



Financial Results for FY2019

February 14, 2020

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

Scope of consolidation

Number of consolidated subsidiaries: 21 (no change)

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

		FY2018	FY2019	Change	
Net sales	(Millions of yen)	150,066	144,955	-5,111	-3.4%
Operating income	(Millions of yen)	16,408	13,782	-2,625	-16.0%
Operating income ratio		10.9%	9.5%	-1.4%	—
Ordinary income	(Millions of yen)	17,403	15,230	-2,172	-12.5%
Net income attributable to owners of parent	(Millions of yen)	12,748	10,387	-2,361	-18.5%
Net income per share	(Yen)	96.85	78.91	-17.9	—
Annual dividend	(Yen)	28.0	30.0	2.0	

<Business Environment>

- In the global economy, China and other East Asian countries saw their economies stagnate due to the prolonged trade war between the U.S. and China.
- From October, the Japanese economy faced a growing concern of economic downturn especially in the manufacturing industry.
- Naphtha price remained low and stable compared to 2018.

<Financial Results for FY2019>

1. A decline in demand for acrylic monomer products and functional adhesive material products put pressure on profit.
2. Focused on efforts to achieve product price adjustments and maintain prices.
3. Various investment projects made progress, but their contributions to profit will be delayed until the next fiscal year.

Consolidated Results (by Segment)

Net sales (by consolidated segment)

(Millions of yen)

	FY2018	FY2019	Changes in net sales		
			Volume	Unit price	Change
Commodity Chemicals	69,908	65,667	-2,235	-2,005	-4,240
Polymer & Oligomer	29,506	29,112	-767	373	-394
Adhesive Material	11,914	11,174	-660	-79	-739
Performance Chemicals	8,095	8,148	3	50	53
Plastics	27,167	27,079	-441	353	-88
Other	3,474	3,772	297	0	297
Total	150,066	144,955	-3,804	-1,307	-5,111

Operating income (by consolidated segment)

(Millions of yen)

	FY2018		FY2019		Change
	Operating income	Operating income ratio	Operating income	Operating income ratio	
Commodity Chemicals	6,654	9.5%	5,442	8.3%	-1,212
Polymer & Oligomer	2,977	10.1%	3,526	12.1%	549
Adhesive Material	2,567	21.5%	1,356	12.1%	-1,210
Performance Chemicals	2,548	31.5%	2,116	26.0%	-432
Plastics	1,427	5.3%	1,233	4.6%	-193
Other/adjustments	233	—	106	—	-127
Total	16,408	10.9%	13,782	9.5%	-2,625

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

[Other income/expenses]

(Millions of yen)

	FY2018	FY2019	Change
Interest and dividend income	868	1,080	212
Equity in earnings of affiliates	165	164	0
Rent income on non-current assets	237	260	23
Miscellaneous income	215	246	31
Foreign currency exchange gain (loss)	(100)	207	307
Interest expense	(90)	(95)	-5
Environment readiness fee	(135)	(268)	-133
Cost of idle assets	(62)	(43)	19
Miscellaneous expenses	(103)	(104)	1
Total	994	1,447	452

• Equity in earnings of affiliates

(Millions of yen)

	FY2018	FY2019	Difference
Elmer's & Toagosei	177	181	5
Chubu Liquid Oxygen	(40)	(57)	-17
Total	137	124	-13

[Extraordinary income/loss]

(Millions of yen)

	FY2018	FY2019	Change
Gain on sales of non-current assets	5	7	2
Gain on sales of investment securities	3	553	549
Subsidy income	325	9	-315
Loss on disposal of non-current assets	(240)	(100)	139
Impairment loss/Loss on sales of shares of subsidiaries and associates	(5)	(410)	-405
Total	88	60	-28

FY2019

- Sold investment securities of 9 companies
- Recorded impairment loss on assets at Toagosei Singapore

• Exchange rate (Yen/USD)

Dec. 31, 2018	Jun. 30, 2019	Dec. 31, 2019
111.00	107.79	109.56

Consolidated Balance Sheet

(Millions of yen)

	Dec. 31, 2018	Dec. 31, 2019	Change
Cash and deposits	32,676	32,989	313
Notes and accounts receivable	45,154	42,534	-2,620
Securities	46,000	44,000	-2,000
Inventories	16,541	18,161	1,620
Other current assets	1,495	1,275	-220
Non-current assets ①	67,083	74,376	7,293
Investment securities	27,792	28,711	919
Other non-current assets	3,780	5,165	1,385
Total assets	241,164	247,211	6,047
Notes and accounts payable ②	16,472	14,413	-2,059
Bank loans and debt	11,692	11,534	-158
Accrued income taxes	2,864	2,030	-834
Other liabilities	18,836	20,652	1,816
Total liabilities	49,867	48,632	-1,235
Total net assets ③	191,296	198,579	7,283
Total liabilities and net assets	241,164	247,211	6,047

[Balance Sheet]

- ① Non-current assets increased because of active capital investment, among other factors.
- ② Notes and accounts payable - trade decreased.
- ③ Retained earnings increased due to the reporting of a net income.

