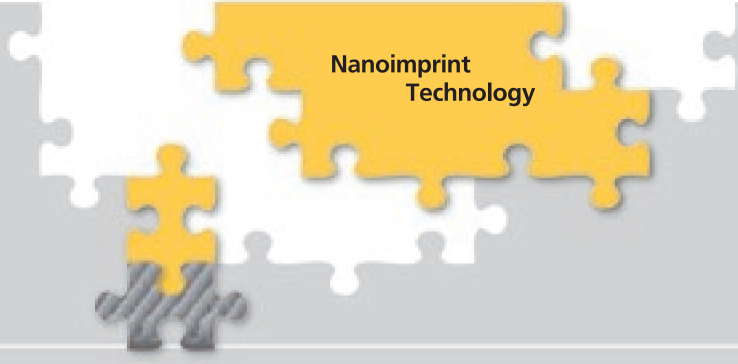
Annual Report 2009

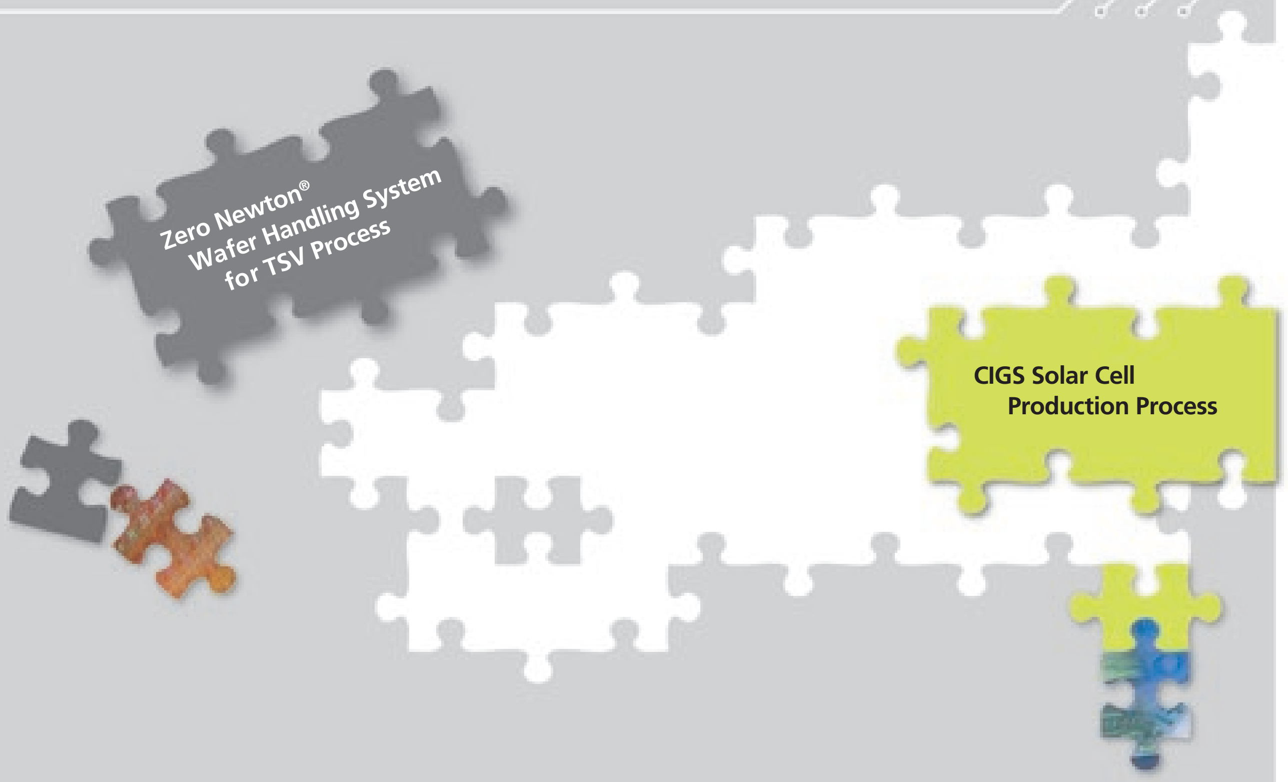
Year Ended March 31, 2009

Rebuilding Value

TOKYO OHKA KOGYO CO., LTD.

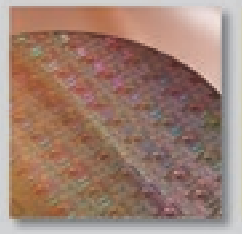


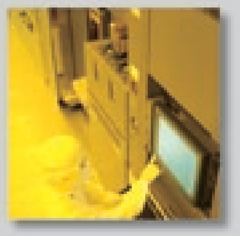
To the next stage of growth:



Contents

TOK is putting all the pieces together to enter new business fields by leveraging its many technologies while enacting reforms to turn around earnings.





Note: The accounting period covers a 12-month period beginning April 1 and ending March 31 the following year. In this annual report, "fiscal 2009" refers to the 12-month period ended March 31, 2009 (April 1, 2008 – March 31, 2009).

A Message from the President

President & Chief Executive Officer

Yoichi Nakamura

Results of Operations

TOK's first loss as a publicly owned company was due to an unprecedented drop in demand.

Market conditions during the fiscal year ended March 31, 2009, were extremely challenging. The global economic recession caused demand for digital consumer electronics and other products to plummet. In response, semiconductor manufacturers and flat panel display (FPD) manufacturers cut back significantly on production and capital expenditures. At TOK, sales volume of products in the material business, such as electronic functional materials and other materials, plunged. In the equipment business, both orders and sales were lower than in the fiscal year ended March 31, 2008.

TOK made efforts regarding a number of emergency profitability measures to overcome these unprecedented challenges. The entire Group cut expenses, including remuneration for directors, corporate auditors and officers, consolidated and closed production lines, and reduced capital expenditures. At the same time, each business segment took actions aimed at becoming more competitive. However, the benefits of these measures were unable to offset the unexpectedly severe downturn in our business environment. As a result, TOK reported its first annual loss as a publicly owned company.

Overall, consolidated net sales for the fiscal year ended March 31, 2009, decreased 18.2% to ¥83,702 million. Earnings were impacted by the economic downturn as well as fluctuating foreign exchange rates and the much higher cost of raw materials. The result was an operating loss of ¥1,515 million, compared with an income of ¥8,266 million in the fiscal year ended March 31, 2008. After the effect of a loss on impairment of long-lived assets and other expenses, we reported a net loss of ¥4,656 million, compared with a net income of ¥4,259 million in the fiscal year ended March 31, 2008.

Review of the Third "TOK Challenge 21"

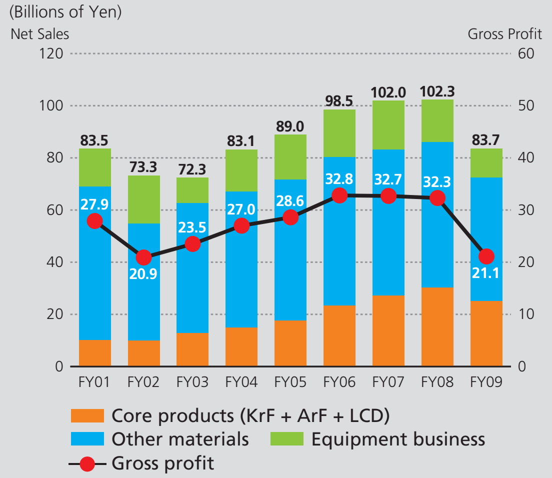
Falling demand has caused problems in TOK's business structure to become visible. TOK must move quickly to significantly reform its business structure and create new businesses.

The third "TOK Challenge 21" medium-term plan ended in March 2009, completing three medium-term plans that started in April 2000. During this period, we regarded KrF excimer laser photoresists, ArF excimer laser photoresists, and liquid crystal display (LCD) photoresists as core products for growth and made efforts to increase the sales of those products. Our efforts resulted in consistent growth in sales of those products during the first two of these medium-term plans. Sales increased in the equipment business as well, mainly due to growth in orders for LCD panel manufacturing equipment. However, sales growth slowed beginning in the fiscal year ended March 31, 2007, when the third "TOK Challenge 21" plan began. As market conditions changed, sales of core products weakened and demand in the equipment business was consistently sluggish. These difficulties caused our gross profit to decline. Operating income also decreased. Due to our substantial investments in research and development (R&D) and capital expenditures, selling, general and administrative (SG&A) expenses increased and offset earnings contributions from sales growth of core products. Furthermore, cost burdens restrained the growth of operating income. In the fiscal year ended March 31, 2009, this situation worsened to the point where we recorded an operating loss.

Our performance has been deteriorating since the second half of the fiscal year ended March 31, 2009, due to a steep downturn in demand for our products. We must quickly deal with structural issues involving our business activities. One problem is the growth in fixed expenses that is putting pressure on earnings. Furthermore, it has become clear that TOK can no longer expect sustained growth by relying only on our current business portfolio.

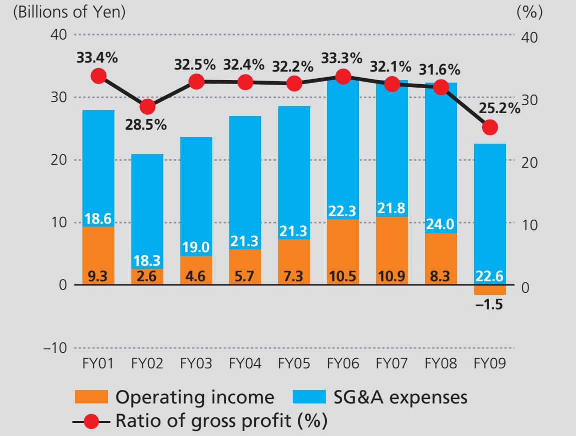
Net Sales and Gross Profit

Core products are contributing to earnings but gross profit has declined



Operating Income and SG&A Expenses

Rising SG&A expenses have held down operating income



Objectives for the Fiscal Year Ending March 31, 2010

TOK is using business structural reforms to build a sounder base for established businesses while speeding up the launch and development of new businesses.

Market conditions are expected to remain challenging in the fiscal year ending March 31, 2010. We expect that another loss in this fiscal year is inevitable. We are positioning this difficult period as a time to prepare for future opportunities. Building the base needed to achieve a recovery in our performance is our highest priority. To improve profitability, we are enacting reforms aimed at strengthening our business structure. Additionally, we will move even faster to develop a strategy for new businesses that can become new growth drivers.

As explained earlier, TOK has completed three "TOK Challenge 21" plans covering the nine-year period that ended in March 2009. Now we need to build a foundation that will enable us to take on new challenges. This is why we have decided to cancel the fourth "TOK Challenge 21" plan that we were going to launch in April 2009. Instead, TOK will concentrate on the theme of "change" in order to restructure our businesses and build a more powerful framework for our operations.

- Emergency profitability measures and business structural reforms:
  TOK is resolutely enforcing emergency profitability measures and business structural reforms to cut annual expenses by about ¥5 billion.

In the fiscal year ending March 31, 2010, TOK will lower expenses by enacting structural reforms on an unprecedented scale. Our objective is to establish a streamlined operating structure. TOK must create a framework that can remain profitable even when declining demand causes a lack of prospects for sales growth.

Emergency profitability measures will focus on cuts in personnel expenses, capital expenditures and other cost categories that can produce immediate results. Concurrently, we are making efforts regarding business structural reforms to reinforce our ability to generate earnings from a medium-term perspective. These reforms include consolidating and closing plants in Japan, reducing the total number from nine to eight. We are determined to take all actions needed to trim our expenses. We expect these measures will cut our annual expenses by about ¥5 billion in the fiscal year ending March 31, 2011, compared with the fiscal year ended March 31, 2009.

