TOKYO OHKA KOGYO CO., LTD.
and Consolidated Subsidiaries

Financial Highlights For the Years Ended March 31

	Millions of Japanese Yen				
	1995	1996	1997	1998	**1999**
Net Sales	68,606	78,913	81,691	84,880	**74,444**
Net Income	4,879	5,795	6,539	7,152	**3,715**
Net Income per Share (Yen)	96.42	114.53	129.23	141.35	**73.42**
Cash Dividends	860	860	911	910	**1,011**

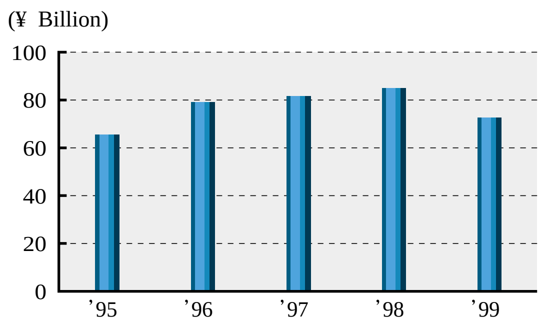
Corporate Data As of March 31, 1999

Corporate Name	TOKYO OHKA KOGYO CO.,LTD.	
Founded	1940	
Principal Office	1-403, Kosugi-machi, Nakahara-ku, Kawasaki, Kanagawa 211-0063, JAPAN	
Common Stock	Authorized	200,000,000 shares
	Issued	50,600,000 shares
Capitalized	¥14,640 million	
Shareholders	6,472	
Employees	1,774	

