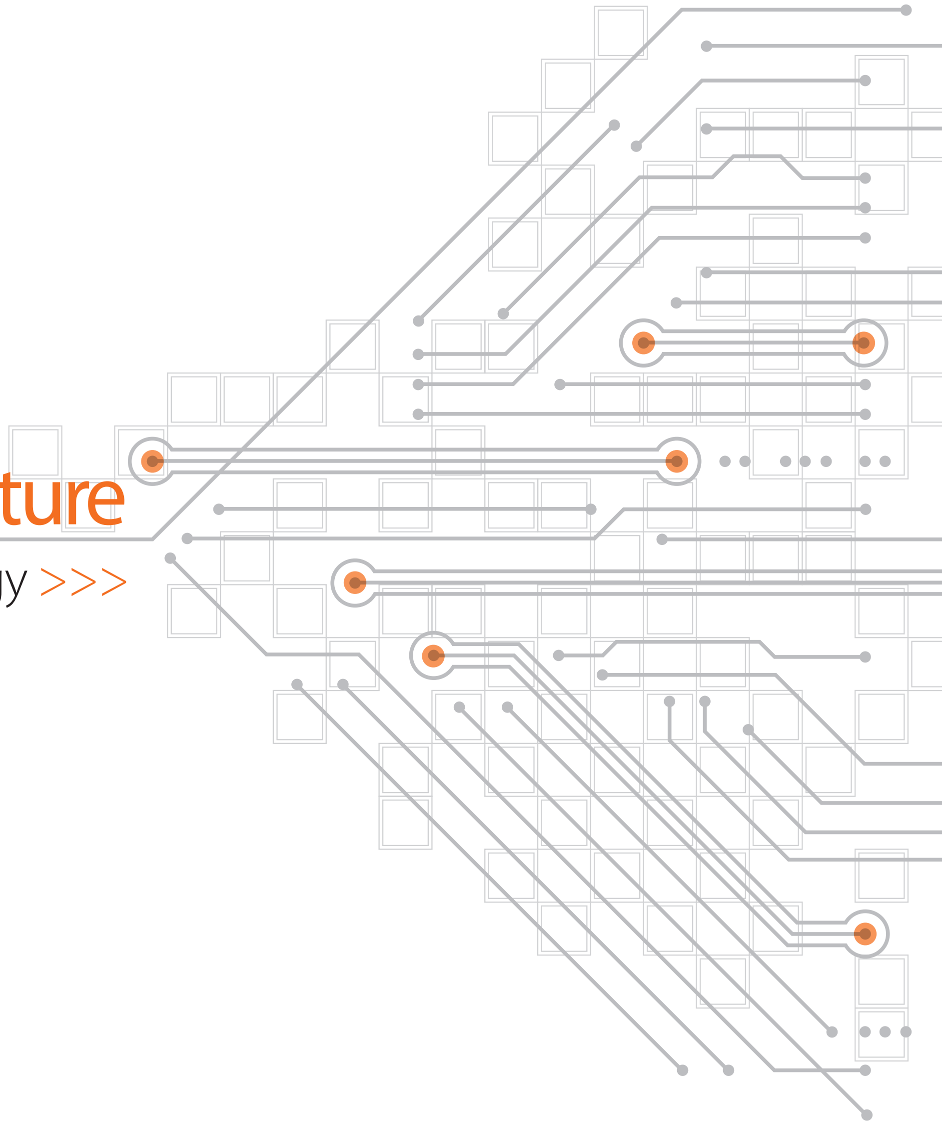
Annual Report 2008

Year Ended March 31, 2008



The Road to the Future

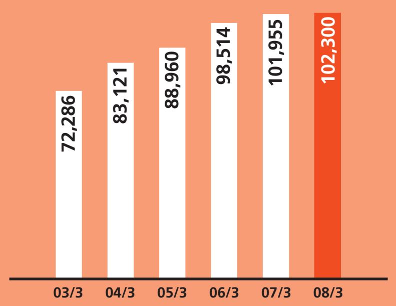
Pioneered by New Technology >>>

TOKYO OHKA KOGYO CO., LTD.

Financial Highlights

Consolidated Net Sales

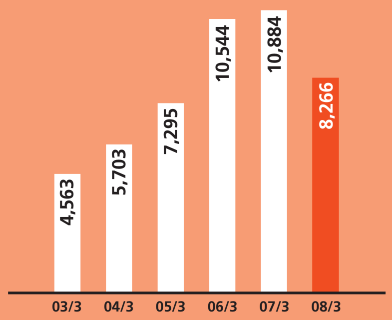
(Millions of Yen)



+0.3%
Up for the fifth consecutive year

Consolidated Operating Income

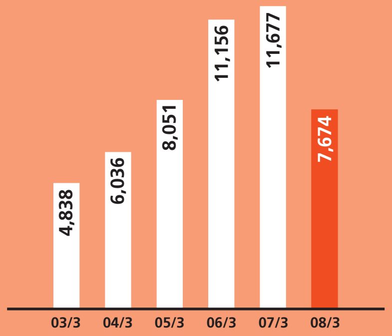
(Millions of Yen)



-24.1%
First decrease in six years

Consolidated Ordinary Income

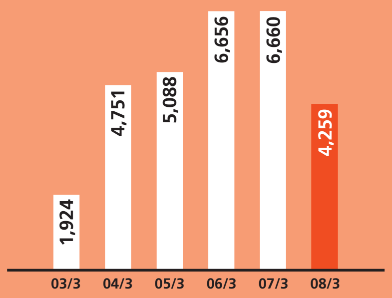
(Millions of Yen)



-34.3%
First decrease in six years

Consolidated Net Income

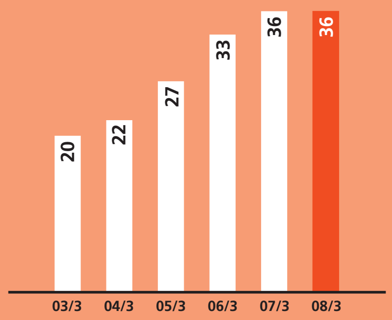
(Millions of Yen)



-36.1%
First decrease in six years

Annual Cash Dividends per Share

(Yen)



±¥0
Same as prior year

Contents

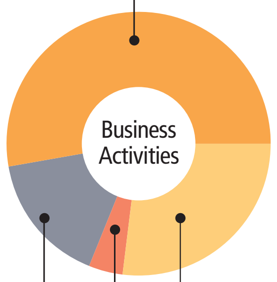
Profile

Since 1940, TOK has contributed to social progress by providing highly advanced technologies and products, starting with electronic functional materials for the material business and for the equipment business.

Our activities are guided by corporate policies with four core principles: "continue efforts to enhance our technology," "raise the quality levels of our products," "contribute to society" and "promote free-spiritedness."

We are dedicated to promoting *monozukuri* (the art of manufacturing) to contribute to the creation of the future in harmony with many demands. At the same time, our operations will continue to reflect a firm commitment to corporate social responsibility.

Our objective is to sustain growth in corporate value as we remain an innovative company that can meet the high expectations of all stakeholders.

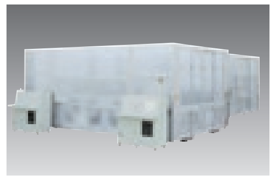


52.9%

26.9%

4.2%

15.9%



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

Material Business

Electronic Functional Materials Division

We offer a diverse range of photoresist*, which is a widely used material that is essential for the microprocesses involved in the manufacture of semiconductors, flat panel displays (FPDs), 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.

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

High Purity Chemicals Division

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

Printing Materials Division

Products include photopolymer plates used in letterpress / relief printing for corrugated board, films, 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 Division

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.

A Message from the President

President & Chief Executive Officer
Yoichi Nakamura

Results of Operations

Net sales were up slightly, but earnings declined due to increased depreciation and amortization and a provision for doubtful receivables connected with our equipment business

Looking back at the business environment in the fiscal year ended March 31, 2008, semiconductor market prices fell due to an oversupply of memory devices. However, the market grew more stable thanks to increased demand for new models of digital consumer electronics and information devices, and more applications for semiconductors for use in automobiles equipped with energy saving technology. The FPD market was affected by declining sales prices, but was nevertheless generally satisfactory thanks to increased demand for flat-screen TVs.

Against this backdrop, the material business produced better results—especially in excimer laser photoresists—in the fiscal year under review, due to precisely targeted sales promotion activities in the semiconductor manufacturing materials area. Sales of photoresist-related chemicals used to manufacture semiconductors also grew, especially in Asia and North America. In the field of FPD manufacturing materials, we were able to produce sound results by accurately gauging user needs in Asia and working to expand sales of products that address the increasingly large size of glass substrates used to manufacture LCD panels. On the other hand, in the equipment business, both orders and sales declined from the previous fiscal year as LCD panel manufacturers curtailed capital expenditures.

Higher sales in the material business offset lower sales in the equipment business, resulting in a consolidated net sales increase of 0.3% from the previous fiscal year to ¥102,300 million. Nevertheless, as for profits and losses, consolidated operating income fell 24.1% to ¥8,266 million, ordinary income fell 34.3% to ¥7,674 million, and net income fell 36.1% to ¥4,259 million. Depreciation and amortization increased as a result of our proactive capital expenditures in advanced process technology. We recorded a provision for doubtful receivables connected with our equipment business. Results were also affected by fluctuating foreign currency exchange rates.

Forecast for the Fiscal Year Ending March 31, 2009

Earnings expected to decline due to weaker equipment business and increased R&D costs

The business climate for the fiscal year ending March 31, 2009 will remain unpredictable. There is little growth anticipated in the semiconductor market, while at the same time there are various causes for uncertainty, including fluctuation of foreign currency exchange rates, oil prices and raw materials costs.

Along with working to develop new technologies and new products, we are focusing our resources on growth businesses. In the material business, we are seeking to boost sales and further reinforce our ability to generate earnings in areas such as excimer laser photoresists, FPD photoresists and photoresist-related chemicals. In the equipment business, sales are expected to decline. We have a tough road ahead, but we will focus our efforts on securing more orders with a focus on LCD panel manufacturing equipment.

