



NEWS RELEASE

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Tosoh Announces Fiscal 2005 Consolidated Results (April 1, 2005 – March 31, 2006)

Tokyo, Japan – Tosoh Corporation announced its consolidated results for the fiscal year, ended March 31, 2006.¹ Supported by a recovering Japanese economy, the Company executed strategic objectives in expanding vinyl isocyanate chain operations and strengthening Specialty Group businesses worldwide. Conditions remained challenging with increases in the cost of raw materials and a weakening of key overseas markets for vinyl chloride monomer (VCM). Specialty shipments remained robust overall and Tosoh was able to implement price adjustments, bolster earning capacity, and streamline management. Through efficient innovation, Tosoh Corporation continues to execute a strategy in raising competitiveness and improving the company-wide earning structure.

As a result of these efforts, the Company posted net sales of ¥648.8 billion (US\$5,523.2 million), which is up ¥60.5 billion on the previous period. However, with the increase in the price of naphtha and other raw materials, ordinary income was down ¥6.0 billion from the previous year to ¥49.7 billion (US\$423.4 million), also leaving net income down ¥2.0 billion down from last year at ¥27.5 billion (US\$234.4 million).

Business Segment

Petrochemical Group

Net sales this period were up 12.9% (¥23.1 billion) from the previous year to ¥202.3 billion (US\$1,722.5 million), with operating income also up 19.7% (¥2.1 billion) from last year to ¥12.8 billion (US\$109.2 million).

¹ The Fiscal Year 2005 (April 1, 2005 – March 31, 2006).

Olefin products faced high prices across the board for raw materials and naphtha. Under these conditions, Tosoh pushed forward by implementing domestic price increase, for ethylene, propylene, and cumene, while initiating cost cutting through the diversification of raw materials. Although domestic shipments of propylene fell, an increase in domestic prices was accomplished in response to the rising cost of naphtha. Overseas market prices for chloroprene rubber were also higher. Tosoh boosted domestic shipments of polyvinyl chloride (PVC) paste, and increased prices, with overseas market prices also being revised upwards.

Basic Group

Basic Group sales increased 16.2% (¥27.7 billion) compared to the previous year to ¥199.4 billion (US\$1,697.8 million), while operating income was down 72.6% (¥14.8 billion) to ¥5.6 billion (US\$47.7 million), as a result of higher raw material prices triggered by high crude oil prices.

Caustic soda exports were strong, and throughout the year under review, Tosoh expanded its VCM capacity and also boosted exports. Shipments of polyvinyl chloride (PVC) resins increased both at home and abroad. A new aniline plant also came on-stream, and contributed to results. In terms of market conditions, domestic price increases for caustic soda were the most successful, while overseas prices increased, particularly shipments to alumina producers in Australia. Domestic prices of PVC resin and VCM also tended to rise, while the market overseas became more challenging given expanding supply capabilities in China. The volume of cement exported rose, while domestic shipments were also strong, bolstered by post-disaster reconstruction and public demand.

Specialty Group

Sales of the Specialty Group increased 4.7% (¥8.9 billion) to ¥200.7 billion (US\$1,708.4 million), while operating income advanced 17.3% (¥3.9 billion) to ¥26.6 billion (US\$226.9 million).

Shipments as well as prices for ethyleneamines increased both domestically and overseas. Tosoh also moved to implement price adjustments for bromines and bromine-based flame retardants. In bioscience-related products, overseas sales 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 was also impressive. Zirconia product shipments rose in Japan and other markets. Exports of zeolite for automobile exhaust systems and other applications grew, as did shipments for absorbent applications both within Japan and overseas. In contrast, despite robust domestic shipments of electrolytic manganese dioxide (EMD), overseas sales in Asia and Europe fell.

Demand for silica glass was weaker within Japan, but remained strong in overseas markets. Still, shipments of sputtering targets were up both domestically and overseas, reflecting the growth of the LCD panel market. Sales of water treatment plants and chemicals were down, given falling plant and equipment investment in the electronics industry.

Service Group

Sales of the Service Group increased 1.6% (¥714 million) from the previous year to ¥46.3 billion (US\$394.5 million), and operating income decreased 21.0% (¥633 million), to ¥2.4 billion (US\$20.3 million). Trading company results were strong, where as construction related subsidiaries growth remained flat.

By Geographical Segment

Sales in Japan of the parent company and Japanese subsidiaries rose 9.4% (¥49,632 billion) compared to the same time last year to ¥578,453 billion, whereas operating income fell by 17.9% (¥9,349 billion) to ¥42,760 billion.

In Japan, although olefin product prices were raised in response to the high costs of naphtha and other raw materials, prices in overseas markets collapsed. Prices of polyethylene resins increased both in Japan and overseas. Tosoh benefited in Japan from the more widespread application of price increases for PVC resin and VCM, along with rising shipment volumes. Overseas, however, demand lost steam in the face of increased supply made available through new plant and equipment investment in China.

Sales outside of Japan were up 18.2% (¥10,846 million) from the previous year, to ¥70,357 million². In contrast, operating income slipped 1.9% (¥90 million), to ¥4,700 million.

Despite a decrease in sales in Asia, overall, non-Japanese subsidiaries grew due the depreciation of the yen and an increase in yen-denominated sales in the United States and Europe. In Europe, shipments of zirconia, scientific instruments, and diagnostic products were strong, and while shipments of sputtering targets and silica glass were robust in Asia and North America, vinyl chloride resin shipments were down in Asia.

Outlook

Tosoh's projections for the fiscal year ending March 31, 2007 call for net sales of ¥770 billion(US\$6,554.9 million), operating income of ¥53 billion (US\$451.2 million), ordinary income of ¥50 billion (US\$425.6 million), and net income of ¥24 billion (US\$204.3 million). Moreover, the Company plans to pay interim and full-year dividends of ¥3 per share, bringing total dividends for the year to ¥6 per share.

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 ¥70,357 million (US\$599 million).

The future outlook is brightened by expectations that the global and Japanese economies are both set to continue along an expansionary track. Still, there are concerns about the impact on the Japanese and international economies from inflationary pressure and rising interest rates resulting from high crude oil and resource prices. Looking at the Group's operating environment, concerns persist over increases in the prices of naphtha and raw materials prompted by soaring crude oil prices.

Tosoh has prepared the U.S. dollar translations solely for the convenience of readers at the rate of \$1 = ¥117.47 (US dollar to Japanese yen), the exchange rate at fiscal year-end (March 31, 2006).

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 multi-billion dollar corporation that employs more than 9,000 people worldwide. The Company is listed on the Tokyo Stock Exchange.

Stock Exchange Ticker Symbol: 4042

For more information, please contact:

Michael Hoover

International Public Relations

Tosoh Corporation

m_hoover@tosoh.co.jp

Tel: +81-3-5427-5118

Fax: +81-3-5427-5198

www.tosoh.com

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