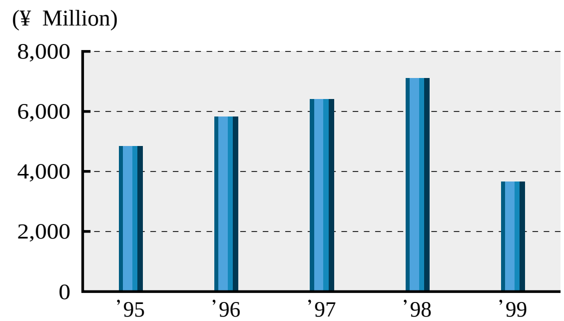
Financial Review

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

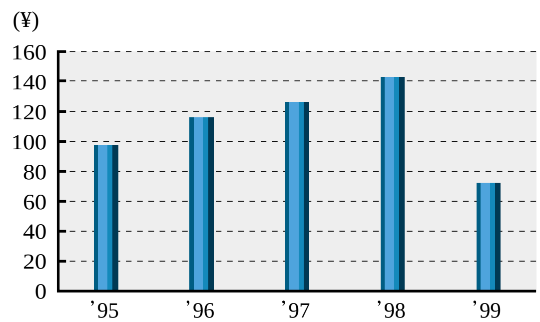
Net Sales



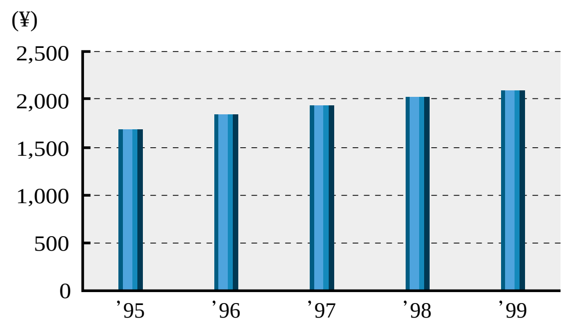
Net Income



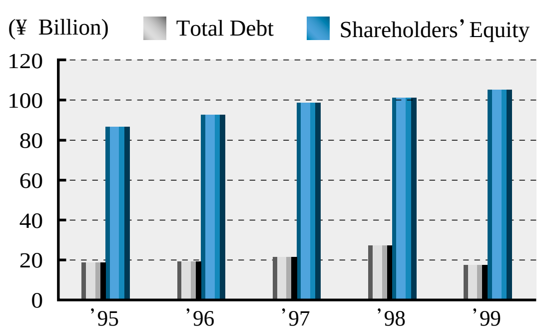
Net Income per Share



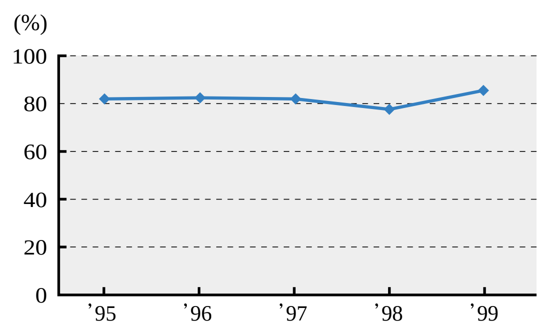
Shareholders' Equity per Share



Total Debt and Shareholders' Equity



Shareholders' Equity to Total Assets



TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

To our shareholders

It gives me great pleasure to take this opportunity to report to ourshareholders and friends on the financial results of Tokyo Ohka Kogyo Co., Ltd. and consolidated subsidiaries for the fiscal year 1999, ended March 31, 1999.

Affected by ever more serious conditions of the semiconductor market, the consolidated sales of Tokyo Ohka Kogyo for the 1999 fiscal year was ¥74,444 million, which is a dip of ¥10,435 million compared to the previous year. Income before income taxes and minority interest decreased by 50.2% to ¥7,376 million due to the increased burden of depreciation expenses in addition to the drop in sales and the reduction of product prices. This forced net income down by 48.1% to ¥3,715 million.

Reviewing world economic conditions for the 1999 fiscal year, only the U.S. economy continued to expand while dull economic growth in Europe, and the Asian economy remained depressed. In the Japanese economy, income of enterprises worsened with domestic demand stagnation against a background of uncertainty in the financial system. Moreover, in addition to further decline in private plant investment, the unemployment increased, causing the economy to deteriorate.

Meanwhile, in the electronics industry, the major source of demand for our products, the sale of cellular telephones developed firmly in the mobile communication market and demand expanded in the personal computer market due to the increase in individual use. However, because of the depression in the world semiconductor market due to the drop of memory price, semiconductor manufacturers, domestic and overseas, confronted with a very difficult business environment, resulted to adjust production, suppress investment and re-organize or close their business operations on a global basis.

In such an environment, we have made every possible effort for early development of new competitive products in the worldwide market, strengthening production and sales systems, and improving quality assurance systems so as to attain further business expansion in the semiconductor, LCD and other high-tech fields which are globalizing rapidly.

Regarding research and development, we improved and enhanced the line-up of photoresist for Deep UV for which demand is rapidly growing domestically and overseas. And we have also established an development outlook of the next generation products for the ultra-fine process. In addition, we accomplished steady results by developing and introducing to the market an epoch-making new i-line photoresist with high resolution. To enhance product quality assurance, We made continuous efforts through the maintenance and expansion of application for "ISO 9002" certification, and also have started activities to acquire "ISO 14001" certification for the global environment preservation. Along with these efforts, we reorganized by the integration of the materials and equipment sections to strengthen our sales divisions, and developed Koriyama Plant further, which is for mass production plant of Deep UV photoresist, as for production. On the other hand, we simplified the organization of the process equipment production division to improve the operating efficiency, and proceeded rationalization throughout the company, reducing production costs and saving various expenses.

In overseas markets, we started production of photoresist developer at our joint venture company in Italy and started OEM supply through a Taiwan subsidiary in an effort to strengthen the local production. However, in spite of proceeding positive business strategies inside and outside Japan while streamlining business operation simultaneously, the recent state of the semiconductor market that continued to be more serious was beyond our control, and our business results for the 1999 fiscal year were unfavorable as stated above.

To the future, the downward pressure on our economy still remains, and the business environment will continue to be unpredictable. Although a certain sign of recovery is seen in the steady public and housing investment, individual consumption is still dull. And in addition to the increasing unemployment, problems in the Japanese financial system may recur. Even in the future of U.S economy, an uncertainty has been felt.

