



# Accelerating Growth

Annual Report 2009

# Financial Highlights

Toagosei Co., Ltd. and Consolidated Subsidiaries

	Millions of yen			Thousands of U.S. dollars (Note 1)	09/08
	2009	2008	2007	2009	Change (%)
Net sales .....	<b>¥140,033</b>	¥162,615	¥162,729	<b>\$1,520,452</b>	(13.9)
Operating income.....	<b>11,158</b>	11,668	12,719	<b>121,153</b>	(4.4)
Income before income taxes and minority interests ...	<b>7,205</b>	6,869	13,295	<b>78,233</b>	4.9
Net income.....	<b>3,541</b>	1,895	6,403	<b>38,451</b>	86.8
Total assets.....	<b>161,609</b>	172,464	182,681	<b>1,754,722</b>	(6.3)
Net worth (Note 2).....	<b>99,449</b>	99,271	105,339	<b>1,079,799</b>	0.2
		Yen		U.S. dollars (Note 1)	
<b>Per share of common stock</b>					
Net income.....	<b>¥13.85</b>	¥7.27	¥24.52	<b>\$0.15</b>	90.5
Cash dividends applicable to the year.....	<b>6.00</b>	8.00	8.00	<b>0.06</b>	(25.0)
		%			
<b>Ratio</b>					
Return on equity (ROE) .....	<b>3.6</b>	1.9	6.1	—	89.5
Return on total assets (ROA) .....	<b>2.1</b>	1.1	3.4	—	90.9
Net worth.....	<b>61.5</b>	57.6	57.7	—	6.8

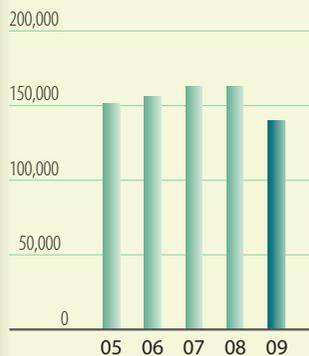
	Millions of yen			Thousands of U.S. dollars (Note 1)	09/08
	2009	2008	2007	2009	Change (%)
<b>Net sales</b>					
Commodity Chemicals .....	<b>¥45,646</b>	¥55,165	¥53,470	<b>\$495,620</b>	(17.3)
Acrylic Products.....	<b>41,460</b>	51,057	48,674	<b>450,166</b>	(18.8)
Specialty Chemicals .....	<b>22,829</b>	24,380	26,667	<b>247,881</b>	(6.4)
Plastics .....	<b>28,599</b>	30,550	32,232	<b>310,524</b>	(6.4)
Other Businesses.....	<b>1,497</b>	1,460	1,684	<b>16,258</b>	2.5

Notes 1: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥92.10 = \$1.00.

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

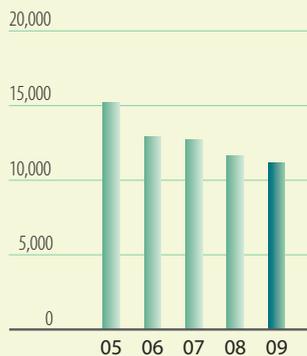
## Net sales

(Millions of yen)



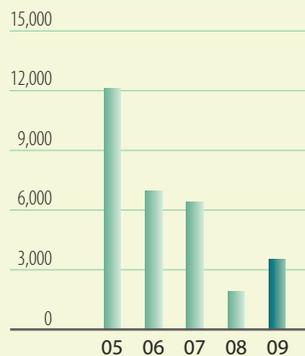
## Operating income

(Millions of yen)



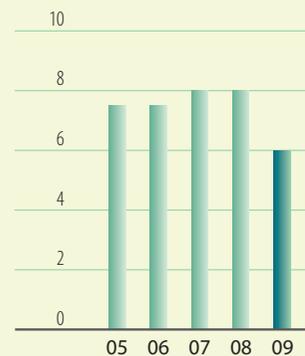
## Net income

(Millions of yen)



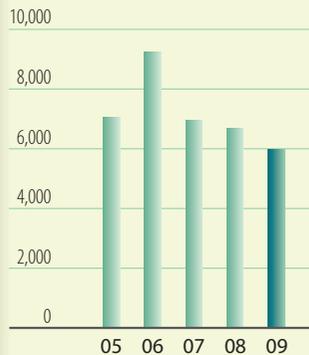
## Cash dividends

(Yen)



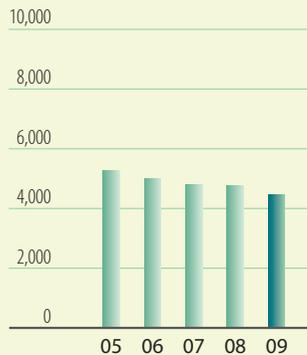
## Capital expenditures

(Millions of yen)



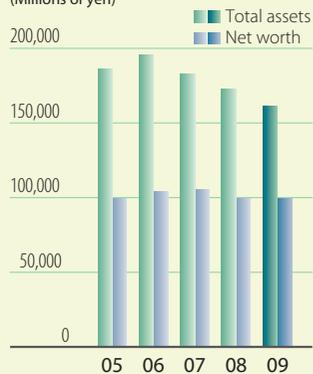
## R&D expenditures

(Millions of yen)



## Total assets and net worth

(Millions of yen)



## Net worth ratio

(%)



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The catch phrase on the cover, "Accelerating Growth" expresses the core concept behind our medium-term management plan for fiscal 2008 – 2010. It was printed using ink made from our popular UV-curable acrylic product Aronix.

# Message from the President

## Review of Fiscal 2009 and Performance Results

During the reporting term (January 1 to December 31, 2009), the Japanese economy gained some momentum, but stopped short of full-fledged recovery, with private-sector capital investment and personal spending remaining at a low ebb.

For the chemical industry in which Toagosei operates, the weakness of the recovery in demand and persistently high prices for fuel and raw materials ensured that conditions remained difficult.

Under these circumstances, the Group streamlined business operations and focused on restoring earnings through measures such as rigorous cost-cutting, withdrawal from unprofitable businesses and integration of Group company activities.

Despite these efforts, sales and operating income slumped. However, the income tax burden decreased, contributing to an increase in net income.

## Basic Policy on Shareholder Return

Regarding shareholder return, in principle our policy is to pay dividends of 6 yen per share annually, taking into account the performance for the term in question, the future outlook, and forecast performance figures. However, we also place great importance on the need to ensure a sufficient amount of retained earnings to maintain a sound financial position. Moreover, we must secure sufficient funds for the financing of research and development activities, to prepare for an anticipated intensification of competition, and for capital investment.

Consequently, we made a term-end dividend payment of 3 yen. We have already paid an interim dividend of 3 yen, bringing the total dividend payment for the full term to 6 yen per share.

For the current term, ending December 31, 2010, we are planning an interim dividend payment of 3 yen, and a term-end dividend payment of 3 yen, for an annual dividend payment of 6 yen per share.

## Issues Facing the Company

Beginning in 2008, the Group has accelerated its switchover to higher value-added products and has innovated new products and businesses, as well as working to achieve the goals of the "ALL TOA 2010" medium-term plan, which aims principally to strengthen our operating base.

We see little hope of improvement in the business environment by the end of the current term, with few bright signs in our sector despite perceptions of recovery in the broader economy. Against this backdrop, in what is the final year of the medium-term plan, we are laying a firm foundation for taking our Company to the next level and realizing our vision for the future.

Particular focuses are the following three initiatives, which, if launched at an early date, will strengthen earnings capability.

Firstly, a General Center of R&D is being established adjacent to our Nagoya plant, enabling us to avoid duplication of research efforts by clearly separating product development and Groupwide research. We expect results on both fronts at an early date.

Secondly, by launching production of acrylic polymer in Singapore, we will be able to service increasing demand in Southeast Asia and India.

Thirdly, we have acquired manufacturing facilities for intermediate raw materials for feed additives, positioning us to respond for globally expanding demand for this product.

The Group is united in its commitment to meeting its obligations as a corporate citizen, earning still deeper public trust and creating a model for sustainable growth.

We thank you for your understanding, and look forward to your continuing support.

*President*

*Futoshi Hashimoto*



# Commodity Chemicals

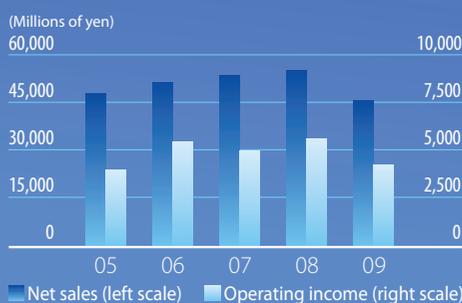
## Power that fundamentally supports various industries by manufacturing and supplying basic raw materials

Since its establishment, Toagosei has been involved in the business of producing and selling caustic soda, various chlorides, sulfuric acid, and industrial gas. Toagosei has expanded its business field from inorganic chemicals to such areas as organic chemicals, specialty chemicals, highly functional materials for electronics, and life science. The Company has the longest history in the commodity chemical business. The Company has positively contributed to the lives of people through the supply of products necessary in industries including raw materials for chemical products and other products. We also produce pure inorganic chemicals for the manufacture of electrical and electronics components.

### Sales by segment



### Net sales/Operating income



Net sales  
**¥45,646**  
million

Operating income  
**¥4,283**  
million



Caustic soda is used in papermaking

## Main Products and Application

- **Caustic soda**  
Chemical fibers, pulp, dye, and pharmaceuticals
- **Oxygen**  
Combustion enhancing gas for welding and cutting, combustion enhancing gas for steel making process, oxygen inhalation (and high pressure oxygen treatment) for medical use, oxygen aeration for wastewater treatment, oxygen-based pulp bleaching, and fermentation in biotechnology
- **Sulfuric acid**  
Fertilizers, synthetic fibers, and inorganic chemicals
- **Hydrochloric acid**  
Seasoning, dye, and pharmaceuticals



Caustic soda is used in producing soap



Salt is used in making caustic soda and chlorine



Pure inorganic chemicals are used in manufacturing silicon wafer

## Consolidated Subsidiaries

- Tsurumi Soda Co., Ltd.**  
Manufacture & sale of caustic soda and chloride including high purity chloralkali products
- Toagosei Korea Co., Ltd.**  
Sale of high purity chloralkali products
- Toa Techno-Gas Co., Ltd.**  
Manufacture & sale of industrial gases



Tsurumi Soda Co., Ltd. plant



Welding process employing shield gas made by Toa Techno-Gas Co., Ltd.

# Acrylic Products

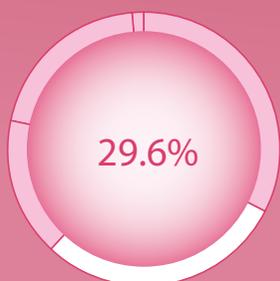
## Expansion of integrated business of acrylic chain from monomers to its derivatives

The business of acrylic acid, acrylic ester, and their derivatives has significance in the international market.

The acrylic product business is one of the core businesses of the Toagosei Group. The Group enterprise inside and outside of Japan is working together to improve the operating base. Our aim is the expansion of the business of acrylic derivatives. We are accomplishing this goal by strengthening the base of our monomer business which "increases competitiveness in the cost of derivatives."

In 2010 Toagosei Singapore Pte Ltd. will complete a new acrylic polymer plant in Singapore, in expectation of rising demand from the Southeast Asian and Indian markets. It is scheduled to come onstream at the beginning of 2011.

