benefits for directors calculated based on the internal regulations, assuming that all directors terminate their services on the balance sheet date.

The Company and one consolidated subsidiary provide estimated amounts only in accordance with transitional measures based on internal regulations because a retirement lump-sum payment plan for directors has been abolished as a result of an amendment to the internal regulations.

(4) Accounting methods relating to retirement benefits

1) Periodic allocation of estimated retirement benefits

In calculating retirement benefit obligation, the straight-line attribution is applied for allocation of projected retirement benefit to the periods until the end of the current fiscal year.

2) Amortization of actuarial gain or loss and prior service costs

Prior service costs are expensed using the straight-line method over the average remaining years of service of the eligible employees (5 to 17 years) when incurred.

Actuarial gain or loss of the Company is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (5 to 17 years) when incurred in each fiscal year.

3) Adoption of the simplified method in SMEs

In calculating net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries adopt the simplified method where the projected benefit obligation is an estimated amount of retirement benefits, assuming that all employees terminate their services on the balance sheet date for their own convenience.

(5) Foreign currency translation

Receivables and payables in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, and the resulting translation gain or loss is charged or credited to income.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the same exchange rates. Revenue and expense accounts of the foreign consolidated subsidiaries are translated at periodical average rates during the fiscal year. The resulting translation gain or loss is included in “Translation adjustments” and “Minority interests” under “Net assets.”

(6) Method and period for amortization of goodwill

Goodwill is amortized over a five-year period after the accrual date, with the exception of minor amounts charged or credited to income.

(7) Scope of funds in the consolidated statements of cash flows

Funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash on hand, bank deposits available for withdrawal on demand and readily available short-term investments with maturities of three months or less, which are exposed to minor risk of fluctuation in value.

(8) Other important items concerning the preparation of consolidated financial statements

Consumption taxes and others

Consumption taxes are excluded from the transaction accounts.

(Changes in accounting policy)

Application of the accounting standards, etc. for retirement benefits

The Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012; hereinafter the “Accounting Standard”) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012; hereinafter the “Guidance”) have been applied, effective from the end of the current fiscal year, except for the provisions of Paragraph 35 of the Accounting Standard and Paragraph 67 of the Guidance. According to this application, an amount obtained by deducting the amount of plan assets from retirement benefit obligation is recognized as “Net defined benefit liability” or “Net defined benefit asset,” and unrecognized actuarial gain or loss and unrecognized prior service costs are recognized as “Net defined benefit asset” or “Net defined benefit liability.”

For the application of the Accounting Standard and the Guidance, the transitional treatment provided for in Paragraph 37 of the Accounting Standard is followed. Accordingly, the effect of this change is reflected in “Remeasurements of defined benefit plans” under “Accumulated other comprehensive income.”

As a result, at the end of the current fiscal year, net defined benefit asset of 599 million yen and net defined benefit liability of 154 million yen were reported, and accumulated other comprehensive income increased by 395 million yen. Net assets per share of common stock increased by 1.50 yen.

(Accounting Standards Issued but Not Yet Effective)

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on May 17, 2012)

(1) Outline

Under the accounting standards described above, the accounting method for unrecognized actuarial gain or loss and unrecognized prior service costs and the calculation method for the projected benefit obligation and service cost have been revised, and the disclosure requirements have been expanded, with a view to improving financial reporting and in consideration of related international trends.

(2) Planned effective date

The Company expects to apply the revised calculation method for the projected benefit obligation and service cost from beginning of the fiscal year ended December 31, 2015.

(3) Effect of the application of the above accounting standards on financial statements

The Company is in the process of measuring the effects at the time of preparation of the consolidated financial statements.

(Change in Presentation)

(Consolidated Statements of Cash Flows)

“Purchase of long-term prepaid expenses,” which was included in “Other, net” under “Investing activities” in the previous fiscal year, has been separately stated effective from the current consolidated fiscal year due to the increased significance of the amount. To reflect this change in presentation, the reclassification of accounts has been made on the consolidated financial statements for the previous fiscal year.

As a result, (1,113) million yen of “Other, net” under “Investing activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified into (798) million yen of “Purchase of long-term prepaid expenses” and (315) million yen of “Other, net.”

(Notes to Consolidated Balance Sheets)

*1. Components of inventories:

(Millions of yen)

December 31,	2013	2014
Merchandise and finished products (including semi-finished products)	10,991	12,288
Work in process	340	377
Raw materials and supplies	4,462	4,824
Total	15,795	17,490

*2. Investments in unconsolidated subsidiaries and affiliates were as follows:

(Millions of yen)

December 31,	2013	2014
Investment securities (stocks)	2,259	2,207
Other (investments and other assets)	156	225

*3. Assets pledged as collateral:

December 31, 2013

Assets pledged as collateral			Secured obligations	
Classification	Book value (Millions of yen)	Type of security interests	Details	Ending balance (Millions of yen)
Buildings and structures	6,680	Plant foundation	Long-term debt	3
Machinery, equipment and other	7,358	ditto		
Tools, furniture and fixtures	541	ditto		
Land	4,383	ditto		
Total	18,963		Total	3

(Note) Long-term debt includes its current portion (3 million yen).

December 31, 2014

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	6,351	Plant foundation
Machinery, equipment and other	5,955	ditto
Tools, furniture and fixtures	485	ditto
Land	4,204	ditto
Total	16,997	

(Note) The assets described above are pledged as collateral, but there are no corresponding secured obligations.