Cash Flows

(Millions of yen)

	FY2018	FY2019	Change
Cash flows from operating activities	19,841	18,615	-1,226
Cash flows from investing activities	(11,910)	(15,855)	-3,945
Free cash flow	7,931	2,760	-5,171

Overview of Consolidated Subsidiaries (Results for FY2019)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2018	FY2019	FY2018	FY2019	FY2018	FY2019
1 Toa Techno-Gas	Commodity Chemicals	100	4,940	4,577	634	313	449	225
2 (Oita Chemical)	↓	91.15	14,784	13,512	27	(28)	(64)	(52)
3 Toagosei Singapore	↓	100	5,036	3,106	(170)	96	(96)	(243)
4 (MT Ethylene Carbonate)	↓	90	586	599	6	5	5	5
5 MT AquaPolymer	Polymer & Oligomer	51	10,640	10,252	480	646	342	450
6 Taiwan Toagosei	↓	100	1,116	1,202	62	59	46	49
7 Toa-Jet Chemical	↓	51	1,773	1,568	53	77	57	72
8 TOA-DIC Zhangjiagang Chemical	↓	90	1,716	1,597	114	112	91	78
9 Toagosei (Thailand)	↓	100	0	786	(247)	(189)	(285)	(292)
10 Toagosei America	Adhesive Material	100	1,855	1,639	141	(48)	118	64
11 (Aron Packaging)	↓	100	277	264	16	(5)	11	(4)
12 Toagosei Hong Kong	↓	100	317	295	32	34	79	94
13 Toagosei (Zhuhai)	↓	100	435	443	105	35	77	18
14 Aronkasei	Plastics	100	27,190	27,112	1,448	1,457	1,061	1,085
15 Aronkasei (Thailand)	↓	100	-	11	(11)	(239)	(11)	(239)
16 TOA Kogyo	Other	100	991	985	(2)	(35)	2	(12)
17 Toa Business Associe	↓	100	1,950	2,073	106	56	67	35
18 TG Corporation	↓	100	12,278	12,631	351	376	239	261
19 (Toa Logistics)	↓	100	1,448	458	8	15	21	30
20 (Shikoku Toa Logistics)	↓	70	1,276	824	5	1	4	1
21 (Hokuriku Toa Logistics)	↓	90	152	0	0	0	0	0
Simple aggregation			88,760	83,934	3,588	3,282	2,669	2,467

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

Uncertainty increases
due to the global economic recession coupled with concerns
over the spread of novel coronavirus infection in China



Start Medium-Term Management Plan

“Stage up for the Future”

We will pursue further expansion of our high-value-added products businesses by strengthening new business creation, research and development functions, as well as continuing our focus on the development of new products and active capital investment.

Consolidated Results Forecast for FY2020

(Millions of yen)

	FY2019 (A)	FY2020 1H (forecast)	FY2020 2H (forecast)	FY2020 forecast (B)	Change (B-A)
Net sales	144,955	69,000	72,000	141,000	-3,955
Operating income	13,782	6,200	6,800	13,000	-782
Operating income ratio	9.5%	9.0%	9.4%	9.2%	-0.3%
Other income/expenses	1,447	800	400	1,200	-247
Ordinary income	15,230	7,000	7,200	14,200	-1,030
Extraordinary income (loss)	60	(200)	(300)	(500)	-560
Income before income taxes (a)	15,290	6,800	6,900	13,700	-1,590
Income taxes (b)	(4,634)	(1,800)	(1,900)	(3,700)	934
Tax rate (b)/(a)	30.3%	26.5%	27.5%	27.0%	-3.3%
Net income attributable to non-controlling interests	(268)	(100)	(200)	(300)	-31
Net income attributable to owners of parent	10,387	4,900	4,800	9,700	-687
Dividend (Yen)	30	15	15	30	—
<Reference>					
Average exchange rate (Yen/USD)	¥109.45			¥110.00	
Naphtha price (Yen/kl)	¥42,025			¥40,000	

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

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

Consolidated Results Forecast for FY2020 (by Segment)

Net sales

(Millions of yen)

	FY2019 results	FY2020 forecast	Change	Factors for change
Commodity Chemicals	65,667	60,300	-5,367	[Decrease] Polyvinyl chloride, acrylic monomer, caustic soda
Polymer & Oligomer	29,112	29,800	688	[Increase] Flocculants, oligomer
Adhesive Material	11,174	10,300	-874	[Decrease] Functional adhesives
Performance Chemicals	8,148	8,200	52	[Increase] Inorganic functional materials
Plastics	27,079	28,400	1,321	[Increase] Piping equipment, elastomer compounds, construction and civil engineering products
Other	3,772	4,000	228	
Total	144,955	141,000	-3,955	

