Environmental and Social Report 2007

tok TOKYO OHKA KOGYO CO., LTD.

Risks of Polluting Air, Soil and Water

TOK is always devising new ways to make our lives more pleasant and convenient. Through the pursuit of advances in microprocess technology, we play a central role in improving the performance of cell phones, PCs and countless other electronic devices.

Of course, as a member of the chemical industry, we use many chemicals to manufacture our products. Our operations pose numerous risks concerning possible damage to the environment. A stringent safety program for handling chemicals is imperative to preventing our operations from harming people through air, soil and water pollution.

Major source of environmental risk at TOK is the organic solvents that must be discarded during production processes and following the use of the Company's products. TOK uses some Class I Designated Chemical Substances under the Japanese Pollutant Release and Transfer Register (PRTR) Law. Some are still released to the atmosphere. Furthermore, there is a risk of air, soil or water pollution caused by waste substances from our facilities that may be released due to improper management or treatment.

TOK is committed to fulfilling its social obligation with regard to these risks. We have a variety of programs to limit our impact on the global environment by conducting the proper management and treatment of chemicals. In addition, we maintain a framework for responding quickly to any incidents, primarily through employee training and initiatives to enhance our corporate culture.

C O N T E N T S

Towards Maximizing Corporate Value and Achieving Sustained Growth

A Responsible Member of the Chemical Industry

Due to the nature of our operations, we must handle chemicals that may be harmful to people and the environment. All chemical companies adhere to the Responsible Care guidelines, under which companies pledge to do their best concerning the environment, health and safety. Companies prioritize safety from the development of products through their disposal, based on the principles of self-determination and accountability.

TOK's products are vital to PCs, cell phones, liquid crystal display (LCD) TVs, vehicles and many other widely used products. But supplying the materials needed to manufacture these products requires extreme care regarding safety standards for health and the environment.

Our operations strike the proper balance between the risk of harming the global environment and the benefits of our products, mainly in the form of social and technological progress. To maintain this balance, we make corporate social responsibility (CSR) an integral component of our management. I believe that operating in this manner is one of our greatest obligations as a company.

CSR as a Manufacturer

Since its establishment in 1940, TOK has been dedicated to its corporate policies with four core principles: continue efforts to enhance its technology, raise the quality levels of its products, contribute to society and promote free-spiritedness. Our mission is to play a role in social progress through the pursuit of new technologies.

Fiscal 2006, ended March 31, 2007, was the first year of our third "TOK Challenge 21" medium-term plan. Our objective is to become a consistently profitable company that prioritizes customer satisfaction, technological progress and employee development while maintaining a firm commitment to CSR. TOK must remain a company that earns the trust and satisfaction of stakeholders through social contributions by its business operations, both as a manufacturer and a corporate citizen. This spirit is at the heart of our CSR activities.

The TOK Group has retained a constant commitment to protecting the environment through the years. To receive and renew ISO 14001 certification, our business sites in Japan and other countries have "3R campaigns" (reduce, reuse, recycle), energy conservation programs and many other initiatives. Naturally, we also have extensive environmental programs for the handling of chemicals, including a stringent safety management system.

Of course, all executives and employees are constantly focused on building an organization in which CSR is a central element of business activities. This includes establishing systems for compliance, risk management and other tasks as well as improving employee training programs and the corporate culture. TOK will continue to build an organization where all executives and employees make CSR a key element of how they perform their jobs.

Towards Maximizing Corporate Value and Achieving Sustained Growth

We believe that a company with a strong commitment to CSR can earn a high level of trust and satisfaction of all stakeholders. We are dedicated to the sustained growth of corporate value by maintaining the proper balance between risks and benefits with regard to the environment, society and economic activities.

The theme of this year's report is "Our CSR." We have arranged this report to explain how our environmental, social and economic activities are aimed at contributing to social progress and development. We are always seeking ways to improve these activities. Please submit your frank opinions and thoughts to help us make these improvements.

September 2007
Yoichi Nakamura
President & Chief Executive Officer

Our CSR—

TOK Technology Underpins Many Forms of Progress

In line with corporate policies of contributing to society, we are well aware of our responsibilities as a chemical company and a corporate citizen. We are dedicated to the spirit of Responsible Care, which covers environmental, safety and health considerations extending from product development and manufacture through sales and disposal. But we view this as much more than merely an obligation. The Responsible Care guidelines are obvious standards for our operations that we must constantly refine. This belief reflects our wish to remain a company that helps create a better lifestyle in the future while contributing to social progress. We are focused on our three major roles as a company: maximizing earnings, increasing corporate value and enhancing customer satisfaction. In addition, we are dedicated to becoming a company with a strong commitment to CSR, a goal that represents one element of our management vision. This goal includes compliance, environmental management and many other elements of CSR.

Specific elements include:

1. Compliance and corporate ethics
2. Environmental programs at factories
3. Procurement activities based on CSR principles
4. Activities to promote Work-Life Balance

TOK is devoted to driving progress by taking on the challenge of further refining microprocess technology to meet customers' sophisticated demands. At the same time, we will protect the environment through safety measures, such as observing regulations for chemicals and carefully selecting the chemicals we use. We believe that rigorously meeting the expectations of stakeholders through this stance represents the true spirit of "Our CSR."

Making Our Lives More Pleasant, Convenient and Fulfilling

1/1,000,000mm

Progress with Microprocess Technology

We have grown accustomed to constant advances in the designs and functions of products ranging from cell phones, flat-screen TVs and PCs to automobiles. Progress in microprocess technology using photolithography★ plays a vital role in much of this progress.

TOK is a supplier of photoresist, a material that is essential to photolithography. We are also targeting opportunities in new business fields.

★Photolithography involves the use of light to form extremely fine patterns by using basically the same technology as for photographic film. For more information, please visit the TOK web site at http://www.tok.co.jp/en/business/nanometre.html.

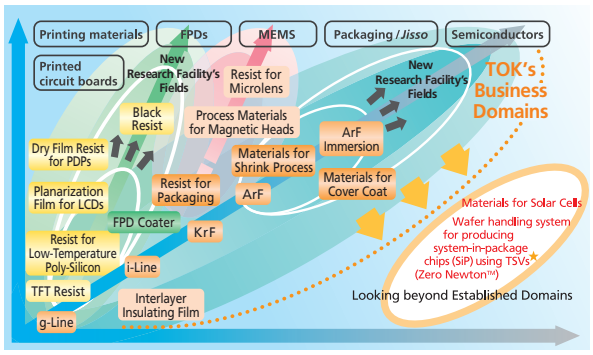
Microprocess technology helps create a better future.

Microprocess Technology Is Measured in Nanometers

Progress in microprocess technology is a central strategy of the third "TOK Challenge 21" medium-term plan. To accomplish this goal, we were the first in our industry to begin R&D involving next-generation and subsequent technologies for the semiconductor manufacturing sector. This is a sector where progress hinges on microprocess technology. We used technologies gained from our semiconductor business in other fields, such as the manufacture of flat panel displays. TOK is also interested in completely new business fields, such as the manufacture of materials for solar cells.

Semiconductor manufacturing uses the world's most advanced microprocess technologies. Chip fabrication processes require accuracy measures in nanometers (one nanometer is one-millionth of a millimeter). Achieving this accuracy demands process technologies at the molecular level. TOK is always seeking more breakthroughs in microprocess technology with the goal of creating better lifestyles in the future while contributing to social progress.

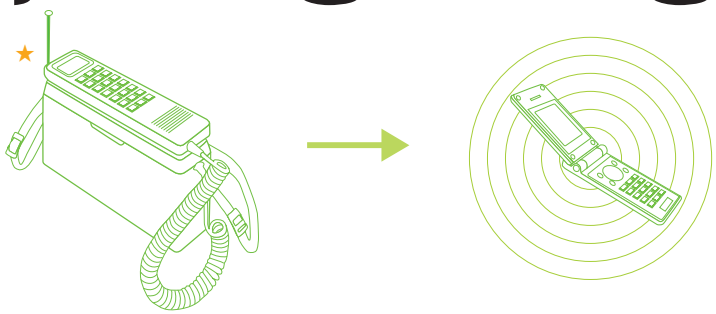
Progress in Microprocess Technology



★TSVs: Through-Silicon Vias

Let's take a look at exactly how TOK technologies play a role in creating more advanced products.

3,000g→90g



Smaller Cell Phones

Cell phones are an excellent example. Handsets are becoming smaller and lighter even as their performance improves. Smaller semiconductors with higher circuit density are a major reason. TOK microprocess technology is indispensable to this progress.

The first mobile phones in the 1980s were about 20cm long and weighed about 3,000g. People called them "shoulder phones★" as they were carried on the shoulder. Today, a handset is only about 90g and almost a palm size. Downsizing phones requires downsizing the circuit components that users never see. The advent of chips like integrated circuits (IC) and large-scale integration (LSI), which are small and have a high circuit density, made this downsizing possible. TOK's pursuit of advances in microprocess technology helped improve the performance of semiconductors. With these devices, cell phones became slimmer, lighter, smaller and easier to use.

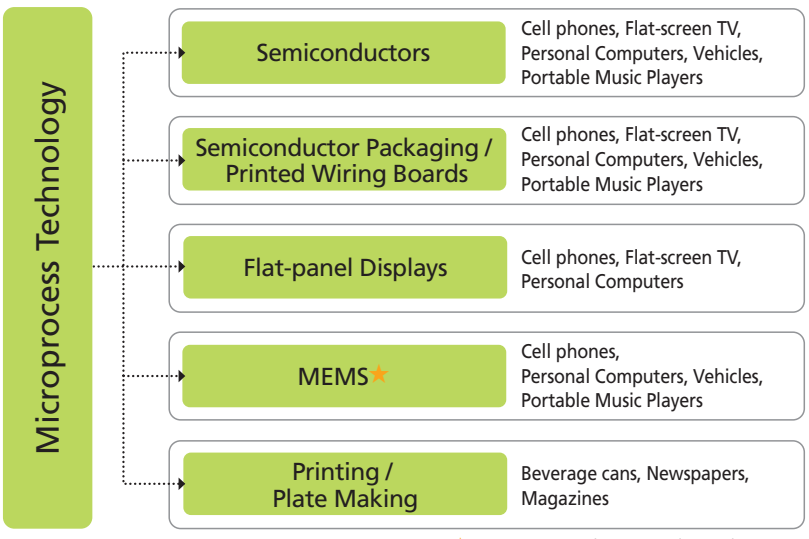
TOK technology helps make many other products that you may use every day. For example, flat-screen TVs and PCs depend in part on TOK manufacturing materials, including LSI and LCD panels. In addition, printing on beverage cans make use of our printing materials.

Adding Convenience to Our Lives

Technological advances are rapidly improving the performance and functions of cell phones, flat-screen TVs and many other products. There is no doubt that more progress will make our lives even more pleasant and convenient. More refinements in microprocess technology will be vital to achieving this progress. We are dedicated to contributing to this process. This is why TOK is constantly seeking more breakthroughs as quickly as possible in order to play even a minor role in social progress.

Photoresist, which enables microprocess technology

Silicon wafer processed using microprocess technology



★MEMS: Micro Electro Mechanical Systems

47/354

Safety Measures to Protect the Environment

A Better Future for the Environment, Safety and Health

Microprocess technology is intricately linked to our daily activities. Making products that depend on this technology also requires many types of chemicals. But chemicals may be harmful to health and the environment. Holding this risk to the absolute minimum is a key component of TOK's CSR obligations.

The Pollutant Release and Transfer Register (PRTR) Law in Japan for the management of chemicals classifies 354 substances as Class I Designated Chemical Substances. In fiscal 2006, TOK was using 47 of these substances. We understand that the proper management of these substances is essential to maintaining workplace safety and reducing our environmental impact. This is why we established our own list of designated substances, the TOK List of Prohibited Substances and conduct a rigorous program to handle these substances properly.
For more information concerning measures to reinforce our safety management system for chemicals, please see pages 31 and 32.

★Photoresist: A photosensitive resin that acts and changes chemically when exposed to light.
★RoHS: The Restriction of Hazardous Substances is an EU directive that restricts the amount of certain hazardous substances like lead and mercury that can be contained in electronic and electric devices.
★REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals is an EU law that creates an integrated management system covering the registration, evaluation and certification of chemicals. REACH is based on the principles of making manufacturers responsible for their activities and of preventing problems.

Safety Management for Equipment and Work Processes

Photoresist★, a photosensitive resin, is one of TOK's core products. The production of many key components for cell phones, LCD TVs and other electronic devices would be impossible without photoresist. We fully understand our responsibilities as a company that handles chemicals. This is why we have an extensive safety management program for both the equipment and work processes for manufacturing photoresist.

Indoor work spaces that use organic solvents, used as the medium for photoresist, illustrate measures concerning equipment. Here, we use odor-removal systems, solvent recovery equipment and other facilities to prevent the release of solvents to the atmosphere.

For work processes, we take steps to ensure the safety of employees who handle chemicals. Furthermore, we rigorously limit releases of chemicals, such as by sealing organic solvent containers to minimize evaporation.

In the European Union (EU), several new regulations have been established concerning the management of chemicals, notably RoHS★ and REACH★. There are similar laws and regulations in the United States, Asian countries and other areas of the world. As a global organization, TOK is reinforcing its safety management system to comply with these new laws and regulations. Our actions also include training programs that adopt a long-term perspective to give employees extensive knowledge concerning chemicals. At the same time, we are using IT to build efficient management systems for chemicals, PRTR management and other activities to handle chemicals safely.

TOK Engineers speak out

Yuichiro Kaneda
Safety & Environment Control Section
Safety & Environment Control Div.
Manufacturing Dept.

Many countries are establishing strict regulations for chemicals. Recently, the EU has enacted the RoHS and REACH restrictions. That means TOK needs to comply with regulations on a global scale. We also need to reduce environmentally hazardous substances used in our raw materials. To accomplish this, we are building an integrated management system. TOK must remain a company that can develop environmentally responsible products and improve productivity, even as we comply with many regulations. I will contribute to this process by properly managing all chemicals.

Jun Koshiyama
Advanced Material Development Div. 3
Research & Development Dept.

TOK produces anti-reflective coating. Many customers use this high-performance electronic material. We used to make this product by using a raw material called PFOS★. To reduce our environmental impact, we have been developing a new material that requires no PFOS. We had to overcome many challenges to create a material that had the same properties. But we eventually succeeded in developing a PFOS-free substitute material, with the help of customers. I look forward to replacing more of our products with versions that have a smaller environmental impact.

★PFOS: Perfluorooctane sulfonate, a substance used to make coatings that are resistant to water and oils.

Risk Management of TOK

Business and Other Risks

The TOK Group is engaged in many business activities on a global scale. In the course of conducting these operations, the Group is vulnerable to a variety of risks that could have a negative impact on the Group's financial condition and performance.

Changes in industry economic conditions

The electronics industry, which accounts for most of the TOK Group's sales, tends to be cyclical. The industry is also characterized by rapid technological progress and user needs that are complex and diverse. Any shifts in market conditions, prices and other industry-related factors could affect the Group's performance.

Foreign exchange fluctuations

The TOK Group has manufacturing and sales bases in Asia, North America and Europe. Any unexpected change in exchange rates associated with overseas business activities could affect the Group's performance.

R&D activities

Despite allocating substantial resources to R&D programs, these programs may not produce the expected results due to unexpected problems. This could affect the Group's performance.

Intellectual property

The TOK Group holds a large volume of intellectual property rights and grants licenses for the use of intellectual property by third parties. If the protection, preservation or acquisition of these rights does not proceed as planned, there may be litigation and other disputes concerning these rights. The resulting expenses and other items could affect the Group's performance.

Procurement of raw materials

An accident or other problem at a raw material supplier that causes a delay or interruption in the delivery of raw materials to the TOK Group could disrupt the Group's manufacturing activities. Furthermore, an increase in the cost of raw materials could affect the Group's performance.

Product liability

A TOK Group product may be responsible for a defect or other problem in a product. Any resulting product liability issues could affect the Group's performance.

Natural disasters and accidents

The occurrence of an earthquake or other natural disaster at a production facility of the TOK Group in Japan or another country may cause delays in shipments and other expenses due to the suspension of manufacturing. This could affect the Group's performance.

Environmental risks

If there is a spill or other release of chemicals associated with manufacturing activities, the resulting loss of public trust and other negative consequences could affect the Group's performance. Furthermore, the imposition of tighter restrictions on chemicals by countries may increase expenses and result in limitations on business activities that could affect the Group's performance.