*4. Accumulated depreciation of property, plant and equipment:

(Millions of yen)

December 31,	2013	2014
	172,079	177,302

*5. Notes matured at the balance sheet date and cash settlement payable as of the balance sheet date (method of cash settlement payable at due date with the same terms as notes) are treated as if they were settled on the maturity date. Because the balance sheet date of the current fiscal year fell on a holiday for financial institutions, the notes matured and cash settlement payable at the balance sheet date were excluded from the balance as of the end of the current fiscal year.

(Millions of yen)

December 31,	2013	2014
Notes and accounts receivable	4,842	4,848
Notes and accounts payable	2,006	1,980
Other (Current liabilities)	316	733

6. Contingent liabilities and secured liabilities:

(Millions of yen)

December 31,		2013	2014
Hokuriku Liquid Oxygen Co., Ltd.	Guarantees against loans from financial institutions	69	14
Employees	ditto	63	117
Total		132	131

(Notes to Consolidated Statements of Income)

*1. Inventories as at the fiscal year-end represent the book value written-down due to a decrease in profitability. The following losses on devaluation of inventories were included in cost of sales:

Years ended December 31,	2013	2014
	(Millions of yen)	
	76	212

*2. Major items of selling expenses:

Years ended December 31,	2013	2014
	(Millions of yen)	
Transportation expenses	8,471	8,080
Salaries	1,917	1,976
Bonuses	722	739
Depreciation and amortization	138	135
Retirement benefit expenses	175	130

*3. Major items of general and administrative expenses:

Years ended December 31,	2013	2014
	(Millions of yen)	
Salaries	2,154	2,324
Bonuses	983	1,010
Depreciation and amortization	1,039	1,029
Retirement benefit expenses	278	213
Amortization of goodwill	9	9

*4. Research and development cost included in general and administrative expenses and manufacturing cost:

Years ended December 31,	2013	2014
	(Millions of yen)	
	3,767	3,865

*5. Components of gain on sales of non-current assets:

Years ended December 31,	2013	2014
	(Millions of yen)	
Land, etc.	—	275

*6. Compensation income:

Year ended December 31, 2013

The Company recorded compensation income for the year ended December 31, 2013 on payments from the Tokyo Electric Power Company pertaining to the accident at the Fukushima Daiichi and Daini Nuclear Power Stations.

Year ended December 31, 2014

Not applicable.

*7. Components of loss on disposal of non-current assets:

Years ended December 31,	2013	2014
	(Millions of yen)	
Machinery, equipment and other	48	33
Disposal costs	140	362
Buildings and structures, etc.	60	113

*8. Impairment loss:

Year ended December 31, 2013

The Company and its consolidated subsidiaries have recognized impairment losses on the following classes of assets:

Location	Major use	Category	Impairment loss (Millions of yen)
Minato-ku, Nagoya city	Facilities for manufacturing ethylene carbonate	Machinery, etc.	138
Takaishi city, Osaka	Facilities for manufacturing ethylene carbonate	Machinery, etc.	645
Total			784

(Outline and grouping method)

The Company and its consolidated subsidiaries have grouped business-use assets according to the minimum independent cash-flow-generating unit.

The Company wrote down the book values of certain ethylene carbonate production facilities that experienced a material drop in profitability to their respective recoverable amounts. Accordingly, ¥784 million of impairment losses were recognized in the statement of income.

(Components of impairment loss)

The impairment losses consisted of ¥78 million for buildings and structures, ¥704 million for machinery, equipment and other and ¥1 million for other.

(Calculation of recoverable amounts, etc)

The recoverable amounts applicable to assets for which impairment losses were recognized for corresponding year ended December 31, 2013 were measured using the utility value. This utility value was calculated by discounting future cash flows using a discount rate of 8.1%.

Year ended December 31, 2014

Not applicable.

(Notes to Consolidated Statements of Comprehensive Income)

*1. Reclassification adjustment and tax effect of other comprehensive income:

Years ended December 31,	2013	2014
	(Millions of yen)	
Unrealized holding gain on available-for-sale securities		
Amount arising during the fiscal year	4,585	2,791
Reclassification adjustment	(3)	—
Amount before tax effect	4,582	2,791
Tax effect	(1,567)	(975)
Unrealized holding gain on available-for-sale securities	3,015	1,815
Translation adjustments		
Amount arising during the fiscal year	1,883	1,397
Amount before tax effect	1,883	1,397
Tax effect	—	—
Translation adjustments	1,883	1,397
Total other comprehensive income	4,898	3,213

(Notes to Consolidated Statements of Changes in Net Assets)

Year ended December 31, 2013

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in number of shares in the year	Decrease in number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock	263,992	—	—	263,992
Total	263,992	—	—	263,992
Treasury stock				
Common stock (Notes 1, 2)	368	149	15	501
Total	368	149	15	501

(Notes) 1. The increase in number of shares in the year is due to purchase of less-than-one-unit shares.
2. The decrease in number of shares in the year is due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 28, 2013 100th Annual Shareholders' Meeting	Common stock	1,318	5.00	December 31, 2012	March 29, 2013
August 2, 2013 Board of Directors	Common stock	1,317	5.00	June 30, 2013	September 5, 2013

(2) Dividends whose record date was in the year ended December 31, 2014 but whose effective date was in the year ending December 31, 2015

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 28, 2014 101st Annual Shareholders' Meeting	Common stock	1,317	Retained earnings	5.00	December 31, 2013	March 31, 2014

Year ended December 31, 2014

1. Matters related to the type and total number of issued shares and the type and total number of shares of treasury stock:

(Thousands of shares)

Type of shares	Number of shares at beginning of the year	Increase in number of shares in the year	Decrease in number of shares in the year	Number of shares at end of the year
Issued shares				
Common stock	263,992	—	—	263,992
Total	263,992	—	—	263,992
Treasury stock				
Common stock (Notes 1, 2)	501	123	6	617
Total	501	123	6	617

(Notes) 1. The increase in number of shares in the year is due to purchase of less-than-one-unit shares.
2. The decrease in number of shares in the year is due to sales of less-than-one-unit shares.

