TOSOH

ANNUAL REPORT 2000

Tosoh Corporation and Its Consolidated Subsidiaries

Year ended March 31, 2000

TOSOH CORPORATION

www.tosoh.com

Profile

Founded in 1935, Tosoh Corporation is a diversified global chemical company with a strong reputation in basic chemicals, petrochemicals and specialty products. Today, Tosoh employs some 8,000 people in 13 countries around the world and generates sales of roughly US $3.5 billion annually. The company is headquartered in Tokyo, Japan.

Tosoh is the largest domestic producer of caustic soda and vinyl chloride monomer (VCM), boasting a production capacity of over one million tons a year for each material. The company is also a leading supplier of polyvinyl chloride (PVC) resins, chloroprene rubber, paste PVC and ethylene amines, with a strong position in the Asian region. Building on our core strengths in chlor-alkali, Tosoh has expanded its reach into high-growth businesses, carving out a niche in world markets. Tosoh has the world's largest production capacity in specialty products such as high-purity zirconia powders, electrolytic manganese dioxide and sputtering targets. It is also a top global producer of quartzware, magneto-optical disks and diagnostic equipment.

Tosoh Corporation is a Responsible Care® (RC) company, with all manufacturing sites having been awarded ISO 14001 certification for environmental management.

Contents

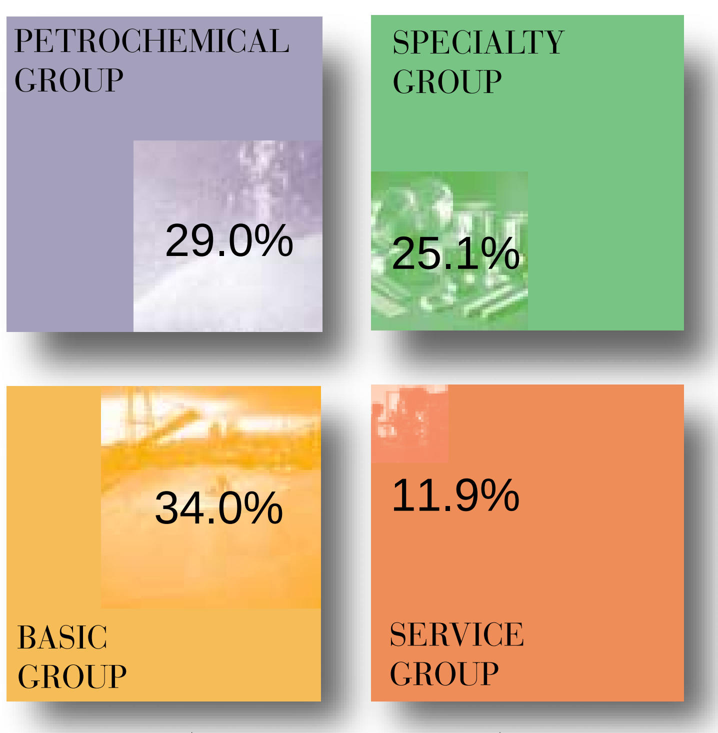
Financial Highlights

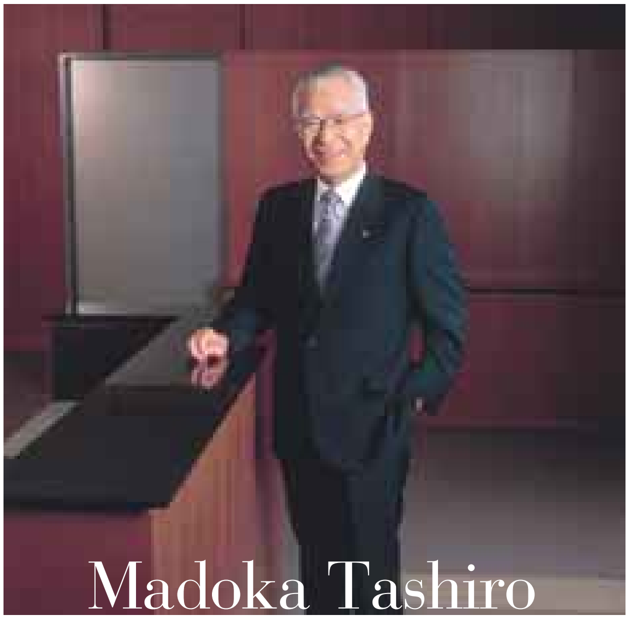
Tosoh Corporation and Its Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2000	1999	1998	1997	1996	1995	**2000**
Summary of operations:							
Net sales	**¥374,182**	¥340,229	¥396,475	¥387,343	¥349,311	¥351,541	**$3,525,031**
Operating income	**27,330**	7,438	25,103	23,653	23,763	19,676	**257,466**
Net income	**6,019**	533	6,581	6,066	10,429	1,752	**56,703**
Basic net income per share (Note 2)	**¥10.02**	¥0.89	¥10.96	¥10.10	¥17.36	¥2.92	**$0.09**
Financial position at year-end:							
Total assets	**¥527,989**	¥527,176	¥524,361	¥512,124	¥506,263	¥526,455	**$4,973,990**
Short-term bank loans and long-term debt	**333,180**	355,141	340,891	326,547	338,975	364,670	**3,138,766**
Total shareholders' equity	**91,886**	89,283	85,283	77,478	68,968	59,611	**865,624**
General:							
Capital expenditures	**¥27,600**	¥34,851	¥34,338	¥37,284	¥19,723	¥19,384	**$260,009**
Depreciation and amortization	**24,854**	22,613	23,034	23,157	23,240	24,698	**234,140**
Cash dividends per share (Note 2)	**5.00**	3.00	5.00	–	–	–	**0.05**
Number of employees	**7,914**	8,080	8,370	7,330	7,460	7,526	
Common stock prices (Note 2):							
High	**¥531**	¥280	¥420	¥470	¥514	¥483	**$5.00**
Low	**210**	148	199	321	312	330	**1.98**
Year-end close	**501**	219	259	330	479	435	**4.72**

Notes: 1. U.S dollar amounts are translated from yen, for convenience only, at the rate of ¥106.15=US$1, the exchange rate in effect on March 31, 2000.
2. Per share figures and common stock prices are in yen and U.S. dollars.

Sales Breakdown 2000





The Year in Review

Despite the bottoming out of the Japanese economy there were still no significant signs of a recovery. Nevertheless fiscal 2000, the year ended March 31, 2000, proved to be a solid year for Tosoh. Contributing factors were the favorable market conditions abroad, especially the strong recovery in demand, and prices in the Asian market for vinyl chloride monomer (VCM) and polyvinyl chloride (PVC). Combined with our ongoing company-wide restructuring efforts and advances in the Specialty Group, results improved substantially. Consolidated net sales grew by 10.0% to ¥374.2 billion and operating income improved more than threefold to a record high of ¥27.3 billion. As a result we are increasing the cash dividends per share from ¥3.00 to ¥5.00. The year's favorable performance also gave us a head start in adopting the new Japanese accounting standard of projected benefit obligation in fiscal 2000, a year earlier than the mandatory date for introduction. Pension fund provisions were increased by ¥9.9 billion. The remaining deficit will be funded over the next five years. It should be noted that during the last business year our share price climbed substantially. We take this as a sign of growing investor confidence in the future of Tosoh, confidence which we plan to show is well placed.

High Performance Independent of Operating Environment

Our goal is to build a structure that secures a high, sustainable profit level even under difficult operating environments, and to be a competitive player in the global arena. This means establishing a solid footing regarding competitiveness in the Petrochemical and Basic Groups. Simultaneously, we aim to expand our technological expertise in the less cycle-prone Specialty Group with its high-value-added products, and continue to be a top ranking player globally.

To achieve this goal Tosoh has been substantially strengthening its Vinyl Chain operations since 1994. The Vinyl Chain encompasses a series of processes ranging from the production of ethylene, the generation of electric power, and the production of chlor-alkali, ethylene dichloride (EDC), and VCM to the production of PVC. Our production capabilities make us the number one producer in Japan of caustic soda, VCM and PVC. Our fully-integrated manufacturing facilities, including our in-house power plant, allow a cost structure of great competitiveness, and we make maximum use of this advantage. By taking over management responsibilities at our joint venture company Taiyo Vinyl Corporation in April 2000, we directly carried forward VCM competitiveness into PVC production. In other PVC-related activities, we have been steadily expanding our presence in Asia. In July of last year we increased our stake in P.T. Standard Toyo Polymer in Indonesia from 30% to 60%, thus making it a Tosoh subsidiary. Moreover, we are in the process of debottlenecking the manufacturing facility at our joint venture company Philippine Resins Industries, Inc. (PRII), a change which will increase annual capacity from 70,000 to 90,000 tons by January 2001. It should further be mentioned that we are now in the final stages of the decision-making process regarding a second production line, which will increase our annual capacity at PRII to 160,000 tons.

Through all these measures we have succeeded in making the Vinyl Chain our core business across the whole product range from ethylene to PVC. Our present efforts focus on improving coordination and integration among Vinyl Chain-related subsidiaries and affiliates throughout the Tosoh Group in a "Total Vinyl Chain" approach.

Parallel to all these Vinyl Chain-related activities, we have been constantly expanding our Specialty Group. The high-value-added fine chemicals and specialty materials businesses are central to our plans to secure high profitability irrespective of demand fluctuations. Recent examples of our expansion efforts include the completion of a new high performance magnesium hydroxide plant through our joint venture company TMG Corporation in April. The ¥4-billion plant produces patented inorganic flame retardant material for the wire and cable industry. The reinforcement of production capabilities for zirconia powders applied in the fiber-optic industry, and sputtering targets for semiconductor and LCD applications are other examples highlighting our achievements in the Specialty Group. Furthermore, we have just acquired Semiconductor Equipment Technology, Inc. (now known as TOSOH SET, Inc.), which specializes in shielding for sputtering systems. The acquisition is perfectly in line with our strategy of fostering market and technological synergies. In the future we will continue to use all available means, including M&As, in our drive to expand and strengthen the Specialty Group.

In addition to the aforementioned, our restructuring efforts are unremitting. More specifically, we are in the process of reducing annual expenses by a total of ¥15 billion over a five-year span. In the last business year, we reduced the number of employees at the parent company by more than 300 to around 3,000 and cut interest-bearing liabilities by ¥18.0 billion this year to ¥256.2 billion. Thus, our five-year targets of reducing the workforce to 2,500 and cutting interest-bearing liabilities by ¥70 billion to ¥200 billion by the year 2004 seem well within reach.

Enhancing Group Integration

To further enhance profitability, we have taken up several other key issues recently. The most important of these was the raising of group awareness and emphasis on the integration of group companies into our overall business policy. Affiliates are considered an integral part of the company and there is no distinction made in management decisions. Underlining our efforts toward greater group integration are the acquisitions undertaken by the Specialty Group. Tosoh raised its stake from 50% to 80% at Nippon Silica Industrial Co., Ltd., Japan's leading precipitated silica producer, acclaimed for its high performance rubber and plastic silica filler. At present, an additional plant, specializing in the production of precipitated silica for fuel-efficient tires, is being constructed to boost production capacity by an additional 20,000 tons to 40,000 tons annually. Moreover, in recent months, we transformed three group members into 100% subsidiaries. Tosoh attained full ownership of Nippon Silica Glass Co., Ltd., a world-leading fully-integrated manufacturer of quartz materials and equipment used in the high-growth information and telecommunication industries. Likewise TosoHaas, a 50-50 partnership between Tosoh and Rohm and Haas specializing in chromatographic separation and purification gel materials for biochemical and medical purposes, will be transformed into a wholly-owned subsidiary. We also bought out our 50-50 joint venture with Akzo Nobel. Tosoh Akzo Corporation is known for its polymerization alkyl metal catalysts, its organic intermediates and its dicalcium phosphate.

To further improve the quality and the cost performance of the Service Group, we have spun off central service functions as subsidiary operations. Not only does this measure lead to increased accountability, it also subjects the newly created entities to greater market competition. As of April 1st 2000, we have established three new companies focusing on analytical chemistry, information technology and general supporting service functions such as security, fire-fighting and employee welfare.

Looking Past the Bottom Line

As a global chemical company we are fully aware that the economic sphere is only one of the environments we interact with. We also have to meet the responsibilities and challenges arising out of our coexistence with our natural, social and technological surroundings. Success for Tosoh depends on our ability to meet the needs of our key stakeholders: customers, shareholders, employees and local communities.

The "Phoenix" refuse-derived fuel (RDF) plant located just outside our Nanyo Complex is a case in point of how we plan to live up to those expectations. The facility, which is owned and run by Shin-Nanyo City, transforms ordinary household garbage collected from neighboring municipalities into RDF. We in turn use the RDF to power our cement plant and by doing this contribute to the environmentally friendly disposal of municipal waste. A detailed account of the collaboration between Tosoh and Shin-Nanyo City and other ingenious solutions at our ISO 14001 approved sites can be found in our new Report on Responsible Care® Activities and on our corporate homepage. As a responsible corporate citizen, Tosoh actively promotes the development of a society in which economic growth occurs in harmony with the environment. We incorporate this line of thinking into the whole product cycle right down to R&D.

Good Is Not Good Enough

With the surge in naphtha prices and Japan's economic future still uncertain, we perceive the continuing recovery of demand for and prices of Vinyl Chain-related products abroad as a welcome sign. Combined with the ongoing recovery of South East Asia, the overall business environment seems favorable. However, the fact remains that markets fluctuate and defy prediction. And with the advance of globalization, we are facing an ever more competitive environment. To remain successful in these challenging times, Tosoh is further strengthening its Vinyl Chain operations, advancing its reach in the Specialty Group, with its high-value-added products, vigorously continuing its restructuring efforts and driving towards greater group integration. Combined with the unfaltering dedication and determination of our employees, we eagerly await the challenges ahead. It runs counter to Tosoh's spirit to be satisfied with past achievements. Good is not good enough for Tosoh. We strive to become even better—for that alone will determine our future.

