



# NEWS RELEASE

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**FOR IMMEDIATE RELEASE**

February 13, 2007

**Tosoh Announces 3Q Consolidated Results FY2006  
(April 1, 2006 – December 31, 2006)**

**Tokyo, Japan** – Tosoh Corporation announced cumulative consolidated results for the third quarter of the fiscal year, ending March 31, 2007. An improving domestic economy combined with increasing capital investment to support an on-going recovery in corporate profits. However weakening consumer demand in Japan, a softening American economy, spiking prices for feedstocks, and fluid market conditions in China all combined to obscure the operating environment for the near future.

Under these conditions, Tosoh strove to improve overall efficiencies and expand specialties, while strengthening core vinyl isocyanate chain operations and implementing price adjustments to reflect rising costs for main products lines such as polyethylene, caustic soda, and polyvinyl chloride (PVC) resins. The Company also moved to strengthen Tosoh Group by making Nippon Polyurethane Industries, Inc., (NPU) a wholly consolidated subsidiary.

The Company reported Net Sales growth of 21.5% over the first three quarters of the previous fiscal year to JPY 571.0 billion (USD 4,800.8 million). Operating Income increased 13.4% to JPY 39.9 billion (USD 335.1 million), while Ordinary Income gained 8.4% to JPY 40.6 billion (USD 341.1 million). Decreases in extraordinary gains and increases in minority stockholder income combined to force a drop in Net Income by 7.4% to JPY 21.1 billion (USD 177.4 million). The outlook for the fiscal year ending March 31, 2007 projects Net Sales of JPY 780 billion (USD 6,559.0 million), and Net Income at JPY 24 billion (USD 202 million).

## **Business Segments**

### **Petrochemical**

The high price of naphtha put pressure on olefins resulting in a spike in the cost of raw materials. Tosoh faced the shifting operating conditions by not only diversifying feedstocks to cut costs, but also by implementing price increases for ethylene, propylene, and aromatics in Japan, and for cumene and styrene monomer abroad. The high price of naphtha also required price adjustments for polyethylene. Chloroprene rubber market prices increased abroad, while PVC paste shipments grew and price increases were implemented in Japan. Tosoh continues to work on expanding its product portfolio while making better use of resources.

Net sales this period were up 18.4% from the previous year to JPY 180.3 billion (USD 1,516.2 million), while operating income was down 5.1% from last year to JPY 9.3 billion (USD 78.5 million).

### **Basic**

In Chlor-alkali, the Company continues to expand through significant investment to maintain market dominance in vinyl isocyanate chain related operations in Asia. Tosoh is presently building stronger infrastructure to support the largest chlor-alkali supply-chain of its kind. In the last fiscal year, Tosoh

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<sup>1</sup> For reference purposes, U.S. dollar amounts are translated from yen at the rate of JPY 118.92 = USD 1, the exchange rate in effect on December 31, 2006.

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completed a 400,000 MT/y capacity expansion for vinyl chloride monomer (VCM) and a 220,000 MT/y PVC resins plant in China is moving into the test phase.

Shipments for caustic soda were down on account of scheduled plant stoppages. Supported by a capacity increase last year, VCM shipments increased abroad. Shipments for polyvinyl chloride (PVC) resins also increased. The rising costs for raw-material fuels resulted in price increases for caustic soda and polyvinyl chloride (PVC) resins in Japan and for VCM markets abroad. Although public demand declined in Japan, cement volumes were solid due to growth in the private sector. Exports for cement also increased.

Basic Group sales increased 0.8% compared to the previous year to JPY 145.4 billion (USD 1,223.1 million), while operating income was down 35.4% to JPY 3.5 billion (USD 29.6 million).