- Strategy for new businesses:
  TOK will pursue the M&E strategy to create new products while retaining a strong commitment to R&D.

Even as we cut costs, we will retain our strong commitment to R&D. As we enforce business structural reforms to build a more powerful base of operations, we must at the same time create businesses that can sustain our growth in the future.

We will take full advantage of TOK's unique strengths as a company with expertise in both the materials and the equipment required for progress in microprocess technology in the semiconductor and FPD manufacturing fields. These are fields where we have many years of experience. With this "Materials & Equipment (M&E) strategy," we plan to drive growth by developing new materials and equipment. We have many promising technologies in our pipeline. Examples include wafer handling systems for through silicon via (TSV) process; a copper, indium, gallium, selenide (CIGS) solar cell production process; and nanoimprint technology. We are now increasing the pace of our actions aimed at bringing these innovative products and processes to the market.

Objectives for the Fiscal Year Ending March 31, 2010

Cut annual expenses by about ¥5 billion between FY2009 and FY2011

Emergency profitability measures
- Reduce salaries and other remuneration, temporarily suspend operations
- Lower capital expenditures
- Cut other categories of expenses

Business structural reforms
- Conduct an early retirement program with extra benefits
- Consolidate production bases in Japan (close the Ikuno Plant by March 2010)
- Enact major reforms in the equipment business

To Our Shareholders and Investors

TOK is aiming to improve earnings quickly and achieve sustained growth in corporate value.

Distributing earnings to shareholders has always been one of TOK's highest priorities. Our basic policy is to maintain a dividend payout ratio of at least 20% of consolidated earnings, while taking the current level into consideration. The dividend reflects our financial condition, operating results and many other factors. Our policy is also based on the need to retain a sufficient amount of earnings to become more competitive and increase profits in the future. From a long-term standpoint, we also acquire treasury stock in a flexible manner as another way to return earnings to shareholders. In the fiscal year ended March 31, 2009, TOK reported its first loss since becoming a publicly owned company. Because of this loss, we have decided to reduce the dividend applicable to the fiscal year ended March 31, 2009, by ¥1 to ¥35.

The current challenging business environment is expected to continue. TOK is responding in two ways. The first way involves emergency profitability measures centered on cost cutting and business structural reforms in order to build a stronger base of operations. We will carry out these actions quickly and consistently. The second way is stepping up efforts involving our strategy for new businesses by combining knowledge gained from the material and equipment businesses. Everyone at TOK is resolutely determined to enforce these measures in order to improve our earnings as soon as possible and achieve sustained growth in our corporate value.

We ask for your continued support and understanding as we take the actions needed to achieve our goals.

September 2009

Yoichi Nakamura
President & Chief Executive Officer

Special Feature

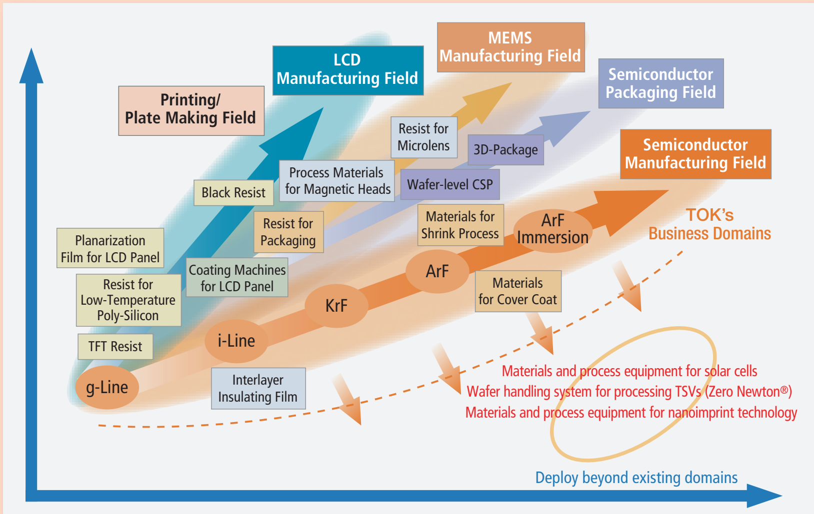
—Moving Faster to Launch and Develop New Businesses for Sustainable Growth

Constant Progress in Microprocess Technology

Microprocess technology has long been a core technology of TOK. We are constantly refining our expertise in the field of state-of-the-art semiconductor manufacturing. We have accumulated extensive knowledge and many technologies. This expertise is playing a vital role in a broad spectrum of applications extending from semiconductor packaging, LCD manufacturing, and microelectromechanical systems (MEMS) manufacturing to photopolymer plates used for printing. Along with this growth in applications, TOK has expanded its operations into new market segments.

We are determined to achieve more advances in microprocess technology. Creating entirely new business domains is vital to our ability to sustain growth. We will use established technologies along with fresh ideas that are not restricted by conventional thinking. By extending our operations into more business domains, we will launch new businesses that can drive growth in the years to come.

Progress in Microprocess Technology

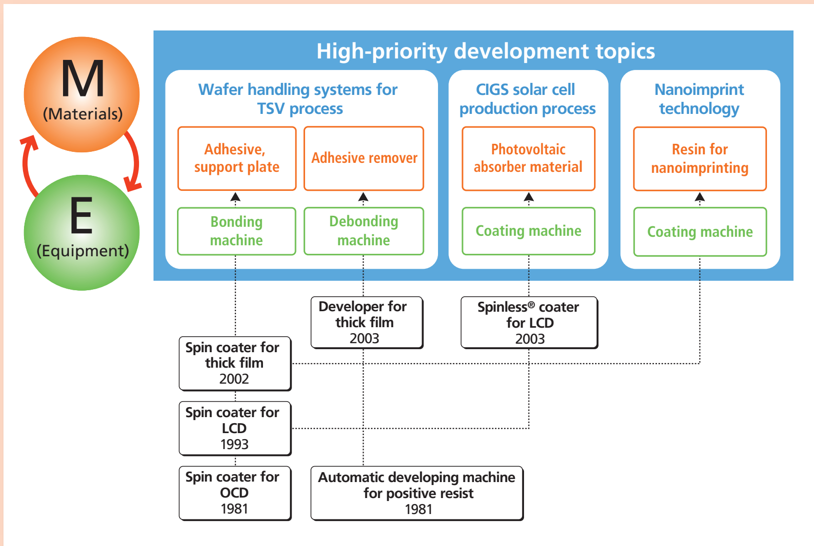


Creating New Businesses with the M&E Strategy

TOK is pursuing the M&E strategy—a roadmap for growth. We believe that offering total solutions is the best way to differentiate TOK from other companies and make us more competitive. We will create new businesses by using existing technologies to develop new materials and equipment, combining our skills in those areas, and maximizing synergies.

We are already in the first stage of this process in three fields: wafer handling systems for TSV process, a CIGS solar cell production process, and nanoimprint technology. We will move as quickly as possible to commercialize these technologies. At the same time, we will seek other ideas and technologies to achieve growth in an even more diverse range of business fields.

From New Equipment to New Material



Zero Newton® Wafer Handling System for TSV Process

Shipments of equipment for mass production and related materials have started. TOK is aiming for sales of ¥7 billion in the fiscal year ending March 31, 2011.

TSV process is a key technology for the next generation of large-scale integration (LSI). There is a growing movement to make devices even denser and smaller by stacking thinner semiconductor chip layers and forming TSVs.

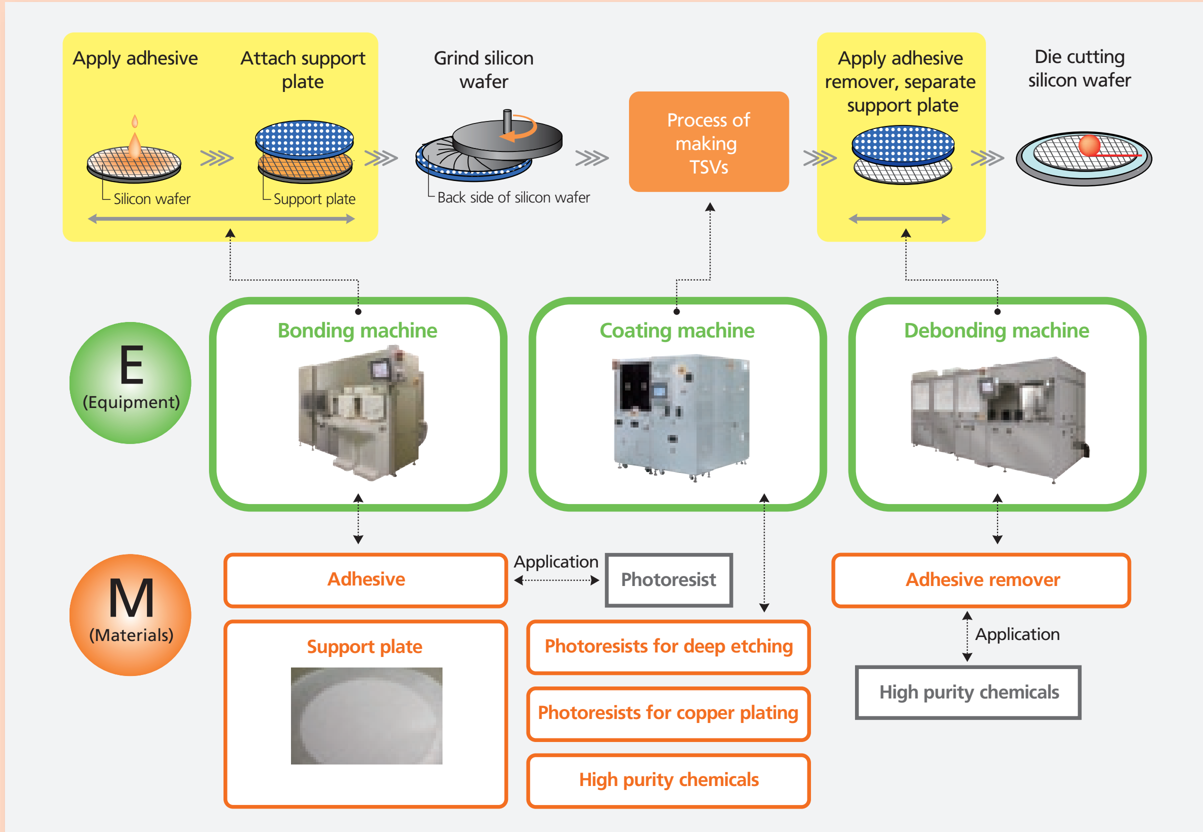
TOK's newly developed Zero Newton® wafer handling system is a technology that resolves the high possibility of breakage and defects in semiconductor chips due to wafer thinning. This system works by attaching a support plate to the silicon wafer to reinforce it, making it possible to make TSVs with ease. The support plate and silicon wafer can be easily separated after making TSVs by dissolving the adhesive by soaking a solvent through holes in the plate.

Zero Newton® is suitable for LSI, dynamic random access memory (DRAM), and flash memory TSV processes. In addition, semiconductor manufacturers are considering the use of this system for power devices and imaging devices such as CMOS and CCD sensors; all applications where semiconductor chips need to become even thinner to save space. Overall, there is much potential for capturing orders for Zero Newton® in various market segments.

TOK has already started shipping equipment for mass production and materials related to Zero Newton®. Our goal is to generate Zero Newton® and TSV-related product sales of ¥7 billion, including both materials and equipment, in the fiscal year ending March 31, 2011.