Under these circumstances, we expect consolidated net sales to decline 4.6% from the previous fiscal year to ¥97,600 million. In terms of profits and losses, we expect operating income to decline 33.5% to ¥5,500 million, ordinary income to decline 21.8% to ¥6,000 million and net income to decline 41.3% to ¥2,500 million due to lower sales in the equipment business and increased research and development (R&D) costs.

Progress Report on the Third "TOK Challenge 21" Medium-Term Plan

Semiconductor manufacturing materials grow roughly according to plan but LCD manufacturing materials are short of the mark

We initiated our third "TOK Challenge 21" medium-term plan in April 2006. This plan encompasses three fundamental strategies: 1) progress in microprocess technology; 2) establishment of the TOK brand on a global scale; and 3) a stronger operating framework and reform of the corporate culture.

Nevertheless, as explained earlier, we expect both sales and profits to decline in the coming fiscal year, which is the final year of the medium-term plan. Therefore, we do not expect to reach the consolidated basis targets set forth in this plan (net sales of ¥120,000 million and ordinary income of ¥15,300 million). It will also be difficult to exceed our record high consolidated basis ordinary income of ¥13,600 million (fiscal year ended March 31, 1998).

The FPD market has not grown as much as initially expected and sales prices have declined. As a result, sales of photoresists and photoresist-related chemicals used to manufacture LCDs have been stagnating. Furthermore, depreciation and amortization have increased due to changes in the tax code, foreign currency exchange rates have changed, and oil prices have soared beyond expectations.

Although we have stepped up our efforts to cope with the changing business climate, we have unfortunately been unable to achieve enough sales growth to compensate for these factors, and we are taking this issue very seriously.

We recognize that we must have a strategy to boost sales growth in order to achieve sustainable growth of TOK's corporate value in the future.

Strategy for the Future

Working to build a foundation for growth towards new record earnings by reinforcing existing technologies and developing new technologies

In order to reach new record earnings and achieve sustainable growth of TOK's corporate value, we will need to further reinforce existing technologies as profit centers while also building new technology areas into growth drivers.

As part of our strategy to reinforce existing profit centers, we are continuing to develop KrF excimer laser photoresists with better lifespans and the performance needed due to the miniaturization of semiconductors. In photoresists used to manufacture LCDs, we are working to become even more cost competitive and to expand our customer base. In high purity chemicals, we are improving and developing products designed to meet new needs in semiconductor manufacturing as miniaturization continues. The expansion of our U.S. manufacturing facilities for photoresist-related chemicals used to manufacture semiconductors is slated to be complete in December 2008, and we believe that this will ignite growth in North American sales. In the equipment business, we are focusing our efforts on winning orders for equipment that addresses the increasingly large size of glass substrates used to manufacture LCD panels, including replacement demand.

As for new growth drivers, we aim to boost sales of ArF excimer laser photoresists, while also working to develop technology connected with next generation materials in the most advanced areas of semiconductor manufacturing, strengthen the development of products that meet user needs in immersion lithography technology, and address technologies that can help further the miniaturization of semiconductors, such as double patterning. The through silicon via (TSV) process is attracting attention as a key technology for the future of semiconductor packaging, and we are working to develop new materials and equipment for the Zero Newton® wafer handling system that makes this technology possible. We are aggressively moving into areas beyond our established domains. For example, we are involved in R&D in solar cells, a market that promises to expand as a source of energy with a low impact on the environment.

By steadily producing results through these strategies, we are working to build a foundation for growth.

To Our Shareholders and Investors

Aiming to achieve sustainable growth of corporate value by building a foundation for growth

We view the distribution of earnings to shareholders as an important management issue, and as such we are proactive in distributing earnings to shareholders as appropriate after comprehensively considering our operating results and financial position. Our basic policy is to maintain a consolidated basis dividend payout ratio of 20% or higher, taking the current level into consideration. For the fiscal year under review, we distributed a dividend of ¥36 per share, the same as the prior year. From a long-term perspective, we intend to acquire treasury stock in a flexible manner.

We expect the business environment to remain challenging, but by developing new technologies and new products more quickly, we aim to secure a foundation for growth and thereby achieve sustainable growth of TOK's corporate value.

We look forward to receiving your continued support in these endeavors.

November 2008

Y. Nakamura

Yoichi Nakamura
President & Chief Executive Officer

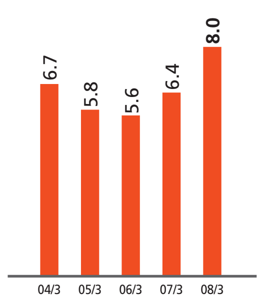
Towards maximizing corporate value and achieving sustained growth: R&D centered on microprocess technology

Microprocess technology is a core competence at TOK and a resource for creating corporate value. Therefore, we are continuing to pursue microprocess technology to the utmost. As we leap towards the future, we will not be shaken from this focus.

We are investing resources in R&D—the engine that drives our growth—in a proactive and timely way as we seek to strengthen our development capabilities in the most advanced electronic technologies. We are developing various materials (starting with photoresists) and equipment, and by pursuing our Materials & Equipment (M&E) strategy—one of TOK's strengths and advantages over other companies—we will be able to offer solutions that precisely meet user needs. Furthermore, we are proactively working with equipment makers, suppliers, universities and research institutions in order to conduct our R&D faster and more efficiently. At the same time, we are also committed to accumulating core technology by conducting our own R&D, as we strive to strengthen our *monozukuri* (the art of manufacturing) in areas such as molecular design and resin synthesis.

R&D Costs

(Billions of Yen)

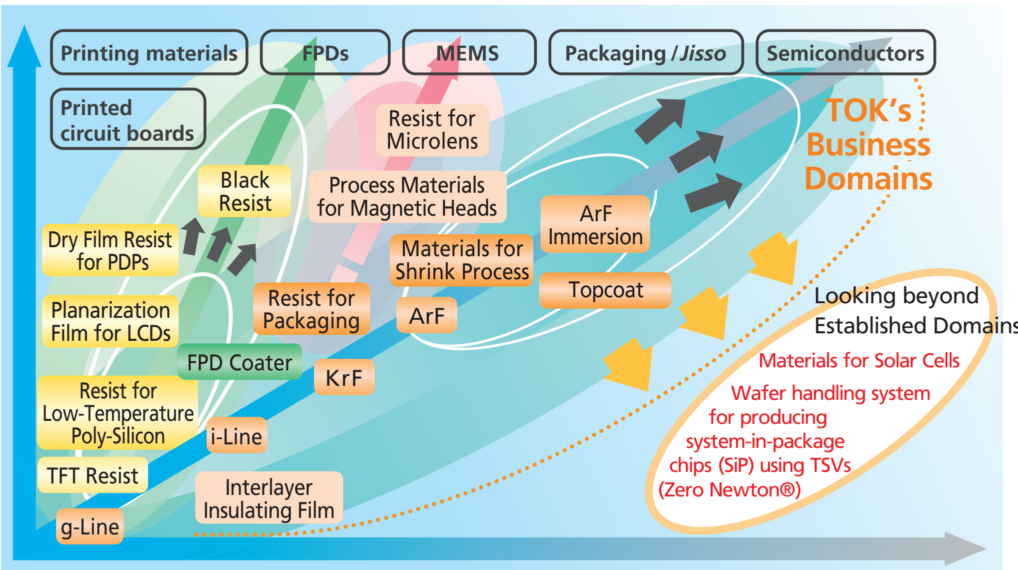


Progress in the vertical and horizontal extension of microprocess technology

One of the three fundamental strategies set forth in our third medium-term plan is to progress in microprocess technology.

We are pursuing advances in microprocess technology along two vectors. In "vertical extension," we will offer value-added solutions for miniaturization by combining multiple technologies. In "horizontal extension," we will focus our efforts on fostering new businesses that reach beyond the boundaries of our traditional business domains and that can be passed down to future generations by applying existing technologies and adopting new ways of thinking.

Progress in Microprocess Technology

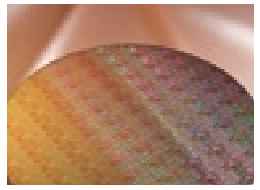


Towards ensuring technological supremacy: developing state-of-the-art technology in semiconductor manufacturing

Microprocess technology making use of photolithography is put to use in a wide range of areas, but among these, the most challenging application is in manufacturing semiconductors in the realm of below 100nm (1nm is one millionth of a millimeter).

We view R&D on state-of-the-art materials for semiconductor manufacturing as a critical area that is essential in the evolution of microprocess technology. We fully recognize that microprocess technology in this area is the flagship of the Company and that it is part of our identity. Therefore, we will take the initiative to be a leader in next generation technologies and developing new technologies and new products with an eye to the future so that we can reinforce our superiority in the field of microprocess technology.

Photoresist, which enables microprocess



Silicon wafer processed using microprocess technology

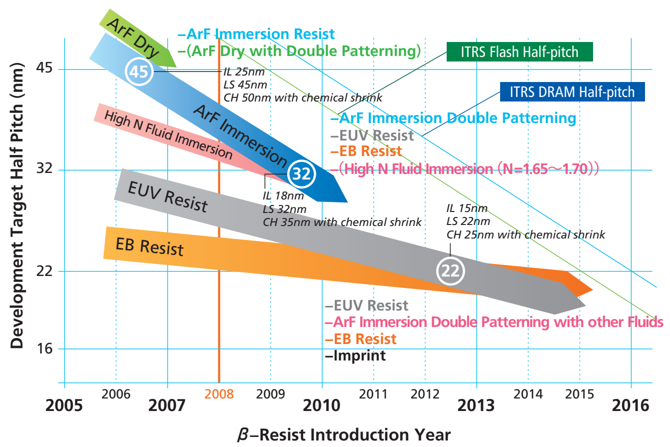
The future of microprocess technology: the past, present and future of photoresists used to manufacture semiconductors

One way of achieving further miniaturization in semiconductor manufacturing has been to shorten the wavelength of the exposure light source. After g-Line (436nm) and then i-Line (365nm), there was KrF excimer laser (248nm) and finally ArF excimer laser (193nm), and circuit lines have continued to become narrower along with these changes. The circuit line width achieved with the g-Line photoresists used in the early 1990s was 600–700nm, but as wavelengths have become shorter it is now just 45nm using advanced process technology.