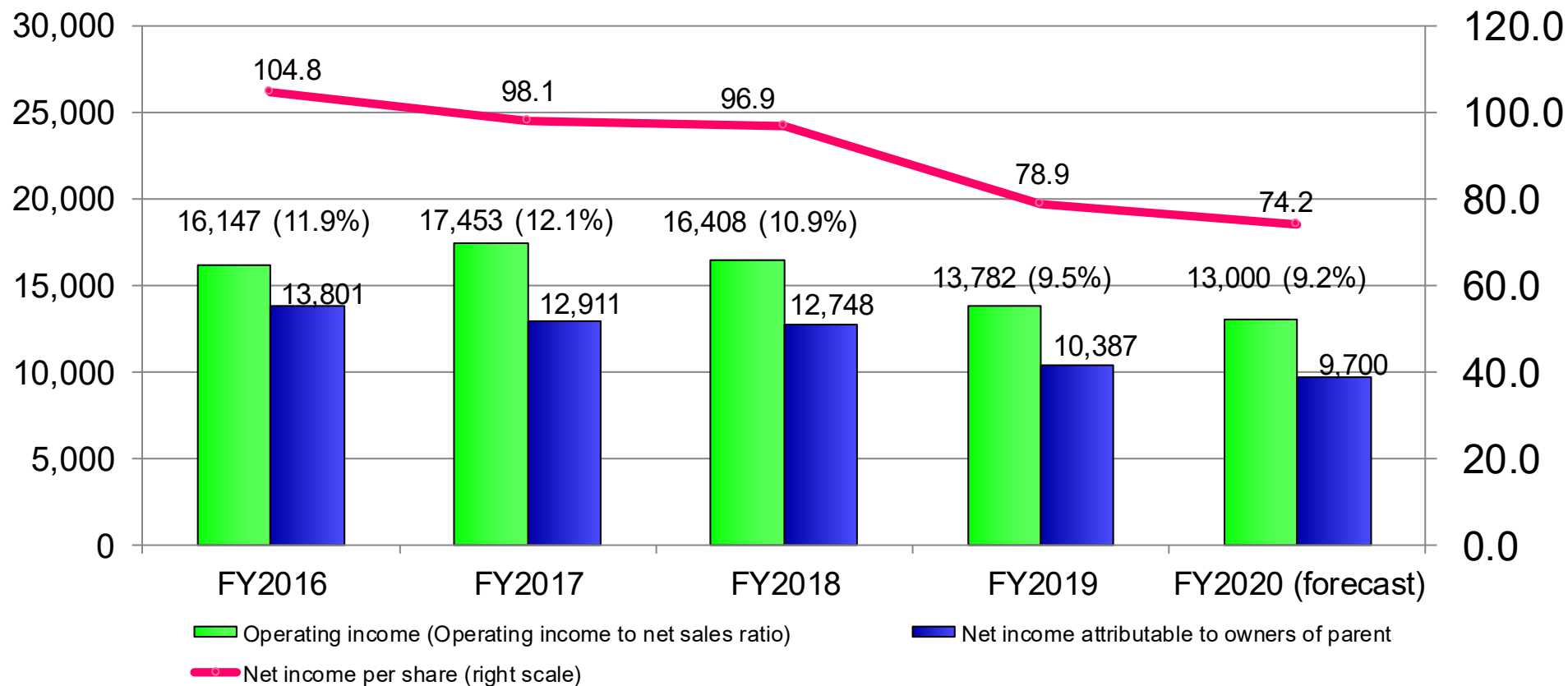
Operating income

Figures in square brackets are operating income ratio. (Millions of yen)

	FY2019 results		FY2020 forecast		Change	Factors for change
Commodity Chemicals	5,442	[8.3%]	5,000	[8.3%]	-442	[Decrease] Acrylic monomer, caustic soda
Polymer & Oligomer	3,526	[12.1%]	3,800	[12.8%]	274	[Increase] Acrylic polymer, flocculants
Adhesive Material	1,356	[12.1%]	800	[7.8%]	-556	[Decrease] Functional adhesives
Performance Chemicals	2,116	[26.0%]	1,900	[23.2%]	-216	[Decrease] High-purity inorganic chemicals
Plastics	1,233	[4.6%]	1,400	[5.0%]	167	[Increase] Piping equipment, construction and civil engineering products
Other	106	-	100	-	-6	
Total	13,782	[9.5%]	13,000	[9.2%]	-782	

(Millions of yen)

(Yen)