### Sales by segment



### Net sales/Operating income



Net sales  
¥41,460  
million

Operating income  
¥1,411  
million



Acrylic ester is one of the raw materials used in the manufacture of chemical fibers

## Main Products and Application

- **Acrylic esters**  
Acrylic fibers, fiber processors, paints, pressure sensitive and other adhesives, leather processors, paper processors, and acrylic rubber
- **Acrylic polymers**  
Binders, thickeners, dispersants, adhesives and paint vehicles
- **Polymer flocculants**  
Treatment of various kinds of wastewater and dehydration of sludges
- **Construction materials**  
One-pack waterproof spray materials, decorative waterproof wall materials, permeable type water-absorption preventive agents, chemical grouts, and earth resistance reducing agents

Polymer flocculants,  
*Aronfloc*



Acrylic ester is one of the raw materials used in the manufacture of adhesives



Waterproof exterior wall coatings at the "Bankoku Shinryokan, Okinawa"

## Consolidated Subsidiaries

### Oita Chemical Co., Ltd.

Manufacture of acrylic acid

### Nihon Junyaku Co., Ltd.

Manufacture of acrylic polymers

### Toagosei Singapore Pte Ltd.

Manufacture & sale of acrylic esters

### MT AquaPolymer, Inc.

Manufacture & sale of polymer flocculants



Toagosei Singapore Pte Ltd. plant



MT AquaPolymer, Inc. web site

# Specialty Chemicals

Highly functional adhesives and unique technology that meets the new needs of society

## Functional Materials

### Development of highly functional adhesives and environmentally friendly “Aronix” UV curable resin

Our adhesives contribute to cost reduction and speeding up of manufacturing and repair through adhesion of various materials such as plastics, rubber, metals, wood, leather and ceramics. We strive to further enhance our product lineups to meet diverse needs including in-home use, industrial use such as for automobiles and precision equipment and medical use.

The UV curable resin *Aronix* is an acrylic product with special monomers and oligomers developed by Toagosei. It is a compound that hardens when exposed

#### Sales by segment



#### Net sales/Operating income



Net sales  
**¥22,829**  
million

Operating income  
**¥4,311**  
million

### Commercial of Aron Alpha



Instant Krazy Glue

## Main Products and Application

- **Cyanoacrylate instant adhesives**  
For bonding rubber, plastic, metal, and wood in industrial and consumer uses
- **Heat-resistant adhesives**  
For bonding metal and ceramics used in high-temperature environments
- **Hot melt adhesives**  
For bonding plastics, metals, and textiles  
For bonding difficult-to-bond plastics like polyethylene, polypropylene polyester, and nylon
- **Special monomers and oligomers**  
Raw material for paints, printing inks, coatings, and adhesives

Our adhesives are extensively used in the manufacture of flexible printed circuit boards



to UV light. This product is largely classified into three grades: special acrylate, urethane acrylate and polyester acrylate. *Aronix* cures in a short period of time by exposure to UV light. In addition, solvent is unnecessary. Therefore, it is highly regarded as an environmentally friendly product. It is used in a wide variety of fields such as for inks, paints, and surface coating of various information-recording media including mobile phones, mobile equipment and DVDs. *Aronix* is being manufactured in our Nagoya plant and Toa-Jet Chemical Co., Ltd. (Taiwan). Since 2005, it has also been manufactured in TOA-DIC Zhangjiagang Chemical Co., Ltd. (China).

## Principal Consolidated Subsidiaries

**Toagosei America Inc.**  
Manufacture & sale of adhesives; technological research

**Elmer's & Toagosei Co.**  
Sale of adhesives

**TOA-DIC Zhangjiagang Chemical Co., Ltd.**  
Manufacture & sale of acrylic monomers and oligomers

**Taiwan Toagosei Co., Ltd.**  
Sale of acrylic monomers and oligomers



TOA-DIC Zhangjiagang Chemical Co., Ltd.



Toagosei America Inc. (Ohio)

# Specialty Chemicals

## New Materials Development

**Our goal is the development of new products which advance with time and satisfy the needs of society**

We at Toagosei are committed to the business of new materials development, expanding the range of inorganic functional materials and developing new electronics-related products. *IXE* is an ion exchanger that has superior heat resistance. *Novaron* is a silver-based inorganic antimicrobial agent with an antimicrobial effect against a broad spectrum of microbes. *Kesmon* is an inorganic deodorant with a wide range of applications. These products were created by the technologies in inorganic synthetic chemistry at Toagosei.

We have also developed a wide range of organic and inorganic hybrid compounds that combine heat- and water-resistance properties with long-acting effect. *AlleRemove*<sup>®</sup> is an anti-allergy agent that uses adsorption to eliminate allergens from mites, pollen, dogs and cats. It can be processed into pale-colored products as it is designed not to stain or discolor heavily. *Neinsect*<sup>™</sup> is an insect repellent that can be added to various products to repel mites, mosquitoes and other blood-feeding pests.

In the electronics field, we are aiming for the next generation electronics materials with key properties of high functionality, high purity and hybridization. High purity *TRIES* is an alkoxy silane which our company industrialized for the first time in the world. It is used as a material for SiO<sub>2</sub> film in liquid crystals and semiconductors. High purity hexachlorodisilane (HCD) is a deposition material for semiconductors which our company likewise industrialized for the first time in the world. It is greatly anticipated as a CVD (chemical vapor deposition) material for SiN film in the next generation of semiconductors. Functional spherical silica is a completely new type of spherical silica which we created using our unique manufacturing technology. Our product lineup includes nano- to micro-silica particles.

## Main Products and Application

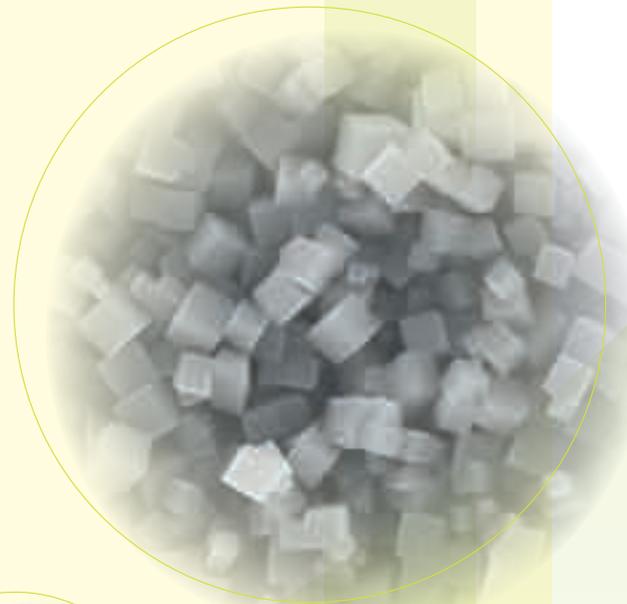
- **Silver-based antimicrobial agents**  
For kitchen and bathroom equipment, building materials, and textiles
- **Hexachlorodisilane (HCD)**  
For silicon nitride films used in semiconductors
- **Organic and inorganic hybrid agents**  
Antiallergic agents and insect processing repellents



*Novaron* is a high-performance antimicrobial agent employed in the molding of a wide range of plastic products for everyday use



*TRIES* is a raw material used in forming silicon oxide films in semiconductor / LCD production



# Plastics

## Strengthening of fundamentals and expansion of scale in our four priority product fields—water supply and sewer systems, nursing care, elastomers, and environmental preservation

In 1951, Toagosei became the first company in Japan to successfully manufacture rigid PVC pipes. Since then, the Company succeeded this business to its subsidiary Aron Kasei Co., Ltd. Aron Kasei has developed many plastics processing and related materials technologies, and has continuously commercialized all kinds of products based on them. With innovative craftsmanship and high quality as our keywords, we are expanding our sphere of operations to run from everyday products to urban infrastructure for community-building.

In the water supply and sewer systems business, we beat rival companies to market with innovative products such as all kinds of small-diameter couplings and small-diameter manholes. We have also developed high-efficiency plumbing piping systems for all kinds of facilities.

With the rapid graying of the Japanese population, our nursing care products business has developed a range of toilet and bathing care supplies for the aged, with an emphasis on people-friendly technology.

### Sales by segment



### Net sales/Operating income



Net sales  
**¥28,599**  
 million

Operating income  
**¥1,791**  
 million



Safety handrails



PVC small-diameter chambers, manholes, and rigid PVC pipes

In elastomers, we are aggressively developing environmentally friendly plastic materials that can be repeatedly recycled without any deterioration in their rubber properties.

Through our products for use in environmental preservation systems, we support the creation of more comfortable living environments, with development of products for garbage-sorting and -reduction, recyclability and greening systems.

## Main Products and Application

- Pipes & couplings  
Rigid PVC pipes
- Environmental products  
Trash receptacles
- Nursing care products  
Portable toilets, nursing care bath products and others



Bath chair for nursing care

## Consolidated Subsidiaries

### Aron Kasei Co., Ltd.

Manufacture & sale of synthetic resin molded products

### Mikuni Plastics Co., Ltd.

Manufacture & sale of synthetic resin molded products



Aron Kasei Co., Ltd. Nagoya plant



Aron Kasei Co., Ltd. web site

# Research & Development

## R&D is the origin of innovation of the Toagosei Group

R&D is the starting point of our considerable and continued progress. To respond to a dramatically changing business environment, we began construction of our new General Center of R&D in November 2009, to further accelerate and strengthen our R&D. All R&D activities ranging from chemical research to production technology will be carried out in the Center. Taking this opportunity, we are planning to restructure our R&D management, as well as renew facilities and equipment, from a long-term perspective.

### **R&D frameworks will remain in place at business departments and at the companywide level; collaboration will be promoted**

Management reforms were undertaken at Toagosei in 2001: we have separated R&D for specific business departments from companywide research. In the former case, we have focused on R&D directly related to specific market and customer needs. In the latter, we have worked primarily with medium-to-long-term research themes.

Our R&D was again reformed in 2007: the Base Technology Center and Technology Information Survey and Analysis Group were newly set up, to strengthen companywide research, and also to promote collaboration between specific business departments and the whole corporation.

The Research Planning Group of the Corporate Research and Development Department has been continuously exploring and proposing new research themes and businesses since 2007. In addition, our Tsukuba Research Laboratory was reorganized and renamed the Institute for Advanced Sciences. Research on long-term themes has been conducted in collaboration with external third-parties. For example, the "GSP (Genome

Super Power) Center" (a branch of Keio University's "Keio Advanced Research Centers") was established within the Institute, and joint research has been undertaken.

### **Establishment of the General Center of R&D to further strengthen R&D**

Although the benefits of the 2007 R&D reforms have begun to appear in various areas, our business environment is becoming increasingly harsh. Therefore, we have decided to concentrate in one place all the technologies and capabilities necessary for our R&D to achieve valuable results as quickly as possible. To this end, we are planning further reforms. In 2009, we took the first step toward the construction of the new General Center of R&D. The new research facility will include Productive Technology Laboratory, Quality Assurance Group and a newly introduced "open laboratory," in addition to existing R&D facilities. The goal is "integrated R&D."

Key to the new General Center of R&D is restructuring R&D management. We will, of course, introduce new physical facilities, such as a clean room, which is indispensable to R&D for adhesives, light-curable resins, and other



Toagosei's Institute for Advanced Sciences at Tsukuba



GSP Center

polymers. We will also materially upgrade the R&D facility by incorporating the latest equipment. At the same time, we intend to increase researchers' motivation and encourage greater communication and exchange of opinion among them. For example, to cut time wasted going up and downstairs, we have chosen a two-story instead of a high-rise structure. Minimal use of walls and partitions will facilitate communication among researchers and also promote exchange of information between departments.

The test labs will be assigned not by business division but by function. There will be a polymerization room, a material-assessment room and general testing rooms. The aim is to promote mutual cooperation among the laboratories of specific business departments and on a companywide basis. We believe these physical and structural changes will help enhance Group synergies for the next stage of our growth.

### Targeting new technologies and new high-value-added products

To achieve that future growth, R&D should reflect the perspective of the whole Toagosei Group based on an

understanding of future trends. This is our platform for next stage growth.

The General Center of R&D will incorporate a photovoltaic power generation system in parts of the facility, demonstrating our priority focus on the environment and energy. Keeping this in mind, we will focus on cutting-edge research and aim to develop new technologies and high-value-added products in the Center, which is the core element in Toagosei Group's R&D.



# Corporate Social Responsibility

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

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

Toagosei Group has established the Group CSR Committee, of which each Group company is a member. The committee is responsible for ensuring the Group-wide implementation of CSR activities.

