

I. Consolidated Financial Results for Fiscal Year 2006 (April 1, 2006 March 31, 2007)

1. Consolidated Results

(Percentages show change from prior year)

	Net sales		Operating income		Ordinary income		Net income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
FY 2006	781,347	20.4	60,279	27.0	57,998	16.6	28,488	3.5
FY 2005	648,810	10.3	47,459	(16.6)	49,731	(10.8)	27,532	(6.8)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis	Ratio of Net Income to Shareholders' Equity	Return on Total Assets	Operating Income Margin
	JPY	JPY	%	%	%
FY 2006	47.60	47.59	16.6	8.1	7.7
FY 2005	45.74	—	19.2	8.0	7.3

Note: Investment profit or loss accounted for by the equity method

FY 2006: (JPY 553 million)

FY 2005: JPY 2,365 million

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 2006	788,518	227,768	23.5	308.81
FY 2005	637,476	159,111	25.0	265.75

Note: Shareholders' Equity

FY 2006: JPY 184,973 million

FY 2005: —

3. Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
	JPY millions	JPY millions	JPY millions	JPY millions
FY 2006	51,127	(85,231)	42,348	26,911
FY 2005	33,685	(33,617)	(699)	18,408

II. Dividends

(Date of Record)	Dividend per Share			Total Dividends (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends
	Interim	Year-end	Full Year			
	JPY	JPY	JPY	JPY millions	%	%
FY 2005	3.00	3.00	6.00	3,600	13.1	2.5
FY 2006	3.00	5.00	8.00	4,798	16.8	2.8
FY 2007 (Forecast)	4.00	4.00	8.00		17.1	

III. Forecast of Operating Results for Fiscal Year 2007 (April 1, 2007 – March 31, 2008)

(Percentages show change from prior year or change from prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income Per Share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Mid-year	400,000	6.8	24,000	6.5	22,000	(4.9)	12,000	4.5	20.03
Full year	840,000	7.5	59,000	(2.1)	54,000	(6.9)	28,000	(1.7)	46.75

Note: Amounts less than one million yen have been rounded down.

IV. Other

- (1) Were there material changes to subsidiary companies during the fiscal year (changes to specific subsidiary companies in conjunction with changes in the scope of consolidation)?
 Yes
 Newly consolidated 1 company (Company name: Nippon Polyurethane Industry Co., Ltd.)
 Note: For details see "Relationship of the Operating Businesses in the Company Group" on page 10.
- (2) Changes in accounting principles, procedures, method of presentation or other accounting treatment pertaining to preparation of the consolidated financial statements (matters reported in the changes to significant accounting policies for preparation of the consolidated financial statements)
 ① Are there changes accompanying revisions to accounting standards etc.? Yes
 ② Are there changes other than those pertaining to ① above? Yes

- (3) Number of shares outstanding (common stock)
 ① Number of shares outstanding at end of period (including treasury stock):
 FY 2006 601,161,912 shares FY 2005 601,161,912 shares
 ② Number of shares of treasury stock at end of term:
 FY 2006 2,167,270 shares FY 2005 3,130,399 shares

Reference: Summary of Unconsolidated Operating Results

1. Unconsolidated Financial Results for Fiscal Year 2006 (April 1, 2006 – March 31, 2007)

- (1) Unconsolidated Results (Percentages show change from prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
FY 2006	520,068	17.1	33,584	28.2	38,466	23.3	22,353	37.2
FY 2005	444,024	14.4	26,203	(29.2)	31,191	(22.2)	16,288	(17.2)

	Net Income per Share	Net Income per Share on Fully Diluted Basis
	JPY	JPY
FY 2006	37.26	37.26
FY 2005	26.96	—

(2) Unconsolidated Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	JPY millions	JPY millions	%	JPY
FY 2006	513,746	154,126	30.0	256.84
FY 2005	450,218	137,107	30.5	228.32

Reference: Shareholders' Equity FY 2006 JPY 154,051 million FY 2005 —

2. Forecast of Unconsolidated Operating Results for Fiscal Year 2007 (April 1, 2007 – March 31, 2008)

(Percentages show change from prior year or change from prior year interim period)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Mid-year	270,000	5.8	15,000	28.3	17,000	14.2	11,000	32.0	18.39
Full year	550,000	5.8	33,000	(1.7)	36,000	(6.4)	22,000	(1.6)	36.68

Note: These consolidated operating results and unconsolidated operating results were prepared based on information available to the Company as of the date this material was released. Accordingly, there is a possibility actual results may vary substantially from the figures used as forecasts at this time as a result of changes in future domestic and international economic conditions or factors that cannot be projected.

