

**tok TOKYO OHKA KOGYO CO., LTD.**  
<http://www.tok.co.jp>

**Contact:**

**Public Relations Division Public Relations Section**

150 Nakamaruko, Nakahara-ku, Kawasaki-shi, Kanagawa, 211-0012, Japan

TEL.+81-44-435-3000 (Rep.)

FAX.+81-44-435-3020 (Rep.)

**EHS Division EHS Business Documentation Section**

1590 Tabata, Samukawa-machi, Koza-gun, Kanagawa 253-0114 Japan

TEL. +81-467-75-2151 (Rep.)

FAX. +81-467-75-6551 (Rep.)



Toward Becoming a Company  
that Creates“**Inspiration**”

# 2016

Corporate Social Responsibility  
**CSR Report**



**tok TOKYO OHKA KOGYO CO., LTD.**

History of TOK

TOK celebrated its 75th anniversary in October 2015.

The founder had an unshakeable belief that we should “challenge ourselves to develop products that may entail difficulties but are useful to society and are not offered by other companies.” Based on this belief, since our establishment, TOK has provided numerous Japan-first, world-first and world-leading products as an R&D-driven company.

①safety lights for use in mines (cap lights: the lights attached to the helmets of the miners). ③1953: Television broadcasts commence ④Sagami plant

■ 1936 April

Started as TOKYO OHKA RESEARCH LABORATORY  
The founder of the Company, successfully used mercury electrolysis process to refine the high purity caustic potash (potassium hydroxide) used in the electrolytic solution of the alkaline storage batteries that are the power source for safety lights for use in mines.  
Started domestic production of potassium hydroxide (high-purity caustic potash)①

■ 1940 October

Reorganized as a joint-stock company, TOKYO OHKA KOGYO CO., LTD.  
Reap what you sow:the motto of TOK founder Shigemasa Muka②  
Mukai's strong belief of “Do it yourself. Own the results of what you do,whether this resulted in profit or loss” is briefly explained in these words. TOKhas inherited this strict ethos of directing its own destiny.

■ 1955 May

Started manufacturing Ohkaseal (potassium silicate solution for CRT phosphor bonding).③

■ 1956 October

Become a world-leading manufacturer of high-purity cinnamate

■ 1967 January

Built Sagami plant (present Sagami Operation Center).④

Editorial Policy  
What We Wish To Communicate Through This Report

The TOK Group is working through its CSR activities to raise corporate value and actively contribute to the formation of a sustainable society.

The CSR Report 2016 is published to assess CSR activities conducted in fiscal 2015 and to promote further communication with stakeholders. Information is disclosed on initiatives considered particularly important from among our various activities.In addition, the report this year provides a summary of the TOK Medium-Term Plan 2018, our new medium-term plan and the pillar of our management strategy, along with special features to facilitate a better understanding of initiatives related to our company-wide strategy and initiatives related to information security.

We look forward to receiving your honest feedback, which is used to further improve our CSR initiatives and this report.This report can also be read on our website.

TOK's CSR website

http://www.tok.co.jp/csr

Scope of Data Collection

This report covers only the domestic business activities of the TOK Group, which is made up of a total of nine companies (as of March 31, 2016) comprising TOKYO OHKA KOGYO CO., LTD., its subsidiaries, and its equity method affiliates. TOKYO OHKA KOGYO CO., LTD. is indicated as TOK (the Company).

Applicable Period

In principle, the report covers fiscal 2015 (April 1, 2015 to March 31, 2016), but also contains some information about activities conducted in fiscal 2016.

Reference Guidelines

Environmental Reporting Guidelines 2012, published by the Ministry of the Environment Sustainability Reporting Guidelines G4, published by the Global Reporting Initiative (GRI)  
ISO 26000: 2010 – Guidance on Social Responsibility, released by the Japanese Standards Association

Date of issue: July 2016  
Date of next issue: July 2017 (tentative)

■ 1971 October

First manufacture of OMR-83 (eco-friendly synthetic rubber photoresist)  
Drive out imports and became mainstream photoresist for IC manufacturing⑤

■ 1972 December

Developed OFPR (nation's first positive photoresist for semiconductors).

■ 1977 September

First manufacture of OAPM-300 (world's first fully automatic sheet plasma etching machine)⑥

■ 1986 February

Listed in the Second Section of Tokyo Stock Exchange.⑦

■ 1992 October

First manufacture of THMR-IP3100 and TSMR-V90.  
TOK INTERNATIONAL, INC. merged with OHKA AMERICA INC.  
and changed its name to OHKA AMERICA, INC.  
Built Koriyama plant.

■ 1994 February

First manufacture of TDUR P-015 (positive, chemically amplified photoresists for use in KrF lithography).Achieved resolution of 0.25μm, becoming global standard for this type of photoresist

■ 1997 January

Developed TMR / TWR series“Zero Newton”⑧

■ 2008 September

Established TOK ADVANCED MATERIALS CO., LTD.

■ 2012 August

Bilt Tongluo plant of TOK TAIWAN CO., LTD.

■ 2014 November

⑤OMR-83

⑥OAPM-300 (fully automatic sheet plasma etching machine)

⑦Plaque commemorating TSE listing

⑧“Zero Newton”TMR / TWR series

As the top manufacturer of cutting-edge photoresists in the global market and a company that provides behind-the-scenes support for the development of the electronics industry, we will continue to contribute to the development of a sustainable society.

Corporate Data

Corporate Name: TOKYO OHKA KOGYO CO., LTD.  
Established: October 25, 1940  
Headquarters: 150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa Japan  
TEL. 044-435-3000(Main number)  
FAX. 044-435-3020(Main number)  
Paid-in capital: ¥14,640 million (As of March 31, 2016)  
President: Ikuo Akutsu  
Number of employees: 1,564 (Consolidated / As of March 31, 2016)  
Net sales: ¥89,989 million (Consolidated / Fiscal year ended March 31, 2016)  
Business offices and sites: Japan: 8 / Overseas: 9  
Corporate group: Subsidiaries: 4 / Overseas subsidiaries: 5  
Businesses:Manufacture and sales of manufacturing materials, mainlyphotoresists and high purity chemicalsfor photolithography process of semiconductor and liquid crystaldisplay, processing equipment for semiconductor and liquid crystaldisplay manufacturing, and inorganic and organic chemicals



Head Office

CONTENTS

Commitment of Top Management	3
Through the new medium-term plan, we will generate results as a global corporation that lead to new forms of inspiration.	
Microprocessing Technology for the Future	5
TOK's business overview	7
TOK's Business Hubs and Business Activities	9
TOK's Management Principles and CSR	11
Special Feature Overseas Manufacturing Sites and Major Site Initiatives	13
Ensuring sound business management	17
Special Feature Initiatives Related to Information Security	21
Creation of the impression with high value-added products	23
Creating a “Frank and Open-Minded” Workplace Where Workers are Motivated	25
Environmental Initiatives	29
Stakeholders communication	43
Third party verification	44
Third-Party Opinions / GRI Content Index	45

## Commitment of Top Management

**Through the new medium-term plan, we will generate results as a global corporation that lead to new forms of inspiration.**

President & Chief Executive Officer **Ikuo Akutsu**

**TOK's Aso Plant sustained no human damage but its facilities and equipment were not heavily affected.**

**As a company that lives and works with the local community, we will continue to contribute to the region's reconstruction.**

### Looking back at fiscal 2015

The TOK Group's management vision is to "Aim to be a globally trusted corporate group by inspiring customers with high value-added products that have satisfying features, low cost and superior quality," and this vision represents the ideal for our company in 2020, the year we celebrate our 80th anniversary.

Based on this vision, we formulated the TOK Medium-Term Plan 2015 and made "Build close relationships with regional users" as the first pillar of our company-wide strategy, working to deepen partnerships with customers under a system for providing rapid user support, with development, manufacturing and sales integrated, and developing products that precisely meet advanced needs.

In fiscal 2015, the final year of the plan, the strategy paid dividends as cutting-edge photoresists and high purity chemicals related to the manufacture of photoresists experienced growth. However, the smartphone market, which had been achieving remarkable growth, lost its momentum and other uncertainties began to emerge.

Market conditions in the electronics industry are clearly changing as new applications are expected in connection with self-driving vehicles and semiconductors for IoT.

### Challenge for the Future! – Bold Challenge to Build a Foundation for the Future

"Challenge for the Future!" is the slogan of our new medium-term plan.

TOK manufacturing, "monozukuri," is carrying on the company's founding spirit of "creating distinctive products that cannot be easily imitated by other companies."

As was introduced on the first page, we have grown while developing Japan-first, world-first and world-leading products. Taking a frank and honest stance toward even better "monozukuri," we take part in detailed discussions with customers to identify their true needs, thoroughly search for useful information and ideal materials, and put particular emphasis on establishing an assessment facilities environment equivalent to the customer's. This stance has been passed down throughout our history.

As a slogan, "Challenge for the Future!" encourages us to again take on bold challenges to build the foundation for the future, never forgetting the earnest spirit of challenge since our founding.

At the same time, in the new medium-term plan, we will also be required to focus strongly on performance. This includes firmly raising the various seeds (investment) sown under the previous medium-term plan and firmly building a foundation for the results needed to achieve our operating income target of 20.0 billion, our "ideal company image for 2020."

### Challenge1 : Awareness-raising and renewal anticipating change and leveraging opportunities

Predicting the future of the electronics industry is exceedingly difficult due to the rapid changes the market undergoes alongside the development of computer technologies, but in this rapidly changing market, new needs constantly emerge. Because of change, there are chances. This is why raising awareness and carefully observing these changes is necessary.

There is a humorous parable in China about carve on gunwale of a moving boat.\* It teaches the foolishness of overlooking changes due to sticking to old ways and becoming trapped by conventional thinking. This is not necessarily a laughing matter, however. TOK products maintain their stable levels of quality thanks to faithful reproduction of product performance at the prototype stage in the mass production stage. This suggests that there is great value in faithfully maintaining an established routine. However, at the same time, improvements and innovations are needed to create even better products; we can't simply strictly adhere to conventional ways of doing things. What this means is we can't always be looking at the notch we made in the boat for guidance because the boat keeps moving. Of course, meaningful adherence is necessary, but becoming a captive to traditional practices inhibits the challenge of the future.

In the new medium-term plan (page 12), "Reform the business portfolios" is listed as the first pillar of the company-wide strategy. Working to renew mainstay products is a major initiative in this regard. While it may be obvious, this also entails raising the awareness of employees.

### Challenge2 : Measures to provide a sense of achievement through work and further enhance the varied abilities of employees

TOK's "monozukuri," which produces products that are customized for each customer, involves close cooperation with the customer and both the company and individual employees grow through a process of being trained and disciplined by customers—it has this aspect. In a fiercely competitive market, customer needs never stop evolving, so even if we produce good results at a given time, the next time the requirements will be even more demanding due to changes in the market environment. Through this back-and-forth process, TOK employees enhance their communication abilities, grasp the changes taking place, polish their sensitivity to the customer's true needs and their ability to collect relevant information and thereby build further trust with the customer. These abilities are developed the closer employees are to customers, and as we evolve our strategy of building close relationships with customers, which continues to be part of the company-wide strategy under the new medium-term plan, expectations are high for these secondary benefits as well.

As an R&D-driven company, TOK maintains close relationships with customers and provides unique products that meet their various, differing needs. We have inherited a corporate culture that highly values employees and sees people as invaluable resources. With TOK continuing to globalize and based on the fact that our overseas sales ratio has approached 80%, developing global personnel remains a part of the company-wide strategy. At the same time, we will also focus on measures for facilitating a sense of achievement through work and enhancing the various abilities of each individual.

### Challenge3 : New challenges as a global corporation based on a sincere and honest approach

In the previous year's CSR report, I pledged that we would continue building a robust management foundation as we work to become a sustainable, 100-year (or more) company, and under the new medium-term plan, we added strengthening the management foundation to the company-wide strategy and incorporated an initiative for deepening coordination between sites. Through this initiative, we will work to consolidate the technologies and know-how accumulated at each site and bind them into proposals for even better products. I expect this to be a starting point for a form of management that fully leverages diversity.

As globalization proceeds, the scope of risk also expands. TOK has prioritized addressing risks through rigorous compliance in Japan and overseas and strengthening information security (See the Special Feature on page 21). Going forward, we will expand the scope of potential risks and actively carry out initiatives to mitigate those risks.

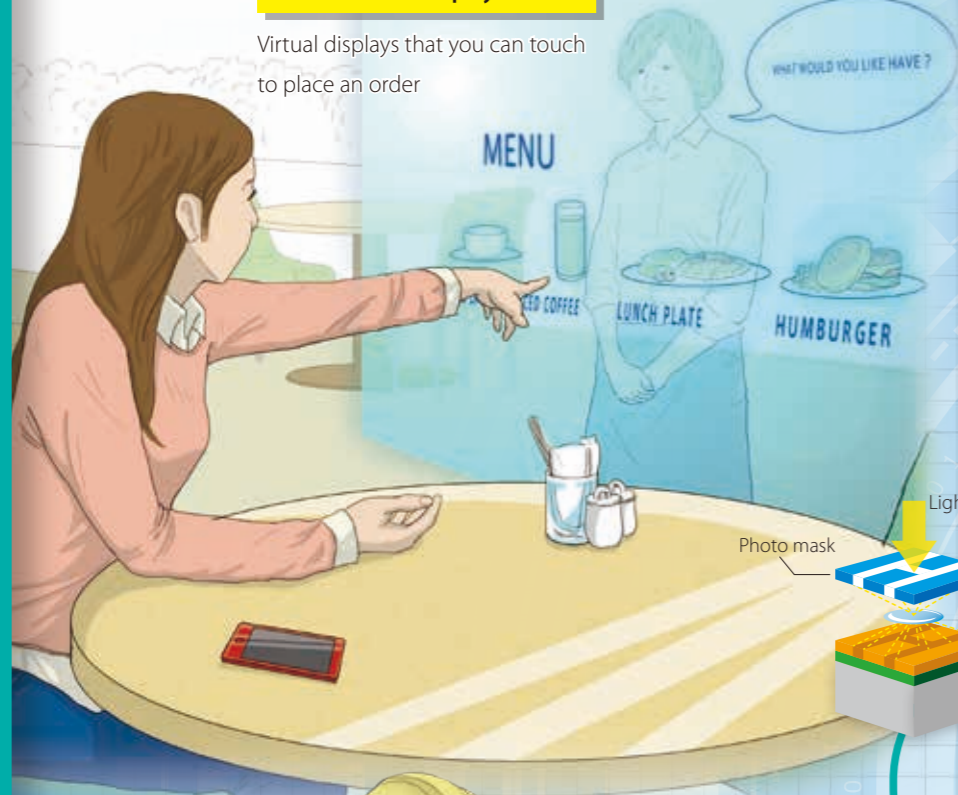
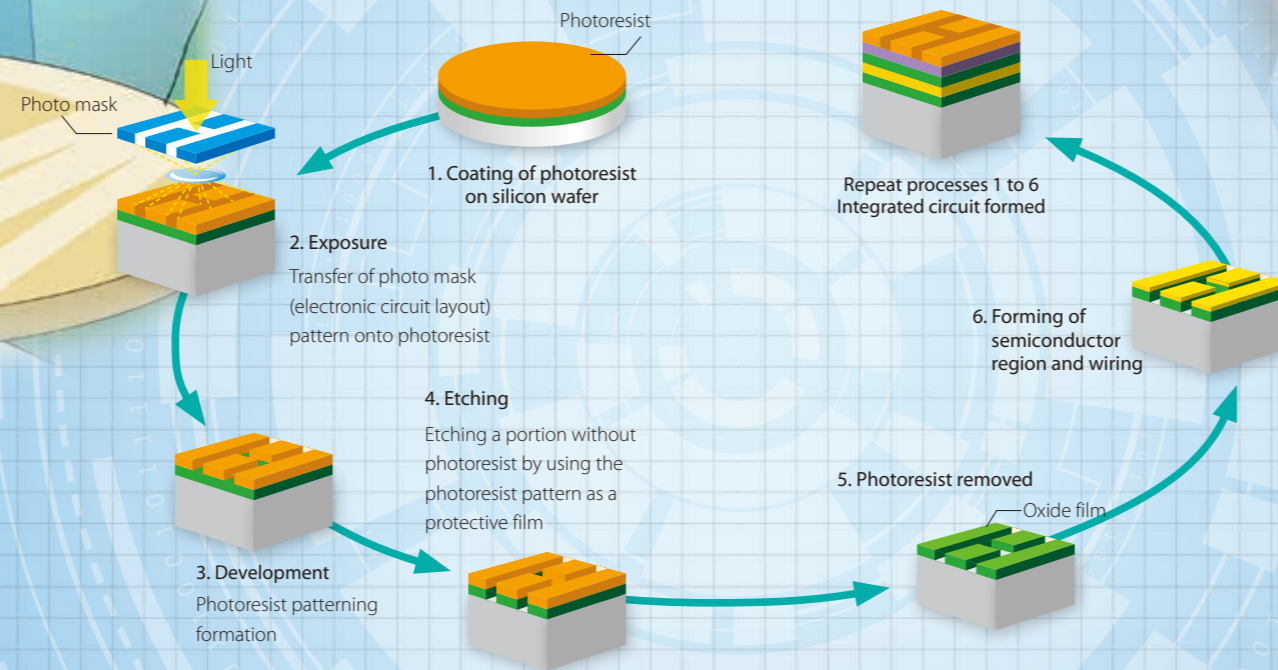
TOK increased its overseas sites during the period of the previous medium-term plan and the percentage of foreign national employees within the overall Group has increased as well. I expect this percentage to increase further going forward as we continue to develop overseas, and the challenge will be to build organizations that raise corporate value through utilizing our systems and human resources.

We will utilize the sincere and honest approach to things that we have cultivated through a commitment to better "monozukuri" in our drive to build a new company as a global corporation, and all employees together will generate results that steadily and assuredly lead to new inspiration.

\*In this parable, a man on a boat crossing a river accidentally drops his sword in the water, and to mark the spot where it fell so he could find it later he carved a notch in the boat. Of course he was never able to find his sword.

**Virtual displays**

Virtual displays that you can touch to place an order

**Photolithography Process****Self-driving vehicle**

The key factor is the performance of the vehicle's innumerable sensors. Weather forecast data will also make driving safer.

**Flexible displays**

Will even be possible to wrap a display around a pillar

**Micro channel**

Will also make all types of blood analysis possible with only a tiny amount of blood drawn  
Will reduce the physical burden on patients

**Wearable devices**

Wearable devices allow the physical condition of workers to be managed

# Microprocessing Technology for the Future

Photolithography is a microprocessing technology that uses a special material (photosensitive resin) called a photoresist to print IC circuit patterns on semiconductor substrate and then forms an electronic circuit with a width at the nano-level\* through etching and wiring processes.

The width of patterns formed by cutting-edge

photoresists is 1/10,000th the thickness of a cross-section of a strand of hair. This advance has made computers more compact and multi-functional.

For example, think of the innumerable sensors that will be included on self-driving vehicles, whose practical viability is becoming more and more realistic. The further development of microprocessing

technology will be indispensable to making the sensors more compact and more highly functional. But photolithography technologies and materials still need to get even better.

Microprocessing technology supports the development of the computers that will be essential to our sustainable future, for environmental protection, disaster

preparedness, medicine and education—the further evolution of microprocessing technology, which is said to be approaching its theoretical limit, is thought to be a very difficult challenge, but as a top brand in cutting-edge photoresists, we intend to steadfastly fulfill this responsibility.