Risk of violation of law

The TOK Group must monitor and comply with laws and regulations involving trade, antitrust policies, the environment, recycling and other activities in the countries where it operates. If the Group is unable to monitor or comply with these laws and regulations, there could be an effect on the Group's performance.

Overseas business

The TOK Group's overseas business activities are vulnerable to risks associated with unexpected revisions to laws and regulations, acts of terrorism or war, natural disasters and other events. Any of these events could disrupt overseas business activities and affect the Group's performance.

* This list contains risk factors that the TOK Group was aware of as of the date of issue of this report and does not encompass all risks associated with the Group's operations.

CSR Management

TOK's mission is to contribute broadly to social progress while achieving growth by supplying superior products backed by an aggressive R&D program that accurately targets market needs. We are well aware that a commitment to corporate citizenship is essential to conducting business activities properly. As an organization that uses many chemicals, we take extreme care with regard to health and the environment. TOK undertakes many environmental activities. Among them are a "3R Campaign" (reduce, reuse, recycle), stringent procedures for safely managing chemicals and an energy conservation program. We also have compliance, risk management and other systems. Furthermore, we have employee training programs and exercise care to provide employees with a pleasant work-place environment.

As a responsible member of society, we adopt a comprehensive view of our obligations concerning the environment, the community and the economy. All TOK employees perform their jobs based on an understanding of the importance of CSR. We are determined to remain an organization worthy of the trust of all stakeholders. This is why the entire TOK organization positions the promotion of CSR management as an important element of management activities.

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

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

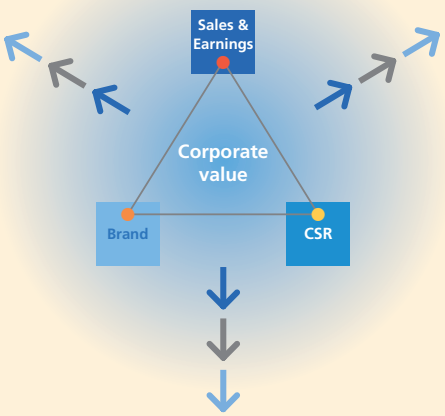
Basic Vision of the Third "TOK Challenge 21" Medium-Term Plan

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

Our Vision

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

Sustained growth in corporate value



Management Vision

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

Basic Strategies of the Third "TOK Challenge 21" Medium-Term Plan

1. Progress in microprocess technology

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

2. Establishment of the TOK brand on a global scale

- Grow in other existing business fields by using TOK's semiconductor photoresist business
- Remain focused on customer satisfaction
- Expand the overseas network

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

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

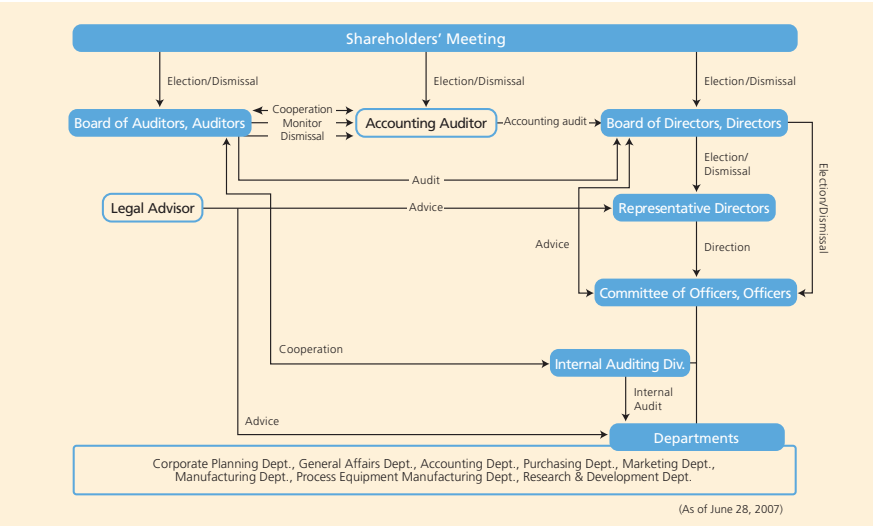
Corporate Governance★

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

Corporate Governance System

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 Corporate Law. 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 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 28, 2007, we had seven directors, including one outside director. The board has a flat, dual-level structure made up 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, a multi-level 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, skills and other items concerning each officer. Furthermore, TOK has a Committee of Officers, which is made up of all officers. As of June 28, 2007, we had 13 officers.

●Board of Auditors and Auditors

As of June 28, 2007, 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. For financial audits, the auditors receive reports from the independent accountant and use other means to verify the suitability of financial accounting methods and the results of these audits.

●Internal Auditing Division

The Internal Auditing Division is a part of the Company's system of internal compliance. It consists of four full-time staff 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.

Compliance★

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

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

Compliance Framework

TOK has a compliance committee that is chaired by the Company president. This committee studies violations of laws, regulations, standards of conduct and other items and determines the proper actions to take in response. In addition, the committee determines measures to prevent a reoccurrence of the incident and puts these measures in place throughout the Company.

Establishment of the Standards of Conduct

The TOK Group Compliance Standards of Conduct became effective on April 1, 2005. The objectives are to raise awareness of the importance of compliance and to establish a clearly defined set of shared values and code of conduct. All employees have received a copy of the TOK Group Compliance Standards of Conduct Handbook. We are also holding compliance briefings at all sites to raise awareness of the code of conduct.

TOK Group Compliance Standards of Conduct Handbook

Items in the TOK Group Compliance Standards of Conduct

1. General rules
Compliance with laws and regulations

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

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

4. Standards of conduct for management, etc. of Company assets
(1) Proper accounting methods
(2) Management of confidential information
(3) Prohibition of personal use of the Company resources
(4) Proper use of information systems
(5) Protection of intellectual property

5. Standards of conduct for relationships with shareholders and other investors
(1) Disclosure of corporate information
(2) Prohibition of insider trading

6. Standards of conduct for community relations
(1) Contributions to society
(2) Regulations for charitable donations and political contributions
(3) Refusal to form ties with anti-social elements

Internal Reporting System

TOK initiated an internal reporting system. This permits the fast discovery of violations of laws, regulations, the code of behavior and other guidelines as well as a quick response. The internal reporting system has two options to protect individuals who submit reports: an internal route and an external route, which provides a direct link to TOK's 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.

Risk Management★

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

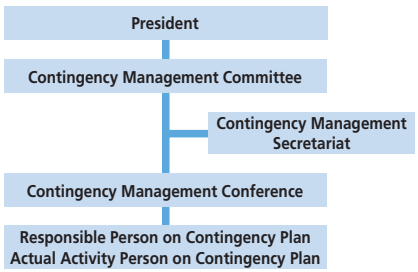
★Risk management: A generic term that describes the methods of identifying, preventing and responding to potential and actual risks likely to affect the viability of a business corporation.

Risk Management Framework

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

TOK takes measures aimed at managing risks and preventing the occurrence of problems by maintaining and improving a risk management system. This system uses a cyclical process that includes risk analysis, countermeasures and evaluations.

Risk Management Organization



Note: The Contingency Management Conference is made up of representatives of the responsible persons on contingency plan and actual activity persons on contingency plan in each TOK operating department.

Risk Management Procedures

Examples of Risk Categories Associated with TOK's Business Activities

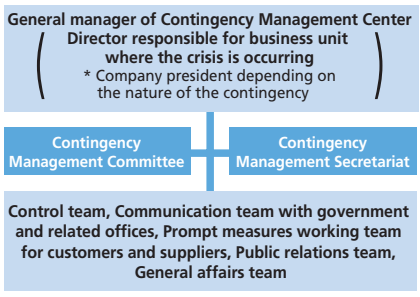
- Changes in industry economic conditions
- Foreign exchange fluctuations
- R&D activities
- Intellectual property
- Procurement of raw materials
- Product liability
- Natural disasters and accidents
- Environmental risks
- Risk of violation of law
- Overseas business

Note: This list contains risk factors that the TOK Group was aware of as of the date of issue of this report and does not encompass all risks associated with the Group's operations.

Contingency Management Organization

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

Composition of Contingency Management Center



Contingency Management Education

Crisis management education for newly hired employees

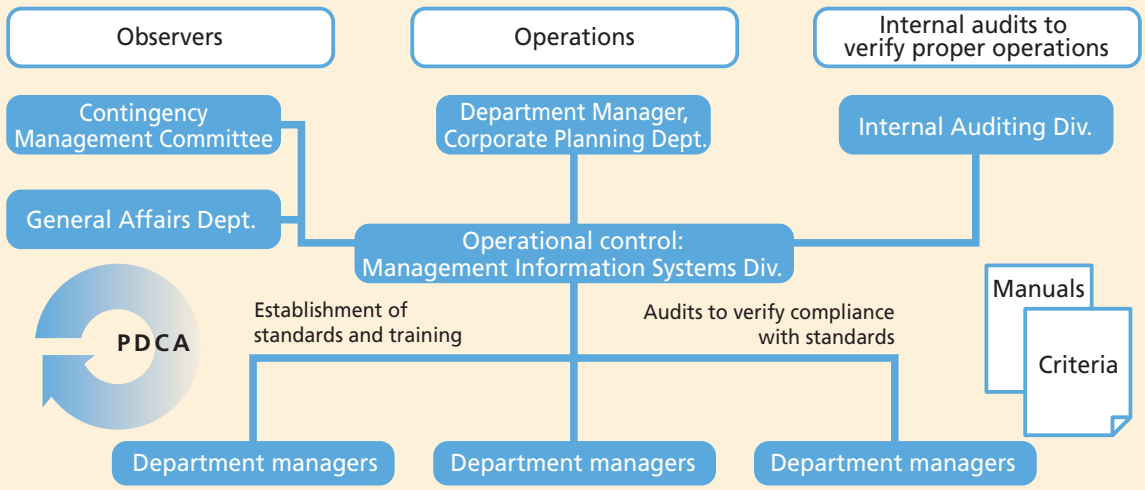
Training is provided to employees, to give the TOK workforce a general knowledge of crisis management as well as an understanding of the TOK contingency management system, emergency reporting channels, risk management and other subjects.

Information Security

TOK has effective systems in place to maintain information security and properly manage information. With these systems, we protect exclusive TOK Group information and data, information received from third parties and personal information. These activities help ensure that we remain an organization that can earn the trust of all stakeholders★.

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

Information Security Organization



●Operating Framework

The Management Information Systems Division is at the center of the information security operating framework. We are constantly working on improving information security by managing security measures, training employees and performing audits.

Risk management concerning information security is an integral element of overall risk management activities. This gives TOK a unified risk management organization.

●Standards for Countermeasures and Actions

TOK has standardized all information security countermeasures to maintain a high level of security. Furthermore, we take actions to ensure that employees and others who handle this information strictly adhere to the standards.

In fiscal 2006, we took many actions to create a sound environment for these countermeasures. We placed particular emphasis on initiatives concerning leaks of confidential information.

●Employee Training

TOK has compliance training for new employees as well as extensive information security programs for other employees. All training programs are structured to raise awareness of the importance of protecting confidential information, including personal information, and strictly following management procedures.

●Information Security Audits

Internal audit departments perform audits of the departments that are responsible for information security activities. Audits verify compliance with information security countermeasure standards by these departments at all the Companies organization. Audits also provide a basis for improving internal checks and balances, information security operating systems and security measures.

Information Security Plan

What Are TOK's Environmental Risks?

Manufacturing Input (Fiscal 2006)

Input❶

Chemical substances (substances covered by the PRTR Law)	6,100 tons
Used water	616,000 m³
Electric power	52,590,000 kWh
Gas	1,950,000 m³
Petroleum (heavy oil)	5,429 kℓ

Output❷

General administrative waste	542 tons	(Recycling rate: 73.6%)
General industrial waste	5,427 tons	(Recycling rate: 59.2%)
Specially controlled industrial waste	6,278 tons	(Recycling rate: 96.3%)
CO_2	56,000 tons	
NOx	48.1 tons	
SOx	5.5 tons	
BOD	0.6 tons	

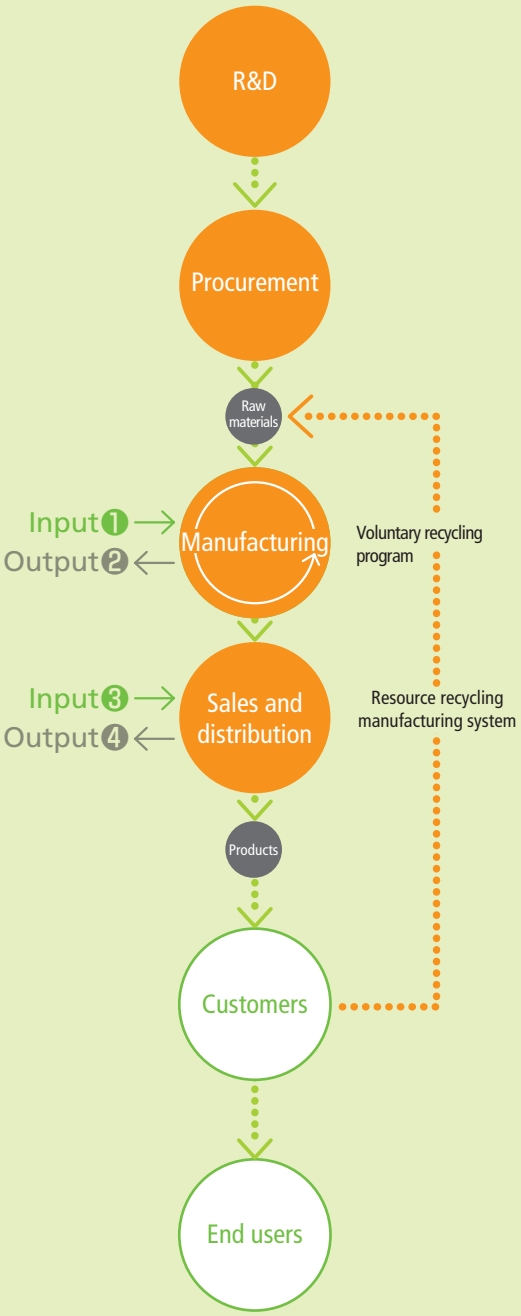
Distribution Input (Fiscal 2006)

Input❸

Fuel gases	57 tons
Fuel liquids	127 kℓ

Output❹

CO_2 for materials and products transported within facilities	481 tons
CO_2 for transportation of products	7,600 tons



The TOK Environmental Policy

We have established a management framework that can make CSR management an integral part of operations. With this framework, we can meet the expectations of many stakeholders by using business operations to fulfill our obligations to society.

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

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

Environmental Policy

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

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

The Businesses of TOK

TOK supplies materials and equipment in the semiconductor, flat panel display, printing and other business sectors. To seek ways to lower our environmental impact, we monitor the energy and resources we use to conduct these business activities (input) as well as the waste materials, CO_2 and other emissions resulting from these activities (output).