Under these conditions, we at Tokyo Ohka Kogyo will do our best to:

- Develop new and beneficial products and technologies to always lead the world market.
- Increase product capability, reduce manufacturing costs and accelerate rationalization in order to be more competitive in the world market.
- Strengthen our business structure and develop our human resources for greater competitiveness.

As for Year 2000 problem, recognizing as a critical issue, we started our measures from the host computer of network system in May 1996 and completed them in August last year. To ensure the company-wide completeness of Year 2000 compliance, we organized the "Year 2000 Issue Committee" in October 1998. The committee carries on overall compliance for the network system and all manufacturing equipment. In preparation for an unexpected situation, the committee made a "Contingency Plan" for each section of customer relations, distribution, production, material purchasing and administration and each division had completed the plan accordingly as of April this year. For the equipment sold through suppliers and our company, we are currently checking on the progress of countermeasures being taken for those products by customers.

Hisashi Nakane Ph. D.
President

Consolidated Balance Sheets

Years Ended March 31, 1999 and 1998

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

ASSETS	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars (Note 1) 1999
CURRENT ASSETS:			
Cash	¥ **1,246**	¥ 1,839	$ **10,389**
Time deposits	**38,101**	36,113	**317,508**
Marketable securities (Note 3)	**47**	48	**399**
Receivables:			
Trade notes	**5,773**	6,485	**48,115**
Trade accounts	**16,479**	17,745	**137,329**
Other	**587**	241	**4,898**
Allowance for doubtful receivables	**(185)**	(208)	**(1,548)**
Inventories (Note 4)	**13,598**	16,443	**113,324**
Prepaid expenses and other current assets	**603**	633	**5,032**
Total current assets	**76,253**	79,341	**635,448**
PROPERTY, PLANT AND EQUIPMENT (Note 5):			
Land	**7,162**	7,331	**59,688**
Buildings and structures	**43,875**	44,011	**365,626**
Machinery and equipment	**33,913**	32,541	**282,613**
Furniture and fixtures	**8,651**	8,800	**72,092**
Construction in progress	**1,686**	782	**14,057**
Total	**95,289**	93,465	**794,079**
Accumulated depreciation	**(53,616)**	(48,298)	**(446,800)**
Net property, plant and equipment	**41,673**	45,169	**347,279**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**3,202**	3,346	**26,684**
Investments in an unconsolidated subsidiary and an affiliate	**7**	48	**62**
Lease deposits	**576**	575	**4,803**
Accumulated insurance premiums	**494**	578	**4,124**
Foreign currency translation adjustments	**54**		**452**
Other assets	**489**	594	**4,079**
Total investments and other assets	**4,824**	5,143	**40,207**
TOTAL	¥ **122,752**	¥ 129,654	$ **1,022,935**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 1999	Millions of Yen 1998	Thousands of U.S. Dollars (Note 1) 1999
CURRENT LIABILITIES:			
Short-term borrowings (Note 6)	¥ **86**	¥ 192	$ **722**
Payables:			
Trade notes	**4,056**	5,731	**33,801**
Trade accounts	**3,987**	4,488	**33,231**
Construction and other	**1,954**	5,109	**16,287**
Income taxes payable	**1,731**	3,916	**14,426**
Accrued expenses	**2,264**	2,534	**18,869**
Advances from customers	**330**	1,828	**2,753**
Other current liabilities	**901**	94	**7,513**
Total current liabilities	**15,312**	23,896	**127,605**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**87**	68	**729**
Liability for employees' retirement benefits (Note 7)	**282**	263	**2,357**
Liability for directors and corporate auditors retirement benefits (Note 7)	**679**	746	**5,663**
Foreign currency translation adjustments		777	
Other long-term liabilities	**343**	488	**2,862**
Total long-term liabilities	**1,393**	2,344	**11,612**
MINORITY INTEREST	**218**	187	**1,823**
SHAREHOLDERS' EQUITY (Note 8):			
Common stock, ¥50 par value-authorized, 200,000,000 shares; issued and outstanding, 50,600,000 shares	**14,640**	14,640	**122,003**
Additional paid-in capital	**15,207**	15,207	**126,732**
Retained earnings	**75,978**	73,377	**633,157**
Total	**105,827**	103,225	**881,893**
Treasury stock-at cost			
Total shareholders' equity	**105,827**	103,225	**881,893**
TOTAL	¥ **122,752**	¥ 129,654	**$1,022,935**

