

Annual Report 2015

Strengthen Business Structure
then **Create** New Products



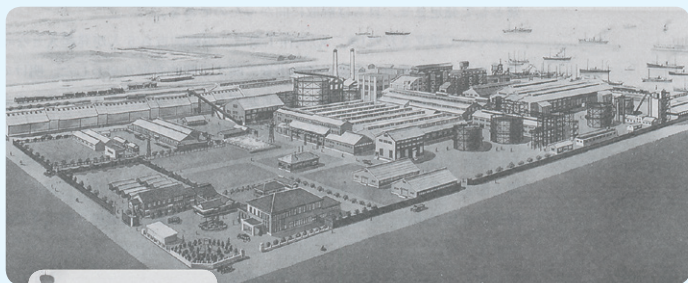
TOAGOSEI

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 2015, the Group's sales came to ¥140 billion and its workforce totaled 2,441, 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.



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

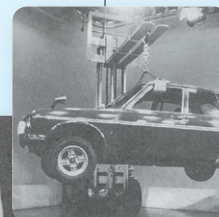
A new factory (Tokushima Factory) was established to produce caustic soda and organic solvents in Tokushima Prefecture.

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

Corporate History

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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

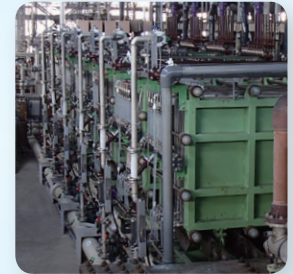
The polymer flocculant business was split off and MT AquaPolymer, Inc. was established as a joint venture with Mitsui Chemicals Inc.

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.

1980's

1990's

2000's

2010'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."



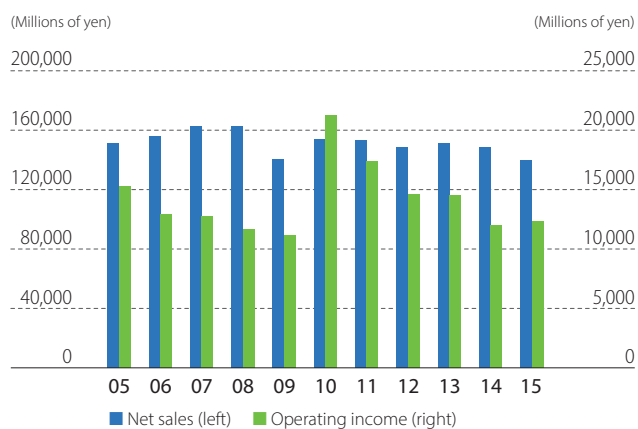
Eleven-Year Summary

Toagosei Co., Ltd. and Consolidated Subsidiaries

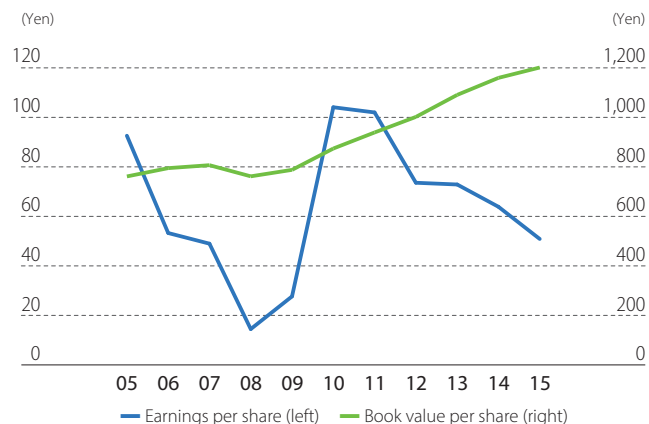
Years ended December 31	2005	2006	2007	2008
Income				
Net sales	¥151,443	¥155,804	¥162,729	¥162,615
Operating income	15,236	12,950	12,719	11,668
Income before income taxes and minority interests	16,846	13,522	13,295	6,869
Net income	12,131	6,961	6,403	1,895
Capital investment	7,071	9,241	6,949	6,689
Research and development expense	5,275	5,010	4,794	4,753
Cash flows				
Cash flows from operating activities	18,380	11,600	15,651	13,280
Cash flows from investing activities	(6,889)	(10,093)	(4,209)	(8,776)
Free cash flow	11,491	1,507	11,442	4,504
Cash flows from financing activities	(10,711)	583	(15,894)	(4,057)
Balance sheet				
Total assets	186,521	195,607	182,681	172,464
Net worth*	99,501	103,870	105,339	99,271
Per share of stock				
Earnings per share (Yen)	92.6	53.3	49.0	14.5
Book value per share (Yen)	761.6	795.1	807.0	762.0
Cash dividends applicable to the year (Yen)	15.0	15.0	16.0	16.0
Ratio				
Return on equity (ROE) (%)	13.3	6.8	6.1	1.9
Return on total assets (ROA) (%)	6.7	3.6	3.4	1.1

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

Net sales / Operating income



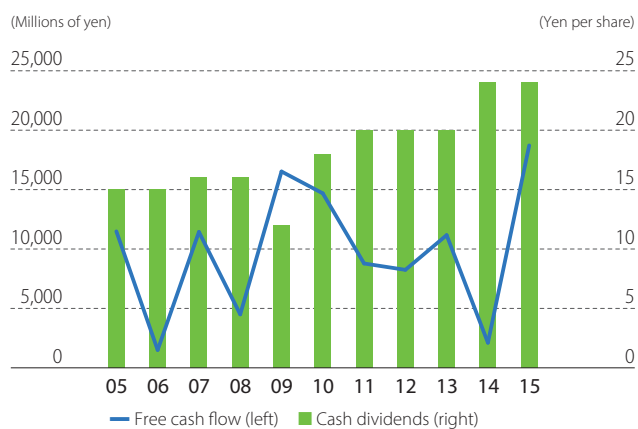
Earnings per share / Book value per share



Note: All figures are adjusted retrospectively for the impact of the share consolidation of common stock at a ratio of one share per two share on July 1, 2015.

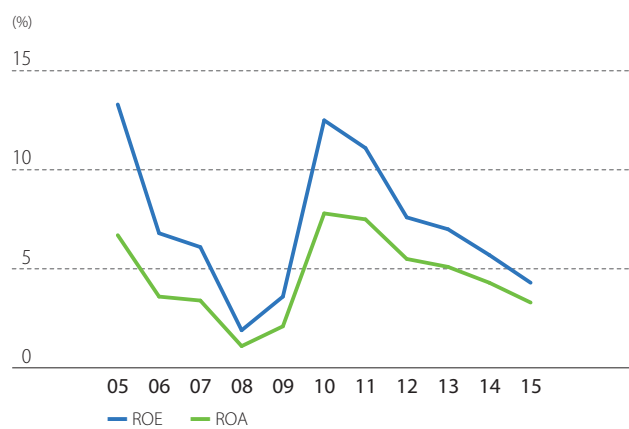
						Millions of yen	Change (%)
2009	2010	2011	2012	2013	2014	2015	15/14
¥140,033	¥153,779	¥153,007	¥148,203	¥151,081	¥148,912	¥139,848	(6.1)
11,158	21,271	17,338	14,583	14,501	12,015	12,347	2.8
7,205	17,917	18,992	14,518	14,731	13,164	11,863	(9.9)
3,541	13,133	13,000	9,699	9,605	8,414	6,696	(20.4)
5,971	10,555	10,449	12,886	7,425	7,768	5,837	(24.9)
4,472	4,582	4,603	4,360	3,767	3,865	3,720	(3.8)
22,701	24,843	17,828	23,293	18,023	16,098	23,313	44.8
(6,174)	(10,155)	(9,041)	(15,041)	(6,852)	(13,981)	(4,592)	67.2
16,527	14,688	8,787	8,252	11,171	2,117	18,721	784.3
(13,992)	(4,117)	(7,320)	(3,377)	(2,094)	(3,063)	(3,949)	28.9
161,609	173,847	171,046	181,451	193,086	201,168	208,018	3.4
99,449	110,283	123,826	132,074	143,722	152,712	158,173	3.6
27.7	104.1	102.0	73.6	72.9	63.9	50.9	(20.4)
788.1	874.3	939.2	1,002.0	1,090.9	1,159.7	1,201.5	3.6
12.0	18.0	20.0	20.0	20.0	24.0	24.0	0.0
3.6	12.5	11.1	7.6	7.0	5.7	4.3	—
2.1	7.8	7.5	5.5	5.1	4.3	3.3	—

Free cash flow / Cash dividends



Note: All figures are adjusted retrospectively for the impact of the share consolidation of common stock at a ratio of one share per two share on July 1, 2015.

ROE / ROA



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



Acrylic monomers are one of our main products, and are used as raw materials for paints



Caustic soda is obtained by electrolyzing salt water solution



Sodium hypochlorite is used in the sterilization of tap water and swimming pools

The Medium-Term Management Plan

"All TOA 2016 : Strengthen Business Structure then Create New Products"

1. Next-generation product development

We will focus on developing new products in areas expected to grow in the future, including food, water, healthcare, the environment, energy, and social infrastructure.

2. Strengthening and qualitatively transformation of existing business production and sales systems

a Production Division

In the key electrolysis and acrylic segments, promote project team-based operational reforms while working to reduce costs and improve productivity by introducing innovative manufacturing technologies

b Sales Division

Improve earnings by steadily implementing such measures as increasing customers through enhancements in the quality and quantity of sales activities; gathering information on customer needs; and revising prices in a timely manner

c Overseas Division

Work to optimize production systems and strengthen sales systems at overseas bases; promote new product development in North America; and enhance bases in Asia to further augment competitiveness in that region

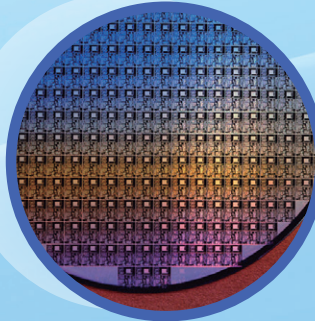
3. Qualitative transformation to a more attractive company

Promote a qualitative transformation of the corporate culture to motivate employees to take on the challenge of implementing positive innovations by upgrading employment conditions, such as creating opportunities for senior employees and revising wage levels

Downstream



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



High-purity inorganic chemicals support cutting-edge technologies as essential components of semiconductors and electronics



UV-curable resins are used in various things around us, from printed materials to electronic materials



Acrylic polymers are used in raw materials for cosmetics



Nursing care products

Specialty Chemicals

Business Domains

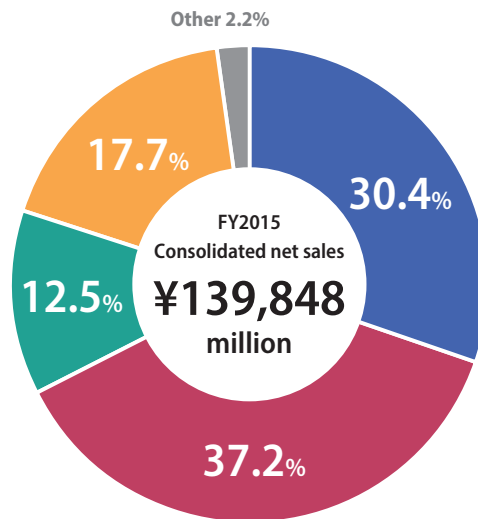
Toagosei conducts business in four business segments—Commodity Chemicals, Acrylic Products, Specialty Chemicals, and Plastics.

Plastics

Sales
¥24,695 million
Segment income
¥1,270 million

Specialty Chemicals

Sales
¥17,514 million
Segment income
¥4,346 million



Commodity Chemicals

Sales
¥42,458 million
Segment income
¥3,368 million

Acrylic Products

Sales
¥52,039 million
Segment income
¥3,210 million

Establishment

1942

Total assets

¥208,018 million

Number of subsidiaries and affiliates

34



- **Earnings rose** in response to lower prices for raw materials and expanded sales of highly functional, high-value-added products, despite downward pressure on earnings from a decline in the price of acrylic esters
- The annual dividend for fiscal 2015 is **¥24*** per share
- **Higher sales and earnings** forecast for fiscal 2016

*After consideration of the reverse stock split

Mikishi Takamura, *President*

Profile

April 1980	Joined the Company
April 2008	Deputy Plant Manager, Nagoya Plant
March 2010	Director, General Manager, Administrative Department
March 2015	Vice President, Representative Director and General Manager, Corporate Strategy Division
November 2015	President and Representative Director (to present)



Overview of Fiscal 2015 (the year ended December 31, 2015)

In the consolidated fiscal year under review (the year from January 1 to December 31, 2015), the Japanese economy made a gradual recovery, supported by strong corporate earnings and employment, amid continued low prices for crude oil and other resources and the appreciation of the U.S. dollar against the Japanese yen. In the global economy, on the other hand, despite a strong performance by the U.S. economy, the overall situation was clouded by a strong sense of uncertainty for the future overall, with the slowdown in the economies of emerging countries such as China becoming more pronounced in the second half of the year.

The Group's business environment was generally favorable in terms of demand for highly functional, high-value-added products used in semiconductors, electronic materials and automobile parts, despite the effect of inventory adjustments towards the end of the year. Low resource prices brought downward pressure on product prices, but positively affected profitability by reducing the cost of products. Meanwhile, a decline in prices for acrylic ester products in Asia had a significant depressive effect on earnings throughout the year.

As a result of these factors, the Toagosei Group's consolidated results for fiscal 2015 were net sales of ¥139,848 million (down 6.1% year on year), operating income of ¥12,347 million (up 2.8%), and ordinary income of ¥13,201 million (up 2.4%). Net income was ¥6,696 million (down 20.4%), reflecting the recording of impairment losses at a subsidiary in Singapore.



Forecast for 2016

The outlook for fiscal 2016 is for a relatively strong performance in the Japanese economy, supported by expectations for continued low resource prices for crude oil and so forth, as well as buoyant construction demand. For the global economy, on the other hand, there are concerns that the slowdown in emerging countries could persist due to the impact of interest rate hikes in the U.S. and so forth, as well as growing geopolitical risks in the Middle East. In the chemical industry, low fuel prices are likely to continue contributing to reduced manufacturing costs; however, there are fears that global economic instability could also cause a decline in Japanese exports, with a depressive effect on the economy overall. As such, the situation is expected to remain unpredictable.

