TOSOH

Commitment to Sustainability

RESPONSIBLE CARE REPORT 2005

Fiscal Year Ended March 31, 2005

TOSOH CORPORATION

Tosoh Corporate Profile

Tosoh Corporation believes strongly that innovation in technology and business can contribute significantly to resolving the sustainability issues faced by our world. We are committed to improving the quality of life through environmental preservation, ensuring the safety and health of our employees and society, and achieving economic progress. Our principle activities targeting sustainability are organized around our Responsible Care® program, which has been in place officially since 1995.

Tosoh Corporation is a multinational corporation that generates an array of products to suit modern lifestyles and that contribute to the development of cutting-edge products and technologies. The Tosoh Group comprises more than 130 companies, some 50 of them located outside Japan.

A global supplier of inorganic chemicals, petrochemicals, and specialty materials, Tosoh is proud of its contributions to the quality and environmentally conscious products made available to consumers and businesses by the semiconductor, pharmaceutical, health care, food, and many other key industries.

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Note: *Tosoh Corporation's fiscal year runs from April 1 to March 31 of the following year. Throughout this report, reference to "fiscal year 2004" and "fiscal 2004" specifies the period from April 1, 2004, to March 31, 2005.*


Innovation is at the core of
a more-sustainable world.

Takashi Tsuchiya, President, and Madoka Tashiro, Chairman and CEO

We see our mission as contributing to the advancement of society through continuous innovation in chemistry, leading ultimately to the supply of products and services that bring customer satisfaction. We approach these goals from the perspective of sustainability. For Tosoh, this means a commitment to environmental preservation; to taking responsibility for people, society, and safety; and to the achievement of reasonable profitability to support its environmental and social responsibility activities.

During fiscal 2004, we believe that solid progress was achieved. We continued to expand our environmental preservation activities, increasing spending by ¥700 million from the previous fiscal year, to ¥5.22 billion. We also invested ¥1.17 billion in safety. We met or exceeded most of our environmental targets, achieving an 82% reduction in the emission of substances classified under Japan's Pollutant Release and Transfer Register (PRTR) Law compared with fiscal 1995 levels. Having reached the targets set for toxic atmospheric pollutants, we continued to press forward, cutting emission levels to approximately 40% of those of fiscal 2003. Despite significant business expansion, we are making progress toward our 2010 target of a 10% or greater reduction in per unit energy consumption. Tosoh reduced its final waste disposal by approximately 1,000 tons from the previous fiscal year, to 2,072 tons, representing an 85% reduction in the volume of final waste disposal from the fiscal 1990 level.

We are involved in emissions control, water treatment, soil remediation, and environmental testing and in providing a wide range of superior environmental products.

While Tosoh's corporate governance and compliance organization serve to oversee its activities from a business management and social responsibility perspective, Responsible Care® (RC) is our main

platform for executing our environmental and safety and health initiatives. Tosoh has been a member of this global initiative by the chemical industry to continuously improve its environmental, safety, and health performance since the Japan Responsible Care Council (JRCC) was founded in 1995. The RC program provides a comprehensive set of standards, procedures, and monitoring methods that are being used around the world by the chemical industry. Of course, we have added our own flavor to this system to meet some of our specific needs and participate in ISO certification programs to provide additional external checks.

Similar to energy conservation issues, we face the challenge of discovering how to achieve our environmental goals while also expanding operations. We therefore continue to work on technical innovations that will make this possible.

Tosoh contributes to environmental preservation and safety and health through the sale of environment-related technologies, products, and services. On our own and through our subsidiaries, we are involved in emissions control, water treatment, soil remediation, and environmental testing as well as in providing a wide range of superior environmental products. Although in this report we highlight our immunoassay system, zirconia products, and heavy metal treatment agents, they represent just the tip of the iceberg when it comes to Tosoh's environmental products and technologies.

We are excited about our environmental business because our technologies have proved extremely useful in solving the environmental challenges of companies and organizations other than ourselves. We are committed to this market for the long term and believe that much of our potential has yet to be tapped.

Clearly, sustainable growth is essential not only for our future but also for the future of our very planet.

Clearly, sustainable growth is essential not only for our future but also for the future of our very planet. Not a road that can be traveled alone, the goal of sustainable growth needs to be shared by all. With the global population set to top eight billion by 2025, we need to take action now.

How is sustainable growth to be achieved? We believe the key is innovation in technology and business. To move forward on both fronts, this issue must be faced squarely and tackled by all sectors, including industry, academia, and government, on a global scale.

Simply put, we need to pursue technological development that recognizes the finite nature of resources and energy. At Tosoh, we are steadily redirecting our resources and energies to the task of achieving sustainability through innovation.

Madoka Tashiro, Chairman and CEO

Takashi Tsuchiya, President

ISO Certification

ISO 9001

Japan

Nanyo Complex; Yokkaichi Complex;
Tokyo Research Center;
Tohoku Tosoh Chemical Co., Ltd. (Sakata);
Tosoh Hyuga Corporation;
Tosoh AIA, Inc.;
Tosoh SGM Corporation;
Tosoh F-Tech, Inc.;
Tosoh Quartz Corporation
(Yamagata, Yonezawa, Sakata);
Tosoh Speciality Materials Corporation;
Tosoh Zeolum, Inc.;
Tosoh Techno-System, Inc.;
Tosoh Hi-Tec, Inc.;
Tosoh Finechem Corporation;
Tosoh Logistics Corporation
(Nanyo, Yokkaichi);
Tosoh Analysis and Research Center Co., Ltd.
(Nanyo, Yokkaichi, Tokyo);
Tosoh Organic Chemical Co., Ltd.;
Tosoh Silica Corporation;
Tohoku Denki Tekko Co., Ltd.;
Taiyo Vinyl Corporation;
Rinkagaku Kogyo Co., Ltd.;
Taihei Chemicals Ltd.;
Organo Corporation;
Plas-Tech Corporation (Nabari, Tsukuba);
Nippon Polyurethane Industry Co, Ltd.;
Toei Co., Ltd.;
Hodogaya Chemical Co., Ltd.
(Yokohama, Nanyo, Tohoku Hodogaya);
Lonseal Corporation;
Hiyoshi Chemical Industry Co., Ltd.;
Toho Acetylene Co., Ltd.

Outside Japan

Tosoh SMD, Inc. (United States);
Tosoh SMD Korea, Ltd. (Korea);
Tosoh Quartz, Inc. (USA);
Tosoh Quartz Ltd. (United Kingdom);
Tosoh Bioscience N.V. (Belgium);
Tosoh Bioscience LLC (USA);
Tosoh Bioscience GmbH (Germany);
Tosoh Hellas A.I.C. (Greece);
Delamine B.V. (Netherlands);
Holland Sweetener Company V.O.F. (Netherlands);
Philippine Resins Industries, Inc. (Philippines)

ISO 13485

Japan

Scientific Instruments Division;
Tosoh AIA, Inc.; Tosoh Hi-Tec, Inc.;
Tosoh Techno-System, Inc.

ISO 14001

Japan

Nanyo Complex;
Yokkaichi Complex;
Tosoh Hyuga Corporation;
Tosoh SGM Corporation;
Tosoh F-Tech, Inc.;
Tosoh Plant Services Co., Ltd.
(Nanyo, Yokkaichi);
Tosoh Quartz Corporation
(Yamagata, Yonezawa, Sakata);
Tosoh Information Systems Corporation
(Nanyo, Yokkaichi);
Tosoh Speciality Materials Corporation;
Tosoh Zeolum, Inc.;
Tosoh General Services Co., Ltd.
(Nanyo, Yokkaichi);
Tosoh Finechem Corporation;
Tosoh Analysis and Research Center Co., Ltd.
(Nanyo, Yokkaichi);
Tosoh Organic Chemical Co., Ltd.;
Tosoh Silica Corporation;
Eco-Techno Corporation;
Taiyo Vinyl Corporation;
Kasumi Kyodo Jigyo Co., Ltd.,
Rinkagaku Kogyo Co., Ltd.;
Sankyo Kasei Industry Corporation;
Organo Corporation (Plant operations, Tsukuba);
Nippon Polyurethane Industry Co, Ltd.,
Hodogaya Chemical Co., Ltd.
(Yokohama, Nanyo, Tohoku Hodogaya);
Toho Acetylene Co., Ltd.

Outside Japan

Delamine B.V. (Netherlands);
Tosoh SMD, Inc. (USA);
Holland Sweetener Company V.O.F. (Netherlands)

Chowa *is a Japanese word meaning harmony. It represents the ultimate goal of Tosoh's sustainable development aspirations—harmonizing all the competing facets of our business to ensure our continued evolution and our continued contribution to society. As part of those efforts, we are committed to environmental protection, to fulfilling our responsibility to our employees and society, and to achieving profitability to fund our corporate social responsibility activities and remain a viable enterprise. On the following pages, we report on Tosoh's activities in these areas.*

BASIC STANCE ON SUSTAINABILITY

Tosoh aims to better the quality of life. We do this through a commitment to environmental preservation; to taking responsibility for people, society, and safety; and to the achievement of reasonable profitability to support our environmental and social responsibility activities and enable the Company to pursue its mission.

As always, our long-term and short-term goals incorporate complete compliance with the laws and regulations of the communities we serve around the world. To this end, we continued our efforts to promote compliance awareness among all employees of Tosoh and its wholly owned subsidiaries and to establish appropriate systems and standards to ensure compliance. During fiscal 2004, we established a compliance consultation center and set up compliance systems at our wholly owned subsidiaries. There were no incidents of compliance violations by the Tosoh Group during the fiscal year.

Our Responsible Care program is the core system around which our sustainability efforts intertwine. Through this program, we focus on protecting the environment and ensuring the safety and health of our employees and society as a whole. During fiscal 2004, we made further progress toward the early achievement of our long-term environmental goals. In addition, our Nanyo Plant renewed its self-inspection certification.

ENVIRONMENTAL PRESERVATION

One of our major environmental preservation goals was to reduce emissions of substances designated under the Pollutant Release and Transfer (PRTR) Law by 75% from 1995 levels by fiscal 2006. In the fiscal year under review, we emitted 510 tons of these substances, down 82% from 1995 levels. Having already exceeded our target, we plan to further raise the bar for fiscal 2005.

Another target was to reduce final waste disposal 80% from the fiscal 1990 level by fiscal 2010. In fiscal 2004, our total waste disposal amounted to 2,072 tons, down 85% from 1990 levels. A higher hurdle is being set for fiscal 2006.

To contribute to the prevention of global warming, we are striving to reduce our per unit energy consumption to 90% or less of 1995 levels by fiscal 2010. In fiscal 2004, our per unit energy consumption was 96.2% of 1995 levels and on course for our overall goal.

RESPONSIBILITY

PROCESS SAFETY AND DISASTER PREVENTION, OCCUPATIONAL SAFETY AND HEALTH

Eliminate Accidents and Injuries

The ultimate goal of our safety efforts is the elimination of accidents and injuries throughout our operations. In comparison with our annual goals of zero accidents and lost workdays, there was one case of lost workdays involving partner companies during the fiscal year under review.

Strengthening our safety and security organization, including antiterror measures, is an ongoing goal. In fiscal 2004, we reinforced our system for preventing unauthorized persons from entering Tosoh Group premises.

Another of our goals is to continually upgrade our Occupational Safety and Health Management System (OSHMS) by expanding the scope of our risk assessment and our analysis of close call incidents. During the fiscal year under review, we continued our risk-assessment efforts and worked on a method to make better use of our close call analysis.

Promote Voluntary Safety Activities

Another facet of our safety activities is the regular renewal of voluntary safety certification and the acquisition of additional certification. To maintain these certifications, we rigorously implement management systems and ensure compliance. During the fiscal year, we particularly emphasized building a system to regain the safety self-inspection certification of the Yokkaichi Complex, which was compromised when the complex's high-pressure gas safety inspection agency self-inspection certification was revoked in fiscal 2003. We expect to get the high-pressure gas self-inspection certification for the Yokkaichi Complex reapproved in fiscal 2006 and are working toward a reinstatement of the complex's overall self-inspection certification, also in fiscal 2006. The Nanyo Complex, meanwhile, renewed its voluntary safety certifications for 12 plants in September 2004.

