Expanding Scope of New Challenges

Annual Report 2007

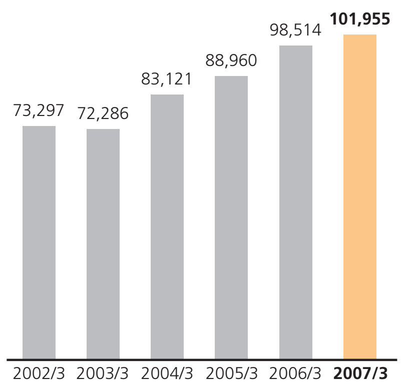
Year Ended March 31, 2007

TOKYO OHKA KOGYO CO., LTD.

Financial Highlights

Consolidated Net Sales +3.5%

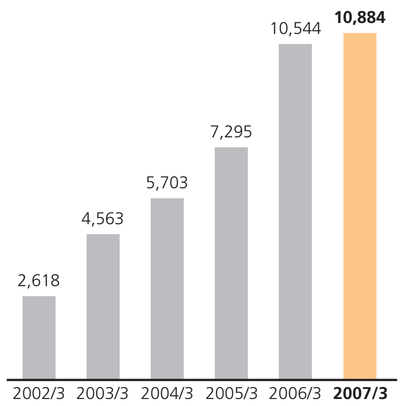
(Millions of Yen)



Up for the fourth consecutive year

Consolidated Operating Income +3.2%

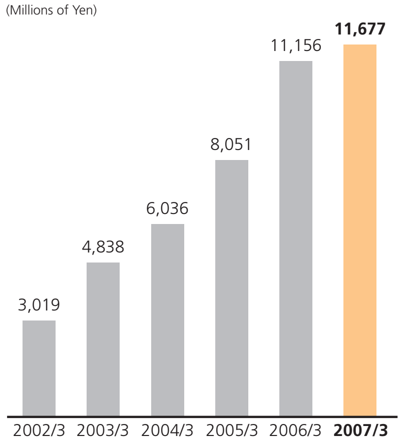
(Millions of Yen)



Up for the fifth consecutive year

Consolidated Ordinary Income +4.7%

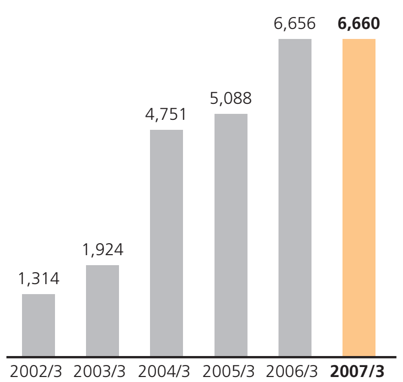
(Millions of Yen)



Up for the fifth consecutive year

Consolidated Net Income +0.1%

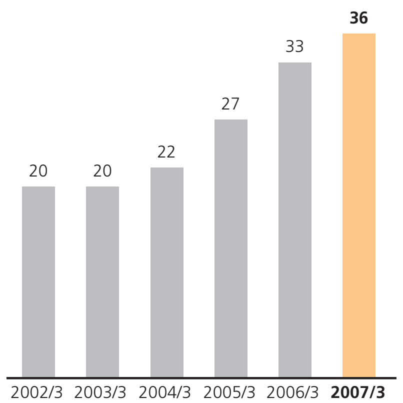
(Millions of Yen)



Up for the fifth consecutive year

Annual Cash Dividends per Share +¥3

(Yen)



Up for the fourth consecutive year

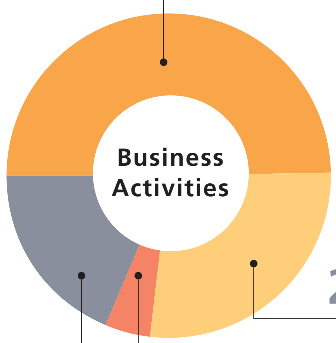
Contents

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.



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, 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. The TOK Group 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 auxiliary chemicals for photoresist such as developing solution, stripping solution, rinsing solution, thinner and other chemicals. In addition, TOK manufactures inorganic and organic chemicals used in a wide range of industries.

Printing Materials 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.

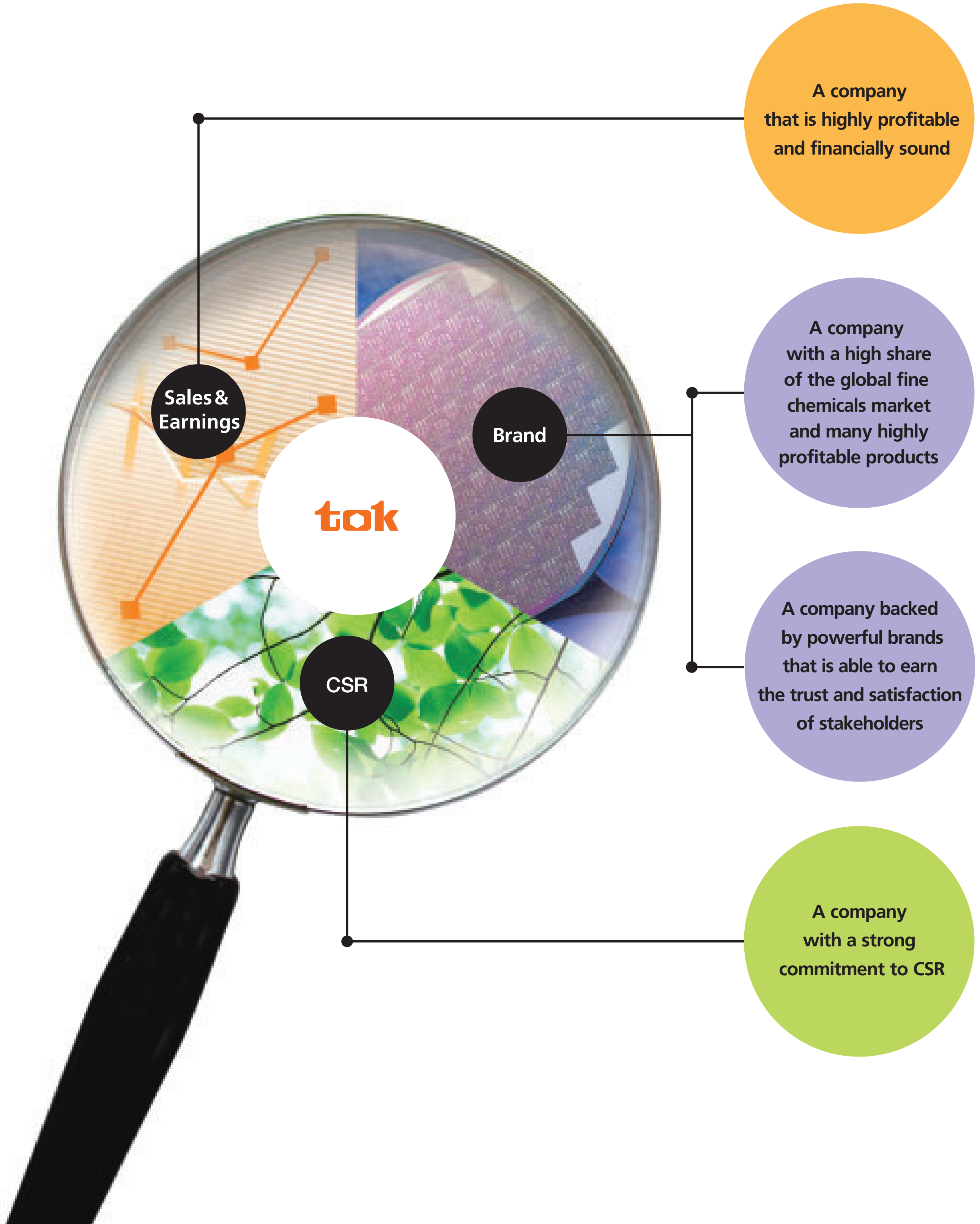
Equipment Business

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.

TOK is building a consistently profitable operating framework. Underpinning this framework is a firm commitment to customer satisfaction, technological progress and human resources development along with the awareness of the importance of corporate social responsibility (CSR) activities.

Management Vision Statements



President & Chief Executive Officer
Yoichi Nakamura

Results of Operations

Fourth consecutive year of higher consolidated net sales, Net sales surpass ¥100 billion for the first time. Earnings achieve the fifth consecutive year of increase.

In fiscal 2007, ended March 31, 2007, TOK marked the completion of the first year of the third "TOK Challenge 21" medium-term plan. During the fiscal year, demand for semiconductors increased as the scope of applications for these devices continued to expand. Major sources of growth included digital consumer electronics, information devices and automobiles. However, conditions were challenging in the market for flat panel display (FPD). Demand for flat-screen televisions increased, but selling prices fell and manufacturers reduced output of liquid crystal display (LCD) panels.

In the material business, we posted higher sales of semiconductor manufacturing materials. Sales reflected growth in demand and the benefits of sales activities that matched user needs. Highly sophisticated materials such as excimer laser photoresist were the primary source of sales growth. Sales of materials for FPD production fell short of our target because of a rapid downturn in the production of LCD panels in the second half of the fiscal year. But fiscal-year sales of FPD materials were higher than in the previous fiscal year thanks to an increase in sales of value-added products. This was the result of investments in Japan and overseas to boost output capacity and measures to cut manufacturing expenses. In the equipment business, lower capital expenditures by LCD panel manufacturers caused orders received to fall below new orders in the previous fiscal year. However, the large order backlog raised sales to an all-time high.

Consolidated net sales rose 3.5% to ¥101,955 million, the fourth consecutive year of sales growth and the first year that net sales topped ¥100 billion. Earnings were higher for the fifth consecutive year. Operating income improved 3.2% to ¥10,884 million, ordinary income was up 4.7% to ¥11,677 million and net income increased 0.1% to ¥6,660 million. The operating income ratio was 10.7% and the ordinary income ratio was 11.5%.

The year-end dividend per share was ¥18, as we converted last year's ¥3 commemorative dividend into an ordinary dividend. With the interim dividend, this resulted in an increase of ¥3 to ¥36 in the dividend applicable to the fiscal year. This is the fourth straight year in which TOK has raised the dividend.