In this situation, the Toagosei Group will respond with agility to the external environment by thoroughly implementing a sales policy focused on profitability in commodity products and concentrating investment of management resources in highly functional, high-value-added products to further increase sales. Under the Group's medium-term management plan, "All TOA 2016: Strengthen Business Structure then Create New Products," we have an action plan that we will steadily execute to further increase our earnings capabilities.

In fiscal 2016, the Toagosei Group is forecasting net sales of ¥140,000 million (up 0.1% year on year), operating income of ¥13,000 million (up 5.3%), ordinary income of ¥14,000 million (up 6.1%), and net income of ¥9,000 million (up 34.4%).

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Challenges To Be Addressed

The Group has been taking steps to transition to a business structure that can ensure highly stable earnings under any business environment. Over the three years from 2014 to 2016, we have been executing the medium-term management plan “All TOA 2016: Strengthen Business Structure then Create New Products.” The main objectives of our strategy have been to strengthen the structure of existing businesses, promote development and creation of new businesses and products, and qualitatively transform into an appealing company. In 2016, the final year of the plan, we now think it will be difficult to achieve our numerical targets due to dramatic changes in our external environment and so forth; however, we have not changed the targets of our action plan. We will further strengthen our proactive management stance focused on growth and profitability, and build a foundation in preparation for the new medium-term management plan which we aim to start in 2017.

1. Continue to strengthen our businesses

One of our urgent priorities is to increase the competitiveness of our electrolysis business in the Commodity Chemicals Segment by further streamlining it. We will rapidly implement our action plan for strengthening businesses, in such ways as deciding our policy regarding the ongoing introduction of gas-diffusion electrode equipment following its deployment at the Tokushima Plant. We will also move to quickly ensure a stable supply of high-purity liquefied hydrogen chloride from the Yokohama and Tokushima Plants, and use our bolstered capabilities to expand our sales in overseas markets. In the Acrylic Products Segment, we will quickly implement structural reforms in the acrylic ester business in Singapore.

2. Create new businesses and products

To accelerate overseas sales of downstream acrylic products such as water-soluble polymers and UV-curable resins, we will propose and examine overseas business strategies focused mainly on the U.S. and Asian markets. We have also established three target fields: water, food, and healthcare; environment and energy; and social infrastructure. We will promote new product development in these fields,

focusing our research on highly functional resins such as adhesives. In doing so, we will leverage our strengths in our core technologies (UV curing and polymers, adhesives, organic and inorganic composites, compounding and resin molding, and analysis and evaluation).

3. Enhance initiatives for corporate social responsibility (CSR)

With mounting social demand regarding corporate governance, in February 2016, we established the Toagosei Group Basic Policy on Corporate Governance. To upgrade our management structure, on March 30, 2016, we changed from a “company with audit & supervisory board” to a “company with audit & supervisory committee” with a majority of outside Audit & Supervisory Committee members. This move will further strengthen the function for supervising the Board of Directors, separate supervision from business execution, and promote faster decision-making. In doing so, we will strive to achieve sustainable growth and increase corporate value over the medium to long term. In other efforts, we have been working to thoroughly instill compliance with laws and regulations and to enhance our Responsible Care activities. Through initiatives such as these, we will widen our management focus to include all of our stakeholders.

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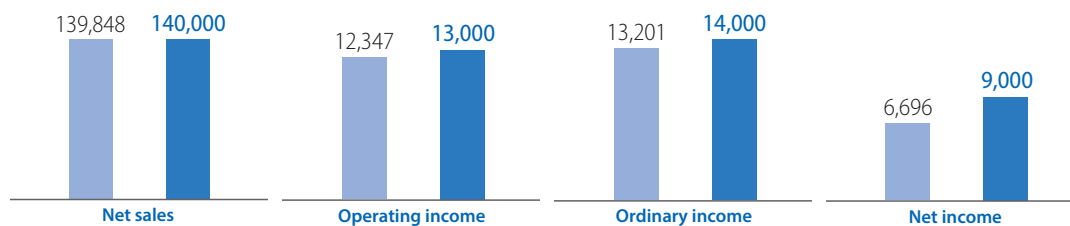
Distribution of Profits

Our basic policy on distributing profits is to comprehensively consider factors such as performance during the fiscal year, future business development, and expected future performance, and to strive to provide a stable return of profits to our shareholders. Accordingly, this year, we have decided on a year-end dividend of ¥12 per share. The Company conducted a 1-for-2 reverse stock split of its common stock on July 1, 2015. Combined with the interim dividend of ¥6 per share (¥12 after taking the reverse stock split into account), the annual dividend is about the same as last year at ¥24 per share (¥12 per share before taking the reverse stock split into account).

I would like to ask all of our shareholders to continue giving us their faithful support and understanding.

Consolidated forecast for fiscal 2016

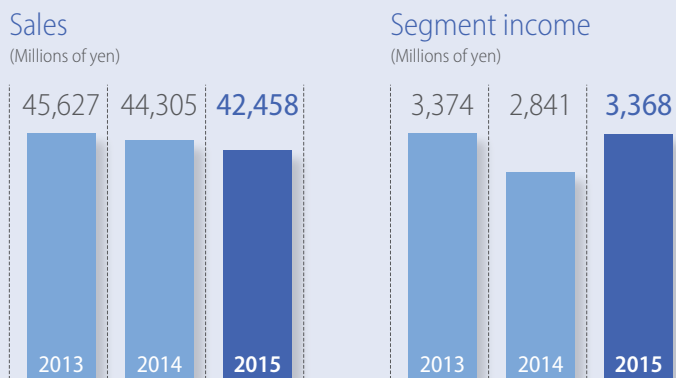
■ Fiscal 2015 (actual) ■ Fiscal 2016 (forecast) (Millions of yen)



Note: The performance forecast includes projections prepared on the basis of information available on the date of the announcement of the financial results. Actual results may differ from the figures in this report due to a range of variable factors going forward.

Commodity Chemicals

The Toagosei Group's Commodity Chemicals Segment 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.



2015 Review—Including Attainment of the Medium-Term Management Plan

In 2015, sales fell and income rose in the chlor-alkali and sulfuric acid business and in the industrial gases business, while remaining on target for the high-purity products business

In 2015, sales declined in the chlor-alkali and sulfuric acid business and the industrial gases business because of sluggish domestic demand. However, these businesses saw income increase as a result of a fall in feedstock prices and efforts to reduce fixed costs. On the other hand, sales and income in the high-purity products business remained nearly on target as price revisions improved margins and offset a downturn in shipments. The downturn reflected sluggish performance in the key electronic materials field, including for semiconductors and LCDs.



Innovative manufacturing technologies

Electrolysis machine using the gas-diffusion electrode method that reduces electricity consumption by two-thirds compared to conventional machines.

Medium-Term Management Plan Initiatives in 2016 (Issues to Be Addressed)

In 2016, we aim to increase earnings of the Commodity Chemicals Segment by efficiently operating core businesses and aggressively promoting strategic businesses

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 and sulfuric acid 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 introduced Japan's first gas-diffusion electrode-type electrolysis tank at the Tokushima Plant two years ago to reduce electricity costs. The tank has worked well, reducing costs as initially targeted. We plan to introduce the method at the Nagoya Plant.

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. At the same time, we will also improve productivity and establish a BPC, as well as 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.

Medium-Term Management Plan Growth Strategies

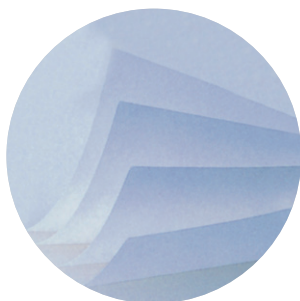
Key Business Segment Action Plans

Strengthen competitiveness of the electrolysis business

- Strengthening integrated operation of three electrolysis plants through standardization of production methods. As part of this effort, rationalization started at the Yokohama Plant ahead of other plants. Reform of the Nagoya Plant to start in 2016.

Expand the high-purity inorganic products business

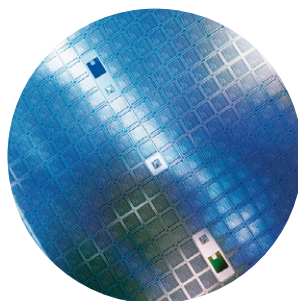
- Completed expansion of the Tokushima Plant's production capacity for high-purity liquefied hydrogen chloride. Further sales expansion in Asia where demand is rising.



Caustic soda is used in the paper manufacturing process



Sulfuric acid is used in a wide range of applications, including fertilizers, paper and pulp manufacturing, and others



High-purity inorganic chemicals support cutting-edge technologies as essential components of semiconductors and electronics



Sodium hypochlorite is used in the sterilization of tap water and swimming pools

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.

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.

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.

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.

Acrylic Products

The Acrylic Products Segment is one of the core businesses of the Toagosei Group. The Group inside and outside of Japan is working together to reinforce its foundation and expand the business of acrylic derivatives. To achieve this, we are strengthening the monomer business, which increases our competitiveness in the cost of derivatives.

UV-curable resins under the *Aronix* brand are special acrylic monomers and oligomers developed by Toagosei that harden when exposed to UV light and the like. They are classified into three main grades: special acrylate, urethane acrylate, and polyester acrylate. All three can be cured in a short time by irradiation, especially by UV light, and have paved the way for environmentally friendly products with minimal solvent content. *Aronix* resins are used in a wide variety of fields such as for inks, paints, coatings and adhesives for LCDs.

2015 Review—Including Attainment of the Medium-Term Management Plan

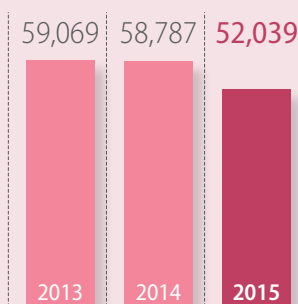
The Acrylic Products Segment is engaged in producing chemicals ranging from monomers, including acrylic acid—the starting point of the business—and acrylic esters, to downstream derivatives such as acrylic polymers and UV-curable resins (*Aronix*). In the monomer business, we continued to focus on the stable improvement of profits through the building of a new business model for production and sales. We also worked on developing new products and expanding the sales of downstream derivatives in an effort to improve capacity utilization of our new acrylic acid production facility at Oita Chemical Co., Ltd. This new facility began operating in May 2015 in preparation for expanding our line of downstream acrylic products over the medium to long term.

In the polymer business, we took active steps to raise productivity and develop new products in order to boost profitability and increase sales volume. In Singapore, we operate an acrylic ester business and a water-soluble polymer business. With oversupply continuing to weigh on prices in the Asian market for acrylic esters, we worked to secure profits by placing a particular emphasis on selecting our customers.

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. At the same time, we aggressively developed environmentally friendly products (free of toluene and so forth), as well as various highly functional products.

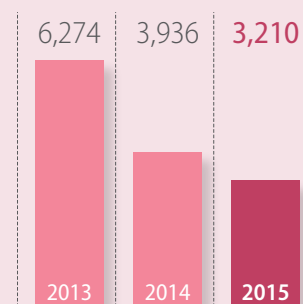
Sales

(Millions of yen)



Segment income

(Millions of yen)



Medium-Term Management Plan Initiatives in 2016 (Issues to Be Addressed)

In spring of 2014, Toagosei boosted the annual production capacity of Oita Chemical'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. Looking ahead, 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 our 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 developing a highly differentiated product line centered on environmentally friendly products.

In the energy, infrastructure, and optical materials fields, we will work to strengthen downstream businesses and further improve profitability by identifying market needs from new perspectives and advancing technological innovation. At the same time, we will work to increase the overall profitability of the Group's acrylic chain by aggressively developing business overseas for our competitive product lines.

Medium-Term Management Plan Growth Strategies

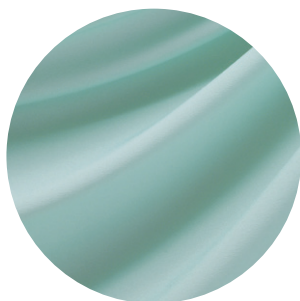
Key Business Segment Action Plans

Reform of the acrylic monomer business

- Increased the utilization rate of acrylic acid production facilities and promoted restructuring of the Singapore business.

Reinforce downstream products

- Expanded sales of polymer products in the existing market and promoted development of new themes.
- For *Aronix*, focused on cultivating the market for highly functional products and expanded sales in Asia at our two overseas plants.



Acrylate esters, derivatives of acrylic acid, are one of our main products, and are used as raw materials for paints

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.

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*.



Acrylic polymers are used in raw materials for cosmetics



Polymer flocculants, like *ARONFLOC*, are used in the treatment of wastewater

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.



UV-curable resins are used in various things around us, from printed to electronic materials

UV-curable resins

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.

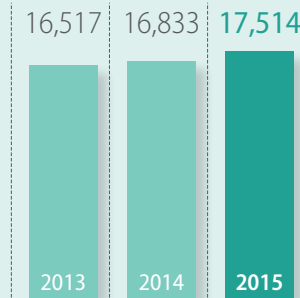
Specialty Chemicals

- Functional Chemicals
- Advanced Chemicals

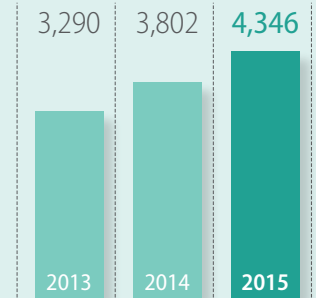
Our adhesives help to improve the cost and speed of manufacturing and repair through adhesion of various materials such as plastics, rubber, metals, wood, leather, and ceramics. We are constantly enhancing our product range of highly functional adhesives to meet diverse needs in the home and in industries such as for electronic materials, automobiles, and precision equipment.

In inorganic functional materials, our product lines include *IXE* in electronic materials additives and silver-based inorganic antimicrobial agent *Novaron* and inorganic deodorant *KESMON* in amenities additives. All of these products have been created through the inorganic synthetic chemistry technologies of Toagosei. Our goal is to develop new products which advance with the times and satisfy the needs of society.