Chemical and Product Safety

Preparing Material Safety Data Sheets

During fiscal 2004 we completed our conversion to the new Japanese Industrial Standards (JIS) form for Material Safety Data Sheets (MSDS), which provide essential information on materials being sold by the Tosoh Group to enhance safe handling and help deal with accidents. We also began preparing to ensure compatibility with the Globally Harmonized System of Classification and Labeling of Chemicals (GHS). In Japan, implementation of the GHS system is planned for December 2006.

Promoting the High-Production Volume Chemicals (HPV) initiative and instituting risk assessment measures, we actively support the International Council of Chemical Associations (ICCA) HPV initiative and engage in the risk assessment of specified chemical substances. During fiscal year 2004, we reviewed the substances we previously registered under the initiative and considered whether to participate as a lead company. In fiscal 2005, we are also pushing ahead with participation in the Japan Challenge Program, the Japanese government's HPV program.

Quality Guarantee

During fiscal 2004, we expanded the scope of our product-safety inspections and of our strict adherence to standards, holding 75 product-inspection meetings. No product liability problems arose during the fiscal year, and six more companies in the Group started submitting reports on claims related to products.

Dialogue with the Public

We communicate with the communities around us through Japan Responsible Care Committee (JRCC) dialogue meetings, publications, and conducting tours of our facilities. In November 2004, we participated in the regional JRCC dialogue meeting in Yamaguchi Prefecture in Japan. We also produce the Responsible Care Report in English and Japanese.

Profitability

To sustain our development and support our various environmental and corporate social responsibility activities, we must ensure that the Group remains profitable. In addition to our core business activities, we have developed many ecological products and services that significantly contribute to the overall soundness of the Group as well as to a cleaner and safer environment. Our efforts in these areas contribute tangible economic benefits through cost savings and sales and outsourcing revenues. In fiscal 2004, these efforts produced over ¥3.37 billion in sales, outsourcing revenues, and cost savings.

To be sustainable, systems and policies must integrate environmental stewardship, economic development, and the well-being of people.

In celebrating Tosoh's 70th anniversary, we recall our long path of development: rising up the learning curve in resource-poor Japan, running into severe environmental problems during the high-growth phase of Japan's economy, and steadily assimilating the evolving strategies and technologies for environmental protection and public health and safety. Today, we view this process based on the concept of sustainability, recognizing that only by balancing the competing needs of environment, community, and economy can we achieve stable, long-term quality-of-life improvement —the key to the continued viability of our company. Within our sustainability efforts, we utilize various systems to guide our path toward these goals and to monitor our progress, including our corporate governance and compliance systems.

BASIC PRINCIPLES REGARDING THE ENVIRONMENT, SAFETY, AND HEALTH

In all of its business activities, Tosoh Corporation will contribute to the advancement of society through continuous innovation in the field of chemistry, leading ultimately to the supply of products and services that bring customer satisfaction. At the same time, Tosoh will continue to regard environmental protection, safety, and health as top management priorities.

Action Policies

Basic Stance

- Promote initiatives based on awareness of the need to comply with laws and regulations and self-responsibility
- Establish targets, formulate action plans, and implement actions with the participation of all concerned
- Reflect audit results in future action plans

Environmental Protection Initiatives

- Conserve energy and resources through the use of the smallest-possible quantities of resources to obtain the greatest-possible benefits
- Lower emissions and waste through improved manufacturing processes and operational management

Safety Initiatives

- Prevent accidents and effectively respond to disasters through facility safety management
- Maintain and manage emergency response capabilities through safety drills
- Eliminate accidents and disaster effects through the analysis of case studies

Product-Related Environmental and Safety Initiatives

- Allow consideration for the environment, safety, and health to guide our product design and development of manufacturing processes
- Undertake prior assessment during the development of new products and processes
  Ensure product safety through total quality management

Promotion of Good Communication

- Provide safety management-related information for products and chemical substances
- Enhance public confidence through dialogue concerning all of our activities

RESPONSIBLE CARE MANAGEMENT

The Responsible Care® (RC) movement is a global initiative by the chemical industry to continuously improve its environmental, safety, and health performance by setting voluntary standards covering the life cycle of chemical products, from production to disposal. In 1995, Tosoh became a founding member of the Japan Responsible Care Council (JRCC). RC activities constitute the core of Tosoh's environmental protection program.

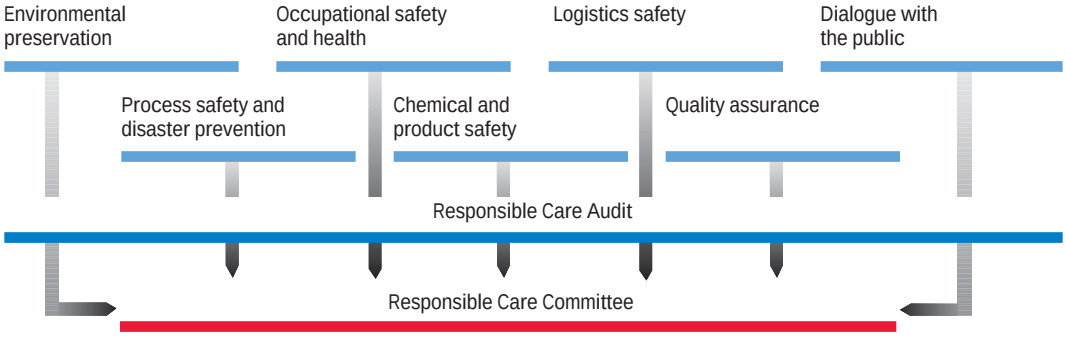
Responsible Care®

Tosoh's Responsible Care Program

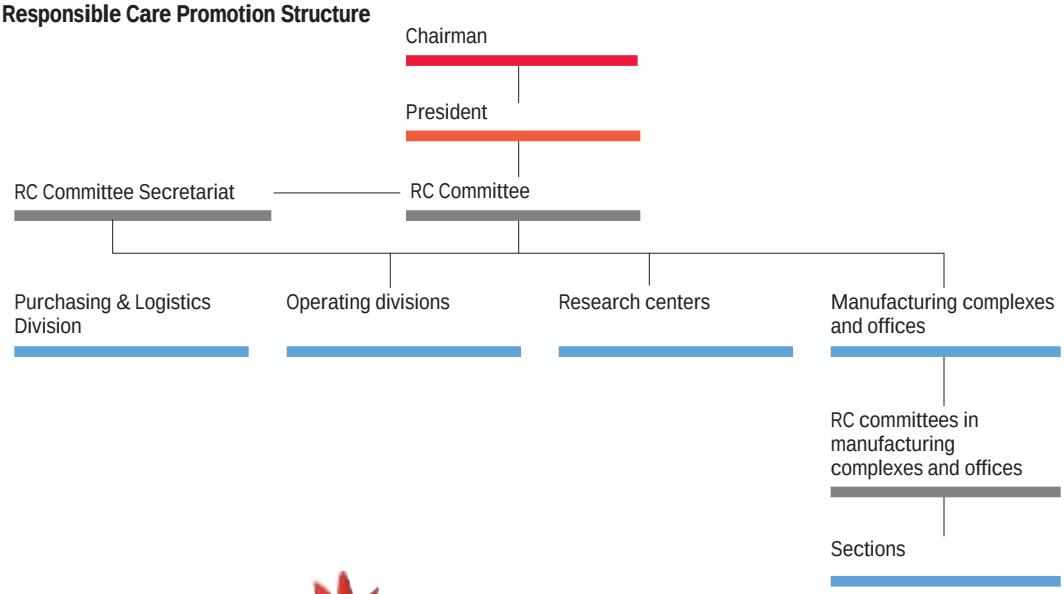
Standard RC activities fall under six categories: environmental preservation, process safety and disaster prevention, occupational safety and health, logistics safety, chemical and product safety, and dialogue with the public. Tosoh has added quality assurance as a seventh category. We emphasize activities in the environmental preservation and quality assurance categories and engage in activities to acquire and maintain certification for the International Organization for Standardization's ISO 14001 environmental management system and ISO 9001 quality management system. We completed companywide ISO 14001 certification in Japan in 1999.

To promote its RC activities, Tosoh has established the RC Committee. The director responsible for the Environment, Safety & Quality Control Division chairs the committee, and the committee's members include general managers from our Purchasing & Logistics Division, operating divisions, research centers, and manufacturing complexes and offices. The RC Committee is responsible for formulating the RC activity plan for each fiscal year and for evaluating our RC activities. Specifically, the chairman of the RC Committee conducts an RC Audit of activities in the six RC categories and of quality assurance for each manufacturing complex. The results of the audit are reflected in the RC activities plan for the next fiscal year. This rolling process of constant improvement is called the plan, do, check, act (PDCA) cycle.

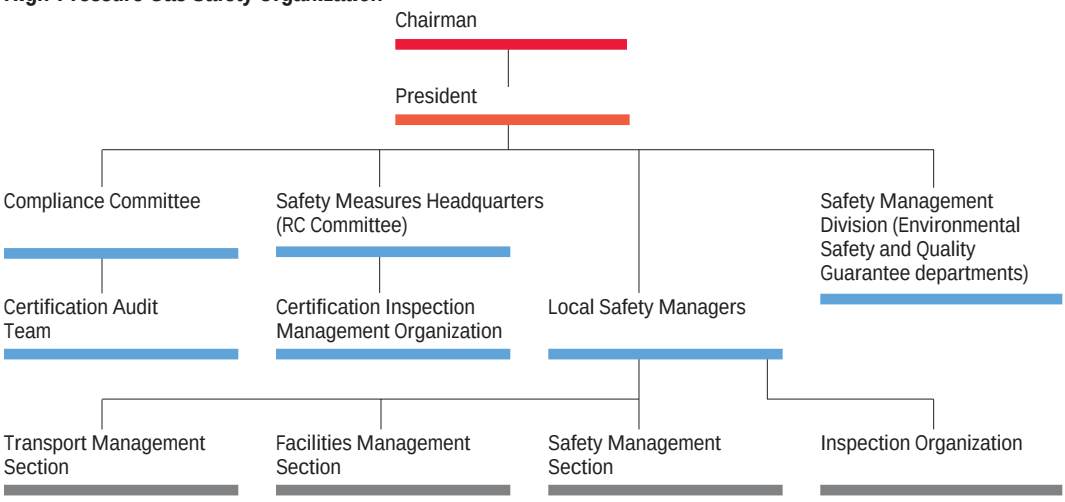
Responsible Care Committee



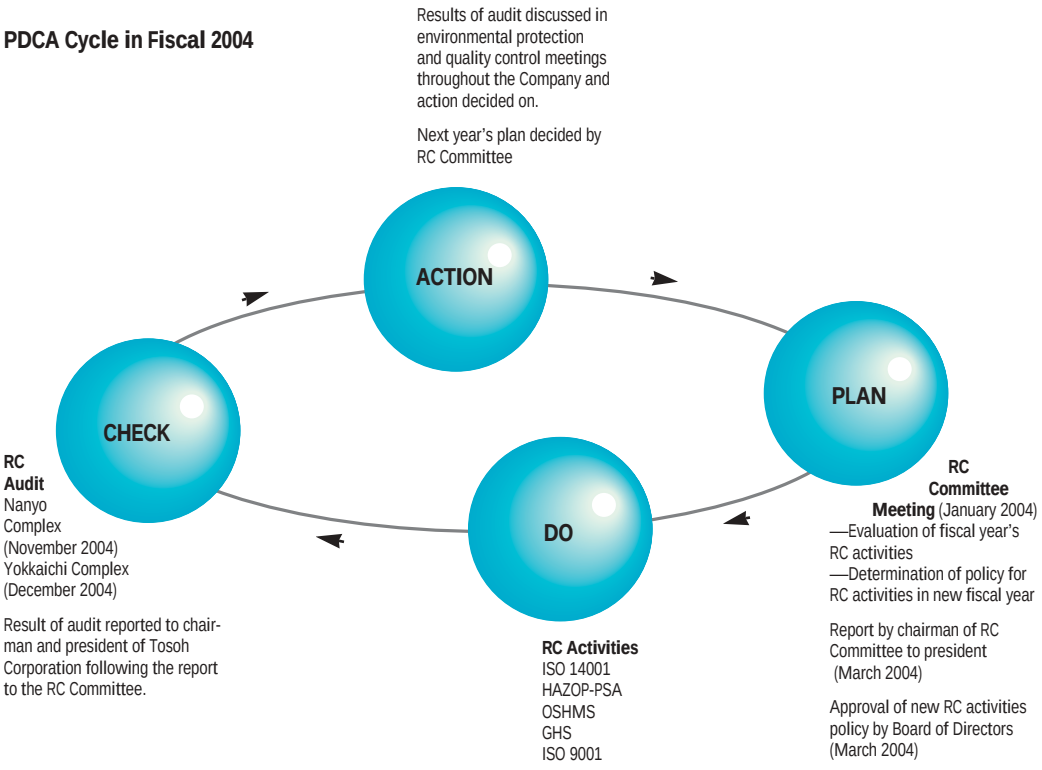
Responsible Care Promotion Structure



High-Pressure Gas Safety Organization



PDCA Cycle in Fiscal 2004



Environmental Accounting

Another method by which we monitor and evaluate our environmental activities is by quantifying the costs according to the Environmental Accounting Guidelines published by the Japanese Ministry of the Environment. Data collection for items not stipulated in the Environmental Accounting Guidelines is based on assumptions established by Tosoh.