July 2000

Madoka Tashiro
President and CEO

Special Feature

growth integration progress

Environmental Protection Measures

Environmental protection, safety, health—each is a key management issue at the Tosoh Group in all aspects of our operations. Tosoh aims to grow not only as a source of excellent products and services backed by technological innovation, but also as a company that pays the utmost attention to the full spectrum of environmental issues.

For proof, one need look no further than the progress being made in obtaining ISO 14001 certification. October 1998 saw our Toyama Plant become the first Tosoh facility to receive this certification, with the Nanyo Complex following in December of the same year. The Yokkaichi Complex earned certification in December 1999. With this, all domestic facilities, including manufacturing sites, have been recognized for their excellence in this respect. By structuring its environmental management system in line with ISO guidelines, Tosoh intends to cut emissions and waste and boost the recycling rate of usable waste as part of efforts to take environmental activities to a higher level.

A Recycling Rate of 98%

While striving to make optimal use of resources and slashing the amount of waste it produces, Tosoh is also actively involved in reusing waste products wherever possible. The company recycles 98% of all waste, including the sludge and soot, waste acids, waste alkalis and waste oils from its facilities, as well as off-site waste material. Cutting down the amount of industrial waste left behind by these recycling activities is another area in which Tosoh is keenly aware of its responsibilities. In particular, the 2010 target for reductions in the amount of waste sent to landfills has been set at 57%, far higher than the industry standard of 40%.

Waste Reduction

The remaining 2% is used for on-site disposal, off-site disposal and off-site land reclamation purposes.

2%
40,000 tons

Recycled Resources
910,000 tons
(1999)

Sludge
210,000 tons

Incinerated Residue
200,000 tons

Off-Site Waste Received
350,000 tons

Waste Acid and Alkali, Waste Oil, Other
150,000 tons

→

Recycling Rate
98%
870,000 tons

Tosoh is implementing its own self-imposed management system for substances harmful to the atmosphere. The goal is to reduce emissions of environmentally harmful gases through improvements in both manufacturing processes and other operations at business sites. Not content simply to comply with general rules and regulations, Tosoh aims to lead the industry in this respect.

The Ministry for International Trade and Industry (MITI) and the Environment Agency have set down a list of 12 substances for which companies should institute self-management programs. They include five that Tosoh handles, of which total emissions during 1999 equaled 1,045 tons. This figure represents a cut in emissions of 29% from 1,465 tons in fiscal 1995. During fiscal 2001, the goal is to cut these emissions by 87% compared to fiscal 1995 levels.

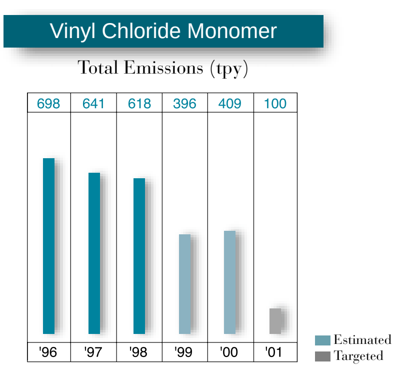
Tosoh has a global system for monitoring releases to the environment and other transfers of substances designated for management under the Pollution Release and Transfer Register (PRTR).

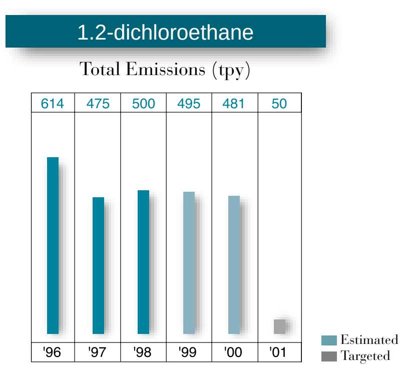
The list of PRTR substances was drawn up during the Earth Summit held in 1992, and its implementation was recommended in Agenda 21 of the Rio Declaration. Japan's PRTR Law took effect in July 1999. Tosoh uses or produces 65 of the 284 PRTR substances defined by the Japan Chemical Industries Committee. Of these, 26 have annual emissions exceeding one ton, and these substances will be the targets of particularly concerted reduction efforts.

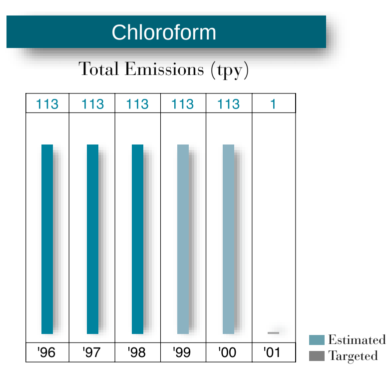
Tosoh––Environmentally Friendly at Every Level

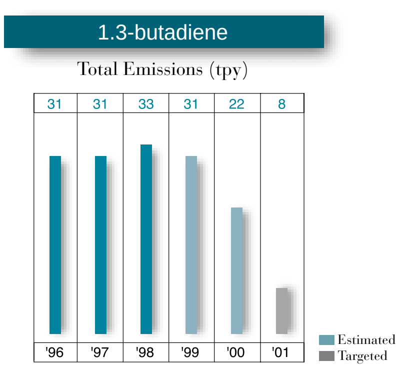
Environmental concern comes into play at every level of Tosoh's business, from material procurement to waste disposal. Accordingly, the company has introduced a system whereby production does not commence until a given product has received the approval of the Product Safety Investigation Committee. Furthermore, material safety data sheets (MSDS/SDS) are created for every chemical product to supply all necessary information about the possible dangers and toxic characteristics of the product. To prevent accidents at the disposal stage, all industrial waste disposal companies used by Tosoh are presented with a detailed manifest covering the substances they receive.

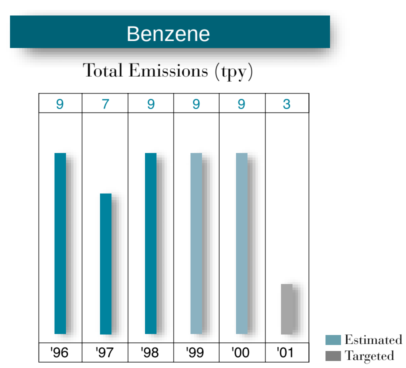
Total Emissions of the Five Substances Under Voluntary Control







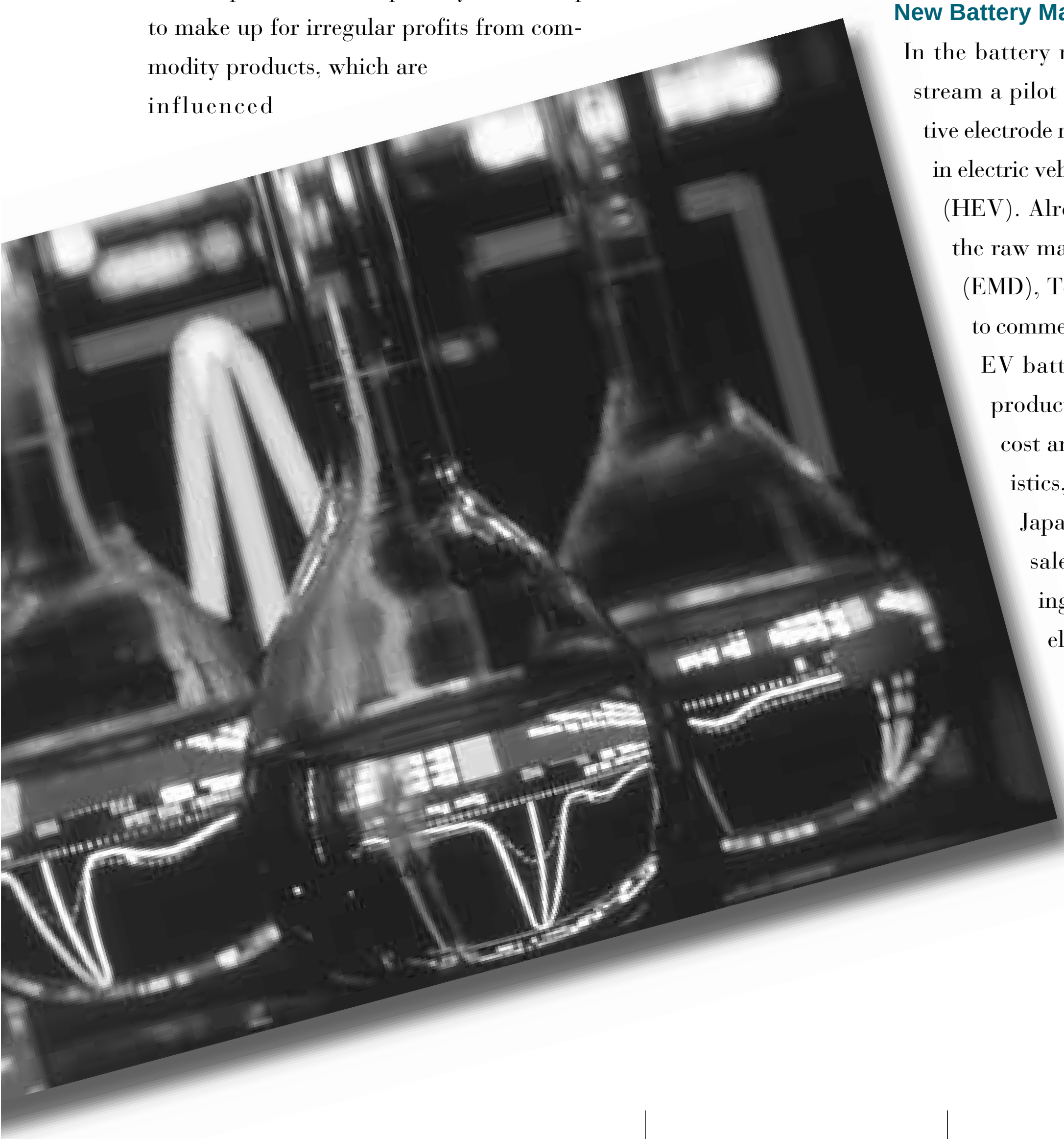




Research & Development

Reinforcing R&D Through Fine and Specialty Fields

Research and development (R&D) has been a driving force within Tosoh throughout its 65-year history. With the completion of large-scale capital expenditure to build up its Vinyl Chain in June 1999, Tosoh has designated the specialty businesses—Fine Chemicals, Specialty Materials, Scientific Instruments, Optical Media and Quartz—as its strategic focus for the future. Expansion of the specialty field is important in order to make up for irregular profits from commodity products, which are influenced heavily by market conditions and exchange rates. Tosoh invested a total of ¥9.3 billion in R&D activities in fiscal 2000. While setting R&D themes with the aim of developing products that will prove competitive in global markets, we have worked to create synergistic effects by making full use of in-house technologies.



New Battery Material for the Auto of the Future

In the battery materials sector, Tosoh brought on-stream a pilot plant for lithium manganate, a positive electrode material for lithium-ion batteries found in electric vehicles (EV) and hybrid electric vehicles (HEV). Already the world's largest producer of the raw material electrolytic manganese dioxide (EMD), Tosoh has embarked on a new venture to commercialize positive electrode materials for EV batteries. The materials involved in the production of lithium manganate are low in cost and have outstanding safety characteristics, including resistance to overcharging. Japanese automakers are expected to start sales of EVs in the near future, indicating that several hundred tons of positive electrode material will then be required.

Inorganic Flame Retardant from Natural Sea Water

Tosoh's alliance with Air Water, Inc., and Tateho Chemical Industries Co., Ltd., resulted in the discovery of a groundbreaking technique for producing high purity magnesium hydroxide from seawater. This advance allows the creation of flame retardants with flame and acid resistant properties far exceeding those of existing choices in this area. Inorganic flame retardants have enjoyed brisk demand for use in electrical cables mounted in underground shopping centers, subways, underground parking lots and skyscrapers. In January 1999, the three partners established TMG Corp. in Japan and constructed a magnesium hydroxide plant, which came on stream in July 2000.

Silica in Tire Treads Reduces Fuel Consumption

Tosoh subsidiary Nippon Silica Industrial Co., Ltd., built Japan's first site to concentrate solely on the production of precipitated silica for energy-saving tires. By 2003, NSI expects to double its total production capacity to 40,000-tpy, while holding on to its position as Japan's leading silica producer. The principal benefit of replacing carbon black with precipitated silica is a reduction in the rolling resistance of the tire, which reduces fuel consumption. Boosted by rapidly rising domestic demand for silica in studless tires and luxury car tires, NSI moved to construct the specialized silica plant to keep up with market demand.

Emphasis on Customer Need Leads to New Developments

Mass production of meter-size chrome sputtering targets for use in manufacturing liquid crystal display (LCD) color filters started in June 2000. Tosoh is aiming to meet customers' requirements for meter-size targets, which are used in the production of black matrices. The industry is requesting ever-larger sputtering chrome targets to boost their production and also to improve production efficiency. As of August 2001 major LCD makers will start introducing displays on the market manufactured by the 4th Generation Chrome Target (1,130mm x 1,200mm). At present these targets can only be mass-produced by Tosoh, which commands a global market share of 70% for chrome targets. Our technological edge will allow us to retain our market leadership in the future.

Tosoh set up Japan's first plant to produce 2,000-tpy of high performance oxygen Pressure Swing Adsorption (PSA) zeolites at the Nanyo Complex. Tosoh's high performance oxygen PSA zeolites are superior to other existing PSA zeolite materials in their ability to adsorb and desorb nitrogen, allowing for certain advantages such as reduced electrical costs to power compressors and greater efficiency in production.