Topics

<April 2006>

Acquired additional shares of Nippon Polyurethane Industry Co., Ltd., the Company's manufacturing and sales company for polyurethane raw material and derivative products, and converted the firm into a subsidiary company

(35.00% → 51.67%)

<April 2006>

Purchased third-party allocation of shares from Hodogaya Chemical Co., Ltd., a manufacturer and seller of inorganic and organic industrial and pharmaceutical products, dyestuffs, agricultural chemicals and other chemical products

(24.29% → 33.34%)

<June 2006>

Acquired all of the remaining outstanding shares of Rinkagaku Kogyo Co., Ltd., a manufacturer and seller of high-purity phosphoric acid, phosphate products and other chemical products, and converted the company into a wholly-owned subsidiary

(60.00% → 100.00%)

<April 2007>

Began production at Tosoh (Guangzhou) Chemical Industries, Inc., Tosoh's polyvinyl chloride resin manufacturing and sales company in Guangzhou, China

(220,000 tons/year)

<July 2007 Planned>

Expand chloroprene rubber production capacity

(30,000 → 34,000 tons/year)

Topics

<Winter 2007 Planned>

Expand MDI production capacity at Nippon Polyurethane Industry Co., Ltd.
(200,000 → 400,000 tons/year)

<Winter 2007 Planned>

Expand production capacity for aniline, a raw material for MDI, at Nippon
Polyurethane Industry Co., Ltd.
(150,000 → 300,000 tons/year)

<Winter 2007 Planned>

Expand production capacity for carbon monoxide, a raw material for MDI, at
Nippon Polyurethane Industry Co., Ltd.
(8,000 → 16,000 Nm³/Hr.)

<Spring 2008 Planned>

Increase Company-owned generating capacity
(881,000 kW → 1,035,000 kW)

<Spring 2008 Planned>

Expand cumene production capacity
(230,000 → 300,000 tons/year)

<Summer 2008 Planned>

Expand caustic soda production capacity
(1,205,000 → 1,355,000 tons/year)

1. Operating Results

(1) Analysis of Operating Results

① Operating results for the current financial year

During the financial year under review, Japan's economy was supported by an increase in capital investment against the backdrop of improved corporate earnings as the business cycle shifted to a gradual expansionary trend.

Although prices for raw materials such as naphtha and fuel increased rapidly as a result of the sharp rise in the price of crude oil, the environment surrounding the chemical industry brightened. Overseas market conditions for key products such as vinyl chloride resin, vinyl chloride monomer and cumene improved, as supply and demand tightened, and progress was also made in correcting domestic prices for polyethylene, caustic soda, vinyl chloride resins and other products. In its Specialty Group, Tosoh Corporation also expanded shipments as a whole.

Given these circumstances, the Tosoh Group is focusing its effort on expansion of its vinyl isocyanate chain business and the Specialty Group, two core businesses, and has worked zealously to reduce costs and rationalize all management activities. Tosoh also converted Nippon Polyurethane Industry Co., Ltd. and its subsidiary companies into consolidated subsidiaries.

As a result, Tosoh Group consolidated net sales increased by ¥132,536 million compared with the previous financial year to ¥781,347 million. Operating income rose ¥12,819 million year-on-year to ¥60,279 million, and ordinary income increased ¥8,266 million from the previous year to ¥57,998 million. Although extraordinary income declined, and minority interests increased, the increase of ordinary income helped boost net income ¥955 million year-on-year to ¥28,488 million.

A summary of operating results for each of the Company's businesses during the financial year under review is described below.

Petrochemical Group

Olefins enjoyed steady growth, as prices of key raw materials such as naphtha generally were higher than in the previous year. At the same time, Tosoh was able to reduce costs through diversification of cracker raw materials, and implemented increases in domestic prices for ethylene, propylene and aromatic compounds and export prices for cumene and styrene monomers. Sales volume also increased as the result of higher sales.