Sales
(Millions of yen)



Segment income
(Millions of yen)



Functional Chemicals

2015 Review—Including Attainment of the Medium-Term Management Plan

Our adhesives business attained the financial targets for 2015 in the medium-term management plan. This was attributable to strong sales and the export of *Aron Alpha* for household use and an increase in sales of adhesives for electronic materials used to make mobile devices and so forth.

The *Aron Alpha* brand of instant adhesives retained top market share in Japan due to brisk sales of established products such as *EXTRA High-Speed All-Purpose* and *EXTRA GEL*. In addition, we worked to increase recognition of the brand among younger Japanese consumers by using Facebook as a new advertising medium for introducing our products and showing how to use them. In the United States, *Krazy Glue* maintained its top market share because of ongoing promotional activities based on TV commercials and the Internet. In China, we focused on marketing the instant adhesive to convenience stores and mass retailers affiliated with Japanese companies.

In the functional adhesives field, we saw strong sales of reactive adhesives and other products for application in mobile devices and automobiles.

As a result, we attained our medium-term management plan targets for the adhesives business.

Medium-Term Management Plan Initiatives in 2016 (Issues to Be Addressed)

To bolster our *Aron Alpha* and *Krazy Glue* brands of instant adhesives and increase their market share, we will step up our promotion activities in Japan. At the same time, we will launch new products overseas with innovative new containers that are easy to use. Going forward, we will strengthen our framework for developing new adhesives, containers, and sales channels so that we can continue to generate attractive new products while collaborating more extensively with our overseas business bases in the U.S. 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.



Functional adhesives are used in electronic materials, automobiles and various other sectors



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

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Develop new adhesive products

- Regarding functional adhesives for which business has been robust, continuing tailor-made development for customers in cutting-edge fields.
- Under the *Krazy Glue* brand of instant glues for the U.S. market, launched two new products in localized packaging geared to local needs.

Cultivate markets for amenity care material products

- Widened application of inorganic deodorant *KESMON* and antibacterial agent *Novaron* in highly functional textiles. Continue to focus on this as the principal application of amenity care material products.

Advanced Chemicals (Inorganic Functional Materials and Electronic Materials)

Strengthen the base for amenity care materials and electronics to expand profits

2015 Review—Including Attainment of the Medium-Term Management Plan

Launched and expanded the application of amenity care material products

We promoted the sale of the *KESMON MASK* for use in industrial settings where odor is a problem, making the most of the chemical absorption and superior deodorizing characteristics of the product. The material for the mask has also found broader application in textiles with its reputation for deodorizing perspiration and odor and so forth, and for being readily spun into thread.

Strengthened the base for the electronic materials business

For high-purity hexachlorodisilane, which is used as a semiconductor insulating film, we have established a strong position as the leading manufacturer with a reputation for maintaining stable quality and supply.

For high-purity ethylene carbonate (EC), which is used as a raw material for electrolytes used in lithium-ion batteries, our strong reputation for stable quality has led to wider adoption.



Medium-Term Management Plan Initiatives in 2016 (Issues to Be Addressed)

Strengthen the base for amenity care material products and accelerate the downstream application

We will establish an overall brand for our amenity care material products with their wide range of functions, including antimicrobial, antifungal, antiviral, and anti-allergenic properties, and actively develop markets for them.

Targeting deodorizing fibers that demonstrate the characteristics of fine particles, we will also promote the development of fabricated materials such as master batches and dispersing liquids.

Strengthen the base for the EC business

We will establish a supply framework in preparation for the start of EC application in automotive lithium-ion batteries.



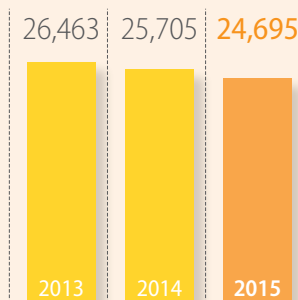
Silver-based antimicrobial agent *Novaron* for clean and comfortable living

Plastics

Aronkasei Co., Ltd., a member of the Toagosei Group, succeeded in developing the first rigid PVC piping product in Japan, called *Aron Pipe*. Since then, they have been pioneers in the fields of piping equipment products with joints, chambers, and more. They are also the leading manufacturer of nursing care products, putting their assembly and processing technologies to work with products like the *Anjyu* brand portable toilet. Aronkasei is currently focusing on the development of its piping equipment products, nursing care products, and elastomer compounds, and using plastics in its unique manufacturing practices to broaden its business to everything from creating comfortable daily living to community building through infrastructure development.

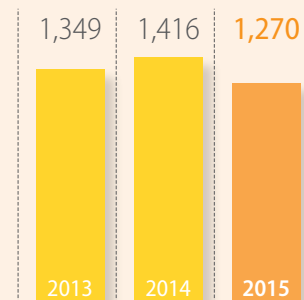
Sales

(Millions of yen)



Segment income

(Millions of yen)



2015 Review—Including Attainment of the Medium-Term Management Plan

In 2015, the second year of the current medium-term management plan, Aronkasei Co., Ltd. attained its target profits for the piping equipment business and the elastomer compounds business. However, we experienced a substantial fall in profit in the nursing care products business, mainly because sales competition intensified and the yen's depreciation drove up the cost of our contracted overseas manufacturing. As a result, Aronkasei's consolidated sales and income in 2015 fell short of our targets in the medium-term management plan.

Demand in the piping equipment business was sluggish throughout 2015, despite some signs of recovery as housing starts began increasing year on year in the second half. Under these circumstances, we merged with our subsidiary Mikuni Plastics Co., Ltd., absorbing it in April 2015. Through business integrations, we worked to strengthen our marketing capability and increase our sales in waterworks-related products. Assisted by a fall in raw material costs, this enabled our piping equipment business to stay on target in terms of profit, despite coming up short in terms of sales.

In the nursing care products business, we encountered challenging business conditions as sales competition intensified while the yen's depreciation drove up the cost of our contracted overseas manufacturing. With the exception of rentals, business was lackluster for nursing care products. In October, we revised our prices in an attempt to improve our profit margins. However, this did not provide enough impact to keep the sales and profits in our nursing care products business from falling below target.

Medium-Term Management Plan Initiatives in 2016 (Issues to Be Addressed)

Aronkasei has two priorities under the current medium-term management plan. The first is to reduce costs in the piping equipment business by rebuilding and reforming the manufacturing system. The second is to expand the nursing care products business by entering new fields and launching differentiated products.

In the piping equipment business, we will continue to review proposals from a factory innovation project initiated for optimizing the production items, capacity, and facilities at each of our factories. Apart from that, Toagosei's construction repair materials business unit was transferred to Aronkasei starting in 2016. Going forward, we aim to expand business by applying our standards for personnel utilization and proposal-driven marketing in this unit.

In the nursing care products business, we will continue to expand our domain by developing new products for rental purposes as well as for other new fields. At the same time, we aim to achieve business growth by increasing brand power through the development of differentiated products that are ahead of the competition. Moreover, we will also work on fundamentally reforming overseas procurement to reduce our development and product costs.

Building on the aforementioned initiatives, we will consolidate our technological know-how with those of the Toagosei Group companies to create new products while improving our productivity to reduce costs.

Medium-Term Management Plan Growth Strategies

Key Business Segment Action Plans

Reform production and sales systems of the piping equipment business

- Promoted business development centered on Aronkasei's PVC piping with small-diameter chambers and innovative rationalization of plants.

Launch differentiated products in the nursing care products business

- *Q-let*, an innovative portable toilet with flush functions, was launched in April 2016.



Piping equipment



Nursing care products



Elastomer compounds can be customized to meet diverse needs and provide new materials

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.



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 products 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.



Changing the focus from providing facilities to reforming management

General Center of R&D

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

Toagosei has four research laboratories: the Base Technology Center, Applied Research Laboratory, New Products Research Laboratory, and Productive Technology Laboratory. Under this structure, Toagosei is advancing R&D in line with the basic policies of exploring R&D themes from a medium- to long-term perspective and promoting basic and applied research, realizing R&D benefits as early as possible through intensive activities, and enhancing R&D capabilities through the autonomous growth of every researcher. Specifically, the R&D Promotion Section within the General Center of R&D and the Development Groups for each business department work closely to hasten the adoption, revision or termination of R&D themes; manage progress on each R&D theme to optimize overall advancement; and strengthen coordination and collaboration with business departments within the Company. To achieve optimal R&D for the Group as a whole, we are also promoting joint research with Group 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. We have therefore positioned the development of next-generation products as our top growth strategy, and selected priorities among our 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.

All Toagosei business divisions will continue collaborating on development of highly 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 working to select and focus on priority research themes in conjunction with speeding up the pace of R&D. For example, we seek to deliver R&D achievements in a short span of time by accelerating new product development through the concentration of our human and budgetary resources on selected priority research themes.



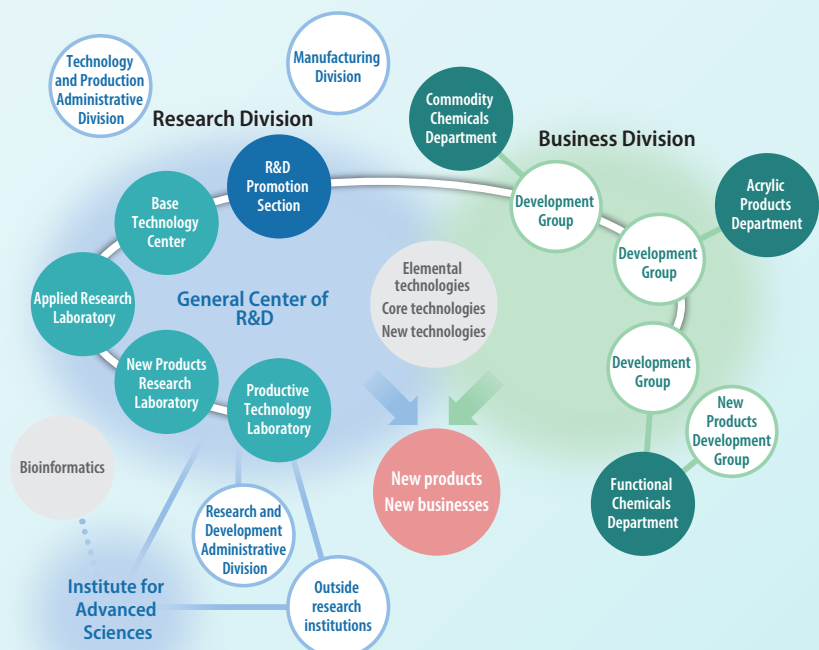
Monodukuri Center
(Aronkasei Co., Ltd.)

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.

We have set up small, cross-organizational working groups spanning the business departments of individual researchers in order to provide a forum for promoting each researcher's autonomous growth and awareness of the need for robust research themes with the potential for generating profits. The researchers seek to adopt and promote those research themes, as well as to revise or terminate them as necessary and manage their progress. In these working groups, researchers freely discuss and proactively exchange ideas. The goal is to generate new businesses in integrated fields 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.



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.

The Toagosei Group’s corporate philosophy and CSR framework

● Corporate philosophy

Sharing more happiness with more people through the chemical business

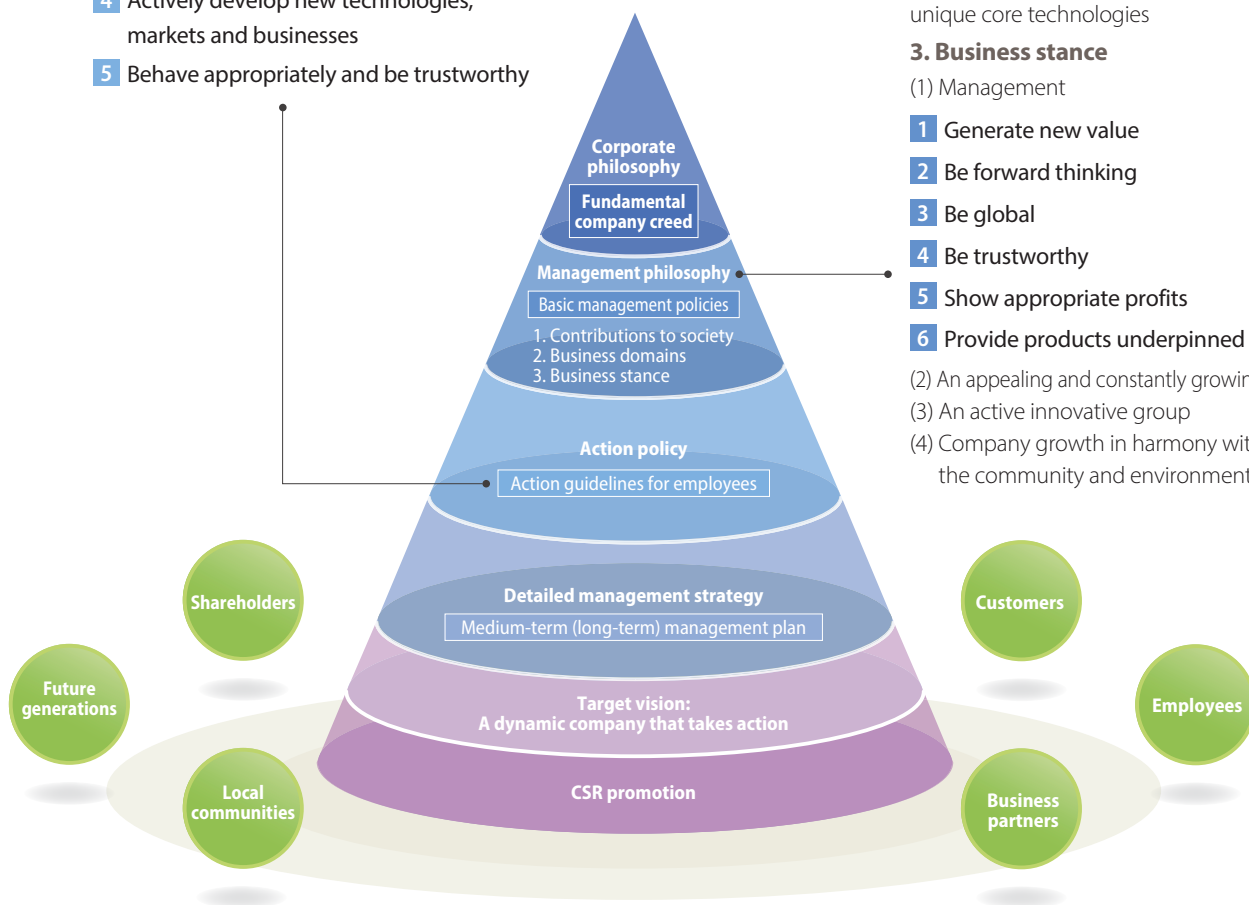
● Action policy

Action guidelines

- 1 Correctly understand situations
- 2 Tackle reforms
- 3 Eliminate habits to achieve targets
- 4 Actively develop new technologies, markets and businesses
- 5 Behave appropriately and be trustworthy

● Management philosophy

- 1. Contribute to society**
Contribute to society through the chemicals business
- 2. Business domains**
Create chemicals-related businesses using unique core technologies
- 3. Business stance**
(1) Management
- 1 Generate new value
 - 2 Be forward thinking
 - 3 Be global
 - 4 Be trustworthy
 - 5 Show appropriate profits
 - 6 Provide products underpinned by technology
- (2) An appealing and constantly growing company
(3) An active innovative group
(4) Company growth in harmony with the community and environment



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.