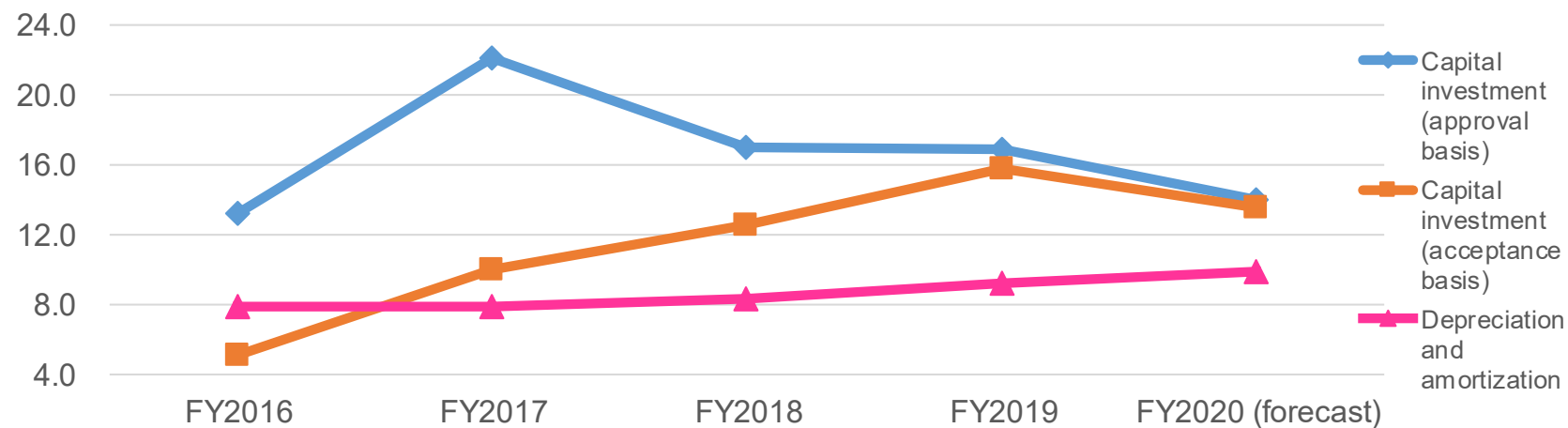


Reference for Consolidated Performance

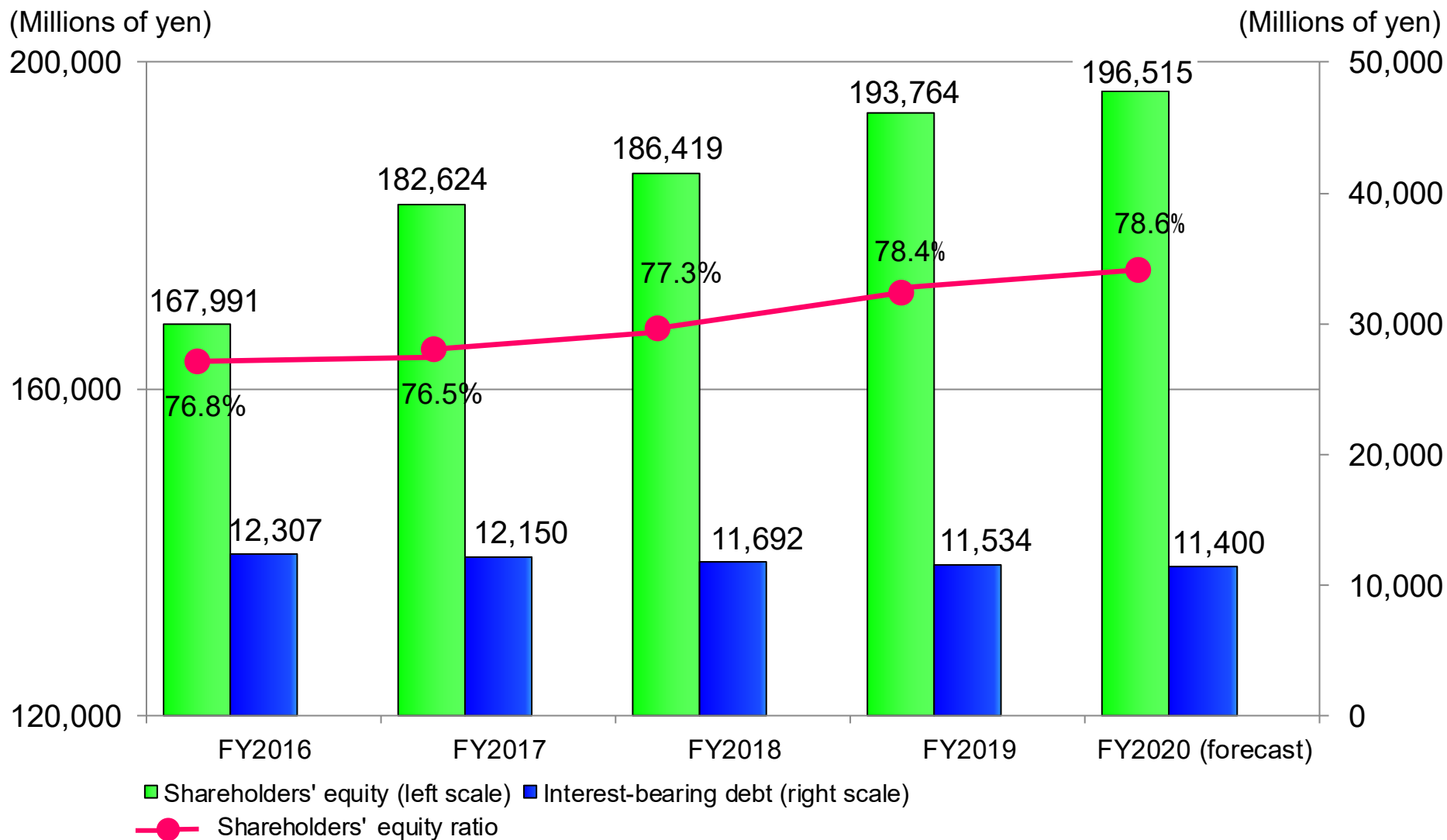
(Billions of yen)

	FY2016	FY2017	FY2018	FY2019	FY2020 forecast
Capital investment (acceptance basis)	5.1	10.0	12.5	15.8	13.6
Capital investment (approval basis)	13.2	22.1	17.0	16.9	14.0
Depreciation and amortization	7.9	7.9	8.3	9.2	9.9
Research and development expenses	3.6	3.7	3.6	3.7	4.2
Overseas sales	21.6	24.2	24.5	22.6	24.9
Interest-bearing debt	12.3	12.1	11.6	11.5	11.4

(Billions of yen)



Historical Reference for Consolidated Performance



Overview of Consolidated Subsidiaries (FY2020 Forecast)

(Millions of yen)

Company name	Segment	Ownership (%)	Net sales		Operating income (loss)		Net income (loss) attributable to owners of parent	
			FY2019	FY2020 forecast	FY2019	FY2020 forecast	FY2019	FY2020 forecast
1 Toa Techno-Gas	Commodity Chemicals	100	4,577	4,532	313	354	225	254
2 (Oita Chemical)	↓	91.15	13,512	13,400	(28)	(36)	(52)	(43)
3 Toagosei Singapore	↓	100	3,106	3,320	96	86	(243)	148
4 (MT Ethylene Carbonate)	↓	90	599	669	5	9	5	9
5 MT AquaPolymer	Polymer & Oligomer	51	10,252	11,093	646	718	450	499
6 Taiwan Toagosei	↓	100	1,202	1,177	59	56	49	46
7 Toa-Jet Chemical	↓	51	1,568	1,549	77	79	72	63
8 TOA-DIC Zhangjiagang Chemical	↓	90	1,597	1,622	112	95	78	71
9 Toagosei (Thailand)	↓	100	786	2,269	(186)	110	(292)	(31)
10 Toagosei America	Adhesive Material	100	1,639	1,718	(48)	1	64	72
11 (Aron Packaging)	↓	100	264	264	(5)	1	(4)	(2)
12 Toagosei Hong Kong	↓	100	295	296	34	30	94	28
13 Toagosei (Zhuhai)	↓	100	443	571	35	78	18	57
14 Aronkasei	Plastics	100	27,112	28,084	1,457	1,684	1,085	1,059
15 Aronkasei (Thailand)	↓	100	11	404	(239)	(243)	(239)	(250)
16 TOA Kogyo	Other	100	985	1,012	(35)	8	(12)	12
17 Toa Business Associe	↓	100	2,073	2,050	56	58	35	40
18 TG Corporation	↓	100	12,631	12,496	376	393	261	273
19 (Toa Logistics)	↓	100	458	546	15	20	30	13
20 (Shikoku Toa Logistics)	↓	70	824	-	1	0	1	0
21 (Hokuriku Toa Logistics)	↓	90	-	-	0	-	0	-
Simple aggregation			83,934	87,072	3,282	3,780	2,467	2,644