Note: The name "Zero Newton®" comes from the fact that the support plate can be removed without any stress on the silicon wafer, and the process can be accomplished without using any force.

Process Flow of Zero Newton® Wafer Handling System



CIGS Solar Cell Production Process

Joint development with IBM started in 2008. Commercialization planned for 2010.

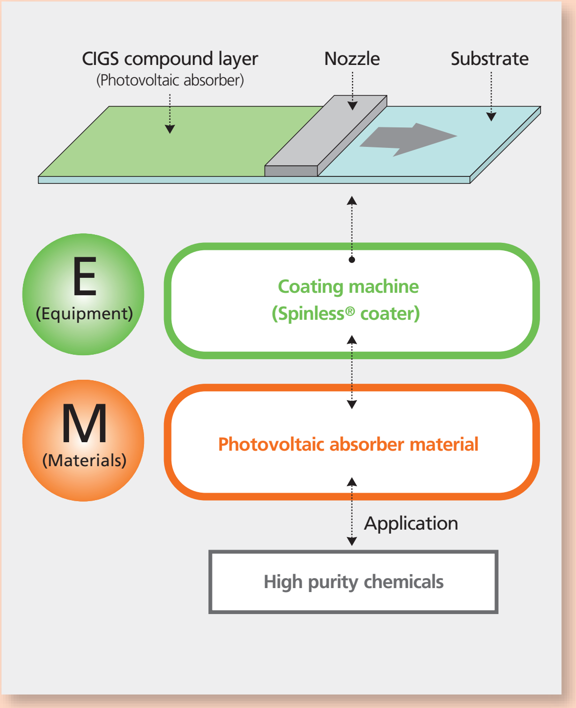
As a clean energy, solar cells are viewed as a key element of measures to prevent global warming. Rapid growth is foreseen in demand for these cells. However, there are problems with the crystaline silicon solar cells that are most commonly used today. One is a shortage of silicon, while boosting energy conversion efficiency and cutting the cost of producing these solar cells are two urgent issues as well.

To help solve these issues, we are taking part in a joint project with IBM to develop a CIGS solar cell production process. CIGS solar cells are attracting much attention as a silicon-free, next generation solar cell that can potentially achieve higher energy conversion efficiency than existing crystaline silicon solar cells, along with better productivity. To develop a CIGS solar cell production process, we utilized our coating technology for large substrates. This is one of our greatest strengths in the field of LCD manufacturing. The cost of this production process is much lower than that of the conventional CIGS thin film production process due to higher manufacturing efficiency and the smaller amount of materials used. TOK and IBM are aiming for an energy conversion efficiency of 15% and have already raised this figure to 12.8%.

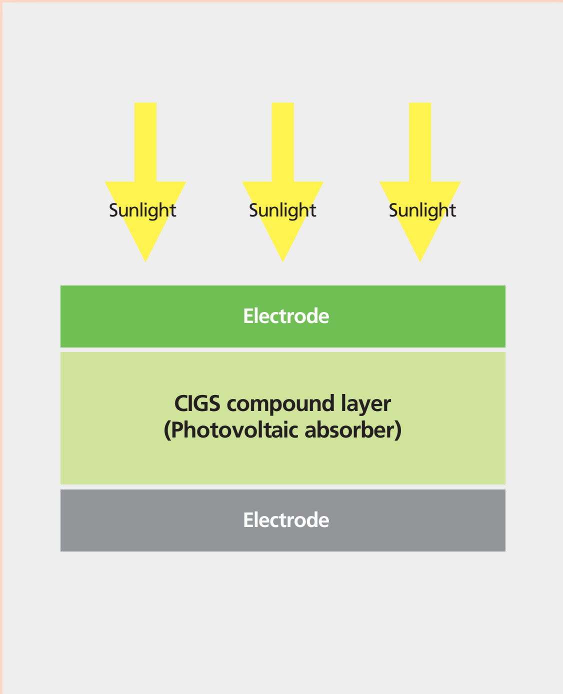
Work is continuing on this joint project with the goal of commercializing a photovoltaic absorber material and coating machine by 2010.

Notes: 1. CIGS (copper, indium, gallium, selenide) is a compound material used in the form of a polycrystalline thin film to make solar cells.
2. The photovoltaic absorber is where light is absorbed and converted into electricity.

CIGS Thin Film Process by Coating Method



Schematic of CIGS Solar Cell Panel



Nanoimprint Technology

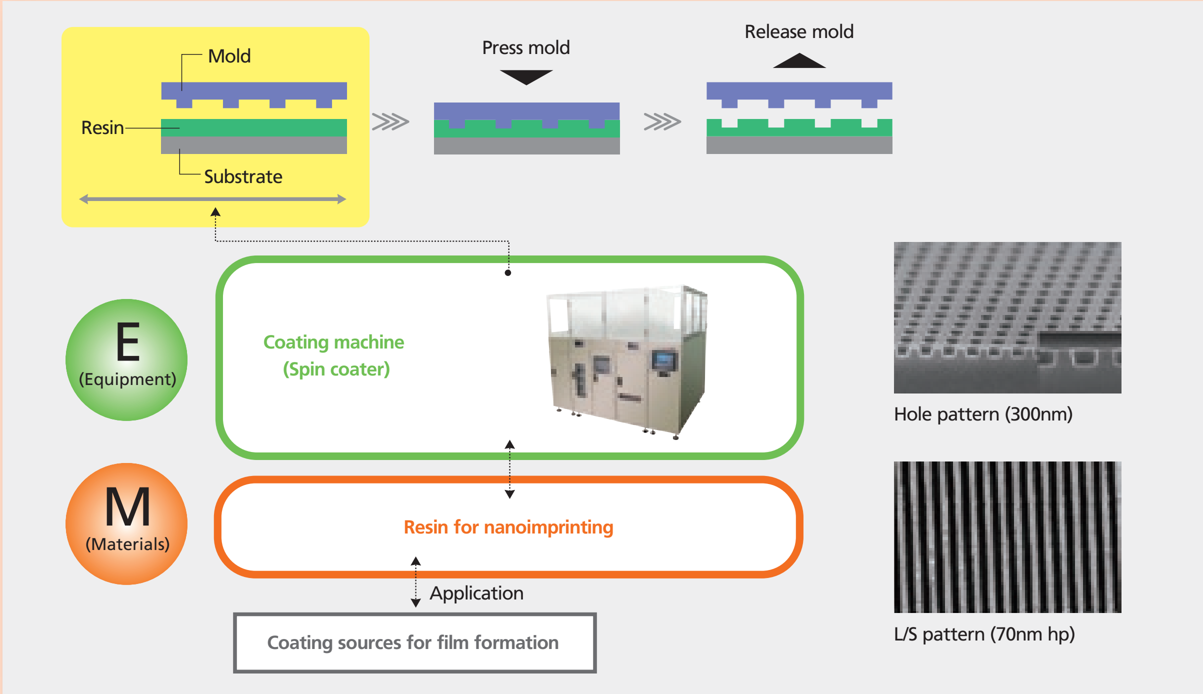
The first shipments of volume production equipment for next generation HDDs have begun. Suitable for optical devices and other products.

Nanoimprint technology is nothing like conventional photolithography technology. With nanoimprint technology, microscopic patterns are formed on a resin on a substrate by impressing a mold in which a minute pattern with features only tens or hundreds of nanometers wide has been engraved. The simplicity of this process is a major advantage of this method. Another advantage is that no expensive equipment is needed. As a result, nanoimprint allows companies to utilize microprocess technology with outstanding efficiency and at a low cost. Next generation hard disk drives (HDDs) are a promising application. Nanoimprint technology is expected to be the method used to produce the magnetic recording media for these drives, which will have to be smaller while providing more storage capacity.

TOK developed a resin for nanoimprinting at room temperature. This new resin simplifies the nanoimprint process by eliminating the need for heat processing and ultraviolet light when the mold is pressed onto the substrate. We have also developed a coating machine which raises productivity by simultaneously coating both sides of a substrate. Furthermore, the characteristics of the finished coating are excellent.

Some of our nanoimprint products are already in use by HDD manufacturers on a small scale. Our next goal is to expand the market for nanoimprint products to include optical devices and other product fields.

Process Flow of Nanoimprint Technology



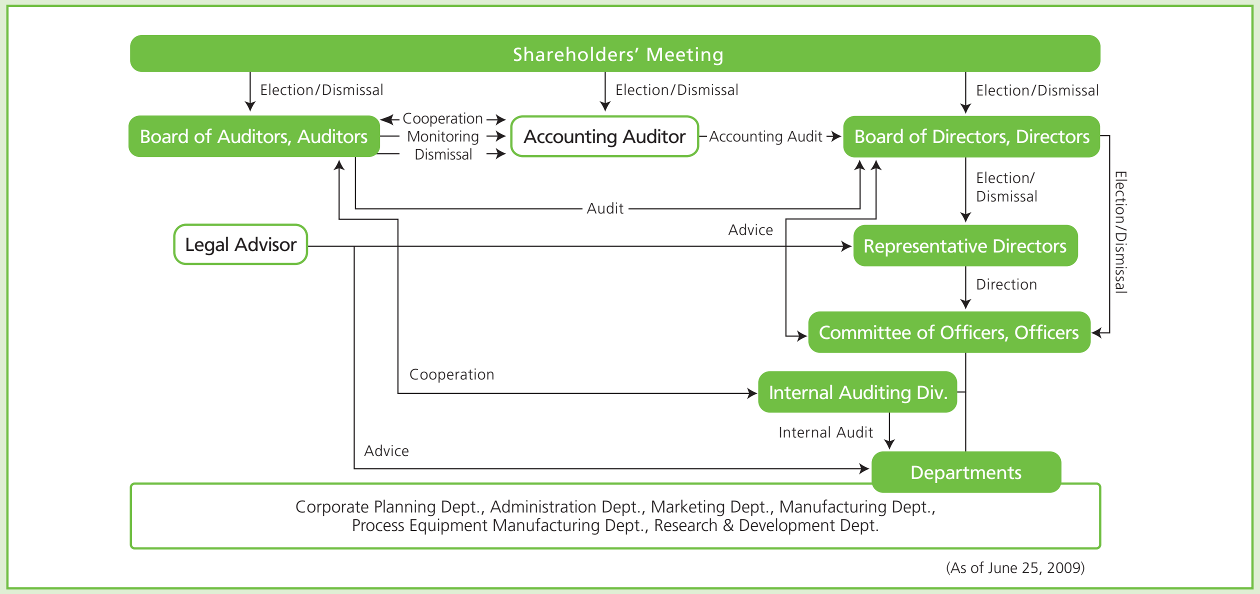
Corporate Governance

Basic Concept

Aiming to become a company that is able to earn the trust and satisfaction of all stakeholders, 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 System

As a company with corporate auditors, TOK employs the corporate auditor system. We are taking actions to upgrade audits performed by the corporate auditors by using the greater authority of these auditors provided for in the Japanese Companies Act. In addition, TOK is using the benefits of reforms to its Board of Directors and the 2003 adoption of the officer system to fortify the management decision-making and supervisory function and the business execution function while clarifying responsibility for performing these functions. We are convinced that using these systems to strengthen management is the most effective means of upgrading corporate governance.



Board of Directors and Directors

As of June 25, 2009, we had seven directors, including one outside director. The Board consists of the representative directors and the other directors. This provides a structure that is ideally suited to performing the Board's fundamental roles of reaching decisions concerning management policies and supervising the management of business operations. The term of the directors is one year. This permits quickly responding to changes in the operating environment and clarifies accountability for the directors concerning operating results in each fiscal year. To make the activities of the directors more transparent and reinforce the Board's supervisory function, there is one outside director.

