



Environmental and Social Report **2006**





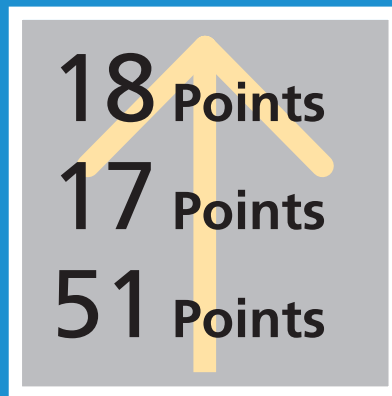
TOK is dedicated to fulfilling its social responsibilities as a company with regard to the environment, the community and the economy.



Outside Director

We are enhancing our corporate governance. One step was the election of an outside director for the purpose of increasing the transparency of the Board of Directors and reinforcing the board's supervisory functions.

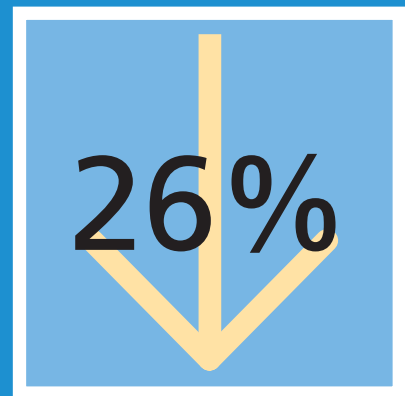
⇒ **P.8 Corporate Governance**



Energy

We are working on lowering energy consumption. Nevertheless, compared with fiscal 2004, our fiscal 2005 consumption of electricity rose 18 points, petroleum (heavy oil) consumption was up 17 points and water consumption increased 51 points (based on the unit requirement index).

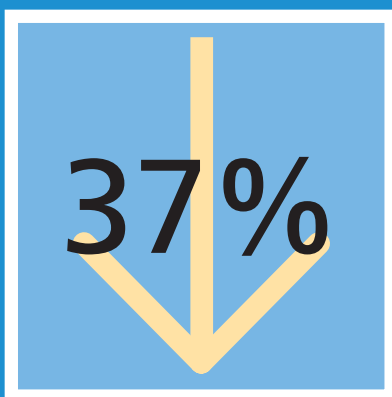
⇒ **P.23 Reduction in the Input of Energy Resources**



General Industrial Waste

Our 3R (reduce, reuse, recycle) campaign is producing results. In fiscal 2005, the volume of general industrial waste (unit requirement index) was down 26% compared with fiscal 2000.

⇒ **P.26–28 Measures to Achieve Zero Emissions**



Specially Controlled Industrial Waste

Our 3R campaign is producing results. In fiscal 2005, the volume of specially controlled industrial waste (unit requirement index) was down 37% compared with fiscal 2000.

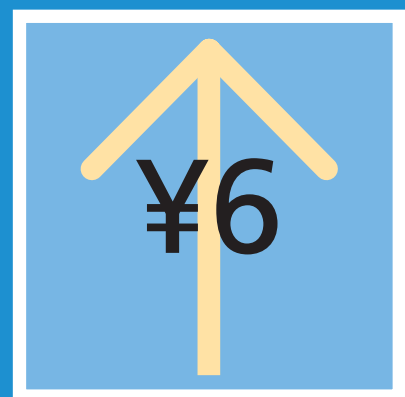
⇒ **P.26–28 Measures to Achieve Zero Emissions**



Time-Off System for Bone Marrow Donors

TOK has a time-off system for bone marrow donors that allows employees to use up to six workdays to participate in social contributions. In addition, we have a variety of benefits and programs to create a pleasant and stimulating workplace for our employees.

⇒ **P.37–38 Realizing Ideal Working Conditions**



Annual Dividend per Share

The suitable distribution of earnings to shareholders is one of TOK's highest priorities in order to meet the expectations of shareholders and investors. Based on this stance, we raised our annual dividend per share by ¥6, to ¥33 in fiscal 2005.

⇒ **P.40 Distribution of Earnings to Shareholders**

Editorial Policy

Tokyo Ohka Kogyo Co., Ltd. (TOK) has issued an environmental report each year to present our policies, actions and goals concerning the environment in a format that is easy to understand and well organized. In fiscal 2005, the report was renamed the Environmental and Social Report due to the inclusion of information concerning various social activities.

TOK views this publication as an important means of fulfilling its obligation to explain its activities to the public. We also position this report as a valuable tool for communicating with our stakeholders. Accordingly, every effort has been made to use expressions that are easy to read and understand.

■ Applicable period

Fiscal 2005 (April 1, 2005 through March 31, 2006)

Note: Data in this report is for fiscal 2005, but the report also covers activities conducted in fiscal 2006.

■ Scope of data collection

Headquarters, Osaka Marketing Office, Tohoku Marketing Office, Kyushu Marketing Office, Sagami Operation Center, Shonan Technical Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Yamanashi Plant, Ikuno Plant, Aso Plant and Distribution Control Center (including SP*)

*1 In this Environmental and Social Report, Yamanashi Ohka Co., Ltd. is reported as the Yamanashi Plant and Kumagaya Ohka Co., Ltd. as the Kumagaya Plant. The data on headquarters includes data on TOK Engineering Co., Ltd. and Ohka Service Co., Ltd. Data on TOK Techno Service Co., Ltd. is included in that for the Shonan Technical Center (In addition, data for each marketing office includes some data on TOK Techno Service Co., Ltd.).

*2 SP: Controlled-atmosphere stock points: Chitose, Miyagi, Yamagata, Ojiya, Ibaraki, Yamanashi, Mie, Hiroshima and Yamaguchi. The Chitose SP was closed in January 2006.

■ Reference guidelines

Environmental Reporting Guidelines 2003, published by the Ministry of the Environment

■ Issue date and 2007 issue date

Issue date: October 2006

Date of next issue: October 2007 (tentative)

■ For further information, please contact:

TOKYO OHKA KOGYO CO., LTD.

Safety & Environment Control Division

1590 Tabata, Samukawa-machi, Koza-gun,

Kanagawa 253-0114, JAPAN

TEL. +81-467-75-2151 FAX. +81-467-75-6551

Forward-Looking Statements

This Environmental and Social Report contains forward-looking statements based on current information. Actual results or events may differ materially from expectations discussed in such forward-looking statements.

Contents

2	Editorial Policy
3	Corporate Information
5	A Message from the President
7	Management
	Promote CSR Management
	Corporate Governance
	Compliance
	Risk Management
11	Environmental Report
12	The TOK Environmental Policy
13	The Environmental Impact of Business Activities
15	Fiscal 2005 Objectives and Results
17	Environmental Accounting
19	Environmental Management System
23	Environmental Performance
29	Managing Chemical Substances
31	Developing Environment-Friendly Products
32	Environmental Communications
33	Social Report
34	Relationship with Customers
35	Relationship with Employees
40	Relationship with Shareholders and Investors
41	Relationship with the Community
43	Data
44	List of Substances Covered by the PRTR Law
45	Data on Environmental Impact by Site
49	TOK Global Network
51	History of Environmental Conservation Activities

Corporate Information

Corporate Information (As of March 31, 2006)

Corporate Name:	TOKYO OHKA KOGYO CO., LTD.
Established:	October 25, 1940
Headquarters:	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN TEL. +81-44-435-3000
President:	Yoichi Nakamura
Capitalized:	¥14,640 million
Number of Employees:	Unconsolidated: 1,400 Consolidated: 1,748
Net Sales (FY2005):	Unconsolidated: ¥82,883 million Consolidated: ¥98,514 million



Headquarters

Business Activities

Material Business



Electronic Functional Materials

There are two primary products in this category. One is photoresist*, which is a widely used material that is essential for the microprocesses involved in the manufacture of semiconductors, flat panel displays, printed circuit boards and other electronic products. The other is materials for forming interlayer and planarizing insulation film, which are required as advances in semiconductors raise the number of layers of circuitry. TOK contributes to progress in the electronics industry by developing and supplying products that offer higher performance and quality.

* Photoresist: A photosensitive resin that acts and changes chemically when exposed to light.



High Purity Chemicals

As a comprehensive photoresist manufacturer, TOK uses its knowledge of this material to supply developing solution, stripping solution, rinsing solution, thinner and other chemicals associated with the use of photoresist. In addition, TOK manufactures inorganic and organic chemicals used in cosmetics, batteries, food additives and many other applications.



Printing Materials

Products include photosensitive polymer plates used in letterpress/relief printing for corrugated board, wrapping paper, beverage cans and other applications, PS plates used in offset printing and many other platemaking materials. To address environmental issues, TOK is working on the development and refinement of flexographic printing plates. These activities enable the Company to meet customer demands for products that reduce pollution, raise quality and optimize efficiency.

Equipment Business

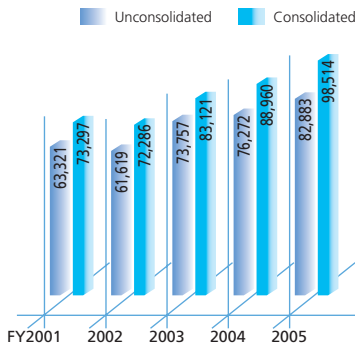


Process Equipment

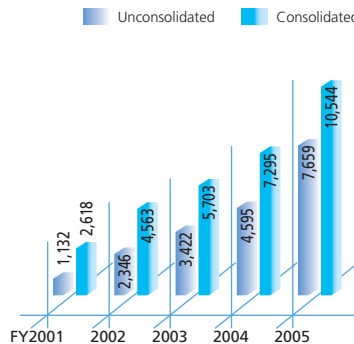
This equipment includes photoresist coating and developing machines used to manufacture flat panel displays as well as a variety of semiconductor manufacturing equipment. By developing photoresists along with related materials and equipments, the synergetic effects can be generated to its fullest. In this way, TOK can support the customer strongly.

Financial Highlights

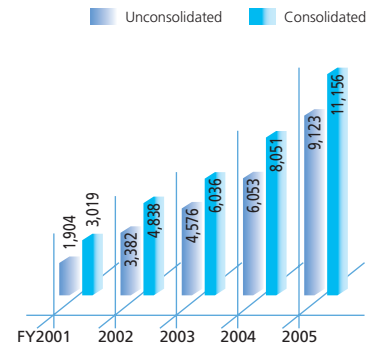
Net Sales (Millions of Yen)



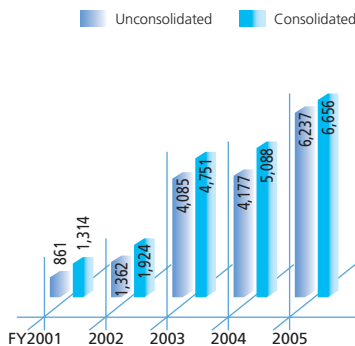
Operating Income (Millions of Yen)



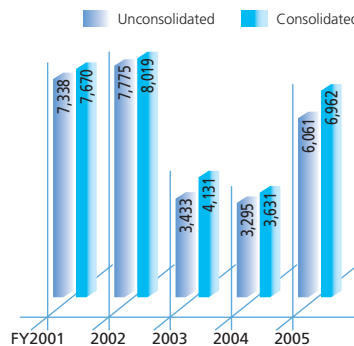
Ordinary Income (Millions of Yen)



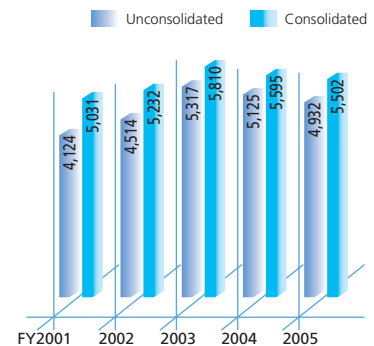
Net Income (Millions of Yen)



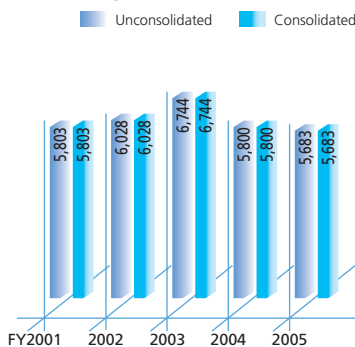
Capital Investment (Millions of Yen)



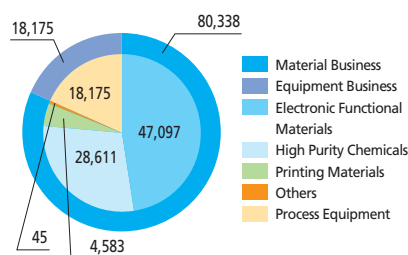
Depreciation (Millions of Yen)



R&D Expenditures (Millions of Yen)

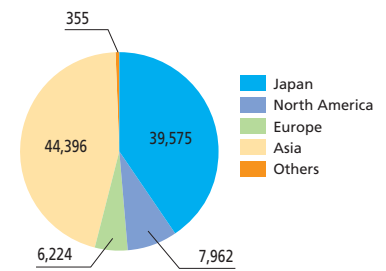


Net Sales by Business Segment for FY2005 (Consolidated) (Millions of Yen)



Note: Equipment business sales exclude intersegment sales.

Net Sales by Geographic Segment (Millions of Yen)



TOPICS



New R&D Building Begins Operations

TOK completed the construction of its new R&D building at the Sagami Operation Center in February 2006. To develop technologies required for further advances in semiconductor production processes, the building is equipped with state-of-the-art

equipment and systems. This investment reinforces our leadership at the leading edge of semiconductor process technology. The resulting progress in the quality and performance of our products will allow us to achieve even higher levels of customer satisfaction.

A Message from the President

Aiming to be a company that is highly trusted and satisfies all stakeholders



TOK's Social Contribution Policy Aims for Progress and Development through the Supply of Outstanding Products

Since its establishment in 1940, TOK has remained focused on developing and using the most advanced technologies available. All operations are guided by our corporate policies: continue efforts to enhance our technology, raise the quality levels of our products, contribute to society and promote free-spiritedness. Our mission is to conduct extensive R&D programs to create outstanding products that precisely target market needs. Through these activities, we aim to grow as a company and play a part in the advancement of society.

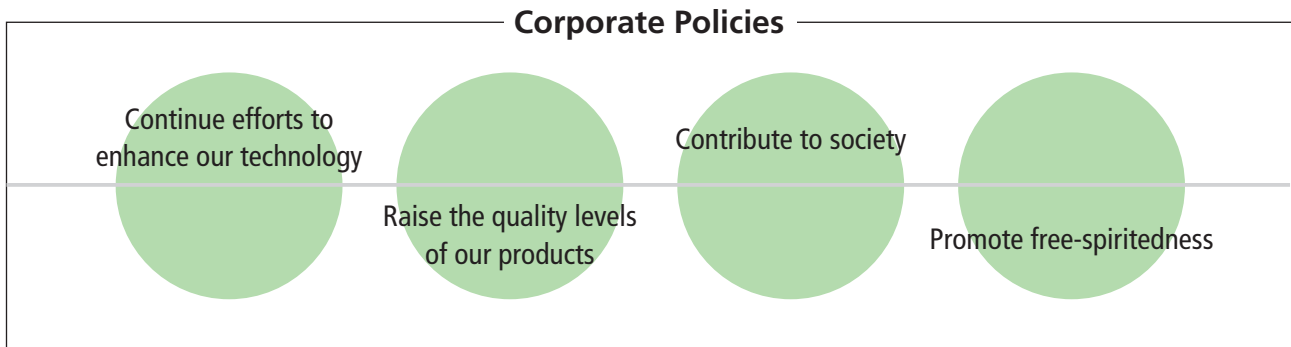
Promote CSR Management

We recently completed our second "TOK Challenge 21" medium-term plan, which covered the three-year period that ended in March 2006. Operating in a manner that reflects positively on environmental issues was a central element of this plan. We took many actions to accomplish this. All operating bases in Japan have received ISO 14001 certification. We worked hard on reducing the volume of industrial waste materials. Overall, awareness among our

employees of environmental issues is much higher. The third "TOK Challenge 21" plan started in April 2006. One goal is to further clarify our stance regarding our responsibilities to society. Our fundamental objective is to become an organization that is consistently profitable while retaining a solid commitment to CSR, customer satisfaction, technological progress and the development of our human resources. As a member of society, we will retain a comprehensive commitment to environmental, social and economic issues. Business activities at TOK will always reflect our employees' understanding of the importance of CSR.

Initiatives at TOK

As a member of the chemical industry, TOK handles many types of substances and must retain a constant awareness of the impact of these substances on the environment. This is why we base operations on the spirit of Responsible Care. Guided by the principles of self-determination and self-responsibility, we do our best for safety, health and the environment across the entire product life cycle, from development through disposal. In addition to strict safety management of chemical substances, we promote a



3R Campaign (reduce, reuse, recycle) and take many measures for energy conservation. Having earned ISO 14001 certification at all Japanese business sites, we are now working on receiving certification at overseas subsidiaries. These activities are making environmental conservation activities an integral part of the entire TOK Group. We plan to establish a framework that can maintain and enhance the commitment of all our employees to helping conserve the environment.

Actions include steps to respond to the globalization of business activities, the increasingly diverse employment formats and the changes that constantly occur in our operating climate. To improve corporate governance, we elected an outside director in June 2006 with the aim of reinforcing the management supervisory role of the directors. For compliance and risk management, we are building frameworks that encompass our entire organization. Moreover, we are ensuring that these new systems become well established. Fostering the development of employees and improving our corporate culture are other goals as we seek to build a stronger base of operations. Our goal is to build an organization that can easily adapt to changes and in which employees' dreams are consistent with the Company's goals.

A Highly Trusted Company Appreciated by All

Achieving a suitable level of earnings is essential to being a successful company. However, without a commitment to CSR, a company cannot justify the pursuit of earnings. We are well aware of our role as a corporate citizen. We want to sustain growth in our corporate value as a responsible company that is consistently profitable. By basing our operations on these goals, we will become a company that excels in terms of stakeholders' trust and satisfaction.

This year's Environmental and Social Report covers subjects associated with our environmental, social and economic initiatives. I believe this information will give you a better understanding of our principles and goals. I look forward to hearing your thoughts and suggestions so that we can make further improvements in our CSR activities.

October 2006

Yoichi Nakamura
President & Chief Executive Officer

Management

Promote CSR Management

The promotion of CSR management is an important component of the third "TOK Challenge 21" medium-term plan. The Company is dedicated to this theme.

■ CSR Management Goal of the Third "TOK Challenge 21" Medium-Term Plan

During the current "TOK Challenge 21" plan, which covers the three-year period ending March 31, 2009, our goal is to contribute to social progress while sustaining growth in our corporate value. We are determined to do what is needed to satisfy our stakeholders and earn their trust.

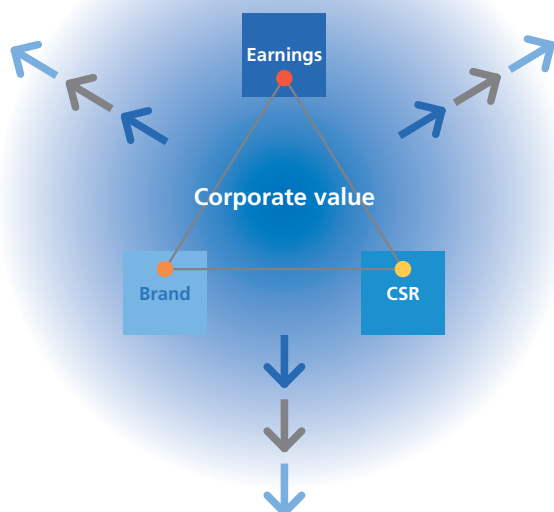
Basic vision of the third "TOK Challenge 21" medium-term plan

Guided by a firm commitment to CSR, which is at the heart of our third "TOK Challenge 21" medium-term plan, we will prioritize customer satisfaction, technological progress and employee development. Our goal is to make TOK a responsible company that is consistently profitable.

Our Vision

We will focus on three themes: earnings growth, promoting CSR management and strengthening brand equity. By seamlessly linking these themes, we aim to be a Company that can sustain growth in corporate value.

Sustained growth in corporate value



Management Vision

- A company with a strong commitment to CSR
- A company with a high share of the global fine chemicals market and many highly profitable products
- A company that is highly profitable and financially sound
- A company backed by powerful brands that is able to earn the trust and satisfaction of all stakeholders

Basic strategies of the third "TOK Challenge 21" medium-term plan

1. Progress in microprocess technology

- Channel resources to growing business domains
- Create new business domains

2. Strengthen TOK brand equity in global markets

- Grow in other existing business fields by using TOK's semiconductor photoresist business, which ranks among the best in the world
- Remain focused on customer satisfaction
- Expand the overseas network

3. A stronger operating framework and reform of the corporate culture

- Promote CSR management
- Build an effective system of internal controls
- Make effective use of IT systems
- Upgrade empowerment faculty and sensibility in practice
- Create an organization that can quickly adapt to change

Corporate Governance ★

TOK positions enhancement of corporate governance as one of the most important management issues: the means to maintain a sound and transparent management and to enhance its operational efficiency by speeding up the decision-making process.

