

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

We will expand tough assignments to foster self-reliant human resources that boldly take risks.

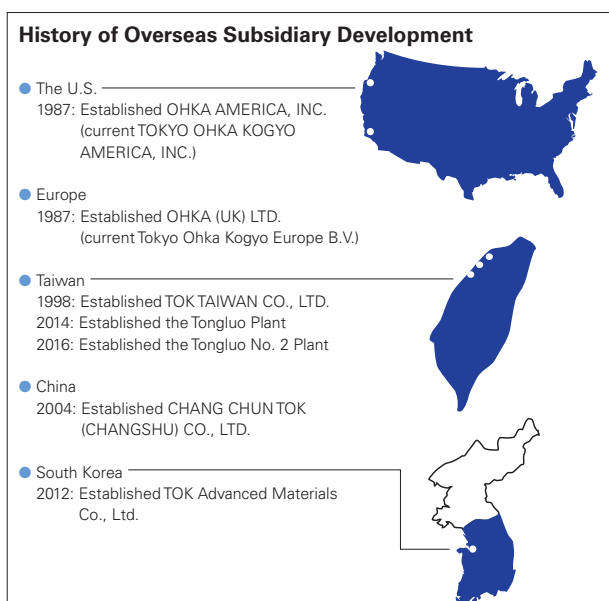


Kunio Mizuki *Director, Executive Officer, Department Manager, General Affairs Dept.*

Megatrends

■ Globalization of Electronics Industry/Growth in Asian Economies

Since the dawn of Japan's semiconductor industry, TOK has refined its technologies in lockstep with Japanese semiconductor manufacturers, its customers, especially during the period of rapid development in the 1980s. Our development and sales personnel also honed their strengths through a process of being trained and disciplined by customers. Thereafter, amid the megatrends of globalization in the electronics industry and expansion in Asian economies, our overseas customers in the U.S., South Korea, and Taiwan began to lead the global semiconductor industry, and we always stayed close to our customers to rapidly meet their stringent requirements for performance, quality, and service in semiconductor photoresists and high-purity chemicals. This allowed us to grow considerably alongside our customers. As 5G and IoT begin to take off in society, however, the pace of technological change is accelerating in the entire electronics industry, and development difficulty increases every year. Against this backdrop, TOK is reforming its business portfolio by strengthening marketing and striving to establish new earning pillars in order to become a "100-year company" in 2040. However, taking a passive approach, by growing alongside our customers, will not be enough to achieve these goals. More than ever before, we need to develop self-reliant human resources that are keen



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.

to actively take on risks. Under the "TOK Medium-Term Plan 2021," "enhancing personnel measures" is one of our most important management issues.

Risks and Opportunities

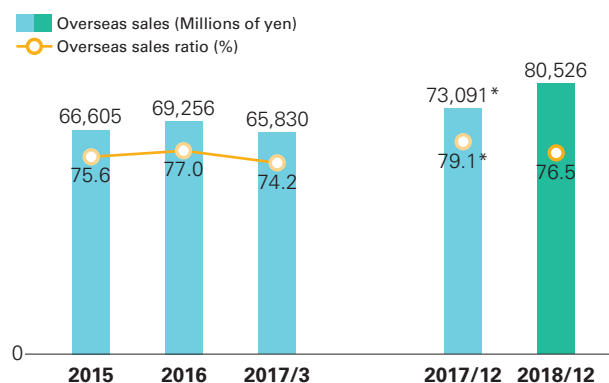
■ Expanding Tough Assignments for Domestic Human Resources an Issue

As overseas sales have expanded, overseas business has come to account for about 80% of consolidated net sales, with the remaining 20% from Japan, but the opposite is true for employees. Only 20% of consolidated employee numbers are overseas, and 80% are in Japan. We are well aware of the risk that opportunities for tough assignments for employees to hone their skills with domestic customers are on the decline in Japan.

■ Overseas Customer-oriented Sites Present Numerous Growth Opportunities for Human Resources

As sales have expanded overseas, R&D functions, production facilities, and human resources have also expanded at our customer-oriented sites in the U.S., South Korea, and Taiwan. These overseas customer-oriented sites have served well as venues and opportunities for tough assignments for employees dispatched from Japan to improve through close interactions with local customers, collaboration with non-Japanese employees and local suppliers, and learning more about environmental and safety laws and regulations at local governments. These tough overseas assignments have become a ladder for advancement to management positions at TOK. Additionally,

Overseas sales/overseas sales ratio



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

local non-Japanese employees have opportunities to grow and improve their knowledge of cutting-edge fields, by learning more about the Company's world-leading microprocessing technology and high purification technology.

