



## NEWS RELEASE

November 5, 2010

### **Tosoh Releases First-Half Consolidated Results for Fiscal 2011 (The interim period from April 1, 2010, to September 30, 2010)**

**Tokyo, Japan**—Tosoh Corporation announces its consolidated results for the first half of its 2011 fiscal year, the interim period ended September 30, 2010. The company's net sales increased 8.2% compared with its net sales in the first half of the previous fiscal year, to ¥322.1 billion (US\$3.8 billion).\* Its operating income climbed more than four times, to ¥10.1 billion (US\$120.0 million), while its ordinary income rose substantially to ¥7.1 billion (¥84.9 million) from a loss of ¥60.0 million a year earlier. Overall, Tosoh recorded net income of ¥2.4 billion (¥29.1 million), up from a loss of ¥2.2 billion in the second quarter last year.

During the first and second quarters of Tosoh's 2011 fiscal year, the Japanese economy achieved a mild recovery on the strength of demand growth in China and other newly developing countries. Nevertheless, concern deepened over the future course of the economy because of such factors as the sharp appreciation of the yen against other currencies and signs of a slowdown in the global economy.

#### **Results by business segment**

Tosoh reorganized its business groups effective the first quarter of fiscal 2011. From its previous four Petrochemical, Basic, Specialty, and Service groups, the Company now has five groups: the Petrochemical, Chlor-alkali, Specialty, Engineering, and Service groups. Tosoh has placed its urethane materials operations from the Specialty Group under its Chlor-alkali Group and its water treatment products and services under its new Engineering Group, alongside the operations of the group's construction-related companies. Trading and logistics companies remain under the Service Group.

For comparison purposes, first half results for fiscal 2010 were substituted with figures that correspond to the organization changes that went into affect in fiscal 2011.

#### **Petrochemical Group**

Petrochemical Group net sales for the first half of fiscal year 2011 increased 11.1% compared with group net sales for the same period the year before, to ¥86.5 billion (US\$1.0 billion). Operating income rose 9.3%, to ¥2.8 billion (US\$33.9 million).

Shipments of olefins declined during the period under review because of lower production caused by scheduled plant maintenance. However, product prices rose domestically and overseas in reaction to the higher naphtha prices. Domestic shipments of polyethylene resins increased, supported by a surge in demand for ethylene vinyl acetate copolymer, but worsening trade conditions dampened exports. During the first half, Tosoh increased its prices for polyethylene resins to reflect higher prices for naphtha.

Although shipments of chloroprene rubber increased, driven by a recovery in demand domestically and overseas, product prices declined because of the strengthening yen and other factors.



Shipments of chlorosulphonated polyethylene grew, filling the supply gap left by a competitor's exit from the market. PVC paste continued to benefit from upward adjustments in product prices as a result of the higher cost of naphtha.

### **Chlor-alkali Group**

Chlor-alkali Group first-half net sales increased ¥4.6 billion, or 3.8%, to ¥123.5 billion (US\$1.5 billion) in the second quarter of fiscal 2011. The group's operating income improved ¥0.8 billion over the same period a year ago; however, the group still reported an operating loss of ¥5.6 billion (US\$67.1 million).

The Chlor-alkali Group's domestic shipments of caustic soda grew, but exports declined. Moreover, caustic soda prices decreased because of softer prices in overseas markets and the yen's appreciation. Exports of vinyl chloride monomer (VCM) declined, but the overseas price for VCM increased. Driven by the economic recovery in Japan, domestic shipments of PVC resins rose, but exports fell. PVC resin prices, however, increased domestically and overseas owing to upward price revisions implemented in the previous fiscal year due to higher raw material prices. Domestic shipments of cement, meanwhile, decline because of lackluster public- and private-sector demand. Exports of cement also decreased. Shipments of urethane raw materials grew mainly in Asia while urethane- related product prices rose abroad.

### **Specialty Group**

Net sales for the Specialty Group in the first half of fiscal 2011 were ¥64.5 billion (US\$770 million), an increase of ¥7.8 billion, or 13.8%, over the same period in the preceding fiscal year. The group also posted a ¥4.8 billion, or 82.9%, gain in operating income over the first half of fiscal 2010, to ¥10.6 billion (US\$126.2 million).

Shipments of ethyleneamines by the Specialty Group increased, buoyed by smooth operations at Tosoh's new ethyleneamine plant and burgeoning demand in Asia. Supported by a recovery in demand, shipments of amine catalysts, bromine, and solvents increased, but shipments of bromine-based flame retardants decreased.

In bioscience related products, the Specialty Group's shipments of liquid chromatography columns and separation media rose in Japan and overseas. Among diagnostic related products, domestic shipments of in vitro diagnostic reagents and automated immunoassay analyzers were firm in Japan and globally. Shipments of fully automated glycohemoglobin analyzers for use in screening for and in monitoring diabetes mellitus moved down, while shipments of reagents for those systems remained strong at home and abroad.

Shipments of electrolytic manganese dioxide increased in Japan and overseas. Shipments of Zeolite and zirconia also rose domestically and globally.