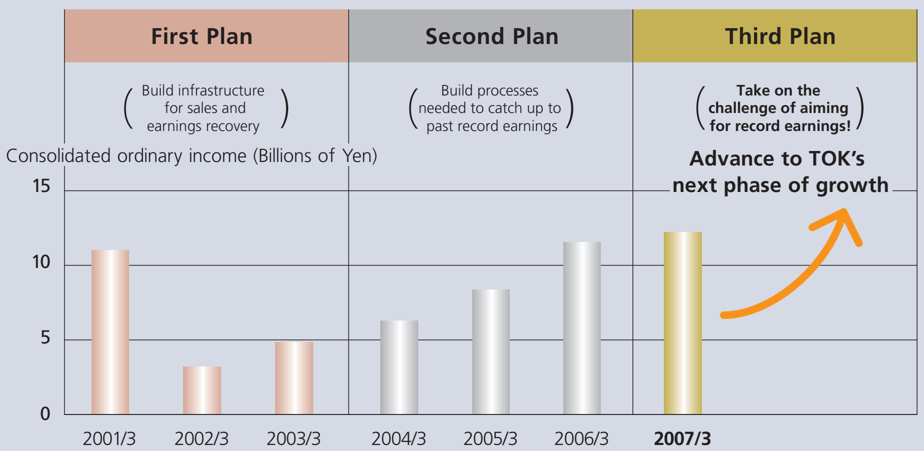
Progress report on the third "TOK Challenge 21" medium-term plan

Aiming to raise earnings to an all-time high while bolstering R&D and firmly establishing the TOK brand

We started the third "TOK Challenge 21" in April 2006. The objective is to become a consistently profitable company that aims for the highest possible customer satisfaction, technological progress and human resources development while promoting CSR activities. The plan has three core strategies: progress in microprocess technology; establishment of the TOK brand on a global scale; and a stronger operating framework and reform of the corporate culture. We intend to use this progress to raise earnings to an all-time high. Our current record is consolidated ordinary income of ¥13.6 billion in the fiscal year that ended in March 1998.

To achieve progress in microprocess technology, we are active in many ways. For semiconductor manufacturing materials, our R&D programs target next-generation and subsequent technologies. Illustrating this stance is our strength in immersion lithography. We are the world's first photoresist manufacturer to have its own immersion exposure system. Now we are speeding up our work on a variety of associated materials and process technologies. For FPD manufacturing materials, we are positioning ourselves to meet the increasingly sophisticated and diverse needs of our customers. We have constructed an R&D facility dedicated exclusively to FPD technologies and are making other investments from a long-term perspective. Creating new businesses is another goal. Here, we are studying materials for solar cells, an energy source with a minimal environmental impact, and other products. We want to create businesses that will become new pillars of earnings in the future.

To strongly establish the TOK brand on a global scale, we need to concentrate on firmly linking our brand with superiority in microprocess technology. At the same time, we will leverage the power of our brand in the semiconductor photoresist market to establish positions in other markets. Moreover, we aim to build a solid global market position as a leader in the field of microprocess technology.



Accomplishing this goal will require making effective use of our overseas manufacturing and sales network. TOK must aim for the highest possible customer satisfaction in terms of quality, price, performance, technical support and every other aspect of our operations.

To strengthen the management framework and reform our corporate culture, we must adapt more skillfully to changes in the demands placed on how we manage operations. In particular, we need to build stronger internal controls, compliance programs and risk management systems. A workforce and corporate organization that adapt to change flexibly are also vital to improving our management framework and corporate culture.

Unfortunately, we face severe challenges in the equipment business. Another challenge is higher depreciation expenses, the result of substantial capital expenditures and a change in Japan's depreciation accounting system and other factors. As a result, although we expect net sales to increase in the fiscal year ending in March 2008, we expect earnings to decline.

Due to this outlook, we will have to work even harder to reach the goals that we initially established for the final year of the third "TOK Challenge 21," which ends in March 2009. Raising earnings to a new all-time high is a key target of the current medium-term plan. We still view this as an important step towards the start of TOK's next stage of growth, and remain committed to reaching this target.

A Message for Stakeholders

Towards maximizing corporate value and achieving sustained growth

TOK has been allocating considerable resources to the pursuit of processes that yield more progress in microprocess technology. We foresee no change in this policy. TOK remains firmly committed to funding the R&D activities and capital expenditures needed to reach our goals. We believe these investments are essential to creating our future profit centers. We are also convinced that continued R&D activities and investments in facilities to further refine microprocess technologies will contribute to the sustainable growth of TOK's corporate value. Our strong performance in fiscal 2007 is directly linked to R&D and capital expenditures we made in recent years. We will continue to make substantial investments in R&D and other activities that have a time frame of anywhere from a few years to a few decades. As our performance in the past fiscal year demonstrates, these activities are very likely to produce significant benefits for TOK's stakeholders in the future.

October 2007

Y. Nakamura

Yoichi Nakamura
President & Chief Executive Officer

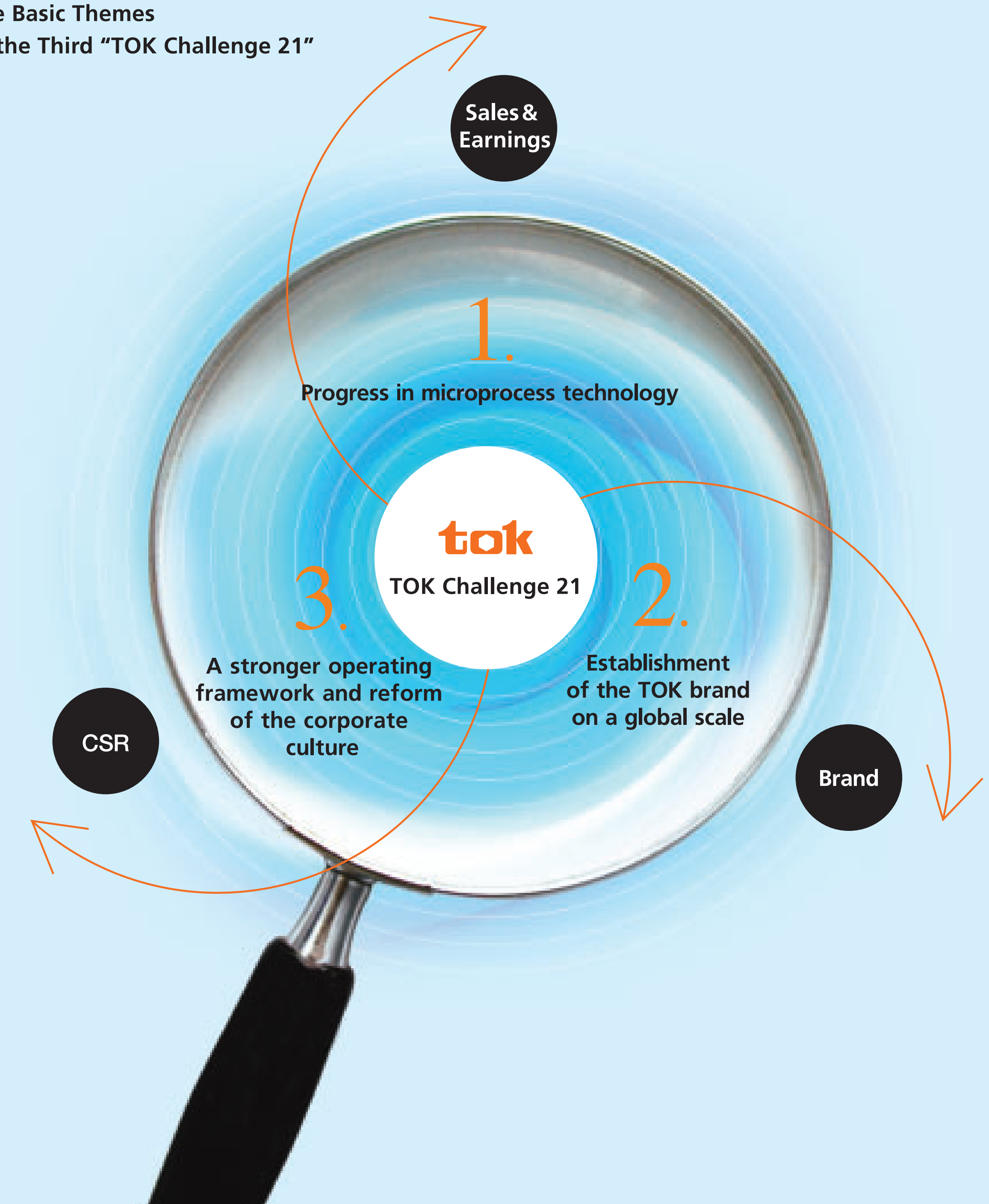
Towards Maximizing Corporate Value and Achieving Sustained Growth

Aiming to raise earnings to an all-time high

The third "TOK Challenge 21" medium-term plan is a blueprint for advancing to our next stage of growth. There are three core strategies: progress in microprocess technology; establishment of the TOK brand on a global scale; and a stronger operating framework and reform of the corporate culture. By pursuing these strategies, we plan to set a new record for earnings.

TOK will continue to conduct an extensive R&D program targeting leading-edge fields of technology, with a focus on microprocess technology. We will also enhance the stature of the TOK brand as a symbol of reliability. By taking these measures while retaining a strong commitment to CSR, we aim to increase our corporate value consistently.

The Basic Themes of the Third "TOK Challenge 21"



1. Progress in Microprocess Technology

—Looking Ahead to the Future of Microprocess Technology

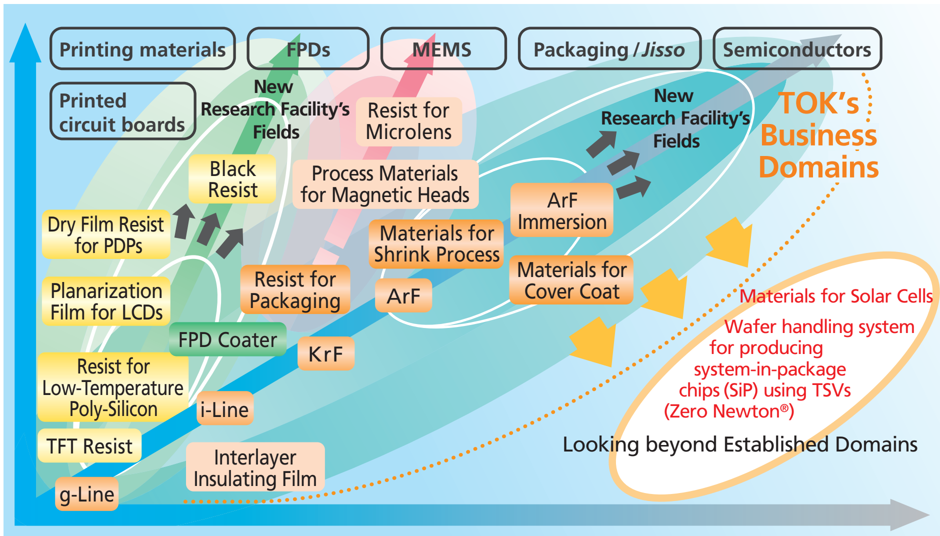
The Evolution of Microprocess Technology Drives TOK's Growth

Maintaining a competitive edge in the electronics industry is vital to the success of the TOK Group, because the pace of technological progress is rapid. This is why the Group is constantly taking microprocess technology to an even higher level. As our core competence, microprocess technology is the primary source of our ability to create corporate value.