The Products of TOK

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

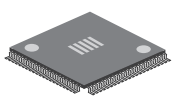
- Photoresist/Photoresist-related chemicals
- Material for forming interlayer and planarizing insulation film
- Printing plate making materials
- LCD panel manufacturing equipment
- Semiconductor manufacturing equipment

Photoresist / Photoresist-related chemicals

LCD panel manufacturing equipment

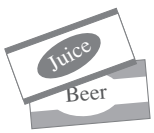
Customers

- **Semiconductor manufacturers**
- **Flat panel display manufacturers**
- **Printing companies**



Semiconductors

Flat panel display



Publications

Finished products

Examples

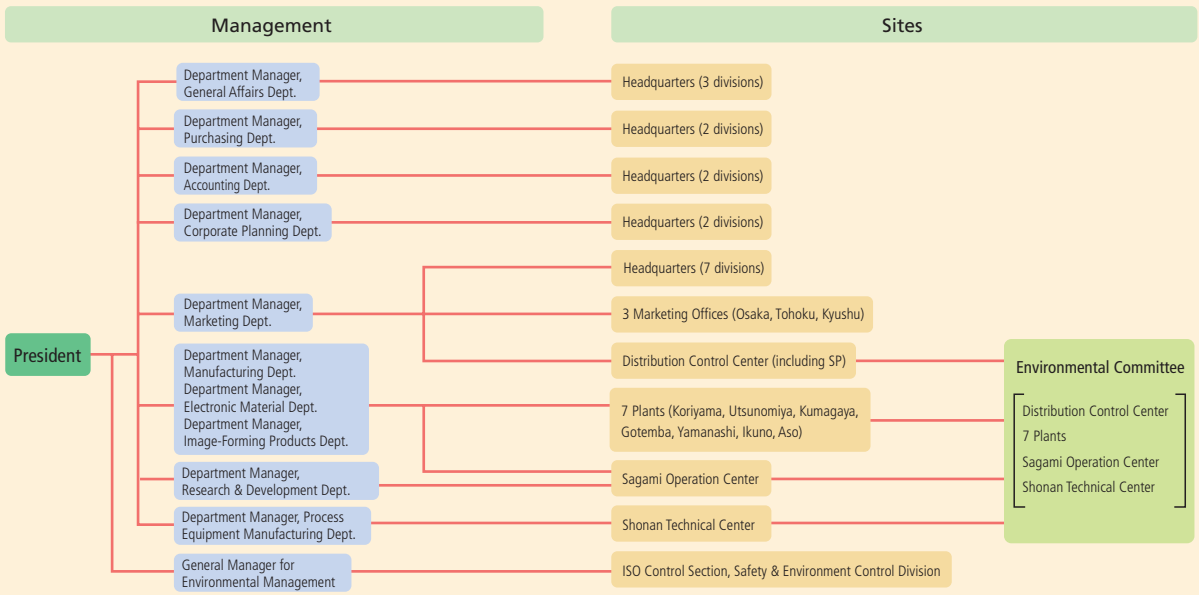
- **Semiconductors: PCs, cell phones, digital cameras, automobiles, others**
- **Flat panel displays: LCD TVs, plasma TVs, PC monitors, cell phones, others**
- **Printing: Beverage cans, cardboard boxes, wrapping paper, others**

Environmental Management System

Environmental protection is one of the highest priorities of TOK. To make environmental programs part of all business activities, each operating department establishes business unit targets that combine environmental management and quality management systems. In addition, we enhance and strengthen CSR activities through a continuous improvement process based on a plan, do, check, act (PDCA) cycle.

Environmental Management Organization

To conduct business activities in line with our environmental policy, we have an organization in which managers of sites and divisions oversee and execute environmental programs under the supervision of department managers. Sites with a particularly large environmental impact have their own environmental committees that submit monthly reports to the department managers. At sites with no environmental committee, division managers are responsible for managing environmental systems and reaching targets. Reports on these activities are sent periodically to the department managers, who then issue the directives required. Through these and other measures we promote environmental conservation at all our work sites.



◆**Responsibilities of Department Managers**
- Set environmental objectives and quality targets.
- Review activities conducted by each department.

◆**Responsibilities of General Manager for Environmental Management**
- Operate and maintain the environmental management system.
- Report activities to the president.

◆**Environmental Committee**
Chairman: Environmental management officer at each site
Members: Section heads and environmental officers
Frequency of meetings: Once a month (convened at the chairman's discretion)
Major activities
- Discuss methods for operating and maintaining the environmental management system at each site as well as the status of its operation.
- Promote information exchange within each site and with other sites.

Method for Conducting Environmental Activities

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

PDCA Cycle

Environmental Risk Management

At every business site, we examine all environmental risks in accordance with items required by the ISO 14001 standard in order to prevent problems and reduce the occurrence of incidents. Furthermore, we rank risks based on their magnitude to create a table identifying significant environmental aspects★. In addition, we identify significant environmental aspects at each operating department and for the entire Company. Targets for improvements are established for some significant Companywide environmental aspects and the necessary actions taken. We manage other major environmental aspects based on a set of standards.

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

Environmental Audits★

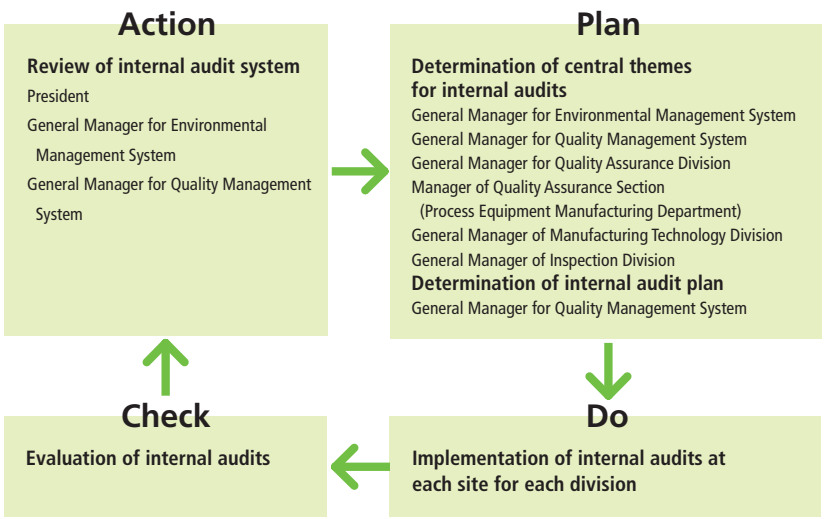
TOK performs internal audits on a regular basis that cover both the environmental and quality management systems. The Company president reviews the annual audit results. Based on these results, we determine central themes and establish an internal audit plan for the following fiscal year.

In fiscal 2006, there were internal audits at 14 business sites between June and September 2006. The Company president immediately reviewed the audit reports and each site made the necessary improvements.

In November 2006, TOK completed an examination by an external organization to renew its ISO 14001 environmental management system certification.

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

Integrated Internal Audit Process



Environmental Awareness and Training

TOK has an environmental education program designed to raise awareness of environmental issues among all employees. The aim is to encourage everyone to help reduce our environmental impact in many ways.

●Training for Environmental Aspect

To make all employees more aware of environmental issues, we held classes to explain the method to specify environmental aspect from August through September 2006. The classes were attended by a total of 1,381 employees.

●Classes for Environmental Policy and Manual

Following the revision of the TOK environmental policy, we held classes in May through June 2006 to explain the new policy and discuss the environmental manual. A total of 1,206 employees attended these classes.

●Training of Certified Internal Auditors

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

●Chemicals Seminar (MSDSs★ training)

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

In fiscal 2006, TOK conducted a training program at distribution bases concerning precautions for handling chemicals in TOK products.

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

Compliance with Laws and Environmental Regulations

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

In fiscal 2006, the monitoring and measurement results revealed two cases of exceeding environmental standard. Necessary actions have been taken to treat these problems.

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

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

Applicable: ○ Not applicable: —
Sagami: Sagami Operation Center; Shonan: Shonan Technical Center

Response to Complaints from Nearby Residents

In fiscal 2006, TOK received one complaint from an individual living near a TOK factory. Immediate action was taken to determine and eliminate the cause of the problem. Furthermore, we met with local residents to provide information concerning the problems and our responses.

Response to Soil Contamination at Sagami Operation Center

TOK is updating wastewater treatment equipment and other facilities at the Sagami Operation Center. At the project's planning stage, a soil survey of the construction site detected levels of certain substances that exceeded environmental standards in some sections of the site. TOK has submitted all required reports to government agencies and held information meetings for nearby residents, because we detected levels of certain substances that exceeded environmental standards in certain sections of the area where we had planned construction in fiscal 2006.

Subsequently, we took proper actions to treat the contaminated soil, including the transportation of the soil to an off-site location.

Environmental Accidents at Ikuno and Aso Plants

In November 2006, there was an accident at the Ikuno Plant that resulted in the release of effluents that exceeded the standards of the Japanese Water Pollution Control Law. The cause was a malfunction of the acid neutralization equipment at the wastewater treatment facility that resulted in the addition of too much neutralizing agent.

In December 2006, an accident at the Aso Plant resulted in an organic solvent release in the plant area. The cause was an inadequate safety inspection following the resumption of effluent treatment after repairs had been made.

We responded quickly and appropriately in both cases. We immediately submitted reports to government agencies, confirmed that there was no environmental impact on nearby areas and took other actions. Following the Aso Plant incident, we made an announcement to the media and held an information meeting for companies near the plant.

We used lessons learned from these accidents to take actions at these plants as well as other plants. Measures to prevent a reoccurrence included reinspecting and improving facilities and enhancing employee training.

Soil pollutant survey (Aso Plant)

Environmental Emergency Response Drills

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

Drills at Sites

Chemical plants tend to use large amounts of solvents. We conduct drills designed to prevent the release of solvents by ensuring a proper response in the event of a leak. In fiscal 2006, TOK conducted drills to practice responses to a chemical leak at manufacturing and distribution facilities.

At production facilities in Japan, TOK has emergency wastewater storage tanks, emergency shutoff valves and other facilities to prevent the release of wastewater in the event that contaminants exceed regulatory levels. In fiscal 2006, the Koriyama Plant installed the emergency shutoff valve to stop the release of effluents from the plant.

Furthermore, as part of our security and disaster prevention activities, drills were conducted at each site to train employees in the initial measures to fight a fire.

Fire drill (Distribution Control Center)

Emergency shutoff valve (Koriyama Plant)

Fire drill (Kumagaya Plant)

Emergency drill (Headquarters)

Topics

Overseas Environmental Programs

CHANG CHUN TOK (CHANGSHU) CO., LTD.

Overseas subsidiaries have many environmental conservation activities, including programs to earn ISO 14001 certification, in order to lower the TOK Group's global environmental impact.

To establish efficient and effective environmental management systems, Chinese subsidiary CHANG CHUN TOK (CHANGSHU) CO., LTD. received ISO 14001 certification in July 2006. Subsidiaries in the United States and Taiwan have already earned this certification. In Italy, subsidiary TOK ITALIA S.p.A. is now preparing to apply for this certification.

Environmental Activities at TOKYO OHKA KOGYO AMERICA, INC.

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

In fiscal 2006, the primary initiatives involved lowering the volume of waste materials. Compared with fiscal 2005, waste generated by production processes was cut by about 11.5%. In addition, employees participated in activities to make the surrounding area more attractive, such as by removing litter in areas near the plant.

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

EHS Annual Report

Results of Activities in Fiscal 2006

The business activities of TOK affect the environment in some ways, such as through the generation of organic solvents and other industrial waste during production processes. This section presents information concerning the results of major environmental conservation activities during fiscal 2006 in order to reduce the environmental impact.

Items	Contents of activities	Results of activities in fiscal 2006	Related information
Environmental Management	Establishment and continuous improvements of environmental management system	July 2006, subsidiary in China, CHANG CHUN TOK (CHANGSHU) CO., LTD. received ISO 14001 certification	P.17~20
Waste	By fiscal 2010, reduce general industrial waste by 10 points compared with fiscal 2005 (unit requirement index)	Reduced the absolute volume of general industrial waste from production processes by 1 point	P.28~30
Waste	By fiscal 2010, reduce specially controlled industrial waste by 10 points compared with fiscal 2005 (unit requirement index)	Increased the absolute volume of specially controlled industrial waste from production processes by 3 points	P.28~30
Chemical Substances	Properly manage chemicals and reduce risks associated with harmful chemical substances	• Screening coverage: 100% • Application of Chemical Management Standards • Application of chemicals and PRTR management system	P.31~32
Energy conservation	• More efficient use of energy • Upgraded management of equipment that uses energy	Established energy conservation committees at seven business sites	P.25
Recycle	Recycling and transformation of waste into items that have value	Used about 5,000 tons of recycled raw materials obtained from waste converted into resources by distillation at recycling companies	P.28~30
Environmental Accidents	Extended perfect record of preventing environmental accidents affecting external parties	• Two environmental accidents occurred at the Ikuno and Aso plants. • TOK conducted 10 environmental accident response drills. • More equipment was installed to deal with environmental accidents.	P.19~20
Environmental Communication	• Extensive disclosure of information • Issued Environmental and Social Report	Published the Environmental and Social Report 2006 in August 2006 and posted the report on the TOK web site: www.tok.co.jp/en/company/csr/report.html	P.34

Environmental Accounting★

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

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

Scope of Environmental Accounting

Production facilities in Japan and distribution center: Sagami Operation Center, Shonan Technical Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Yamanashi Plant, Ikuno Plant, Aso Plant, Distribution Control Center (including SP)

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

Applicable Period

Fiscal 2006 (April 1, 2006 through March 31, 2007)

Reference Guidelines

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

Environmental Conservation Cost (by Business Category)

(Millions of Yen)

Category	Key activity	Investment	Cost
1) Business area cost		143	558
① Pollution prevention cost	Air, water and other pollution prevention equipment and its renewal, operation, maintenance and management	129	197
② Global environmental conservation cost	Actions to conserve energy	14	10
③ Resource circulation cost	Installation of solvent recovery equipment, waste processing	0	352
2) Upstream/downstream cost	Green purchasing, collection of used products	0	14
3) Administration cost	Approach to environmental management system	5	78
4) R&D cost	Research and development of equipment and products for reducing environmental impact	0	4
5) Social activity cost	Clean-up programs around plants	0	3
6) Environmental remediation cost	Soil contamination treatment at Sagami Operation Center and Aso Plant	0	66
Total		148	723

Economic Effect Associated with Environmental Conservation Activities (Actual Effect)

(Millions of Yen)

Description of effects		Amount
Revenue	Generating income by recycling used products during operating processes	10
Expense saving	Reducing waste disposal costs through recycling and saving energy expenses	32
Total		42

Environmental Conservation Cost

Fiscal 2006 expenses for environmental conservation totaled ¥723 million, which was about ¥44 million less than in fiscal 2005.

The administration cost component of these expenses was the same as in fiscal 2005 as we completed the establishment of environmental management systems at all business sites.

Fiscal 2006 expenses associated with actions concerning soil contamination at the Sagami Operation Center and the organic solvent release at the Aso Plant were included in environmental remediation cost.

Environmental Conservation Investment

TOK upgraded waste water treatment facilities at the Sagami Operation Center and the Kumagaya Plant. We also installed equipment at the Koriyama Plant to prevent the release of effluents in the event of an accident.

Economic Effect

The reduction in waste disposal expenses resulting from environmental activities.

Calculation Method

Environmental conservation cost:

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

Economic benefit associated with environmental conservation measures

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

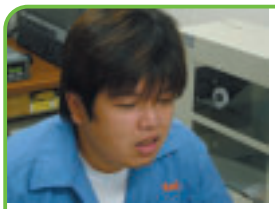
Our Thoughts on CSR

TOK is dedicated to complying with laws and regulations as well as customer demands by managing chemicals in an environmentally responsible manner. Lowering the environmental impact of raw materials used in our products is essential to achieving this goal. All suppliers receive a copy of the TOK Chemical Management Standards. Furthermore, we ask suppliers to submit four items: a certificate stating that no prohibited substances are used; legally required information; reports on the content of all raw materials; and Material Safety Data Sheets (MSDSs). This system clearly defines the substances that must be monitored. We can prevent the inclusion of prohibited substances in raw materials used to make our products, as well as the use of these substances during manufacturing processes. Furthermore, we ask suppliers to conduct rigorous internal programs to manage chemicals to help make TOK products more environment friendly. Our environmental commitment extends to other materials, too. Procurement activities always seek items with a low environmental impact and ease of recycling.

Satoru Imamura
Purchasing Section
Material Purchasing Div.
Purchasing Department

For many years, a spinning process was used to coat LCD glass substrates with photoresist. With 5th generation glass substrates, manufacturers started using TOK's Spinless® coating technology. This technique makes it possible to use photoresist with more than 90% greater efficiency. Since then, the size of glass substrates used for LCD panels has increased rapidly. Today, manufacturers use Spinless® to coat 8th-generation substrates, which measure more than 2 meters on each side. We are also working on techniques for using solvents even more efficiently, and reducing the amount of effluents, as the size of substrates grows.

Shinji Takase
Process Equipment Development Div.
Process Equipment Manufacturing Department



Mitsuru Harada
Distribution Section 1
Distribution Control Center
Marketing Department

TOK's Distribution Control Center has two roles. First is managing inventories of products made by TOK and purchased from other suppliers. Second is managing the fleet of delivery vehicles. Japan has imposed tight restrictions on emissions of diesel-powered vehicles in the Tokyo area. As one way to cut harmful emissions from diesel engines to the absolute minimum, we are involved in a "modal shift" campaign. The goal is to shift freight from trucks to other modes of transportation wherever possible. We plan to continue working on this campaign while ensuring that we supply customers with products on schedule.

