TOSOH

THE POWER OF POSITIVE CHANGE

Tosoh is committed to Responsible Care for a sustainable future.

RESPONSIBLE CARE REPORT 2006

Fiscal Year Ended March 31, 2006

TOSOH CORPORATION

TOSOH CORPORATE PROFILE

Tosoh Corporation believes in using the power of positive change to resolve the sustainability issues faced by our world today. 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 principal activities are organized around our Responsible Care® program, which has been in place officially since 1995.

A global supplier of inorganic chemicals, petrochemicals, and specialty materials, Tosoh plays a major role in providing the materials that make up modern life. Tosoh products are used by the semiconductor, pharmaceutical, healthcare, food, and many other key industries.

The Tosoh Group comprises more than 130 companies, some 50 of them located outside Japan. Collectively, those companies employ a multiethnic workforce of over 9,000 people and generate net sales of ¥649 billion (US$5.5 billion). We invite you in this report to see how Tosoh innovation is contributing quality and environmentally conscious products that serve our stakeholders and society.

As a small step to conserve resources and because our activities continue to grow year by year, we decided to increase our online publishing. The symbol throughout this report indicates additional information is available at www.tosoh.com

The Responsible Care Report 2006 covers activities for fiscal 2005, the period from April 1, 2005 to March 31, 2006.

Contents

Message from Management 2
Products 3
- Environmental Products and Technologies of the Tosoh Group 3
- Environmental Technology and Product Highlights 4

Overview of Activities 6
Environment 8
- Input and Output 8
- Programs to Reduce Energy Consumption 9
- Reducing Environmental Impact 10
- Recycling 12
- Manufacturing Complex Data 13

Society 14
- Dialogue with the Public 14
- A Cooperative Relationship with Employees 15
- Occupational Safety and Health 16
- Logistics Safety 18
- Chemical and Product Safety 19
- Quality Assurance 20

Management 21
- Environmental Accounting 21
- Corporate Governance and Compliance 22
- Customers and Business Partners 23
- Tosoh's Responsible Care Program 24

Corporate Data 28

The Power of Tosoh

The Power of Positive Change

The Beauty of a More Sustainable World

MESSAGE FROM MANAGEMENT

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 preserving the environment and taking responsibility for people, society, and safety through the Company's environmental and social responsibility activities.

Responsible Care® (RC) is our main platform for executing our environmental, safety and health initiatives. Tosoh has been a member of this global movement by the chemical industry to continuously improve its 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 encompassing the entire lifecycle of products. Always striving to be a better company, we took our concern for our surroundings to the next level by revising our Basic Principles of the Environment, Safety and Health and Implementation Guidelines in 1999. Furthermore, with the establishment of Compliance Action Policies in 2003, we placed RC values at the core of our management objectives.

We believe that the activities described in this publication show the progress we made in fiscal 2005, and we continue to take fresh perspectives to address the challenges that the world presently faces with regard to global warming, dwindling natural resources and the handling of chemical substances.

In fiscal 2004, we exceeded most of our environmental targets for the reduction in the emission of substances classified under Japan's Pollutant Release and Transfer Register (PRTR) Law and for final waste disposal. In fiscal 2005, we moved forward in establishing new targets while improving our RC activities. Additionally, in the fight against global warming, we are working to reduce our per-unit energy consumption based on the environmental initiatives of the Japan Federation of Economic Organizations (Keidanren).

Clearly, sustainable growth is essential not only for our own future but also for the very future of our planet. To move forward, this issue must be faced squarely and tackled by all sectors, including industry, academia and government, on a global scale.

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

Simply put, we need to pursue technological development that recognizes the finite nature of resources and energy. At Tosoh, we are steadily redirecting our innovation to the task of achieving positive change for a sustainable future.

Madoka Tashiro, Chairman and CEO

Takashi Tsuchiya, President

Environmental Products and Technologies of the Tosoh Group

Efficient innovation has generated business opportunities from our commitment to Responsible Care that includes sustainable development. Tosoh had applied the same ability to innovate in managing its own environmental concerns to creating products and services that help customers manage theirs. These efforts are part of Tosoh's comprehensive ability to make environmental protection a win-win proposition. Tosoh's environmental products and technologies are used in a wide range of applications including the construction industry, the electronics industry and the automobile industry. Here we spotlight just a few of the Tosoh Group's environmental products, technologies, and services. For a complete listing, visit us on the web at www.tosoh.com

Environmental Technology and Product Highlights

As part of our efforts to improve our environmental performance, we have 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.

SPOTLIGHT

Vinyl: A Low-Environmental-Impact Plastic

One of our core products, vinyl, is a low-environmental-impact plastic with several special features. It 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.

1. Pipes
2. Vinyl greenhouses
3. Blood transfusion pack

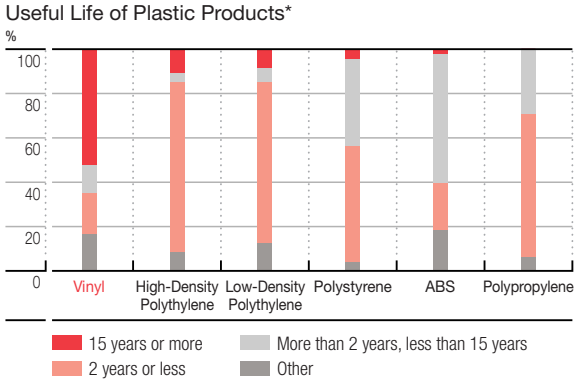
Conserves Resources

Vinyl products use approximately 60% less petroleum than other plastics.

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

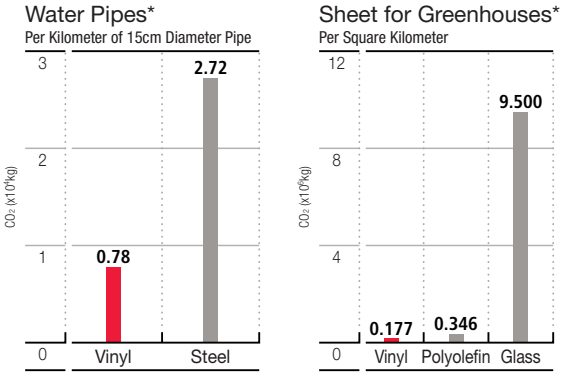
Exhibits Long Life

Over 50% of vinyl products last 15 years or more.



Prevents Global Warming

The manufacture of vinyl products produces low CO_2 emissions.



Contributes to Recycling

Approximately 50% of vinyl sheet for greenhouses is recycled.

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

Tosoh Corporation

Both parent company and subsidiaries are involved in environmental businesses. Tosoh Corporation environmental products and technologies include Immunoassay Testing for Environmental Contaminants, Zirconia, Heavy Metal Treatment Agents, Triarylamines Technology, Low TVOC Grade Vinyl Chloride Paste, Polyethylene for Non-Solvent Extrusion in Lamination, GFL Series Chloroprene Rubber Latex, Polyolefin Adhesive Polymer Melthene, Amine Catalysts, Hydrocarbon Cleaning Agents (HC Series), Zeolites, Caustic Soda, Sodium Bicarbonate, Chlorine, Calcium Hypochlorite, Polyaluminum Chloride and Analytical Instruments.

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. YSZ's unique oxygen-ion conductivity allows it to contribute to environmental protection in a broad range of applications, including solid oxide fuel cells and automotive sensors that reduce exhaust emissions and improve fuel economy.

Heavy Metal Treatment Agents

Tosoh has developed several products that contribute to the removal of heavy metals from the environment. One of them is TS-275, which sharply reduces the volume of the carbon disulfide generated during the removal of heavy metals from fly and combustion ash produced during garbage incineration. We also offer an inorganic liquid agent for anionic type fly ash and combustion ash that features extremely low corrosivity, an inorganic liquid agent for applications including removal of lead and cadmium from soil, and TX-10, which precipitates heavy metal ions in wastewater.

www.tosoh.com

Zeolites

Tosoh is developing zeolites that will help clean the environment by efficiently absorbing hydrocarbons in automobile exhaust and other substances. Zeolites also offer the potential to contribute to environmental protection in a broad range of other processes, including the absorption of VOC gases and exhaust emissions from the semiconductor manufacturing process.

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.

Immunoassay Testing for Environmental Contaminants

Utilizing the automated immunoassay (AIA) analyzer technology of the Bioscience 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.

Tosoh Subsidiaries

The environmental products and technologies of Tosoh subsidiaries include Silica for Fuel-Conserving Tires, Recycled Flooring Materials, Artificial Wood, Ultrawide Liner Sheet, Wastewater Treatments, Groundwater and Soil Remediation, and Water and Air Quality Analysis.

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. They include closed systems that eliminate wastewater, and treatment of industrial effluents.

www.tosoh.com

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. It responds to user needs with environmental analysis in areas including air, water and soil.

OVERVIEW OF ACTIVITIES

A true commitment to Responsible Care must encompass a focus on the Sustainability of the Company's business activities, actions to protect and benefit Society, and Management innovations that unify and direct the Company's efforts. Tosoh takes a comprehensive approach and constantly seeks to improve the processes it implements as well as the results it achieves.

Environment

Environmental Preservation

One of our major environmental preservation goals is to reduce emissions of substances designated under the Pollutant Release and Transfer (PRTR) Law by 87% from 1995 levels to less than 360 tons by fiscal 2009. In fiscal 2005, the year under review, we emitted 490 tons of these substances, down 83% from 1995 levels.