Consolidated Statements of Income

Years Ended March 31, 1999 and 1998

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
NET SALES	¥ 74,444	¥ 84,880	$ 620,370
COST OF SALES	52,069	54,030	433,909
Gross profit	22,375	30,849	186,461
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	15,702	16,421	130,851
Operating income	6,673	14,428	55,610
OTHER INCOME (EXPENSES):			
Interest and dividend income	261	304	2,179
Interest expense	(18)	(5)	(157)
Valuation loss on marketable and investment securities	(65)	(222)	(546)
Foreign currency transaction gain (loss)-net	(176)	288	(1,468)
Royalty income	207	344	1,729
Gain (loss) on sales and disposals of property, plant and equipment-net	250	(63)	2,089
Gain (loss) on sales of investment securities	206	(8)	1,721
Loss on disposal of inventories	(199)	(57)	(1,658)
Start-up cost of new plants		(413)	
Other-net	236	204	1,969
Other income-net	703	371	5,858
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	7,376	14,799	61,469
INCOME TAXES (Note 9)	3,649	7,638	30,411
MINORITY INTEREST	(11)	(8)	(97)
NET INCOME	¥ 3,715	¥ 7,152	$ 30,959

PER SHARE OF COMMON STOCK (Note 2.k):	Yen		U.S.Dollars
Net income	¥ 73.42	¥ 141.35	$ 0.61
Cash dividends applicable to the year	20.00	19.00	0.16

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Years Ended March 31, 1999 and 1998

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Thousands	Millions of Yen		
	Outstanding Number of Shares of Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
BALANCE, APRIL 1, 1997	50,600	¥ 14,640	¥ 15,207	¥ 67,230
Net income				7,152
Cash dividends paid:				
Final for prior year, ¥9.0 per share				(455)
Interim for current year, ¥9.0 per share				(455)
Bonuses to directors and corporate auditors				(94)
BALANCE, MARCH 31, 1998	50,600	14,640	15,207	73,377
Net income				3,715
Cash dividends paid:				
Final for prior year, ¥10.0 per share				(505)
Interim for current year, ¥10.0 per share				(505)
Bonuses to directors and corporate auditors				(101)
BALANCE, MARCH 31, 1999	**50,600**	**¥ 14,640**	**¥ 15,207**	**¥ 75,978**

	Thousands of U.S. Dollars (Note 1)		
	Common Stock	Additional Paid-in Capital	Retained Earnings
BALANCE, MARCH 31, 1998	$ 122,003	$ 126,732	$ 611,477
Net income			30,959
Cash dividends paid:			
Final for prior year, $0.08 per share			(4,216)
Interim for current year, $0.08 per share			(4,216)
Bonuses to directors and corporate auditors			(845)
BALANCE, MARCH 31, 1999	**$ 122,003**	**$ 126,732**	**$ 633,157**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended March 31, 1999 and 1998