Key Measures in the TOK Medium-Term Plan 2021

■ Expanding Detailed Measures for Inclusion of Employees from Diverse Backgrounds

In light of these risks and opportunities, under the "TOK Medium-Term Plan 2021," management has defined "strengthen human resources who can perform research, make decisions, and take actions on their own initiative" as one of its company-wide strategies. Through the Personnel System Reform Project launched in September 2018, TOK is promoting the hiring of diverse human resources and taking bold steps to reform the personnel system and expand its training systems. Through these and other measures, we have started to carry out initiatives to strengthen human resources so they can better pursue various business opportunities with customers and see them through to a successful conclusion.

With regard to hiring diverse human resources, we adhere to a policy of "Diversity and Inclusion*" with the aim of strengthening competitiveness by proactively and continuously seeking to hire foreign nationals, mid-career professionals, and women. We are especially focused on measures to promote "Inclusion." Specifically, for female employees we are offering more choices for work styles depending on their life stage while enhancing support for childrearing. For non-Japanese employees, we strive to be a welcoming environment for different cultures and languages, and offer support in terms of their work and private lives through periodic face-to-face meetings. For non-Japanese employees who mainly work at our sites in Japan, we offer financial assistance for taking the Japanese-Language Proficiency Test. TOK is ready to implement concrete measures during the current medium-term plan for promoting inclusion among employees with due consideration paid to their individual attributes and unique situations.

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

■ Reforming Personnel Systems and Expanding Training Programs

As shown on the next page, TOK is augmenting its level-based training program as a part of reforms to its personnel system, and expanding its training programs. The Company is also keen

Graduate turnover within 3 years of joining the Company



Number of non-Japanese employees

	2015	2016	2017/3	2017/12	2018/12
Number of non-Japanese employees (non-consolidated)	5	6	11	11	11
Number of non-Japanese employees (consolidated)	259	301	312	323	378
Ratio of non-Japanese employees (consolidated, %)	16.8	19.2	19.5	20.0	22.6

Indices related to female employee participation*¹

	2015	2016	2017/3	2017/12	2018/12
Ratio of women among new graduates (%)	45.0	40.0	45.8	29.2	43.3
Ratio of women among the overall employees (%)	10.2	10.6	11.4	11.7	12.3
Difference in average tenure figures for men and women (years)	7.7	8.0	8.7	8.9	9.2
Ratio of women in senior and middle management (%)	0.5	1.1	1.5	2.0	2.4
Ratio of women on the Board of Directors (%)	0.0	8.3	8.3	8.3	8.3 ²

*¹ Non-consolidated basis (employees exclude those seconded from TOK to other companies and contract workers, and include people seconded from other companies to TOK)

*² As of 2019

Number of users of childcare-related systems

	2015	2016	2017/3	2017/12	2018/12
Childcare leave system (number of users)	10	13	4	4	12
Shorter working hours (number of users)	10	4	2	2	6
Childcare time (number of users)	4	11	12	12	13

to reallocate personnel as a way of increasing opportunities afforded by tough assignments, based on the analysis that management training has been inadequate in the past, a recent issue in its personnel system. By implementing an allocation strategy across departments for the next generation of senior management candidates, division managers, and candidates for the next generation of department managers, TOK intends to improve their organizational management capability, ability to coordinate across organizations, ability to analyze problems, strategic capabilities for solving problems, and capacity for judgment. By giving employees tough assignments to gain first-hand experience, we aim to enhance their overall level of experience and responsiveness, and prepare employees for upper-level management positions. To raise awareness that training subordinates is one of the important missions of managers, we are also considering the introduction of a training regimen for mastering coaching skills.

Level-based Training Program

Program

■ New Employee Training Program

The objective of this year-long training program is to familiarize new employees with the Company's production and inspection processes for products, as well as teach them the basics about being a member of society and TOK's identity.

- Basic Education for Global Personnel
- New employee training, factory training, training after three months of joining, language instruction at home, language camps

■ Training Program for Senior Staff

Basic education is provided in order to facilitate work within each business site and with related departments, on topics such as logical thinking, logical communications, leadership, and accounting knowledge.

■ Training Program for Junior Managers

With the intention of training effective managers or executives, we provide instruction based on a repetitive learning process for consistent management and problem solving, on topics including communication methods for instructing and educating subordinates, understanding current conditions, clarifying and improving problems and issues, and devising measures and strategies to solve issues.

■ Training Program for Assistant Managers

With the objective of instilling the ability to solve problems, we provide settings for group learning, discussions with directors and report presentation events on topics including analyzing progress of the medium-term plan, identifying, defining and solving problems and issues, and creating strategies for solving problems. Assistant managers receive training on the fundamentals to become department managers and executives through learning the necessary management philosophy, as well as theory on problem analysis and solving strategies to lead organizations in perpetuity while staying one step ahead of the times.

■ TOK Global Practical Training for Selected Members and Training for Locally Hired Non-Japanese Employees

TOK continues to concentrate on TOK Global Practical Training for Selected Members, which was introduced in 2014 as a measure to train employees before reassignment or being given tough assignments. The Company needs human resources with attributes including flexibility, speed, toughness, communication skills, and foreign language ability. Related courses are shown below.