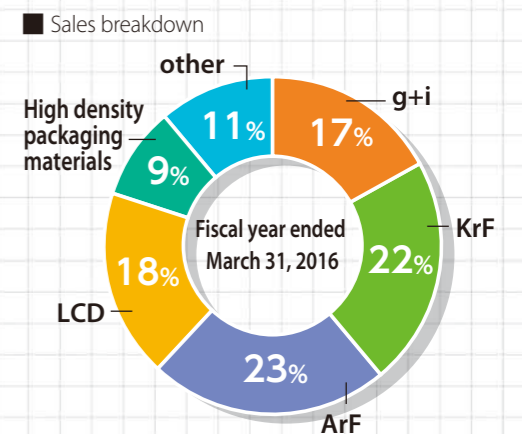
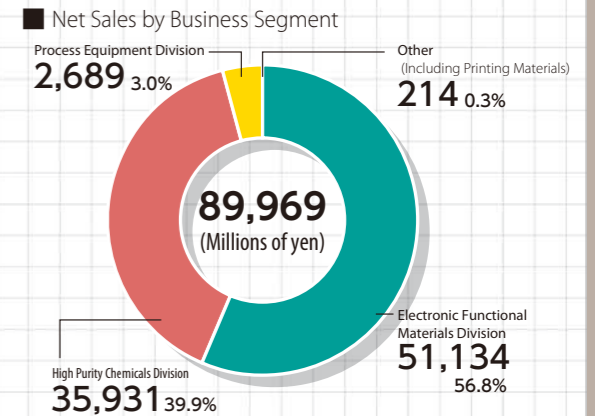
\* 1 nanometer (nm) = 1 billionth of a meter

# tok's business overview

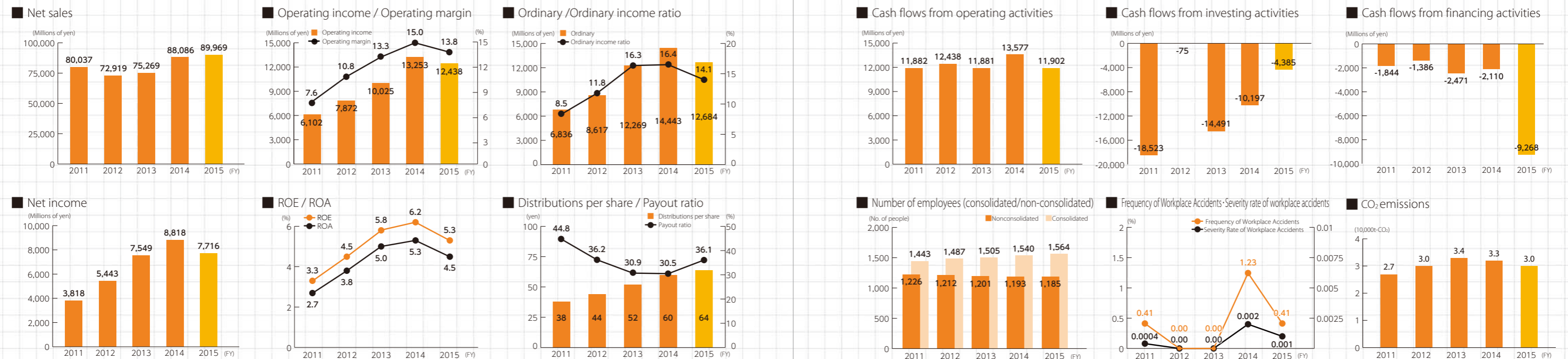
## Business and Financial Highlights

### business

business (Millions of yen)	Division	Sales (Millions of yen)	field	Main Products
Material Business (87,280)	Electronic Functional Materials	51,134	Semiconductor Manufacturing Field	<ul style="list-style-type: none"> <li><b>manufacture semiconductors</b> Rubber type / g-line / Photoresist for i-line, Photoresist for KrF, Photoresist for ArF, Photoresist for EUV, Electron beam photoresist, Materials for Directed Self Assembly</li> <li><b>Photolithography Relative Chemicals</b> Interlayer Insulating Film, Spin-On Diffusion Source, Materials for Shrink Process, Materials for Cover Coat, TPF (High-purity aqueous resin solution), etc.</li> </ul>
			Semiconductor packaging, MEMS manufacturing field	<ul style="list-style-type: none"> <li><b>Semiconductor package materials</b> Au bump / Cu pillar / Micro bump</li> <li><b>MEMS • Materials for image sensor</b> photosensitive permanent films Photoresists, photosensitive permanent films Photoresists (microlens)</li> </ul>
			Panel Manufacturing field	<ul style="list-style-type: none"> <li><b>LCD photoresists</b></li> <li><b>OLED photoresists</b></li> </ul>
	High-Purity Chemicals	35,931		<b>Cleaning solutions , Thinner , Developing solution</b>
Equipment Business (2,689)			Semiconductor manufacturing field Semiconductor packaging, MEMS Manufacturing field	<ul style="list-style-type: none"> <li><b>Coating machine, Developing machines, Vacuum UV hardening machines</b></li> </ul>
			3D Packaging field	<ul style="list-style-type: none"> <li><b>Zero Newton bonding machines / debonding machines, Adhesive materials</b></li> </ul>
			Panel Manufacturing field	<ul style="list-style-type: none"> <li><b>Coating machine, UV curing machines</b> Non-spin coaters, Coat &amp; Spin Coaters, Cleaning machines</li> </ul>



### Financial Highlights(Consolidated)



# tok's Business Hubs and Business Activities

We are working toward the expansion of our network, and developing a global strategy that includes Japan.

**TOKYO OHKA KOGYO EUROPE B.V.**  
Business TOKYO OHKA KOGYO EUROPE B.V. is engaged in the sale of photoresists for semiconductors and high purity chemicals related to photolithography for semiconductors.

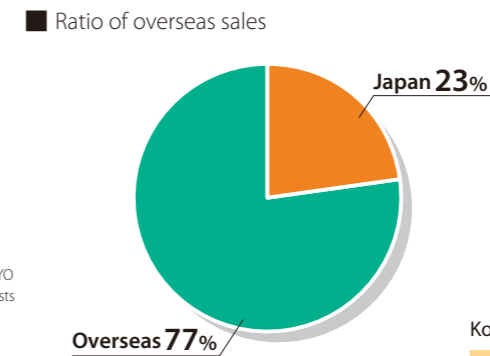
**CHANG CHUN TOK (CHANGSHU) CO., LTD.**  
Business CHANG CHUN TOK (CHANGSHU) CO., LTD. manufactures and sells high purity chemicals related to photolithography for the production of semiconductors and flat-screen displays.  
**TOKYO OHKA KOGYO CO., LTD. Shanghai Representative Office**  
Business The Shanghai Representative Office collects and supplies information about user needs in the semiconductor and LCD display fields for Shanghai, Beijing, and Guangzhou in China.

**TOK ADVANCED MATERIALS CO., LTD.**  
Business TOK ADVANCED MATERIALS CO., LTD. develops, manufactures, and sells photoresists for semiconductors, and sells high purity chemicals related to photolithography for semiconductors.

**TOK TAIWAN CO., LTD.**  
Business TOK TAIWAN CO., LTD. is engaged in the manufacture and sale of semiconductors, flat-screen displays, high purity chemicals related to photolithography for the production of packaging modules, as well as the sale of manufacturing equipment.

**TOKYO OHKA KOGYO CO., LTD. Singapore Office**  
Business The Singapore Office collects and supplies information about user needs in the semiconductor and LCD display fields in Singapore and Malaysia.

**TOKYO OHKA KOGYO AMERICA, INC.**  
Business With supply bases in North America and Europe, TOKYO OHKA KOGYO AMERICA, INC. manufactures photoresists for semiconductors, as well as high purity chemicals related to photolithography for semiconductors.



**Koriyama Plant**  
Business The Koriyama Plant is engaged in the production of semiconductor photoresists and related high purity chemicals.  
**Utsunomiya Plant**  
Business The Utsunomiya Plant is engaged in the production of photoresists for semiconductors and LCD displays.  
**Kumagaya Plant**  
Business The Kumagaya Plant is engaged in the production of various high purity chemicals, such as inorganic and organic chemical products.  
**TOKYO OHKA KOGYO CO., LTD. (Headquarters)**  
**Gotemba Plant**  
Business The Gotemba Plant manufactures photoresists for semiconductors, coating fluids for coating formation (OCD) and various types of photoresists.  
**Sagami Operation Center (Includes Sagami Plant)**  
Business The Sagami Operation Center is an R&D base that is engaged in the production of photoresists for semiconductors and LCD displays, as well as organic chemicals.  
**Shonan Operation Center**  
Business The Shonan Operation Center is an R&D base for the Equipment business. It develops and manufactures LCD panel manufacturing equipment and various types of equipment used in the production of semiconductors.

**Aso Plant**  
Business The Aso Plant is engaged in the production of photoresists for LCD displays and related high purity chemicals.

**TOKYO OHKA KOGYO AMERICA, INC. Headquarters/Oregon Plant\***  
4600N.W. Brookwood Parkway, Hillsboro Oregon 97124, U.S.A.  
TEL.+1-503-693-7711 FAX.+1-503-693-2070  
<http://www.tokamerica.com>



● Corporate Sales Office  
190Topaz Street, Milpitas, California 95035, U.S.A.  
TEL.+1-408-956-9901 FAX.+1-408-956-9995

**TOKYO OHKA KOGYO EUROPE B.V. Headquarters\***  
Databankweg 12, 3821AL Amersfoort, The NETHERLANDS  
TEL.+31-33-4543522 FAX.+31-33-4519646  
<http://www.tok-europe.eu>



**TOK TAIWAN CO., LTD. Headquarters\***  
4F, No.95, Beida Rd., East Dist., Hsinchu City 30044, TAIWAN (R.O.C.)  
TEL.+886-3-5345953 FAX.+886-3-5350178



● Miaoli Plant  
No.252, Wunshan, 21st Neighborhood, Wunsheng Village, Miaoli City 36061, TAIWAN  
TEL.+886-37-367918 FAX.+886-37-367919

● Tongluo Plant  
No.1, Tongke 1st Rd, Tongluo Township, Miaoli County 36645, TAIWAN  
TEL.+886-37-987390 FAX.+886-37-981007

**CHANG CHUN TOK CO., LTD. Headquarters/Changshu Plant\***  
Changchun Road, Riverside Industrial Park, Changshu Economic Development Zone, Jiangsu Province 215537, CHINA  
TEL.+86-512-5264-8000 FAX.+86-512-5264-5729



**TOK ADVANCED MATERIALS CO., LTD. Headquarters/Incheon Plant\***  
45, Cheomdan-Daero 60Beon-Gil, Yeonsu-Gu, Incheon, 21990, Rep.of KOREA  
TEL. +82-32-850-2000 FAX. +82-32-850-2100  
<http://www.tokam.co.kr>



**TOKYO OHKA KOGYO CO., LTD. Singapore Office**  
8 Shenton Way, #14-01A, SINGAPORE  
TEL.+65-62261485 FAX.+65-62261893



**TOKYO OHKA KOGYO CO., LTD. Shanghai Representative Office**  
1511, China Merchants Tower, 161 Lu Jia Zui East Road, Pu Dong Xin Qu, Shanghai 200120, CHINA  
TEL.+86-21-5840-8800 FAX.+86-21-5840-8884



**Head Office**  
150 Nakamaruko, Nakahara-ku, Kawasaki, Kanagawa 211-0012



**Sagami Operation Center / Sagami Plant**  
1590 Tabata, Samukawa-machi, Koza-gun, Kanagawa 253-0114



**Shonan Operation Center**  
7-8-16 Ichinomiya, Samukawa-machi, Koza-gun, Kanagawa 253-0111



**Koriyama Plant**  
1-23 Machiikedai, Koriyama-shi, Fukushima 963-0215



**Utsunomiya Plant**  
21-5 Kiyohara Kogyo Danchi, Utsunomiya-shi, Tochigi 321-3231



**Kumagaya Plant**  
823-8 Kamibayashi, Miizugahara, Kumagaya-shi, Saitama 360-0844



**Gotemba Plant**  
1-1 Komakado, Gotemba-shi, Shizuoka 412-0038



**Aso Plant**  
4454-1 Miyaji, Ichinomiya-machi, Aso-shi, Kumamoto 869-2612



**Domestic subsidiaries**  
KUMAGAYA OHKA CO., LTD.\*  
TOK ENGINEERING CO., LTD.\*  
TOK TECHNO SERVICE CO., LTD.\*  
OHKA SERVICE CO., LTD.

\*Consolidated subsidiary

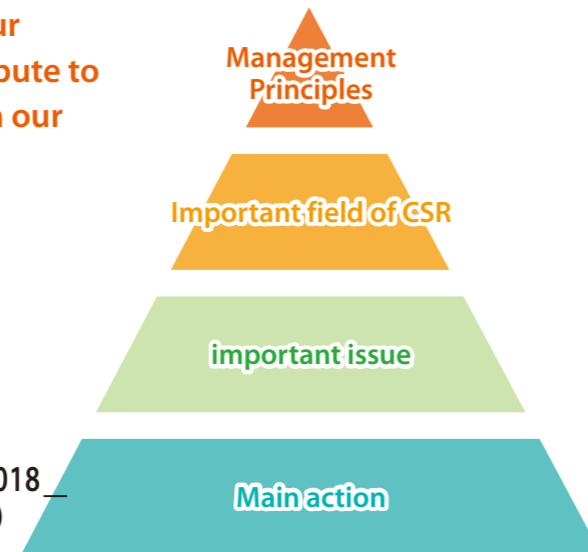
# tok's Management Principles and CSR

TOK is committed to working hand-in-hand with our stakeholders to create social values that can contribute to the development of a sustainable society, based on our management principles.

## TOK Group's Management Principles

Continue efforts to enhance our technology  
Raise the quality levels of our products  
Contribute to society  
Create a frank and open-minded business culture

Tok Medium-Term Plan 2018  
(CSR through Core Businesses)



The TOK Group's CSR activities proceed from four management principles: "Continue efforts to enhance our technology," "Raise the quality levels of our products," "Contribute to society," and "Create a frank and open-minded business culture."

We believe that enterprises exist to "contribute to society." We aim to continue endeavoring to be truly useful for society by leveraging the Group's strengths in technologies, products, human resources, and capital in areas where we can harness our unique capabilities through CSR, to enhance corporate value while also creating unique social value. To accomplish this, building

a sound management foundation is indispensable, and it includes securing stable earnings and developing robust management systems related to compliance, environmental protection, and safety and health.

On this basis we will work to build sound corporate governance systems, survey the entire supply chain, remain constantly aware of stakeholders impacted by our corporate activities, and listen to their feedback while focusing on value chain management to raise the overall social value that is generated through company activities.

	Key CSR Fields	Key issues	Major initiatives
Value-chain management Improvement of the general "joint ownership value" to create through the whole company activity.	Construction of a healthy management base	<input type="checkbox"/> sound corporate governance <input type="checkbox"/> Respect for Human Rights <input type="checkbox"/> includes securing stable earnings <input type="checkbox"/> Bolstering the corporate governance and risk management structures <input type="checkbox"/> Maintenance of environment and the safety management system	<input type="checkbox"/> TOK Medium-Term Plan 2018(P12) <input type="checkbox"/> Strengthen our management foundation <input type="checkbox"/> Enhancing and expanding the CSR promotion structure <input type="checkbox"/> Stakeholder engagement <input type="checkbox"/> RC Report(P29)
	Creation of the impression with high value-added products	<input type="checkbox"/> Continue efforts to enhance our technology <input type="checkbox"/> Raise the quality levels of our products <input type="checkbox"/> Increasing customer satisfaction	<input type="checkbox"/> Reform business portfolios <input type="checkbox"/> Evolve our strategy of building close relationships with customers
	Create a frank and open-minded business culture	<input type="checkbox"/> Creating workplaces that motivate employees <input type="checkbox"/> Promoting diversity <input type="checkbox"/> human resources	<input type="checkbox"/> Reinforcement of the business base (Developing global personnel)
	A Good Corporate Citizen	<input type="checkbox"/> Improvement of contribution to society in the field of non-business	<input type="checkbox"/> Contributing to business sites <input type="checkbox"/> Contributing to scientific and technological progress

Red: Management Principles Blue: Company-wide strategies under the TOK Medium-Term Plan 2015

Contributing to the Realization of a Sustainable Society

## Challenge for the Future!

New Medium-Term Plan (fiscal 2016 – fiscal 2018) has commenced.

A sound management foundation is the wellspring of corporate activities. It is also the foundation of CSR. Creating a medium-term plan aimed at enhancing the management foundation through income growth is also another important CSR initiative. The three years of the TOK Medium-Term Plan 2018, which covers the period from fiscal 2016 to fiscal 2018, will be important, as these years are positioned as holding the key to achieving operating income of ¥20.0 billion, our target for fiscal 2020.

The TOK Medium-Term Plan 2018 will be promoted as a highly important three-year period, the key to achieving our "ideal company image." We aim to achieve record-high profits in the final year of the plan by implementing our growth strategy.

### 1. Management Vision

Aim to be a globally trusted corporate group by inspiring customers with high value-added products that have satisfying features, low cost and superior quality.

### 2. Management objectives

Deepen and expand existing business domains, and swiftly launch new business domains.

### 3. Company-wide Strategy

#### 1. Reform business portfolios

As an R&D-driven company, TOK provides high value-added products and services, and works to continuously renew its businesses.

#### 2. Evolve our strategy of building close relationships with customers

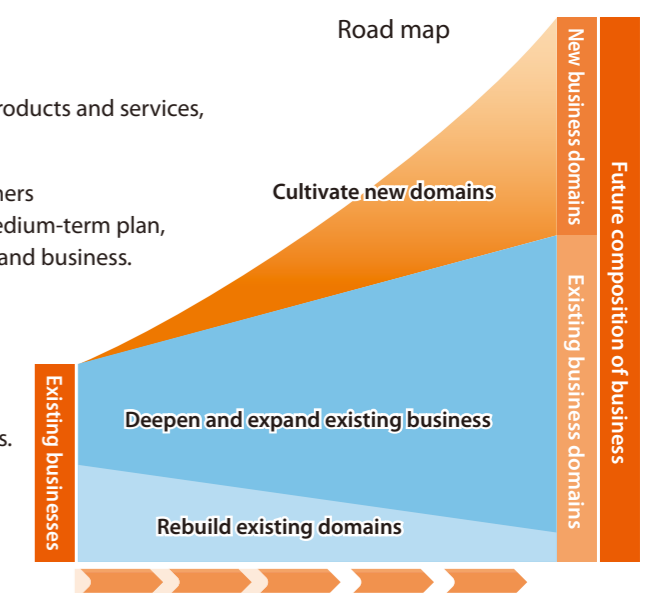
Make the most of our bases newly built under the previous medium-term plan, build long-term relationships of trust with customers, and expand business.

#### 3. Develop global personnel

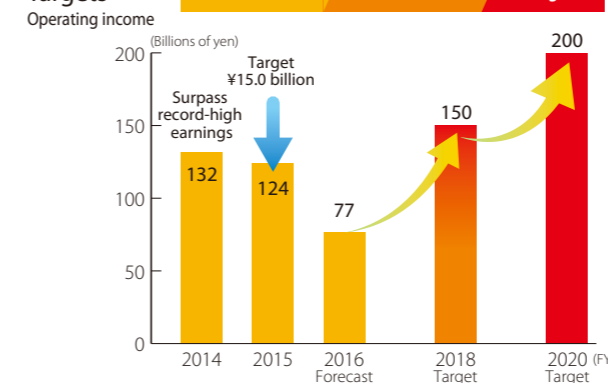
Develop human resources keeping an eye on the needs of the entire TOK Group, and generate synergies throughout the Group. Furthermore, utilize and recruit diverse human resources that are suited to conducting global business.

#### 4. Strengthen our management foundation

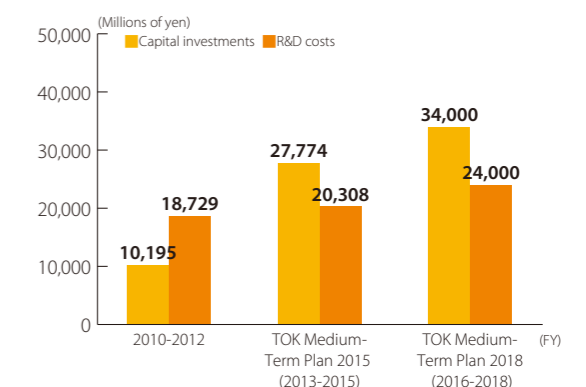
Make use of the Group Management System ("GMS") Project, and build a governance system aimed at reducing the risks associated with globalization and at raising corporate value.



### Earnings Targets



### R&D and capital investments



# Special Feature Overseas Manufacturing Sites and Major Site Initiatives

## Progress of TOK's Overseas Development

The global semiconductor market was dominated by Japan from the mid-1980's to the early 1990's, but the U.S. subsequently maintained the top share, and recently Asian countries led by South Korea and Taiwan have come to the fore.

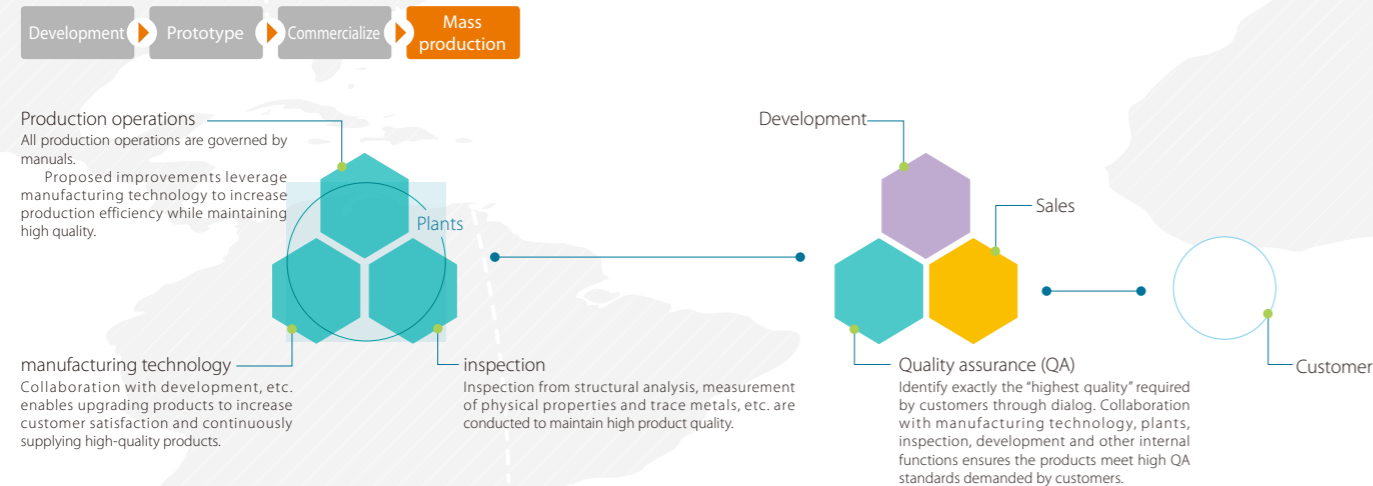
Based on this market environment, TOK has established sites close to its overseas customers based on the emphasis we have placed since our founding on building close relationships with customers and has thereby developed its overseas operations. In particular, since 1992 we have developed overseas operations starting with TOK America, establishing manufacturing and sales sites in China and Taiwan, and in 2012

development, manufacturing and sales sites in South Korea.