To achieve further miniaturization in post-45nm half-pitch generations, immersion lithography technology and double patterning technology have been suggested as approaches to improving the exposure process, while extreme ultraviolet (EUV) and electron beams (EB) are being examined as ways to further shorten wavelengths. Furthermore, the application of nanoimprint technology in semiconductor manufacturing is being tested as an alternative to photolithography.

Up to now, TOK has been optimizing materials, including photoresists, to coincide with changes in exposure light sources and with the improvements in the exposure process. To contribute to further miniaturization, we will continue to develop products that meet user needs.

Roadmap for Development of Semiconductor Photoresist (As of July 2008)

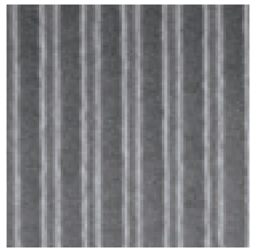


45nm and Beyond

Technical development that supports cutting-edge semiconductors

In semiconductors, the wavelengths of exposure light sources have become shorter in order to achieve miniaturization. In the 45nm half-pitch generation, the prevailing approach to prolonging the life of ArF excimer lasers that made viable the 90nm and 65nm generations has been to combine them with immersion lithography technology. Current state-of-the-art semiconductor manufacturing processes allow for mass production using this ArF immersion lithography technology.

Aiming to further advance our products to meet user needs: supporting immersion lithography technology*



46nm circuit line widths
(using our ArF immersion lithography system)

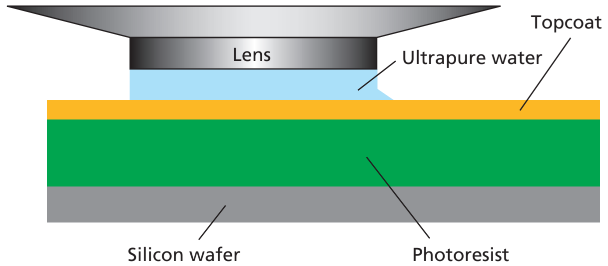
TOK was quick to develop photoresists and associated materials for immersion lithography technology. We were the first photoresist manufacturer in the world to introduce the ArF immersion lithography system, which helped to realize 45nm circuit line widths, a state-of-the-art semiconductor manufacturing process currently used for mass production.

We are taking advantage of the technology that we have acquired over many years to design resins—the core components of photoresists—at the molecular level and to synthesize proprietary photo-acid generators in our quest to further advance our ArF excimer laser photoresists for immersion lithography technology.

In immersion lithography technology, photoresists come into contact with ultrapure water and this creates new technical problems, so we are also developing and improving materials that can solve these problems.

ArF immersion lithography system

Schematic of Immersion Lithography Technology



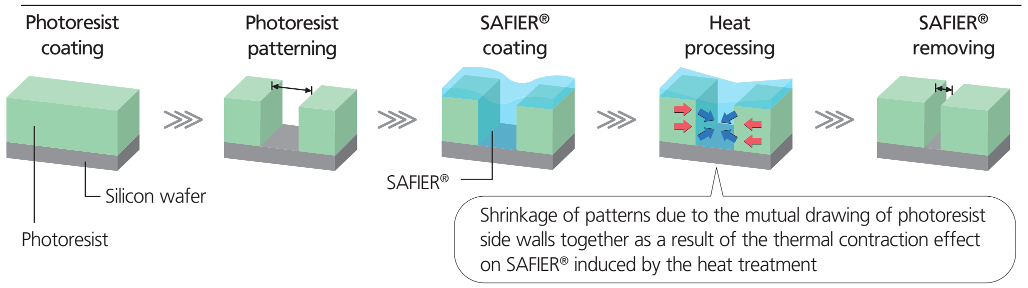
* Immersion lithography technology: exposure technology that fills the space between the photoresist and the lens of the exposure equipment with a highly refractive liquid. This sharply increases the numerical aperture of the lens, resulting in higher resolutions. Currently, ultrapure water is used as this liquid, due to its transparency, safety, and low cost.

Making it possible to move ahead a generation in miniaturization: "SAFIER®," shrink process materials

The Shrink Assist Film for Enhanced Resolution (SAFIER®), a shrink process material which was developed and brought into the market by TOK, will make it possible to move ahead a generation in microprocessing using current photoresists and exposure equipment.

By utilizing the thermal contraction effect induced by heat treatment on SAFIER® itself, the process simultaneously shrinks photoresist patterns while improving their configuration. It doesn't require a major investment because it can be used on existing production lines, and it can help extend the life of existing technologies and equipment.

SAFIER®'s Process Flow



Developing topcoats

If the photoresist material seeps into the ultrapure water or if the photoresist absorbs ultrapure water, this will cause a defect. Therefore, in many cases a topcoat is applied to the surface of the photoresist to prevent the photoresist and ultrapure water from coming into contact.

At TOK, we are focusing our efforts on developing topcoats soluble in developing solution that can be removed in the photoresist development process. To prevent defects we are developing products that adjust dynamic water repellency to keep the ultrapure water moving smoothly over the topcoat, as well as products that address the need for good photoresist matching.

Developing topcoat-less resists

To reduce the number of processes and the cost involved in semiconductor manufacturing, there is a need to develop photoresists that do not use a topcoat and yet are unaffected by ultrapure water (topcoat-less resists). We are redoubling our efforts to resolve this issue by improving the molecular structure of photo-acid generators and enhancing the water repellency of the photoresist itself by adding fluorine compounds.

Installing cutting-edge facilities and equipment

We opened the R&D building (located at our Sagami Operation Center) for state-of-the-art semiconductor manufacturing materials in July 2006. The facility is prepared to meet the strictest product quality demands. We have installed the ArF immersion lithography system in a super clean room as well as other cutting-edge analysis and inspection equipment.

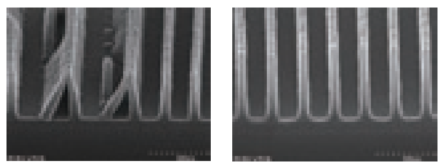
In fiscal 2008, we installed and began operating ArF exposure system (dry process) in this laboratory. By splitting photoresist development between the 65nm generation and the 45nm generation, we will be able to develop products that precisely reflect the needs of each process, and this will bolster our competitiveness.

Semiconductor manufacturing materials laboratory

Preventing pattern collapse and defects: chemical rinsing solution

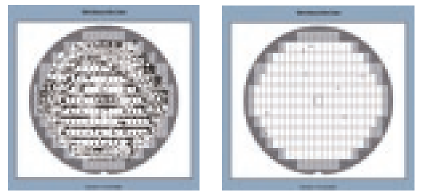
Using our newly developed chemical rinsing solution in place of ultrapure water in the rinsing process that takes place after photoresist pattern formation can prevent pattern collapse and defects. Photoresist pattern collapse and defects result in lower yields in the semiconductor manufacturing process. As this chemical rinsing solution resolves these issues, it should lead to even narrower circuit lines.

Pattern Collapse Reduction Effect



Rinse by ultrapure water (102nm circuit line width)　Rinse by chemical rinsing (102nm circuit line width)

Comparison of Number of Defects on Silicon Wafer



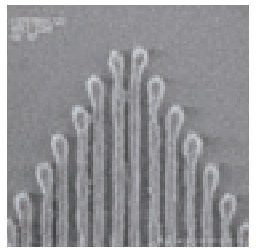
Rinse by ultrapure water　Rinse by chemical rinsing

32nm and Beyond

>Prospects for next generation technology

We are investigating various technologies in next generation domains where there has been further progress in miniaturization. In the 32nm half-pitch generation, double patterning technology is seen as a likely candidate for use in the ArF immersion lithography system, while EUV lithography technology is being investigated for the 22nm generation and beyond. Additionally, nanoimprint technology is being proposed as an alternative to photolithography.

Number of processes reduced using double imaging technology: supporting double patterning technology*



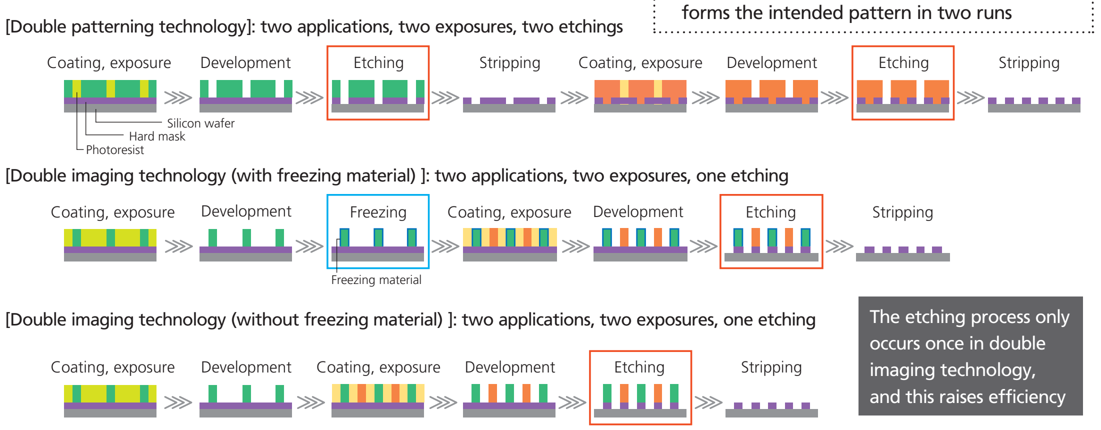
32nm circuit line width
(Data courtesy of IMEC*4)

In developing 32nm half-pitch generation semiconductors, various methods are being investigated to overcome the optical limitations of existing technology and further extend the life of ArF excimer lasers that are already in use. Double patterning technology that uses the ArF immersion lithography system is seen as the most promising method. Reduced efficiency is an issue for this double patterning technology, since the etching process has to take place twice, so we are advocating double imaging technology as a solution.

In double imaging technology, first a pattern is formed on a positive photoresist*1, then after the remaining pattern is formed using a positive photoresist or a negative photoresist*2, the etching process takes place once. The etching process occurs only once and the number of processes can be even further reduced by using a method developed by TOK—a photoresist that does not require a freezing material*3, which is ordinarily required after the formation of the first pattern.