As a new measure, the Company is advancing the TOK Group Core Human Resource Training Program, which is also geared toward locally hired non-Japanese employees at overseas subsidiaries, for the purpose of training talented human resources who will become key leaders of the Group in the future to continue increasing the corporate value of the Group over the long run. This program furthers an understanding of TOK's history, principles, and strategies for overseas subsidiaries, and opens up discussions about the future leaders and other topics. By experiencing collaboration in overseas business simulations, employees in the program build the coherent perspectives and values of the TOK Group on their own.

Ensuring the Health and Safety of Human Resources

■ Health & Productivity Management

We recognize that employee health is essential for sustainable value creation, and it is also a prerequisite to raising the happiness of Group employees. Since 2015, TOK has implemented Data Health Plans in collaboration with the Tokyo Ohka Kogyo Health Insurance Society, which use a PDCA cycle for preventing and discovering diseases while encouraging employees to take better care of their health. In 2017, we focused efforts on preventing illnesses from becoming worse through the early detection and treatment of diseases, including offering to pay the full cost of influenza vaccinations for employees.

In 2018, the Company launched My Health WEB as a new portal for health-related information, and began offering convenient information for improving knowledge and awareness about health. We also made an effort to improve employee awareness of presymptomatic medicine (to lead healthier lives), such as by holding the walking festival via My Health WEB. As a result of these ongoing initiatives, in February 2019, TOK

TOK Global Practical Training for Selected Members Content

Theme	Content
Kick-Off Seminar	Participants learn the fundamentals of different cultures and English communication and methods for accurately expressing the points they wish to convey.
Win-Win Communication	Participants learn how to identify points of commonality and difference with a person having a different opinion, as well as how to negotiate and craft solutions.
Overseas Training	Participants directly experience a different culture and find ways to "break out of their own shells" to quickly solve problems under a given set of difficult circumstances.
Leadership	Participants define and imagine for themselves "ideal leadership" and create a plan of action to bridge the gap between the current reality and the ideal.
Mental Toughness	Participants become aware of their own level of growth through challenging exercises with people who are not Japanese. They come to understand their own abilities and strengths and to control motivation.

Increasing Employee Happiness Leads to Greater Satisfaction for All Stakeholders



At TOK, the graduate turnover rate within 3 years of joining the Company has been zero for a majority of years, and the percentage of annual paid leave taken is much higher than the average for the manufacturing industry. However, we are still not satisfied. U.S. companies have data that happier employees are more creative and efficient at work, while missing or quitting work less often. There is also research finding that corporate performance is proportional to employee happiness. With the idea of focusing on not only employee satisfaction, but also their happiness, we are committed to reforming our personnel systems to create a fair personnel evaluation system, while improving employee satisfaction with their work environments and benefits. Furthermore, we aim to increase the happiness of each and every employee so they can perform to the best of their abilities, which should lead to the sustainable enhancement of corporate value and greater satisfaction for all stakeholders.

Kazuhiko Nakayama *General Manager, Human Resources Div.*

was recognized for a second straight year in the 2019 Certified Health & Productivity Management Outstanding Organizations Recognition Program (White 500) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

■ Labor Union Also Involved in Health Management and Empowering Female Employees

The Tokyo Ohka Kogyo Labor Union was formed in 1976 and has a union shop agreement with the Company. As of December 31, 2018, there were 1,021 labor union members affiliated with the Company, and 80.6% 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 takes 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 in working patterns are made for business purposes, they are always discussed in advance with the labor union.

Moreover, the labor union is involved in promoting health management and the empowerment of women in the workplace, while also planning and implementing recreational activities (sports, tourism, and theatergoing, etc.). The labor union also creates opportunities for female employees to receive training and network among themselves.

Respect for Human Rights

■ Basic Concept

The TOK Group has declared its respect for human rights and prohibits discrimination, and strives to understand and accept diverse values without regard to gender, age or nationality.

Based on this foundation, in line with one of our management principles, namely 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.

■ Respect for Human Rights

Respect for human rights is a fundamental basis for sustainable value creation through international business activities. The TOK Group respects the basic human rights of individuals, diverse values, personality and privacy based on the TOK Group Personnel Management Rules and TOK Group Compliance Standards of Conduct, and has pledged to never infringe on the human rights of officers and employees based on birth, nationality, race, ethnicity, belief or religion.

We conduct company-wide activities aimed at raising awareness of human rights, and have put in place systems such as collaboration with legal firms to respond to complaints and carry out improvements.

■ Prevention of Harassment

TOK has codified "Detailed rules concerning harassment" and set up contact points and clarified procedures for handling harassment incidents. To prevent or correct harassment, we also strive to raise awareness among all employees through harassment prevention training.

In recent years, the Company has taken more steps to prevent harassment by making rules for preventing maternity harassment and paternity harassment, as well as by clarifying contact points and procedures for handling harassment incidents.