2. Matters related to dividends

(1) Amount of dividends paid

Resolution	Type of shares	Gross amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
March 28, 2014 101st Annual Shareholders' Meeting	Common stock	1,317	5.00	December 31, 2013	March 31, 2014
July 30, 2014 Board of Directors (Notes)	Common stock	1,580	6.00	June 30, 2014	September 4 2014

(Note) The 6.00 yen dividend per share includes a commemorative dividend of 1.00 yen for 70th anniversary of foundation.

(2) Dividends whose record date was in the year ended December 31, 2014 but whose effective date was in the year ending December 31, 2015

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 27, 2015 102nd Annual Shareholders ' Meeting	Common stock	1,580	Retained earnings	6.00	December 31, 2014	March 30, 2015

(Note) The 6.00 yen dividend per share includes a commemorative dividend of 1.00 yen for 70th anniversary of foundation.

(Notes to Consolidated Statements of Cash Flows)

*1. Reconciliation of the balance of cash and cash equivalents in the consolidated statement of cash flows to cash and deposits included in the consolidated balance sheet:

Years ended December 31,	2013	2014
	(Millions of yen)	
Cash and deposits	17,029	16,117
Securities	23,000	25,500
Time deposits with terms in excess of 3 months	(230)	(2,331)
Cash and cash equivalents	39,798	39,285

(Lease Transactions)

1. Finance leases (lessee)

Finance lease transactions that do not transfer ownership

1) Leased assets

Property, plant and equipment

Mainly consists of tools, furniture and fixtures

Intangible fixed assets

Software

2) Depreciation of leased assets

As described in “4. Accounting policies (2) Depreciation and amortization of major depreciable and amortizable assets”.

In addition, finance lease transactions that do not transfer ownership, of which the lease term commenced on or before December 31, 2008, continue to be accounted for as operating leases. The details of such finance lease transactions were as follows:

(1) Acquisition value, accumulated depreciation and book value of leased properties:

(Millions of yen)

December 31, 2013	Acquisition cost	Accumulated depreciation	Book value
Tools, furniture and fixtures	12	9	2
Total	12	9	2

(Note) Acquisition cost is computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(Millions of yen)

December 31, 2014	Acquisition cost	Accumulated depreciation	Book value
Tools, furniture and fixtures	11	10	1
Total	11	10	1

(Note) Acquisition cost is computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(2) Future lease payment obligations:

(Millions of yen)

December 31,	2013	2014
Due within one year	1	1
Due after one year	1	—
Total	2	1

(Note) Future lease payment obligations are computed by including interest paid because the ratio of future lease payment obligations to the term-end balance of property, plant and equipment is low.

(3) Lease payments and depreciation expenses:

(Millions of yen)

Years ended December 31,	2013	2014
Lease payments	3	1
Depreciation expenses	3	1

(4) Calculation method of depreciation expenses:

Depreciation expenses are calculated using the straight-line method over the lease term without residual value.

2. Operating leases

Future minimum lease payments under noncancelable operating leases:

(Millions of yen)

December 31,	2013	2014
Due within one year	32	33
Due after one year	14	1
Total	46	34

(Impairment loss)

No impairment loss is allocated to leased assets.

(Financial Instruments)

1. Matters related to the status of financial instruments

(1) Policies on financial instruments

When managing surplus funds, the Group limits the application of such funds to highly secure financial assets, mainly short-term bank deposits, and it procures funds mainly through bank borrowings. Derivative transactions are used to hedge interest fluctuation risk present in borrowings, but are not used for speculative or trading purposes.

(2) Description of financial instruments and associated risks

Notes and accounts receivable, which represent trade receivables, are exposed to client-based credit risk. Furthermore, foreign currency denominated trade receivables are also subject to exchange rate fluctuation risks. In order to counter such risk, foreign currency borrowings are used when necessary as a means of hedging the net position of foreign currency denominated trade payables. Securities and investment securities are primarily negotiable certificate of deposits, held-to-maturity securities and shares related to businesses, and are thus exposed to risk stemming from fluctuations in market value.

Notes and accounts payable, which represent trade payables, are due within one year. A portion of these are foreign currency denominated items related to payment for raw material imports, which are subject to exchange rate fluctuation risk. These are constantly maintained within the balance of receivables denominated in the same foreign currencies. Borrowings are used to procure funds necessary for operational transactions and capital expenditures. A portion of these borrowings bearing variable interest rates are exposed to interest rate fluctuation risk. Derivative transactions (interest rate swap transactions) are used as a means of hedging.

(3) Risk management systems related to financial instruments

1) Management of credit risk (risk associated with non-performance of a contract by a business partner etc.)

The departments in charge of Company operations regularly monitor the trade receivable status of all business partners in accordance with the Regulations on Selling in order to identify business partner-based credit risk associated with the deterioration of financial circumstances or other causes at an early stage and reduce it. In case of the consolidated subsidiaries, their divisions or accounting departments also manage the financial and credit status of their business partners pursuant to their own regulations.

Derivative transactions are entered into only with highly rated financial institutions.

The maximum credit risk value as of the date of closing of consolidated accounts for the current term is expressed by the value of financial assets in the consolidated balance sheet which are subject to credit risk.

2) Management of market risk (risk associated with exchange rate and interest rate fluctuations)

When necessary, the Company uses borrowings denominated in foreign currencies to hedge its foreign currency denominated trade receivables and trade payables. Interest rate swaps are used to reduce risk associated with fluctuations in interest expenses related to borrowings.