Committee of Officers and 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, an organization has been established that is made up of the chief executive officer, senior executive officers, executive officers and officers. This organization provides for differences in the business responsibilities and other items concerning each officer. Furthermore, TOK has a Committee of Officers, which is made up of all officers. As of June 25, 2009, we had 16 officers.

Board of Auditors and Auditors

As of June 25, 2009, the Board of Auditors comprised three auditors, two of whom were outside auditors. The auditors attend meetings of the Board of Directors and other important meetings. These duties are performed in accordance with auditing standards (Corporate Auditor Auditing Regulations), the auditing policy, the division of tasks, and other items. In addition, the auditors check the performance of directors by receiving reports from directors and others, and requesting an explanation when necessary. For financial audits, the auditors receive reports from the independent accountant and use other means, including requesting an explanation when necessary, to verify the suitability of financial accounting methods and the results of these audits.

Internal Auditing Division

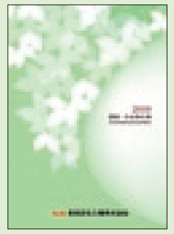
The Internal Auditing Division, under the direct control of the President, is a part of the Company's system of internal control. It consists of four full-time staff members and conducts periodic audits as deemed necessary in order to ensure full compliance with laws, regulations and Company regulations. The division also provides guidance concerning measures to make improvements.

Corporate Social Responsibility

As an organization that uses many chemicals, TOK recognizes the need to strike an appropriate balance between the benefits to mankind from increased convenience and risks to the environment and human health. We undertake many environmental activities. Among them are an energy conservation program, a "3R Campaign" (reduce, reuse and recycle), and stringent procedures for safely managing chemicals. Furthermore, we also have compliance, risk management, and other systems, as well as employee training programs. We also exercise care to provide employees with a pleasant workplace environment.

TOK's mission is to contribute broadly to social progress while achieving growth by supplying superior products. As a company engaged in *monozukuri* (the art of manufacturing), we intend to carry out our corporate social responsibilities in ways that are grounded in our core business.

We report on our efforts in the Environmental and Social Report that we issue each year.


Environmental and Social Report 2009

Compliance

The TOK Group Compliance Standards of Conduct became effective on April 1, 2005, establishing a framework for officers and employees to observe the laws, regulations, our articles of incorporation, and Company regulations. In October 2008, we reviewed our compliance programs and revised the Compliance Standards of Conduct.

We also operate an internal reporting system. The internal reporting system has two options to protect individuals who submit reports: an internal route and another route which provides a direct link to TOK's auditors and legal counsel. This allows individuals to select the reporting channel that best matches each situation. For internal reports, we have a clear policy of preventing dismissals and other negative consequences for individuals who submit reports, except in cases where reports are dishonest or inappropriate.

In the event of a violation of laws, regulations, the standards of conduct, and other guidelines, the Compliance Committee, which is chaired by the Company president, conducts an investigation. Based on the result, disciplinary actions are taken as required. In addition, the committee determines measures to prevent a reoccurrence of this type of incident and puts these measures in place throughout the Company.

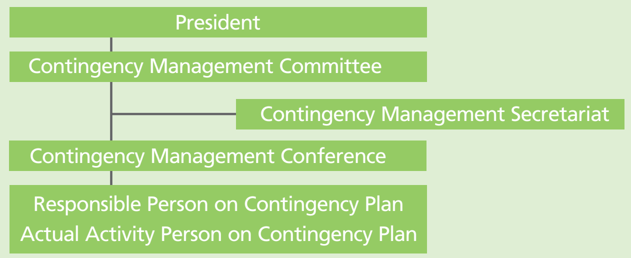

TOK Group Compliance Standards of Conduct Handbook (Second edition)

Risk Management

With a view to appropriately accommodating various risks that can have a significant effect on business activities, TOK has prepared a Contingency Plan, and has a Contingency Management Secretariat and a Contingency Management Committee which is chaired by the manager of the Administration Department.

We take actions to anticipate risks during ordinary times, prevent the occurrence of incidents, and make all employees aware of these risks. Meanwhile, we establish procedures to be followed in the event of an emergency.

Risk Management Organization

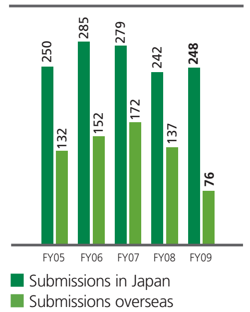


Intellectual Property Strategy

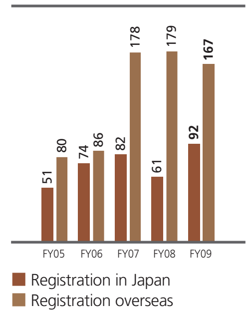
TOK's intellectual property strategy includes the following elements: 1) aggressively protecting our intellectual property, 2) avoiding infringing on the rights of other companies, and 3) proactively utilizing the intellectual property that we have created.

We view intellectual property as a critical resource for ensuring market supremacy as well as freedom to evolve our business. By proactively applying for patents on the fruits of our R&D activities, we aim to appropriately protect this intellectual property and put it to effective use, and this should bolster our competitive strength. We have adopted comprehensive measures to ensure that we do not infringe on the intellectual property rights of other companies. At the same time, if another company should infringe on our rights, we will address this by exercising our rights or making strategic use of licensing agreements.

Number of Patent Applications Submitted



Number of Patents Registered



Financial Section

Six-Year Summary

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2004, 2005, 2006, 2007, 2008, and 2009

	Millions of Yen						Thousands of U.S. Dollars
	2004	2005	2006	2007	2008	**2009**	**2009**
For the year:							
Net sales	¥83,121	¥88,960	¥98,514	¥101,955	¥102,300	**¥83,702**	**$854,104**
Material business	66,927	71,617	80,338	83,038	86,071	**72,495**	**739,752**
Equipment business	16,263	17,461	18,252	18,991	16,298	**11,296**	**115,266**
Operating (loss) income	5,703	7,295	10,544	10,884	8,266	**(1,515)**	**(15,467)**
(Loss) income before income taxes and minority interests	8,372	8,070	11,324	11,119	7,352	**(5,325)**	**(54,343)**
Net (loss) income	4,751	5,088	6,656	6,660	4,259	**(4,656)**	**(47,513)**
Investment in plant and equipment	4,131	3,631	6,962	8,531	6,574	**3,270**	**33,370**
Depreciation and amortization	5,810	5,595	5,502	5,931	7,693	**7,297**	**74,466**
R&D costs	6,744	5,800	5,683	6,487	8,095	**8,542**	**87,165**
Per share data (Yen / U.S. Dollars)**:**							
Basic net (loss) income	¥ 98.69	¥ 109.16	¥ 142.34	¥ 142.37	¥ 91.50	**¥ (102.00)**	**$(1.04)**
Cash dividends applicable to the year	22.00	27.00	33.00	36.00	36.00	**35.00**	**0.36**
Total equity	2,401.31	2,492.60	2,650.50	2,750.81	2,775.38	**2,591.43**	**26.44**
At the year-end:							
Total assets	¥146,376	¥154,309	¥165,681	¥166,610	¥159,633	**¥139,338**	**$1,421,824**
Total long-term liabilities	6,564	7,086	2,222	2,108	2,198	**2,205**	**22,501**
Total equity	111,301	115,564	123,915	131,074	129,834	**118,377**	**1,207,936**
Ratios (%)**:**							
Ratio of operating (loss) income to net sales	6.9	8.2	10.7	10.7	8.1	**(1.8)**	
Ratio of R&D costs to net sales	8.1	6.5	5.8	6.4	7.9	**10.2**	
Return (loss) on equity	4.3	4.5	5.6	5.3	3.3	**(3.8)**	
Equity ratio	76.0	74.9	74.8	77.3	79.9	**83.7**	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥98 to US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2009.
2. Net sales by business segment includes intersegment sales.
3. Total equity, total equity per share, the return on equity and the equity ratio for all years prior to the year ended March 31, 2006, are total shareholders' equity, total shareholders' equity per share, the return on equity and the equity ratio, respectively, for each year with no adjustments.

Management's Discussion and Analysis

Results of Operations

Net Sales

In the fiscal year ended March 31, 2009, consolidated net sales decreased ¥18,598 million, or 18.2%, from the previous fiscal year, to ¥83,702 million. Net sales in the first half decreased ¥1,089 million, or 2.2%, to ¥49,240 million and net sales in the second half decreased ¥17,508 million, or 33.7%, to ¥34,462 million.

In the second half, there was a steep downturn in demand for digital consumer electronics and other products as the global economic recession reached all areas of the world. In response, semiconductors and FPD markets experienced large reductions in production volumes and curtailed capital expenditures. The result was an extremely difficult operating environment.

The result of these challenging market conditions was a large decline in net sales from the previous fiscal year.

Segment Analysis

*Not adjusted for intersegment sales

Results by Business Segment

Sales in the material business declined ¥13,575 million, or 15.8%, to ¥72,495 million in the aftermath of the global economic downturn and other factors. Operating income fell ¥8,252 million, or 71.3%, to ¥3,322 million, mainly due to a large decline in sales of electronic functional materials and fluctuating foreign currency exchange rates.

In the equipment business, sales decreased ¥5,002 million, or 30.7%, to ¥11,296 million. There was an operating loss of ¥425 million, compared with an operating income of ¥1,277 million in the previous fiscal year. The loss was attributable to the decline in sales and sales of products with comparatively low profit margins.

【Material Business】

The material business mainly consists of the electronic functional materials division, the high purity chemicals division and the printing materials division.

■ Electronic Functional Materials Division

In the electronic functional materials division, sales decreased ¥10,174 million, or 18.8%, to ¥43,898 million.

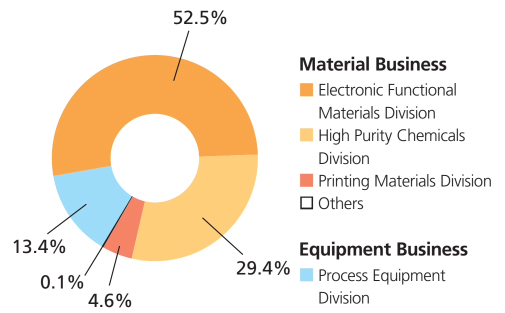
Market conditions were extremely challenging for excimer laser and other photoresists used to manufacture semiconductors due to the occurrence of a large decline in production volumes by manufacturers of semiconductor devices in the second half. Sales of photoresists used to manufacture FPDs declined as well, mainly due to lower demand for photoresists used to manufacture LCDs and a downturn in product prices. There was also a decline in sales of photoresists used to manufacture plasma displays caused by weakening demand. In addition, sales of coating sources for film formation were lower.

■ High Purity Chemicals Division

In the high purity chemicals division, sales decreased ¥2,880 million, or 10.5%, to ¥24,641 million.

Sales of photoresist-related chemicals used to manufacture semiconductors decreased as demand for these chemicals fell in Japan and Asia, despite higher sales in North America due to the benefits of concentrated sales

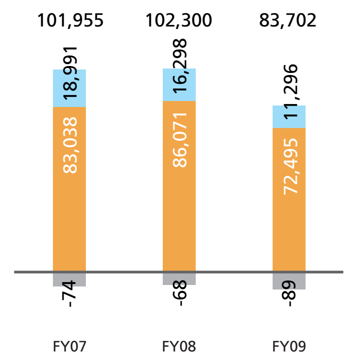
Sales Composition



Note: Percentage figures show the share of consolidated sales. The equipment business percentage figure is adjusted for intersegment sales.

