



## NEWS RELEASE

November 13, 2009

### **Tosoh Releases First-Half Consolidated Results for Fiscal 2010 (The interim period from April 1, 2009, to September 30, 2009)**

**Tokyo, Japan**—Tosoh Corporation announces its consolidated results for the first half of its 2010 fiscal year, the interim period ended September 30, 2009. The company's net sales decreased 30.1% compared with its net sales in the first half of the previous fiscal year, to ¥297.7 billion (US\$3.3 billion).\* Its operating income also decreased, 79.3%, to ¥2.5 billion (US\$27.7 million), while its ordinary income registered a loss of ¥60.0 million (US\$0.67 million). Tosoh likewise, therefore, recorded a net loss of ¥2.2 billion (US\$24.4 million).

During the first and second quarters of Tosoh's 2010 fiscal year, the Japanese economy remained weak. Capital investments decreased markedly and unemployment worsened. Production volumes in Japan did increase in response to growth in exports; however, the economic situation overall was bleak.

In the chemical industry, a recovery in the manufacture of petrochemical products was attributed to growing demand in China and elsewhere in Asia. Profit margins, however, were slim for petrochemicals, and operating conditions in the industry continued to be severe.

Declining prices for naphtha and other raw materials drove down domestic prices, decreasing profitability for Tosoh. Price erosion in markets outside Japan for polyvinyl chloride and other of Tosoh's core products compounded the negative impact on the company's results. The drop in Tosoh's net sales and profitability also is attributable to inventory evaluations and a strong yen.

#### **Results for business segments**

##### **Petrochemical Group**

Petrochemical Group net sales for the first half of fiscal year 2010 were down 42.5% compared with group net sales for the same period the year before, to ¥77.9 billion (US\$863.5 million). Operating income decreased 41.5%, to ¥2.6 billion (US\$28.8 million).

Stagnant markets abroad for ethylene and propylene derivatives resulted in fewer shipments of those products. We were able to increase our cumene shipments because of the completion during the first half of fiscal 2010 of a production capacity increase that we began in fiscal 2009 and because this year's production was not affected by our bi-annual maintenance shut down. The last shut-down occurred in fiscal 2009. The low cost of naphtha, however, exacerbated falling prices for ethylene and propylene, and markets abroad for cumene remained weak.

Our shipment volumes of polyethylene decreased in Japan, but our polyethylene exports bound for elsewhere in Asia increased. Lower prices for naphtha resulted in downward price adjustments for polyethylene. Foreign markets weakened for chloroprene rubber, and its



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shipment volumes decreased, at home and abroad. Prices for polyvinyl chloride (PVC) paste declined in Japan and overseas.

## **Basic Group**

Basic Group net sales decreased 23.9% compared with the group's first-half net sales result a year earlier, to ¥81.6 billion (US\$904.6 million). This resulted in an operating loss of ¥122.0 million (US\$1.4 million).

Weakening demand in Japan for caustic soda resulted in a decrease in caustic soda shipments domestically. Caustic soda exports, though, increased. The price increases that we implemented for caustic soda in Japan in the previous fiscal year contributed to our bottom line, but the contribution was undermined by the rising cost of raw materials domestically and by the softening of markets abroad for basic chemicals.

Our increased shipments of vinyl chloride monomer (VCM) to China notwithstanding, markets for VCM were soft. Domestically, our shipments of PVC resins declined because of stagnating housing construction and public-sector investment. Our exports of PVC resins to China and the Middle East, by contrast, increased. But a drop in the cost of raw materials eroded prices for PVC in Japanese and overseas markets.

Our cement shipments, meanwhile, decreased in Japan. This was attributable to stagnant demand in the private and public sectors.

## **Specialty Group**

Net sales by the Specialty Group dropped 25.4% from the same period the year before, to ¥117.6 billion (US\$1.3 billion). Operating income decreased ¥7.7 billion for a loss of ¥1.0 billion (US\$11.1 million).

Despite weakening markets abroad, our overseas shipments of ethyleneamines were brisk. Our exports from Japan of bromine and heavy metal treatment agents, conversely, decreased.

In bioscience-related products, our domestic shipments of liquid chromatography columns and equipment decreased because of reductions in research and development spending in Japan. Our shipments of packing materials in Japan rose, and our shipments of in vitro diagnostic reagents were equally firm. The number of automated immunoassay analyzers that we sold domestically and abroad fell. But our sale of our fully automated glycohemoglobin analyzers and reagents for use in screening for and in monitoring diabetes mellitus increased solidly in Japan and abroad.

Our shipments of electrolytic manganese dioxide to battery material markets increased in Japan but decreased overseas. Zirconia and zeolite shipments were down in Japan and overseas.

Shipments by the Specialty Group of fused silica glass material fell because the recovery in demand was insufficient to spur capital investments in semiconductor equipment. The sputtering targets that the group supplies to semiconductor and liquid crystal display panel markets worldwide likewise suffered, from a decrease in prices and a decline in shipments.

Our sales of water treatment facilities and related chemicals declined. The decrease was attributed to the struggling global economy and the concomitant decline in capital investments.

Similarly, lackluster demand in Japan and abroad for urethane raw materials eroded the price and diminished the exports of those materials.



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## Service Group

Net sales for the Service Group decreased 19.3% compared with the group's net sales in the first half of fiscal year 2009, to ¥20.6 billion (US\$228.4 million). The group's operating income likewise decreased, 40.5%, to ¥1.1 billion (US\$12.2 million). Declines in the trading activities and in the logistics and construction-related businesses of the Service Group and its subsidiaries were attributed to the worsening economic downturn.

## Outlook for the fiscal year to March 31, 2010

Tosoh's projections for fiscal year 2010, ending March 31, 2010, call for net sales of ¥650 billion (US\$7.2 billion); operating income of ¥20 billion (US\$221.7 million); ordinary income of ¥14 billion (US\$155.2 million); and net income of ¥5 billion (US\$55.4 million). These full-year forecasts are based on a domestic production price for naphtha of ¥45,000 per kiloliter and on an exchange rate of ¥90 to the US dollar.

Although the severity of the recession in Japan appears to have abated, we continue to have concerns regarding the failure of stimulus measures in various other nations worldwide. Tosoh, specifically, still faces such challenges as a strengthening yen and the reemergence of high prices for crude oil. These challenges coalesce to increase Tosoh's costs, to threaten its projections, and to ensure an unpredictable future. The company is therefore embarking on countermeasures to expand its sales and to recover and maintain its profitability, chiefly by cutting its production, sales, and administrative costs.

\*For reference purposes, unless otherwise indicated US dollar amounts are translated from yen at the rate of ¥90.21 = US\$1, the exchange rate in effect on September 30, 2009.

## TOSOH CORPORATION

### 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 132 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥684.4 billion (US\$8.2 billion at the year-end rate of ¥83.15 to the US dollar) in fiscal 2011, ended March 31, 2011.

### 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

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