★ Corporate governance: A generic term that describes a management supervision system designed to enhance management efficiency and enforce compliance and to promote stakeholders' interests by raising enterprise value.

■ Corporate Governance System

Directors and Board of Directors

As a rule, the Board of Directors has a flat, two-level structure made up of the representative directors and other directors. This provides a framework best suited to fulfilling the primary role of the board, which is to reach management decisions and oversee the Company's management. An outside director was elected at the TOK annual shareholders' meeting on June 29, 2006. Adding this director raises the transparency of the Board of Directors and strengthens its oversight functions. At the same shareholders' meeting, the term for directors was reduced from two years to one. This change allows TOK to react faster to changes in the operating climate and reinforces the accountability of the directors for TOK's performance in each fiscal year.

TOK currently has seven directors, including one outside director. The directors reach decisions concerning important items involving business operations and supervise the execution of business activities by the representative directors and other directors. As a rule, the Board of Directors holds regular monthly meetings. In addition, extraordinary meetings are held as required.

Officers and Committee of Officers

While taking steps to strengthen the Board of Directors' functions in management decision-making and supervision, TOK is also reinforcing business execution functions. For this purpose, a multi-level organization, including a president and chief executive officer, senior executive officers,

executive officers and officers, has been established. This provides a comprehensive framework for the areas of authority, capabilities and other aspects of the duties of each officer. Furthermore, TOK established the Committee of Officers, which is made up of all officers.

The Committee of Officers, made up of 14 officers, holds regular monthly meetings in order to issue instructions and orders regarding decisions made by the Board of Directors, to share information on the activities of each officer and to make decisions on important management issues that do not require referral to the Board of Directors. In addition, extraordinary meetings are held as required.

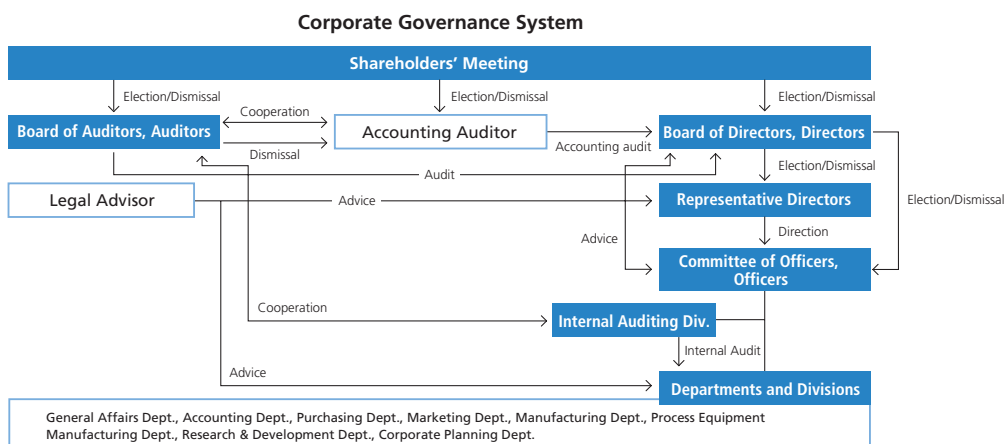
Auditors and Board of Auditors

The Board of Auditors is comprised of three auditors, two of which are outside auditors. The Board of Auditors holds regular monthly meetings at which it receives reports from auditors and discusses and makes decisions on important audit issues. Extraordinary meetings are held as required.

Auditors attend meetings of the Board of Directors and other important management meetings, in accordance with the audit policies and responsibilities assigned by the Board of Auditors, which are made based on auditing standards (auditing regulations). They also monitor the activities of directors through review of reports on the execution of business operations received from directors and other management executives. The Board of Auditors works closely with our accounting auditor on issues related to auditing procedures and receives reports on the results of audits and ensures that the audits are conducted in a fair manner and are in conformity with the law.

Internal Auditing Division

The Internal Auditing Division is a part of our internal organization for compliance. Four full-time staff conduct periodic audits in order to ensure full compliance with the law and company regulations, and also provide guidance and advice on the implementation of measures to improve compliance.



Compliance★

TOK fosters a strong spirit of compliance with the law, company rules and regulations and social norms in all corporate activities, on the part of each and every one of its management executives and employees, in order to live up to its mission of being a company respected and trusted by society.

★ Compliance: A generic term that describes a company's responsibility to conform to laws and regulations and the norms of society in all corporate activities.

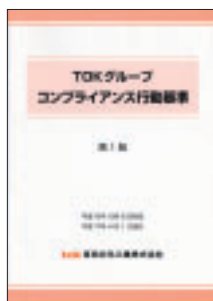
■ Establishment of the Standards of Conduct

TOK formulated the TOK Group Compliance Standards of Conduct as a tool for enhancing awareness of the importance of compliance, clearly defining its shared values and a code of conduct. The TOK Group Compliance Standards of Conduct became effective on April 1, 2005.

All management executives and employees have received a copy of the TOK Group Compliance Standards of Conduct



Compliance briefing at Yamanashi Plant



TOK Group Compliance Standards of Conduct Handbook

Handbook. We are also holding a compliance briefings at all sites to raise awareness of the code of conduct.

■ Compliance Framework

TOK has a Compliance Committee that is chaired by the Company president and is responsible for responding to violations of laws, regulations, standards of conduct and other items. In the event of a violation of this nature, the Compliance Committee conducts an investigation to determine the facts and causes of the incident. Proper disciplinary actions are then taken as required. In addition, the committee determines measures to prevent a reoccurrence of the incident and puts these measures in place throughout the Company.

■ Internal Reporting System

The TOK Group has established an internal reporting system to ensure that the Company gathers information on and responds quickly and effectively to any possible violation of laws and regulations and the standards of conduct. In order to assure confidentiality, the Company has provided two options for reporting: an internal route of a Compliance Hot Line and an external route of reporting directly to the Company's legal counsel. In addition, TOK has a clear policy of preventing dismissals and other negative consequences for individuals who submit reports of compliance and other violations, except in cases where reports are dishonest and inappropriate.

Items in the TOK Group Compliance Standards of Conduct

1. General rules

Compliance with laws and regulations

2. Standards of conduct for relationships with companies and individuals

- (1) Respect for human rights
- (2) Preservation of sound working environment
- (3) Workplace health and safety
- (4) Protection of personal information (privacy)
- (5) Prohibition of conflict of interest behavior
- (6) Prohibition of political, religious and other solicitations

3. Standards of conduct for business activities

- (1) Compliance with all business laws
- (2) Safety of products and services
- (3) Environmental conservation
- (4) Security export controls
- (5) Compliance with Anti-Monopoly Act
- (6) Proper transactions with vendors and others; compliance with Subcontractors Act
- (7) Prevention of unfair competition
- (8) Prevention of improper entertaining and gifts
- (9) Prohibition of bribes, etc. to government employees in Japan and overseas

(10) Marketing and advertising

(11) Accurate recording and reporting of information

4. Standards of conduct for management, etc. of Company assets

- (1) Proper accounting methods
- (2) Management of confidential information
- (3) Prohibition of personal use of the Company resources
- (4) Proper use of information systems
- (5) Protection of intellectual property

5. Standards of conduct for relationships with shareholders and other investors

- (1) Disclosure of corporate information
- (2) Prohibition of insider trading

6. Standards of conduct for community relations

- (1) Contributions to society
- (2) Regulations for charitable donations and political contributions
- (3) Refusal to form ties with anti-social elements

Risk Management★

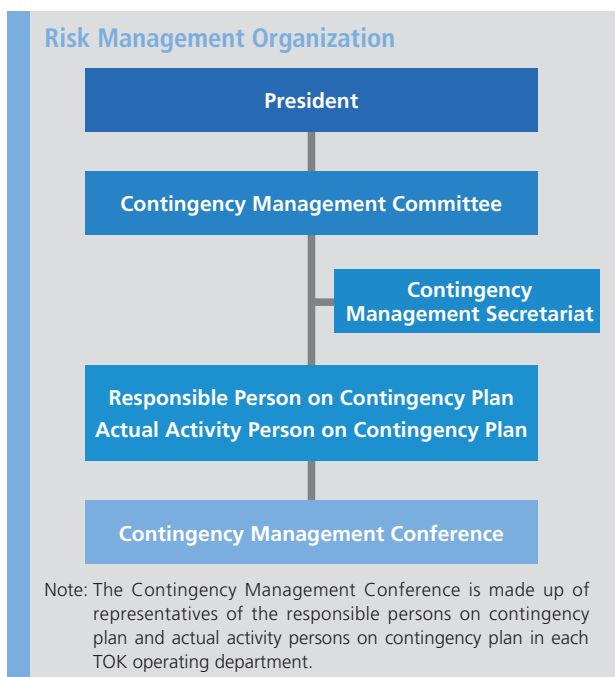
TOK maintains an organization for preventing problems associated with risks and for minimizing risk in the event of an emergency. This allows the Company to accommodate various risks that can have a significant effect on business activities.

★ Risk management: A generic term that describes the methods of identifying, preventing and responding to potential and actual risks likely to affect the viability of a business corporation.

Risk Management Organization

TOK has a Contingency Management Conference that oversees all Company operations. This committee identifies risks that can have a significant effect on business activities, establishes preventive measures and formulates responses in the event of a crisis.

By constantly executing a PDCA (plan, do, check, action) cycle, we will maintain and improve our risk management system, which is based on a cycle of risk analysis, countermeasures and evaluation.

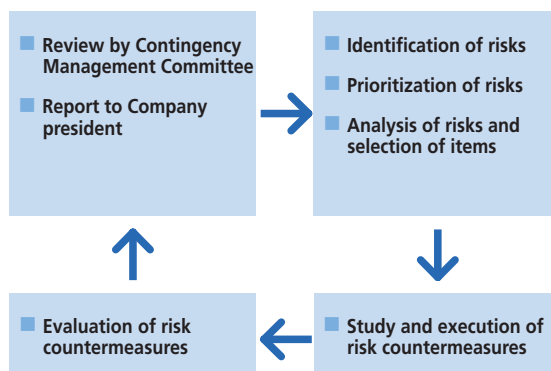


Examples of Risk Categories Associated with TOK's Business Activities

- Changes in industry economic conditions
- Foreign exchange fluctuations
- R&D activities
- Liability for damages
- Risk of violation of law
- Overseas business
- Natural disasters

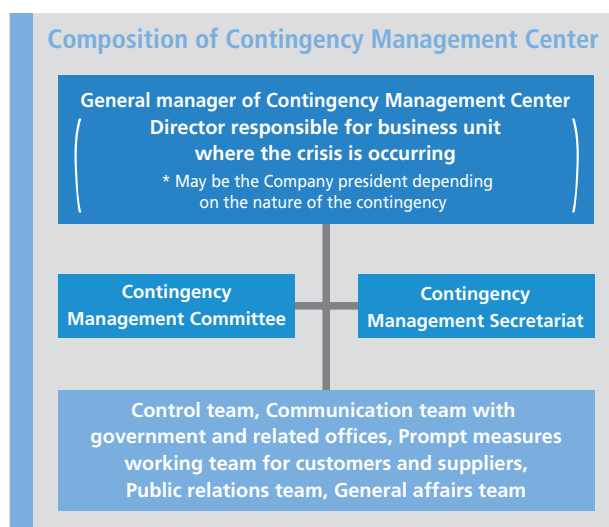
Note: The above items are simply examples of risks and do not encompass all risks associated with TOK's business activities. Please refer to the TOK business results releases (*tanshin*) and securities report (*yuka shoken hokokusho*) for further information.

Risk Management Procedures



Contingency Management Organization

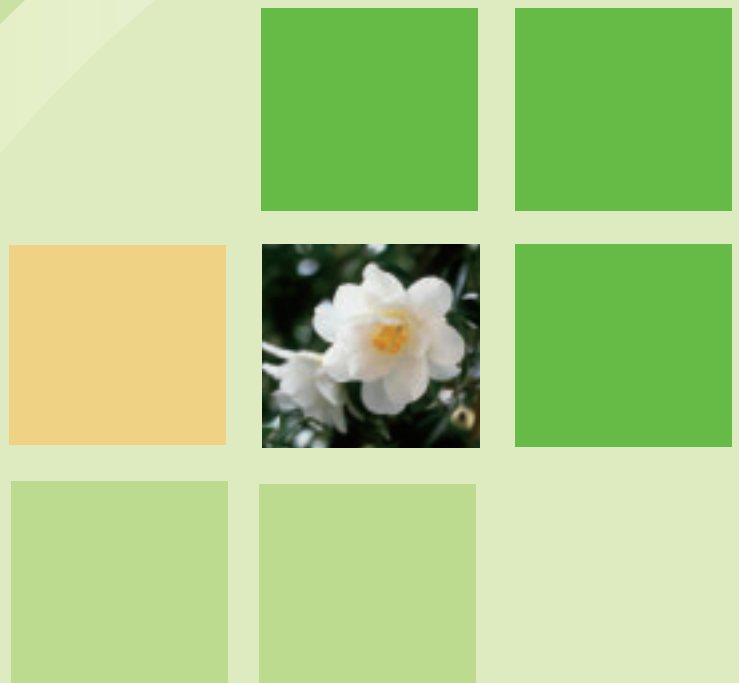
When a particular risk becomes a problem, the Contingency Management Secretariat gathers pertinent information and, using the route prescribed by the Contingency Plan, submits a report to members of the Contingency Management Committee. This committee is made up of operating department managers. In addition, directors whose responsibilities include the applicable risk category immediately submit reports to the Company president. The directors and chairperson of the Contingency Management Committee then study the severity and impact of the problem to determine if there is a need to form a Contingency Management Center. The Contingency Management Committee provides advice and assistance for responses to the crisis in order to achieve a quick resolution.



Contingency Management Education

Training is provided, mainly to newly hired employees, to give the TOK workforce a general knowledge of crisis management as well as an understanding of the TOK contingency management system, emergency reporting channels, risk management and other subjects.

Environmental Report



12 The TOK Environmental Policy

13 The Environmental Impact of Business Activities

15 Fiscal 2005 Objectives and Results

- Environmental Objectives
- Review of Medium-Term Plan
- Environmental Conservation Activities
- Action Plan

17 Environmental Accounting

- Environmental Conservation Cost (by Business Category)
- Environmental Conservation Effect
- Economic Effect Associated with Environmental Conservation Activities (Actual Effect)
- Environment Accounting Results

19 Environmental Management System

- Environmental Management Organization
- Method for Conducting Environmental Activities
- Environmental Risk Management
- Environmental Audits
- Environmental Awareness and Training
- Compliance with Laws and Environmental Regulations
- Environmental Emergency Response Drills

23 Environmental Performance

- Reduction in the Input of Energy Resources
- Measures to Reduce the Manufacturing Environmental Impact
- Environmental Measures during Distribution
- Measures to Achieve Zero Emissions

29 Managing Chemical Substances

- Proper Management of PRTR Chemicals
- Management of Chemicals when Procuring Raw Materials
- Advanced Assessment System for Raw Materials Used in Newly Developed Products (Screening for Hazardous Chemicals in Newly Developed Products)
- Providing Environmental and Safety Information on Products
- Management of PCBs and Waste Materials Incorporating PCBs

31 Developing Environment-Friendly Products

- ECOFIT®
- Black Resist
- Spinless®

32 Environmental Communications

- Publishing the Environmental and Social Report
- Web Site Environmental Page
- Results of the Environmental and Social Report 2005 Questionnaire

The TOK Environmental Policy

As a member of the chemical industry, TOK affects the environment primarily through releases of organic solvents and other substances during production processes and following the use of the Company's products by customers. Since its inception, TOK has placed priority on handling and disposing of these materials properly. In November 1998, an environmental policy was established to clarify the Company's commitment regarding the reduction of waste materials and conservation of resources and energy.

Fiscal 2006 is the first year of the third "TOK Challenge 21" medium-term plan. When this plan was formulated, we comprehensively reviewed our social responsibilities and the status of past environmental activities Companywide. The results of this review became a major part of our new plan. The core environmental elements of "TOK Challenge 21" represent the current environmental policy of the Company.

Environmental Policy

Conducting CSR management that emphasizes global environmental protection is a central element of TOK's third medium-term plan. Accordingly, we voluntarily take action to ensure environmental responsibility, safety and health concerning our products. This covers every stage from product development and manufacture through their use and disposal. We are constantly working on becoming even more trusted and maintaining sound lines of communication with the public.

- 1 We recycle materials and transform waste materials into items of value
- 2 We are reinforcing our safety management system for chemicals
- 3 We are conducting energy-conservation initiatives



The Environmental Impact of Business Activities

TOK supplies materials and equipment in the semiconductor, flat panel display, printing and other business sectors. To seek ways to lower our environmental impact, we monitor the energy and resources we use to conduct these business activities (input) as well as the waste materials, CO₂ and other emissions resulting from these activities (output).

This section presents an overview of the environmental impact of TOK's business activities.

Fiscal 2005 Energy Input

1. Manufacturing Input

- Chemical substances
6,400 tons
(substances covered by the PRTR Law)
- Electric power
49,730,000kWh
- Used water
659,000m³
- Petroleum (heavy oil):
6,182kl
- Gas
1,730,000m³

3. Distribution Input

- Fuel gases
57 tons
- Fuel liquids
132kl

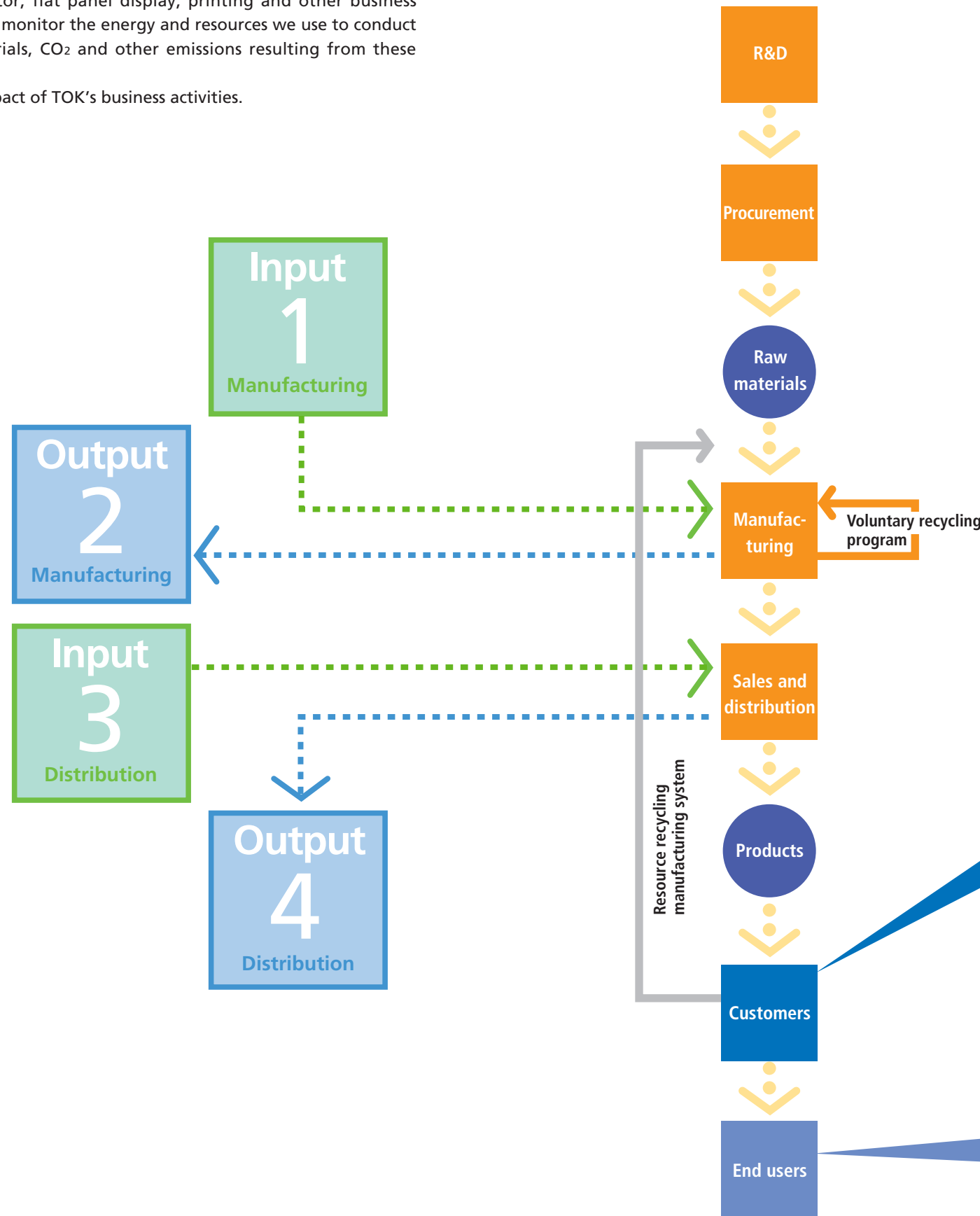
Fiscal 2005 Energy Output

2. Manufacturing Output

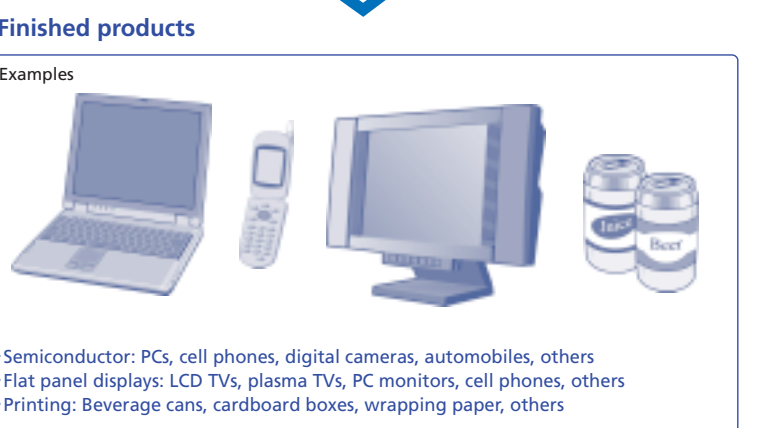
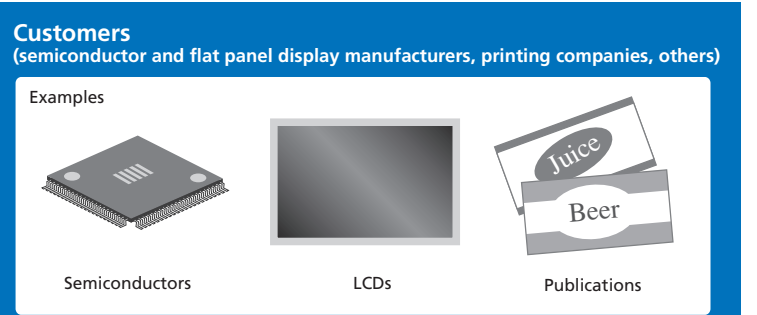
- General administrative waste
704 tons
Recycling rate: 84.4%
- Specially controlled industrial waste
6,297 tons
Recycling rate: 97.0%
- General industrial waste
5,390 tons
Recycling rate: 55.5%
- CO₂
57,000 tons
- SO_x
6.3 tons
- NO_x
48.5 tons
- BOD
0.7 tons

4. Distribution Output

- CO₂ for materials and products transported within facilities
490 tons
- CO₂ for transportation of products
6,600 tons



The Products of TOK
TOK supplies products that are essential to the production processes of semiconductor manufacturers, flat panel display manufacturers, printing companies and other customers. Our products are not readily visible. However, TOK plays a vital role in the manufacture of PCs, cell phones, LCD TVs, beverages cans and many other items we use every day.







