



A Message from the Chairman

**TOK is advancing corporate governance
from the mindset of strengthening
global consolidated management and
pursuing happiness in personnel.**

◆ **Governance Reforms to Strengthen Sustainable Growth Capacity**

The TOK Group established the Nomination and Compensation Advisory Committee in December 2018, appointed a Chairman and Representative Director in January 2019, and issued the TOK Corporate Governance Guidelines in April 2019.

Following a series of reforms to governance, the TOK Group has transitioned to a new stage of corporate governance with the aim of strengthening its capacity for sustainable growth. Management did not make these changes just for the sake of change. The Company has improved transparency and fairness in management through the Nomination and Compensation Advisory Committee, which mainly consists of outside directors. The Chairman and Representative Director has management responsibilities set apart from business execution, and TOK continues to have a function of checks and balances through independent officers while preserving the autonomy of inside directors. With these functions in place, TOK is positioned to strengthen its capacity for sustainable growth and advance toward its vision as a “100-year company” in 2040.

◆ **Strengthening Global Consolidated Management**

The overseas sales ratio has recently risen above 75% of the consolidated net sales, and TOK now has five plants and four customer-oriented sites located overseas. I believe

strengthening global consolidated management is by far the most important point for strengthening our capacity for sustainable growth. Since 2016, the Company has built and operated the Group Management System (GMS) by which we share information about risks in the Company’s business activities inside and outside Japan from three viewpoints of control, risk, and compliance, and translate it into sustainable value creation. In 2017, TOK unified the fiscal year-end to December for all its subsidiaries inside and outside Japan in a move to reinforce global consolidated management in terms of internal controls, finance and accounting.

We are also seeing gradual progress in global consolidated management in the management ranks, with a local hire filling the top management position at TOK Advanced Materials Co., Ltd., and local personnel being promoted to key positions at subsidiaries in the U.S. and Taiwan as well. In the future, we are ready to accelerate global consolidated management in personnel by appointing talented personnel as executive officers and directors without regard to nationality.

◆ **Concept of Pursuing Happiness in Personnel**

The most important concept in our governance reforms to strengthen global consolidated management is the pursuit of happiness in personnel. This is more than increasing the average annual salary, improving work-life balance and making the workplace better for female employees. TOK has already made



Ikuo Akutsu
*Representative Director,
Chairman*

progress on these issues. I believe the core of happiness for our employees lies in how helpful they can be to our customers and society. Last year, a customer in North America decided to use our super-high-performance clean solutions in their cutting-edge semiconductor processes. The clean solutions are likely to be used across a broad segment of society, centered on next-generation semiconductors for 5G communications. Although the development team at the local customer-oriented site went through quite an unimaginable ordeal, I hear the team was happy beyond words that they were useful to this customer and society. I believe my mission is to provide opportunities not only for our employees overseas, but also our employees in Japan, who make up 80% of the consolidated total, to experience this level of happiness.

In the pursuit of happiness for managers, including directors and executive officers, we will change the remuneration system for directors and auditors. TOK has long had a performance-linked remuneration system for directors and auditors, but we are currently creating a new remuneration system that is better aligned with social issues and the Company's future direction. The Nomination and Compensation Advisory Committee is working on the specifics of formulas for calculating performance indicators with the aim of implementing the new system as early as the fiscal year ending December 31, 2020.

◆ **Monitoring Progress under the "TOK Medium-Term Plan 2021"**

Regarding the monitoring of progress under the "TOK Medium-Term Plan 2021" that began this year, I am prepared to give advice on changes in directions and trajectories from a broad viewpoint and my position as Chairman and Representative Director separate from business execution.

The pace of technological change in the electronics industry has been accelerating lately, while uncertainties have strengthened in the outlook for the business environment for TOK due to trade friction between the U.S. and China. Through the reforms to our business portfolios being advanced under the "TOK Medium-Term Plan 2021," we must not only accelerate the expansion of new business but also reshuffle product portfolios in existing businesses and the reengineering of our supply chain. I will focus my energies on monitoring business execution in this context.

As key measures in the "TOK Medium-Term Plan 2021," the Company will set KPIs for qualitative targets for enhancing personnel measures, strengthening the management foundation, improving corporate governance and promoting efforts to address material issues. I will promote the effective monitoring of these efforts.

We kindly request the ongoing support and understanding of all our stakeholders.