In fiscal 2004, the Tosoh Group spent ¥5.22 billion on its environmental activities, an increase of ¥0.7 billion from the previous fiscal year. Safety costs totaled ¥1.17 billion for the fiscal year.

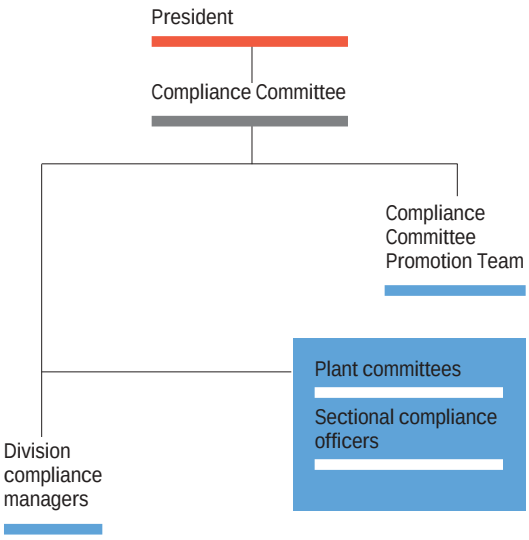
CORPORATE GOVERNANCE AND COMPLIANCE

Maintaining fair business practices and complying with the laws and regulations of the countries we operate in are important facets of our sustainable development efforts. Tosoh's corporate governance structure aims to establish transparency in its business activities and the accountability of our managers. In principle, the Board of Directors makes important policy decisions and oversees the activities of the operating officers of the Company, while an Auditors' Committee monitors the performance of the Board of Directors and the management system. One of the core components of the corporate governance structure is the compliance organization, which is headed up by the Compliance Committee. Under that committee, compliance officers in each division, department, and facility of the Tosoh Group work to raise employees' awareness of legal and regulatory issues and to ensure compliance. Among new initiatives in fiscal 2004, the Company and 22 of its wholly owned subsidiaries started up compliance hotlines to deal with inquiries. The Company also expanded its compliance organization to cover those wholly owned subsidiaries.

Compliance Organization History

April 2003	Formed Code of Conduct
May 2003	Established Compliance Committee
February 2004	Established compliance rules Renamed Code of Conduct to Compliance Code of Conduct
March 2005	Set up compliance hotlines Commenced compliance program covering wholly owned subsidiaries

Compliance Organization



Innovation is the only way to meet the needs of a burgeoning population without causing unacceptable environmental damage.

Commitment

Increasing conservation

Reducing global impact

Utilizing recycling technologies

INCREASING CONSERVATION

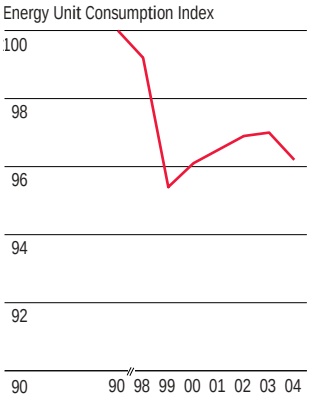
Energy Conservation

Along with global economic development, environmental issues, such as global warming, are being highlighted around the world. Following the Kyoto Protocol, countries, particularly advanced industrialized countries, have stepped up their efforts to reduce global warming gas emissions.

Tosoh is contributing to energy conservation in many ways. We boast one of the largest class of in-house generation facilities in Japan. And we constantly innovate our plant processes to improve our efficiency. Moreover, the electrolysis method used to manufacture such core products as caustic soda and chlorine is highly energy efficient. Indeed, the method is so efficient that many other companies in Japan and overseas have adopted it.

Despite significant business expansion, we continue to make progress toward our 2010 target of a 10% or greater reduction in per unit energy consumption.

Change in per Unit Energy Consumption



Note: *Figures have been revised based on a change in some of the figures used in the crude oil calculation by the Japan Chemical Industry Association (JCIA).*

Input and Output

INPUT

Energy Consumption
(In terms of crude oil)
1,910,000 kl

Consumption of Designated Substances
6.9 million tons

Water Consumption
(Excluding seawater)
53 million tons

Manufacturing Complexes and Research Facilities

OUTPUT

Products	6	million tons
Air Emissions		
CO_2	6	million tons
SOx	771	tons
NOx	11	thousand tons
Dust	331	tons
PRTR-designated substances	250	tons
Water Emissions		
COD	922	tons
Total phosphates	46	tons
Total nitrogen	353	tons
PRTR-designated substances	260	tons
Wastewater	1,103	million cubic meters
Soil		
Final waste disposal	2,072	tons

Note: *CO_2 figures are based on fuel consumption. The actual output figure for CO_2 was 6.41 million tons.*

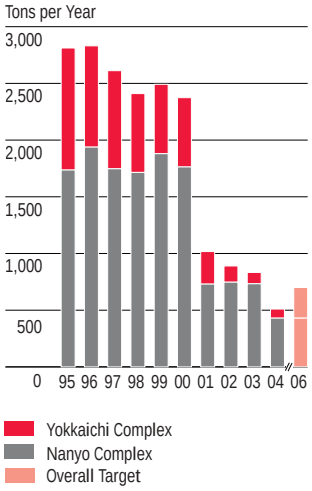
Substances Designated under the PRTR Law

In fiscal 2004, 50 of the substances Tosoh handled were substances subject to notification under the Pollutant Release and Transfer Register (PRTR) Law. Tosoh's total emissions into the atmosphere and bodies of water in fiscal 2004 were 510 tons, a reduction of 82% from 1995 levels. Tosoh had set a target of a 75% reduction from the fiscal 1995 level by the end of fiscal 2006. A more stringent target is being determined under a new medium-term business plan, which is still in the formulation stage.

What is the PRTR Law?

The PRTR Law requires businesses to report on emissions into the environment of 354 Class 1 specific chemical substances and to publish Material Safety Data Sheets (MSDS). This law was announced in July 1999. Emissions data has been published since fiscal 2002 on the Ministry of the Environment's Web site. This system was introduced in Europe and North America around the 1970s and has been implemented by many countries since the Earth Summit in 1992.

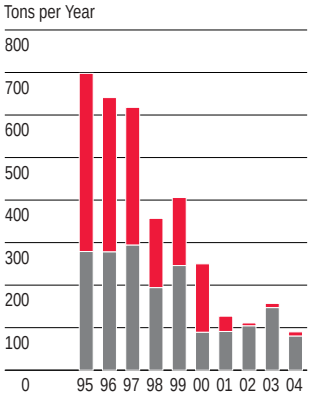
Emissions of Substances Designated under the PRTR Law



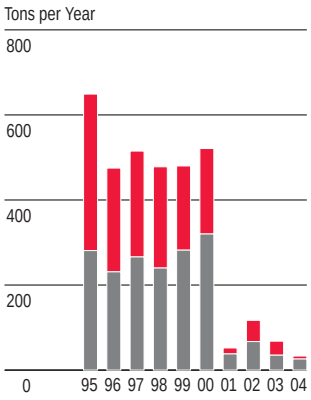
Toxic Atmospheric Pollutants

Toxic atmospheric pollutants are substances that can be harmful even at trace levels over the long term. Tosoh handles 5 of the 12 substances designated for voluntary control by the Japan Chemical Industry Association (JCIA) in response to the 1996 revision of Japan's Atmospheric Pollution Prevention Law. Tosoh has reached its total emissions reduction goal under the JCIA plan, which ended in fiscal 2003. Nevertheless, we are pressing forward with further reductions. Notably, in fiscal 2004 we cut emission levels to approximately 40% of those of fiscal 2003.

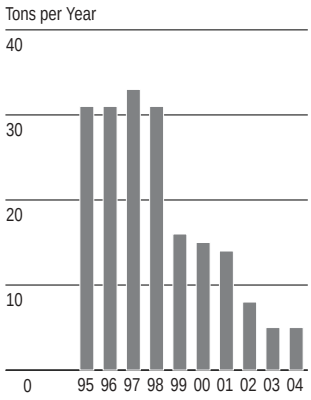
Vinyl Chloride Monomer



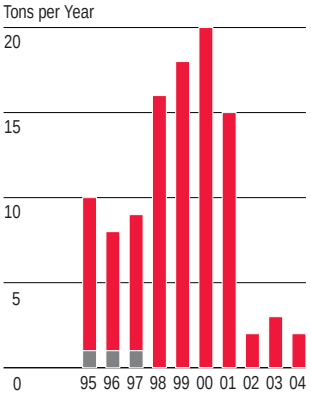
1,2-Dichloroethane



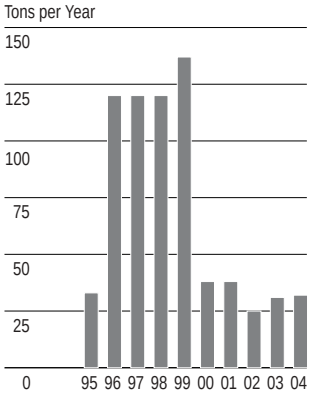
1,3-Butadiene



Benzene

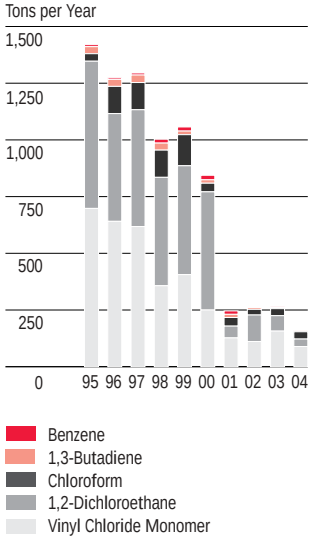


Chloroform



Yokkaichi Complex
Nanyo Complex

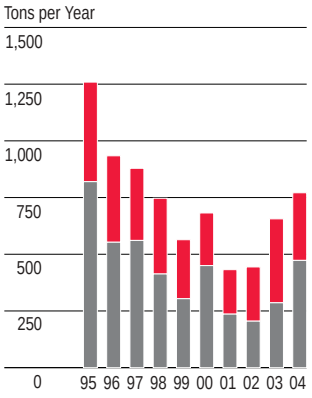
Total Emissions of 5 Toxic Air Pollutants



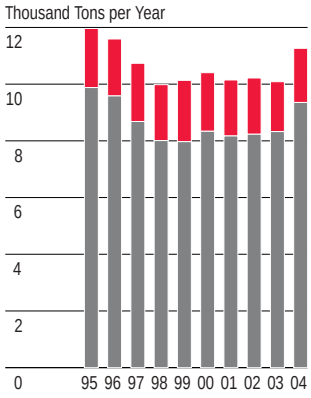
Atmospheric Pollutants

Tosoh removes SOx (sulfur oxides) and NOx (nitrogen oxides) in smoke from boilers using desulfurization equipment and denitration equipment and removes dust using electrostatic precipitators. In fiscal 2004 our atmospheric emissions trended upward due to high operating rates and the difference in the fuels used. However, the Company will continue efforts to reduce emissions of atmospheric pollutants.

