



POSITIONED FOR GROWTH

Annual Report 2013

Tosoh Corporation and consolidated subsidiaries
Fiscal year ended March 31, 2013



TOSOH CORPORATION

Values based on monozukuri—“a craftsman-like approach” to product detail and quality—have shaped Tosoh’s destiny and growth for more than 75 years. We take pride in having established a resilient global enterprise whose products and services are woven into the fabric of modern life.

Tosoh Corporation is a Japanese chemical company established in 1935 and listed on the First Section of the Tokyo Stock Exchange. It is the parent of the Tosoh Group, which comprises 132 companies worldwide and a multiethnic workforce of over 11,000 people and generated net sales of ¥668.5 billion in fiscal 2013, ended March 31, 2013.



TOSOH



Reporting on Responsible Care for 2013

The pages to follow look at Tosoh's corporate social responsibility initiatives and their results.

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Our RC activities are very much a part of our initiatives. We are as committed to fulfilling our corporate social responsibilities as we are to our corporate growth by ensuring that we exist and prosper together with local communities.

.....
Kenichi Udagawa
President, Tosoh Corporation

PRESIDENT'S MESSAGE

Expectations for chemistry to provide solutions to environmental and other global issues are at an unprecedented level.

.....

Accordingly, the role that the chemical industry must play in devising responses to such issues is expanding.

Tosoh recognizes this and aims to make a difference. We are working to strengthen our corporate base to better fulfill our corporate mission of “supplying essentials to daily life through the chemistry of innovation.”

We are implementing measures to deal with such global issues as global warming and the safe management of chemical substances. We conduct our efforts through a voluntary

Responsible Care (RC) program centered on environmental preservation and ensuring the safety and health of our employees and of society. Our efforts target the life cycle of our products, from the development of the chemical substances from which they are made through their manufacture, use, and disposal.

Despite our best efforts, we endured an accident involving an explosion and fire at our Nanyo Complex in November 2011. That event caused trouble for the residents and authorities of neighboring areas. It also

provided a vital lesson that compelled us to completely review our safety measures.

In June 2012, we formulated safety reforms with the following three objectives: “ensuring that Tosoh is a safe chemical manufacturer in which this type of accident will never happen again,” “providing employees with a safe place to work,” and “ensuring that Tosoh is a safe company in which local residents and others can place their trust.” We continue to work in earnest toward achieving these objectives.

Tosoh is aware that safety is central to its business and is endeavoring, through the application of its safety reforms, to rebuild its reputation as a safe chemical manufacturer.

Our RC activities are very much a part of our initiatives. We are as committed to fulfilling our corporate social responsibilities as we are to our corporate growth by ensuring that we exist and prosper together with local communities through the safe and stable supply of products.

I look forward to the guidance and support of all stakeholders in our RC endeavors.



Kenichi Udagawa
President

CONTRIBUTING TO ENVIRONMENTAL PROTECTION WITH TOSOH PRODUCTS

Developing products and technologies that contribute to society is our mission.

Tosoh carries out its production activities based on its corporate mission of “supplying essentials to daily life through the chemistry of innovation.” We pursue R&D

programs with an emphasis on solving environmental and energy issues. In the section to follow, we introduce Tosoh products that contribute to environmental protection.



IN THE OFFICE

COLORED CHIPS FOR INKS AND TONERS
Taihei Chemicals Ltd.

Taihei Chemical’s environmentally friendly raw material colored chips minimize the environmental impact of inks and color toners.

SILICA FOR BATTERY SEPARATORS
Tosoh Silica Corporation

Silica from Tosoh Silica improves the performance of the lithium-ion batteries used in automobiles, mobile phones, and personal computers.



IN THE HOME

ETHYLENE VINYL ACETATE PROTECTION AND SEALING FILM FOR SOLAR CELLS

Polymers Division

Our ethylene vinyl acetate (EVA) copolymer features superior durability and full light spectrum transparency and is therefore utilized as a protection and sealing film in solar cells.

SILICA GLASS FOR SOLAR CELLS

Advanced Materials Division

Silica glass from Tosoh is used in the formation of the electrical power generation layer of thin film solar cells and in the production of crystalline silicon solar cells.

SPUTTERING TARGETS FOR THIN FILM DEPOSITION MATERIALS

Advanced Materials Division

Tosoh's zinc aluminum oxide (AZO) and indium tin oxide (ITO) sputtering targets are used as thin film deposition materials for such high energy saving products as solar cells, light-emitting diodes (LEDs), organic electroluminescence displays (OLEDs), and light-shielding and thermal glass.

POLYVINYL CHLORIDE COMPOUNDS FOR PLASTIC WINDOW SASHES

Plas-Tech Corporation

Multi-glazed plastic window sashes made of Tosoh's polyvinyl chloride feature superior insulating properties. This greatly increases the efficiency of heating and cooling systems and contributes to energy conservation.

INSULATING POLYURETHANE FOAM FOR ENERGY SAVINGS

Nippon Polyurethane Industry Co., Ltd.

NPU's polyurethane foam has excellent insulating properties and is widely used in homes, refrigerators, and other products. It contributes to energy savings by raising heating and cooling efficiency wherever it is applied.



IN ELECTRICAL DEVICES AND AUTOMOTIVE PARTS

POLYPHENYLENE SULFIDE RESINS FOR ELECTRICAL DEVICES

Polymers Division

Because of their insulating, heat-resistance, and metal adhesion properties, our polyphenylene sulfide (PPS) resins are used in the electric generation motors of hybrid vehicles and in the housing and battery covers of smartphones and other electronic devices. They thus indirectly help to reduce CO₂ emissions.

ZIRCONIA FOR CLEANER AIR AND HEIGHTENED FUEL ECONOMY

Advanced Materials Division

Solid oxygen ion conductivity makes our yttria-stabilized zirconia (YSZ) suitable for broad use in products contributing to environmental protection. YSZ, for example, is typically applied in solid oxide fuel cells and in automobile oxygen sensors, where it helps to limit vehicle exhaust gases and to increase fuel economy.

