

Message from the Director in Charge of General Affairs and Human Resources



We pursue happiness in personnel and strengthen their engagement, considering social changes and emerging global risks.

Kunio Mizuki Director, Executive Officer, Department Manager, General Affairs Department

Risks and Opportunities

Coping with present risks while strengthening personnel measures from the medium- to long-term viewpoints

The source of our competitiveness is in the microprocessor technology and high-purity processing technology as our core competence, and the production engineering power that stably achieves high quality. While these technologies are naturally supported by human resources, the decreasing working population has emerged as a risk in Japan where TOK is headquartered, and it has become an urgent requirement to implement personnel measures that will invigorate incumbent employees and senior employees. Therefore, we have endeavored to introduce a new personnel system in 2021, envisioning the medium- to long-term growth of human resources and the Company under the concepts of diversity, fairness, and accent. The implementation of the overall system was postponed by one year to 2022 because we prioritized the introduction of new work styles amidst the spread of COVID-19 in 2020 in order to prevent both getting infected and infecting others, putting the safety of stakeholders such as employees, customers, and business partners first. The re-employment system will also be introduced in concurrence with the new personnel system, performing revision to further motivate and leverage senior human resources. We regret the delay in these systems, but ideas have been presented to further enhance them during this delay. We are also relieved to have avoided the confusion of supply chain caused by the interruption of the supply of our products, and have also minimized COVID-19 infections in TOK. We will continue to implement infection control measures and fulfill our social responsibility without becoming complacent (see page 93).

To establish global personnel management

The U.S.-China trade friction and the global competition for data sovereignty have continued from the pre-COVID-19 era into the present. In addition, the risk of depending on specific regions, such as Asia for semiconductor production emerged in 2020, due to the tight supply-demand conditions for automotive semiconductors and the confusion of supply chain caused by devastating natural disasters. Consequently, semiconductors were positioned as strategic supplies in countries and regions, and the

Policy on Utilizing Human Resources

Since its founding, employees have been the greatest asset of the TOK Group. The Company's human resource policy is based on the following five principles, derived from its long-held philosophy that human resources are a company asset.



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

shift to domestic production is proceeding in full scale, while the competition for recruitment is intensified in related industries.

"Cross-border recruitment and personnel development regardless of nationality" as our global personnel strategy could not be implemented as scheduled due to the COVID-19 pandemic in FY 2020/12. However, we plan to accept long-term internship from overseas, to input globally hired engineers into cutting-edge projects and training programs in Japan, and to increase global employments, expecting improved circumstances through the progress of vaccination worldwide in FY 2021/12.

Ideas for personnel development in the COVID-19 pandemic

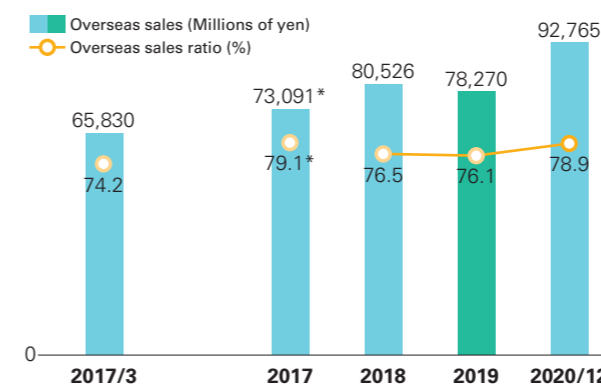
In the development of domestic human resources, we emphasize the provision of occasions for direct exchange with customers in the U.S., South Korea, Taiwan, and China, the leading regions of the semiconductor industry, to many domestic employees who seek opportunities for growth. In FY 2020/12, these occasions were partly replaced with modified domestic training programs, because overseas traveling was restricted. Specifically, a cross-departmental training was added to acquire multi-faceted and broad perspectives. In particular, contact with customers at the sales department as the training site was introduced as a part of tough assignments, thereby promoting the growth of personnel. We will continue to implement such ideas, and will further increase opportunities for growth at overseas sites after the COVID-19 pandemic subsides.