### **Specialty**

Increasing Tosoh's stake in affiliate NPU to 51.7% to make it a fully consolidated subsidiary is expected to bolster not only basic operations, but also specialties. As a result of consolidation, NPU's methyl diphenyl diisocyanate (MDI), a raw material for polyurethane, was added to Tosoh's specialty product line-up. In Tosoh's specialty operations, MDI is a fine chemical with a wide variety of applications and marketing synergies for present product lines, such as organic synthesis, polyurethane catalysts, and specialty polymers.

Ethylene amines shipments increased as Tosoh moved into a commanding position in the Asian market with an expansion from 41,000 MT/y to 51,000 MT/y. For amines, price increases were implemented both in Japan and abroad. Bromine and flame retardants witnessed strong volumes both in Japan and abroad while price increases were successfully introduced.

In Bioscience global operations, markets related to packing materials for high-performance liquid chromatography columns became firm. Among diagnostic systems, exports of diagnostic reagents increased while immunoassay analyzers were strong. Shipments of glycohemoglobin analyzers utilized as a diabetic screening test and related reagents also reported solid growth.

Shipments of grinding media zirconia products used for producing ultrafine materials for electronic components also expanded while high-silica zeolite for the exhaust systems of automobiles increased. Domestic shipments of electrolytic manganese dioxide (EMD) were flat, while price increases were implemented abroad.

Reflecting semiconductor market conditions, shipments of fused silica glass quartz materials and parts shipments increased globally. Although sputtering target sales were brisk for semiconductor related applications, a slow recovery in flat-panel display markets resulted in an overall decrease in shipments.

Favorable business conditions along with the inclusion of Chinese and Taiwan subsidiaries on a consolidated basis boosted sales of water treatment and chemicals.

Sales of the Specialty Group increased 51.0% to JPY 210.7 billion (USD 1,771.8 million), while operating income advanced 39% to JPY 25.0 billion (USD 210.6 million).

### **Service**

Trading company and logistics group company results were strong. Sales of the Service Group increased 1.2% from the previous year to JPY 34.5 billion (USD 289.8 million), and operating income 4.4%, to JPY 1.9 billion (USD 16.4 million).

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 markets.

For a **Summary of 3Q results and comparison with the previous fiscal year**, please see page 4 of this release, or visit Tosoh Corporation on the web at [www.tosoh.com](http://www.tosoh.com).

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## **Tosoh Corporation**

Tosoh Corporation is a diversified global chemical and specialty materials company. Headquartered in Tokyo, Japan and listed on the Nikkei 225 index, the Company has expanded its reach into high value-added businesses such as fine chemicals, bioscience, thin film materials, and quartzware. The Tosoh Group comprises more than 130 companies worldwide and collectively employs a multiethnic workforce of over 9,000 people and generates net sales of ¥649 billion (US\$5.5 billion). To learn more about Tosoh, please visit us on the web at [www.tosoh.com](http://www.tosoh.com).

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.

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## Summary of 3Q results and comparison with previous fiscal year

### 3Q Consolidated Results FY2006 (April 1, 2006 – December 31, 2006)

	Net Sales		Operating Income		Ordinary Income*	
	JPY millions	%**	JPY millions	%	JPY millions	%
FY06 - 04.01.05-12.31.06	570,914	21.5	39,850	13.4	40,561	8.4
FY05 - 04.01.05-12.31.05	470,055	10.7	35,153	(12.2)	37,424	(2.6)

\* 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
FY06 - 04.01.05-12.31.06	21,102	(7.4)	35.26
FY05 - 04.01.05-12.31.05	22,778	0.1	38.11

### Consolidated Financial Position

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity to Total Assets	Shareholders' Equity Per Share
	JPY millions	JPY millions	%	JPY
FY06 - 04.01.05-12.31.06	783,087	216,627	22.4	292.88
FY05 - 04.01.05-12.31.05	651,323	151,517	23.2	253.51

### 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 - 04.01.05-12.31.06	17,192	(64,969)	61,102	31,963
FY05 - 04.01.05-12.31.05	2,143	(23,763)	22,563	19,788

### 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 (03.31.07)	780,000	53,000	50,000	24,000