The General Affairs & Legal Department confirms and manages the fair value of securities and investment securities and the financial condition of the issuers (its business partners) on a quarterly basis in accordance with internal regulations on the purchase and holding of shares.

Derivative transactions are individually approved by the director of finance and accounting before being entered into by the finance and accounting department, and their position and profit/loss situation are managed regularly.

3) Management of liquidity risk associated with procuring funds (the risk of being unable to execute a payment on the due date)

The Company and its consolidated subsidiaries have formulated cash flow management plans and manage liquidity risk by, for example, keeping a certain amount of cash reserves on hand.

(4) Supplementary information regarding the fair value of financial instruments

The fair value of financial instruments consists of their market price-based value, and, if a market price is not available, their logically calculated value. Variable factors are incorporated into the calculations of the fair value, and different fair values are possible depending on the differing assumptions used.

2. Fair value of financial instruments

The fair value and carrying value of financial instruments and the difference between both values are shown below. Financial instruments whose fair value is extremely difficult to determine, are not included in the table below. (Please refer to Note 2.)

(Millions of yen)

December 31, 2013	Carrying value	Fair value	Difference
(1) Cash and deposits	17,029	17,029	—
(2) Notes and accounts receivable	43,028	43,028	—
(3) Securities and investment securities:			
Available-for-sale securities	38,884	38,884	—
Total assets	98,942	98,942	—
(1) Notes and accounts payable	15,735	15,735	—
(2) Short-term bank loans	7,238	7,238	—
(3) Long-term debt	5,861	5,923	62
Total liabilities	28,834	28,897	62

(Millions of yen)

December 31, 2014	Carrying value	Fair value	Difference
(1) Cash and deposits	16,117	16,117	—
(2) Notes and accounts receivable	42,403	42,403	—
(3) Securities and investment securities:			
Available-for-sale securities	47,900	47,900	—
Total assets	106,421	106,421	—
(1) Notes and accounts payable	15,704	15,704	—
(2) Short-term bank loans	2,885	2,885	—
(3) Long-term debt	10,349	10,480	131
Total liabilities	28,939	29,071	131

(Note 1)
Valuation method of financial instruments and matters related to securities

Assets

(1) Cash and cash equivalents, and (2) Notes and accounts receivable
As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Securities and investment securities
In the case of the fair value of securities and investment securities, shares are stated at the exchange-listed price and securities are stated at the exchange-listed price or the price quoted by the correspondent financial institution. In the case of those available-for-sale securities which are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used. With regard to notes to securities by purpose of holding, please refer to the note entitled "Securities."

Liabilities

(1) Notes and accounts payable, and (2) Short-term bank loans
As all of these are settled within a short span of time, the fair value is virtually identical to the carrying value. Therefore, the carrying value is used.

(3) Long-term debt
The fair value of long-term debt is calculated as the present value by discounting the total principal and interest on the borrowings by the interest rate which would be assumed if new, similar borrowings were made.

(Note 2)
Financial instruments whose fair value is extremely difficult to determine:

(Millions of yen)

December 31,	2013	2014
Investments in subsidiaries and affiliates		
Investments in unconsolidated subsidiaries and affiliates	2,259	2,207
Available-for-sale securities:		
Unlisted securities	947	1,062
Other.	0	0
Total	3,207	3,270

It is extremely difficult to determine the fair value of these items, as they do not have market prices and future cash flow cannot be estimated. Therefore, they are not included in "Assets: (3) Securities and investment securities."

(Note 3)
The redemption schedule for monetary claims, held-to-maturity securities and available-for-sale securities with maturities subsequent to the consolidated balance sheet date:

(Millions of yen)

December 31, 2013	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash equivalents	17,029	—	—	—
Notes and accounts receivable	43,028	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	23,000	—	—	—
Total	83,057	—	—	—

(Millions of yen)

December 31, 2014	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash equivalents	16,117	—	—	—
Notes and accounts receivable	42,403	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	25,500	—	—	—
Total	84,021	—	—	—

(Note 4)
The repayment schedule for long-term debt, lease obligations, and other interest-bearing debt subsequent to the consolidated balance sheet date:

(Millions of yen)

December 31, 2013	1 year or less	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 4 years	Over 4 year to 5 years	Over 5 years
Short-term bank loans	2,385	—	—	—	—	—
Long-term debt	4,853	541	386	158	4,158	618
Lease obligations	75	48	35	21	7	12
Total	7,313	589	421	179	4,165	630

(Millions of yen)

December 31, 2014	1 year or less	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 4 years	Over 4 year to 5 years	Over 5 years
Short-term bank loans	2,344	—	—	—	—	—
Long-term debt	541	386	158	4,158	158	5,489
Lease obligations	64	47	31	14	6	8
Total	2,950	433	189	4,172	164	5,497

(Securities)
1. Marketable securities classified as available-for-sale securities:

(Millions of yen)

December 31, 2013	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stock	14,490	7,614	6,876
Securities whose acquisition cost exceeds their carrying value	(1) Stock	1,394	1,582	(188)
	(2) Other	23,000	23,000	—
	Subtotal	24,394	24,582	(188)
Total		38,884	32,196	6,688

(Millions of yen)

December 31, 2014	Type	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stock	21,698	12,187	9,510
Securities whose acquisition cost exceeds their carrying value	(1) Stock	701	732	(31)
	(2) Other	25,500	25,500	—
	Subtotal	26,201	26,232	(31)
Total		47,900	38,420	9,479

2. Other securities for which impairment loss was recognized:
No impairment loss on investment securities was recognized for the current fiscal year.
In the accounting for impairment, an impairment loss is recognized for all securities of which the fair values as of the consolidated balance sheet date decline more than 50% from the acquisition cost, and at an amount deemed necessary for securities of which the fair values as of the same date decline between 30% and 50% in consideration of recoverability and other factors.