The third "TOK Challenge 21" medium-term plan is designed to take us to the next stage of growth. The plan recognizes that TOK cannot sustain growth without further progress in microprocess technology. To achieve this growth, the plan calls for aggressive measures to develop competitive technologies and products that accurately target user needs.

We are pursuing advances in microprocess technology along two vectors. In the "vertical extension," we intend to devise methods for even more sophisticated, value-added processes by amalgamating a variety of technologies. In the "horizontal extension," we utilize established technologies and apply innovative thinking that is not limited by conventional concepts. Here, our goal is to look beyond current business domains to create next-generation core businesses. While cultivating those, we will take on the challenge of continuing evolution of microprocess technology.

Progress in microprocess technology

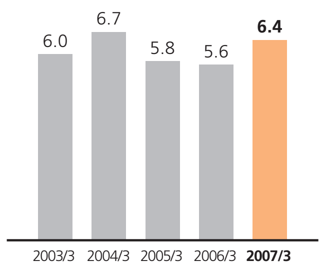


TSVs : Through-Silicon Vias

Fiscal 2007 Growth Drivers

In the semiconductor manufacturing materials category, KrF excimer laser photoresist were the primary source of growth and great contributor to the material business. Furthermore, higher sales of ArF excimer laser photoresist made this product a more important element of the material business. In the FPD manufacturing materials category, we recorded higher sales of TFT-LCD array photoresist and black resist for LCD color filters. However, weaker demand caused sales to fall in the fiscal year's second half. In the equipment business, a large order backlog resulted in solid sales of LCD color filter coating machines.

R&D Costs (Consolidated) (Billions of Yen)



Research and Development

R&D is vital to our ability to sustain long-term growth. We must preserve our competitive edge in microprocess technology for highly sophisticated applications. Through the timely allocation of substantial resources, we are further upgrading our ability to develop new technologies. TOK has a large R&D infrastructure of its own, but we also have many collaborative projects with equipment manufacturers, suppliers, universities and research institutes.

Our R&D activities make us even more competitive in established businesses while providing the basis for activities in new business domains. With this broad-based R&D program, we can conduct businesses operations that look ahead to the future of microprocess technology.

Highlights of accomplishments

2005

- A joint project with SANYO Electric Co., Ltd. developed a wafer handling system for producing system-in-package chips (SiP) using through-silicon vias (TSVs)
  - ➩Devised exclusive solutions for materials and equipment required for 3D packaging / *jisso* combining thin LSI chips and TSVs
- ❶ Developed nano-coating material that improves the precision of nanoprocesses

2006

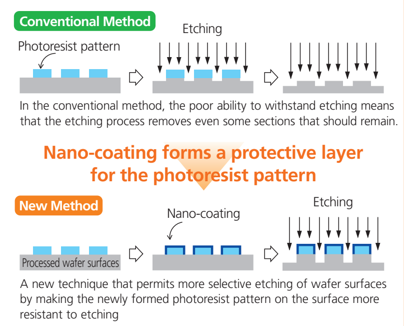
- Started activities involving materials for solar cells
  - ➩TOK developed a diffusion source that raises power generating efficiency in solar cells, an important source of renewable energy.
- ❷ Developed low molecular weight material for EUV lithography

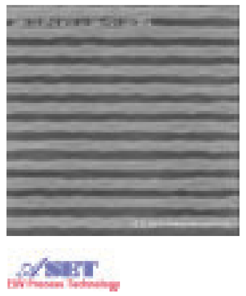
❶ Nano-coating material

As semiconductor production processes create finer circuit lines on silicon wafers, manufacturers require even thinner coatings of photoresist. But we had a problem : extremely thin photoresist films are inevitably less able to withstand etching.

To solve this, we joined forces with RIKEN, a government-affiliated science and technology research institute. We succeeded in devising a way to cover a film of photoresist with a protective coating only a few nanometers thick. This breakthrough resulted in the development of a protective coating material with at least 10 times greater resistance to etching than conventional methods, along with a process to apply this coating.

After forming the photoresist pattern, the protective coating is applied to allow this coating to be chemically absorbed. This process creates a protective film of only a few nanometers over the pattern. During the etching process, this protective film ensures that the pattern remains intact. We believe that this new technique will make a large contribution to further advances in microprocess technology.





A 28-nanometer half-pitch pattern produced with a small molecule photoresist and EUV lithography (using high NA small field exposure tool)
(Evaluation performed by ASET EUV Process Technology Laboratory on behalf of NEDO)

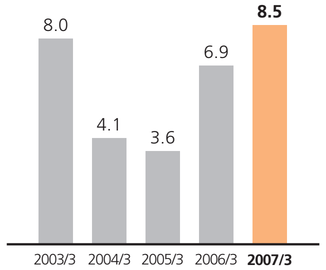
❷ Low molecular weight photoresist for EUV lithography

TOK was part of a joint undertaking that developed the basic material for a photoresist for extreme ultraviolet (EUV) lithography. With our partner Hitachi, Ltd., we also received the cooperation of the Association of Super-Advanced Electronics Technologies (ASET). The material is a small-molecule polyphenol with a molecular weight of around 1,000. The molecular weight of a typical polymer is about 10,000. Using these small molecules of a uniform size greatly reduces line-edge roughness*, which is a problem with EUV lithography. Furthermore, this innovative material has the required resolution along with a high sensitivity that contributes directly to improved productivity.

Expectations are high that this photoresist material will help make possible the ultra-fine processes required by EUV lithography. These processes will be required by chips with a 32-nanometer half-pitch and subsequent generations of devices that are expected to appear in about 2012.

*Line-edge roughness refers to the unevenness along the sidewalls of photoresist features. This roughness has an enormous impact on productivity for semiconductor devices because it causes breaks, shorts and other defects in circuit patterns.

Investment in plant and equipment (Consolidated) (Billions of Yen)



Investment in plant and equipment

TOK undertakes substantial capital expenditures in order to maintain a solid base for sustained growth.

TOK has constructed separate facilities devoted exclusively to research involving semiconductor production materials and FPD production materials. These facilities enhance the speed and accuracy of R&D programs. Another benefit is more powerful quality management and assurance systems. Expanding and upgrading production facilities in Japan and overseas is another major use of investment in plant and equipment.

Major projects

2005

- Increased output capacity of black resist for LCD color filters
- Chang Chun TOK (Changshu) Co., Ltd., a joint venture in China, started commercial production of high purity chemicals used in the manufacture of semiconductor devices and LCDs.

2006

- ❶ Completed construction of and started operation at new semiconductor manufacturing materials laboratory
- Cotem Co., Ltd., a joint venture in Korea, started producing TFT-LCD array photoresist.

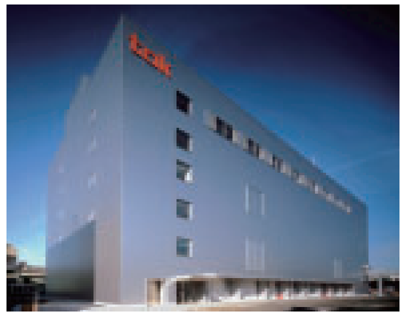
2007

- ❷ Completed construction of new FPD manufacturing materials laboratory

❶ New Semiconductor Manufacturing Materials Laboratory

TOK started operations in July 2006 at a newly constructed research facility at its Sagami Operation Center completed in February 2006. Focusing exclusively on semiconductor manufacturing materials, the laboratory conducts studies to achieve more progress in the field of semiconductor microprocess technology. We have many sophisticated facilities: a super clean room with an extremely high level of air purity; an ArF excimer laser immersion exposure system, a first among the world's photoresist manufacturers; and sophisticated research equipment compatible with 300mm wafers. In fiscal 2008, ending March 31, 2008, we plan to install a state-of-the-art ArF excimer laser exposure system (dry process) with a high numerical aperture (NA) in this laboratory.

TOK positions R&D in the semiconductor field as the nucleus of all its microprocess technology activities. We will take the initiative to be a leader in next-generation technologies. We are determined to reinforce our superiority in the field of microprocess technology for producing even smaller features on silicon wafers.



The new semiconductor manufacturing materials laboratory

Inside the super clean room

❷ New FPD Manufacturing Materials Laboratory

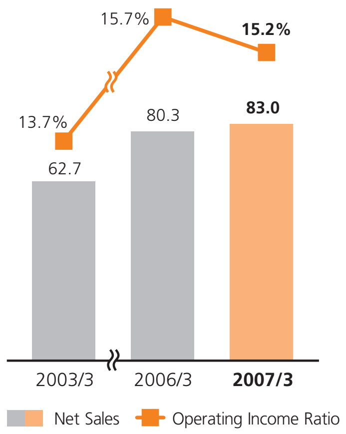
We completed a laboratory devoted solely to FPD manufacturing materials in April 2007 at the Sagami Operation Center. The facility includes research and evaluation equipment that can handle large glass substrates for LCDs. The laboratory's central mission is developing products that precisely match user needs.

The new FPD manufacturing materials laboratory

Business Activities

The TOK Group divides its operations into two business segments: the material business and the equipment business. In both businesses, we are working even harder at developing technologies needed to fulfill the increasingly complex requirements of the market. Another goal is building strategic relationships with new customers.

Growth in Material Business Sales (Consolidated) (Billions of Yen)



Material Business

TOK focuses on the most technologically advanced sectors of business fields, supplying electronic functional materials and others that are indispensable to progress in microprocess technology. Measures to firmly establish the TOK brand also will contribute to growth in this business.