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

Medium-Term Management Plan for 2020 to 2022

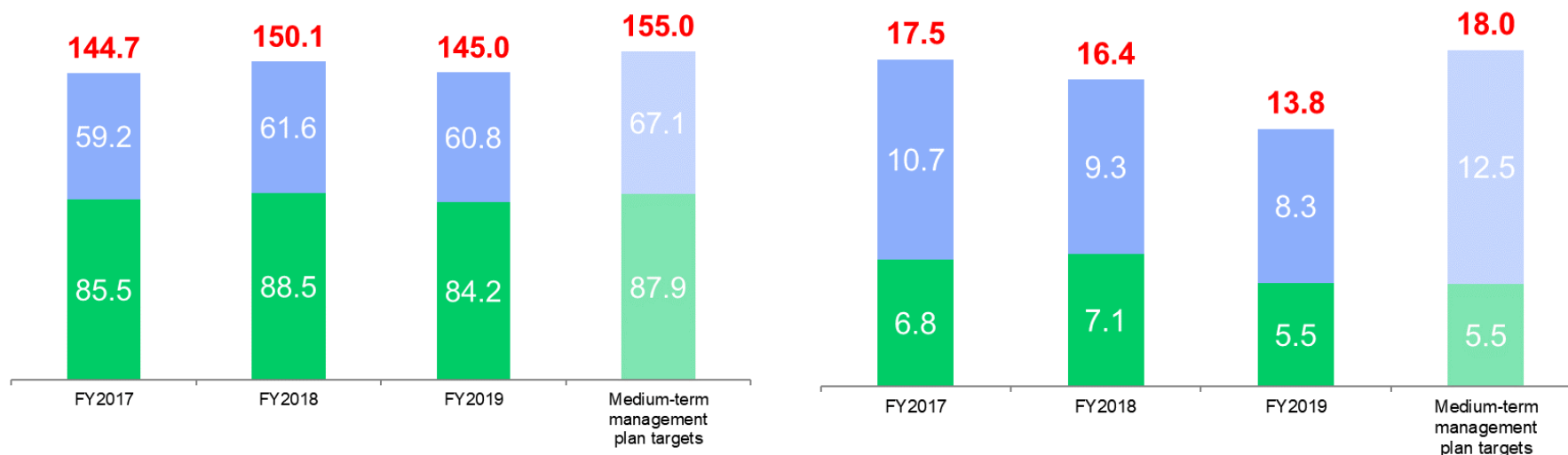
“Stage up for the Future”

Summary of Previous Medium-Term Management Plan “Trajectory Toward Growth 2019”

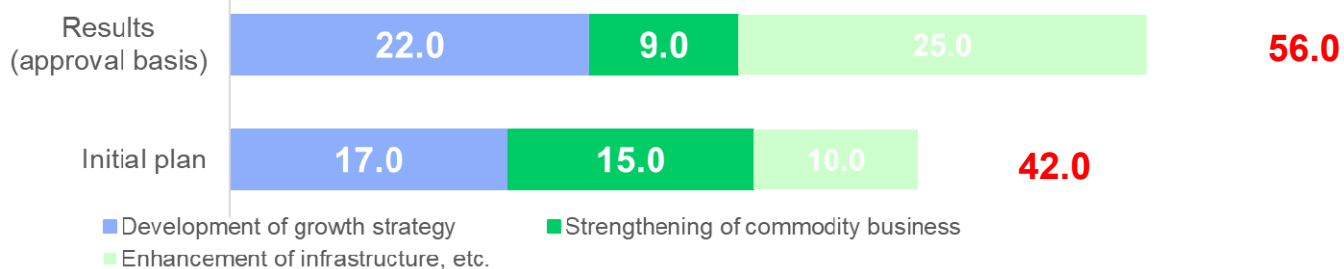
Basic policies Strengthen our high-value-added products business and promote the growth strategy including overseas expansion of the business

Centering on growth strategy businesses, we promoted active capital investment and development of new products, but contribution to profit has been delayed. Numerical targets were not achieved partly due to the effect of economic downturn and increased depreciation.

● **Net Sales Trend** (Billions of yen) ● **Operating Income Trend** (Billions of yen)
 ■ High-value-added products ■ High-value-added products
 ■ Commodity products ■ Commodity products



● **Capital investment results**



-Trajectory Toward Growth 2019- Overview of Actions and Future Initiatives

	Overview of actions	Future initiatives
Development of growth strategy	<p>[Polymer & Oligomer Segment]</p> <ul style="list-style-type: none"> • Started operation of a new acrylic polymer plant in Thailand • Started operation of the facility for binders for LIB negative electrode • Started operation of the facility for ester interchange oligomer <p>[Adhesive Material Segment]</p> <ul style="list-style-type: none"> • Accelerated overseas expansion of general-purpose adhesives • Enhanced production capacity of functional adhesives • Launched mobility-related products <p>[Performance Chemicals Segment]</p> <ul style="list-style-type: none"> • Improved production and shipment capacity for high-purity inorganic products • Accelerated expansion into new markets and application of inorganic functional products <p>[Plastics Segment]</p> <ul style="list-style-type: none"> • Started operation of a new elastomer compound plant in Thailand • Accelerated development and launch of new nursing care related products 	<ul style="list-style-type: none"> • Improve operating ratio of new facilities • Expand sales of high-value-added products for mobility, pharmaceuticals, and next-generation electronics fields • Improve quality and strengthen quality management of high-performance, high-purity products • Enhance new development theme, commercialize products and make them profitable early • Conduct M&As and generate synergies • Accelerate expansion into overseas markets mainly in China and other Asian countries
Strengthening of commodity business	<p>[Commodity Chemicals Segment]</p> <ul style="list-style-type: none"> • Improved productivity of the caustic potash manufacturing facility • Improved profitability of a subsidiary in Singapore <p>[Plastics Segment]</p> <ul style="list-style-type: none"> • Restructured the production system of a piping material plant 	<ul style="list-style-type: none"> • Renew facilities continuously and improve productivity • Improve profitability of low-profit products and reorganize those products

Capital investment in growth strategy products and recoup investment

- 1 Realize plants with high productivity, such as the new plant in Thailand and the plant for binders for LIB negative electrode. They will contribute to profit from FY2020, showing enormous potential as major high-value-added products.
- 2 With enhanced production and shipment capacities, the supply system of gas for semiconductors is now full-blown. We maintain high production level. Profit is expected to further expand due to a future increase in demand for semiconductors.
- 3 The new plant started trial supply of elastomer compound to the market. Products has received favorable evaluation from customers.