Process flow of double patterning technology

* Double patterning technology: technology that forms the intended pattern in two runs



*1 Positive photoresist: once developed after exposure, the part of a photoresist that was not exposed is left as the pattern

*2 Negative photoresist: once developed after exposure, the part of a photoresist that was exposed is left as the pattern

*3 Freezing material: material that protects the surface so that the photoresist on which the pattern has already been formed is not dissolved when applying the second round of photoresist

*4 IMEC: an independent research institute that conducts research in the field of microelectronics and nanotechnology

Simultaneously realizing high resolutions, high sensitivity, and less roughness: supporting EUV lithography technology

Lithography using EUV with a wavelength of 13.5nm is being investigated as a means to shorten wavelength by a single advancement and achieve further miniaturization. Photoresist manufacturers, exposure equipment manufacturers and others are researching and developing this technology with an eye towards introducing it in 2013, when production is expected to begin for the 22nm half-pitch generation.

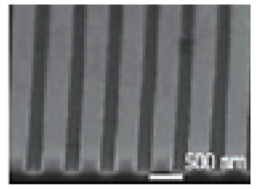
At TOK, we are working to make more advanced photoresists for EUV through efforts such as developing new low molecular weight polyphenols and photo-acid generators by proactively working with consortiums and other entities. Up to now, it had been considered difficult to create photoresists that simultaneously provide high resolutions, high sensitivity and less roughness. However, we have already begun making sample shipments and we have received the highest praise, even overseas.

25nm circuit line width
(Data courtesy of IMEC)

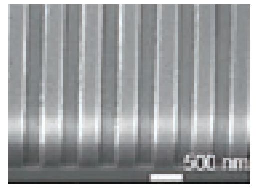
New technologies for future generations: supporting nanoimprint technology*

Nanoimprint technology is completely different from the existing photolithography technology. This new technology is attracting attention not only because the process is extremely simple, but also because complicated, extremely tiny patterns can be formed at a low cost, and this will result in yet further miniaturization.

TOK is developing a resin suitable for room-temperature nanoimprinting, which does not require heat processing or exposure to ultraviolet light when the mold is pressed onto the wafer. We will proceed with R&D on this resin as a material that will be used in coming generations of microprocess technology, while at the same time developing it for use in areas outside of the semiconductor field, such as microlenses, recording media, and microelectromechanical systems (MEMS).



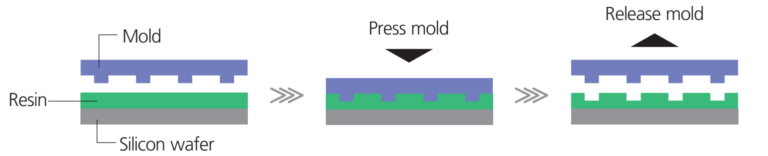
Mold



Transferred pattern

(Data courtesy of Dr. Matsui and Mr. Nakamatsu, University of Hyogo)

Process flow of room-temperature nanoimprinting



* Nanoimprint technology: a technology which transfers a pattern formed in a mold by pressing the mold against resin on a silicon wafer

Through silicon via (TSV) process is made possible by Zero Newton® wafer handling system

The TSV process is thought to be a key technology for the next generation of semiconductor packaging. Especially for the 32nm half-pitch generation and beyond, there is a growing movement to make devices even denser and smaller by stacking thinner semiconductor chip layers and forming TSVs.

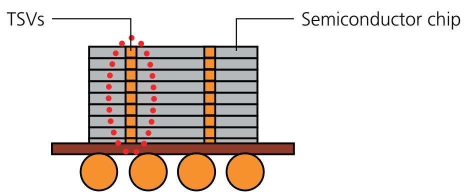
The newly developed Zero Newton® wafer handling system is technology that resolves the problem of breakage and defects in semiconductor chips as they become less durable due to wafer thinning. This system works by attaching a support plate to the silicon wafer to reinforce it, making it possible to form TSVs with ease.

The support plate and silicon wafer can be easily separated after forming TSVs by dissolving the adhesive by impregnating the support plate with a solvent through the innumerable holes in the plate. In addition to the materials used in this process, such as the support plate and the adhesive, we are working to develop the equipment used in this process and otherwise develop this technology through the M&E strategy, which is one of our strengths.

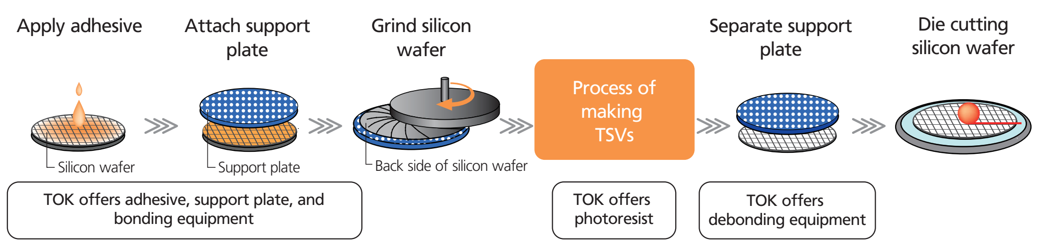
*The name "Zero Newton®" comes from the fact that the support plate can be removed without any stress on the silicon wafer, and the process can be accomplished without using any force.

Grinded silicon wafer

Schematic of semiconductor packaging with TSVs



Process flow of Zero Newton® wafer handling system



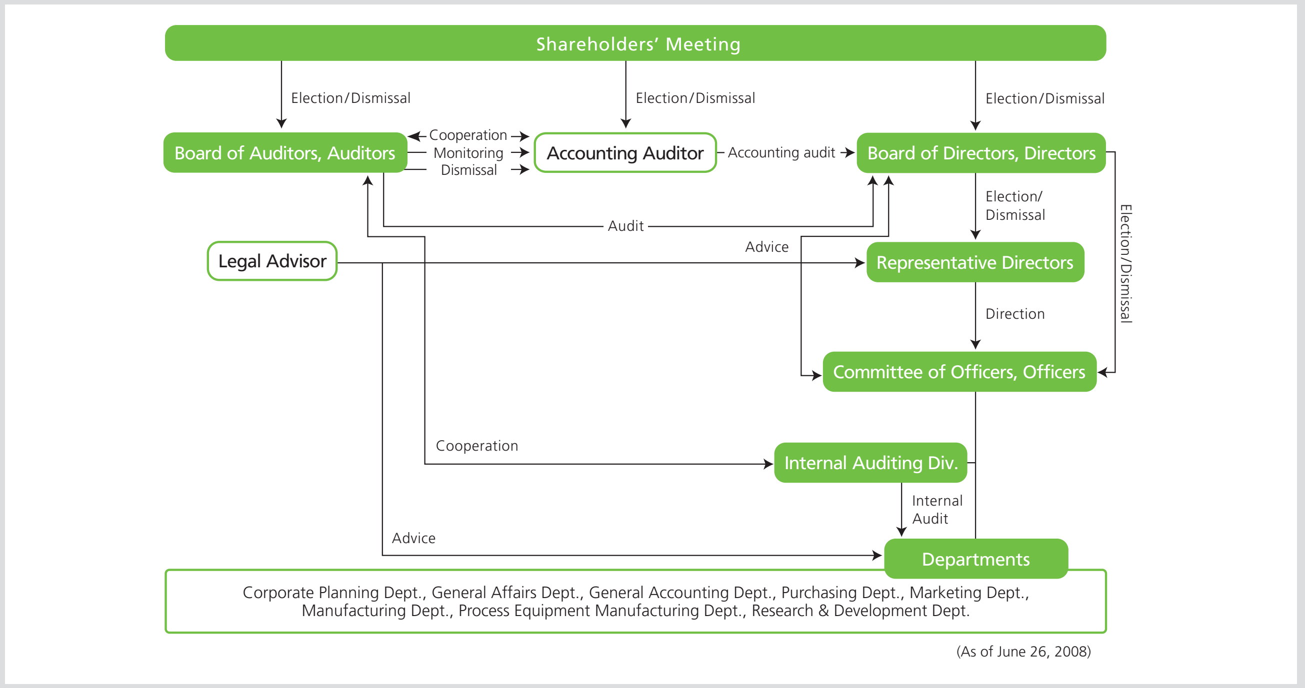
Corporate Governance

Basic Concept

Aiming to become a company that is able to earn the trust and satisfaction of all stakeholders, TOK positions enhancement of corporate governance as one of the most important management issues: the means to maintain a sound and transparent management and to enhance its operational efficiency by speeding up the decision-making process.

Corporate Governance System

As a company with corporate auditors, TOK employs the corporate auditor system. We are taking actions to upgrade audits performed by the corporate auditors by using the greater authority of these auditors provided for in the Japanese Companies Act. In addition, TOK is using the benefits of reforms to its Board of Directors and the 2003 adoption of the officer system to fortify the management decision-making and supervisory function and 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 26, 2008, we had seven directors, including one outside director. The board consists of the representative directors and the other directors. This provides a structure that is ideally suited to performing the board's fundamental roles of reaching decisions concerning management policies and supervising the management of business operations. The term of the directors is one year. This permits quickly responding to changes in the operating environment and clarifies accountability for the directors concerning operating results in each fiscal year. To make the activities of the directors more transparent and reinforce the board's supervisory function, there is one outside director.

Committee of Officers and Officers

While taking steps to strengthen the Board of Directors' functions in management decision-making and supervision, TOK is also reinforcing business execution functions. For this purpose, an organization has been established that is made up of the chief executive officer, senior executive officers, executive officer and officers. This organization provides for differences in the business responsibilities and other items concerning each officer. Furthermore, TOK has a Committee of Officers, which is made up of all officers. As of June 26, 2008, we had 12 officers.

Board of Auditors and Auditors

As of June 26, 2008, the Board of Auditors comprised three auditors, two of whom were outside auditors. The auditors attend meetings of the Board of Directors and other important meetings. These duties are performed in accordance with auditing standards (Corporate Auditor Auditing Regulations), the auditing policy, the division of tasks and other items. In addition, the auditors check the performance of directors by receiving reports from directors and others, and requesting an explanation when necessary. For financial audits, the auditors receive reports from the independent accountant and use other means, including requesting an explanation when necessary, to verify the suitability of financial accounting methods and the results of these audits.