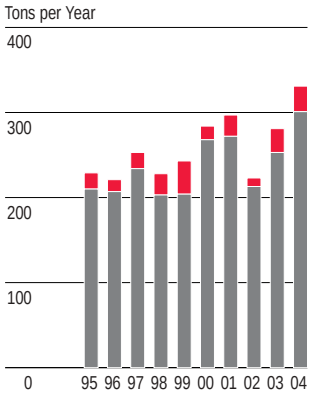
SOx



NOx



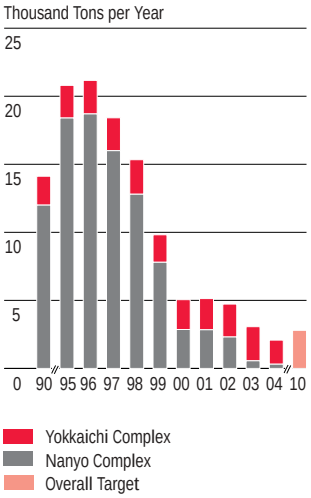
Dust



Waste

As a result of continued recycling efforts, Tosoh reduced its final waste disposal by approximately 1,000 tons from the previous fiscal year, to 2,072 tons, representing an 85% reduction in the volume of final waste disposal from the fiscal 1990 level. This achievement exceeds our target of an 80% reduction by fiscal 2010. In addition to working to reduce internal industrial waste, Tosoh contributes to the creation of a recycling society by actively accepting waste from outside the Company for effective utilization at its cement plant and halogen recycling facilities.

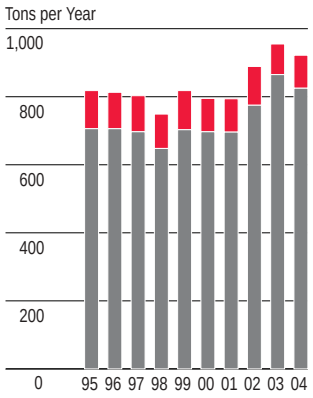
Final Waste Disposal



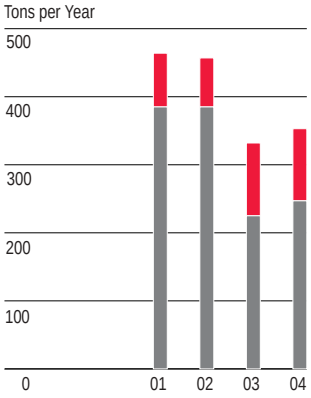
Water

Under Japan's Water Pollution Prevention Law, industrial wastewater is regulated according to pollution concentration standards. In addition, it is also regulated by a system based on the actual amount of pollutants released into the water, taking into account the actual volume of water use. This system monitors the chemical oxygen demand (COD) levels and nitrogen and phosphorus levels, which are responsible for eutrophication. Tosoh also promotes the effective utilization of water resources by recycling the industrial water it uses for cooling.

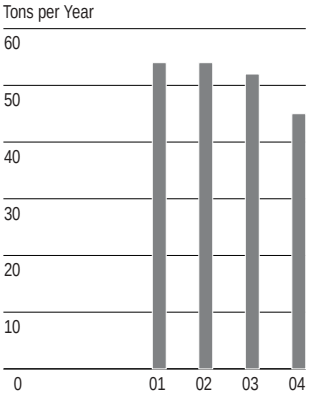
COD



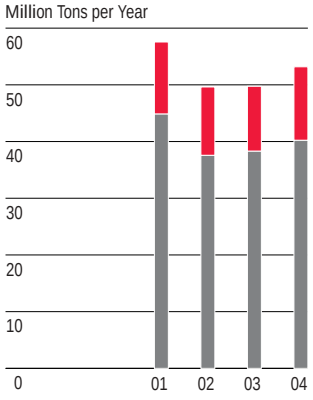
Nitrogen



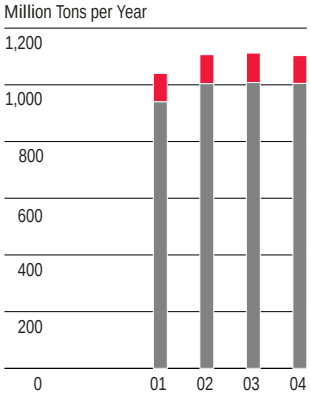
Phosphorus



Water Consumption



Wastewater Volume



Yokkaichi Complex
Nanyo Complex

UTILIZING RECYCLING TECHNOLOGIES

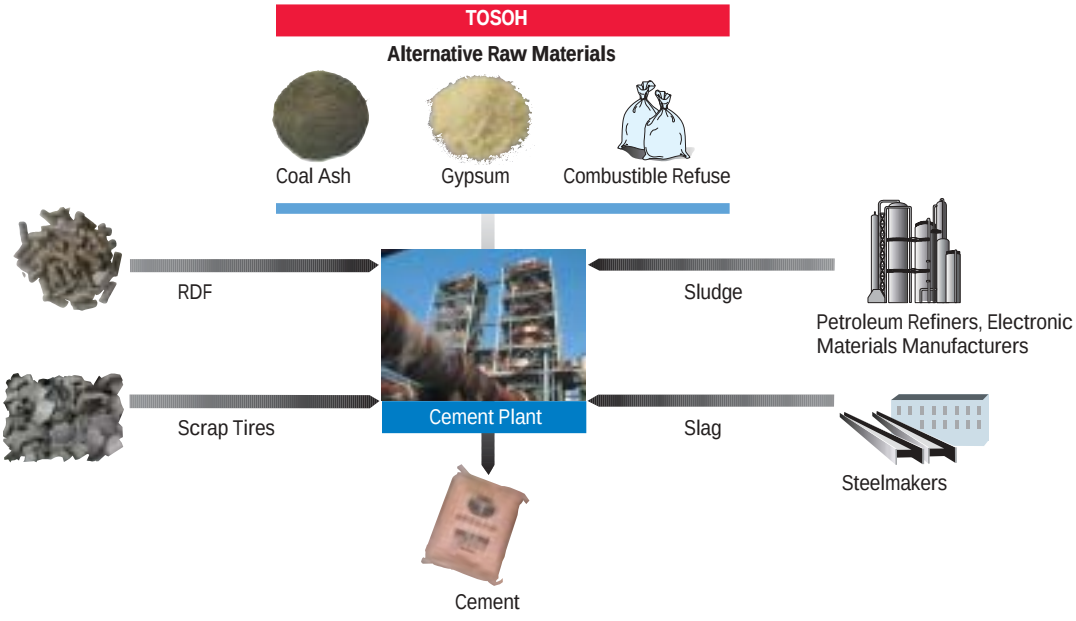
Recycling Materials in the Manufacture of Cement

Limestone, silica rock, clay, iron raw materials, and gypsum are used as raw materials in cement production. Tosoh makes effective use of substitutes for the raw materials and fuel conventionally used in cement production. These substitutes include internally generated by-products coal ash and gypsum as well as materials obtained externally, such as slag; sludge; scrap tires; and meat and bone meal (a measure to assist national initiatives to prevent bovine spongiform encephalopathy). The cement plant also plays an environmentally beneficial role by burning combustible waste.

Refuse-Derived Fuel

Refuse-derived fuel (RDF) is produced by solidifying household waste. Tosoh cooperates with the environmental administration of Shunan City, Yamaguchi Prefecture, by using all RDF produced at the city's Phoenix fuel production facility as fuel for its cement plant at the nearby Nanyo Complex.

The RDF facility in Shunan City



Halogen Recycling Facilities

Tosoh operates a dedicated facility for recycling chlorine and bromine from various types of waste liquids generated internally and from waste liquids recovered from the manufacturers of pharmaceuticals, agricultural chemicals and chemicals. The chlorine and bromine recovered are used as materials in vinyl chloride monomer and flame retardants, and the heat released in the recycling process is used to generate steam.

Chlorine recycling facility

Recycling Facility for By-Product Salt from Ethylene Amine Production

To make effective use of the salt by-product in the ethylene amine production process, Tosoh has developed a proprietary process to recover and purify the salt and recycle it in the Company's salt electrolysis operations. The process involves heating the salt to remove organic impurities and refining it to a high level of purity. Completed in March 2004, the recycling facilities at the Nanyo Complex will be recycling approximately 100 thousand tons of salt annually and greatly reducing the organic substance emissions in the electrolysis process.

Bromine recycling facility

NANYO COMPLEX

Address: 4560, Kaisei-cho, Shunan City, Yamaguchi Prefecture 746-8501

Principal Products: Caustic soda, chlorides, vinyl chloride monomer, PVC paste, cement, polyethylene, polychloroprene rubber, specialty products

Yukihiro Tsutsumi
Senior Managing Director of Tosoh Corporation
Director of Nanyo Complex Operations

The Tosoh Nanyo Complex is situated in the city of Shunan, Yamaguchi Prefecture, in the westernmost part of Honshu. The Nanyo Complex is a core element of the Shunan Area Petrochemical Complex and has played an important role in the operation of the industrial complex since its establishment.

The Nanyo Complex pipes the chlorine, hydrogen, caustic soda, and other materials it manufactures to other companies in the industrial complex and also provides utilities such as electricity and steam.

Since its establishment in 1935, the Nanyo Complex has produced cement, polyethylene, synthetic rubber, and specialty products. Its emphasis is chlor-alkali products, such as caustic soda and vinyl chloride monomer.

The Nanyo Complex has Japan's only bromine recycling facility as well as a chlorine recycling facility and cement plant. The facility efficiently utilizes as recyclable resources waste generated within Tosoh and brought in from outside the Group.

Situated within the Setonaikai National Park, the Nanyo Complex actively engages in measures to abate environmental load, to reduce waste, and to cultivate green space to protect the beautiful natural surroundings.

