TOSOH Corporation
Consolidated Financial Results for Fiscal Year 2002 (April 1, 2002 – March 31, 2003)

I. Summary
1. Consolidated Results

	Net Sales		Operating Income		Ordinary Income*	
	JPY millions	%**	JPY millions	%	JPY millions	%
FY 2002	471,920	10.4	28,048	79.4	21,361	92.6
FY 2001	427,487	0.3	15,631	(43.3)	11,089	(55.6)

* 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.
** Net Sales, Operating Income, Ordinary Income, and Net Income percentages indicate increases over the previous fiscal year.

	Net Income		Net Income Per Share
	JPY millions	%	JPY
FY 2002	4,809	946.9	7.87
FY 2001	459	(95.1)	0.77

Notes: 1. Equity income:	FY 2002:	(JPY697 million)
	FY 2001:	JPY919 million
2. Average number of shares issued:	FY 2002:	598,522,950 shares
	FY 2001:	598,929,647 shares
3. Changes in accounting methods:	None	

2. Consolidated Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity Per Share
	JPY millions	JPY millions	%	JPY
FY 2002	545,696	92,794	17.0	154.93
FY 2001	572,145	90,557	15.8	151.76

Note: Consolidated outstanding shares at end of FY2002: 598,285,423; at end of FY2001: 596,701,035

3. Consolidated Cash Flow

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash & Cash Equivalents at End of Period
	JPY millions	JPY millions	JPY millions	JPY millions
FY 2002	44,871	(14,554)	(35,266)	21,100
FY 2001	39,393	(10,360)	(21,059)	25,881

4. Scope of consolidation
Consolidated subsidiaries: 92
Unconsolidated subsidiaries with equity method applied: 0
Affiliates with equity method applied: 30

5. Forecast for Fiscal Year 2003 (April 1, 2003 - March 31, 2004)

	Net Sales	Operating Income	Ordinary Income	Net Income
	JPY millions	JPY millions	JPY millions	JPY millions
Mid-year	240,000	9,000	6,000	3,000
Year-end	500,000	32,000	26,000	13,000

TOSOH Corporation
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This summary of business and financial results abides by a presentation format employed by publicly listed corporations in Japan for financial reporting. Tosoh has modified the phrasing in translation and added commentary for the benefit of readers outside Japan. Management has prepared the U.S. dollar translations solely for the convenience of readers at the rate of $1 = ¥120.20 (US dollar to Japanese yen), the exchange rate at fiscal year-end (March 31, 2003). These translations do not imply that the yen amounts have been or could have been converted into dollars at that rate or at any other rate.

II. Management Policy

A. Management Principles

Based on a medium-to-long-term perspective, the Tosoh Group is working toward a corporate structure that can achieve stable and high income, supporting its goal of being a truly international competitor.

The corporate image that the Group is striving for can be described by the following three statements:

- as a Group, we are constantly evolving to react effectively to a dynamic operating environment,
- as a Group, we exhibit broad earning power,
- as a Group, our employees demonstrate their full potential in contributing to operations.

B. Issues and Strategy

The Tosoh Group took several steps during fiscal 2002 to solidify the business bases of its petrochemical and basic operations by expanding scope and improving competitiveness. In May 2002, Tosoh doubled the production capacity of Rinkagaku Kogyo Co., Ltd., for flame-control additive red phosphorous. And in January 2003, through Taiyo Vinyl Corporation, it took over the PVC operations of Kureha Chemical Industry Co., Ltd. Furthermore, Tosoh is currently constructing a naphtha-based carbon dioxide production facility for affiliate Nippon Polyurethane Industry Co., Ltd. to supply its urethane production. Among other plant construction, Tosoh is building a tertiary butyl alcohol (TBA) production facility to more effectively utilize its naphtha derivative products. TBA is an intermediate raw material used in the production of acrylic resins.

In the Specialty Group, Tosoh's efforts were aimed at building technological capabilities and developing product lines that are leaders in global or Asian markets. In March 2003, the Group doubled production capacity of TOYOPEARL, a packing material used for column separations of living organism-related substances by the pharmaceutical and other industries. In April 2003, Tosoh converted Nippon Silica Industrial Co., Ltd., which manufactures and sells white carbon and fillers, to a wholly owned subsidiary. The Group will continue its efforts to develop and strengthen its high-value added product lines based on its basic technologies in organic and inorganic chemistry.

Guided by its basic environment, safety, and health principles, the Tosoh Group undertakes a variety of environmental activities aimed at contributing to the communities around it through careful consideration of the environment and safety as a member of a recycling-oriented society.

C. Dividends

Management at Tosoh regards stable, sustainable dividend payments as a crucial means of fulfilling the company's responsibility to shareholders. They also believe in retaining a sufficient portion of earnings to fortify the company's financial position and to fund investment in expanding and upgrading operations. A sound balance between dividend payouts and retained earnings will help maximize aggregate shareholder value over the long term.