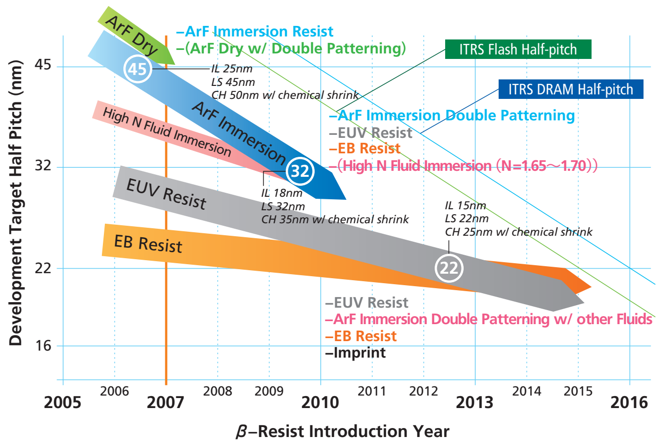
Strategies for major products for the semiconductor manufacturing sector

- Capture a greater share of the market for KrF excimer laser photoresist
- Enhance the performance of ArF excimer laser photoresist
- Develop immersion lithography process materials (cover coat materials and others)
- Create ideas for multilayer process (bi-layer and tri-layer) materials
- Create ideas for materials for double patterning technique

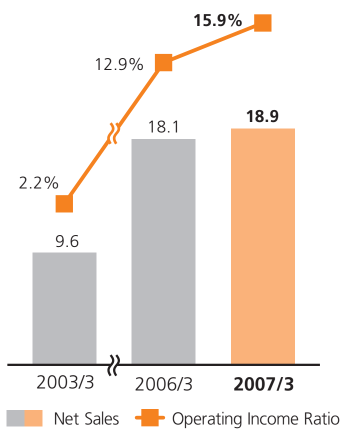
Strategies for major products for the FPD manufacturing sector

- Supply photoresist that can form even finer lines for TFT-LCD arrays
- Supply black resist for LCD color filters with better performance and microprocess capabilities

Roadmap for Development of Semiconductor Photoresist



Growth in Equipment Business Sales (Consolidated) (Billions of Yen)



Note: The equipment business figures are adjusted for intersegment sales.

Equipment Business

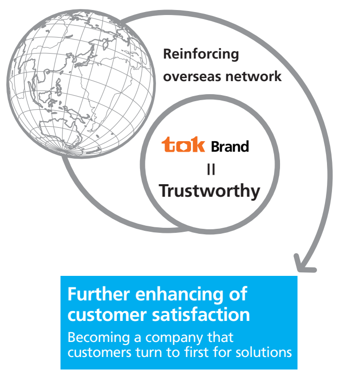
Increase earnings from LCD color filter coating machines and develop new applications for microprocess technology.

Strategies for major products

- Target demand associated with the switch by manufacturers from spin coaters to non-spin coaters for making LCD color filters.
- Increase marketing activities in the semiconductor, semiconductor packaging / *jisso*, MEMS and other market sectors
  (Create a "post coater" business that can benefit from synergies with the material business.)

2. Establishment of the TOK Brand on a Global Scale

—As the Leader in Microprocess Technology



Establishing the "TOK Brand"

Speed and timing are increasingly important to the successful development of new technologies. That makes skills in identifying market needs faster and from a broader perspective an invaluable competitive advantage. Firmly establishing the TOK brand worldwide is the key to heightening TOK's stature in this challenging business environment.

For the TOK Group, earning the trust of customers is the basis of brand value. A powerful TOK brand, therefore, signifies our ability to use microprocess technology solutions to meet even greater expectations of our customers. A respected brand also demonstrates our position as the customers' first choice for solutions that meet their needs. We want the TOK brand to be synonymous with excellence in microprocess technology. We are convinced that raising brand equity in this manner will contribute greatly to our ability to maximize corporate value.

The Basics of *Monozukuri* (The Art of Manufacturing)

TOK is highly skilled in the development of manufacturing technologies for the reliable supply of sophisticated products at a low cost. In addition, we have a solid infrastructure for *monozukuri*, the basis for all activities of the TOK Group. By upgrading both of these strengths, we plan to enhance customer satisfaction with a *monozukuri* framework that manufactures products that differentiate us from other companies.

We have started using a Manufacturing Execution System (MES) to supply products that excel in terms of their design and development processes, quality, services and prices. An effective information management system also backs up our products. Furthermore, we must build an even more effective quality management and assurance system in response to the increasingly diverse and sophisticated needs of our customers. The recent completion of two laboratories, one for semiconductor materials and the other for FPD materials, gives us an even sounder foundation for consistently delivering outstanding quality.

We believe that supplying products with high quality consistently is the best way to make the TOK brand more powerful.

Reinforcing Overseas Network

TOK is determined to play a leading role worldwide in the field of microprocess technology. As one way to reach this objective, we are assembling customer support networks in North America, Europe and Asia. With TOK at the center, all group companies work closely together to use their resources with maximum efficiency. This infrastructure will enable us to earn the trust of our customers, thereby making the TOK brand even more respected on a global scale.

Group member Chang Chun TOK (Changshu) Co., Ltd., a joint venture, was established in August 2005 in China. Initially, this company manufactured high purity chemicals used in the manufacture of semiconductors and LCDs. The company subsequently started expanding its production items. In Korea, joint venture Cotem Co., Ltd., which was established in October 2006, manufactures TFT-LCD array photoresist. In the United States, we are boosting the sales capabilities of Tokyo Ohka Kogyo America, Inc. To oversee this process, we named a head office corporate officer to be president of this subsidiary in April 2007.

CHANG CHUN TOK (CHANGSHU) CO., LTD.

3.

A Stronger Operating Framework and Reform of the Corporate Culture

—To Be a Trustworthy Company

Board of Directors and Directors

As of June 28, 2007, we had seven directors, including one outside director. The board has a flat, dual-level structure made up of the representative directors and the other directors. This provides a structure that is ideally suited to performing the board's fundamental roles of reaching decisions concerning management policies and supervising the management of business operations. The term of the directors is one year. This permits quickly responding to changes in the operating environment and clarifies accountability for the directors concerning operating results in each fiscal year. To make the activities of the directors more transparent and reinforce the board's supervisory function, there is one outside director.

Committee of Officers and Officers

While taking steps to strengthen the Board of Directors' functions in management decision-making and supervision, TOK is also reinforcing business execution functions. For this purpose, a multi-level organization has been established that is made up of the chief executive officer, senior executive officers, executive officers and officers. This organization provides for differences in the business responsibilities, skills and other items concerning each officer. Furthermore, TOK has a Committee of Officers, which is made up of all officers. As of June 28, 2007, we had 13 officers.

Board of Auditors and Auditors

As of June 28, 2007, the Board of Auditors comprised three auditors, two of whom were outside auditors. The auditors attend meetings of the Board of Directors and other important meetings. These duties are performed in accordance with auditing standards (Corporate Auditor Auditing Regulations), the auditing policy, the division of tasks and other items. In addition, the auditors check the performance of directors by receiving reports from directors and others. For financial audits, the auditors receive reports from the independent accountant and use other means to verify the suitability of financial accounting methods and the results of these audits.

Internal Auditing Division

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

A Stronger Operating Framework and Reform of the Corporate Culture

TOK is strengthening management framework in many ways to match the increasingly global nature of its operations and meet stakeholders' diverse demands. We are building a system of internal controls, effectively using IT systems and taking many other actions. Corporate social responsibility (CSR) is another integral element of our initiatives.

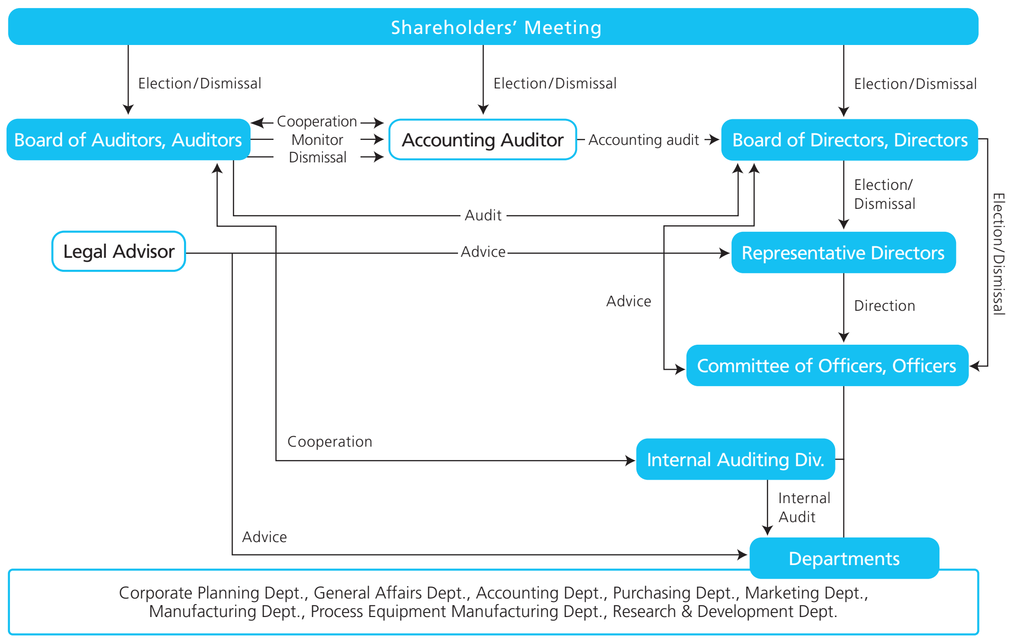
For our corporate culture, we plan to establish a spirit that enables our entire organization to adapt to the rapid changes taking place in our markets. Everyone at our group must play a role in backing up the TOK brand and in upgrading manufacturing activities, which is the foundation for *monozukuri* (the art of manufacturing).

Corporate Governance

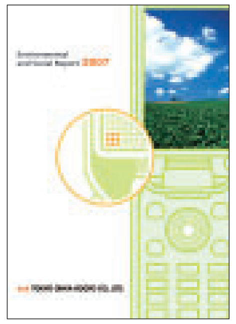
Aiming to become a company that is able to earn the trust and satisfaction of all stakeholders, TOK positions enhancement of corporate governance as one of the most important management issues: the means to maintain a sound and transparent management and to enhance its operational efficiency by speeding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

Corporate Governance System

As a company with corporate auditors, TOK employs the corporate auditor system. We are taking actions to upgrade audits performed by the corporate auditors by using the greater authority of these auditors provided for in the Japanese Corporate Law. In addition, TOK is using the benefits of reforms to its Board of Directors and the 2003 adoption of the officer system to fortify the management decision-making and supervision 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.