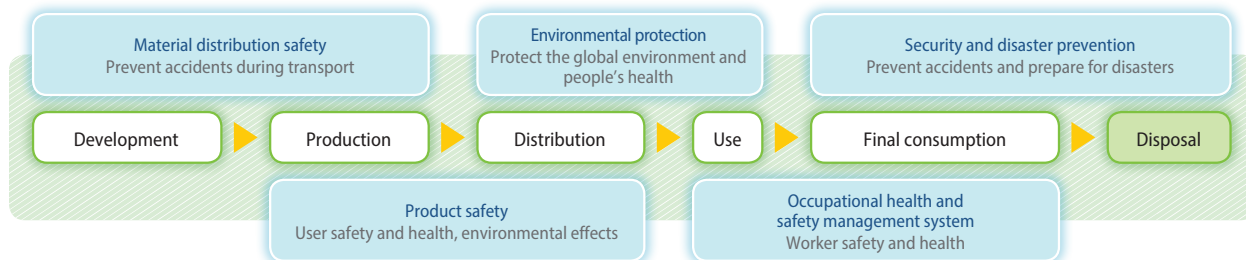
- Review and revision of the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards
- Monitoring by the Compliance Committee
- Installation of the whistleblower hotline systems for reporting suspected instances of illegal or unethical conduct
- Distribute the Compliance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

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 policies 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 CO₂ 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.

Contributing to an aging society

Anjyu as a leading brand in the nursing care field

Aronkasei manufactures and sells nursing care products under the *Anjyu* brand. With products such as portable toilets and bathing chairs that were developed to be easy to use by everyone and out of our wish for customers to lead long and peaceful lives, *Anjyu* has grown into a leading brand in the nursing care field, supported not only by nursing care recipients, as a matter of course, but also among many caregivers. We aim to continue contributing to an aging society by listening earnestly to the thoughts and opinions of both care recipients and caregivers, and supplying nursing care products that were developed meticulously to meet various needs.



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



Cooperation with municipal fire departments (scene from a disaster drill)

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, 2015.

INPUT

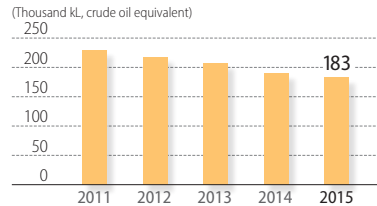
Energy (Crude oil equivalent)

	Toagosei Group
Energy (Thousand kL)	183

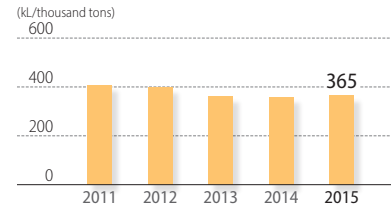
Water

	Toagosei Group
Water consumption (Million m ³)	47

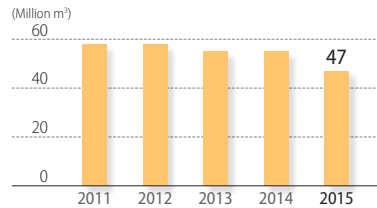
Energy



Energy consumption per base unit



Water consumption

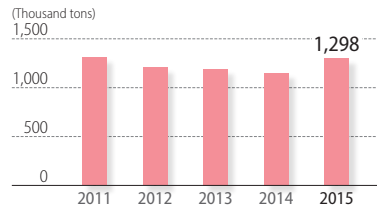


Production base

Production volume

	Toagosei Group
Production volume (Thousand tons)	1,298

Production volume

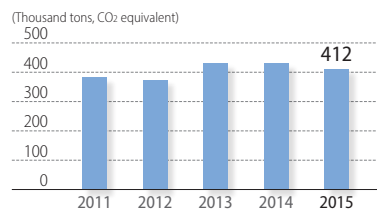


OUTPUT

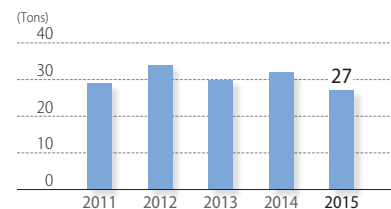
Air pollutant emissions

	Toagosei Group
CO ₂ emission (Thousand tons, CO ₂ equivalent)	412
SO _x emission (Tons)	27
NO _x emission (Tons)	60
Soot and dust (Tons)	10

CO₂ emission



SO_x emission

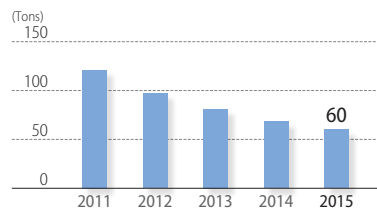


The CO₂ emission amount changes significantly due to changes in the CO₂ emission coefficient.
(The CO₂ emission coefficient for electric power has increased dramatically since the Great East Japan Earthquake.)

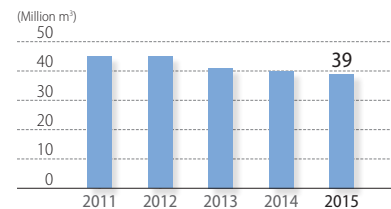
Effluent volume

	Toagosei Group
Total effluent volume (Million m ³)	39
COD (Tons)	109
Total nitrogen (Tons)	26
Total phosphorus (Tons)	1.1

NO_x emission



Total effluent volume



Corporate governance

The Toagosei Group's corporate philosophy is "sharing more happiness with more people through the chemical business." Based on this philosophy, the Group strives to fulfill its corporate social responsibility by positioning the enhancement of corporate governance as a key priority for management. The Group pursues transparent, fair, swift and resolute decision-making through effective corporate governance, in order to achieve sustainable growth and to increase its corporate value over the medium and long term. The Group is committed to the continuous enhancement of corporate governance.

The Group's basic approach to corporate governance is as follows.

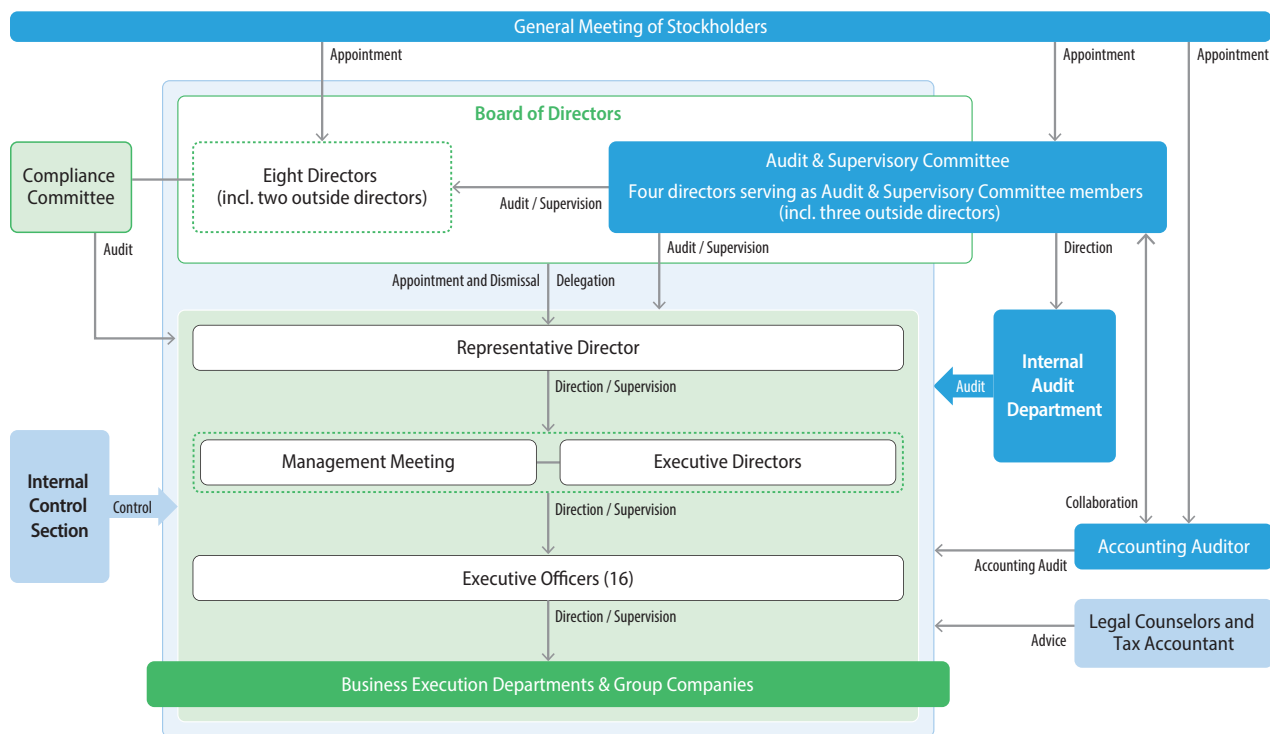
- 1) Respect shareholders' rights and ensure their equality.
- 2) Consider the interests of various stakeholders, including shareholders, customers, business partners, employees and local communities. Build good relationships with these stakeholders and cooperate appropriately with them.
- 3) Disclose corporate information appropriately and ensure transparency.
- 4) Strive to ensure effective supervisory functions for business execution by the Board of Directors.
- 5) Engage in constructive dialogue with shareholders who have an investment policy that aligns with medium- to long-term shareholder profits.

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 the Audit & Supervisory Committee members

Corporate Governance System



(1) 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.

(2) 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.

(3) Internal control

Duties related to internal audits are performed by the Audit Department, which has been established as an organization independent from management, under the guidance and instruction of the Audit and Supervisory Committee. The department conducts internal audits to monitor the Toagosei Group's compliance and propriety of business operations. In addition, there is an Internal Control Section that performs duties related to internal control (duties to ensure appropriate financial reporting), based on Japan's internal control reporting system (the Japanese version of the Sarbanes-Oxley Act (J-SOX) on corporate internal control). By cooperating with one another, these two organizations have built a functioning system that ensures that the Group's business operations on the whole are conducted appropriately in compliance with the relevant laws and regulations.

Topics

Recovery and reconstruction five years after the Great East Japan Earthquake



The Hirono Plant is a cosponsor of the Hirono Summer Festival

A microbus Toagosei donated to the town of Hirono as part of its support for recovery

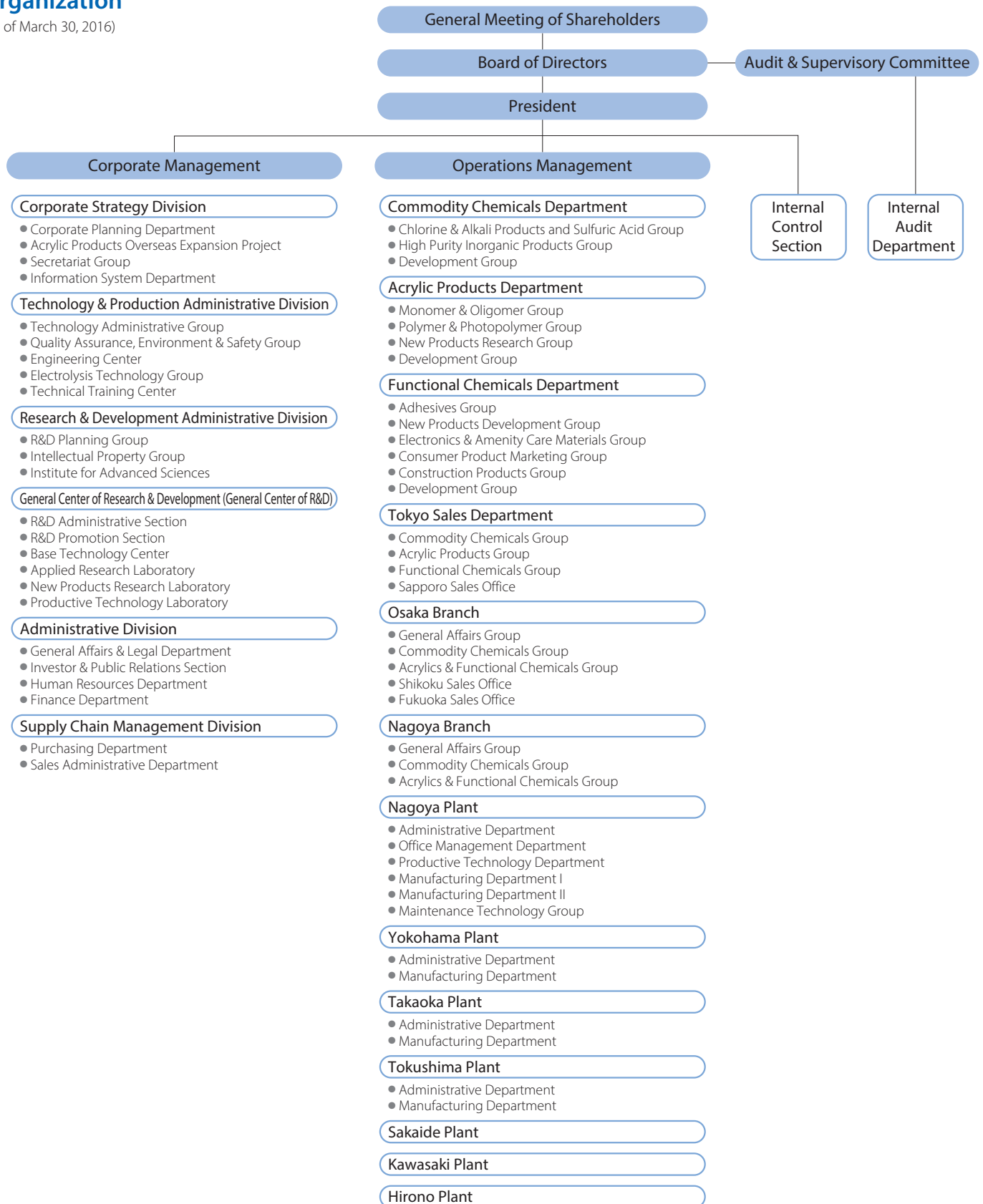


Cooperation in revitalizing a local community

Operations at the Hirono Plant were suspended following the Great East Japan Earthquake in March 2011 because the town of Hirono, where the plant is located, had to be evacuated in response to the accident at the Fukushima Daiichi Nuclear Power Station. When time came to resume operations, Toagosei received help from the community, and local businesses and the people of Hirono played a major part in speeding up the recovery process. Since the earthquake, Toagosei has cooperated in various ways with the town of Hirono to restore affected areas as they were before the earthquake, including by cosponsoring recovery festivals and donating a microbus. In these and other ways, we will continue to play an active part in reviving, rebuilding and restoring the local community.