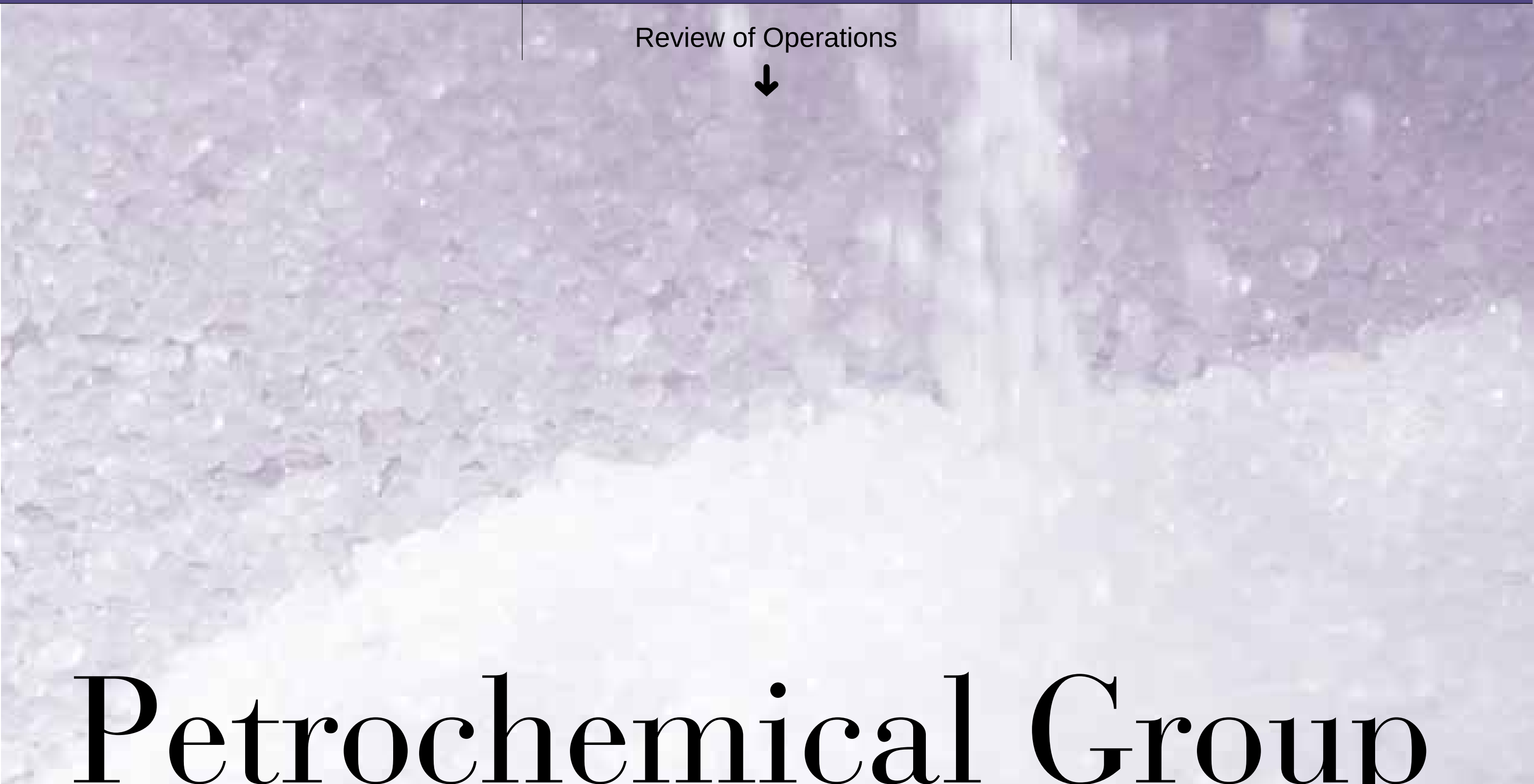
In the biotechnology field, Tosoh, innovators of automated random access immunoassay testing, successfully launched the next line of enzyme immunoassay systems with the introduction of the AIA®-600 II. The development of gene diagnosis systems is also continuing, optimizing Tosoh's expertise in antibody immobilization and detection technologies.

Eco-Friendly Chemicals & Technologies

Tosoh is actively contributing to society and environmental protection in a variety of ways. Both new and existing plants will see the introduction of the latest environmental protection technology to bring down emissions of CO_2 and other substances. In particular, Tosoh's three manufacturing sites in Nanyo, Yokkaichi and Toyama will work towards recycling both company-produced and external waste such as used tires and waste liquids.

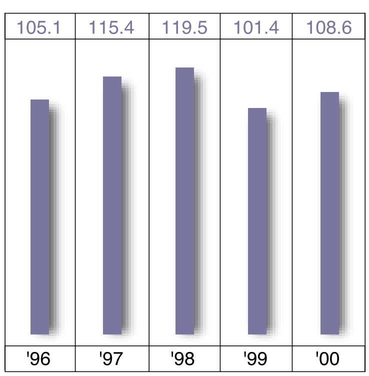
In addition, in mid-1999, highly efficient salt electrolysis facilities were installed at the electrolysis plants at Yokkaichi and Nanyo Complexes. These plants used electrolyzer cells designed by Tosoh chlorine engineers. Compared with former models, energy savings of 10% are achieved and for the entire plant, the energy consumption rate per unit of caustic soda produced is reduced by 5%.

Recent developments in Fine Chemicals include the design of an amine emission-free catalyst system (based on the DIN 75201 Gravimetric test method). Compared to traditional catalysts available on the market, the new TOYOCAT®-RX20 and TOYOCAT®-RX21 are unique in that they release zero amine emissions even at high temperatures.

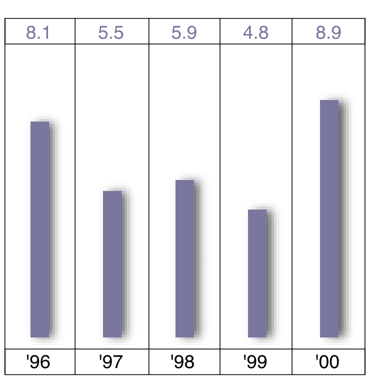


Petrochemical Group

NET SALES billion ¥



OPERATING INCOME billion ¥



Comprised of the Olefins Division and Polyolefins Division, the Petrochemical Group supplies a wide variety of products for numerous end-use applications. As a fully integrated manufacturer of olefin products and derivatives, the Olefins Division offers a wide range of hydrocarbon-based products and derivatives such as ethylene, propylene, C_4 fraction, cumene, and a host of downstream products. The Polyolefins Division offers various kinds of value-added polyethylene products, including EVA copolymer resins (Nipoflex®), low-density polyethylene (Nipolon®), linear low-density polyethylene (Nipolon®-series and LUMITAC®), high-density polyethylene (Nipolon® Hard), and adhesive polymers (Melthene®-series).

As of June 2000, the Polyolefins Division was transformed into the Polymers Division, which newly incorporates the High-Performance Polymers Department. Through such reorganization efforts, we are working toward a more integrated and effective management of our research activities in specialty polymers. In this report, the activities of the High-Performance Polymers Department still fall under the operations of the Specialty Materials Division, Specialty Group.

Results

Shipments of olefin products increased, sales rising hand in hand with the rising price of naphtha and crude oil, both domestically and overseas. Shipments of polyethylene products fell, but domestic prices were increased in the middle of the fiscal year and market prices rose

Tosoh obtained certification for its HDPE Nipolon® Hard used in the production of long-lasting water pipes.

Hokuetsu Kasei gives Tosoh a firm position in its downstream operations for polyolefins.

overseas. These factors resulted in a 7.2% increase in net sales to ¥108.6 billion. Operating income soared 86.1% to ¥8.9 billion.

Olefins

As the domestic olefins industry continued restructuring ethylene facilities in 2000, Tosoh enhanced its ethylene plant as part of its strategy to solidify the foundation of its vinyl chain operations, a core business. Having completed the capacity expansion of the naphtha cracker at the Yokkaichi Complex in 1998, the Olefins Division has focused on building a fully self-sufficient structure for the supply of ethylene co-products to local petrochemical companies. As the only ethylene center in the Nagoya region, Tosoh plans to generate a steady stream of earnings and continue to increase its global competitiveness by forming stronger alliances through tie-ups and business integration.

Due to the surplus of ethylene in Japan, Korea and Southeast Asia, the Nanyo Complex should have no difficulty procuring ethylene to cover shortages in local supply. And thanks to Tosoh's ethylene vessels, we will be able to realize reductions in logistics costs and diversify our sources for this material.

Polyolefins

In an increasingly competitive Asian market, the Polyolefins Division focuses on the development of specialty polymers, emphasizing research and development to differentiate products, namely for its low-density line of polymers, such as low-density polyethylene (LDPE), ethylene vinyl acetate (EVA), and linear low-density polyethylene (LLDPE). In addition, the division continues to undergo exhaustive cost reductions in the production of its reputed general-use high-density polyethylene (HDPE), while aiming to boost its share of the high-end, specialty markets for high-performance EVA grades and laminated films.

With the reduction of indirect costs by the spinning off of research functions and the formation of alliances, this segment also aims to improve its cost structures to further strengthen its global competitiveness. Tosoh expects the acquisition of Hokuetsu Kasei Co., Ltd., to produce strong returns by focusing on innovative developments in high-performance films and technologies unique to Hokuetsu Kasei.

Highlights

Hokuetsu Kasei—A Sound Operating Base for the Polyolefins Sector

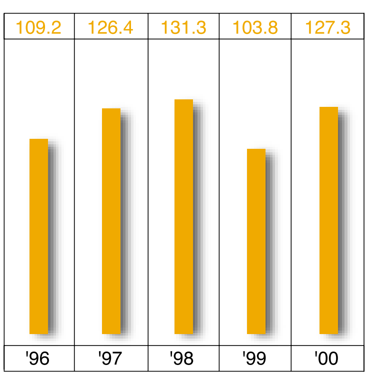
On April 1, 1999, Tosoh Group member Hokuetsu Kasei became a wholly-owned subsidiary. A major domestic producer of industrial and commercial laminated films, Hokuetsu Kasei gives Tosoh a firm position in its downstream operations for polyolefins. Tosoh acquired Kanematsu Corporation's 28% interest in Hokuetsu Kasei, then increased the equity of this subsidiary by ¥1.5 billion to make it a competitive participant in polyolefin films.

Excellence in HDPE––Japan's Most Durable Water Pipes

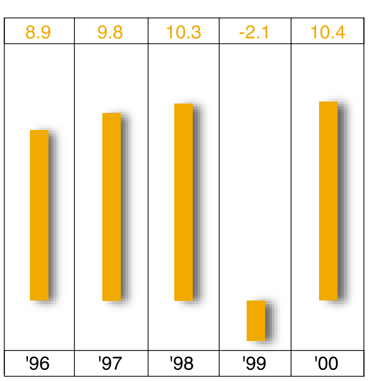
To further expand our share of the HDPE market, Tosoh obtained PE100 (ISO/DIS9080) certification for its high-performance polyethylene water pipes. Tosoh's HDPE pipes boast a higher stress resistance than those of any other Japanese manufacturer and a functional life of up to 100 years. The Polyolefins Division aims to take advantage of such innovative developments to raise its share of the high-value-added polyethylene markets in Japan to 20%.

Basic Group

NET SALES billion ¥



OPERATING INCOME billion ¥



The Basic Group consists of two divisions, Chlor-Alkali and Cement. The Chlor-Alkali Division manufactures products such as caustic soda and VCM, both vital materials in Tosoh's Vinyl Chain operations. Tosoh dominates the domestic market for these products and is a major supplier to the growing Asian market. Tosoh's PVC business, which also includes the resins joint venture Taiyo Vinyl Corporation, produces and markets various PVC resins, and is the largest PVC supplier in Japan. Tosoh's Cement Division maintains a solid reputation in Japan for superior quality products while minimizing emissions, waste and energy use.

Results

The Basic Group remains the Tosoh Group's largest business segment in terms of sales. Net sales increased 22.6% to ¥127.3 billion. Operating income made a strong recovery from the operating loss of the previous year, totaling ¥10.4 billion.

Shipments of caustic soda and VCM achieved substantial gains due to an increase in production capacity. Market prices of VCM increased both in Japan and overseas thanks to the steady recovery of the Asian market. Overseas markets for caustic soda, however, remained weak.

Shipments of cement continued to struggle due to a decline in public-works projects, weak demand from the private sector and poor export markets.

Inauguration ceremony of the new PVC resin production facility at PRII in the Philippines.

Tosoh is the number one producer in Japan of caustic soda, VCM and PVC.

Chlor-Alkali

In July 1999, Tosoh held a ceremony marking the completion of its second 250,000-tpy VCM plant at the Nanyo Complex. The Vinyl Chain, including affiliates, has an annual caustic soda capacity of 1.02 million tons and a VCM capacity of 1.05 million tons. With the production capacities of Taiyo Vinyl Corporation (TVC), Tosoh, and its overseas facilities in Indonesia and the Philippines combined, 974,000 tons of PVC is produced annually. The Vinyl Chain can also generate 675,000kW of electric power at the Nanyo Complex and 211,000kW at the Yokkaichi Complex, for a combined 886,000kW of power.

These structural improvements have made Tosoh a major competitive supplier of VCM and PVC in Asia and allowed us to supply our cost-competitive VCM to TVC. The efficient use of the Vinyl Chain infrastructure, lower costs, and more effective synergy management continue to be a strategic task of this segment.

Since April 2000, TVC has been operating under Tosoh-led management. Programs to streamline operations yielded annual savings of about ¥3.0 billion in the company's third year as planned. Although TVC had accumulated losses due to economic stagnation in Japan and turmoil in Asian economies, the company plans to establish a profitable operating base by creating a unified system for manufacturing, sales and research and development, taking full advantage of Tosoh's highly cost-competitive VCM operations.

Cement

The marketing and sale of Tosoh's entire cement production has been consigned to Taiheiyo Cement Corporation, a leading cement manufacturer in Japan. Ongoing domestic and regional recession has had an adverse impact on the cement industry. To improve profitability, Tosoh's Cement Division will continue efforts to condense labor and repair costs as well as seek methods to increase plant efficiency.