Launch of new products is expected through strategic investment in R&D

- 1 Accelerate creation of new products by strengthening future R&D functions.

**Investment proved to be effective,
a promising sign of our growth**

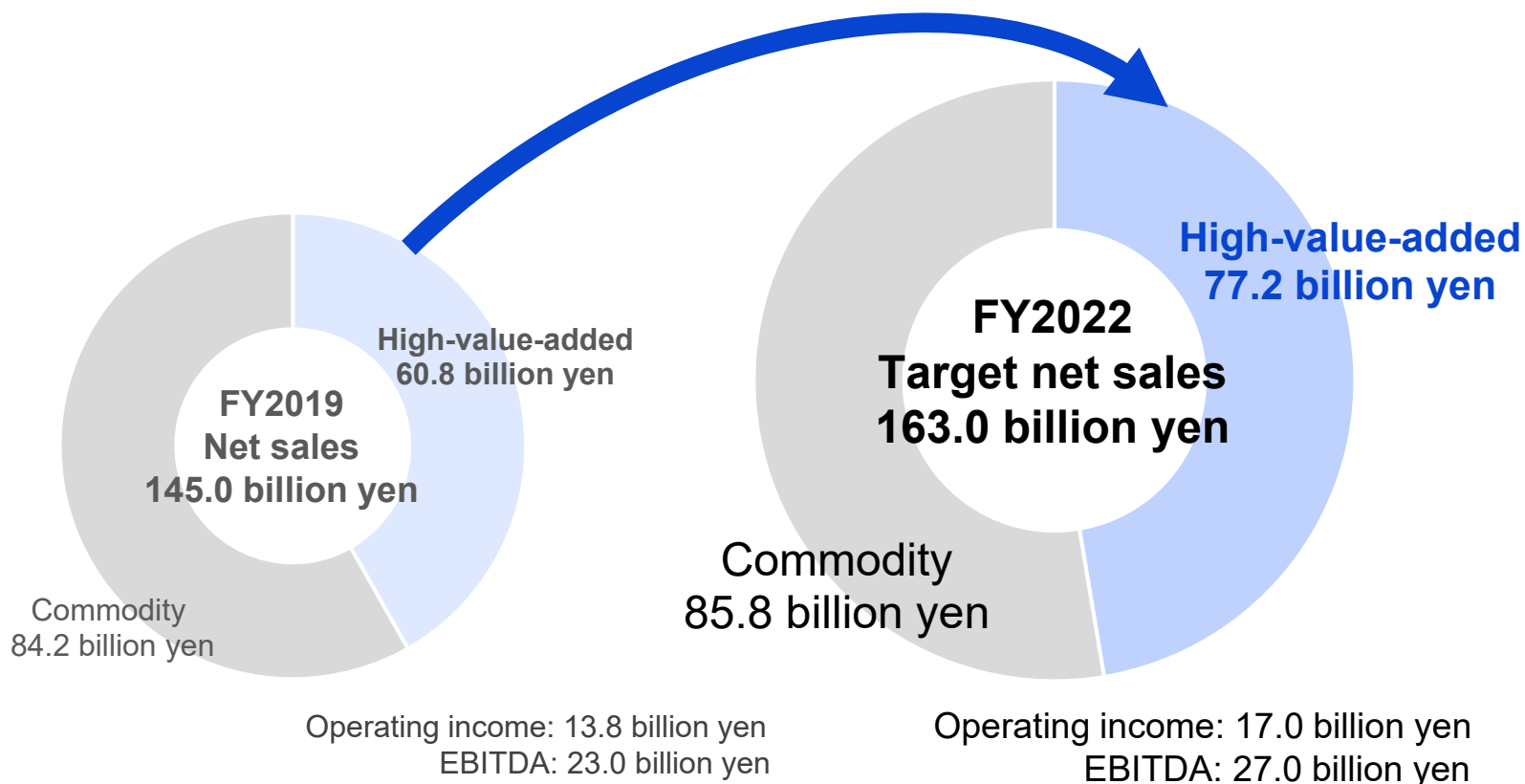
To grow and evolve into a corporate group that demonstrates a higher presence toward our 100th anniversary,

We continue to promote growth investment into the future

Positioning of Medium-Term Management Plan for 2020 to 2022

“Stage up for the Future”


The Medium-Term Management Plan for 2020 to 2022 is positioned as a stage that follows the previous medium-term management plan “Trajectory Toward Growth 2019.” We will pursue further expansion of our high-value-added products by strengthening new business creation and research and development functions.



— Basic policies —

- ◆ Expand high-value-added businesses
- ◆ Creation of new business units, including the “fourth core” business that will underpin the future of Toagosei Group
- ◆ Strengthen core businesses and execute business reorganization

Investment in human resources toward growth

Changes in number of employees in the Group during the previous medium-term management plan (as of Dec. 31, 2016) 2,411  (as of Dec. 31, 2019) over 2,470

- Secure human resources for the new company in Thailand and for developing new products and passing on technologies
- Improve operational efficiency at indirect departments (a 10% reduction in personnel) and shift human resources to other operations

Investment in human resources in the Medium-Term Management Plan for 2020 to 2022

- Allocate human resources to each theme of growth strategy businesses (a more-than-3% increase in the number of employees of the Group compared to the number as of Dec. 31, 2019)
- Allocate human resources to R&D departments with priority
- Promote the use of AI and IOT in indirect and production departments to further improve operational efficiency and strengthening of operation

Promote sustainable management

- Centering on the Sustainable Promotion Department, identify social issues (Sustainable Development Goals) that must be addressed by the Company and make progress toward resolution
- Expand new businesses utilizing CO₂-free hydrogen energy, leveraging our technologies
- Strengthen initiatives for corporate governance, compliance, disaster prevention, and environmental protection, etc.