Another target is to reduce final waste disposal 89% from the fiscal 1990 level to less than 1,500 tons by fiscal 2010. In fiscal 2005, our total waste disposal amounted to 1,600 tons, down 88% from 1990 levels.

To contribute to the prevention of global warming, we are striving to reduce our per-unit energy consumption to 90% or less of 1990 levels by fiscal 2010. In fiscal 2005, our per-unit energy consumption was 96.7% of 1990 levels, and we are on course to achieve our overall goal.

Society

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. During fiscal 2005, one accident and no injuries resulting in lost workdays occurred at Tosoh, while five accidents that resulted in lost workdays occurred at Group companies.

Strengthening our safety and security organization, including anti-terror measures, is an ongoing goal. In fiscal 2005, we reinforced our system for preventing entry by unauthorized persons.

Another of our goals is to continually upgrade our Occupational Safety and Health Management System (OSHMS) by expanding the scope of our risk assessment across equipment and machinery, processing and chemical substances and implementing risk reduction targets. We are also developing standards and studying techniques for aggressively implementing a Close Call system that statistically analyzes situations that were nearly accidents as a means to reduce the root cause of accidents. During fiscal 2005, we continued our risk-assessment efforts in the areas of processing and chemical substances while studying methods to expand analysis using the Close Call system.

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. These programs proceeded according to schedule with almost no variance at the Yokkaichi Complex in fiscal 2005, and a safety assurance system went into effect from October 2006. We also began studying the establishment of a system for accommodating the High-Pressure Gas Safety Law. Our objectives for fiscal 2006 include acquiring safety self-inspection certification and certification of continuous boiler and pressure vessel operation; strengthening safety assurance systems based on the High-Pressure Gas Safety Law and the Labor Safety and Sanitation Law; and establishing a basic policy on ensuring safety.

Management

Basic Stance on Sustainability

Tosoh aims to improve the quality of life. We do this through a commitment to preserving the environment; taking responsibility for people, society, and safety; and achieving 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. During fiscal 2005, Tosoh's chairman and chief executive officer signed the Responsible Care Global Charter, and the Responsible Care Verification Center inspected Tosoh facilities under the chemical and product safety codes. In fiscal 2006, Tosoh will promote compliance training and promulgate Fundamental Policies for Safety and the Environment for the Japan Chemical Industry Association with the objective of promoting Responsible Care activities.

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 2005, these efforts produced over ¥3.75 billion from outsourcing revenues and cost savings.

Chemical and Product Safety

Preparing Material Safety Data Sheets

During fiscal 2005, Tosoh established a working group and initiated classification to accommodate the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). An objective for fiscal 2006 is to revise and distribute Material Safety Data Sheets (MSDS) based on GHS.

We actively support the High-Production Volume Chemicals (HPV) initiative of the International Council of Chemical Associations (ICCA) and engage in the risk assessment of specified chemical substances. During fiscal 2005, we announced our participation in the Japan Challenge Program, which is an HPV program announced by the government of Japan, for 1-bromopropane. In fiscal 2006, we intend to accommodate the REACH regulations and promote data collection for Japan Challenge registered substances.

Quality Assurance

In fiscal 2005, we conducted 28 reviews that included examining the quality and safety of raw materials we purchase and strengthening assessment of customer applications. For more details, see "Safety Screening" on page 19. Other initiatives included introduction of ISO management, as well as creation of an operating system and manual covering manufacturing, sales and operations. Measures for fiscal 2006 will include enhancing product safety surveys at affiliates and establishing a pharmaceutical and food safety compliance framework.

Dialogue with the Public

We communicate with the communities around us through Japan Responsible Care Committee (JRCC) dialogue meetings, publications, and by conducting tours of our facilities. We also produce the Responsible Care Report in English and Japanese. During fiscal 2005, Tosoh conducted tours at its manufacturing facilities and sponsored community clean-up campaigns as part of its ongoing dialogue with the public.

Input and Output

Input

Energy Consumption (In terms of crude oil)
2 million kiloliters

Raw Materials
7.1 million tons

Water Consumption (Excluding seawater)
53 million tons

TOSOH

Output

Products
6.2 million tons

Basic Chemical Products
Organic & inorganic products
Soda/Inorganic products
Fertilizer and coal

Olefins
Inorganic & organic products

Polymers
Polyethylene polymers
Functional and adhesive polymers/ polyvinyl chloride paste/ synthetic rubber/ hydrocarbon resins/PPS

Organic Chemicals
Amines
Environmental agents
Bromine and flame retardants
Organic intermediates

Cement
Cement

Specialty Materials
Ceramics (Zirconia)
Zeolite
Battery materials

Electronic Materials
Quartz
Thin film materials

Bioscience
Measurement (HPLC) field
Clinical assay field
Genetic screening field

Atmospheric Emissions

CO_2*	6.7 million tons
SOx	560 tons
NOx	11 thousand tons
Dust	300 tons
PRTR-designated substances	230 tons

*CO_2 figures are based on fuel consumption.

Water Emissions

COD	870 tons
Total phosphates	49 tons
Total nitrogen	360 tons
PRTR-designated substances	260 tons
Wastewater (Excluding seawater)	20 million tons

Soil

Final waste disposal	1,600 tons

Programs to Reduce Energy Consumption

Tosoh's vinyl isocyanate chain business manufactures caustic soda, chlorine and hydrogen using salt as a raw material. It also produces ethylene dichloride (EDC) using chlorine and ethylene, which in turn are the raw materials for producing the vinyl chloride monomer (VCM) used to produce highly versatile polyvinyl chloride. Tosoh also uses chlorine and hydrogen to produce isocyanate, the intermediate for polyurethane. In working to strengthen the foundation of this business, Tosoh has been executing a multifaceted program over many years to reduce the energy consumed in manufacturing.

- **Technology to Recover Heat from Gas Turbine Emissions at Ethylene Plants**

At the Yokkaichi Complex ethylene plant, Tosoh generates electricity using the heat in the exhaust gas from high-efficiency gas turbines. Moreover, we are reducing the fuel used by naphtha crackers by using the high-temperature gas emitted by gas turbines to heat the air used for combustion in the naphtha crackers. Integrating gas turbines with naphtha crackers has allowed Tosoh to reduce energy consumption by 10 percent compared to conventional processes. In addition, we are working to reduce NOx emissions by supplying steam to the combustion chambers of gas turbines.

- **Electrolysis Plants: Development of Bipolar Ion Exchange Membrane Electrolyzer Cells (BiTAC®)**

BiTAC® electrolyzer cells are high-performance bipolar ion exchange membrane electrolyzer cells that Tosoh developed in cooperation with Chlorine Engineers Corp., Ltd. using many years of know-how and experience. These electrolyzer cells have a zero gap system that allows reduced voltage, and the use of a waveform diffusion barrier reduces structural power loss due to electrical resistance. These features reduce energy consumption by 5 percent compared to conventional electrolyzer cells. Many manufacturers throughout Europe, North America and Asia that employ electrolysis to produce table salt use these electrolyzer cells, and they have been used for cumulative conversion of 3.7 million tons of caustic soda, thus contributing significantly to reducing global CO_2 emissions.

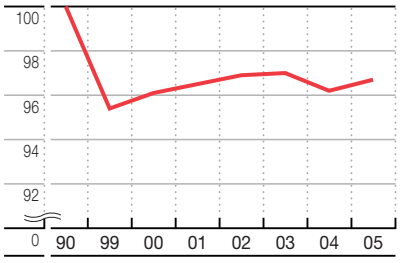
- **VCM Plant: Installation of Heat Recovery Equipment and Quench Coolers in the EDC Purification Process**

VCM is produced by pyrolyzing EDC, and the distillation column in the EDC purification process uses a large quantity of steam. Tosoh has developed a heat recovery system to put formerly wasted energy to use, which has reduced steam consumption by 50 percent compared to conventional processes. This technology makes use of the entire VCM plant. It also provides heat to the high-temperature gas used in EDC pyrolysis, thus lowering energy used in pyrolysis and making a significant contribution to reduced energy consumption.

Change in Per-unit Energy Consumption

The Japan Federation of Economic Organizations has established voluntary action programs for reducing per-unit energy consumption, and the Japan International Cooperation Agency has set the objective of reducing per-unit energy consumption by 10 percent compared to fiscal 1990 levels by fiscal 2010. While Tosoh is making progress toward these objectives, factors including the construction of new plants unfortunately resulted in a year-on-year increase in per-unit energy consumption in fiscal 2005.

Energy Unit Consumption Index



Tosoh Employees Win Fiscal 2005 Energy Manager Prize

The Ministry of Economy, Trade and Industry recognizes outstanding energy management achievement over many years by individuals at facilities. In fiscal 2005, five Nanyo Complex employees received recognition for their efforts in promoting reduced energy consumption.

