



TOSOH CORPORATION

I. Consolidated Financial Results for Fiscal Year 2007 (April 1, 2007 March 31, 2008)

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 2007	827,394	5.9	59,107	(1.9)	52,451	(9.6)	25,183	(11.6)
FY 2006	781,347	20.4	60,279	27.0	57,998	16.6	28,488	3.5

	Net Income per Share	Net Income per Share on a Fully Diluted Basis	Ratio of Net Income to Shareholders' Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Total Sales
	JPY	JPY	%	%	%
FY 2007	42.05	42.03	13.1	6.5	7.1
FY 2006	47.60	47.59	16.6	8.1	7.7

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

FY 2007: (JPY 469 million) FY 2006: (JPY 553 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 2007	816,994	242,361	24.3	331.69
FY 2006	788,518	227,768	23.5	308.81

Note: Shareholders' Equity FY 2007 JPY 198,606 million FY 2006: JPY 184,973 million

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 2007	62,166	(66,481)	5,311	27,287
FY 2006	51,127	(85,231)	42,348	26,911

II. Dividends

(Date of Record)	Dividend per Share			Total Dividends (Full Year)	Dividend Payout Ratio (Consolidated)	Ratio of Dividends
	Interim	Year-end	Full Year			
FY 2006	3.00	5.00	8.00	4,798	16.8	2.8
FY 2007	4.00	4.00	8.00	4,798	19.0	2.5
FY 2008	4.00	4.00	8.00		18.4	



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III. Forecast of Operating Results for Fiscal Year 2008 (April 1, 2008 – March 31, 2009)

(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	430,000	7.5	22,000	(28.3)	21,000	(28.7)	12,000	(19.7)	20.04
Full year	900,000	8.8	48,000	(18.8)	47,000	(10.4)	26,000	3.2	43.42

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)? No
- (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? No
- (3) Number of shares outstanding (common stock)
- ① Number of shares outstanding at end of period (including treasury stock):
- | | | | | |
|--|---------|--------------------|---------|--------------------|
| | FY 2007 | 601,161,912 shares | FY 2006 | 601,161,912 shares |
|--|---------|--------------------|---------|--------------------|
- ② Number of shares of treasury stock at end of term:
- | | | | | |
|--|---------|------------------|---------|------------------|
| | FY 2007 | 2,395,205 shares | FY 2006 | 2,167,270 shares |
|--|---------|------------------|---------|------------------|

Reference: Summary of Unconsolidated Operating Results

1. Unconsolidated Financial Results for Fiscal Year 2007 (April 1, 2007 – March 31, 2008)

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

	Net		Operating Income		Ordinary Income		Net Income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
FY 2007	576,750	10.9	36,307	8.1	37,314	(3.0)	20,996	(6.1)
FY 2006	520,068	17.1	33,584	28.2	38,466	23.3	22,353	37.2

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	JPY	JPY
FY 2007	35.01	35.00
FY 2006	37.26	37.26



(2) Unconsolidated Financial Position

	Total Assets	Net Assets	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity per Share
FY 2007	JPY millions 541,691	JPY millions 163,997	% 30.2	JPY 273.27
FY 2006	513,746	154,126	30.0	256.84

Reference: Shareholders' Equity FY 2007 JPY 163,853 million FY 2006 JPY 154,051 million

2. Forecast of Unconsolidated Operating Results for Fiscal Year 2008 (April 1, 2008 – March 31, 2009)

(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	295,000	5.5	16,000	(13.6)	19,000	(8.0)	11,000	(15.6)	18.34
Full year	610,000	5.8	32,000	(11.9)	39,000	4.5	24,000	14.3	40.02

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.



HIGHLIGHTS

<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)

<April 2007>

Expanded chloroprene rubber production capacity

(30,000 → 34,000 tons/year)

<December 2007>

Expanded production capacity of carbon monoxide, a raw material for MDI, at Nippon Polyurethane Industry Co., Ltd.

(8,000 → 16,000 Nm³/H)

<January 2008>

Expanded MDI production capacity at Nippon Polyurethane Industry Co., Ltd.

(200,000 → 400,000 tons/year)

<February 2008 >

Expanded production capacity of aniline, a raw material for MDI, at Nippon Polyurethane Industry Co., Ltd.

(150,000 → 300,000 tons/year)

<April 2008>

Increased in-house electric power-generation capacity

(881,000kW → 1,035 000 kW)

<April 2008>

Expanded caustic soda production capacity

(1,205,000 → 1,373,000 tons/year)



HIGHLIGHTS

<Spring 2008>

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

<Winter 2008>

Build new production facilities for High Silica Zeolite at
Yokkaichi Complex

<Winter 2008>

Build new production facilities for Zirconia at Yokkaichi
Complex

<Spring 2010>

Expand ethyleneamine production capacity
(53,000 → 79,000 tons/year)

<Spring 2012>

Expand ethyleneamine production capacity
(79,000 → 89,000 tons/year)



1. OPERATING RESULTS

(1) Analysis of Operating Results

① Operating results for the current financial year

During the first half of the fiscal year under review, Japan's economy was supported by an increase in capital investment and growth in exports. The second half of the year, however, witnessed growing concern over the undetermined impact on economic conditions of several factors. These included the sharp rise in the price of crude oil, the significant slowing of the U.S economy because of the subprime loan crisis in that country, and the yen's appreciation against the U.S. dollar.