In polyethylene resin, Tosoh boosted shipments and implemented higher domestic prices following an increase in the price for naphtha. Chloroprene rubber sales rose in overseas markets. The Company also expanded domestic shipments of polyvinyl chloride paste, and revised domestic prices upward.

As a result, Petrochemical Group sales increased 19.7% (¥39,945 million) compared with the previous financial year to ¥242,290 million. Operating income also increased, rising 9.5% (¥1,222 million) year-on-year to ¥14,046 million.

Basic Group

Although caustic soda shipments decreased from the previous year level because of factors such as plant shutdowns for regularly scheduled repairs, the domestic selling price rose as Tosoh implemented a price increase in the wake of higher prices for raw materials and fuel. The Company increased its export volume of vinyl chloride monomer, mainly as a result of capacity expansion undertaken in the previous fiscal year, while overseas market demand also increased. Export shipments of vinyl chloride resin increased and overseas markets also improved, and Tosoh enjoyed higher domestic selling prices after implementing a price increase in response to increases in the price of raw materials and fuel.

Demand for cement was supported by robust private sector demand, and domestic shipments remained steady despite a decline in sales to the public sector.

During the financial year under review, Tosoh converted Nippon Polyurethane Industry Co., Ltd. into a consolidated subsidiary. Therefore, sales to this company were eliminated during consolidation, and as a result, net sales for the Basic Group declined 3.6% (¥7,103 million) compared with the previous financial year to ¥192,334 million. Operating income increased 9.0% (¥505 million) year-on-year to ¥6,108 million.

Specialty Group

With the conversion of Nippon Polyurethane Industry Co., Ltd. and its subsidiary companies into consolidated subsidiaries, urethane raw material was newly added to the Specialty Group's product lineup.

Aided by the increase in production capacity implemented during the previous financial year, Tosoh increased exports of ethyleneamines. The Company also implemented price increases in Japan and overseas. In the bromine business, Tosoh enjoyed steady growth in both domestic and overseas shipments of bromine and bromine-based flame retardants, as well as higher prices.

In measurement-related products, domestic and overseas sales of columns and packing materials for high-performance liquid chromatography (HPLC) systems expanded at a steady pace. In diagnostics-related products, shipments of automated immunoassay (AIA) analyzers edged down slightly, but Tosoh increased shipments of medical products for external diagnosis both within Japan and in other countries. Shipment of Tosoh's automated glycohemoglobin (GHb) analyzer and related reagents for diagnosis of diabetes also registered solid growth.

Zirconia shipments were higher in Japan as well as other countries. Tosoh also increased exports of zeolite, a material used in applications such as purification catalysts for automobile exhaust emissions. Domestic shipments of electrolytic manganese dioxide (EMD) declined under the influence of increased imports, but shipments remained steady in foreign countries, with the exception of Europe.

Shipments of fused silica increased both domestically and overseas, particularly for fused quartz materials and molds, because of strong growth in the semiconductor market. Overall, shipments of sputtering targets decreased, even though shipments for semiconductor applications continued to grow strongly, as orders were effected by the delayed recovery in the liquid crystal display (LCD) panel market.

In water treatment systems and chemicals, net sales rose as the result of strong sales for large-scale electronics industry-related projects and Tosoh's solutions business, and the addition of Tosoh's subsidiaries in China and Taiwan as newly consolidated companies.

As a result, Specialty Group net sales increased 49.2% (¥98,664 million) compared with the previous financial year to ¥299,352 million, and operating income also rose year-on-year by 39.4% (¥10,511 million) to ¥37,159 million.

Service Group

Trading company and logistics subsidiary operations expanded slightly, while earnings improved significantly. As a result, Service Group net sales increased 2.2% (¥1,030 million) compared with the previous financial year to ¥47,369 million, and operating income rose 24.4% (¥581 million) year-on-year to ¥2,965 million.

A summary of operating results by geographic region during the financial year under review is described below.

Tosoh Group companies in Japan raised the price of olefins following steep increases in the prices of naphtha and various other raw materials. Prices were higher in overseas markets as well. The price of polyethylene resin rose in both Japan and other markets. For vinyl chloride resin and vinyl chloride monomer, higher prices spread in the domestic market, and shipments also increased. Sales in overseas markets were also higher.