Fiscal 2005 Objectives and Results

In line with the medium-term plan that ended in fiscal 2005, we conducted environmental protection activities centered primarily on four key themes. This section presents information on the results of major environmental initiatives of the medium-term plan and activities in fiscal 2005.

Environmental Objectives

Tasks	Medium-term plan for fiscal 2005	Action plan for fiscal 2005
Reduce general industrial waste*1	25% decrease compared with FY2000 (unit requirement index★) Applied: Six plants have received ISO 14001 certification*2	25% decrease
Reduce specially controlled industrial waste	30% decrease compared with FY2000 (unit requirement index★) Applied: Six plants have received ISO 14001 certification*2	30% decrease
Conduct suitable management of chemicals	Lower risks associated with harmful chemicals	Conduct screening for hazardous chemicals in newly developed products
Eliminate environmental accidents	Continue perfect record of preventing environmental accidents affecting external parties	<ul style="list-style-type: none"> ● Continue perfect record of preventing environmental accidents ● Conduct environmental accident response drills

Tasks	Results of activities in fiscal 2005	Evaluation in fiscal 2005	Related information
Reduce general industrial waste	26% decrease		P.26~28
Reduce specially controlled industrial waste	37% decrease		P.26~28
Conduct suitable management of chemicals	<ul style="list-style-type: none"> ● Screening coverage: 100% ● Established and began using Chemical Management Standards ● Restructured and began using exclusive TOK chemical management system 		P.29~30
Eliminate environmental accidents	<ul style="list-style-type: none"> ● Continue to record no environmental accidents ● Carried out at Sagami Operation Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Yamanashi Plant, Ikuno Plant, Aso Plant 		P.21

Evaluation level:

Achieved  Achieved by 75%  Achieved less than 75% 

★ Unit requirement index: The unit requirement is a value obtained by converting the volume of energy consumed or waste material output per unit of production into a certain standard unit. In this report, the unit requirement is expressed as an index calculated with fiscal 2000 as the base year (FY2000 = 100).

*1 General industrial waste: General industrial waste includes waste materials that do not require special controls.

*2 Six plants have received ISO 14001 certification: Koriyama, Utsunomiya, Gotemba, Yamanashi, Ikuno and Aso.

Review of Medium-Term Plan

As is shown above, TOK successfully completed the medium-term plan that ended in fiscal 2005 with regard to all themes. We believe this accomplishment reflects the heightened environmental awareness of employees due to enhanced training programs and environmental drills at all operating bases.

Environmental Conservation Activities

Tasks

Establish and maintain environmental management system	Implementing on a Companywide scale
Promote environmental capital investment	Promoting capital investment with an emphasis on environmental concerns
Reduce the environmental impact	Reducing the volume of energy consumption (unit requirement index★)
Promote information disclosure	Actively disclosing information
Cooperate with local communities	Participating in local events

Action plan for fiscal 2005	Results of activities in fiscal 2005	Evaluation	Related information
<ul style="list-style-type: none"> ● Obtaining ISO 14001 certification at sites that have not yet acquired such certification ● Each operating department conducting environmental protection activities targeting its respective themes 	<ul style="list-style-type: none"> ● Completed ISO 14001 certification of all sites in Japan in April 2005 ● Overseas subsidiaries worked toward receiving ISO 14001 certification 	😊	P.22 P.45~48
<ul style="list-style-type: none"> ● Installing equipment to recover solvents ● Moving wastewater pipes at factories above ground 	<ul style="list-style-type: none"> ● Installed equipment to recover solvents at Yamanashi Plant in February 2006 ● Moved wastewater pipes at factories above ground at Utsunomiya Plant in December 2005 →Investment: ¥11 million	😊	P.17~18
Reducing consumption of electricity, petroleum (heavy oil) and water (unit requirement index)	Electric power: 18 points increase vs. FY2004 Petroleum (heavy oil): 17 points increase vs. FY2004 Used water: 51 points increase vs. FY2004	😞	P.23
Publishing an environmental and social report Publishing an environmental and social report on the Web site	The Environment and Social Report 2005 was published in August 2005 and is also available on our Web site. Data on environmental impact by site: http://www.tok.co.jp/eco/eco_top-e.htm	😊	P.32
Encouraging all domestic production facilities to participate in local events	Activities for cleaning up areas surrounding plants were held at Sagami Operation Center, Shonan Technical Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Ikuno Plant, Aso Plant, Distribution Control Center	😊	P.41

Evaluation level:

Achieved 😊 Achieved by 75% 🟢 Achieved less than 75% 😞

Action Plan

Reduce industrial waste	
General industrial waste	As of fiscal 2010, 10% decrease compared with FY2005 (unit requirement index★)
Special controlled industrial waste	
Rigorously conduct proper management of chemicals	
Extend environmental accident-free record	

Environmental Accounting*

TOK has been using environmental accounting since fiscal 2000. This allows the Company to conduct environmental management while monitoring the expenses and effects of environmental programs.

* Environmental accounting: A system for understanding environmental conservation related investments made by, and expenses incurred by, businesses and other organizations, as well as the effects of such investments, in quantitative terms (currency or physical quantity) and communicating such information to stakeholders.

Scope of Environmental Accounting

Sagami Operation Center, Shonan Technical Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Yamanashi Plant, Ikuno Plant, Aso Plant, Distribution Control Center (including SP)

Note: The headquarters and marketing offices are excluded from the scope of environmental accounting because of their insignificant environmental impact.

Calculation Method

Environmental conservation cost

- Investments are the sum of investments in equipment associated with environmental conservation and improvement.
- Expenses are the sum of depreciation, personnel and other operating expenses associated with environmental conservation. Personnel expenses are computed based on a basic unit cost.

Applicable Period

Fiscal 2005 (April 1, 2005 through March 31, 2006)

Reference Guidelines

Environmental Accounting Guidelines 2005, published by the Ministry of the Environment

Environmental conservation benefit

- Figures are listed for the benefits of environmental conservation that have performance indicators for which data can be obtained.

Economic benefit associated with environmental conservation activities

- Figures are calculated based on internally realized benefits from the sale of materials having value and from the reduction of TOK's waste disposal cost.

Environmental Conservation Cost (by Business Category)

(Millions of Yen)

Category	Key activity	Investment	Cost
1) Business area cost		17	566
① Pollution prevention cost	Air, water and other pollution prevention equipment and its renewal, operation, maintenance and management	11	225
② Global environmental conservation cost	Actions to conserve energy	0	13
③ Resource circulation cost	Installation of solvent recovery equipment, waste processing	6	329
2) Upstream/downstream cost	Green purchasing, collection of used products	0	13
3) Administration cost	Approach to environmental management system	0	74
4) R&D cost	Research and development of equipment and products for reducing environmental impact	0	3
5) Social activity cost	Clean-up programs around plants	0	4
6) Environmental remediation cost	Soil contamination treatment at Sagami Operation Center	0	107
Total		17	767

Environmental Conservation Investment

TOK installed a used solvent recovery system at the Yamanashi Plant and acquired equipment at the Aso Plant to prevent the external release of water if an accident occurs.

Environmental Conservation Cost

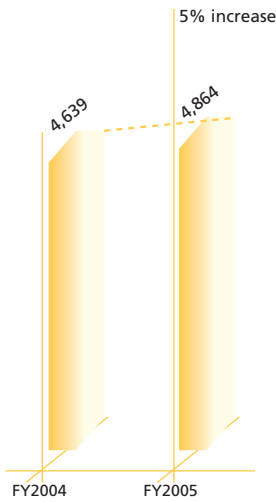
The fiscal 2005 environmental conservation cost was ¥767 million, ¥169 million more than in fiscal 2004.

During the past few years, "administration cost" has

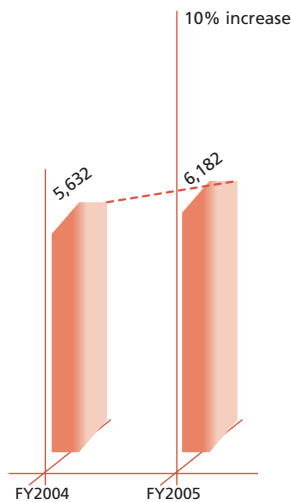
been declining as we completed environmental management systems at various sites. However, several other items increased. There was growth in "pollution prevention cost" as we upgraded the management of facilities to prevent pollution in the event of an accident. "Resource circulation cost" increased in conjunction with waste material processing. There was also an increase in "environmental remediation cost" associated with a project involving soil contamination at the Sagami Operation Center.

Environmental Conservation Effect

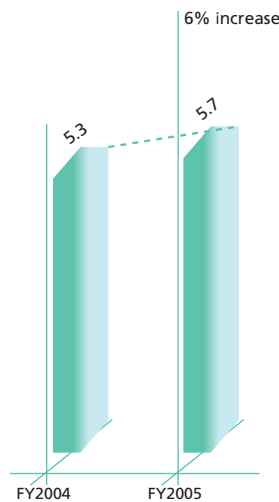
Electric Power Consumption
(10,000kWh)



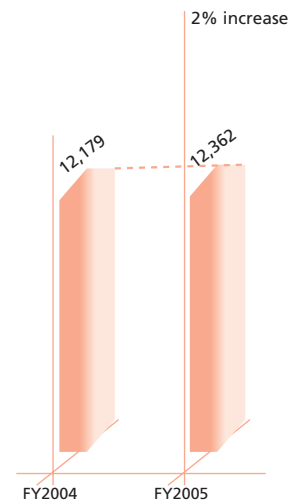
Petroleum (Heavy oil) Consumption
(kℓ)



CO₂ Emissions
(10,000 tons)



Volume of Waste Materials Generated
(tons)



Note: The above data does not include the headquarters and marketing offices.

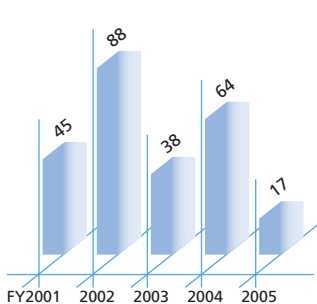
Economic Effect Associated with Environmental Conservation Activities (Actual Effect)

Description of effects		Amount
Revenue	Generating income by recycling used products during operating processes	5
Expense saving	Reducing waste disposal costs through recycling and saving energy expenses	50
Total		55

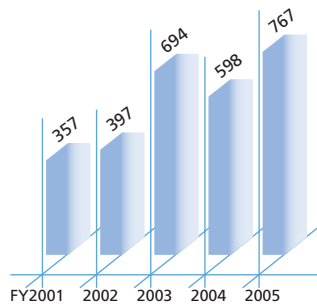
(Millions of Yen)

Environmental Accounting Results

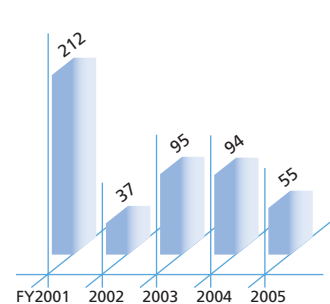
Environmental Conservation Investment
(Millions of Yen)



Environmental Conservation Cost
(Millions of Yen)



Economic Effect Associated with Environmental Conservation Activities (Actual Effect)
(Millions of Yen)



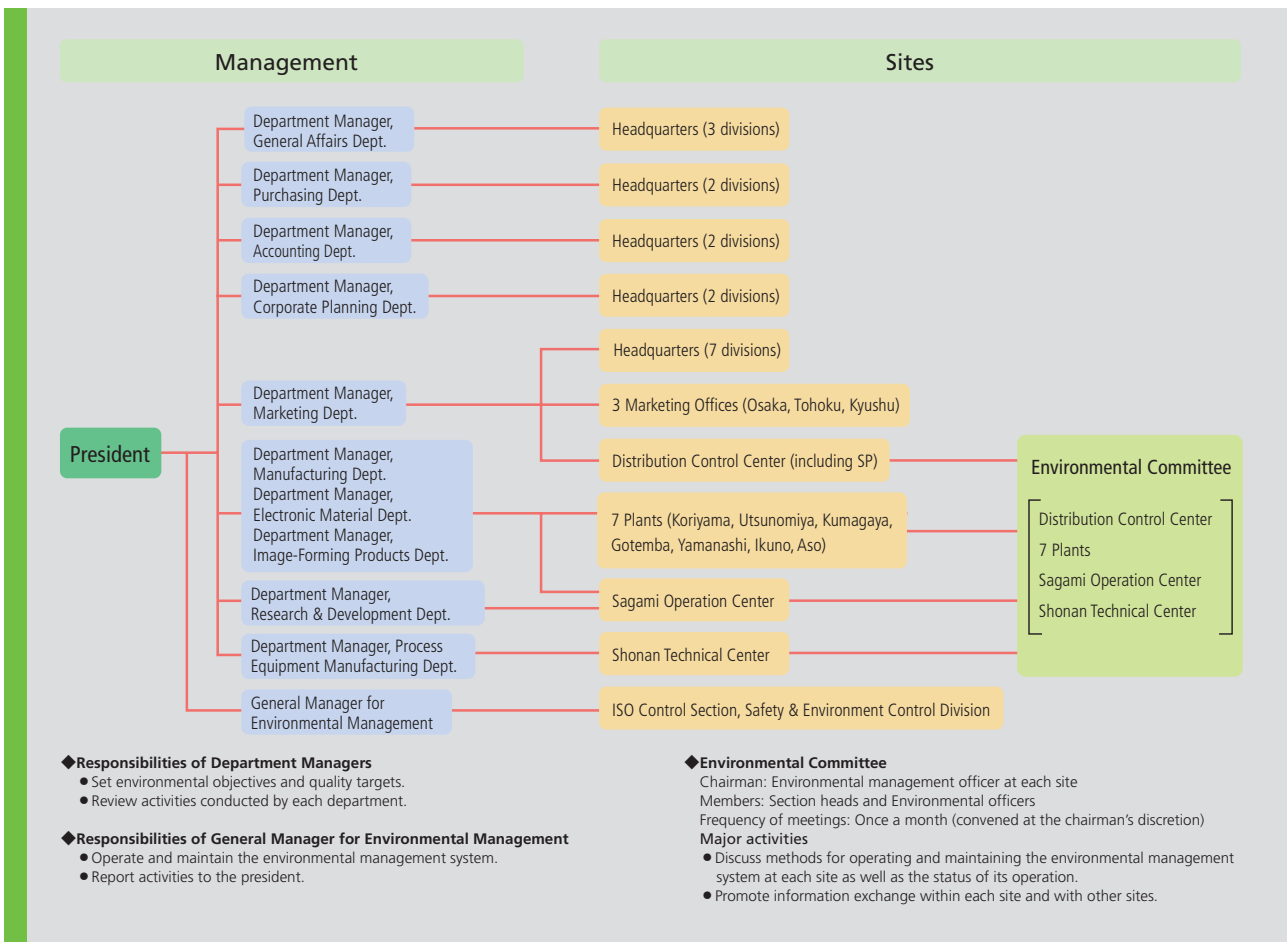
Environmental Management System

At TOK, each operating department has established targets that combine environmental and quality management systems. This raises awareness of the importance of environmental conservation in every aspect of our business activities. We also execute a PDCA cycle to make constant improvements.

Environmental Management Organization

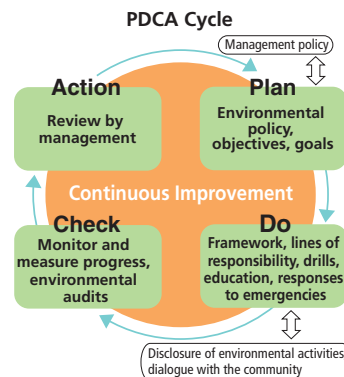
To conduct business activities in line with our environmental policy, we have an organization in which managers of site and divisions oversee and execute environmental programs under the supervision of department managers. Sites with a particularly large environmental impact have their own environmental committees that submit monthly reports to

the department managers. At sites with no environmental committee, division managers are responsible for managing environmental systems and reaching targets. Reports on these activities are sent periodically to the department managers, who then issue directives required.



Method for Conducting Environmental Activities

A plan is formulated based on environmental policy and goals. The next step is execution of the plan, followed by an evaluation of the results. Last comes action to prepare for the next step. This PDCA cycle provides for continuous improvements in the environmental management system along with a decline in the environmental impact of business operations.



Environmental Risk Management

All sites identify environmental risks and prepare a list ranked by the potential impact of each risk. This provides for actions to be prepared for risks with potentially serious environmental aspects.[★] In addition, we identify significant environmental aspects at each operating department and for the entire Company. Targets for improvements are

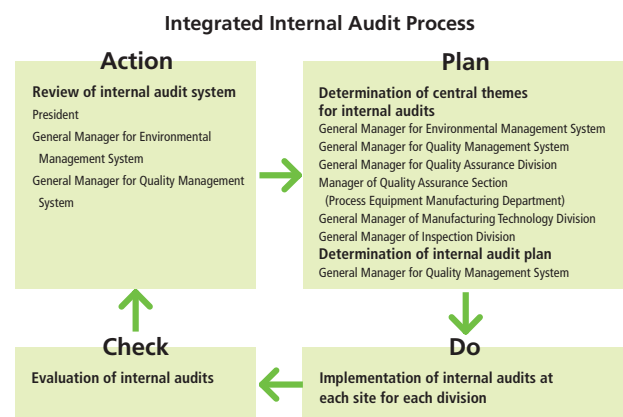
established for some significant Companywide environmental aspects and the necessary actions taken. We manage other major environmental aspects based on a set of standards.

[★] Environmental aspect: Factors involving organizational activities, products and services that could have an environmental impact.

Environmental Audits[★]

TOK performs internal audits on a regular basis that cover both the environmental and quality management systems. The Company president reviews the annual audit results. Based on these results, we determine central themes and establish an internal audit plan for the following fiscal year.

During fiscal 2005, we had planned to conduct internal audits twice at each of 14 sites for a total of 28 audits. However, the first audits revealed that employees were not sufficiently trained. The second audits were cancelled so that the sites could focus on training programs. In September 2005, TOK underwent its first certification renewal inspection, which is performed by an external organization, following the receipt of ISO 14001 certification at all Japanese sites.



[★] Environmental audits: These audits involve the systematic, corroborative, periodic and objective assessment of compliance with environmental laws and regulations, the implementation of environmental policy and the fulfillment of environmental objectives and goals.