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

   Not applicable.

2. Derivative transactions to which hedge accounting is applied

   (1) Interest-related transactions:

December 31, 2013 (Millions of yen)

Method of hedge accounting	Type of transaction	Hedged item	Contract amount	Contract amount over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps Receive floating and pay fixed	Long-term debt	98	—	(Note)

(Note) Because the interest rate swaps are accounted for with long-term debt as the hedged item, the fair value of the swaps is included in the fair value of the long-term debt.

December 31, 2014

Not applicable.

(Retirement Benefit Plans)

Year ended December 31, 2013

1. Outline of adopted retirement benefit plans for employees

   The Company and its consolidated subsidiaries have a defined benefit plan consisting of a defined benefit corporate pension plan and a retirement lump-sum payment plan. Further, their defined contribution plan consists of a defined contribution pension plan. A retirement benefit trust has also been established.

2. Retirement benefit obligations

	(Millions of yen)
(1) Projected benefit obligation	(9,646)
(2) Plan assets at fair value	13,000
(3) Funded status (1) + (2)	3,353
(4) Unrecognized actuarial gain	62
(5) Unrecognized prior service cost (reduction of obligation)	(731)
(6) Net amount on the consolidated balance sheets ((3) + (4) + (5))	2,684
(7) Prepaid pension cost	2,997
(8) Accrued retirement benefits ((6) – (7))	(313)

(Notes)

1. Some consolidated subsidiaries adopt the simplified method for calculating the projected benefit obligation.
2. Prepaid pension cost is shown in "Investments and other assets."

3. Retirement benefit expenses

	(Millions of yen)
(1) Service cost	415
(2) Interest cost	142
(3) Expected return on plan assets	(78)
(4) Amortization of actuarial gain or loss	325
(5) Amortization of unrecognized prior service cost	(43)
(6) Retirement benefit expenses ((1) + (2) + (3) + (4) + (5))	762
(7) Other	284
Total ((6) + (7))	1,047

(Notes)

1. Retirement benefit expenses of consolidated subsidiaries adopting the simplified method is included in "(1) Service cost."
2. "(7) Other" represents contribution to defined contribution plan.

4. Assumptions used in accounting for retirement benefit obligations, etc.

(1) Method for attributing the projected benefits to periods of service: Straight-line basis

(2) Discount rate: Mostly 1.5%

(3) Expected rate of return on plan assets: Mostly 1.0%

(4) Number of years for amortization of prior service cost:

The prior service costs of the Company are expensed using the straight-line method over the average remaining years of service of the eligible employees (5 to 17 years) when incurred.

The prior service cost of one consolidated subsidiary is expensed using the straight-line method over the average remaining years of service of the eligible employees (15 years) when incurred.

(5) Number of years for amortization of actuarial gain or loss:
Actuarial gain or loss of the Company is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (5 to 17 years).
Actuarial gain or loss of one consolidated subsidiary adopting the principle method is amortized in the year following the year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (10 years).

Year ended December 31, 2014

1. Outline of adopted retirement benefit plans for employees
The Company and its consolidated subsidiaries adopt a defined benefit plan and a defined contribution plan, either funded or unfunded, to provide for retirement benefits for employees.
Under defined benefit corporate pension plans (all the plans are funded), a lump-sum or annuity is paid based on accumulated points according to a qualification grade.
Under defined contribution pension plans, a premium calculated by the qualification grade is expensed when contributed.
Under retirement lump-sum payment plans (consisting of funded plans and unfunded plans), salaries and lump-sum payments based on length of service are paid as retirement benefits.
In addition, under the retirement lump-sum payment plans adopted by some of the consolidated subsidiaries, net defined benefit liability and retirement benefit expenses are calculated in accordance with the simplified plan.

2. Defined benefit plan

(1) Reconciliation of opening and closing balance of retirement benefit obligation (excluding plans using the simplified method)

	(Millions of yen)
Balance of retirement benefit obligation at beginning of year	9,388
Service cost	401
Interest cost	140
Actuarial gain or loss	514
Retirement benefits paid	(193)
Balance of retirement benefit obligation at end of year	10,251

(2) Reconciliation of opening and closing balance of plan assets (excluding plans using the simplified method)

	(Millions of yen)
Balance of plan assets at beginning of year	12,903
Expected return on plan assets	93
Actuarial gain or loss	476
Contribution from employer	1,076
Retirement benefits paid	(193)
Repayment due to cancellation of retirement benefit trust	(3,505)
Balance of plan assets at end of year	10,851

(3) Reconciliation of opening and closing balance of net defined benefit liability under the plans using the simplified method

	(Millions of yen)
Balance of net defined benefit liability at beginning of year	161
Retirement benefit expenses	18
Retirement benefits paid	(14)
Contribution to plan	(4)
Other	(6)
Balance of net defined benefit liability at end of year	154

(4) Reconciliation of the ending balance of retirement benefit obligations and plan assets and the net defined benefit liability and the net defined benefit asset included in the consolidated balance sheets

	(Millions of yen)
Funded retirement benefit obligations	10,449
Plan assets	(10,956)
	(507)
Unfunded projected benefit obligations	62
Net amount of relevant liabilities and assets on the consolidated balance sheets	(445)
Net defined benefit liability	154
Net defined benefit asset	(599)
Net amount of relevant liabilities and assets on the consolidated balance sheets	(445)

(Note) Includes the plans using the simplified method.