Internal Auditing Division

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

Corporate Social Responsibility

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

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

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

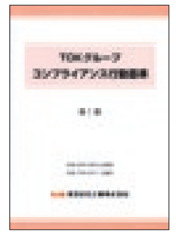
Environmental and Social Report

Compliance

The TOK Group Compliance Standards of Conduct became effective on April 1, 2005, establishing a framework for officers and employees to observe the laws, regulations, our articles of incorporation, and Company regulations. Along with the enactment of these standards of conduct, we initiated an internal reporting system.

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

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



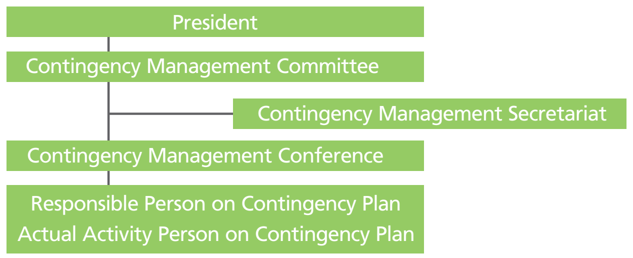
TOK Group Compliance Standards of Conduct Handbook

Risk Management

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

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

Risk Management Organization

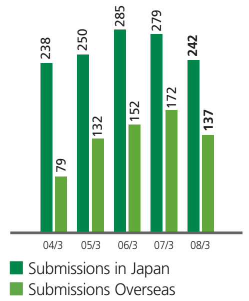


Intellectual Property Strategy

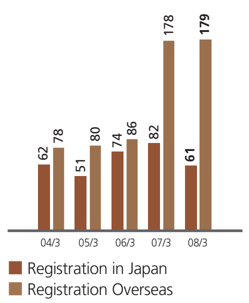
TOK's intellectual property strategy includes the following elements: 1) aggressively protecting our intellectual property, 2) avoiding infringing on the rights of other companies, and 3) proactively utilizing the intellectual property that we have created.

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

Number of Patent Applications Submitted



Number of Patents Registered



Financial Section

Six-Year Summary

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2003, 2004, 2005, 2006, 2007 and 2008

	Millions of Yen						Thousands of U.S. Dollars
	2003	2004	2005	2006	2007	**2008**	**2008**
For the year:							
Net sales	¥ 72,286	¥ 83,121	¥ 88,960	¥ 98,514	¥101,955	**¥102,300**	**$1,023,008**
Material business	62,721	66,927	71,617	80,338	83,038	**86,071**	**860,710**
Equipment business	9,644	16,263	17,461	18,252	18,991	**16,298**	**162,982**
Operating income	4,563	5,703	7,295	10,544	10,884	**8,266**	**82,663**
Income before income taxes and minority interests	3,885	8,372	8,070	11,324	11,119	**7,352**	**73,523**
Net income	1,924	4,751	5,088	6,656	6,660	**4,259**	**42,591**
Investment in plant and equipment	8,019	4,131	3,631	6,962	8,531	**6,574**	**65,740**
Depreciation and amortization	5,232	5,810	5,595	5,502	5,931	**7,693**	**76,933**
R&D costs	6,028	6,744	5,800	5,683	6,487	**8,095**	**80,954**
Per share data (Yen / U.S. Dollars)**:**							
Net income (basic)	¥ 39.12	¥ 98.69	¥ 109.16	¥ 142.34	¥ 142.37	**¥ 91.50**	**$ 0.91**
Cash dividends applicable to the year	20.00	22.00	27.00	33.00	36.00	**36.00**	**0.36**
Total equity	2,290.90	2,401.31	2,492.60	2,650.50	2,750.81	**2,775.38**	**27.75**
At the year-end:							
Total assets	¥141,402	¥146,376	¥154,309	¥165,681	¥166,610	**¥159,633**	**$1,596,332**
Total long-term liabilities	7,954	6,564	7,086	2,222	2,108	**2,198**	**21,988**
Total equity	111,241	111,301	115,564	123,915	131,074	**129,834**	**1,298,340**
Ratios (%)**:**							
Ratio of operating income to net sales	6.3	6.9	8.2	10.7	10.7	**8.1**	
Ratio of R&D costs to net sales	8.3	8.1	6.5	5.8	6.4	**7.9**	
Return on equity	1.7	4.3	4.5	5.6	5.3	**3.3**	
Equity ratio	78.7	76.0	74.9	74.8	77.3	**79.9**	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥100 to US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2008.
2. Net sales by business segment includes intersegment sales.
3. Total equity, total equity per share, the return on equity and the equity ratio for all years prior to the year ended March 31, 2006 are total shareholders' equity, total shareholders' equity per share, the return on equity and the equity ratio, respectively, for each year with no adjustments.

Management's Discussion and Analysis

Results of Operations

Net Sales

In the fiscal year ended March 31, 2008, consolidated net sales rose ¥345 million, or 0.3%, from the previous fiscal year, to ¥102,300 million. Net sales in the first half decreased ¥367 million, or 0.7%, to ¥50,329 million and net sales in the second half increased ¥713 million, or 1.4%, to ¥51,971 million.

Semiconductor market prices fell due to an oversupply of memory devices. However, the market grew more stable thanks to increased demand for new models of digital consumer electronics and information devices, and more applications for semiconductors for use in automobiles equipped with energy-saving technology. The FPD market was affected by declining sales prices, but was nevertheless generally satisfactory thanks to increased demand for flat-screen TVs. In this environment, we were able to achieve a slight increase in sales.

Segment Analysis

*Not adjusted for intersegment sales

Results by Business Segment

Sales in the material business rose ¥3,032 million, or 3.7%, to ¥86,071 million. Increased sales in the electronic functional materials division compensated for the decline in both the high purity chemicals division and the printing materials division. Operating income declined ¥1,038 million, or 8.2%, to ¥11,575 million due to the impact of higher depreciation and amortization and fluctuating foreign currency exchange rates. In the equipment business, sales declined ¥2,692 million, or 14.2%, to ¥16,298 million. Operating income fell ¥1,729 million, or 57.5%, to ¥1,277 million due to the decline in sales and a provision for doubtful receivables.

【Material Business】

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

■ Electronic Functional Materials Division

In the electronic functional materials division, sales increased ¥3,459 million, or 6.8%, to ¥54,073 million.

Amid increased demand for new models of PCs and cell phones, we achieved better results in photoresists used to manufacture semiconductors—especially excimer laser photoresists—due to precisely targeted sales promotion activities in both the Japanese and overseas markets. Sales of photoresists used to manufacture FPD were generally strong. Sales of plasma display photoresists were lower due to a decline in demand for these displays. However, there was an increase in sales of LCD photoresists, despite the impact of declining product prices due to the success in marketing products tailored to the needs of customers in Asia.

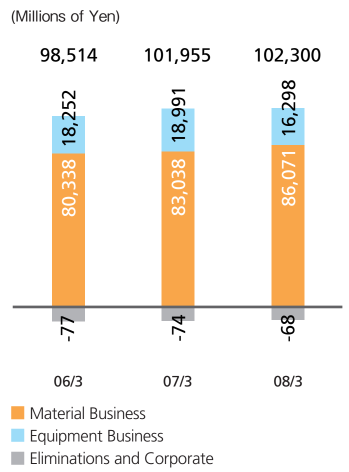
In addition, there was an increase in sales of coating sources for film formation, mainly in Asia.

■ High Purity Chemicals Division

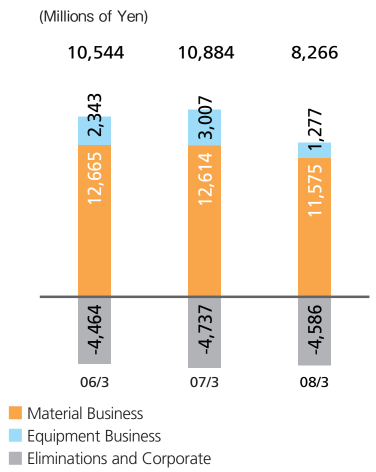
In the high purity chemicals division, sales decreased ¥153 million, or 0.6%, to ¥27,521 million.

Sales of organic and inorganic chemicals were higher than the previous fiscal year as we accurately gauged the increase

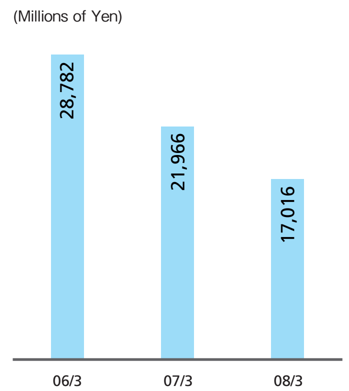
Net Sales by Business Segment



Operating Income by Business Segment



Order Backlog of Equipment Business



in demand within Japan. Sales of photoresist-related chemicals used to manufacture semiconductors also grew, especially in Asia and North America. Sales of photoresist-related chemicals used to manufacture FPD remained weak due to the effects of the decline in product prices that was caused by intensified competition.

■ Printing Materials Division

In the printing materials division, sales decreased ¥264 million, or 5.8%, to ¥4,336 million.

In the photopolymer printing plate category, sales of flexographic printing plates were higher in Asia but declined in Europe and North America due to shifting demand. Sales of general-purpose printing materials were lower. This was due in part to difficulties associated with price revisions in Europe.

【Equipment Business】

The equipment business consists of the process equipment division.

■ Process Equipment Division

Sales in the process equipment division decreased ¥2,692 million, or 14.2%, to ¥16,298 million.

Orders and sales of LCD panel manufacturing equipment were lower than the previous fiscal year as LCD panel manufacturers curtailed their capital expenditures. On the other hand, sales of semiconductor manufacturing equipment, mainly dry ashing and coating machines, were higher than the previous fiscal year. Orders in this division declined 6.6% to ¥11,279 million. First half orders totaled ¥3,324 million, but orders rebounded sharply in the second half to reach ¥7,956 million. The year-end order backlog totaled ¥17,016 million, down 22.5% from the previous fiscal year.

Results by Geographical Segment

■ Japan

Due to growing demand for digital consumer electronics and information technology equipment, material business sales increased especially in excimer laser photoresists. In the equipment business, sales of LCD panel manufacturing equipment declined. As a result of this, sales were up ¥551 million, or 0.6%, to ¥86,699 million. Operating income fell ¥2,644 million, or 27.5%, to ¥6,982 million due to the increase in depreciation and amortization arising from R&D costs in the materials business and also due to the decline in sales in the equipment business.

