



## NEWS RELEASE

November 14, 2008

### **Tosoh Announces First-Half Consolidated Results for Fiscal 2008 (The interim period from April 1, 2008 to September 30, 2008)**

**Tokyo, Japan**—Tosoh Corporation announces its consolidated results for the first half of its 2008 fiscal year, the interim period ended September 30, 2008.

During the first and second quarter, prices for crude oil and other raw materials rapidly increased, while a stagnating global economy was further plagued by a worsening global financial crisis. Against this backdrop, the Japanese economy showed considerable signs of deterioration, with a marked decrease in consumer spending and a decrease in exports. Profitability in the chemical industry was put under extreme pressure because of continued price surges for crude oil, naphtha, coal, and other raw materials. Although markets abroad firmed, gains were offset by the growing strength of the yen and the inability to implement price adjustments that would better reflect rapidly changing conditions.

Amid these harsh conditions, Tosoh reported net sales growth of 6.4% over the first half of the previous fiscal year, to ¥425.8 billion (US\$4,111 million). The Company's operating income, however, declined 60.9%, to ¥12.0 billion (US\$116.0 million), and its ordinary income decreased 53.9%, to ¥13.6 billion (US\$131.1 million). As a result, Tosoh's net income moved down 64.4%, to ¥5.3 billion (US\$51.3 million).

Tosoh attributes its decline in profitability to, among other things, the sharp rise in the price of crude oil, which has driven up the cost of fuels, caused havoc in worldwide markets, and diminished the profitability of companies worldwide. Tosoh core products, such as polyvinyl chloride, polyethylene resins, and urethane raw materials, have seen profitability particularly hard hit. And recent substantial capital investments needed to execute a strategy of growth has only pushed up the burden of depreciation for Tosoh.

### **Results for business segments**

#### **Petrochemical Group**

Petrochemical Group net sales for the period under review were up 0.7% over the first half of the year before, to ¥135.5 billion (US\$1,307.8 million). Operating income, however, decreased 37.2%, to ¥4.5 billion (US\$43.0 million).

Our shipments of olefin products decreased in Japan and abroad as a result of scheduled plant stoppages and the dissolution of a joint venture that produced styrene monomer. Despite higher prices for raw materials, especially naphtha, Tosoh was able to limit the raw material costs for its naphtha cracker through ongoing cost-cutting initiatives, such as the diversification of feedstocks. This combined positively with our implementation of domestic price increases for ethylene, propylene, and aromatic compounds. Overseas, the market price for cumene increased. And although shipment volumes of polyethylene decreased in Japan and overseas, the high cost of naphtha did allow for a price increase for polyethylene to be implemented in Japan. Tosoh also increased prices for polyvinyl chloride (PVC) paste, while growth in demand in overseas markets for



chloroprene rubber resulted in more exports of that product.

## Basic Group

Basic Group net sales increased 15.1% compared with the first-half result a year earlier, to ¥107.2 billion (US\$1,035.2 million). This resulted in operating income decreasing to minus ¥837 million (US\$8.1 million).

Capacity increases for caustic soda resulted in more shipments of that product abroad and in Japan. In response to a firmer market for caustic soda and to rising costs for raw materials, we implemented caustic soda price adjustments in Japan. Markets for caustic soda, meanwhile, grew abroad. Although demand in China for vinyl chloride monomer (VCM) tapered off at the end of the second quarter and VCM exports decreased, VCM prices abroad improved. Domestic shipments of PVC resins declined on account of stagnation in public-sector investments and in housing construction. Abroad, PVC resin shipments increased as a result of the launch of PVC manufacturing operations at a Tosoh subsidiary overseas. The high cost of raw materials resulted in price increases for PVC resins in Japan and abroad. Cement shipments decreased in Japan because of stagnant demand in the private and public sectors. On the other hand, exports of cement increased.

## Specialty Group

Net sales by the Specialty Group increased 5.9% over the same period the year before, to ¥157.6 billion (US\$1,521.9 million). Operating income, though, decreased 68.0%, to ¥6.6 billion (US\$63.9 million).

Bromine, heavy metal treatment agents, and ethyleneamine shipments all decreased. At the same time, we implemented price increases for each of these products.

In bioscience-related products, overseas and domestic shipments of liquid chromatography columns grew, while shipments of packing materials stagnated. Among diagnostic systems, exports of in vitro diagnostic reagents decreased slightly, while shipments of automated immunoassay analyzers increased domestically and abroad. Fully automated glycohemoglobin analyzers and reagents used in screening for and monitoring diabetes mellitus increased solidly in Japan.

In battery material markets, shipments of electrolytic manganese dioxide (EMD) increased, and price adjustments were implemented to better reflect the rising cost of raw materials. Zirconia shipments were down in Japan and abroad, but zeolite markets moved to more solid ground.

Fused silica glass material shipments fell victim to declining prices for memory and a drop in capital investments for semiconductor equipment by device makers. Sputtering targets for semiconductor applications remained robust, while a late recovery in liquid crystal display (LCD) panel markets was not sufficient to offset a decrease in shipments of targets for that application.