Environmental Data for Fiscal 2004

	Tons
SOx emissions	473
NOx emissions	9,354
Dust	301
PRTR-designated substances	430
COD emissions	825
Nitrogen	247
Phosphorous	45
Final waste disposal	307

Complaints	
Atmosphere	0
Sound	0
Vibration and other	1

Note: *The complaint was about the high concentration of dust. The party issuing the complaint was shown data on dust concentration indication that the plant was maintaining dust concentrations within agreed levels.*

PRTR-designated substances—Fiscal 2004

Tons

Reg. No.	Substance	Atmospheric emissions	Water emissions	Soil emissions	Landfill disposal	Sewage disposal	Transport outside plant site
1.	water-soluble zinc compounds	0.0	2.8	0.0	0.0	0.0	0.0
12.	acetonitrile	0.0	0.0	0.0	0.0	0.0	0.0
16.	2-aminoethanol	0.0	0.0	0.0	0.0	0.0	0.0
17.	diethylenetriamine-pentaacetic acid	0.7	68.0	0.0	0.0	0.0	0.0
24.	n-alkylbenzenesulfonic acid and its salts	0.0	2.6	0.0	0.0	0.0	0.0
29.	bisphenol-A type epoxy resin	0.0	0.0	0.0	0.0	0.0	0.0
40.	ethylbenzene	0.4	0.1	0.0	0.0	0.0	1.0
42.	ethylene oxide	0.0	0.0	0.0	0.0	0.0	0.0
43.	ethylene glycol	0.0	0.2	0.0	0.0	0.0	0.0
46.	ethylenediamine	2.6	100.0	0.0	0.0	0.0	0.0
54.	epichlorohydrin	0.0	0.0	0.0	0.0	0.0	0.0
63.	xylene	0.0	0.0	0.0	0.0	0.0	13.0
74.	chloroethane	24.0	0.0	0.0	0.0	0.0	0.0
77.	chloroethylene (vinyl chloride)	73.0	6.7	0.0	0.0	0.0	0.0
85.	chlorodifluoromethane (HCFC-22)	2.3	0.0	0.0	0.0	0.0	0.0
93.	chlorobenzene	0.4	0.1	0.0	0.0	0.0	40.0
95.	chloroform	3.0	29.0	0.0	0.0	0.0	0.0
96.	chloromethane	0.0	0.0	0.0	0.0	0.0	0.0
102.	vinyl acetate	9.7	24.0	0.0	0.0	0.0	0.0
109.	2-(diethylamino) ethanol	0.0	0.0	0.0	0.0	0.0	0.0
112.	tetrachloromethane	0.6	0.0	0.0	0.0	0.0	0.0
113.	1,4-dioxane	4.7	1.4	0.0	0.0	0.0	45.0
116.	1,2-dichloroethane	24.0	2.3	0.0	0.0	0.0	44.0
117.	1, 1- dichloroethylene (vinylidene chloride)	0.5	0.0	0.0	0.0	0.0	0.0
118.	cis-1, 2-dichloroethylene	0.2	0.0	0.0	0.0	0.0	0.0
119.	trans-1, 2-dichloroethylene	1.7	0.0	0.0	0.0	0.0	0.0
121.	dichlorodifluoromethane	1.8	0.0	0.0	0.0	0.0	0.0
177.	styrene	4.0	0.9	0.0	0.0	0.0	0.0
179.	dioxins	(35.0)	(31.0)	(0.0)	(0.0)	(0.0)	(0.0)
197.	decabromodiphenyl ether	0.0	0.3	0.0	0.0	0.0	8.8
207.	water-soluble copper salts	0.0	0.7	0.0	0.0	0.0	0.0
210.	1,1,2-trichloroethane	22.0	2.7	0.0	0.0	0.0	15.0
227.	toluene	0.1	0.1	0.0	0.0	0.0	1.9
232.	nickel compound	0.0	0.0	0.0	0.0	0.0	0.0
253.	hydrazine	0.0	0.0	0.0	0.0	0.0	0.0
254.	hydroquinone	0.0	0.0	0.0	0.0	0.0	0.0
258.	piperazine	0.0	5.8	0.0	0.0	0.0	0.7
266.	phenol	0.0	0.0	0.0	0.0	0.0	0.0
268.	1,3-butadiene	1.9	2.8	0.0	0.0	0.0	0.0
283.	hydrogen fluoride and its water-soluble salts	0.1	0.0	0.0	0.0	0.0	0.0
292.	hexamethylenediamine	0.0	0.0	0.0	0.0	0.0	0.0
310.	formaldehyde	0.0	0.0	0.0	0.0	0.0	0.0
314.	methacrylic acid	0.0	3.3	0.0	0.0	0.0	0.0

Note: *PRTR-designated substances are reported in kilogram units to two significant digits. However, for the purposes of this report the figures are given in metric ton units rounded off to one decimal point. Dioxin, however, is reported in mg-TEQ units.*

The Kasumi Industrial Complex, site of the Tosoh Yokkaichi Complex, is located on an artificial island that juts into Ise Bay. Following careful consideration of environmental protection, the island was created in 1970. In site planning, the highest priority was placed on pollution and disaster prevention; harmony with the local community; and various plant location requirements, such as transport and ease of access. A canal separates the site of the industrial complex from residential areas by more than 200 meters. The total area of the industrial complex is 3.83 million square meters.

The Yokkaichi Complex occupies 1.14 million square meters, about one-third of the total area of the industrial complex. It maintains an integrated production system that includes a power generation plant that serves as an energy supply base and the only ethylene center in the Chubu region. It produces products ranging from basic materials to vinyl chloride monomer and PVC resins.

The term "chemistry island" is an apt description of the Yokkaichi Complex. The complex engages in pollution and disaster prevention planning and rigorously engages in pollution and disaster prevention education and training. It maintains chemical fire engines and other disaster prevention equipment to provide against unforeseeable disasters, strives to ensure process safety and disaster prevention, and actively engages in Responsible Care activities.

YOKKAICHI COMPLEX

Address: 1-8, Kasumi, Yokkaichi City, Mie Prefecture 510-8540

Principal Products: Ethylene, propylene, cumene, polyethylene, PPS resins, petroleum resins, vinyl chloride monomers, PVC resins, caustic soda, chlorides

Hideo Yamasaki
Managing Director of Tosoh Corporation
Director of Yokkaichi Complex Operations

PRTR-designated substances—Fiscal 2004

Tons

Reg. No.	Substance	Atmospheric emissions	Water emissions	Soil emissions	Landfill disposal	Sewage disposal	Transport outside plant site
1.	water-soluble zinc compounds	0.0	3.4	0.0	0.0	0.0	0.0
28.	isoprene	0.0	0.0	0.0	0.0	0.0	0.0
40.	ethylbenzene	0.2	0.0	0.0	0.0	0.0	0.0
43.	ethylene glycol	0.0	0.0	0.0	0.0	0.0	1.1
63.	xylene	3.6	0.0	0.0	0.0	0.0	5.9
77.	chloroethylene (vinyl chloride)	9.6	0.0	0.0	0.0	0.0	0.0
85.	chlorodifluoromethane (HCFC-22)	2.2	0.0	0.0	0.0	0.0	0.0
102.	vinyl acetate	33.0	0.0	0.0	0.0	0.0	0.8
116.	1,2-dichloroethane	6.9	0.3	0.0	0.0	0.0	2.3
121.	dichlorodifluoromethane	3.6	0.0	0.0	0.0	0.0	0.0
140.	p-dichlorobenzene	0.8	0.0	0.0	0.0	0.0	12.0
177.	styrene	0.2	0.0	0.0	0.0	0.0	0.0
179.	dioxins	(0.0)	(3.1)	(0.0)	(0.0)	(0.0)	(0.1)
208.	trichloroacetaldehyde	0.0	7.2	0.0	0.0	0.0	0.0
209.	1,1,1-trichloroethane	0.0	0.0	0.0	0.0	0.0	10.0
227.	toluene	3.2	0.0	0.0	0.0	0.0	0.1
253.	hydrazine	0.0	0.0	0.0	0.0	0.0	0.0
266.	phenol	0.0	0.0	0.0	0.0	0.0	2.2
268.	1,3-butadiene	0.0	0.0	0.0	0.0	0.0	0.0
283.	hydrogen fluoride and its water-soluble salts	0.0	0.0	0.0	0.0	0.0	18.0
299.	benzene	1.5	0.0	0.0	0.0	0.0	0.1
304.	boron and its compounds	0.0	0.0	0.0	0.0	0.0	4.8
335.	isopropenylbenzene	0.0	0.0	0.0	0.0	0.0	0.0

Note: *PRTR-designated substances are reported in kilogram units to two significant digits. However, for the purposes of this report the figures are given in metric ton units rounded off to one decimal point. Dioxin, however, is reported in mg-TEQ units.*

Environmental Data for Fiscal 2004

	Tons
SOx emissions	298
NOx emissions	1,910
Dust	30
PRTR-designated substances	80
COD emissions	97
Nitrogen	106
Phosphorous	1
Final waste disposal	1,765

Complaints	
Atmosphere	0
Sound	0
Vibration and other	0


We have to achieve sustainable growth,
and it is time for this to be more of a collaborative effort.

The second major category of sustainability is responsibility—responsibility to our employees for their safety, health, and development and responsibility to society through interactions aimed at maintaining communications and building good relations. Responsibility to our employees is essential to ensure their efficient functioning and development both as employees and as members of society. As part of our responsibility to society, we seek to participate and promote collaboration between government, academia, business, and of course our employees and communities regarding sustainability issues—big and small.

PLANT SAFETY

Plant Risk Assessment Method

Probabilistic safety assessment (PSA) is a technique for calculating the probability of accidents or disasters occurring in plant processes in line with the development of equipment malfunction on the basis of the malfunction rate for individual plant assets. Quantitatively ascertaining risk within the plant makes it possible to devise appropriate risk-avoidance measures, and Tosoh is deploying this risk assessment technique at its plants, focusing on high-pressure gas plants, with the aim of further enhancing safety and security.

Development and Introduction of Risk-Based Inspection of Plants

Risk-based inspection (RBI) is a technique for calculating risk defined as the mathematical product of the incidence of damage and the consequence of damage and for devising the most-effective plant inspection plans from the standpoint of safety and economy. RBI has attracted attention in recent years as a method of efficiently maintaining equipment while ensuring the reliability and safety of equipment.

In fiscal 2002, Tosoh developed and began operation of an evaluation system incorporating knowledge concerning independent materials assessments and is effectively applying the system to increase plant safety and security.

Operational Safety at Plants

With many of our most experienced employees reaching retirement age and the average age of those responsible for plant operation steadily rising, passing on technical skills and knowledge to the next generation of workers has become an important issue. At our training center, we are achieving this through courses using plant operations simulators and other training devices.

High-Pressure Gas Control Self-Inspection Certification System

Japan's High-Pressure Gas Control Law provides for a self-inspection system by which the Ministry of Economy, Trade and Industry (METI) evaluates the operating management and safety systems of high-pressure gas works, confirms the adequacy of the standards governing operations management and facilities management, confirms safety management techniques and safety systems, and certifies operators instead of prefectures to perform self-inspections of high-pressure gas facilities.

The Nanyo Complex was certified under the most recent law in 1999, and at March 2005 was certified to carry out self-inspections at 12 of its facilities.

In June 2003, the Yokkaichi Complex had its self-inspection certification revoked. We are taking the required steps to have that certification reinstated sometime in fiscal 2006.

Disaster Prevention Training and Presentations on Safety Activities and Responsible Care Activities

Tosoh promotes safety education and strengthens disaster preparedness at its manufacturing complexes and research facilities. Our principal methods of doing so include conducting periodic disaster prevention training in cooperation with regional fire departments and associated companies and holding presentations on safety activities and Responsible Care activities at each of our facilities.

Occupational Safety and Health Management System

Tosoh strives to prevent industrial accidents and occupational injuries by implementing the Occupational Safety and Health Management System (OSHMS), which includes risk assessment of processes and facilities and the analysis and utilization of case examples of close calls. During fiscal 2004, there was one case of lost workdays involving partner companies. Tosoh will continue to engage in even more-effective safety activities to maintain accident-free and injury-free workplaces.

Analysis and Utilization of Case Examples of Close Calls

Tosoh has created a database of close call case examples and previous accidents and occupational injuries from inside and outside the Group. It carefully analyzes the data and applies the results in implementing safety measures that avoid the occurrence of similar accidents or injuries. By reporting and sharing experiences of close calls, the Tosoh Group and its partner companies raise safety consciousness among workers and contribute to reducing the incidence of occupational injuries.

Employee Health

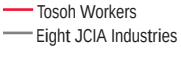
At Tosoh, we provide overall support for our employees to ensure their mental as well as physical health. Health-promotion committees set up at the head office and at all work sites implement various action programs to support physical and mental health. These activities include walking events, various campaigns, health checkups by specialists, and health-related lectures. For mental health in particular, we have employees take an annual mental health test conducted by the Japan Mental Health Research Institute to provide them with an objective assessment of their state of mental health. We also offer various mental health programs and lectures.

Frequency Comparison

Frequency = (no. of fatal or nonfatal casualties/total number of working hours) x 1,000,000

Severity Index Comparison

Severity Index = (no. of workdays lost/total number of working hours) x 1,000



CHEMICAL AND PRODUCT SAFETY AND LOGISTICS SAFETY

Prior to manufacture and at each stage thereafter, including transport, Tosoh seeks to minimize environmental impact and to ensure that proper handling and emergency response procedures are known and followed.