D. Share Lots

Like most publicly listed Japanese corporations, Tosoh employs a lot system for the trading of its shares. Investors buy and sell Tosoh shares in lots of 1,000 shares, which is the most common lot size.

Several Japanese corporations have reduced the size of their share trading lots to make their shares more accessible to individuals, and similar reductions are under consideration at numerous other companies in Japan. Management at Tosoh also has analyzed the potential benefits of adopting a smaller share lot. Their conclusion is that the benefits would be minimal and would not justify the administrative costs entailed. That conclusion emerged from thorough consideration of the company's recent share price, the number of Tosoh shareholders, the liquidity of the company's shares outstanding and other pertinent factors. Management remains strongly committed to serving the interests of Tosoh shareholders, and they will continue to consider any and all measures—including revisions in the company's share lot—for maximizing shareholder value.

E. Corporate Governance Policy and Measures

To ensure the continued viability of the Company, Tosoh is building an efficient organization that can quickly respond to changes in the business environment. At the same time, it strives to achieve sound operations that demonstrate fair business practices and are highly transparent.

The Board of Directors meets, in principle, at least once a month to make decisions on important matters concerning the operation of the business. In addition, the Board oversees the business activities of directors in charge of operations. Moreover, to enable quick decision-making, the Executive Committee meets, in principle, once a week, to decide on important business proposals.

Four corporate auditors—two of which are non-standing auditors—monitor the business activities of directors. Furthermore, to strengthen the Auditors' Committee, an Auditors' Committee Office was established last year. Each of the companies in the Group also conducts business audits through their corporate auditing departments.

Neither of the Company's non-standing auditors has a vested interest in Tosoh.

Tosoh has Anti-monopoly and Export Management committees to ensure compliance with legal regulations. Nevertheless, to achieve thorough compliance throughout the Group, Tosoh created a guidance manual for compliance activities in April 2003. Moreover, when deemed necessary, Tosoh consults with its legal advisors.

To increase the transparency of its business activities, Tosoh is making efforts, such as earlier reporting of performance announcements, to proactively and quickly disclose information. The Company provides a broad range of disclosure-related information on its Web site.

III. Business Results and Financial Position

A. Business Results and Outlook

1. Results in the fiscal year to March 31, 2002

Tosoh's net sales advanced 10.4%, to ¥471.9 billion ($3,926 million). High demand from Asian markets supported strong shipments of bulk chemicals products and rising overseas markets supported slightly improved business conditions despite increases in naphtha prices. Net income increased to ¥4.8 billion ($40 million). Charges of ¥7.7 billion ($64 million) in funding for a shortfall in Tosoh's reserve for benefit liabilities and ¥3.5 billion ($29 million) in valuation losses of securities holdings were offset partially by a ¥3.8 billion ($32 million) extraordinary gain. The Company recognized a gain on the return of the substitutional portion of its retirement benefit obligations for national welfare pension funds.

By business segment

• Petrochemical Group

Sales of the Petrochemical Group rose 11.2%, to ¥136.8 billion ($1,138 million) while operating income surged 29.6%, to ¥6.5 billion ($54 million).

Demand for such olefins as ethylene, propylene, and other fractions and their derivative products was firm. Moreover, plants were kept at full operations by flexibly adjusting to demand. Against the backdrop of soaring demand in Asian markets, prices outside Japan for styrene monomer and cumene rose as well as export volumes. The Group was also able to implement price hikes in Japan.

Polyethylene shipments increased on the strength of recovering demand in film applications, but domestic prices softened. Exports of chloroprene rubber expanded favorably to China and other Asian countries. Shipments of polyphenylene sulfide (PPS) increased, supported by demand from the automobile, electrical machinery, and electronics industries.

• Basic Group

Basic Group sales increased 3.2%, to ¥135.0 billion ($1,123 million) and operating income, to ¥5.7 billion ($47 million).

Shipments of caustic soda to overseas and domestic markets were favorable, but prices were at low levels in Japan and dropped substantially in the non-Japanese market, which principally comprises aluminum producers in Australia. Domestic shipments and exports of vinyl chloride monomer (VCM) were robust and prices rose in overseas markets. Despite a weak market in Japan for polyvinyl chloride (PVC) resins, strong sales efforts resulted in solid shipments. Prices in Japan for PVC resins were soft in the first half but rose in the second half, and prices in other markets increased as well.

Shipments of cement declined as a result of the continued reductions in government spending on public works projects and sluggishness in Japanese private-sector demand.

• Specialty Group

Sales of the Specialty Group increased 19.9%, to ¥160.2 billion ($1,333 million), while operating income jumped 44.2%, to ¥13.5 billion ($112 million). Organo Corporation, a manufacturer of wastewater treatment chemicals and systems, and Tosoh F-TECH, Inc., a manufacturer of organic fluorochemicals, were made consolidated subsidiaries in September and November 2001, respectively.

In fine chemicals, shipments of brominated flame-retardants rose on a recovery in demand, but shipments of organic intermediates declined because of a shift in emphasis to the more lucrative pharmaceutical intermediates and electronic materials industries. Boosted by increased demand and aggressive sales efforts, shipments—particularly exports—of ethylene amines increased.