Environmental Awareness and Training

Environmental awareness and training programs are conducted to give employees a better knowledge of environmental affairs and enable them to perform their jobs while considering the potential environmental impact of all Company activities.

■ Training for Environmental Aspect

To make all employees more aware of environmental issues, we held classes to explain the method to specify environmental aspect from June through September 2005. The classes were attended by a total of 1,122 employees.

■ Training in Use of Prescribed Procedures

TOK conducted training programs in December 2005 and January 2006 concerning the use of manuals for procedures that are used at all sites. A total of 279 employees completed this training.

■ Training of Certified Internal Auditors

Individuals who perform audits are given training concerning key issues in order to execute internal audits in line with the objectives (central points) of the auditing program.

■ MSDS[★] Training

Many employees at production facilities receive training in the use of Material Safety Data Sheets (MSDSs). This training provides employees with a greater understanding of the dangers, toxicity and environmental impact of the chemicals.

In fiscal 2005, headquarters workers, who seldom need to handle chemicals, received training concerning precautions when handling chemicals.

[★]MSDS: Material Safety Data Sheets are documents that include basic information on chemical products, including the names and amounts of chemicals contained in the products. The sheets also include information on how to handle products, the degree of danger, the effect on the environment, safety measures and other items.



Chemical substance training (Headquarters)

Compliance with Laws and Environmental Regulations

TOK performs all required tests of its products regarding toxicity and safety, as stipulated in the Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances and the Industrial Safety and Health Law. Through these tests, the Company maintains a framework for strictly conforming to all applicable laws and regulations in Japan and other nations where its products are sold, as well as to international regulations.

Each domestic production site has prepared a List of Legal and Other Required Items and a Monitoring and Measurement Table and complies with laws and regulations. On the list, laws, rules, agreements and other regulations that must be observed are complied in accordance with corresponding requirements, such as submitting notices, applications and reports, performing measurements and enforcing compliance. The list is used to clarify the frequency of evaluations by the sections responsible.

In fiscal 2005, the monitoring and measurement results revealed two cases of exceeding environmental standard. Necessary actions have been taken to treat these problems.

We have never been fined or punished in any other way due to a violation of environmental regulations. Furthermore, we have never been the defendant in any environmental litigation.

Response to Complaints from Nearby Residents

During fiscal 2005, TOK received four complaints concerning noise and other matters from residents near the headquarters and plants. We immediately determined the causes so that we could take actions to eliminate the

Environment-related laws and regulations	Sites									
	Sagami	Shonan	Plants						Ikuno	Aso
			Koriyama	Utsunomiya	Kumagaya	Gotemba	Yamanashi			
Air Pollution Control Law	○	—	○	—	—	—	○	○	○	
Water Pollution Control Law	○	—	○	○	○	○	—	○	○	
Sewerage Law	○	○	—	—	○	—	—	—	—	
Noise Regulation Law	—	—	○	○	—	○	—	○	○	
Vibration Regulation Law	—	—	—	○	—	○	—	—	—	
Offensive Odor Control Law	○	○	○	○	○	○	○	○	○	
Soil pollution	○	—	○	○	—	○	○	○	○	
Waste material	○	○	○	○	○	○	○	○	○	
Energy conservation	○	—	○	○	—	○	○	—	○	
PRTR	○	—	○	○	—	○	○	○	○	

Applicable: ○ Not applicable: —

Sagami: Sagami Operation Center; Shonan: Shonan Technical Center

problems. Furthermore, we met with the residents to provide information concerning the problems and our responses.

Response to Soil Contamination at Sagami Operation Center

A soil survey at the construction site for a new research and development wing at the Sagami Operation Center revealed the existence of contaminants. We detected levels of certain substances that exceeded environmental standards in certain sections of the area where we had planned construction in fiscal 2004 and 2005. We reported all required information to government agencies and held information meetings for nearby residents. Subsequently, we took proper actions to treat the contaminated soil, including the transport of the soil to an off-site location.

Environmental Emergency Response Drills

Business sites conduct drills so they can minimize the effect of an accident on the environment.

Drills at Sites

Chemical plants tend to use large amounts of solvents. We conduct drills designed to prevent the release of solvents by ensuring a proper response in the event of a leak. In fiscal 2005, drills for dealing with chemical leaks were conducted at eight sites.



Drill to recover solvent leak (Gotemba Plant)



Drill to switch wastewater route (Koriyama Plant)



Fire drill (Utsunomiya Plant)



Earthquake training using specially equipped truck (Headquarters)

At production facilities in Japan, TOK has emergency wastewater storage tanks, shutoff valves and other facilities to prevent the release of wastewater in the event that contaminants exceed regulatory levels. In fiscal 2005, installations of preventive facilities included a pump to remove water released by the Aso Plant.

Furthermore, as part of our security and disaster prevention activities, drills were conducted at headquarters, all domestic production facilities and the Distribution Control Center to train employees in the initial measures to fight a fire.

TOPICS

Overseas Environmental Programs

Our overseas subsidiaries actively promote environmental conservation activities as a part of the program to reduce the overall environmental impact of the TOK Group.

In September 2004, TOKYO OHKA KOGYO AMERICA, INC. (Oregon Plant) and TOK TAIWAN CO.,LTD. (Miaoli

Plant) won ISO 14001 certification. CHANG CHUN TOK (CHANGSHU) CO., LTD. in China also won ISO 14001 certification in July 2006. In addition, TOK ITALIA S.p.A. is preparing to apply for ISO 14001 certification.



TOKYO OHKA KOGYO AMERICA, INC.



TOK TAIWAN CO., LTD.



CHANG CHUN TOK (CHANGSHU) CO., LTD.

Environmental Activities at TOKYO OHKA KOGYO AMERICA, INC.

U.S. subsidiary TOKYO OHKA KOGYO AMERICA, INC. (Oregon Plant), which received ISO 14001 certification in September 2004, is taking many actions to reduce its environmental impact.

In fiscal 2005, the primary initiatives involved lowering the volume of waste materials and conserving energy. Compared with fiscal 2004, waste generated by production processes was cut by about 5% and the amount of gas fuels consumed at the factory was cut by 15%. In addition, employees participated in activities to make the surrounding area more attractive, such

as by removing litter in areas near the plant.

In fiscal 2005, this company issued its first EHS Annual Report, which covers environmental activities as well as programs involving occupational health and safety.



EHS Annual Reports

Environmental Performance [★]

TOK evaluates the effects that its business activities have on the environment and takes various measures to minimize their impact.

★ Environmental performance: Environmental performance evaluation is a method of evaluating, in qualitative and quantitative terms, environmental activities and results achieved by an organization in accordance with its environmental policy, objectives and goals.

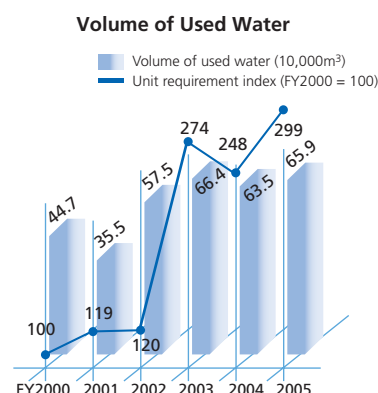
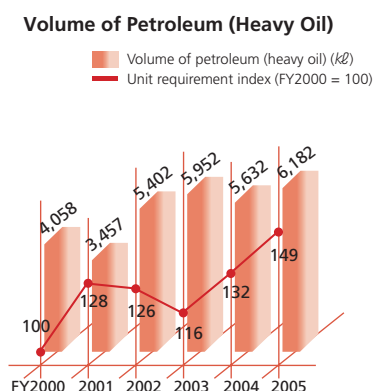
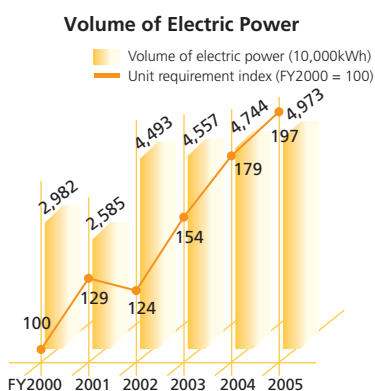
Reduction in the Input of Energy Resources

TOK is lowering its energy requirements in numerous ways. Among major initiatives are improvements to manufacturing processes, steps to boost employee productivity and the promotion of efficient equipment, including the use of exterior coatings with thermal insulation properties on buildings.

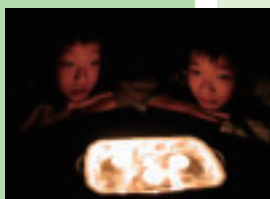
However, in fiscal 2005, TOK used greater amounts of electricity, petroleum (heavy oil) and water than in fiscal

2004 as consumption rose to the highest levels in six years. Even on a unit requirement index basis, electricity consumption rose 18 points, petroleum (heavy oil) was up 17 points and water was up 51 points. These increases reflect both growth in our production volume and the shift in the composition of our products.

● Consumption of Energy Resources



TOPICS



Candle Night (Aso Plant)

In fiscal 2004, the Aso Plant began holding an event called Candle Night on the summer and winter solstices. On these two evenings, plant workers light their homes for two hours using

solely candles in order to raise environmental awareness of energy conservation. A large number of employees participated in the event in fiscal 2005.

Comments from Candle Night participants

- I turned off my lights and the television. It really made me appreciate the conveniences of electricity. (Female, age 30–39)
- I explained the purpose of Candle Night and talked my childhood to my children. It made the time we spent on this event very enjoyable. (Male, age 40–49)
- This was the first Candle Night since my marriage. Starting married life really kept us busy, but Candle Night gave us some time to share our thoughts. We decided to name our child, who will be born next year, Akari ("light" in Japanese). (Male, age 20–29)

Measures to Reduce the Manufacturing Environmental Impact

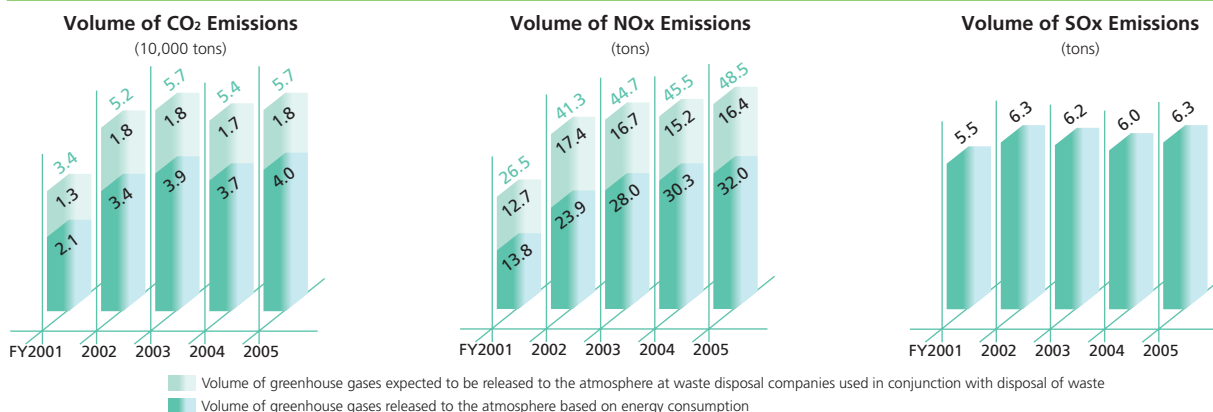
Reduction of Air Pollution

TOK is working on bringing down greenhouse gas★ emissions by changing boiler fuel, improving production processes and carefully managing production equipment.

However, in fiscal 2005, growth in the amount of petroleum (heavy oil) used during manufacturing activities resulted in increases in emissions of CO₂, NO_x★ and SO_x★ compared with fiscal 2004.

- ★ Greenhouse gas: Gas in the atmosphere that allows sunlight to pass through but absorbs infrared rays emitted from the ground and sea. These gases are believed to cause global warming.
- ★ Nitrogen oxides (NO_x): Nitrogen oxide (NO) and nitrogen dioxide (NO₂) and other nitrogen-containing gases that are produced mainly from the combustion of fuels. These are the causative substances of photochemical oxidants and acid rain.
- ★ Sulfur oxides (SO_x): Produced from the combustion of fuels containing sulfur. These are the causative substances of acid rain.

Emission Volume of Air Pollution



Adoption of Cogeneration Systems★

Three boilers for cogeneration systems have been installed at the Koriyama Plant. The boilers collect and reuse heat remaining after the generation of electric power. By investing in environmental facilities such as this, we are working on improving our energy efficiency relative to CO₂ emissions.



Cogeneration systems (Koriyama Plant)

- ★ Cogeneration systems: An energy supply method that effectively utilizes exhaust heat that is produced as electric power is generated. The exhaust heat is used to supply hot water or heat and for other purposes. Cogeneration allows energy to be utilized much more efficiently than in conventional power generation systems.

Measures to Reduce SO_x Emissions

New boiler fuels are being used when plants are updated and old boilers replaced. We are switching to natural gas,

low-sulfur heavy oil and other fuels that generate a small amount of SO_x, which is one cause of global warming and air pollution. In fiscal 2004, all boilers at the Sagami Operation Center were switched to natural gas.

Measures Involving Ozone-Depleting Substances

Chlorofluorocarbons (CFCs★) such as CFC-11 and CFC-12, which are harmful to the Earth's ozone layer, are used primarily at TOK as coolants in refrigerators and freezers. We also use halogenated hydrocarbon, another ozone-depleting substance, in some fire fighting systems. All equipment using ozone-depleting substances is inspected at regular intervals and managed and discarded as stipulated by law.

- ★ CFC: An abbreviation for chlorofluorocarbon. Specified CFCs are particularly harmful to the Earth's ozone layer.



Tatsuya Harayama,
Plant Administration Section,
Koriyama Plant

The difficulties of using cogeneration to produce electricity

At the Koriyama Plant, we installed a boiler equipped with a cogeneration system that includes a generator to produce electricity. Operations did not go smoothly in the beginning. We experienced difficulties in improving operating methods while monitoring gasses emitted by the boiler.

Moreover, the quality of the industrial water we used was not suitable for the boiler, causing frequent water leaks due to the corrosion of metal pipes. Overall, we learned first hand about the many challenges involved in producing electricity from a cogeneration system.

■ Emissions to Water

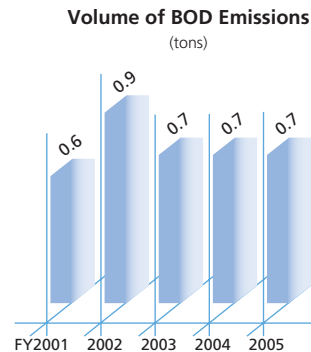
Effluents from plants undergo an activated sludge treatment process before they are discharged to public waters.

In fiscal 2005, initiatives were taken to maintain and manage wastewater treatment facilities as well as to continuously improve manufacturing processes. As a result,



Wastewater treatment facilities
(Koriyama Plant)

BOD★ emissions were the same level as in fiscal 2004. We will continue to review production processes to achieve further reductions in discharges of BOD.



★ BOD: Biochemical oxygen demand (BOD) refers to the volume of oxygen required when pollutants in the water (organic substances) are turned into inorganic substances or gases through the action of microorganisms. BOD is a major indicator used when evaluating the degree of contamination of rivers and other water bodies. A higher value for BOD means that the water involved is more contaminated.

Environmental Measures during Distribution

■ Environmentally Responsible Logistics

The total amount of cargo transported during fiscal 2005 was 24.27 million ton-kilometers, an increase of 0.3 million tons from the fiscal 2004 level. We estimate that these transportation activities, including vehicles at logistics service providers used exclusively for delivering TOK products, generated 6,600 tons of CO₂ emissions, a decrease of 100 tons from the fiscal 2004 level.

In fiscal 2005, we reviewed how our products are transported between our production bases and other stock points and customers with the aim of raising efficiency. This process included a modal shift★ to railroads from trucks to cut CO₂ emissions.

CO₂ emissions for products transported in Japan are calculated as follows .

Ton-kilometer = Volume of products (tons) x One-way distance of vehicles (km)
CO₂ emissions = No. of vehicles x (Round-trip distance / Fuel consumption) x 2.64 (kg-CO₂ / ℓ)

★ Modal shift: To reduce environmental impacts, cargo transportation is being shifted from trucks and other motor vehicles to trains and ships, which produce lower CO₂ emissions per cargo unit.

■ Environmental Considerations at Logistics Bases

At logistics facilities, we have switched to battery-powered forklift trucks and enforce restrictions on the idling of truck engines. These measures reduce greenhouse gas emissions, lower noise and create a healthier working environment for employees.

In addition, we are increasing the use of low pollution trucks in response to laws and regulations concerning NO_x and particulate matter★, diesel engines and other items concerning the transportation of cargo by truck.



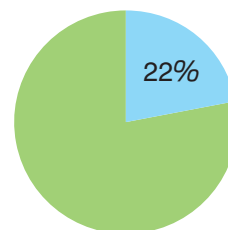
Battery-powered forklift trucks

★ Laws and regulations concerning NO_x (nitrogen oxides) and particulate matter: Various measures have been enacted by law to improve air quality by cutting the volume of NO_x and particulate matter emissions from vehicles in designated urban areas where air pollution is highest.

■ Progress in Use of Eco-Friendly, Low-Emission Vehicles

TOK owns a fleet of 54 motor vehicles (including by lease). As of March 2006, 22% of these vehicles use hybrid engines and other means to reduce emissions and conserve the environment, up 6 percentage points from the fiscal 2004 level.

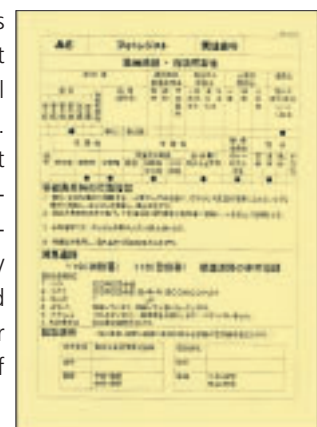
Introduction Rate of Eco-Friendly Vehicles and Low-Emission Vehicles (As of March 31, 2006)



Introduction rate of eco-friendly vehicles and low-emission vehicles is 22%

■ Provision of Environmental and Safety Information for Product Transportation

We require that our drivers carry emergency contact cards (yellow cards) at all times while they are on duty. This reflects our commitment to protecting people, merchandise and the environment from harm caused by leaks, fires, explosions and other accidents that may occur during the transportation of hazardous substances.



Emergency contact card (yellow card)

Measures to Achieve Zero Emissions★

To achieve a recycling-based society★, we conduct a 3R campaign to reduce the volume of waste materials in order to achieve our goal of zero emissions.

★ Zero emissions: This concept aims to establish a production infrastructure in which all members of society endeavor to eliminate all types of waste materials. One example of how this can be achieved is recycling waste generated by the production activities of one industry or using such waste as a raw material in another industry.

★ Recycling-based society: As opposed to a society characterized by mass production, mass consumption and mass disposal, a recycling-based society refers to a society that aims to achieve both environmental conservation and pursuit of economic efficiency by reducing the volume of waste material generated and promoting its reuse and recycling while at the same time minimizing the input of new resources.

Reduce★

TOK manufacturing bases are taking many actions to reduce energy consumption and the generation of waste materials associated with production processes.

General industrial waste materials produced by TOK at all production facilities in Japan during fiscal 2005 were about 440 tons less than in fiscal 2004. One reason was a decline

in waste materials resulting from a review of production processes at the Yamanashi Plant. In terms of unit-volume waste generation, which reflects production volumes, we achieved a 7 point improvement.

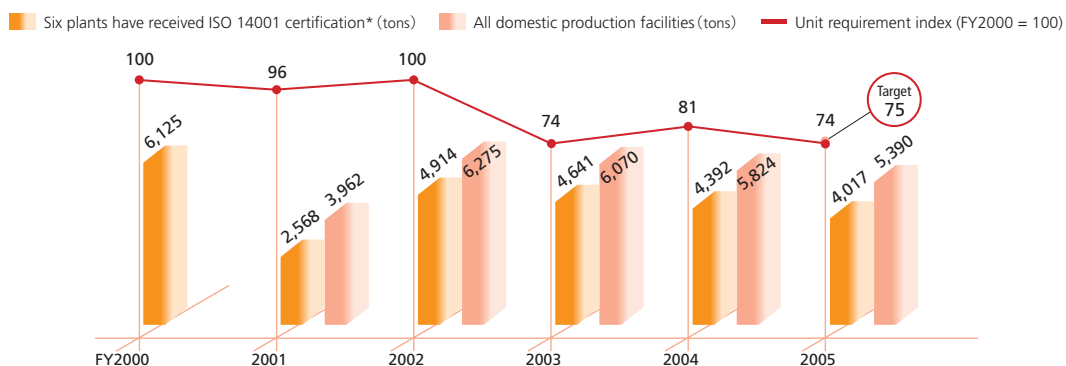
Concerning specially controlled industrial waste, we achieved a 1 point unit-volume improvement in fiscal 2005 over the previous fiscal year due to measures to limit the generation of these materials at our plants. However, due to growth in production volume, the absolute volume of specially controlled industrial waste at plants in Japan rose by about 610 tons.