For the Japanese chemical industry, the surging price of crude oil rapidly increased the cost of raw materials, such as naphtha. The overall environment surrounding Japan's chemical industry nevertheless brightened because of robust overseas demand for petrochemical products.

Tosoh Group fiscal 2007 consolidated net sales increased ¥46,047 million compared with the previous fiscal year, to ¥827,394 million (US\$8,258.2 million). This increase resulted from growth in sales abroad for such core Tosoh products as polyvinyl chloride resins and urethane materials, from the implementation of domestic price adjustments, and from the expansion of our specialty materials operations.

Operating income, however, decreased ¥1,172 million year on year, to ¥59,107 million (US\$589.9 million), because of poor business conditions for some specialty materials operations. Ordinary income also decreased, ¥5,547 million, from the previous fiscal year, to ¥52,451 million (US\$523.5 million), on the basis of substantial foreign exchange losses caused by the steep appreciation of the yen toward the end of fiscal 2007. Net income decreased ¥3,305 million year on year, to ¥25,183 million (US\$251.4 million), as a result of the drop in ordinary income and because the provision for allowances for business restructuring losses was allocated to extraordinary losses.

Business Segment Results **Petrochemical Group**

Petrochemical Group net sales were up 11.8%, or ¥28,590 million, compared with the previous fiscal year, to ¥270,881 million (US\$2,703.7 million). The group's operating income likewise increased, 6.9%, or ¥965 million, to ¥15,012 million (US\$149.8 million).

Olefin products faced high prices across the board for raw materials, especially naphtha. Under these conditions, Tosoh pushed forward by implementing domestic price increases for ethylene, propylene, and aromatic compounds and by diversifying its raw materials to further cost cutting. Markets abroad, meanwhile, grew for cumene and styrene monomer.

Polyethylene shipments increased in Japan and dropped overseas. Price adjustments were implemented in Japan to reflect the high cost of naphtha. Chloroprene rubber sales rose in overseas markets. And the Company expanded its domestic shipments of and increased its domestic price for polyvinyl chloride (PVC) paste.



Basic Group

Basic Group net sales were up 1.8%, or ¥3,454 million, over fiscal 2006, to ¥195,788 million (US\$1,954.2 million). As a result of a price increase for feedstocks and a higher depreciation burden, the group's operating income decreased 56.1%, or ¥3,428 million, to ¥2,680 million (US\$26.7 million).

The negative impact on caustic soda production caused by a power failure that occurred at the Nanyo Complex, Tosoh's main production hub, was offset by a capacity expansion and increased shipment volumes for export. Overseas markets showed growth for caustic soda, while in Japan rising costs for raw materials enabled price adjustments to be implemented.

Event though markets abroad experienced growth, overall shipment volumes of vinyl chloride monomer (VCM) decreased as a result of the power failure. Shipments of PVC resins increased abroad, while decreased shipments in Japan were attributed to stagnant demand. The high cost of fuels resulted in price increases for PVC resins in Japan and abroad. Cement shipments decreased in Japan on account of a decline in public demand and the implementation of the Revised Building Standard Law.

Specialty Group

Specialty Group net sales increased 4.0%, or ¥12,099 million, compared with fiscal 2006, to ¥311,451 million (US\$3,108.6 million). And group operating income rose 2.3%, or ¥866 million, to ¥38,025 million (US\$379.5 million).

Overseas and domestic shipments were strong for bromines and bromine-based flame retardants. Price increases were successfully implemented for ethyleneamines, bromine, and heavy metal treatment agents in Japan and abroad.

In bioscience-related products, our overseas and domestic shipments of liquid chromatography columns and packing materials grew. Among diagnostic products, our shipments of vitro diagnostic reagents increased at home and abroad, while the shipments of automated immunoassay and glycohemoglobin analyzers and reagents used in screening for and the monitoring of diabetes mellitus increased solidly.

Zirconia product shipments rose in Japan and abroad on account of growing demand for fine ceramics. In battery material markets, excluding Europe, our shipments of electrolytic manganese dioxide (EMD) increased.

Overseas shipments of fused silica glass for semiconductors decreased as the sudden drop in DRAM prices reduced the capital investments of device makers. Sputtering targets for semiconductor applications remained robust, while lackluster demand for LCD panels resulted in a decrease in shipments of targets for LCD markets.

Sales of water treatment facilities and related chemicals to electronic and general industrial plants and to the pharmaceutical sector decreased.

Urethane raw material sales increased as a result of successful price adjustments in Japan, and rising prices in foreign markets, and shipments rose as a result of an increase in production capacity.



Service Group

Net sales by the Service Group increased 4.0%, or ¥1,903 million, over a year earlier, to ¥49,273 million (US\$491.8 million), with both trading and logistics companies posting sales gains. The group's operating income also increased, 14.3%, or ¥424 million, to ¥3,389 million (US\$33.8 million).