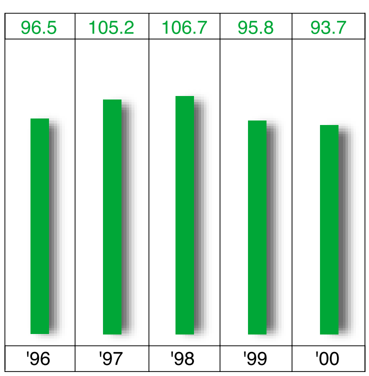
With a proactive approach to waste reduction and recycling, the Cement Division works to promote environmental protection of the local community by developing recycling technologies that process wastes generated on- and off-site. The Nanyo Complex generates 675,000kW of electric power at Japan's largest in-house co-generation power facility for production purposes. About 1.5 million tons of coal was used to power the facility in fiscal 2000, leaving 170,000 tons of coal ashes to be recycled in the cement production process. In addition, roughly 10,000 to 15,000-tpy of used tires and 10 tons per day of refuse-derived fuel (RDF), produced on-site from municipal waste, are consumed in Tosoh's cement production.

Highlights

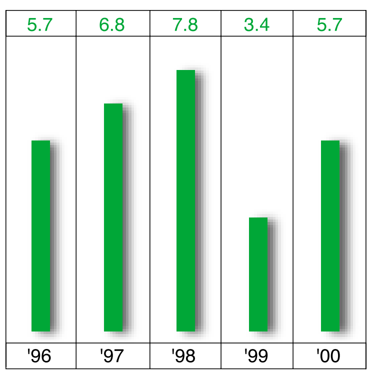
- ➜ April 1999—PVC resins plant Philippine Resins Industrial, Inc. (PRII), in the Philippines, inaugurated.
- ➜ May 1999—PVC compounds plant Tosoh Polyvin Corporation in the Philippines comes on stream.
- ➜ June 1999—Completion of boiler no. 5 at the Nanyo Complex boosts capacity to 675,000kW, the largest capacity for a single-unit in Japan.
- ➜ July 1999—Capacity expansion of the caustic soda and VCM plants at the Nanyo Complex brings Tosoh's total production there to over 1,000,000-tpy for each material.
- ➜ September 1999—Tosoh's newest coal tanker *Eigen* launches off from Okayama, Japan, on its maiden voyage.
- ➜ June 2000—PRII announced capacity increase for PVC resins production, due to more than double capacity at this site to 160,000-tpy by 2002.

Specialty Group

NET SALES billion ¥



OPERATING INCOME billion ¥



The Specialty Group, which encompasses the Fine Chemicals, Specialty Materials, Scientific Instruments, Optical Media and Quartz divisions, represents the high-end of Tosoh's product range. In the case of many of these products, Tosoh is the global leader. Products offer high-added value and cover a wide range of global niche applications. More importantly, they represent a technical advantage or field of expertise, which Tosoh can use to build upon for extended growth in the future.

Our product innovations in the specialty fields provide a solid foundation for continuing success. Developing innovative and efficient products is the key to enhancing our leading market position. This is why the bulk of the ¥9.3 billion devoted to R&D in fiscal 2000 went to themes related to the Specialty Group.

As of June 2000, the Fine Chemicals Division was renamed the Organic Chemicals Division, placing the Zeolites line of business into the Specialty Materials Division. Greater emphasis on integrated management and heightened efficiency in R&D has accelerated new developments and allowed a more focused approach to marketing. In this report, the Zeolites Department's activities are still reported as an operation within Fine Chemicals.

Tosoh, the world's largest producer of high-purity zirconia powders, boosted the capacity of this material from 370-tpy to 620-tpy in fiscal 2000.

The magnesium hydroxide plant of our joint venture TMG comes on stream, producing inorganic flame retardant material for the wire and cable industry.

Results

Supported by the burgeoning demand for liquid crystal displays, semiconductors and other IT-related products, sputtering targets, quartzware products and zirconia ceramics posted substantial increases in domestic shipments. Ethylene amines, EMD and chloroprene rubber also performed well, supported by exports.

Overseas subsidiaries, particularly those in the U.S., saw growth in shipments of sputtering targets and quartzware products as well. However, the appreciation of the yen reduced sales proceeds as well as sales at overseas subsidiaries when denominated on this basis. As a result, net sales for the Specialty Group dipped 2.2%, coming to ¥93.7 billion. Operating income, however, rose 66.7% to ¥5.7 billion.

Fine Chemicals

Tosoh's integrated production network facilitates a broad product offering and flexible manufacturing systems, enabling us to customize high-end fine chemicals, such as organic intermediates, zeolites, ethylene amines, polyurethane catalysts, bromine and flame retardants. The division commands the largest share in the Asian market for ethylene amines and their derivatives, as well as high-silica zeolites.

The *Bromine / Organic Intermediates Department* aggressively aims to expand its position in the inorganic and organic chemicals fields by building partnerships and synergistic developments involving its core competencies. Tosoh, the number one producer of bromine in the Asian region, and its domestic partners succeeded in designing a high-performance industrial process to produce high-purity magnesium hydroxide—an inorganic flame retardant found in many polymers. Tosoh's new product is superior in flame retardancy and smoke suppression, making it of great value to the wire and cable industry.

An annual growth rate of 3%–4% in sales is predicted for ethylene amines, and demand is soaring for amine derivatives, such as our TEDA & TOYOCAT® polyurethane catalysts. The *Amines Department* strategy is to apply its unique technical expertise to develop new products that cater to this demand, while developing environment-friendly products. Recent developments include the design of an amine emission-free catalyst system (based on the DIN 75201 Gravimetric test method). Compared to traditional catalysts available on the market, the new TOYOCAT®-RX20 and TOYOCAT®-RX21 are unique in that they realize zero amine emissions even at high temperatures.

The HSZ®-series zeolites for catalysts, used in petrochemicals, refining and the related application of solid-state acidic catalysts, expect to see increasing demand from environmental applications such as vehicular catalytic converters and VOC purifying/cleansing adhesives. The *Zeolites Department* will work to further create new demand and expand its sales in this sector. Last year in April, Japan's first pressure swing adsorption (PSA) zeolite plant came on stream—an integral part of Tosoh's plans to develop and deliver value-added products in its attempts to become a comprehensive zeolite manufacturer.

Specialty Materials

The Specialty Materials Division offers a world-class portfolio of innovative products and applications. In addition to being the largest global producer of high-purity zirconia powders, and a leading global supplier of sputtering targets for the semiconductor and flat panel display markets, other main products in this sector include synthetic rubber, polyphenylene sulfide (PPS) resins, PVC paste, and petroleum resins.

In July 2000, Tosoh's *Electronic Materials Department*, a leading producer of yttria-stabilized zirconia powders, boosted the production

Tosoh successfully launched its AIA®-600 II automated immunoassay analyzer, which provides large system performance in a compact, benchtop design.

capacity of its high-purity zirconia powders from 370 to 620-tpy. With this move, this sector intends to meet escalating worldwide demand for zirconia ferrules used in fiber optical connectors and increase its global market share. In addition, we forged ahead to boost our total production capacity, with the aim of reaching 870-tpy by 2003.

Electronic Materials also aims to develop new technologies and markets, which is the key to achieving higher growth in the thin film materials sector. Along with continuous demand increases for larger LCDs, the industry is requesting ever-larger sputtering chrome targets to enable their production and also to improve production efficiency. Tosoh's product lineup includes the world's largest mass-produced chrome sputtering target. In Asia, to meet the increasing demand of the actively investing Korean and Taiwanese LCD industry, this sector strives to make even better use of our well-established footing in this strategic region.

With the recent acquisition of Semiconductor Equipment Technology, Inc., an advanced shield manufacturing and refurbishing company for sputtering equipment, and the expansion of an additional sputtering target manufacturing site at Tosoh Specialty Materials Corp., we have high expectations regarding synergies and growth. These measures, combined with our vast technological expertise, should allow us not only to retain but also to further expand our competitive qadvantage and leading global position in the future.

Battery Manganese Materials achieved steady growth thanks to robust demand for electrolytic manganese dioxide (EMD) for alkaline batteries, due to rising sales of portable electronic devices. Tosoh boasts the highest production capacity in the world of this substance, some 50,000-tpy, and the top market share. This line of business is expected to continue to grow rapidly along with demand for portable electronics.

Scientific Instruments

The Scientific Instruments Division develops and markets separation and analytical equipment as well as clinical diagnostic instruments and their reagents. Sales growth is to be achieved through on-going development and marketing of new products. In the biotechnology field, Tosoh, innovators of automated random access immunoassay testing, launched the next enzyme immunoassay system AIA®-600II. Within the current fiscal year, a new line of products such as the next generation of the highly successful glycohemoglobin analyzer, TOYOPEARL® packing materials and columns as well as a new version of the AIA® reagents will be launched on the market. Due to heightened demand for TOYOPEARL® products from Europe and the U.S.A., production capacity was boosted, with the official groundbreaking taking place at the Nanyo Complex in February 2000.

This sector aims to expand its share of the global market by offering an integrated line of devices, columns and reagents to customers. In addition, Tosoh will acquire a 50% stake in TosoHaas from Rohm and Haas Company, making it a 100% Tosoh subsidiary. This move will strengthen Tosoh's position in the European and U.S. markets for separation and refining gels.

Tosoh boasts the highest production capacity in the world for EMD used in alkaline batteries.

Optical Media

Guaranteed for over ten million rewrites, Tosoh's MO rewritable optical disks offer unlimited potential and performance. Advanced technology and 100% in-house production combine to make Tosoh's MO rewritable optical disks the media of choice whenever large capacity storage of voice, image or computer data is required. With an annual production capacity of eight million disks, Tosoh accounts for more than 20% of global demand for MO media, holding on to the second place slot in world shipment volumes.

To further strengthen its leading position in the optical media industry and ensure its leading technological hold in the field, this sector strives to expand markets for MO disks and related media as well as carve out new niche markets by finding novel applications for its MO technologies.

Quartz

The Quartz Division supplies quartz materials and fabricated parts to the global semiconductor industry in addition to synthetic quartz for optical lenses, photomask substrates, and liquid crystal displays. With a well-integrated sales and manufacturing network that extends around the world, the Tosoh Quartz Group (TQG) is regarded as a global leading quartz supplier. The acquisition of the remaining 13% interest of Nippon Silica Glass Co., Ltd., through stock exchanges in April 2000 will also result in an enhanced management system and the ability to more effectively utilize the resources of the entire Tosoh Group.

While semiconductor firms account for most of the sales in this sector, Tosoh plans to raise sales to the LCD and optics industries to accelerate growth. In addition, TQG aims to maintain its leading global position by expanding its operations to such areas as Taiwan and Southeast Asia, which are regarded as the world's fastest-growing semiconductor markets. Established in May 1999, Tosoh Quartz Taiwan Co., Ltd., is due to come on stream before the summer of 2001. This new quartz fab will further enhance TQG's local supply and support capabilities for its customers in the region.

Highlights

➔July 1999—Tosoh's—and Japan's—first oxygen PSA zeolite site comes on stream at the Nanyo Complex.

➔Oct. 1999—Tosoh announces zirconia powder production capacity expansion with the aim of increasing its capacity for this material 500-tpy by fiscal 2003, to 870-tpy.

➔April 2000—Tosoh acquires full ownership of Japan-based Nippon Silica Glass Co., Ltd., a world-leading fully-integrated manufacturer of quartz materials.

➔May 2000—Tosoh joint venture TMG Corporation completes a ¥4-billion high-performance magnesium hydroxide plant on site at the Nanyo Complex.

➔June 2000—Tosoh decides to buy out TosoHaas, a bioseparation liquid chromatography solutions provider, from USA-based Rohm and Haas Company.

➔June 2000—Tosoh acquires 100% stake in Tosoh Akzo Corporation, manufacturer and marketer of dicalcium phosphate dihydrate, polymerization catalysts, and organic intermediates.

➔June 2000—Nippon Silica Industrial Co., Ltd., an 80%-owned subsidiary of Tosoh, announces plans to build a 20,000-tpy factory solely for the production of precipitated silica for energy-efficient tires, by March 2003.

➔June 2000—Tosoh acquires USA-based Semiconductor Equipment Technology, Inc., a manufacturer and marketer of superior quality shielding for use in sputtering and chemical vapor deposition devices.

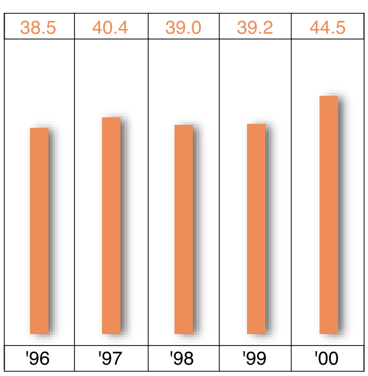
➔June 2000—Tosoh introduces the next line of 4^{th} generation—and the world's largest—mass-produced chrome sputtering targets for liquid crystal display applications.

Service Group

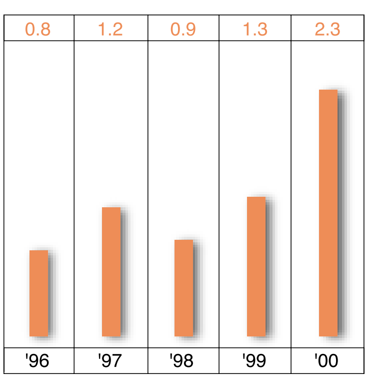
Set up three years ago in response to Tosoh's continuing efforts to enhance our customer focus and cost performance, this group of subsidiaries and affiliates provides the Tosoh Group with vital support services.

As of April 1, 2000, Tosoh's research, information technology (IT) and general administration functions were spun off into three independent operating companies and realigned into the Service Group. Tosoh Analysis & Research Center Co., Ltd. (TARC), provides comprehensive services in the field of materials analysis, dealing with organic, inorganic, polymer and electronic materials. The main operations of Tosoh Information Systems Co., Ltd. (TOSIS), include system consultation; business systems development, operations and maintenance; LAN and WAN design, implementation and maintenance; and the provision of Internet services and IT training. Tosoh Sogo (General) Service Co., Ltd. (TSS) services include security, disaster prevention, payroll and facility maintenance, among others.