Energy Management Achievement	Minister's Prize	Facilities Management Department, Electricity Maintenance Section Manager	Katsuya Hamada
	Director General's Prize	Cement & Energy Production Department, Power Supply Section Manager	Noriaki Hajima
Energy Management Honors	Branch Manager's Award	Polymer Production Department, Polyethylenes Manager	Ryuichi Tahara
Energy Management Expert	Branch Manager's Award	VCM Production Department, VCM Section II, Assistant Manager	Michiharu Tanaka
		Soda Production Department, Caustic Soda & Chlorine Production Section II, Assistant Manager	Kazuaki Watanabe

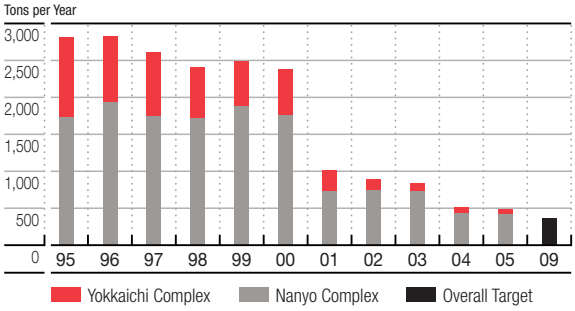
Reducing Environmental Impact

PRTR-Designated Substances and Toxic Air Pollutants

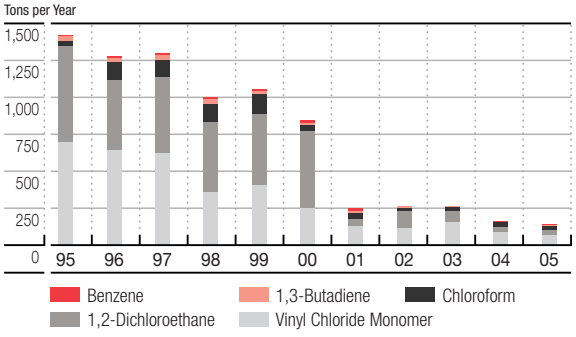
Tosoh handles 53 substances for which notification requirements regarding emissions into the environment and amount transferred are designated by the PRTR Law. By the end of fiscal 2004, Tosoh had achieved the medium-term target for the end of fiscal 2006 of a 75% reduction in emissions of these substances from fiscal 1995 levels. We have also set a new target of reduction of emissions to 360 tons annually by the end of fiscal 2009. Emissions of these substances totaled 490 tons in fiscal 2005, a decrease of 83% from fiscal 1995 levels.

In addition, the following graphs outline Tosoh's progress in reducing emissions of five substances that have caused concern about the health effects of long-term exposure even at low concentrations. While none of Tosoh's facilities are subject to volatile organic compound (VOC) regulations under the revised Air Pollution Control Law that went into effect in June 2005, the Company will work to eliminate designated VOC substances in the future.

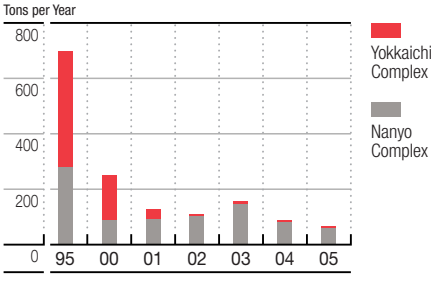
Emissions of Substances Designated under the PRTR Law



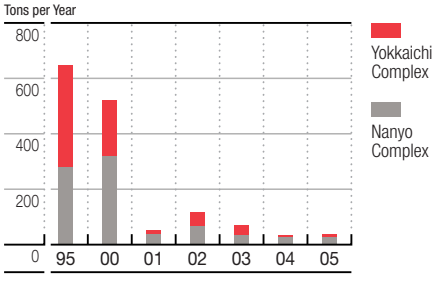
Total Emissions of 5 Toxic Air Pollutants



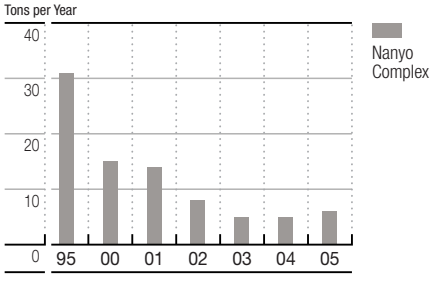
Vinyl Chloride Monomer



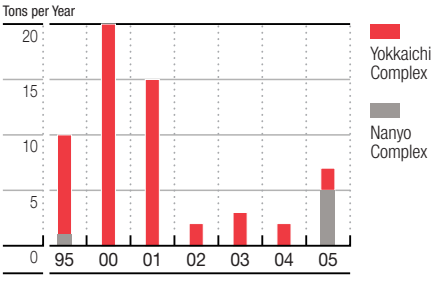
1,2-Dichloroethane



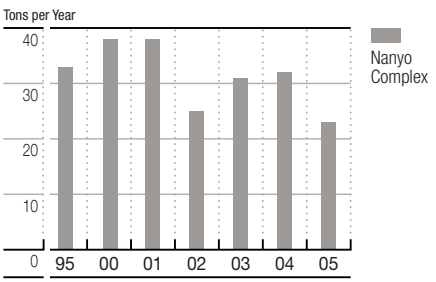
1,3-Butadiene



Benzene

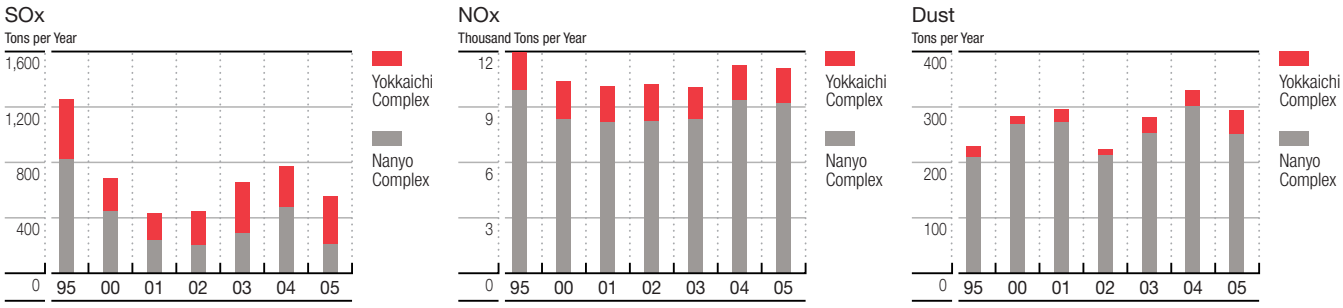


Chloroform



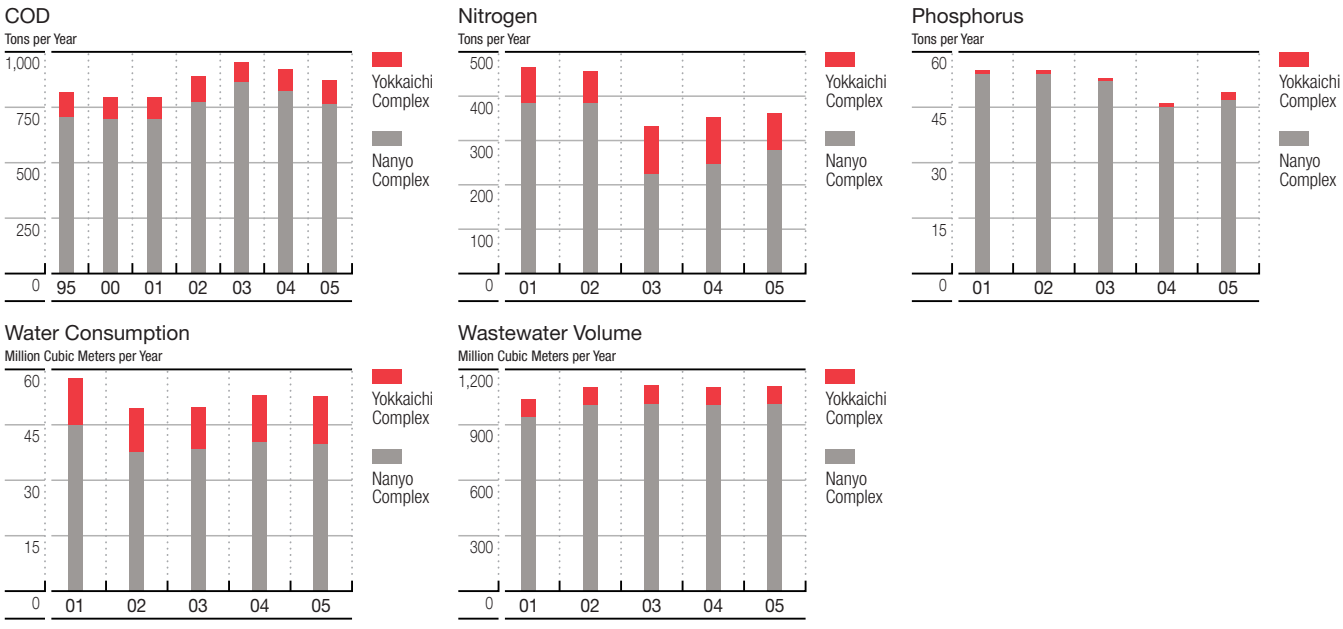
Air Pollutants

Emissions of SOx, NOx and dust have caused concern as a source of acid rain and health problems. Tosoh has determined emission targets for these air pollutants at each of its production facilities, and works continuously to preserve the environment in the vicinity of its plants.