History of Overseas Subsidiary Development

- **The U.S.**
1987 Established Ohka America, Inc. (current Tokyo Ohka Kogyo America, Inc.)
- **Europe**
1987 Established Ohka (UK) Ltd.
- **Taiwan**
1998 Established TOK Taiwan Co., Ltd.
2014 Established the Tongluo plant
2016 Established the Tongluo No. 2 plant
- **China**
2004 Established Chang Chun TOK (Changshu) Co., Ltd.
2012 Established TOK Advanced Materials Co., Ltd.
- **South Korea**
2012 Established TOK Advanced Materials Co., Ltd.



Overseas sales/overseas sales ratio



* The fiscal year ended December 31, 2017 was an irregular nine-month period in Japan and 12 months overseas due to a change in the fiscal year-end.

Graduate turnover within three years of joining the Company



Key Measures in the TOK Medium-Term Plan 2021

Toward the introduction of a new personnel system

Under the TOK Medium-Term Plan 2021, which emphasizes the enhancement of personnel measures more than any medium-term plans in the past, we have striven to formulate a new personnel system in order to strengthen human resources who can perform research, make decisions, and take actions on their own initiative as one of the company-wide strategies. The system was formulated considering the results of the employee engagement survey conducted in 2019, and aims at shifting to a mission grade system, which clarifies the roles and responsibilities required in each course, rank, and job type, and provides treatment and remuneration proportionate to the achievement level. The system also features treatment focused on the specialty of each employee in the R&D department and elsewhere by enhancing a specialist system, reviewing criteria for managerial appointments, and introducing a fellow and executive fellow system.

Since FY 2020/12, we have focused on upgrading systems, including the reform of human resource development methods, and work-style reform for each employee to maximize their

Main features of the mission grade system (to be introduced in 2022)

Structures/Systems

- **Course and rank system**
 - Shift to mission grade system for both management and general courses
 - Renew rank definitions by clarifying the expected roles according to rank and job type, making them well understood
 - Review criteria for managerial appointments
- **Remuneration system**
 - Shift to a mission grade system
- **Evaluation and promotion system**
 - Daily work evaluation changed to "Behavior evaluation"
 - New rank definition set up as an item and standard for "Behavior evaluation"
 - Introduction of a demotion system for management
- **Education system**
 - Establish a new level-based education system for management level employees
 - Expand the education at each level

individual abilities. Specifically, we have introduced 360-degree feedback on the heads of departments and implemented awareness improvement and coaching seminars to develop them as the core of human resource development and the invigoration of organization. For work-style reform, we have analyzed the benefits and disadvantages of work from home, flextime, and staggered commuting in order to ensure the safety of employees and infection prevention in the COVID-19 pandemic, and promoted vigorous discussion toward the introduction of these styles as permanent measures. As the results of various measures, not only female employees, but also increasing male employees are taking childcare leave in recent years. We will continue endeavoring to establish a comfortable work environment.

To increase the ratio of female managers and to promote the appointment of non-Japanese human resources

To contribute to a sustainable future and to achieve decarbonization as stated in the management vision, it is essential to lead innovation utilizing diverse values and specialties. Therefore, the TOK Group continues to maintain the diversity and inclusion* policy, and proactively promote women in the workplace and the appointment of non-Japanese employees.

The ratio of female managers remained at the same level in FY 2020/12, but a woman was appointed as General Manager of the Human Resources Division, and there was also an increase in the candidates for female managers. In addition, the ratio of female employees in recruitment has been around 40% over the past several years, compared to our target of 20% or higher. This also seems to demonstrate the steady advancement of initiatives to increase the ratio of female managers. In FY 2021/12 as the final year of the medium-term plan, we will practice ideas for motivating female employees to challenge management positions, considering and pursuing their careers from their perspectives, such as providing occasions for exchange with female human resources who can play a role model.

The number of non-Japanese employees increased again in FY 2020/12. In FY 2021/12, we will promote the appointment of non-Japanese human resources and the advancement of diversity through new ideas, such as more invigorated human resource exchange among the group companies by utilizing overseas subsidiaries.

* Inclusion: Acknowledging and taking advantage of the skills and opinions of diverse human resources

Indices related to female employee participation*1

	2017/3	2017	2018	2019	2020/12
Ratio of women among new hires (%)	45.8	29.2	43.3	39.4	38.5
Ratio of women among the overall employees (%)	11.4	11.7	12.3	13.0	13.7
Difference in average tenure figures for men and women (years)	8.7	8.9	9.2	9.3	9.1
Ratio of women in senior and middle management (%)	1.5	2.0	2.4	3.3	3.2
Ratio of women on the Board of Directors (%)	8.3	8.3	8.3	7.7	7.7*2

*1 Tokyo Ohka Kogyo Co., Ltd. only (employees exclude those seconded from TOK to other companies and contract workers, but include people seconded from other companies to TOK)
 *2 The ratio of women on the Board of Directors is as of 2021. The ratio decreased in 2019 and after because one independent director was added.