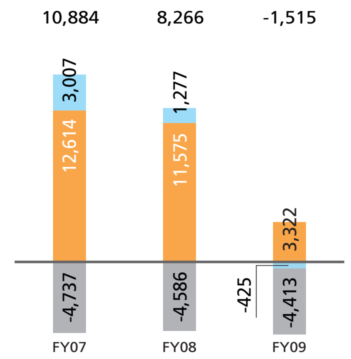
Net Sales by Business Segment

(Millions of Yen)



Operating (Loss) Income by Business Segment

(Millions of Yen)



activities. Sales of photoresist-related chemicals used to manufacture FPDs also decreased.

■ Printing Materials Division

In the printing materials division, sales decreased ¥499 million, or 11.5%, to ¥3,837 million.

In the photopolymer printing plate category, sales of flexographic printing plates decreased as lower demand in Europe offset growth in sales in North America. There was also a decline in sales of general-purpose printing materials.

【Equipment Business】

The equipment business consists of the process equipment division.

■ Process Equipment Division

Sales in the process equipment division decreased ¥5,002 million, or 30.7%, to ¥11,296 million.

Sales include the first sales of equipment used for wafer handling systems for TSV process, which is a new business for TOK. However, total sales in this division were lower as a decline in capital expenditures by manufacturers brought down orders for LCD panel and semiconductor manufacturing equipment.

Orders fell 35.8% to ¥7,247 million, the sum of first half orders of ¥5,379 million and second half orders of ¥1,867 million. The year-end order backlog totaled ¥13,056 million, down 23.3% from the previous fiscal year.

Results by Geographical Segment

■ Japan

In the material business, sales decreased mainly due to lower sales volumes and fluctuating foreign currency exchange rates. Sales declined in the equipment business as well. As a result of this, sales declined ¥17,985 million, or 20.7%, to ¥68,714 million. Lower sales in these two businesses along with a drop in sales prices in the material business caused an operating loss of ¥2,130 million, compared with an operating income of ¥6,982 million in the previous fiscal year.

■ North America

Sales benefited from higher sales of photoresist-related chemicals, but fluctuating foreign currency exchange rates caused sales to decline ¥239 million, or 2.6%, to ¥9,110 million. Operating income increased ¥48 million, or 5.2%, to ¥995 million as locally produced products accounted for a higher profit ratio of sales.

■ Europe

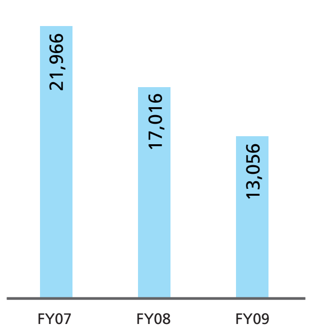
Declines in sales of semiconductor and printing materials caused sales to decrease ¥879 million, or 13.2%, to ¥5,775 million. Due to lower sales, there was an operating loss of ¥489 million, compared with an operating loss of ¥127 million in the previous fiscal year.

■ Asia

Sales were down ¥1,898 million, or 14.9%, to ¥10,875 million due to lower sales of photoresists and photoresist-related chemicals at our Taiwanese subsidiary. Due to

Order Backlog of Equipment Business

(Millions of Yen)

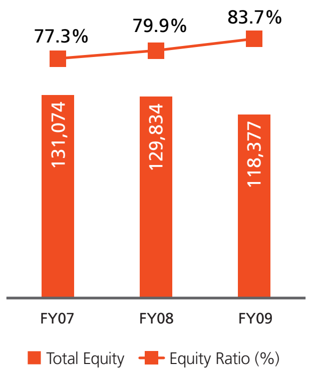


Total Assets

(Millions of Yen)

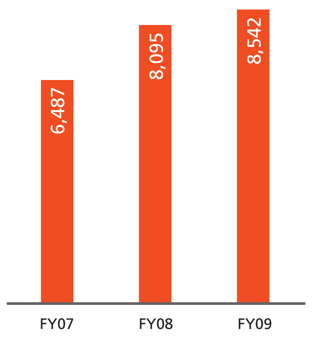
Total Equity / Equity Ratio

(Millions of Yen / %)



R&D Costs

(Millions of Yen)



the decline in sales as well as a downturn in sales prices, operating income decreased ¥333 million, or 29.6%, to ¥793 million.

Cost of Sales, SG&A Expenses and Operating (Loss) Income

The cost of sales decreased ¥7,376 million, or 10.5%, to ¥62,627 million, but the cost of sales ratio increased 6.4 percentage points to 74.8% due to a decline in net sales. As a result, gross profit declined ¥11,222 million, or 34.7%, to ¥21,074 million.

Selling, general and administrative (SG&A) expenses decreased ¥1,440 million, or 6.0%, to ¥22,590 million, mainly due to declines in storage and transportation expenses, a provision for doubtful receivables, salaries and benefits, and depreciation and amortization.

The decline in gross profit resulted in an operating loss of ¥1,515 million, compared with an operating income of ¥8,266 million in the previous fiscal year.

(Loss) Income before Income Taxes and Minority Interests and Net (Loss) Income

There was a loss before income taxes and minority interests of ¥5,325 million, compared with an income of ¥7,352 million in the previous fiscal year. This loss was attributable to an operating loss, a loss on impairment of long-lived assets of ¥2,216 million, extra early retirement benefits of ¥823 million, and a foreign exchange loss of ¥404 million.

The net loss was ¥4,656 million, compared with a net income of ¥4,259 million in the previous fiscal year. The net loss was smaller than loss before income taxes and minority interests due to deferred taxes.

Financial Condition and Cash Flows

Balance Sheet

Total assets decreased ¥20,294 million from the previous fiscal year-end, to ¥139,338 million at March 31, 2009.

Total current assets decreased ¥14,746 million to ¥80,667 million. Cash and cash equivalents and time deposits increased ¥1,393 million, but there were decreases of ¥13,320 million in trade notes and accounts receivables and ¥3,558 million in inventories due to the decline in sales.

Net property, plant and equipment decreased ¥6,130 million to ¥39,148 million, mainly as a result of an increase in accumulated depreciation. Total investments and other assets increased ¥582 million to ¥19,523 million, which was primarily the result of a ¥2,572 million increase in deferred tax assets, even though there was a ¥1,411 million decrease in investment securities due to lower market prices of stocks.

Total liabilities decreased ¥8,838 million to ¥20,961 million. This decline was mainly attributable to a ¥3,610 million decrease in advances from customers due to lower shipments in the equipment business, a ¥3,444 million decrease in trade notes and accounts payables, and a ¥1,586 million decrease in construction and other payables in current liabilities.

Total equity decreased ¥11,456 million to ¥118,377 million. This was attributable mainly to a ¥8,223 million decline in retained earnings due to the ¥4,656 million net loss and other items and to a ¥2,356 million decline in foreign currency translation adjustments.

As a result, the equity ratio was 83.7% at the end of the fiscal year.

Cash Flows

Net cash provided by operating activities decreased ¥4,036 million to ¥10,802 million, mainly due to a loss before income taxes and minority interests. Cash was provided by a decrease in trade notes and accounts receivables and depreciation and amortization.

Net cash used in investing activities decreased ¥20,699 million to ¥2,309 million. The primary use of cash was purchases of property, plant and equipment.

Net cash used in financing activities decreased ¥1,017 million to ¥2,972 million. The primary uses of cash were dividends paid and payments for purchase of treasury stock.

As a result, cash and cash equivalents at March 31, 2009, increased ¥4,918 million to ¥24,458 million from ¥19,539 million at the previous fiscal year-end.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2009 and 2008

ASSETS	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 24,458**	¥ 19,539	**$ 249,572**
Time deposits	**15,624**	19,149	**159,437**
Receivables:			
Trade notes	**2,147**	5,376	**21,913**
Trade accounts	**16,017**	26,108	**163,448**
Other	**372**	343	**3,803**
Allowance for doubtful receivables	**(478)**	(182)	**(4,886)**
Inventories (Note 4)	**19,024**	22,583	**194,128**
Deferred tax assets (Note 10)	**1,769**	1,796	**18,052**
Prepaid expenses and other current assets	**1,731**	698	**17,666**
Total current assets	**80,667**	95,413	**823,135**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**8,809**	9,126	**89,896**
Buildings and structures	**56,169**	57,739	**573,162**
Machinery and equipment	**47,272**	47,949	**482,368**
Furniture and fixtures	**16,134**	16,372	**164,637**
Leased assets	**9**		**94**
Construction in progress	**1,877**	559	**19,162**
Total	**130,273**	131,747	**1,329,321**
Accumulated depreciation	**(91,125)**	(86,469)	**(929,848)**
Net property, plant and equipment	**39,148**	45,278	**399,473**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**4,171**	5,582	**42,566**
Investments in an unconsolidated subsidiary and associated companies	**7**	64	**76**
Long-term time deposits	**10,000**	10,000	**102,040**
Deferred tax assets (Note 10)	**4,331**	1,759	**44,199**
Other assets	**1,012**	1,534	**10,332**
Total investments and other assets	**19,523**	18,941	**199,215**
TOTAL	**¥139,338**	¥159,633	**$1,421,824**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars (Note 1) 2009
CURRENT LIABILITIES:			
Payables:			
Trade notes	**¥ 96**	¥ 81	**$ 980**
Trade accounts	**7,111**	10,570	**72,562**
Construction and other	**2,036**	3,622	**20,781**
Income taxes payable	**201**	985	**2,052**
Accrued expenses	**4,175**	3,752	**42,603**
Advances from customers	**4,353**	7,963	**44,422**
Deferred tax liabilities (Note 10)	**95**	66	**972**
Other current liabilities (Note 6)	**687**	556	**7,011**
Total current liabilities	**18,755**	27,600	**191,386**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**62**	166	**636**
Liability for retirement benefits (Note 7)	**1,486**	1,474	**15,168**
Deferred tax liabilities (Note 10)	**624**	526	**6,374**
Other long-term liabilities	**31**	31	**322**
Total long-term liabilities	**2,205**	2,198	**22,501**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 12 and 14)			
EQUITY (Notes 8 and 17):			
Common stock—authorized, 197,000,000 shares in 2009 and 197,000,000 shares in 2008; issued, 46,600,000 shares in 2009 and 47,600,000 shares in 2008	**14,640**	14,640	**149,392**
Capital surplus	**15,207**	15,207	**155,182**
Retained earnings	**90,819**	99,043	**926,734**
Unrealized gain on available-for-sale securities	**923**	1,890	**9,423**
Foreign currency translation adjustments	**(2,033)**	323	**(20,745)**
Treasury stock—at cost, 1,592,767 shares in 2009 and 1,647,523 shares in 2008	**(2,925)**	(3,569)	**(29,849)**
Total	**116,633**	127,535	**1,190,137**
Minority interests	**1,744**	2,298	**17,799**
Total equity	**118,377**	129,834	**1,207,936**
TOTAL	**¥139,338**	¥159,633	**$1,421,824**