During the medium-term plan ended in fiscal 2005, as a result of taking actions aimed at lowering the amounts of general and specially controlled industrial waste, we achieved our goals (see pages 15-16 "Fiscal 2005 Environmental Objectives and Results").

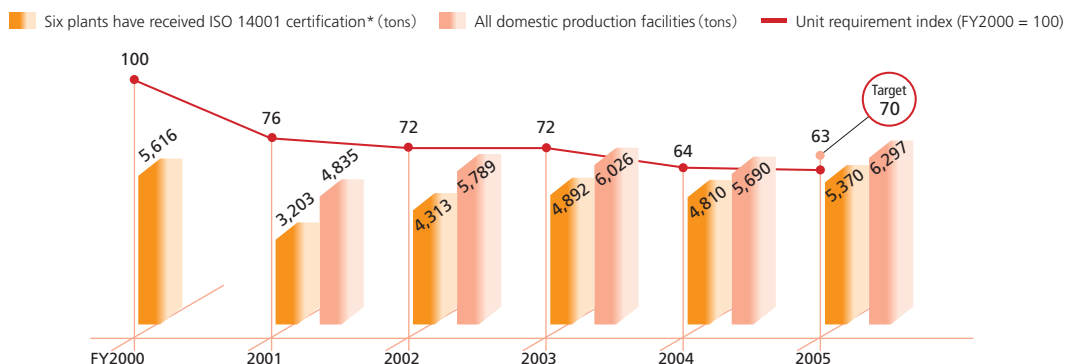
★ Reduce: This refers to reducing the volume of waste material generated. Reduction involves minimizing the volume of materials in products in order to minimize the volume of materials that is eventually discarded.

Volume of Industrial Waste

Volume of General Industrial Waste



Volume of Specially Controlled Industrial Waste



* Six plants have received ISO 14001 certification: Koriyama, Utsunomiya, Gotemba, Yamanashi, Ikuno and Aso.

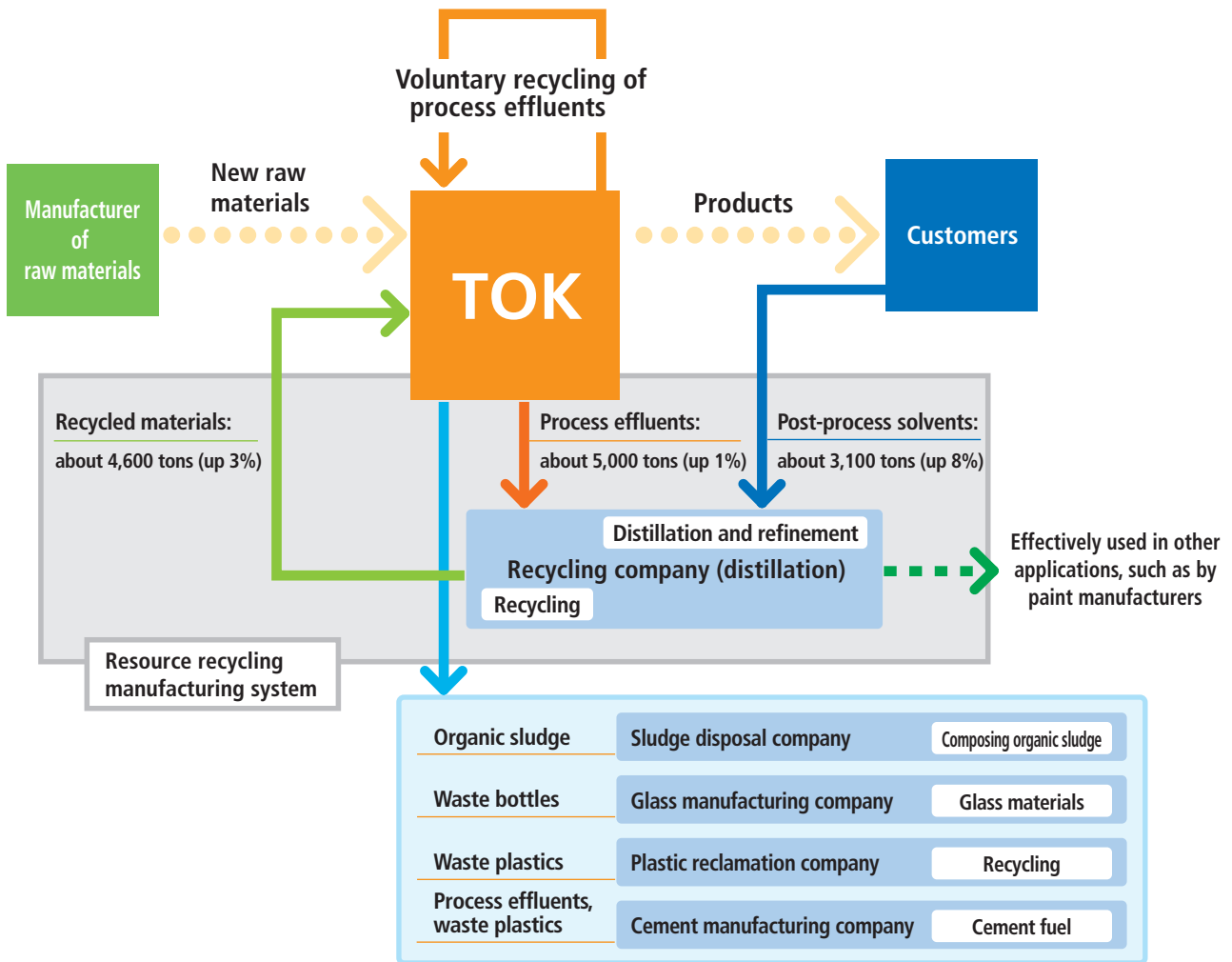
Notes: 1. In the Environmental and Social Report 2005, figures for the volumes of general industrial waste in fiscal 2003 and 2004 (at all production facilities in Japan) are incorrect. The correct figures are shown in this year's report. Fiscal 2003 volume is 6,070 tons rather than 6,105 tons and fiscal 2004 volume is 5,824 tons rather than 5,834 tons.

2. In the Environmental and Social Report 2005, the fiscal 2003 figure for the generation of specially controlled industrial waste (at the six plants with ISO 14001 certification at that time) is incorrect. The correct figure, which is 4,892 tons rather than 4,982 tons, is shown in this year's report.

Recycle ★

We are conducting a variety of recycling programs in order to utilize the Earth's limited volume of resources effectively.

★ Recycle: Recycling is the use of waste materials as a resource rather than burning these materials or sending them to a landfill. Recycling thus conserves resources and prevents pollution.



Notes: 1. All numbers are results for fiscal 2005 (figures in parentheses show fiscal 2004 comparisons).
 2. In the Environmental and Social Report 2005, the volume of recycled materials used in fiscal 2004 was reported as 3,800 tons, which was 16% more than in fiscal 2003. The correct figures are about 4,400 tons and an increase of 14%.

Recycling of Used Products and Effluents from Production Process

We recover organic solvents (process effluents) used during manufacturing processes and perform on-site refinement so these chemicals can be reused for the same processes. These and other activities allow us to reduce the volume of industrial waste materials. When materials cannot be reused at a plant, we send them to recycling companies where they undergo distillation and other processes for recovery and eventual reuse. During fiscal 2005, we used about 4,600 tons (3% more than in fiscal 2004) of raw materials obtained from recycled resources. In fiscal 2005, we installed a solvent recovery equipment at the

Yamanashi Plant to begin our own recycling program. In addition, the Aso Plant began recovering organic solvents from effluents. The plant separates solvents by category so they can be recovered by distillation at recycling companies for reuse as a raw material.

In cases where recovery using distillation is not possible, used solvents are reused as a resource, such as for fuel at cement plants, and in other ways. TOK is also making efforts to promote the use of waste plastics as a raw material for plastic reclamation companies and used bottles as a raw material for glass manufacturing companies.

Composting Organic Sludge★

Three elements are critical to processing organic sludge: volume reduction, stabilization and elimination of harmful substances. Volume reduction involves condensing water in sludge and then dehydrating and desiccating the sludge. For stabilization, biochemical or thermochemical processing (including combustion) is used to degrade organisms in sludge. This prevents decomposition and other chemical actions that cause pollution. At present, these processes are combined to transform organic sludge into compost at the facilities of sludge disposal companies.

★ Composting organic sludge: This is the process of turning sludge, raw garbage and other organic waste into fertilizer by using microorganisms to ferment the waste. Compost can be used as fertilizer and a soil conditioning agent.

Reuse★

Products incorporating organic solvents have been placed in stainless steel containers since the late 1970s. This allows empty containers to be returned to TOK for reuse. In addition, some products incorporating organic solvents are transported using tanker trucks. We are also beginning to use returnable containers for some photoresist products, chiefly those used in the manufacture of LCD panels.

★ Reuse: This refers to the use of manufactured goods, containers and other products repeatedly in order to reduce the volume of waste materials generated and conserve resources.



18-liter returnable containers



1-ton returnable container

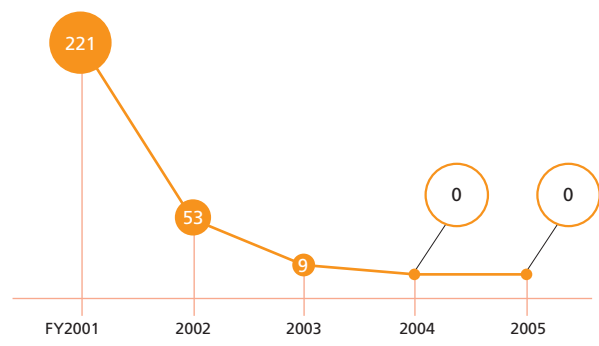
Final Disposal of Waste Materials

TOK production facilities are conducting programs to reduce the volume of waste sent to landfills and other final disposal sites. Specific categories of waste materials are collected separately to facilitate recycling. We also conduct a 3R campaign, review methods for disposing of these materials and take other steps to cut the volume of waste materials. Due to these efforts, we succeeded in completely eliminating waste materials sent for final disposal in fiscal 2004 and 2005.



Progress in the collection of waste materials by category

Final Disposal of Waste Materials (tons)



Tanker truck



Toshiyuki Kondo (left) and Minoru Sano (right), Inspection Section, Yamanashi Plant

Promote Reuse Activities, Reduce the Environmental Impact

Promoting the reuse of waste materials is one way in which we reduce our environmental impact. One example is the recovery of developer, which is used in platemaking tests for photosensitive polymer printing plates, from effluents so that it can be reused. Initially, we recovered only small amounts of developer, forcing us to purchase new developer to meet our requirements.

However, by using our approximately two years of experience, we installed a larger recovery equipment in fiscal 2005 that improves productivity and safety. We will continue to work on the reuse of various materials to make our environmental impact even smaller.

Managing Chemical Substances

TOK uses many types of chemicals in its manufacturing activities. Properly managing these chemicals is essential to maintaining workplace safety and health. We also prioritize the management of chemicals from the standpoint of reducing our environmental impact.

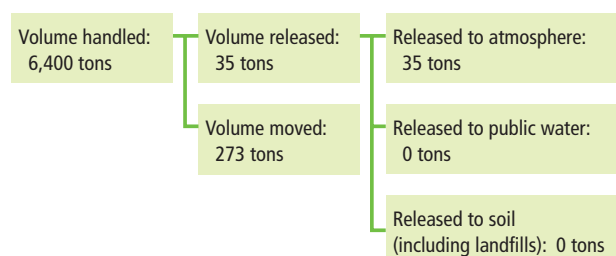
Proper Management of PRTR* Chemicals

Under Japan's Pollutant Release and Transfer Register (PRTR) Law, companies are required to manage emissions and transfers of certain chemicals and to submit reports. Of the 354 Class I Designated Chemical Substances by the PRTR Law, TOK handled 48 in fiscal 2005. This is six more than in fiscal 2004 because of a change in the composition of products manufactured. In fiscal 2005, TOK handled 6,400 tons of chemicals and released 35 tons of chemicals into the atmosphere and public water. There was no soil contamination because TOK does not have waste material landfills at its production sites.

In fiscal 2004, TOK restructured its chemicals and PRTR management systems in order to manage chemicals as well as calculate the movement of PRTR chemicals.

Note: The data section of this report provides a List of Substances Covered by the PRTR Law (see page 44).

Movement of PRTR Chemicals (Fiscal 2005)



* Pollutant Release and Transfer Register (PRTR): A system for collecting and officially announcing data on the sources and amounts of hazardous chemicals have been released into the environment or carried out of the plant as waste material.

Management of Chemicals when Procuring Raw Materials

Regulations in Japan and overseas concerning the management of chemicals, as well as the management systems of companies, have become increasingly stringent. In particular, there are widespread actions to prohibit the use of chemicals that have a significant effect on people and the environment. One element of our environmental policy is reinforcing our safety management system for chemicals. In line with this policy, we inspect raw materials for hazardous materials and legal conformity when purchases are made. When necessary, we ask suppliers to make improvements.

Through this approach, our environmental activities include the strict management of raw materials and compliance with laws and regulations.

We are dedicated to complying with laws and regulations as well as to meeting customers' requests concerning reductions in the use of environmentally harmful substances. Accomplishing these goals requires that we manufacture products using environmentally benign raw materials. We have identified prohibited substances and substances that require management in order to improve the environmental quality of our products. To perform this process, we formulated our Chemical Management Standards in fiscal 2004 with the aim of reducing or eliminating the use of targeted chemicals.

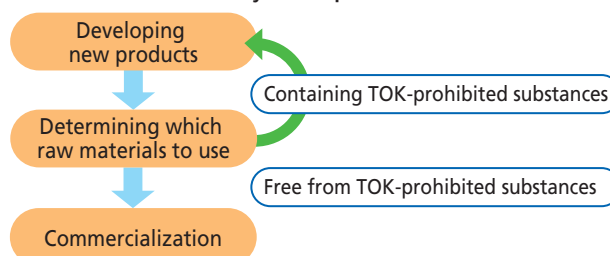


Chemical Management Standards

Advanced Assessment System for Raw Materials Used in Newly Developed Products (Screening for Hazardous Chemicals in Newly Developed Products)

TOK has created its own list of substances that are carcinogenic, mutagenic or toxic to the reproductive system. Called the TOK List of Prohibited Substances, the list complies with laws and regulations in various countries and is based on the hazard rankings of research institutes and other organizations. We use this list to establish a system that permits the assessment of chemicals contained in raw materials used in newly developed products. Through these activities, we are protecting the environment as well as the health and safety of the people who use our products.

Conceptual Chart of the Screening for Hazardous Chemicals in Newly Developed Products

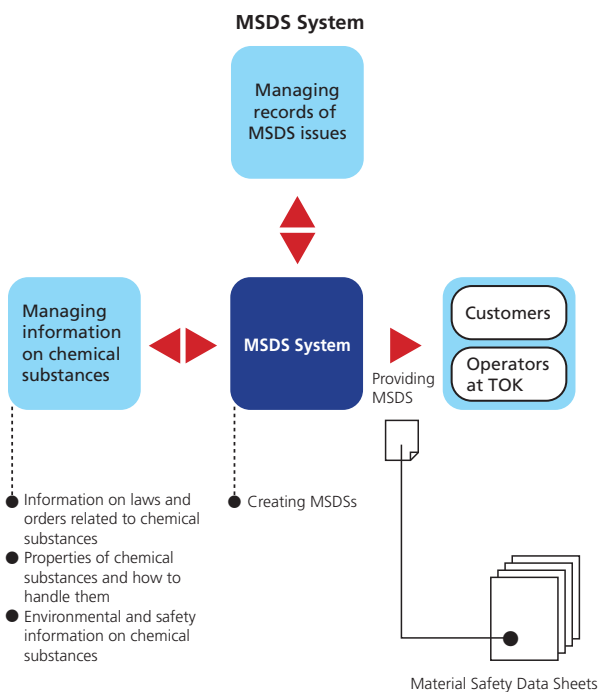


Providing Environmental and Safety Information on Products

TOK creates MSDSs for all products and prototypes. These sheets use an electronic format that contains information on the properties of substances, how to handle them and environmental and safety matters. We also have a system for creating and managing information on the chemicals that we use and for managing records of MSDSs issued in the past. In this manner, we are committed to supplying accurate MSDSs quickly to our customers and to operators at our business sites.

All current MSDSs are based on the JIS Z 7250★ standard. The sheets also comply with the PRTR Law, the Industrial Safety and Health Law and the Poisonous and Deleterious Substance Control Law.

★ JIS Z 7250: This refers to the section of the Japanese Industrial Standards (JIS) that stipulates the items, content of descriptions and overall structure for MSDSs.



Management of PCBs★ and Waste Materials Incorporating PCBs

At the Sagami Operation Center and the Shonan Technical Center, waste materials containing PCBs are stored under strict control. Furthermore, notices of this PCB storage are submitted to the Kanagawa prefectural government as prescribed in the Law concerning Extraordinary Measures for Promotion of Proper Management of PCB Waste. We plan to treat this PCB waste properly once the proper framework for such treatment has been established.

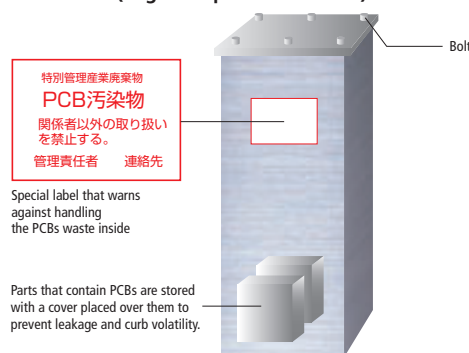
In fiscal 2005, we inspected electrical substation facilities for all domestic sites. This process revealed that the Sagami Operation Center, the Shonan Technical Center and the Utsunomiya Plant are using transformers with PCB levels exceeding the standard. We are closely managing their use. In addition, the proper notices have been submitted according to the Electricity Utilities Industry Law.



Electrical substation facility at the Sagami Operation Center, where PCB contamination was found

★ Polychlorinated biphenyl (PCB): One kind of organic compound, PCB was formerly considered a chemical that excelled in terms of heat resistance and electrical insulation and was used for thermal media, insulating oils, paints and other applications. However, due to the lack of degradability and high toxicity of PCB, PCB production was discontinued in 1972. Nevertheless, there is little progress in its disposal, and managers responsible for its storage are required to place it under strictly controlled conditions.

Dedicated Stainless Steel Storage Container (Sagami Operation Center)



Takashi Aoki, Safety & Environment Control Section, Safety & Environment Control Division

We are contributing to improvements in environmental quality

Our products are made up of many chemicals that we purchase from manufacturers of raw materials. Examining the materials contained in these chemicals requires an enormous amount of time and labor. However, we believe this work is vital to ensuring that we supply products that contain no chemicals

prohibited by law or that our customers want us to avoid.

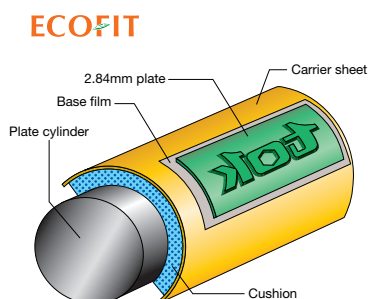
We will continue to work with Material Purchasing Division to examine chemicals so that our products can offer even greater environmental quality.

Developing Environment-Friendly Products

TOK is helping protect the environment by supplying products that incorporate exclusive technologies accumulated over many years.

ECOFIT®

ECOFIT® is a new flexographic printing system used mainly for printing corrugated board. The name is a combination of the words "ecology" and "fitness." In Japan, conventional printing plates are 5mm to 7mm thick, making them heavy and requiring the use of a large amount of polymer to make the plates. ECOFIT® eliminates these shortcomings by combining an ELASLON® photopolymer plate that is only 2.84mm thick with a magnetic cushioning material. This advance cuts the volume of waste materials by about half while enabling the printing of finer details.



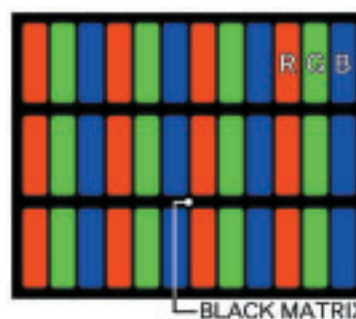
ECOFIT®: Registered trademark in Japan, No. 4,743,330
ELASLON®: Registered trademark in Japan, No. 2,197,468
Registered trademark in U.S., No. 2,411,993

Black Resist

Color filters are essential to the operation of color LCDs. The filter has four colors: red, green, blue and a black matrix. Chrome is normally used to form the black matrix. However, we have eliminated chrome, which is a source of pollution, by replacing it with a black resist.

We have positioned the black resist as one of our strategic products and continue to work on developing black resist products.

Structure of a color filter



The black matrix is the black border of the lattice containing red, green and blue squares. This black matrix is used to produce an image with greater contrast.