NET SALES billion ¥



OPERATING INCOME billion ¥



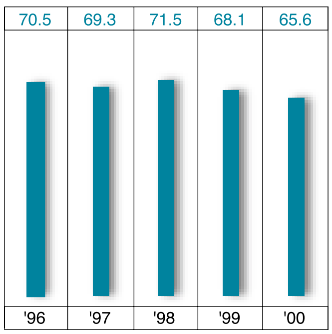
Results

Net sales rose 13.6% to ¥44.5 billion, primarily due to an increase in the number of consolidated subsidiaries in this group. Operating income was up 77.0% to ¥2.3 billion.

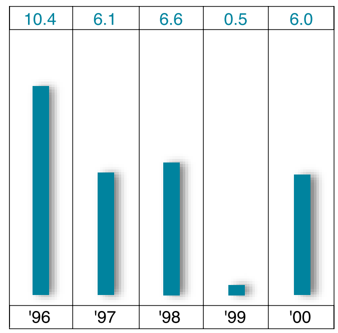
Strategic Objectives

In order to improve cost-effectiveness and service quality the Service Group will focus on integrating and expanding the operations of TARC, TOSIS and TSS. Consolidating experimental and R&D activities at TARC will create technological and research synergies and promote greater efficiency in research & development management. TOSIS aims to meet the demands of the e-business era by offering a comprehensive range of IT- and Net-related services to support the Tosoh Group's operations, both domestic and overseas. And TSS' objective is improving overall efficiency in administrative areas and a reduction in costs, contributing to the overall profitability of the Group. In the wake of this reorganization, the business group is even better equipped to meet speedily and efficiently the needs of its customers and partners.

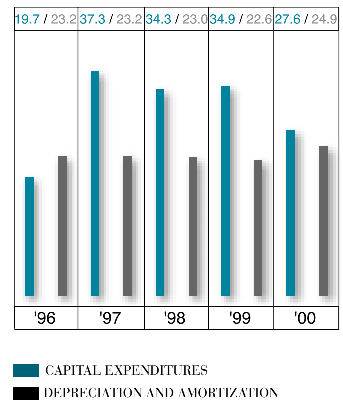
SG & A EXPENSES billion ¥



NET INCOME billion ¥



CAPITAL EXPENDITURES AND DEPRECIATION AND AMORTIZATION billion ¥



Overview

In the year ended March 31, 2000, the Japanese economy continued to struggle with low consumer spending, low levels of capital investments and a high unemployment rate. However, corporate profits did start to make improvements, and the first signs of a genuine economic recovery were discernible. Overseas, the U.S. economy went from strength to strength and the Asian economy also made steady progress on the path to recovery.

The chemical industry saw demand marked by little fluctuation in domestic markets. The boom in the crude oil market saw naphtha prices rise. All in all though, the operating environment was slightly more favorable than in the previous year thanks to increased exports to Asia and the recovery of foreign markets in general.

Against this background, the Company worked towards increasing shipments through expansion in production capacity of caustic soda and VCM. Development of in-house electricity generators, adjustments to domestic sales prices and reductions in fixed and distribution expenses were other areas seeing particular focus. The recovery of the Asian VCM market was another favorable factor.

As a result of the foregoing, consolidated net sales for the year rose 10.0% to ¥374.2 billion. Cost of sales amounted to ¥281.2 billion and selling, general and administrative (SG&A) expenses dropped to ¥65.6 billion. Consequently, operating income increased 267.4% over the previous year to ¥27.3 billion. The ratio of operating income to net sales rose from 2.2% to 7.3%.

Net Sales

Consolidated net sales climbed 10.0% over the previous year to ¥374.2 billion. By business segment, Petrochemical Group sales rose 7.2% to ¥108.6 billion, Basic Group sales increased 22.6% to ¥127.3 billion, Specialty Group sales fell 2.2% to ¥93.7 billion and Service Group sales rose 13.6% to ¥44.5 billion.

The chief reasons for the rise in consolidated net sales were increased shipments of caustic soda and VCM due to expanded production capacity and expansion of the VCM market both domestically and overseas, owing to the recovery of Asian markets. In the Petrochemical Group, shipments of olefin products increased. The sales prices of these products also increased due to the rise in naphtha prices.

Overseas sales climbed 13.8% to ¥92.5 billion and accounted for 24.7% of total sales compared to 23.9% in the previous year. Asian markets saw growth of 37.2% to ¥61.5 billion, with other overseas markets seeing a 15.0% fall in sales to ¥31.0 billion.

Costs & Expenses

Cost of sales increased 6.3%, or ¥16.6 billion, to ¥281.2 billion. However, the cost of sales ratio decreased 2.6%, from 77.8% to 75.2%. SG&A expenses fell 3.7%, or ¥2.5 billion, to ¥65.6 billion. The SG&A ratio decreased from 20.0% to 17.5%. R&D expenses came to ¥9.3 billion, 2.5% of net sales.

Among other expense items, interest expenses decreased 9.2%, or ¥0.8 billion, to ¥8.2 billion. Net financial expenses declined ¥0.3 billion to ¥7.5 billion. Changes in accounting standards concerning retirement and severance benefits are to be introduced in fiscal 2001. As this will result in a shortfall in funding for such benefits, the Company decided to make an additional provision to the reserve for the benefits so as to reduce the financial impact of this shortfall in the following years. Accordingly, a charge of ¥9.9 billion was recorded in fiscal 2000.

The aforementioned factors took net income to ¥6.0 billion, a notable improvement over the ¥0.5 billion of the previous year. Net income per share rose from ¥0.89 to ¥10.02, and ROE improved from 0.6% to 6.6%.

Financial Position

As of March 31, 2000, total assets amounted to ¥528.0 billion, an increase of 0.2%, or ¥0.8 billion. Current assets, however, decreased 1.5%, or ¥3.1 billion, to ¥202.7 billion. Though trade receivables, less allowance for doubtful accounts increased ¥11.0 billion because of the growth in sales and an increase in the number of consolidated subsidiaries, other factors outweighed this. In particular, cash and time deposits declined ¥6.8 billion, mainly due to capital expenditures and repayments of debt, and sales reduced marketable securities by ¥9.0 billion.

Total non-current assets, excluding foreign statements translation adjustments, fell 0.5%, or ¥1.7 billion, to ¥314.9 billion. Property, plant and equipment increased, primarily due to capital investments aimed at boosting production capacity at plants. Investments in and advances to unconsolidated subsidiaries and affiliates dropped though, the main cause being the capital redemption from overseas affiliates. An increase in the number of consolidated subsidiaries caused long-term loans receivable to decline and was responsible for an increase of ¥5.7 billion in foreign statements translation adjustments.

Current liabilities increased 2.1%, or ¥4.6 billion, to ¥222.8 billion. Short-term debt, including current maturities of long-term debt, fell by ¥3.1 billion, but trade payables rose ¥3.3 billion due to purchases of raw materials and an increase in the number of consolidated subsidiaries. Income taxes payable increased ¥3.2 billion.

Total liabilities amounted to ¥429.3 billion, a drop of 1.1%, or ¥5.0 billion, over the previous year. Furthermore, the balance of interest-bearing liabilities fell ¥22.0 billion to ¥333.2 billion. This was a result of the Company's efforts to reduce these liabilities and the accompanying interest expenses. The debt-to-equity ratio dropped 19.2% from 486.4% to 467.2%.

Total shareholders' equity increased 2.9%, or ¥2.6 billion, to ¥91.9 billion. This increase was attributed to an equivalent rise in consolidated retained earnings. This in turn was a result of a ¥1.6 billion decrease resulting from a change in the number of affiliates to which the equity method was applied, a ¥1.8 billion decrease due to dividends paid to shareholders and ¥6.0 billion of net income. The shareholders' equity ratio rose 0.5%, from 16.9% to 17.4%.

Cash Flows

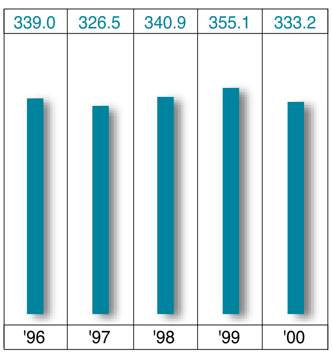
Cash and cash equivalents at the end of the year totaled ¥17.7 billion, ¥11.4 billion less than at the end of the previous fiscal year.

Cash flows from operating activities totaled ¥34.0 billion. Income before income taxes came to ¥9.5 billion and depreciation and amortization to ¥25.5 billion.

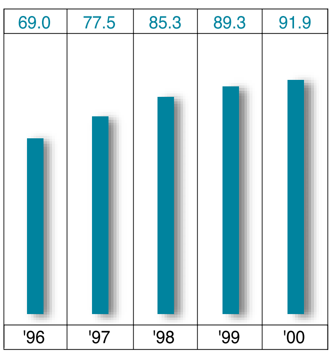
Cash used in investing activities amounted to ¥24.7 billion. This total consists primarily of capital investments made to boost the production capacity of major manufacturing plants.

Cash used in financing activities came to ¥20.7 billion due to net repayments of debt to the sum of ¥20.8 billion.

SHORT-TERM BANK LOANS AND LONG-TERM DEBT billion ¥



TOTAL SHAREHOLDERS' EQUITY billion ¥



Consolidated Statements of Income

Tosoh Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2000	1999	**2000**
Revenues:			
Net sales (Note 11)	**¥374,182**	¥340,229	**$3,525,031**
Interest and dividend income	**679**	1,184	**6,397**
Gain on sales of marketable securities	**1,354**	–	**12,756**
Gain on sales of property, plant and equipment	**3,001**	471	**28,271**
Equity in earnings of unconsolidated subsidiaries and affiliates	**2,882**	4,191	**27,150**
Other income	**2,499**	3,315	**23,541**
Total	**384,597**	349,390	**3,623,146**
Cost and expenses:			
Cost of sales (Note 11)	**281,236**	264,683	**2,649,421**
Selling, general and administrative expenses (Note 11)	**65,616**	68,108	**618,144**
Interest expense	**8,160**	8,988	**76,872**
Foreign exchange loss	**1,725**	–	**16,251**
Write-down of marketable and investment securities	**2,056**	3,134	**19,369**
Effect of accounting change for retirement and severance benefits	**9,938**	–	**93,622**
Other expenses	**6,353**	3,760	**59,849**
Total	**375,084**	348,673	**3,533,528**
Income before income taxes	**9,513**	717	**89,618**
Income taxes			
Current	**5,872**	1,546	**55,318**
Deferred (Note 10)	**(2,351)**	(1,339)	**(22,148)**
Minority interests	**27**	23	**255**
Net income	**¥ 6,019**	¥ 533	**$ 56,703**

	Yen		U.S. dollars (Note 1)
	2000	1999	**2000**
Per share of common stock:			
Net income per share	**¥10.02**	¥0.89	**$0.09**
Cash dividends, applicable to the year	**5.00**	3.00	**0.05**

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

Tosoh Corporation and Its Consolidated Subsidiaries
March 31, 2000 and 1999

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2000**	1999	**2000**
Current assets:			
Cash and time deposits	**¥ 13,004**	¥ 19,826	**$ 122,506**
Marketable securities (Notes 6 and 8)	**22,905**	31,881	**215,780**
Trade receivables, less allowance for doubtful accounts (Note 4)	**99,795**	88,760	**940,132**
Inventories (Note 5)	**52,598**	53,183	**495,506**
Deferred tax assets (Note 10)	**3,084**	1,865	**29,053**
Other current assets	**11,285**	10,281	**106,312**
Total current assets	**202,671**	205,796	**1,909,289**
Investments:			
Investment securities (Note 6)	**8,861**	7,913	**83,476**
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 6 and 8)	**34,825**	40,262	**328,073**
Long-term loans receivable	**1,981**	2,133	**18,662**
Other	**6,424**	7,985	**60,519**
Total investments	**52,091**	58,293	**490,730**
Property, plant and equipment, less accumulated depreciation (Notes 7 and 8)	**255,290**	252,178	**2,404,993**
Deferred tax assets (Note 10)	**4,099**	3,675	**38,615**
Intangible and other assets	**3,446**	2,519	**32,464**
Foreign statements translation adjustments	**10,392**	4,715	**97,899**
	¥527,989	¥527,176	**$4,973,990**

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2000	1999	Thousands of U.S. dollars (Note 1) 2000
Current liabilities:			
Short-term bank loans (Note 8)	**¥ 90,256**	¥ 89,084	**$ 850,268**
Current maturities of long-term debt (Note 8)	**55,297**	59,522	**520,933**
Trade payables	**41,682**	38,424	**392,671**
Income taxes payable	**4,228**	1,014	**39,830**
Deferred tax liabilities (Note 10)	**34**	–	**320**
Other current liabilities	**31,278**	30,122	**294,659**
Total current liabilities	**222,775**	218,166	**2,098,681**
Long-term debt, less current maturities (Note 8)	**187,627**	206,535	**1,767,565**
Retirement and severance benefits	**17,193**	7,428	**161,969**
Deferred tax liabilities (Note 10)	**587**	–	**5,530**
Other liabilities	**1,114**	2,161	**10,495**
Minority interests	**6,807**	3,603	**64,126**
Contingent liabilities (Note 9)			
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized—1,200,000,000 shares;			
Issued—600,665,239 shares in 2000 and 1999	**40,609**	40,609	**382,562**
Additional paid-in capital	**29,495**	29,495	**277,862**
Retained earnings	**21,784**	19,191	**205,219**
Less treasury stock, at cost, 6,006 shares in 2000 and 28,454 shares in 1999	**(2)**	(12)	**(19)**
Total shareholders' equity	**91,886**	89,283	**865,624**
	¥527,989	¥527,176	**$4,973,990**

Tosoh Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2000	**2000**
Cash flows from operating activities:		
Income before income taxes	**¥ 9,513**	**$ 89,618**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization	**25,495**	**240,179**
Increase in retirement and severance benefits	**9,792**	**92,247**
Interest and dividend income	**(679)**	**(6,397)**
Interest expense	**8,160**	**76,872**
Write-down of marketable and investment securities	**2,056**	**19,369**
Equity in earnings of unconsolidated subsidiaries and affiliates	**(2,882)**	**(27,150)**
Increase in trade receivables	**(10,309)**	**(97,117)**
Decrease in inventories	**1,246**	**11,738**
Increase in trade payables	**1,144**	**10,777**
Other, net	**364**	**3,429**
	43,900	**413,565**
Interest and dividends received	**1,110**	**10,457**
Interest paid	**(8,355)**	**(78,709)**
Income taxes paid	**(2,648)**	**(24,946)**
Net cash provided by operating activities	**34,007**	**320,367**
Cash flows from investing activities:		
Payments for purchase of property, plant and equipment	**(30,190)**	**(284,409)**
Proceeds from sale of property, plant and equipment	**2,928**	**27,584**
Purchases of investment securities	**(2,113)**	**(19,906)**
Proceeds from sales of marketable and investment securities	**5,102**	**48,064**
Other, net	**(386)**	**(3,636)**
Net cash used in investing activities	**(24,659)**	**(232,303)**
Cash flows from financing activities:		
Net increase in short-term bank loans	**3,056**	**28,789**
Proceeds from long-term debt	**39,010**	**367,499**
Repayments of long-term debt	**(62,849)**	**(592,077)**
Cash dividends paid	**(1,841)**	**(17,343)**
Proceeds from issuance of common stock to minority shareholders	**1,914**	**18,031**
Other, net	**(8)**	**(76)**
Net cash used in financing activities	**(20,718)**	**(195,177)**
Effect of exchange rate change on cash and cash equivalents	**(302)**	**(2,845)**
Net decrease in cash and cash equivalents	**(11,672)**	**(109,958)**
Cash and cash equivalents at beginning of year	**29,105**	**274,188**
Increase in cash and cash equivalents due to changes in consolidated subsidiaries	**268**	**2,525**
Cash and cash equivalents at end of year	**¥ 17,701**	**$ 166,755**

The accompanying notes are an integral part of these statements.