Organization

(As of March 30, 2016)



Board of Directors, Audit & Supervisory Committee Members and Executive Officers

(As of March 30, 2016)

President

Mikishi Takamura

Vice President

Nobuhiro Ishikawa

Directors

Souichi Nomura

Akira Komine

Katsuyuki Ito

Shinichi Sugiura

Ryoji Miura*

Etsuo Sakai*

Audit & Supervisory Committee Members

Hideo Kato (Standing)

Kazuo Hara**

Tsutomu Harada**

Yasuo Kitamura**

* Outside director

** Outside Audit & Supervisory Committee member

Executive Officers

Hidemi Nagano

Hisashi Hara

Moriyuki Kenjou

Akio Sato

Shin Takahashi

Hisao Honma

Hiroshi Inukai

Yoshifumi Kawaura

Ryosuke Fujiwara

Yoshifumi Suzuki

Yoshikazu Mori

Kazuaki Sawada

Shigeyuki Aota

Takashi Nakaya

Susumu Miho

Kazutaka Yamada

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

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, 110, Teheran-ro,
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, 2016)

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	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: 275,000,000 shares

Issued: 131,996,299 shares*

* Toagosei Co., Ltd. conducted a 1-for-2 stock consolidation of its common stock whose effective date was July 1, 2015.

Capital: ¥20,886 million

Number of shareholders: 18,221

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, Japan

Certified Accountants

Ernst & Young ShinNihon LLC

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

Major Shareholders

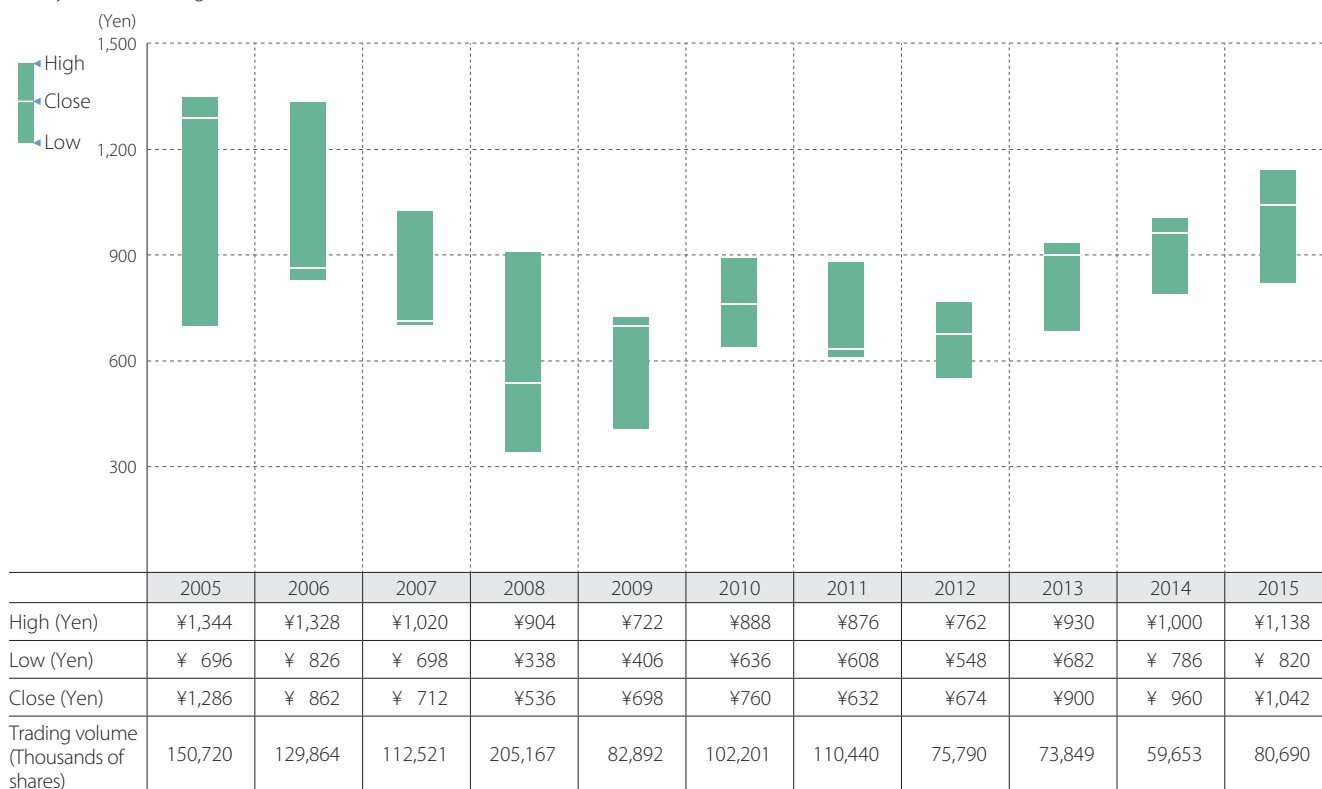
	(%)
Sumitomo Mitsui Banking Corporation	4.42
Japan Trustee Services Bank, Ltd. (Trust account)	3.48
The Master Trust Bank of Japan, Ltd. (Trust account)	3.37
NORTHERN TRUST CO. (AVFC) RE THE KILTEARN GLOBAL EQUITY FUND	3.18
Business Partner Shareholders' Committee	2.98
Employee Shareholders' Committee	2.28
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.15
THE BANK OF NEW YORK MELLON SA/NV 10	1.72
Japan Trustee Services Bank, Ltd. (Trust account 9)	1.51
The Norinchukin Bank	1.50

(As of December 31, 2015)

Note: The percentage of shares held is calculated after deducting the number of treasury stock (345,500 shares)

Stock Price and Trading Volume Trends in Past Years

(Tokyo Stock Exchange)



Notes: 1. High and low stock prices are based on statistics for each calendar year.

2. Closing stock price is based on the last business day of each calendar year.

3. Trading volume is the sum of trading volumes for each calendar year.

4. All figures are adjusted retrospectively for the impact of the share consolidation of common stock at a ratio of one share per two share on July 1, 2015.

(Source) Bloomberg

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 2015

During the reporting term (January 1 to December 31, 2015), the domestic economy moderately recovered, buoyed by steady corporate earnings and improving employment conditions in response to the ongoing trends of the weaker yen, strong dollar, and falling prices for natural resources such as crude oil. While the US economy progressed favorably, the total outlook for the global economy became increasingly uncertain due to the more distinctive slowdown in the economies of emerging countries such as China from the last half of the term onward.

Although demand for high-performance and high value-added products mainly used for semiconductors, electronics materials, and automotive parts was affected by inventory adjustment towards the end of the term, the overall surroundings of Toagosei Group (hereinafter “the Group”) progressed steadily in general. The lower prices for natural resources put downward pressure on product prices but improved profitability by reducing manufacturing costs. Meanwhile, the Group’s earnings continued to come under significant pressure throughout the term due to the decline of product prices for acrylic esters in Asia.

As a result, net sales in the reporting term decreased by 6.1% year on year on a consolidated basis to ¥139,848 million, while operating income increased by 2.8% to ¥12,347 million and ordinary profit increased by 2.4% to ¥13,201 million. Net income declined by 20.4% to ¥6,696 million, mainly due to the posting of impairment loss in a subsidiary in Singapore.

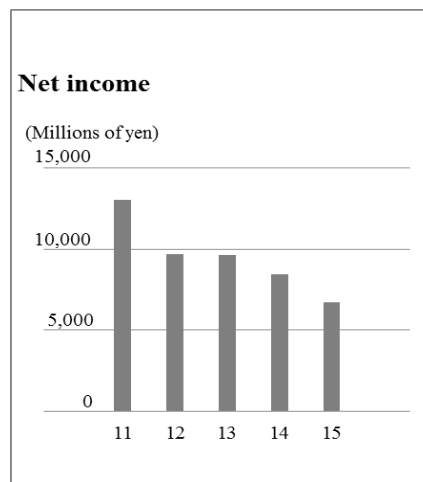
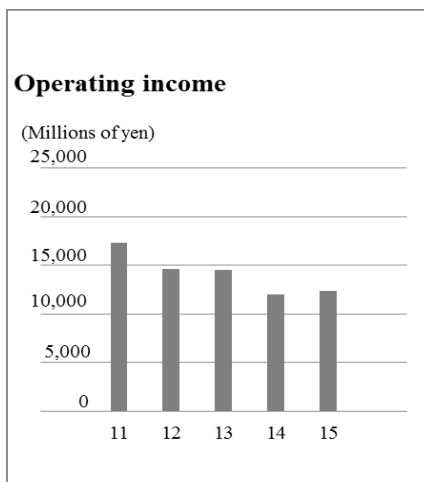
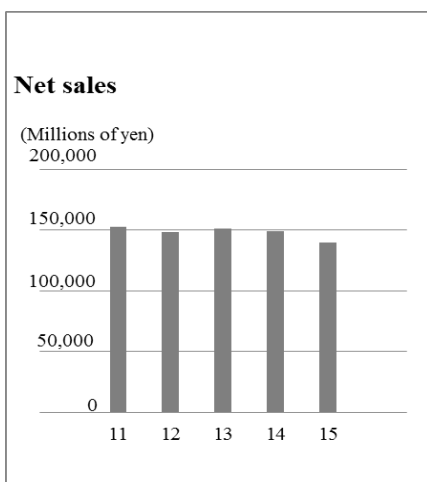


Sales by Segment

Commodity Chemicals

In Commodity Chemicals, sales of caustic soda and inorganic chlorides significantly declined due to sluggish sales prices caused by lowering raw material prices and increasing unbalanced demand. High-purity products sales were firm throughout the term and increased year on year, though the demand for products centered on semiconductor applications weakened towards the end of the term. Sales of sulfuric acid decreased due to the sluggish sales of products for fibers. Sales of industrial gasses increased due to stable demand. As a result, sales in this segment decreased by 4.2% year on year to ¥42,458 million.

Segment income increased by 18.5% to ¥3,368 million, mainly thanks to lowering variable costs for electrolysis products and falling fixed costs, along with increased income from high-purity products.



Management's Discussion & Analysis

Acrylic Products

Sales of acrylic acid and acrylic esters significantly declined, mainly due to decline of product prices associated with falling raw material prices and intensified sales competition. Sales of acrylic polymers increased because of strong sales of high-performance and high value-added products. Sales of polymer flocculants decreased due to sluggish product prices stemming from falling raw material prices. As a result, sales in this segment decreased by 11.5% year on year to ¥52,039 million.

Segment income also decreased by 18.4% to ¥3,210 million on the significant impact of deteriorating profitability in acrylic acid and acrylic esters, though earnings from acrylic polymers and polymer flocculants increased.

Specialty Chemicals

Adhesive sales increased as a whole, with sales of instant glues almost remaining unchanged year on year and sales of functional adhesives mainly for mobile devices and electronics materials remaining favorable. Sales of products for construction and civil engineering and amenity care materials decreased due to sluggish sales volume. Sales of electronics materials increased thanks to strong sales of high-purity silicon gases for semiconductor. As a result, sales in this segment increased by 4.0% year on year to ¥17,514 million.

Segment income rose by 14.3% to ¥4,346 million, mainly thanks to increased earnings from functional adhesives and silicon high-purity gas.