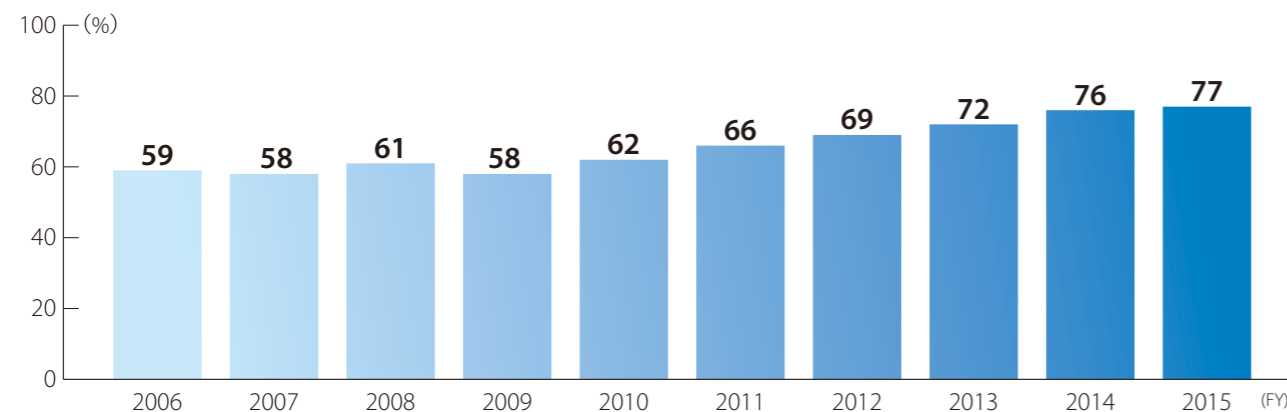
TOK has made building close relationships with customers a part of the company-wide strategy since the TOK Medium-Term Plan 2015, and we have focused on establishing and more fully implementing systems that make it possible to meet the advanced needs of customers faster and more precisely. As a result, our overseas sales ratio as of the end of fiscal 2015 was 77%.

Our overseas sites, which have become indispensable to TOK's growth strategy, are introduced here to provide readers with a better understanding of our corporate activities, with a focus on major sites with manufacturing functions and their activities.

### Production set-up geared to ensure highest quality



### Overseas Sales Ratio



## Overseas Manufacturing Sites and Initiatives for Quality Maintenance and Improvement



### TOKYO OHKA KOGYO AMERICA, INC.

- Established: December 1992
- Number of employees: 99 (as of March 31, 2016)
- Business: Manufacture and sales of semiconductor photoresist, and high purity chemicals used in semiconductor manufacturing processes.

### 1. Plant objectives (primarily safety and quality related)

- Strengthen supplier management (including training)
- Maintain product stability
- Rigorous chemical handling and raw material management
- Implement 5S activities

### 2. Initiatives specific to the U.S. (primarily safety, quality and training related)

- Internal Process audit**  
Manufacturing technology and quality assurance engineers audit each process (manufacturing, inspection, logistics, etc.) to eliminate quality risk and the risk of abnormal work occurring in each area

(manufacturing processes, inspection processes, product and raw material storage, etc.) and to improve quality and work efficiency.

#### Manager training

Manager training is conducted on setting targets, management methods, and promoting improvements among employees.

#### 5S activities

Ideal situations are defined and documented at each worksite (object placement, chemical and supply management, ensuring safety, etc.).

#### Daily trend monitoring

Engineers conduct daily reviews of trends in product parameters.

#### Planning team

A planning team has been formed with representatives from related departments. Comprehensive management and improvements are conducted for everything from raw material management to product quality, increasing manufacturing schedule efficiency, reducing inventory and on-time delivery.

#### Facility department

A facility department has been established to strengthen facility management and to conduct appropriate management and maintenance on equipment and facilities.

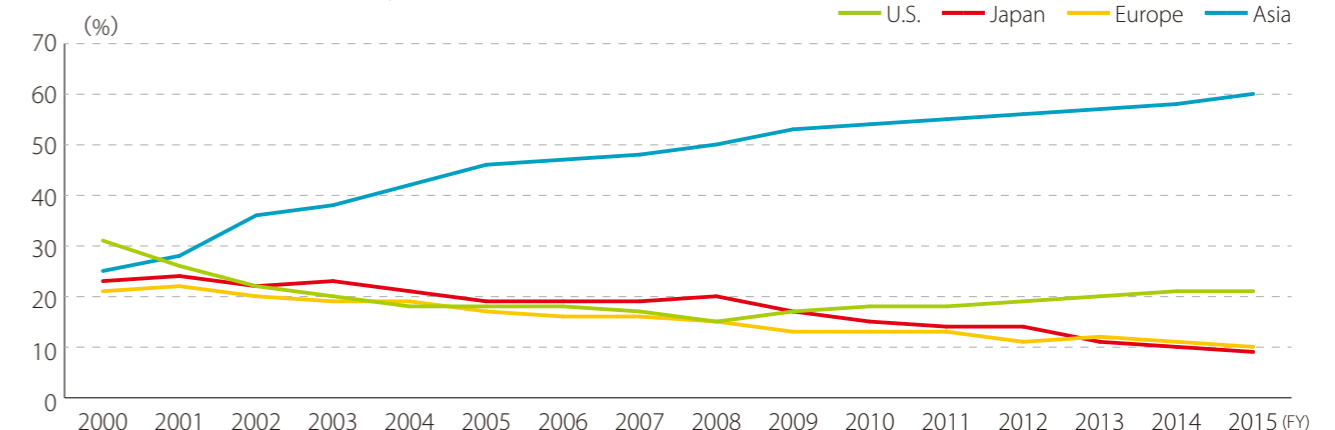
#### Task force team

A dedicated team has been formed to quickly resolve problems on a priority basis when claims are made or major problems occur or when their potential is detected in advance.

#### Change Control training for suppliers

Training is conducted for suppliers on management methods and handling changes for products, processes and raw materials.

### Share of Semiconductor Shipments by Region



Source: WSTS (World Semiconductor Trade Statistics)



#### TOK TAIWAN CO.,LTD.

- ❑ Established: January 1998
- ❑ Number of employees: 116 (as of March 31, 2016)
- ❑ Business: Manufacture and sales of semiconductor photoresists, and high purity chemicals used in photolithography processes in the fields of semiconductors, flat panel displays and package modules

#### 1. Plant objectives (primarily safety and quality related)

- ◇ Establish TOK brand and raise customer satisfaction through higher quality and technology innovation
- ◇ Put high priority on customer feedback and establish abilities and systems to that end
- ◇ Build a production system resistant to changes in market trends and capable of responding quickly and flexibly
- ◇ Promptly build a mass production system for new products and stabilize quality
- ◇ Foster an organizational culture dedicated to rigorous “monozukuri”

#### 2. Initiatives specific to Taiwan (primarily safety, quality and training related)

- ◇ Initiatives to fully address quality issues from the customer’s viewpoint and standards
- Quality issues are quickly and precisely resolved through regular internal audits conducted using a customer audit checklist, and regular meetings are conducted at management level with customers on requirements, corrections and improvements.

#### ◇ Building quality system oriented to onsite resolution

Infrastructure development is being completed, including automated statistical process management (SPC) and automatic recording of processes, and skill enhancement training is being implemented for workers.

#### ◇ 5S activities

Monthly 5S patrols are implemented by plant/department manager-class at all sites.

#### ◇ Promoting proposals related to revising quality management systems and improving assessment technologies.

In-house awards program instituted. Fair assessment of exceptional proposals helps raise employee quality awareness and vitalize improvement activities.

#### ◇ Operation systemization for manufacturing processes

Work errors are being reduced by minimizing the scope of manual operations.



#### CHANG CHUN TOK (CHANGSHU) CO.,LTD.

- ❑ Established: October 2004
- ❑ Number of employees: 19 (as of March 31, 2016)
- ❑ Business: Manufacture and sales of high purity chemicals used in the fields of semiconductors and flat panel displays

#### 1. Plant objectives (primarily safety and quality related)

- ◇ Improve quality: Statistical process management (SPC)
- Raise the process capability index (Cpk)
- ◇ Raise customer satisfaction
- ◇ Implement safety training

#### 2. Initiatives specific to China (primarily safety, quality and training related)

##### ◇ Reinforcement of safety management system

Chemical explosion incidents like the explosion that occurred in Tianjin in August 2015 have occurred repeatedly in the chemical industry since 2015 in particular, and this has led to more stringent guidance related to safety from governance authorities. Participation in seminars and implementation of self-audits and cross-verification by different companies

##### ◇ 7S activities

7S activities are being developed, a version of Japan’s 5S activities to which safety and saving have been added. Onsite audits conducted once a week.



#### TOK ADVANCED MATERIALS CO.,LTD.

- ❑ Established: August 2012
- ❑ Number of employees: 106 (as of March 31, 2016)
- ❑ Business: Development, manufacture and sales of semiconductor photoresists and sales of high purity chemicals used in photolithography processes

#### 1. Plant objectives (primarily safety and quality related)

- ◇ Take maximum advantage of the fact that manufacturing, sales and development are consolidated in a single site and carry out

the strategy of building close relationships with customers.\*

\* Strategy of building close relationships with customers: Quickly providing products, services and solutions that satisfy users.

##### ◇ Standardization

- ▶ Appropriate maintenance and management of equipment for fault-tolerant operations
- ▶ Reduce work errors and eliminate them

##### ◇ Environment and safety

- ▶ Acquire Process Safety Management (PSM) rank of S or above
- ▶ Eliminate workplace accidents

#### 2. Initiatives specific to Korea (primarily safety, quality and education related)

##### ◇ 5S activities

Conducted daily. As an organization, monthly safety patrols and unscheduled patrols by managers are implemented. When issues are identified, follow-up is conducted until corrections are completed.

##### ◇ Raising employee motivation

Plant manager awards conducted. The awards are conducted as appropriate, and not on a regular schedule, to reward even small things when efforts are given that produce results that far exceed other employees.

##### ◇ Standard documents and posters

Displayed in Korean and Japanese to make them as user-friendly as possible for workers, including work standards.



### Global Coordination Promoted to Provide Better Products

Engineers at overseas sites work persistently to fully implement TOK’s top technologies while collaborating with the most advanced sites in Japan, such as the Sagami Operation Center, TOK’s central laboratory. This process is leading to improved product quality.

TOK’s top technologies are always concentrated in Japan, and coordination is being deepened. Examples of this include dispatching engineer instructors, sending workers from overseas sites to domestic plants for training and conducting regular meetings. Japan is the hub of this coordination, which means this is only the first stage of a more global form of coordination.

Driven by our strategy of building close relationships with customers, TOK’s overseas sites have generated steady results in the global semiconductor market, Japan, Asia and the U.S., specifically. In doing so, they have accumulated a range of knowledge and expertise. If we can effectively utilize these invaluable assets, we will be able to utilize them in even better “monozukuri”, and new business development with a broader viewpoint would follow as well. TOK is beginning a new initiative to vitalize global coordination as the second stage of this process.

#### Holding WWMM

The World Wide Manufacturing Meeting (WWMM) is a meeting for representatives of each manufacturing site that is held at the headquarters twice a year. Domestic manufacturing sites and four overseas manufacturing sites participate and report on initiatives taking place at each site.



World Wide Manufacturing Meeting

#### Coordination at Production Floor Level

Beginning in fiscal 2016, manufacturing divisions at domestic and overseas plants involved in the manufacture of chemically-amplified photoresists have begun new activities that include holding inter-plant meetings in which discussions take place at the production floor level. This largely involves exchanging information on small improvements and facilities management on the production floor, and frontline leaders actively share their opinions through teleconferencing.

A sense of ownership is indispensable to maintaining and improving quality. For this reason the active exchange of opinions between plants at the production floor level is necessary, and it is important to feed back the results of these discussions into plant activities. This is a part of the process of building systems for onsite resolution. When there is effective functioning of the top-down WWMM and bottom-up activities such as this, results will be generated that will help create a new form of global coordination that is distinctively TOK.



# Ensuring sound business management

We firmly believe that the realization of our management vision -“Aim to be a globally trusted corporate group by developing high-value-added products that inspire customers,” established under our management principles since the establishment of the company - will bring about shared profits to many of our stakeholders, as well as enhance our corporate value. To achieve this management vision, we strive to ensure a sound and transparent management, and to enhance operational efficiency by speeding up the decision-making process. We have positioned the enhancement of corporate governance as one of our most important management issues, and are fully committed to achieving this goal.

## Corporate Governance System

As a company with corporate auditors, TOK adopts 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

The Board of Directors comprises eight directors, including two outside directors\*. 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 strengthen its supervisory function. The board, comprising of representative directors and directors, has an optimal structure in executing its required functions of managerial decision-making and supervision.

### Internal Auditing Division

We have sixteen officers, including six officers concurrently serving as directors\*. While strengthening the functions of the Board of Directors, i.e. managerial decision-making and supervision, the officers 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.

### Auditors and the Board of Auditors

We have four auditors, including three 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/responsibilities 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.

### Internal Auditing Division

We have set up the Internal Auditing Division, under the direct control of the President, composing of six 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, 2016

Corporate  
Governance

<http://www.tok.co.jp/company/governance/corporate-governance.html>

Ensuring sound business management

## Remuneration for directors

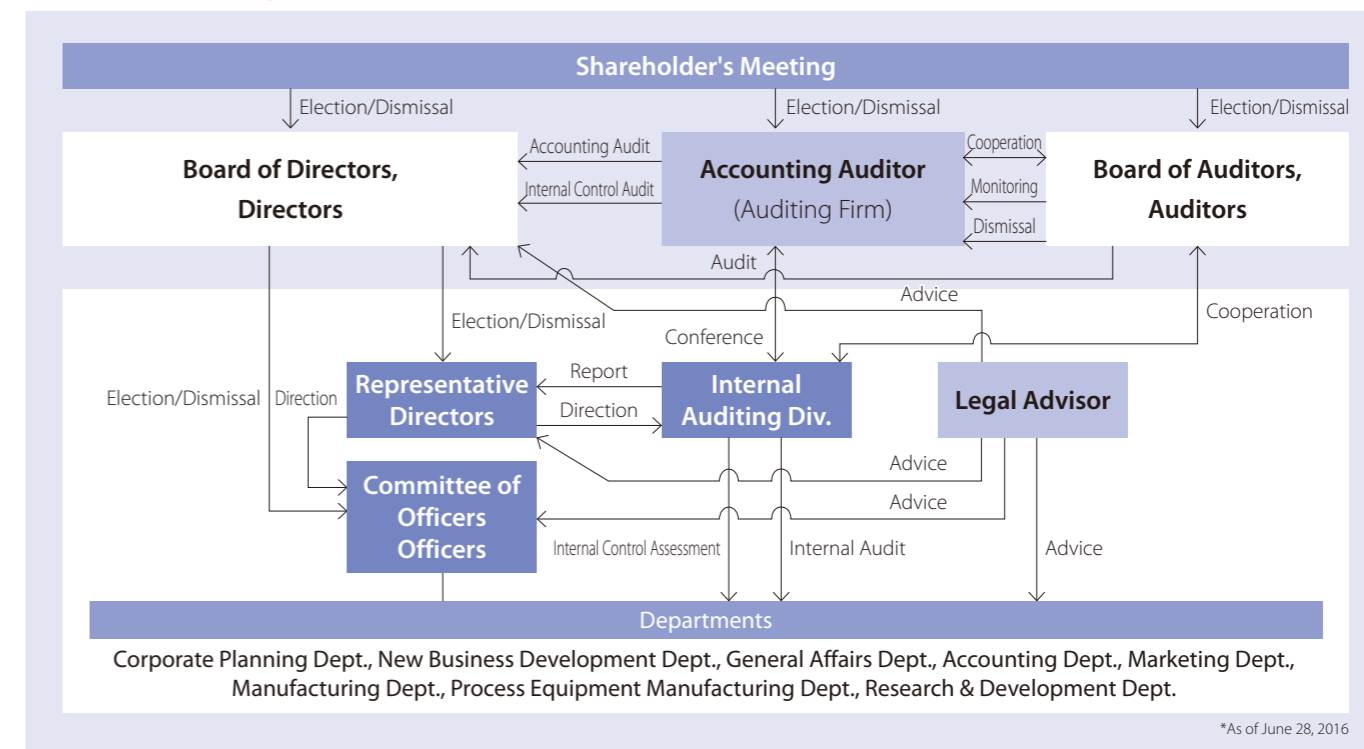
Remuneration for TOK's directors and auditors is as shown in the following chart. Refer to the corporate governance section of the securities report for specific executive remuneration amounts,

policies related to determining how the amounts are calculated, and the methods used to make the determinations.

Position	Number of eligible directors and auditors	Total remuneration (Million yen)
Directors	9	197
Auditors	5	49
Total	14	247

\*The above includes the remuneration for one outside director who resigned at the closing of the 85rd General Meeting of Shareholders.

### Corporate Governance System



## Complying with the Corporate Governance Code

The Corporate Governance Code began to be applied to all listed companies in Japan on June 1, 2015, and so we will respect the general principles of the code as we work to build systems for management decision-making to realize sustainable growth and

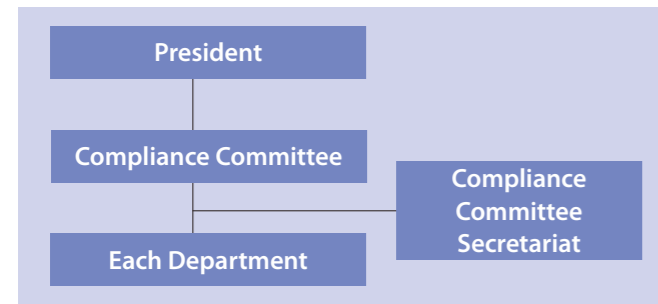
raise corporate value from a medium- to long-term standpoint. Going forward, we will strive to further enhance corporate governance through steady improvements to management while regularly confirming compliance with the code.

## Strengthening the Compliance System

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.

### System to Promote Compliance

We recognize that maintaining relationships of trust with all our stakeholders is the foundation for the sustainable development of a company that can coexist with the society. As such, we are putting effort into enhancing our compliance system. Led by the Compliance Committee, we carry out company-wide activities to promote compliance. These activities include providing education and raising awareness of compliance in each department.



### Internal Reporting System

Our internal reporting system has three options to protect internal reporters: an internal route (reporting to the Compliance Committee Secretariat), an auditor route, and an external route (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 taken "internal reporting" actions should not receive a dismissal or other negative consequences, except in cases where such internal reporting was done with a dishonest intent.

### Toward Fair Trading (Compliance with the Subcontract Act)

In order to ensure thorough compliance with the Subcontract Act (Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors), we periodically conduct investigations into the capital stock and payment terms, etc. of our trading partners to verify that each transaction is not in violation of the Subcontract Act. In addition, the Procurement Department strives to enhance the understanding of the Subcontract Act among its representatives by sending them for external lectures. Efforts are also made to raise awareness among the related departments by conducting activities through the intranet and in meeting spaces.

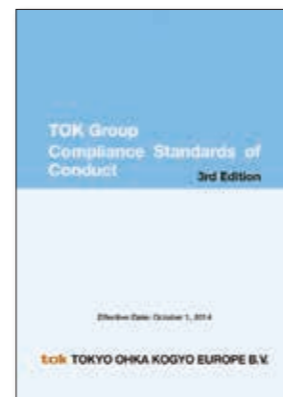
### Initiatives to Eliminate Anti-Social Elements

With the aim of eliminating anti-social elements, we take effort during times of peace to communicate with the relevant parties such as the police and Enterprise Defense Council, in order to establish close cooperative relationships. At the same time, we also

collect information pertaining to trends on anti-social elements. We have also laid out items concerning breaking off ties with antisocial elements, and the appropriate response when an unreasonable demand is received, in our Basic Policy on Establishing an Internal Control System, as well as in the TOK Group Compliance Standards of Conduct. Furthermore, by introducing educational materials, we have taken steps to raise awareness about anti-social elements among all members of the TOK Group, and added clauses about the elimination of gangs in our business contracts (TOK format) with business partners.