■ North America

Despite an increase in sales of photoresist-related chemicals, overall sales fell ¥387 million, or 4.0%, to ¥9,350 million due to lower sales of some photoresists and the effects of fluctuating foreign currency exchange rates. Operating income grew ¥105 million, or 12.6%, to ¥946 million due to higher margins on locally produced products.

■ Europe

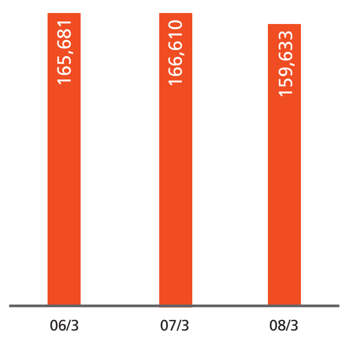
Demand remained weak in the European market, and sales fell ¥234 million, or 3.4%, to ¥6,655 million due to lower sales of semiconductor and printing materials. Amid the decline in sales, the Company incurred an operating loss of ¥127 million, compared to operating income of ¥80 million in the previous fiscal year.

■ Asia

Sales increased ¥372 million, or 3.0%, to ¥12,774 million due to higher sales of photoresist-related chemicals at our Korean and Chinese subsidiaries. Operating income fell ¥461 million, or 29.1%, to ¥1,127 million due to lower sales of higher margin products.

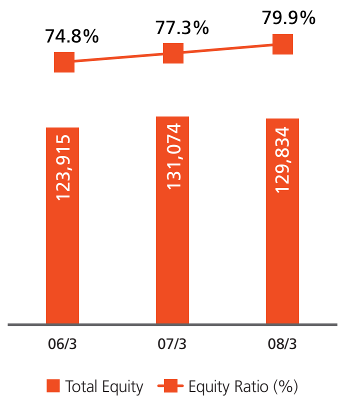
Total Assets

(Millions of Yen)



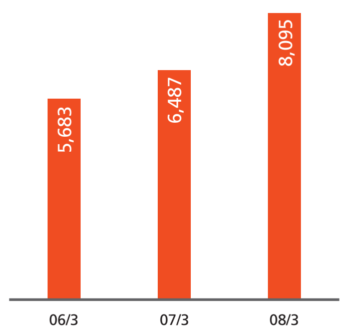
Total Equity / Equity Ratio

(Millions of Yen / %)



R&D Costs

(Millions of Yen)



Cost of Sales, SG&A Expenses and Operating Income

The cost of sales rose ¥755 million, or 1.1%, to ¥70,003 million and the cost of sales ratio increased 0.5 percentage points to 68.4%, mainly a reflection of lower selling prices and the effects of fluctuating foreign currency exchange rates.

As a result, gross profit declined ¥409 million, or 1.3%, to ¥32,297 million.

Selling, general and administrative (SG&A) expenses increased ¥2,207 million, or 10.1%, to ¥24,030 million due to an increase in depreciation and amortization and a provision for doubtful receivables.

Operating income decreased ¥2,617 million, or 24.1%, to ¥8,266 million due to a decline in gross profit and higher SG&A expenses, and the ratio of operating income to net sales fell 2.6 points to 8.1%.

Income before Income Taxes and Minority Interests and Net Income

Income before income taxes and minority interests decreased ¥3,767 million, or 33.9%, to ¥7,352 million due to a foreign exchange loss, losses on devaluation of inventories and devaluation of investment securities, and an increase in an equity in losses of affiliates.

Net income declined ¥2,401 million, or 36.1%, to ¥4,259 million and the ratio of net income to net sales declined 2.3 points to 4.2%.

Financial Condition and Cash Flows

Balance Sheet

Total assets decreased ¥6,977 million from the previous fiscal year-end, to ¥159,633 million at the end of March 2008.

Total current assets declined ¥4,733 million to ¥95,413 million. Cash and cash equivalents and time deposits increased ¥1,259 million. However, inventories decreased ¥5,465 million due to a decline in lower finished products in equipment business.

Net property, plant and equipment decreased ¥697 million to ¥45,278 million as a result of an increase in depreciation. Total investments and other assets decreased ¥1,546 million to ¥18,941 million. There was a decline of ¥1,551 million in investment securities, mostly because of lower market values of securities.

Total liabilities decreased ¥5,736 million to ¥29,799 million. Advances from customers declined ¥4,940 million due to a decline in shipments in the equipment business, and construction and other payables declined ¥1,499 million due to smaller payables associated with equipment.

Although there was a net income of ¥4,259 million, total equity declined ¥1,240 million to ¥129,834 million due to dividends paid and purchase of treasury stock.

As a result, the equity ratio was 79.9% at the end of the fiscal year.

Cash Flows

Net cash provided by operating activities rose ¥6,094 million to ¥14,839 million. This was due mainly from an increase in depreciation and amortization and trade notes and accounts payables, and a decrease in inventories.

Net cash used in investing activities grew ¥7,185 million to ¥23,008 million. The main reason was an increase in disbursements for time deposits.

Net cash used in financing activities rose ¥2,521 million to ¥3,990 million due to payments for purchase of treasury stock and dividends paid.

As a result, cash and cash equivalents at the end of March 2008 decreased ¥13,029 million to ¥19,539 million from ¥32,569 million in the previous fiscal year.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2008 and 2007

ASSETS	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 19,539**	¥ 32,569	**$ 195,399**
Time deposits	**19,149**	4,860	**191,493**
Receivables:			
Trade notes	**5,376**	6,180	**53,769**
Trade accounts	**26,108**	24,949	**261,087**
Other	**343**	339	**3,438**
Allowance for doubtful receivables	**(182)**	(105)	**(1,829)**
Inventories (Note 4)	**22,583**	28,048	**225,830**
Deferred tax assets (Note 9)	**1,796**	1,918	**17,962**
Prepaid expenses and other current assets	**698**	1,385	**6,984**
Total current assets	**95,413**	100,147	**954,136**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**9,126**	9,475	**91,269**
Buildings and structures	**57,739**	55,910	**577,395**
Machinery and equipment	**47,949**	44,120	**479,493**
Furniture and fixtures	**16,372**	15,659	**163,724**
Construction in progress	**559**	1,776	**5,593**
Total	**131,747**	126,942	**1,317,475**
Accumulated depreciation	**(86,469)**	(80,965)	**(864,690)**
Net property, plant and equipment	**45,278**	45,976	**452,785**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**5,582**	7,133	**55,820**
Investments in an unconsolidated subsidiary and associated companies	**64**	293	**648**
Long-term time deposits	**10,000**	10,000	**100,000**
Deferred tax assets (Note 9)	**1,759**	953	**17,591**
Other assets	**1,534**	2,107	**15,349**
Total investments and other assets	**18,941**	20,487	**189,410**
TOTAL	**¥159,633**	¥166,610	**$1,596,332**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2008	Millions of Yen 2007	Thousands of U.S. Dollars (Note 1) 2008
CURRENT LIABILITIES:			
Payables:			
Trade notes	**¥ 81**	¥ 36	**$ 813**
Trade accounts	**10,570**	9,983	**105,704**
Construction and other	**3,622**	5,121	**36,229**
Income taxes payable	**985**	1,101	**9,858**
Accrued expenses	**3,752**	3,757	**37,528**
Advances from customers	**7,963**	12,904	**79,636**
Deferred tax liabilities (Note 9)	**66**	62	**664**
Other current liabilities (Note 5)	**556**	460	**5,567**
Total current liabilities	**27,600**	33,427	**276,003**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**166**	220	**1,665**
Liability for retirement benefits (Note 6)	**1,474**	1,287	**14,744**
Deferred tax liabilities (Note 9)	**526**	568	**5,263**
Other long-term liabilities	**31**	31	**316**
Total long-term liabilities	**2,198**	2,108	**21,988**
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 11 and 13)			
EQUITY (Notes 7 and 16)**:**			
Common stock—authorized, 197,000,000 shares in 2008 and 197,000,000 shares in 2007; issued, 47,600,000 shares in 2008 and 47,600,000 shares in 2007	**14,640**	14,640	**146,404**
Capital surplus	**15,207**	15,226	**152,079**
Retained earnings	**99,043**	96,472	**990,430**
Unrealized gain on available-for-sale securities	**1,890**	3,104	**18,900**
Foreign currency translation adjustments	**323**	794	**3,236**
Treasury stock—at cost, 1,647,523 shares in 2008 and 768,362 shares in 2007	**(3,569)**	(1,414)	**(35,695)**
Total	**127,535**	128,825	**1,275,355**
Minority interests	**2,298**	2,249	**22,984**
Total equity	**129,834**	131,074	**1,298,340**
TOTAL	**¥159,633**	¥166,610	**$1,596,332**

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	**2008**
NET SALES	**¥102,300**	¥101,955	**$1,023,008**
COST OF SALES (Note 10)	**70,003**	69,248	**700,038**
Gross profit	**32,297**	32,706	**322,970**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**24,030**	21,822	**240,306**
Operating income	**8,266**	10,884	**82,663**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**389**	207	**3,892**
Interest expense	**(25)**	(14)	**(250)**
Foreign exchange gain (loss)—net	**(1,012)**	31	**(10,128)**
Royalty income	**184**	226	**1,847**
Compensation for accrued loss	**(188)**	(431)	**(1,883)**
Profit accruing from insurance	**195**	522	**1,950**
Loss on disposal of property, plant and equipment	**(154)**	(620)	**(1,546)**
Loss on disposal of inventories	**(100)**	(75)	**(1,005)**
Indemnity received	**326**		**3,263**
Equity in earnings (losses) of affiliates	**(222)**	(48)	**(2,228)**
Loss on devaluation of inventories	**(217)**		**(2,179)**
Loss on devaluation of investment securities	**(302)**		**(3,025)**
Other—net	**215**	437	**2,154**
Other income (expenses)—net	**(914)**	235	**(9,140)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**7,352**	11,119	**73,523**
INCOME TAXES (Note 9)**:**			
Current	**2,983**	3,921	**29,839**
Deferred	**(84)**	230	**(844)**
Total income taxes	**2,899**	4,151	**28,994**
MINORITY INTERESTS IN NET INCOME	**(193)**	(307)	**(1,936)**
NET INCOME	**¥ 4,259**	¥ 6,660	**$ 42,591**