## Management focused on the interests of stakeholders

At Toagosei, we pursue our business operations with a strong emphasis on relationships with our customers, shareholders and employees, with the communities in which we operate, and with 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 accomplishment of compliance

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

- The reviewing 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
- Drawing up guidelines for the protection of confidential personal information

## 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 of outside directors
- Dedicated section for internal controls

## Responsible Care Activities

**We undertake continuous improvement activities toward our primary goal of preventing accidents.**

We take measures to eliminate accidents resulting from human error, and we have contingency plans in place to minimize injury and damage in the event of an accident. Disaster management training is carried out on a regular basis.

As a central element in its Responsible Care policies, the Toagosei Group is committed to working to ensure 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 aims to maintain its reputation for trustworthiness among both its customers and society at large.



A Toagosei firefighting team conducts a drill



Rescue operations using a fire truck with an extendable ladder

## Gradual lowering of environmental burden

### ■ Energy conservation

We are taking steps, including the installation of new energy-efficient equipment, in pursuit of our goal of reducing energy intensity (both through direct consumption of fossil fuels and indirect consumption via electric power) by 1% on a year-on-year comparison.

### ■ Reduction of industrial waste

We have set targets for the “3Rs” (reduce, reuse and recycle) waste management strategy. We are working toward achieving zero emissions of industrial waste across the Toagosei Group.

### ■ Reduction of emissions of substances harmful to the environment

We are working to reduce emissions into the atmosphere of greenhouse gases, notable CO<sub>2</sub>, pollutants such as SO<sub>x</sub>, NO<sub>x</sub> and ashes/soot, and the release into the water table of contaminants, including organic COD substances and nitrogen/phosphorous compounds.



Waste liquid and exhaust gas incineration equipment at our Takaoka Plant



Desulfurization facilities attached to boilers at our Tokushima Plant

## Social Contribution Activities

### Development of earth and human-friendly technologies and products

#### ■ Development of an anti-allergen agent *AlleRemove*<sup>®</sup> ZTP-170

We have succeeded in deactivating allergenic substances through the combined effect of organic and inorganic constituents, thereby contributing to the realization of more pleasant living environments.



*AlleRemove*<sup>®</sup> ZTP-170

#### ■ Development of new electrolysis method using gas diffusion electrodes

In a joint development with other parties in the caustic soda industry, we are developing a new method of producing caustic soda that reduces one-third electric power.



Negative electrode used in gas diffusion process

#### ■ *Aron Clean* LB10, a sodium hypochlorite with a low bromic acid content

Development of a sodium hypochlorite with a substantially reduced bromic acid content, thereby contributing to the provision of safer and cleaner tap water.

## Contributions to Society

In addition to systemic efforts to contribute to the welfare and happiness of the wider society of which we are part, the Company also works through the Social Contribution Committee, which draws its members from across all management and employees categories and collaborates with the labor unions.



The cleanup campaign along the upper reaches of the Shimanto River (Sakaide, Kagawa Prefecture)



Afforestation activities at Mt. Takamaruyama in Tokushima Prefecture (owned and managed by the prefecture)

# Board of Directors and Corporate Auditors



Mikishi  
Takamura

Souichi  
Nomura

Akio  
Arisawa

Akihiko  
Yamadera

Futoshi  
Hashimoto

Katsutoshi  
Yamada

Ken  
Ozeki

Eiichi  
Takizawa

## Chairman

Akihiko Yamadera

## President

Futoshi Hashimoto

## Directors

Akio Arisawa  
Katsutoshi Yamada

Souichi Nomura  
Ken Ozeki  
Mikishi Takamura  
Eiichi Takizawa

## Senior Executive Officers

Shinichiro Otani  
Souji Hattori

## Executive Officers

Kiyoshi Miyazaki  
Shouji Kawamura  
Kazuo Kiyota  
Kazuaki Nakagawa  
Akira Komine  
Takao Takemoto  
Akira Kuriyama  
Nobuhiro Ishikawa  
Shinichi Sugiura  
Hideo Kato  
Toshio Okuyama  
Tatsumi Nonaka  
Hidemi Nagano

## Corporate Auditors

Hiroo Taki  
(Standing)  
Shou Sato  
Nobuo Hataya  
Ryoji Miura

(As of March 30, 2010)

# Financial Section

## Five-Year Selected Data

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31

	Millions of yen (except per-share data)				
	2009	2008	2007	2006	2005
<b>For the fiscal year:</b>					
Net sales.....	¥140,033	¥162,615	¥162,729	¥155,804	¥151,443
Income before income taxes and minority interests.....	7,205	6,869	13,295	13,522	16,846
Net income .....	3,541	1,895	6,403	6,961	12,131
<b>Per-share data:</b>					
Per share of common stock:					
Net income .....	13.85	7.27	24.52	26.64	46.31
Cash dividends applicable to the year .....	6.00	8.00	8.00	7.50	7.50
<b>At year-end:</b>					
Total assets.....	161,609	172,464	182,681	195,607	186,521
Net worth (Note) .....	99,449	99,271	105,339	103,870	99,501
Number of employees.....	2,561	2,617	2,552	2,573	2,523

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

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# Management's Discussion & Analysis

## Overview of Fiscal 2009

During the reporting term (January 1 to December 31, 2009), the Japanese economy showed signs of upturn, but stopped short of a full recovery as weak private sector investment and consumer spending continued to weigh heavily.

Business conditions in the chemical industry remained difficult, as recovery in demand was weak and raw material and fuel prices continued to rise.

Against this backdrop, the Group made an all-out effort to improve business performance, through rigorous cost-cutting, withdrawal from unprofitable businesses, and consolidation of Group company clerical operations and other rationalization.

However, sales for the reporting period fell steeply, by 13.9%, on a consolidated basis, to ¥140,033 million (US\$1,520 million), due to reduced demand amid the economic slowdown.

Turning to earnings, operating income slipped 4.4% year-on-year to ¥11,158 million (US\$121 million), with rationalization measures such as reduction of fixed costs and efficiency improvements failing to cover the shortfall in sales.

Net income increased 86.8% year-on-year to ¥3,541 million (US\$38 million). This was due chiefly to the fact that the Company was able to recognize valuation losses from the previous fiscal year in the term under review (since impairment and associated losses from business closures were recorded as extraordinary losses), causing income taxes to fall.

## Sales by Segment

### Commodity Chemicals

Although demand began to recover moderately in the second half, significantly lower demand for caustic soda and inorganic chlorides at the beginning of the term caused full-term shipments to decline, leading to a fall in sales.

Sales of chlorinated organic solvents fell steeply due to reduced demand.

Sales of liquefied hydrogen chloride and chemical compounds incorporating copper fell steeply as well, with a rebound in demand from the middle of the term failing to offset the falloff in demand in the first half.

Reduced demand likewise significantly dragged down year-on-year sales of industrial gases.

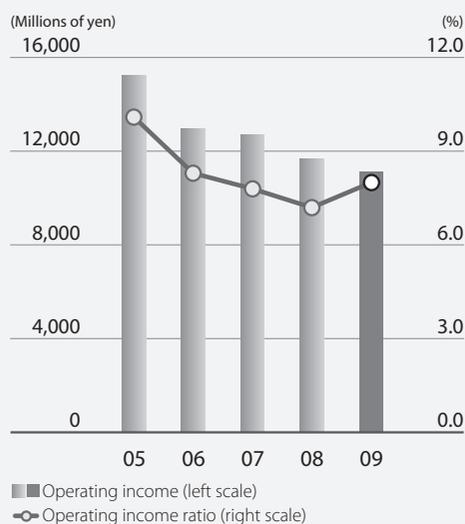
Total sales in the Commodity Chemicals segment came to ¥45,646 million, a year-on-year decrease of 17.3%, and segment operating income fell 24.2% to ¥4,283 million.

### Acrylic Products

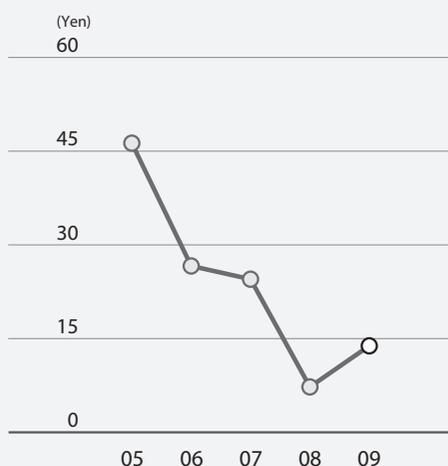
Sales of acrylic esters declined substantially, due to a sharp drop in full-term shipments. The moderate recovery in demand in the second half failed to offset the impact of weak shipments in the first half.

Sales of acrylic polymers and polymer flocculants were likewise down significantly, due in both cases to the slow pace of demand recovery.

## Operating income & ratio as a percentage of net sales



## Net income per share



As a result, total sales for the Acrylic Products segment fell 18.8% year-on-year to ¥41,460 million. Operating income increased 2.3% to ¥1,411 million, due in part to lower costs at our subsidiary in Singapore.

### Specialty Chemicals

Shipments of the general-use instant adhesive *Aron Alpha* held up throughout the year, but recovery in industrial adhesive sales in the Japanese market lagged. Overall, sales of adhesives were significantly down.

Sales of the UV-curable resin *Aronix* increased on recovery in demand in electronic materials field and other applications.

Sales of products developed in-house likewise declined steeply. Despite strong shipments of high purity industrial silicon gases, demand for inorganic ion-exchanger *IXE* products and silver-based inorganic antimicrobial agents *Novaron* was slow in recovering.

As a result, total sales for the segment declined 6.4% year-on-year to ¥22,829 million. Operating income increased 10.4% year-on-year to ¥4,311 million on expanded sales of highly profitable products.

### Plastics

Sales of plastic products for the nursing-care and welfare sectors increased, with steady shipments.

Sales of pipes and couplings and elastomer compounds declined due to falling shipments, amid protracted weak demand with only slow recovery.

Consequently, total sales in the Plastics segment declined 6.4% year-on-year to ¥28,599 million. Operating income meanwhile increased 37.9% to ¥1,791 million on cost-cutting measures.

### Other Businesses

Sales for this segment, which comprises new product development operations, the construction and repair of plants and production facilities, and goods transportation services, posted a year-on-year increase of 2.5% to ¥1,497 million. However, an operating loss of ¥666 million was registered.

### Cash Flows

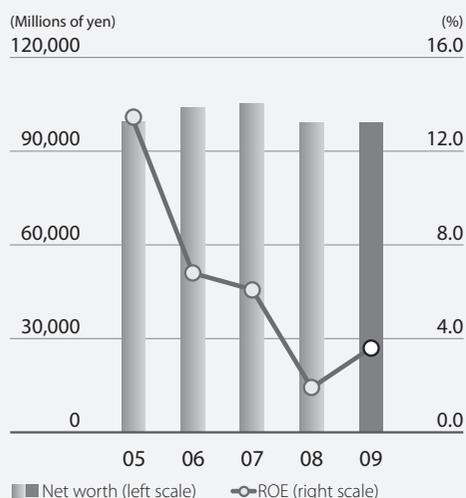
Net cash provided by operating activities increased by ¥9,420 million to ¥22,701 million from the previous year. Positive factors included an increase in income before income taxes, as well as inventory cutbacks and lower income taxes paid.

Net cash used in investing activities shrank by ¥2,602 million to ¥6,174 million year-on-year, due to reduced purchases of investments in securities, and repayments of loans receivable.

Net cash used in financing activities increased ¥9,934 million year-on-year to ¥13,992 million, due to an increase in repayments of short-term bank loans and purchases of treasury stock.

As a result of the above, cash and cash equivalents at the reporting term-end stood at ¥12,387 million, for an increase of ¥2,561 million over the previous term-end.

### Net worth & ROE



### Total assets & ROA



### Business Performance Prospects for Fiscal 2010

For the current term, ending December 31, 2010, we forecast sales of ¥148,000 million, operating income of ¥13,000 million, and net income of ¥6,200 million.