Tosoh posted strong growth worldwide in shipments of packing materials for high-performance liquid chromatography columns and other scientific instruments and related chemical products. Although shipments of some diagnostics equipment were weak in Japan, shipments of columns and diagnostic reagents were up. Overseas, reagents and diagnostics equipment were favorable and contributed to growth in sales.

In specialty materials, shipments of sputtering targets expanded worldwide on the basis of information technology-related demand and the continued expansion of the flat panel display market. Shipments of zirconia fell because of weak optics-related demand and shipments of electrolytic manganese dioxide for alkaline dry-cell batteries also dropped because of a sluggish domestic market and intensified competition in other markets.

Growth in shipments of quartz glass was supported by a slow recovery in semiconductor-related demand. Shipments of fused quartz materials grew based on increased demand, mainly from the Asian market while shipments of synthetic quartz materials for large LCD substrates rose favorably. Shipments of fabricated quartzware decreased under the impact of the slump in semiconductor-related markets and business mergers and restructuring among customers in the United States and Europe.

• Service Group

Sales of the Service Group edged down 0.3%, to ¥39.9 billion ($332 million), but operating income increased 8.2%, to ¥2.3 billion ($19 million).

Although the revenues of construction services subsidiaries declined, the revenues of logistics services subsidiaries increased thanks to aggressive sales development and cost reduction efforts.

By geographical segment

Sales of the parent company and Japanese subsidiaries rose 11.8%, to ¥425.7 billion ($3,542 million). Operating income jumped 88.3%, to ¥26.5 billion ($220 million).

Several factors contributed to strong sales in Japan, such as Organo Corporation and Tosoh F-TECH, Inc. becoming consolidated subsidiaries. In addition, shipments of olefins were strong along with firm demand for PVC resins and vinyl chloride monomer (VCM) in non-Japanese markets. These buoyant markets helped offset the large drop in caustic soda demand overseas and the decline in shipments of cement and zirconia.

At non-Japanese subsidiaries, operating income edged down 0.1%, to ¥1.6 billion ($13 million), on a 1.1% decrease in sales, to ¥46.3 billion ($385 million). Sales benefited from growth in shipments of scientific instruments and diagnostic products in European markets. In Asia, the inclusion of Organo Corporation's subsidiaries as consolidated subsidiaries helped pump up sales in that region. In North America, shipments rose for scientific instruments and sputtering targets, but shipments of quartz glass declined. In addition, the appreciation of the Japanese currency against regional currencies reduced the yen-denominated value of sales.

2. Outlook for the fiscal year to March 31, 2004[1]

Tosoh's projections call for net sales for the fiscal year ending March 31, 2003, to increase 6.0%, to ¥500 billion, and net income to nearly triple, to ¥13 billion. Management plans to recommend maintaining the dividend at ¥5 per share for the fiscal year. Business projections reflect expected progress in raising the competitiveness of core operations and in improving Tosoh's earnings structure throughout the company's organization. In making its forecasts, the company has used the following assumptions: naphtha prices in Japan, ¥27,000 per kiloliter and an currency exchange rate of ¥120 to the U.S. dollar.

B. Financial Position

The company strengthened its financial position in the past fiscal year. Free cash flow (net cash generated by operating activities less net cash used in investing activities) increased 4.4%, to ¥30.3 billion ($252 million). Cash and cash equivalents at fiscal year-end totaled ¥21.1 billion ($176 million), down 18.4% over the previous year-end.

Net cash provided by operating activities increased ¥13.9%, to ¥44.9 billion ($374 million). This growth can be mainly attributed to increases in income before income taxes and trade payables exceeding the increase in trade receivables.

Net cash used in investing activities expanded 40.5%, to ¥14.6 billion ($121 million). Major components of the increase were payments for purchase of financial securities and increases in loans to subsidiaries and affiliates.

Net cash used in financing activities increased 67.5%, to ¥35.3 billion ($294 million). That increase resulted from a continuing program oriented toward reducing interest-bearing debt.

Cash Flow Indices

	FY1999	FY2000	FY2001	FY2002
Equity ratio	17.4%	17.1%	15.8%	17.0%
Market value equity ratio	56.8%	34.2%	40.5%	26.5%
Average debt repayment period	9.8 years	10.0 years	8.4 years	6.7 years
Interest coverage ratio	4.1 times	4.4 times	5.7 times	7.8 times

Note: Equity ratio: shareholders' equity/total assets
Market value equity ratio: total market capitalization/total assets
Average debt repayment period: interest-bearing debt/operating cash flow
Interest coverage ratio: operating cash flow/interest payments

[1] Disclaimer

This document contains forward-looking statements, including without limitation, statements concerning product development, objectives, goals, and commercial introduction, which involve certain risks and uncertainties. The forward-looking statements are also identified through use of the word "anticipates," and other words of similar meaning. Actual results may differ significantly from the expectations contained in the forward-looking statements.