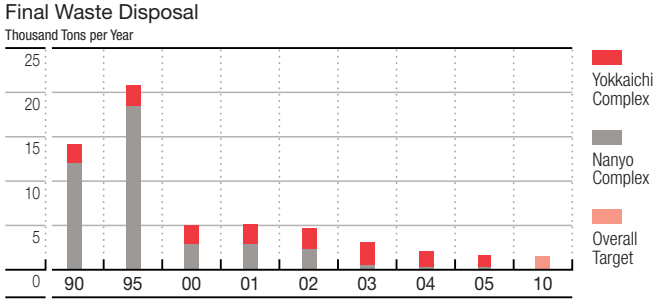
Concern for Water Resources

The Water Pollution Prevention Law sets standards for the emission of wastewater from plants. Total water quality control regulations govern emissions of nitrogen and phosphate, which are causes of chemical oxygen demand (COD) and eutrophication. The following graphs outline the volume of chemical substances emitted into water, volume of water used and volume of wastewater for Tosoh.



Efforts to Reduce the Volume of Final Waste Disposal

As a result of promoting recycling and other initiatives, Tosoh reduced final waste disposal to 1,600 tons, representing an 88% reduction in the volume of final waste disposal from the fiscal 1990 level. Tosoh will continue to promote effective use of resources.

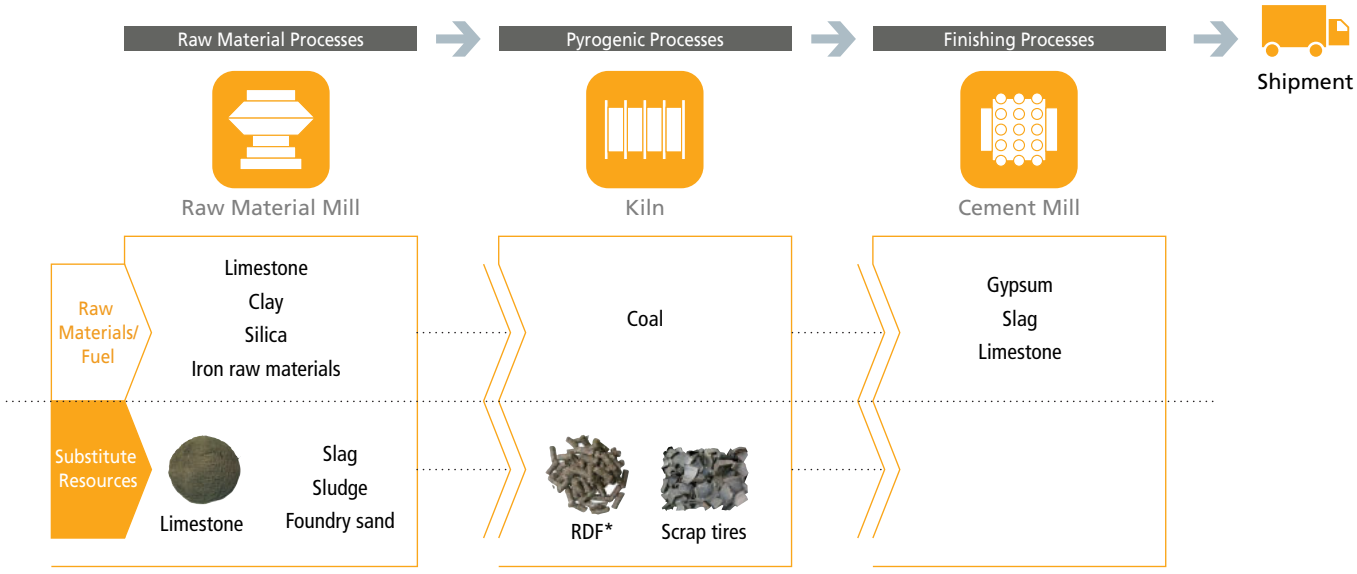


Recycling

Recycling Materials in the Manufacture of Cement

Cement production involves raw material, pyrogenic and finishing processes. A particular advantage of the pyrogenic (kiln) process is that its temperatures of between 1,300°C and 1,400°C allow substitution of materials with the same components* as cement for cement raw materials and fuel without generating toxic substances. Tosoh makes effective use of coal ash and gypsum generated in-house as an industrial by-product, and disposes of its own combustible waste. In addition, every year Tosoh accepts a total of about 400 thousand tons of materials from outside sources, including slag, sludge, scrap tires and refuse-derived fuel (RDF). Furthermore, the calcium sulfate used as an additive in the finish grinding process is completely covered by internally generated by-products. Use of waste plastic and wood scraps as a partial substitute for coal contributes to more effective resource use and waste reduction.

*Calcium oxide (calx), silicon dioxide, aluminum oxide, hydrated ferric oxide, etc.



*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.

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 other chemicals. The chlorine and bromine recovered are used as materials in VCM and flame retardants, and the heat released in the recycling process is used to generate steam.

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 recycle approximately 100 thousand tons of salt annually.

Manufacturing Complex Data

Nanyo Complex

Address:

4560, Kaisei-cho, Shunan City,
Yamaguchi Prefecture 746-8501, Japan

Principal Products:

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

Environmental Data for Fiscal 2005

	Tons
SOx emissions	210
NOx emissions	9,200
Dust	250
PRTR-designated substances	420
COD emissions	760
Nitrogen	280
Phosphorous	47
Final waste disposal	220
Complaints	
Atmosphere	0
Sound	0
Vibration and other	0

The Tosoh Nanyo Complex is situated in the city of Shunan, Yamaguchi Prefecture, in the westernmost part of Honshu. It 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.

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. It 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.

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.

Yokkaichi Complex

Address:

1-8, Kasumi, Yokkaichi City, Mie
Prefecture 510-8540, Japan

Principal Products:

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

Environmental Data for Fiscal 2005

	Tons
SOx emissions	350
NOx emissions	1,900
Dust	45
PRTR-designated substances	67
COD emissions	110
Nitrogen	83
Phosphorous	2
Final waste disposal	1,400
Complaints	
Atmosphere	0
Sound	0
Vibration and other	0

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.

PRTR-Designated Substances—Fiscal 2005

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	3.5	0.0	0.0	0.0	0.0
7.	acrylonitrile	0.0	0.0	0.0	0.0	0.0	0.0
12.	acetonitrile	0.0	0.0	0.0	0.0	0.0	0.0
15.	aniline	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	3.5
17.	diethylenetriamine-pentaacetic acid	0.7	73.0	0.0	0.0	0.0	0.0
24.	n-alkylbenzenesulfonic acid and its salts	0.0	3.0	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	0.5	0.1	0.0	0.0	0.0	0.1
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	110.0	0.0	0.0	0.0	0.0
54.	epichlorohydrin	0.0	0.0	0.0	0.0	0.0	0.1
63.	xylene	0.0	0.0	0.0	0.0	0.0	19.0
74.	chloroethane	29.0	0.0	0.0	0.0	0.0	0.0
77.	chloroethylene (vinyl chloride)	54.0	6.8	0.0	0.0	0.0	0.0
93.	chlorobenzene	0.4	0.2	0.0	0.0	0.0	35.0
95.	chloroform	6.7	16.0	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	11.0	18.0	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	0.5	0.0	0.0	0.0	0.0	0.0
113.	1,4-dioxane	4.7	1.6	0.0	0.0	0.0	45.0
116.	1,2-dichloroethane	26.0	2.3	0.0	0.0	0.0	36.0
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	2.1	0.0	0.0	0.0	0.0	0.0
177.	styrene	2.9	0.8	0.0	0.0	0.0	0.0
179.	dioxins	(50.0)	(18.0)	(0.0)	(0.0)	(0.0)	(0.0)
197.	decabromodiphenyl ether	0.0	0.2	0.0	0.0	0.0	12.0
207.	water-soluble copper salts	0.0	0.8	0.0	0.0	0.0	0.0
210.	1,1,2-trichloroethane	24.0	3.3	0.0	0.0	0.0	15.0
227.	toluene	0.0	0.0	0.0	0.0	0.0	1.1
240.	nitrobenzene	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	6.6	0.0	0.0	0.0	0.0
266.	phenol	0.0	0.0	0.0	0.0	0.0	0.0
268.	1,3-butadiene	2.2	3.6	0.0	0.0	0.0	0.0
283.	hydrogen fluoride and its water-soluble salts	0.2	0.0	0.0	0.0	0.0	0.0
292.	hexamethylenediamine	0.0	0.0	0.0	0.0	0.0	0.0
299.	benzene	5.2	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	4.3	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.

PRTR-Designated Substances—Fiscal 2005

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	4.1	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	3.9	0.0	0.0	0.0	0.0	5.7
74.	chloroethane	0.0	0.0	0.0	0.0	0.0	0.0
77.	chloroethylene (vinyl chloride)	6.4	0.0	0.0	0.0	0.0	0.0
85.	chlorodifluoromethane (HCFC-22)	1.7	0.0	0.0	0.0	0.0	0.0
95.	chloroform	0.0	0.0	0.0	0.0	0.0	0.0
102.	vinyl acetate	31.0	0.0	0.0	0.0	0.0	0.9
112.	tetrachloromethane	0.0	0.0	0.0	0.0	0.0	0.0
116.	1,2-dichloroethane (EDC)	9.8	0.1	0.0	0.0	0.0	2.5
118.	cis-1,2 dichloroethylene	0.0	0.0	0.0	0.0	0.0	0.0
119.	trans-1,2 dichloroethylene	0.0	0.0	0.0	0.0	0.0	0.0
140.	p-dichlorobenzene	0.8	0.0	0.0	0.0	0.0	8.9
177.	styrene	0.2	0.0	0.0	0.0	0.0	0.0
179.	dioxins	(0.6)	(2.2)	(0.0)	(0.0)	(0.0)	(0.0)
208.	trichloroacetaldehyde	0.0	3.8	0.0	0.0	0.0	0.0
209.	1,1,1-trichloroethane	0.0	0.0	0.0	0.0	0.0	9.1
210.	1,1,2-trichloroethane	0.0	0.0	0.0	0.0	0.0	0.0
211.	trichloroethylene	0.0	0.0	0.0	0.0	0.0	0.0
227.	toluene	3.2	0.0	0.0	0.0	0.0	0.2
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	1.4
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	4.9
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.