As a result, for the financial year under review Tosoh's net sales in Japan expanded 20.1% (¥116,438 million) year-on-year to ¥694,891 million, and operating income also increased by 28.4% (¥12,124 million) compared with the previous financial year to ¥54,884 million.

Internationally, Tosoh Group companies increased foreign currency-denominated net sales in North America, Europe and Asia, and boosted by a contribution from the weaker yen as well, net sales as a whole were higher than in the previous financial year.

While the sales volume of zirconia expanded strongly in each region of Europe, shipments of electrolytic manganese dioxide (EMD) were down. Shipments of ethyleneamines, sputtering targets and fused silica increased strongly in Asia and North America. Shipments of vinyl chloride resin were also higher in Asia.

As a result, for the financial year under review Tosoh's net sales outside of Japan rose 22.9% (¥16,098 million) compared with the previous financial year to ¥86,455 million, and operating income also increased 14.8% (¥694 million) compared with the previous financial year to ¥5,394 million.

② Forecast for the financial year

During our next financial year, Japan's economy is expected to continue its gradual economic expansion, propelled by private sector demand including capital investment. Some concerns remain, however, with regard to negative effects from a resurgence in crude oil prices or slowdown in the U.S. economy.

The business environment surrounding the Tosoh Group, including prices for raw materials such as naphtha and fuel which have risen sharply, and the forecast for product markets in foreign markets such as China, also remains uncertain.

Given this business environment, the Tosoh Group is pursuing specific measures to achieve its corporate objectives as "a corporate group that evolves continuously in response to its environment," "a corporate group that possesses solid profitability" and "a corporate group in which each employee can fully demonstrate his or her capabilities." In particular, Tosoh Group will strive to achieve strong profitability and stable dividends by expanding the businesses of its Specialty Group, which are less effected by market fluctuations.

For the full year, Tosoh projects consolidated net sales of ¥840,000 million, operating income of ¥59,000 million, ordinary income of ¥54,000 million and net income of ¥28,000 million. These results include ¥4,000 million as the normal fiscal year expense for depreciation and amortization pertaining to the remaining acquired assets based on the tax system reform in FY 2007.

The assumptions used for the full-year forecast results shown here are a domestic production naphtha price of ¥55,000/KL and an exchange rate of ¥115/US\$ and ¥150/euro.

(2) Analysis of Financial Position

① Analysis of assets, liabilities and shareholders' equity

Total assets increased by ¥151,041 million compared with the end of the previous financial year to ¥788,518 million. This reflected the conversion of Nippon Polyurethane Industry Co., Ltd. and its subsidiaries into consolidated subsidiaries, and the increase in fixed assets resulting from investment in an MDI manufacturing plant at Nippon Polyurethane Industry Co., Ltd. and the aniline production facility and electric power plant at the Nanyo Complex.

Total liabilities increased by ¥108,474 million compared with the end of the previous financial year to ¥560,749 million as a result of the conversion of Nippon Polyurethane Industry Co., Ltd. and its subsidiaries into consolidated subsidiaries and an increase in long-term debt.

As a result of net income for the year and an increase in minority interests because of the conversion of Nippon Polyurethane Industry Co., Ltd. and its subsidiaries into consolidated subsidiaries, total net assets increased by ¥42,567 million compared with the end of the previous financial year (total of minority interests and shareholders' equity at the end of the previous financial year) to ¥227,768 million.

② Changes in cash flows and related indices

Cash and cash equivalents increased by ¥8,502 million year-on-year to ¥26,911 million.

Cash flows from operating activities totaled ¥51,127 million. Although trade receivables and inventories increased, cash flow from operations increased by ¥17,442 million, reflecting higher income before income taxes and minority interests, an increase in depreciation and amortization expense and a decrease in payments for income taxes.

Cash flows used in investing activities were ¥85,231 million. Payments increased by ¥51,613 million compared with previous financial year, as a result of factors such as active capital investment.

As a result, free cash flow decreased by ¥34,171 million compared with previous financial year, and expenditures totaled ¥34,103 million.

Cash flows from financing activities were ¥42,348 million. This was an increase of ¥43,048 million compared with previous financial year, as the result of an increase in long-term debt.

Selected financial indices for the Tosoh Group are shown below.