ZEOLITES FOR A PURER ENVIRONMENT

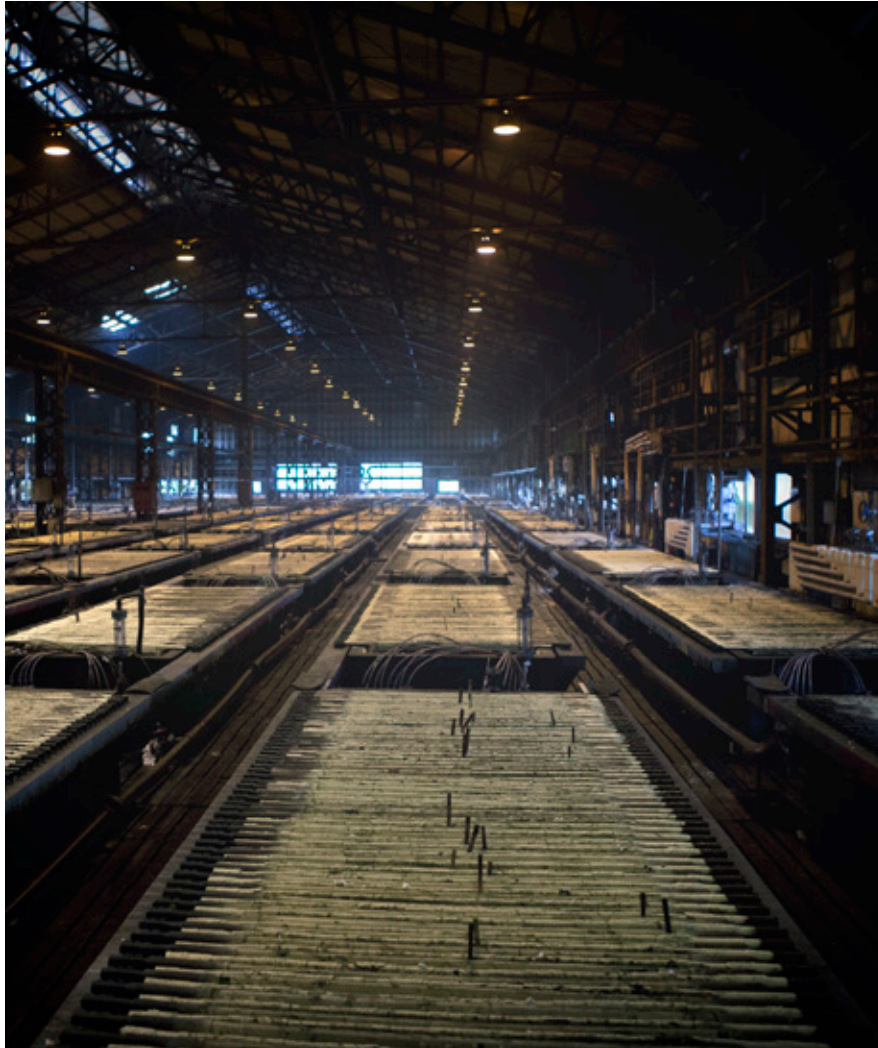
Advanced Materials Division

Our zeolites help clean the environment by acting as catalysts that remove hydrocarbons, nitrogen oxide, and other harmful emissions from automobile exhaust. They also are widely used for cleaning volatile organic compounds (VOCs) from factory exhaust and the emissions of semiconductor factories.

SILICA FOR ENERGY-SAVING TIRES

Tosoh Silica Corporation

Adding silica from Tosoh Silica to tires reduces the tires' rolling resistance on pavement. This reduces automobile fuel consumption as much as 6%.



IN INDUSTRY AND PLANTS

ULTRAWIDE WATERPROOFING SHEET FOR LANDFILLS

Tosoh Nikkemi Corporation

Uniquely ultrawide waterproofing sheet from Tosoh Nikkemi is valued in landfills because it is easier to work with and has fewer seams than traditional products. It dramatically reduces toxic material leaks.

HC SERIES HYDROCARBON CLEANING AGENTS FOR DEGREASING

Organic Chemicals Division

Tosoh's HC series hydrocarbon cleaning agents are used in the metalworking, precision instruments, automotive, and electronics fields for degreasing and otherwise cleaning parts. These environmentally friendly, nonaqueous cleaners can be recovered using continuous distillation.

POLYETHYLENE FOR THINNER PLASTIC CONTAINERS

Polymers Division

Our polyethylene product minimizes waste by optimizing material composition to produce thinner containers.

TECHNOLOGY FOR GROUNDWATER AND SOIL DECONTAMINATION REMEDIATION

Eco-Techno Corporation

Eco-Techno's energy and natural resource conservation system incorporates groundwater and soil remediation technology perfected by the subsidiary over the years. The system contributes to significantly reducing the burden placed on the environment by industrial activity.

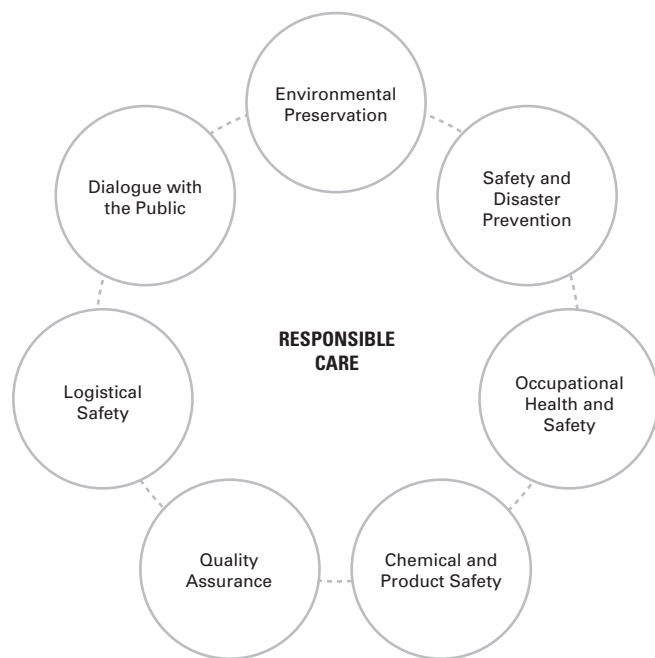
TECHNOLOGY FOR AIR- AND WATER-QUALITY ANALYSIS

Tosoh Analysis and Research Center Co., Ltd.

The Tosoh Analysis and Research Center leverages separation analysis technology that Tosoh has accumulated over the years to perform water- and air-quality analysis to satisfy user needs.

RESPONSIBLE CARE ACTIVITIES

As a chemical manufacturer, Tosoh makes the environment, safety, and health top management priorities. The company has formulated action policies regarding the environment, safety, and health and established an RC promotion structure to guide its RC activities in these respects.



RC ACTIVITY AREAS

ENVIRONMENTAL PRESERVATION

Tosoh works to combat global warming and to reduce the discharge of harmful substances and the quantity of landfill waste produced.

CHEMICAL AND PRODUCT SAFETY

To promote the global management of chemical substances, the company complies with laws governing registration requirements and classification and labeling standards.

SAFETY AND DISASTER PREVENTION

The company aims to prevent accidents by managing safety at its facilities and by analyzing accidents to prevent recurrences.

QUALITY ASSURANCE

Tosoh aims to reduce product defect claims and to strengthen its quality assurance system.

OCCUPATIONAL HEALTH AND SAFETY

Tosoh strives to raise safety awareness among, to reduce occupational accidents involving, and to oversee the mental and physical health of its employees.

LOGISTICAL SAFETY

Tosoh Logistics Corporation implements a variety of safety measures and training programs to ensure the secure transport and storing of chemical products.

DIALOGUE WITH THE PUBLIC

Tosoh undertakes exchanges of information and opinions regarding its RC activities with the communities near its operations.



Responsible Care®

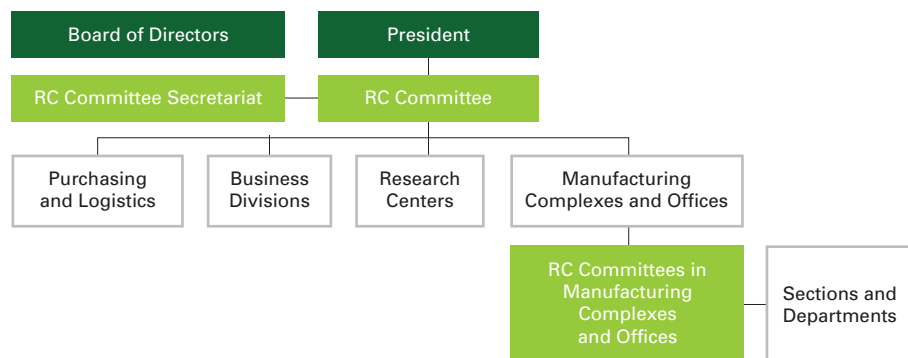
WHAT IS RESPONSIBLE CARE?

The global chemical industry conducts a voluntary initiative called Responsible Care (RC) that aims to improve the performance of chemical companies in relation to the environment, safety, and health. Tosoh is involved in this initiative as a member of the Japan Chemical Industry Association's Responsible Care Committee. Globally, the RC program has spread to the chemical industries of 57 countries and regions as of April 2013.

RESPONSIBLE CARE PROMOTION STRUCTURE

To promote its RC activities, Tosoh has established its own RC Committee. The director responsible for the company's Environment, Safety and Quality Control Division chairs the committee, and the committee's members include general managers from Tosoh's Purchasing and Logistics Division, operating divisions, manufacturing complexes and offices, and research centers. Our RC Committee decides the RC activity plan for each year, and our manufacturing complexes and offices carry out the planned activities.

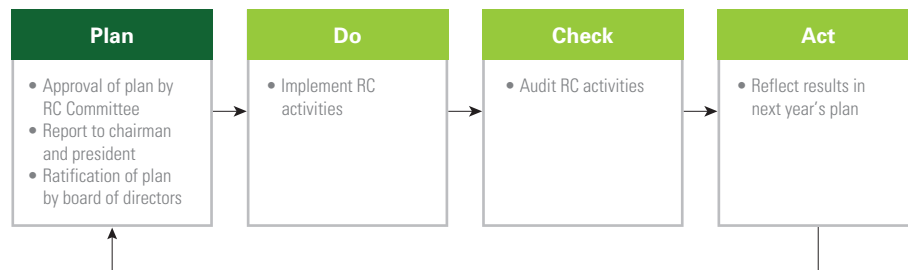
ing and Logistics Division, operating divisions, manufacturing complexes and offices, and research centers. Our RC Committee decides the RC activity plan for each year, and our manufacturing complexes and offices carry out the planned activities.