	Yen		U.S. Dollars
	2008	2007	**2008**
PER SHARE OF COMMON STOCK (Notes 2.r and 15)**:**			
Basic net income	**¥91.50**	¥142.37	**$0.91**
Diluted net income	**91.40**	141.99	**0.91**
Cash dividends applicable to the year	**36.00**	36.00	**0.36**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen								
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	46,738	¥14,640	¥15,223	¥91,529	¥3,660	¥445	¥(1,583)	¥123,915		¥123,915
Reclassified balance as of March 31, 2006 (Note 2.j)									¥2,025	2,025
Net income				6,660				6,660		6,660
Cash dividends paid:										
Final for prior year, ¥18.0 per share				(841)				(841)		(841)
Interim for current year, ¥18.0 per share				(841)				(841)		(841)
Bonuses to directors and corporate auditors				(33)				(33)		(33)
Purchase of treasury stock	(1)						(4)	(4)		(4)
Disposal of treasury stock	94		3				173	176		176
Net change in the year					(555)	349		(206)	224	18
BALANCE, MARCH 31, 2007	46,831	14,640	15,226	96,472	3,104	794	(1,414)	128,825	2,249	131,074
Net income				4,259				4,259		4,259
Cash dividends paid:										
Final for prior year, ¥18.0 per share				(843)				(843)		(843)
Interim for current year, ¥18.0 per share				(842)				(842)		(842)
Purchase of treasury stock	(1,000)						(2,404)	(2,404)		(2,404)
Disposal of treasury stock	121		(18)	(2)			248	227		227
Net change in the year					(1,214)	(471)		(1,685)	48	(1,637)
BALANCE, MARCH 31, 2008	**45,952**	**¥14,640**	**¥15,207**	**¥99,043**	**¥1,890**	**¥323**	**¥(3,569)**	**¥127,535**	**¥2,298**	**¥129,834**

	Thousands of U.S. Dollars (Note 1)								
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2007	$146,404	$152,264	$964,728	$31,047	$7,947	$(14,140)	$1,288,252	$22,495	$1,310,748
Net income			42,591				42,591		42,591
Cash dividends paid:									
Final for prior year, $0.18 per share			(8,435)				(8,435)		(8,435)
Interim for current year, $0.18 per share			(8,429)				(8,429)		(8,429)
Purchase of treasury stock						(24,043)	(24,043)		(24,043)
Disposal of treasury stock		(185)	(24)			2,489	2,279		2,279
Net change in the year				(12,147)	(4,711)		(16,858)	488	(16,370)
BALANCE, MARCH 31, 2008	**$146,404**	**$152,079**	**$990,430**	**$18,900**	**$3,236**	**$(35,695)**	**$1,275,355**	**$22,984**	**$1,298,340**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 7,352	¥11,119	$ 73,523
Adjustments for:			
Income taxes paid	(3,007)	(6,074)	(30,078)
Depreciation and amortization	7,693	5,931	76,933
Provision for doubtful receivables	627	(29)	6,279
Provision for retirement benefits	181	(469)	1,814
Loss on disposal of property, plant and equipment	154	620	1,546
Bonuses to directors and corporate auditors		(33)	
Loss on devaluation of investment securities	302		3,025
Changes in assets and liabilities:			
Increase in trade notes and accounts receivables	(439)	(1,414)	(4,398)
Decrease in inventories	5,440	1,662	54,408
Increase (decrease) in trade notes and accounts payables	667	(1,495)	6,678
(Decrease) increase in advances from customers	(4,940)	300	(49,406)
Other—net	806	(1,372)	8,067
Net cash provided by operating activities	14,839	8,744	148,394
INVESTING ACTIVITIES:			
Disbursements for time deposits—net	(9,343)	(1,568)	(93,436)
Purchases of property, plant and equipment	(7,953)	(8,904)	(79,537)
Proceeds from borrowing of long-term time deposits	(5,000)	(5,000)	(50,000)
Other—net	(710)	(348)	(7,109)
Net cash used in investing activities	(23,008)	(15,822)	(230,082)
FINANCING ACTIVITIES:			
Proceeds from borrowing of long-term debt		215	
Dividends paid	(1,670)	(1,679)	(16,703)
Disposals of treasury stock	227	176	2,279
Payments for purchase of treasury stock	(2,410)	(4)	(24,104)
Other—net	(137)	(177)	(1,378)
Net cash used in financing activities	(3,990)	(1,469)	(39,907)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(869)	295	(8,699)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,029)	(8,250)	(130,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,569	40,820	325,693
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 19,539	¥32,569	$ 195,399

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2008 and 2007

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which TOKYO OHKA KOGYO CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100 to $1, the approximate rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2008 include the accounts of the Company and its 10 significant (11 in 2007) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. One of consolidated subsidiary company were excluded from consolidation due to its liquidation in 2008.

Investment in one (one in 2007) associated company is accounted for by equity method. Investments in the remaining unconsolidated subsidiary and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

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

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

d. Inventories—Merchandise, work in process, and raw materials and supplies are stated at cost determined by the first-in, first-out method. Finished products are stated at cost determined by the average method. Inventories of manufacturing equipment are stated at cost determined by the specific identification method, which are included in raw materials, work in process and finished products.

e. Investment Securities—All investment securities are classified as available-for-sale securities depending on management's intent. Marketable available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined by the moving-average method.

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

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

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

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

i. Retirement and Pension Plans

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

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

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

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

j. Presentation of Equity—On December 9, 2005, the Accounting Standards Board of Japan ("the ASBJ") published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

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

l. Leases—Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements. All other leases are accounted for as operating leases.

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

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

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

p. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of each balance sheet date except for equity, which is translated at the historical rates.

Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date.

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

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

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

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

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

s. New Accounting Pronouncements

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—
Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of equity securities.

The carrying amounts and aggregate fair values of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as available-for-sale—Equity securities	**¥2,667**	**¥2,883**		**¥5,550**
March 31, 2007				
Securities classified as available-for-sale—Equity securities	2,368	4,734		7,102

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as available-for-sale—Equity securities	**$26,672**	**$28,834**		**$55,506**

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

4. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Merchandise	**¥ 143**	¥ 1,281	**$ 1,439**
Finished products	**11,914**	17,648	**119,142**
Work in process	**6,259**	5,067	**62,593**
Raw materials and supplies	**4,265**	4,050	**42,655**
Total	**¥22,583**	¥28,048	**$225,830**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

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

Short-term borrowings at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Unsecured loans from minority shareholder, with interest rates of 5.31% (2008) and 4.12% (2007)	**¥ 33**	¥ 31	**$ 333**
Bank overdrafts, with interest rates of 4.80% (2008) and 4.00% (2007)	**195**	210	**1,950**
Total	**¥228**	¥242	**$2,284**

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Unsecured loans from a financial institution for employees' housing loans, with interest rates of 3.69% (2008) and 3.69% (2007)	**¥ 5**	¥ 5	**$ 50**
Unsecured loan from a bank, with interest rates of 1.56% (2008) and 1.56% (2007)	**215**	215	**2,157**
Total	**220**	221	**2,208**
Less current portion	**(54)**		**(543)**
Long-term debt, less current portion	**¥166**	¥220	**$1,665**

Annual maturities of long-term debt at March 31, 2008 for the next five years and thereafter are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥ 54	$ 543
2010	108	1,082
2011	54	543
2012		4
2013		4
2014 and thereafter	3	30
Total	¥220	$2,208

6. RETIREMENT AND PENSION PLANS

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

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

The liability for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Projected benefit obligation	**¥14,130**	¥13,388	**$141,307**
Fair value of plan assets	**(7,440)**	(8,181)	**(74,404)**
Employee retirement benefit trust	**(4,769)**	(5,002)	**(47,694)**
Unrecognized prior service cost	**934**	1,072	**9,340**
Unrecognized actuarial loss	**(1,596)**	(163)	**(15,967)**
Net liability	**¥ 1,258**	¥ 1,113	**$ 12,581**

The components of net periodic benefit costs for the years ended March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Service cost	**¥713**	¥713	**$7,131**
Interest cost	**289**	276	**2,893**
Expected return on plan assets	**(311)**	(275)	**(3,113)**
Amortization of prior service cost	**(138)**	(138)	**(1,387)**
Recognized actuarial loss	**192**	220	**1,924**
Temporary retirement benefit		6	
Net periodic benefit costs	**¥744**	¥802	**$7,448**

Assumptions used for the years ended March 31, 2008 and 2007 are set forth as follows:

	2008	2007
Discount rate	**2.25%**	2.25%
Expected rate of return on plan assets:		
Contributory pension plan	**3.50%**	3.50%
Employee retirement benefit trust	**0.50%**	0.50%
Amortization period of prior service cost	**10 years**	10 years
Recognition period of actuarial gain/loss	**10 years**	10 years

The liabilities for retirement benefits at March 31, 2008 and 2007 for directors and corporate auditors are ¥216 million ($2,162 thousand) and ¥174 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

7. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

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

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

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

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

c. Treasury Stock and Treasury Stock Acquisition Rights

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

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

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

8. STOCK OPTIONS

The stock option outstanding as of March 31, 2008 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Option	15 directors 122 employees	788,000 shares	2001.9.4	¥1,872 ($18.72)	From July 1, 2003 to June 30, 2008

The stock option activity is as follows:

	2001 Stock Option (Shares)
For the Year Ended March 31, 2007	
Non-vested:	
March 31, 2006—outstanding	
Granted	
Canceled	
Vested	
March 31, 2007—outstanding	
Vested:	
March 31, 2006—outstanding	351,000
Vested	
Exercised	94,000
Canceled	
March 31, 2007—outstanding	257,000
For the Year Ended March 31, 2008	
Non-vested:	
March 31, 2007—outstanding	
Granted	
Canceled	
Vested	
March 31, 2008—outstanding	
Vested:	
March 31, 2007—outstanding	257,000
Vested	
Exercised	121,400
Canceled	
March 31, 2008—outstanding	135,600
Exercise price	¥1,872 ($18.72)
Average stock price at exercise	¥2,566 ($25.66)
Fair value price at grant date	