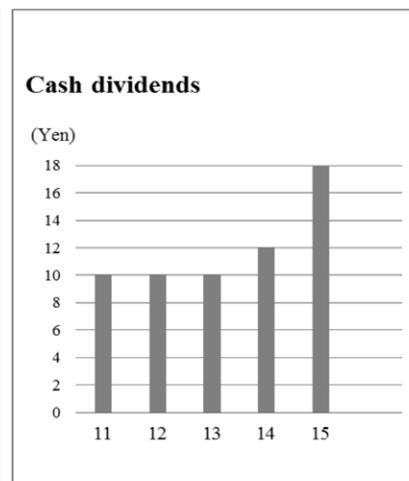
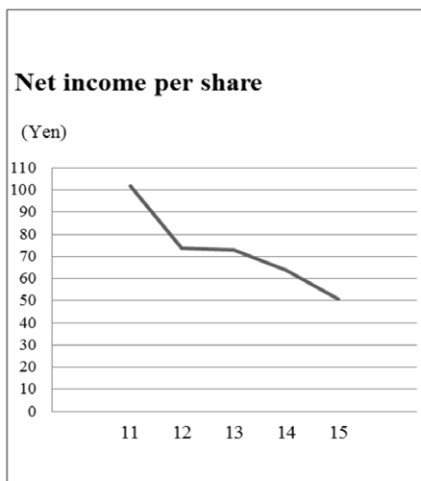
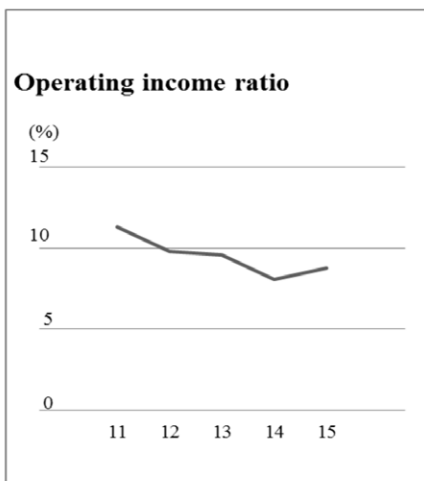
Plastics

Sales of piping equipment decreased mainly on the impact of the reduced scale of projects and decreased orders received, while the market environment saw improvement towards the end of the term. Nursing care product sales stayed at the same level as in the previous fiscal year due to the effects of newly introduced products and revised sales prices against backdrop of intensified sales competition. Sales of elastomer compounds increased, mainly thanks to stable demand and the acquisition of new customers. As a result, sales in this segment decreased by 3.9% year on year to ¥24,695 million.

Segment income decreased by 10.3% to ¥1,270 million, affected mainly by the intensified sales competition for nursing care products.

Other Businesses

Sales for this segment which comprises new product development operations, goods transportation services, and trading house operations decreased by 4.2% year on year to ¥3,141 million, and segment income totaled ¥54 million.



- (Notes)
1. We have executed a two-for-one reverse stock split effective on July 1, 2015. Net income per share is calculated assuming that the two-for-one reverse stock split was executed at the beginning of fiscal 2011.
 2. For fiscal 2015, the total annual dividend of ¥18 per share consists of an interim dividend of ¥6 per share and a term-end dividend of ¥12 per share. As we implemented a two-for-one reverse stock split effective on July 1, 2015, the interim dividend of ¥6 per share is an amount before the reverse stock split and the term-end dividend of ¥12 per share is an amount after the reverse stock split.

Management's Discussion & Analysis

Cash Flows

Net cash provided by operating activities increased by ¥7,214 million year on year to ¥23,313 million due to decreases in working capital and income taxes paid.

Net cash used in investing activities decreased by ¥9,388 million to ¥4,592 million due to decreases in purchases of property, plant and equipment and long term prepaid expense.

Net cash used in financing activities increased by ¥885 million to ¥3,949 million due to decreased proceeds resulting from no conversion of long-term debt.

As a result, cash and cash equivalents at end of the year stood at ¥53,977 million, an increase of ¥14,691 million from the previous term-end.

Business Performance Prospects for Fiscal 2016

For the current term, ending December 31, 2016, we forecast net sales of ¥140.0 billion, operating income of ¥13.0 billion, and net income of ¥9.0 billion.

Cash Flow Prospects for Fiscal 2016

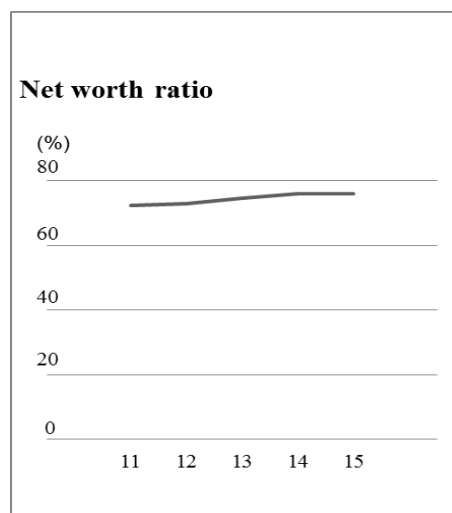
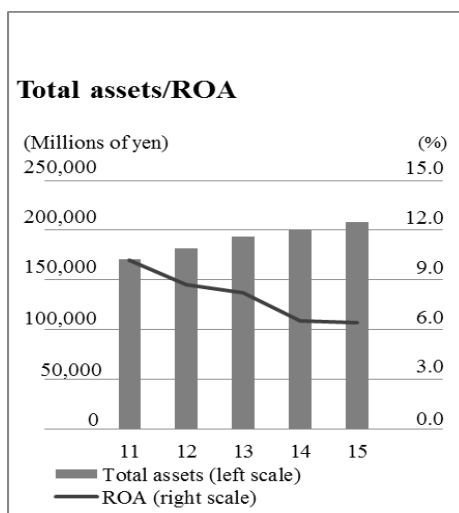
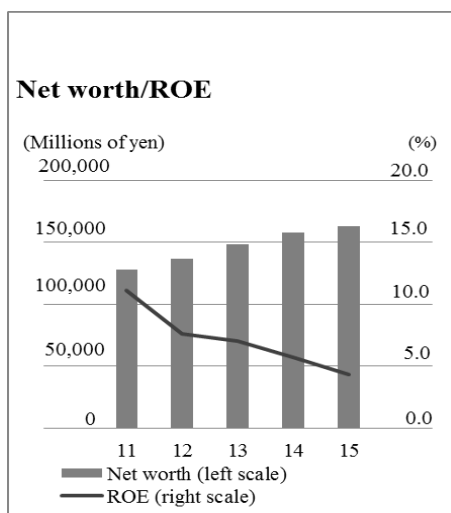
Net cash provided by operating activities is expected to be ¥17.0 billion due to a posting of income before income taxes and minority interests.

Net cash used in investing activities is expected to total ¥8.0 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 2015 and 2016

Our basic shareholder return policy is to pay stable dividends of ¥20 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.



Management's Discussion & Analysis

For fiscal 2015 ended December 31, 2015, we made a term-end dividend payment of ¥12 per share.

We implemented a two-for-one reverse stock split, effective on July 1, 2015. As we have already paid an interim dividend of ¥6 per share, the total annual dividend will be equivalent to ¥18 per share, consisting of an interim dividend of ¥6 per share (an amount before the reverse stock split) and a term-end dividend of ¥12 per share (an amount after the reverse stock split).

For the current term ending December 31, 2016, we are planning an interim dividend payment of ¥12 per share and a term-end payment of the same sum, for an annual dividend of ¥24 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

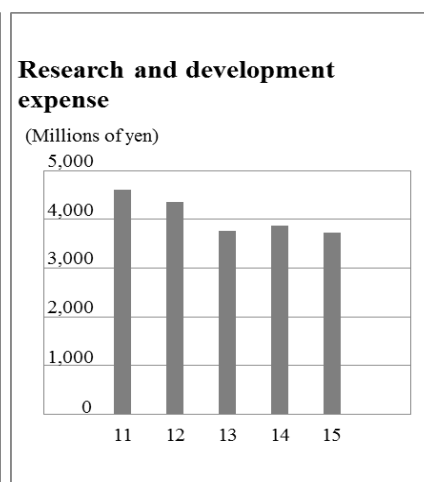
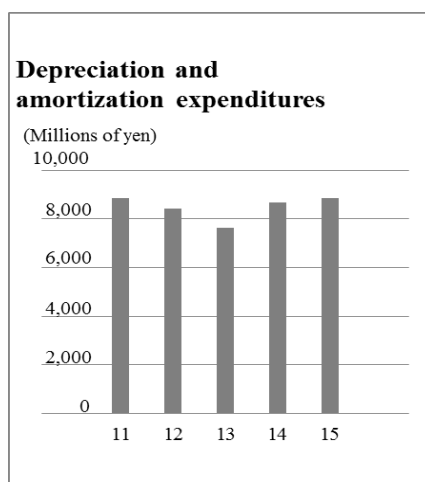
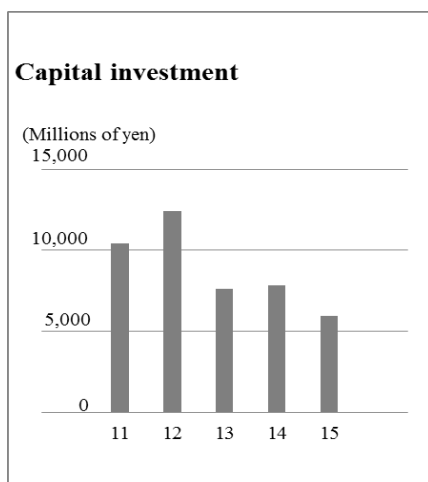
The purchase prices of the major raw materials of products manufactured and sold by the Group are affected by changes in crude oil and naphtha prices. Therefore, if the Group is unable to sufficiently raise its product prices, and/or if the Group is unable to rationalize its operations sufficiently to 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.



Management's Discussion & Analysis

(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 16.5% 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.

(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.
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1. [Consolidated Financial Statements and Others]

(1) [Consolidated Financial Statements]

i) [Consolidated Balance Sheets]

December 31,	(Millions of yen)			
	2014		2015	
Assets				
Current assets				
Cash and deposits		16,117		15,969
Notes and accounts receivable	*5	42,403	*5	38,699
Securities		25,500		41,000
Inventories	*1	17,490	*1	16,037
Deferred tax assets		757		840
Income taxes receivable		218		107
Other current assets		1,852		819
Allowance for doubtful receivables		(42)		(37)
Total current assets		104,297		113,434
Fixed assets				
Property, plant and equipment				
Buildings and structures, net		19,792		19,317
Machinery, equipment and other, net		25,217		22,868
Tools, furniture and fixtures, net		1,993		1,991
Land		17,805		17,385
Leased assets, net		158		134
Construction in progress		1,125		1,318
Total property, plant and equipment	*3, *4	66,092	*3, *4	63,016
Intangible fixed assets				
Goodwill		19		9
Leased assets		4		2
Other		555		477
Total intangible fixed assets		578		488
Investments and other assets				
Investment securities	*2	25,670	*2	27,344
Net defined benefit asset		599		1,673
Deferred tax assets		77		60
Other assets	*2	3,906	*2	2,045
Allowance for doubtful receivables		(54)		(46)
Total investments and other assets		30,199		31,077
Total fixed assets		96,870		94,583
Total assets		201,168		208,018

See accompanying notes to consolidated financial statements.

December 31,	(Millions of yen)			
	2014		2015	
Liabilities				
Current liabilities				
Notes and accounts payable	*5	15,704	*5	13,140
Short-term bank loans		2,885		2,730
Lease obligations		64		61
Accrued income taxes		582		2,376
Accrued bonuses for employees		16		17
Other current liabilities	*5	8,125	*5	9,389
Total current liabilities		27,379		27,715
Long-term liabilities				
Long-term debt		10,349		9,963
Lease obligations		108		85
Deferred tax liabilities		1,602		3,116
Accrued retirement benefits for directors		20		—
Net defined benefit liability		154		160
Other long-term liabilities		4,204		3,957
Total long-term liabilities		16,439		17,282
Total liabilities		43,818		44,997
Net Assets				
Shareholders' equity				
Common stock		20,886		20,886
Capital surplus		16,798		16,799
Retained earnings		106,306		110,489
Treasury stock		(230)		(269)
Total shareholders' equity		143,760		147,905
Accumulated other comprehensive income				
Unrealized holding gain on available-for-sale securities		6,249		7,898
Translation adjustments		2,306		2,199
Remeasurements of defined benefit plans		395		169
Total accumulated other comprehensive income		8,951		10,267
Minority interests		4,637		4,846
Total net assets		157,349		163,020
Total liabilities and net assets		201,168		208,018

See accompanying notes to consolidated financial statements.

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

Years ended December 31,	(Millions of yen)			
	2014		2015	
Net sales		148,912		139,848
Cost of sales	*1	113,193	*1	104,420
Gross profit		35,719		35,428
Selling, general and administrative expenses				
Selling expenses	*2	14,525	*2	14,238
General and administrative expenses	*3, *4	9,178	*3, *4	8,841
Total selling, general and administrative expenses		23,703		23,080
Operating income		12,015		12,347
Non-operating income				
Interest income		44		65
Dividend income		464		642
Equity in earnings of affiliates		324		328
Foreign currency exchange gains		172		11
Rent income on non-current assets		173		186
Miscellaneous income		314		151
Total non-operating income		1,495		1,385
Non-operating expenses				
Interest expenses		121		111
Inactive facilities expenses		135		110
Environment readiness fee		85		165
Miscellaneous expenses		275		144
Total non-operating expenses		617		531
Ordinary profit		12,892		13,201
Extraordinary gains				
Gain on sales of non-current assets	*5	275	*5	671
Subsidy income		506		116
Gain on sales of investment securities		—		40
Total extraordinary gains		781		828
Extraordinary losses				
Loss on disposal of non-current assets	*6	509	*6	340
Impairment loss on property, plant and equipment		—	*7	1,826
Total extraordinary losses		509		2,166
Income before income taxes and minority interests		13,164		11,863
Income taxes -- Current		2,952		3,863
Income taxes -- Deferred		1,505		908
Total income taxes		4,458		4,772
Income before minority interests		8,706		7,091
Minority interests		292		394
Net income		8,414		6,696

See accompanying notes to consolidated financial statements.

[Consolidated Statements of Comprehensive Income]

Years ended December 31,	(Millions of yen)	
	2014	2015
Income before minority interests	8,706	7,091
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	1,815	1,649
Translation adjustments	1,397	(152)
Remeasurements of defined benefit plans, net of tax	—	(225)
Total other comprehensive income	*1 3,213	*1 1,271
Comprehensive income	11,920	8,362
Comprehensive income attributable to:		
Owners of the parent	11,535	8,012
Minority interests	384	349

See accompanying notes to consolidated financial statements.

iii) [Consolidated Statements of Changes in Net Assets]

(Millions of yen)

Year ended December 31, 2014	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the year	20,886	16,798	100,790	(178)	138,296
Cumulative effects of changes in accounting policies					—
Restated balance	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					Total net assets
	Unrealized holding gain on available-for- sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at beginning of the year	4,424	1,000	—	5,425	4,426	148,148
Cumulative effects of changes in accounting policies						—
Restated balance	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.