CONTINUED IMPROVEMENT IN RC ACTIVITIES THROUGH A PDCA CYCLE

We employ a plan-do-check-act (PDCA) cycle to raise the quality of our RC activities. The PDCA cycle ensures that RC activities are well thought out, are implemented based on an annual plan, are evaluated, and

are adjusted for best effect in the immediate term and for the following year. In fiscal 2013, the Nanyo and Yokkaichi Complexes each audited the results of their respective RC plans.



FISCAL 2014 RC ACTION POLICIES AND OBJECTIVES

PRIORITY BASIC STANCE

- Implement RC activities with participation of all employees based on Tosoh's safety reform initiatives.

OCCUPATIONAL HEALTH AND SAFETY

- Implement occupational health and safety activities, with all employees participating.
- Implement measures for earthquakes and tsunami.
- Maintain comfortable workplaces and work environments.

ENVIRONMENTAL PROTECTION

- Implement management of air pollution and wastewater.
- Manage emissions of substances registered under the PRTR system through stable operations.
- Reduce use of hazardous air pollutants.
- Reduce final disposal amounts of industrial waste.
- Promote proper disposal of instruments that include polychlorinated biphenyls (PCBs).

CHEMICAL AND PRODUCT SAFETY

- Comply with REACH registration.*
- Comply with domestic and overseas laws and revisions.
- Improve product safety assessment screening.

QUALITY ASSURANCE

- Reduce logistic claims.
- Inspect and strengthen quality assurance system.
- Reinforce collaboration with related departments to improve quality assurance of pharmaceutical-related products.

LOGISTICAL SAFETY

- Strengthen and promote safety measures for deliveries at customer facilities.

DIALOGUE WITH THE PUBLIC

- Continue to communicate with local communities.
- Promote risk communication.

*Europe's Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) regulation

ENVIRONMENT

We strive through a wide range of sustainable environmental protection measures to reduce our impact on the environment.

APPLYING COST-BENEFIT ACCOUNTING FOR ENVIRONMENTAL PROTECTION

Tosoh applies cost-benefit accounting to quantify the costs and benefits of its environmental programs. In fiscal 2013, the company's environmental-related capital investment increased because of several major outlays, rising ¥0.78 billion, to ¥2.35 billion. The company invested in pollution preven-

tion efforts during its construction of its Toyopearl plant and amid its expansion of production capacity at its zirconia plant at the Nanyo Complex. Tosoh also invested in resource recycling at its Yokkaichi Complex's ethylene plant.

Tosoh's environmental protection expenditures in fiscal 2013 were ¥13.9 billion, while its economic benefits totaled ¥5.8 billion. The

company's environmental-related capital investment over the 10-year period from fiscal 2004 was ¥56.2 billion. Cumulative safety-related capital investment for that period came to ¥1.0 billion.

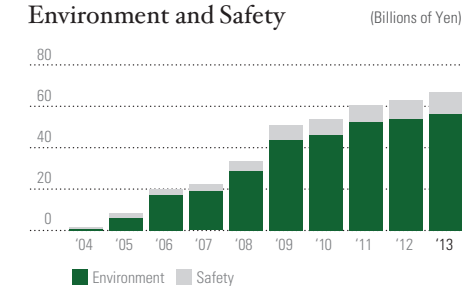
We undertake environmental cost-benefit accounting in accordance with the 2005 edition of the *Environmental Accounting Guidelines* from Japan's Ministry of the Environment. For items

not covered by those guidelines, we calculate using our assumptions. The results here are for the Nanyo Complex, the Nanyo Research Laboratory, the Technology Center, the Yokkaichi Complex, the Yokkaichi Research Laboratory, the Tokyo Research Center, and our Tokyo corporate headquarters for the period from April 1, 2012, to March 31, 2013.

ENVIRONMENTAL PROTECTION COSTS

		(Capital spending)			(Billions of Yen)
		2012	2013	10-year total (2004–2013)	2013
Costs within business area		1.3	2.3	53.7	11.4
Pollution prevention	Exhaust gas and wastewater treatment	0.2	1.4	31.9	6.6
Global environmental protection	Electric power and fuel reduction measures	0.6	0.4	10.6	2.0
Resource recycling	Raw material and waste product recovery	0.5	0.4	11.2	2.8
Administration	Environmental management, impact assessment, environmental report publishing, environmental load auditing	0.0	0.0	0.4	0.6
Research and development	Environmental load reduction technology and environmental product development	0.2	0.0	2.1	1.9
Social activities	Association fees, planting, community contributions	0.0	0.0	0.0	0.1
Other		0.0	0.0	0.0	0.0
Total		1.6	2.4	56.2	14.0

Cumulative Investment in Environment and Safety



ENVIRONMENTAL PROTECTION BENEFITS

Category (Units)	2012	2013	Variance
Energy consumption in terms of crude oil (thousands of kiloliters)	1,800	1,700	-100
SO _x emissions (metric tons)	400	410	10
NO _x emissions (metric tons)	7,700	7,000	-700
COD* emissions (metric tons)	880	710	-170
Dust emissions (metric tons)	330	230	-100
PRTR-related emissions (metric tons)	400	340	-60
Waste generated (thousands of metric tons)	380	360	-20
Final waste disposal (thousands of metric tons)	2.2	1.3	-0.9


*Chemical oxygen demand


ECONOMIC BENEFITS


(Billions of Yen)

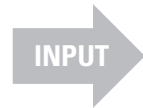
		2012	2013
Income	Contract recycling of industrial waste from outside Tosoh and sale of nonconforming products	0.6	0.6
	Energy conservation	2.4	3.7
Cost savings	Cost reductions in waste treatment through resource conservation and recycling	4.8	1.6
Total		7.8	5.8


INPUT AND OUTPUT FOR PARENT AND GROUP COMPANY OPERATIONS

	Energy Consumption (Kiloliters)		
	Crude oil equivalent	1.7 million	230,000

	Raw Materials (Metric Tons)		
		5.5 million	1.0 million

	Water Consumption (Metric Tons)		
	Excluding seawater	53 million	28 million





	Products (Metric Tons)		
		4.9 million	730,000




■ Tosoh Corporation ■ Group companies*

*Group company list on page 51

	Atmospheric Emissions (Metric Tons)		
	CO ₂ (based on fuel consumption)	5.6 million	530,000
	CO ₂ (based on nonfuel consumption)	620,000	—
	CO ₂ (based on waste disposal fuels)	40,000	—
	N ₂ O	180,000	—
	SO _x (sulfur oxides)	410	520
	NO _x (nitrogen)	7,000	230
	Dust	230	24
PRTR-designated substances	288	360	

	Water Emissions (Metric Tons)		
	COD	710	110
	Phosphates	31	1.6
	Nitrogen	250	49
	PRTR-designated substances	55	11
	Wastewater (including seawater)	1.1 billion	27 million

	Soil Emissions (Metric Tons)		
	Landfill waste	1,200	30,000
	PRTR-designated substances	0	0

COMBATING GLOBAL WARMING

Tosoh is continuously improving the energy efficiency of its manufacturing processes. Our strength is our self-generation of energy using coal-fired power plants equipped with high-efficiency turbines. And our target in fiscal 2013 was to lower our per unit energy consumption below 80% compared with fiscal 1991.

We did not meet this goal, but we did achieve an improvement of 1.8 percentage points from a year earlier, to 87.5% compared with fiscal 1991. The improvement can be mainly attributed to our ability to operate production facilities under optimum conditions. Calculated in terms of CO₂ released from primary fuel consumption, our greenhouse gas emissions amounted to 5.6 million metric tons compared with 5.9 million metric tons in the previous fiscal year.