Manufacturers of finished products must meet increasingly strict requirements concerning environmental standards and programs. To assist, TOK sales personnel ascertain clients' environmental needs and distribute this information to various TOK departments. Recycling is one illustration. Stripping agents and thinner are already widely recycled. But TOK's sales team is now serving as a pipeline for information exchanges with customers to explore ways to meet new demands for the recycling of chemicals.

Mitsuteru Kon
Marketing Section
LCD Material Marketing Div.
Marketing Department

The Aso Plant has made enormous progress in recycling since fiscal 2000, when this facility was recovering none of its solvents. Realizing that recycling was vital to lowering the plant's environmental impact, TOK began studying ways to recover solvents at Aso. Effluents contained many types of solvents, making it difficult for distilling companies to recover solvents with a high purity. After improving production processes and upgrading the separation of solvents at the plant, we succeeded in establishing a system for the efficient recovery of solvents. In fiscal 2006, the Aso Plant achieved a 60% solvent recovery rate, making a big contribution to lowering its environmental impact.

Kenji Yamauchi
Inspection Section
Aso Plant
Manufacturing Department

Shinji Endo
Manufacturing Section 1
Koriyama Plant
Manufacturing Department

The Manufacturing Section 1 at the Koriyama Plant conducted a fiscal 2006 environmental campaign with four goals: education and training to eliminate environmental accidents; transforming production process oil effluents into materials that have value; the internal treatment of water-soluble effluents; and the proper management of electricity use. Thanks to a variety of initiatives, we reached all of our goals. To treat water-soluble effluents, we use an activated sludge process that cut effluents from Manufacturing Section 1 by 23% compared with fiscal 2005. We plan to continue working with other departments to come up with many more ways to make our activities more environmentally responsible.

Each year, TOK's Public Relations Division publishes an Environmental and Social Report in cooperation with the Safety & Environment Control Division and other departments and business sites. Reports help raise awareness of these issues among employees. Additionally, this publication explains TOK's environmental and CSR programs to stakeholders. We will continue to make improvements in this report to supply information that is even more useful and easier to understand.

Taiju Miyachi
Public Relations Div.
General Affairs Department

At TOK's headquarters, reusing waste materials as resources and items of value is the primary means of helping lower the environmental impact. For example, discarded desks, chairs and other office equipment are sold to recycling company. Sensitive and important documents that are no longer needed go to a recycling company that transforms the paper into a raw material for toilet tissue. By reusing and recycling waste materials, we plan to further reduce the environmental impact of headquarters activities.

Hirokazu Ogawa
General Affairs Section
General Affairs Div.
General Affairs Department

Environmental Performance★

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

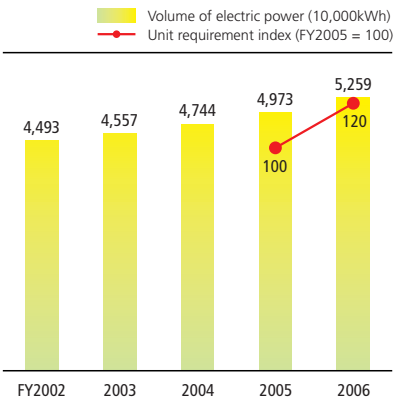
★Environmental performance: Environmental performance evaluation is a method of evaluating, in qualitative and quantitative terms, environmental activities and results achieved by an organization in accordance with its environmental policy, objectives and goals.

Reduction in the Input of Energy Resources

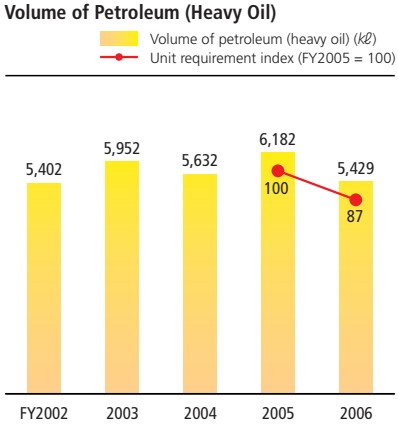
TOK is lowering its energy requirements in numerous ways. Among major initiatives are improvements to manufacturing processes, steps to boost employee productivity and the promotion of efficient equipment, including the use of exterior coatings with thermal insulation properties on buildings. In fiscal 2006, reduced operation of the electric power generation system of the Koriyama Plant's cogeneration unit resulted in a large drop in petroleum (heavy oil) consumption and an increase in purchased electricity. On a unit requirement index basis, which takes into account the production volume, this plant's petroleum (heavy oil) consumption was 13 points below fiscal 2005 but electricity use was 20 points higher.

Consumption of Energy Resources

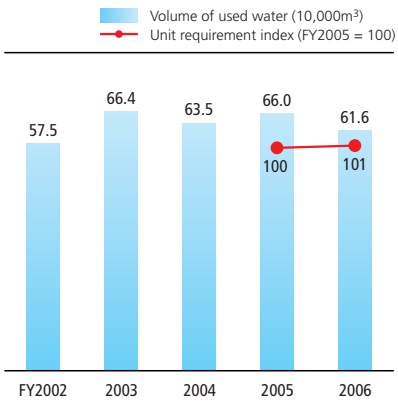
Volume of Electric Power



Volume of Petroleum (Heavy Oil)



Volume of Used Water



Note: In the Environmental and Social Report 2006, the figure for the volume of used water in fiscal 2005 is incorrect. The correct figure is shown in this year's report. Fiscal 2005 volume is 660,000m³ rather than 659,000m³.

Topics

Candle Night (Aso Plant)

Candle Night

In fiscal 2004, the Aso Plant began holding an event called Candle Night on the summer and winter solstices. On these two evenings, plant workers light their homes for two hours using solely candles in order to raise environmental awareness of energy conservation. A large number of employees participated in the event in fiscal 2006.

Comments from Candle Night participants

- This was my first Candle Night. It gave me a better chance to talk with my family, so I had a good time. I want to participate in this event next year, too. (Male, age 10-19)
- Candle Night was fun. Everyone needs to start working on protecting the environment now before it's too late. (Male, age 50-59)
- I had a chance to take a step away from modern-day living and slow down. Candlelight is very soft and relaxing. (Female, age 50-59)

Measures to Reduce the Manufacturing Environmental Impact

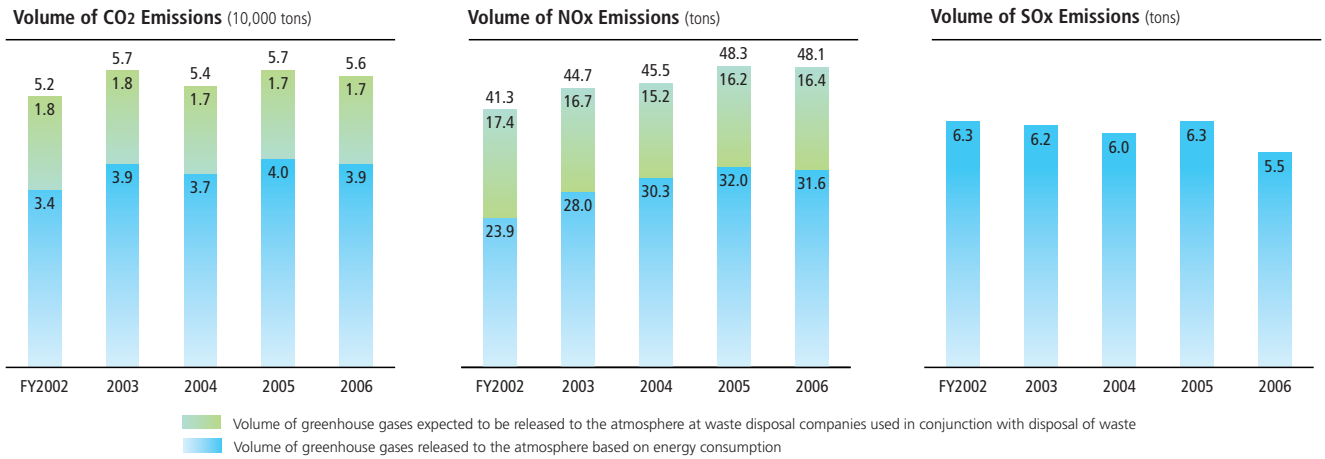
Reduction of Air Pollution

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

Although petroleum (heavy oil) consumption declined in fiscal 2006, total energy consumption associated with business activities was about the same as in fiscal 2005. As a result, emissions of CO_2 and NOx★ were largely unchanged. But SOx★ emissions decreased along with the decline in petroleum (heavy oil) use.

★Greenhouse gas: Gas in the atmosphere that allows sunlight to pass through but absorbs infrared rays emitted from the ground and sea. These gases are believed to cause global warming.
★Nitrogen oxides (NOx): Nitrogen oxide (NO) and nitrogen dioxide (NO_2) and other nitrogen-containing gases that are produced mainly from the combustion of fuels. These are the causative substances of photochemical oxidants and acid rain.
★Sulfur oxides (SOx): Produced from the combustion of fuels containing sulfur. These are the causative substances of acid rain.

Emission Volume of Air Pollution



Note: 1. In the Environmental and Social Report 2006, the figure for the volume of CO_2 emissions in fiscal 2005 is incorrect. The correct figure is shown in this year's report. Fiscal 2005 volume is 17,000 tons rather than 18,000 tons.
Note: 2. In the Environmental and Social Report 2006, the figure for the volume of NOx emissions in fiscal 2005 is incorrect. The correct figure is shown in this year's report. Fiscal 2005 volume is 16.2 tons rather than 16.4 tons.

Adoption of Cogeneration Systems★

Three boilers for cogeneration systems have been installed at the Koriyama Plant. The boilers collect and reuse heat remaining after the generation of electric power. By investing in environmental facilities such as this, we are working on improving our energy efficiency relative to CO_2 emissions.

Cogeneration systems
(Koriyama Plant)

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

Measures to Reduce SOx Emissions

New boiler fuels are being used when plants are updated and old boilers replaced. We are switching to natural gas, low-sulfur heavy oil and other fuels that generate a small amount of SOx, which is one cause of global warming and air pollution. In April 2007, all boilers at the Utsunomiya Plant were switched to natural gas.

Measures Involving Ozone-Depleting Substances

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

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

Emissions to Water

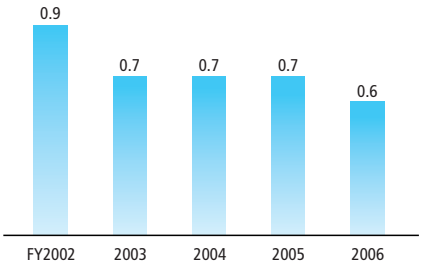
Effluents from plants undergo an activated sludge treatment process before they are discharged to public waters.

Wastewater treatment facilities (Koriyama Plant)

In fiscal 2006, TOK took many actions to maintain and manage wastewater treatment facilities. We also made frequent improvements to manufacturing processes. Due to these activities, we estimate that we achieved a reduction of about 0.1 ton compared with fiscal 2005 in BOD★ emissions in the effluents discharged from our facilities.

We will continue to review production processes to achieve further reductions in discharges of BOD.

Volume of BOD Emissions (tons)



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

Environmental Measures during Distribution

Japan's Amended Energy Conservation Law

Provisions of amendments to the Law concerning the Rational Use of Energy became effective in April 2006. They include new energy conservation measures concerning the transportation of cargo. In response, TOK has established a system for monitoring the volume of cargo transportation and other items.

Environmentally Responsible Logistics

The total amount of cargo transported during fiscal 2006 was 26 million ton-kilometers. We estimate that these transportation activities, including vehicles at logistics service providers used exclusively for delivering TOK products, generated 7,600 tons of CO_2 emissions.

In fiscal 2006, we reviewed how our products are transported between our production bases and other stock points and customers with the aim of raising efficiency. This process included a modal shift★ to railroads from trucks to cut CO_2 emissions. CO_2 emissions for products transported in Japan are calculated as follows.

Ton-kilometer = Weight of products (tons) x One-way distance (km)
CO_2 emissions = Number of vehicles x (Round-trip distance / Fuel consumption) x 2.64 (kg·CO_2 / ℓ)

Environmental Considerations at Logistics Bases

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

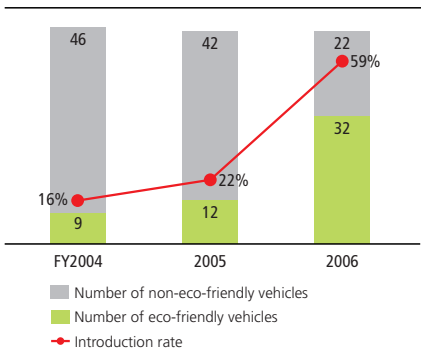
In addition, we are increasing the use of low pollution trucks in response to laws and regulations concerning NOx and particulate matter★, diesel engines and other items concerning the transportation of cargo by truck.

Battery-powered forklift truck

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

TOK owns a fleet of 54 motor vehicles (including by lease). As of March 31, 2007, 59% of these vehicles used hybrid engines and other means to reduce emissions and protect the environment.

Introduction Rate of Eco-Friendly Vehicles



★Modal shift: To reduce environmental impacts, cargo transportation is being shifted from trucks and other motor vehicles to trains and ships, which produce lower CO_2 emissions per cargo unit.

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

Provision of Environmental and Safety Information for Product Transportation

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

Emergency contact card (yellow card)

Measures to Achieve Zero Emissions★

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

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

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

Reduce★

TOK manufacturing bases are taking many actions to reduce energy consumption and the generation of waste materials associated with production processes. There are many initiatives aimed at reducing the volume of waste materials. Major programs include installing wastewater treatment facilities to process effluents internally; sorting waste materials to transform materials into items of value; and lowering the generation of waste materials by improving production processes.

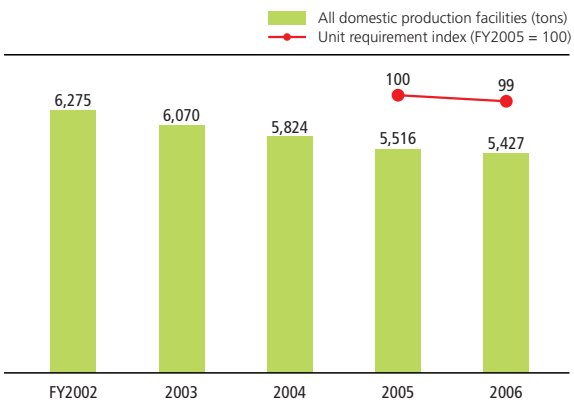
In fiscal 2006, the volume of both general and specially controlled waste materials at all TOK production facilities in Japan was about the same as in fiscal 2005.

In terms of the unit requirement index for waste materials generated, which reflects production volume, there was a reduction of 1 point for general industrial waste and an increase of 3 points for specially controlled industrial waste compared with fiscal 2005.

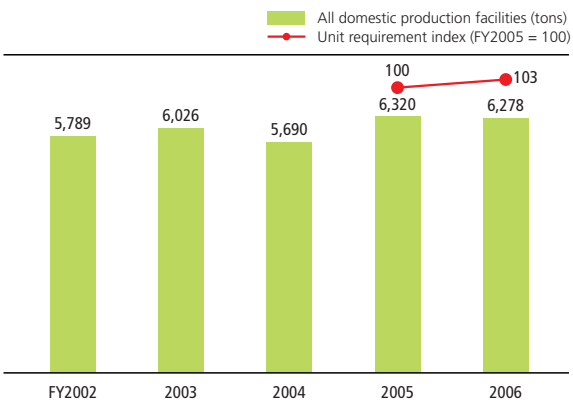
★Reduce: This refers to reducing the volume of waste material generated.
Reduction involves minimizing the volume of materials in products in order to minimize the volume of materials that is eventually discarded.