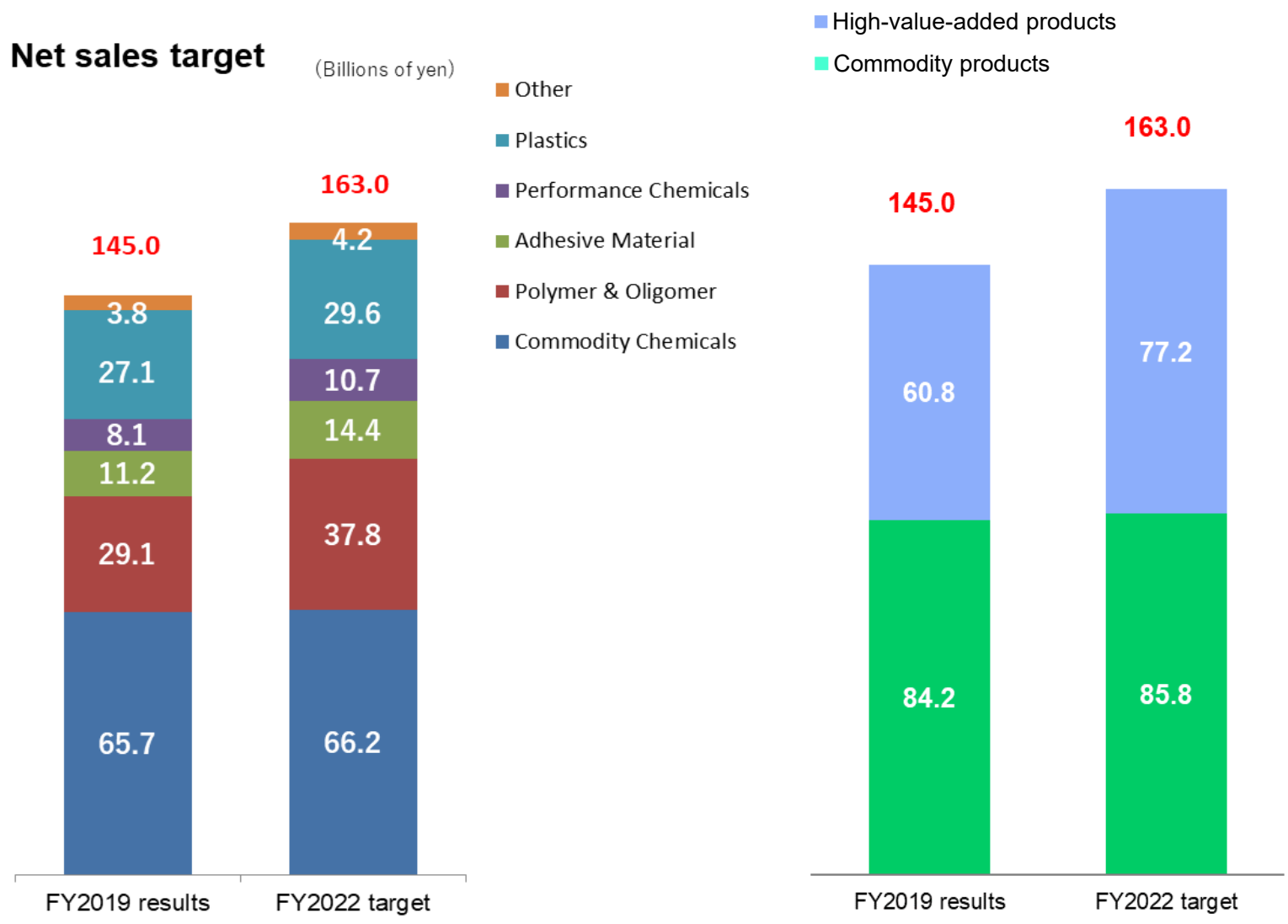
Medium-Term Management Plan for 2020 to 2022

Quantitative Target

	FY2019 results	FY2022 target
Net sales	145.0 billion yen	163.0 billion yen
Operating income [Operating income ratio]	13.8 billion yen [9.5%]	17.0 billion yen [10.4%]
EBITDA	23.0 billion yen	27.0 billion yen
High-value-added product ratio (net sales)	42%	47%
Capital investment (3-year cumulative for 2020 to 2022)	56.0 billion yen (approval basis) 38.3 billion yen (acceptance basis)	44.0 billion yen
Overseas net sales [Overseas net sales ratio]	22.6 billion yen [15.6%]	32.5 billion yen [20%]
Earnings per share (EPS)	79 yen	106 yen
Return on assets (ROA)	6.2%	7.0%

