

Further promotion of CSR Management

TOK's mission is to contribute broadly to social progress while achieving growth by supplying superior products backed by an aggressive R&D program that accurately targets market needs. In order to achieve that mission, all TOK executives and employees understand their responsibilities involving corporate citizenship. Our business activities are constantly guided by CSR that reflects a comprehensive perspective covering environmental, social, and economic factors. We are determined to remain a company that can use this approach to earn high levels of trust and satisfaction among all stakeholders★. This is why CSR management is a key component of our management activities as well as a central concept for our entire organization.

★ Stakeholders: Include but are not limited to consumers(customers), employees, shareholders, suppliers, communities, government agencies, non-government organization and other entities.

Corporate Governance★

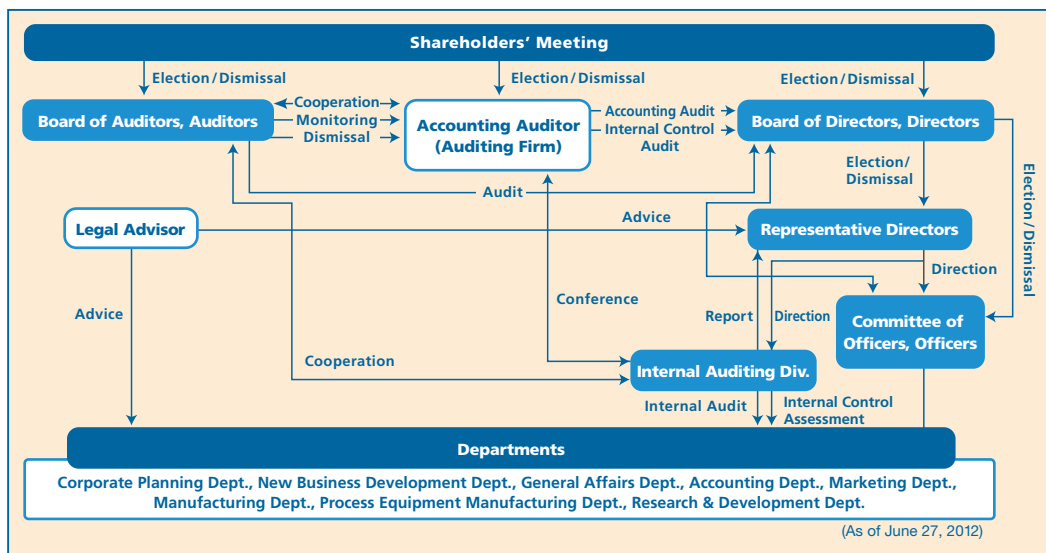
Basic Concept

Aiming to become a company that can earn the trust of all stakeholders, we position the enhancement of corporate governance as one of the most important management issues. To achieve this, we strive to ensure a sound and transparent management and enhance operational efficiency by speeding up the decision-making process.

★ Corporate governance: A system to supervise a company's business operations through streamlining of operations and enhancement of compliance, in order to increase its corporate value that will lead to the benefit of its stakeholders.

Corporate Governance System

As a company with corporate auditors, we adopt a corporate auditor system. This is to enhance audits performed by the corporate auditors, whose authority has been strengthened under the Japanese Companies Act. In addition, we aim to strengthen the functions of managerial decision-making/supervision and business execution, and clarify the responsibility for performing these functions, through the reform of our Board of Directors, establishment of a corporate officer system, and election of an independent outside director. We believe that these are the most effective means of enhancing our corporate governance.



Directors and the Board of Directors

We have seven directors including one outside director★.

Their term of office is one year, which permits us to respond swiftly to changes in the business environment and clarify the responsibility of directors in each fiscal year. In addition, we elect one outside director with an independent status in order to enhance the transparency of the board and their supervisory function. The board, composing of representative directors and directors, has an optimal structure in executing its required functions of managerial decision-making and supervision.

★ Number as of June 28, 2012

Officers and the Committee of Officers

We have thirteen officers, including six officers concurrently serving as directors★.

While strengthening the functions of the Board of Directors, i.e. managerial decision-making and supervision, we also focus on the function of business execution. In order to reinforce this function, we set up the Committee of Officers composing of the chief executive officer, chief operating officer, senior executive officer, executive officers and officers, based on their respective duties and responsibilities.

★ Number as of June 28, 2012

Auditors and the Board of Auditors

We have three auditors, including two outside auditors★.

Each auditor is required to perform his/her duties allocated in accordance with the auditing standards (Corporate Auditor Auditing Regulations) and the auditing policies stipulated by the Board of Auditors. These include: attending the meetings of the Board of Directors and the Committee of Officers as well as other important meetings; and supervising the performance of directors by receiving progress reports from the directors and others and requesting an explanation when necessary. They also supervise the appropriateness of audit methods and results performed by the accounting auditors by receiving their progress reports and requesting an explanation when necessary.

★ Number as of June 28, 2012

Internal Auditing Division

We set up the Internal Auditing Division, under the direct control of the President, composing of four staff members★. In addition to the standard audits of business operations, this division provides suggestions, proposals and advice for continuous improvements by undertaking evaluations of the effectiveness of internal controls on financial reporting.