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Operations

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
NET SALES	¥83,702	¥102,300	$854,104
COST OF SALES (Notes 7, 11 and 12)	62,627	70,003	639,056
Gross profit	21,074	32,297	215,047
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 11 and 12)	22,590	24,030	230,514
Operating (loss) income	(1,515)	8,266	(15,467)
OTHER INCOME (EXPENSES):			
Interest and dividend income	364	389	3,714
Interest expense	(25)	(25)	(257)
Foreign exchange loss—net	(404)	(1,012)	(4,129)
Loss on impairment of long-lived assets (Note 5)	(2,216)	(134)	(22,619)
Equity in losses of affiliate	(246)	(222)	(2,516)
Loss on devaluation of investment securities	(239)	(302)	(2,440)
Extra early retirement benefits	(823)		(8,407)
Other—net	(217)	394	(2,218)
Other expenses—net	(3,809)	(914)	(38,875)
(LOSS) INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	(5,325)	7,352	(54,343)
INCOME TAXES (Note 10):			
Current	729	2,983	7,439
Prior years	562		5,742
Deferred	(2,056)	(84)	(20,981)
Total income taxes	(764)	2,899	(7,799)
MINORITY INTERESTS IN NET INCOME	(95)	(193)	(970)
NET (LOSS) INCOME	¥(4,656)	¥ 4,259	$ (47,513)

	Yen		U.S. Dollars
	2009	2008	2009
PER SHARE OF COMMON STOCK (Notes 2.r and 16):			
Basic net (loss) income	¥(102.00)	¥91.50	$(1.04)
Diluted net income		91.40	
Cash dividends applicable to the year	¥ 35.00	36.00	$ 0.36

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2009 and 2008

	Thousands	Millions of Yen								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	46,831	¥ 14,640	¥ 15,226	¥ 96,472	¥3,104	¥ 794	¥ (1,414)	¥ 128,825	¥ 2,249	¥ 131,074
Net income				4,259				4,259		4,259
Cash dividends paid:										
Final for prior year, ¥18.0 per share				(843)				(843)		(843)
Interim for current year, ¥18.0 per share				(842)				(842)		(842)
Purchase of treasury stock	(1,000)						(2,404)	(2,404)		(2,404)
Disposal of treasury stock	121		(18)	(2)			248	227		227
Net change in the year					(1,214)	(471)		(1,685)	48	(1,637)
BALANCE, MARCH 31, 2008	45,952	14,640	15,207	99,043	1,890	323	(3,569)	127,535	2,298	129,834
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)				(58)				(58)		(58)
Net loss				(4,656)				(4,656)		(4,656)
Cash dividends paid:										
Final for prior year, ¥18.0 per share				(827)				(827)		(827)
Interim for current year, ¥18.0 per share				(828)				(828)		(828)
Purchase of treasury stock	(1,001)						(1,313)	(1,313)		(1,313)
Disposal of treasury stock	55			(16)			121	104		104
Retirement of treasury stock				(1,836)			1,836			
Net change in the year					(966)	(2,356)		(3,323)	(554)	(3,877)
BALANCE, MARCH 31, 2009	**45,007**	**¥14,640**	**¥15,207**	**¥90,819**	**¥ 923**	**¥(2,033)**	**¥(2,925)**	**¥116,633**	**¥1,744**	**¥118,377**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2008	$ 149,392	$ 155,182	$ 1,010,643	$19,286	$ 3,302	$ (36,423)	$1,301,383	$ 23,453	$1,324,836
Adjustment of retained earnings due to an adoption of PITF No. 18 (Note 2.b)			(593)				(593)		(593)
Net loss			(47,513)				(47,513)		(47,513)
Cash dividends paid:									
Final for prior year, $0.18 per share			(8,440)				(8,440)		(8,440)
Interim for current year, $0.18 per share			(8,450)				(8,450)		(8,450)
Purchase of treasury stock						(13,404)	(13,404)		(13,404)
Disposal of treasury stock			(169)			1,237	1,067		1,067
Retirement of treasury stock			(18,741)			18,741			
Net change in the year				(9,862)	(24,047)		(33,910)	(5,653)	(39,564)
BALANCE, MARCH 31, 2009	**$149,392**	**$155,182**	**$ 926,734**	**$9,423**	**$(20,745)**	**$(29,849)**	**$1,190,137**	**$17,799**	**$1,207,936**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	**2009**
OPERATING ACTIVITIES:			
(Loss) income before income taxes and minority interests	**¥ (5,325)**	¥ 7,352	**$ (54,343)**
Adjustments for:			
Income taxes paid	**(2,428)**	(3,007)	**(24,778)**
Income taxes paid for prior years	**(562)**		**(5,742)**
Depreciation and amortization	**7,297**	7,693	**74,466**
Provision for doubtful receivables	**473**	627	**4,828**
Foreign exchange loss—net	**1,155**	548	**11,788**
Loss on impairment of long-lived assets	**2,216**	134	**22,619**
Loss on devaluation of investment securities	**239**	302	**2,440**
Changes in assets and liabilities:			
Decrease (increase) in trade notes and accounts receivables	**12,020**	(439)	**122,653**
Decrease in inventories	**2,745**	5,440	**28,017**
(Decrease) increase in trade notes and accounts payables	**(3,199)**	667	**(32,643)**
Decrease in advances from customers	**(3,610)**	(4,940)	**(36,839)**
Other—net	**(219)**	459	**(2,236)**
Net cash provided by operating activities	**10,802**	14,839	**110,230**
INVESTING ACTIVITIES:			
Disbursements for time deposits—net	**12,762**	(9,343)	**130,225**
Purchases of property, plant and equipment	**(4,551)**	(7,953)	**(46,445)**
Proceeds from borrowing of long-term time deposits	**(10,000)**	(5,000)	**(102,040)**
Payments of loan receivable	**(277)**		**(2,831)**
Other—net	**(242)**	(710)	**(2,471)**
Net cash used in investing activities	**(2,309)**	(23,008)	**(23,563)**
FINANCING ACTIVITIES:			
Dividends paid	**(1,670)**	(1,670)	**(17,044)**
Disposal of treasury stock	**104**	227	**1,067**
Payments for purchase of treasury stock	**(1,317)**	(2,410)	**(13,438)**
Other—net	**(90)**	(137)	**(919)**
Net cash used in financing activities	**(2,972)**	(3,990)	**(30,334)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**(602)**	(869)	**(6,147)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,918**	(13,029)	**50,185**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**19,539**	32,569	**199,386**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 24,458**	¥ 19,539	**$ 249,572**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2008 financial statements to conform to the classifications used in 2009.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKYO OHKA KOGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its 10 significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investment in one associated company is accounted for by equity method. Investments in the remaining unconsolidated subsidiary and associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this accounting standard effective April 1, 2008. The effect of this change would not be material. In addition, the Group adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

c. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits which mature within three months of the date of acquisition.

d. Allowance for Doubtful Receivables—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Inventories—Prior to April 1, 2008, merchandise, work in process, raw materials and supplies were stated at cost, determined by the first-in, first-out method. Finished products were stated at cost, determined by the average method. Inventories of manufacturing equipment were stated at cost, determined by the specific identification method, which were included in raw materials, work in process and finished products. In July 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to increase operating loss by ¥209 million ($2,134 thousand) and loss before income taxes and minority interests by ¥536 million ($5,476 thousand).

f. Investment Securities**—**Investment securities are classified and accounted for, depending on management's intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (ii) available-for-sale securities, other than (i), are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. Property, Plant and Equipment**—**Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998 and lease assets of the Company and its consolidated domestic subsidiaries, and all property, plant and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 10 to 50 years for buildings and structures, and from 3 to 8 years for machinery and equipment, and furniture and fixtures. The useful lives for lease assets are the terms of the respective leases.

h. Long-lived Assets**—**The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

i. Other Assets**—**Intangible assets are stated at cost less accumulated amortization, which is calculated by the straight-line method principally over 5 years.

j. Retirement and Pension Plans

Retirement benefits to employees (including officers)—The Company and its certain consolidated subsidiaries have contributory funded pension plans and unfunded retirement benefit plans as defined benefit plans.

The companies principally accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at each balance sheet date, while retirement benefits to officers are provided to state the liability at the amount that would be required if all of them retired at the balance sheet date.

Prior service cost is amortized by the straight-line method over 10 years. Actuarial gains and losses are amortized by the straight-line method over 10 years from the next period in which they arise, respectively.

The Company and certain consolidated subsidiaries terminated their unfunded retirement allowance plan for officers on June 26, 2008.

Retirement benefits to directors and corporate auditors—Retirement benefits to directors and corporate auditors are provided to state the liability at the amount that would be required if all of them retired at the balance sheet date.

The Company and certain consolidated subsidiaries terminated their unfunded retirement allowance plan for directors and corporate auditors on June 26, 2008.

k. Research and Development Costs**—**Research and development costs are charged to income as incurred.

l. Leases**—**In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and its consolidated domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. This change of accounting standard has no influence.

All other leases are accounted for as operating leases.

m. Bonuses to Directors and Corporate Auditors**—**Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

However, the Company did not record accrued bonuses to them for the current year, because the Company will not pay their bonuses based on services provided during the current year.

n. Income Taxes**—**The provision for income taxes is computed based on the pretax income included in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. Foreign Currency Transactions**—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates as of the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of operations to the extent that they are not hedged by forward exchange contracts.

p. Foreign Currency Financial Statements**—**The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

While prior to April 1, 2008, the Company had translated revenue and expense accounts of consolidated foreign subsidiaries into Japanese yen at the current exchange rates as of the balance sheet date, it has translated them using the average exchange rates effective April 1, 2008. The Company has adopted this new accounting policy because the effects of its foreign subsidiaries have recently become more important, and the Company needs to present foreign subsidiaries' financial results more appropriately by using average exchange rates rather than the current exchange rates as of the balance sheet date. The effect of this change would not be material.

q. Derivative and Hedging Activities**—**The Group uses derivative financial instruments to manage its exposures to the fluctuation in foreign currency exchange. Foreign currency forward contracts are utilized by the Group to hedge foreign currency exchange risk. The Group does not enter into the derivative for trading or speculative purposes.

Trade receivables and payables denominated in foreign currencies for which foreign currency forward contracts are used to hedge foreign currency exchange risk are translated at the contracted rates if the forward contracts qualify for hedge accounting.

r. Per Share Information**—**Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised. Diluted net income per share of common stock assumes full exercise of outstanding warrants at the beginning of the year.

For the year ended March 31, 2009, diluted net income per share is not disclosed because of the Group's net loss position.

Cash dividends per share presented in the accompanying consolidated statements of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

s. New Accounting Pronouncements

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—**The current accounting standard requires to unify accounting policies within the consolidation group. However, the current guidance allows to apply the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; (3) expensing capitalized development costs of R&D; (4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; (5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and (6) exclusion of minority interests from net income, if contained.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations—On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2009 and 2008 consisted of corporate bonds and equity securities.

The carrying amounts and aggregate fair values of investment securities at March 31, 2009 and 2008 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as:				
Held-to-maturity	**¥ 170**			**¥ 169**
Available-for-sale—equity securities	**2,426**	**¥1,849**	**¥306**	**3,970**
March 31, 2008				
Securities classified as:				
Available-for-sale—equity securities	2,667	2,883		5,550

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2009				
Securities classified as:				
Held-to-maturity	**$ 1,734**		**$ 4**	**$ 1,730**
Available-for-sale—equity securities	**24,765**	**$18,873**	**3,127**	**40,511**

The difference between the above fair values of the equity securities and cost of the held-to-maturity and the amounts shown in the accompanying consolidated balance sheets consists of non-marketable securities whose fair values are not readily determinable.