### Compliance Standards of Conduct

To raise awareness of the importance of compliance and to establish a clearly defined set of shared values and code of conduct among each individual officer and employee, we have drawn up the TOK Group Compliance Standards of Conduct. The Compliance Standards of Conduct was revised in July 2014 and a third edition issued. The revisions took into consideration the globalization of business activities and changing conditions in society, among other developments, and its scope of application was expanded to include overseas subsidiaries. Versions of the Compliance Standards of Conduct Handbook have been created in Japanese, English, Korean and Chinese and distributed to the executives and employees of Group companies. We intend to work even more rigorously to raise compliance awareness throughout the entire Group both in Japan and overseas



Compliance education

## Measures to Strengthen Risk Management

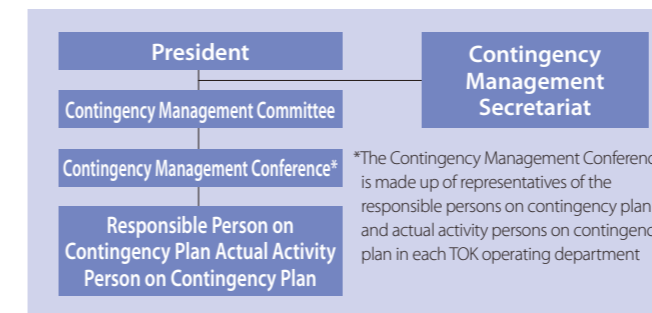
To preempt various risk events that could affect the business operations of the TOK Group, and to minimize the impact of their materialization, the Group has strengthened its risk management, focusing on mitigation of risk factors and preemptive measures. In addition, we have established a contingency management framework to mitigate damage resulting from emergencies.

### Contingency Management

In addition to establishing a Contingency Management Committee of operating department managers and office managers, TOK has established a subordinate Contingency Management Secretariat, and has made revisions to the Group's contingency management procedures, with formulation of contingency management policies.

We have also set up a Contingency Management Conference as a crossdepartmental organization covering the whole Group, which identifies risks that could have a significant effect on business activities, establishes preventive measures and formulates responses in the event of a crisis.

In addition, we have further improved and strengthened our risk management systems by introducing a plan, do, check, act (PDCA) cycle of verification and appraisal at all bases including those overseas. This helps us carry out risk appraisal and analysis, and take measures against particularly dangerous risks.



### Risk Management System

In the belief that the Company must continuously develop ways of accurately dealing with risk that threatens to have severe impact on business operations, we have compiled contingency management regulations and a contingency management manual and categorized potentially significant risk into various categories—business risk, public risk, disaster and accident risk, manufacturing risk and environmental risk—based on the manual. We ensure preventive measures are normally in place by carrying out risk analysis and risk countermeasure formulation while at the same time carrying out appraisals and other forms of risk management.

In the event that a risk event occurs despite our best efforts, leading to an emergency situation as specified above, we have created frameworks for responding rapidly and appropriately based on the manual.

### Business Continuity Plan (BCP)

Drawing on the lessons we learned from the Great East Japan Earthquake, we have revised our Business Continuity Plan (BCP) to deal with a scenario in which our headquarters and multiple business locations are simultaneously devastated by an earthquake occurring directly under Tokyo, resulting in disruption of order processing and product shipment, and severance of essential supply lines.



On board training

### VOICE

#### Regular Training to Raise Awareness

The safety of employees is our top priority and through the Contingency Management Secretariat we have instituted a safety confirmation system for confirming the safety and well-being of employees and their families in disasters, distributed to all employees a pocket-sized safety confirmation card with initial actions to take in the case of a disaster and to continue working on a daily basis to raise awareness. We have also formulated a business continuity plan ("BCP") to be ready for emergency situations. In addition, desktop exercises have been conducted repeatedly along with actual evacuation drills that simulate potential disasters to keep all employees aware at all times of crisis management.

**Hiromi Anjo**  
General Manager, the Contingency Management Secretariat



Special  
Features

# Initiatives Related to Information Security

## Organization and Activities for Information Management

If the stage before establishment of the Information Management Committee can be considered the first phase of information security, the period from establishment of the committee in February 2013 to the present can be called the second phase. The first phase was limited to the Information Systems Division conducting regular information management training, auditing and other measures.

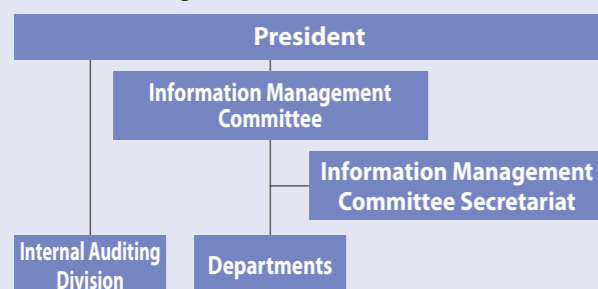
The establishment in August 2012 of TOK Advanced Materials in South Korea to conduct R&D, manufacturing and sales of photoresists, TOK's mainstay product, reaffirmed the necessity of information management, and we are now further strengthening information security throughout the TOK Group.



### Establishment of Information Management Committee and Information Management Policies

Organizational action is effective as a means of promoting information management, so the Information Management Committee regulations were formulated and the committee established in 2013 along with Information Management Policies. The committee is chaired by the manager of the General Affairs Department and its members are made up of the heads of related departments in each division. The Information Management Committee Secretariat was also launched at the same time to facilitate the smooth implementation of these activities through the proposal and implementation of the committee's action plans.

#### Information Management Structure

Policies related to  
information management
<http://www.tok.co.jp/company/governance/information-management.html>

### Information management audits by Internal Auditing Division

Correct knowledge of rules is a necessity and rules are only meaningful if they are upheld. The Internal Auditing Division, which is independent of the Information Management Committee, regularly audits compliance with rules and other matters, and reports the results to the president. If there are problems, improvement orders are issued to the audited divisions and the Information Management Committee. In this way the division works to improve our information management system.

### Working Groups that Promote Information Management

Working groups ("WG") are established to handle various issues determined under the information management policy and to conduct related activities.

#### Trade Secrets

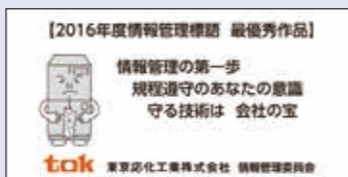
For important information to be legally protected as a trade secret, the information must be managed as confidential information. Trade secrets, including information from customers, can have a major impact on management and public perception if they leak out to third parties. To prevent such leaks, we conducted interviews with our various departments and based on this, we established specific management targets and methods, the understanding of which we are now promoting through education and training.

#### Training and Compliance with Rules

Promoting information management requires that all executives and employees recognize the importance of management and comply with the rules. To this end we conduct regular training on the importance of information management, management methods and other related matters in an effort to raise awareness of information management.

#### Information Management Slogans Solicited and Slogan Stickers Created

Among our activities is soliciting ideas for slogans related to information management as a means of raising awareness of the topic. Particularly good ideas are then turned into stickers that are distributed to employees.



#### Information Management Guidebook

We have distributed the Information Management Guidebook, which features easy-to-understand explanations of rules related to information management, as a way of enhancing awareness of the topic.



#### Human Resources Related

In connection with human resources, necessary rules are established and training conducted based on training programs for different ranks with related responsibilities, and employees sign and submit pledges when they join and leave the company.

#### IT Development

The importance of IT in information management has continued to grow in recent years. Measures to prevent human error, malicious attacks and intentional information leaks from the inside need to be developed not only in Japan but at overseas sites as well. We are developing and implementing various necessary IT systems and conducting drills simulating targeted email attacks and other measures.

#### Physical Security Measures

We conduct a wide range of activities that include implementing and developing various physical security measures for protecting confidential information, establishing common rules for this, supporting the creation of rules at each site based on these common rule and surveying operations. Going forward, we plan to implement and reinforce measures at all sites under unified standards.

#### Information Incidents\*

When incidents occur involving a lost mobile phone or computer with important information, for example, it is necessary to minimize the damage and impact, identify the causes and prevent recurrence. We have reviewed the communication flow for when incidents occur along with corresponding measures and have revised procedures for their implementation.

Information incidents are security threats related to information management and system operations.

#### Supplier Information Management Assessment

It is not necessarily possible for us to carry out in-house the entire process of developing, manufacturing and delivering products that satisfy customers. We depend to a significant degree on companies along the supply chain, starting with raw materials manufacturers, and so we must pay careful attention to how information is handled. The status of information management at suppliers and other companies is ascertained and suppliers are asked to cooperate in information management by making improvements if there are problems.

## VOICE

### Further Reinforcement of Information Security

With the importance of the various types of information handled within a company on the rise, handling it with care is essential. This is because the information possessed by a company or other organization is not merely information; it is an important asset that can determine a company's entire future. Leaking information or violating related laws can not only affect financial performance, it can diminish a company's reputation among stakeholders, or within society at large, or even threaten its very existence.

Given this, even within the TOK Group, where the importance of overseas sites has been increasing as evidenced by a nearly 80% overseas sales ratio, the importance of information management is being reaffirmed. The Information Management Committee is therefore supporting the establishment of more straightforward rules, implementing regular training, and thoroughly disseminating company rules to all Group executives and employees. Going forward, we will work to reinforce our information management system while implementing a PDCA cycle to be a corporate group that is even more highly trusted by stakeholders.

**Kunio Mizuki**  
Chairman, Information Management Committee





## Creation of the impression with high value-added products

In order to provide customers with high quality products that can “inspire” them, the TOK Group has put in place initiatives aimed at enhancing quality in all processes, from design and development, to procurement of raw materials, production, and sales.

### Quality policy

Aim to be a globally trusted corporate group by inspiring customers with high-value-added products that have satisfying features, low cost and superior quality. Deepen and expand existing business domains and swiftly launch new business domains.

1. Strengthen Marketing Ability, Be Motivated by a Strong Sense of Crisis, Prepare Well, and Take Immediate Action
2. Promote Human Resource Development for Global Operation.
3. System to Capture Customer’s Voice Accurately and to Respond Them Immediately.

Each one of us clearly understand current situation and challenge ourselves with a sense of crisis.

### Quality Management Initiatives

The TOK Group is committed to building relationships of trust and enhancing customer satisfaction by providing products that meet the needs of customers, and which customers can use with a sense of assurance and security. These efforts are undertaken in accordance with the TOK Group’s “Quality Manual.”

TOK conducts activities to ensure the stability of product quality from the initial stages of mass-production by conducting risk assessments for newly developed products in their early stages, to provide superior products and services in terms of quality and function. Furthermore, we monitor the quality stability of existing products and work to discover irregularities in their early stages to ensure stable manufacturing processes.

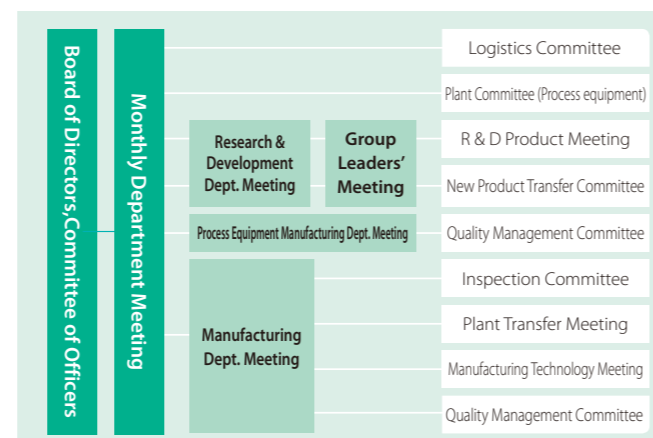
TOK has also introduced MES\* to further improve quality and process management at the Koriyama Plant, a mass production plant for our advanced photoresists and promoting efficient and continuous improvement in quality.

Production plants have already acquired ISO 9001 certification (international standard for quality management systems), and under a system in which all related divisions take part, we hold various meetings related to quality management on a regular basis and carry out activities

throughout the organization to raise quality, which include exchanging opinions on solutions to problems and sharing information.

Going forward, we aim to improve the level of customer satisfaction and focus on continuously improving our highly reliable quality management system.

#### System of Meetings for Quality Management

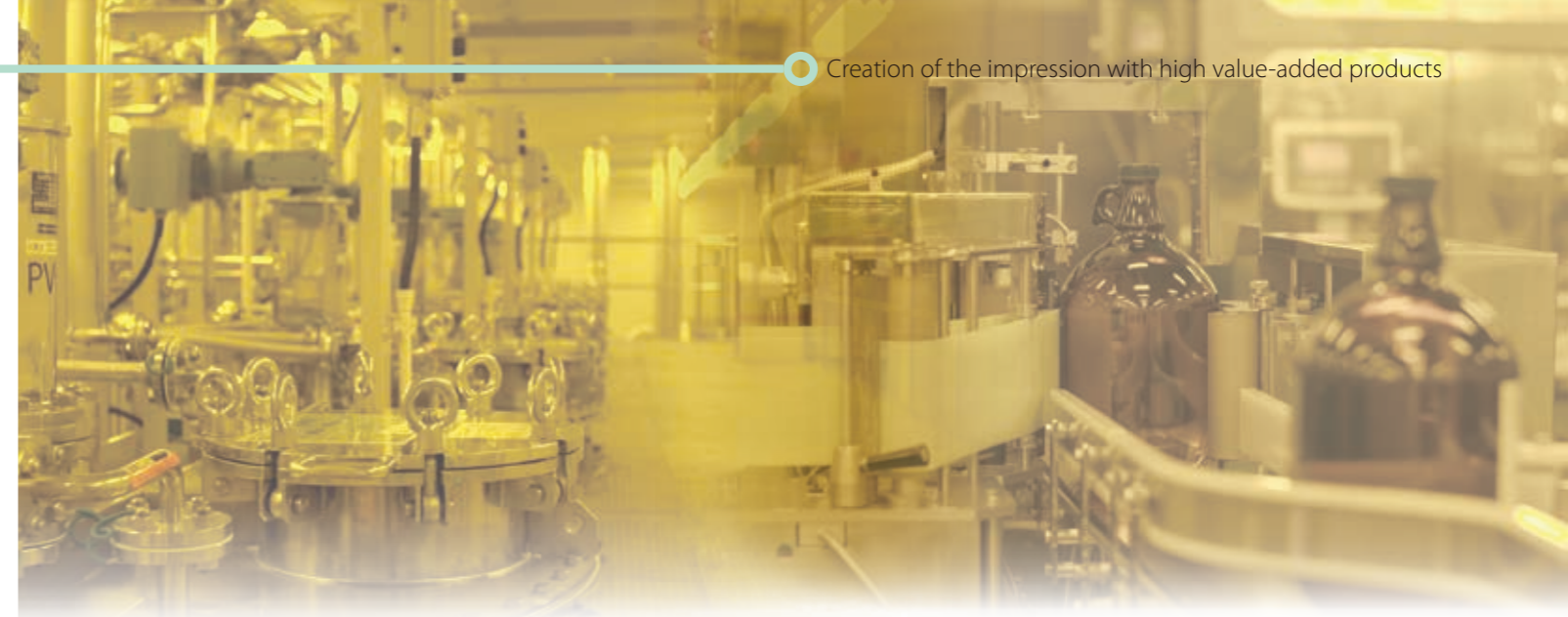


### Pursuing Customer Satisfaction

Efforts of the TOK Group, which provides products that can inspire its customers, have been highly evaluated by various customers, such as in the form of awards and other prizes. With this encouragement, we will further develop products and improve quality in the years ahead to provide highly satisfying services for customers.

During the fiscal year under review, we received the prestigious PQS award\* from Intel Corporation (California, U.S.), a global semiconductor manufacturer. The award was in recognition of the exceptional quality and record of performance of the high-quality photoresists and high purity chemicals, such as developing solutions and cleaning solutions, supplied by TOK, as well as our initiatives in the areas of governance and the environment.

PQS Award: Preferred Quality Supplier Award



Creation of the impression with high value-added products

### Advanced Quality Management System

The ArF immersion photoresists that are used in our Advanced semiconductor production process create circuit widths of approximately 20nm, realizing miniaturization of semiconductors and enabling high-level integration. In this way, it provides support for the conservation of resources. These cutting-edge semiconductor production processes call for high purity products that have less contaminants and metals in them than ever before.

The TOK Group has put in place company-wide initiatives to create systems

that can supply such products to customers, in order to satisfy their demands.

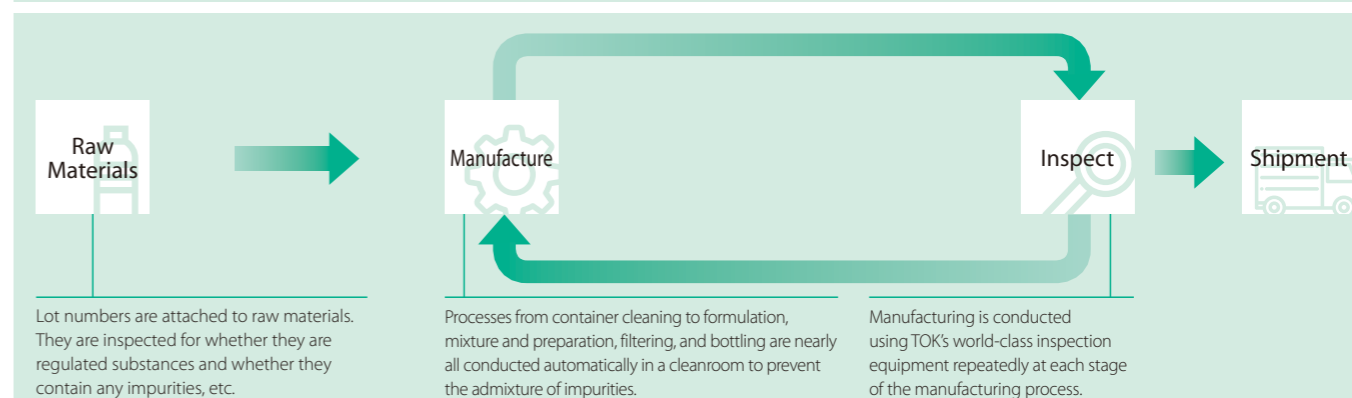
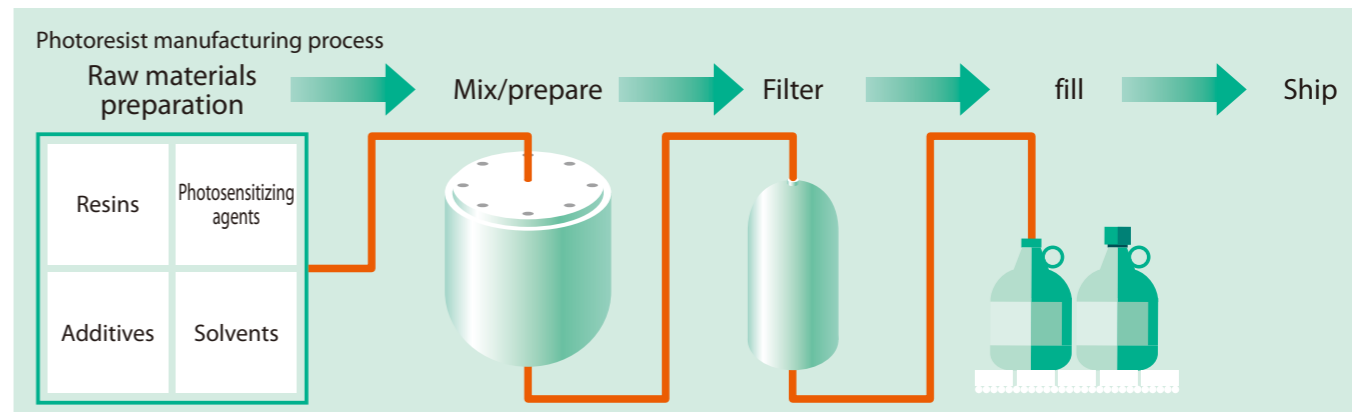
TOK Group is also engaged in technological development with the aim of achieving metal impurity control. We are able to supply high purity products at the ppb\* level. In addition to our measuring technology, production facilities that are exceptionally clean, as well as the reduction of metals from raw materials, are also technologies that support our efforts.

\*ppb: Parts per billion. 1 part of 1 billion is 1ppb.

We are engaged in the following activities to provide materials with minimal levels of impurities.

1. In addition to the conventional technologies that are used to extract impurities, we also consider new defect detection methods based on appropriate models.
2. Control of polymer materials at the atomic level, in order to prevent the introduction of impurities and/or the generation of causative agents.
3. Enhancement of filtering technology used to remove defective-causing substances.

#### Manufacturing process





## Creating a “Frank and Open-Minded” Workplace Where Workers are Motivated

In line with one of our management principles, the creation of a frank and open-minded business culture, we are committed to developing a safe and sound working environment where each and every one of our employees can work in a motivated manner.

\*“Employees” includes contract workers, while “staff” excludes contract workers.

### Human Resources Policy

TOK has established a consistent policy of regarding human resources as the asset of the company since our establishment. We view all employees as valuable assets, and have stipulated the following items in line with this belief.

- Never forget that business always starts with “people”.
- Any discrimination within company and among employees is strictly prohibited.
- Full compliance with applicable laws and regulations, as well as fair and equal compensation.
- Educate personal and promote creativity to become a company that develops innovative technologies.
- Personnel systems based upon performance, emphasizing and ensuring transparency.

### Employment Situation (As of March 31, 2015)

#### Employee composition (Non-consolidated)

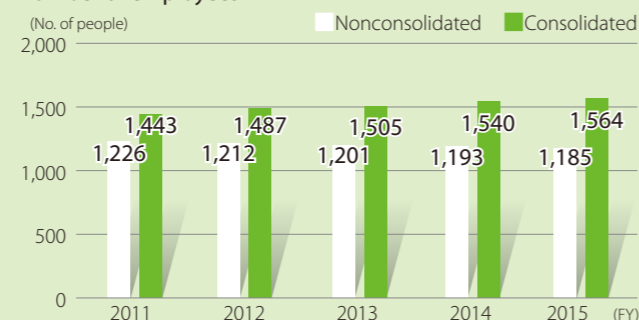
	Number of people	Average age	Average length of service (No. of years)
Male	1,059	43.4	20.8
Female	126	35.0	12.8
Total or average	1,185	42.5	19.9

\*1 Number of employees excludes 94 seconded to other companies, 64 contract workers, and includes 3 seconded from other companies.

