



NEWS RELEASE

November 21, 2006

Tosoh Announces First Half Consolidated Results FY2006 (April 1, 2006 – September 30, 2006)

Tokyo, Japan – Tosoh Corporation announced consolidated results for the first half of the fiscal year, ending March 31, 2007. The Company reported net sales growth of 23.2% over the first half of the previous fiscal year to JPY 374.7 billion (US\$3,178.1 million)¹. Operating Income increased 4.3% to JPY 22.5 billion (US\$191 million) and Ordinary Income decreased 0.1% to JPY 23.1 billion (US\$196 million). Investment losses on the equity method and net interest expenses were attributed to the decreases. Net Income moved down 9.1% to JPY 11.5 billion (US\$97.4 million) due to an increase in profits for minority interests in subsidiaries.

The Japanese economy continued to improve as healthy corporate profits fuelled capital investment and a tighter labor market boosted consumer demand. But under prolonged pressure from steep increases for crude oil and raw materials such as naphtha, the Chemical Industry continued to face harsh operating conditions. Tosoh moved to counter the shifting business environment by implementing price adjustments for core products, strengthening the competitiveness of their fully integrated vinyl isocyanate chain operations, and by expanding Specialty niche markets. As part of a 1 billion-dollar investment in expanding operations, Tosoh increased its stake in affiliate Nippon Polyurethane Industry Co., Ltd. (NPU) to 51.7% to make it a fully consolidated subsidiary.

Business segment

Petrochemical Group

Net sales this period were up 23.6% (¥22.7 billion) from the previous year to ¥119.0 billion (US\$1,010.0 million), while operating income decreased 16.3% (¥962 million) from last year to ¥4.9 billion (US\$42.0 million) due to fixed cost increases.

Olefin products faced high prices across the board for raw materials, especially the key naphtha. Under these conditions, Tosoh pushed forward by implementing domestic price increases for ethylene, propylene, and aromatic compounds, while initiating cost cutting through the diversification of raw materials. Overseas price increases were implemented for cumene and styrene monomer. As a result of the high cost of raw materials, polyethylene price increases were implemented in Japan. Tosoh boosted domestic shipments of polyvinyl chloride (PVC) paste, and increased prices, while overseas markets for chloroprene showed growth.

Basic Group

Basic Group sales increased 2.9% (¥2.6 billion) compared to the previous year to ¥94.4 billion (US\$800.3 million), while operating income was down 95.8% (¥2.8 billion) to ¥121 million (US\$1 million).

Caustic soda shipments decreased on account of a scheduled plant stoppage. Capacity expansions completed last year for VCM supplied a boost in exports. Shipments of polyvinyl chloride (PVC) resins increased both at home and abroad. The high cost of raw materials resulted in price increases for caustic soda and PVC resins in Japan. In Asia market prices for VCM increased. Cement exports increased, while domestic shipments moved down on account of completion of public-sector disaster recovery efforts.

¹ For reference purposes, U.S. dollar amounts are translated from yen at the rate of ¥117.90 = US\$1, the exchange rate in effect on September 30, 2006.

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Specialty Group

Sales of the Specialty Group increased 49% (¥45.7 billion) to ¥1,388.3 billion (US\$1,177.6 million), while operating income advanced 42.4% (¥4.9 billion) to ¥16.3 billion (US\$138.2 million).

MDI (methyl diphenyl diisocyanate) the raw material for polyurethane was added as a new product to the Specialty Group portfolio. MDI is produced by the wholly consolidated subsidiary NPU, and has a wide variety of applications and marketing synergies for existing product lines, such as organic synthesis, polyurethane catalysts, and specialty polymers.

Receiving support from capacities increases completed last year, ethyleneamines shipments rose while price adjustments were successfully implemented in Japan. Bromines and bromine-based flame retardants shipments were brisk and prices were raised in Japan and overseas.

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

Zirconia product shipments rose in Japan and abroad. Exports of zeolites for automobile exhaust systems and other applications grew. In contrast, shipments of electrolytic manganese dioxide (EMD) leveled out with price adjustments implemented overseas in Asia, Europe, and the United States.

Semiconductor markets remained firm and as a consequence shipments of fused silica glass were strong in Japan and overseas. Although sputtering targets for semiconductor markets remained strong, overall shipments were down on account of production adjustments for LCD panel markets. Sales of water treatment plants and related chemicals were also down, given the completion of some major projects.

Service Group

Sales of the Service Group decreased 1.7% (¥380 million) from the previous year to ¥22.4 billion (US\$190.2 million), and operating income decreased 13.2% (¥177 million), to ¥1.2 billion (US\$9.9 million). Both trading company and construction related subsidiary growth remained flat.