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1999	1998	1999
OPERATING ACTIVITIES:			
Net income	¥ **3,715**	¥ 7,152	$ **30,959**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**6,524**	4,858	**54,368**
Provision for doubtful receivables	**(18)**	5	**(152)**
Loss (gain) on sales and disposals of property, plant and equipment-net	**(250)**	63	**(2,089)**
Gain on sales of investment securities	**(206)**		**(1,721)**
Provision for retirement benefits	**(48)**	215	**(402)**
Valuation loss on marketable and investment securities	**65**	222	**546**
Bonuses to directors and corporate auditors	**(101)**	(94)	**(845)**
Changes in assets and liabilities, net of effects from a newly consolidated subsidiary:			
Decrease (increase) in receivables	**1,631**	(1,315)	**13,597**
Decrease (increase) in inventories	**2,844**	(3,766)	**23,701**
Decrease (increase) in prepaid expenses and other current assets	**29**	(174)	**245**
Increase (decrease) in payables	**(5,331)**	3,565	**(44,429)**
Decrease in income taxes payable	**(2,185)**	(188)	**(18,210)**
Increase (decrease) in accrued expenses and other current liabilities	**(961)**	750	**(8,010)**
Total adjustments	**1,991**	4,142	**16,596**
Net cash provided by operating activities	**5,706**	11,295	**47,556**
INVESTING ACTIVITIES:			
Proceeds from sales of marketable securities-net		250	
Proceeds from sales of property, plant and equipment	**523**	384	**4,362**
Proceeds from sales of investment securities	**284**	176	**2,372**
Purchases of property, plant and equipment	**(3,914)**	(10,939)	**(32,622)**
Purchases of investment securities		(181)	
Purchase of investment in an unconsolidated subsidiary		(40)	
Other	**14**	(36)	**121**
Net cash used in investing activities	**(3,091)**	(10,385)	**(25,765)**
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings-net	**(105)**	153	**(881)**
Proceeds from long-term debt	**47**		**395**
Repayments of long-term debt	**(27)**	(22)	**(233)**
Dividends paid	**(1,011)**	(910)	**(8,433)**
Net cash used in financing activities	**(1,098)**	(780)	**(9,152)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	**(161)**	5	**(1,348)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,354**	134	**11,289**
CASH AND CASH EQUIVALENTS OF A NEWLY CONSOLIDATED SUBSIDIARY, BEGINNING OF YEAR	**40**	100	**337**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**37,952**	37,717	**316,270**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **39,347**	¥ 37,952	$ **327,898**
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	¥ **18**	¥ 5	$ **157**
Income taxes paid	**5,834**	7,826	**48,622**

See notes to consolidated financial statements.

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 Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The consolidated statements of cash flows are not required as part of the basic financial statements in Japan but are presented herein as additional information.

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, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

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 ¥120 to $1, the approximate rate of exchange at March 31, 1999. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation - The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries (together, the "Companies"). Effective April 1, 1998, the accounts of TOK TAIWAN CO., LTD., a foreign subsidiary of the Company, have been included in the consolidation, due to the increased significance of its total assets, net sales, net income and retained earnings.

Investments in an unconsolidated subsidiary and a 25% owned affiliate 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.

The excess of the cost of the Company's investments in consolidated subsidiaries accounted for by the equity method, over the underlying equity at the respective dates of acquisition, is being amortized over a period of five years.

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

b. Cash and Cash Equivalents - For purposes of the statements of cash flows, the Company considers all time deposits to be cash equivalents. Time deposits have original maturities of one year or less and can be withdrawn on demand with no diminution of principal.

c. 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 average cost. Inventories of semiconductor manufacturing equipment are stated at cost determined by the individual identification method, which are included in raw materials, work in process and finished products.

d. Marketable and Investment Securities - Listed securities included in marketable and investment securities are stated at the lower of cost or market, cost being determined by the moving-average method. Other securities are stated at cost determined by the moving-average method.

e. Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method over the estimated useful lives of the assets for the Company and domestic consolidated subsidiaries, and by the straight-line method for foreign consolidated subsidiaries. The range of useful lives is principally from 3 to 60 years (3 to 65 years in 1998) for buildings and structures, from 4 to 8 years for machinery and equipment and from 2 to 20 years for furniture and fixtures.

f. ***Retirement Benefits -*** The Company has a contributory funded pension plan covering substantially all of its employees.

The amounts contributed to the fund, including prior service cost which is amortized over 7 years, are charged to income when paid.

In addition, the annual provisions for retirement benefits for certain employees of the Companies, which are not covered by the above contributory funded pension plan, are calculated to state the liability at the amount that would be required if all of them retired at each balance sheet date.