Number of users of childcare-related systems*

	2017/3	2017	2018	2019	2020/12
Childcare leave system (number of users)	4	4	12	16	19
Shorter working hours (number of users)	2	2	6	13	12
Childcare time (number of users)	12	12	13	16	16

* Tokyo Ohka Kogyo Co., Ltd. only

Number of non-Japanese employees

	2017/3	2017	2018	2019	2020/12
Number of non-Japanese employees (Tokyo Ohka Kogyo Co., Ltd. only)	11	11	11	16	18
Number of non-Japanese employees (consolidated)	312	323	378	412	424
Ratio of non-Japanese employees (consolidated, %)	19.5	20.0	22.6	23.9	24.2

Initiatives toward TOK Vision 2030

● Toward the provision of solutions that lead to the creation of new value for customers

TOK Vision 2030 presents “Utilizing global personnel” as one of the seven strategies in 2030 with a view to a 100-year company in 2040. We define global human resources as those who can make accomplishments under any circumstances, and enhance solutions that lead to the new value creation for customers by developing human resources and organizations envisioning 10 years ahead, and promoting diversity and inclusion to form the basis for leveraging the developed human resources and organizations.

In the development of human resources and organizations, we will establish organizations utilizing a human resource data-bank and talent management system that visualizes the skills and abilities of employees under the new personnel system, and pursue career development through dialogs based on human resource development sheets, while utilizing development tools that focus on the strengths of each individual.

For diversity and inclusion, relationships with overseas sites will be further enhanced, and the development of locally hired staff will be strengthened through training and transfers.

● Producing leeway for creation by improving both happiness and productivity

In addition to the personnel measures above, the Seven Management Strategies stated in TOK Vision 2030 require higher employee engagement for their practices. Therefore, we will continue to pursue the enhancement of happiness, while improving productivity at the same time. By promoting these two factors in tandem, we will make each individual produce leeway for creation, thereby further advancing a frank and open-minded business culture as one of the management



Dialog sessions between young employees and the President

principles since the foundation. The specific focuses are placed on fostering sympathy with the Vision, generating the sense of fulfillment, establishing a comfortable work environment, and supporting growth. In fostering sympathy with the Vision, the management executives communicate the details of TOK Vision 2030 in their own words through dialog with employees. In generating the sense of fulfillment, we will motivate capable employees by providing stages for further empowerment.



Motoko Samezawa
 General Manager,
 Human Resources Div.

Higher engagement will be the common language

The new personnel system places the pursuit of happiness in personnel at its basis, and emphasizes that individual employees can feel the sense of fulfillment and pleasure in their work. To achieve higher engagement as an important element of happiness, the management executives have led the analysis and discussion on the results of the employee engagement survey and have formulated and implemented improvement measures in each department. In FY 2020/12, we also promoted the company-wide sharing of initiatives in each department. In the coming years, we will continue fixed-point observation of all global employees by the survey method used in 2019, thereby pursuing increased happiness for all employees in Japan and overseas, with higher engagement as the common language throughout the group.

Respect for Human Rights

● Established the Human Rights Policy

The TOK Group has announced that it would never violate any human rights in the TOK Group Human Resources Management Regulations and the TOK Group Compliance Standards of Conduct. In October 2020, we formulated the CSR Policy, which is applicable to the entire TOK Group, by reorganizing the existing policies, Compliance Standards of Conduct, and other policies. As its subordinate policies, we also formulated the Human Rights Policy based on the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, ISO 26000, the Responsible Business Alliance (RBA) Code of Conduct, and other guidelines.

In FY 2020/12, we implemented study sessions and e-learning related to human rights. In FY 2021/12, we will educate and promote understanding in order to instill the CSR Policy including human rights policy throughout the group.

● Prohibition of child labor and forced labor

The human rights policy clearly states that the TOK Group prohibits child labor, forced labor, bonded labor, and human trafficking, regardless of employment status. We have also promoted initiatives covering the entire supply chain, including the statement of procurement considering human rights, occupational health and safety, and other social requirements in the CSR Procurement Policy.