Spinless®

Normally, an LCD glass substrate is coated using the spin process, a method in which centrifugal force is used to apply photoresist evenly to a substrate. In this process, a substrate must be spun at high speed after a drop of photoresist is placed in the center. However, much of the photoresist simply flies off the substrate and is lost. Additionally, spinning substrates consumes a lot of electric power. Another problem is the growing size of these substrates, which makes them more difficult to spin.

To solve these problems, we developed the Spinless® coating technology. Instead of spinning substrates, this technique applies a uniform coating of photoresist by scanning the substrate surface with a slit nozzle. Only the necessary amount of photoresist is applied. For example, this technology cuts the amount of photoresist used on 5-generation glass substrates, which measure 1,100mm x 1,250mm, by more than 60%, and cleaning and rinsing solution use is down by 90%, with extremely low power consumption.

TOK has completed development of the TR130000 S, a version of Spinless® for 8-generation LCD glass substrates, and started sales of this product.

Spinless®: Registered trademark in Japan, No. 4,731,631



The TR117000 S Spinless® coating machine for 7.5-generation glass substrates

Environmental Communications

TOK fulfills its obligation to disclose information concerning operations by maintaining communications with stakeholders★, a group that includes all individuals and parties that are involved with TOK in any way. Moreover, we are determined to use feedback from stakeholders to improve our environmental programs.

★ Stakeholders: Include but are not limited to consumers (customers), employees, shareholders, suppliers, communities, government agencies, non-profit organizations, non-government organizations and other entities.

Publishing the Environmental and Social Report

TOK has been issuing an environmental report each year since fiscal 2002, positioning this publication as an important means of environmental communication. From fiscal 2005 edition, this publication was renamed the Environmental and Social Report. Contents have been expanded to include our social activities as well as environmental programs.

This report minimizes the use of technical terms to provide a format that is easy to read and gives stakeholders a thorough understanding of our activities. We feed back

information and suggestions from questionnaires returned by readers to related divisions in the Company, where they are used to develop environmental management programs of an even higher quality.



Reports TOK has published so far

Web Site Environmental Page

The Environmental and Social Report as well as archives are available on our web site. The web site also provides information on environment-friendly products.

http://www.tok.co.jp/eco/eco_top-e.htm



Results of the Environmental and Social Report 2005 Questionnaire

Many readers returned the questionnaire that was included with the Environmental and Social Report 2005.

Listed below in order of frequency of responses are several comments and suggestions and the related actions taken in this year's report.

What articles in this report interested or impressed you? (top five articles selected by readers)

- Relationship with the Community
- Environmental Performance
- Special Report: The TOK Recycling System
- Data on Environmental Impact by Site
- Relationship with Employees

Points most appreciated about the 2005 report

- I thought the report was written to provide information on specific activities and results in an easily understood manner, which included explanations of technical terms.
- The environmental impact data for each business site was very easy to understand. I was impressed with TOK's many environmental activities.
- It was easy to understand TOK's relationships with communities and employees.

Items requiring improvement

- I would like to see a section about TOK's actions concerning the "Refuse Campaign" (refusal to purchase items that will become a waste material or have an environmental impact).
⇒ Please see Managing Chemical Substances on pages 29 and 30. This section discusses our actions to reduce or eliminate harmful substances, such as by examining and confirming the hazards of chemicals when we purchase raw materials.

Quality of Content

Poor	0%
Very poor	0%
Average	5%
Very good	29%
Good	66%

Ease of Understanding

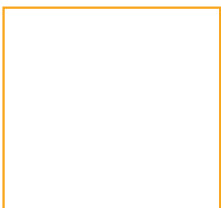
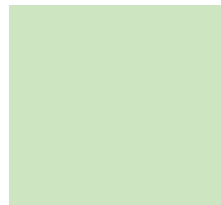
Poor	0%
Very poor	0%
Average	10%
Very good	29%
Good	61%

Informativeness

Just satisfactory	0%
Unsatisfactory	0%
Average	5%
Very satisfactory	33%
Satisfactory	62%

Environmental and Social Report 2006 32

Social Report



- 34 Relationship with Customers**
- Communication with Customers
 - Quality Management Program

- 35 Relationship with Employees**
- Basic Policy of Human Resources
 - Employment
 - Personnel Training and Development Measures
 - Realizing Ideal Working Conditions
 - Labor Relations
 - Occupational Safety and Health

- 40 Relationship with Shareholders and Investors**
- Distribution of Earnings to Shareholders
 - IR Activities

- 41 Relationship with the Community**
- Major Volunteer Activities
 - Factory Study Tours (Koriyama and Yamanashi Plants)
 - Dragonfly Pond Living Nature Observation Tour (Gotemba Plant)
 - *Noryosai* (Sagami Operation Center, Shonan Technical Center)
 - Tokyo Ohka Foundation for the Promotion of Science and Technology

Relationship with Customers

TOK is committed to building a relationship of trust with its clients and to raising customer satisfaction by supplying products that match the needs of customers and which they can use with complete confidence.

Communication with Customers

TOK regularly conducts customer opinion surveys to get an objective evaluation of its services. The results are fed back not only to the sales representatives but also to all

concerned divisions. This information is used to develop concrete reform measures and responses that contribute to improved customer satisfaction.

Quality Management Program

To provide products and services that excel in terms of quality and performance, new products undergo risk assessments at an early stage of their development. These and other activities ensure that products with consistently high quality can be supplied from the time that mass production begins. The quality of existing products is monitored so that any abnormalities can be quickly identified and necessary actions be taken.

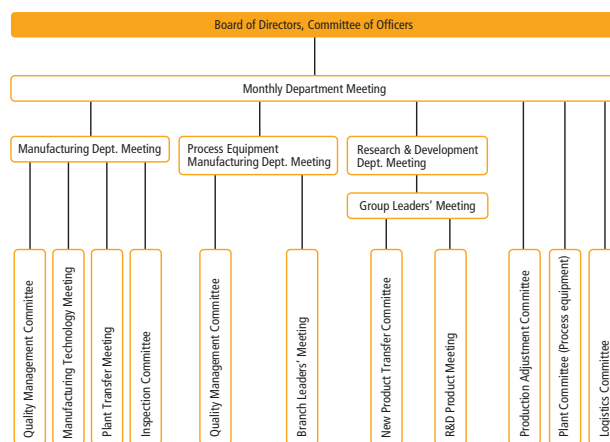
In fiscal 2006, we introduced the Manufacturing Execution System (MES)[★] at the Koriyama Plant, our state-of-the-art photoresist manufacturing facility. The introduction of a database system integrating process control, inventory control and quality control data will enhance efficiency and enable us to consistently manufacture higher-quality products.

Most of our production facilities have earned ISO 9001 certification (the international standard for quality management systems). We regularly hold meetings in which all company divisions participate. The goals are to make concerted efforts to enhance quality by actively disseminating information on the effectiveness of the quality management system and to exchange information.

TOK is committed to continuous improvements in its highly dependable quality management system, as a means to enhance customer satisfaction.

★ Manufacturing Execution System (MES): A technique for providing information for managing and optimizing all manufacturing processes, from receipt of order to manufacture of the product.

System of Meetings for Quality Management



TOPICS



Tokyo Ohka Seminars

The annual Tokyo Ohka Seminars have been held since fiscal 1980. In addition to lectures by outside experts, the seminars are a forum for presenting our new technology and products and for exchanges of information and identifying the needs of customers.

Approximately 230 people attended the fiscal 2005 seminar, the 26th in the series. We also held seminars in Singapore (TOK Seminar in Singapore) and Shanghai (TOK Seminar in Shanghai).

Relationship with Employees

Recognizing that people are our most valuable asset, we place priority on creating a workplace that is safe and healthy and that encourages employees to do their best.

Basic Policy of Human Resources

We have conducted operations in line with the basic policy that human resources are our most valuable asset.

Never forget that business always starts with "people."

Any discrimination within the Company and among employees is strictly prohibited.

Full compliance with applicable laws and regulations, as well as fair and equal compensation

Educate personnel and promote creativity to become a company that develops innovative technologies.

Personnel systems based upon performance, emphasizing and ensuring transparency

Employment

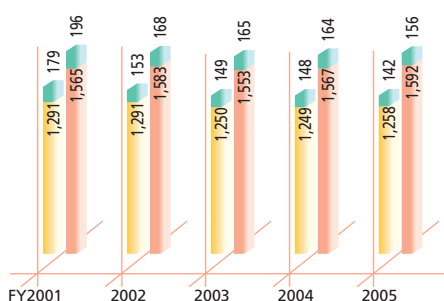
Unconsolidated Employee Information (As of March 31, 2006)

	Number of employees	Average age	Average service years
Male	1,141	38.0	14.7
Female	117	30.4	8.5
Total or average	1,258	37.3	14.1

Note: Number of employees does not include 84 seconded and 142 contract workers.

Number of Employees (As of fiscal year-end)

Unconsolidated Consolidated Contract workers



Note: Number of employees excludes seconded workers.

Rehiring System

A rehiring system was established in April 2003 under which regular and contract employees who have passed the mandatory retirement age may apply to be rehired by the Company. The program targets such individuals who have the motivation, skills and stamina to continue making a contribution. Individuals are rehired until the day they reach the age when they become eligible for the full Welfare Pension program, which is currently 63, but will be raised to 65 from April 2009.

As of the end of June 2006, 16 individuals had been rehired under this program, reaching 54 individuals in total.

Employment of Disabled Persons

Employees with disabilities represented 1.36% of TOK's total work force, a level somewhat short of the 1.8% legal minimum. TOK is committed to achieving the legal minimum rate.

Personnel Training and Development Measures

■ Personnel System

TOK's Personnel System, comprising the rank system, the remuneration system, the evaluation system and the "job challenge" system, supports us in promoting a new approach to utilizing human resources. Our goal is to create a more rewarding workplace by evaluating employees on their job performance.

Rank System

The rank system allows talented employees to earn early promotion. The system offers employees the option of a career course based on choosing where you work, depending on aptitude, education, assignment and rotation, and a career course based on qualifications, depending on duties and responsibilities.

Remuneration System

Under the remuneration system, employees receive a "base salary" that reflects their skills and performance and a "job category salary" that reflects the nature of their work and responsibilities. For regular employees, the "base salary" comprises remuneration based on "functional skill grade" and on "job performance." For executives, remuneration primarily reflects their achievement of the performance required in their particular "functional skill grade." Furthermore, there are upper and lower payment limits for each level of qualification. This system eliminates seniority-based salaries and gives younger employees the opportunity to earn more.

Evaluation System

The evaluation system combines the assessment of "performance" measured against the yardstick of employees accomplishing their respective goals and assignments and the processes by which they achieve their goals and assignments; that is, "competency" in carrying out each duty and responsibility. This approach eliminates all other factors, such as age, academic background and gender, from the evaluation system.

"Job Challenge" System

This system was initiated as a means to assist employees taking on the challenge of doing new tasks of their own volition. The aim is to have employees take charge of their own careers. The "job challenge" system is composed of the following two parts.

1. Free Agent System

In this system, individuals select the position they wish to fill and are then interviewed. The decision on whether or not to approve the transfer is based on a comprehensive array of factors, such as skills, career goals and self education. This system encourages individuals to take on new challenges to expand the choice of their career paths, thus moving away from the system where the Company makes assignments.

2. Career Challenge System

This system allows employees to apply for work at a particular location. The request is then referred to the employee's current division and desired division and a decision is taken based on the individual's character, skills and other factors. In principle, employees must return to their original division within five years. This system enables employees to explore their personal growth direction and role within the Company from a medium- and long-term perspective. It allows individuals to gain experience in more fields of expertise and develop skills by performing various tasks, and it also encourages them to become more motivated to reach career goals.

Self-Reporting System

Employees submit a report on their activities once each year. The report covers qualitative and quantitative items concerning their jobs, the working environment, wishes concerning jobs and work locations, messages to be communicated to management and other items. Studies based on these reports are submitted to the supervising director. The reports are used to develop skills, including careers, ensure the proper deployment of personnel, improve working environments and take other actions.



Atsushi Takanezawa,
Manufacturing Section 2,
Utsunomiya Plant

Mr. Takanezawa recently returned to the Utsunomiya Plant after spending time at the Aso Plant under the career challenge system.

Valuable experience that cannot be gained through training programs

I took advantage of TOK's career challenge system. The biggest benefit for me was getting to know people at the Aso Plant, a facility that I normally have no contact with.

I learned a lot about work processes and procedures, various ways of thinking and other matters that can be

used to improve operations at the Utsunomiya Plant.

This was a valuable experience, giving me knowledge that would be impossible to acquire with conventional training programs. I am certain this will be extremely useful in my work at TOK.

Realizing Ideal Working Conditions

■ Time-Off System for Child-Raising

In July 1990, TOK introduced a system that gives employees time off to look after their children. The Time-Off System for Child-Raising gives an employee the option of taking leave from the birth of a child until the child is 18 months old or the first April 30 after the child's first birthday, whichever is longer. Under certain conditions, this enables an employee to take up to two years' leave, which exceeds the leave period required by law. In principle, an employee can return to his/her former position or a similar position elsewhere. Employees can also ask for shorter working hours from their return until the first day of April following the child's third birthday.

As of the end of June 2006, a total of 47 employees were using the time-off system and 18 employees were using the reduced-time system.

In fiscal 2005, TOK established an action plan based on the Law for Measures to Support the Development of the Next Generation. Our goal is to provide workplaces that make it easy for individuals to perform their jobs while also fulfilling responsibilities at home.

Note: In the Environmental and Social Report 2005, the total number of employees as of June 30, 2005 using the reduced-time system was reported as 23. The correct number is 16.

■ Time-Off System for Health Care of Preschool Children

In October 2002, TOK established a system for taking time off to care for a preschool child. Up to five days of leave are granted each year to provide care, take children to medical facilities and nursery schools and perform other tasks following a child's illness or injury.

■ Time-Off System to Care for a Family Member

In July 1992, TOK introduced a system that gives employees time off to look after a parent or other family member in need of care. Under the Time-Off System to Care for a Family Member, time off was extended to up to a total of 366 days, which exceeds the period under the law. Moreover, the Company continues to pay health insurance and pension premiums during the time the employee takes off, except for contract workers. In principle, an employee can return to his/her former position or a similar position elsewhere. Employees can also request a shorter working day so that they can care for a family member while continuing to work.

As of the end of June 2006, a total of 7 employees were using the time-off system.

■ Recovery Holiday System

In March 1993, TOK adopted a system that assists employees who wish to continue working following a serious disease or injury. Under this system, an employee who has the will to work but cannot do so because of serious disease or injury (absence for convalescence) can opt for short-term recovery leave, long-term recovery leave or special long-term recovery leave. The Company supplements an employee's pay depending on the type of leave.

■ Break-in Working System

On April 1, 2005, TOK introduced the Break-in Working System to assist employees to return comfortably to work after an absence of one month or longer due to illness or



Chima Shinohara
Intellectual Property Management Division

I returned to work after my second time off for child-raising

In April 2006, I went back to work after taking my second break for child-raising. I now use the reduced-time system. TOK's support system made it possible for me to keep working. I am very grateful for the understanding of my

supervisor and coworkers, and to the employees who used this system before I did. I have responsibilities at work and at home. When there is a problem with one, the other helps me out, so there are benefits for work and my family. I hope my experience makes it even easier for people after me to use this system.

injury. The break-in period is limited to one month upon an employee's return and allows the employee a shorter working day during this period.

■ Charitable Activity Holiday System

Under the charitable activity holiday system, which we have offered since July 1993, employees can take leave for up to two years and four months to participate in the activities of the Japan Overseas Cooperation Volunteers.

■ Time-Off System for Bone Marrow Donors

TOK started offering time off for bone marrow donors in September 2005. We want to support the social contributions of employees by reducing the burden involved in bone marrow donation, from registration through the actual transplant. Employees can receive up to six days off for examinations and hospital stays for transplants, which are used to treat leukemia and other disorders.

Labor Relations

The Tokyo Ohka Kogyo Labor Union was formed in 1976. The Company has a union shop agreement with the labor union.

Relations with the Company's labor union have always been cordial from the beginning, as they are grounded in

the concept of "Labor-Management Cooperation." Labor and management meet once every two months and exchange opinions on a variety of issues, from the operating environment to labor-management relations.

We believe that cooperation between labor and management is critical to social contributions

"Labor and management must act as equals and use a relationship based on mutual respect to achieve further progress in corporate growth and benefits for union members."

This statement has been a central element since 1986 in the "Fundamentals of Activities," which is the prelude to the action policy proposed at the annual labor union meeting. Labor and management have based actions on this fundamental stance ever since. Sometimes the parties must resolve differences of opinion, but they always cooperate in order to build an even stronger base of operations for the Company. I therefore believe that we are steadily moving closer to the ideal for labor-management relations.

In the past, social contributions were viewed as merely manufacturing and supplying quality products. However, the ideal for building a more powerful operating base has

changed in recent years. Corporate activities must now fulfill social obligations that apply to shareholders, customers, employees, communities and all other stakeholders. Companies must recognize these obligations and maximize satisfaction for each stakeholder category. The activities of labor unions have changed, too. No longer can unions pay attention solely to jobs and working conditions. Unions need to be aware of social issues on a global scale, using cooperation with management to deal with various matters. I believe this process is how labor unions can make an even greater social contribution.



Mitsuyuki Kodama, Chairman of Tokyo Ohka Kogyo Labor Union



Occupational Safety and Health

■ Mental Health Care

In April 2004, we expanded our health care service, establishing a help desk for access to mental health professionals, to promote good health among employees as part of the Tokyo Ohka Kogyo Health Insurance Association. Interviews and consultations are provided upon request.

Since no personal information is passed on to the Company, employees can use this service to discuss family matters and any other problem with complete confidence.

Sites distribute materials concerning mental health to educate employees about this subject.

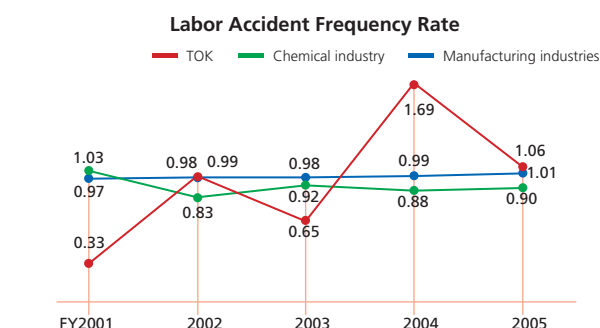
■ Prevention of Sexual Harassment

A number of measures are taken to prevent sexual harassment and deal with problems. All employees receive a sexual harassment prevention handbook and we have established a detailed set of rules concerning sexual harassment. These rules specify the division responsible for this subject as well as procedures for dealing with any problems.

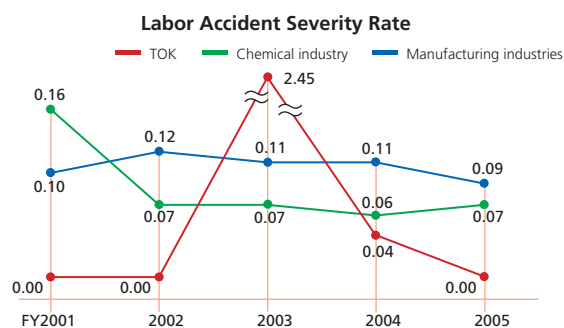
■ Prevention of Workplace Accidents

Each site has its own Safety and Health Committee to conduct activities aimed at preventing accidents. Employees undergo training and conduct drills in accordance with carefully formulated plans. There is also a corporate-level Safety and Health Committee to facilitate the exchange of information among the sites and perform the comprehensive oversight of various programs. A manual has been prepared so that proper emergency responses can be made in the event of an accident or other incident.

Unfortunately, there were three lost-time incidents in fiscal 2005. TOK will continue to make concerted efforts to prevent workplace accidents, with the goal of bringing down to zero not just actual accidents but also the risk of accidents.



Frequency rate: (Casualties due to labor accidents / total working hours) x 1,000,000
Casualties due to labor accidents indicate those who have been killed or injured and have taken one or more days off work.



Severity rate: (Lost-time days / total working hours) x 1,000
Lost-time days mean total lost-time days resulting from casualties due to labor accidents.
Lost-time days are calculated using the following standards:

- Death: 7,500 days
- Permanent total inability to work: Number of days for Grade 1 to 3 physical disabilities (7,500 days)
- Permanent partial inability to work: Number of days for Grade 4 to 14 physical disabilities (50 to 5,500 days according to the applicable class)
- Partial inability to work: Number of days obtained by multiplying the number of idle calendar days by 300/365

Note: Data on the chemical and manufacturing industries used in the graphs come from *The Results of Labour Accident Trend Surveys* published by the Ministry of Health, Labour and Welfare.



TOPICS



Koriyama Plant

In-House Fire Fighting

Our production facilities stock several kinds of large fire fighting pumps, fire extinguishers and fire extinguishing agents. The in-house fire service responds immediately in the event of a fire and tries to extinguish or control the fire until the fire department arrives.

The in-house fire service actively participates in regional fire fighting technology events to demonstrate its fire fighting techniques, to participate in mutual exchanges of technology and expertise and to polish its fire fighting knowledge on a daily basis.