The annual provisions for retirement benefits for directors and corporate auditors are calculated to state the liability at the amount that would be required if all of them retired at each balance sheet date.

The provisions for the above retirement benefits are not funded.

g. ***Leases -*** Leases are mainly accounted for as operating 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.

h. ***Income Taxes -*** Income taxes are provided for amounts currently payable. Deferred income taxes are not provided for temporary differences in recognizing certain income and expense items for financial and tax reporting purposes.

i. ***Foreign Currency Transactions -*** Short-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at each balance sheet date.

Long-term receivables denominated in foreign currencies are generally translated into Japanese yen at historical exchange rates. In the case where there is significant fluctuation of currencies with possible exchange losses, long-term receivables denominated in foreign currencies are translated at the current exchange rates as of each balance sheet date.

j. ***Foreign Currency Financial Statements -*** The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the current exchange rates as of the balance sheet date except for shareholders' equity, which is translated at the historical exchange rate. Differences arising from such translation are shown as "Foreign currency statements translation adjustments" in the accompanying consolidated balance sheets. Revenue and expense accounts of the foreign consolidated subsidiaries are also translated into yen at the current rate.

k. ***Per Share Information -*** The computation of net income per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of common shares used in the computation was 50,599,938 shares for 1999 and 50,599,937 shares for 1998.

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.

l. ***Reclassifications -*** Certain reclassifications have been made in the 1998 financial statements to conform to the classifications used in the 1999 financial statements. This reclassification had no effect on previously reported net income or total shareholders' equity.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 1999 and 1998, consisted of marketable equity securities.

Carrying amounts and aggregate market values of current and non-current marketable equity securities at March 31, 1999 and 1998, were as follows:

	Millions of Yen 1999		Millions of Yen 1998		Thousands of U.S. Dollars 1999	
Current:						
Carrying amount	¥	**47**	¥	48	$	**399**
Aggregate market value		**84**		100		**707**
Unrealized gain	¥	**36**	¥	52	$	**307**
Non-current:						
Carrying amount	¥	**2,586**	¥	2,731	$	**21,556**
Aggregate market value		**4,417**		4,669		**36,812**
Unrealized gain	¥	**1,830**	¥	1,937	$	**15,255**

The differences between the above carrying amounts and the amounts shown in the consolidated balance sheets consist principally of non-marketable securities.

4. INVENTORIES

Inventories at March 31, 1999 and 1998, consisted of the following:

	Millions of Yen 1999		Millions of Yen 1998		Thousands of U.S. Dollars 1999	
Merchandise	¥	**133**	¥	188	$	**1,112**
Finished products		**5,394**		7,053		**44,955**
Work in process		**4,803**		4,854		**40,026**
Raw materials and supplies		**3,267**		4,346		**27,229**
Total	¥	**13,598**	¥	16,443	$	**113,324**

5. PROPERTY, PLANT AND EQUIPMENT

Depreciation expense for the years ended March 31, 1999 and 1998, was ¥6,464 million ($53,873 thousand) and ¥4,709 million, respectively.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 1999 and 1998, represent bank overdrafts. The interest rates of most bank overdrafts as of March 31, 1999 and 1998, were 4.375% and 7.25%, respectively.

Long-term debt at March 31, 1999 and 1998, consisted of following:

	Millions of Yen 1999		Millions of Yen 1998		Thousands of U.S. Dollars 1999	
Unsecured loans from a financial institution for employee's housing loans	¥	**40**	¥	68	$	**333**
Unsecured loans from minority shareholder, 5.57% to 8%, due serially to 2000		**47**				**395**
Total	¥	**87**	¥	68	$	**729**

7. RETIREMENT BENEFITS

Under the pension plan, substantially all of the employees of the Company terminating their employment are, in most circumstances, entitled to pension payments based on their average pay during employment, years of service and certain other factors.

The net assets in the fund, including a government pension fund required by a Japanese law were ¥5,016 million ($41,808 thousand) at March 31, 1998 (the most recent date of available information).