(As of June 28, 2007)



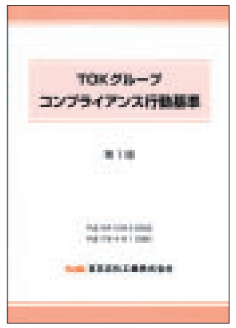
Environmental
and Social Report 2007

Corporate Social Responsibility

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

As a responsible member of society, we adopt a comprehensive view of our obligations concerning the environment, the community and the economy. All TOK Group employees perform their jobs based on an understanding of the importance of CSR. We are determined to remain an organization worthy of the trust of all stakeholders.

For more information concerning CSR, please read the *Environmental and Social Report* that TOK prepares every year.



TOK Group Compliance
Standards of Conduct Handbook

Compliance

The TOK Group Compliance Standards of Conduct became effective on April 1, 2005. The objectives are to raise awareness of the importance of compliance and to establish a clearly defined set of shared values and code of conduct.

Along with the enactment of these standards of conduct, we initiated an internal reporting system. This permits the fast discovery of violations of laws, regulations, the code of behavior and other guidelines as well as a quick response. The internal reporting system has two options to protect individuals who submit reports: an internal route and an external route, which provides a direct link to TOK's legal counsel. This allows individuals to select the reporting channel that best matches each situation. For internal reports, we have a clear policy of preventing dismissals and other negative consequences for individuals who submit reports, except in cases where reports are dishonest or inappropriate.

In the event of a violation of laws, regulations, the code of behavior 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.

Contingency Plan

Risk Management

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

TOK has prepared a Contingency Plan and has a Contingency Management Committee chaired by the department manager of the General Affairs Department. It has also a Contingency Management Secretariat led by the general manager of the Public Relations Division. With this organization, we take actions to anticipate risks, prevent the occurrence of incidents and make all employees aware of these risks. We also establish procedures to follow in the event of an emergency.

Six-Year Summary

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries
For the years ended March 31, 2002, 2003, 2004, 2005, 2006 and 2007

	Millions of Yen						Thousands of U.S. Dollars
	2002	2003	2004	2005	2006	**2007**	**2007**
FOR THE YEAR:							
Net sales	¥ 73,297	¥ 72,286	¥ 83,121	¥ 88,960	¥ 98,514	**¥101,955**	**$ 864,026**
Material business	54,903	62,721	66,927	71,617	80,338	**83,038**	**703,717**
Equipment business	18,559	9,644	16,263	17,461	18,252	**18,991**	**160,942**
Operating income	2,618	4,563	5,703	7,295	10,544	**10,884**	**92,237**
Income before income taxes and minority interests	2,601	3,885	8,372	8,070	11,324	**11,119**	**94,232**
Net income	1,314	1,924	4,751	5,088	6,656	**6,660**	**56,444**
Investment in plant and equipment	7,670	8,019	4,131	3,631	6,962	**8,531**	**72,302**
Depreciation and amortization	5,031	5,232	5,810	5,595	5,502	**5,931**	**50,263**
R&D Costs	5,803	6,028	6,744	5,800	5,683	**6,487**	**54,982**
PER SHARE DATA (Yen / U.S. Dollars)**:**							
Net income (basic)	¥ 26.28	¥ 39.12	¥ 98.69	¥ 109.16	¥ 142.34	**¥ 142.37**	**$ 1.20**
Cash dividends applicable to the year	20.00	20.00	22.00	27.00	33.00	**36.00**	**0.30**
Total equity	2,271.09	2,290.90	2,401.31	2,492.60	2,650.50	**2,750.81**	**23.31**
AT THE YEAR-END:							
Total assets	¥135,582	¥141,402	¥146,376	¥154,309	¥165,681	**¥166,610**	**$1,411,955**
Total long-term liabilities	7,416	7,954	6,564	7,086	2,222	**2,108**	**17,868**
Total equity	113,126	111,241	111,301	115,564	123,915	**131,074**	**1,110,803**
RATIOS:							
Ratio of R&D Costs to net sales (%)	7.9	8.3	8.1	6.5	5.8	**6.4**	
Ratio of operating income to net sales (%)	3.6	6.3	6.9	8.2	10.7	**10.7**	
Return on equity (%)	1.2	1.7	4.3	4.5	5.6	**5.3**	
Equity ratio (%)	83.4	78.7	76.0	74.9	74.8	**77.3**	

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥118 to US$1, the approximate Tokyo foreign exchange market rate as of March 31, 2007.
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, 2007, consolidated net sales rose ¥3,440 million, or 3.5%, from the previous fiscal year to ¥101,955 million. Net sales in the first half expanded ¥3,239 million, or 6.8%, to ¥50,697 million and net sales in the second half increased ¥200 million, or 0.4%, to ¥51,257 million.

In the semiconductor market, sales of TOK materials rose as applications for semiconductors continued to expand beyond digital consumer electronics and information devices to include automobiles and other products. Sales of flat panel display (FPD) materials increased because of growing demand for flat-screen televisions and other products. However, year-on-year sales growth was lower in the fiscal year's second half than in the first half. The growth rate in the second half was also lower than in the first half during the entire fiscal year. This was mainly attributable to the impact of a rapid decline in the production of FPD products.

Segment Analysis

*Not adjusted for intersegment sales

Results by Business Segment

Sales in the material business increased ¥2,700 million, or 3.4%, to ¥83,038 million, with electronic functional materials accounting for most of this growth. In the equipment business, sales increased ¥738 million, or 4.0%, to ¥18,991 million, surpassing the previous fiscal year's result.

【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 ¥3,516 million, or 7.5%, to ¥50,613 million.

Sales of photoresist used to manufacture semiconductors increased along with higher demand for semiconductors resulting from growth in applications for these devices. Marketing activities that targeted user needs also contributed to sales growth. Photoresist used with excimer lasers was the primary source of sales growth.

Sales of photoresist used for FPD manufacturing performed well. There was a decline in sales of plasma display photoresist because of soft demand in Asia. But growth in sales of value-added products offset the negative impacts of lower selling prices of liquid crystal display (LCD) photoresist and a decline in LCD production.

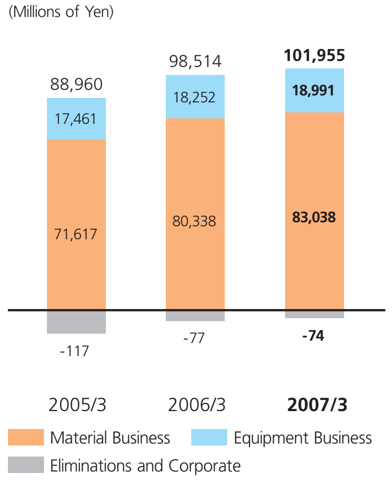
Sales of coating sources for film formation declined as lower sales in Japan outweighed an upturn in sales in Asia.

■ High Purity Chemicals Division

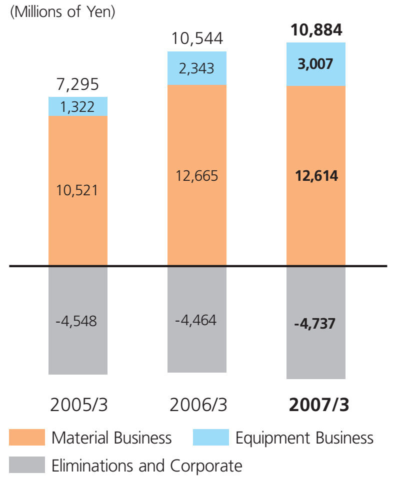
In the high purity chemicals division sales decreased ¥937 million, or 3.3%, to ¥27,674 million.

Sales of organic and inorganic chemicals increased as TOK accurately targeted sources of demand in Japan. However, lower selling prices and a downturn in production volume in the FPD industry brought down sales of photoresist-related chemicals.

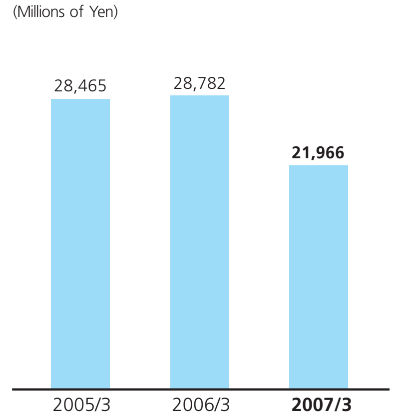
Net Sales by Business Segment



Operating Income by Business Segment



Order Backlog of Equipment Business



■ Printing Materials Division

Printing materials division sales increased ¥18 million, or 0.4%, to ¥4,601 million.

Market conditions were challenging for photopolymer plates because of a shift in demand for plates used for flexographic printing. This difficulty was offset by the benefits of sales activities for general-purpose printing materials in overseas markets.

【Equipment Business】

The equipment business consists of the process equipment division.

■ Process Equipment Division

Sales in the process equipment division increased ¥738 million, or 4.0%, to ¥18,991 million.

Sales of LCD panel manufacturing equipment were higher because of efforts to speed up the final inspections of units that have already been shipped. Sales of semiconductor manufacturing equipment were weak. Orders in this division declined 34.7% to ¥12,079 million as LCD panel manufacturers reduced their capital expenditures. The order backlog at the end of March 2007 remained substantial at ¥21,966 million, although it was 23.7% less than the end of the previous fiscal year.

Results by Geographical Segment

■ Japan

Material business sales increased thanks to rising demand for digital consumer electronics, IT devices and other finished products that use semiconductors. Excimer laser photoresist was the largest contributor to sales growth. Equipment business sales increased because of higher sales of LCD panel manufacturing equipment. The result was a ¥2,710 million, or 3.2%, increase in sales to ¥86,148 million. Because of the sales growth and other factors, operating income increased ¥446 million, or 4.9%, to ¥9,627 million.

■ North America

Strong sales of excimer laser photoresist and photoresist-related chemicals were the main reason for a ¥1,904 million, or 24.3%, increase in sales to ¥9,737 million. Higher sales and other factors resulted in an increase of ¥504 million, or 149.8%, in operating income to ¥840 million.