IN-HOUSE POWER PLANT

The state-of-the-art boiler No. 6 at our No. 2 power plant for the co-firing of woody biomass is a Nanyo Complex asset that supplies power and steam to the complex's production plants. The complex operates a number of boilers that allow for the mixed combustion of coal and woody biomass, but the No. 6 boiler boasts in addition a high-efficiency 220,000-kilowatt (KW) power generating unit. Tosoh, meanwhile, has stopped using low-efficiency power generating units, and that and its use of the No. 6 boiler has helped it achieve around a 19% reduction in energy consumption.

ELECTROLYSIS PLANTS

Conventional electrolysis plants consist of electrolyzers that require enormous amounts of electricity. Electrolysis plants at Tosoh, however, are a demonstration of energy saving in action. We've almost doubled production in our electrolysis plants since 1990, and yet we've

still managed to reduce their energy calorie units 9%. The n-BiTAC electrolyzers we developed with Chlorine Engineers Co., Ltd., draw 9% fewer calorie units than conventional electrolyzers and are popular among plant operators in North America, Europe, and Asia.

LOGISTICS

In fiscal 2013, CO₂ emissions by our transport operations amounted to 48,000 metric tons. Sea and rail transport accounted for 84.5% of the metric ton-kilometer measure (transported weight times distance transported) for the mode of transport during the year, indicating progress in our modal shift away from trucking. But because truck transportation represented 57.0% of the CO₂ emissions of our transport operations, we will take steps to further reduce our CO₂ emissions, especially for that mode of transport. We continue working to shift our shipments to water and rail, to improve our transport efficiency, to use special tires that

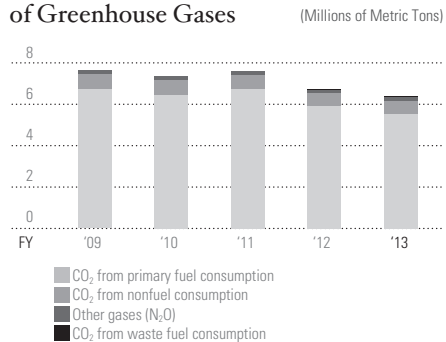
improve our fuel efficiency, and to paint our ships with coatings that limit water friction.

We continue working to shift our shipments to water and rail, to improve our transport efficiency.

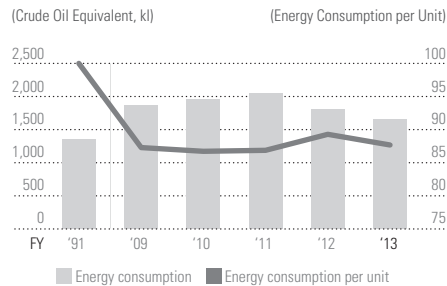
OTHER MEASURES

We are implementing various additional global warming reduction measures at our Nanyo and Yokkaichi Complexes. Tosoh continues to turn off the lights at night in all areas where safety or security are not issues. The company also continues to promote environmentally conscious commuting to work by its employees, including using public transport or carpooling. Furthermore, we work with outside consultants to raise energy savings at our plants.

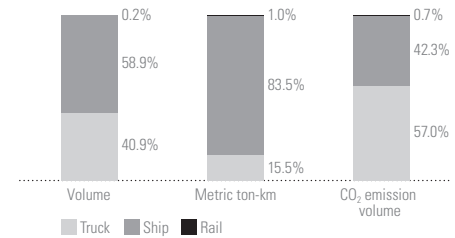
Atmospheric Emissions of Greenhouse Gases



Energy Consumption and Basic Unit



Transport Operations and CO₂ Emissions



USING RESOURCES EFFECTIVELY

Tosoh makes a significant contribution to recycling in its operations and in the surrounding communities. The company collects waste produced on location and from households and other companies near its operations and recycles it into new products.

In fiscal 2013, Tosoh produced 360,000 metric tons of industrial waste. By recycling that waste at its cement plant and by implementing other measures, Tosoh reduced its net amount of industrial waste disposed of to 1,300 metric tons. Our target is to reduce our total annual industrial waste to less than 1,800 metric tons by the end of fiscal 2016. This figure represents a 65% reduction from the 5,100 metric tons produced in fiscal 2001.

RECYCLING BY TOSOH'S CEMENT PLANT

The Nanyo Complex's cement plant processes approximately 380,000 metric tons of refuse annually for use as raw material for cement. This includes such waste and by-products as household garbage, used tires, and industrial waste. The industrial waste comes from the operations of the Nanyo Complex and from other nearby companies.

The raw material for cement is incinerated in a kiln at the high temperature of approximately 1,500°C to break down all harmful substances. This allows a wide range of materials to be substituted in producing raw material or fuel. The kiln also has a chlor-bypass system that enables the processing of even waste with high concentrations of chloride. The bypass system removes gases and cleans chloride compounds adhered to the dust in those gases.

Tosoh recycles bromine and chlorine for use as raw materials or other applications. The Nanyo Complex has facilities for recovering chlorine and bromine from its own and externally sourced production effluents. It also has facilities to process salt by-products from ethyleneamine production and to refine them into high-purity sodium chloride.

Shunan City, meanwhile, has also long supplied the Nanyo Complex with the refuse-derived fuel (RDF) made at its Shunan Fuel Conversion Facility, otherwise known as Phoenix. RDF, a solid fuel made from household garbage, fuels the cement plant. Such cooperative measures aid Tosoh in its continued efforts to contribute to achieving a recycling society.

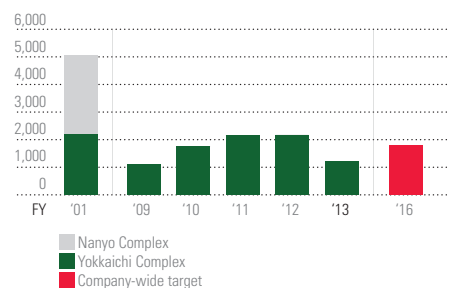
COLLABORATING WITH THE COMMUNITY

The Shunan City Recycling Plaza began operation in Yamaguchi Prefecture in April 2011 and is nicknamed Pegasus. It supplies the nearby Nanyo Complex with semi-processed plastic waste collected from households for use as fuel in Tosoh's cement plant.

The company collects waste produced on location and from households and other companies near its operations and recycles it into new products.

It also is the scene of joint research by the city and Tosoh aimed at reducing the amount of coal used by Tosoh's operations and the amount of carbon dioxide those operations emit. Another research theme centers on extending the useful life of landfill sites.

Total Industrial Waste (Metric Tons per Year)



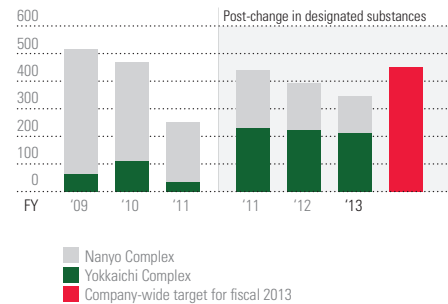
IMPLEMENTING INITIATIVES TO REDUCE EMISSIONS

LIMITING EMISSIONS OF PRTR SUBSTANCES

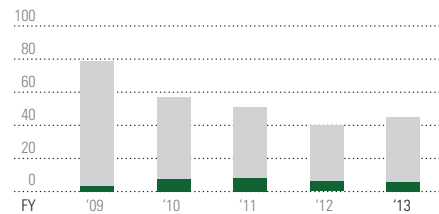
Tosoh is implementing various measures to reduce its emissions of substances covered in Japan's Pollutant Release and Transfer Register (PRTR) under the chemical substances law.* The company further reduced its emissions by 57 metric tons, or 14%, to 343 metric tons in fiscal 2013, from 400 metric tons in fiscal 2012. Tosoh thus reached its target of lowering emissions to less than 452 metric tons by fiscal year-end 2013.

*Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof. This law revised the 2008 government ordinance, expanding the number of class I designated substances disclosed from 354 substances to 462 substances commencing in fiscal 2011.