(Millions of yen)

Year ended December 31, 2015	Shareholders' equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at beginning of the year	20,886	16,798	106,306	(230)	143,760
Cumulative effects of changes in accounting policies			647		647
Restated balance	20,886	16,798	106,953	(230)	144,408
Changes during the year:					
Cash dividends			(3,160)		(3,160)
Net income			6,696		6,696
Purchase of treasury stock				(40)	(40)
Gain on sales of treasury stock		0		1	2
Net changes in items other than shareholders' equity					
Total changes during the year	—	0	3,536	(39)	3,497
Balance at end of the year	20,886	16,799	110,489	(269)	147,905

Year ended December 31, 2015	Accumulated other comprehensive income					Total net assets
	Unrealized holding gain on available-for- sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	
Balance at beginning of the year	6,249	2,306	395	8,951	4,637	157,349
Cumulative effects of changes in accounting policies						647
Restated balance	6,249	2,306	395	8,951	4,637	157,996
Changes during the year:						
Cash dividends						(3,160)
Net income						6,696
Purchase of treasury stock						(40)
Gain on sales of treasury stock						2
Net changes in items other than shareholders' equity	1,648	(106)	(225)	1,316	209	1,525
Total changes during the year	1,648	(106)	(225)	1,316	209	5,023
Balance at end of the year	7,898	2,199	169	10,267	4,846	163,020

See accompanying notes to consolidated financial statements.

Years ended December 31,	(Millions of yen)	
	2014	2015
Operating activities		
Income before income taxes and minority interests	13,614	11,863
Depreciation and amortization	8,668	8,857
Impairment losses on property, plant and equipment	—	1,826
Amortization of goodwill	9	9
Decrease in provision for doubtful receivables	(36)	(5)
Decrease in other provisions	(2)	(20)
Increase in net defined benefit asset	(118)	(433)
Increase (decrease) in net defined benefit liability	(37)	6
Interest and dividend income	(509)	(707)
Interest expense	121	111
Foreign currency exchange gain	(152)	0
Gain on sales of investment securities	—	(40)
Equity in earnings of affiliates	(324)	(328)
Gain on sales of non-current assets	(275)	(671)
Subsidy income	(506)	(116)
Loss on disposal of non-current assets	509	340
Decrease in receivables	862	3,679
Decrease (increase) in inventories	(1,395)	1,427
Decrease in payables	(193)	(2,554)
Other, net	(167)	308
Subtotal	19,615	23,553
Interest and dividends received	808	1,088
Interest paid	(126)	(116)
Subsidy income received	226	316
Income taxes paid	(4,425)	(1,528)
Net cash provided by operating activities	16,098	23,313
Investing activities		
Increase in time deposits	(1,796)	(664)
Purchases of investment securities	(833)	(9)
Proceeds from sales of investment securities	—	346
Purchases of property, plant and equipment	(8,855)	(4,655)
Proceeds from sales of property, plant and equipment	289	1,116
Purchase of long-term prepaid expenses	(2,584)	(580)
Other, net	(199)	(144)
Net cash used in investing activities	(13,981)	(4,592)

See accompanying notes to consolidated financial statements.

Years ended December 31,	(Millions of yen)	
	2014	2015
Financing activities		
Decrease in short-term bank loans	(41)	—
Proceeds from long-term debt	5,029	—
Repayment of long-term debt	(4,852)	(541)
Proceeds from sales of treasury stock	2	2
Purchases of treasury stock	(54)	(40)
Repayment of lease obligations	(78)	(71)
Cash dividends to shareholders	(2,903)	(3,158)
Cash dividends paid to minority shareholders	(164)	(140)
Net cash used in financing activities	(3,063)	(3,949)
Effect of exchange rate changes on cash and cash equivalents	432	(79)
Net increase (decrease) in cash and cash equivalents	(513)	14,691
Cash and cash equivalents at beginning of the year	39,798	39,285
Cash and cash equivalents at end of the year	*1 39,285	*1 53,977

See accompanying notes to consolidated financial statements.

[Notes]

(Basis for Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Consolidated subsidiaries: 19

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

Mikuni Plastics Co., Ltd., a consolidated subsidiary in the previous fiscal year, has been excluded from the scope of consolidation because it was merged into Aronkasei Co., Ltd. on April 1, 2015. TOA Engineering Co., Ltd., a consolidated subsidiary in the previous fiscal year, has been excluded from the scope of consolidation because it completed its liquidation on July 31, 2015.

(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

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.

(4) Accounting methods relating to retirement benefits

1) Periodic allocation of estimated retirement benefits

In calculating retirement benefit obligation, the benefit formula basis 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

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.

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.

- 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 March 26, 2015; hereinafter the "Guidance") have been applied, effective from the current fiscal year, with respect to the provisions of Paragraph 35 of the Accounting Standard and Paragraph 67 of the Guidance, whereby the calculation method for retirement benefit obligation and service costs has been revised. Based on this revision, the method for periodic allocation of projected retirement benefit has been changed from a straight-line attribution to a benefit formula basis, while the method for determining discount rates has been changed from the method where the period for bonds, which forms the basis for determining the discount rate, is determined based on the average remaining years of service of the eligible employees, to the method using a single weighted average discount rate reflecting the period up to the expected timing of retirement benefit payment, as well as the amount of retirement benefit payment for each such period.
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 the changes in the calculation method for retirement benefit obligation and service costs is reflected in "Retained earnings" at the beginning of the current fiscal year.
As a result, at the beginning of the current fiscal year, net defined benefit asset increased by ¥1,003 million, while retained earnings increased by ¥647 million. The impact on operating income, ordinary profit and income before income taxes and minority interests for the current fiscal year was immaterial.
The effect on information per share of common stock is described in the relevant section.

(Accounting Standards Issued but Not Yet Effective)

Revised accounting standards, etc. for business combinations

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issued on September 13, 2013), "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2 issued on September 13, 2013), "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10 issued on September 13, 2013), and "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4 issued on September 13, 2013)

(1) Outline

Under the accounting standards, etc. described above, mainly the following matters have been revised: (i) the treatment of changes in the parent company's equity interest in subsidiaries when the parent company retains control over the subsidiaries by the additional purchase, etc. of the subsidiaries' shares, (ii) the treatment of purchase-related expenses, (iii) the presentation of net income and changes from minority interests to non-controlling interests, and (iv) the treatment of provisional accounting.

(2) Planned effective date

The Company expects to apply the above accounting standards, etc. from the beginning of the fiscal year ending December 31, 2016. The treatment of provisional accounting is expected to apply to business combinations to

be executed on or after the beginning of the fiscal year ending December 31, 2016.

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

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

Implementation guidance on recoverability of deferred tax assets

“Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26 issued on December 28, 2015)

(1) Outline

While the existing framework shown in “the auditing treatment on determining the recoverability of deferred tax assets” (the JICPA Audit Committee Report No. 66), a framework that groups companies into five classifications and estimates the amounts of deferred tax assets according to the classifications, has been principally adhered to as before, the treatments and requirements listed below have been examined and revised with respect to the treatments of recoverability of deferred tax assets:

(i) the treatment of companies that don’t meet any of the classification requirements for (Classification 1) through (Classification 5)

(ii) the classification requirements for (Classification 2) and (Classification 3)

(iii) the treatment of a deductible temporary difference that is impossible to schedule at companies that fall under (Classification 2)

(iv) the treatment of a reasonably estimable period for taxable income before reflecting deductible/taxable temporary differences, etc. at companies that fall under (Classification 3)

(v) the treatment of a company that meets the requirements for (Classification 4) and also falls under (Classification 2) or (Classification 3)

(2) Planned effective date

The Company expects to apply the above guidance from beginning of the fiscal year ending December 31, 2017.

(3) Effect of the application of the above guidance on financial statements

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

(Notes to Consolidated Balance Sheets)

*1. Components of inventories:

December 31,	(Millions of yen)	
	2014	2015
Merchandise and finished products (including semi-finished products)	12,288	10,911
Work in process	377	307
Raw materials and supplies	4,824	4,818
Total	17,490	16,037

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

December 31,	(Millions of yen)	
	2014	2015
Investment securities (stocks)	2,207	2,211
Other (investments and other assets)	225	169

*3. Assets pledged as collateral:

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.

December 31, 2015

Assets pledged as collateral		
Classification	Book value (Millions of yen)	Type of security interests
Buildings and structures	6,352	Plant foundation
Machinery, equipment and other	5,550	ditto
Tools, furniture and fixtures	456	ditto
Land	4,136	ditto
Total	16,496	

(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,	2014	2015
	177,302	178,699

*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,	2014	2015
Notes and accounts receivable	4,848	4,705
Notes and accounts payable	1,980	1,859
Other (Current liabilities)	733	546

6. Contingent liabilities and secured liabilities:

	(Millions of yen)	
December 31,	2014	2015
Employees	117	186
Hokuriku Liquid Oxygen Co., Ltd.	14	6
Total	131	192

(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 (the amount stated is the amount after offset by reversal):

	(Millions of yen)	
Years ended December 31,	2014	2015
	212	(93)

*2. Major items of selling expenses:

	(Millions of yen)	
Years ended December 31,	2014	2015
Transportation expenses	8,080	7,717
Salaries	1,976	2,003
Bonuses	739	785
Retirement benefit expenses	130	134
Depreciation and amortization	135	117

*3. Major items of general and administrative expenses:

	(Millions of yen)	
Years ended December 31,	2014	2015
Salaries	2,324	2,271
Bonuses	1,010	1,066
Retirement benefit expenses	213	222
Depreciation and amortization	1,029	816
Amortization of goodwill	9	9

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

	(Millions of yen)	
Years ended December 31,	2014	2015
	3,865	3,720

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

	(Millions of yen)	
Years ended December 31,	2014	2015
Land, etc.	275	671

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

	(Millions of yen)	
Years ended December 31,	2014	2015
Machinery, equipment and other	33	117
Disposal costs	362	95
Buildings and structures, etc.	113	127

*7. Impairment loss:
Year ended December 31, 2014
Not applicable.

Year ended December 31, 2015

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)
Singapore	Facilities for manufacturing acrylic esters, etc.	Long-term prepaid expenses and machinery, etc.	1,678
Ryugasaki city, Ibaraki	Company owned houses	Land and buildings	144
Tsukuba city, Ibaraki	Idle assets	Land	3
Total			1,826

(Outline and grouping method)

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

The Company wrote down the book values of certain acrylic esters production facilities that experienced drops in profitability to their respective recoverable amounts. In addition, the Company wrote down the book values of certain company owned houses and idle assets that the Company ceased to use as company owned houses, etc. and decided to sell, to their respective recoverable amounts. Accordingly, ¥1,826 million of impairment losses were recognized in the statement of income.

(Components of impairment loss)

The impairment losses consisted of ¥1,213 million for long-term prepaid expenses, ¥455 million for machinery, ¥111 million for buildings, ¥36 million for land, and ¥9 million for other.

(Calculation of recoverable amounts, etc.)

For facilities for manufacturing acrylic esters, etc., the recoverable amounts applicable to assets for which impairment losses were recognized for corresponding year ended December 31, 2015 were measured using the utility value and evaluated at the memorandum value because future cash flows were negative. Assets that the Company decided to sell were calculated using the estimated sales value.

(Notes to Consolidated Statements of Comprehensive Income)

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

Years ended December 31,	(Millions of yen)	
	2014	2015
Unrealized holding gain on available-for-sale securities		
Amount arising during the fiscal year	2,791	1,972
Reclassification adjustment	—	(4)
Amount before tax effect	2,791	1,968
Tax effect	(975)	(319)
Unrealized holding gain on available-for-sale securities	1,815	1,649
Translation adjustments		
Amount arising during the fiscal year	1,397	(152)
Amount before tax effect	1,397	(152)
Tax effect	—	—
Translation adjustments	1,397	(152)
Remeasurements of defined benefit plans, net of tax		
Amount arising during the fiscal year	—	(401)
Reclassification adjustment	—	38
Amount before tax effect	—	(363)
Tax effect	—	137
Remeasurements of defined benefit plans, net of tax	—	(225)
Total other comprehensive income	3,213	1,271

(Notes to Consolidated Statements of Changes in Net Assets)

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 (Note)	Common stock	1,580	6.00	June 30, 2014	September 4, 2014

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

Year ended December 31, 2015

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 (Note 1)	263,992	—	131,996	131,996
Total	263,992	—	131,996	131,996
Treasury stock				
Common stock (Notes 2, 3)	617	69	341	345
Total	617	69	341	345

- (Notes) 1. The decrease in number of issued shares (common stock) is due to a two-for-one reverse stock split effective on July 1, 2015.
2. The increase in number of treasury stock (common stock) is mainly due to purchase of less-than-one-unit shares.
3. The decrease in number of treasury stock (common stock) is due to a two-for-one reverse stock split effective on July 1, 2015 and 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 27, 2015 102nd Annual Shareholders' Meeting (Note 1)	Common stock	1,580	6.00	December 31, 2014	March 30, 2015
July 30, 2015 Board of Directors (Note 2)	Common stock	1,579	6.00	June 30, 2015	September 4, 2015

- (Notes) 1. The ¥6.00 dividend per share includes a commemorative dividend of ¥1.00 for 70th anniversary of foundation.
2. Dividend per share is described at an amount before the reverse stock split implemented on July 1, 2015 because the record date was June 30, 2015.

- (2) Dividends whose record date was in the year ended December 31, 2015 but whose effective date was in the year ending December 31, 2016

Resolution	Type of shares	Gross amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
March 30, 2016 103rd Annual Shareholders' Meeting	Common stock	1,579	Retained earnings	12.00	December 31, 2015	March 31, 2016

(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	(Millions of yen)	
December 31,	2014	2015
Cash and deposits	16,117	15,969
Securities	25,500	41,000
Time deposits with terms in excess of 3 months	(2,331)	(2,991)
Cash and cash equivalents	39,285	53,977

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

(Notes) 1. 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. This information is not required to be disclosed for the current fiscal year, because it is not significant.