### Cash Flow Prospects for Fiscal 2010

Due to an expected increase in working capital, net cash provided by operating activities is likely to be in the region of ¥15,000 million.

Net cash used in investing activities is forecast at ¥16,000 million, due to the planned purchases of property, plant and equipment.

Net cash provided by financing activities is expected to total ¥1,000 million, due to planned fund procurement.

### 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.

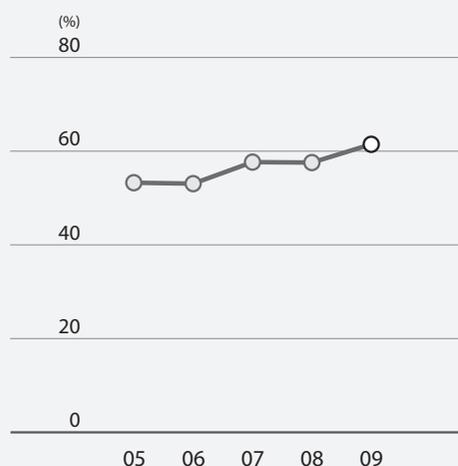
#### (3) Product liability

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.

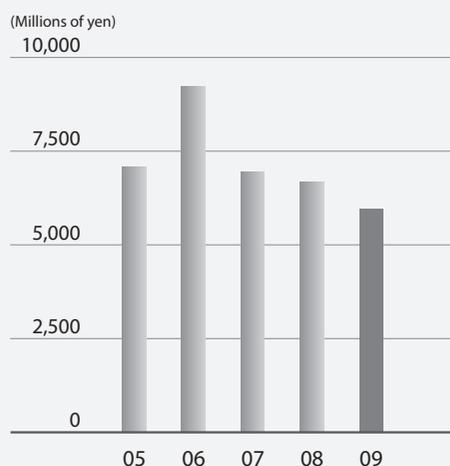
#### (4) Impact of natural disasters

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.

### Net worth ratio



### Capital expenditures



### (5) Major litigation

In the event of lawsuit being brought against the Group in the future, there is a possibility that this will adversely affect its 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 14.4% 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 is committed to reducing interest-bearing debt, and to improve the overall financial balance. However, there is a possibility that a change in interest rates will influence the business performance and financial position of the Group.

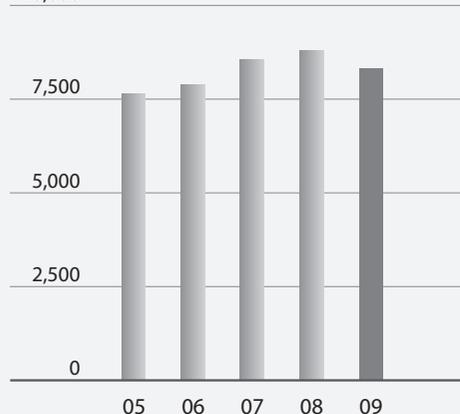
### (9) Application of accounting for the impairment of long-lived assets

In line with changes to the law relating to accounting methods in Japan, the Group employs accounting for the impairment of long-lived 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.

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.

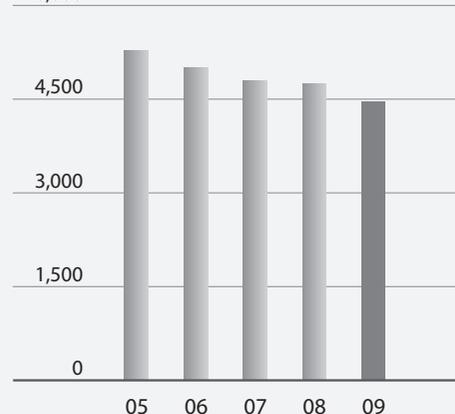
## Depreciation and amortization expenditures

(Millions of yen)  
10,000



## R&D expenditures

(Millions of yen)  
6,000



# Consolidated Balance Sheets

Toagosei Co., Ltd. and Consolidated Subsidiaries

December 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Assets</b>			
Current assets:			
Cash and cash equivalents.....	¥ 12,387	¥ 9,826	\$ 134,504
Notes and accounts receivable.....	44,019	49,058	477,950
Inventories (Note 5).....	15,862	19,352	172,232
Deferred tax assets (Note 11).....	984	663	10,688
Other current assets.....	1,506	2,009	16,361
Allowance for doubtful receivables.....	(116)	(141)	(1,265)
<b>Total current assets.....</b>	<b>74,644</b>	<b>80,767</b>	<b>810,473</b>
Property, plant and equipment (Notes 6, 7, 9 and 14):.....	227,758	236,997	2,472,951
Accumulated depreciation.....	(167,485)	(171,810)	(1,818,512)
Property, plant and equipment, net (Note 6).....	60,273	65,186	654,438
Investments and other assets:			
Investment securities (Note 4).....	13,995	13,434	151,955
Long-term loans receivable.....	47	100	510
Intangible fixed assets, net.....	1,828	1,915	19,852
Deferred tax assets (Note 11).....	2,523	2,676	27,404
Overdue loans receivable.....	8,711	9,110	94,581
Prepaid pension cost (Note 10).....	1,607	1,219	17,449
Other assets.....	3,529	3,407	38,320
Allowance for doubtful receivables.....	(5,550)	(5,353)	(60,261)
<b>Total investments and other assets.....</b>	<b>26,691</b>	<b>26,509</b>	<b>289,813</b>
<b>Total assets.....</b>	<b>¥161,609</b>	<b>¥172,464</b>	<b>\$1,754,722</b>

See accompanying notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Liabilities and net assets</b>			
Current liabilities:			
Notes and accounts payable .....	¥ 16,786	¥ 20,467	\$ 182,260
Short-term bank loans (Note 9).....	4,787	9,712	51,982
Current portion of long-term debt (Note 9).....	868	1,858	9,435
Commercial paper.....	—	6,000	—
Deferred tax liabilities (Note 11).....	—	1	—
Accrued income taxes .....	1,568	1,106	17,032
Other current liabilities .....	8,086	7,529	87,797
Total current liabilities .....	32,097	46,676	348,508
Long-term liabilities:			
Long-term debt (Note 9).....	10,312	7,997	111,973
Deferred tax liabilities (Note 11).....	1,086	1,167	11,793
Accrued retirement benefits for employees (Note 10) .....	568	655	6,175
Accrued retirement benefits for directors .....	113	122	1,231
Other long-term liabilities.....	3,730	2,795	40,508
Total long-term liabilities.....	15,811	12,739	171,682
Commitments and contingencies (Note 18)			
Net assets:			
Shareholders' equity (Notes 12, 17, 20 and 21):			
Common stock, without par value:			
Authorized – 550,000,000 shares			
Issued:			
2009 – 263,992,598 shares .....	20,886	—	226,779
2008 – 263,992,598 shares .....	—	20,886	—
Capital surplus .....	15,086	15,085	163,808
Retained earnings.....	65,638	63,904	712,688
Treasury stock (Note 16) .....	(2,907)	(877)	(31,563)
Total shareholders' equity.....	98,704	98,999	1,071,712
Valuation and translation adjustments:			
Unrealized holding gain on securities .....	1,469	1,047	15,958
Unrealized gain on hedging derivatives .....	—	0	—
Translation adjustments .....	(725)	(775)	(7,872)
Total valuation and translation adjustments.....	744	272	8,086
Minority interests.....	14,250	13,776	154,732
Total net assets .....	113,700	113,048	1,234,531
<b>Total liabilities and net assets.....</b>	<b>¥161,609</b>	<b>¥172,464</b>	<b>\$1,754,722</b>

# Consolidated Statements of Income

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Net sales .....	¥140,033	¥162,615	\$1,520,452
Cost of sales .....	100,764	121,309	1,094,081
Gross profit .....	39,268	41,306	426,370
Selling, general and administrative expenses (Notes 10 and 13).....	28,110	29,637	305,217
Operating income.....	11,158	11,668	121,153
Other income (expenses):			
Interest and dividend income.....	422	607	4,590
Interest expense.....	(279)	(313)	(3,033)
Equity in earnings of affiliates.....	361	265	3,921
Impairment loss on property, plant and equipment (Note 7) .....	(2,486)	(674)	(26,998)
Gain on sales and disposal of property, plant and equipment .....	11	15	126
Gain on sales of investment securities.....	0	36	0
Loss on disposal of property, plant and equipment.....	(1,063)	(837)	(11,549)
Provision for doubtful receivables.....	(287)	(2,006)	(3,120)
Loss on valuation of investment in securities .....	(10)	(777)	(108)
Foreign currency exchange loss.....	(77)	(914)	(844)
Loss on discontinued operations (Note 8).....	(490)	—	(5,324)
Other, net .....	(53)	(200)	(578)
Income before income taxes and minority interests.....	7,205	6,869	78,233
Income taxes (Note 11):			
Current.....	3,392	3,469	36,832
Deferred .....	(547)	814	(5,943)
	2,844	4,284	30,888
Minority interests.....	819	689	8,893
Net income (Note 20) .....	¥ 3,541	¥ 1,895	\$ 38,451

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Shareholders' equity</b>			
Common stock			
Balance at previous year-end .....	¥20,886	¥20,886	\$ 226,779
Changes during year:			
Total changes during year .....	—	—	—
Balance at end of year .....	¥20,886	¥20,886	\$ 226,779
Capital surplus			
Balance at previous year-end .....	¥15,085	¥15,073	\$ 163,796
Changes during year:			
Gain on sales of treasury stock .....	1	12	11
Total changes during year .....	1	12	11
Balance at end of year .....	¥15,086	¥15,085	\$ 163,796
Retained earnings			
Balance at previous year-end .....	¥63,904	¥64,096	\$ 693,861
Changes during year:			
Cash dividends .....	(1,807)	(2,088)	(19,625)
Net income .....	3,541	1,895	38,451
Total changes during year .....	1,733	(192)	18,826
Balance at end of year .....	¥65,638	¥63,904	\$ 712,688
Treasury stock			
Balance at previous year-end .....	¥ (877)	¥ (725)	\$ (9,526)
Changes during year:			
Purchase of treasury stock .....	(2,037)	(202)	(22,126)
Gain on sales of treasury stock .....	8	50	88
Total changes during year .....	(2,029)	(152)	(22,037)
Balance at end of year .....	¥ (2,907)	¥ (877)	\$ (31,563)
Total shareholders' equity			
Balance at previous year-end .....	¥98,999	¥99,331	\$1,074,912
Changes during year:			
Cash dividends .....	(1,807)	(2,088)	(19,625)
Net income .....	3,541	1,895	38,451
Purchase of treasury stock .....	(2,037)	(202)	(22,126)
Gain on sales of treasury stock .....	9	62	100
Total changes during year .....	(294)	(332)	(3,199)
Balance at end of year .....	¥98,704	¥98,999	\$1,071,712

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Valuation and translation adjustments</b>			
Unrealized holding gain on securities			
Balance at previous year-end .....	¥ 1,047	¥ 5,841	\$ 11,370
Changes during year:			
Net changes in items other than shareholders' equity .....	422	(4,794)	4,587
Total changes during year .....	422	(4,794)	4,587
Balance at end of year .....	¥ 1,469	¥ 1,047	\$ 15,958
Unrealized gain on hedging derivatives			
Balance at previous year-end .....	¥ 0	¥ 2	\$ 5
Changes during year:			
Net changes in items other than shareholders' equity .....	(0)	(2)	(5)
Total changes during year .....	(0)	(2)	(5)
Balance at end of year .....	¥ —	¥ 0	\$ —
Translation adjustments			
Balance at previous year-end .....	¥ (775)	¥ 163	\$ (8,418)
Changes during year:			
Net changes in items other than shareholders' equity .....	50	(938)	546
Total changes during year .....	50	(938)	546
Balance at end of year .....	¥ (725)	¥ (775)	\$ (7,872)
Total valuation and translation adjustments			
Balance at previous year-end .....	¥ 272	¥ 6,007	\$ 2,957
Changes during year:			
Net changes in items other than shareholders' equity .....	472	(5,735)	5,128
Total changes during year .....	472	(5,735)	5,128
Balance at end of year .....	¥ 744	¥ 272	\$ 8,086
<b>Minority interests</b>			
Balance at previous year-end .....	¥ 13,776	¥ 13,599	\$ 149,586
Changes during year:			
Net changes in items other than shareholders' equity .....	473	177	5,145
Total changes during year .....	473	13,776	5,145
Balance at end of year .....	¥ 14,250	¥ 13,776	\$ 154,732
<b>Total net assets</b>			
Balance at previous year-end .....	¥113,048	¥118,939	\$1,227,456
Changes during year:			
Cash dividends .....	(1,807)	(2,088)	(19,625)
Net income .....	3,541	1,895	38,451
Purchase of treasury stock .....	(2,037)	(202)	(22,126)
Gain on sales of treasury stock .....	9	62	100
Net changes in items other than shareholders' equity .....	946	(5,558)	10,274
Total changes during year .....	651	(5,890)	7,074
Balance at end of year .....	¥113,700	¥113,048	\$1,234,531