Geographical Segment Results

Compared with the previous fiscal year, Tosoh Group companies increased their foreign currency denominated consolidated net sales in North America, Europe, and Asia, with an increase from ¥265,705 million, to ¥278,950 million (US\$2,784.2 million). This represented 33.7% of overall Tosoh consolidated net sales of ¥827,394 million (US\$8,258.2 million).

Consolidated net sales in Asia expanded slightly over the previous year's figure, to ¥198,894 million (US\$1,985.2 million), while in Europe and North America combined sales increased from ¥67,962 million to ¥80,056 million (US\$799.0 million).

In Europe, zirconia sales volumes expanded in the markets where we do business, but shipments of electrolytic manganese dioxide (EMD) were down. Shipments of ethyleneamines and silica glass increased to Asia and North America, and our shipments of vinyl chloride resin likewise rose in Asia. Nevertheless, net sales total increase in Asia and North America was restrained because of the yen's appreciation against the U.S. dollar. Vinyl chloride resin and vinyl chloride monomer both experienced an increase in overseas shipments.

Outlook

In the financial year ahead, Japan's economy is expected to slow as a result of weaker private-sector capital investment and corporate earnings compared with fiscal 2007. Concerns also remain over the effects of surging crude oil prices, the slowdown in the U.S. economy, and sudden exchange rate fluctuations. As a whole, the business environment surrounding the Tosoh Group—including prices for such raw materials as naphtha and fuel, which have risen sharply, and the forecast for product sales in foreign markets, such as China—is fraught with uncertainty.

The Tosoh Group, therefore, is pursuing specific measures to achieve its corporate objectives. It seeks to be a corporate group that evolves continuously in response to its environment, that is solidly profitable, and that offers every employee opportunities to fully achieve their capabilities. In particular, the Tosoh Group will strive to increase profitability and stabilize dividends by expanding the businesses of its Specialty Group, which are less affected by market fluctuations.

For fiscal year 2008, Tosoh projects consolidated net sales of ¥900,000 million (US\$9,000 million); operating income of ¥48,000 million (US\$480 million); ordinary income of ¥47,000 million (US\$470 million); and net income of ¥26,000 million (US\$260 million).

The assumptions used for the full-year forecasts shown here are a domestic production naphtha price of ¥69,000/kl and an exchange rate of ¥100/US\$.

(2) Analysis of Financial Position

① Analysis of assets, liabilities and shareholders' equity

Total assets increased by ¥28,475 million compared with the end of the previous financial year to ¥816,994 million (US\$8,154.4 million). This reflected the increase in fixed assets resulting from investment in vinyl isocyanate chain and buildup of inventory associated with rapid increase in the feedstock price, although investment in securities decreased after the decline in listed stock prices.



Total liabilities increased by ¥13,882 million compared with the end of the previous financial year to ¥574,632 million (US\$5,735.4) as a result of an increase in accounts payable following a sharp rise in the feedstock prices and a rise in borrowing.

Total net assets increased by ¥14,593 million compared with the end of the previous financial year to ¥242,361 million (US\$2,419 million) as a result of net income for the year and despite of the decrease in marketable securities valuation difference.

② Changes in cash flows and related indices

Cash and cash equivalents increased by ¥376 million year-on-year to ¥27,287 million (US\$272.4 million).

Cash flows from operating activities totaled ¥62,166 million (US\$620.5 million). Although net income before income taxes decreased and the amount of corporate tax increased, cash flow from operations increased by ¥11,038 million, reflecting lower working capital expenditures from respective increase and decrease of trade receivables and accounts payable.

Cash flows used in investing activities were ¥66,481 million (US\$663.5 million). Payments decreased by ¥18,749 million compared with previous financial year, as a result of factors such as decrease in capital investment and investment in securities.

As a result, free cash flow decreased by ¥29,788 million (US\$297.3 million) compared with previous financial year, and expenditures totaled ¥4,315 million.

Cash flows from financing activities were ¥5,311 million (US\$53 million). This was a decrease of ¥37,037 million compared with previous financial year, as the result of a decrease 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	18.1%	21.2 %	25.0%	23.5%	24.3%
Ratio of shareholders' equity to total assets, market price basis	45.2 %	52.5 %	55.2 %	46.1 %	25.1 %
Ratio of interest-bearing debt to cash flow	8.5	6.4	8.6	6.9	5.9
Interest coverage ratio	7.2	10.6	8.6	10.7	10.4

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 adopted the increase of the long-term corporate value through the improvement of profitability and further financial strengthening as its most important business challenge. Based on this, 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 decided on the distribution of earnings into dividends and internal reserves.

The Company has positioned the return of profits to shareholders as one of the most important equity strategies and adopted the payment of continuous and stable dividends as its basic policy. 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. The Company takes flexible position with regard to the payback, based on a mid to long-term equity strategy.



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TOSOH

In the view of this strategy, for the financial year under review the interim dividend was set at ¥4 per share. The Company plans to pay the year-end dividend of ¥4 per share, as it was previously announced. 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.



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.