★ Number as of June 28, 2012

WEB

Corporate Governance

<http://www.tok.co.jp/en/company/about/governance.html>

■ Compliance★

TOK fosters a strong spirit of compliance with the law, Company rules and regulations and social norms in all corporate activities, on the part of each and every one of its management executives and employees.

★ Compliance : A generic term that describes a company's responsibility to conform to laws and regulations and the norms of society in all corporate activities.

● Compliance Framework

The Compliance Committee, a secretariat, provides information, training and other assistance to compliance leaders who are responsible for compliance activities at each TOK business site. Furthermore, every department involved with compliance programs provides executives and employees with information, training, consultation, and other supports involving compliance.

● Establishment of the Standards of conduct

The objectives are to raise awareness of the importance of compliance and to establish a clearly defined set of shared values and code of conduct.

All employees have received a copy of the TOK Group Compliance Standards of Conduct Handbook. We are also holding compliance briefings at all sites to raise awareness of the code of conduct.

● Whistle-blowing System

Our whistle-blowing system has three options to protect internal whistle-blowers: a direct reporting, indirect reporting (to auditors) and external reporting (to corporate lawyers) . Employees can select either option according to the situation. In addition, we clarify our policy stating that any employee who has “whistle-brown” should not receive a dismissal or other negative consequences, except in cases where such whistle-blowing was done with a dishonest intent.

■ Risk Management★

In order to deal with various risks that may seriously affect our business operations, we constantly conduct risk management trying to reduce and prevent risks. In addition, we set up the Contingency Management System to prepare for emergency events and minimize damages.

★ Risk management: A process to identify potential risks which are likely to affect the continuity of a company’s business, formulate preventive and response measures for such risks and evaluate their effectiveness.

● Risk Management System

We run the Contingency Management Meeting as a company-wide meeting to clarify potential risks that may seriously affect our business operations and review preventive and response measures for emergency events in advance.

Aiming to prevent and manage these risks, we set up a risk management system based on a PDCA cycle. In this cycle, we first identify and analyze risks, and then formulate preventive measures for risks deemed to be material. Later we evaluate the effectiveness of such measures.

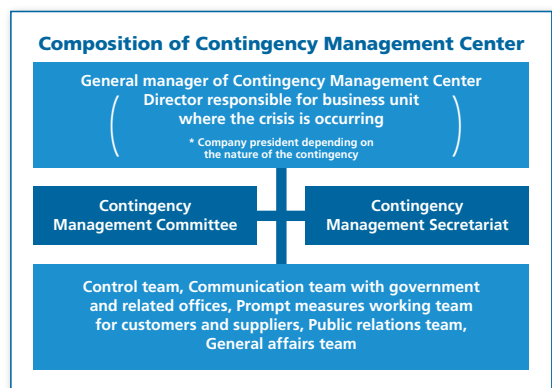
Since Fiscal 2008, we have extended the scope of the risk management system to our overseas offices and plants, while selecting and introducing additional risk management measures.

● Contingency Management Committee

The Contingency Management Committee is composed of the manager of the General Affairs Department as a chairperson, and other department managers. In a peace-time situation,



Note: The Contingency Management Conference is made up of representatives of the responsible persons on contingency plan and actual activity persons on contingency plan in each TOK operating department.



they review the Group's contingency management system and formulate contingency management policies. At the time of the Great East Japan Earthquake that occurred in March 2011, the Committee set up a contingency management center within the headquarters, and provided advice and assistance for a swift recovery of the devastated areas by closely communicating with our local staff working in the areas.

■ Information Security

Aiming to become a company that can earn the trust of all stakeholders, we are continuously working to manage and maintain information security and appropriately protect our exclusive information as well as externally obtained information including personal information.

● Information Management System

Information Security Operating Framework

We establish an information security operating framework led by the Management Information Systems Division. Under the framework, we manage the progress of information security measures, and conduct employee training and audits on information security, aiming to achieve a high level of information security. In addition, we set the risk management for information security directly linking to the contingency management framework.

Standardization of Security Measures and Actions

We have standardized various measures to maintain a high level of information security. All our employees and related parties are required to strictly adhere to the standards.

Employee Training

We provide regular educational programs on information security for officers and employees through e-learning and other tools, as well as compliance training for new employees. In this way, we try to increase their awareness of the importance of protecting confidential information including personal information and complying with information management procedures.

Information Security Audits

Our Internal Auditing Division conducts audits on the division responsible for information security (i.e., the Management Information Systems Division). Likewise, the division responsible for information security audits on the compliance status of employees with the standardized information security measures. Through this mutual supervision system, we are continuously working to improve the operating framework and measures for information security.

■ Business Continuity Plan (BCP) ★

Since the Great East Japan Earthquake that occurred in March 2011, companies have become more aware of the importance of a BCP.

At that time, our Koriyama Plant was damaged by the earthquake. However, we have successfully minimized inconvenience to customers by implementing our business continuity plan, in which we transferred the damaged production lines of some products to other plants.

Taking a lesson from this experience, we have reviewed and further enhanced our BCP. Accordingly we set up a back-up system at the Sagami Operation Center to ensure stable shipping from the Koriyama Plant, which manufactures our state-of-the art materials.

★ Business Continuity Plan (BCP) : An emergency preparedness plan for companies that lays out the actions to be taken during normal periods as well as the methods and measures at the time of emergency, such as a natural disaster and severe earthquake, in order to minimize damages and make a swift recovery of their business operations.