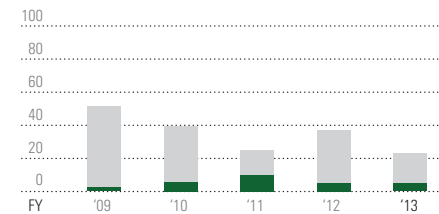
Total Emissions of PRTR-Designated Substances (Metric Tons per Year)



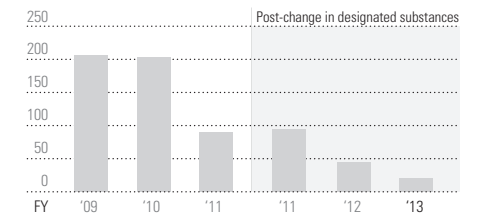
Chloroethylene (Metric Tons per Year)



1,2-Dichloroethane (Metric Tons per Year)



Ethyleneamines* (Metric Tons per Year)



*Before change in designated substances: ethylenediamine, piperazine, and diethylene triamine
 After change in designated substances: ethylenediamine, piperazine, triethylenetetramine, and tetraethylenepentamine

PREVENTING ATMOSPHERIC POLLUTION

If the SO_x, NO_x, and dust in the smoke emissions from boilers escape into the atmosphere, they can cause acid rain and possibly adversely affect people's health. Tosoh therefore takes measures to reduce these emissions.

By installing boilers with high-efficiency desulfurization equipment, by strengthening operating management, and by other measures in fiscal 2013, we were successful in reducing SO_x emissions by about 70% of those in fiscal 1996. That was the year the Japan Chemical Industry Association formed its Responsible Care Committee.

Our installation of denitration equipment similarly reduced NO_x emissions in fiscal 2013, by approximately 40% of NO_x emissions in fiscal 1996. And our implementation in fiscal 2013 of dust dispersion measures in the adsorption towers of the Yokkaichi Complex's boiler

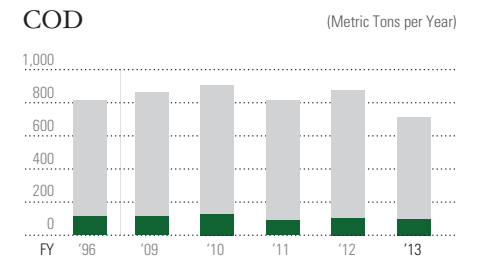
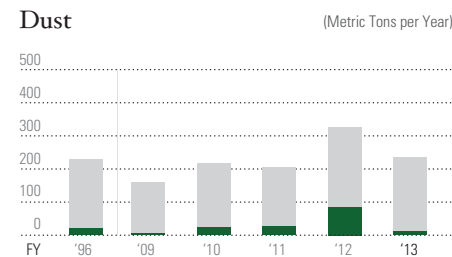
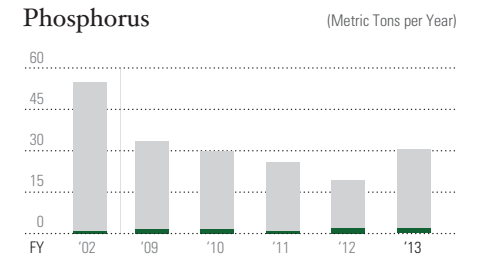
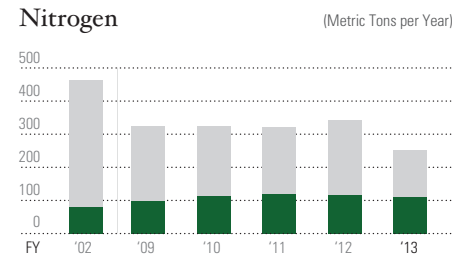
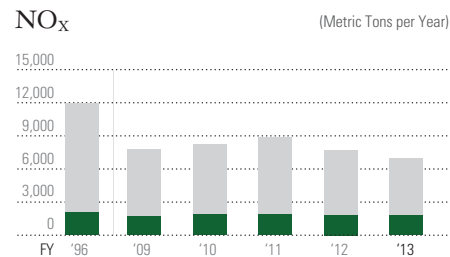
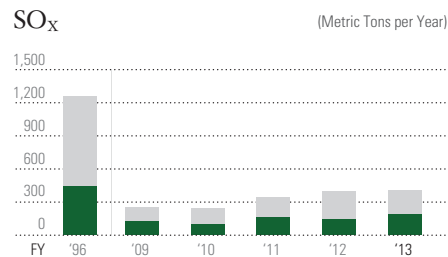
facilities decreased dust emissions about 40% compared with a year earlier.

Tosoh is dedicated to continuing its efforts to improve the air quality at its manufacturing facilities.

PREVENTING WATER POLLUTION

In the coastal areas of Japan where people and industry are concentrated, such as the enclosed coastal seas of Tokyo and Ise Bays and the Seto Inland Sea, strict measures are used to control water pollution. There are concentration standards for wastewater, and there are water-use regulations stipulated under Japan's Water Pollution Prevention Act. And each of Tosoh's manufacturing facilities has set a voluntary management standard for water contaminants to ensure that the facilities comply with laws and with regulations established in cooperation with local government bodies.

When we build or expand our manufacturing facilities, moreover, we install water treatment facilities and other equipment that oxidize and disintegrate wastes. This helps to maintain total chemical oxygen demand (COD), nitrogen, and phosphorus amounts within legal requirements. Tosoh is committed to continuing to work to prevent water pollution.



■ Nanyo Complex
■ Yokkaichi Complex

PRTR SUBSTANCES: EMISSIONS AND VOLUMES

NANYO COMPLEX

(Metric Tons)

Substance	Atmospheric emissions	Water emissions	Soil emissions	Landfill disposal	Sewage disposal	Transport outside plant site
Chloroethylene	37.0	2.1	0.0	0.0	0.0	0.0
1,2-dichloroethane	17.0	1.2	0.0	0.0	0.0	33.0
Ethylenediamine	3.1	12.0	0.0	0.0	0.0	0.0
Chloroform	2.1	8.4	0.0	0.0	0.0	0.0
1,1,2-trichloroethane	9.0	0.5	0.0	0.0	0.0	67.0
1,4-dioxane	5.7	1.9	0.0	0.0	0.0	77.0
Vinyl acetate	3.0	1.8	0.0	0.0	0.0	0.0
Triethylenetetramine	0.0	4.1	0.0	0.0	0.0	0.0
Methacrylic acid	0.0	3.7	0.0	0.0	0.0	0.0
n-alkylbenzenesulfonic acid and its salts	0.0	3.2	0.0	0.0	0.0	0.0
1,3-butadiene	1.7	1.4	0.0	0.0	0.0	0.0
Styrene	1.5	0.8	0.0	0.0	0.0	0.0
Tetraethylenepentamine	0.0	1.8	0.0	0.0	0.0	0.0
Water-soluble zinc compounds	0.0	1.4	0.0	0.0	0.0	0.0
Dichlorodifluoromethane	1.2	0.0	0.0	0.0	0.0	0.0
HCFC-22	1.1	0.0	0.0	0.0	0.0	0.0
Dioxins (mg-TEQ)	(35.0)	(4.9)	(0.0)	(0.0)	(0.0)	(0.0)
44 other substances	3.4	1.0	0.0	0.0	0.0	300.4

YOKKAICHI COMPLEX

(Metric Tons)

Substance	Atmospheric emissions	Water emissions	Soil emissions	Landfill disposal	Sewage disposal	Transport outside plant site
n-hexane	170.0	0.3	0.0	0.0	0.0	0.0
Isopropenylbenzene	8.4	0.0	0.0	0.0	0.0	0.0
Chloroethylene	5.7	0.0	0.0	0.0	0.0	0.0
1,2-dichloroethane	4.8	0.0	0.0	0.0	0.0	4.1
Triethylamine	0.0	4.5	0.0	0.0	0.0	0.0
Water-soluble zinc compounds	0.0	3.9	0.0	0.0	0.0	0.0
Vinyl acetate	3.0	0.5	0.0	0.0	0.0	0.0
Toluene	2.6	0.0	0.0	0.0	0.0	0.3
Xylene	2.1	0.0	0.0	0.0	0.0	2.2
2,6-ditertialbutyl-4-cresol	1.8	0.0	0.0	0.0	0.0	0.0
Chlorodifluoromethane	1.1	0.0	0.0	0.0	0.0	0.0
Dichlorodifluoromethane	1.1	0.0	0.0	0.0	0.0	0.0
Dioxins (mg-TEQ)	(1.3)	(3.2)	(0.0)	(0.0)	(0.0)	(0.0)
23 other substances	1.8	0.2	0.0	0.0	0.0	46.3



Safety Pledge: We pledge to be ever mindful of safety and the sanctity of human life, to continue to clearly pass on this commitment to future generations so that the lessons learned from this accident may never be forgotten, and to exert our best efforts to prevent such an accident from ever happening again.