■ Europe

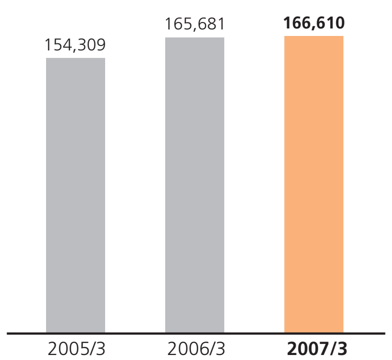
Sales increased ¥1,084 million, or 18.7%, to ¥6,890 million. Higher sales of excimer laser photoresist and other products offset a decline in sales of photopolymer plates used for flexographic printing caused by weak demand. The higher sales and other factors resulted in operating income of ¥80 million compared with an operating loss of ¥26 million one year earlier.

■ Asia

There was a big increase in sales of LCD color filter photoresist at our subsidiary in Taiwan, but sales of photoresist-related chemicals were lower. The result was sales of ¥12,402 million, about the same as one year earlier (up 0.1%). Lower selling prices and other factors caused operating income to fall ¥449 million, or 22.0%, to ¥1,589 million.

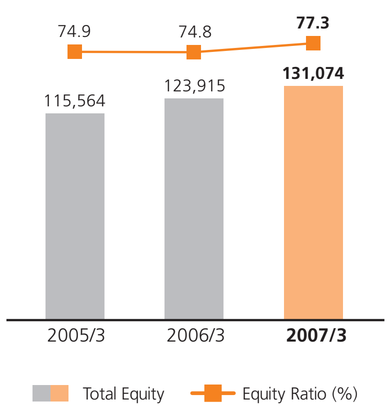
Total Assets

(Millions of Yen)



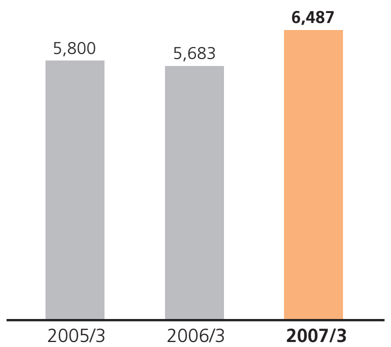
Total Equity / Equity Ratio

(Millions of Yen / %)



R&D Costs

(Millions of Yen)



Cost of Sales, SG&A Expenses and Operating Income

The cost of sales rose ¥3,563 million, or 5.4%, to ¥69,248 million and the cost of sales ratio increased 1.2 percentage points to 67.9%, mainly a reflection of lower selling prices. However, gross profit fell only ¥122 million, or 0.4%, to ¥32,706 million because of the growth in sales in the material business, chiefly electronic functional materials, and the equipment business.

Selling, general and administrative (SG&A) expenses decreased ¥461 million, or 2.1%, to ¥21,822 million. This was mainly due to declines in patent utilization fees and storage and transportation expenses.

Gross profit was lower but sales growth and the decline in SG&A expenses resulted in an increase of ¥339 million, or 3.2%, in operating income to ¥10,884 million. The operating income ratio was 10.7%, the same as in the previous fiscal year.

Income before Income Taxes and Minority Interests and Net Income

Income before income taxes and minority interests decreased ¥204 million, or 1.8%, to ¥11,119 million. Although operating income was higher and there were increases in royalty income and profit accruing from insurance, this earnings figure declined because of increases in loss on disposals of property, plant and equipment and compensation for accrued loss. But a decline in minority interests in net income resulted in an increase of ¥3 million, or 0.1%, in net income to ¥6,660 million. The ratio of net income to net sales declined 0.3 percentage point to 6.5%.

Financial Condition

Balance Sheet

Total assets amounted to ¥166,610 million at the end of March 2007, ¥929 million higher than one year earlier. Total current assets declined ¥6,119 million to ¥100,147 million. Trade notes and accounts receivables increased ¥1,709 million due to the sales growth and the fiscal year-end falling on a bank holiday. However, there were declines of ¥6,679 million in cash and cash equivalents and time deposits, mainly due to funds used for an increase in long-term time deposits, and ¥1,507 million in inventories, mostly the result of lower finished products in equipment business inventories.

Fixed assets increased ¥7,048 million to ¥66,463 million. There was a decline of ¥925 million in investment securities, mostly because of lower market values of securities. But net property, plant and equipment increased ¥3,324 million due to capital expenditures for equipment for the R&D facilities at the Sagami Operation Center and other equipment, and long-term time deposits increased ¥5,000 million due to a transfer of funds from cash and cash equivalents and time deposits.

Total liabilities decreased ¥4,204 million to ¥35,535 million. There were declines of ¥1,443 million in trade notes and accounts payables, mainly in the equipment business, and ¥2,122 million in income taxes payable, due to payments for taxes that were payable at the end of the previous fiscal year.

Total equity amounted to ¥131,074 million, a figure that includes the contribution from the fiscal year's net income of ¥6,660 million. As a result, the equity ratio was 77.3% at the end of the fiscal year.

Cash Flows

Net cash provided by operating activities rose ¥736 million to ¥8,744 million. This was mainly attributable to increases in income before income taxes and minority interests and in depreciation and amortization and a decrease in inventories.

Net cash used in investing activities grew ¥2,016 million to ¥15,822 million. There were increases in purchases of property, plant and equipment, mostly for R&D equipment, and increase in long-term time deposits and others.

Net cash used in financing activities rose ¥873 million to ¥1,469 million. The main reason was an increase in dividends paid.

The result of these cash flows was a net decrease of ¥8,250 million in cash and cash equivalents to ¥32,569 million at the end of March 2007.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheets

March 31, 2007 and 2006

ASSETS	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 32,569**	¥ 40,820	**$ 276,011**
Time deposits	**4,860**	3,288	**41,189**
Receivables:			
Trade notes	**6,180**	4,598	**52,379**
Trade accounts	**24,949**	24,822	**211,436**
Other	**339**	278	**2,874**
Allowance for doubtful receivables	**(105)**	(134)	**(893)**
Inventories (Note 4)	**28,048**	29,556	**237,699**
Deferred tax assets (Note 9)	**1,918**	2,035	**16,259**
Prepaid expenses and other current assets	**1,385**	1,001	**11,745**
Total current assets	**100,147**	106,266	**848,704**
PROPERTY, PLANT AND EQUIPMENT:			
Land	**9,475**	9,422	**80,299**
Buildings and structures	**55,910**	54,311	**473,816**
Machinery and equipment	**44,120**	40,018	**373,900**
Furniture and fixtures	**15,659**	14,045	**132,705**
Construction in progress	**1,776**	2,796	**15,058**
Total	**126,942**	120,595	**1,075,781**
Accumulated depreciation	**(80,965)**	(77,942)	**(686,151)**
Net property, plant and equipment	**45,976**	42,652	**389,630**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 3)	**7,133**	8,058	**60,457**
Investments in an unconsolidated subsidiary and associated companies	**293**	140	**2,484**
Long-term time deposits	**10,000**	5,000	**84,745**
Deferred tax assets (Note 9)	**953**	703	**8,076**
Other assets	**2,107**	2,861	**17,857**
Total investments and other assets	**20,487**	16,763	**173,621**
TOTAL	**¥166,610**	¥165,681	**$1,411,955**

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of Yen 2007	2006	Thousands of U.S. Dollars (Note 1) 2007
CURRENT LIABILITIES:			
Payables:			
Trade notes	**¥ 36**	¥ 44	**$ 306**
Trade accounts	**9,983**	11,418	**84,607**
Construction and other	**5,121**	5,173	**43,402**
Income taxes payable	**1,101**	3,224	**9,337**
Accrued expenses	**3,757**	4,462	**31,840**
Advances from customers	**12,904**	12,604	**109,358**
Deferred tax liabilities (Note 9)	**62**	196	**530**
Other current liabilities (Note 5)	**460**	393	**3,900**
Total current liabilities	**33,427**	37,518	**283,284**
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	**220**	5	**1,870**
Liability for retirement benefits (Note 6)	**1,287**	1,749	**10,915**
Deferred tax liabilities (Note 9)	**568**	432	**4,814**
Other long-term liabilities	**31**	34	**267**
Total long-term liabilities	**2,108**	2,222	**17,868**
MINORITY INTERESTS		2,025	
EQUITY (Notes 7 and 15)**:**			
Common stock—authorized, 197,000,000 shares in 2007 and 197,000,000 shares in 2006; issued, 47,600,000 shares in 2007 and 47,600,000 shares in 2006	**14,640**	14,640	**124,071**
Capital surplus	**15,226**	15,223	**129,038**
Retained earnings	**96,472**	91,529	**817,566**
Unrealized gain on available-for-sale securities	**3,104**	3,660	**26,311**
Foreign currency translation adjustments	**794**	445	**6,735**
Treasury stock—at cost, 768,362 shares in 2007 and 861,153 shares in 2006	**(1,414)**	(1,583)	**(11,983)**
Total	**128,825**	123,915	**1,091,739**
Minority interests	**2,249**		**19,064**
Total equity	**131,074**	123,915	**1,110,803**
TOTAL	**¥166,610**	¥165,681	**$1,411,955**

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Income

Years Ended March 31, 2007 and 2006

	Millions of Yen 2007	Millions of Yen 2006	Thousands of U.S. Dollars (Note 1) 2007
NET SALES	**¥101,955**	¥98,514	**$864,026**
COST OF SALES (Note 10)	**69,248**	65,684	**586,850**
Gross profit	**32,706**	32,829	**277,176**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**21,822**	22,284	**184,938**
Operating income	**10,884**	10,544	**92,237**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**207**	117	**1,762**
Interest expense	**(14)**	(12)	**(119)**
Foreign exchange gain—net		320	
Royalty income	**226**	133	**1,916**
Compensation for accrued loss	**(431)**	(99)	**(3,659)**
Profit accruing from insurance	**522**	164	**4,431**
Indemnity received		400	
Loss on disposals of property, plant and equipment	**(620)**	(202)	**(5,259)**
Loss on disposals of inventories	**(75)**	(131)	**(641)**
Other—net	**420**	89	**3,564**
Other income—net	**235**	779	**1,994**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**11,119**	11,324	**94,232**
INCOME TAXES (Note 9)**:**			
Current	**3,921**	4,643	**33,232**
Deferred	**230**	(444)	**1,951**
Total income taxes	**4,151**	4,199	**35,184**
MINORITY INTERESTS IN NET INCOME	**(307)**	(467)	**(2,603)**
NET INCOME	**¥ 6,660**	¥ 6,656	**$ 56,444**

	Yen 2007	Yen 2006	U.S. Dollars 2007
PER SHARE OF COMMON STOCK (Notes 2.s and 14)**:**			
Basic net income	**¥142.37**	¥142.34	**$1.20**
Diluted net income	**141.99**	141.87	**1.20**
Cash dividends applicable to the year	**36.00**	33.00	**0.30**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity