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Ratio of shareholders' equity to total assets	17.0%	18.1%	21.2%	25.0%	23.5%
Ratio of shareholders' equity to total assets, market price basis	26.5%	45.2%	52.5%	55.2%	46.1%
Ratio of interest-bearing debt to cash flow	6.7	8.5	6.4	8.6	6.9
Interest coverage ratio	7.8	7.2	10.6	8.6	10.7

Note: Ratio of shareholders' equity to total assets: Shareholders' equity / Total assets
Ratio of shareholders' equity to total assets: Total market capitalization / Total assets
Average debt repayment period: Interest-bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest payments

Note: All indices are calculated using consolidated financial values.

Total market capitalization is calculated by multiplying the share closing price of the Company's stock at the end of the period by the number of shares outstanding at the end of the period (after deducting treasury stock).

For the above calculations the Company uses the cash flow provided by operating activities on the consolidated statement of cash flows as operating cash flow.

Interest-bearing debt is all liabilities on which the Company pays interest that are included in liabilities accounted for on the consolidated balance sheet.

Interest payments are the amount of interest paid shown on the consolidated statements of cash flows.

(3) Basic policy concerning profit allocation and dividends for the current and next fiscal year

Tosoh Corporation has positioned the distribution of earnings to shareholders as an important capital policy, and has adopted a policy of paying continuous and stable dividends to shareholders as its basic policy concerning profit allocation.

Based on this policy, and as a result of comprehensive consideration of factors such as its earnings trend, financial position and the capital required for the future development of its businesses, Tosoh Corporation paid an interim dividend of ¥3 per share for the financial year under review, identical to the dividend in the same period of the previous financial year. The Company plans to increase its year-end dividend by ¥2 from its previous estimate of ¥3 and pay a year-end dividend of ¥5 per share. As a result, when combined with the interim dividend the full-year dividend will be ¥8 per share.

In the next financial year, the Company plans to pay a full-year dividend of ¥8 per share, consisting of an interim dividend of ¥4 and a year-end dividend of ¥4.

With regard to internal reserves, Tosoh Corporation seeks to improve its long-term corporate value and meet the expectations of its shareholders by using these funds effectively to strengthen its financial position, invest in its core businesses and undertake research and development activities.

4. Business and other risks

The following risks are included among the business and accounting matters that might have an important influence on investors' decisions.

However, these business and other risks are the matters evaluated to be risks as of the end of the Financial Year Under Review, and are not a comprehensive list of risk factors.

1) Changes in international markets for products, raw materials and fuel

For the Tosoh Group, there is a possibility market changes for commodities such as crude oil, naphtha and petrochemical products will have a material influence on the operating results and financial position of the Tosoh Group, particularly in its operations involving petrochemicals and basic raw materials.

2) Change in domestic and international economic conditions and demand

There is a possibility the external environment, including domestic and international customer and market trends, economic conditions and business development by competing companies, will have an influence on the operating results and financial position of the Tosoh Group.

3) Exchange rate fluctuations

The Tosoh Group exports certain products it manufactures domestically to foreign countries, and imports most of its raw materials and fuel from foreign countries. There is a possibility large fluctuations in exchange rates will have an influence on the Group's foreign currency-denominated transactions and assets and liabilities, as well as on the conversion of the financial statements of the Group's overseas companies into their yen equivalent, and thereby influence the operating results and financial position of the Tosoh Group.

4) Procurement of raw materials

The Tosoh Group procures the raw materials and fuels required for its production activities from domestic and international suppliers, and seeks long-term, stable procurement through diversification of its raw material and fuel procurement sources, the conclusion of medium and long-term supply agreements or purchases from the spot market. Nevertheless, there is a possibility the operating results and financial position of the Tosoh Group will be effected if obstacles to procurement arise as the result of a disaster, accident or other occurrence at the Group's suppliers.

5) Interest rate fluctuations

Although the Tosoh Group seeks to reduce its interest-bearing debt and improve its financial account balances, there is a possibility the Group's interest expense will increase and have an influence on the operating results and financial position of the Tosoh Group if interest rates rise in the future.

6) Environmentally-related and other legal restrictions

The Tosoh Group recognizes environmental conservation and ensuring safety and health to be its most important management issues, and is engaged in the active conduct of these activities. Nevertheless, there is a possibility the operating results and financial position of the Tosoh Group will be effected in the future if the Group's business activities are restricted, or additional capital investment and new costs are incurred, as a result of changes such as the strengthening of domestic and foreign legal restrictions pertaining to the environment or demands for even greater corporate social responsibility.