Kenichi Udagawa

November 13, 2012

Kenichi Udagawa

President, Tosoh Corporation

SAFETY

Employees throughout Tosoh are working to rebuild the company's reputation and the public's trust in the company as a safe chemical manufacturer.

PROMOTING SAFETY REFORM

On November 13, 2011, an accident occurred at the No. 2 VCM Plant of the Nanyo Complex that caused a great deal of trouble for the residents and authorities of neighboring areas. We have reviewed our safety activities based on the results of investigations into

the causes of this accident and are working as a group to gain public trust in our operations.

ISSUING SAFETY REFORM GUIDELINES

On November 25, 2011, Tosoh Corporation invited outside scholars and experts to form a Senior Accident Investigation and Preven-

tion Committee to investigate the cause of the accident at the Nanyo Complex's No. 2 VCM Plant and to recommend countermeasures to avoid a similar accident. The committee issued the *Nanyo Complex Accident Investigation Report* in June 2012.

Earlier, in February 2012, the president of Tosoh set up an internal Safety Reform Committee under his direct supervision to ensure that such an accident never happens again and to thereby reestablish Tosoh as a safe chemical manufacturer. After carrying out comprehensive inspections of production activities, facility maintenance, and the

working environment, the Safety Reform Committee issued its *Safety Reform Guidelines* on June 26, 2012.

PURSUING SAFETY REFORM ACTIVITIES

In August 2012, the Nanyo and Yokkaichi Complexes each set up a Safety Reform Promotion Team headed by their respective deputy senior general manager. The teams are pursuing the following safety reform activities:

Conveying the President's Determination

The president of Tosoh visited both manufacturing complexes in August 2012 to view their control rooms, to speak with their employees, and to share his resolve on safety initiatives.

Establishing a Culture of Safety

Plant heads at each of the complexes have increased the opportunities for senior and other top managers of every plant to discuss safety reform activities. Senior-level managers also are encouraged to take the lead in enforcing such basic safety activities as training to achieve a higher success rate in safety initiatives.

Improving the Open Exchange of Information

To improve the risk-related communications systems at both of its complexes, Tosoh is reexamining how best to convey informa-

tion during an emergency to the communities surrounding the complexes and their relevant authorities.

Achieving Better Results through Education and Training

Each of the complexes' manufacturing sections has set up a systematic method of passing on technical skills and know-how based primarily on know-why activities. The sections also hold operations opinion exchange meetings where manufacturing floor workers exchange information to teach manufacturing plant principles and theory.

Implementing Reforms and Planning Initiatives for the Long Run

The managers of the complexes' manufacturing sections have established budgets to ensure that safety reforms can be implemented quickly. To remind everyone of the serious consequences of not upholding the highest standards of safety, the Nanyo Complex Education and Training Center has created an exhibit of the No. 2 VCM Plant explosion that includes photos and remnants of that accident. Tosoh and Tosoh Group companies and their affiliates plan other initiatives to further educate employees on safety, including initiatives that engage workers in safety-related activities.

ESTABLISHING SAFETY DAY

Tosoh has declared November 13 a company-wide safety day and has implemented various activities aimed at firmly establishing a culture dedicated to safe operations. Safety day is meant to encourage employees to share a commitment to making the company and its operations safe and to never forgetting the lessons of the November 13, 2011, tragedy.

UNDERTAKING PLANT SAFETY INITIATIVES

Taking a lesson from the 2011 accident, the company made "general safety inspections involving all employees" one of its RC objectives for fiscal 2013 and worked to achieve zero accidents throughout its operations. There were nevertheless two accidents at the Yokkaichi Complex. Going forward, Tosoh plans to continue to revise its safety activities and to take additional steps to rebuild public trust.

ENSURING PLANT SAFETY

Plant Safety Management System

Tosoh has developed a plant safety management system to find latent dangers in its plant systems. It then evaluates the appropriateness of preventative measures for the exposed risks. The system combines a hazard and operability (HAZOP) study, which identifies risks from an operational standpoint, and a failure mode and effect analysis (FMEA), which pinpoints risks from

an equipment management perspective. The plant safety management system has been adopted by manufacturing sections at all facilities and is being constantly upgraded to further reduce risks.

Management of Risk at Plants

Risk-based inspection (RBI) is a technique for calculating risk defined as the mathematical product of the incidence 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 its reliability and safety. Tosoh has developed and initiated the implementation of evaluation systems incorporating knowledge concerning its own materials assessments. The company is finding the systems useful in increasing plant safety.

High-Pressure Gas Control Self-Inspection Certification System

Japan's High-Pressure Gas Control Law provides for a self-inspection system whereby a company can be certified to perform self-inspections of safety and facility and system completion at its high-pressure gas facilities. Government authorities grant this certification after confirming that the company employs high standards for operations, facilities, and safety management.

In February 2013, the Ministry of Economy, Trade and Industry conducted an on-the-spot, interim inspection at Yokkaichi Complex that met the proper requirements for the certification standards.

The Nanyo Complex was certified, and 12 of its facilities received or renewed their certification in fiscal 2010. After the No. 2 VCM Plant accident, that certification was revoked on April 27, 2012. The company is working to regain trust and to prevent accidents.

Tosoh promotes safety education and disaster preparedness at its manufacturing complexes and research facilities.

HEIGHTENING SAFETY AWARENESS AT TOSOH

Disaster Prevention Training, Presentations on Safety Activities, and Education and Training

Tosoh promotes safety education and disaster preparedness at its manufacturing complexes and research facilities. Our principal methods of doing so include annually conducting disaster prevention training in cooperation with regional fire departments, holding disaster prevention competitions, giving pre-

sentations on safety activities, and conducting other activities.

The company has formulated a systematic education curriculum of teaching and training to strengthen its safety activities and its safety management systems. Tosoh is expanding and improving its hands-on learning.

REVIEWING INDEPENDENT COMPLEX SAFETY ACTIVITIES

Nanyo Complex

The 2011 accident foremost in mind, the Nanyo Complex has added a Local Liaison Office to its Accident and Disaster Prevention Department to serve as the pipeline for information exchange between the complex and government authorities. The complex worked through this Local Liaison Office in cooperating with authorities to establish a revised safety and accident prevention system.

The Nanyo Complex also set up broadcast facilities by which to relay critical information to local residents and strengthened its loud-speaker van fleet. In addition, the complex conducted a range of safety and accident prevention activities as part of its safety reforms. And it expanded and strengthened its periodic safety training programs for staff members and added to its accident prevention equipment and supplies.

Every such measure takes the complex a step further toward ensuring that information

and evacuation instructions can be issued as quickly as possible should a large-scale disaster occur.

Yokkaichi Complex

Under the 2005 revision of the Act on the Prevention of Disasters in Petroleum Industrial Complexes and Other Petroleum Facilities, the Yokkaichi Complex is obligated to establish and maintain a large-volume water-jet system capable of pumping 20,000 liters of water a minute. The complex, therefore, has two 46-meter-in-diameter floating roof water tanks.

The local accident association, comprising Tosoh and neighboring companies, has been using water-jet systems since 2009. In fiscal 2013, the association carried out its water-jet system training exercises at the Yokkaichi Complex. The training exercises included the transport, setup, and operation of the system and served to improve team skills. The Yokkaichi Complex was as a result able to verify preestablished procedures and to confirm the effectiveness of its accident prevention system.

OVERSEEING OCCUPATIONAL SAFETY AND HEALTH

Tosoh strives to prevent accidents and lost-time incidents through an occupational safety and health management system (OSHMS). That system includes a risk assessment of processes and facilities and an analysis of close-call incidents.