Retirement benefits for certain employees of the Companies, which are not covered by the above pension plan, are determined by reference to their rate of pay at the time of termination, years of service and certain other factors.

Retirement benefits for directors and corporate auditors are paid subject to approval of the shareholders (in accordance with the Japanese Commercial Code).

Total provisions for pension costs and retirement benefits charged to income were ¥586 million ($4,885 thousand) and ¥692 million for the years ended March 31, 1999 and 1998, respectively.

8. SHAREHOLDERS' EQUITY

Under the Japanese Commercial Code (the "Code"), at least 50% of the issue price of new shares with a minimum of the par value, is to be designated as stated capital. The portion which is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital. The Company may transfer portions of additional paid-in capital to stated capital by resolution of the Board of Directors.

Under the Code, the Company is required to appropriate as a legal reserve portions of retained earnings in the amount equal to at least 10% of cash payments appropriated in each financial period, including cash dividends and bonuses to directors and corporate auditors until the reserve equals 25% of the stated capital. This reserve is not available for cash dividends but may be used to reduce a deficit by resolution of the shareholders or transferred to the stated capital by resolution of the Board of Directors. In the consolidated financial statements, the legal reserve is included in the retained earnings.

The Company may also transfer portions of unappropriated retained earnings to stated capital by resolution of the shareholders.

Under the Code, the Company may issue new shares of its common stock to the existing shareholders without consideration pursuant to resolution of the Board of Directors as a stock split. The Company may make such a stock split to the extent that the amount calculated by multiplying the number of issued shares after the stock split by par value per share does not exceed the stated capital and that the amount calculated by dividing the total amount of shareholders' equity by the number of issued shares after the stock split shall not be less than ¥50.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

Under the Code, the amount available for dividends is based upon retained earnings as recorded on the books of the Company. At March 31, 1999, retained earnings recorded on the books of the Company was ¥73,006 million ($608,391 thousand) which is available for future dividends subject to the approval of the shareholders and legal reserve requirements.

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local taxes based on income which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 47.2%. Foreign subsidiaries are subject to income taxes of the countries in which they operate. The actual effective tax rates in the accompanying consolidated statements of income differed from the normal effective statutory rates due principally to (1) non-recognition of the tax effects of temporary differences between tax and financial reporting and (2) certain expenses that are permanently non-deductible for tax purposes.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥5,494 million ($45,789 thousand) and ¥5,704 million for the years ended March 31, 1999 and 1998, respectively.

11. LEASES

The Companies lease certain computer hardware, software, vehicles and other assets..

Total lease payments under finance leases for the years ended March 31, 1999 and 1998, were ¥443 million ($3,692 thousand) and ¥315 million, respectively.

Acquisition cost, accumulated depreciation as of March 31, 1999, were as follows:

Furnitures and Fixtures	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	¥ 2,180	$ 18,167
Accumulated depreciation	813	6,780
Net leased property	**¥ 1,366**	**$ 11,386**

Obligations under finance leases as of March 31, 1999 and 1998, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1999	1998	1999
Due within one year	¥ 461	¥ 357	$ 3,843
Due after one year	905	846	7,543
Total	**¥ 1,366**	¥ 1,204	**$ 11,386**

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 statement of income, computed by straight-line method as of March 31, 1999 was ¥443 million ($3,692 thousand).

12. SUBSEQUENT EVENT

On June 29, 1999, the Company's shareholders approved the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 505	$ 4,216
Transfer to legal reserve	58	490
Bonuses to directors and corporate auditors	82	685
Total	**¥ 647**	**$ 5,392**

13. SEGMENT INFORMATION

(1) Operations in Different Industries

The Companies are mainly engaged in one industry segment which is the manufacture and sales of photoresists and related goods, sales of which accounted for more than 90% of the total consolidated sales. Other sales, operating income and assets are not significant compared to the above segment. Therefore, information about operations in different industries has been omitted.