Development and Manufacturing

Before Tosoh manufactures and sells a new product, the toxicity of the substance is assessed and the specifications and capacity of the plant in which it will be manufactured are evaluated. Then, from the perspective of product liability, Tosoh implements a product safety audit. With these steps, Tosoh works to ensure careful consideration of the implications for the environment, safety, and health.

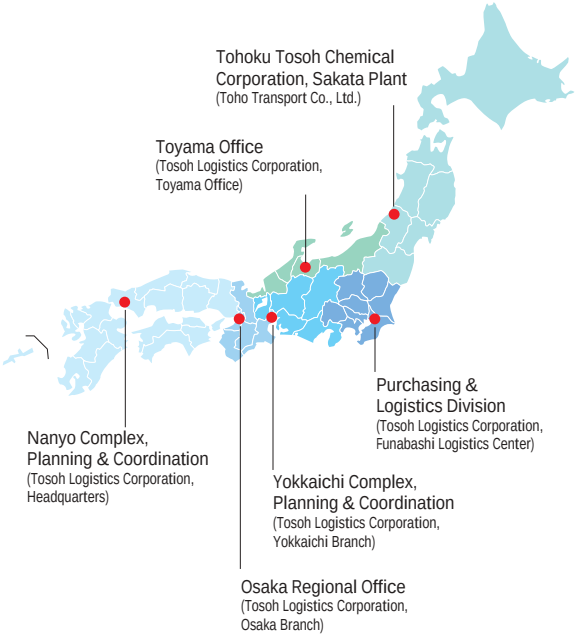
To ensure the quality of its products, Tosoh participates in the International Organization for Standardization (ISO) certification program, including ISO 9001 certification for quality management systems and ISO 13485 certification for medical equipment.

In addition to the certification process, we monitor our performance through a reporting system for complaints received by 19 companies in the Group, including the parent company. Complaint management sections at each company make reports twice a month that are reviewed by the chairman and president of Tosoh.

Items Reported on MSDS

Identification of the substance/preparation and of the company/undertaking
Composition/information on ingredients
Hazards identification
First-aid measures
Fire-fighting measures
Accidental release measures
Handling and storage
Exposure controls/personal protection
Physical and chemical properties
Stability and reactivity
Toxicological information
Ecological information
Disposal considerations
Transport information
Regulatory information
Other information

Responsible Department or Group Affiliate by Zone



Transport

Tosoh prepares Yellow Cards (emergency contact information cards) to ensure safety during the transport of chemical substances and an appropriate response in the event of an accident and requires transport companies to carry the cards during transport. The cards contain manufacturer contact information as well as concise information on emergency measures, applicable laws and ordinances, and hazards and toxicity. To ensure a prompt response if an accident occurs, we have divided Japan into six zones and set up a response base for each zone. The responsible department or Group affiliate in each zone maintains emergency equipment (including protective and recovery equipment) and responds and provides technical support in times of an accident.

Use

When a business handles chemicals, it is necessary to ascertain the ingredients, properties, and methods of handling the substances, and the products that contain them. Material Safety Data Sheets (MSDS) are documents that contain information concerning chemical substances. The law mandates the provision of MSDS to users at the time of product shipment.

Disposal

Tosoh is committed to reducing waste. When the Company commissions an industrial waste disposal contractor, it issues an industrial waste control manifest. Upon completion of the waste disposal, the contractor fills in the manifest and sends a copy to the commissioning entity. This system makes it possible to confirm proper disposal of waste.

International Chemical Safety Standards and Movements

The following are some of the major international chemical safety standards and movements that Tosoh endeavors to cooperate and comply with.

HPV (High-Production Volume) Chemicals

The Organization for Economic Cooperation and Development (OECD) is running an international project to acquire data and to assess the toxicity of HPV substances. Of the chemicals produced by Tosoh, 19 are registered as HPV. As of March 2005, we have completed our assessment of 14 of those chemicals.

Domestic and International Chemical Safety Movements

- Registration, Evaluation, and Authorization of Chemicals (REACH) Proposal
  New EU regulatory framework for chemicals requiring registration of chemicals by enterprises that manufacture or import more than one metric ton of a chemical substance per year. Still in proposal form, and not expected to be implemented before 2007.
- Globally Harmonized System of Classification and Labeling of Chemicals (GHS)
  Standardization of MSDS and export labels.
- Green Procurement
  Movement centered on the electric and electronics industry to reduce harmful substances in products by focusing on the supply chain.

DIALOGUE WITH THE PUBLIC

Tosoh believes in proactive interaction with the communities nearby its operations. By participating in charitable, environmental, and volunteer activities, we gain the opportunity to hear their point of view and present our own. Moreover, we know that sustainable growth requires the cooperation of all. Through our goodwill activities, we seek to create the firm ground on which society's drive for sustainability may be built.

Cooperative Environmental Activities

Regional Dialogues on Responsible Care

Tosoh participates in regional dialogues on Responsible Care, events that deepen relationships with the local residents and governments of various areas by focusing on the introductions of case examples of environmental and safety initiatives from JRCC member companies. On November 6, 2004, a regional JRCC dialogue meeting was held in Yamaguchi Prefecture in Japan. A survey was distributed prior to the meeting to help focus and stimulate the exchange of opinions.

Plant Tours

Each year, Tosoh's Nanyo and Yokkaichi complexes and its Tokyo Research Center conduct tours for numerous visitors, including local school students and Tosoh stakeholders.

Summer Holiday Children's Chemistry Experiment Show

In 2004, from August 27 to 29, Tosoh participated in the Summer Holiday Children's Chemistry Experiment Show. Tosoh offered activities that allowed students to get hands-on experience with chemistry using some of our products.

International Center for Environmental Technology Transfer

Each year, Tosoh actively cooperates with the International Center for Environmental Technology Transfer (ICETT) by accepting ICETT trainees for corporate internships thus contributing to the development of environmental technologies in Asia, South America, and other regions.

Environment-Related Exhibitions

Yamaguchi Iki-iki Eco Fair

In October 2004, Tosoh participated in the two-day Yamaguchi Iki-iki Eco Fair. We exhibited a variety of environmental-related products and technologies, such as sodium bicarbonate and energy-efficient silicon-based tires.

Mie 21st Century Leading Industrial Exhibition

The Mie 21st Century Leading Industrial Exhibition, an event to showcase companies and new technologies and products from Mie Prefecture, was held in May 2003. As a member of the Vinyl Environmental Council, Tosoh exhibited at the event and introduced its vinyl recycling business. Tosoh affiliate Tosoh Analysis and Research Center Co., Ltd., exhibited a panel display of its analysis technologies.

Community Programs

Tosoh Cup Youth Soccer Tournament

Annually, Tosoh holds on its grounds a championship tournament for youth soccer teams to deepen friendship with area residents. Teams become eligible for the tournament by winning elimination matches held in various districts in Yamaguchi Prefecture, Japan.

Public Donations

The Saturday Club, made up of top managers of the Nanyo Complex, annually makes a cash donation to Tsukushien, a social welfare corporation in the Nanyo area. In November 2004, Tosoh also donated a 1968 tanker railcar owned by Tohoku Tosoh Chemical Co., Ltd., to the Freight Car Museum, in Mie Prefecture, Japan.

Volunteer Environmental Activities

Local Voluntary Cleanups

Each year the Nanyo and Yokkaichi complexes conduct a street cleanup campaign in the vicinity of the complexes. Many workers and their families participate in this activity to beautify the surroundings.

Forest Preservation Volunteer Activities

Tosoh volunteers annually participate in forest preservation activities to maintain and increase the water-retention capability of the forest that is the source of water for the Shunan industrial zone, the site of the Nanyo Complex.

EMPLOYEE CAREER DEVELOPMENT

The Tosoh Group's comprehensive welfare vision provides another important building block for sustainability by helping human resources reach their full potential and maintain a positive attitude about work and their contribution to society, including environmental preservation. As an evolving corporation, Tosoh seeks to provide a dynamic corporate culture where people can grow and become the very best they can be.

Welfare Vision

The Tosoh Group' s comprehensive welfare vision is guided by the basic principle that employees should receive comprehensive support at all stages, from entering the company to retirement. In this way, the Company assists employees to enjoy not only economic well-being but also stability, good health and mental and spiritual fulfillment in their lives.

The Tosoh Personal Development System

One of the management goals of the Tosoh Group is to ensure that every employee has the opportunity to use his or her skills and knowledge to their full potential. This is also an integral part of the corporate image and philosophy of the Tosoh Group.

Respect for individuality is a fundamental principle of the Tosoh Group's human resource development activities. The Group has developed structured educational programs to support employees who are eager to build their potential, and it is continually expanding and enhancing those programs.

Educational Programs

Our educational programs are organized into four main categories: career, specialist, international, and personal development education.

Career education is designed to provide intensive training in the skills that employees need to advance to different levels within the organization. For example, there are programs for new employees and middle-ranked employees.

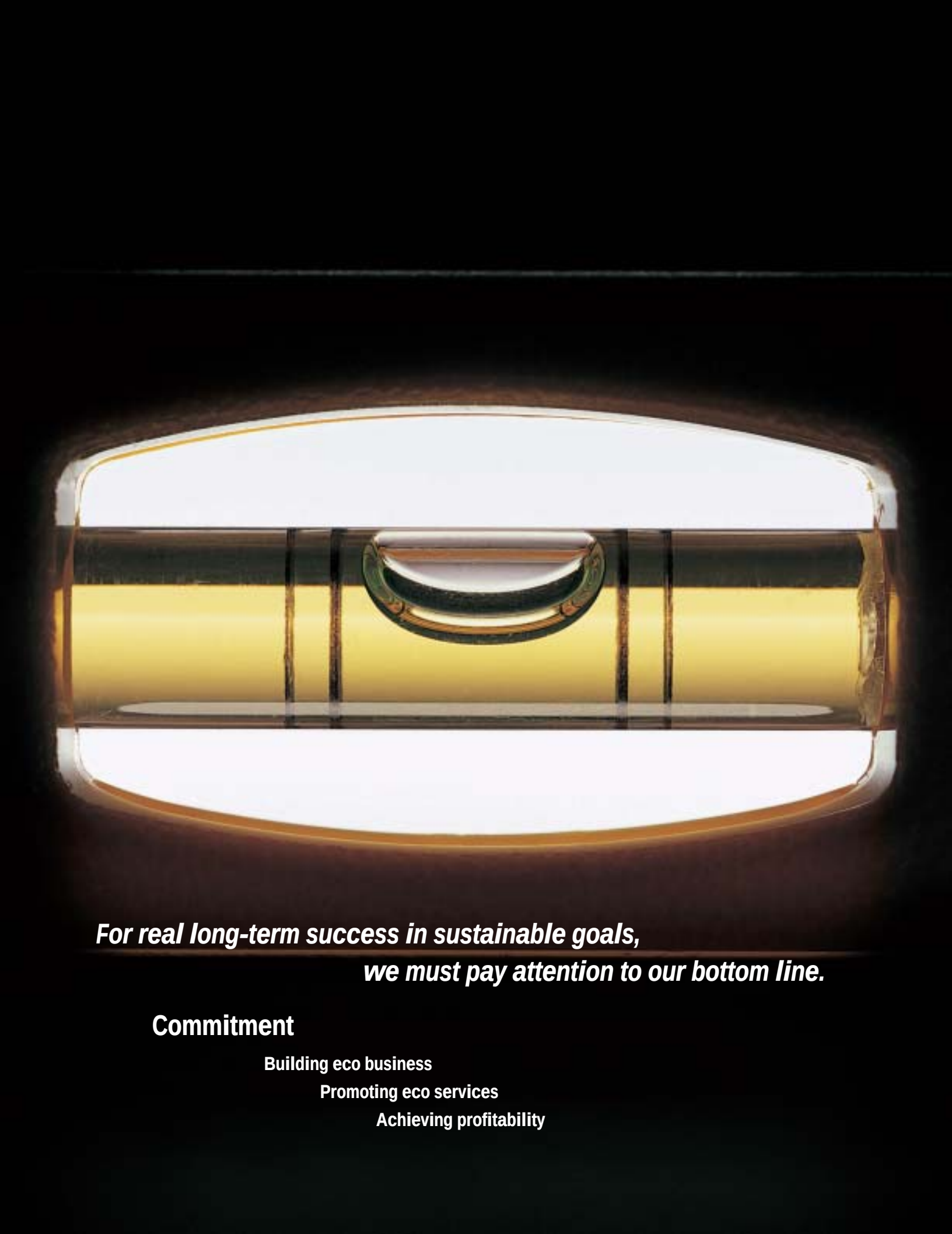
Specialist education includes technical training in fields required for specific sites, such as electrical or mechanical engineering. It also includes courses designed to develop expertise in such areas as accounting, finance, legal affairs, and patents.