\*2 The average age and average length of service are calculated excluding local employees at overseas subsidiaries (7 people) and seconded employees from other companies (3 people).

\*3 For consolidated basis, the number of employees does not include contract workers and people seconded from the Group to other companies. aFor the non-consolidated basis, the number of employees does not include contract workers and people seconded to other companies, and includes people seconded from other companies.

#### Number of employees



## Respect for Human Rights and Initiatives for Fair Working Conditions

### Respect for Human Rights and Prohibition of Discrimination

In our Compliance Standards of Conduct, the TOK Group states clearly its respect for basic individual human rights, and for diverse values, personalities, and privacy throughout the headquarters and at bases in Japan and overseas. Furthermore, it stipulates the prohibition of any behavior that violates the human rights of each officer and employee based on birth, nationality, race, ethnicity, beliefs, religion, gender, age, disability, and/or academic qualifications. Such acts include forcing another to carry out work or bullying behavior through discriminating speech and conduct, violence, verbal abuse, libel, slander, and/or intimidation. We conduct company-wide activities aimed at raising awareness of human rights, and we have put in place systems such as collaboration with legal firms, to respond to complaints and carry out improvements.

### Measures Against Harassment

As a measure to prevent sexual harassment and deal with it should it arise, we educate all employees on prevention of sexual harassment. We have also drawn up “Detailed rules concerning power harassment,” which similarly clarifies contact points and procedures for handling power harassment incidents.

### Building Good Labor Relations

The Tokyo Ohka Kogyo Labor Union was formed in 1976 and is a member of the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Unions. TOK has a union shop agreement with the labor union. As of March 31, 2015, there were 1,092 labor union members affiliated with the Group, and 85.5% of all employees are subject to the collective bargaining agreement.

Since the labor union was first formed, labor and management have maintained good, cooperative relations. Every two months at the central labor-management meeting take place on the operating environment and other labor-management issues. As a part of this, we have concluded various labor agreements that include provisions on occupational safety and health for maintaining good labor and workplace conditions. When changes are made for business purposes, they are always discussed in advance with the labor union.

### Assessing Human Rights and Labor Practices on the Supply Chain

In the course of doing business we work to conduct assessments of raw material suppliers and other partner companies in Japan and overseas in connection with human rights and labor practices. Manufacturing systems are inspected and confirmed through regular audits that include direct visits. Suppliers and partners are requested to make appropriate considerations for human rights and labor practices in accordance with the TOK Group’s Compliance Standards of Conduct (p. 19).

Creating a “Frank and Open-Minded” Workplace Where Workers are Motivated



## Creating a Workplace Environment that is Easy to Work in

### Personnel System

Our personnel system comprises the “rank system,” “remuneration system,” “evaluation system” and “job challenge system.” Our goal is to firmly establish the Basic Policy of Human Resources within the Company, and create a rewarding workplace for employees through a performance-based evaluation system.

#### Rank System

The rank system allows talented employees to earn early promotion, which is composed of two career paths: the “work-location selection course” based on aptitude, training, assignment and rotation; and the “qualification rank system” based on duties and responsibilities.

#### Remuneration System

Under the remuneration system, staffs receive a “base salary” that reflects their skills and performance and a “job category salary” that reflects their duties and responsibilities. For regular staffs, the “base salary” is determined based on their functional skill grade and job performance; for executives, it is primarily based on the performance that is demanded of them according to their functional skill grade. Furthermore, there are upper and lower limits of remuneration for each qualification rank. This system eliminates seniority-based factors in salaries and gives younger employees the opportunity to earn more.

#### Evaluation System

We have incorporated a goal management approach into the staffs evaluation system, where employees set their goals and assignments and clarify their duties to perform and goals to achieve. The evaluation system combines a “performance evaluation” reflecting the degree of employees’ attainment of goals/assignments, and a “competency evaluation” reflecting employees’ competency to perform their everyday duties and responsibilities defined under their job descriptions (volume and quality of work, attitude, and skills). This system completely eliminates factors such as age, academic background and gender of employees in evaluating their performance.

### Take advantage of the diversity of personnel

#### Specialist Development System

We have set up a new Specialist Development System that is separate from the management development system that we have had in place thus far. This new system aims to foster personnel with a high level of expertise in specific fields, not as organizational leaders but as specialists to lead the completion of specific tasks and contribute to improving the company’s results. In fiscal 2015, 31 employees were inducted into the Specialist Development System.

#### Self-Reporting System

Under this system, all staffs are required to submit a report on their activities once each year. The report should cover the nature and volume of their tasks as well as their working environment, desired position/work location, comments and messages to the management of the Company, etc. These reports are submitted to the supervising director and used as basic information for skill and career developments, appropriate personnel allocations, improvement planning of worksites, and so on.

#### Job Challenge System

This system aims to support staffs who take their career development seriously and wish to challenge a new position at their own risk. The system consists of the following two options.

##### 1. Free Agent (FA) System

In this system, employees can select a position to which they wish to be transferred. Then, they go through an interview with the relevant supervisors. Their ability, aptitude, career goals, self-development, etc. are comprehensively assessed to determine whether or not they can be transferred to their desired position. This aims to promote employees’ motivation, so that they do not merely accept assignments dictated by the Company, but voluntarily extend their career paths. They may also apply for positions overseas.

##### 2. Career Challenge (CC) System

This system allows employees to apply for work at a particular location. The request will be processed through coordination between their current division and desired division taking into consideration their qualification and ability. In principle, employees must return to their original division within five years. This system encourages employees to explore their growth direction and suitable role within the Company from a medium and long term perspective, while fostering their skills and career motivation to help them gain professional expertise through their duties.

Relationship  
with Employees

<http://www.tok.co.jp/csr/employees/rights.html>

## Utilizing diverse human resources activities

### Developing Systems for Work-Life Balance (“WLB”)

TOK has formulated an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In order to ensure that employees are able to balance work and family commitments, we are injecting efforts into creating workplace environments that are easy to work in. The results of our efforts were recognized with the “Kurumin” (Mark of Support for Raising Next-Generation Children) accreditation in 2012.

#### ● Childcare Leave System

We introduced the childcare leave system in July 1990. Under the system, employees are allowed to take leave for child care from the birth of their child up until 18 months of age or up until the first April 30 after the child's first birthday, whichever is longer. This enables employees to take leave for up to two years, which exceeds the length of the statutory leave period. The employee who has taken childcare leave can return to the same or an equivalent position in principle. They are also allowed to shorten their working hours until their child completes the third grade of elementary school. In addition, we introduced a flextime scheme for childcare in October 2007 in order to further enhance the support for employees' child raising efforts.



User breakdown(As of March 31, 2016)

Childcare related systems	Number of users
Childcare Leave System	13(6)
Shorter Working Hours	4(1)
Childcare Time	11(2)

\*Figures in parentheses indicate FY2015 new user

### Addressing the Women's Advancement Promotion Act

With the establishment of the Act of Promotion of Women's Participation and Advancement in the Workplace (Women's Advancement Promotion Act), we are working to create a workplace environment that enables women to fully demonstrate their personal characteristics and abilities and maintain employment while experiencing various life events such as marriage, pregnancy, and childbirth.

Key initiatives

Plan period: April 1, 2016 to March 31, 2020

**Recruiting Women's recruitment ratio of 20% or higher**  
Further establishment Review, improve and promote use of childcare, nursing care, transfer and other systems, consider and implement measures to raise awareness of work-life balance, and consider and implement support for career development

## VOICE

### Considering Work-Life Balance from Both Women's and Men's Perspectives

I decided to take childcare leave when my wife got pregnant. I was a little worried that taking leave would not really be accepted given that I'm in a technical job at a production plant where there are mostly men, but I got the cooperation of my supervisor, first of all, and also people in various departments and was able to take six months of childcare leave with peace of mind.

Upon returning to work, I had an even greater awareness of the importance of sharing work information. This is because I may have to take emergency leave at some point when my child gets sick, for example, so steps need to be taken to prevent work from being hindered in my department.

There are many dual-income households these days, so I think it is important to consider childcare and work-life balance from both women's and men's perspectives. I am very appreciative of my colleagues and family for giving me this opportunity.

Masahiro Matsuda

Ustunomiya Plant Manufacturing Technology Section



#### ● Sick Leave System

In March 1993, we adopted the sick leave system that supports staffs who are unable to work due to non-occupational injury or illness and have used all their paid leave. The sick leave is classified into three categories of “short-term sick leave,” “long-term sick leave” and “special long-term sick leave” and the amount of compensation for absence from work is determined according to the categories.

#### ● Occupational Rehabilitation System

In April 2005, we adopted the occupational rehabilitation system to help employees return comfortably to work after an absence of more than one month or longer due to non-occupational injury or illness. Under this system, these employees can reduce their working hours for up to two months from the day they return to work.

#### ● Expired Paid Leave Reserve System

In April 2008, we introduced the expired paid leave reserve system. Under the system, employees can reserve their unused, expired paid leave in cases where they have non-occupational injury or illness. A maximum of five days can be added each year and a total of up to 30 days can be reserved. The reserved paid leave can be used in units of 0.5 days.

### Developing Global Personnel

To develop human resources who can perform globally, TOK is working to train personnel from an early stage by providing programs starting from when employees initially enter the company. Global personnel are defined as employees capable of exhibiting their abilities while bearing risk themselves in any business situation, whether in Japan or overseas. To develop human resources capable of performing globally from the time they enter the company, we conduct training that emphasizes multicultural understanding, teamwork, logical communication skills and autonomy.

### Employment of Foreign Nationals

We are working to develop Japanese employees into human resources who perform globally and also promoting internal globalization by hiring employees of foreign nationalities. As a result, in fiscal 2015, we hired five new graduates who have foreign nationalities as we expect to further expand global operations in the future. As of March 31, 2016, 13 foreign nationals are working in Japan for TOK.

### Number of employees at the overseas subsidiaries

	Number of employees
KUMAGAYA OHKA CO., LTD.	7
TOK ENGINEERING CO., LTD.	4
TOK TECHNO SERVICE CO., LTD.	18
TOKYO OHKA KOGYO AMERICA, INC.	99
TOKYO OHKA KOGYO EUROPE B.V	10
TOK TAIWAN CO.,LTD.	116
CHANG CHUN TOK CO.,LTD.	19
TOK ADVANCED MATERIALS CO.,LTD.	106
<b>Total</b>	<b>379</b>

### Level-Based Training

TOK has established level-based training programs for employees at differing levels in the organization. The programs are designed to help employees acquire abilities and fulfill the roles required at their respective levels.

New Employees	New employee training and production plant training to teach the basics of being a working member of society and learn about the TOK's corporate identity
Entry Level	Basic training to facilitate work processes at the workplace with related departments
Mid-to-Upper Level	Training on management fundamentals including communications with subordinates and problem-solving
Upper Level	Training to learn the management philosophies and theories needed by managers to lead an enduring organization, and the fundamentals of business departments and top-level executive training

### Rehiring System

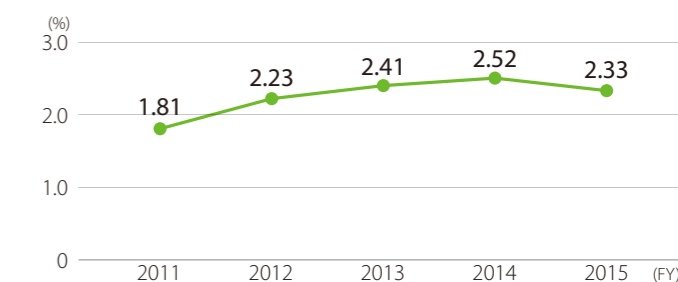
We have introduced the Rehiring System in April 2003, targeting the skilled retired employees who are physically and mentally healthy and wish to continue working after their mandatory retirement (or expiration of a contract). The rehired employees can work until the day on which they reach the age eligible to receive the full payment of employee pension. This maximum age limit has been increased gradually, and extended to 65 in April 2009.

### System users

Fiscal Year	2011	2012	2013	2014	2015
The number of users	26	31	42	44	54
The number of users	110	124	136	147	157

### Employment rate of persons with disabilities

The person with a disability employment rate of the end of 2015 was 2.33%.It continues and is going to push forward the employment of the person with a disability in future.



Team building



Logical thinking

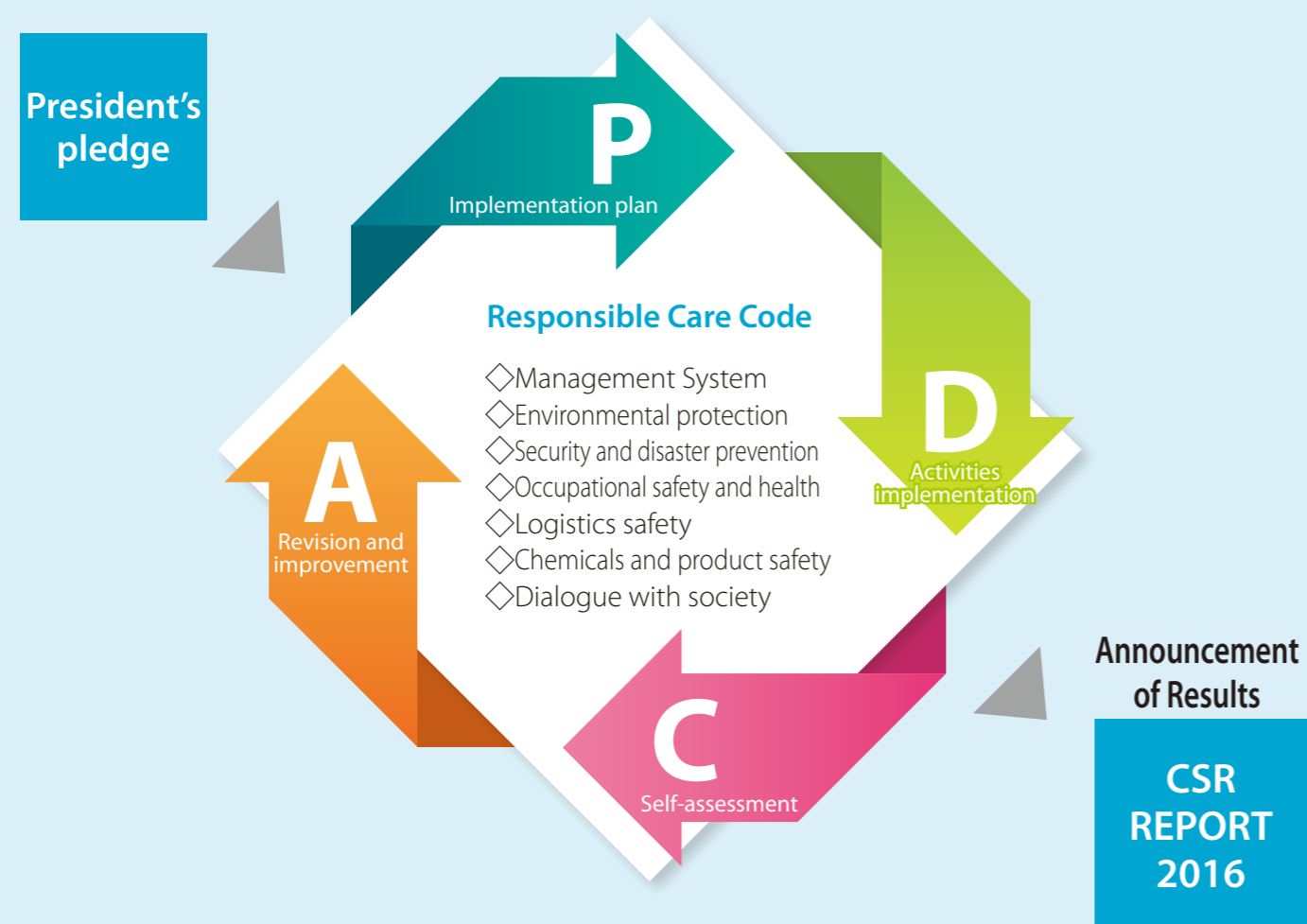


## Environmental Initiatives

Products manufactured by the TOK Group contribute to greater comfort in the lives of people. However, the manufacturing process also places a burden on the environment. We have put in place initiatives to reduce the environmental burden created through our corporate activities, so that future generations can inherit an even better world from us.

### Responsible Care Activities and PDCA

TOK works through a PDCA process to make continuous improvements to important CSR issues related to corporate activities, including the environment, safety and health, on the basis of Responsible Care (RC) activities.



Responsible Care®

Responsible Care ("RC") refers to activities in which "companies handle chemical substances voluntarily take environmental, safety and health measures in every process from chemical substance development through manufacturing, logistics, use and final consumption to disposal and recycling, and announce the results of these activities while engaging in dialogue and communication with the public," according to the Japan Chemical Industry Association ("JCIA").

The aim of RC activities is to solve problems through dialogue by respecting the right of citizens to know and listening to their concerns based on RC ethics, which came out of dialogue between the Canadian Chemical Producers Association and citizens, the government, NPOs and other organizations in the 1970's. Responsible Care implies that it is not sufficient only to act within the scope of the law. The activities are based on a commitment to voluntarily doing more than what the law requires and to doing what is ethically correct. The people involved in the activities (employees) continue to make improvements through a PDCA process while gaining a sense of achievement.

In Japan, the Japan Responsible Care Council was established in 1995, and the country's major chemical manufacturers participate in RC activities.

### Medium- to Long-term Goals

Energy Consumption	Industrial Waste
We are putting effort into energy conservation activities in order to achieve the goal of reducing the amount of energy used by 10 points (1 point per year) by fiscal 2019, based on a crude oil equivalent and taking the index for fiscal 2009 as the base unit.	We are committed to reducing the amount of industrial waste generated, and our goal is to reduce this amount by 10 points (2 points per year) by fiscal 2015, taking the index for 2010 as the base unit.

The Company has set the medium- to long-term energy consumption targets for fiscal 2020. However, as energy-saving activities are making favorable progress, we have moved the schedule forward by one year to fiscal 2019.

### Results of Responsible Care (RC) Activities in Fiscal 2015

The following is a report of the main environmental initiatives that we undertook in fiscal 2015 and the results of these activities, which we implemented with the aim of reducing the environmental burden arising from our corporate activities.

Items	Goals	Results
Environment Management System (P33)	Establishment and continuous improvements of the environmental management system	<input type="checkbox"/> All the facilities in Japan continued to undergo assessment and audits after receiving ISO14001 certification for the sixth time <input type="checkbox"/> All manufacturing sites of our overseas subsidiaries maintained ISO14001 certification
Energy Conservation (P35)	Reduce the amount of energy used (basic unit index) by 10 points by 2019, based on a crude oil equivalent and taking the index for fiscal 2009 as 100.	<input type="checkbox"/> Established a Central Committee on Energy Saving and implemented systematic activities on a company-wide basis <input type="checkbox"/> The amount of energy used in our manufacturing processes was reduced by four points, or by nine points in base units
Industrial Waste (P37)	By fiscal 2015, reduce the amount of industrial waste* generated by 10 points (basic unit index), taking the index for fiscal 2010 as 100.	<input type="checkbox"/> Reduced the absolute volume of industrial waste generated through the manufacturing processes by 3 points (basic unit index)
Chemical Substances (P39)	Properly manage chemicals and reduce risks associated with harmful chemical substances.	<input type="checkbox"/> Revision and application of the Standards on Chemical Substances Management <input type="checkbox"/> Application of the Chemicals and PRTR Management Systems
Environmental Accidents	Maintain the perfect record of "zero" industrial accidents that affect external parties	<input type="checkbox"/> Had "0" environmental accidents <input type="checkbox"/> Conducted environmental accident response drills at nine offices/sites
Environmental Communication	Proactive disclosure of information Release of CSR Report	<input type="checkbox"/> June 2015 Published and released the CSR Report 2015, and also released detailed information on the company's website

\* From fiscal 2013, in order to make the degree of achievement of the medium- to long-term goals related to the reduction of industrial waste easier to understand, we have changed to the method of adding together the amount of general industrial waste and specially controlled industrial waste generated and calculating the base unit for the total industrial waste.

### VOICE

#### Review of the TOK Medium-Term Plan 2015 Activities and Development into the New TOK Medium-Term Plan 2018

Under the TOK Medium-Term Plan 2015, we carried out responsible care activities to save energy, reduce the risk of occupational and environmental accidents and reduce industrial waste.

In the area of energy-saving activities, we achieved a 17% reduction in the base unit compared to the baseline year (2009), far exceeding our target of a 6% reduction, as changing the fuel used in boilers at the Koriyama Plant to natural gas made a major contribution to energy use reductions. In addition, regarding environmental accidents, while we experienced no major accidents, we will continue focusing closely on the handling of chemical substances and providing instruction and training to ensure work is performed safely and securely.