See accompanying notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

Toagosei Co., Ltd. and Consolidated Subsidiaries

Years ended December 31,	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
<b>Operating activities</b>			
Income before income taxes and minority interests.....	¥ 7,205	¥ 6,869	\$ 78,233
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization.....	9,242	9,713	100,349
Impairment losses on property, plant and equipment.....	2,486	674	26,998
Increase in provision for doubtful receivables.....	171	1,917	1,862
Reversal of provision for retirement benefits.....	(474)	(861)	(5,150)
Decrease in other provisions.....	(49)	(30)	(535)
Interest and dividend income.....	(422)	(607)	(4,590)
Interest expense.....	279	313	3,033
Foreign currency exchange loss (gain).....	(19)	312	(217)
Equity in earnings of affiliates.....	(361)	(265)	(3,921)
Gain on sales of property, plant and equipment.....	(11)	(15)	(126)
Gain on sales of investments in securities.....	(0)	(36)	(0)
Loss on disposal of property, plant and equipment.....	1,063	837	11,549
Loss on valuation of investment in securities.....	10	777	108
Valuation loss on investments in affiliated companies.....	65	—	711
Decrease (increase) in receivables.....	5,056	2,367	54,901
Decrease (increase) in inventories.....	3,517	(1,986)	38,188
Increase (decrease) in payables.....	(3,696)	(1,175)	(40,139)
Other, net.....	993	(467)	10,782
<b>Subtotal.....</b>	<b>25,054</b>	<b>18,336</b>	<b>272,039</b>
Interest and dividends received.....	833	1,064	9,045
Interest paid.....	(245)	(268)	(2,662)
Income taxes paid.....	(2,941)	(5,852)	(31,939)
Net cash provided by operating activities.....	<b>22,701</b>	<b>13,280</b>	<b>246,482</b>
<b>Investing activities</b>			
Increase in time deposits.....	(309)	—	(3,360)
Purchases of investments in securities.....	(58)	(1,068)	(638)
Proceeds from sales of investments in securities.....	0	205	7
Purchases of property, plant and equipment.....	(5,342)	(6,494)	(58,007)
Proceeds from sales of property, plant and equipment.....	16	189	184
Decrease (increase) in short-term loans receivable.....	—	(60)	—
Decrease (increase) in overdue loans receivable.....	399	(548)	4,332
Collection of long-term loans receivable.....	65	72	706
Payment for purchase of a newly consolidated subsidiary.....	—	(382)	—
Other, net.....	(945)	(690)	(10,263)
Net cash used in investing activities.....	<b>(6,174)</b>	<b>(8,776)</b>	<b>(67,038)</b>
<b>Financing activities</b>			
Decrease (increase) in short-term bank loans.....	(4,919)	4,291	(53,410)
Decrease in commercial paper.....	(6,000)	(5,000)	(65,146)
Proceeds from long-term debt.....	3,000	3,000	32,573
Repayment of long-term debt.....	(1,839)	(3,708)	(19,968)
Proceeds from sales of treasury stock.....	9	62	100
Purchases of treasury stock.....	(2,037)	(202)	(22,126)
Repayment of lease obligations.....	(46)	(9)	(502)
Cash dividends to shareholders.....	(2,159)	(2,492)	(23,444)
Net cash used in financing activities.....	<b>(13,992)</b>	<b>(4,057)</b>	<b>(151,924)</b>
Effect of exchange rate changes on cash and cash equivalents.....	27	(330)	295
Net increase in cash and cash equivalents.....	<b>2,561</b>	<b>115</b>	<b>27,814</b>
Cash and cash equivalents at beginning of the year.....	<b>9,826</b>	<b>9,710</b>	<b>106,689</b>
Cash and cash equivalents at end of the year.....	<b>¥12,387</b>	<b>¥ 9,826</b>	<b>\$134,504</b>

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Toagosei Co., Ltd. and Consolidated Subsidiaries  
December 31, 2009

## 1. Basis of Preparation

Toagosei Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those in their countries of domicile.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant subsidiaries controlled directly or indirectly by the Company. Affiliated companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

The differences at the respective dates of acquisition between the cost and the underlying net equity of investments in consolidated subsidiaries and affiliated companies accounted for by the equity method are being amortized by the straight-line method over a period of five years.

### (b) 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.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the same exchange rates. Revenue and expense accounts of the foreign consolidated subsidiaries had been also translated at the same exchange rates. However, effective from the year commencing January 1, 2009, those are translated at periodical average rates during the year. This change was made to exclude the influence of abrupt fluctuations in foreign exchange rates near the year-end. The effect of the change to income was insignificant.

### (c) Cash equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

### (d) Securities and investment securities

Securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity and other securities. Trading securities are carried at fair value and held-to-maturity securities are carried at amortized cost. Marketable securities classified as other 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 other securities are carried at cost. Cost of securities sold is determined by the moving average method.

### (e) Inventories

Inventories were stated at cost determined by the moving average method until December 31, 2008. Effective from the year commencing January 1, 2009, the inventories held for the selling purpose are stated at the lower of cost or net realizable value, cost being determined by the average method in the period.

This change was due to the adoption of "Accounting Standard for Valuation of Inventory" (Accounting Standards Board of Japan Statement No.9, July 5, 2006). The adoption of the new accounting standard resulted in a decrease of operating income and income before income taxes and minority interests by ¥262 million (U.S.\$2,845 thousand), respectively, as compared with the corresponding amounts which would have been recorded under the previous method.

### (f) Property, plant and equipment and depreciation (except for lease assets)

Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives of the respective assets and their residual value except for certain consolidated subsidiaries for which depreciation is calculated by the declining-balance method based on the estimated useful lives of the respective assets and their residual value.

Reflecting the amended Corporate Tax Law, the Company revised the estimated useful lives of machinery. The effect of the change was to increase operating income and income before income taxes and minority interests by ¥177 million (U.S. \$1,928 thousand), respectively.

### (g) Intangible fixed assets (except for lease assets)

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

### (h) Income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements determined with respect to the differences between financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

### (i) Research and development costs

Research and development costs are charged to income when incurred.

### (j) Leases

Lease transactions had been primarily accounted for as operating leases (regardless of whether such leases were classified as operating or finance leases) except for the lease agreements which stipulate the transfer of ownership of the leased assets to the lessee.

Effective from the year commencing January 1, 2009, the Company, adopted new accounting standards, "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No.13, June 17, 1993, revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions," (Accounting Standards Board of Japan Guidance No.16, January 18, 1994, revised on March 30, 2007).

The revised accounting standards require that all finance lease transactions shall be capitalized by recognizing lease assets and corresponding lease obligations in the balance sheet. Depreciation of leased assets shall be calculated based on the assumption that the useful life equals the lease term and the residual value is zero.

Lease transactions that do not transfer ownership, contracted before January 1, 2009, continue to be accounted for as operating leases.

The adoption of the new standards had no material effect to operating income and income before income taxes and minority interests.

*(k) Retirement benefits for employees and directors*

Accrued retirement benefits for employees are provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for the unrecognized net retirement benefit obligation at transition and unrecognized actuarial gain or loss. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. When pension plan assets are less than retirement benefit obligation as adjusted for the unrecognized actuarial gain or loss, the amount is booked as accrued retirement benefits and when pension plan assets are more than retirement benefit obligation as adjusted for the unrecognized actuarial gain or loss, the amount is booked as prepaid pension cost. 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 (13 to 15 years). Actuarial gain and loss of two consolidated subsidiaries are amortized by the straight-line method over a period (5 years and 10 years, respectively) which is shorter than the average remaining years of service of the eligible employees.

In addition, directors and corporate auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under the unfunded retirement benefits plans. The provision for retirement benefits for these officers has been made at estimated amounts.

On April 1, 2004, the Company changed its rules for tax-qualified pension plans and lump-sum payment plans. As a result, unrecognized prior year service cost to reduce the retirement benefit obligation was incurred. The unrecognized prior year service cost is being amortized by the straight-line method over a period (14 years) which is shorter than the average remaining years of service of the eligible employees.

On April 1, 2005, one consolidated subsidiary changed its rules for tax-qualified pension plans and lump-sum payment plans. As a result, unrecognized prior year service cost to reduce the retirement benefit obligation was incurred. The unrecognized prior year service cost is being amortized by the straight-line method over a period (5 years) which is shorter than the average remaining years of service of the eligible employees.

*(l) Derivative financial instruments*

The Company has entered into various contracts of derivative financial instruments in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates. Derivative financial instruments are carried at fair value with any changes in unrealized gain or loss charged or credited to income, unless when those which meet certain hedging criteria for special accounting treatment under which any differences paid or received on the interest rate swaps are recognized as adjustments to interest expense over the life of such swaps, thereby adjusting the effective interest rate on the hedged items, which are the underlying borrowings. Receivables and payables hedged by qualified forward foreign exchange contracts are translated at the rates of the corresponding foreign exchange contracts.

*(m) Appropriation of retained earnings*

Under Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial year is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial year. The accounts for that year do not, therefore, reflect such appropriations.

### 3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is made at ¥92.10 = U.S.\$1.00, the approximate exchange rate at December 31, 2009, and included solely for convenience. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

### 4. Investment Securities

(a) At December 31, 2009 and 2008, held-to-maturity securities for which market prices were available were summarized as follows:

December 31, 2009	Millions of yen		
	Carrying value	Market value	Unrecognized gain
Unrecognized gain:			
Corporate bonds .....	¥102	¥103	¥ 0
Unrecognized loss:			
Corporate bonds .....	—	—	—
Total .....	¥102	¥103	¥ 0

December 31, 2009	Thousands of U.S. dollars		
	Carrying value	Market value	Unrecognized gain
Unrecognized gain:			
Corporate bonds .....	\$1,111	\$1,119	\$ 8
Unrecognized loss:			
Corporate bonds .....	—	—	—
Total .....	\$1,111	\$1,119	\$ 8

December 31, 2008	Millions of yen		
	Carrying value	Market value	Unrecognized gain
Unrecognized gain:			
Corporate bonds .....	¥ —	¥ —	¥—
Unrecognized loss:			
Corporate bonds .....	103	100	(2)
Total .....	¥103	¥100	¥ (2)

(b) Marketable securities classified as other securities as of December 31, 2009 and 2008 were summarized as follows:

December 31, 2009	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	¥3,572	¥ 6,882	¥3,309
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	4,279	3,228	(1,051)
Total .....	¥7,852	¥10,110	¥2,258

December 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock .....	\$38,790	\$ 74,723	\$35,933
Securities whose acquisition cost exceeds their carrying value:			
Stock .....	46,466	35,051	(11,415)
Total .....	\$85,256	\$109,774	\$24,517

December 31, 2008	Millions of yen		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock.....	¥3,314	¥5,933	¥2,618
Securities whose acquisition cost exceeds their carrying value:			
Stock.....	4,530	3,460	(1,070)
Total.....	¥7,845	¥9,393	¥1,548

(c) Sales of securities classified as other securities amounted to ¥0 million (U.S.\$7 thousand) with a gain of ¥0 million (U.S.\$0 thousand) for the year ended December 31, 2009 and ¥205 million with a gain of ¥36 million for the year ended December 31, 2008.