Volume of Industrial Waste

Volume of General Industrial Waste



Volume of Specially Controlled Industrial Waste

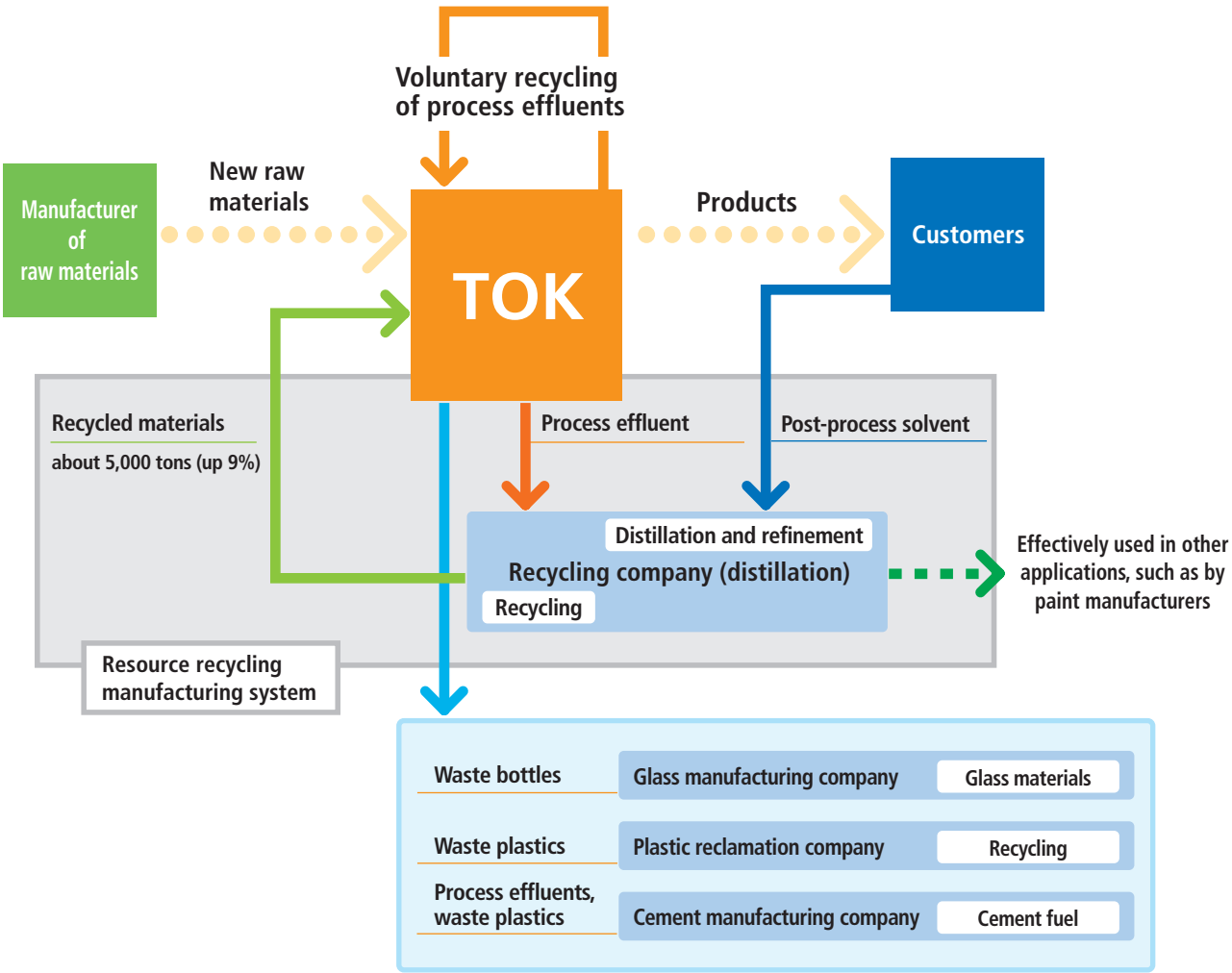


Notes:
1. In the Environmental and Social Report 2006, the figure for the volume of general industrial waste (domestic production facilities) in fiscal 2005 is incorrect. The correct figure is shown in this year's report. Fiscal 2005 volume is 5,516 tons rather than 5,390 tons.
2: The Environmental and Social Report 2006 erroneously reported that the six plants that received ISO 14001 certification accounted for 4,017 tons of fiscal 2005 general industrial waste and had a unit requirement index of 74. The correct figures are 3,955 tons and 73, respectively.
3. In the Environmental and Social Report 2006, the figure for the volume of specially controlled industrial waste emissions (domestic production facilities) in fiscal 2005 are incorrect. The correct figure is shown in this year's report. Fiscal 2005 volume is 6,320 tons rather than 6,297 tons.

●Recycle★

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

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



Note: All figures are results for fiscal 2006 (the figure in parentheses show fiscal 2005 comparisons).

●Final Disposal of Waste Materials

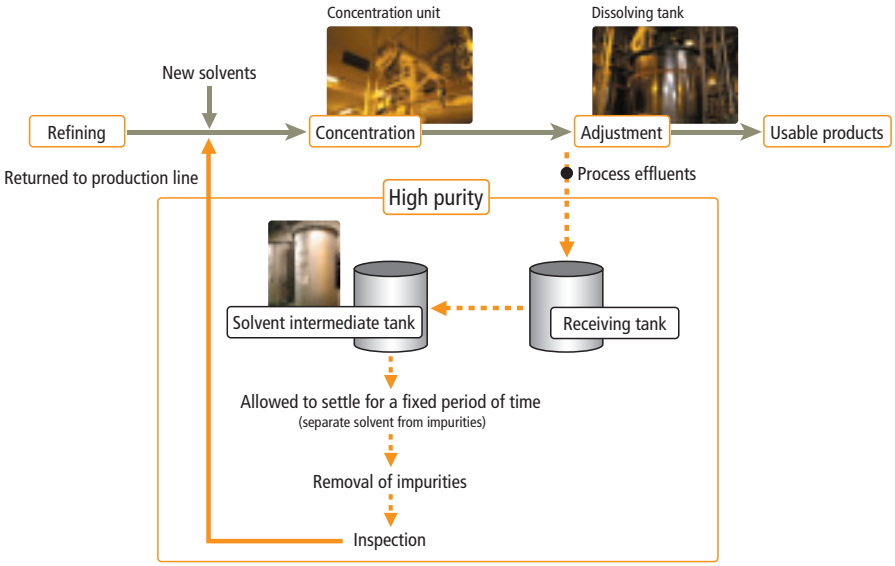
TOK production facilities are conducting programs to reduce the volume of waste sent to landfills and other final disposal sites. Specific categories of waste materials are collected separately to facilitate recycling. We also conduct a 3R campaign, review methods for disposing of these materials and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

TOK production facilities are conducting programs to reduce the volume of waste sent to landfills and other final disposal sites. Specific categories of waste materials are collected separately to facilitate recycling. We also conduct a 3R campaign, review methods for disposing of these materials and take other steps to cut the volume of waste materials. On the strength of these efforts, we succeeded in completely eliminating waste materials sent for final disposal in fiscal 2004. The zero disposal rate was maintained through 2006.

Progress in the collection of waste materials by category

Recycling of Used Products and Effluents from Production Processes

We recover organic solvents (process effluents) used during manufacturing processes and perform on-site refinement so these chemicals can be reused for the same processes. These and other activities allow us to reduce the volume of industrial waste materials. When materials cannot be reused at a plant, we send them to recycling companies, where they undergo distillation and other processes for recovery and eventual reuse.



In fiscal 2006, the Aso Plant succeeded in raising the efficiency of its recycling system for post-process solvents and process effluents. This system separates solvents by category so they can be recovered by distillation at recycling companies for reuse as raw materials. The Koriyama and Ikuno Plants have also started recovering solvents. As a result, we used about 5,000 tons of raw materials obtained from recycled resources during fiscal 2006, 9% more than in fiscal 2005.

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

Reuse★

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

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

Tanker truck

1-ton returnable container

18-liter returnable containers

Managing Chemical Substances

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

Proper Management of PRTR★ Chemicals

Under the Japanese Pollutant Release and Transfer Register (PRTR) Law, companies are required to manage emissions and transfers of certain chemicals and to submit reports. Of the 354 Class I Designated Chemical Substances by the PRTR Law, TOK handled 47 in fiscal 2006. This is one less than in fiscal 2005. TOK handled 6,100 tons of chemicals and released 42 tons of chemicals into the atmosphere and public water in fiscal 2006. There was no soil contamination because TOK does not have waste material landfills at its production sites.

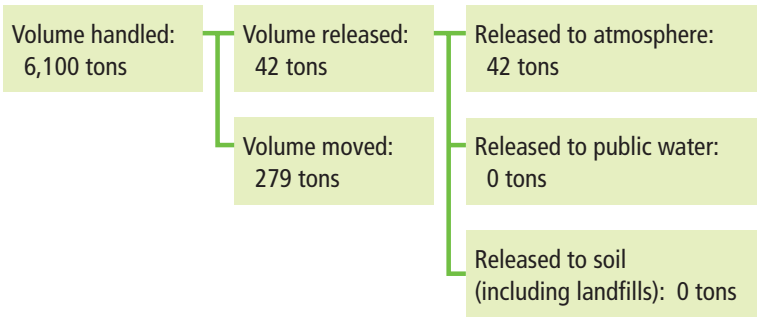
In fiscal 2004, TOK restructured its chemicals and PRTR management systems in order to manage chemicals as well as calculate the movement of PRTR chemicals.

Note: The data section of this report provides a List of Substances Covered by the PRTR Law (see page 55).

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

Chemicals and PRTR management systems

Movement of PRTR Chemicals (Fiscal 2006)



Management of Chemicals when Procuring Raw Materials

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

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

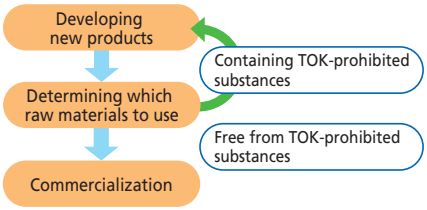
We are dedicated to complying with laws and regulations as well as to meeting customers' requests concerning reductions in the use of environmentally harmful substances. Accomplishing these goals requires that we manufacture products using environmentally benign raw materials. We have identified prohibited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

Chemical Management Standards

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

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

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



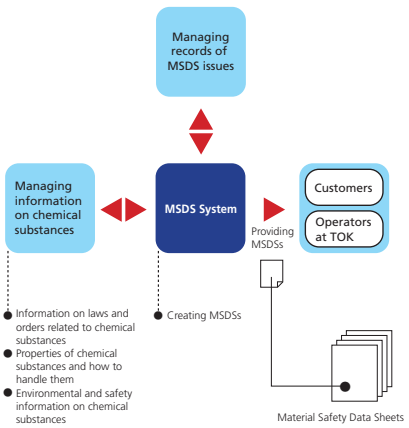
Providing Environmental and Safety Information on Products

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

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

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

MSDSs System



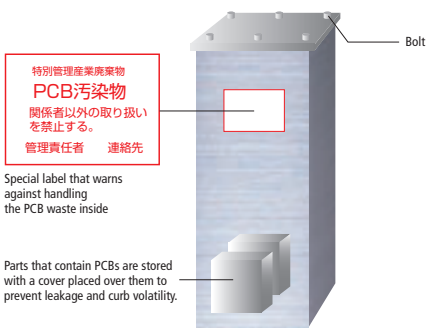
Management of PCB★ and Waste Materials Incorporating PCB

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

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

In fiscal 2006, we inspected electrical substation facilities at all business sites in Japan. This process revealed that the Sagami Operation Center, the Shonan Technical Center, the Utsunomiya Plant and the Yamanashi Plant are using some transformers that have insulating oil containing minute amounts of PCB. We are closely managing their use. In addition, the proper notices have been submitted according to the Electricity Utilities Industry Law.

Dedicated Stainless Steel Storage Container (Sagami Operation Center)



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

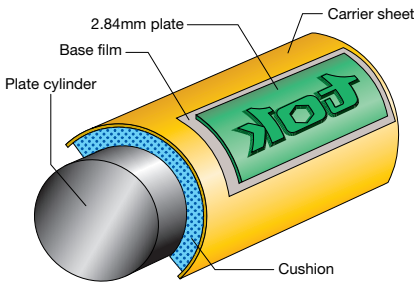
Developing Environment-Friendly Products

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

ECOFIT®

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

ECOFIT®



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

Spinless®

The TR130000 S Spinless® coating machine for 8th-generation glass substrates

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

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

TOK began deliveries to customers of a Spinless® product (TR130000 S) in fiscal 2006 made for 8th-generation LCD glass substrates, the latest generation of these substrates.

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

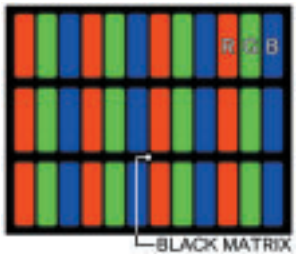
Black Resist

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

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

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

Structure of a Color Filter



Topics

TOK Materials Raise Solar Cell Efficiency

Noriaki Taneichi
Marketing Development section, Marketing Dept.

As an efficient means of tapping the energy of the sun, solar cells are gaining increasing attention as a means of helping to slow global warming. Unfortunately, the manufacture of these cells requires an enormous amount of electricity.

This is creating much debate about the energy payback ratio (EPR), a comparison of the electricity needed to make solar cells and the electricity they produce. Developing technologies to improve this ratio is a major goal of solar cell R&D programs.

We focused on a coating-type impurity dispersion agent that our customers have been using for about 20 years. Altering this agent for use in making solar cells raised electric power generation efficiency. This new technology has earned us the appreciation of many customers.

We continue to work on developing new products that can lower the cost of solar cells while boosting their power generating efficiency.

Environmental Communications

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

Publishing the Environmental and Social Report

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

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

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

In addition, we use the "Eco Hot Line" of Infoword, Inc. to distribute our Environmental and Social Report to libraries, universities and other academic institutions throughout Japan. Please use the following address to request a printed copy of the TOK Environmental and Social Report.

http://www.ecohotline.com/
(Japanese only)

Reports TOK has published

Web Site Environmental Page

Our web site provides a broad range of information concerning environmental and social activities. Visitors can view our Environmental and Social Report as well as information about our environmentally responsible products, recycling programs, the proper management of chemicals, energy conservation and many other subjects concerning environmental and community activities.

http://www.tok.co.jp/en/
company/csr/index.html

What Are TOK's Risks Involving Obligations to Society?

Employees	Deterioration in employee morale and motivation / the workplace environment and employee safety	Related Information **P.36〜40**
Quality Management	Supply of inferior products in terms of quality and performance	Related Information **P.41**
Shareholders and Investors	Worsening financial performance / loss of public trust/ inadequate communication activities	Related Information **P.42**
Community	Damage to surrounding area through noise, pollution and other means / business activities that benefit only the Company	Related Information **P.43〜44**

Relationship with Employees

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

Basic Policy of Human Resources

Since our foundation, we have conducted operations in line with the basic policy that human resources are our most valuable asset.

- Never forget that business always starts with "people."
- Any discrimination within the Company and among employees is strictly prohibited.
- Full compliance with applicable laws and regulations, as well as fair and equal compensation
- Educate personnel and promote creativity to become a company that develops innovative technologies
- Personnel systems based upon performance, emphasizing and ensuring transparency

Personnel Training and Development Measures

Personnel System

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

Rank System

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

Remuneration System

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

Evaluation System

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

"Job Challenge" System

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

1. Free Agent System

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

2. Career Challenge System

This system allows employees to apply for work at a particular location. The request is then referred to the employee's current division and desired division and a decision is taken based on the individual's character, skills and other factors. In principle, employees must return to their original division within five years. This system enables employees to explore their personal growth direction and role within the Company from a medium- and long-term

perspective. It allows individuals to gain experience in more fields of expertise and develop skills by performing various tasks, and it also encourages them to become more motivated to reach career goals.

Self-Reporting System

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

Comment from an employee who used the Career Challenge System

Kazumi Tajiri
Inspection Section, Inspection Div.
Mr. Tajiri was temporarily relocated from the Aso Plant to the Sagami Operation Center under the TOK CC System.

I have been involved in performing tests and inspections at the Aso Plant since I joined TOK. But after 16 years, I wanted to spend some time at a different TOK business site. I also thought the Career Challenge (CC) System would be a good way to improve my skills. The program sent me to the Sagami Operation Center, where TOK develops its most advanced products and uses many analysis techniques. No other plant provides the opportunity to see these activities. My goal is to acquire many skills and techniques that I can share with my coworkers at the Aso Plant.

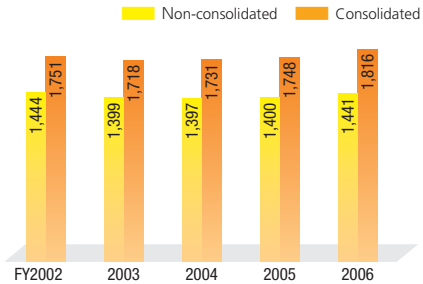
Basic Policy of Human Resources

Non-consolidated Employee Information (As of March 31, 2007)

	Number of employees	Average age	Average service years
Male	1,178	38.1	14.8
Female	129	30.1	8.4
Total or average	1,307	37.3	14.2

Note: Number of employees does not include 84 seconded and 134 contract workers.