	Millions of yen
	1999
Cash flows from operating activities:	
Net income	¥ 533
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	22,613
Deferred income taxes	(1,339)
Write-down of marketable and investment securities	3,134
Equity in earnings of unconsolidated subsidiaries and affiliates	(3,197)
Gain on sales of property, plant and equipment	(471)
Decrease in operating assets:	
Trade receivables	16,999
Inventories	2,549
Other current assets	2,180
Decrease in operating liabilities:	
Trade payables	(10,234)
Other current liabilities	(3,944)
Other, net	551
Net cash provided by operating activities	29,374
Cash flows from investing activities:	
Payments for purchase of property, plant and equipment	(33,304)
Proceeds from sale of property, plant and equipment	517
Purchases of marketable and investment securities	(3,508)
Increase in loans receivable	(2,693)
Other, net	832
Net cash used in investing activities	(38,156)
Cash flows from financing activities:	
Proceeds from long-term debt	77,733
Repayments of long-term debt	(51,902)
Decrease in short-term bank loans	(9,462)
Cash dividends paid	(2,981)
Net cash provided by financing activities	13,388
Effect of exchange rate changes on cash	(844)
Net increase in cash	3,762
Cash at beginning of year	16,064
Cash at end of year	¥ 19,826
Supplemental disclosures of cash paid during the year for:	
Interest	¥ 8,925
Income taxes	¥ 1,802

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Tosoh Corporation and Its Consolidated Subsidiaries
Years ended March 31, 2000 and 1999

	Millions of yen			
	Common stock		Additional paid-in capital	Retained earnings
	Shares (Thousands)	Amount		
Balance at March 31, 1998	600,665	¥40,609	¥29,495	¥15,191
Net income for the year	–	–	–	533
Adjustment for the adoption of deferred income tax accounting	–	–	–	7,348
Cash dividends paid at ¥ 5.00 per share	–	–	–	(3,003)
Bonuses paid to directors and statutory auditors	–	–	–	(103)
Decrease due to change in consolidation of subsidiaries	–	–	–	(160)
Decrease due to change in investments accounted for by the equity method	–	–	–	(615)
Balance at March 31, 1999	600,665	40,609	29,495	19,191
Net income for the year	–	–	–	6,019
Cash dividends paid at ¥ 3.00 per share	–	–	–	(1,802)
Bonuses paid to directors and statutory auditors	–	–	–	(16)
Decrease due to change in consolidation of subsidiaries	–	–	–	(176)
Decrease due to change in investments accounted for by the equity method	–	–	–	(1,432)
Balance at March 31, 2000	**600,665**	**¥40,609**	**¥29,495**	**¥21,784**

	Thousands of U.S. dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1999	$382,562	$277,862	$180,791
Net income for the year	–	–	56,703
Cash dividends paid at ¥ 3.00 per share	–	–	(16,976)
Bonuses paid to directors and statutory auditors	–	–	(151)
Decrease due to change in consolidation of subsidiaries	–	–	(1,658)
Decrease due to change in investments accounted for by the equity method	–	–	(13,490)
Balance at March 31, 2000	**$382,562**	**$277,862**	**$205,219**

The accompanying notes are an integral part of these statements.

1. BASIS OF PRESENTING FINANCIAL STATEMENTS

Tosoh Corporation (the "Company") and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which are different from the accounting and disclosure requirements of International Accounting Standards. The accounts of overseas consolidated subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile.

The accompanying consolidated financial statements are a translation of the audited consolidated financial statements of the Company which were prepared in accordance with accounting principles and practices generally accepted in Japan from the accounts and records maintained by the Company and its consolidated subsidiaries and were filed with the Minister of Finance ("MOF") as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statement of cash flows for 1999 has been prepared for the purpose of inclusion in the consolidated financial statements, although such statements were not customarily prepared in Japan and not required to be filed with MOF prior to 2000.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2000, which was ¥106.15 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF ACCOUNTING POLICIES

Consolidation and investments — The Company prepared the consolidated financial statements for the year ended March 31, 2000 in accordance with the revised Accounting Principles for Consolidated Financial Statements effective from the year ended March 31, 2000.

The consolidated financial statements include the accounts of the Company and its 73 (70 in 1999) significant domestic and foreign subsidiaries. Significant intercompany transactions and accounts have been eliminated in the consolidation.

Investments in 40 (40 in 1999) unconsolidated subsidiaries and affiliates are accounted for by the equity method. Accordingly, investments in unconsolidated subsidiaries and affiliates are carried at cost plus (minus) equity in undistributed earnings (losses) after elimination of unrealized intercompany profits. Investments not accounted for by the equity method are carried at cost (adjusted for any substantial and non-recoverable decline in value). The effect on net income of not applying the equity method to these investments is immaterial.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Translation of foreign currencies — Cash and current receivables and payables denominated in foreign currencies are translated at year-end exchange rates. Other assets and liabilities denominated in foreign currencies are translated at historical exchange rates, except when there are significant fluctuations in foreign exchange rates.

Financial statements of consolidated foreign subsidiaries and foreign investments accounted for by the equity method are translated at the rates of exchange in effect at the balance sheet date except for capital accounts and assets and liabilities due to / from the Company that are translated at historical rates.

Differences arising from translations are presented as "Foreign statements translation adjustments" in the accompanying consolidated financial statements.

Consolidated statement of cash flows — The Company prepared the 2000 consolidated cash flow statement as required by and in accordance with the "Standards for Preparation of Consolidated Cash Flow Statements, etc." effective from the year ended March 31, 2000. The 1999 consolidated cash flow statement, which was voluntarily prepared for the purpose of inclusion in the consolidated financial statements in a form familiar to readers outside Japan, has not been restated. Significant differences in the consolidated cash flow statements for 2000 and 1999 include the use of income before income taxes in 2000 instead of net income in 1999, cash and cash equivalents in 2000 instead of cash in 1999, additional disclosure in cash flows from operating activities in 2000 of interest expense, income taxes paid, interest and dividend income and interest and dividends received.

In preparing the consolidated statements of cash flows in 1999, cash on hand, readily-available deposits and short-term highly liquid investments with maturities of not exceeding one year at the time of purchase are considered to be cash. In 2000, cash, readily-available deposits and short-term highly liquid investments with original maturities of three months or less are considered cash and cash equivalents in the consolidated cash flow statement. The effect of this change was to increase cash and cash equivalents at beginning of year 2000 by ¥9,279 million ($87,414 thousand).

Marketable and investment securities — Listed securities are valued at the lower of cost or market value. All other investments are stated at average cost adjusted for any substantial and non-recoverable decline in value. And the Company records recoveries of write-downs of securities.

Allowance for doubtful accounts — The allowance for doubtful accounts of the Company and its domestic subsidiaries is provided at the maximum amount deductible under Japanese income tax law. Such allowance of consolidated foreign subsidiaries is provided at an estimated amount deemed necessary by management.

Inventories — Inventories are principally valued at cost as determined by the weighted average method.

Property, plant and equipment, and depreciation — Property, plant and equipment are stated at cost. Depreciation is principally computed over the estimated useful lives of the assets on the straight-line basis. Repairs, maintenance and minor renewals are charged to expense as incurred.

Lease transactions — Finance leases, except those leases for which the ownership is considered to be transferred to the lessee, are accounted for as operating leases.

Retirement and severance benefits — Most employees of the Company and certain domestic subsidiaries are covered by funded contributory defined pension plans. Pension benefits under these plans cover approximately 75% of total benefits in respect of such employees.

The balance of approximately 25% of benefits is covered by an unfunded lump-sum severance benefits plan. Previously the Company and domestic subsidiaries provided for the liability for lump-sum severance benefits to the extent of approximately 40% of the amount required assuming that all employees voluntarily terminate their employment at each year-end. Effective April 1, 1999, the Company and domestic subsidiaries changed their provisions from 40% to 100% in order to more adequately provide for future retirement benefits. The effect of this change was to increase selling, general and administrative expenses by ¥25 million ($236 thousand) and decrease income before income taxes and net income by ¥9,963 million ($93,858 thousand) and ¥5,599 million ($52,746 thousand), respectively.

Research and development expenses — Research and development expenses for the improvement in production methods and the development of new products, including basic research and fundamental development costs, are charged to expense as incurred.

Income taxes — Prior to April 1, 1998, the Company and its domestic consolidated subsidiaries had provided income taxes at the amounts currently payable. Effective April 1, 1998, the Company and its domestic consolidated subsidiaries adopted the new accounting standard, which recognizes tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The amount of deferred income taxes attributable to the net tax effects of the temporary differences at April 1, 1998 is reflected as an adjustment of ¥7,348 million to retained earnings brought forward from the previous year. The effect for the year ended March 31, 1999 was to increase net income by ¥1,958 million.

Stockholders' Equity — The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with the Code.

Bonuses to directors and statutory auditors — Bonuses to directors and statutory auditors are subject to approval by the shareholders and are accounted for by an appropriation of retained earnings.

Amounts per share — Basic net income per share is computed based upon the weighted average number of shares of common stock outstanding during the period.

Dividends per share shown in the consolidated statements of income are year-end dividends approved at the general shareholders' meeting of the Company after the end of the year.

Reclassifications — Certain reclassifications have been made in the 1999 financial statements to conform to the 2000 presentation.

3. RECONCILIATION OF CASH AND TIME DEPOSITS TO CASH AND CASH EQUIVALENTS

March 31, 2000	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash and time deposits	**¥13,004**	**$122,506**
Deposits with maturities of more than three months	**(704)**	**(6,632)**
Securities with maturities of less than three months	**5,401**	**50,881**
Cash and cash equivalents	**¥17,701**	**$166,755**

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade receivables have been reduced by allowances for doubtful accounts of ¥707 million ($6,660 thousand) and ¥636million, as of March 31, 2000 and 1999, respectively.

5. INVENTORIES

Inventories consisted of the following:

March 31,	Millions of yen 2000	1999	Thousands of U.S. dollars (Note 1) 2000
Finished products	**¥34,485**	¥30,605	**$324,870**
Raw materials and supplies	**14,568**	18,739	**137,240**
Work-in-process	**3,545**	3,839	**33,396**
Total	**¥52,598**	¥53,183	**$495,506**

6. MARKET VALUE INFORMATION OF SECURITIES

Market value information of securities, excluding certain unlisted stocks and bonds, as of March 31, 2000 and 1999 were as follows: the information for 1999 was for the Company.

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2000			1999			2000		
March 31, 2000 and 1999	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)	Book value	Market value	Unrealized gain (loss)
Marketable securities	**¥17,437**	**¥19,836**	**¥ 2,399**	¥21,522	¥24,702	¥ 3,180	**$164,268**	**$186,868**	**$ 22,600**
Investment securities	**1,622**	**1,999**	**377**	1,247	1,210	(37)	**15,280**	**18,832**	**3,552**
Investments in unconsolidated subsidiaries and affiliates	**15,136**	**14,065**	**(1,071)**	10,073	14,060	3,987	**142,591**	**132,501**	**(10,090)**
Total	**¥34,195**	**¥35,900**	**¥ 1,705**	¥32,842	¥39,972	¥7,130	**$322,139**	**$338,201**	**$ 16,062**

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2000 and 1999 consisted of the following:

March 31,	Millions of yen 2000	1999	Thousands of U.S. dollars (Note 1) 2000
Land	**¥ 63,073**	¥ 60,984	**$ 594,187**
Buildings and structures	**134,483**	127,656	**1,266,915**
Machinery and equipment	**477,668**	455,061	**4,499,934**
Construction in progress	**9,934**	34,635	**93,585**
	685,158	678,336	**6,454,621**
Less accumulated depreciation	**(429,868)**	(426,158)	**(4,049,628)**
Net property, plant and equipment	**¥ 255,290**	¥ 252,178	**$ 2,404,993**

8. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans (partially secured) bore interest at annual rates of 0.53% to 7.63% and 0.59% to 7.10% as of March 31, 2000 and 1999, respectively. Such loans are generally renewable at maturity.