The development of human resources with an international perspective is crucial for Tosoh because of its expanding overseas activities. There is a study-abroad system under which several employees attend six-month programs at universities in the United States. Other programs include in-house English proficiency testing and intensive language courses.

The Tosoh Group also actively supports the personal development efforts of its employees. For example, those who gain specific qualifications and licenses receive cash incentives, and employees who complete correspondence courses are eligible for 50% subsidization of course fees. Other support includes the provision of courses in conversational English and Chinese.

Education and Training Programs

	Management	Middle-rank and new employees
On-the-Job Training	On-the-job training is used to develop the necessary skills and mental strength in the workplace.	
Off-site Job Training	**Career education** • Management training • New management training	• Staff training • Follow-up training • New employee training
	Specialist education • Computer courses • Legal courses • Environmental courses **Technical education**	• Accounting and finance courses • Patent courses • Others
	Overseas study system • Conversational English and Chinese courses • Correspondence education	
Support for Personal Development	**International Education** • In-house English proficiency testing system (TOEIC) • Intensive language courses • Qualification and license acquisition incentive program	



For real long-term success in sustainable goals,
we must pay attention to our bottom line.

Commitment

Building eco business
Promoting eco services
Achieving profitability

As a company, we need to be profitable to maintain our viability and to continue to move forward toward our long-term goal of sustainable development. Failing to do so would have serious repercussions for our employees and for the many corporate responsibility activities we carry out.

Because of the environmental accounting system we use to monitor our progress, we have a good grasp of the costs of our environmental activities, as can be seen in the chart below. Our environmental accounting system is based on the Environmental Accounting Guidelines established by the Ministry of the Environment and the Japan Responsible Care Council.

Environmental Protection Costs

Billion yen

Category	Description of principal activities	Investment 2004	Investment 2003	Cumulative 10-year investment (1995-2004)	2004 costs
Costs within the business area		4.88	0.56	29.04	9.01
Pollution prevention costs	Flue gas desulfurization measures, installation of wastewater autoanalyzers, anti-dust measures, wastewater treatment	0.67	0.19	13.16	5.10
Global environment preservation costs	Renewal of power plant facilities	1.23	0.27	8.68	1.67
Resources recycling costs	Installation of by-production salt recycling and industrial waste treatment facilities	2.98	0.09	7.20	2.24
Upstream and downstream costs	—	—	—	—	—
Administrative costs	Environmental management, environmental impact assessment, monitoring of environmental load, publication of environmental reports	0.08	0.01	0.65	0.6
Research and development costs	Development of environmental load-reduction technology and of environment-related products	0.26	0.18	1.0	1.17
Social activities costs	Greening, beautification, affiliated association fees, regional cooperation	0.0	0.0	0.01	0.16
Environmental damage costs	—	0.0	0.0	0.0	0.0
Total		5.22	0.75	30.72	10.94

Scope of data collection: *Nanyo Complex, Nanyo Research Laboratory, Nanyo Technology Center, Yokkaichi Complex, Yokkaichi Research Laboratory, Tokyo Research Center, corporate headquarters*

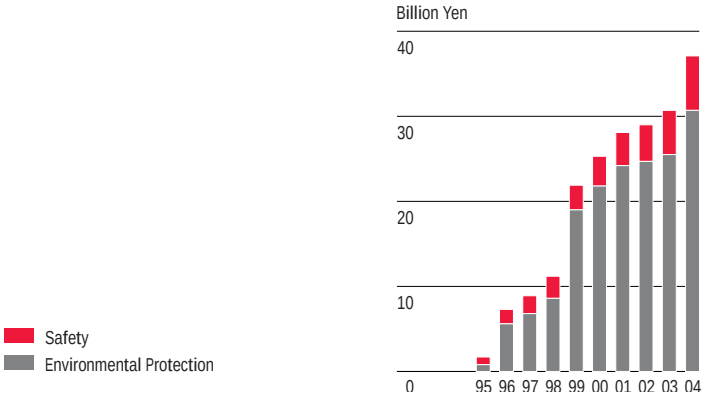
Accounting period: *April 1, 2004, to March 31, 2005*

Investment in Environmental Protection and Safety

Tosoh invested ¥30.7 billion in environmental protection and approximately ¥6.4 billion in safety during the 10-year period ending fiscal 2004. The total amount invested in fiscal 2004 was ¥5.22 billion in environmental preservation and ¥1.17 billion in safety, including occupational safety and working environment improvement measures, earthquake countermeasures, and safety facilities renewal.

Of course, our efforts in these areas also contribute tangible economic benefits through cost savings and sales and outsourcing revenues. In fiscal 2004, these efforts produced over ¥3.3 billion in sales, outsourcing revenues, and cost savings. Revenue streams flow into the Company as a result of greater efficiencies in operations and the reduced handling of materials formerly treated as wastes.

Cumulative Amount of Investment in Environmental Protection and Safety



Environmental Protection Effects (Economic Effects)

Billion yen

	Description	Amount 04	Amount 03
Income	Revenues obtained from recycling waste or used products	0.52	0.52
Cost savings	Cost reductions due to energy conservation	1.07	1.02
	Reduction in waste treatment costs from resource conservation and recycling	1.78	1.14
Total		3.37	2.68

Note: *Income is the total of sales value and outsourcing revenues.*

Since we are committed for the long term to our environmental activities and other social responsibility activities considered essential to our sustainability efforts, it is important that we continue to achieve a level of profitability that will allow us to cover the substantial costs of these programs without affecting the overall development of our businesses.

Fortunately, in recent years we have taken great strides forward in creating a highly profitable business structure through the completion of several cost-cutting and restructuring plans. We are focusing on combining innovation in our business and our technologies to maintain this profitability structure well into the future. For more details of Tosoh's financial and business strategies, please see the Company's Annual Report 2005.

Consolidated Net Sales and Operating Income

	Millions of Yen											Thousands of U.S. Dollars
Years ended March 31,	**2005**	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	**2005**
Net sales	**¥ 588,332**	¥ 484,389	¥ 471,921	¥ 427,487	¥ 426,174	¥ 374,182	¥ 340,229	¥ 396,475	¥ 387,343	¥ 349,311	¥ 351,541	**$ 5,478,462**
Operating income	**56,898**	30,055	28,048	15,631	27,565	27,330	7,438	25,103	23,653	23,763	19,676	**529,826**
Net income	**29,533**	7,297	4,809	459	9,392	6,019	533	6,581	6,066	10,429	1,752	**275,007**

As part of our efforts to improve our environmental performance, we have also developed a wide range of technologies and products that are making a strong contribution not only to the environmental efforts of others but also to our bottom line.

One of our core products, vinyl, is a low-environmental impact plastic with several special features. It is spotlighted at the end of this section.

Both parent company and subsidiaries are involved in environmental businesses. Tosoh Corporation, for example, supplies heavy metal chelating agents used at municipal incinerators and the environmentally friendly hydrocarbon-based cleaning agents used in the precision machinery and electronics industries. Tosoh subsidiary Organo Corporation offers advanced waste-water treatment facilities and groundwater and soil purification services. Eco-Techno Corporation, another of our subsidiaries, provides land survey, reclamation, and technological consulting services. And the Tosoh Group overall markets a broad range of analytical equipment for environmental monitoring from among its other products and services.

The cement plant at our Nanyo Complex recycles the sludge from petroleum refineries and electronic materials manufacturers and the slag from steelmakers, helping these companies minimize otherwise prohibitive disposal expenses. Pharmaceutical, agricultural pesticide, and chemical compound manufacturers likewise limit their disposal expenses by having their plant waste processed by our chlorine and bromine recycling facilities.

ENVIRONMENTAL TECHNOLOGY AND PRODUCT HIGHLIGHTS

Immunoassay Testing for Environmental Contaminants ●

Utilizing the automated immunoassay (AIA) analyzer technology of the Scientific Instrument Division, Tosoh is developing an AIA system for the rapid detection of trace amounts of chemical substances that have a harmful effect on living organisms. Tosoh expects that the analyzer will be used to monitor the concentrations of contaminants in sea and fresh water, providing data essential for controlling and researching the impact of these contaminants.

Zirconia ●

An advanced ceramic, yttria-stabilized zirconia (YSZ) combines the advantages of ceramics and metals. Soft but durable, YSZ boasts flexibility and ease of processing; resistance to rust, corrosion, and chemical reactions; and 100 times the insulating capability of iron. Because of its unique oxygen-ion conductivity, YSZ is a premier candidate for use in a range of environmental applications, including solid oxide fuel cells, which generate pollution-free electricity, and oxygen and nitric oxide sensors for automobiles.

Heavy Metal Treatment Agents ● ●

TS-275 is a high-performance heavy metal treatment agent for fly and combustion ash developed using Tosoh's accumulated molecular technology. Boasting superior heavy metal trapping properties, TS-275 also overcomes a weakness of conventional fly ash treatment methods by sharply reducing the volume of the carbon disulfide generated during treatment. For water purification, Tosoh has developed TX-10, a high-performance treatment agent that precipitates heavy metals in wastewater.

● Energy and Natural Resource Conservation
● Reduction of Environmental Impact and Waste
● Environmental Purification
● Environmental Measurement and Analysis

TOSOH CORPORATION

Triarylamines Technology ● ●

Triarylamines are used as hole transport materials in the organic electroluminescent (OEL) displays currently attracting attention as next-generation flat-panel displays. The conventional method of synthesizing triarylamines, which involved the use of large quantities of copper, placed a heavy load on the environment. Tosoh developed an organometallic complex catalyst (a palladium catalyst) that offers high reactivity and selectivity and established a new method of synthesizing triarylamines. Because this method generates little waste, it is attracting attention as an environment-friendly technique.

Low TVOC Grade Vinyl Chloride Paste ●

"Sick house syndrome" has become an important public issue in recent years. The cause behind this sickness, which presents such symptoms as inflammation of the eyes, nose, and throat; dizziness; and headaches, has been determined to be volatile organic compounds (VOC). These chemicals are steadily escaping into the inner environment of the house from the solvents and other chemicals used in adhesives or coatings for construction or in interior furnishing materials. Although only in small amounts, wallpaper does contains VOC. Therefore, Tosoh has developed a special grade of vinyl chloride paste for wallpaper that further reduces VOC.

Polyethylene for Non-Solvent Extrusion in Lamination ●

During the lamination process, large volumes of organic solvents are used to promote adhesion when polyethylene is extruded onto the film substrate. Tosoh has developed a grade of polyethylene that achieves strong adhesion without the use of organic solvents, reducing the amount of organic solvents used.

GFL Series Chloroprene Rubber Latex ●

GFL series chloroprene rubber latex is a raw material used in the production of adhesive agents. This environment-friendly product series helps curb the emission of VOC because water can be substituted for the organic solvents used as media in adhesives.

Polyolefin Adhesive Polymer Melthene® ●

Melthene is an environment-friendly polyolefin adhesive polymer that does not emit VOC. This is because Melthene contains no solvents and does not require any solvents in its manufacturing. The adhesive strength of Melthene is variable, making this polymer suitable for use as a bond for a variety of materials; for instance, as a sealant for the lids of yogurt containers.