Dialogue with the Public

Tosoh interacts with communities through charitable, environmental, and volunteer activities to create the cooperation and goodwill required to achieve sustainable growth.

Cooperative Environmental Activities

- **Regional Dialogues on Responsible Care**

Tosoh participates in regional dialogues on Responsible Care. These events deepen relationships with the local residents and governments of various areas by focusing on the introduction of case examples of environmental and safety initiatives from JRCC member companies.

- **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.

- **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**

We have exhibited a variety of environmental-related products and technologies, such as sodium bicarbonate and energy-efficient silica-based tires.

Volunteer Environmental Activities

- **Local Voluntary Cleanups**

Tosoh conducts a street cleanup campaign in the vicinity of its two 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.

www.tosoh.com

A Cooperative Relationship with Employees

Training and Development

One of Tosoh's corporate objectives is to allow all employees to make the most of their capabilities. We conduct effective, systematic training programs that embrace respect for employees as individuals so that our people feel they have a stake in the organization and the ability to adapt to our changing environment and the new situations it presents.

Our programs cover three categories: on-the-job training (OJT), off-the-job training (OFF-JT) and personal development education. The objective of OJT and OFF-JT is the acquisition of specialized knowledge through career, specialist and international education. Career education provides training in the skills that employees need to advance within the organization, with programs at every level from new employees to officers. Specialist education ranges from technical training in production technology required at specific facilities to courses in such areas as accounting, finance, and patents. Tosoh is also aggressive in developing the international capabilities of its organization, with programs ranging from six-month programs at universities in the United States to intensive language courses and in-depth cultural training. Tosoh also energetically supports personal development education including correspondence courses and the acquisition of qualifications and licenses.

Objective: A Great Place to Work

- **Support for the Next Generation**

Tosoh promotes a working environment in which employees can balance parenting and their careers. We implement action plans designed to allow all employees to develop their capabilities to the fullest.

- **Measures to Preclude Sexual Harassment**

Tosoh has instituted measures to preclude sexual harassment and works to keep all employees informed about this issue. Tosoh has also established sexual harassment hotlines at its work sites, which provide a broad range of counseling under a strict privacy policy.

- **Re-employment System**

Tosoh moves to ensure that retiring employees with technological skills are able to smoothly pass along their knowledge and expertise through a re-employment system for qualified employees.

- **Labor Relations**

Tosoh maintains productive relations with labor unions that are based on trust and a sense of urgency. Aiming for mutually beneficial outcomes for the company and employees, labor and management maintain detailed communication regarding their intentions. Labor and management hold monthly conferences to discuss issues including Tosoh's fiscal status, human resource system and working conditions, and exchange views on management policies, strategy and tasks three times each year.

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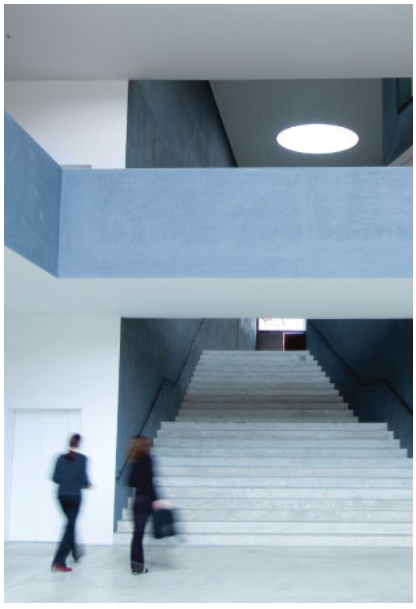


Occupational Safety and Health

Sustainability also includes our responsibility to our employees for their safety, health, and development, and our responsibility to society.

Plant Safety

Our responsibility to employees includes ensuring they can work efficiently and develop as employees and members of society. In fulfilling our responsibility to society, we participate in and promote collaboration with government, academia and business, and cooperate with employees and communities on sustainability issues.

- **Plant Risk Assessment Method**

  Probabilistic safety assessment (PSA) calculates the likelihood of accidents or disasters in plant processes from equipment malfunction on the basis of the malfunction rate for individual plant assets. Quantitatively ascertaining risk within the plant enables appropriate risk-avoidance measures. Tosoh is deploying this risk assessment technique at its plants, focusing on high-pressure gas plants, to further enhance safety and security.

- **Risk-Based Inspection of 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.

  In fiscal 2002, Tosoh developed and began using 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 facilities, 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 a total of 12 of its facilities received or renewed their certification in September 2004.

Disaster Prevention Training and Presentations on Safety and Responsible Care Activities

Tosoh's programs for safety education and disaster preparedness at manufacturing complexes and research facilities include periodic disaster prevention training in cooperation with regional fire departments and associated companies and 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. No Tosoh Group employees missed work because of accidents during fiscal 2005, although eight accidents occurred that did not cause missed workdays. Five accidents occurred at Group companies that caused missed workdays, and a single incident also occurred. Tosoh will continue to undertake effective safety activities in working to eliminate accidents.

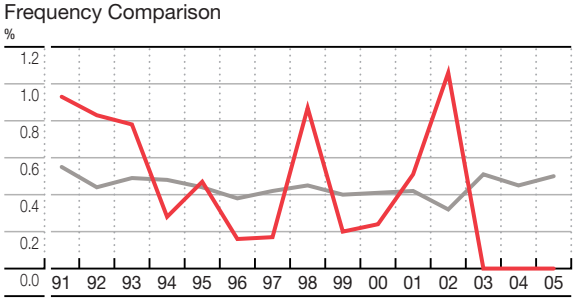
Analysis and Utilization of Case Examples of Close Calls

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, Tosoh and its Group companies raise safety consciousness among workers and contribute to reducing the incidence of occupational injuries.

Employee Health

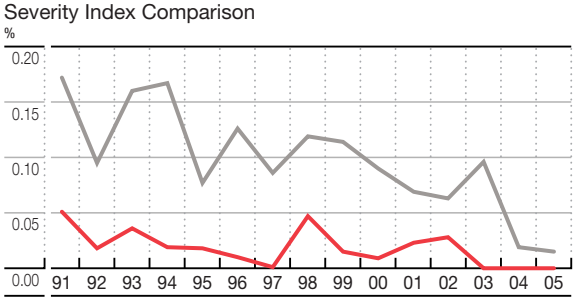
At Tosoh, we provide overall support for our employees to ensure their mental as well as physical health. Health-promotion committees at the head office and at all work sites implement various action programs. These activities include walking events, various campaigns, health checkups by specialists, and health-related lectures. In addition, employees take an annual 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



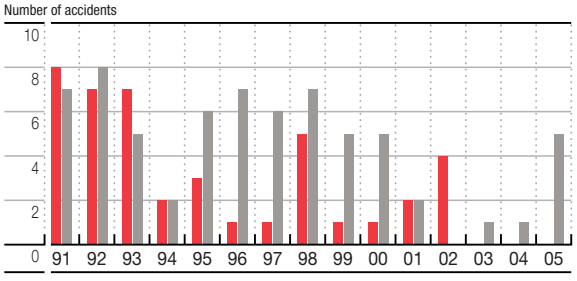
Frequency = (no. of fatal or nonfatal casualties/total number of working hours) x 1,000,000

Severity Index Comparison



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

Accidents Incurring Missed Workdays



Asbestos Countermeasures

Tosoh has conducted a survey of asbestos manufacturing and use. After changing from the mercury process at the Nanyo Complex, Tosoh manufactured asbestos for the membranes used in electrolysis. Health examinations in fall 2005 conducted for employees and retirees who were involved in this production activity found that none of the subjects had suffered adverse effects.

Moreover, Tosoh is conducting health examinations for employees in related production processes not covered by asbestos rules and regulations, and reports from health examinations completed to date show no adverse effects from exposure to asbestos. The Nanyo Complex and the Yokkaichi Complex have implemented measures to remove asbestos from structures, and asbestos has been removed from the single company dormitory that employed it as of September 30, 2006.