7) Quality issues

The Tosoh Group has established a quality assurance system for its products, and also purchases product liability insurance. Nevertheless, should an unanticipated defect occur in a product, this can be assumed to result in a decrease in society's trust or discontinuation of sales of the product, or even develop into circumstances in which a lawsuit is initiated. There is a possibility such a situation will influence the operating results and financial position of the Tosoh Group

8) Lawsuits

The Tosoh Group has enacted a Compliance Conduct Policy, and strives to comply with domestic and foreign laws. Nevertheless, there is a risk Tosoh Group will become the target of a lawsuit or other legal procedure in the course of its extensive business operations, and there is a possibility this will influence the operating results and financial position of the Tosoh Group if the group becomes subject to a serious lawsuit.

9) Accidents and disasters

The Tosoh Group implements daily and regularly scheduled facility inspections, maintenance and safety-related investments, and strives to prevent beforehand the occurrence of facility accidents. Nevertheless, there is a possibility the effects of a natural disaster or unexpected accident will influence the operating results and financial position of the Tosoh Group if a loss is suffered because of a halt in production or costs related to compensation for damage to the area surrounding a group plant, substantial facility repair costs or other expenditures are incurred.

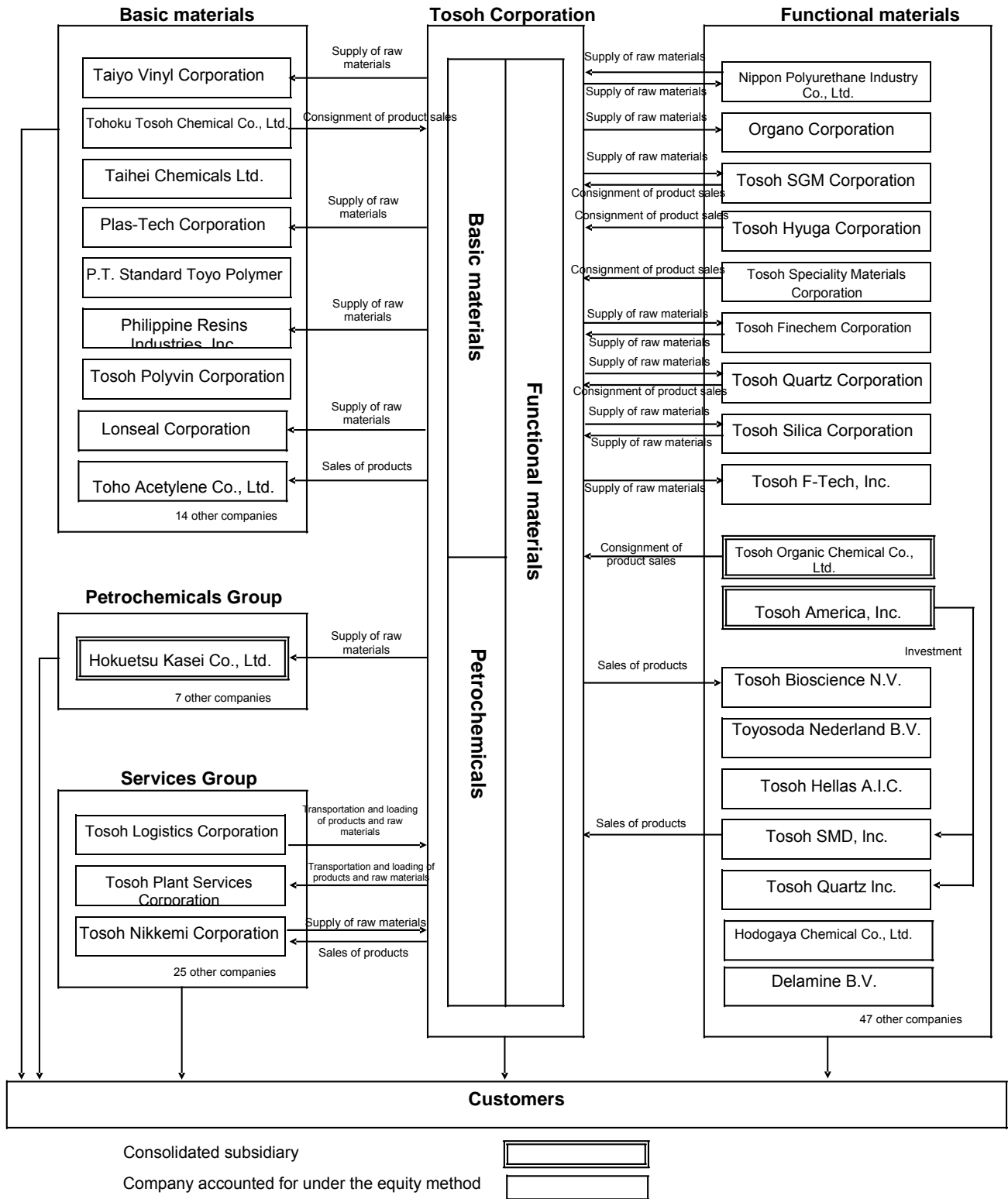
10) Technical improvements

The Tosoh Group seeks to be a "firm with a technological presence," and is pursuing active research and development in each business sector. In its specialty products business in particular, the speed of technological improvements is remarkable, and the Tosoh Group believes it must develop and offer new products on a timely basis. Nevertheless, there is a possibility the operating results and financial position of the Tosoh Group will be effected if the Group is unable to continuously develop and offer new products that meet customers' needs, or if groundbreaking technological improvements are achieved by other companies.

On March 15, 2007, Tosoh Corporation received a Statement of Objection from the European Commission expressing doubts pertaining to the Company's competitive methods for sales of chloroprene rubber in Europe.

Tosoh Corporation will respond appropriately after sufficiently studying the contents of the Statement of Objection and conferring with its attorneys.

2. Relationship of the Operating Businesses in the Company Group



Note: Nippon Polyurethane Industry Co. Ltd., which had been accounted for using the equity method, was made a consolidated subsidiary on April 14, 2006.

3. Management Policies

(1) Basic management policies