Silica glass shipments increased in line with the continued recovery in the semiconductor market. Shipments of thin film materials, both for semiconductor and liquid crystal product manufacture, were firm

### **Engineering Group**

Fiscal 2011 first-half net sales for the Engineering Group were ¥28.1 billion (US\$335.1 million), an increase of ¥2.5 billion, or 9.6%, over the same period the preceding fiscal year. The group achieved an ¥1.6 billion gain in operating income, to ¥1.0 billion (US\$12.5 million).

Progress with major electronics industry-related construction projects in Asia combined with a favorable domestic solution business to increase sales of the group's water treatment facilities, services, and related chemicals. The group's construction-related companies also garnered strong sales.



## **Service Group**

The Service Group's net sales for the first half of fiscal 2011 were ¥19.5 billion (US\$232.2 million), an increase of ¥0.9 billion, or 5.1%, over the same period a year before. Operating income was ¥1.2 billion (US\$14.5 million), rising ¥ 0.1 billion, or 12.2% to move into the black.

Sales by the Service Group's trading companies and logistics subsidiaries remained firm.

## **Outlook for the fiscal year to March 31, 2011**

Tosoh's projections for fiscal year 2011, ending March 31, 2011, call for net sales of ¥680 billion (US\$8.1 billion); operating income of ¥29 billion (US\$346 million); ordinary income of ¥26 billion (US\$310.2 million); and net income of ¥11 billion (US\$131.2 million). These full-year forecasts are based on a domestic production price for naphtha of ¥47,000 per kiloliter and on an exchange rate of ¥85 to the US dollar.

Although the severity of the recession in Japan appears to have abated, we continue to have concerns regarding the failure of stimulus measures in various other nations worldwide and the growing possibility of a double dip economic recession in Japan. Tosoh, specifically, still faces such challenges as a strengthening yen and the reemergence of high prices for crude oil. These challenges coalesce to increase Tosoh's costs, to threaten its projections, and to ensure an unpredictable future. The company is therefore embarking on countermeasures to expand its sales and to recover and maintain its profitability, chiefly by cutting its production, sales, and administrative costs.

\*For reference purposes, unless otherwise indicated US dollar amounts are translated from yen at the rate of ¥83.82 = US\$1, the exchange rate in effect on September 30, 2010.



# TOSOH CORPORATION

## Summary of first half-results and comparison with same period the previous fiscal year

### First-Half Consolidated Results for Fiscal Year 2011 (April 1, 2010–September 30, 2010)

	Net Sales		Operating Income		Ordinary Income (Loss)*	
	¥ millions	% <sup>†</sup>	¥ millions	%	¥ millions	%
<b>FY11</b> (04.01.10–09.30.10)	322,135	8.2	10,056	303.7	7,119	—
<b>FY10</b> (04.01.09–09.30.09)	297,737	- 30.0	2,491		- 60.0	—

\*Based on standard accounting practices in Japan, ordinary income represents income before extraordinary items and taxes. Extraordinary items include, for example, gain (loss) on the sale of fixed assets and gain (loss) on the sale of stock.

<sup>†</sup> Net sales, operating income, ordinary income, and net income percentages indicate changes from the same period in the previous fiscal year.

	Net Income (Loss)		Net Income per Share
	¥ millions	%	¥
<b>FY11</b> (04.01.10–09.30.10)	2,437	—	4.07
<b>FY10</b> (04.01.09–09.30.09)	- 2,238	—	-3.74

### Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio*	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
<b>FY11</b> (04.01.10–09.30.10)	716,780	187,045	22.2	265.48
<b>FY10</b> (04.01.09–03.31.10)	739,658	190,898	22.0	271.59

\*Net assets include stock acquisition rights and minority interests, which are not calculated in equity ratio.

### Forecast for Fiscal Year 2011 (April 1, 2010–March 31, 2011)

	Net Sales	Operating Income	Ordinary Income	Net Income
	¥ millions	¥ millions	¥ millions	¥ millions
<b>Year-end</b>	680,000	29,000	26,000	11,000



# TOSOH CORPORATION

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### WHO WE ARE

Tosoh Corporation is a Japanese chemical company established in 1935 and listed on the First Section of the Tokyo Stock Exchange. It is the parent of the Tosoh Group, which comprises 140 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥628.7 billion (US\$6.8 billion at the year-end rate of ¥93.04 to the US dollar) in fiscal 2010, ended March 31, 2010.

### WHAT WE DO

Tosoh is one of the largest chlor-alkali manufacturers in Asia. The Company supplies the plastic resins and an array of the basic chemicals that support modern life. Tosoh's petrochemical operations supply ethylene, polymers, and polyethylene, while its electronic materials business serves the global semiconductor and flat-panel display industries. Tosoh has also pioneered sophisticated bioscience systems that are used for the rapid diagnosis of life-threatening diseases, such as diabetes and certain cancers, and to prevent epidemics by identifying pathogenic microbes. In addition, Tosoh develops products and provides services to purify water and to monitor the environment as part of a commitment to a sustainable future.

Stock Exchange Ticker Symbol: JP: 4042

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#### Disclaimer

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