Long-term debt as of March 31, 2000 and 1999 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31, 2000 and 1999	**2000**	1999	**2000**
Loans from banks and other financial institutions, 0.50% - 7.05% maturing serially through 2026:			
Secured	**¥ 41,171**	¥ 43,261	**$ 387,857**
Unsecured	**201,753**	222,796	**1,900,641**
	242,924	266,057	**2,288,498**
Less current maturities	**(55,297)**	(59,522)	**(520,933)**
Total	**¥187,627**	¥206,535	**$1,767,565**

Assets pledged as collateral to secure short-term bank loans and long-term debt as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31, 2000 and 1999	**2000**	1999	**2000**
Property, plant and equipment	**¥100,465**	¥106,638	**$946,444**
Marketable securities and investments in unconsolidated subsidiaries and affiliates	**2,863**	2,816	**26,971**
Other	**258**	144	**2,431**
Total	**¥103,586**	¥109,598	**$975,846**

The annual maturities of long-term debt as of March 31, 2000 were as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2001	¥ 55,297	$ 520,933
2002	72,277	680,895
2003	30,727	289,468
2004	42,699	402,251
2005 and thereafter	41,924	394,951
Total	¥242,924	$2,288,498

9. CONTINGENT LIABILITIES

Contingent liabilities primarily for loans from banks to unconsolidated subsidiaries and affiliates which are guaranteed by the Company and for notes receivable discounted at banks with recourse as of March 31, 2000 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Loans guaranteed	**¥18,457**	**$173,877**
Notes receivable discounted	**1,655**	**15,591**
Total	**¥20,112**	**$189,468**

10. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of income taxes, which, in the aggregate, indicate statutory rates in Japan of approximately 41.7% and 47.4% for the years ended March 31, 2000 and 1999, respectively.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its domestic consolidated subsidiaries' effective tax rate for financial statement purposes for the year ended March 31, 2000 and 1999:

March 31,	2000	1999
Statutory tax rate	41.7 %	42.0%
Increase (reduction) in taxes resulting from:		
Non-taxable dividend income	(3.3)	(54.8)
Non-deductible expenses	2.9	44.4
Carryforward losses not offset against future taxable income	4.1	208.9
Equity in earnings of unconsolidated subsidiaries and affiliates	(12.6)	(233.8)
Other	4.2	22.2
Effective tax rate	37.0 %	28.9%

Significant components of deferred tax assets and liabilities as of March 31, 2000 and 1999 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
March 31,	**2000**	1999	**2000**
Deferred tax assets:			
Operating loss carryforwards for tax purposes	**¥ 2,728**	¥ 3,333	**$ 25,699**
Unrealized gains	**6,530**	6,131	**61,517**
Retirements and severance benefits	**4,792**	–	**45,144**
Other	**3,204**	1,738	**30,184**
Total deferred tax assets	**¥17,254**	11,202	**162,544**
Valuation allowance	**(2,867)**	(1,494)	**(27,009)**
Net deferred tax assets	**14,387**	9,708	**135,535**
Deferred tax liabilities:			
Tax deductions with reserve for replacement of property, plant and equipment	**(4,449)**	(3,532)	**(41,912)**
Reservation for special depreciation of fixed assets	**(2,007)**	–	**(18,907)**
Other	**(1,369)**	(636)	**(12,898)**
Total deferred tax liabilities	**(7,825)**	(4,168)	**(73,717)**
Net deferred tax assets	**¥ 6,562**	¥ 5,540	**$ 61,818**

11. SEGMENT INFORMATION

The Company and its consolidated subsidiaries operate primarily in the manufacture and sale of products in four business segments – Petrochemical Group, Basic Group, Specialty Group and Service Group.

Operations of the Petrochemical Group include the manufacture and sale of olefins and polyolefins.

Operations of the Basic Group include the manufacture and sale of caustic soda, vinyl chloride monomer and cement.

Operations of the Specialty Group include the manufacture and sale of fine chemicals, scientific and diagnostic instruments and systems, electronics, metals and speciality materials.

Operations of the Service Group include transportation, warehousing and construction.

"Operating expenses" used in the following segment information include cost of sales and selling, general and administrative expenses.

Business segment information was as follows:

	Millions of yen						
Year ended March 31, 2000	Petrochemical Group	Basic Group	Specialty Group	Service Group	Total	Elimination and Corporate	Consoli- dated
Net sales:							
Outside customers	**¥108,641**	**¥127,312**	**¥ 93,693**	**¥44,536**	**¥374,182**	**¥ –**	**¥374,182**
Inter-segment	**29,349**	**7,896**	**4,792**	**37,394**	**79,431**	**(79,431)**	**–**
Operating expenses	**129,053**	**124,777**	**92,814**	**79,639**	**426,283**	**(79,431)**	**346,852**
Operating income	**¥ 8,937**	**¥ 10,431**	**¥ 5,671**	**¥ 2,291**	**¥ 27,330**	**¥ –**	**¥ 27,330**
Identifiable assets	**¥ 90,598**	**¥159,018**	**¥148,060**	**¥53,389**	**¥451,065**	**¥ 76,924**	**¥527,989**
Deprecation and amortization	**¥ 4,637**	**¥ 9,917**	**¥ 7,707**	**¥ 1,371**	**¥ 23,632**	**¥ 1,222**	**¥ 24,854**
Capital expenditures	**¥ 1,249**	**¥ 15,806**	**¥ 7,307**	**¥ 1,001**	**¥ 25,363**	**¥ 2,237**	**¥ 27,600**

	Millions of yen						
Year ended March 31, 1999	Petrochemical Group	Basic Group	Specialty Group	Service Group	Total	Elimination and Corporate	Consolidated
Net sales:							
Outside customers	¥101,370	¥103,828	¥ 95,835	¥39,196	¥340,229	¥ –	¥340,229
Inter-segment	20,849	7,786	4,469	32,196	65,300	(65,300)	–
Operating expenses	117,415	113,678	96,902	70,096	398,091	(65,300)	332,791
Operating income	¥ 4,804	¥ (2,064)	¥ 3,402	¥ 1,296	¥ 7,438	¥ –	¥ 7,438
Identifiable assets	¥ 91,492	¥137,021	¥161,663	¥47,752	¥437,928	¥ 89,248	¥527,176
Depreciation and amortization	¥ 4,162	¥ 7,727	¥ 8,345	¥ 1,319	¥ 21,553	¥ 1,060	¥ 22,613
Capital expenditures	¥ 4,988	¥ 15,133	¥ 10,101	¥ 2,336	¥ 32,558	¥ 2,293	¥ 34,851

	Thousands of U.S. Dollars						
Year ended March 31, 2000	Petrochemical Group	Basic Group	Specialty Group	Service Group	Total	Elimination and Corporate	Consolidated
Net sales:							
Outside customers	**$1,023,467**	**$1,199,360**	**$ 882,647**	**$419,557**	**$3,525,031**	**$ –**	**$3,525,031**
Inter-segment	**276,486**	**74,385**	**45,144**	**352,275**	**748,290**	**(748,290)**	**-**
Operating expenses	**1,215,761**	**1,175,478**	**874,366**	**750,250**	**4,015,855**	**(748,290)**	**3,267,565**
Operating income	**$ 84,192**	**$ 98,267**	**$ 53,425**	**$ 21,582**	**$ 257,466**	**$ –**	**$ 257,466**
Identifiable assets	**$ 853,490**	**$1,498,050**	**$1,394,819**	**$502,958**	**$4,249,317**	**$ 724,673**	**$4,973,990**
Depreciation and amortization	**$ 43,683**	**$ 93,424**	**$ 72,605**	**$ 12,916**	**$ 222,628**	**$ 11,512**	**$ 234,140**
Capital expenditures	**$ 11,766**	**$ 148,902**	**$ 68,837**	**$ 9,430**	**$ 238,935**	**$ 21,074**	**$ 260,009**

Export sales and sales outside of Japan made by foreign subsidiaries were ¥92,465 million ($871,079thousand), and ¥81,246 million for the years ended March 31, 2000 and 1999, respectively, representing 24.7% and 23.9% of consolidated net sales. For the years ended March 31, 2000 and 1999, such sales in Asia were ¥61,515 million ($579,510 thousand) and ¥44,846 million, representing 16.4% and 13.2%, respectively, of consolidated net sales.

The "Elimination and Corporate" column of "Identifiable assets" in the above schedules includes corporate assets of ¥95,517 million ($899,830 thousand) and ¥103,939 million for the years ended March 31, 2000 and 1999, respectively, which mainly consist of cash, time deposits, marketable securities, investment in securities and assets of administrative departments.

12. SUBSEQUENT EVENTS

(1) At the general shareholders' meeting of the Company held on June 29, 2000, retained earnings of the Company as of March 31, 2000 were appropriated as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends (¥5.00 per share)	¥3,003	$28,290
Payment of bonuses to directors	¥ 70	$ 659

(2) In accordance with the joint-venture agreement between the Company and Akzo Nobel Corporation, the Company owned 30% of the stock of Akzo Kashima Corporation, which is engaged in the production and sales of industrial chemicals etc. On June 21, 2000, the Company cancelled the agreement and sold all of its shares (600,000 shares) of Akzo Kashima Corporation to Akzo Nobel Corporation for ¥4,406 million ($41,507 thousand). The gain on the sale of the stock was ¥3,252 million ($30,636 thousand).

(3) In accordance with the joint-venture agreement with Akzo Nobel Chemicals B.V. and Akzo Nobel Chemicals International B.V., both are subsidiaries of Akzo Nobel N.V., a Dutch corporation, the Company owned 50% of the stock of Tosoh Akzo Corporation. On June 21, 2000, the Company cancelled the agreement and then acquired 50% of stock (5,000 shares) of Tosoh Akzo Corporation for ¥5,637 million ($53,104 thousand) from Akzo Nobel Chemicals B.V. and Akzo Nobel Chemicals International B.V.. In consequence, Tosoh Akzo Corporation became a wholly-owned subsidiary of the Company.

Information about Tosoh Akzo Corporation (as of March 31, 2000)
(1) Main business is production and sales of alkyl metal catalysts for polymerization, organic intermediates, and dicalcium phosphate.
(2) The number of employees is 161.
(3) Sales for the year ended March 31, 2000 were ¥5,770 million ($54,357 thousand).
(4) Total assets as of March 31, 2000 were ¥5,144 million ($48,460 thousand).

Report of Independent Public Accountants

To the Shareholders and the Board of Directors of Tosoh Corporation:

We have audited the accompanying consolidated balance sheets of Tosoh Corporation (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, expressed in Japanese yen. Our audits were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Tosoh Corporation and its consolidated subsidiaries as of March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis during the years, except for the new accounting policies and change in accounting policy,with which we concur as noted in the following paragraph.

As explained in Note 2, in the year ended March 31, 2000, Tosoh Corporation and its consolidated subsidiaries prospectively adopted new Japanese accounting standards for consolidation and equity method accounting and software costs. Also Tosoh Corporation and its consolidated domestic subsidiaries changed the methods of accounting for retirement and severance benefits for employees, effective April 1, 1999, as referred in Note 2.

Also, in our opinion, the U.S. dollar amounts in the accompanying consolidated financial statements have been translated from Japanese yen on the basis set forth in Note 1.

Osaka, Japan
June 29, 2000

Asahi & Co.

(Member Firm of Andersen Worldwide SC)

Statement on Accounting Principles and Auditing Standards

This statement is to remind users that accounting principles and auditing standards and their application in practice may vary among nations and therefore could affect, possibly materially, the reported financial position and results of operations. The accompanying consolidated financial statements are prepared based on accounting principles generally accepted in Japan, and the auditing standards and their application in practice are those generally accepted in Japan. Accordingly, the accompanying financial statements and the auditors' report presented above are for users familiar with Japanese accounting principles, auditing standards and their application in practice.

United States

TOSOH America, Inc.
3600 Gantz Road, Grove City, OH
43123-1895, U.S.A.
Tel: 1-614-539-8622
Fax: 1-614-539-8722
E-mail: info@tsam.com

TOSOH USA, Inc.
(Atlanta Office)
Suite 600, 1100 Circle 75 Parkway,
Atlanta, GA 30339-3097, U.S.A.
Tel: 1-770-956-1100
1-800-221-4801 (US Toll Free)
Fax: 1-770-956-7368
E-mail: info@tosohusa.com

(San Francisco Office)
383 E. Grand Avenue, Suite E,
South San Francisco, CA
94080-6209, U.S.A.
Tel: 1-650-615-4790
1-800-23-TOSOH (US Toll Free)
Fax: 1-650-615-4791
E-mail: rmurphy@tosoh-mo.com

(New Jersey Office)
1952 Route 22 East, Bound Brook, NJ
08805, U.S.A.
Tel: 1-732-271-1117
Fax: 1-732-271-9665

TOSOH Medics, Inc.
347 Oyster Point Boulevard, Suite 201,
South San Francisco, CA,
94080, U.S.A.
Tel: 1-650-615-4970
1-800-248-6764 (US Toll Free)
Fax: 1-650-615-0415
E-mail: heather@tosohm.com
Web page: www.tosohmedics.com

TosoHaas
(Head Office)
156 Keystone Drive,
Montgomeryville, PA 18936, U.S.A.
Tel: 1-215-283-5000
Fax: 1-215-283-5035
E-mail:
tosohaas_direct@rohmhaas.com
Web page:
www.rohmhaas.com/tosohaas

TOSOH SMD, Inc.
3600 Gantz Road, Grove City, OH
43123-1895, U.S.A.
Tel: 1-614-875-7912
Fax: 1-614-875-0031
E-mail: info@tsmd.com
Web page: www.tsmd.com

TOSOH SET, Inc.
(Head Office)
5880 Gleason Drive, Dublin, CA
94568, U.S.A.
Tel: 1-925-560-6000
Fax: 1-925-560-6100
E-mail: info@setshields.com
Web page: www.tosohset.com

General Chemical (Soda Ash) Partners
(Head Office)
90 East Halsey Road, Parsippany,
NJ 07054, U.S.A.
Tel: 1-973-515-0900
1-800-631-8050 (US Toll Free)
Fax: 1-973-515-1985

Holland Sweetener North America, Inc.
Suite 690, 1100 Circle 75 Parkway,
Atlanta, GA 30339-3097, U.S.A.
Tel: 1-770-956-8443
1-800-757-9648 (US Toll Free)
Fax: 1-770-956-7102
E-mail: ken@hscna.com or
barbara@hscna.com