(d) Other securities without market value as of December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Investments in unconsolidated subsidiaries and affiliates: .....	¥2,256	¥2,348	\$24,498
Other securities:			
Unlisted securities.....	1,142	1,142	12,407
Other.....	383	446	4,163

## 5. Inventories

Inventories at December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Merchandise and finished products.....	¥10,537	¥13,966	\$114,409
Work in process.....	591	578	6,419
Raw materials and supplies.....	4,734	4,807	51,403
	¥15,862	¥19,352	\$172,232

## 6. Property, Plant and Equipment

Property, plant and equipment at December 31, 2009 and 2008 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Land.....	¥18,050	¥18,006	\$195,984
Buildings and structures.....	18,891	19,345	205,121
Machinery, equipment and other.....	21,756	25,550	236,230
Construction in progress.....	1,358	2,223	14,746
Lease assets.....	216	60	2,355
	¥60,273	¥65,186	\$654,438

## 7. Impairment Loss on Property, Plant and Equipment

The Company and its consolidated subsidiaries have recognized impairment losses on the following classes of assets for the years ended December 31, 2009 and 2008:

December 31, 2009				
Location	Major use	Category	Millions of yen	Thousands of U.S. dollars
Tokushima city, Tokushima	Facilities for manufacturing chlorinated organic solvents	Buildings, machinery and equipment	¥1,846	\$20,050
Nagoya city	Laboratory	Buildings, machinery and equipment	443	4,814
Nagoya city and other	Company housing	Buildings and structures	143	1,560
Nagoya city	Synthetic resin molded products	Tools and long-term prepaid expenses	52	572
Total			¥2,486	\$26,998

December 31, 2008				
Location	Major use	Category	Millions of yen	
Minato ward, Nagoya city	Idle	Buildings, machinery and equipment	¥269	
Takaoka city, Toyama	Acrylic polymer production facility	Buildings, machinery and equipment	267	
Mihara city, Hiroshima	Idle	Land and buildings	107	
Singapore	Acrylic acid ethyl ester production facility	Machinery and equipment	29	
Total			¥674	

The Company and its consolidated subsidiaries have grouped business-use assets according to the minimum independent cash-flow-generating unit and have identified idle assets as one group for the purpose of accounting for impairment of property, plant and equipment on an individual basis.

When there is a decrease in profitability, no specific plan for future use or the book value of such idle assets is less than their respective recoverable amounts, the book value of the assets is written down to its recoverable amount. The assets listed in the above tables were written down to their respective recoverable amounts and ¥2,486 million (U.S.\$26,998 thousand) and ¥674 million of impairment losses were recognized in the statements of income for the years ended December 31, 2009 and 2008, respectively.

The impairment loss consisted of ¥657 million (U.S.\$7,139 thousand) for buildings and structures, ¥1,074 million (U.S.\$11,665 thousand) for machinery and equipment, ¥63 million (U.S.\$691 thousand) for other and ¥689 million (U.S.\$7,480 thousand) for removal cost for the year ended December 31, 2009 and consisted of ¥311 million for buildings, ¥176 million for machinery and equipment, ¥78 million for other, ¥123 million for gain on sales of land, ¥121 million for loss on disposal of buildings and ¥110 million for removal cost for the year ended December 31, 2008.

The impairment loss for idle assets was measured based on the selling prices and the memorandum value of the idle assets.

## 8. Loss on Discontinued Operations

Loss on discontinued operations, amounting to ¥490 million (U.S.\$5,324 thousand) for the year ended December 31, 2009, consisted of inventory valuation loss and its related disposal cost due to cease of operations of facilities for chlorinated organic products.

## 9. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans, principally unsecured, consisted of notes payable to banks bearing annual interest rates of 0.94% and 1.20% at December 31, 2009 and 2008, respectively.

Long-term debt at December 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans with collateral from banks, insurance companies and other, bearing annual interest rates of 1.61% and 1.48% for current portion of long-term debt and lease obligations and long-term debt and lease obligations less current portion at December 31, 2009, respectively.....	¥11,181	¥9,856	\$121,408
	11,181	9,856	121,408
Less: current portion.....	(868)	(1,858)	(9,435)
	¥10,312	¥7,997	\$111,972

Assets pledged as collateral for short-term bank loans and long-term debt at December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Property, plant and equipment at net book value.....	¥19,672	¥23,975	\$213,595

The aggregate annual maturities of long-term debt and lease obligations subsequent to December 31, 2010 were summarized as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2011.....	¥4,165	\$45,226
2012.....	862	9,369
2013.....	3,837	41,667
2014.....	756	8,215

## 10. Retirement Benefit Plans for Employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, tax-qualified pension plans and lump-sum payment plans covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service and the conditions under which termination occurs.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of December 31, 2009 and 2008 related to the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation.....	¥(15,895)	¥(16,157)	\$(172,593)
Plan assets at fair value.....	13,082	11,464	142,051
Funded status.....	(2,812)	(4,693)	(30,541)
Unrecognized actuarial gain.....	4,028	5,460	43,745
Unrecognized prior service cost.....	(177)	(203)	(1,930)
Prepaid pension cost.....	1,607	1,219	17,449
Accrued retirement benefits.....	¥ (568)	¥ (655)	\$ (6,175)

The components of net periodic retirement benefit expenses for the years ended December 31, 2009 and 2008 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost.....	¥ 730	¥780	\$ 7,931
Interest cost.....	306	317	3,324
Expected return on plan assets.....	(166)	(191)	(1,803)
Amortization of actuarial loss.....	441	87	4,795
Amortization of unrecognized prior service cost.....	(25)	(25)	(280)
Total.....	¥1,286	¥968	\$13,966

The assumptions used in accounting for the defined benefit plans were as follows:

December 31,	2009	2008
Discount rate.....	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets.....	Mainly 2.0%	Mainly 2.0%

## 11. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to a number of taxes based on earnings, i.e. corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 40.5 percent for the years ended December 31, 2009 and 2008.

The effective tax rate reflected in the consolidated statements of income for the year ended December 31, 2008 differs from the statutory tax rate for the following reasons:

	2008
Statutory tax rate.....	40.5%
Effect of:	
Permanent difference – entertainment expenses.....	2.0
Permanent difference – dividend income.....	(1.4)
Inhabitants' taxes per capital.....	1.2
Amortization of goodwill.....	1.9
Equity in earnings of affiliates.....	(1.6)
Valuation allowance.....	23.5
Different tax rates applied to income of foreign consolidated subsidiaries.....	2.1
Tax deduction of experiment and research expenses.....	(4.5)
Other, net.....	(1.4)
Effective tax rate.....	62.4%

A reconciliation for the year ended December 31, 2009 is not presented herein as the difference between the statutory tax rate and the effective tax rate was less than 5 percent of the statutory tax rate.

Significant components of deferred tax assets and liabilities as of December 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Deferred tax assets:</b>			
Loss on valuation of investment in securities .....	¥ 957	¥ 1,344	\$ 10,401
Elimination of unrealized profit.....	1,437	1,448	15,605
Accrued retirement benefits.....	1,413	1,604	15,342
Accrued enterprise tax .....	147	112	1,597
Allowance for doubtful receivables...	2,416	2,336	26,240
Accrued bonuses .....	57	68	620
Net operating loss carried forward ...	1,654	1,599	17,961
Impairment loss on property, plant and equipment.....	1,470	1,288	15,964
Nondeductible loss on discontinued operations.....	198	—	2,158
Other.....	1,226	717	13,313
Gross deferred tax assets.....	10,978	10,520	119,205
Valuation allowance.....	(6,067)	(6,118)	(65,879)
Total deferred tax assets.....	4,911	4,402	53,325
<b>Deferred tax liabilities:</b>			
Reserve under Special Taxation Measures Law .....	(419)	(444)	(4,552)
Undistributed earnings of overseas partnerships.....	(509)	(509)	(5,527)
Gain on contribution of securities to retirement benefit trust.....	(795)	(805)	(8,637)
Unrealized holding gain on securities.....	(758)	(469)	(8,236)
Unrealized gain on hedging derivatives.....	—	(0)	—
Other.....	(6)	(2)	(65)
Total deferred tax liabilities.....	(2,488)	(2,232)	(27,018)
Net deferred tax assets.....	¥ 2,422	¥ 2,170	\$ 26,306

## 12. Capital Surplus and Retained Earnings

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve or the legal reserve until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met. The legal reserve amounted to ¥3,990 million (U.S.\$43,322 thousand) and ¥3,990 million as of December 31, 2009 and 2008, respectively.

## 13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended December 31, 2009 and 2008 were ¥4,472 million (U.S.\$48,560 thousand) and ¥4,753 million, respectively.

## 14. Leases

The following amounts represent the acquisition cost, accumulated depreciation and net book value of finance lease transactions before December 31, 2008, except for the lease agreements which stipulate the transfer of ownership of the leased assets to the lessee, as of December 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
<b>Acquisition cost:</b>			
Buildings and structures.....	¥ 38	¥ 38	\$ 417
Machinery and equipment.....	699	842	7,596
Other intangible fixed assets.....	8	22	89
	¥746	¥903	\$8,103
<b>Accumulated depreciation:</b>			
Buildings and structures.....	¥ 30	¥ 23	\$ 326
Machinery and equipment.....	520	541	5,647
Other intangible fixed assets.....	5	3	62
	¥555	¥569	\$6,036
<b>Net book value:</b>			
Buildings and structures.....	¥ 8	¥ 14	\$ 90
Machinery and equipment.....	179	300	1,949
Other intangible fixed assets.....	2	18	26
	¥190	¥334	\$2,066

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥154 million (U.S.\$1,644 thousand) and ¥185 million, respectively, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms, for the years ended December 31, 2009 and 2008, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to December 31, 2009 for non-cancelable operating leases and finance leases accounted for as operating leases were summarized as follows:

Year ending December 31,	Millions of yen		Thousands of U.S. dollars	
	Operating leases	Finance leases	Operating leases	Finance leases
2010 .....	¥112	¥102	\$1,218	\$1,114
2011 and thereafter.....	58	87	638	955
Total .....	¥171	¥190	\$1,857	\$2,069

## 15. Derivative Transactions

The Company intends to utilize derivative financial instruments for the purpose of hedging its exposure against adverse fluctuations in foreign currency exchange rates and interest rates, but does not enter into such transactions for speculation or trading purposes.

The Company is exposed to credit loss in the event of nonperformance by the counterparties to the derivative financial instruments, but any such loss would not be material because the Company enters into transactions only with financial institutions holding high credit ratings. The notional amounts of the derivative financial instruments do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's risk exposure in connection with derivative financial instruments.

Disclosure of fair value information for derivatives as of December 31, 2009 has been omitted since all the derivatives as of that date have been accounted for as hedges.