Under the TOK Medium-Term Plan 2018 as well, we will continue working to promote Responsible Care activities through investment in effective energy-saving measures that reduce environmental impact and 3R activities that include revising industrial waste processing methods. In addition, this fiscal year, to raise awareness of the fact that environmental impact reduction activities and the appropriate management of chemical substances help preserve ecosystems, we will formulate action guidelines for biodiversity protection and further enhance our activities.

Nobuo Tokutake

Director, Department Manager, Manufacturing Dept.



# Reduction in Environmental Burden from our Corporate Activities

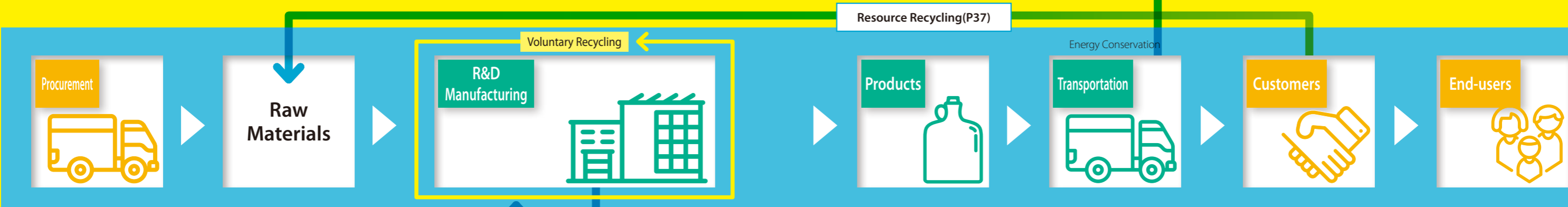
## Environmental Performance\*

TOK conducts daily quantitative and qualitative evaluation of the effects that its corporate activities have on the environment, and takes various initiatives to minimize their impact.

\*Environmental performance: Environmental performance evaluation is a method of evaluating, in qualitative and quantitative terms, environmental activities and results achieved by an organization in accordance with its environmental policy, objectives and goals

### Emissions from Transportation\*

Transportation volume	20.58million ton-kilometer
Energy consumed	1,016kL crude oil equivalent
CO <sub>2</sub> emissions	2,699t-CO <sub>2</sub>



Input		Output	
Total energy consumed	13,985kL crude oil equivalent	CO <sub>2</sub>	30,000t-CO <sub>2</sub>
Electric power	39,040,000kWh (9,833kL crude oil equivalent)	SOx* <sup>1</sup>	1.8t
Petroleum (heavy oil)	1,388kL(1,401kL crude oil equivalent)	BOD* <sup>2</sup>	0.3t
Gas	2,290,000m <sup>3</sup> (2,653kL crude oil equivalent)	General administrative waste	62t(Recycling rate: 61%)
Used water	379,000m <sup>3</sup>	Industrial waste	General industrial waste 1,419t(Recycling rate: 33%)
Chemical substances <small>(Class 1 Designated Chemical Substances under the PPR Law)</small>	1,384t		Specially controlled industrial waste 3,374t(Recycling rate: 64%)

\*Sulfur oxides (SOx): Produced from the combustion of fossil fuels containing sulfur. These are considered to be the causative substances of acid rain.  
\*Biochemical oxygen demand (BOD): BOD refers to the volume of oxygen required when pollutants in the water (organic substances) are turned into inorganic substances or gases through the action of microorganisms. BOD is a major indicator used when evaluating the degree of contamination of rivers and other water bodies. A higher value for BOD means that the water involved is more contaminated.

Data on environmental impact by site for fiscal 2015 [http://www.tok.co.jp/csr/env-activity/load\\_data.html](http://www.tok.co.jp/csr/env-activity/load_data.html)

## Environmental Accounting\*

TOK has been using environmental accounting since fiscal 2000. This allows the Company to conduct environmental management while monitoring the expenses and effects of environmental programs. In fiscal 2015, environmental conservation expenses totaled ¥416 million, mainly for the prevention of pollution and recycling of resources.

\*Environmental accounting: A system for understanding environmental conservation related investments made by, and expenses incurred by, businesses and other organizations, as well as the effects of such investments, in quantitative terms (currency or physical quantity) and communicating such information to stakeholders.

Category		Key Initiatives	Investment	Cost
Business area cost	Pollution prevention cost	Air, water and other pollution prevention equipment and its renewal, operation, maintenance and management	4	80
	Global environmental conservation cost	Energy conservation activities	23	28
	Resource circulation cost	Waste processing	0	181
Upstream/Downstream cost		Green purchasing, collection of used products	0	6
Administration cost		Approach to environmental management system	0	75
R&D cost		Research and development related to environmental conservation (equipment and products for reducing environmental impact)	0	42
Social activity cost		Cleanup activities around the production plants	0	2
Environmental remediation cost			0	0
Total			27	416

### Environmental Conservation Cost

Investments refer to the accounting for equipment associated with environmental conservation and improvement. Expenses are the sum of depreciation, personnel and other operating expenses associated with environmental conservation.

Personnel expenses are computed based on a basic unit cost.

### Economic benefits associated with environmental conservation measures

Figures are calculated based on internally realized benefits from the sale of materials having value and from the reduction of costs.

Effects		Amount
Revenue	Gains on the sale of recycled products	11
Cost savings	Reduction in disposal costs through reduction in the volume of waste	57
Total		69

\*Scope of environmental accounting covers production facilities in Japan and distribution centers, excluding the headquarters and marketing offices. Reference used is the Environmental Accounting Guidelines 2005, published by the Ministry of the Environment.  
\*Amounts of less than one million yen have been rounded off.

## Environmental Management

### Environmental Management System

TOK positions environmental conservation as one of our priority management issues. With the aim of enhancing the effectiveness of environmental conservation in our corporate activities, we have established a goal that integrates the environmental management system with the quality management system, at each of our offices and sites. We put effort into

ensuring continuous improvements in the implementation of the PDCA cycle\*.

\*PDCA cycle: This is a method that facilitates the smooth implementation of management work, such as production activities and quality management, through the repetition of the four stages of activities—Plan, Do, Check, Act.

Environmental  
Management System

[http://www.tok.co.jp/csr/env-activity/s\\_management.html](http://www.tok.co.jp/csr/env-activity/s_management.html)

### The TOK Environmental Policy

The TOK Group is putting in place environmental initiatives in line with TOK's environmental policy to help achieve a sustainable society that does not harm the environment.

Manufacturing chemicals is one of the main pillars of the corporate activities undertaken by the TOK Group. This activity affects the environment primarily through releases and emissions into the atmosphere from the effluents and vaporization of organic solvents and other substances during production processes beginning with the procurement process, and following the use of the Company's products. Since its inception, TOK has placed priority on handling and disposing of chemical substances properly, as well as on dealing with emissions into the atmosphere. In November 1998, an environmental policy was established to clarify the Company's commitment regarding the reduction of waste materials and conservation of resources and energy. In April 2010 we carried out a review that encompassed our corporate social responsibility and the state of our environmental conservation activities thus far, and are striving toward the realization of our environmental policy. Furthermore, we are also engaged in activities to deal with environmental risks in the corporate activities that we undertake throughout the entire life cycle of our products.

The TOK  
Environmental Policy

<http://www.tok.co.jp/csr/env-activity/policy.html>

#### The TOK Environmental Policy

Contributing to society in our aim to become a corporate group that is trusted around the world, is one of the most important themes in our management plans. Accordingly, we will track our impact on the environment in all phases, from product development to procurement, production, sale, and disposal. Reducing environmental impact from our corporate activities by complying with laws and regulations, as well as our internal regulations and social norms, and balancing production with environmental conservation while preventing of pollution. We will take steps to accelerate the development of businesses in the environment and energy fields in order to contribute to the creation of energy on a global scale.

1. Enhance handling and management with consideration for chemical safety and the environment.
2. Promote efficient use, reuse, and recycling of resources.
3. Promote activities to conserve energy and mitigate global warming.
4. Prevention of pollution.

### Compliance with Environmental Laws and Regulations

Each domestic production site has prepared a List of Legal and Other Required Items and the Monitoring and Measurement Table and complies with laws and regulations. On the list, laws, rules, agreements and other regulations that must be observed are compiled in accordance with corresponding requirements, such as submitting applications and reports, performing measurements and enforcing compliance. The list is used to clarify the frequency of evaluations made by the sections responsible.

We have made a list of facilities subject to regulations under the Revised Water Pollution Control Act that went into force in fiscal 2012, renovated existing facilities to meet structural standards and worked to reinforce management of chemical substances based on revisions to the Industrial Safety and Health Act in fiscal 2014.

In addition, internal training was conducted at each site to handle enforcement of the CFC Emissions Reduction Act.

In fiscal 2015, based on the results of monitoring and measurement, there were no cases of emissions standards being exceeded, but an application for changes under the High Pressure Gas Safety Act when air conditioners were replaced at domestic sites was submitted late. Going forward, to prevent this type of situation from occurring, we will devote our full efforts to recurrence prevention through measures such as strengthening confirmation using a legal compliance check sheet. We have not been subject to any penalties or fines due to legal violations related to the environment in the past, and have not been involved on either side of an environment-related lawsuit.

### Environmental Risk Management

At every business site in Japan, we examine all overt and potential environmental risks in accordance with items required by the ISO14001 standards, in order to prevent problems and reduce the occurrence of incidents. Furthermore, we evaluate and rank risks based on their magnitude to create a table identifying significant environmental factors\*. In addition, each division and the company as

a whole select environmental factors requiring particular attention. Annual targets for improvements are then established and progress toward those targets is monitored. For environmental factors at each business unit, progress is supervised by establishing management standards.

\*Environmental factors: Factors involving organizational activities, products or services that could have an environmental impact.

### Environmental Safety Education for Employees

TOK has an environmental education program designed to raise awareness of environmental issues among all employees, and to encourage employees to act in consideration of the impact on the environment in all aspects of their daily work. Each business unit receives the Environmental Manual to use as the basis for its environmental activities.

#### Training on Methods of Identifying Environmental Factors, Safety, ISO Requirements, and Management Systems

We provide periodic training about the relationship between the requirements of standards and TOK's systems, in order to deepen understanding of how our management systems satisfy the requirements of the quality ISO9001 and the environment ISO14001. We also conduct regular briefing sessions on methods of identifying safety risks, aimed at enhancing each individual employee's awareness of the environment and of safety. In fiscal 2015, 148 employees attended the briefing sessions.

In addition to these training programs, we also conduct environment training and lectures on chemicals, which correspond with the needs and situation at each office and site.

#### Emergency Response Training

In order to minimize the impact when an environment contamination risk surfaces in the form of an environmental accident, we conduct periodic training programs at each office and site. These include training to prevent and report on the diffusion of chemical substances, such as organic solvents and poisonous and deleterious substances, in the event of a chemical leakage.

In addition, we have put in place emergency back-up drainage tanks and emergency shutoff valves at each production site in order to prevent the direct flow of discharged water out of the premises during an accident, in the event that this water does not satisfy the standards stipulated by regulations.



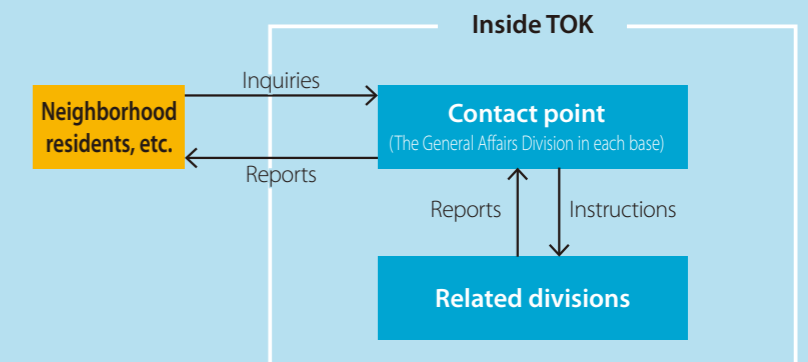
Antidisaster drill



Emergency Response Training (Aso Plant)

### Responding to Inquiries from Neighboring Residents

In fiscal 2015, we did not receive any inquiries, such as environment-related complaints, from neighboring residents.



## Initiatives to Reduce Environmental Burden

### Reducing Energy Consumption\*

We are working to reduce our environmental burden through a number of initiatives. These include improving our product manufacturing processes, increasing the efficiency of our work, and overhauling our facility operation methods. When it comes to facilities, we are also upgrading to highly efficient equipment, reinforcing insulation of steam piping, aggregating compressors, and changing our lighting to LED lamps.

As a result of switching the fuel for boilers at the Koriyama Plant from heavy oil to environmentally-friendly city gas, our energy consumption for electricity, heavy oil, city gas, and other forms of energy in fiscal 2015 was 3 points lower than in previous fiscal year, amounting to 13,985 kL on a crude oil equivalent. Our base unit index (using fiscal 2009 as 100) reached 83 points, showed an improvement of 3 points compared to the previous fiscal year.

### Emissions to the Atmosphere

We are working to reduce emissions of greenhouse gases\* by improving our product manufacturing processes and through the management of our product manufacturing facilities. As of fiscal 2008, we had converted the boiler fuel at our Sagami Operation Center, Utsunomiya Plant, and Shonan Operation Center from heavy oil to gas fuel that gives off a smaller amount of SOx, which is a cause of air pollution. Moreover, we have also been upgrading to highly efficient equipment at our manufacturing sites and overhauling our operation methods in order minimize emissions into the atmosphere.

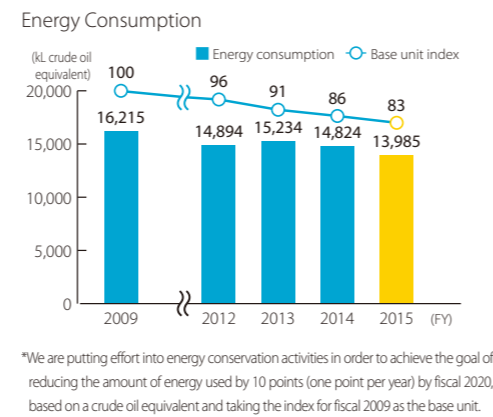
CO<sub>2</sub> emissions related to business activities in fiscal 2015 declined to 30,000 tons-CO<sub>2</sub> compared to the previous fiscal year. SOx emissions declined significantly compared to the previous year, to 1.8 tons, as a result of changing boiler fuels at the Koriyama Plant.

\*Greenhouse gas: Gas in the atmosphere that allows sunlight to pass through but absorbs infrared rays emitted from the ground and sea. These gases are believed to cause global warming.

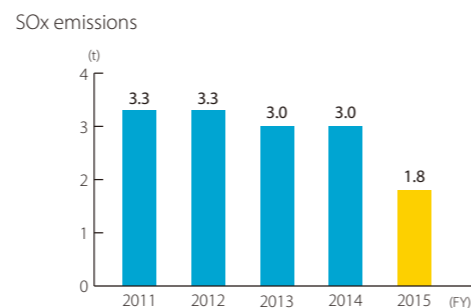
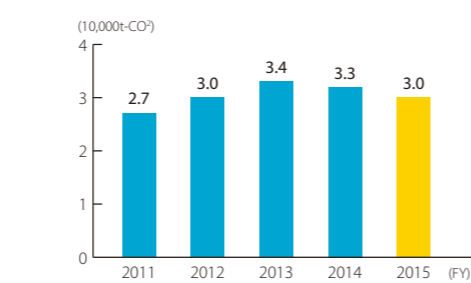
#### Measures Involving Ozone-Depleting Substances

Specified CFCs\* such as CFC-11 and CFC-12 that cause ozone depletion are primarily used as a coolant in refrigerators and freezers. Under the Act on the Rationalization of Use and Appropriate Management of Chlorofluorocarbons (CFC Emissions Reduction Act), which was revised in April 2015, basic inspections and regular inspections must be conducted based on the type and size of device, and inspection and maintenance records must be retained until disposal of the facilities. When the law was revised, we instituted a management system and developed a system for conducting appropriate management, filling and disposal.

As a result, under the law, if the estimated CFC leakage volume exceeds 1,000 tons-CO<sub>2</sub>, the company must report to the government, but TOK's estimated CFC leakage volume for fiscal 2015 was 330 tons-CO<sub>2</sub>, less than the specified value that mandates reporting. Also, although we have firefighting equipment that uses halon, even this firefighting equipment using an ozone depleting substance is inspected regularly.



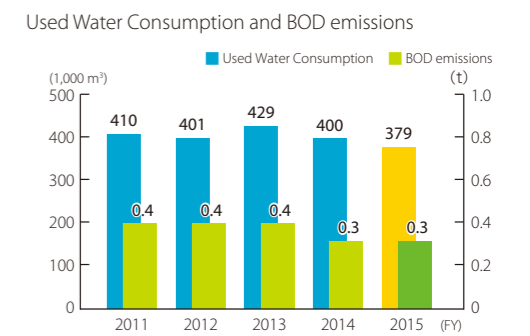
#### Changes in the Volume of Emissions into the Atmosphere (Converted from Energy Consumption)



### Emissions to Water

Water use fluctuates with changes in product manufacturing processes, changes in production volume and other factors, but TOK works to reduce usage by conducting full-time monitoring to detect abnormal use of industrial water and city water, along with upgrading facilities and other measures.

At the same time, effluents from production plants undergo an activated sludge treatment process and other cleansing processes at wastewater treatment facilities before being released to public waters such as sewer systems and rivers. As a result of these activities, BOD emissions in the water discharged into public waters in fiscal 2015 were estimated to be approximately 0.3t. This was the same level as in fiscal 2014. We will continue to maintain and manage wastewater treatment facilities to achieve further reductions in discharges of BOD.



### Environmental Measures During Distribution

#### "Green" Logistics

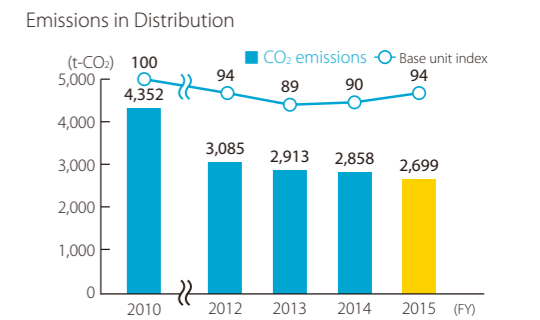
In fiscal 2015, the usage of large vehicles in domestic transportation decreased, because the volume of overseas exports increased. As a result, fuel consumption decreased 6% as the transportation ton-kilometers decreased 6%. However, the base unit declined by four percentage points compared to the previous fiscal year as the decrease in domestic transport volume caused a decline in loading efficiency.

#### Progress in Use of Eco-Friendly, Low-Emission Vehicles

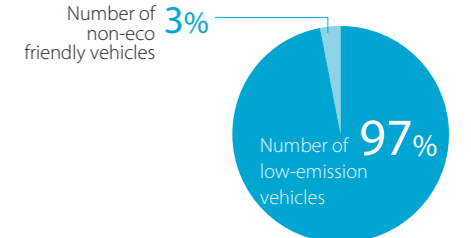
TOK owns a fleet of 36 motor vehicles (including by lease). As of the end of May 2016, 97% of these vehicles use hybrid engines and other means to reduce emissions and protect the environment.

#### Provision of Environmental and Safety Information for Product Transportation

We require that our drivers carry emergency contact cards (yellow cards) at all times while they are on duty to transport potentially harmful products. This reflects our commitment to environmental conservation and to ensuring safety, by protecting people, merchandise and the environment from harm caused by leaks, fires, explosions and other accidents that may occur during the transportation of hazardous substances.



#### Rate of adoption of low-emission vehicles



#### Greenhouse Gas Emissions

Direct emissions by TOK (Scope 1) were 9,155 tons-CO<sub>2</sub>. Indirect emissions from use of electricity purchased by TOK were 20,564 tons-CO<sub>2</sub> (Scope 2). Other indirect emissions (Scope 3) were 12,590 tons-CO<sub>2</sub>.

#### Scope3 Emissions by Category

Purchased goods and services	Not applicable	Upstream leased assets	-
Capital goods	Not applicable	Downstream transportation and distribution	Domestic: 2,699t-CO <sub>2</sub> Overseas: 2,833t-CO <sub>2</sub>
Fuel-and energy-related activities not included in Scope 1 or 2	-	Processing of sold products	Not applicable
Upstream transportation and distribution	Not applicable	Use of sold products	Not applicable
Waste generated in operations	5,681t-CO <sub>2</sub>	End-of-life treatment of sold products	Not applicable
Business travel	883t-CO <sub>2</sub>	Downstream leased assets	Not applicable
Employee commuting	494t-CO <sub>2</sub>	Franchises	Not applicable
		Investments	Not applicable

### Working to maintain biodiversity

We prevent chemical substances from having a negative impact on ecosystems ahead of time by removing such substances from gas emissions and industrial wastewater given off by each site before releasing it into the atmosphere or waters using appropriate purification facilities. In fiscal 2016, we formulated the TOK Biodiversity Protection Declaration and will continue working to raise employee awareness of the issue.

#### TOK Biodiversity Protection Declaration

- We will position biodiversity protection as one of management's highest priorities and strengthen protection activities for the global environment.
- We will work to continually reduce our environmental impact through our production activities, our development and provision of products and services, and in coordination with the supply chain, thereby working to protect biodiversity.
- We will strive to enhance activities by educating employees on a regular basis and facilitating recognition and a correct understanding of the importance of biodiversity protection.
- We will continually conduct social contribution activities for environmental protection to earn the esteem and trust of society.
- We will announce the results of initiatives and promote communication with the general public.