Nippon Silica Glass USA, Inc.
(TOSOH Quartz Group)
1952 Route 22 East,
Bound Brook, NJ, 08805, U.S.A.
Tel: 1-732-271-9660
Fax: 1-732-271-9665
E-mail: bhepscher@tqga.com

Weiss Scientific Glass Blowing Co., Inc.
(TOSOH Quartz Group)
14380 NW Science Park Drive,
Portland, OR 97229, U.S.A.
Tel: 1-503-605-5600
Fax: 1-503-605-5799
E-mail: bdavis@tqga.com
Web page: www.tqga.com
: www.tosohquartz.com

Weiss Glass Technology, Inc.
(TOSOH Quartz Group)
2600 Zanker Road, Suite A,
San Jose, CA 95131, U.S.A.
Tel: 1-408-954-9008
Fax: 1-408-435-0131

Cryco Quartz, Inc. / Cryco Twenty-Two, Inc.
(TOSOH Quartz Group)
8107 Altoga Drive,
Austin, TX 78724, U.S.A.
Tel: 1-512-926-8931
Fax: 1-512-929-8257
E-mail: cryco@cryco.com
Web page: www.cryco.com

Europe

TOSOH Europe B.V.
(Head Office)
Crown Building-South,
Hullenbergweg 359,
1101 CP Amsterdam Z.O.,
The Netherlands
Tel: 31-20-5650010
Fax: 31-20-6915458
E-mail: tosoh@tosoheur.com

TOSOH Europe B.V.
(Group TOSOH SMD)
Hospitalstrasse 8, Postfach 1620,
D-97866 Wertheim, Germany
Tel: 49-9342-92280
Fax: 49-9342-922840
E-mail: schmidtp@tsmd.com
Web page: www.tsmd.com

TOSOH Europe B.V.
(Group TOSOH SMD)
Sinclair House, Station Road,
Cheadle Hulme, Cheadle, Cheshire
SK8 5AF, U.K.
Tel: 44-161-4866949
Fax: 44-161-4866946
Web page: www.tsmd.com

Delamine B.V.
(Head Office)
Barchman Wuytierslaan 10,
3818 LH Amersfoort, The Netherlands
(or P.O. Box 247, 3800 AE
Amersfoort)
Tel: 31-33-4676897
Fax: 31-33-4676891
E-mail: info@delamine.com
Web page: www.delamine.com

(Delfzijl Plant)
Oosterhorn 8, Postbus 87,
9930 AB Delfzijl, The Netherlands
Tel: 31-59-6647800
Fax: 31-59-6610324

Holland Sweetener Company V.O.F.
(Head Office)
P.O. Box 258, 6160 AG Geleen,
The Netherlands
Tel: 31-46-4764065
Fax: 31-46-4764066
E-mail: hsc.hsc@dsm-group.com

(Geleen Plant)
Production Department
P.O Box 602, 6160 MK Geleen,
The Netherlands
Tel: 31-46-4773635
Fax: 31-46-4766587

Eurogenetics N.V.
(Head Office)
Transportstaat 4, B-3980 Tessenderlo,
Belgium
Tel: 32-13-668830
Fax: 32-13-672494
E-mail: 101637.542@compuserve.com
Web page: www.eurogenetics.be

Eurogenetics Italia SRL
Corso Susa 299/A, 10098 Rivoli,
Torino, Italy
Tel: 39-011-9519333
Fax: 39-011-9519329 / 9519314
E-mail:
euro.genetics@interbusiness.it

E.S. Genetics, S.A.
Fanghofli 14, CH-6014 Littau-Luzern,
Switzerland
Tel: 41-41-2504480
Fax: 41-41-2505064

Eurogenetics U.K., Ltd.
Unit 5, Kingsway Business Park,
Oldfield Road, Hampton TW12-2HD,
U.K.
Tel: 44-208-2968800
Fax: 44-208-2969039
E-mail: sales@eurogenetics.co.uk
Web page: www.eurogenetics.be

TOSOH Belgium N.V.
Transportstaat 4, B-3980 Tessenderlo,
Belgium
Tel: 32-13-672500
Fax: 32-13-672501
E-mail: luc.goyens@euronet.be

TOSOH Hellas A.I.C.
Industrial Area of Sindos,
GR-57022 Sindos, Thessaloniki,
Greece
Tel: 30-31-717800 / 717801
Fax: 30-31-717840 / 717841
E-mail: tosoh@tosoh-hellas.gr

Nippon Silica Glass Europe, Ltd.
(TOSOH Quartz Group)
Unit 2, Greencroft Industrial Park,
Stanley, Co. Durham
DH9 7YB, U.K.
Tel: 44-1207-524400
Fax: 44-1207-524409
E-mail: NSGE@tqge.co
Web page: www.tqga.com/nsge

TosoHaas GmbH
Zettachring 6, D-70567 Stuttgart,
Germany
Tel: 49-711-132570
Fax: 49-711-1325789
E-mail:
tosohaas_direct@rohmhaas.com
Web page:
www.rohmhaas.com/tosohaas

Asia

P.T. Standard Toyo Polymer
Plaza Permata Lantai 9, JL.M.H.
Thamrin No. 57, Jakarta 10350,
Indonesia
Tel: 62-21-3903132 / 3903135
Fax: 62-21-3903301

P.T. Satomo Indovyl Polymer
Wisma Unggul Indah Corporation
(UIC), UIC Building, 4th Floor, JL.
Jend. Gatot Subroto Kav. 6-7,
Jakarta 12930, Indonesia
Tel: 62-21-5266871
Fax: 62-21-5266874

Philippine Resins Industries, Inc.
(Makati Office)
Unit 2104 Antel 2000 Corporate
Centre, 121 Valero Street, Salcedo
Village, Makati City, The Philippines
Tel: 63-2-751-5273
Fax: 63-2-751-5284

(Bataan Plant Office)
PPDC Complex, Batangas Dos
Mariveles, Bataan, The Philippines
Tel: 63-47-244-5975
Fax: 63-47-244-5976

TOSOH Polyvin Corporation
Special Economic Zone, Lima
Technology Centre,
4217 Lipa City, Batangas,
The Philippines
Tel: 63-43-981-3001/02/03/04
Fax: 63-43-981-4935/4939

TOSOH SMD Korea, Ltd.
433 Mogok-Dong, Pyungtaek,
Kyungki-Do, Korea
Tel: 82-31-665-5975
Fax: 82-31-665-6182
E-mail: KimSH@tsmd.com
Web page: www.tsmd.com

TOSOH SMD Singapore, Pte., Ltd.
15 Cantonment Road, 089739,
Singapore
Tel: 65-324-3490
Fax: 65-324-3491
E-mail: cheekl@pacific.net.sg
Web page: www.tsmd.com

Nippon Silica Glass Taiwan Co., Ltd.
(TOSOH Quartz Group)
Room 104, No. 47, Park Ave. 2,
Science-Based Industrial Park,
Hsin Chu, 300, Taiwan
Tel: 886-3-5771234
Fax: 886-3-5782456
E-mail: jameslin@tqgt.com.tw
Web page: www.tosohquartz.com

TOSOH SMD Taiwan, Ltd.
2F, No. 440, Chung Hsiao Road,
Hsin Chu, Taiwan
Tel: 886-3-561-0000
Fax: 886-3-561-0011
E-mail: jonge@tsmd.com
Web page: www.tsmd.com

TOSOH Fine Chemicals Pte., Ltd.
138 Robinson Road #16-09,
Hong Leong Centre, 068906,
Singapore
Tel: 65-226-5106
Fax: 65-226-5215
E-mail: tfccah@cyberway.com.sg

Japan

Tosoh Corporation
(Head Office)
Shiba-koen First Building,
3-8-2, Shiba, Minato-ku,
Tokyo 105-8623, Japan
Tel: 81-3-5427-5103
Fax: 81-3-5427-5195
E-mail: info@tosoh.co.jp
Web page: www.tosoh.com

Registered Head Office
4560, Kaisei-cho, Shin Nanyo,
Yamaguchi 746-8501, Japan
Tel: 81-834-63-9800
Fax: 81-834-62-4349

Osaka Regional Office
New Osaka Building, 1-2-6,
Dojimahama, Kita-ku, Osaka
530-0004, Japan
Tel : 81-6-344-3853
Fax: 81-6-344-3202

Nagoya Regional Office
Meiko Building, 1-17-13, Nishiki,
Naka-ku, Nagoya 460-0003, Japan
Tel: 81-52-211-5491
Fax: 81-52-211-5740

Fukuoka Regional Office
Kogin Building, 1-13-2, Tenjin,
Chuo-ku, Fukuoka 810-0001, Japan
Tel: 81-92-781-0481
Fax: 81-92-751-7015

Sendai Regional Office
Kowa Building, 2-4-1,
Ichiban-cho, Aoba-ku,
Sendai, Miyagi 980-0811, Japan
Tel: 81-22-266-2341
Fax: 81-22-267-5745

Yamaguchi Regional Office
4560, Kaisei-cho, Shin Nanyo,
Yamaguchi 746-8501, Japan
Tel: 81-834-63-9888
Fax: 81-834-63-6627

Nanyo Complex
4560, Kaisei-cho, Shin Nanyo,
Yamaguchi 746-8501, Japan
Tel: 81-834-63-9800
Fax: 81-834-62-4349

Yokkaichi Complex
1-8, Kasumi, Yokkaichi,
Mie 510-8540, Japan
Tel: 81-593-64-1111
Fax: 81-593-64-4818

Toyama Plant
2, Iwase Koshi-machi,
Toyama 931-8371, Japan
Tel: 81-764-37-9381
Fax: 81-764-38-3824

Nanyo Research Laboratory
4560, Kaisei-cho, Shin Nanyo,
Yamaguchi 746-8501, Japan
Tel: 81-834-63-9911
Fax: 81-834-62-1748

Yokkaichi Research Laboratory
1-8, Kasumi, Yokkaichi,
Mie 510-8540, Japan
Tel: 81-593-63-1622
Fax: 81-593-65-5205

Tokyo Research Center
Tokyo Research Laboratory
2743-1, Hayakawa, Ayase,
Kanagawa 252-1123, Japan
Tel: 81-467-77-2211
Fax: 81-467-78-5385

(As of July 2000)

President & CEO

Madoka Tashiro

Executive Vice President

Yasushi Kajiwara

CORPORATE SERVICES

- Corporate Strategy & Planning
- Corporate Control & Accounting
- Finance
- General Affairs
- Purchasing & Logistics
- Legal & Patents
- Human Resources
- Corporate Communications
- Corporate Secretariat
- Auditing
- Environment, Safety & Quality Control

CORPORATE R&D

- Tokyo Research Center
- Tokyo Research Laboratory
- Nanyo Technology Center
- Nanyo Research Laboratory
- Yokkaichi Research Laboratory

MANUFACTURING

- Nanyo Complex
- Yokkaichi Complex
- Toyama Plant

SALES BRANCHES

- Osaka Branch
- Nagoya Branch
- Fukuoka Branch
- Sendai Branch
- Yamaguchi Branch

BUSINESS GROUPS

Olefins Division

- Sales & Marketing

Polymers Division

- Planning & Coordination
- Polyethylenes
- High Performance Polymers

Chlor-Alkali/VCM Division

- Planning & Coordination
- Chlor-Alkali/VCM Sales & Marketing
- Fertilizer Sales & Marketing

Cement Division

Organic Chemicals Division

- Planning & Business Development
- Amines
- Bromine & Organic Intermediates

Scientific Instruments Division

- Planning & Business Development
- Sales & Marketing
- Research & Development
- Gels Production

Specialty Materials Division

- Planning & Business Development
- Electronic Materials
- Battery Manganese Materials
- Zeolites

Optical Media Division

Quartz Division

(As of June 29, 2000)

Board of Directors

President & CEO
Madoka Tashiro

Executive Vice President
Yasushi Kajiwara

Senior Managing Directors
Kiyoshi Hino
Takashi Tsuchiya
Motonobu Osaki

Managing Directors
Yukihiro Tsutsumi
Ichiro Hiraki
Yasuo Kato
Keiichi Ohtagaki

Directors
Hiroo Sasaki
Kiyoshi Hashimoto
Nobuhiro Kawasaki
Nobuhiro Meno
Hideo Yamasaki
Teruhiro Setoguchi
Takuhei Sakurai
Kazuya Hoshi
Osamu Kuchiishi
Shinji Kurata
Yuzo Arima

Corporate Auditors
Yoshinobu Kashida
Katsuhiko Kawamura
Akifumi Tada
Momoto Obara

(As of June 29, 2000)

Investor Information

Date of Incorporation
February 11, 1935

Paid-in Capital
¥41 billion

Common Stock
Authorized: 1,200,000,000 shares
Issued: 600,665,239 shares

Number of Shareholders
56,576

Stock Exchange Listings
Tokyo, Osaka, Nagoya, Kyoto,
Fukuoka
TSE Ticker Symbol: 4042

Transfer Agent for Shares
The Chuo Trust & Banking Co., Ltd.
7-1, Kyobashi 1-chome
Chuo-ku, Tokyo 104-8345, Japan

Independent Auditors
Asahi & Co.

Number of Employees
7,914

(As of March 31, 2000)

Head Office
Tosoh Corporation
Shiba-koen First Building
3-8-2, Shiba
Minato-ku, Tokyo 105-8623, Japan

For further information, please contact:
Corporate Communications
Tel: 81-3-5427-5103
Fax: 81-3-5427-5195
E-mail: info@tosoh.co.jp

Visit our award-winning Web page:
www.tosoh.com

TOSOH

TOSOH CORPORATION

Shiba-koen First Building, 3-8-2, Shiba, Minato-ku, Tokyo 105-8623, Japan
Tel: 81-3-5427-5103 Fax: 81-3-5427-5195
E-mail: info@tosoh.co.jp Web page: www.tosoh.com

Printed in Japan on recycled paper.