In fiscal 2013, the number of lost-time incidents due to falls or to contact with high temperatures or harmful materials amounted to three for employees of the parent company. Affiliates reported that four employees were involved in lost-time incidents.

The company has formulated a systematic education curriculum of teaching and training to strengthen its safety activities and its safety management systems.

Tosoh has reviewed the reasons for these accidents. And based on that review the company is thoroughly rethinking its accident prevention measures and working to ensure safe and stable operations.

OCCUPATIONAL SAFETY SYSTEMS

To raise safety awareness among workers and to reduce occupational accidents, Tosoh maintains a database of accidents, occupational injuries, and close calls from inside and outside the group. Reporting and sharing experiences of close calls and analyzing the data yield valuable insights into ways to prevent similar incidents and to execute safety measures.

INDEPENDENT SAFETY AND ACCIDENT PREVENTION ACTIVITIES BY PLANTS

Nanyo Complex

Section managers at the Nanyo Complex do a safety patrol once a month. And they are joined by the plant heads of related companies, by office managers, by assistant office managers, by supervisors, and by staff members responsible for safety in forming 20 four-member groups to simultaneously patrol sections, thereby helping to maintain and improve “order, cleanliness, and discipline” and occupational safety and accident prevention plans.

A team of veteran Nanyo Complex employees with many years of experience on the manufacturing floor also does safety patrols. It strives to safeguard employees, including those of affiliate companies.

Reporting and sharing experiences of close calls and analyzing the data yield valuable insights into ways to prevent similar incidents and to execute safety measures.

As part of Tosoh’s safety reforms, the complex occupational safety and health committee has added the following items to its agenda, ‘an introduction to department safety activities’, ‘examples of past complex accidents’, and ‘workshops on regulations’. We also have one committee a month report on its safety activities. We aim to make a committee’s best safety initiatives known to other committees to thereby inform and

encourage their safety activities. We have, moreover, launched study groups to reacquaint employees with safety-related rules and to consider revisions to those rules.

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Yokkaichi Complex

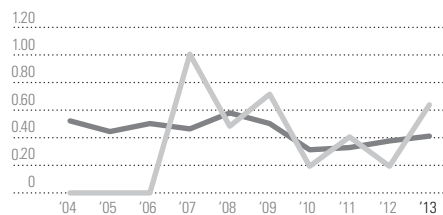
Since fiscal 2011, the Yokkaichi Complex has been implementing “general safety inspections involving all employees.” The effort involves ingraining important safety habits in all employees, including greeting everyone you see to let them know you are there, anticipating danger, and immediately pointing out problems.

In fiscal 2013, the complex focused on “anticipating danger” and conducted a course to that effect. The course was as much for employees engaged in operations in the manufacturing

sections as for plant managers and research staff. The course will continue in fiscal 2014 but will be expanded to cover all manufacturing section employees. Various ways of emphasizing the need to greet everyone you see to let them know you are there and to immediately point out problems are also being considered for each workplace.

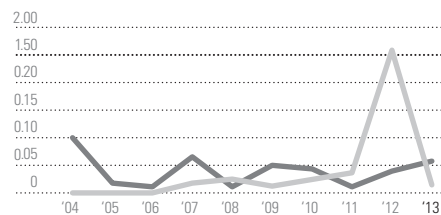
During the fiscal year under review, meanwhile, the Yokkaichi Complex also conducted activities to make the safety stances of the heads of operations visible. These activities included having the heads and assistant heads of operations carry out safety promotion activities and safety patrols to encourage dialogue with employees in each manufacturing section.

Comparative Occurrence Rates



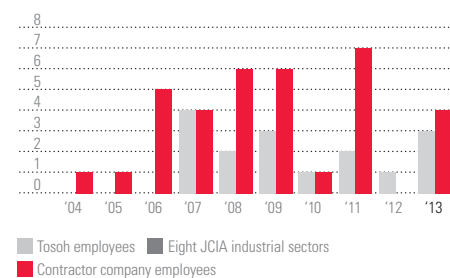
Occurrence rate = (number of injuries and deaths / total work hours) x 1,000,000

Comparative Severity Rates



Severity rate = (number of lost workdays / total work hours) x 1,000

Number of Lost-time Incidents Resulting in Lost Workdays (No. of Incidents)



IMPROVEMENT OF WORK ENVIRONMENTS

Tosoh works hard to protect its employees from exposure to substances that may harm their health. We monitor and manage the time that workers are exposed to harmful substances. Tosoh also endeavors to improve working conditions by taking such protective measures as necessary.

As of January 2013, Tosoh is required to carry out special health screening for employees exposed to indium in accordance with the revision of the Ordinance on Prevention of Hazards due to Specified Chemical Substances. Monitoring for all health hazards in work environments will become an obligation under the ordinance as of January 2014. The company implemented this requirement ahead of the deadline.

ENSURING CHEMICAL AND PRODUCT SAFETY

Because chemicals can potentially negatively affect the environment and people's health, their use needs to be properly managed from the R&D stage through the manufacturing and final disposal stages. The Strategic Approach to International Chemicals Management (SAICM) has been endorsed by the United Nations as a policy framework for promoting chemical safety worldwide.

The SAICM's goals for the international management of chemicals are being pursued at the UN, country, and chemical industry levels. Among other supportive actions, the International Council of Chemical Associations (ICCA) has tabled a Responsible Care Global Charter in connection with the SAICM framework. Through this charter and the execution of the Global Product Strategy (GPS), the supply chain and the management of chemicals are being strengthened.

.....
Enhancing chemical and product safety is a foremost aim at Tosoh.
.....

MANAGING CHEMICAL SUBSTANCES

Tosoh collects data on and evaluates substances to promote chemical safety. We also participate in the Japan Initiative of Product Stewardship (JIPS), a voluntary movement established by the Japan Chemical Industry Association. Under JIPS, Tosoh scientifically assesses the risks of specific chemical substances and, based on that assessment, determines appropriate management methods and reports to society at large on the safety of those specific chemical substances. JIPS's goals are to strengthen the control of chemical substances throughout the overall supply chain to minimize the risks involved.

COMPLYING WITH CHEMICAL SUBSTANCE CONTROL REGULATIONS

When launching products with new substances, companies must notify, register, and submit volume notifications with each country for which the product is intended in accordance with each country's regulations. And under Europe's Registration, Evaluation, Authorization, and Restriction of Chemicals, or REACH, regulation, companies must also register safety assessment data for substances already in use.

IMPROVING CLASSIFICATION AND LABELING

Enhancing chemical and product safety is a foremost aim at Tosoh. In this regard, we generate and manage material substance data sheets (MSDS's) and labeling in compliance with the Globally Harmonized System (GHS) of Classification and Labeling of Chemicals. Many countries are revising their laws concerning MSDS's and the labeling of products, so we are having to comply with local laws and languages in the distribution of MSDS's and in product labeling. In compliance with the recommendations of the Joint Article Management Promotion-consortium (JAMP) for their MSDSplus basic information transmission sheet, we also are providing information on our supply chain.

SCREENING PRODUCTS

Tosoh has formulated regulations concerning product safety screening based on a fundamental product safety policy aimed at reducing product liability risk. Screening is done to check the safety and legal compliance of products using quality control methods at four stages, starting from product development. The R&D, Manufacturing, Sales, and Quality Control Divisions carry out the screening process. We conducted product safety screening 59 times in fiscal 2013.

EMPHASIZING QUALITY ASSURANCE AND LOGISTICS SAFETY MEASURES

Tosoh has achieved ISO 9001 certification for its Nanyo and Yokkaichi Complexes as part of its efforts to improve product quality and to reduce the number of claims against its products. The company has similarly gained the ISO 13485 certification required in its Bioscience Division for medical devices and for establishing a management system to ensure the efficacy and safety of medical products in accordance with Japan's Pharmaceutical Affairs Act.

The logistics departments of our chemical complexes, meanwhile, collaborate with Tosoh Logistics Corporation to carry out training sessions to deal with possible transportation accidents. In addition, Tosoh strives for safe transportation practices by conducting safety education and safety patrol activities with affiliate companies.