Medium-Term Management Plan for 2020 to 2022

Net Sales Target

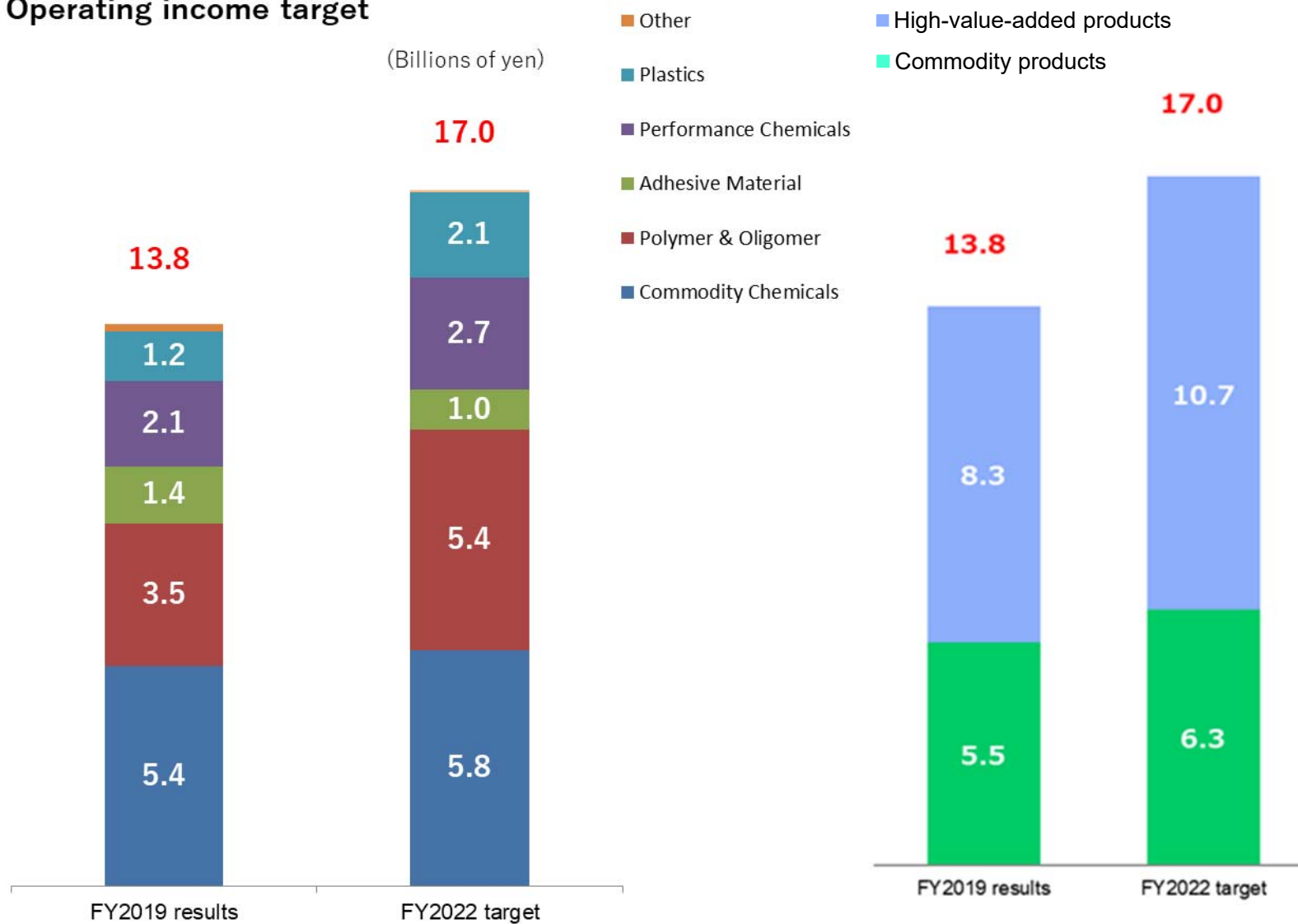


Medium-Term Management Plan for 2020 to 2022

Operating Income Target

Operating income target

(Billions of yen)





Basic Policies

- Improve capital efficiency and enhance shareholder return while pursuing further business expansion through various investments and M&As, which serve as the basis for sustainable growth
- Strengthen stakeholder engagement to increase corporate value

Improve capital efficiency

Enhance and improve profitability and capital efficiency, with Return on Assets (ROA) and Earnings per Share (EPS) as numerical indicators

EPS: (FY2019) 79 yen  (FY2022) **106 yen**
 ROA: (FY2019) 6.2%  (FY2022) **7%**

Shareholder return

Maintain stable dividends aiming at a payout ratio of 30% or greater
 Share buybacks: Around 10.0 billion yen over the three years of the Medium-Term Management Plan
 Total shares bought back in FY2020: 3.0 billion yen

Restricted share remuneration plan

Introduce a restricted share remuneration plan as part of the remuneration system for officers for the purpose of providing incentives to the Company's Directors to sustainably enhance corporate value, and to further promote the sharing of value with shareholders (A proposal submitted to the Ordinary General Meeting of Shareholders scheduled for March 2020)

Medium-Term Management Plan for 2020 to 2022

Overview of Other Quantitative Targets

<h3>Investment plan</h3>	<p>Promote active capital investment toward sustainable growth</p> <ul style="list-style-type: none"> • Grow and expand high-value-added products • Renew facilities and improve productivity of commodity chemicals • Strengthen information-related investment, etc. <p>3-years cumulative</p> <table border="1"> <caption>Investment Breakdown (Billions of yen)</caption> <thead> <tr> <th>Category</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Development of growth strategy</td> <td>18.0</td> </tr> <tr> <td>Strengthening of commodity business</td> <td>12.0</td> </tr> <tr> <td>Enhancement of infrastructure, etc.</td> <td>14.0</td> </tr> <tr> <td>Total</td> <td>44.0</td> </tr> </tbody> </table>	Category	Value	Development of growth strategy	18.0	Strengthening of commodity business	12.0	Enhancement of infrastructure, etc.	14.0	Total	44.0
Category	Value										
Development of growth strategy	18.0										
Strengthening of commodity business	12.0										
Enhancement of infrastructure, etc.	14.0										
Total	44.0										
<h3>Overseas expansion</h3>	<p>Strongly promote overseas expansion of unique high-value-added products</p> <ul style="list-style-type: none"> • Adhesive Material (Strengthen the business in North America, and accelerate expansion into emerging markets, especially in Asia) • Polymer & Oligomer (Accelerate expansion into China and Southeast Asia) • Inorganic functional materials (Expand sales of amenity products in Asian markets) • Elastomer compounds (Explore Asian markets to expand sales) <p>Overseas net sales ratio (FY2019) 15.6% → (FY2022) 20%</p>										