#### Examples of Activities

- ☐ Develop green processes and green products
- ☐ Improve energy efficiency and promote resource recycling and 3R activities
- ☐ Assess environmental impact in new plant construction or extension plans and take measures
- ☐ Reduce environmental impact through activities to reduce waste
- ☐ Control diffusion into the environment of substances that readily accumulate and do not easily biodegrade through appropriate management of chemical substances

## Creation of a Recycling-Based Society: Initiatives to Achieve Zero Emissions

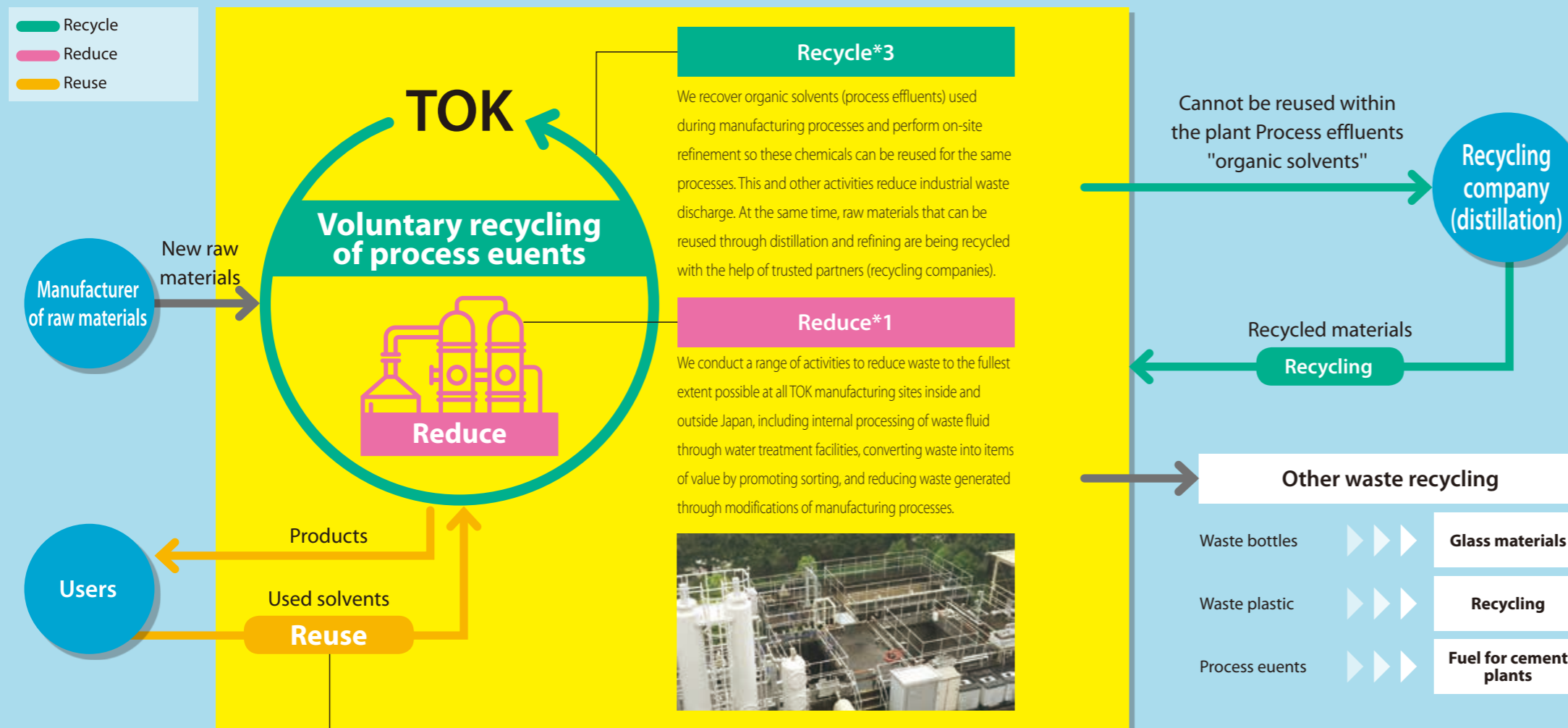
We conduct 3R activities (reduce, reuse, recycle) for effective utilization of limited resources. By limiting the volume of waste generated, thoroughly sorting the waste that is generated and increasing the volume that's recycled, we are working to make more effective use of resources. Every year

we strive to achieve zero emissions\* by working to reduce landfill disposal volume by processing waste products through combustion or crushing, called intermediate treatment, and through stabilization and volume reduction initiatives.

In fiscal 2015, industrial waste subject to landfill disposal after intermediate treatment stood at less than 1% of total waste, so we have achieved zero emissions status. Industrial waste generated in fiscal 2015 increased, but through rigorous sorting practices and revising

processing methods we achieved a recycling rate for overall industrial waste of 55%, equivalent to the previous fiscal year.

\*Definition of zero emissions: Landfill disposal volume (direct or after intermediate treatment) of less than 1% of industrial waste discharged by business activities.



### Reuse\*2

Products incorporating organic solvents have been placed in stainless steel containers since the late 1970s. This allows empty containers to be returned to TOK for reuse. In addition, some products are transported using tanker trucks. We are also beginning to use reusable containers for some photoresist products, chiefly those used in the manufacture of LCD panels.



TOK formulated medium- to long-term targets for fiscal 2015 and conducted measures to meet them, including reuse of process waste fluids through refining, internal processing of waste fluids through water treatment facilities

and converting waste into items of value. However, the business environment changed significantly from the time the targets were initially formulated, including changes in items produced, so for this reason we were not able to achieve the targets. We have set new medium- to long-term targets (page 30) that cover from this fiscal year to fiscal 2020 and will diligently work toward their achievement.



\*1. Reduce: This refers to reducing the volume of waste material generated. Reduction involves minimizing the volume of materials in products in order to minimize the volume of materials that is eventually discarded.

\*2. Reuse: This refers to the use of manufactured goods, containers and other products repeatedly in order to reduce the volume of waste materials generated and conserve resources.

\*3. Recycle: Recycling is the use of waste materials as a resource rather than burning these materials or sending them to a landfill. Recycling thus conserves resources and prevents pollution.

\*4. The base unit index is calculated after adding general industrial waste and specially controlled industrial waste.

\*5. We are committed to reducing the amount of industrial waste generated, and our goal is to reduce this amount by 10 points (two points per year) by fiscal 2015, taking the index for 2010 as the base unit.

\*6. From fiscal 2013, we have changed to the method of adding together the amount of general industrial waste and specially controlled industrial waste generated and calculating the base unit for the total industrial waste.

## Collaboration with Recycling Companies

An important process in recycling activities is the separation of industrial effluent and used solvents into solvents and impurities, and reusing the solvents as new products.

The resource recycling activities at TOK would not be possible without the cooperation of outside recycling companies involved in important processes such as these. Trusted recycling companies in particular with strong technical capabilities and management are absolutely essential as partners in TOK's promoting of Responsible Care activities. Based on this awareness, we intend to bring recycling processes even closer to their ideal form by deepening alliances based on equal partnerships.

### VOICE

#### As a Company that Helps the Environment

Taihei Kasei Co., Ltd. develops and sells various solvent products, primarily coating solvents and thinners for printing applications, and conducts recycling of process waste fluids and used solvents. Technology innovation in the semiconductor industry, to which TOK belongs, takes place at a rapid pace, and of course the quality levels that are required have also risen alongside this evolution in technology. Our company works daily to raise quality while conducting a variety of initiatives, including reviews of in-process inspections.

Distillation is the mainstay process of our company; it involves heating, so extra attention must be paid to safety. Products related to the semiconductor industry include a great deal of information specific to customers, so we carefully handle information disclosure and exchange information in detail with them, which includes particularly close communications when changes occur. Even when it is difficult to provide information, it is helpful when we are proactively informed of concerns about harmful substances. Prior sorting, too, is an important factor for a distillation company. We are extremely grateful for TOK's proactive cooperation in the sorting process.



While continuing to closely exchange information, we hope to continue working together with TOK as a company that also helps the environment through our business.

**Mr. Todomeki**  
Managing Director and  
General Manager, Kuki Plant, and General  
Manager, Production Technology Division  
Taihei Kasei Co., Ltd.

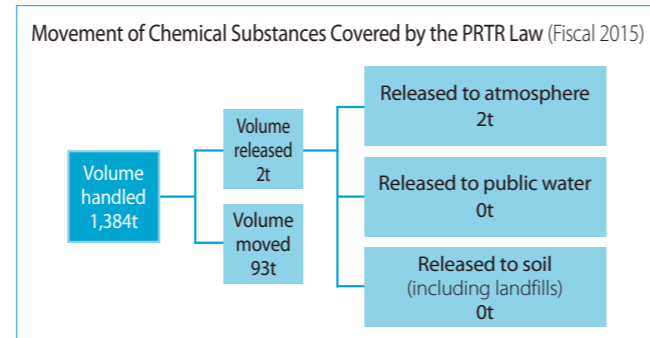
## Appropriate Management of Chemical Substances

In order to properly manage the chemical substances that are used in the manufacturing processes for products, we take a multifaceted approach. This involves not only utilizing systems that compute the amount of usage and emissions, but also other steps such as conducting checks during the procurement of raw materials and the design of a new product.

### Conducting a Management System for Substances Covered by the PRTR Law

The first step in managing chemicals is determining which chemicals and how much of them are discharged from specific production processes. Under the Japanese Pollutant Release and Transfer Register (PRTR) Law, companies are required to manage releases and transfers of chemicals and submit reports. TOK has its chemicals and PRTR management systems for the accurate determination of PRTR data and the submission of reports.

In fiscal 2015, TOK handled 36 of the PRTR Law's 462 Class I Designated Chemical Substances. TOK handled 1,384 tons of these Class I chemicals during the fiscal year and released an estimated 3 tons of these chemicals into the atmosphere and public water systems. There was no soil contamination as TOK does not have waste material landfills at its production sites.



List of substances covered by the PRTR law [http://www.tok.co.jp/csr/env-activity/load\\_data.html](http://www.tok.co.jp/csr/env-activity/load_data.html)

## Chemical Substance Management at the Raw Materials Procurement Stage

In recent years, the management of chemical substances appears to be becoming more stringent globally in terms of chemical-related regulations worldwide. This is apparent in examples such as the adoption of Agenda 21 at the 1992 Rio Summit, the agreement on the WSSD2020 goal at the 2002 Johannesburg Summit, the agreement on the SAICM (Strategic Approach to International Chemicals Management) at the 2006 International Conference on Chemicals Management, and furthermore, the convention of the United Nations Conference on Sustainable Development (Rio+20) in June 2012.

In order to reduce the environmental burden and damage caused by our activities beginning with the raw materials procurement stage, we enacted the TOK Standards on Chemical Substances Management in January 2005 that stipulated

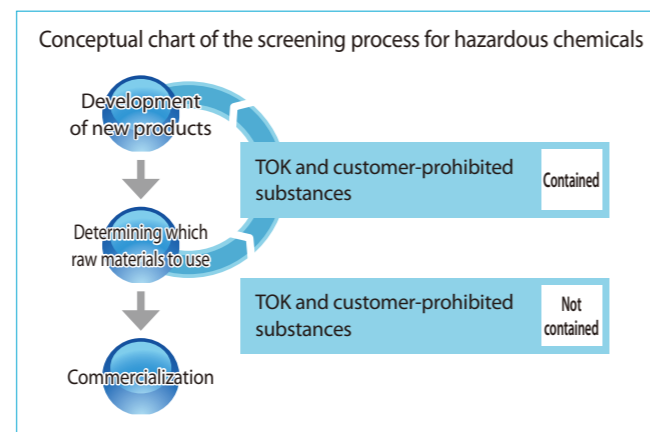
chemicals that should be prohibited or managed. Furthermore, in the wake of the enactment of and alterations to chemical regulations in various countries, such as the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Evaluation Act) and REACH\*1, we revised our Standards on Chemical Substances Management, and released the TOK Standards on Chemical Substances Management (6th Edition) in April 2013. We will strive to continue to revise these standards as appropriate in the future based upon trends in chemical regulations in Japan and overseas, and take proactive steps in the management of chemical substances.

\*1. SAICM: Strategic Approach to International Chemicals Management

\*2. REACH: Registration, Evaluation, Authorization and Restriction of Chemicals. This is an EU regulation that manages the registration, evaluation, and accreditation of chemical substances through an integrated system, with the aim of ensuring complete fulfillment of responsibility on the producers' part, as well as thorough compliance with preventive principles.

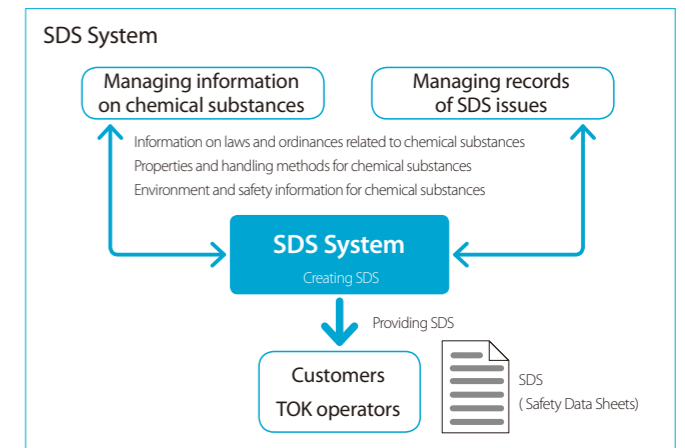
### Prescreening for Harmful Substances Before Using Raw Materials for a Newly Developed Product (Screening for Harmful Substances for a Newly Developed Product)

When designing and developing new products, we use a preliminary assessment system to ensure that products will not be harmful to the environment or the health and safety of people who use our products. We base this system on the TOK List of Prohibited Substances. This list incorporates the hazard rankings of laws and regulations, research institutions and other sources concerning substances that are carcinogenic, mutagenic, toxic to the reproductive system, or harmful in other ways. We perform assessments of chemicals to be certain that all newly developed TOK products are free of substances prohibited by TOK and our customers.



## Providing Environmental and Safety Information on Products

We have adopted a system that collects and manages specialized information on chemical substances, prepares material safety data sheets (SDS), and manages information issued in the past to promptly supply accurate environmental and safety information to our customers and operators at our business sites. This system manages information on the properties of chemicals, handling methods, and environmental and safety information for all of our products. The SDS that we are currently issuing contain information about safety measures such as physical and chemical characteristics, hazards, dangers, environmental impact, stability or reactivity, and disposal methods of products based on real-time investigation of laws and regulations inside and outside Japan. To comply with GHS\*, we provide SDS and labels that are compliant with GHS for all of our products for the domestic market. When it comes to our exported products, we are also sequentially moving ahead with providing SDS and labels that correspond to the respective languages of our export counterpart countries, as well as suited to the timeframe for the entering into force of GHS in our export counterpart countries.

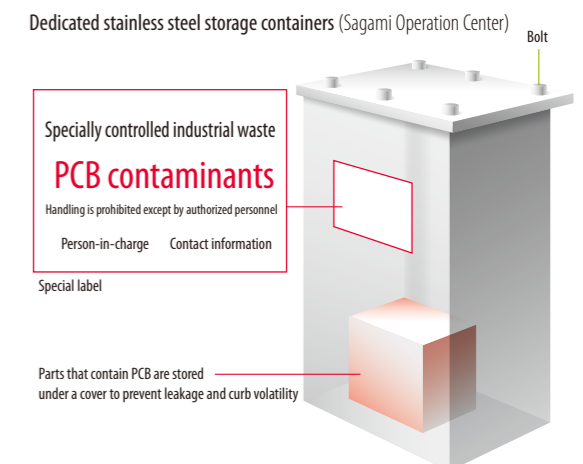


\*GHS: Abbreviation for Globally Harmonized System of Classification and Labeling of Chemicals. This is an initiative that categorizes chemicals by hazardousness according to certain standards and displays this in an easy to understand manner through the use of pictorial indications and other similar means. The results of this are reflected on the label and MSDS, and are put to good use for the prevention of disasters, and the protection of human health and the environment.

## Management of PCB\* and Waste Materials Containing PCB

At the Sagami Operation Center, the Shonan Operation Center, and the Utsunomiya Plant, waste materials containing PCB are stored under strict control. As a result of inspections conducted on electrical substation facilities at all business sites in Japan, it was revealed that the Sagami Operation Center, Shonan Operation Center and Utsunomiya Plant are using equipment that use insulating oil containing minute amounts of PCB. We have clearly indicated that this equipment contains PCB, and are managing their use. In addition, the proper notices have been submitted to relevant governmental bodies. Low-concentration PCB waste is treated under a ministerial certification system. In fiscal 2016, we plan to process PCB waste stored at the Utsunomiya Plant. For electrical substation facilities containing PCB that are used at the two other sites as well as PCB waste stored at those locations, we intend to conduct treatment within the legally stipulated timeframe.

\*Polychlorinated biphenyl (PCB): A kind of organic compound, PCB was formerly used for thermal media, insulating oils, paints and other applications because it excels in terms of heat resistance and electrical insulation. However, due to its poor degradability and high toxicity, PCB production was discontinued in 1972. Nevertheless, little progress has been made with regard to its disposal, and managers responsible for its storage are required to place it under strictly controlled conditions.



## Occupational Safety and Health Initiatives

### Prevention of the Accident

We have established an effective framework to prevent and handle workplace accidents. Our efforts include: setting up a Safety and Health Committee at each of our offices to conduct activities for preventing workplace accidents including regular safety training and drills for employees; establishing a Safety and Health Liaison Unit, which manages all activities for preventing workplace accidents through information sharing among offices; and preparing manuals for emergency safety measures in the event of workplace accidents.

We will continue to make concerted, company-wide efforts to prevent workplace accidents, in order to achieve our goals of "zero accidents" as well as "zero accident risks."

### Mental Health Care

In the stressful society we live in today, regrettably it now appears that the number of our employees who have become ill due to mental health problems is on the rise. Therefore, we are also placing a greater emphasis on the importance of mental health care. In April 2004, we launched a health care counseling service, establishing a help desk for access to mental health professionals, as part of initiatives by the Tokyo Ohka Kogyo Health Insurance Society to promote employees' good health. Consultations are provided upon request by outside experts. Since no personal information is passed on to the Company, employees can use this service to discuss family matters and other problems with ease. We also host seminars and distribute materials at each office to educate employees about how to take care of their mental health.

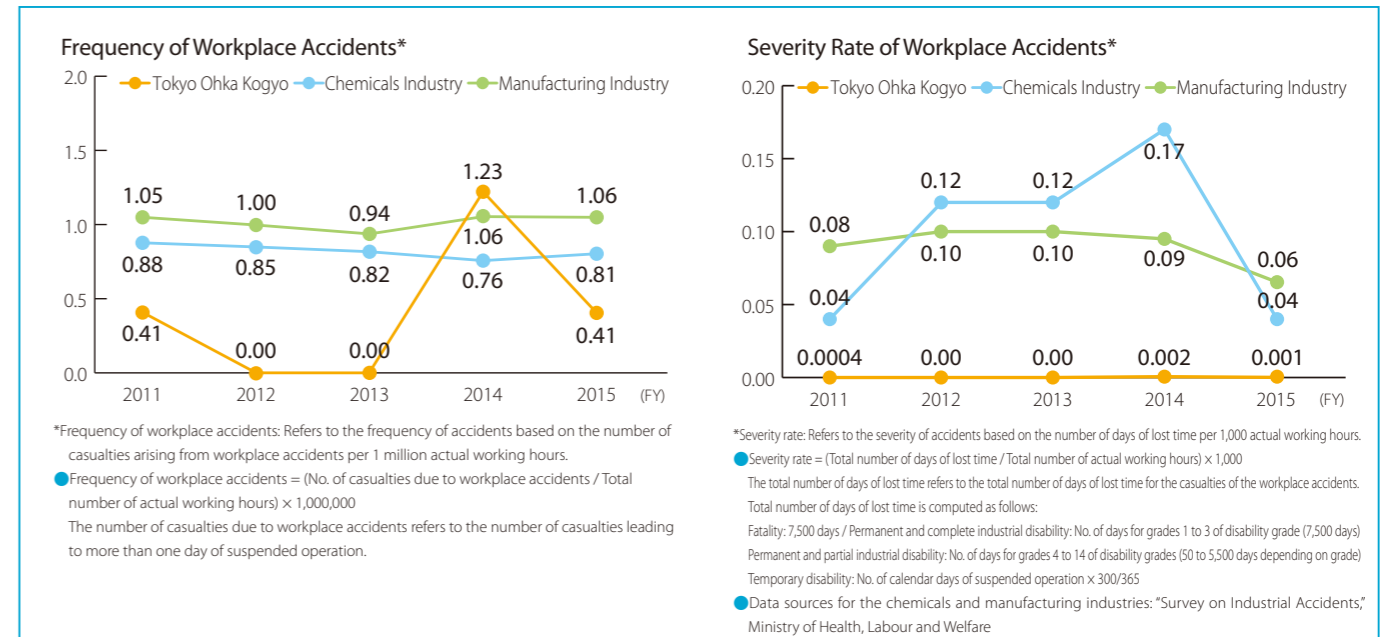
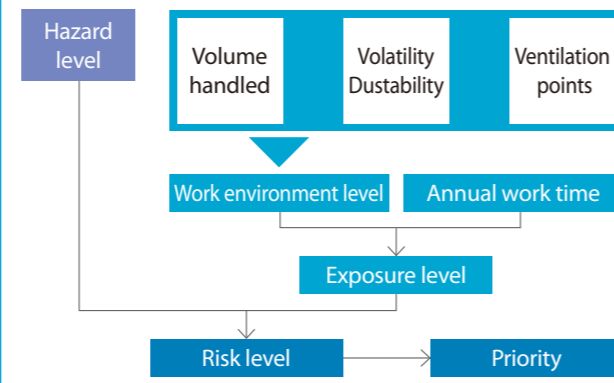
In addition, with the enforcement of the Revised Industrial Safety and Health Act, stress checks have become mandatory as of December 2015. TOK developed a system for conducting stress checks on all employees in Japan through discussions at each site's Safety and Health Committee. Fiscal 2015 was the first year of checks, which were conducted on 97% of employees.