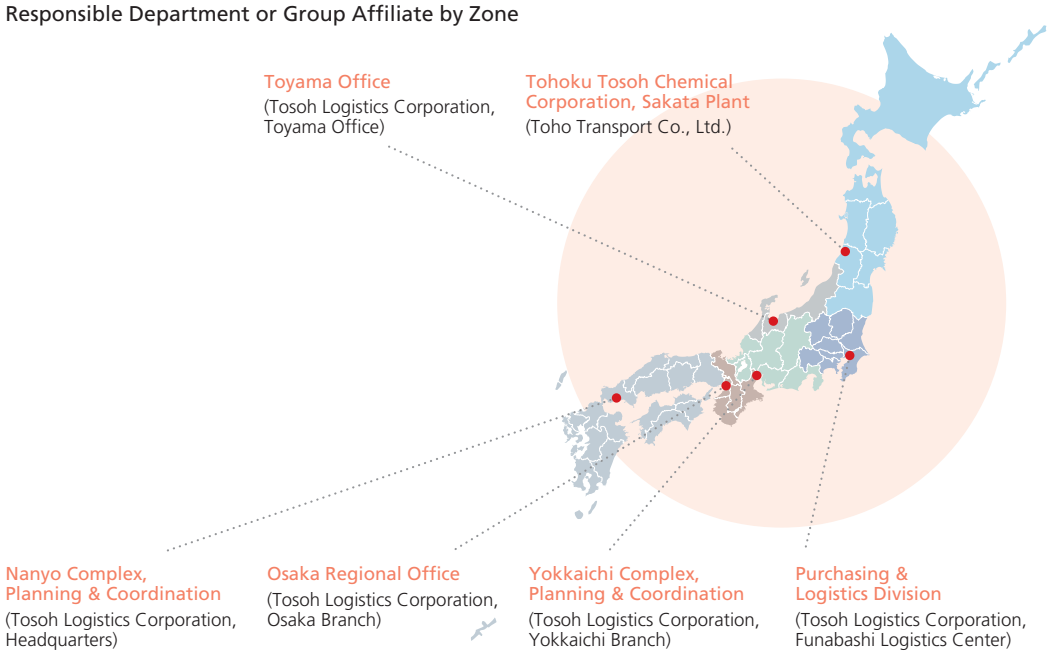
Logistics Safety

Logistics Safety

To transport chemical products safely and reliably, the Tosoh Group investigates the causes of transport problems and implements measures to preclude their occurrence. Preparation of exhaustive manuals, safety training for handling chemical products and transport vehicle inspections are among the many steps Tosoh takes for its products that contain hazardous chemicals.

Tosoh has established an emergency communication network to handle transport accidents, and keeps protective equipment, equipment to isolate spills, and other gear ready at all times. Emergency information for hazardous materials is readily available via "yellow cards" on file with authorities and carried on all transport vehicles. Containers being transported in small lots also carry these yellow cards on adhesive stickers.

Responsible Department or Group Affiliate by Zone



Yamaguchi Koun Co., Ltd. Wins Eco Drive Contest

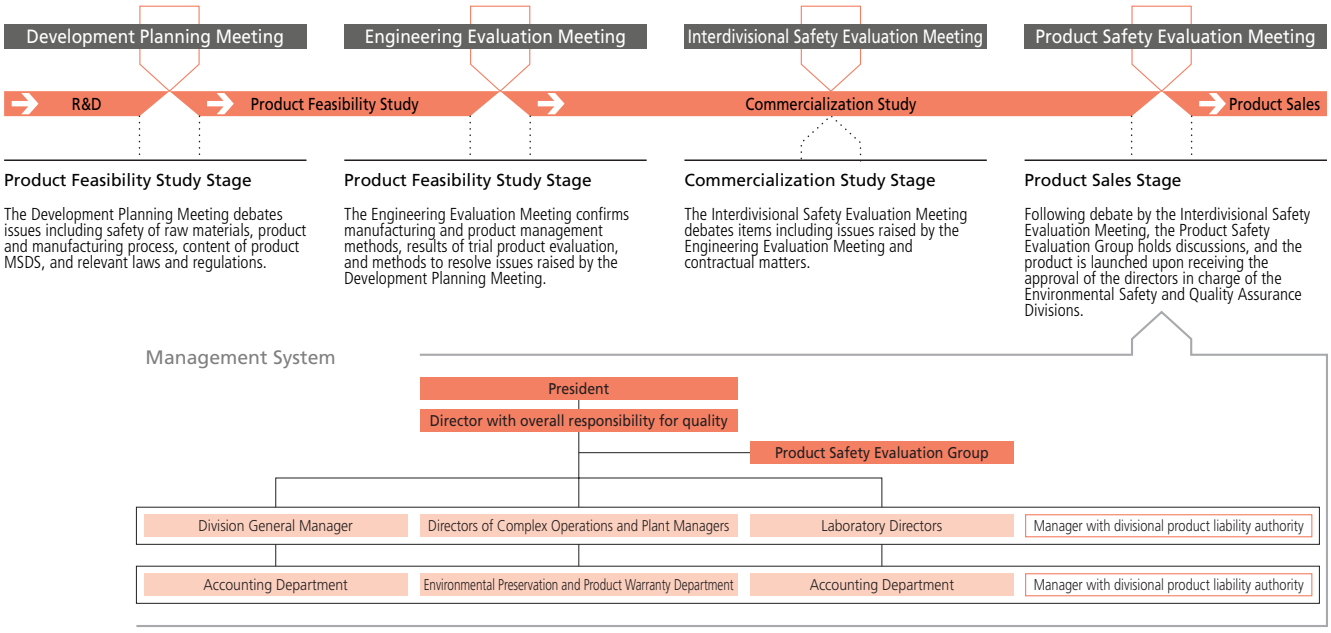
On October 22, 2005, employees of Tosoh subsidiary Yamaguchi Koun Co., Ltd. took the top two spots in the First Annual Eco Drive Contest sponsored by the Yamaguchi Trucking Association. The competition to find ways to reduce fuel consumption took place on a course of approximately four kilometers over two weeks. Yamaguchi Koun has adopted environmentally friendly approaches and will continue working to reduce the environmental impact of transport.

Chemical and Product Safety

Chemical substances are at the forefront of global attention. Tosoh has established fundamental policies for product safety and has widely evaluated and gained expert knowledge of the hazards and toxicity of its chemical substances. We communicate this information to customers.

Safety Screening

Tosoh has a fundamental policy of providing safe products to customers. The following chart outlines our safety screening process.



Providing Product Information

Tosoh helps customers handle its products safely by preparing and providing the most up-to-date versions of MSDS covering product components, toxicity, hazards and handling methods. In July 2003, the United Nations issued The Globally Harmonized System of Classification and Labelling of Chemicals (GHS) to provide guidance for consistent international classification and labeling of chemical substances. In Japan, the Occupational Health and Safety Law requires conformance with the GHS by December 2006. Tosoh is responding to these developments by preparing data on chemical substances and promoting standards for MSDS and revising labels. In addition, Tosoh has moved to further improve chemical and product safety activities by undergoing inspections in October 2005 by Responsible Care Verification Centers according to chemical and product codes. Our objective is to establish and manage chemical and product safety systems that include sales divisions.

Preparation of HPV Hazard and Toxicity Data

The need to prepare data covering issues such as the hazards and toxicity of existing chemical substances to allow safe handling is internationally recognized. The Organization for Economic Cooperation and Development is conducting a project to acquire and evaluate data for high production volume (HPV) chemicals. Tosoh has registered 19 substances through the International Council of Chemical Associations, and completed evaluation for 15 of them by the end of fiscal 2005. Moreover, Tosoh has registered one substance with the Japan Challenge Program, a public-private collaboration to create a system for collecting and disseminating safety information on chemical substances proposed by the Ministry of Health, Labour and Welfare, the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

Quality Assurance

Product Warranties

Tosoh wants to provide products that satisfy customers. Each manufacturing facility operates according to a philosophy and policies for quality and works to improve quality while reducing product complaints. Each manufacturing division formulates a quality improvement plan with the objective of continuous quality improvement.

The Responsible Care Codes* established by the JRCC do not cover product warranties. Tosoh establishes its own code for product warranties each year, and promotes it as one component of the Company's Responsible Care activities.

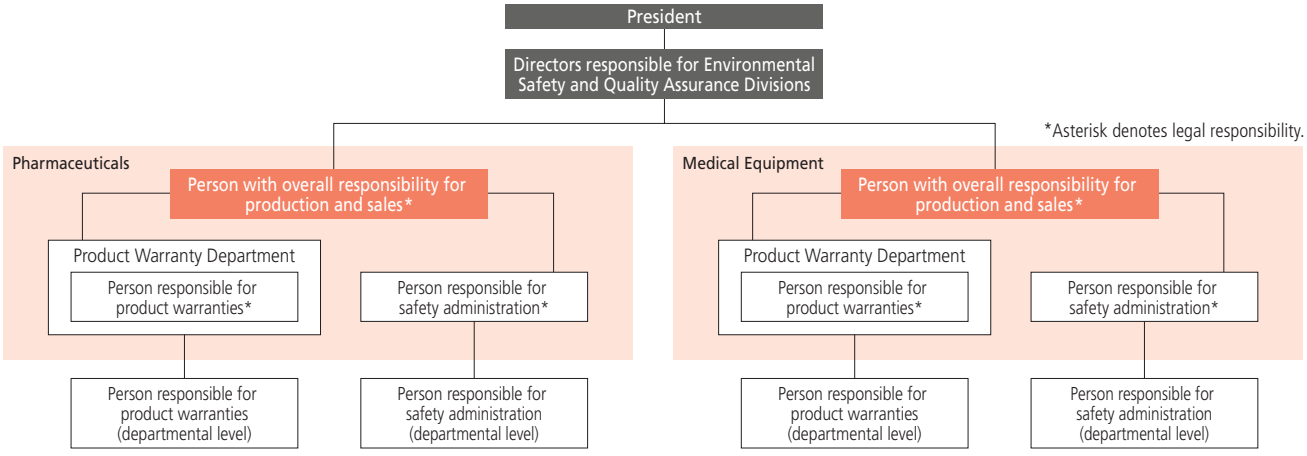
In fiscal 2005, Tosoh devoted particular attention to auditing product warranties when manufacturing processes and testing procedures have changed and when production is outsourced. Tosoh not only conducts internal quality audits, but also audits the companies to which it outsources production. Information on customer requests regarding products made by Tosoh and 23 of its Group companies is being computerized to share information among divisions for more effective management at each stage of response.