Number of Employees (As of fiscal year-end)



Note: Number of employees on a non-consolidated basis excludes seconded workers.

Recruitment of University Graduates

	FY 01	02	04	05	06
Humanities course					
Male	4	2	1	2	1
Female	1	0	1	0	0
Science course					
Male	19	32	18	19	27
Female	2	3	2	4	8

Notes: 1.Including graduate school students.
2.TOK recruited no university graduates in fiscal 2003.

Employment of Disabled Persons

Handicapped persons represented 1.4% of our total work force as of March 31, 2006 (legal minimum is 1.8%). TOK is committed to achieving the legal minimum rate.

Rehiring System

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

As of the end of March 2007, 10 individuals had been rehired under this program, reaching 67 individuals in total.

Labor Relations

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

Relations with the Company's labor union have always been cordial from the beginning, as the union is grounded in the concept of "Labor-Management Cooperation." Labor and management meet once every two months and exchange opinions on a variety of issues, from the operating environment to labor-management relations.

In Pursuit of Pleasant and Enriching Lives

Masaki Nakahira
Chairman of Tokyo Ohka Kogyo Labor Union

The Tokyo Ohka Kogyo Labor Union establishes an annual activity plan at each annual meeting. The plan for the current fiscal year has a number of elements.

One priority of this year's plan is measures to enhance workplace safety and hygiene. The objective is to eliminate workplace accidents throughout the Company with advice from the labor union from the perspective of putting safety first. Another goal is creating better programs for enabling workers to take time off due to a serious injury or illness. The labor union is also taking steps to reduce extended working hours, which can cause health problems. For workers who have been away from their jobs for a long time, we have an improved Break-in Working System. This gives these employees the option of choosing a reduced work schedule for a better transition to full-time work.

For working conditions, we are proposing a number of ways to improve personnel systems. We want to work with management to establish better evaluation and remuneration systems. These systems will help preserve and enhance employees' motivation.

Working rules are another goal. We are working hard on creating rules that reflect the increasingly diverse ways in which people are employed, such as by using split shifts and flex-time.

Regarding employee benefits, we are studying the proper role of these benefits in relation to the needs of workers throughout their lives. For example, the labor union is working on a number of mutual aid systems, such as extended breaks for employees to recover from an injury or illness. Our goals also include improvements to benefits involving dormitories, Company housing and subsidies for private housing.

Labor union activities target community programs, too. The Love One Yen Donation Campaign is a prime example. Conducted with other labor unions, this campaign collects donations by placing donation boxes at workplaces. The funds are used for donations of tables, chairs, large televisions, wheelchairs and other items to child-care facilities, homes for the elderly and other facilities in nearby communities.

Thanks to the support of employees at all participating workplaces, this program has been providing funds for worthy causes for several decades.

Support for non-profit and non-governmental organizations is another aspect of our activities. Labor unions join forces to conduct the Small Treasures Campaign. This involves collecting unneeded stamps, postcards, compact discs and other items of value from the public.

The "Fundamentals of Activities" of the Tokyo Ohka Kogyo Labor Union includes the desire to help build a more free and peaceful society by increasing the value of labor to society.

We will continue to base our activities on cooperation between management and labor. With this cooperation, we are determined to contribute to society by interacting with communities and supporting community programs.

The Love One Yen Donation Campaign

Realizing Ideal Working Conditions

Time-Off System for Child-Raising

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

As of the end of March 2007, a total of 48 employees were using the time-off system and 24 employees were using the reduced-time system.

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

Time-Off System to Care for a Family Member

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

As of the end of March 2007, a total of 7 employees were using the time-off system.

Comment from an employee who took time off for child-raising

Noriko Takekoma
Plant Administration Section, Koriyama Plant

After my first child was born in October 2005, I was away from my job for about one year.

This allowed me to take care of my little girl for one year while keeping my job at TOK. Thanks to this system, I experienced the thrill of seeing my baby take her first steps. I'm very thankful to TOK for giving me this precious time to spend with my child.

Once I went back to work, it was difficult at first. But I could meet my responsibilities at work and at home because of TOK's programs designed to support women who have children to care for.

I'm going to work hard to show my appreciation to my supervisor and coworkers for having the opportunity to take this time off. Of course, I'll work hard at being a good mother, too.

Recovery Holiday System

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

Break-in Working System

On April 1, 2005, TOK introduced the Break-in Working System to assist employees to return comfortably to work after an absence of one month or longer due to illness or injury. The break-in period is limited to one month upon an employee's return and allows the employee a shorter working day during this period.

Charitable Activity Holiday System

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

Time-Off System for Bone Marrow Donors

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

Suggestion System

TOK's suggestion system offers prizes to encourage employees to submit ideas for improving productivity. Suggestions can include ways to make office work more efficient, improve the performance and quality of products, cut costs and make other improvements. We want employees to make a habit of coming up with ideas in order to make workplaces sources of innovative thinking.

●Employee Survey

TOK conducted a fiscal 2006 employee survey to determine employees' thoughts concerning the corporate culture, management, remuneration and evaluation systems and other aspects of their jobs. We will use the information to formulate personnel strategies. Another objective of the survey was to make employees more aware of the need to help make improvements at TOK.

Occupational Safety and Health

●Mental Health Care

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

Since no personal information is passed on to the Company, employees can use this service to discuss family matters and any other problem with complete confidence. Sites distribute materials concerning mental health to educate employees about this subject.

●Prevention of Sexual Harassment

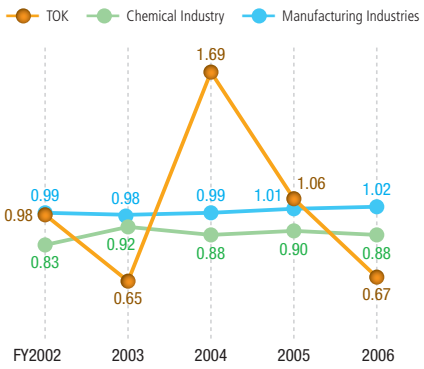
A number of measures are taken to prevent sexual harassment and deal with problems. All employees receive a sexual harassment prevention handbook and we have established a detailed set of rules concerning sexual harassment. These rules specify the division responsible for this subject as well as procedures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

●Prevention of Workplace Accidents

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

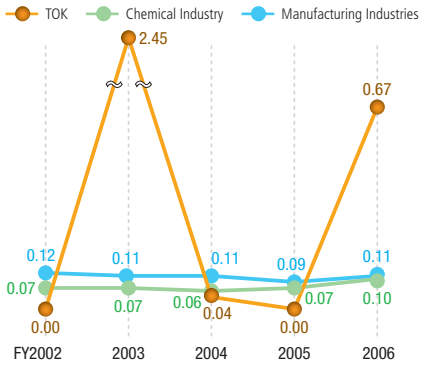
Unfortunately, there were two lost-time incidents in fiscal 2006. TOK will continue to make concerted efforts to prevent workplace accidents, with the goal of bringing down to zero not just actual accidents but also the risk of accidents.

Labor Accident Frequency Rate



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

Labor Accident Severity Rate



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

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

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

Topics

In-House Fire Fighting

In-House Fire Service
at Sagami Operation Center

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

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

Relationship with Customers

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

Communication with Customers

TOK regularly conducts customer opinion surveys to get an objective evaluation of its services. The results are fed back not only to the sales representatives but also to all concerned divisions. This information is used to develop concrete reform measures and responses that contribute to improved customer satisfaction.

Quality Management Program

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

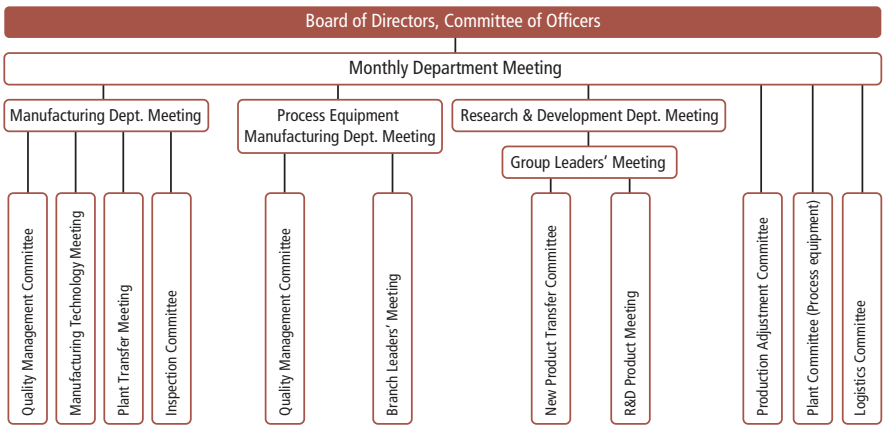
In fiscal 2006, we introduced the Manufacturing Execution System (MES)★ at the Koriyama Plant, our state-of-the-art photoresist manufacturing facility. The introduction of a database system integrating process control, inventory control and quality control data will enhance efficiency and enable us to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

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

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

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

System of Meetings for Quality Management



Topics Tokyo Ohka Seminars

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

Approximately 240 people attended the fiscal 2006 seminar, the 27th in the series. We also held seminars in Singapore (TOK Seminar in Singapore) and Shanghai (TOK Seminar in Shanghai).

Relationship with Shareholders and Investors

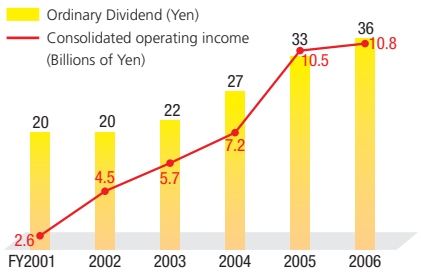
Proving worthy of the trust of our investors and measuring up to their expectations are important management issues. We will work toward these goals by maximizing our corporate value through sustained growth and sharing profit with our stockholders. Another priority is a timely and suitable information disclosure program for investors in order to maintain the transparency of business activities.

Distribution of Earnings to Shareholders

Distributing earnings to shareholders is one of TOK's highest management priorities. TOK is committed to paying a dividend based on the current dividend as well as TOK's financial position, operating results and other applicable items from a long-term perspective. We also take into consideration the need to maintain adequate retained earnings, which are vital to becoming more competitive and increasing earnings. Based on these factors, the Company's fundamental policy is to consistently pay a dividend that is at least 20% of consolidated earnings.

The annual ordinary dividend applicable to fiscal 2006 was ¥36 per share. This was ¥3 per share more than the fiscal 2005 ordinary dividend because TOK converted a ¥3 per share commemorative dividend in fiscal 2005 into an ordinary dividend.

Growth in Annual Dividend per Share



IR★ Activities

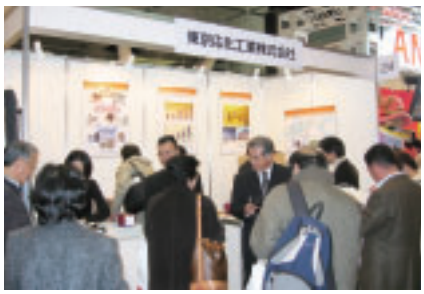
Financial results briefing

Facility visit

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

●Meetings and Other Events for Investors

TOK holds information meetings for earnings announcements as well as tours of facilities and other events for institutional investors and securities analysts. We also welcome visits from investors and analysts at any time. We provide streaming video of the biannual financial results briefing on our web site to make this information available to individual investors. In fiscal 2006, TOK participated in the Nomura Asset Management Fair, an event for individual investors, to give these individuals an opportunity to gain a better understanding of the Company's operations.



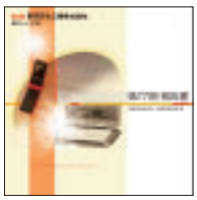
Nomura Asset Management Fair

●Preparation of Easily Understood Communication Materials

We prepare a business report (in Japanese) and an annual report (in Japanese and English) to provide shareholders and other investors with information on our activities. In addition, a broad range of information is available on our web site. All these means of communication are written and arranged to make them easy to understand.

http://www.tok.co.jp/en/ir/index.html

Annual report



Business report

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

Relationship with the Community

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

Major Volunteer Activities

Employees at every TOK production facilities in Japan periodically clean up surrounding areas, an activity that makes them more aware of the need to protect the environment. At the Aso Plant, for example, employees work closely with local residents in community activities, including a clean-up program to help preserve *miyama-kirishima*, a protected flowering plant that thrives in the outer rim of the Mt. Aso crater. At the Sagami Operation Center, employees help clean the banks of the nearby Sagami River and participate in patrols to stop illegal dumping of waste. Employees at the center also participate in the community's beautification campaigns.

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

Aso Plant

Distribution Control Center

Oregon Plant

Sagami Operation Center

Factory Study Tours (Yamanashi Plant)

In fiscal 2006, the Company invited students from a junior high school near the Yamanashi Plant. The study tours provide students with practical information on products and equipment that supplements their textbook studies.

Factory study tour at the Yamanashi Plant

Dragonfly Pond Living Nature Observation Tour (Gotemba Plant)

In August 2006, children and their parents were invited to participate in a Living Nature Observation Tour at the Dragonfly Pond, a biotope★on the grounds of the Gotemba Plant.

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

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

Parents and children observing living nature at the Gotemba Plant

Noryosai (Sagami Operation Center, Shonan Technical Center)

TOK held its 21st annual *Noryosai* (summer festival) at the dormitory and Company housing complex adjacent to the Shonan Technical Center in August 2006. Many local residents, employees of business partners and others attended the event. TOK employees sold food and other items at booths and held a traditional *obon* dance. As in 2005, the festival featured a huge Japanese *taiko* drum along with other events for visitors of all ages.

Taiko drum performance at *Noryosai*

Tokyo Ohka Foundation for the Promotion of Science and Technology

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

In fiscal 2006, the foundation distributed ¥21 million in grants to 25 projects. Up to June 2007, the foundation has awarded grants totaling ¥334 million to 441 projects.

●Grants for Research Projects

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

●Grants for International Exchange

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

●Support for the Promotion of Research Exchange Programs

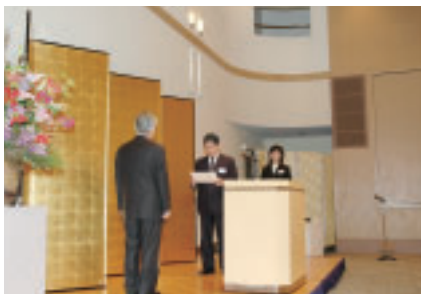
Grants are extended to activities that promote research interaction among industry, universities and the public sector. These grants target science and technology that can contribute to industrial and economic progress.

●Support for the Promotion of Science Education

Assistance is extended to activities that contribute to the advancement and greater awareness of science education.

●The Mukai Prize

The foundation presents a prize and honorable mentions in recognition of outstanding achievements in research that contributes to the advancement of science and technology. In addition, the Mukai Commemorative Science Seminar is held in conjunction with the award ceremony. The foundation also sponsors symposiums, but these events are not conducted on a regular basis.



Mukai Prize award ceremony

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

Mukai Commemorative Science Seminar

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

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

Addition of New Mission

Seminar by recipients of science education grants

The Tokyo Ohka Foundation for the Promotion of Science and Technology has recently expanded its activities by adding a program to support science education. By focusing on the problem of declining interest in the sciences among young people, the foundation is dedicated to helping Japan retain its position as one of the world's leaders in developing new technologies. In January 2007, the foundation held its first ceremony to distribute grants for science education. Afterward, the grant recipients held a seminar.

First grants for the Promotion of Science Education (¥1 million for each recipient)

Organization:	Educational Activities Comprehensive Support Center (Kawasaki City, Kanagawa Prefecture)
Representative:	Mamoru Iguchi, President
Theme:	The mysteries of nature and taking on the challenge of making things! —Support for children's science club activities
Organization:	Science Studio Marie (Chiyoda Ward, Tokyo)
Representative:	Mizue Kissho, Director
Theme:	Madame Curie's Kitchen (paper theater (*kamishibai*) and science experiments)
Organization:	Kawasaki Municipal Elementary School Science Education Research Center (Kawasaki City, Kanagawa Prefecture)
Representative:	Yoritaka Higashi, Chairman
Theme:	Fostering the development of children who experience nature for themselves and create learning experiences

Data Involving the Environmental and Social Report 2007

Editorial Policy

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

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

■ Applicable period

Fiscal 2006 (April 1, 2006 through March 31, 2007)

Note: Data in this report is for fiscal 2006, but the report also covers activities conducted in fiscal 2007.

