

# 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 Rights Initiatives

### 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. 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 to respond to complaints and carry out improvements.

In 2008, Professor John Ruggie from Harvard University drew up the “Ruggie Framework” (“Protect, Respect, and Remedy” Framework for Business and Human Rights) in his role as the UN Secretary-General’s Special Representative. In the framework, he pointed out that all business activities may have an impact on human rights, and that business enterprises should recognize that they have an obligation to comply with all human rights. In light of this, the TOK Group aims to further strengthen our monitoring functions against serious human rights violation, including poor working environment and child labor issues, in our supply chain within the Group and in Japan, as well as overseas as we expand our businesses beyond the shores of Japan.

### Measures Against Harassment

In order to prevent and deal with sexual harassment, we educate all employees on how to prevent sexual harassment.

We have also drawn up regulations in the form of “Detailed rules concerning sexual harassment,” which clarifies contact points and procedures for handling such incidents. We have also drawn up “Detailed rules concerning power harassment,” which similarly clarifies contact points and procedures for handling power harassment incidents.

### 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.**

### Building Good Labor Relations

The Tokyo Ohka Kogyo Labor Union was formed in 1976. The Company has a union shop agreement with the labor union.

The Company and the labor union have established a good relationship from the start, maintaining the principle of “Labor-Management Cooperation.” We hold a central labor-management meeting every two months to discuss the operational environment and other labor-management issues.

## Initiatives for Fair Working Conditions (Decent Work)

### Employment Situation

Employee Composition(Nonconsolidated, as of March 31, 2013)

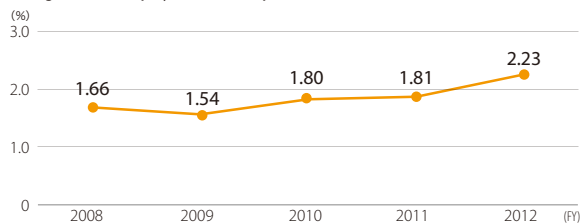
	Number of people	Average age	Average length of service (No. of years)
Male	1,151	41.0	18.8
Female	127	33.2	12.3
Total or average	1,278	40.1	18.1

\*The number of people excludes contract workers (69 people), seconded employees from other companies (4 people), and local employees at overseas subsidiaries (5 people). It includes 70 expatriates.

#### Employment of Persons with Disabilities

Our employment rate for persons with disabilities as at the end of fiscal 2012 was 2.23% (the legal rate of employment is above 1.8%). Going forward, we will continue to advance the employment of persons with disabilities.

#### Changes in the employment rate of persons with disabilities



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

#### Work-Life Balance Initiatives

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.



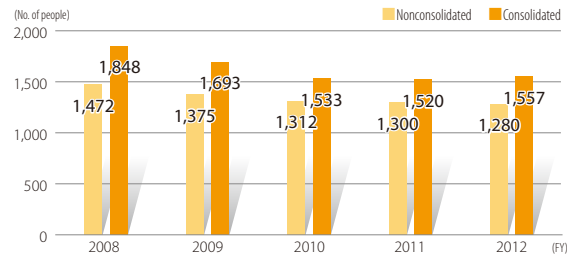
#### Childcare Leave System

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.

As of the end of March 2012, a total of 64 employees were using the childcare leave system, 32 employees applied to reduce their working hours and 42 employees were using the flextime scheme for child care.

We have also set up a range of leave systems such as the "family nursing care leave" and "charitable activity leave," as well as vacation leave systems such as "bone-marrow donor leave" and "sick/injured child-care leave."

#### Changes in the number of employees(as of the end of the fiscal year)



\*For both the nonconsolidated and consolidated basis, the number of employees does not include employees seconded from the TOK Group to other companies.

#### 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.

As of the end of March 2012, the number of rehired employees was 31, reaching a total of 124.

#### 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.

WEB

Relationship with Employees

<http://www.tok.co.jp/company/csr/com-activity/employees.html>

## Human Resource Initiatives

### 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.

### Diversity Initiatives

We began to accept employee transfers from overseas subsidiaries two years ago, and plan to directly employ foreign employees in the future.

### 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.

### 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.

### 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 2012, three employees were inducted into the Specialist Development System.