(5) Retirement benefit expenses and components thereof

	(Millions of yen)
Service cost	401
Interest cost	140
Expected return on plan assets	(93)
Amortization of actuarial gain or loss	47
Amortization of prior service cost	(53)
Retirement benefit expenses calculated using the simplified method	18
Retirement benefit expenses related to the defined benefit plan	461

(6) Remeasurements of defined benefit plans

The components of items (before tax) reported under remeasurements of the defined benefit plans were as follows:

	(Millions of yen)
Unrecognized prior service cost	(678)
Unrecognized actuarial gain or loss	65
Total	(613)

(7) Matters regarding plan assets

1) Major components of the plan assets

The percentages of the major asset types accounting for the total plan assets were as follows:

Bonds	35.4%
Stocks	26.1
General accounts of life insurance companies	35.8
Other	2.7
Total	100.0

2) Method for setting the long-term rate of the expected return on plan assets

To determine the long-term rate of the expected return on plan assets, we take into account the current and projected distribution of plan assets and the current and anticipated long-term yield rates of the various assets that constitute the plan assets.

(8) Matters regarding the assumptions for actuarial calculations

Key assumptions for actuarial calculations at the end of the current fiscal year (representing weighted averages)

Discount rate: 1.1%

Long-term rate of the expected return on plan assets: 1.0%

3. Defined contribution plan

The amount required to be contributed by the Company and consolidated subsidiaries is 286 million yen.

(Stock Options, etc.)

Not applicable.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities:

		(Millions of yen)
December 31,	2013	2014
Deferred tax assets		
Elimination of unrealized profit	2,069	1,815
Impairment loss on property, plant and equipment	1,455	1,091
Loss on valuation of investment securities	658	377
Accrued costs of removing facilities	913	808
Accrued retirement benefits	635	—
Net defined benefit liability	—	57
Depreciation	550	734
Accrued enterprise tax	197	81
Valuation loss on inventories	184	217
Net operating loss carry forwards	55	50
Loss on valuation of golf club membership	76	53
Other	379	332
Gross deferred tax assets	7,176	5,619
Valuation allowance	(1,766)	(1,748)
Total deferred tax assets	5,409	3,871
Deferred tax liabilities		
Unrealized holding gain on available-for-sale securities	(2,249)	(3,225)
Gain on contribution of securities to retirement benefit trust	(600)	—
Reserve under Special Taxation Measures Law	(303)	(503)
Securities returned from retirement benefit trust	—	(257)
Net defined benefit asset	—	(210)
Undistributed earnings of overseas partnerships	(247)	(431)
Other	(9)	(12)
Total deferred tax liabilities	(3,410)	(4,641)
Net deferred tax assets (liability)	1,998	(769)

2. Major reasons for which the effective tax rates reflected in the consolidated statements of income differ from the statutory tax rates:

December 31,	2013	2014
Statutory tax rate	37.87%	37.87%
Effect of:		
Permanent difference – entertainment expenses	0.50	0.41
Permanent difference – dividend income	(0.92)	(3.41)
Inhabitants' per capita taxes	0.52	0.58
Amortization of goodwill	0.03	0.03
Equity in earnings of affiliates	(0.76)	(0.93)
Valuation allowance	(3.07)	0.30
Different tax rates applied to income of foreign consolidated subsidiaries	(0.81)	(0.26)
Tax deduction of experiment and research expenses	(1.48)	(1.70)
Other, net	1.09	0.97
Effective tax rates.	32.97	33.86

3. Revision to the amounts of deferred tax assets and liabilities pursuant to the change in the income tax rate
   Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) on March 31, 2014, the Special Reconstruction Corporation Tax will not be imposed for the fiscal years beginning on or after April 1, 2014. In accordance with this change, the effective statutory tax rate which is used to calculate deferred tax assets and deferred tax liabilities has been reduced to 35.49% from 37.87% for temporary differences that are expected to be eliminated during the fiscal year beginning on January 1, 2015.
   The impact of this change in the effective statutory tax rate is immaterial.

(Asset Retirement Obligations)
Not applicable.

(Rental properties, etc.)
Disclosure on rental properties, etc. is not required because rental properties, etc. are not significant in the Group.

(Segment Information, etc.)
[Segment Information]
1. Outline of Reportable Segments

The reportable segments of the Company and its consolidated subsidiaries are defined as operating segments for which discrete financial information is available and reviewed by the Board of Directors regularly in order to make decisions about resources to be allocated to individual segments and assess performance.

Group operating divisions are organized based on products and services and the operating divisions are responsible for comprehensive domestic and overseas comprehensive plans as to the products and services. The four reportable segments of the Company are “Commodity Chemicals,” “Acrylic Products,” “Specialty Chemicals,” and “Plastics” based on similarity of economic characteristics, and nature of products and services.

Major products attributable to each reportable segment are as follows:

Reportable segment	Major products
Commodity Chemicals	Caustic soda, caustic potash, liquid chlorine, hydrochloric acid and other inorganic chlorides, high-purity inorganic products, sulfuric acid, industrial gases, etc.
Acrylic Products	Acrylic acid, acrylic ester, acrylic polymers, polymer flocculants, UV-Curable Resins, etc.
Specialty Chemicals	Adhesives, amenity care materials, electronics materials, products for construction and civil engineering, etc.
Plastics	Piping equipment products, nursing care products, elastomer compounds, environmental related products, etc.

2. Method of calculating net sales, income and loss, assets, liabilities and others

The accounting method applied to the reportable segments is the same as described in “Basis for Preparation of Consolidated Financial Statements.”

Segment income of the reportable segments is based on operating income.

Intersegment sales or transfer amounts are determined on the basis of market prices.