(2) Foreign Operations

Information about foreign operations for the years ended March 31, 1999 and 1998, is as follows:

	Millions of Yen						
	1999						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥ 64,649	¥ 5,860	¥ 3,915	¥ 18	¥ 74,444		¥ 74,444
Interarea transfer	5,222	94	155		5,471	¥ (5,471)	
Total sales	69,871	5,954	4,071	18	79,916	(5,471)	74,444
Operating expenses	62,453	6,117	3,809	47	72,428	(4,656)	67,771
Operating income	**¥ 7,417**	**¥ (162)**	**¥ 261**	**(28)**	**¥ 7,488**	**¥ (814)**	**¥ 6,673**
Assets	**¥ 78,696**	**¥ 6,616**	**¥ 2,766**	**¥ 22**	**¥ 88,102**	**¥ 34,650**	**¥ 122,752**

	Thousands of U.S. Dollars						
	1999						
	Japan	North America	Europe	Asia	Total	Eliminations or Corporate	Consolidated
Sales to customers	$ 538,742	$ 48,839	$ 32,630	$ 158	$ 620,370		$ 620,370
Interarea transfer	43,521	783	1,294		45,599	$ (45,599)	
Total sales	582,263	49,623	33,925	158	665,970	(45,599)	620,370
Operating expenses	520,447	50,978	31,746	395	603,568	(38,808)	564,790
Operating income	**$ 61,816**	**$ (1,355)**	**$ 2,178**	**$ (237)**	**$ 62,402**	**$ (6,791)**	**$ 55,610**
Assets	**$ 655,806**	**$ 55,140**	**$ 23,050**	**$ 187**	**$ 734,184**	**$ 288,751**	**$1,022,935**

	Millions of Yen					
	1998					
	Japan	North America	Europe	Total	Eliminations or Corporate	Consolidated
Sales to customers	¥ 74,295	¥ 6,926	¥ 3,658	¥ 84,880		¥ 84,880
Interarea transfer	6,238		126	6,365	¥ (6,365)	
Total sales	80,533	6,926	3,784	91,245	(6,365)	84,880
Operating expenses	65,637	6,331	3,494	75,463	(5,011)	70,452
Operating income	**¥ 14,896**	**¥ 595**	**¥ 290**	**¥ 15,781**	**¥ (1,353)**	**¥ 14,428**
Assets	**¥ 85,190**	**¥ 7,885**	**¥ 3,849**	**¥ 96,924**	**¥ 32,730**	**¥ 129,654**

(3) Sales to Foreign Customers

Information about sales to foreign customers of the Companies for the years ended March 31, 1999 and 1998, is as follows:

	Millions of Yen				
	1999				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 9,161	¥ 5,200	¥ 16,983	¥ 39	¥ 31,385
Consolidated sales (B)					74,444
(A)/(B)	12.3%	7.0%	22.8%	0.1%	42.2%

	Thousands of U.S. Dollars				
	1999				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	$ 76,349	$ 43,338	$ 141,531	$ 325	$ 261,544
Consolidated sales (B)					620,370
(A)/(B)	12.3%	7.0%	22.8%	0.1%	42.2%

	Millions of Yen				
	1998				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥ 9,173	¥ 5,075	¥ 21,754	¥ 15	¥ 36,018
Consolidated sales (B)					84,880
(A)/(B)	10.8%	6.0%	25.6%	0.0%	42.4%

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INDEPENDENT AUDITORS' REPORT

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

We have examined the consolidated balance sheets of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of TOKYO OHKA KOGYO CO., LTD. and consolidated subsidiaries as of March 31, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

Our examinations 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 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 1999

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BOARD OF DIRECTORS

President	Hisashi Nakane Ph. D.
Senior Vice President	Shozo Toda Ph. D.
Executive Director	Haruhiko Uchida
Managing Directors	Akira Yokota
	Muneo Nakayama
	Toshimi Aoyama
	Akira Furuya
Directors	Toshimasa Nakayama
	Takashi Komine
	Yutaka Miyagi
	Koichi Kaihatsu
	Hiroyuki Tohda
Corporate Auditors	Yusuke Ogawa
	Uichi Ota
	Motoyasu Sugiyama
	Makoto Matsuura