The outstanding derivatives as of December 31, 2008 were as follows:

	Millions of Yen			
	2008			
	Notional principal amount		Market value	Valuation gain/(loss)
Total	Over 1 year			
Nonmarket transactions				
Forward exchange contracts				
Sell				
U.S. dollar.....	¥271	—	¥272	¥(1)
	¥271	—	¥272	¥(1)

## 16. Treasury Stock

Number of shares of treasury stock for the years ended December 31, 2009 and 2008 was as follows:

Year ended December 31, 2009	Thousands of share			
	December 31, 2008	Increase during the year	Decrease during the year	December 31, 2009
Treasury stock:				
Common stock.....	3,419	8,216	33	11,603
Total.....	3,419	8,216	33	11,603

Year ended December 31, 2008	Thousands of share			
	December 31, 2007	Increase during the year	Decrease during the year	December 31, 2008
Treasury stock:				
Common stock.....	2,935	683	198	3,419
Total.....	2,935	683	198	3,419

## 17. Cash Dividends

Dividends paid in the years ended December 31, 2009 and 2008 were as follows:

Year ended December 31, 2009				
Resolution	Type of shares	Millions of yen		Thousands of U.S. dollars
		Gross amount	Gross amount	Gross amount
March 27, 2009 96th Annual Shareholders' Meeting	Common stock	¥1,042		\$11,316
August 6, 2009 Board of Directors	Common stock	¥ 765		\$ 8,308

Year ended December 31, 2009				
Resolution	Yen		Record date	Effective date
	Per share	U.S. dollars Per share		
March 27, 2009 96th Annual Shareholders' Meeting	¥4.00	\$0.043	December 31, 2008	March 30, 2009
August 6, 2009 Board of Directors	¥3.00	\$0.032	June 30, 2009	September 4, 2009

Year ended December 31, 2008

Resolution	Type of shares	Millions of yen	
		Gross amount	Gross amount
March 28, 2008 95th Annual Shareholders' Meeting	Common stock	¥1,044	
August 7, 2008 Board of Directors	Common stock	¥1,043	

Year ended December 31, 2008

Resolution	Yen		Record date	Effective date
	Per share	Per share		
March 28, 2008 95th Annual Shareholders' Meeting	¥4.00		December 31, 2007	March 31, 2008
August 7, 2008 Board of Directors	¥4.00		June 30, 2008	September 5, 2008

Dividends whose record date was in the year ended December 31, 2009 but whose effective date was in the year ending December 31, 2010 were as follows:

Year ended December 31, 2009

Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Source
		Gross amount	Gross amount	
March 30, 2010 97th Annual Shareholders' Meeting	Common stock	¥757	\$8,221	Retained earnings

Year ended December 31, 2009

Resolution	Yen		Record date	Effective date
	Per share	U.S. dollars Per share		
March 30, 2010 97th Annual Shareholders' Meeting	¥3.00	\$0.032	December 31, 2009	March 31, 2010

Dividends whose record date was in the year ended December 31, 2008 but whose effective date was in the year ending December 31, 2009 were as follows:

Year ended December 31, 2008

Resolution	Type of shares	Millions of yen		Source
		Gross amount	Gross amount	
March 27, 2009 96th Annual Shareholders' Meeting	Common stock	¥1,042		Retained earnings

Year ended December 31, 2008

Resolution	Yen		Record date	Effective date
	Per share	Per share		
March 27, 2009 96th Annual Shareholders' Meeting	¥4.00		December 31, 2008	March 30, 2009

## 18. Contingencies and Commitment Line

### Contingencies

At December 31, 2009 and 2008, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Guarantees of indebtedness.....	¥251	¥296	\$2,733
	¥251	¥296	\$2,733

### Commitment line

The Company concluded an arrangement for a committed line of credit up to ¥10,000 million with 13 banks in order to secure and obtain timely working capital on June 30, 2008.

At December 31, 2009, the outstanding balance of the commitments was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total committed line of credit.....	¥10,000	¥10,000	\$108,577
Executed amount.....	¥ —	¥ 5,000	\$ —
Unexecuted amount.....	¥10,000	¥ 5,000	\$108,577

## 19. Segment Information

### Business Segments

Business segments of the Company and its consolidated subsidiaries are divided into "Commodity Chemicals," "Acrylic Products," "Specialty Chemicals," "Plastics" and "Other Businesses" based on the specific characteristics of the business activities in each segment and management system.

Business segment information of the Company and its consolidated subsidiaries for the years ended December 31, 2009 and 2008 were summarized as follows:

Year ended December 31, 2009	Millions of yen			
	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties.....	¥45,646	¥41,460	¥22,829	¥28,599
Intersegment sales.....	206	147	560	34
Net sales.....	45,853	41,608	23,390	28,634
Operating costs and expenses.....	41,570	40,196	19,078	26,842
Operating income (loss)...	¥ 4,283	¥ 1,411	¥ 4,311	¥ 1,791
Total assets.....	40,582	33,931	23,890	35,245
Depreciation.....	3,374	2,003	1,024	1,686
Impairment losses.....	1,846	—	—	196
Capital expenditures.....	¥ 2,498	¥ 1,372	¥ 411	¥ 1,453

Year ended December 31, 2009	Millions of yen			
	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	¥1,497	¥140,033	¥ —	¥140,033
Intersegment sales.....	5,818	6,768	(6,768)	—
Net sales.....	7,315	146,801	(6,768)	140,033
Operating costs and expenses.....	7,982	135,669	(6,794)	128,875
Operating income (loss)...	¥ (666)	¥ 11,131	¥ 26	¥ 11,158
Total assets.....	4,628	138,279	23,330	161,609
Depreciation.....	238	8,327	608	8,936
Impairment losses.....	—	2,043	443	2,486
Capital expenditures.....	¥ 63	¥ 5,799	¥ 172	¥ 5,971

Year ended December 31, 2009	Thousands of U.S. dollars			
	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties.....	\$495,620	\$450,166	\$247,881	\$310,524
Intersegment sales.....	2,246	1,604	6,086	379
Net sales.....	497,866	451,771	253,967	310,903
Operating costs and expenses.....	451,357	436,443	207,149	291,451
Operating income (loss)...	\$ 46,508	\$ 15,328	\$ 46,818	\$ 19,452
Total assets.....	440,632	368,423	259,402	382,691
Depreciation.....	36,636	21,748	11,128	18,316
Impairment losses.....	20,050	—	—	2,133
Capital expenditures.....	\$ 27,131	\$ 14,900	\$ 4,467	\$ 15,779

Year ended December 31, 2009	Thousands of U.S. dollars			
	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	\$16,258	\$1,520,452	\$ —	\$1,520,452
Intersegment sales.....	63,172	73,488	(73,488)	—
Net sales.....	79,431	1,593,940	(73,488)	1,520,452
Operating costs and expenses.....	86,671	1,473,072	(73,773)	1,399,298
Operating income (loss)...	\$ (7,239)	\$ 120,868	\$ 284	\$ 121,153
Total assets.....	50,259	1,501,409	253,313	1,754,722
Depreciation.....	2,588	90,418	6,609	97,028
Impairment losses.....	—	22,183	4,814	26,998
Capital expenditures.....	\$ 693	\$ 62,972	\$ 1,869	\$ 64,842

As described in Note 2 (f) the Company revised estimated useful lives of machinery. Effect of the change was to increase of operating income of Commodity Chemicals, Acrylic Products and Specialty Chemicals, by ¥139 million (U.S.\$1,516 thousand), ¥30 million (U.S.\$331 thousand) and ¥7 million (U.S.\$79 thousand), respectively.

Year ended December 31, 2008	Millions of yen			
	Commodity Chemicals	Acrylic Products	Specialty Chemicals	Plastics
Sales:				
Sales to third parties.....	¥55,165	¥51,057	¥24,380	¥30,550
Intersegment sales.....	245	491	503	46
Net sales.....	55,411	51,548	24,884	30,597
Operating costs and expenses.....	49,760	50,169	20,977	29,298
Operating income (loss)...	¥ 5,650	¥ 1,379	¥ 3,906	¥ 1,299
Total assets.....	46,695	37,384	24,087	36,177
Depreciation.....	3,576	2,172	1,077	1,703
Impairment losses.....	185	220	86	—
Capital expenditures.....	¥ 3,151	¥ 1,277	¥ 544	¥ 1,200

Year ended December 31, 2008	Millions of yen			
	Other Businesses	Total	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	¥1,460	¥162,615	¥ —	¥162,615
Intersegment sales.....	7,200	8,488	(8,488)	—
Net sales .....	8,661	171,103	(8,488)	162,615
Operating costs and expenses.....	9,123	159,328	(8,381)	150,947
Operating income (loss)...	¥ (462)	¥ 11,774	¥ (106)	¥ 11,668
Total assets .....	5,078	149,422	23,041	172,464
Depreciation.....	260	8,790	590	9,381
Impairment losses.....	—	491	182	674
Capital expenditures .....	¥ 185	¥ 6,360	¥ 304	¥ 6,665

### Geographical Segments

Geographical segment information of the Company and its consolidated subsidiaries for the years ended December 31, 2009 and 2008 were summarized as follows:

Year ended December 31, 2009	Millions of yen			
	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	¥128,577	¥11,455	¥ —	¥140,033
Intersegment sales.....	1,121	2,858	(3,980)	—
Net sales .....	129,699	14,314	(3,980)	140,033
Operating costs and expenses.....	119,214	13,549	(3,887)	128,875
Operating income (loss)...	¥ 10,485	¥ 765	¥ (92)	¥ 11,158
Total assets .....	¥156,686	¥ 8,757	¥(3,834)	¥161,609

Year ended December 31, 2009	Thousands of U.S. dollars			
	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	\$1,396,067	\$124,384	\$ —	\$1,520,452
Intersegment sales.....	12,179	31,035	(43,214)	—
Net sales .....	1,408,246	155,420	(43,214)	1,520,452
Operating costs and expenses.....	1,294,397	147,112	(42,211)	1,399,298
Operating income (loss)...	\$ 113,848	\$ 8,307	\$ (1,003)	\$ 121,153
Total assets .....	\$1,701,265	\$ 95,089	\$(41,632)	\$1,754,722

Year ended December 31, 2008	Millions of yen			
	Japan	Other countries	Eliminations or corporate	Consolidated
Sales:				
Sales to third parties.....	¥152,869	¥ 9,745	¥ —	¥162,615
Intersegment sales.....	1,849	3,937	(5,787)	—
Net sales .....	154,719	13,683	(5,787)	162,615
Operating costs and expenses.....	142,565	14,063	(5,681)	150,947
Operating income (loss)...	¥ 12,153	¥ (379)	¥ (105)	¥ 11,668
Total assets .....	¥168,434	¥ 7,814	¥(3,784)	¥172,464

### Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended December 31, 2009 and 2008 were summarized as follows:

Year ended December 31, 2009	Millions of yen				
	Asia	North America	Europe	Other	Total
Overseas sales.....	¥16,319	¥2,448	¥1,206	¥154	¥ 20,129
Consolidated net sales.....	140,033				
Percentage of overseas sales to consolidated net sales.....	11.7%	1.7%	0.9%	0.1%	14.4%

Year ended December 31, 2009	Thousands of U.S. dollars				
	Asia	North America	Europe	Other	Total
Overseas sales.....	\$177,195	\$26,583	\$13,104	\$1,673	\$ 218,557
Consolidated net sales.....	1520,452				
Percentage of overseas sales to consolidated net sales.....	11.7%	1.7%	0.9%	0.1%	14.4%

Year ended December 31, 2008	Millions of yen				
	Asia	North America	Europe	Other	Total
Overseas sales.....	¥14,729	¥2,570	¥2,252	¥679	¥ 20,231
Consolidated net sales.....	162,615				
Percentage of overseas sales to consolidated net sales.....	9.0%	1.6%	1.4%	0.4%	12.4%

### 20. Amounts per Share

The following table sets forth net income, cash dividends and net assets per share of common stock for the years ended December 31, 2009 and 2008:

Year ended December 31,	Yen		U.S. dollars
	2009	2008	2009
Net income:			
Basic.....	¥ 13.85	¥ 7.27	\$0.15
Cash dividends.....	6.00	8.00	0.06
Net assets .....	394.03	380.98	4.27

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid as described in Note 2 (m).

### 21. Subsequent Event

#### Cash dividends

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended December 31, 2009 as described in Note 2 (m), was approved at a shareholders' meeting held on March 30, 2010:

	Millions of yen	Thousands of U.S. dollars
Cash dividends – ¥3.00 (U.S.\$0.03) per share.....	¥757	\$8,221

## Report of Independent Auditors

The Board of Directors  
Toagosei Co., Ltd.