* The Responsible Care Codes consist of codes for Environmental Preservation, Safety and Accident Prevention, Occupational Health and Safety, Chemical and Product Safety, Logistics Safety, and Public Dialogue, together with a Management System Code to coordinate the operation of these six codes.

Medical Product Management System

Tosoh has a system for managing the pharmaceutical and medical equipment products it manufactures. Since the Pharmaceutical Affairs Law went into effect in April 2005, Tosoh has acquired authorization for its manufacturing and sales operations with overall responsibility for production management, quality management and safety management.

System for Quality Assurance and Safety Administration



Employee Dialogue through Study Meetings

Tosoh fosters compliance with the Pharmaceutical Affairs Law by holding periodic meetings on various themes at which employees discuss pharmaceutical affairs.

Environmental Accounting

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.

Investment in Environmental Protection and Safety

In fiscal 2005, investment in environmental protection increased substantially to ¥11.0 billion, and the economic benefits of this investment increased by approximately ¥0.4 billion compared to the previous fiscal year. In addition, during fiscal 2005 Tosoh invested approximately ¥0.9 billion in occupational safety and working environment improvement measures, earthquake countermeasures, and safety facilities renewal.

Tosoh's environmental accounting system is based on the 2005 Edition of the Environmental Accounting Guidelines established by the Ministry of the Environment. Tosoh employs its own assumptions for calculations in areas not specified by the guidelines.

Environmental Protection Effects (Economic Effects)

Billion Yen

Description		Amount Fiscal 2005	Amount Fiscal 2004
Income	Revenues obtained from recycling waste or used products	0.50	0.52
Cost savings	Cost reductions due to energy conservation	2.09	1.07
	Reduction in waste treatment costs from resource conservation and recycling	1.17	1.78
Total		3.75	3.37

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

Environmental Protection Program Results

Item (Unit)	Fiscal 2005	Fiscal 2004	YoY Change
Energy Employed (Crude Oil and Equivalents)(Thousand kl)	2,000	1,900	100
SOx Emissions (tons)	560	770	-210
NOx Emissions (tons)	11,000	11,000	0
COD Emissions (tons)	870	920	-50
Dust Emissions (tons)	300	330	-30
PRTR Substance Emissions (tons)	490	510	-20
Waste Generated (thousand tons)	530	620	-90
Final Waste Disposal (thousand tons)	1.6	2.1	-0.5

Environmental Protection Costs

Billion Yen

Category	Description of principal activities	Investment Fiscal 2005	Investment Fiscal 2004	Cumulative 10-year investment (1996-2005)	2005 costs
Costs within the business area		10.75	4.88	39.26	10.85
Pollution prevention costs	Flue gas desulfurization measures, installation of wastewater autoanalyzers, anti-dust measures, wastewater treatment	7.63	0.67	20.69	5.74
Global environment preservation costs	Renewal of power plant facilities	0.71	1.23	9.07	1.82
Resource recycling costs	Installation of resource recycling and industrial waste treatment facilities	2.41	2.98	9.50	3.29
Administrative costs	Environmental management, environmental impact assessment, monitoring of environmental load, publication of environmental reports	0.00	0.08	0.40	0.58
Research and development costs	Development of environmental load-reduction technology and of environment-related products	0.28	0.26	1.27	1.91
Social activities costs	Greening, beautification, affiliated association fees, regional cooperation	0.00	0.00	0.00	0.18
Other costs	—	0.00	0.00	0.01	0.08
Total		11.03	5.22	40.95	13.60

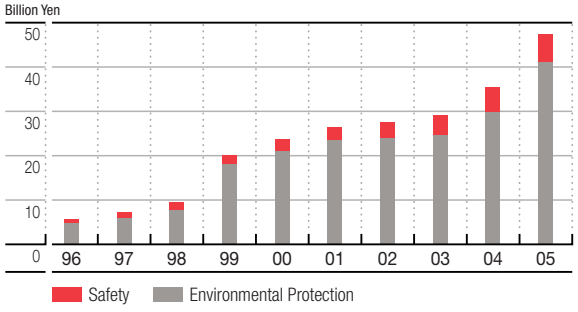
Scope of data collection: Nanyo Complex, Nanyo Research Laboratory, Nanyo Technology Center, Yokkaichi Complex, Yokkaichi Research Laboratory, Tokyo Research Center, corporate headquarters

Accounting period: April 1, 2005 to March 31, 2006

Cumulative Investment in Environmental Protection and Safety

For the 10 years beginning fiscal 1996, Tosoh's cumulative investment in environmental protection totaled ¥41.0 billion and its cumulative safety-related investment totaled ¥6.4 billion.

Cumulative Amount of Investment in Environmental Protection and Safety



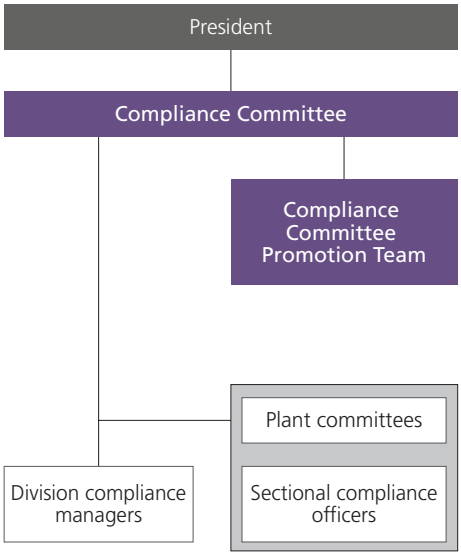
Corporate Governance and Compliance

Maintaining fair business practices and complying with the laws and regulations of the countries we operate in are important facets of our sustainable development. Tosoh's corporate governance structure aims to establish transparent business activities and managerial accountability. In principle, the Board of Directors makes important policy decisions and oversees the activities of the operating officers, while an Auditors' Committee monitors the Board's performance and the management system. A core component of corporate governance is the compliance organization, which is headed by the Compliance Committee. Under that committee, compliance officers in each division, department, and facility work to raise employees' awareness of legal and regulatory issues and to ensure compliance. In fiscal 2004, Tosoh began operating a compliance hotline and started implementing a compliance framework at its wholly owned Group companies.

Basic Compliance Policies

Tosoh considers fair competition and rigorous compliance as essential to its position in society. Our Compliance Code of Conduct provides guidance for fair and ethical conduct among officers and employees.

Compliance Organization



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

For an introduction to Tosoh's basic principles regarding the environment, safety, and health, visit us on the web at www.tosoh.com.

Customers and Business Partners

Customers and Business Partners

We must work together with our customers and business partners to achieve a sustainable society. Our integrated efforts include not only providing safety information about the products we handle, but also building awareness among our customers of the activities of the chemical industry through a full range of communications.

Discussions began in the mid-1990s regarding the need for additional techniques to reduce the risks of chemical substances and international harmonization of efforts to do so. In 2002, the World Summit on Sustainable Development in Johannesburg set goals for 2020 for minimizing the impact of the manufacture and use of chemical substances on people's health and the environment. The Strategic Approach to International Chemicals Management (SAICM) emerged at the end of 2005 as the means to achieve these goals.

The International Council of Chemical Associations (ICCA) has promulgated the Responsible Care Global Charter to delineate voluntary policies for globally managing chemical substances. The Japan Chemical Industry Association (JCIA), a member of the ICCA, has prepared a declaration of support for the Responsible Care Global Charter and has asked the chief executive officers (CEOs) of all member companies to sign it.

In response, Tosoh has taken the lead among signatories to the declaration. The JCIA also reflected the Responsible Care Global Charter in its new fundamental policies for the environment and safety it announced in 2005, and is cooperating with the Japan Responsible Care Committee (JRCC) in promoting voluntary management of chemical substances.

Measures to Promote Green Purchasing at Customers

Many manufacturing industries use chemical products, and in the electronic and electrical devices and automobile industries in particular, demand has been strong for reduction of specified hazardous chemicals in its chemical products and easier recyclability. In response, Tosoh conducts analyses of product impurities and receives customer audits.