3. Information about the amounts of net sales, profit (loss), assets and other items for each reportable segment

(Millions of yen)

Year ended December 31, 2013	Reportable segments: Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales									
Sales to third parties	45,627	59,069	16,517	26,463	147,679	3,402	151,081	—	151,081
Intersegment sales	35	106	480	3	627	7,583	8,211	(8,211)	—
Net sales	45,663	59,176	16,998	26,467	148,306	10,986	159,293	(8,211)	151,081
Segment income	3,374	6,274	3,290	1,349	14,289	88	14,377	123	14,501
Segment assets	35,980	55,413	17,025	36,645	145,063	1,922	146,986	46,099	193,086
Other items									
Depreciation	2,324	2,570	688	1,391	6,975	77	7,052	593	7,645
Amortization of goodwill	—	—	9	—	9	—	9	—	9
Investment in associates accounted for using equity method	678	—	169	—	847	—	847	—	847
Increase in tangible and intangible fixed assets	2,816	2,100	616	908	6,443	165	6,608	1,031	7,639

(Notes)
1. The Others segment includes business operations relative to research and development, construction and repairing equipment, transportation and trading firm business.
2. “Adjustments” were as follows:
   (1) The adjustments to segment income include intersegment eliminations.
   (2) The adjustments to segment assets include corporate assets of ¥65,939 million that are not allocated to any reportable segments, and intersegment eliminations.
   (3) The adjustments to depreciation include mainly corporate expenses that are not allocated to any reportable segments.
   (4) The adjustments to increase in tangible and intangible fixed assets include mainly capital investment in corporate assets that are not allocated to any reportable segments.
3. Segment income is reconciled with operating income on the consolidated statements of income.
4. Depreciation in the table above includes amortization of long term prepaid expense.

(Millions of yen)

Year ended December 31, 2014	Reportable segments					Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Total				
Sales									
Sales to third parties	44,306	58,787	16,833	25,705	145,632	3,280	148,912	—	148,912
Intersegment sales	41	106	513	14	675	7,299	7,974	(7,974)	—
Net sales	44,347	58,894	17,346	25,719	146,307	10,579	156,887	(7,974)	148,912
Segment income (loss)	2,841	3,936	3,802	1,416	11,997	(44)	11,952	62	12,015
Segment assets	34,677	58,501	18,917	37,244	149,342	1,976	151,318	49,849	201,168
Other items									
Depreciation	2,416	3,552	637	1,297	7,905	137	8,043	624	8,668
Amortization of goodwill	—	—	9	—	9	—	9	—	9
Investment in associates accounted for using equity method	624	—	225	—	850	—	850	—	850
Increase in tangible and intangible fixed assets	1,330	4,374	878	968	7,552	33	7,585	269	7,855

(Notes)
1. The Others segment includes business operations relative to research and development, construction and repairing equipment, transportation and trading firm business.
2. "Adjustments" were as follows:
   (1) The adjustments to segment income include intersegment eliminations.
   (2) The adjustments to segment assets include corporate assets of ¥77,192 million that are not allocated to any reportable segments, and intersegment eliminations.
   (3) The adjustments to depreciation include mainly corporate expenses that are not allocated to any reportable segments.
   (4) The adjustments to increase in tangible and intangible fixed assets include mainly capital investment in corporate assets that are not allocated to any reportable segments.
3. Segment income is reconciled with operating income on the consolidated statements of income.
4. Depreciation in the table above includes amortization of long term prepaid expense.

[Related Information]

Year ended December 31, 2013
1. Information related to geographic region
(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other	Total
127,248	18,674	2,635	2,522	151,081

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

(2) Information related to property, plant and equipment
This information is not required to be disclosed because the amount of property, plant and equipment in Japan exceeded 90% of the amount on the consolidated balance sheet.

2. Information on major customer
This information is not required to be disclosed because net sales to any particular customer are less than 10% of the net sales on the consolidated statements of income.

Year ended December 31, 2014
1. Information related to geographic region
(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other	Total
124,155	19,386	2,997	2,372	148,912

(Note) Net sales are classified into countries and regions based on geographic location of the customer.

(2) Information related to property, plant and equipment
This information is not required to be disclosed because the amount of property, plant and equipment in Japan exceeded 90% of the amount on the consolidated balance sheet.

2. Information on major customer
This information is not required to be disclosed because net sales to any particular customer are less than 10% of the net sales on the consolidated statements of income.

[Impairment loss on non-current assets by reportable segments]

Year ended December 31, 2013 (Millions of yen)

Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Others	Adjustment	Total
—	—	784	—	—	—	784

Year ended December 31, 2014
Not applicable.

[Balance of goodwill by reportable segments]

Year ended December 31, 2013 (Millions of yen)

Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Others	Adjustment	Total
—	—	28	—	—	—	28

(Note) The amounts of amortization of goodwill are not required to be disclosed because the relevant amounts are disclosed in "Segment Information."

Year ended December 31, 2014 (Millions of yen)

Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Others	Adjustment	Total
—	—	19	—	—	—	19

(Note) The amounts of amortization of goodwill are not required to be disclosed because the relevant amounts are disclosed in "Segment Information."

[Gain on negative goodwill by reportable segment]
Not applicable.

[Related party information]
Not applicable.