Tosoh Corporation has established the objective of being a firm capable of responding rapidly to changes in its business environment, managing its business activities fairly and with a high degree of transparency, and developing its businesses globally against the backdrop of true global competitiveness, in order to continually increase its corporate value.

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:

- evolving to react effectively to a dynamic operating environment,
- exhibiting broad earning power,
- employees realizing their full potential in contributing to operations.

(2) Issues to be addressed and key management measures

In its petrochemical operations, Tosoh will undertake works in a number of areas. These include attaining the highest effectiveness and quality in olefins, to solidify their base of international products as internationalization continues, diversifying raw materials and fuels at ethylene production plants, and improving product quality, increasing productivity and expanding production capacity at its cumene production facilities. In addition, in polymer products such as polyethylene and rubber, Tosoh will seek to enhance profitability by reducing costs, maintaining cutting edge technological capabilities in sectors where the Company excels, increasing added value, and increasing production capacity for polymers that offer differentiated and unique functionality.

In its vinyl isocyanate chain business (Basic Group and Specialty Group), during the year Tosoh completed the construction of its vinyl chloride resin manufacturing plant in Guangzhou, China and began operations. In fiscal 2007, Tosoh will double production capacity for MDI, and the key raw material components aniline and carbon monoxide. In fiscal 2008, Tosoh will complete the Phase II enhancement of its so-called vinyl isocyanate chain business, by increasing its own power plants for electricity and expanding caustic soda production capacity. Based on these measures, Tosoh is proceeding to build a product lineup boasting the highest level of competitiveness, in Asia and around the world.

In the Specialty Group for products other than MDI, Tosoh will work continuously to expand and develop the scale of its line of products with leading positions in the bioscience, organic chemical products, functional materials, electronics materials and environmental business sectors, and seek to increase the Group's stable earnings capacity.

To support the competitiveness of group companies in the Service Group, Tosoh will enhance the distribution infrastructure in its logistics business by upgrading piers and revetments, constructing warehouses and building and renovating ships, and optimize facilities and equipment maintenance activities and pursue reductions in maintenance and repair costs.

In addition, as a corporate member of societies that seek to recycle materials, Tosoh will continue its activities in the future as a firm that is capable of contributing to society, by taking into consideration the environment and safety, in accordance with its basic philosophy concerning the environment, safety and health.