Relationship with Shareholders and Investors

TOK is committed to consistently raising its corporate value while returning earnings to shareholders in an appropriate manner for the purpose of responding to the trust and expectations of shareholders and investors. Another priority is a timely and suitable information disclosure program for investors in order to maintain the transparency of business activities.

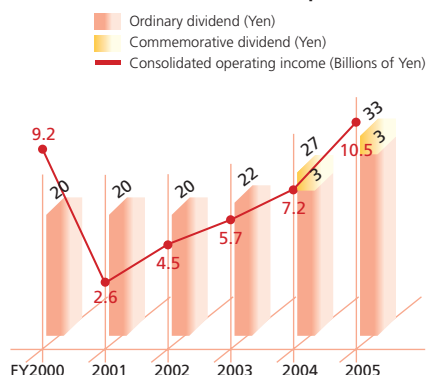
Distribution of Earnings to Shareholders

Returning earnings to shareholders is one of TOK's highest management priorities. The fundamental policy is to pay a consistent dividend based on the current dividend as well as TOK's financial position, operating results and other applicable items from a long-term perspective. We also take into consideration the need to maintain adequate retained earnings, which are vital to becoming more competitive and increasing earnings.

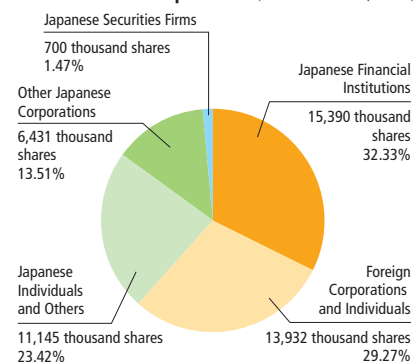
The annual dividend applicable to fiscal 2005 was increased by ¥6, to ¥33 per share, including a ¥3 distribution to commemorate the 20th anniversary of TOK's stock exchange listing.

In addition, to raise return on equity and shareholder value, we retired 3 million shares of company stock (5.93% of all shares issued) during fiscal 2005.

Growth in Annual Dividend per Share



Shareholder Composition (As of March 31, 2006)



Notes: 1. Japanese Individuals and Others includes 861 thousand shares of treasury stock.
2. The number of shares held less than one thousand are omitted.

IR★ Activities

The primary mission of our IR activities is to ensure the timely release of corporate information, such as management strategy and financial results, in a manner that is fair and proper for all shareholders and investors. Information and comments obtained through IR activities are fed back to management and used in the formulation of management and operations policies.

★ Investor Relations (IR): A generic term that refers to activities related to providing corporate information to shareholders and investors.

Meetings and Other Events for Investors

TOK holds information meetings for earnings announcements as well as tours of facilities and other events for institutional investors and securities analysts. We also welcome visits from investors and analysts at any time. We provide streaming video of the biannual financial results briefing on our Web site to make this information available to individual investors.



Financial results briefing

Preparation of Easily Understood Communication Materials

We prepare a business report (in Japanese) and an annual report (in Japanese and English) to provide shareholders and other investors with information on our activities. In addition, a broad range of information is available on our



<http://www.tok.co.jp/ir/ir-e.htm>



Business Report



Annual Report

Web site. All these means of communication are written and arranged to make them easy to understand.

Relationship with the Community

As a good corporate citizen, the TOK Group is involved in a broad spectrum of volunteer, educational and other social service activities in the regions in which it operates, in order to reach out to and enhance communication with local communities.

Major Volunteer Activities

At several of our plants, employees participate in programs to clean up the surrounding areas, which help raise their awareness of environmental issues. At the Aso Plant, for example, employees work closely with local residents in community activities, including a clean-up program to help preserve *miyama-kirishima*, a protected flowering plant that thrives in the outer rim of the Mt. Aso crater. At the Sagami Operation Center, employees help clear the banks of the nearby Sagami River and participate in patrols to stop illegal dumping of waste. Employees at the center also participate in the community's beautification campaign.

Moreover, employees of TOKYO OHKA KOGYO AMERICA, INC. (Oregon Plant) are conducting clean-up activities around their plant.



Aso Plant



Sagami Operation Center



Oregon Plant



Oregon Plant

Factory Study Tours (Koriyama and Yamanashi Plants)

In fiscal 2005, the Company invited students from a junior high school near the Koriyama Plant and a high school near the Yamanashi Plant. The study tours provide students with practical information on products and equipment that supplements their textbook studies.



Factory study tour (Yamanashi Plant)

Dragonfly Pond Living Nature Observation Tour (Gotemba Plant)

In May 2005, we invited 42 local elementary school students and their parents to the Dragonfly Pond at our Gotemba Plant for a Living Nature Observation Tour. The children enjoyed the chance to view the ecology of the pond and to see dragonfly nymphs and whirligig beetles at close hand.

The Gotemba Plant will continue to contribute to environmental conservation and society through this biotope★ environmental initiative.

★ Biotope: A German term derived from the words "bio," which means life, and "top," which means place. Biotope refers to a particular space that is created for wild plants and animals.



Parents and children observing living nature

Noryosai (Sagami Operation Center, Shonan Technical Center)

On August 2005, the TOK dormitory and housing complex adjacent to the Shonan Technical Center hosted the 20th annual TOK *Noryosai* summer festival. Business partners and local residents were invited to attend. Employees operated refreshment booths and handed out pet beetles to children. The 2005 event even featured a *taiko* drum performance for the first time, another step to provide an enjoyable evening for people of all ages.



Taiko drum performance at Noryosai

Tokyo Ohka Foundation for the Promotion of Science and Technology

The Tokyo Ohka Foundation for the Promotion of Science and Technology was established in May 1987, with the mission of promoting peace and prosperity through advances in science and technology. To this end, the foundation awards grants for research and development and for exchanges for science and technology projects with the potential to contribute to industrial and economic development.

In fiscal 2005, the foundation distributed ¥13 million in grants to 15 projects. Up to June 2006, the foundation has awarded grants totaling ¥331 million to 438 projects.

In addition, the foundation held a seminar on the subject of making Japan a source of new technologies that are the best in the world. The event attracted a large number of participants.

■ Grants for Research Projects

The foundation extends grants for basic and applied research in the field of chemistry for projects that are innovative and at the leading edge of progress. Projects must also have the potential to contribute to the advancement of science and technology.

■ Grants for International Exchange

Grants are extended for attendance at international research meetings, including for attendance by individuals invited by the sponsor, that can contribute to the international exchange of information concerning fundamental and applied research in the field of chemistry. The foundation also provides for research meetings in Japan and for attendance at these meetings by research scientists from other countries.

■ Support for the Promotion of Research Exchange Programs

Grants are extended to activities that promote research interaction among industry, universities and the public

sector. These grants target science and technology that can contribute to industrial and economic progress.

■ The Mukai Prize

The foundation presents a prize and honorable mentions in recognition of outstanding achievements in research that contributes to the advancement of science and technology.



The Mukai Prize award ceremony

■ Mukai Scientific Research Seminar

The foundation has been holding the Mukai Commemorative Science Seminar every year since 1992. The foundation also sponsors a symposium that is not held on a regular basis.



Special symposium

Note: The Mukai Prize and Mukai Scientific Research Seminar are named after Shigemasa Mukai, the founder of Tokyo Ohka Kogyo and the Tokyo Ohka Kogyo Foundation for the Promotion of Science and Technology.



<http://www.tok-foundation.or.jp/>

Please visit the foundation web site for more information (Japanese only).

TOPICS



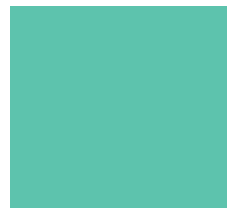
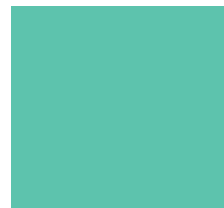
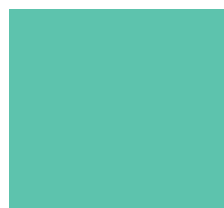
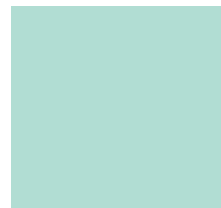
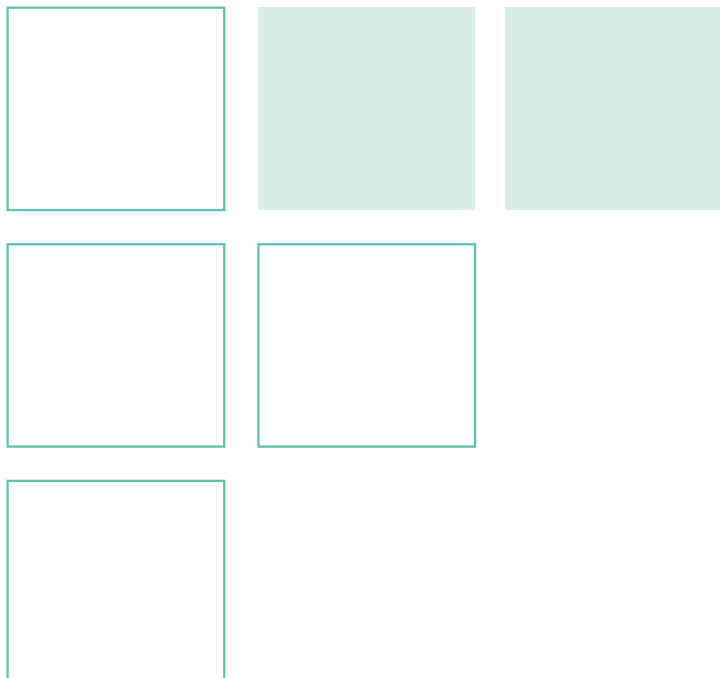
Support for Preparation of *Kawasaki Science World*

The City of Kawasaki and Kanagawa Academy of Science and Technology issue a publication called *Kawasaki Science World – The Most Advanced Technology in the World*. The publication is used for science education programs. Subjects include biology, information and communications, nanotechnology and other fields of

science where companies in Kawasaki are working on leading-edge technologies and products. The content is written mainly for junior high school students.

TOK assisted in the preparation of this book because its headquarters is located in Kawasaki.

Data



44 List of Substances Covered by the PRTR Law (Fiscal 2005)

45 Data on Environmental Impact by Site (Fiscal 2005)

49 TOK Global Network (As of March 31, 2006)

- Domestic Offices and Plants
- Overseas Offices and Plants

51 History of Environmental Conservation Activities

List of Substances Covered by the PRTR Law (Fiscal 2005)

In fiscal 2005, TOK emitted or transferred 48 chemicals that are included in the list of 354 Class I Designated Chemical Substances by the Pollutant Release and Transfer Register (PRTR) Law.

Government ordinance number	Chemical substance name	Emission volume (tons)		Transferred volume (tons)	Government ordinance number	Chemical substance name	Emission volume (tons)		Transferred volume (tons)
		Air	Water	Waste materials			Air	Water	Waste materials
1	zinc compounds (water-soluble)	0.0	0.0	0.0	218	1,3,5-tris(2,3-epoxypropyl)-1,3,5-triazine-2,4,6(1H,3H,5H)-trione	0.0	0.0	0.0
2	acrylamide	0.0	0.0	0.0					
3	acrylic acid	0.0	0.0	0.0	224	1,3,5-trimethylbenzene	0.2	0.0	0.0
7	acrylonitrile	0.0	0.0	0.0	227	toluene	9.9	0.0	20.3
16	2-aminoethanol	0.0	0.0	15.1	230	lead and its compounds	0.0	0.0	3.0
19	3-amino-1H-1,2,4-triazole	0.0	0.0	0.0	232	nickel compounds	0.0	0.0	0.0
24	n-alkylbenzenesulfonic acid and its salts	0.0	0.0	0.0	238	N-nitrosodiphenylamine	0.0	0.0	0.1
					242	nonylphenol	0.0	0.0	0.9
25	antimony and its compounds	0.0	0.0	0.0	252	arsenic and its inorganic compounds	0.0	0.0	0.0
29	4,4'-isopropylidenediphenol	0.0	0.0	0.0					
30	polymer of 4,4'-isopropylidenediphenol and 1-chloro-2,3-epoxypropane (liquid)	0.0	0.0	0.0	254	hydroquinone	0.0	0.0	0.0
					260	pyrocatechol	0.0	0.0	1.3
40	ethylbenzene	4.6	0.0	0.5	266	phenol	0.0	0.0	9.0
43	ethylene glycol	0.0	0.0	0.1	270	di-n-butyl phthalate	0.0	0.0	0.2
44	ethylene glycol monoethyl ether	0.0	0.0	0.2	272	bis (2-ethylhexyl) phthalate	0.0	0.0	0.0
45	ethylene glycol monomethyl ether	0.0	0.0	0.5	283	hydrogen fluoride and its water-soluble salts	0.0	0.0	0.6
63	xylene	18.3	0.0	3.0					
67	cresol	0.0	0.0	35.5	299	benzene	0.0	0.0	0.0
68	chromium and chromium (III) compounds	0.0	0.0	0.0	300	1,2,4-benzenetricarboxylic 1,2-anhydride	0.0	0.0	0.1
93	chlorobenzene	0.0	0.0	0.0	304	boron and its compounds	0.0	0.0	0.1
101	2-ethoxyethyl acetate	1.5	0.0	50.7	308	poly (oxyethylene) octylphenyl ether	0.0	0.0	0.0
103	2-methoxyethyl acetate	0.0	0.0	1.4					
113	1,4-dioxane	0.3	0.0	116.6	309	poly (oxyethylene) nonylphenyl ether	0.0	0.0	0.0
139	o-dichlorobenzene	0.0	0.0	12.7					
172	N,N-dimethylformamide	0.0	0.0	0.6	310	formaldehyde	0.0	0.0	0.4
176	organic tin compounds	0.0	0.0	0.0	314	methacrylic acid	0.0	0.0	0.0
183	O-1-(4-chlorophenyl)-4-pyrazolyl-O-ethyl S-propyl phosphorothioate	0.0	0.0	0.0	316	2,3-epoxypropyl methacrylate	0.0	0.0	0.0
					320	methyl methacrylate	0.0	0.0	0.0

Data on Environmental Impact by Site (Fiscal 2005)

This section provides environmental data on individual sites along with brief reports by environmental managers on the major accomplishments of fiscal 2005.

Resources used, emission volumes and waste generated differ greatly for each business site. These variations reflect the scale and nature of the products manufactured and equipment used.

Definitions Concerning Waste

General administrative waste

Unneeded items (office refuse) other than industrial waste generated by offices

General industrial waste

Industrial waste that does not require special controls (industrial waste is defined as waste produced in conjunction with business activities and includes cinders, sludge, used oils, used acids, used alkalines, used plastics and certain other materials)

Specially controlled industrial waste

Industrial waste that requires special management due to its explosivity, toxicity, infectious properties or other hazards



Headquarters

Acquisition of ISO 14001 Certification:
October 2003

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	1,090,000kWh	0kℓ	10,000m ³	24kℓ	0kℓ	0 tons	10,000m ³
Output Volume	CO ₂	NO _x	SO _x				
	1,000 tons	0.5 tons	0.001 tons				
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method Reused: 0 tons Incinerated: 21 tons Recycled: 9 tons Heat recovery: 0 tons			
	30 tons	0 tons	0 tons				
Recycling Rate (%)	30%	0%	0%				

Note: Some of the above figures include the Osaka Marketing Office, Tohoku Marketing Office and Kyushu Marketing Office.

The headquarters and marketing offices all worked toward the same goal of lowering their environmental impact by raising operating efficiency. In particular, these sites used IT systems to boost efficiency in order to reduce paper consumption. The result was a decline of about 30% in the volume of general administrative waste materials compared with fiscal 2004. These sites will continue to work on lowering their environmental impact while raising operating efficiency and cutting costs.



Sagami Operation Center

Acquisition of ISO 14001 Certification:
October 2003

Major Products:
Photoresists, Photoresist-related chemicals,
Organic chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	13,380,000kWh	0kℓ	100,000m ³	6kℓ	6kℓ	22 tons	1,660,000m ³
Output Volume	CO ₂	NO _x	SO _x				
	14,000 tons	12.2 tons	0.001 tons				
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method Reused: 0 tons Incinerated: 927 tons Recycled: 561 tons Heat recovery: 969 tons			
	177 tons	1,366 tons	914 tons				
Recycling Rate (%)	83%	39%	93%				

Fiscal 2005 was the third year of operations at this site following receipt of ISO 14001 certification. Conserving energy is the highest priority. During the year, the site assembled a framework for managing the amount of electricity used. We plan to add more facilities at the Sagami Operation Center. As this growth occurs, we will review all energy conservation measures, including these new facilities, in order to further reduce our environmental impact.





Shonan Technical Center

Acquisition of ISO 14001 Certification:
October 2003

Major Products:
Coating and developing machines, Dry etching machines, Dry ashing machines

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	3,360,000kWh	0kℓ	20,000m ³	15kℓ	0kℓ	0 tons	60,000m ³
Output Volume	CO ₂	NO _x	SO _x				
	1,000 tons	1.2 tons	0.001 tons				
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	7 tons	5 tons	5 tons	Reused: 0 tons	Incinerated: 8 tons	Recycled: 8 tons Heat recovery: 0 tons	
Recycling Rate (%)	0%	100%	78%				

The Shonan Technical Center earned ISO 14001 certification three years ago. In fiscal 2005, activities targeted compliance with laws and regulations and measures to conserve energy. Check lists are used to verify compliance and establish a sound compliance system at the center. Regarding energy conservation, the center has an extensive program to turn off ventilation systems and lights during lunch breaks and other times when rooms are unoccupied.



Koriyama Plant

Acquisition of ISO 14001 Certification:
November 1999

Major Products:
Photoresists, Dry film, Photoresist-related chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	7,440,000kWh	2,635kℓ	140,000m ³	18kℓ	1kℓ	10 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	12,000 tons	9.9 tons	2.9 tons	303kg			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	91 tons	412 tons	962 tons	Reused: 627 tons	Incinerated: 406 tons	Recycled: 108 tons Heat recovery: 324 tons	
Recycling Rate (%)	95%	16%	94%				

Energy conservation is the top priority at the Koriyama Plant. In fiscal 2005, a thermal insulation coating was applied to the roof of the refrigerated hazardous materials warehouse to reduce energy consumed by the refrigeration system. In another step to cut power consumption, lights were repositioned to make use of external light. The plant is studying ways to conserve more energy by operating machinery more efficiently.



Utsunomiya Plant

Acquisition of ISO 14001 Certification:
November 1999

Major Products:
Photoresists

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	4,450,000kWh	722kℓ	50,000m ³	0.4kℓ	0kℓ	4 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	5,000 tons	3.9 tons	0.7 tons	67kg			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	78 tons	179 tons	425 tons	Reused: 238 tons	Incinerated: 210 tons	Recycled: 73 tons Heat recovery: 161 tons	
Recycling Rate (%)	94%	3%	93%				

Until recently, the plant disposed of manufacturing process effluents as industrial waste. Now, these effluents are sold as a substitute fuel to a distilling company. This change both lowers the volume of waste materials and the cost of waste processing. Effluents are sold under a stringent control system that includes analysis of the chemical content.





Kumagaya Plant

Acquisition of ISO 14001

Certification:

October 2003

Major Products:

Photoresist-related chemicals, Chemicals for CRTs, Inorganic and organic chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	100,000kWh	14kℓ	2,000m ³	3kℓ	0kℓ	5 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x				
	100 tons	0.1 tons	0.01 tons				
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	3 tons	3 tons	9 tons	Reused: 0 tons	Incinerated: 12 tons	Heat recovery: 1 ton	
Recycling Rate (%)	64%	36%	0%				

In fiscal 2005, the Kumagaya Plant continued to work on ways to transform specially controlled waste materials into materials that have value. By recovering used oil products by category, we succeeded in recovering small amounts of liquids that can be sold. The next goal is establishing stable channels for selling these materials. We also want to quickly determine a channel for the treatment of emulsified waste plastics, a material that presents challenges concerning disposal.



Gotemba Plant

Acquisition of ISO 14001

Certification:

November 1999

Major Products:

Photoresists, Materials for forming interlayer and planarizing insulation film

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	6,590,000kWh	464kℓ	100,000m ³	5kℓ	0kℓ	1 ton	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	6,000 tons	4.7 tons	0.4 tons	188kg			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	35 tons	543 tons	2,667 tons	Reused: 2,489 tons	Incinerated: 550 tons	Heat recovery: 165 tons	
Recycling Rate (%)	100%	2%	99%				

In fiscal 2005, the Gotemba Plant concentrated most of all on transforming waste materials into materials of value as part of its environmental conservation activities. The plant has located business partners that can treat scrap iron, other scrap metals and photoresist oil effluents to produce materials that have value. All metal scraps (about 4 tons) are converted into a form that can be sold. In addition, about 43% of photoresist oil effluents, or 333 drums, is processed and sold. The result is a significant reduction in waste materials.