The carrying values of debt securities by contractual maturities for securities classified as held-to-maturity at March 31, 2009 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due after five years through ten years	¥170	$1,734

4. INVENTORIES

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Merchandise and finished products	**¥10,542**	¥12,058	**$107,578**
Work in process	**4,797**	6,259	**48,959**
Raw materials and supplies	**3,683**	4,265	**37,591**
Total	**¥19,024**	¥22,583	**$194,128**

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2009 and 2008, and, as a result, recognized impairment losses of ¥2,216 million ($22,619 thousand) and ¥134 million as other expense. The carrying amount of those assets was written down to the recoverable amount. The Group recognized impairment losses on the following assets for the years ended March 31, 2009 and 2008:

March 31, 2009

Use	Type of Assets	Location (Prefecture)	Millions of Yen	Thousands of U.S. Dollars
Machinery unit for high purity chemicals division	Land, buildings and structures, machinery and equipment	Hyogo	¥1,042	$10,633
Machinery unit for electronic functional materials division	Land, buildings and structures, machinery and equipment	Kanagawa, Fukushima, Tochigi and Hyogo	915	9,346
Others	Land, buildings and structures		258	2,639
Total			¥2,216	$22,619

March 31, 2008

Use	Type of Assets	Location (Prefecture)	Millions of Yen
Idle properties	Buildings and structures, machinery and equipment	Kanagawa and Hyogo	¥111
Others	Machinery and equipment		22
Total			¥134

For purpose of evaluating and measuring impairment, assets used for business are considered to constitute a group by each business unit. Idle properties are individually evaluated.

The recoverable amount of certain assets which the Group plans to sell was measured by their net selling price at disposition. The recoverable amount of certain assets used for business was measured at their value in use and the discount rate used for computation of present value of future cash flow was 9.1% for the year ended March 31, 2009.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

The amounts of short-term borrowings and current portion of long-term debt are included in "Other current liabilities" of the consolidated balance sheets.

Short-term borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	**2009**
Unsecured loans from minority shareholder, with interest rates of 4.82% (2009) and 5.31% (2008)	**¥ 25**	¥ 33	**$ 261**
Bank overdrafts, with interest rates of 3.69% (2009) and 4.80% (2008)	**258**	195	**2,637**
Total	**¥284**	¥228	**$2,898**

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Unsecured loans from a financial institution for employees' housing loans, with interest rates of 3.69%	**¥ 4**	¥ 5	**$ 47**
Unsecured loan from a bank, with interest rates of 1.56%	**162**	215	**1,662**
Obligations under finance leases	**6**		**69**
Total	**174**	220	**1,779**
Less current portion	**(112)**	(54)	**(1,143)**
Long-term debt, less current portion	**¥ 62**	¥166	**$ 636**

Annual maturities of long-term debt, excluding finance leases, at March 31, 2009 for the next five years and thereafter are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥109	$1,112
2011	54	558
2012		4
2013		4
2014		4
2015 and thereafter	2	26
Total	¥167	$1,710

7. RETIREMENT AND PENSION PLANS

The Company and its certain consolidated subsidiaries have contributory funded pension plans and unfunded retirement benefit plans as defined benefit plans for employees. The Company has severance payment plans for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on their rate of pay at the time of termination, their average pay during employment, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee.

The liability for employees' retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	**¥14,815**	¥14,130	**$151,180**
Fair value of plan assets	**(6,717)**	(7,440)	**(68,549)**
Employee retirement benefit trust	**(4,814)**	(4,769)	**(49,124)**
Unrecognized prior service cost	**795**	934	**8,115**
Unrecognized actuarial loss	**(2,766)**	(1,596)	**(28,228)**
Net liability	**¥ 1,312**	¥ 1,258	**$ 13,393**

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	**¥ 723**	¥ 713	**$ 7,385**
Interest cost	**305**	289	**3,114**
Expected return on plan assets	**(172)**	(311)	**(1,761)**
Amortization of prior service cost	**(138)**	(138)	**(1,415)**
Recognized actuarial loss	**354**	192	**3,622**
Net periodic benefit costs	**¥1,072**	¥ 744	**$10,945**

Assumptions used for the years ended March 31, 2009 and 2008 are set forth as follows:

	2009	2008
Discount rate	**2.25%**	2.25%
Expected rate of return on plan assets:		
Contributory pension plan	**2.00%**	3.50%
Employee retirement benefit trust	**0.50%**	0.50%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

The liabilities for retirement benefits at March 31, 2009 and 2008 for directors and corporate auditors are ¥173 million ($1,774 thousand) and ¥216 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

8. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends—Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus—The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. STOCK OPTIONS

The stock options outstanding as of March 31, 2009 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	15 directors 122 employees	788,000 shares	2001.9.4	¥1,872 ($19.10)	From July 1, 2003 to June 30, 2008

The stock options activity is as follows:

	2001 Stock Option (Shares)
For the Year Ended March 31, 2008	
Non-vested:	
March 31, 2007—outstanding	
Granted	
Canceled	
Vested	
March 31, 2008—outstanding	
Vested:	
March 31, 2007—outstanding	257,000
Vested	
Exercised	121,400
Canceled	
March 31, 2008—outstanding	135,600
For the Year Ended March 31, 2009	
Non-vested:	
March 31, 2008—outstanding	
Granted	
Canceled	
Vested	
March 31, 2009—outstanding	
Vested:	
March 31, 2008—outstanding	135,600
Vested	
Exercised	55,200
Canceled	80,400
March 31, 2009—outstanding	
Exercise price	¥1,872 ($19.10)
Average stock price at exercise	¥2,115 ($21.58)
Fair value price at grant date	

10. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.3% for the years ended March 31, 2009 and 2008. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

Tax at prior years is a transfer price taxation in connection with an overseas subsidiary.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 are as follows:

	Millions of Yen 2009	Millions of Yen 2008	Thousands of U.S. Dollars 2009
Current assets:			
Deferred tax assets:			
Accrued expense for bonuses to employees	**¥ 542**	¥ 684	**$ 5,533**
Accrued enterprise tax		74	
Unrealized gains on inventories	**207**	309	**2,113**
Loss on valuation of inventories	**610**	384	**6,234**
Extra early retirement benefits	**331**		**3,381**
Loss on impairment of long-lived assets	**137**		**1,406**
Other	**414**	481	**4,225**
Less valuation allowance	**(297)**	(7)	**(3,032)**
Total	**1,946**	1,927	**19,863**
Deferred tax liabilities—other	**177**	130	**1,811**
Total	**177**	130	**1,811**
Net deferred tax assets	**¥1,769**	¥1,796	**$18,052**
Non-current assets:			
Deferred tax assets:			
Liability for retirement benefits	**¥2,412**	¥2,366	**$24,615**
Property and equipment		50	
Loss on impairment of long-lived assets	**776**		**7,919**
Investment securities	**284**	408	**2,905**
Allowance for doubtful accounts	**134**	221	**1,373**
Subsidy income	**416**	468	**4,253**
Tax loss carryforwards	**1,853**		**18,909**
Other	**371**	528	**3,792**
Less valuation allowance	**(756)**	(708)	**(7,714)**
Total	**5,493**	3,336	**56,054**
Deferred tax liabilities:			
Property and equipment	**500**	532	**5,105**
Unrealized gain on available-for-sale securities	**619**	993	**6,322**
Other	**41**	51	**427**
Total	**1,161**	1,577	**11,855**
Net deferred tax assets	**¥4,331**	¥1,759	**$44,199**
Current liabilities—Deferred tax liabilities	**¥ 95**	¥ 66	**$ 972**
Non-current liabilities—Deferred tax liabilities:			
Property and equipment	**¥ 30**	¥ 25	**$ 314**
Undistributed earnings of foreign subsidiaries	**593**	500	**6,059**
Total	**¥ 624**	¥ 526	**$ 6,374**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2009 and 2008 is as follows:

	2009	2008
Normal effective statutory tax rate	**40.3%**	40.3%
Non-deductible expenses	**(0.5)**	0.5
Non-taxable revenue	**0.5**	(0.3)
Difference income tax rates applicable to income in certain foreign countries	**1.3**	(0.3)
Dividends from consolidated foreign subsidiaries eliminated for consolidation purposes	**(5.3)**	
Undistributed earnings of consolidated foreign subsidiaries	**(2.3)**	
Tax at prior years	**(10.5)**	
Tax credit for research and development costs		(4.9)
Valuation allowance	**(6.3)**	3.1
Other—net	**(2.8)**	1.0
Actual effective tax rate	**14.4%**	39.4%

At March 31, 2009, the Company and certain subsidiaries have tax loss carryforwards aggregating approximately ¥4,764 million ($48,620 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 133	$ 1,360
2012	108	1,106
2013	59	605
2014	216	2,210
2015 and thereafter	4,247	43,337
Total	¥4,764	$48,620

11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Selling, general and administrative expenses	**¥8,429**	¥7,982	**$86,010**
Cost of sales	**113**	112	**1,155**
Total	**¥8,542**	¥8,095	**$87,165**

12. LEASES

The Group leases certain buildings and structures, machinery, computer hardware, software and other assets.

Total lease payments under finance leases for the years ended March 31, 2009 and 2008 were ¥62 million ($639 thousand) and ¥144 million, respectively.

As discussed in Note 2.l, the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of leased property, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense, on an "as if capitalized" basis for the years ended March 31, 2009 and 2008 was as follows:

Acquisition cost and accumulated depreciation:

	Millions of Yen						
	2009			2008			
	Buildings and Structures	Machinery and Equipment	Total	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	**¥280**	**¥125**	**¥406**	¥332	¥165	¥33	¥530
Accumulated depreciation	**77**	**96**	**174**	65	94	31	190
Net leased property	**¥203**	**¥ 29**	**¥232**	¥266	¥ 70	¥ 2	¥340

	Thousands of U.S. Dollars		
	2009		
	Buildings and Structures	Machinery and Equipment	Total
Acquisition cost	**$2,866**	**$1,285**	**$4,151**
Accumulated depreciation	**791**	**984**	**1,775**
Net leased property	**$2,074**	**$ 300**	**$2,375**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	**¥ 45**	¥ 66	**$ 465**
Due after one year	**187**	273	**1,910**
Total	**¥232**	¥340	**$2,375**

The amounts of acquisition cost, depreciation and obligations under finance leases include the imputed interest expense portion. Depreciation expense, which was not reflected in the consolidated statements of operations, computed by straight-line method was ¥62 million ($639 thousand) and ¥144 million for the years ended March 31, 2009 and 2008, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Due within one year	**¥ 99**	¥128	**$1,017**
Due after one year	**40**	138	**410**
Total	**¥140**	¥266	**$1,428**

13. DERIVATIVES

The Group enters into foreign currency forward contracts to hedge foreign currency exchange risk associated with certain assets and liabilities denominated in foreign currencies.

All derivative transactions are entered into to hedge foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

There is no disclosure of market value information because the Group has all foreign currency forward contracts qualifying for hedge accounting at March 31, 2009 and no derivative contracts at March 31, 2008.

14. COMMITMENTS AND CONTINGENT LIABILITIES

For the year ended March 31, 2008, the Company was under audit by the Tokyo Regional Taxation Bureau with regard to transfer price taxation in connection with an overseas subsidiary. As the audit was still in progress, it was not possible at this point to reasonably estimate the amount of potential impact on the Company's financial position and results of operations. Accordingly, the amount of potential loss and the related allowance were not reflected to the consolidated financial statements for the year ended March 31, 2008.

15. RELATED PARTY TRANSACTIONS

Major transactions of the Company with directors and a corporate auditor for the year ended March 31, 2008 were as follows. Transactions in 2009 are not disclosed because they are not material.