Tosoh's Responsible Care Program

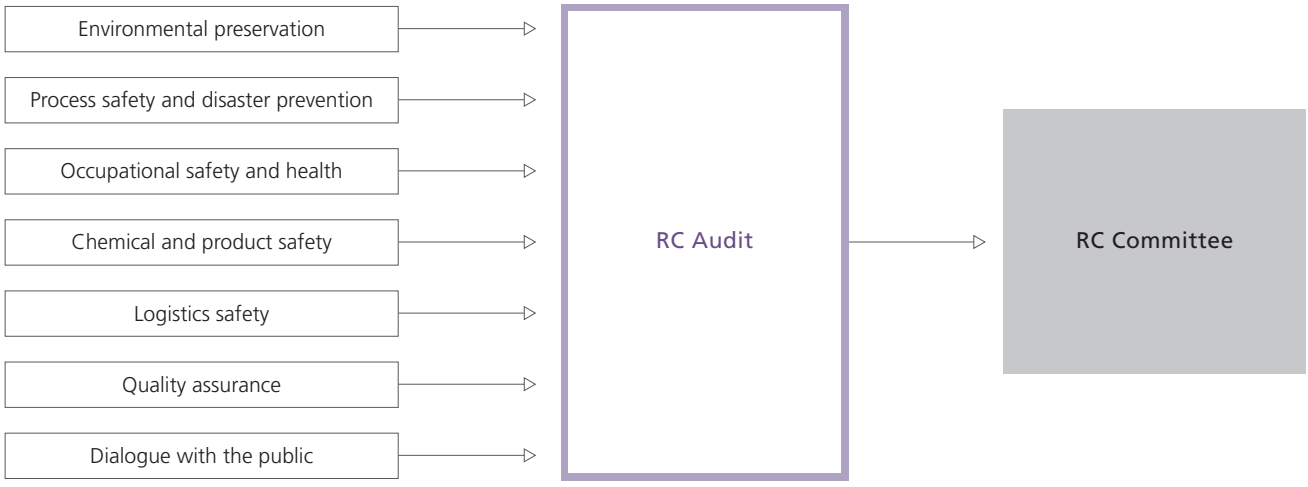
Responsible Care®

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 product development and production to use and disposal. In 1995, Tosoh became a founding member of the Japan Responsible Care Council (JRCC). RC activities constitute the core of Tosoh's environmental, safety and health activities.

Standard RC activities fall under the six categories shown below, and Tosoh has added quality assurance as a seventh category.

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 head office administrative divisions, operating divisions, manufacturing complexes and offices, and research centers. The RC Committee is responsible for formulating the RC activity plan for each fiscal year and for evaluating our RC activities. As the audit chief, the chairman of the RC Committee audits each manufacturing complex more than once a year. 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.

RC Activity Categories and RC Audit



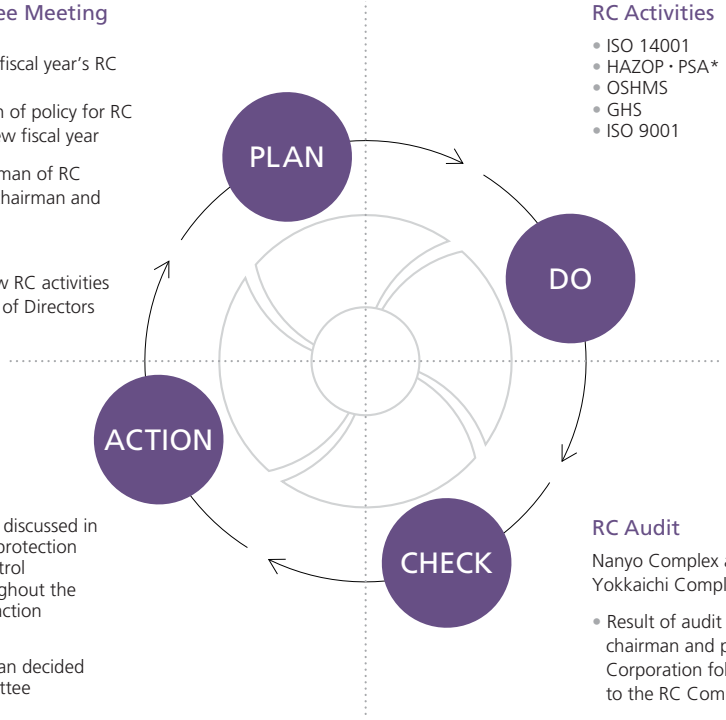
Message from the RC Committee Chairman

In tandem with the growth and increased efficiency of its business, Tosoh has been dealing with its environmental, safety and health performance as RC activities. Unfortunately, we did not achieve our fiscal 2005 targets for process safety and health, but we continued our improvements in the area of environmental preservation from the previous fiscal year.

Strengthening our chemical management to a world-class level, together with communication with our business partners to achieve this goal, is becoming increasingly important. The Tosoh Group will continue to increase its efforts to carry out these initiatives flexibly and swiftly.

Kenichi Udagawa, Director
RC Committee Chairman

Responsible Care PDCA Cycle



RC Committee Meeting
(January 2005)

- Evaluation of fiscal year's RC activities
- Determination of policy for RC activities in new fiscal year

Report by chairman of RC Committee to chairman and president
(March 2005)

Approval of new RC activities policy by Board of Directors
(March 2005)

RC Activities

- ISO 14001
- HAZOP・PSA*
- OSHMS
- GHS
- ISO 9001

RC Audit

Nanyo Complex and Yokkaichi Complex (December 2005)

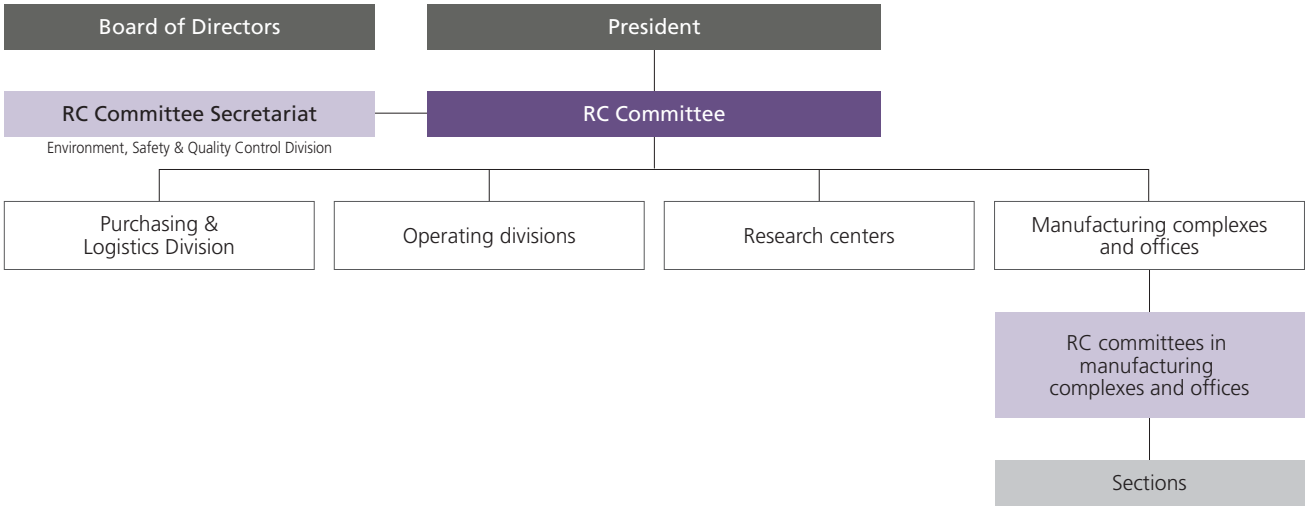
- Result of audit reported to chairman and president of Tosoh Corporation following the report to the RC Committee.

Results of audit discussed in environmental protection and quality control meetings throughout the Company and action decided on.

- Next year's plan decided by RC Committee

*HAZOP・PSA: Hazard and operability study/Probabilistic safety assessment

Responsible Care Promotion Structure



History of Tosoh's RC Activities

1990
> Environment Committee established.

1992
> Basic Environmental Stance and Code of Conduct for Environmental Protection and Safety formulated.

1993
> Nanyo Complex acquires ISO 9001 and ISO 9002 certification.

1995
> Japan Responsible Care Committee (JRCC) established with Tosoh as a founding member.

> Yokkaichi Complex acquires ISO 9001 and ISO 9002 certification.

> Environment Committee reorganized as the Responsible Care Committee.

1998
> Nanyo Complex acquires ISO 14001 certification.

1999
> Basic Principles Regarding the Environment, Safety and Health established.

> Yokkaichi Complex acquires ISO 14001 certification.

2001
> Third-party inspections conducted by the JRCC Responsible Care Verification Center covering management system, labor safety and health, and dialogue with the public.

2002
> Third-party inspections conducted by the JRCC Responsible Care Verification Center covering process safety, logistics safety, and environmental preservation.

> Tosoh Bioscience Division and related Group companies acquire ISO 13485 certification for medical product and pharmaceutical quality management.

2005
> Third-party inspections conducted by the JRCC Responsible Care Verification Center covering chemical and product safety.

2006
> Tosoh CEO signs a declaration of support for the Responsible Care Global Charter.

www.tosoh.com

Environmental Training

Tosoh provides multiple levels of training and technology courses covering issues including environmental preservation and safety for initiatives such as Responsible Care and ISO certification.

ISO Certification

Tosoh has acquired from the International Standards Organization (ISO) and is maintaining ISO 9001 certification of its quality management system, ISO 13485 certification of its medical product and pharmaceutical quality management system and ISO 14001 certification of its environmental management system.

ISO 9001

Japan

Nanyo Complex; Yokkaichi Complex;
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, 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);
Philippine Resins Industries, Inc. (Philippines)

ISO 13485

Japan

Bioscience 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)

CORPORATE DATA

Tosoh Corporation

Date of Incorporation
February 11, 1935

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

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

Paid-in Capital
¥41 billion (as of March 31, 2006)

Sales
¥648.8 billion (consolidated)
(For the fiscal year ended March 31, 2006)

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, Bioscience,
Eco-Business Operations

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

Additional Information
To learn more about Tosoh Corporation,
visit us on the web at www.tosoh.com

For further information on our environmental activities:

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Innovations for positive change
and a sustainable future

TOSOH CORPORATION

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