■ Scope of data collection*1

Headquarters, Osaka Marketing Office, Tohoku Marketing Office, Kyushu Marketing Office, Sagami Operation Center, Shonan Technical Center, Koriyama Plant, Utsunomiya Plant, Kumagaya Plant, Gotemba Plant, Yamanashi Plant, Ikuno Plant, Aso Plant and Distribution Control Center (including SP*2)

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

*2: SP: Controlled-atmosphere stock points. TOK has eight of these stock points: Miyagi, Yamagata, Ojiya, Ibaraki, Yamanashi, Mie, Hiroshima and Yamaguchi.

■ Reference guidelines

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

■ Issue date and 2007 issue date

Issue date: September 2007

Date of next issue: September 2008 (tentative)

■ For further information, please contact:

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Public Relations Division
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Kanagawa 211-0012, JAPAN
TEL. +81-44-435-3000 FAX. +81-44-435-3020

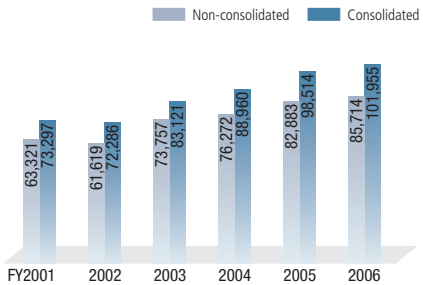
Forward-Looking Statements

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

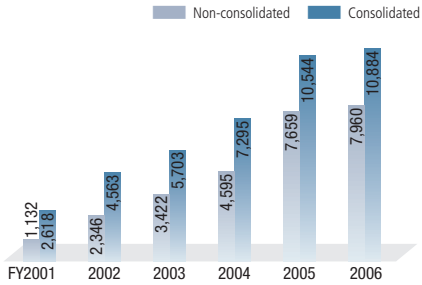
Financial Highlights

In fiscal 2006, TOK benefited from growth in sales of advanced materials used to manufacture semiconductors. However, sales of products for manufacturing flat panel displays were impacted by a decline in sales prices and a reduction in output of LCD panels. For the fiscal year, TOK achieved a 3.5% increase in consolidated net sales to ¥101,955 million. This was the fourth consecutive year of sales growth and the first time for the Group that sales topped ¥100,000 million. Consolidated earnings rose for the fifth consecutive year, with ordinary income up 4.7% to ¥11,677 million and net income up 0.1% to ¥6,660 million.

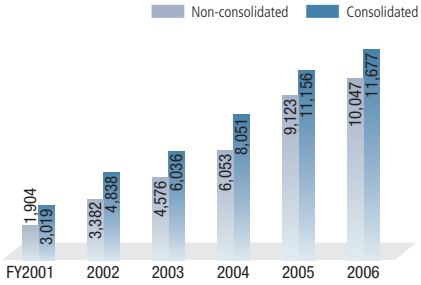
Net Sales (Millions of Yen)



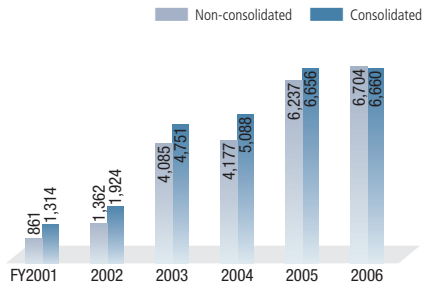
Operating Income (Millions of Yen)



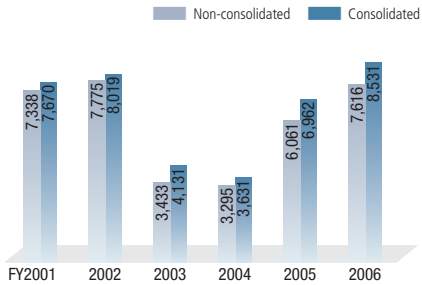
Ordinary Income (Millions of Yen)



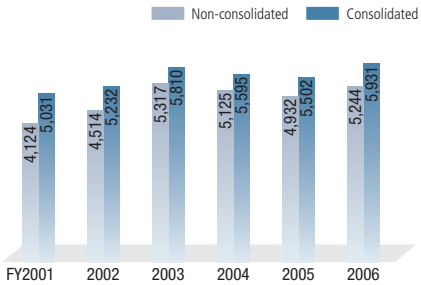
Net Income (Millions of Yen)



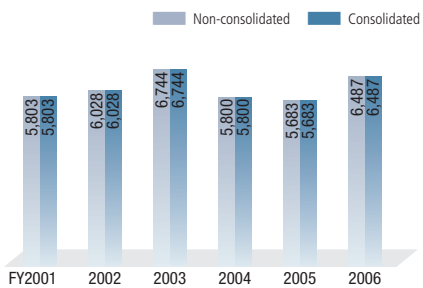
Investment in Plant and Equipment (Millions of Yen)



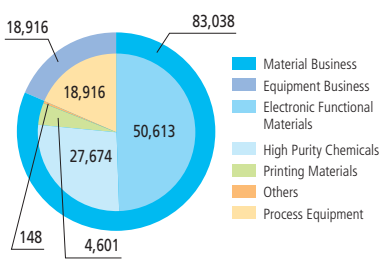
Depreciation and Amortization (Millions of Yen)



R&D Costs (Millions of Yen)

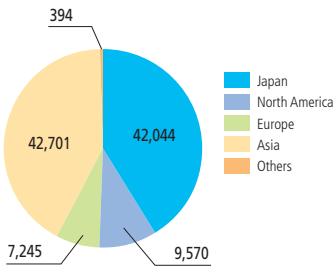


Net Sales by Business Segment for FY2006 (consolidated) (Millions of Yen)



Note: Equipment business sales exclude intersegment sales.

Net Sales by Geographic Segment for FY2006 (Millions of Yen)



Corporate Information

Corporate Data (As of March 31, 2007)

Corporate Name:	TOKYO OHKA KOGYO CO., LTD.
Established:	October 25, 1940
Headquarters:	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN TEL. +81-44-435-3000
President:	Yoichi Nakamura
Capitalized:	¥14,640 million
Number of Employees:	Non-consolidated: 1,441 Consolidated: 1,816
Net Sales (FY2006):	Non-consolidated: ¥85,714 million Consolidated: ¥101,955 million

Business Activities

Material Business

Electronic Functional Materials

We offer a diverse range of photoresist, which is a widely used material that is essential for the micro-processes involved in the manufacture of semiconductors, flat panel displays, semiconductor packagings / *jisso*, printed circuit boards 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.

High Purity Chemicals

As a comprehensive manufacturer of photoresist, TOK uses its knowledge of this material to supply a wide variety of auxiliary chemicals for photoresist 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

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

Equipment Business

Process Equipment

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

TOK Global Network (As of March 31, 2007)

Domestic Network

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Overseas Network

TOKYO OHKA KOGYO CO., LTD.
Singapore Representative Office
8 Shenton Way, #14-01A, SINGAPORE
TEL. +65-62261485 FAX. +65-62261893
Shanghai Representative Office
1511, China Merchants Tower, 161 Lu Jia Zui East Road,
Pu Dong Xin Qu, Shanghai 200120, CHINA
TEL. +86-21-5840-8800 FAX. +86-21-5840-8884

TOKYO OHKA KOGYO AMERICA, INC.
[Manufacturing and sales of photoresists and photoresist-related chemicals]
Headquarters / Oregon Plant
4600 N.W. Shute Road, Hillsboro, Oregon 97124, U.S.A.
TEL. +1-503-693-7711 FAX. +1-503-693-2070
Corporate Sales Office
190 Topaz Street, Milpitas, California 95035, U.S.A.
TEL. +1-408-956-9901 FAX. +1-408-956-9995

TOKYO OHKA KOGYO EUROPE B.V.
[Sales of photoresists, photoresist-related chemicals, printing materials and other products]
Headquarters
Databankweg 12, 3821AL Amersfoort, THE NETHERLANDS
TEL. +31-33-4543522 FAX. +31-33-4519646

TOK ITALIA S.p.A.
[Manufacturing and sales of dry film and photoresist-related chemicals]
Headquarters / Plant
Via Camillo Chiesa, 30, 20010 Pogliano M.SE (MI), ITALY
TEL. +39-02-93559006 FAX. +39-02-93559007

TOK TAIWAN CO., LTD.
[Manufacturing and sales of photoresist-related chemicals and sales of photoresists]
Headquarters
10F., No. 675, Sec.1, Jingguo Road, Hsinchu City 300, TAIWAN
TEL. +886-3-5345953 FAX. +886-3-5350178

TOK KOREA CO., LTD.
[Sales of photoresists and photoresist-related chemicals]
Headquarters
15F., DukHeung Bldg., 1328-10, Seocho-dong,
Seocho-gu, Seoul 137-858, KOREA
TEL. +82-2-588-5035 FAX. +82-2-588-5036

CHANG CHUN TOK (CHANGSHU) CO., LTD.
[Manufacturing and sales of photoresist-related chemicals]
Headquarters / Changshu Plant
Changchun Road, Riverside Industrial Park, Changshu
Economic Development Zone, Jiangsu Province 215537, CHINA
TEL. +86-512-5264-8000 FAX. +86-512-5264-9000

Data on Environmental Impact by Site (Fiscal 2006)

This section provides environmental data on individual sites along with brief reports by environmental managers on the major accomplishments of fiscal 2006.

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

Definitions Concerning Waste

General administrative waste

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

General industrial waste

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

Specially controlled industrial waste

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

Headquarters

Acquisition of ISO 14001 Certification:
October 2003

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	1,040,000kWh	0kℓ	10,000m³	19kℓ	0kℓ	0 tons	10,000m³

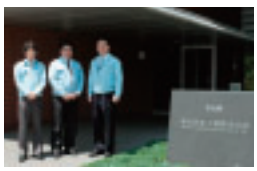
Output	CO_2	NO_x	SO_x
Volume	1,000 tons	0.5 tons	0.001 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	29 tons	0 tons	0 tons
Recycling Rate (%)	31%	0%	0%

Waste disposal method
Reused: 0 tons Incinerated: 20 tons
Recycled: 9 tons Heat recovery: 0 tons

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

Instead of disposing of unneeded furniture and other fixtures as general industrial waste, TOK's headquarters started selling these materials to a company that converts them into items that can be resold. In addition, we started using the "Cool Biz" system based on an employee suggestion. These and other actions contributed to both lowering our environmental impact and reducing expenses. We will continue to take more actions aimed at achieving these dual objectives.



Sagami Operation Center

Acquisition of ISO 14001 Certification:
October 2003

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

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	14,550,000kWh	0kℓ	110,000m³	5kℓ	4kℓ	24 tons	1,870,000m³

Output	CO_2	NO_x	SO_x
Volume	14,000 tons	12.6 tons	0.001 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	113 tons	1,201 tons	848 tons
Recycling Rate (%)	68%	28%	92%

Waste disposal method
Reused: 0 tons Incinerated: 906 tons
Recycled: 316 tons Heat recovery: 883 tons

Major construction continued at the Sagami Operation Center in fiscal 2006 to rebuild certain facilities. Newly installed equipment includes a pure water supply unit, a clean water supply unit and a special high-voltage power supply system. Work included two environmental systems: a wastewater treatment unit and a place for storing waste materials. To conserve energy, work at this center upgraded equipment to lower its environmental impact. We plan to raise operating efficiency of this equipment as well, thereby further reducing the environmental impact.

Shonan Technical Center

Acquisition of ISO 14001 Certification:
October 2003

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

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	3,720,000kWh	0kℓ	30,000m³	13kℓ	0kℓ	0 tons	70,000m³

Output	CO_2	NO_x	SO_x
Volume	2,000 tons	1.3 tons	0.001 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	10 tons	1 ton	8 tons
Recycling Rate (%)	17%	100%	92%

Waste disposal method
Reused: 0 tons Incinerated: 9 tons
Recycled: 10 tons Heat recovery: 0 tons

We have taken numerous actions to conserve energy. We have established management targets based on the Law concerning the Rational Use of Energy and manage the operation, maintenance and inspections of our equipment accordingly. Through these steps to enhance our energy management system, we have been working on lowering the amount of energy we consume. We plan to take more actions in order to achieve a further reduction in our environmental impact.

Koriyama Plant

Acquisition of ISO 14001 Certification:
November 1999

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

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	8,790,000kWh	2,054kℓ	130,000m³	16kℓ	1kℓ	11 tons	0m³

Output	CO_2	NO_x	SO_x	BOD
Volume	11,000 tons	9.5 tons	2.511 tons	245kg

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	63 tons	376 tons	950 tons
Recycling Rate (%)	79%	24%	95%

Waste disposal method
Reused: 447 tons Incinerated: 343 tons
Recycled: 102 tons Heat recovery: 496 tons

Construction of a low-temperature warehouse was completed in fiscal 2006. The facility stores sophisticated products that require precise control of the ambient temperature. Its cooling and ventilation system incorporates many environmental features. For example, the facility uses a smaller amount of ozone-depleting substances and equipment that lowers power consumption. By continuing to conserve energy, we plan to play a part in the "Beautiful Fukushima Prefecture" campaign.

Utsunomiya Plant

Acquisition of ISO 14001 Certification:
November 1999

Major Products:
Photoresists

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	4,100,000kWh	675kℓ	50,000m³	1kℓ	0kℓ	4 tons	0m³

Output	CO_2	NO_x	SO_x	BOD
Volume	5,000 tons	3.8 tons	0.555 tons	90kg

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	34 tons	312 tons	637 tons
Recycling Rate (%)	77%	24%	95%

Waste disposal method
Reused: 451 tons Incinerated: 279 tons
Recycled: 97 tons Heat recovery: 156 tons

To conserve energy, the roofs of the hazardous materials storage building and Manufacturing Dept. No. 2 building were covered with a heat-insulating coating. Furthermore, we finished work to convert the boiler from heavy oil to gas. Powering the boiler with gas raises efficiency while minimizing emissions of sulfurous and nitrous oxides, carbon dioxide and soot as well as the soiling of various items by oil.

Data on Environmental Impact by Site (Fiscal 2006)

Kumagaya Plant

Acquisition of ISO 14001 Certification:
October 2003

Major Products:
Photoresist-related chemicals, Chemicals for CRTs, Inorganic and organic chemicals

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	130,000kWh	30kℓ	0m³	4kℓ	0kℓ	3 tons	0m³

Output	CO_2	NO_x	SO_x
Volume	0.0 tons	0.2 tons	0.026 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	2 tons	11 tons	8 tons
Recycling Rate (%)	0%	100%	100%

Waste disposal method
Reused: 0 tons Incinerated: 2 tons
Recycled: 7 tons Heat recovery: 12 tons

In fiscal 2006, several product lines were shifted from the Sagami Operation Center to the Kumagaya Plant. The Plant experienced many difficulties in establishing disposal channels for the waste materials newly produced by these activities. In addition, the plant upgraded its wastewater treatment system, ending the external release of effluents that exceed wastewater standards. The plant's Environmental Committee is taking the lead in taking continuous actions to deal with a variety of problems involving environmental issues.

Gotemba Plant

Acquisition of ISO 14001 Certification:
November 1999

Major Products:
Photoresists, Materials for forming interlayer and planarizing insulation film

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	6,830,000kWh	471kℓ	80,000m³	6kℓ	0kℓ	1 ton	0m³

Output	CO_2	NO_x	SO_x	BOD
Volume	6,000 tons	4.6 tons	0.429 tons	175kg

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	41 tons	565 tons	2,673 tons
Recycling Rate (%)	100%	4%	99%

Waste disposal method
Reused: 2,537 tons Incinerated: 582 tons
Recycled: 57 tons Heat recovery: 103 tons

In fiscal 2006, we focused mainly on a 3R campaign to generate a smaller amount of waste materials. Unfortunately, the total volume of waste materials increased. But by continuing actions to transform waste materials into items with value and to sort waste materials, this facility reduced expenses by selling some of its effluents and waste materials. The plant remains dedicated to lowering its environmental impact by recycling and sorting waste materials.