(Per Share Information)

Years ended December 31,	2013	2014 (Yen)
Net assets per share	545.45	579.83
Net income per share	36.44	31.94

(Notes)

1. Diluted net income per share is not disclosed because no potential shares exist.
2. The basis for calculation of “net income per share” is as follows:

Years ended December 31,	2013	2014
Net income per share		
Net income (Millions of yen)	9,605	8,414
Amounts not belonging to shareholders of common stock (Millions of yen)	—	—
Net income attributable to common stock (Millions of yen)	9,605	8,414
Average number of common shares during the fiscal year (Thousands of shares)	263,569	263,435

3. The basis for calculation of “net assets per share” is as follows:

Years ended December 31,	2013	2014
Total amount of net assets (Millions of yen)	148,148	157,349
Amount deducted from the total amount of net assets (Millions of yen)	4,426	4,637
(including minority interests)	(4,426)	(4,637)
Amount of net assets at the end of the fiscal year attributable to common stock (Millions of yen)	143,721	152,711
Number of common shares used for calculating net assets per share (Thousands of shares)	263,491	263,374

(Subsequent Events)
Share consolidation and revision of share unit number
The Company resolved at the Board of Directors meeting held on February 5, 2015 to submit a proposal for a share consolidation of common stock and a revision of the share unit number, and the proposal was approved by resolution at the 102nd Annual Shareholders’ Meeting held on March 27, 2015.

1. Purposes of the share consolidation and revision of the share unit number
   The Japanese Stock Exchanges Conference announced an “Action Plan for the Consolidation of Trading Units” calling for the consolidation of share trading units (share unit number) of common stock of listed domestic companies into 100 share units.
   The Company respects the objective of the announcement as a company listed on the Tokyo Stock Exchange and intends to revise the share trading units (share unit number) of stock of the Company to 100 shares and also to consolidate its shares in consideration of the monetary value (50,000 yen or more and less than 500,000 yen) of an investment unit the Conference deems desirable.

2. Details of the share consolidation
   1) Type of share to be consolidated
   Shares of common stock
   2) Method and ratio of the share consolidation
   Shares are to be consolidated effective on July 1, 2015 at a share consolidation ratio of 2 for 1 based on the number of shares held by shareholders recorded at the final shareholder register on June 30, 2015.
   3) Number of shares to be decreased by the share consolidation

Total number of shares issued before the share consolidation (as of December 31, 2014)	263,992,598 shares
Number of shares to be decreased by the share consolidation	131,996,299 shares
Total number of shares issued after the share consolidation	131,996,299 shares

(Note) The “Number of shares to be decreased by the share consolidation” and “Total number of shares issued after the share consolidation” are theoretical values calculated based on the total number of shares issued before the share consolidation and the share consolidation ratio.

3. Details of the revision of share unit number
   The share unit number of common stock is to be revised from 1,000 to 100 immediately when the share consolidation goes into effect.

4. Schedule for the share consolidation and revision of the share unit number

Date of resolution at the Board of Directors meeting	February 5, 2015
Date of resolution at the Annual Shareholders' Meeting	March 27, 2015
Effective date of the share consolidation and revision of the share unit number	July 1, 2015

5. Effect on per share information
Per share information in the previous fiscal year and the current fiscal year is as follows, assuming that the shares are consolidated as such at the beginning of the previous fiscal year

Years ended December 31,	2013	2014 (Yen)
Net assets per share	1,090.91	1,159.65
Net income per share	72.88	63.88

(Note) Diluted net income per share is not disclosed because no potential shares exist.

v) [Supplementary Financial Schedules]

[Schedule of bonds and debentures]
Not applicable.

[Schedule of borrowings, etc.]

Classification	Beginning balance (Millions of yen)	Ending balance (Millions of yen)	Average interest rate (%)	Due date of repayment
Short-term bank loans	2,385	2,344	0.613	—
Long-term debt scheduled to be repaid within one year	4,853	541	1.380	—
Lease obligations scheduled to be repaid within one year	75	64	—	—
Long-term debt (excluding debt scheduled to be repaid within one year)	5,861	10,349	0.742	From 2016 to 2027
Lease obligations (excluding obligations scheduled to be repaid within one year)	125	108	—	From 2016 to 2022
Other interest-bearing debt	—	—	—	—
Total	13,300	13,408	—	—

(Notes)
1. "Average interest rate" presents the weighted average interest rate against the term-end balance of borrowings.
2. "Average interest rate" for lease obligations is not required to be disclosed because lease obligations are stated in the consolidated balance sheets in the amount before deducting the amount equivalent to related interest expenses, which are included in the total lease payments.
3. The projected repayment amounts of long-term debt and lease obligations (excluding debt and obligations scheduled to be repaid within one year) within five years after the consolidated balance sheet date are as follows.

(Millions of yen)

	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years
Long-term debt	386	158	4,158	158
Lease liabilities	47	31	14	6

[Schedule of asset retirement obligations]
Not applicable.

(2) [Other]

Quarterly data for the current fiscal year ended December 31, 2014

Cumulative periods	First quarter (From January 1 to March 31, 2014)	Second quarter (From January 1 to June 30, 2014)	Third quarter (From January 1 to September 30, 2014)	Current fiscal year (From January 1 to December 31, 2014)
Net sales (Millions of yen)	37,433	74,954	110,981	148,912
Income before income taxes and minority interests (Millions of yen)	3,352	6,279	9,249	13,164
Net income (Millions of yen)	2,104	4,253	6,070	8,414
Net income per share (Yen)	7.99	16.14	23.04	31.94

Accounting period	First quarter (From January 1 to March 31, 2014)	Second quarter (From April 1 to June 30, 2014)	Third quarter (From July 1 to September 30, 2014)	Fourth quarter (From October 1 to December 31, 2014)
Net income per share (Yen)	7.99	8.16	6.90	8.90

TOAGOSEI

1-14-1 Nishi-Shimbashi, Minato-ku,
Tokyo 105-8419, Japan
Tel: 03-3597-7215
Fax: 03-3597-7217
http://www.toagosei.co.jp/english/