### VOICE : First Female Manager

### Supported by Supervisor and Colleagues

I was surprised to be named the first female manager of the company, and also by the strong reactions from those around me. I just accepted it matter-of-factly. However, looking back, I had faced problems on being unable to fulfill my own expectations in discharging my work duties since my children were young. Even so, I had barely any time to worry about this, as I was confronted by challenges every day. I felt that what I could achieve on my own was limited, and that I could not complete my work without the help of those around me. It is to the credit of my supervisors and colleagues that I am able to reach the position I am in today. While it is not necessarily the repayment for their kindnesses, I would like to put my greatest efforts into nurturing my subordinates when they are assigned to me.

Kanae Endo, Section Manager, Planning Div., Corporate Planning Dept.



## Safety and Health Initiatives

### Occupational Safety and Health

#### Prevention of Workplace Accidents

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.

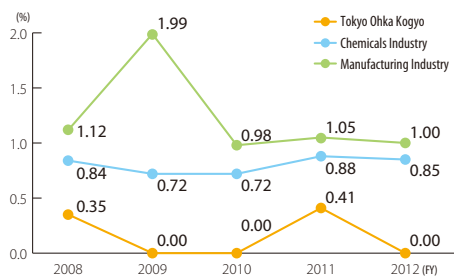
There were no lost time incidents in fiscal 2012. We will continue to make concerted, company-wide efforts to prevent workplace accidents, in order to achieve our goals of "zero accidents" as well as "zero accident risks."

#### 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.

Changes in Frequency of Workplace Accidents\*

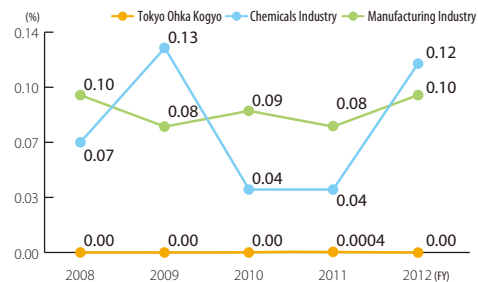


\*Frequency of workplace accidents: Refers to the frequency of accidents based on the number of casualties arising from workplace accidents per 1 million actual working hours.

● Frequency of workplace accidents = (No. of casualties due to workplace accidents / Total number of actual working hours) × 1,000,000

The number of casualties due to workplace accidents refers to the number of casualties leading to more than one day of suspended operation.

Changes in the Severity Rate of Workplace Accidents



\*Severity rate: Refers to the severity of accidents based on the number of days of lost time per 1,000 actual working hours.

● Severity rate = (Total number of days of lost time / Total number of actual working hours) × 1,000

The total number of days of lost time refers to the total number of days of lost time for the casualties of the workplace accidents. Total number of days of lost time is computed as follows:

Fatality: 7,500 days / Permanent and complete industrial disability: No. of days for grades 1 to 3 of disability grade (7,500 days)

Permanent and partial industrial disability: No. of days for grades 4 to 14 of disability grades (50 to 5,500 days depending on grade)

Temporary disability: No. of calendar days of suspended operation × 300/365

● Data sources for the chemicals and manufacturing industries: "Survey on Industrial Accidents," Ministry of Health, Labour and Welfare

#### VOICE : Balancing Childcare and Work

#### Grateful to Everyone Around Me

I applied for childcare leave (a flextime scheme) in 2009 when my wife returned to work, with the hope of balancing my childcare duties and work. Under this scheme, I was able to coordinate my work duties with my childcare schedule, such as sending and picking up my children. This also allowed my wife to concentrate on her work. I am also extremely grateful to everyone around me for their understanding and support for my use of the scheme.

I had also been worried how I could get through the times when the children started going to elementary school and care for them while they were in the lower grades of elementary school. However, my worries were gone in 2011 when the company decided to extend the range of persons entitled to childcare leave to include those with children up to the third grade of elementary school.

I think that this is a wonderful system that not only improves the quality of our family lives, but also enhances the appeal of the company. I would like to see a greater number of male employees making use of the childcare leave system in the future.

Tomonori Mizutani, SCM Div., Manufacturing Dept.