Yamanashi Plant

Acquisition of ISO 14001 Certification:
November 2001

Major Products:
Photopolymer plates for printing, Photoresists, Photoresist-related chemicals

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	4,500,000kWh	1,401kℓ	90,000m³	5kℓ	0kℓ	0 tons	0m³

Output	CO_2	NO_x	SO_x
Volume	9,000 tons	7.3 tons	1.210 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	203 tons	2,207 tons	34 tons
Recycling Rate (%)	79%	88%	99%

Waste disposal method
Reused: 0 tons Incinerated: 312 tons
Recycled: 941 tons Heat recovery: 1,189 tons

The plant worked on achieving new waste material reduction targets in fiscal 2006. To lower the volume of waste plastics, we stabilized manufacturing processes in order to significantly cut the volume of waste materials generated. This also permits transforming raw materials into products with greater efficiency. We plan to reinforce employees' commitment to environmental programs and achieve creative environmental improvements from completely new perspectives.

Ikuno Plant

Acquisition of ISO 14001 Certification:
November 2000

Major Products:
Dry film, Photoresist-related chemicals

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	3,450,000kWh	371kℓ	60,000m³	1kℓ	0kℓ	12 tons	0m³

Output	CO_2	NO_x	SO_x	BOD
Volume	3,000 tons	2.3 tons	0.401 tons	68kg

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	10 tons	159 tons	77 tons
Recycling Rate (%)	75%	99%	95%

Waste disposal method
Reused: 0 tons Incinerated: 8 tons
Recycled: 74 tons Heat recovery: 164 tons

As one community activity in fiscal 2006, employees helped clean the area surrounding the plant. In fiscal 2007, our environmental activities, including this clean-up program, earned us an award from the Tajima District Environmental Protection Association based on a recommendation from the prefectural General Services Bureau. We will continue to conduct social programs while transforming waste into materials of value, recycling waste materials and taking many other actions to lower our environmental impact.

Aso Plant

Acquisition of ISO 14001 Certification:
November 2000

Major Products:
Photoresists, Photoresist-related chemicals

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	4,500,000kWh	427kℓ	60,000m³	24kℓ	0kℓ	2 tons	0m³

Output	CO_2	NO_x	SO_x	BOD
Volume	6,000 tons	5.2 tons	0.398 tons	30kg

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	28 tons	596 tons	1,043 tons
Recycling Rate (%)	78%	98%	96%

Waste disposal method
Reused: 520 tons Incinerated: 63 tons
Recycled: 202 tons Heat recovery: 883 tons

Our highest priorities in fiscal 2006 were reducing the volume of specially controlled industrial waste and conserving energy. We cut the volume of specially controlled waste by more than 10% by recovering solvents and transforming them into a substance that has value. For energy conservation, we improved various types of equipment to lower our environmental impact.

Distribution Control Center

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

Input	Electric power	Petroleum (heavy oil)	Used water	Gasoline	Light gas oil	LPG	City gas
Volume	990,000kWh	0kℓ	0m³	0kℓ	26kℓ	0 tons	0m³

Output	CO_2	NO_x	SO_x
Volume	0.0 tons	0.8 tons	0.002 tons

Output	General administrative	General industrial	Specially controlled industrial
Waste Volume	8 tons	0 tons	0 tons
Recycling Rate (%)	64%	0%	0%

Waste disposal method
Reused: 0 tons Incinerated: 3 tons
Recycled: 5 tons Heat recovery: 0 tons

Note: The above figures include all SPs.

Using its role as a logistics base to protect the environment, this center continued its modal shift campaign by establishing specific targets. We examined modes of transportation to determine ways to minimize freight rates and CO_2 emissions. In fiscal 2006, we shifted cargo to new transportation routes in several instances. We remain committed to the modal shift, reducing "triangular shipments" and taking other environmental measures.

History of Environmental Conservation Activities

Period	Major events	Awards
1970 | 1989	● The Committee for the Prevention of Pollution is established. ● Wastewater treatment facilities are completed at Sagami Plant (currently Sagami Operation Center). ● A permit for industrial waste disposal business is obtained. ● The Hazardous Substance Management Committee is formed. ● The Environment Compliance Section is set up.	● The National Industrial Health Week Prize from the director-general of Kumamoto Labour Standards Bureau (Aso Plant)
1990 | 1995	● Start recycling of used stripping solution by users. ● The recovery and refining of used solvents from manufacturing processes started. ● The ISO Office is set up. ● Battery-powered forklift trucks are introduced at Koriyama Plant.	● A record-making certificate from the director-general of Kanagawa Labour Standards Bureau for a record of 5.4 million hours of Class 1 no-accident operation (Sagami Operation Center) ● An official commendation from the Kanagawa Prefecture Environmental Conservation Council for environmental conservation activities (Sagami Operation Center) ● An official commendation from the Kumamoto Prefecture Association for the Safety of Hazardous Goods (Aso Plant) ● An official commendation from the Shizuoka Prefecture Federation of Labour Standards Association as an excellent place of business in terms of industrial health (Gotemba Plant) ● The Excellent Place of Business Award from the Kumamoto Prefecture High-Pressure Gas Safety Association (Aso Plant) ● The Best Award for Electric Power Use Rationalization from the Kanto Region Electric Power Use Rationalization Committee (Sagami Operation Center) ● The Industrial Health Excellence Award from the Tajima Labour Standards Association (Ikuno Plant)
1997	● Natural gas boiler facilities are introduced at Sagami Operation Center.	● An official commendation from the governor of Tochigi for efforts in preventing disasters caused by hazardous substances (Utsunomiya Plant)
1998	● The Safety Control Section is set up. ● The Committee for Promoting Acquisition of ISO 14001 Certification is formed. ● Environmental policies are established. ● Environmental manuals are developed.	● An official commendation from the director-general of Tochigi Labour Standards Bureau for efforts to raise the level of industrial health (Utsunomiya Plant) ● An official commendation from the Kumamoto Prefecture Industrial Safety and Health Convention (Aso Plant)
1999	● Koriyama, Utsunomiya and Gotemba plants acquire ISO 14001 certification.	● The Industrial Safety Excellence Award from the Tajima Labour Standards Association (Ikuno Plant) ● An official commendation from the director-general of Fukushima Labour Standards Bureau for superior business operations (Koriyama Plant)
2000	● The Eco Ice environment-friendly air-conditioning system is incorporated into Headquarters. ● Ikuno and Aso plants acquire ISO 14001 certification. ● Battery-powered forklift trucks are introduced at Utsunomiya Plant.	● The National Industrial Health Week Superiority Award from the director-general of Kumamoto Labour Standards Bureau (Aso Plant)
2001	● Yamanashi Plant acquires ISO 14001 certification.	● An official commendation from the Association for the Safety of Hazardous Goods at the National Convention for the Safety of Hazardous Goods (Aso Plant)
2002	● A biotope is created in Gotemba Plant. ● Cogeneration systems are introduced at Koriyama Plant. ● Battery-powered forklift trucks are introduced at Distribution Control Center. ● Start publishing the Environmental Report.	● The Industrial Health Superiority Award from the Tajima Labour Standards Association (Ikuno Plant) ● An official recognition by the Saitama Prefecture Federation of the Associations for the Safety of Hazardous Goods (Kumagaya Plant) ● An official commendation from the Kanto-Koshinetsu Region Federation of the Associations for the Safety of Hazardous Goods (Utsunomiya Plant)

Period	Major events	Awards
2003	● Headquarters, Osaka Marketing Office, Tohoku Marketing Office, Kyushu Marketing Office, Sagami Operation Center, Shonan Technical Center, Kumagaya Plant and Distribution Control Center (excluding SP) acquire ISO 14001 certification. ● The Environmental Report is listed on TOK's web site. ● Environmental Policy established based on second medium-term plan. ● The Energy Saving Committee is set up at Koriyama Plant.	● An official commendation from the Koriyama Regional Fire Fighting and Disaster Prevention Association (Koriyama Plant) ● An official commendation from the Kanagawa Prefecture Federation of Association for the Safety of Hazardous Goods (Distribution Control Center) ● Commendation from the Saitama Fire Fighting Association as a disaster prevention organization (Kumagaya Plant) ● Commendation from the Promotional Committee Leader for the Use of Electric Power in Seven Tohoku Prefectures as an excellent energy management plant (Koriyama Plant)
2004	● The Energy Saving Committees are set up at Sagami Operation Center and Kumagaya Plant. ● Environmental policy is revised. ● All boilers are switched to natural gas at Sagami Operation Center. ● TOKYO OHKA KOGYO AMERICA, INC. (Oregon Plant) and TOK TAIWAN CO., LTD. (Miaoli Plant) acquire ISO 14001 certification.	● An official commendation from the commissioner of Fire and Disaster Management Agency for Top Hazardous Substance Operation (Yamanashi Plant and Aso Plant) ● The Industrial Safety Excellence Award from the Hyogo Prefecture Labour Standards Federation (Ikuno Plant)
2005	● Battery-powered forklift trucks are introduced at Ikuno Plant. ● The Energy Saving Committee is set up at Yamanashi Plant. ● All domestic sites acquire ISO 14001 certification. ● Expanded the Environmental Report and renamed it the Environmental and Social Report.	● An official commendation from the commissioner of Fire and Disaster Management Agency for Top Hazardous Substance Operation (Sagami Operation Center, Utsunomiya Plant and Gotemba Plant)
2006	● Established new Environmental Policy based on third medium-term plan. ● Established Safety & Environment Control Division. ● CHANG CHUN TOK (CHANGSHU) CO., LTD. acquires ISO 14001 certification. ● Battery-powered forklift trucks are introduced at Aso Plant.	● An official commendation from the chairman of Hyogo Prefecture Association for the Safety of Hazardous Goods (Ikuno Plant) ● An official commendation from the chairman of Tajima District Environmental Protection Association of Hyogo Prefecture for helping protect the environment (Ikuno Plant)
2007	● All boilers are switched to natural gas at Utsunomiya Plant.	● An official commendation from the chairman of the Kanagawa Prefecture Federation of Association for the Safety of Hazardous Goods (Sagami Operation Center) 

List of Substances Covered by the PRTR Law (Fiscal 2006)

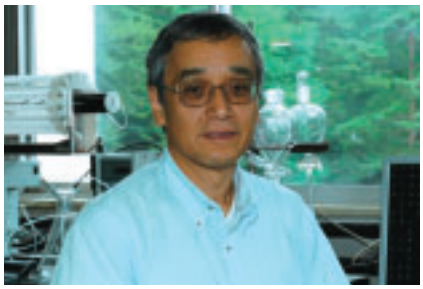
In fiscal 2006, TOK emitted or transferred 47 chemicals that are included in the list of 354 Class I Designated Chemical Substances by the Pollutant Release and Transfer Register (PRTR) Law.

Government ordinance number	Chemical substance name	Emission volume (tons)		Transferred volume (tons)
		Air	Water	Waste materials
2	acrylamide	0.0	0.0	0.0
3	acrylic acid	0.0	0.0	0.0
7	acrylonitrile	0.0	0.0	0.0
16	2-aminoethanol	0.0	0.0	28.6
19	3-amino-1H-1,2,4-triazole	0.0	0.0	0.0
24	n-alkylbenzenesulfonic acid and its salts	0.0	0.0	0.0
25	antimony and its compounds	0.0	0.0	0.0
29	4,4'-isopropylidenediphenol	0.0	0.0	0.0
30	polymer of 4,4'-isopropylidenediphenol and 1-chloro-2,3-epoxypropane (liquid)	0.0	0.0	0.0
40	ethylbenzene	6.8	0.0	0.9
43	ethylene glycol	0.0	0.0	0.2
44	ethylene glycol monoethyl ether	0.0	0.0	0.1
45	ethylene glycol monomethyl ether	0.0	0.0	0.4
63	xylene	27.1	0.0	4.9
67	cresol	0.0	0.0	36.1
68	chromium and chromium (III) compounds	0.0	0.0	0.1
93	chlorobenzene	0.0	0.0	0.0
101	2-ethoxyethyl acetate	0.7	0.0	7.0
103	2-methoxyethyl acetate	0.0	0.0	1.6
113	1,4-dioxane	0.4	0.0	145.0
139	o-dichlorobenzene	0.0	0.0	15.2
172	N,N-dimethylformamide	0.0	0.0	0.6
176	organic tin compounds	0.0	0.0	0.0

Government ordinance number	Chemical substance name	Emission volume (tons)		Transferred volume (tons)
		Air	Water	Waste materials
177	styrene	0.0	0.0	0.0
224	1,3,5-trimethylbenzene	0.2	0.0	0.3
227	toluene	7.2	0.0	18.1
230	lead and its compounds	0.0	0.0	3.9
232	nickel compounds	0.0	0.0	0.0
238	N-nitrosodiphenylamine	0.0	0.0	0.0
242	nonylphenol	0.0	0.0	0.6
252	arsenic and its inorganic compounds	0.0	0.0	0.0
254	hydroquinone	0.0	0.0	0.0
260	pyrocatechol	0.0	0.0	1.2
266	phenol	0.0	0.0	13.3
270	di-n-butyl phthalate	0.0	0.0	0.2
272	bis (2-ethylhexyl) phthalate	0.0	0.0	0.0
283	hydrogen fluoride and its water-soluble salts	0.0	0.0	0.0
299	benzene	0.0	0.0	0.0
300	1,2,4-benzenetricarboxylic 1,2-anhydride	0.0	0.0	0.1
304	boron and its compounds	0.0	0.0	0.1
308	poly (oxyethylene) octylphenyl ether	0.0	0.0	0.0
309	poly (oxyethylene) nonylphenyl ether	0.0	0.0	0.0
310	formaldehyde	0.0	0.0	0.9
311	manganese and its compounds	0.0	0.0	0.0
314	methacrylic acid	0.0	0.0	0.0
316	2,3-epoxypropyl methacrylate	0.0	0.0	0.0
320	methyl methacrylate	0.0	0.0	0.0

Third-Party Opinion / Editor's Note

●Third-Party Opinion



Mitsuru Hirota, Ph. D. Professor
Shinshu University

Growth in human activity since the industrial revolution has had a steadily increasing impact on the environment. However, over the past few decades, we have seen this impact expand to a global scale. All companies have obligations to reduce their environmental impacts. Furthermore, all activities of individuals must reflect environmental considerations. Shinshu University has received ISO 14001 certification and uses environmental education to give students an awareness of issues involving the environment.

After reading TOK's Environmental and Social Report 2007, I am very impressed with this company's devotion to environmental and social activities.

A company's success requires sustained growth and higher earnings. On the other hand, we live in an age when companies must lower their environmental impacts, too. TOK is taking many actions to accomplish this.

I am especially impressed with TOK's measures to prevent the release of chemicals.

I would like to see TOK establish numerical targets and then take the actions needed to reach those targets.

TOK has many CSR programs based on its commitment to "contributing to society," which is one element of the TOK corporate policies. Through its business operations, TOK develops and sells environment-friendly products. The Company also helps employees maintain a proper balance between their jobs and private lives and contributes to society in many other ways. However, I was left with the impression that the Company needs to establish long-term targets and specific initiatives. More work is needed to take environmental and CSR programs to a higher level. To accomplish this, I think that TOK will have to examine ways to guarantee and execute the activities described in this publication.

We are currently witnessing a steady deterioration in the global environment. Global warming and many other problems require immediate action. TOK develops environment-friendly products like solar cell materials, recycles raw materials and has other activities that deal with these issues. I hope that TOK continues to use business operations like these to help create a society that can support sustained growth.

●TOK's Response

We are aware of the need to establish specific targets to achieve qualitative and quantitative improvements in our environmental and CSR activities. Setting targets is essential to conducting activities that can achieve concrete goals rather than simply performing environmental and CSR programs with no clear direction. Furthermore, this cannot be simply a top-down process. We must work on improvements by setting targets at each workplace. By adopting this approach, we plan to improve both our environmental and CSR initiatives.

We will carefully study the comments and suggestions of Mr. Hirota in order to make further improvements in our environmental and CSR programs.

Susumu Ichikawa
General Manager, Safety & Environment Control Division

Editor's Note

Thank you for taking the time to read the TOK Environmental and Social Report 2007.

We exercised care to present information in this report in a format that is easy to understand for all of TOK's stakeholders.

To enable us to continue to meet your expectations, we would like to hear your thoughts and suggestions. We want this report to serve as an interactive communication tool that will enable us to further improve environmental and CSR programs as well as this report. If possible, please use the questionnaire included with this report to submit your opinions.

September 2007
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