A decrease in our sales of water treatment facilities and related chemicals was attributed to the worsening global economy and the concomitant decline in capital investments.

Capacity increases for urethane raw materials led to increased exports and sales of those materials.

## Service Group

Net sales for the Service Group increased 7.8% over the first half of the previous year, to ¥25.5 billion (US\$246.1 million), while operating income also increased, 2.3%, to ¥1.8 billion (US\$17.1 million). Contributing to sales were gains in trading activities. Construction-related subsidiaries, however, reported sales decreases.



## **Outlook for the fiscal year to March 31, 2009**

Tosoh's projections for the fiscal year ending March 31, 2009, call for net sales of ¥860 billion (US\$8,303.6 million); operating income of ¥22 billion (US\$212.4 million); ordinary income of ¥22 billion (US\$212.4 million); and net income of ¥10 billion (US\$96.6 million).

There are concerns over how the growing severity of the global recession, the steep drop in share prices, the chaos in the financial markets, and the unpredictable currency exchange rates could affect these projections. We expect that the severe conditions will decrease demand in markets abroad for our core products, such as polyvinyl chloride resins and urethane raw materials. It is also evident that the recent rapid drop in the price of crude is further weakening markets overseas and that inventory reevaluations will continue to exert extreme pressure on profitability even if the price of naphtha moves up. Under these extraordinary conditions, the Company is embarking upon emergency countermeasures to expand sales and maintain product profitability while cutting costs in production, sales, and administration in an attempt to recover profitability.

Tosoh's full-year fiscal 2008 forecasts are based on a domestic production price for naphtha of ¥60,000/kl and an exchange rate of ¥105 to the US dollar or ¥140 to the Euro.

*Note:* For reference purposes, unless otherwise indicated, US dollar amounts are translated from yen at the rate of ¥103.57 = US\$1, the exchange rate in effect on September 30, 2008.



# TOSOH CORPORATION

## Summary of first half results and comparison with same period the previous fiscal year

### First-Half Consolidated Results for Fiscal Year 2008 (April 1, 2008–September 30, 2008)

	Net Sales		Operating Income		Ordinary Income*	
	¥ millions	% <sup>†</sup>	¥ millions	%	¥ millions	%
<b>FY08</b> (04.01.08–09.30.08)	425,775		12,009		13,574	
<b>FY07</b> (04.01.07–09.30.07)	400,035	6.8	30,689	36.2	29,463	27.4
<b>FY07</b> (04.01.07–03.31.08)	827,394		59,107		52,451	

\*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.

<sup>†</sup>Net sales, operating income, ordinary income, and net income percentages indicate increases over the previous fiscal year.

	Net Income		Net Income per Share
	¥ millions	%	¥
<b>FY08</b> (04.01.08–09.30.08)	5,318		8.88
<b>FY07</b> (04.01.07–09.30.07)	14,939	30.1	24.94
<b>FY07</b> (04.01.07–03.31.08)	25,183		42.05

### Consolidated Financial Position

	Total Assets	Shareholders' Equity	Equity Ratio*	Shareholders' Equity per Share
	¥ millions	¥ millions	%	¥
<b>FY08</b> (04.01.08–09.30.08)	856,142	229,151	22.9	327.72
<b>FY07</b> (04.01.07–03.31.08)	816,994	242,361	24.3	331.69

\*Net assets include stock acquisition rights and minority interests, which are not calculated in equity ratio.

### Forecast for Fiscal Year 2008 (April 1, 2008–March 31, 2009)

	Net Sales	Operating Income	Ordinary Income	Net Income
	¥ millions	¥ millions	¥ millions	¥ millions
<b>Year-end</b>	860,000	22,000	22,000	10,000



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### WHO WE ARE

Tosoh Corporation is a Japanese chemical company established in 1935 and listed on the First Section of the Tokyo Stock Exchange. It is the parent of the Tosoh Group, which comprises 140 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥827.4 billion (US\$8.3 billion at the year-end rate of ¥100.19 to the US dollar) in fiscal 2007, ended March 31, 2008.

### WHAT WE DO

Tosoh is one of the largest chlor-alkali manufacturers in Asia. The Company supplies the plastic resins and an array of the basic chemicals that support modern life. Tosoh's petrochemical operations supply ethylene, polymers, and polyethylene, while its electronic materials business serves the global semiconductor and flat-panel display industries. Tosoh has also pioneered sophisticated bioscience systems that are used for the rapid diagnosis of life-threatening diseases, such as diabetes and certain cancers, and to prevent epidemics by identifying pathogenic microbes. In addition, Tosoh develops products and provides services to purify water and to monitor the environment as part of a commitment to a sustainable future.

Stock Exchange Ticker Symbol: 4042

For more information, please contact

Michael Hoover  
International Corporate Development  
Tosoh Corporation

[michael.hoover@tosoh.com](mailto:michael.hoover@tosoh.com)

Tel: +81-3-5427-5118  
Fax: +81-3-5427-5198

[www.tosoh.com](http://www.tosoh.com)

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