Amine Catalysts ●

Amine catalysts are indispensable in the manufacture of the polyurethane used in automobile interiors and many other applications. Tosoh has developed numerous environment-friendly amine catalysts, including catalysts that do not use organic tin compounds or other heavy metal compounds, reactive catalysts that promote emissions-free production by suppressing catalyst vaporization and by eliminating emissions into the environment, and catalysts suited to formulations that have very little effect on the ozone layer.

Hydrocarbon Cleaning Agents (HC Series) ●

HC series hydrocarbon cleaning agents are used in the metalworking, precision instruments, and electronics fields for degreasing and cleaning parts. These environment-friendly, nonaqueous cleaners use neither chlorofluorocarbons nor ethane.

Zeolites ●

Tosoh is developing zeolites that will help clean the environment by efficiently absorbing hydrocarbons in automobile exhaust and other substances. Zeolites offer potential benefits in applications other than for use as automotive catalysts: demand is expected for a broad range of applications, including the collection of VOC from factory exhaust.

Caustic Soda ● ●

An alkaline chemical used in the neutralization of acid liquid waste and the absorption of acid gas, caustic soda is beneficial for preventing pollution and in protecting the natural environment. It is also used as a raw water-refining agent in water supply treatment and as a neutralizer in food additives.

Sodium Bicarbonate ● ●

Sodium bicarbonate is well known for its usefulness in various aspects of daily life, including dishwashing, house cleaning, and deodorizing. This environment-friendly substance is also used in the treatment of exhaust gas.

● Energy and Natural Resource Conservation
● Reduction of Environmental Impact and Waste
● Environmental Purification
● Environmental Measurement and Analysis

Chlorine ●
Used to disinfect and sterilize drinking water and a variety of other substances, chlorine is indispensable to human health and public sanitation.

Calcium Hypochlorite ●
Used as a disinfectant to disinfect or sterilize the water in swimming pools or the effluent from septic tanks, calcium hypochlorite plays an important role in protecting human health.

Polyaluminum Chloride ●
Polyaluminum chloride (PAC) coagulates the impurities that cause the turbidity and discoloration of water. It is used as a coagulant in the treatment of public water supplies, industrial water, and household wastewater.

Analytical Instruments ●
The Ion Chromatograph IC-2001 is used to measure trace amounts of anions and cations in purified water, wastewater, and rainwater. Its applications include environmental analysis and analysis in a number of fields, including the food, pharmaceuticals, water sanitation and electronics industries.
The High-Performance Liquid Chromatograph 8020 series is an analytical instrument used for the separation analysis of trace substances in liquids and for the partial collection and preparative purification of target ingredients. This system is used in a number of fields, including research and development, quality control, and health management. It makes an especially important contribution to public welfare in environmental analysis, where it is used in the analysis of formaldehyde, one of the substances suspected of causing sick house syndrome.

TOSOH SUBSIDIARIES

Silica for Fuel-Conserving Tires ●
Tosoh Silica Corporation produces silica that can be used in tires to reduce rolling resistance, resulting in a 5% to 6% reduction in fuel consumption.

Recycled Flooring Materials ● ●
Lonseal Corporation contributes to the realization of a recycling society by converting used vinyl sheeting collected from farms and pulverized construction materials into flooring materials.

Artificial Wood ● ●
Tosoh Nikkemi Corporation recycles waste plastic into artificial wood. This versatile material is widely used for facilities at parks, lakes, and other outdoor recreation areas.

Ultrawide Liner Sheet ●
Produced by Tosoh Nikkemi Corporation, ultrawide liner sheeting has very few seams and is easy to position, significantly reducing the risk of hazardous substance leaks compared with ordinary water-impermeable sheeting. For this reason, it is widely used at household-waste and industrial-waste landfills.

Wastewater Treatment ●
Kasumi Kyodo Jigyo Co., Ltd., engages in the centralized treatment of wastewater discharged from plants in industrial complexes. The company takes advantage of innovative technologies and a wealth of experience to purify wastewater using the stepped aeration activated sludge method.

Wastewater Treatment ● ●
Tosoh subsidiary Organo Corporation's wastewater-treatment technologies transform wastewater into water that can be returned to ecosystems, resuscitating babbling brooks and aquatic life and contributing to environmental remediation. Technologies for treating wastewater in large cities and rural areas alike and for removing nitrogen and phosphorous from water resources play an important role in creating the infrastructure for a society that enriches people's lives.

Groundwater and Soil Remediation ● ●
Increased public concern about the environment has brought greater awareness of the importance of groundwater and soil remediation. Eco-Techno Corporation utilizes sophisticated groundwater and soil remediation technologies proprietary to Tosoh and Organo to operate an environmental remediation business. The company provides integrated services spanning everything from environmental surveys to decontamination and monitoring.

Water and Air Quality Analysis ●
Tosoh Analysis and Research Center Co., Ltd., leverages separation analysis technology Tosoh has accumulated over the years to perform water and air quality analysis.

VINYL—A Low Environmental Impact Plastic

Vinyl is a durable material that will not rust or rot. Easy to fabricate, vinyl has application in a wide array of products used in our daily lives. Its range of application varies from building materials, such as plumbing and sewage pipes, exterior walls, and wallpaper, to daily-use products, such as detergent bottles and hoses, and medical equipment, such as blood and solution packs and tubes used in medical treatment.

Pipes

Vinyl greenhouses

Blood transfusion pack

Conserves Resources

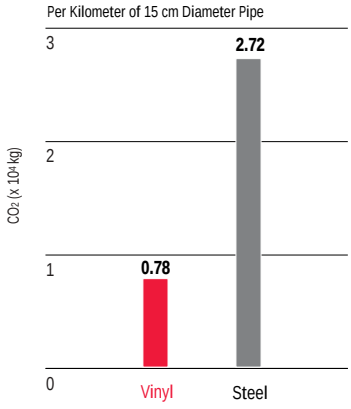
Uses approximately 60% less petroleum than other plastics.

Raw Materials for Vinyl	Petroleum (approx. 40%) + Salt (approx. 60%)
Raw Materials for Other Plastics	100% Petroleum

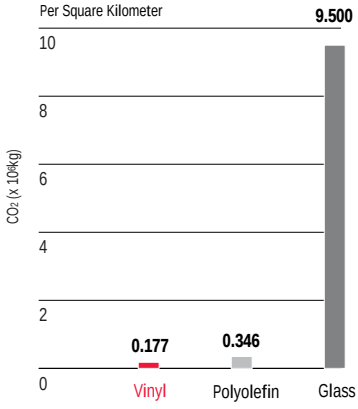
Prevents Global Warming

Vinyl products have low CO_2 emission in manufacture.

Water Pipes*



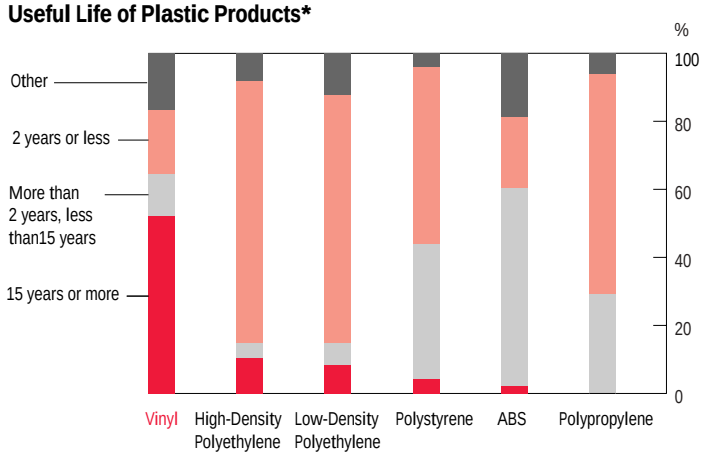
Sheet for Greenhouses*



Exhibits Long Life

Greater than 50% of vinyl products last 15 years or more.

Useful Life of Plastic Products*



Contributes to Recycling

Approximately 50% of vinyl sheet for greenhouses is recycled.

* *PVC Fact Book 2005 (Vinyl Environmental Council)*, http://www.vec.gr.jp

Domestic Bases

Organo Corporation
Taiyo Vinyl Corporation
Hodogaya Chemical Co., Ltd.
Nippon Polyurethane Industry Co., Ltd.
Toho Acetylene Co., Ltd.
Lonseal Corporation
Plas-Tech Corporation
Taihei Kasei, Inc.
Tokuyama Sekisui Co., Ltd.
Tosoh Nikkemi Corporation
Eco-Techno Corporation
Tohoku Tosoh Chemical Co., Ltd.
Tosoh Finechem Corporation
Tosoh F-Tech, Inc.
Tosoh Silica Corporation
Tosoh Quartz Corporation
Tosoh SGM Corporation
Tosoh Speciality Materials Corporation
Tosoh Hyuga Corporation
Hokuetsu Kasei Co., Ltd.
Yorin Kensetsu Co., Ltd.
Tosoh Logistics Corporation
Tosoh Plant Services Corporation
Tohoku Denki Tekko Co., Ltd.

Major Overseas Consolidated Subsidiaries

ASIA
Tosoh SMD Korea, Ltd.
Tosoh Quartz Co., Ltd.
Tosoh (Shanghai) Co., Ltd.
Tosoh (Guangzhou) Chemical Industries, Inc.
Philippine Resins Industries, Inc.
Tosoh Polyvin Corporation
Mabuhay Vinyl Corporation
P.T. Standard Toyo Polymer
Tosoh Singapore Pte., Ltd.

United States
Tosoh America, Inc.
Tosoh USA, Inc.
Tosoh SMD, Inc.
Tosoh Bioscience LLC
Tosoh SGM USA, Inc.
Holland Sweetener North America, Inc.
Tosoh Quartz, Inc.
Tosoh SET, Inc.
Tosoh Bioscience, Inc.

EUROPE
Tosoh Europe B.V.
Delamine B.V.
Holland Sweetener Company V.O.F.
Tosoh Bioscience N.V.
Tosoh Quartz Ltd.
Tosoh Bioscience, Ltd.
Tosoh Bioscience GmbH
Tosoh Hellas A.I.C.
Tosoh Bioscience A.G.
Tosoh Bioscience SRL

TOSOH CORPORATION

Date of Incorporation
February 11, 1935

Headquarters
3-8-2, Shiba, Minato-ku, Tokyo 105-8623

Registered Head Office
4560, Kaisei-cho, Shunan City,
Yamaguchi Prefecture 746-8501

Paid-in Capital
¥40.6 billion (as of March 31, 2005)

Sales
¥588.3 billion (consolidated)
¥388.1 billion (nonconsolidated)
(For the fiscal year ended March 31, 2005)

Principal Facilities
Nanyo Complex, Yokkaichi Complex,
Toyama Office, Yamagata Office,
Tokyo Research Center,
Nanyo Research Laboratory,
Nanyo Technology Center,
Yokkaichi Research Laboratory

BUSINESS SECTORS

Petrochemical Group
Olefins, Polymers

Basic Group
Chlor-Alkali, Cement

Specialty Group
Organic Chemicals, Specialty Materials, Electronic Materials, Scientific Instruments, Eco-Business Operations

Service Group
Transportation, Warehousing, Materials Analysis, IT Systems, Facilities Maintenance, Construction

Additional Information

To learn more about Tosoh, please see the Annual Report 2005 or visit our Web site at **www.tosoh.com.**

For further information on our environmental activities:

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(Environment, Safety & Quality Control Division)
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Tel: 03-5427-5127 Fax: 03-5427-5203

Nanyo Complex Environment, Safety & Quality Control Division
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Tel: 0834-63-9820 Fax: 0834-63-9936

Yokkaichi Complex Environment, Safety & Quality Control Division
1-8, Kasumi, Yokkaichi City, Mie Prefecture 510-8540
Tel: 0593-64-1115 Fax: 0593-64-1184


Committed to innovation in technology
and business for a sustainable future
TOSOH CORPORATION

TOSOH CORPORATION

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