● Prevention of harassment

The human rights policy states that the TOK Group prohibits all kinds of activities that may be regarded as harassment. Furthermore, we codified the detailed rules concerning harassment, which specified contact information and procedures for handling harassment incidents. We strive to prevent all kinds of harassment by improving employee awareness through continued harassment prevention education for all employees as part of human rights training. In coming years, we also plan to implement study sessions on harassment for directors and other executive officers so that they can embody the frank and open-minded business culture stated in the management principles, and set an example of appropriate behavior.

We have also made rules for preventing maternity and paternity harassment as an example of initiatives to promote the prevention of new types of harassment in line with social trends. In addition, we will implement measures to help external stakeholders deepen their understanding of the TOK Group CSR Policy, including the human rights policy.

Ensuring the Health and Safety of Human Resources

● Continued initiatives for health & productivity management

Since 2015, TOK has implemented Data Health Plans in collaboration with the Tokyo Ohka Kogyo Health Insurance Associations, which uses the PDCA cycle for maintaining and improving health in order for officers and employees to prevent and discover diseases. We have implemented various insurance measures, including offering to pay the full cost of group influenza vaccinations for employees since 2017. We have also focused efforts on preventing illnesses from becoming worse through the early detection and treatment of diseases. In 2018, the Company launched My Health Web as a convenient portal for improving knowledge and awareness about health. We also hold the walking rally via My Health Web with the participation of the president, as well as many officers and employees. We have also made efforts to maintain presymptomatic state to lead healthier lives by encouraging each director and employee to do daily radio calisthenics, stretching, and activities on internal athletic clubs. Since 2019, we have been holding quit-smoking seminars, introduced humidifiers, and power assist suits for elderly workers.

As a result of these ongoing initiatives, TOK was recognized in the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi in February 2020 for a third consecutive year. We have introduced

Human Rights Policy

TOK Group respects the basic human rights and diversity, and acts as a good member of the global community in accordance with national and local laws and social norms* related to human rights.

* Universal Declaration of Human Rights, Guiding Principles on Business and Human Rights, ISO26000, RBA Code of Conduct, etc.

- Does not discriminate against anyone in recruiting, hiring, assignment, training, reward, promotion, etc., on the basis of birth, nationality, race, ethnicity, religion, gender, sexual orientation, marital status, pregnancy, medical condition, age, disability, or any other basis prohibited by law.
- Prohibits child labor, forced labor, debt bondage, and human trafficking regardless of the form of employment.
- Prohibits any and all acts that may be considered harassment.
- Endeavors to foster and implement fair and impartial treatment of our human resources.
- Maintains a physically and mentally comfortable working environment by ensuring the fairness in employment and the safety at work.
- Respects and guarantee the basic rights of workers stipulated in international labor standards and the constitutions and labor laws of each country and region.
- Properly protects and manages personal information.

new initiatives toward future certification, thereby promoting further health and productivity management. In December 2020, TOK was designated a “Sports Yell Company” by the Japan Sports Agency for a second consecutive year.



● Discussing personnel system and work-style reform at the labor-management review panel

The Tokyo Ohka Kogyo Labor Union was formed in 1976, and belongs to the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Unions (“UA Zensen”). The Tokyo Ohka Kogyo Labor Union has a union shop agreement with the Company. As of December 31, 2020, there are 1,072 labor union members affiliated with the Company, and 80.1% of all employees are members of the labor union. Since the labor union was first formed, labor and management have maintained good, cooperative relations. Once every two months, the central labor-management meeting is held to exchange opinions on the operating environment and other labor-management issues. As a part of this process, we have concluded various labor agreements that include provisions on occupational health and safety for maintaining good labor and workplace conditions. When changes in working patterns are made for business purposes, they are always discussed in advance with the labor union.

We have also established the labor-management review panel as a forum for labor-management discussion on the new personnel system and re-employment system to be introduced in 2022, among other topics. We have traditionally discussed proposals from the labor side and the management side at the respective specialized committees. In contrast, the labor-management review panel is operated as a consultative body that not only discusses the systems above but also shares requirements toward work-style reform, as well as the awareness of problems toward workplace environment where motivated senior human resources can fully exercise their abilities, and examines solutions thereto.