Geographical Segment

Sales in Japan of the parent company and Japanese subsidiaries rose 22.5% (¥61.4 billion) compared to the same time last year to ¥333.9 billion, and operating income also increased by 3.3% (¥630 million) to ¥19.8 billion (US\$168.3 million). In Japan, olefins and polyethylene product prices were raised in response to the high costs of naphtha and other raw materials while markets overseas also witnessed growth. Tosoh benefited in Japan from the more widespread application of price increases for PVC resin, while VCM prices abroad in Asia also moved up.

Growth in sales on a local currency basis and depreciation of the yen resulted in an overall increase for non-Japanese subsidiaries. In Europe, shipments of zirconia, scientific instruments, and diagnostic products were strong. Shipments of ethyleneamines, sputtering targets, and silica glass were robust in Asia and North America. Sales outside of Japan were up 29.4% (¥9.3 billion) from the previous year, to ¥40.8 billion (US\$346.2 million).² Operating income also increased by 12.5% (¥299 million) to ¥2.7 billion (US\$22.8 million).

Outlook for the fiscal year to March 31, 2007

Tosoh's projections for the fiscal year ending March 31, 2007 call for net sales of ¥780 billion (US\$6,615.8 million), operating income of ¥53 billion (US\$450 million), ordinary income of ¥50 billion (US\$424 million), and net income of ¥24 billion (US\$203.6 million). Moreover, the Company plans to pay interim dividends of ¥3 per share.

The future outlook is brightened by expectations that the global and Japanese economies are both set to

² Actual sales recorded by non-Japanese subsidiaries on an unconsolidated basis were higher, however through elimination of inter-company transactions during the consolidated accounting process results in sales being recorded as ¥40.8 billion (US\$346.2 million)

continue along an expansionary track. Still, there are concerns about the impact on the Japanese and international economies from fluctuations in the price of crude oil and the cooling down of the US economy. Looking at the Group's operating environment, concerns persist over increases in the prices of naphtha and raw materials prompted by sporadic changes in crude oil prices and the unpredictability of markets in China. In making the forecasts, the company has used the following assumptions: naphtha prices in Japan, ¥50,000 per kiloliter and a currency exchange rate of ¥115 to the U.S. dollar.

Through innovations in technology and business, the Tosoh Group continues to strengthen core operations to improve competitiveness and focus on developing product lines that are leaders in global or Asian markets.

Tosoh Corporation

Headquartered in Tokyo, Japan, Tosoh Corporation is a diversified global chemical and specialty materials company. Founded in 1935, the Company has expanded its reach into high value-added businesses such as fine chemicals, scientific instrumentation, thin film materials, and quartzware. Tosoh is a multibillion-dollar corporation that employs more than 9,000 people worldwide. The Company is listed on the Tokyo Stock Exchange.

Stock Exchange Ticker Symbol: 4042

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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.

Summary of first half results and comparison with previous fiscal year

First Half Consolidated Results FY2006 (April 1, 2006 – September 30, 2006)

	Net Sales		Operating Income		Ordinary Income*	
	JPY millions	%**	JPY millions	%	JPY millions	%
FY06 - 04.01.06-09.30.06	374,700	23.2	22,531	4.3	23,131	(0.1)
FY05 - 04.01.05-09.30.05	304,056	11.6	21,601	(2.0)	23,158	5.6
FY05 - 04.01.05-03.31.06	648,810		47,459		49,731	

* 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	
FY06 - 04.01.06-09.30.06	11,480	(9.1)	19.20	
FY05 - 04.01.05-09.30.05	12,633	1.7	21.13	
FY05 - 04.01.05-03.31.06	27,532		45.74	

Consolidated Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity Per Share
	JPY millions	JPY millions	%	JPY
FY06 - 04.01.06-09.30.06	757,295	206,344	22.0	278.43
FY05 - 04.01.05-09.30.05	614,689	140,224	22.8	234.59
FY05 - 04.01.05-03.31.06	637,476	159,111	25.0	265.75

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
FY06 - 04.01.06-09.30.06	11,814	(48,439)	49,575	31,440
FY05 - 04.01.05-09.30.05	6,290	(22,881)	14,907	17,038
FY05 - 04.01.05-03.31.06	33,685	(33,617)	(699)	18,408

Forecast for Fiscal Year 2006 (April 1, 2006 - March 31, 2007)

	Net Sales	Operating Income	Ordinary Income	Net Income
	JPY millions	JPY millions	JPY millions	JPY millions
Year-end	780,000	53,000	50,000	24,000