TOSOH'S COMPLIANCE WITH OVERSEAS CHEMICAL SUBSTANCE MANAGEMENT REGULATIONS

Submissions and Registrations		Classification and Labeling ((M)SDS and Labeling	
EU	REACH	<ul style="list-style-type: none"> • First-phase registration (end of November 2010) compliance completed • Second-phase registration (end of May 2013) compliance completed 	GHS in each country <ul style="list-style-type: none"> • Taiwan: second-phase substance MSDS and labeling (end of December 2011) compliance completed • China: safety data sheet and labeling (end of November 2011) compliance completed • Korea: mixture compound MSDS and labeling (end of June 2013) compliance ongoing • Thailand: individual compound SDS and labeling (end of March 2013) compliance completed
Asia	Chemical substance management regulations of each country	<ul style="list-style-type: none"> • Upgrading compliance as revisions are made to laws 	

SOCIETY

Tosoh seeks to deepen its relationships with stakeholders with the aim of being a company with which everyone wants to interact.



We actively cultivate communications activities with residents near our operations and with various other stakeholders. Through the opportunities that we foster for opinion exchange with the public, we listen to people's points of view and work to improve our activities. That sense of caring is embedded in all our social contribution activities. Tosoh is committed to being a business group that people can trust.

ENGAGING IN COMPANY TOURS AND VOLUNTEER WORK

Tosoh opens its operations to students, the general public, and public officials with plant tours. And as conscientious members of the communities surrounding our facilities, our employees and their families voluntarily participate in cleanup programs at our plants and in the surrounding communities.

SUPPORTING THE DEVELOPMENT OF YOUNG PEOPLE

Tosoh contributes to the development of the youth who will be responsible for the future through its support for or sponsorship of a number of annual events. Each year, for example, we sponsor the Tosoh Cup Boys' Soccer Tournament and the Tosoh Cup Shunan Boys' Rubber Baseball Team Tournament.

The company also grants internships to high school, technical college, and university students. This gives students practical experience in the workplace and helps them decide on career paths. Tosoh even exhibited at the Yokkaichi City Children's Science Seminar, during which it offered children the chance to use EVA beads to make original drink coasters.

Further afield, the music club at our Yokkaichi Complex participated in volunteer concert activities in Thailand. Club members used the opportunity to interact with the children and other residents of the Thai villages they visited.

COMMUNICATING WITH LOCAL RESIDENTS

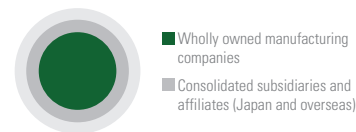
Tosoh and other chemical companies in local chemical complexes met with the public at the 8th Eastern Yamaguchi Responsible Care Talks. The talks aim to inform the public of the companies' occupational safety and disaster prevention and environmental protection activities. A new feature of the meeting was the providing of answers to a pre-meeting questionnaire prepared by residents.

RESPONSIBLE CARE 2013 OUTLINE

Tosoh has followed the 2012 *Environmental Report Guidelines* of the Ministry of the Environment in producing this RC report.

Period covered: April 2012 to March 2013 (a portion of the information also refers to fiscal 2014)

Companies covered: Unless otherwise indicated, the information in this RC report applies only to the parent company. The performance data on page 39 is for 18 manufacturing companies of the Tosoh Group in Japan. The information on other activities includes all consolidated subsidiaries and affiliates.



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Tosoh AIA, Inc.
 Tosoh SGM Corporation
 Tosoh F-TECH, Inc.
 Tosoh Quartz Corporation
 Tosoh Silica Corporation
 Tosoh Speciality Materials Corporation
 Tosoh Zeolum, Inc.
 Tosoh Ceramics Co., Ltd.
 Tosoh Hi-Tec, Inc.

Tosoh Hyuga Corporation
 Tosoh Finechem Corporation
 Tosoh Organic Chemical Co., Ltd.
 Tohoku Tosoh Chemical Co., Ltd.
 Toyo Polymer Co., Ltd.
 Hokuetsu Kasei Co., Ltd.
 Rinkagaku Kogyo Co., Ltd.
 Lonseal Corporation
 Nippon Polyurethane Industry Co., Ltd.

EXPANDED RC ACTIVITIES

We nurture activities in the workplace to support sustainable growth for all.



Communicating with local residents and communities is a vital component of our RC activities. To promote a greater understanding of our operations, we conduct face-to-face events to exchange opinions. And we have recently added to our community-based events such biodiversity preservation activities as preserving unpopulated woodlands in cooperation with a nonprofit organization (NPO).

In the following section, we introduce RC activities headed up by young employees at our Nanyo Complex. We also discuss RC activities at our Yokkaichi Complex carried out in collaboration with other companies at the chemical complex.

SEEING YOUNG EMPLOYEES LEAD THE WAY: TRY! ACTIVITIES

TRY!, which stands for Tosoh Responsible Care Youth, encompasses local RC activities started by young employees at the Nanyo Complex in 2011. The program involves operations-wide volunteer social contribution activities with the collaboration of the Nanyo Complex's Environmental, Administrative, and Personnel Departments. The activities are led by a team of young employees who aim to increase an awareness of environmental and safety issues, nurture corporate culture, and even develop human resources by encouraging personal autonomy.

EXCHANGING OPINIONS ON RC ACTIVITIES WITH HIGH SCHOOL STUDENTS

One of the TRY! activities in fiscal 2013 saw Nanyo Complex employees continue to engage with students at Shin Nanyo Technical High School. The employees introduced their RC activities and exchanged opinions with the students. On the same day, the employees also joined the students of Shin-Nanyo High School and local volunteers in sweeping up fallen leaves for use in making compost.

DERIVING NEW POWER FROM COLLABORATION WITH COMMUNITIES: KIEPS ACTIVITIES

KEIPS is an acronym for Kasumi Island Environmental Plan. That plan was developed by the Kasumigaura Regional Environmental Promotion Association, which comprises 21 companies from chemical complexes in the Kasumi area and representatives from the local communities.

The Kasumigaura Regional Environmental Promotion Association introduced KEIPS in March 2008. KIEPS has received numerous awards, including the Japan Environmental Management Awards' Environmental Value Creation Prize in 2011 and the Japan Association for Human and Environmental Symbiosis's Human and Environmental Symbiosis Activities Award in 2012.



HEIGHTENING CORPORATE VIABILITY THROUGH SOUND OVERSIGHT

Tosoh believes that thorough corporate governance over the long term increases corporate value and contributes to corporate growth.

Accordingly, Tosoh practices robust corporate governance that optimizes transparency, compliance, business performance, and operational efficiency.

MANAGEMENT REPORTING

Tosoh's 13-member Board of Directors meets monthly to decide business matters and to review its oversight of managers with operational responsibilities. The Executive Committee, comprising the company's chairman, president, and managing directors, meets weekly to facilitate quick decision making on business proposals. The president, moreover, is given detailed briefings on operating conditions and pending decisions at regular, weekly and monthly management reporting meetings.

AUDITORS' COMMITTEE AND AUDITING SECTION

The Board of Auditors monitors Tosoh's accounting system. Its two internal and two external auditors also scrutinize the behavior and business execution of Tosoh's Board of Directors.

The Office of the Board of Auditors is tasked with assisting the corporate auditors. It uses third-party, outside accounting auditors to

obtain independent verification of Tosoh's finances. The Auditing Section, meanwhile, conducts operational audits of Tosoh's business units and group companies and reports its findings to the company's president.

OTHER GOVERNANCE COMMITTEES

Additional governance committees include the Compliance, Antitrust, Internal Control, and Responsible Care Committees.

The Compliance Committee identifies external laws and regulations and internal guidelines and oversees related compliance, including training, by the Tosoh Group.

The Antitrust Committee collaborates with Tosoh's Legal and Patent Department to ensure that fair business practices as defined by the Antitrust Law of Japan and by Tosoh's internal guidelines are observed.

In Japan, legislation requires companies to establish corporate internal controls to support accurate and reliable financial reporting. Tosoh's Internal Control Committee fosters group-wide awareness of and compliance with the legal guidelines for these internal controls.



TOSOH

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