	Millions of Yen
	2008
Exercise of stock option	¥58

16. NET INCOME PER SHARE

Diluted net income per share for the year ended March 31, 2009 is not disclosed because of the Company's net loss position. Reconciliation of the differences between basic and diluted net income per share ("EPS") for the year ended March 31, 2008 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net (Loss) Income	Weighted-average Shares	EPS	
Year Ended March 31, 2009				
Basic EPS—Net loss attributable to common shareholders	**¥(4,656)**	**45,648**	**¥(102.00)**	**$(1.04)**
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥4,259	46,544	¥91.50	
Effect of dilutive securities—Stock options		53		
Diluted EPS—Net income for computation	¥4,259	46,598	¥91.40	

17. SUBSEQUENT EVENT

At the general shareholders meeting held on June 25, 2009, the Company's shareholders approved the following appropriation of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥17 ($0.17) per share	¥765	$7,807

18. SEGMENT INFORMATION

(1) Business Segments

The Group operates in the following industries:

Material business consists of photoresists and related materials, printing materials and specialty chemicals.
Equipment business consists of semiconductor manufacturing equipment and LCD manufacturing equipment.

Information about business segments for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen				
	2009				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	**¥72,495**	**¥11,206**	**¥83,702**		**¥ 83,702**
Intersegment sales		**89**	**89**	**¥ (89)**	
Total sales	**72,495**	**11,296**	**83,791**	**(89)**	**83,702**
Operating expenses	**69,172**	**11,721**	**80,894**	**4,323**	**85,218**
Operating income (loss)	**¥ 3,322**	**¥ (425)**	**¥ 2,897**	**¥(4,413)**	**¥ (1,515)**
Assets	**¥64,584**	**¥13,613**	**¥78,197**	**¥61,141**	**¥139,338**
Depreciation and amortization	**6,108**	**456**	**6,564**	**733**	**7,297**
Impairment loss	**2,216**		**2,216**		**2,216**
Capital expenditures	**2,946**	**361**	**3,308**	**116**	**3,424**

	Thousands of U.S. Dollars				
	2009				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	**$739,752**	**$114,351**	**$854,104**		**$ 854,104**
Intersegment sales		**915**	**915**	**$ (915)**	
Total sales	**739,752**	**115,266**	**855,019**	**(915)**	**854,104**
Operating expenses	**705,846**	**119,609**	**825,455**	**44,116**	**869,571**
Operating income (loss)	**$ 33,906**	**$ (4,342)**	**$ 29,564**	**$ (45,031)**	**$ (15,467)**
Assets	**$659,022**	**$138,911**	**$797,934**	**$623,890**	**$1,421,824**
Depreciation and amortization	**62,327**	**4,653**	**66,980**	**7,485**	**74,466**
Impairment loss	**22,619**		**22,619**		**22,619**
Capital expenditures	**30,069**	**3,686**	**33,756**	**1,188**	**34,945**

Note: As discussed in Note 2.e, effective April 1, 2008, the Company applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change was to decrease operating income of the material business by ¥180 million ($1,843 thousand) and increase operating loss of the equipment business by ¥28 million ($291 thousand) for the year ended March 31, 2009.

	Millions of Yen				
	2008				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥86,071	¥16,229	¥102,300		¥102,300
Intersegment sales		68	68	¥ (68)	
Total sales	86,071	16,298	102,369	(68)	102,300
Operating expenses	74,495	15,020	89,516	4,518	94,034
Operating income	¥11,575	¥ 1,277	¥ 12,852	¥ (4,586)	¥ 8,266
Assets	¥84,527	¥20,645	¥105,172	¥54,460	¥159,633
Depreciation and amortization	6,461	368	6,829	863	7,693
Capital expenditures	5,988	542	6,530	137	6,668

(2) Geographical Segments

Information about geographical segments for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	**¥59,505**	**¥7,959**	**¥5,744**	**¥10,492**	**¥83,702**		**¥ 83,702**
Interarea transfer	**9,208**	**1,150**	**30**	**383**	**10,773**	**¥(10,773)**	
Total sales	**68,714**	**9,110**	**5,775**	**10,875**	**94,475**	**(10,773)**	**83,702**
Operating expenses	**70,844**	**8,115**	**6,264**	**10,082**	**95,306**	**(10,088)**	**85,218**
Operating income (loss)	**¥ (2,130)**	**¥ 995**	**¥ (489)**	**¥ 793**	**¥ (831)**	**¥ (684)**	**¥ (1,515)**
Assets	**¥78,003**	**¥6,922**	**¥2,921**	**¥ 6,925**	**¥94,772**	**¥ 44,566**	**¥139,338**

	Thousands of U.S. Dollars						
	2009						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	**$607,195**	**$81,222**	**$58,620**	**$107,065**	**$854,104**		**$ 854,104**
Interarea transfer	**93,967**	**11,741**	**312**	**3,912**	**109,933**	**$(109,933)**	
Total sales	**701,163**	**92,964**	**58,932**	**110,977**	**964,038**	**(109,933)**	**854,104**
Operating expenses	**722,904**	**82,808**	**63,926**	**102,878**	**972,518**	**(102,946)**	**869,571**
Operating income (loss)	**$ (21,741)**	**$10,155**	**$ (4,993)**	**$ 8,099**	**$ (8,479)**	**$ (6,987)**	**$ (15,467)**
Assets	**$795,951**	**$70,635**	**$29,808**	**$ 70,669**	**$967,064**	**$ 454,759**	**$1,421,824**

Note: As discussed in Note 2.e, effective April 1, 2008, the Company applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories." The effect of this change was to increase operating loss of Japan by ¥209 million ($2,134 thousand) for the year ended March 31, 2009.

	Millions of Yen						
	2008						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥74,801	¥8,482	¥6,585	¥12,431	¥102,300		¥102,300
Interarea transfer	11,897	867	69	342	13,178	¥(13,178)	
Total sales	86,699	9,350	6,655	12,774	115,479	(13,178)	102,300
Operating expenses	79,717	8,403	6,782	11,646	106,550	(12,516)	94,034
Operating income (loss)	¥ 6,982	¥ 946	¥ (127)	¥ 1,127	¥ 8,928	¥ (662)	¥ 8,266
Assets	¥97,192	¥7,858	¥4,234	¥10,644	¥119,930	¥ 39,703	¥159,633

(3) Sales to Foreign Customer

Information about sales to foreign customers of the Group for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen				
	2009				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	**¥8,497**	**¥5,503**	**¥36,915**	**¥407**	**¥51,323**
Consolidated sales (B)					**83,702**
(A) / (B)	**10.1%**	**6.6%**	**44.1%**	**0.5%**	**61.3%**

	Thousands of U.S. Dollars				
	2009				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	**$86,708**	**$56,159**	**$376,688**	**$4,156**	**$523,714**
Consolidated sales (B)					**854,104**
(A) / (B)	**10.1%**	**6.6%**	**44.1%**	**0.5%**	**61.3%**

	Millions of Yen				
	2008				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥9,233	¥6,818	¥43,182	¥335	¥ 59,570
Consolidated sales (B)					102,300
(A) / (B)	9.0%	6.7%	42.2%	0.3%	58.2%

Deloitte.

Deloitte Touche Tohmatsu
MS Shibaura Building
4-13-23, Shibaura
Minato-ku, Tokyo 108-8530
Japan

Tel: +81(3)3457 7321
Fax: +81(3)3457 1694
www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
TOKYO OHKA KOGYO CO., LTD.:

We have audited the accompanying consolidated balance sheets of TOKYO OHKA KOGYO CO., LTD. (the "Company") and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 25, 2009

Member of
Deloitte Touche Tohmatsu

Corporate Information

Corporate Data (As of March 31, 2009)

Corporate Name:	TOKYO OHKA KOGYO CO., LTD.
Established:	October 25, 1940
Corporate Headquarters:	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN
Number of Employees:	1,848 (Consolidated)
Paid-in Capital:	¥14,640 million
Web Site:	http://www.tok.co.jp/
Stock Listing:	Tokyo
Investor Relations Contact:	Public Relations Division 150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN TEL. +81-44-435-3000 FAX. +81-44-435-3020

Business Activities

Material Business

Electronic Functional Materials Division

We offer a diverse range of photoresist,* which is a widely used material that is essential for the microprocesses involved in the manufacture of semiconductors, LCDs, semiconductor packagings and other electronic products. We also supply materials for forming interlayer insulating film and planarizing insulation film, which are required as advanced microprocesses 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.

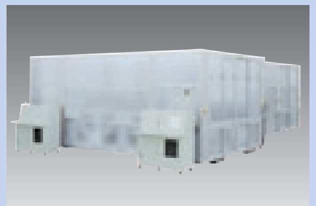
High Purity Chemicals Division

As a comprehensive manufacturer of photoresist, TOK uses its knowledge of this material to supply a wide variety of photoresist-related chemicals such as developing solution, stripping solution, rinsing solution, thinner and other chemicals. In addition, TOK manufactures inorganic and organic chemicals used in a wide range of industries.

Printing Materials Division

We offer a diverse range of printing materials such as photopolymer plates used in letterpress / relief printing for corrugated board, films, beverage cans and other applications, and photosensitive materials used in gravure printing. 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 printing efficiency.

Equipment Business



Process Equipment Division

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

Board of Directors, Corporate Auditors and Officers (As of June 25, 2009)

Board of Directors

Representative Director, President
Chief Executive Officer
Yoichi Nakamura

Representative Director
Senior Executive Officer
Takashi Komine
Department Manager, Manufacturing Dept.

Representative Director
Senior Executive Officer
Koichi Kaihatsu
Department Manager, Administration Dept.

Director
Officer
Kobun Iwasaki
Department Manager, Marketing Dept.

Director
Officer
Katsuyuki Ohta
Special Appointive Officer

Director
Officer
Hidekatsu Kohara
Department Manager, Research and Development Dept.

Director
Jiro Makino
(President, Makino Milling Machine Co., Ltd.)

Corporate Auditors

Standing Statutory Auditor
Shigeru Ohtawa

Auditor
Fujio Higaki
(President, Ryoshinholdings Co., Ltd.)

Auditor
Haruhiko Gyoda

Officers

Senior Executive Officer
Akinori Horikoshi
Deputy Department Manager, Administration Dept. and General Manager, Financial Affairs Div.

Officer
Kenji Tazawa
Department Manager, Process Equipment Manufacturing Dept.

Officer
Hiroshi Asaba
Deputy Department Manager, Manufacturing Dept.

Officer
Hiroji Komano
President, TOKYO OHKA KOGYO AMERICA, INC.

Officer
Jun Iwasa
Deputy Department Manager, Manufacturing Dept. and Plant Manager, Koriyama Plant

Officer
Atsuro Shibagaki
Deputy Department Manager, Marketing Dept.

Officer
Hajime Fujishita
President and General Manager, TOK TAIWAN CO., LTD.

Officer
Kunio Mizuki
Deputy Department Manager, Administration Dept. and General Manager, General Affairs Div.

Officer
Ikuo Akutsu
Department Manager, Corporate Planning Dept. and General Manager, Planning Div.

Officer
Harutoshi Sato
Deputy Department Manager, Research and Development Dept. and General Manager, Advanced Material Development Div. 3

Note: Mr. Jiro Makino is an outside director. Mr. Fujio Higaki and Mr. Haruhiko Gyoda are outside auditors.

Global Network

TOKYO OHKA KOGYO CO., LTD.

150 Nakamaruko, Nakahara-ku, Kawasaki,
Kanagawa 211-0012, JAPAN
TEL. +81-44-435-3000 FAX. +81-44-435-3020
http://www.tok.co.jp/

FSC Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. SGS-COC-003339
© 1996 Forest Stewardship Council

PRINTED WITH SOY INK ™

This report is printed using an ink based on soybean oil.
Printed in Japan   09.10 1700 NIR. AUMZ