Yamanashi Plant

Acquisition of ISO 14001

Certification:

November 2001

Major Products:

Photopolymer plates for printing, Photoresists, Photoresist-related chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	4,350,000kWh	1,452kℓ	100,000m ³	5kℓ	0kℓ	0.02 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	10,000 tons	7.5 tons	1.2 tons	—			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	159 tons	2,139 tons	32 tons	Reused: 0 tons	Incinerated: 278 tons	Heat recovery: 1,281 tons	
Recycling Rate (%)	78%	89%	100%				

In fiscal 2005, the plant's central theme was the reduction of general industrial waste materials. A reduction in waste materials of about 600 tons is possible through a review of manufacturing processes to limit the generation of waste materials along with an upgraded program to transform waste into items of value. The plant will conduct education programs in order to raise employee awareness of environmental issues and have everyone work toward the same goals.





Ikuno Plant

Acquisition of ISO 14001
 Certification:
 November 2000
 Major Products:
 Dry film, Photoresist-
 related chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	3,620,000kWh	432kℓ	60,000m ³	2kℓ	0kℓ	13 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	3,000 tons	2.7 tons	0.5 tons	66kg			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	35 tons	230 tons	108 tons	Reused: 2 tons	Incinerated: 57 tons		
Recycling Rate (%)	94%	78%	96%	Recycled: 94 tons	Heat recovery: 220 tons		

Employees of this plant again participated in a neighborhood clean-up program to reaffirm the spirit of making social contributions. There were five clean-up days during fiscal 2005, just as in fiscal 2004, during which about 100 kilograms of litter and other waste materials were collected. Workers at the plant will continue to participate in community activities. Another goal is taking many actions to reduce the plant's environmental impact, such as by recycling materials and lowering energy consumption.



Aso Plant

Acquisition of ISO 14001
 Certification:
 November 2000
 Major Products:
 Photoresists, Photoresist-
 related chemicals

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	4,660,000kWh	464kℓ	70,000m ³	20kℓ	0kℓ	2 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x	BOD			
	6,000 tons	5.0 tons	0.5 tons	31kg			
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	79 tons	514 tons	1,176 tons	Reused: 764 tons	Incinerated: 224 tons		
Recycling Rate (%)	100%	57%	100%	Recycled: 76 tons	Heat recovery: 705 tons		

In fiscal 2005, promoting reuse and recycling was the highest priority at the Aso Plant. Due to an improvement in the method for separating used oils, the recycling rate rose by about 400%, dramatically lowering the plant's environmental impact. In addition, emergency pump was installed for the gateways to contain spills of liquids. This prevents the spread of pollution in the event of a chemical leak or spill and allows the plant to make an immediate response.



Distribution Control Center

Acquisition of ISO 14001
 Certification:
 October 2003
 (SP certified in April 2005)

Input Volume	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
	680,000kWh	0kℓ	600m ³	0.3kℓ	27kℓ	0 tons	0m ³
Output Volume	CO ₂	NO _x	SO _x				
	300 tons	0.7 tons	0.002 tons				
Output Waste Volume	General administrative	General industrial	Specially controlled industrial	Waste disposal method			
	10 tons	0 tons	0 tons	Reused: 0 tons	Incinerated: 5 tons		
Recycling Rate (%)	56%	0%	0%	Recycled: 6 tons	Heat recovery: 0 tons		

Note: The above figures include all SPs.

In fiscal 2005, this center established the goal of promoting a modal shift for environmental conservation. The center took numerous steps to switch to rail transport. All workers in the center took part in an "Environmental Conservation through Logistics" campaign in order to lower CO₂ emissions. The center plans to continue using the modal shift to bring down its environmental impact in fiscal 2006.



TOK Global Network (As of March 31, 2006)

Domestic Offices and Plants

● Headquarters

150 Nakamaruko, Nakahara-ku, Kawasaki,
Kanagawa 211-0012, JAPAN
TEL. +81-44-435-3000

● Osaka Marketing Office

Esaka Zennikku Bldg., 17-1 Enoki-cho, Suita-shi,
Osaka 564-0053, JAPAN
TEL. +81-6-6337-8711

● Tohoku Marketing Office

Asahi Seimei Koriyama Center Bldg., 2-2-2 Ekimae, Koriyama-shi,
Fukushima 963-8002, JAPAN
TEL. +81-24-931-1222

● Kyushu Marketing Office

1031-7 Yuge, Tatsuda-machi, Kumamoto-shi,
Kumamoto 861-8002, JAPAN
TEL. +81-96-339-2155

● Sagami Operation Center

1590 Tabata, Samukawa-machi, Koza-gun,
Kanagawa 253-0114, JAPAN
TEL. +81-467-75-2151

● Shonan Technical Center

7-8-16 Ichinomiya, Samukawa-machi, Koza-gun,
Kanagawa 253-0111, JAPAN
TEL. +81-467-74-2125

● Koriyama Plant

1-23 Machiikedai, Koriyama-shi,
Fukushima 963-0215, JAPAN
TEL. +81-24-959-6911

● Utsunomiya Plant

21-5 Kiyohara Kogyo Danchi, Utsunomiya-shi,
Tochigi 321-3231, JAPAN
TEL. +81-28-667-3711

● Kumagaya Plant

823-8 Kamibayashi, Miizugahara, Kumagaya-shi,
Saitama 360-0844, JAPAN
TEL. +81-48-533-1171

● Gotemba Plant

1-1 Komakado, Gotemba-shi,
Shizuoka 412-0038, JAPAN
TEL. +81-550-87-3003

● Yamanashi Plant

10234 Shimoyama, Minobu-cho, Minami Koma-gun,
Yamanashi 409-2522, JAPAN
TEL. +81-556-62-3151

● Ikuno Plant

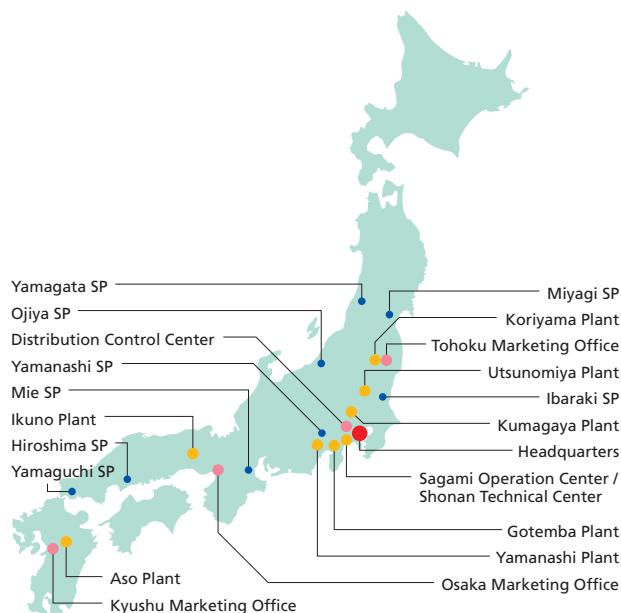
373-70 Mayumi Dojun-yama, Ikuno-cho, Asago-shi,
Hyogo 679-3311, JAPAN
TEL. +81-79-679-2611

● Aso Plant

4454-1 Miyaji, Ichinomiya-machi, Aso-shi,
Kumamoto 869-2612, JAPAN
TEL. +81-967-22-4411

● Distribution Control Center

4-1-1 Kamigo, Ebina-shi,
Kanagawa 243-0434, JAPAN
TEL. +81-46-235-2821



SP: Controlled-atmosphere stock points



Sagami Operation Center



Shonan Technical Center



Koriyama Plant



Utsunomiya Plant



Kumagaya Plant



Gotemba Plant



Yamanashi Plant



Ikuno Plant

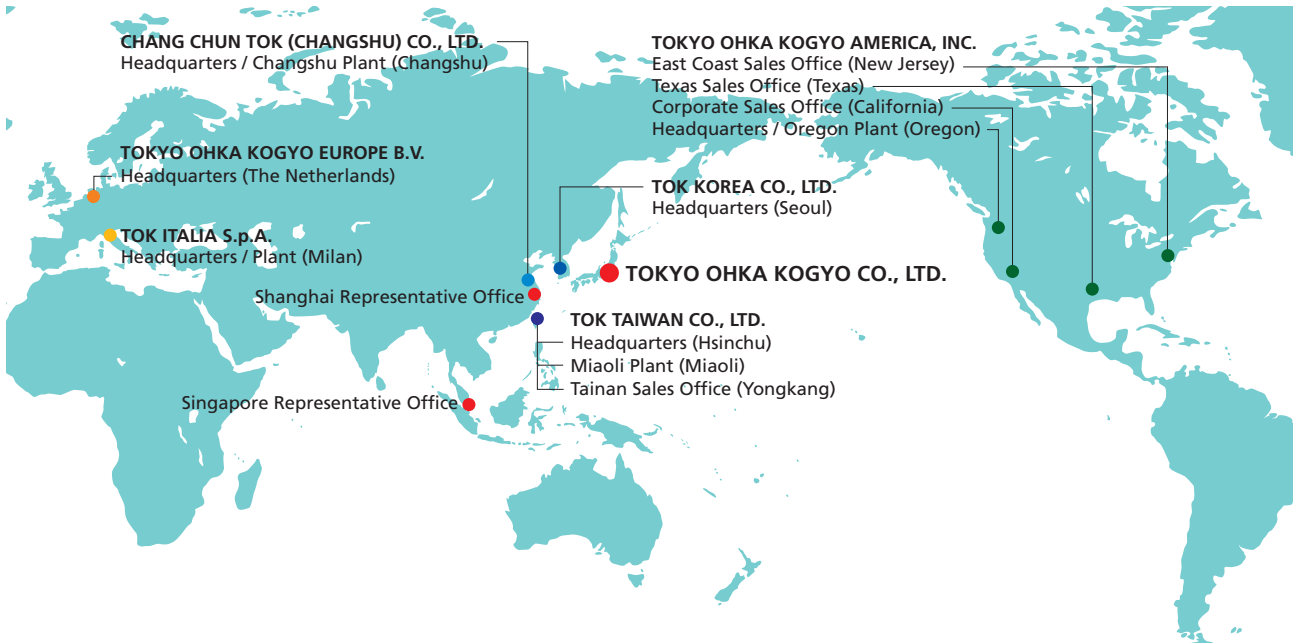


Aso Plant

Domestic Subsidiaries

Subsidiaries	Major Activities
YAMANASHI OHKA CO., LTD.	Manufacturing and processing of photopolymer plates
KUMAGAYA OHKA CO., LTD.	Manufacturing of industrial chemicals
TOK ENGINEERING CO., LTD.	Manufacturing and sales of auto chemical supply machines
TOK TECHNO SERVICE CO., LTD.	Maintenance of process equipment, maintenance service
OHKA SERVICE CO., LTD.	Insurance agent service

Overseas Offices and Plants



● TOKYO OHKA KOGYO CO., LTD.

Singapore Representative Office

8 Shenton Way, #14-01A, Temasek Tower, SINGAPORE
TEL. +65-62261485 FAX. +65-62261893

Shanghai Representative Office

1511, China Merchants Tower, 161 Lu Jia Zui East Road,
Pu Dong Xin Qu, Shanghai 200120, CHINA
TEL. +86-21-5840-8800 FAX. +86-21-5840-8884

● TOKYO OHKA KOGYO AMERICA, INC.

[Manufacturing and sales of photoresists and photoresist-related chemicals]

Headquarters / Oregon Plant

4600 N.W. Shute Road, Hillsboro, Oregon 97124, U.S.A.
TEL. +1-503-693-7711 FAX. +1-503-693-2070

Corporate Sales Office

190 Topaz Street, Milpitas, California 95035, U.S.A.
TEL. +1-408-956-9901 FAX. +1-408-956-9995

● TOKYO OHKA KOGYO EUROPE B.V.

[Sales of photoresists, photoresist-related chemicals, printing materials and other products]

Headquarters

Databankweg 12, 3821AL Amersfoort, THE NETHERLANDS
TEL.+31-33-4543522 FAX. +31-33-4519646

● TOK ITALIA S.p.A.

[Manufacturing and sales of dry film and photoresist-related chemicals]

Headquarters / Plant

Via Camillo Chiesa, 30, 20010 Pogliano M.SE (MI), ITALY
TEL. +39-02-93559006 FAX. +39-02-93559007

● TOK TAIWAN CO., LTD.

[Manufacturing and sales of photoresist-related chemicals and sales of photoresists]

Headquarters

10F., No. 675, Sec.1, Jingguo Road, Hsinchu City 300, TAIWAN
TEL. +886-3-5345953 FAX. +886-3-5350178

● TOK KOREA CO., LTD.

[Sales of photoresists and photoresist-related chemicals]

Headquarters

15F., DukHeung Bldg., 1328-10, Seocho-dong, Seocho-gu,
Seoul 137-858, KOREA
TEL. +82-2-588-5035 FAX. +82-2-588-5036

● CHANG CHUN TOK (CHANGSHU) CO., LTD.

[Manufacturing and sales of photoresist-related chemicals]

Headquarters / Changshu Plant

Changchun Road, Riverside Industrial Park, Changshu
Economic Development Zone, Jiangsu Province 215537, CHINA
TEL. +86-512-5264-8000 FAX. +86-512-5264-9000

History of Environmental Conservation Activities

Period	Major events	Awards
1970 1989	<ul style="list-style-type: none"> ● The Committee for the Prevention of Pollution is established. ● Wastewater treatment facilities are completed at Sagami Plant (currently Sagami Operation Center). ● A permit for industrial waste disposal business is obtained. ● The Hazardous Substance Management Committee is formed. ● The Environment Compliance Section is set up. 	<ul style="list-style-type: none"> ● The National Industrial Health Week Prize from the director-general of Kumamoto Labour Standards Bureau (Aso Plant)
1990 1995	<ul style="list-style-type: none"> ● Start recycling of used stripping solution by users. ● The recovery and refining of used solvents from manufacturing processes started. ● The ISO Office is set up. ● Battery-powered forklift trucks are introduced at Koriyama Plant. 	<ul style="list-style-type: none"> ● A record-making certificate from the director-general of Kanagawa Labour Standards Bureau for a record of 5.4 million hours of Class 1 no-accident operation (Sagami Operation Center) ● An official commendation from the Kanagawa Prefecture Environmental Conservation Council for environmental conservation activities (Sagami Operation Center) ● An official commendation from the Kumamoto Prefecture Association for the Safety of Hazardous Goods (Aso Plant) ● An official commendation from the Shizuoka Prefecture Federation of Labour Standards Association as an excellent place of business in terms of industrial health (Gotemba Plant) ● The Excellent Place of Business Award from the Kumamoto Prefecture High-Pressure Gas Safety Association (Aso Plant) ● The Best Award for Electric Power Use Rationalization from the Kanto Region Electric Power Use Rationalization Committee (Sagami Operation Center) ● The Industrial Health Excellence Award from the Tajima Labour Standards Association (Ikuno Plant)
1997	<ul style="list-style-type: none"> ● Natural gas boiler facilities are introduced at Sagami Operation Center. 	<ul style="list-style-type: none"> ● An official commendation from the governor of Tochigi for efforts in preventing disasters caused by hazardous substances (Utsunomiya Plant)
1998	<ul style="list-style-type: none"> ● The Safety Control Section is set up. ● The Committee for Promoting Acquisition of ISO 14001 Certification is formed. ● Environmental policies are established. ● Environmental manuals are developed. 	<ul style="list-style-type: none"> ● An official commendation from the director-general of Tochigi Labour Standards Bureau for efforts to raise the level of industrial health (Utsunomiya Plant) ● An official commendation from the Kumamoto Prefecture Industrial Safety and Health Convention (Aso Plant)
1999	<ul style="list-style-type: none"> ● Koriyama, Utsunomiya and Gotemba plants acquire ISO 14001 certification. 	<ul style="list-style-type: none"> ● The Industrial Safety Excellence Award from the Tajima Labour Standards Association (Ikuno Plant) ● An official commendation from the director-general of Fukushima Labour Standards Bureau for superior business operations (Koriyama Plant)
2000	<ul style="list-style-type: none"> ● The Eco Ice environment-friendly air-conditioning system is incorporated into Headquarters. ● Ikuno and Aso plants acquire ISO 14001 certification. ● Battery-powered forklift trucks are introduced at Utsunomiya Plant. 	<ul style="list-style-type: none"> ● The National Industrial Health Week Superiority Award from the director-general of Kumamoto Labour Standards Bureau (Aso Plant)
2001	<ul style="list-style-type: none"> ● Yamanashi Plant acquires ISO 14001 certification. 	<ul style="list-style-type: none"> ● An official commendation from the Association for the Safety of Hazardous Goods at the National Convention for the Safety of Hazardous Goods (Aso Plant)
2002	<ul style="list-style-type: none"> ● A biotope is created in Gotemba Plant. ● Cogeneration systems are introduced at Koriyama Plant. ● Battery-powered forklift trucks are introduced at Distribution Control Center. ● Start publishing the Environmental Report. 	<ul style="list-style-type: none"> ● The Industrial Health Superiority Award from the Tajima Labour Standards Association (Ikuno Plant) ● An official recognition by the Saitama Prefecture Federation of the Associations for the Safety of Hazardous Goods (Kumagaya Plant) ● An official commendation from the Kanto-Koshinetsu Region Federation of the Associations for the Safety of Hazardous Goods (Utsunomiya Plant)

Period	Major events	Awards
2003	<ul style="list-style-type: none"> ● Headquarters, Osaka Marketing Office, Tohoku Marketing Office, Kyushu Marketing Office, Sagami Operation Center, Shonan Technical Center, Kumagaya Plant and Distribution Control Center (excluding SP) acquire ISO 14001 certification. ● The Environmental Report is listed on TOK's web site. ● Environmental Policy established based on second medium-term plan. ● The Energy Saving Committee is set up at Koriyama Plant. 	<ul style="list-style-type: none"> ● An official commendation from the Koriyama Regional Fire Fighting and Disaster Prevention Association (Koriyama Plant) ● An official commendation from the Kanagawa Prefecture Federation of Association for the Safety of Hazardous Goods (Distribution Control Center) ● Commendation from the Saitama Fire Fighting Association as a disaster prevention organization (Kumagaya Plant) ● Commendation from the Promotional Committee Leader for the Use of Electric Power in Seven Tohoku Prefectures as an excellent energy management plant (Koriyama Plant)
2004	<ul style="list-style-type: none"> ● The Energy Saving Committee is set up at Sagami Operation Center and Kumagaya Plant. ● Environmental policy is revised. ● All boilers are switched to natural gas at Sagami Operation Center. ● TOKYO OHKA KOGYO AMERICA, INC. (Oregon Plant) and TOK TAIWAN CO., LTD. (Miaoli Plant) acquire ISO 14001 certification. 	<ul style="list-style-type: none"> ● An official commendation from the commissioner of Fire and Disaster Management Agency for Top Hazardous Substance Operation (Yamanashi Plant and Aso Plant) ● The Industrial Safety Excellence Award from the Hyogo Prefecture Labour Standards Federation (Ikuno Plant)
2005	<ul style="list-style-type: none"> ● Battery-powered forklift trucks are introduced at Ikuno Plant. ● The Energy Saving Committee is set up at Yamanashi Plant. ● All domestic sites acquire ISO 14001 certification. ● Expanded the Environmental Report and renamed it the Environmental and Social Report. 	<ul style="list-style-type: none"> ● An official commendation from the commissioner of Fire and Disaster Management Agency for Top Hazardous Substance Operation (Sagami Operation Center, Utsunomiya Plant and Gotemba Plant)
2006	<ul style="list-style-type: none"> ● Established new Environmental Policy based on the third medium-term plan in April. ● Established Safety & Environment Control Division in April. ● CHANG CHUN TOK (CHANGSHU) CO., LTD. acquires ISO 14001 certification in July. 	<ul style="list-style-type: none"> ● An official commendation from the chairman of the Hyogo Prefecture Association for the Safety of Hazardous Goods in June (Ikuno Plant) 

Editor's Note

This report was prepared to give as many people as possible an understanding of CSR activities at TOK. With this goal in mind, we covered many themes. For example, we included sections where employees talk about CSR in their daily activities and reports on environmental and social programs. In addition, we minimized the use of words to make the report easy to read as the number of pages grows along with the scope of information covered.

We will continue to use the Environmental and Social Report as an important means of communication with stakeholders. Your thoughts and suggestions are a valuable source of ideas for improving our CSR activities as well as the contents of this report. Please take the time to fill out and return the enclosed questionnaire. Thank you for your interest in TOK.

October 2006
Safety & Environment Control Division

tok TOKYO OHKA KOGYO CO., LTD.

Safety & Environment Control Division

1590 Tabata, Samukawa-machi, Koza-gun,
Kanagawa 253-0114, JAPAN
TEL. +81-467-75-2151
FAX. +81-467-75-6551
<http://www.tok.co.jp/>



This report was printed using soy ink, which contains no volatile organic compounds (VOCs). Waterless offset printing was used, an environmentally sensitive technology that produces no harmful effluents.

Published: October 2006
1500 NIR

Printed in Japan