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.3% for the years ended March 31, 2008 and 2007. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Current assets:			
Deferred tax assets:			
Accrued expense for bonuses to employees	**¥ 684**	¥ 716	**$ 6,849**
Accrued enterprise tax	**74**	96	**744**
Unrealized gains on inventories	**309**	410	**3,098**
Loss on valuation of inventories	**384**	388	**3,842**
Other	**481**	306	**4,812**
Less valuation allowance	**(7)**		**(76)**
Total	**1,927**	1,918	**19,270**
Deferred tax liabilities—other	**130**		**1,308**
Total	**130**		**1,308**
Net deferred tax assets	**¥1,796**	¥1,918	**$17,962**
Non-current assets:			
Deferred tax assets:			
Liability for retirement benefits	**¥2,366**	¥2,444	**$23,666**
Property and equipment	**50**	62	**504**
Investment securities	**408**	286	**4,088**
Allowance for doubtful accounts	**221**		**2,214**
Subsidy income	**468**		**4,689**
Other	**528**	416	**5,285**
Less valuation allowance	**(708)**	(486)	**(7,081)**
Total	**3,336**	2,723	**33,367**
Deferred tax liabilities:			
Property and equipment	**532**	80	**5,326**
Unrealized gain on available-for-sale securities	**993**	1,629	**9,935**
Other	**51**	61	**514**
Total	**1,577**	1,770	**15,775**
Net deferred tax assets	**¥1,759**	¥ 953	**$17,591**
Current liabilities—Deferred tax liabilities	**¥ 66**	¥ 62	**$ 664**
Non-current liabilities—Deferred tax liabilities:			
Property and equipment	**¥ 25**	¥ 81	**$ 259**
Undistributed earnings of foreign subsidiaries	**500**	486	**5,004**
Total	**¥ 526**	¥ 568	**$ 5,263**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008 and 2007 is as follows:

	2008	2007
Normal effective statutory tax rate	**40.3%**	40.3%
Non-deductible expenses	**0.5**	0.3
Non-taxable revenue	**(0.3)**	(0.2)
Difference income tax rates applicable to income in certain foreign countries	**(0.3)**	1.2
Tax credit for research and development costs	**(4.9)**	(4.6)
Valuation allowance	**3.1**	(0.4)
Other—net	**1.0**	0.7
Actual effective tax rate	**39.4%**	37.3%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Selling, general and administrative expenses	¥7,982	¥6,277	$79,828
Cost of sales	112	210	1,126
Total	¥8,095	¥6,487	$80,954

11. LEASES

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

Total lease payments under finance leases for the years ended March 31, 2008 and 2007 were ¥144 million ($1,448 thousand) and ¥37 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense, interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2008 and 2007 was as follows:

Acquisition cost and accumulated depreciation:

	Millions of Yen							
	2008				2007			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥332	¥165	¥33	¥530	¥243	¥49	¥44	¥337
Accumulated depreciation	65	94	31	190	20	33	35	89
Net leased property	¥266	¥ 70	¥ 2	¥340	¥223	¥15	¥ 9	¥247

	Thousands of U.S. Dollars			
	2008			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	$3,321	$1,650	$337	$5,309
Accumulated depreciation	655	941	311	1,908
Net leased property	$2,666	$ 708	$ 26	$3,401

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 66	¥ 32	$ 661
Due after one year	273	215	2,739
Total	¥340	¥247	$3,401

The amounts of acquisition cost, depreciation and obligations under finance leases include the imputed interest expense portion. Depreciation expense which was not reflected in the consolidated statements of income, computed by straight-line method was ¥144 million ($1,448 thousand) and ¥37 million for the years ended March 31, 2008 and 2007, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥128	¥111	$1,281
Due after one year	138	208	1,386
Total	¥266	¥320	$2,667

12. DERIVATIVES

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

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

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

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

There is no disclosure of market value information because the Group has no derivative contracts at March 31, 2008 and all foreign currency forward contracts qualify for hedge accounting at March 31, 2007.

13. COMMITMENTS AND CONTINGENT LIABILITIES

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

14. RELATED PARTY TRANSACTIONS

Major transactions of the Company with directors and a corporate auditor for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Exercise of stock option	¥58	¥52	$587

15. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008 and 2007 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	¥4,259	46,544	¥91.50	$0.91
Effect of dilutive securities—Stock options		53		
Diluted EPS—Net income for computation	¥4,259	46,598	¥91.40	$0.91
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥6,660	46,781	¥142.37	
Effect of dilutive securities—Stock options		126		
Diluted EPS—Net income for computation	¥6,660	46,906	¥141.99	

16. SUBSEQUENT EVENT

At the general shareholders meeting held on June 26, 2008, the Company's shareholders approved the following appropriation of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥18 ($0.18) per share	¥827	$8,271

17. SEGMENT INFORMATION

(1) Business Segments

The Group operates in the following industries:

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

Information about business segments for the years ended March 31, 2008 and 2007 is as follows:

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

	Thousands of U.S. Dollars				
	2008				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	$860,710	$162,298	$1,023,008		$1,023,008
Intersegment sales		684	684	$ (684)	
Total sales	860,710	162,982	1,023,692	(684)	1,023,008
Operating expenses	744,956	150,207	895,163	45,181	940,344
Operating income	$ 115,753	$ 12,775	$ 128,529	$ (45,865)	$ 82,663
Assets	$845,275	$206,452	$1,051,728	$544,603	$1,596,332
Depreciation and amortization	64,611	3,682	68,294	8,639	76,933
Capital expenditures	59,883	5,423	65,306	1,375	66,682

	Millions of Yen				
	2007				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥83,038	¥18,916	¥101,955		¥101,955
Intersegment sales		74	74	¥ (74)	
Total sales	83,038	18,991	102,029	(74)	101,955
Operating expenses	70,424	15,983	86,408	4,662	91,071
Operating income	¥12,614	¥ 3,007	¥ 15,621	¥ (4,737)	¥ 10,884
Assets	¥85,769	¥25,943	¥111,713	¥54,897	¥166,610
Depreciation and amortization	4,920	328	5,249	681	5,931
Capital expenditures	8,170	207	8,378	223	8,601

(2) Geographical Segments

Information about geographical segments for the years ended March 31, 2008 and 2007 is as follows:

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

	Thousands of U.S. Dollars						
	2008						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	$748,019	$84,821	$65,855	$124,312	$1,023,008		$1,023,008
Interarea transfer	118,977	8,679	697	3,429	131,784	$(131,784)	
Total sales	866,996	93,500	66,552	127,742	1,154,792	(131,784)	1,023,008
Operating expenses	797,170	84,036	67,829	116,468	1,065,505	(125,160)	940,344
Operating income (loss)	$ 69,825	$ 9,464	$ (1,276)	$ 11,273	$ 89,286	$ (6,623)	$ 82,663
Assets	$971,925	$78,585	$42,344	$106,444	$1,199,300	$ 397,031	$1,596,332

	Millions of Yen						
	2007						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 74,168	¥8,804	¥6,854	¥12,128	¥101,955		¥101,955
Interarea transfer	11,980	933	35	273	13,223	¥(13,223)	
Total sales	86,148	9,737	6,890	12,402	115,178	(13,223)	101,955
Operating expenses	76,521	8,897	6,809	10,812	103,040	(11,969)	91,071
Operating income	¥ 9,627	¥ 840	¥ 80	¥ 1,589	¥ 12,138	¥ (1,253)	¥ 10,884
Assets	¥108,502	¥8,115	¥4,891	¥10,280	¥131,789	¥ 34,820	¥166,610

(3) Sales to Foreign Customer

Information about sales to foreign customers of the Group for the years ended March 31, 2008 and 2007 is as follows:

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

	Thousands of U.S. Dollars				
	2008				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	**$92,336**	**$68,186**	**$431,828**	**$3,355**	**$ 595,707**
Consolidated sales (B)					**1,023,008**
(A) / (B)	**9.0%**	**6.7%**	**42.2%**	**0.3%**	**58.2%**

	Millions of Yen				
	2007				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥9,570	¥7,245	¥42,701	¥394	¥ 59,911
Consolidated sales (B)					101,955
(A) / (B)	9.4%	7.1%	41.9%	0.4%	58.8%

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of TOKYO OHKA KOGYO CO., LTD. (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu

June 26, 2008

Member of
Deloitte Touche Tohmatsu

Corporate Information

Corporate Data (As of March 31, 2008)

Corporate Name:	TOKYO OHKA KOGYO CO., LTD.
Established:	October 25, 1940
Corporate Headquarters:	150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN
Number of Employees:	1,850 (Consolidated)
Paid-in Capital:	¥14,640 million
Web Site:	http://www.tok.co.jp/
Stock Listing:	Tokyo
Investor Relations Contact:	Public Relations Division 150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012, JAPAN TEL. +81-44-435-3000 FAX. +81-44-435-3020

Board of Directors, Corporate Auditors and Officers (As of November 1, 2008)

Board of Directors

Representative Director, President
Chief Executive Officer
Yoichi Nakamura

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

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

Director
Officer
Kobun Iwasaki
Department Manager, Marketing Dept.

Director
Officer
Katsuyuki Ohta
Department Manager, Corporate Planning Dept. and General Manager, Planning Div.

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

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

Corporate Auditors

Standing Statutory Auditor
Yukiyasu Henmi

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

Auditor
Yukio Hayama
(Auditor, International Assurance Group)

Officers

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

Executive Officer
Hiroyuki Tohda
Managing Director, TOKYO OHKA KOGYO EUROPE B.V.

Officer
Hitoshi Furuya
Department Manager, Purchasing Dept.

Officer
Kenji Tazawa
Department Manager, Process Equipment Manufacturing Dept.

Officer
Hiroshi Asaba
Deputy Department Manager, Manufacturing Dept.

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

Note: Mr. Jiro Makino is an outside director.
Mr. Fujio Higaki and Mr. Yukio Hayama are outside auditors.

Global Network

IR Information on the Web Site http://www.tok.co.jp/en/

- To Our Shareholders and Investors
- Webcast
  A video report on the progress of the Institutional Investors / Analysts Meeting for Business Results (Japanese only)
  The Corporate Presentation Video can be seen in Japanese, English, Chinese or Korean.
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IR Info.


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