(2) Future lease payment obligations:

	(Millions of yen)	
December 31,	2014	2015
Due within one year	1	—
Due after one year	—	—
Total	2	—

(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:

Years ended	(Millions of yen)	
December 31,	2014	2015
Lease payments	1	1
Depreciation expenses	1	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,	2014	2015
Due within one year	33	21
Due after one year	1	6
Total	34	27

(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.)

December 31, 2014	(Millions of yen)		
	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

December 31, 2015	(Millions of yen)		
	Carrying value	Fair value	Difference
(1) Cash and deposits	15,969	15,969	—
(2) Notes and accounts receivable	38,699	38,699	—
(3) Securities and investment securities:			
Available-for-sale securities	65,371	65,371	—
Total assets	120,039	120,039	—
(1) Notes and accounts payable	13,140	13,140	—
(2) Short-term bank loans	2,730	2,730	—
(3) Long-term debt	9,963	10,079	116
Total liabilities	25,834	25,950	116

(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:

December 31,	(Millions of yen)	
	2014	2015
Investments in subsidiaries and affiliates		
Investments in unconsolidated subsidiaries and affiliates	2,207	2,211
Available-for-sale securities:		
Unlisted securities	1,062	761
Other	0	—
Total	3,270	2,972

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:

December 31, 2014	(Millions of yen)			
	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	—	—	—

December 31, 2015	(Millions of yen)			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Cash equivalents	15,969	—	—	—
Notes and accounts receivable	38,699	—	—	—
Securities and investment securities:				
Available-for-sale securities with maturities (negotiable certificate of deposit)	41,000	—	—	—
Total	95,668	—	—	—

(Note 4)

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

December 31, 2014	(Millions of yen)					
	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

December 31, 2015	(Millions of yen)					
	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	386	158	4,158	158	158	5,331
Lease obligations	61	40	22	11	6	4
Total	2,791	198	4,180	169	164	5,335

(Securities)

1. Marketable securities classified as available-for-sale securities:

December 31, 2014	Type	(Millions of yen)		
		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	(2) Other	701	732	(31)
	Subtotal	25,500	25,500	—
Total		26,201	26,232	(31)
		47,900	38,420	9,479

December 31, 2015	Type	(Millions of yen)		
		Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost	(1) Stock	23,424	11,909	11,515
Securities whose acquisition cost exceeds their carrying value	(2) Other	946	1,013	(67)
	Subtotal	41,000	41,000	—
Total		41,946	42,013	(67)
		65,371	53,922	11,448

2. Marketable securities classified as available-for-sale securities sold during the current fiscal year:

Year ended December 31, 2015	(Millions of yen)		
	Sales amount	Total gain on sales	Total loss on sales
Stock	346	40	—

3. 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.

(Retirement Benefit Plans)

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)

Years ended December 31,	(Millions of yen)	
	2014	2015
Balance of retirement benefit obligation at beginning of year	9,388	10,251
Cumulative effects of changes in accounting policies	—	(1,003)
Restated balance	9,388	9,248
Service cost	401	456
Interest cost	140	92
Actuarial gain or loss	514	553
Retirement benefits paid	(193)	(186)
Balance of retirement benefit obligation at end of year	10,251	10,164

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

Years ended December 31,	(Millions of yen)	
	2014	2015
Balance of plan assets at beginning of year	12,903	10,851
Expected return on plan assets	93	108
Actuarial gain or loss	476	152
Contribution from employer	1,076	911
Retirement benefits paid	(193)	(186)
Repayment due to cancellation of retirement benefit trust	(3,505)	—
Balance of plan assets at end of year	10,851	11,837

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

Years ended December 31,	(Millions of yen)	
	2014	2015
Balance of net defined benefit liability at beginning of year	161	154
Retirement benefit expenses	18	15
Retirement benefits paid	(14)	(2)
Contribution to plan	(4)	(4)
Other	(6)	(1)
Balance of net defined benefit liability at end of year	154	160

(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

December 31,	(Millions of yen)	
	2014	2015
Funded retirement benefit obligations	10,449	10,374
Plan assets	(10,956)	(11,949)
	(507)	(1,575)
Unfunded projected benefit obligations	62	62
Net amount of relevant liabilities and assets on the consolidated balance sheets	(445)	(1,512)
Net defined benefit liability	154	160
Net defined benefit asset	(599)	(1,673)
Net amount of relevant liabilities and assets on the consolidated balance sheets	(445)	(1,512)

(Note) Includes the plans using the simplified method.

(5) Retirement benefit expenses and components thereof

Years ended December 31,	(Millions of yen)	
	2014	2015
Service cost	401	456
Interest cost	140	92
Expected return on plan assets	(93)	(108)
Amortization of actuarial gain or loss	47	91
Amortization of prior service cost	(53)	(53)
Retirement benefit expenses calculated using the simplified method	18	15
Retirement benefit expenses related to the defined benefit plan	461	493

- (6) Remeasurements of defined benefit plans, net of tax
The components of items (before tax) reported under remeasurements of the defined benefit plans, net of tax were as follows:

Years ended December 31,	(Millions of yen)	
	2014	2015
Prior service cost	—	(53)
Actuarial gain or loss	—	(309)
Total	—	(363)

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

December 31,	(Millions of yen)	
	2014	2015
Unrecognized prior service cost	(678)	(625)
Unrecognized actuarial gain or loss	65	375
Total	(613)	(250)

- (8) 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:

December 31,	2014	2015
Bonds	35.4%	37.3%
Stocks	26.1	20.3
General accounts of life insurance companies	35.8	38.0
Other	2.7	4.4
Total	100.0	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.

- (9) Matters regarding the assumptions for actuarial calculations
Key assumptions for actuarial calculations (representing weighted averages)

Years ended December 31,	2014	2015
Discount rate	1.1%	0.6%
Long-term rate of the expected return on plan assets	1.0	1.0

3. Defined contribution plan

The amounts required to be contributed by the Company and consolidated subsidiaries are ¥286 million for the previous fiscal year and ¥290 million for the current fiscal year.

- (Stock Options, etc.)
Not applicable.

(Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities:

December 31,	(Millions of yen)	
	2014	2015
Deferred tax assets		
Elimination of unrealized profit	1,815	1,514
Impairment loss on property, plant and equipment	1,091	736
Accrued costs of removing facilities	808	731
Depreciation	734	616
Loss on valuation of investment securities	377	341
Net operating loss carry forwards	50	325
Accrued enterprise tax	81	205
Valuation loss on inventories	217	145
Net defined benefit liability	57	51
Loss on valuation of golf club membership	53	48
Other	332	330
Gross deferred tax assets	5,619	5,045
Valuation allowance	(1,748)	(1,981)
Total deferred tax assets	3,871	3,064
Deferred tax liabilities		
Unrealized holding gain on available-for-sale securities	(3,225)	(3,544)
Reserve under Special Taxation Measures Law	(503)	(564)
Net defined benefit asset	(210)	(537)
Undistributed earnings of overseas partnerships	(431)	(376)
Securities returned from retirement benefit trust	(257)	(233)
Other	(12)	(23)
Total deferred tax liabilities	(4,641)	(5,279)
Net deferred tax assets (liability)	(769)	(2,215)

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

December 31,	2014	2015
Statutory tax rate	37.87%	35.49%
Effect of:		
Permanent difference – entertainment expenses	0.41	0.34
Permanent difference – dividend income	(3.41)	(0.88)
Inhabitants' per capita taxes	0.58	0.60
Amortization of goodwill	0.03	0.03
Equity in earnings of affiliates	(0.93)	(0.98)
Valuation allowance	0.30	3.15
Different tax rates applied to income of foreign consolidated subsidiaries	(0.26)	3.98
Tax deduction of experiment and research expenses	(1.70)	(1.77)
Other, net	0.97	0.27
Effective tax rates.	33.86	40.23

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. 9 of 2015) and “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) on March 31, 2015, corporation income tax rates, etc. will be reduced for the fiscal years beginning on or after April 1, 2015. 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 from 35.49% to 32.88% for temporary differences that are expected to be eliminated during the fiscal year beginning on January 1, 2016 or to 32.11% for temporary differences that are expected to be eliminated during or after the fiscal year beginning on January 1, 2017.
As a result, “Deferred tax liabilities” (net of “Deferred tax assets”) decreased by ¥359 million, while “Unrealized holding gain on available-for-sale securities,” “Income taxes -- deferred,” and “Remeasurements of defined benefit plans” increased by ¥373 million, ¥23 million, and ¥9 million, respectively.

(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.

As described in “(Changes in accounting policy),” the calculation method for the retirement benefit obligation and service costs has been changed from the current fiscal year. Accordingly, the calculation method for the retirement benefit obligation and service costs of the reportable segments has been changed as well, but the impact of this change on the income of the reportable segments is immaterial.

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

Year ended December 31, 2014	(Millions of yen)								
	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	44,305	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)									
Segment income (loss)	2,841	3,936	3,802	1,416	11,997	(44)	11,952	62	12,015
Segment assets									
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.

(Millions of yen)

Year ended December 31, 2015	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	42,458	52,039	17,514	24,695	136,707	3,141	139,848	—	139,848
Intersegment sales	18	76	575	8	678	7,029	7,708	(7,708)	—
Net sales	42,477	52,115	18,089	24,704	137,386	10,171	147,557	(7,708)	139,848
Segment income	3,368	3,210	4,346	1,270	12,196	54	12,251	96	12,347
Segment assets	34,125	49,749	17,901	37,520	139,297	1,965	141,263	66,755	208,018
Other items									
Depreciation	2,290	3,942	724	1,178	8,135	121	8,257	599	8,857
Amortization of goodwill	—	—	9	—	9	—	9	—	9
Investment in associates accounted for using equity method	628	—	169	—	797	—	797	—	797
Increase in tangible and intangible fixed assets	3,007	1,215	397	1,055	5,676	42	5,719	230	5,949

(Notes)

- The Others segment includes business operations relative to research and development, transportation and trading firm business.
- “Adjustments” were as follows:
 - The adjustments to segment income include intersegment eliminations.
 - The adjustments to segment assets include corporate assets of ¥94,323 million that are not allocated to any reportable segments, and intersegment eliminations.
 - The adjustments to depreciation include mainly corporate expenses that are not allocated to any reportable segments.
 - 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.
- Segment income is reconciled with operating income on the consolidated statements of income.
- Depreciation in the table above includes amortization of long term prepaid expense.

[Related Information]

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.

Year ended December 31, 2015

1. Information related to geographic region

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Other	Total
116,745	17,393	3,117	2,592	139,848

(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, 2014

Not applicable.

Year ended December 31, 2015

(Millions of yen)

Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Others	Adjustment	Total
—	1,678	—	—	—	148	1,826

(Note) ¥148 million of adjustment of impairment loss was recorded for land and buildings of the former company owned houses.

[Balance of goodwill by reportable segments]

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."

Year ended December 31, 2015

(Millions of yen)

Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics	Others	Adjustment	Total
—	—	9	—	—	—	9

(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,	(Yen)	
	2014	2015
Net assets per share	1,159.65	1,201.46
Net income per share	63.88	50.86

(Notes)

- Diluted net income per share is not disclosed because no potential shares exist.
- We have executed a two-for-one reverse stock split effective on July 1, 2015. Net assets per share and net income per share are calculated assuming that the two-for-one reverse stock split was executed at the beginning of the previous fiscal year.
- As described in “(Changes in accounting policy),” the Company has applied the accounting standards, etc. for retirement benefits, following the transitional treatment provided for in Paragraph 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share for the current fiscal year increased by ¥4.92. The impact on net income per share is immaterial.
- The basis for calculation of “net income per share” is as follows:

Years ended December 31,	2014	2015
Net income per share		
Net income (Millions of yen)	8,414	6,696
Amounts not belonging to shareholders of common stock (Millions of yen)	—	—
Net income attributable to common stock (Millions of yen)	8,414	6,696
Average number of common shares during the fiscal year (Thousands of shares)	131,717	131,664

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

December 31,	2014	2015
Total amount of net assets (Millions of yen)	157,349	163,020
Amount deducted from the total amount of net assets (Millions of yen) (including minority interests)	4,637 (4,637)	4,846 (4,846)
Amount of net assets at the end of the fiscal year attributable to common stock (Millions of yen)	152,711	158,173
Number of common shares used for calculating net assets per share (Thousands of shares)	131,687	131,650

(Subsequent Events)

Not applicable.

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	2,344	2,344	0.585	—
Long-term debt scheduled to be repaid within one year	541	386	1.254	—
Lease obligations scheduled to be repaid within one year	64	61	—	—
Long-term debt (excluding debt scheduled to be repaid within one year)	10,349	9,963	0.722	From 2017 to 2027
Lease obligations (excluding obligations scheduled to be repaid within one year)	108	85	—	From 2017 to 2022
Other interest-bearing debt	—	—	—	—
Total	13,408	12,840	—	—

(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	158	4,158	158	158
Lease liabilities	40	22	11	6

[Schedule of asset retirement obligations]

Not applicable.

(2) [Other]

Quarterly data for the current fiscal year ended December 31, 2015

Cumulative periods	First quarter (From January 1 to March 31, 2015)	Second quarter (From January 1 to June 30, 2015)	Third quarter (From January 1 to September 30, 2015)	Current fiscal year (From January 1 to December 31, 2015)
Net sales (Millions of yen)	35,036	70,270	105,120	139,848
Income before income taxes and minority interests (Millions of yen)	2,878	6,351	9,876	11,863
Net income (Millions of yen)	1,713	3,847	6,474	6,696
Net income per share (Yen)	13.01	29.22	49.17	50.86

Accounting period	First quarter (From January 1 to March 31, 2015)	Second quarter (From April 1 to June 30, 2015)	Third quarter (From July 1 to September 30, 2015)	Fourth quarter (From October 1 to December 31, 2015)
Net income per share (Yen)	13.01	16.21	19.95	1.69



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