We have audited the accompanying consolidated balance sheets of Toagosei Co., Ltd. and consolidated subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toagosei Co., Ltd. and consolidated subsidiaries at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

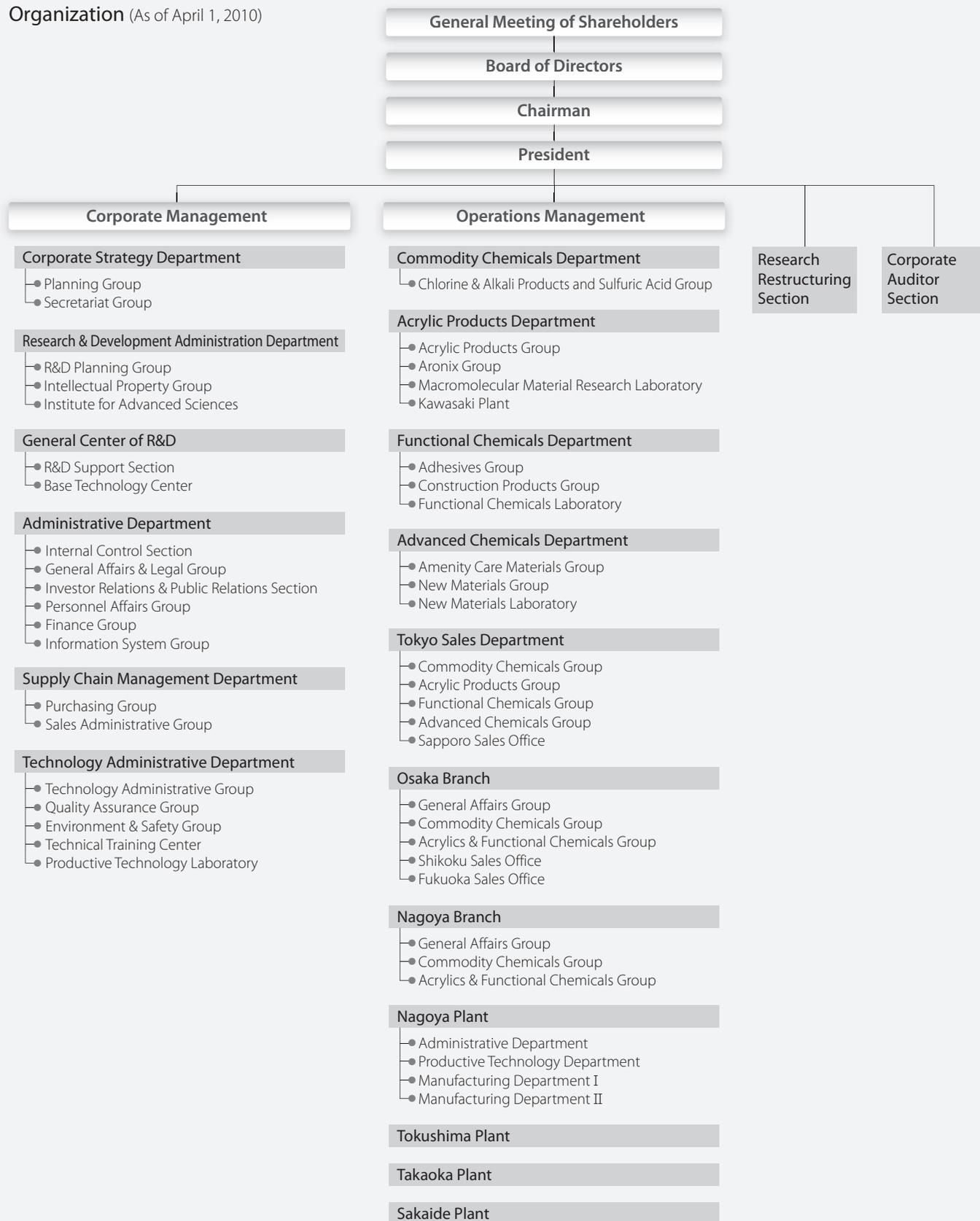
*Ernst & Young ShinNihon LLC*

March 30, 2010

A member firm of Ernst & Young Global Limited

# Corporate Data

Organization (As of April 1, 2010)



# Directory

## Domestic Network

### Head Office

1-14-1 Nishi-Shimbashi, Minato-ku,  
Tokyo 105-8419  
Tel: 03-3597-7215 Fax: 03-3597-7217

### Osaka Branch

Nakanoshima Mitsui Bldg. 11F, 3-3-3  
Nakanoshima, Kita-ku, Osaka 530-0005  
Tel: 06-6446-6551 Fax: 06-6446-6571

### Nagoya Branch

Mitsui Life Nagoya Bldg. 6F, 1-4-6 Nishiki,  
Naka-ku, Nagoya 460-0003  
Tel: 052-209-8591 Fax: 052-209-8671

### Shikoku Sales Office

2-4-1 Showacho, Sakaide, Kagawa 762-0004  
Tel: 0877-46-3300 Fax: 0877-46-3200

### Fukuoka Sales Office

2-14-2 Tenjin, Chuo-ku, Fukuoka 810-0001  
Tel: 092-721-1902 Fax: 092-721-1914

### Nagoya Plant

17-23 Showacho, Minato-ku,  
Nagoya 455-0026  
Tel: 052-611-9804 Fax: 052-612-5733

### Tokushima Plant

575-1 Nakashima, Kawauchicho,  
Tokushima 771-0188  
Tel: 088-665-2111 Fax: 088-665-3867

### Takaoka Plant

2-1-3 Fushiki, Takaoka, Toyama 933-0195  
Tel: 0766-44-7401 Fax: 0766-44-7410

### Sakaide Plant

2-4-1 Showacho, Sakaide, Kagawa 762-0004  
Tel: 0877-46-3161 Fax: 0877-45-4727

### General Center of R&D

1-1 Funamicho, Minato-ku, Nagoya 455-0027  
Tel: 052-611-9901 Fax: 052-611-1693

### Institute for Advanced Sciences

2 Okubo, Tsukuba, Ibaraki 300-2611  
Tel: 029-865-2600 Fax: 029-865-2610

## Principal Overseas Subsidiaries

### Toagosei Hong Kong Ltd.

Room 905-8, 9/F., 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,  
Taiwan, R.O.C.  
Tel: 886-2-8732-3677 Fax: 886-2-2378-9036

### 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

### TOA-DIC Zhangjiagang Chemical Co., Ltd.

20 Chanjiang Road, Jiangsu Yangtze River,  
International, Chemical Industrial Park,  
Zhangjiagang, Jiangsu Province, 215635 China  
Tel: 86-512-5893-7320 Fax: 86-512-5893-7321

### Toagosei (Zhuhai) Limited

3/F., No.2, Factory Bldg., Xiangzhou Ind. Park of  
Science & Technology, Meihua Road, Zhuhai,  
Guangdong, P. R. China  
Tel: 86-756-850-8810 Fax: 86-756-850-8906

## Principal Subsidiaries and Affiliates (As of December 31, 2009)

Name of Company	Lines of Business	Our Share (%)	Capital (¥ in millions)
Aron Kasei Co., Ltd.	Manufacture & sale of synthetic resin molded products	61.1	¥4,220
Tsurumi Soda Co., Ltd.	Manufacture & sale of chemical products	100.0	¥2,080
Aron Ever-Grip Ltd.	Manufacture & sale of adhesives	100.0	£223,000
Oita Chemical Co., Ltd.	Manufacture of chemical products	90.0	¥450
Toagosei America Inc.	Manufacture & sale of chemical products; technological research	100.0	US\$6,100,000
Nihon Junyaku Co., Ltd.	Manufacture of chemical products	100.0	¥351
TG Corporation	Sale of chemical products	100.0	¥174
Toa Logistics Co., Ltd.	Product distribution	100.0	¥16
TOA Engineering Co., Ltd.	Construction & repair of chemical facilities	100.0	¥50
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 of adhesives	100.0	HK\$9,188,000
MT AquaPolymer, Inc.	Manufacture & sale of chemical products	51.0	¥460
Mikuni Plastics Co., Ltd.	Manufacture & sale of synthetic resin molded products	61.1	¥315
Chubu Liquid Oxygen Co., Ltd. (Note)	Manufacture of industrial gases	30.0	¥480
Elmer's & Toagosei Co. (Note)	Sale of adhesives	50.0	US\$33,221,000

Note: Equity-method affiliates

# Investor Information

## Established

March 1942

## Common Stock

Authorized: 550,000,000 shares

Issued: 263,992,598 shares

Capital: ¥20,886 million

Number of shareholders: 25,330

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

## Transfer Agent for Common Stock

The Chuo Mitsui Trust and Banking Co., Ltd.

3-33-1 Shiba, Minato-ku, Tokyo 105-8574

## Certified Accountants

Ernst & Young ShinNihon LLC

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

## Major Shareholders

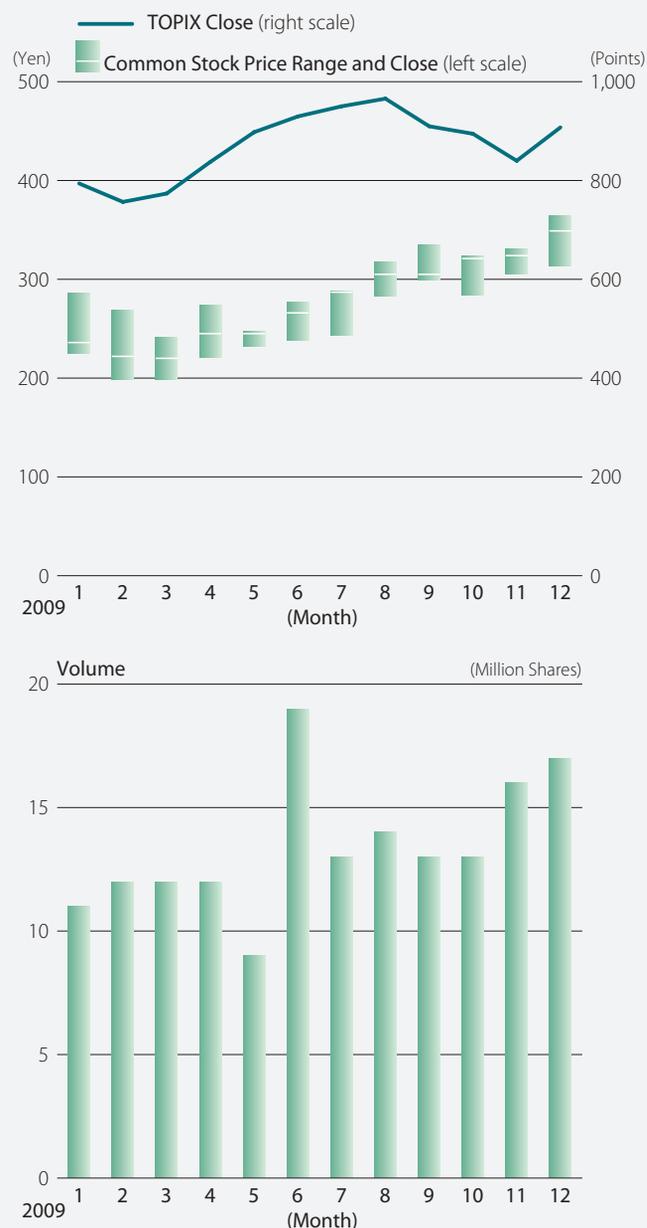
	(%)
Japan Trustee Services Bank, Ltd. (Trust account)	8.93
Sumitomo Mitsui Banking Corp.	4.61
The Master Trust Bank of Japan, Ltd. (Trust account)	4.39
Business Partner Shareholders' Committee	2.59
Japan Trustee Services Bank, Ltd. (Trust account 9)	2.38
Employee Shareholders' Committee	2.31
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2.24
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.10
Aioi Insurance Co., Ltd.	1.98
The Norinchukin Bank	1.56

(As of December 31, 2009)

## Stock Price Range & Trading Volume

(Tokyo Stock Exchange)

	2005	2006	2007	2008	2009
High	¥680	¥672	¥510	¥456	¥364
Low	¥344	¥406	¥345	¥156	¥199
TOPIX Close (Year-end)	1,649	1,681	1,475	859	907





1-14-1 Nishi-Shimbashi, Minato-ku,  
Tokyo 105-8419 Japan  
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<http://www.toagosei.co.jp/>