### Promoting Risk Assessment Activities to Prevent Workplace Accidents

Organic solvents, acids, alkalis and various other chemical substances are used in manufacturing processes. Reducing the risk of injuries and accidents related to these chemicals, even minimally, helps prevent workplace accidents. TOK has conducted risk assessment activities for approximately 10 years, and we continue to share risk information with employees and to reduce risk in dangerous and potentially hazardous work.

The risk assessment method involves categorizing the risks and hazards of chemical substances used, and conducting risk assessments based on chemical substance volume handled, work frequency and other factors, and then determining the risk level. Risks for each operation in each process are clarified with a list, and for an operation that exceeds a certain risk level, the risk is reduced by enclosing facilities, improving ventilation equipment and other measures, with improvements reported on a regular basis to the Safety and Health Committee.

#### Overview of Hazard Risks Assessment Procedure of Chemical Substances in Use



## Reducing Environmental Impact at Overseas Manufacturing Sites

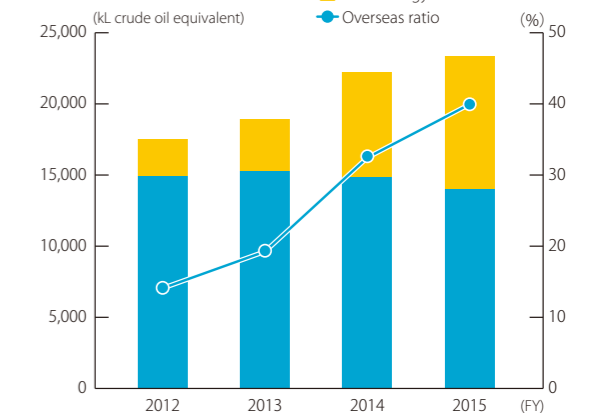
At the TOK Group's overseas manufacturing sites, we comply with the environmental standards established by the host countries (U.S., China, South Korea, and Taiwan) and have created environmental policies based on environmental management systems that are in conformance with ISO14001 and other international standards. Based on these policies, we use PDCA cycles to make a variety of improvements and enhancements to environmental performance.

### Reducing Energy Consumption

With the TOK Group increasing its overseas production ratio, the ratio of energy consumed at overseas manufacturing sites has also increased. In response, we have begun installing solar panels at some of the sites and utilizing natural energy.

Fiscal Year	Domestic total (kL)	Overseas total (kL)	Overseas rate (%)
2012	14,894	2,618	14.9
2013	15,234	3,662	19.4
2014	14,824	7,360	33.2
2015	13,985	9,378	40.1

#### Energy Consumption Ratio of Overseas Manufacturing Sites



### VOICE

#### Recommending Consultations at Clinics even with Commonplace Symptoms

At the headquarters, where office functions are consolidated, there are a fair number of consultations on issues specific to contemporary society such as issues related to lifestyle diseases, overwork and mental health. Overall, I think the state of TOK is generally good; it is above average.

At TOK, all employees receive health checks based on the Industrial Safety and Health Act, and when the checks indicate an abnormality in blood pressure, blood sugar levels or electrocardiograms that suggests particularly the potential for death from overwork, we strongly recommend getting checked as soon as possible at a specialized medical institution.

Even with headaches, which are thought to be a commonplace symptom, we've seen cases of illnesses occurring due to psychological stress, so depending on the symptoms, we encourage employees to consider getting checked by a mental health clinic.

Jun Masuno, Headquarters Industrial Physician

### VOICE

#### TOK TAIWAN Tongluo Plant Harmonizing with the Natural Environment

Currently, in Taiwan, there is a pressing need to address issues associated with preserving biodiversity, strengthening chemical management, insufficient water resources and building a recycling-based society. In response, the Tongluo Plant, has introduced an environmental management system since it first started operations for continual improvement with the participation of all employees. The company conducts environmental impact assessments on all processes and works to avoid or reduce environment impact in connection with items whose impact is significant. Through these ongoing activities, the company will reduce its impact on the surrounding environment to the maximum extent possible and establish itself as a plant capable of harmonizing with the natural environment.

In addition, TTW will formulate and execute plans for actively considering the environment, recycling water resources, reusing waste, and reducing energy consumption and thereby fulfill its corporate social responsibilities.

Zhang Wenq  
Deputy Manager, Plant Management Division, Plant Management Dept., Tongluo Plant

# Shareholders communication

The company conducts activities while engaging with its various stakeholders, so accepting their opinions and expectations is particularly important.

The TOK Group appropriately discloses information and communicates with stakeholders through various opportunities on whether business activities are meeting their requirements and expectations.

## For Shareholders, Investors

### ■ Investor Relations (IR)

The primary mission of our IR activities is to ensure the timely release of corporate information, such as management strategy and financial results, in a manner that is fair and proper for all shareholders and investors. Information and comments obtained through IR activities are fed back to management and used in the formulation of management and operations policies.



## For Development of Science and Technology

### ■ Assistance to Tokyo Ohka Foundation

Tokyo Ohka Foundation for The Promotion of Science and Technology was established by the late Shigemasa Mukai, the founder of Tokyo Ohka Kogyo. Its mission is to develop proprietary technology through fundamental research for the development of Japan, which has few natural resources, and the application of these technologies to industrial uses to achieve peace and prosperity among humankind. To that end, the Foundation provides funding for research and development in the field of science and technology, as well as for research exchange. A large number of beneficiaries are covered under the following grant categories: Grants for Research Projects; Grants for International Exchange; Support for the Promotion of Research Exchange Programs; and Grants for Promotion of Science Education.



## For Employees

### ■ Conversation with the President

One of the initiatives in the medium-term plan is to "boost the morale of employees" and we plan and implement a variety of activities to achieve this.

As a part of this, we create opportunities for mainly young employees working at production plants to engage in direct dialogue with top management. This has been conducted mainly at each production plant to facilitate renewed understanding of the relationship between the progress of the company and the daily work activities of employees, as well as to further raise job awareness.



## For Students

### ■ Plant Tours

We conduct tours of production plants for local students that include explanations of products and facilities to assist in their learning activities.

In this fiscal year, the headquarters received local middle school students for a workplace visit. They toured the facilities, and TOK employees serving as instructors provided basic explanations of the work being done and some perspectives on it and gave their opinions in response to questions submitted by the students beforehand.



## For Environmental preservation

### ■ Clean-up activities

Employees at every TOK production facilities in Japan periodically clean up surrounding areas, an activity that makes them more aware of the need to protect the environment. At the Aso Plant, for example, employees work closely with local residents in community activities, including a clean-up program to help preserve miyamakirishima, a protected flowering plant that thrives in the outer rim of the Mt. Aso crater. At the Sagami Operation Center, employees help clean the banks of the nearby Sagami River and participate in patrols to stop illegal dumping of waste. Employees at the center also participate in the community's beautification campaigns.



## For local community

### ■ Citizens' Festival Tombo-Ike Observation Tour

TOK held its 29 annual Noryosai (summer festival) at the dormitory and Company housing complex adjacent to the Shonan Technical Center in August 2015. Many local residents, employees of business partners and others attended the event.

Children and their parents were invited to participate in a Living Nature Observation Tour at the Dragonfly Pond, a biotope on the grounds of the Gotemba Plant.



# Third party verification



「CSR Report 2016」

第三者検証 意見書

2016年6月23日

東京応化工業株式会社  
取締役社長 阿久津 郁夫 殿

一般社団法人 日本化学工業協会  
レスポンシブル・ケア検証センター長

高瀬純治

### ■ 報告書検証の目的

本検証は、東京応化工業株式会社が作成した「CSR Report 2016」(以後、報告書と略す)を対象として、下記の事項について、化学業界の専門家として意見を表明することを目的としています。

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性
- 2) 数値以外の記載情報の正確性
- 3) レスポンシブル・ケア及び CSR 活動
- 4) 報告書の特徴

### ■ 検証の手順

- ・相模事業所において、各サイト(事業所、工場)から報告される数値の集計方法の合理性及び数値以外の記載情報の正確性について調査しました。相模事業所での調査は、報告書の内容について各業務責任者及び報告書作成責任者に質問すること並びに資料の提示・説明を受けることにより行いました。
- ・宇都宮工場において、相模事業所に報告した数値の算出方法の合理性、数値の正確性及び数値以外の記載情報の正確性を調査しました。宇都宮工場での調査は、各業務責任者及び報告書作成責任者に質問すること、資料の提示・説明を受けること並びに証拠物件と照合することにより行いました。
- ・数値及び記載情報の調査についてはサンプリング手法を適用しました。

### ■ 意見

- 1) パフォーマンス指標(数値)の算出・集計方法の合理性及び数値の正確性について
  - ・数値の算出・集計方法は相模事業所及び宇都宮工場において合理的な方法が採用され、また調査した範囲でパフォーマンスの数値は複数名でチェックする等正確に算出・集計されています。
  - ・今後、事業所等から提出された数値及び相模事業所での集計数値の正確性をチェックするシステムの検討と数値の取り扱い方法を統一されることが望まれます。
- 2) 数値以外の記載情報の正確性について
  - ・報告書に記載された情報は正確であることを確認しました。原案段階では表現の適切性或いは文章の解かり易さについて指摘しましたが、現報告書では指摘事項は修正されています。
- 3) レスポンシブル・ケア活動及び CSR 活動の内容について
  - ・情報セキュリティに関する取組を評価します。事業のグローバル展開に重要な取組であり、ワーキンググループを設置した全社的な取組の充実を期待します。
  - ・海外製造拠点での安全・品質への取組を相模事業所などの国内事業所と一体となって進めていることを評価します。今後、事故災害の再発防止対策を国内及び海外の事業所へ展開し、一層のレベルアップを期待します。また CSR 活動の一層の充実を期待します。
  - ・廃棄物処理への取組においてすべての処理事業者の監査を相模事業所が主導して関係事業所と一体となって計画的に実施していることを評価します。
  - ・宇都宮工場の省エネ活動への取り組みを評価するとともに今後の全社への展開を期待します。
  - ・また、宇都宮工場では行政への提出資料を必ず第三者機関のデータでの確認を経ていることを評価します。
- 4) 報告書の特徴
  - ・温暖化ガス排出量(SCOPE 1)に加えて SCOPE 2及び SCOPE 3を記載していることを評価します。

以上

# Third-Party Opinions

## Third-Party Opinions

As in the previous year, I have been given the opportunity to read this report.

The primary competitive arena for the semiconductor industry shifted from Japan to overseas starting in 2000, and in conjunction with this, TOK's overseas sales ratio has recently closed in on 80%, as the company is taking steady steps toward becoming an international corporation. In the midst of this, under the TOK Medium-Term Plan 2018, the first year of which is this fiscal year, TOK is championing the evolution of its strategy of building close relationships with customers. In the special feature, "Overseas Manufacturing Sites and Major Site Initiatives," the initiatives of various sites are profiled. The article I think is effective as information for understanding TOK's basic stance toward quickly developing products while confirming requirements in close proximity to customers. However, when companies develop operations overseas, they are exposed to risks of technology leaks

## On Receiving Third-Party opinions

We thank you for providing invaluable feedback on the TOK Group's CSR Report again this fiscal year.

In this year's report we presented an overview of the TOK Medium-Term Plan 2018, the pillar of our management strategy, featured activities we thought would be of significant interest to stakeholders, including initiatives at overseas sites, which are increasing in importance as the overseas sales ratio climbs, and information management initiatives for information leaks and other purposes, as well as worked to make these initiatives understandable to stakeholders.

In addition to the third-party opinion, we received Responsible Care verification from the Japan Chemical Industry

### Request for Information

Through the Eco Hotline, our CSR Report has been made available at libraries, universities, and other facilities throughout Japan. You may also submit a request for a copy of the CSR Report directly from the company, through the following URL.

<http://www.ecohotline.com>

Professor, Dean of the College of Economics, Kanto Gakuin University

Atsushi Fukuda



or information leaks, which are also concerns of stakeholders. Introducing initiatives in the special feature "Information Security System" to eradicate these concerns I find highly commendable.

In addition, one of the characteristics of this year's report, the active stance toward disclosure evident in various places throughout the report, such as receiving third-party verification by the Japan Chemical Industry Association and disclosing Scope 3 figures, is especially appreciated.

Finally, as the importance of overseas sites increases further, I hope that the Company will also expand the scope of its CSR activities.

Manager, EHS Division, Manufacturing Dept.

Hiroyuki Suzuki



Association to further raise the overall reliability of the report.

Going forward, we will work to earn the understanding of our many stakeholders with respect to TOK's business activities through information disclosure and other approaches, and to ensure the TOK Group meets the expectations of stakeholders as a trusted company.

# GRI Content Index

This section provides information on standard disclosures cited in the GRI G4 Sustainability Reporting Guidelines.

\*Items with no information to disclose, or which are not relevant, have been omitted from the table. In addition, due to space restrictions, index descriptions have been omitted, and in some cases, several disclosures have been combined into one entry.

General Standard Disclosures		
Items	Indicator	Page and Relevant Materials
Strategy and Analysis		
1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	◇Commitment of Top Management(p3-4)
2	Key impacts, risks and opportunities. Two concise narrative sections on key impacts, risks and opportunities.	◇TOK's Management Principles and CSR(p11) ◇Environmental Initiatives(p33)
Organizational Profile		
3,5	Name of the organization / Location of the organization's headquarters	◇Corporate Data(p2)
4	Primary brands, products and services	◇History of TOK(p1-2) ◇TOK's Business Fields(p7-8)
6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	◇TOK's Business Hubs and Business Activities(p9-10)
7	Nature of ownership and legal form	◇Corporate Data(p2)
8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	◇TOK's Business Hubs and Business Activities(p9-10)
9	Scale of the organization (total number of employees, total number of operation, net sales, total capitalization broken down in terms of debt and equity, quantity of products or services provided)	◇Financial Highlights (P7-8)
10	Total number of employees by employment type and gender / Total number of permanent employees by employment type and gender / Total workforce by employees and supervised workers and by gender / Total workforce by region and gender (following omitted) / Percentage of total employees covered by collective bargaining agreements	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25-28)
11	Percentage of total employees covered by collective bargaining agreements	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
12	Organization's supply chain	◇Key CSR Fields and Issues(p11)
Commitments to External Initiatives		
14	Whether and how the precautionary approach or principle is addressed by the organization	◇Strengthening the Compliance System(p19) ◇Measures to Strengthen Risk Management(p20)
Identified Materials Aspects and Boundaries		
17	All entities included in the organization's consolidated financial statements or equivalent documents. Any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report	◇Financial Statements
18 20	Process for defining the report content and the Aspect Boundaries. How the organization has implemented the Reporting Principles for Defining Report Content Aspect Boundary within the organization for each material Aspect (following omitted)	◇Editorial Policy(p1) ◇Key CSR Fields and Issues(p11)
19	List all the material aspects identified in the process for defining report content	◇Key CSR Fields and Issues(p11)
Stakeholder Engagement		
25	Basis for identification and selection of stakeholders for engagement	◇A Good Corporate Citizen(p43) ◇Collaboration with Recycling Companies(p38) ◇WEB
27	Key topics and concerns that have been raised through stakeholder engagement, the stakeholder groups that raised them, how the organization has responded	◇WEB
Report Profile		
28 29 30	Reporting period (such as fiscal or calendar year) for information provided. Date of most recent previous report (if any). Reporting cycle (such as annual, biennial)	◇Editorial Policy(p1)
31	Contact point for questions regarding the report or its contents	◇Back Cover
GRI Content Index		
32	The "In accordance" option the organization has chosen. GRI Content Index for the chosen option. Reference to the External Assurance Report, if the report has been externally assured	◇Editorial Policy(p1)
Governance		
Governance structure and composition		
34	Governance structure of the organization (including committees of the highest governance body). Committees responsible for decision-making on economic, environmental and social impacts	◇Corporate Governance System(p17-20)
39 41	Whether the Chair of the highest governance body is also an executive officer. Processes for the highest governance body to ensure avoidance and management of conflicts of interest. Whether conflicts of interest are disclosed to stakeholders (following omitted)	◇Financial Statements
Remuneration and Incentives		
51	Remuneration policies for the highest governance body and senior executives. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	◇Corporate Governance System(p17-20)
52	Process for determining remuneration. Whether remuneration consultants are involved. Whether remuneration consultants are independent of management. Any other relationships which the remuneration consultants have with the organization	◇Corporate Governance System(p17-20)
Ethics and Integrity		
56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	◇TOK's Management Principles and CSR(p11) ◇Strengthening the Compliance System(p19)
57 58	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines. Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity	◇Strengthening the Compliance System(p19)

Specific Standard Disclosures		
Items	Indicator	Page and Relevant Materials
Economic		
Aspect: Economic Performance		
EC1	Direct economic value generated and distributed	◇Financial Highlights (P7-8) ◇Financial Statements
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	◇Results of Responsible Care (RC) Activities in Fiscal 2015(p30) ◇Reduction in Environmental Burden from our Corporate Activities(p31-32)
EC3	Coverage of the organization's defined benefit plan obligations.	◇Financial Statements
Aspect: Indirect Economic Impacts		
EC8	Significant indirect economic impacts including the extent of impact	◇Environmental Accounting(p32)
Environmental		
Aspect: Raw Material		
EN1 EN4	Materials used by weight or volume. Energy consumption outside the organization	◇Environmental Performance(p31-32)
EN2	Percentage of materials used that are recycled input materials	◇Creation of a Recycling-Based Society: Initiatives to Achieve Zero Emissions(p37)
EN3	Energy consumption within the organization	◇Results of Responsible Care (RC) Activities in Fiscal 2014(p30) ◇Environmental Performance(p31-32) ◇Initiatives to Reduce Environmental Burden(p35-36) ◇Reducing Environmental Burden at Overseas Manufacturing Sites(p42)
EN5 EN6	Energy intensity. Reduction of energy consumption	◇Results of Responsible Care (RC) Activities in Fiscal 2014(p30) ◇Initiatives to Reduce Environmental Burden(p35)
Aspect: Water		
EN8	Total water withdrawal by source	◇Environmental Performance(p36)
Aspect: Emissions		
EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	◇Environmental Performance(p31-32) ◇Initiatives to Reduce Environmental Burden(p35-36)
EN19 EN20	Reduction of greenhouse gas (GHG) emissions. Emissions of ozone-depleting substances (ODS)	◇Initiatives to Reduce Environmental Burden(p35-36)
EN21	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	◇Initiatives to Reduce Environmental Burden(p35-36) ◇Appropriate Management of Chemical Substances(p39)
Aspect: Effluents and Waste		
EN22	Total water discharge by quality and discharge destination	◇Initiatives to Reduce Environmental Burden(p35-36)
EN23	Total weight of waste by type and disposal method	◇Results of Responsible Care (RC) Activities in Fiscal 2014(p30) ◇Environmental Performance(p31-32) ◇Creation of a Recycling-Based Society: Initiatives to Achieve Zero Emissions(p37)
Aspect: Products and Services		
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Aspect: Employment		
LA4	Minimum notice periods regarding operational changes including whether these are specified in collective agreements	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Aspect: Occupational Safety and Health		
LA6	Type of injury, rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender	◇Occupational Safety and Health Initiatives(p41)
Aspect: Labor-management relations		
LA7	Workers with high incidence or high risk of diseases related to their occupation	◇Occupational Safety and Health Initiatives(p41)
Aspect: Occupational Safety and Health		
LA8	Health and safety topics covered in formal agreements with trade unions	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Aspect: Training and Education		
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	◇Human Resource Initiatives(p25-26)
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25-26)
Aspect: Supplier Assessment for Labor Practices		
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Human rights		
Aspect: Investment		
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Aspect: Supplier Human Rights Assessment		
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Society		
Aspect: Local Communities		
SO2	Operations with significant actual and potential negative impacts on local communities	◇Environmental Initiatives(p29-42)
Aspect: Anti-corruption		
SO4	Communication and training on policies and procedures	◇Strengthening the Compliance System(p19)
Aspect: Supplier Assessment for Impacts on Society		
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	◇Human Rights Initiatives and Initiatives for Fair Working Conditions(p25)
Product Responsibility		
Aspect: Product and Service Labeling		
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	◇Appropriate Management of Chemical Substances(p39)