Years Ended March 31, 2007 and 2006

	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, 2005	46,351	¥14,640	¥15,209	¥91,802	¥2,156	¥(442)	¥(7,800)	¥115,564		¥115,564
Net income				6,656				6,656		6,656
Cash dividends paid:										
Final for prior year, ¥15.0 per share				(695)				(695)		(695)
Interim for current year, ¥15.0 per share				(696)				(696)		(696)
Bonuses to directors and corporate auditors				(30)				(30)		(30)
Repurchase of treasury stock	(2)						(6)	(6)		(6)
Disposal of treasury stock	390		13				716	730		730
Retirement of treasury stock				(5,508)			5,508			
Net increase in unrealized gain on available-for-sale securities					1,503			1,503		1,503
Net increase in foreign currency translation adjustment						887		887		887
BALANCE, MARCH 31, 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)
Repurchase 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**

	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, 2006	$124,071	$129,010	$775,670	$31,018	$3,774	$(13,415)	$1,050,130		$1,050,130
Reclassified balance as of March 31, 2006 (Note 2. j)								$17,164	17,164
Net income			56,444				56,444		56,444
Cash dividends paid:									
Final for prior year, $0.15 per share			(7,129)				(7,129)		(7,129)
Interim for current year, $0.15 per share			(7,132)				(7,132)		(7,132)
Bonuses to directors and corporate auditors			(286)				(286)		(286)
Repurchase of treasury stock						(35)	(35)		(35)
Disposal of treasury stock		27				1,467	1,494		1,494
Net change in the year				(4,706)	2,960		(1,745)	1,900	154
BALANCE, MARCH 31, 2007	**$124,071**	**$129,038**	**$817,566**	**$26,311**	**$6,735**	**$(11,983)**	**$1,091,739**	**$19,064**	**$1,110,803**

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years Ended March 31, 2007 and 2006

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥11,119	¥11,324	$ 94,232
Adjustments for:			
Income taxes paid	(6,074)	(2,952)	(51,476)
Depreciation and amortization	5,931	5,502	50,263
Provision for doubtful receivables	(29)	33	(246)
Provision for retirement benefits	(469)	(4,840)	(3,981)
Loss on disposals of property, plant and equipment	620	202	5,259
Bonuses to directors and corporate auditors	(33)	(30)	(286)
Changes in assets and liabilities:			
Increase in trade notes and accounts receivables	(1,414)	(2,961)	(11,987)
Decrease (increase) in inventories	1,662	(2,204)	14,091
(Decrease) increase in trade notes and accounts payables	(1,495)	1,704	(12,671)
Increase in advances from customers	300	755	2,543
Other—net	(1,372)	1,473	(11,629)
Net cash provided by operating activities	8,744	8,008	74,110
INVESTING ACTIVITIES:			
Increase in time deposits—net	(1,568)	(2,499)	(13,296)
Purchases of property, plant and equipment	(8,904)	(5,558)	(75,460)
Increase in long-term time deposits	(5,000)	(5,000)	(42,372)
Other—net	(348)	(747)	(2,957)
Net cash used in investing activities	(15,822)	(13,805)	(134,087)
FINANCING ACTIVITIES:			
Increase in long-term debt	215		1,827
Repayments of long-term debt		(1)	(3)
Issuance of common stock to minority shareholder		194	
Dividends paid	(1,679)	(1,393)	(14,235)
Disposals of treasury stock	176	730	1,494
Other—net	(180)	(125)	(1,533)
Net cash used in financing activities	(1,469)	(595)	(12,450)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	295	460	2,503
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,250)	(5,931)	(69,923)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	40,820	46,752	345,935
CASH AND CASH EQUIVALENTS, END OF YEAR	¥32,569	¥40,820	$276,011

See notes to consolidated financial statements.

TOKYO OHKA KOGYO CO., LTD. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

Years Ended March 31, 2007 and 2006

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 Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 and rearrangements have been made in the 2006 financial statements to conform to the classifications used in 2007.

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 ¥118 to $1, the approximate rate of exchange at March 31, 2007. 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, 2007 include the accounts of the Company and its 11 significant (11 in 2006) subsidiaries (together, the "Group"). Investment in one (one in 2006) associated company is accounted for by equity method.

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.

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

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

b. 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.

Effective April 1, 2006, the Company changed its method of accounting for supplies used for research and development activities (wafers, etc.). Such supplies are expensed when they are used, which previously had been expensed when purchased. The effect of the change is to increase operating income and income before income taxes and minority interests for the year ended March 31, 2007 by ¥218 million ($1,852 thousand).

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 ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities 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 is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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

l. 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.

m. Bonuses to Directors and Corporate Auditors—Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, “Accounting Treatment for Bonuses to Directors and Corporate Auditors,” which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥20 million ($172 thousand).

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. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the financial statements for the following year upon shareholders’ approval.

p. 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.

q. 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.

r. 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.

s. 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.

t. New Accounting Pronouncements

Measurement of Inventories—Under generally accepted accounting principles in Japan (“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.

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 should be capitalized. 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.

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 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, 2007 and 2006 consisted of equity securities.

The carrying amounts and aggregate fair values of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as available-for-sale—Equity securities	**¥2,368**	**¥4,734**		**¥7,102**
March 31, 2006				
Securities classified as available-for-sale—Equity securities	2,368	5,658		8,026

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2007				
Securities classified as available-for-sale—Equity securities	**$20,071**	**$40,119**		**$60,191**

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, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Merchandise	**¥ 1,281**	¥ 1,041	**$ 10,861**
Finished products	**17,648**	19,478	**149,565**
Work in process	**5,067**	5,628	**42,947**
Raw materials and supplies	**4,050**	3,407	**34,325**
Total	**¥28,048**	¥29,556	**$237,699**

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, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured loans from minority shareholder, with interest rates of 4.12% (2007) and 2.90% (2006)	**¥ 31**	¥ 27	**$ 268**
Bank overdrafts, with interest rates of 4.00% (2007) and 3.00% (2006)	**210**	215	**1,786**
Total	**¥242**	¥243	**$2,055**

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Unsecured loans from a financial institution for employees' housing loans, with interest rates of 3.69% (2007) and 3.69% (2006)	**¥ 5**	¥5	**$ 46**
Unsecured loan from a bank, with interest rate of 1.56% (2007)	**215**		**1,827**
Total	**221**	5	**1,873**
Less current portion			**(3)**
Long-term debt, less current portion	**¥220**	¥5	**$1,870**

Annual maturities of long-term debt at March 31, 2007 for the next five years and thereafter are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2008		$ 3
2009		3
2010	¥ 54	460
2011	108	917
2012	54	460
2013 and thereafter	3	29
Total	¥221	$1,873

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 Company applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on January 1, 2005. The Company thereafter transferred the substitutional portion of the pension obligations and related assets to the government on May 19, 2005.

On September 29, 2005, the Company contributed ¥5,000 million ($42,735 thousand) to the employee retirement benefit trust for the Company's contributory pension plans. The securities held in this trust qualify as plan assets.

The liability for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Projected benefit obligation	**¥13,388**	¥12,768	**$113,464**
Fair value of plan assets	**(8,181)**	(7,176)	**(69,332)**
Employee retirement benefit trust	**(5,002)**	(4,926)	**(42,398)**
Unrecognized prior service cost	**1,072**	1,211	**9,091**
Unrecognized actuarial loss	**(163)**	(663)	**(1,387)**
Net liability	**¥ 1,113**	¥ 1,213	**$ 9,438**

The components of net periodic benefit costs for the years ended March 31, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Service cost	**¥713**	¥ 699	**$6,047**
Interest cost	**276**	263	**2,345**
Expected return on plan assets	**(275)**	(118)	**(2,337)**
Amortization of prior service cost	**(138)**	(138)	**(1,175)**
Recognized actuarial loss	**220**	333	**1,867**
Temporary retirement benefit	**6**	20	**50**
Net periodic benefit costs	**¥802**	¥1,060	**$6,798**

Assumptions used for the years ended March 31, 2007 and 2006 are set forth as follows:

	2007	2006
Discount rate	**2.25%**	2.25%
Expected rate of return on plan assets:		
Contributory pension plan	**3.50%**	2.00%
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, 2007 and 2006 for directors and corporate auditors are ¥174 million ($1,477 thousand) and ¥536 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes 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 of such threshold. 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, 2007 is as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2001 Stock Options	15 directors 122 employees	788,000 shares	2001.9.4	¥1,872 ($15.86)	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
Exercise price	¥1,872 ($15.86)
Average stock price at exercise	¥3,118 ($26.42)
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, 2007 and 2006. 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, 2007 and 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	**2007**
Current assets—Deferred tax assets:			
Accrued expense for bonuses to employees	**¥ 716**	¥ 619	**$ 6,069**
Accrued enterprise tax	**96**	244	**819**
Unrealized gains on inventories	**410**	298	**3,482**
Loss on valuation of inventories	**388**	332	**3,289**
Other	**306**	545	**2,599**
Less valuation allowance		(5)	
Total	**¥1,918**	¥2,035	**$16,259**
Non-current assets:			
Deferred tax assets:			
Liability for retirement benefits	**¥2,444**	¥2,694	**$20,716**
Property and equipment	**62**	96	**533**
Investment securities	**286**	286	**2,429**
Other	**416**	304	**3,529**
Less valuation allowance	**(486)**	(530)	**(4,123)**
Total	**2,723**	2,851	**23,084**
Deferred tax liabilities:			
Property and equipment	**80**	89	**678**
Unrealized gain on available-for-sale securities	**1,629**	1,998	**13,808**
Other	**61**	61	**521**
Total	**1,770**	2,148	**15,008**
Net deferred tax assets	**¥ 953**	¥ 703	**$ 8,076**
Current liabilities—Deferred tax liabilities	**¥ 62**	¥ 196	**$ 530**
Non-current liabilities—Deferred tax liabilities:			
Property and equipment	**¥ 81**	¥ 95	**$ 693**
Undistributed earnings of foreign subsidiaries	**486**	337	**4,120**
Total	**¥ 568**	¥ 432	**$ 4,814**

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, 2007 and 2006 is as follows:

	2007	2006
Normal effective statutory tax rate	**40.3%**	40.3%
Non-deductible expenses	**0.3**	0.3
Non-taxable revenue	**(0.2)**	(0.1)
Different income tax rates applicable to income in certain foreign countries	**1.2**	(0.3)
Tax credit for research and development costs	**(4.6)**	(4.6)
Valuation allowance	**(0.4)**	1.2
Other—net	**0.7**	0.3
Actual effective tax rate	**37.3%**	37.1%

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Selling, general and administrative expenses	¥6,277	¥5,549	$ 53,195
Cost of sales	210	134	1,787
Total	¥6,487	¥5,683	$ 54,982

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, 2007 and 2006 were ¥37 million ($317 thousand) and ¥24 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, 2007 and 2006 was as follows:

Acquisition cost and accumulated depreciation:

	Millions of Yen			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
March 31, 2007				
Acquisition cost	¥243	¥49	¥44	¥337
Accumulated depreciation	20	33	35	89
Net leased property	¥223	¥15	¥ 9	¥247

	Thousands of U.S. Dollars			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
March 31, 2007				
Acquisition cost	$2,061	$420	$375	$2,857
Accumulated depreciation	171	286	297	755
Net leased property	$1,890	$134	$ 78	$2,101

	Millions of Yen			
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
March 31, 2006				
Acquisition cost	¥233	¥41	¥44	¥319
Accumulated depreciation	3	22	25	52
Net leased property	¥229	¥18	¥18	¥266

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥ 32	¥ 35	$ 272
Due after one year	215	231	1,828
Total	¥247	¥266	$2,101

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 ¥37 million ($317 thousand) and ¥24 million for the years ended March 31, 2007 and 2006, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Due within one year	¥111	¥109	$ 947
Due after one year	208	311	1,765
Total	¥320	¥421	$2,713

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 all foreign currency forward contracts qualify for hedge accounting at March 31, 2007 and 2006.

13. RELATED PARTY TRANSACTIONS

Major transactions of the Company with directors and a corporate auditor for the years ended March 31, 2007 and 2006 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2007	2006	2007
Exercise of stock option	¥52	¥104	$448

14. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥6,660	46,781	¥142.37	$1.20
Effect of dilutive securities—Stock options		126		
Diluted EPS—Net income for computation	¥6,660	46,906	¥141.99	$1.20
Year Ended March 31, 2006				
Basic EPS:				
Net income	¥6,656			
Bonuses to directors and corporate auditors	33			
Net income available to common shareholders	6,622	46,525	¥142.34	
Effect of dilutive securities—Stock options		155		
Diluted EPS—Net income for computation	¥6,622	46,680	¥141.87	

15. SUBSEQUENT EVENT

At the general shareholders meeting held on June 28, 2007, the Company's shareholders approved the following appropriation of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥18 ($0.15) per share	¥842	$7,143

16. 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, 2007 and 2006 is as follows:

	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**

	Thousands of U.S. Dollars				
	2007				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	**$703,717**	**$160,309**	**$864,026**		**$ 864,026**
Intersegment sales		**633**	**633**	**$ (633)**	
Total sales	**703,717**	**160,942**	**864,659**	**(633)**	**864,026**
Operating expenses	**596,818**	**135,456**	**732,274**	**39,513**	**771,788**
Operating income	**$106,898**	**$ 25,486**	**$132,384**	**$ (40,146)**	**$ 92,237**
Assets	**$726,859**	**$219,863**	**$946,723**	**$465,232**	**$1,411,955**
Depreciation and amortization	**41,700**	**2,787**	**44,488**	**5,774**	**50,263**
Capital expenditures	**69,244**	**1,756**	**71,000**	**1,893**	**72,894**

The effect of the change in the accounting for supplies used for research and development activities described in Note 2.d is to increase operating income and assets of material business for the year ended March 31, 2007 by ¥218 million ($1,852 thousand). In addition, the effect of the change in the accounting for bonuses to directors and corporate auditors described in Note 2.m is to decrease operating income of material business for the year ended March 31, 2007 by ¥20 million ($172 thousand).

	Millions of Yen				
	2006				
	Material Business	Equipment Business	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥80,338	¥18,175	¥ 98,514		¥ 98,514
Intersegment sales		77	77	¥ (77)	
Total sales	80,338	18,252	98,591	(77)	98,514
Operating expenses	67,673	15,909	83,582	4,387	87,969
Operating income	¥12,665	¥ 2,343	¥ 15,009	¥ (4,464)	¥ 10,544
Assets	¥79,553	¥28,411	¥107,964	¥57,716	¥165,681
Depreciation and amortization	4,452	361	4,814	688	5,502
Capital expenditures	6,943	264	7,207	251	7,458

(2) Geographical Segments

Information about geographical segments for the years ended March 31, 2007 and 2006 is as follows:

	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**

	Thousands of U.S. Dollars						
	2007						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	**$628,542**	**$74,610**	**$58,088**	**$102,784**	**$ 864,026**		**$ 864,026**
Interarea transfer	**101,529**	**7,914**	**302**	**2,316**	**112,064**	**$(112,064)**	
Total sales	**730,072**	**82,524**	**58,391**	**105,101**	**976,090**	**(112,064)**	**864,026**
Operating expenses	**648,485**	**75,399**	**57,708**	**91,633**	**873,225**	**(101,437)**	**771,788**
Operating income	**$ 81,587**	**$ 7,125**	**$ 683**	**$ 13,468**	**$ 102,864**	**$ (10,626)**	**$ 92,237**
Assets	**$919,515**	**$68,772**	**$41,453**	**$ 87,122**	**$1,116,863**	**$ 295,091**	**$1,411,955**

The effect of the change in the accounting for supplies used for research and development activities described in Note 2.d is to increase operating income and assets of the Japan segment for the year ended March 31, 2007 by ¥218 million ($1,852 thousand). In addition, the effect of the change in the accounting for bonuses to directors and corporate auditors described in Note 2.m is to decrease operating income of the Japan segment for the year ended March 31, 2007 by ¥20 million ($172 thousand).

	Millions of Yen						
	2006						
	Japan	North America	Europe	Asia	Total	Eliminations and Corporate	Consolidated
Sales to customers	¥ 73,282	¥7,236	¥5,787	¥12,207	¥ 98,514		¥ 98,514
Interarea transfer	10,155	597	17	181	10,951	¥ (10,951)	
Total sales	83,438	7,833	5,805	12,388	109,466	(10,951)	98,514
Operating expenses	74,258	7,497	5,831	10,350	97,937	(9,967)	87,969
Operating income (loss)	¥ 9,180	¥ 336	¥ (26)	¥ 2,038	¥ 11,529	¥ (984)	¥ 10,544
Assets	¥106,080	¥7,345	¥4,970	¥ 8,886	¥127,283	¥ 38,398	¥165,681

(3) Sales to Foreign Customer

Information about sales to foreign customers of the Group for the years ended March 31, 2007 and 2006 is as follows:

	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%**

	Thousands of U.S. Dollars				
	2007				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	**$81,101**	**$61,403**	**$361,875**	**$3,339**	**$507,720**
Consolidated sales (B)					**864,026**
(A) / (B)	**9.4%**	**7.1%**	**41.9%**	**0.4%**	**58.8%**

	Millions of Yen				
	2006				
	North America	Europe	Asia	Other Areas	Total
Sales to foreign customers (A)	¥7,962	¥6,224	¥44,396	¥355	¥58,938
Consolidated sales (B)					98,514
(A) / (B)	8.1%	6.3%	45.1%	0.3%	59.8%

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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. and consolidated subsidiaries as of March 31, 2007 and 2006, 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, 2007 and 2006, 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 28, 2007

Member of
Deloitte Touche Tohmatsu

Corporate Data (As of March 31, 2007)

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:	1,816 (Consolidated)
Paid-in Capital:	¥14,640 million
Number of Shareholders:	11,230
Homepage:	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 June 28, 2007)

Board of Directors

Representative Director, President
Chief Executive Officer
Yoichi Nakamura

Representative Director
Senior Executive Officer
Takashi Komine
Department Manager, Research and Development Dept.

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

Director
Executive Officer
Yukiyasu Henmi
Department Manager, General Accounting Dept.

Director
Officer
Hiroyuki Tohda
Department Manager, Manufacturing Dept.

Director
Officer
Kobun Iwasaki
Department Manager, Marketing Dept.

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

Corporate Auditors

Standing Statutory Auditor
Yoshio Kitani

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

Auditor
Yukio Hayama

Officers

Executive Officer
Akinori Horikoshi
Department Manager, Corporate Planning Dept.

Officer
Hitoshi Furuya
Department Manager, Purchasing Dept.

Officer
Hidekatsu Kohara
Department Manager, Process Equipment Manufacturing Dept.

Officer
Katsuyuki Ohta
Deputy Department Manager, Marketing Dept.

Officer
Hiroshi Asaba
Deputy Department Manager, Manufacturing Dept. and Department Manager, Electronic Material Dept.

Officer
Kenji Tazawa
Managing Director, TOKYO OHKA KOGYO EUROPE B.V.

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.

IR Information on the Web Site

- 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.
- Stock Information
  - General Information
  - Stock Price Information
  - Dividend
- IR Calendar
- Financial Data
  - Financial Highlights and Historical Data
  - Tanshin (Japanese only)
- IR Library
  - Annual Report / Financial Statement
  - Business Report
  - Presentation Materials for Institutional Investors / Analysts Meeting (Japanese only)
- Today's Stock Price
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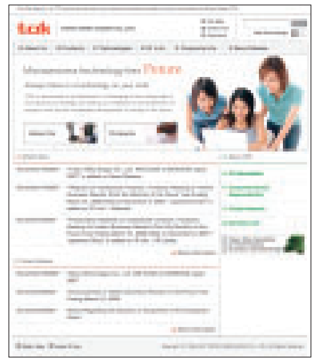

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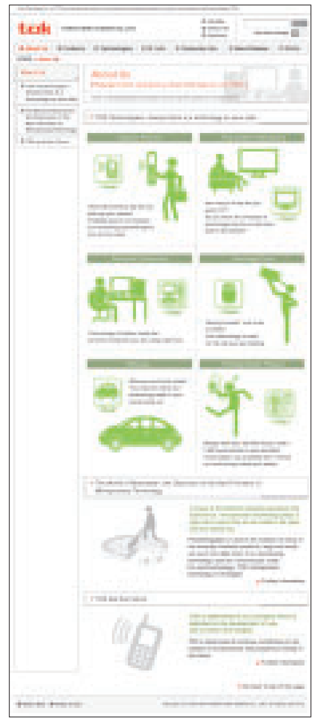

About us

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