Our Material Issues

Initiatives to Address Material Issues for Enhancing **Corporate Value**

By focusing on the initiatives to address the material issues for enhancing corporate value, we aim to evolve further in both the financial and nonfinancial fields.

-Continuing Contributions to Society-

TOK has its root in integrated thinking, which aims to make sure that all management resources and initiatives ultimately contribute to society. This is evident in the original management principles presented by the founder, Shigemasa Mukai, that we should contribute to society by raising the quality of our products and supplying goods with added value, while continuing efforts to enhance technology in a frank and open-minded business culture.

Based on this corporate DNA, we are working to develop and provide high value-added products that contribute to innovation, which we have identified as one of TOK's material issues, aiming to achieve the maximum potential of sustainable value creation capabilities.

In addition, to create sustainable value in the innovative field of fine chemicals, we need to minimize risks in the areas of the environment, laws and regulations (chemical substance management), and human resources through governance. We therefore identified these themes as part of our material issues and continue to work through a PDCA cycle to lower capital costs.



Step

TOK selected the issues it needs to address to create sustainable value by taking into account the global frameworks of ISO 26000, GRI Standards, the International Integrated Reporting Framework, SDGs, and the Responsible Care Code of the Japan Chemical Industry Association.

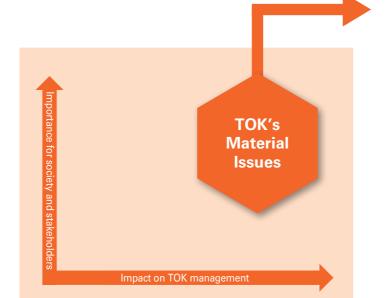
Step

TOK evaluated selected issues to prioritize them from the two axes of importance for society and stakeholders, which took into account evaluation items by ESG survey organizations and day-to-day dialogs with stakeholders, and importance to TOK management, which considered the overall strategy of the medium-term plan and the strategies of each division, and identified the six most important items as proposed material issues.

Step 🤍

The main initiative was also set to go through the PDCA cycle for each material issue, approved by management, and identified as TOK's material issues.

Then, in 2020, the material issues and the key initiatives were partially revised in accordance with the revised TOK Vision 2030.



Sustainable enhancement of corporate value through shared value creation

Material issues for enhancing corporate value

Material issues	ESG fields	Key initiatives	Risks and opportunities	SDGs to which we contribute
Creation of new added value that contributes to innovation		Further improve customer satisfaction	 Expand markets in all fields of innovative fields, legacy fields, front-end processes, and back-end processes of semiconductors Increase in needs for ultrahigh purification in semiconductor materials Intensifying global competition in the semiconductor industry and increased geopolitical risks 	3 minutesia
	Social (S)	Contribute to innovation and solving social issues	 Expanding role of the semiconductor industry in solving social issues Expanding semiconductor market driven by development of the data economy, accompanied by growing geopolitical risks concerning conflict over data hegemony 	13 ards 17 Hinders
Enhancement of personnel measures on a global basis		Strengthen personnel capabilities	Global personnel development in conjunction with the increase in overseas sales ratio Intensifying competition for recruitment in semiconductor-related industries Pursuit for the level of happiness aligned with individual values	3 menunan →₩ →₩
		Diversity and inclusion	 Increasing competitiveness through active participation by diverse personnel A growing number of ageing employees and using their "know-why" 	8 IECENTRIAN 10 INCLUSIO
		Respect for human rights and fair working conditions	Creation of workplaces that follow the management principle of a frank and open-minded business culture to accommodate diverse work styles	
Advancement of corporate governance	Governance (G)	Strengthen the effective- ness of governance	Strengthening the oversight function of the Board of Directors, aimed at maintaining and improving the transparency and solidness of business management	10 Mar Anite 17 Manetsips
		Compliance	Building a system to respond to revisions to laws and regulations in each country	
		Risk management	Flexible implementation of risk management system directly controlled by the president	
Global environmental conservation	Environment (E)	Promote environmental management	 Expansion of energy-saving effects from advances in miniaturization of semiconductors Tighter global environmental regulations 	
		Address climate change issues toward decarbonization	 Expansion of power semiconductor materials and equipment markets Cost increase due to spread of carbon pricing Cost increase due to greater sophistication of temperature management for cutting-edge products 	
		Promote resource recycling	 Initiatives toward to realize a circular economy Increase in water stress due to global warming Increased interest in the marine plastics issue 	12 exception 13 trins 14 trias mar 14 trias mar 15 trins 14 trias mar 15 trins 15 trins 14 trias mar 15 trins
		Preserve air, water, and soil environments	Further risk reduction due to clearing standards stricter than regulations	
		Preserve biodiversity	 Risk reduction through initiatives addressing biodiversity and water resources as a single issue Increased risk of global biodiversity loss 	
Chemical substance management		Precisely address laws and regulations	 Increased product value by taking thorough action prior to legislation from before and during the early stages of material development Tighter chemical substance control regulations in major developed countries 	12 encoder Reconstruction Re
Occupational health and safety/ Security and disaster prevention	Social (S)	Occupational health and safety/Reduction of risks posed by chemical substances	Further risk reduction through RBA audits and ISO 45001 certification	3 contains →₩→





Material Issues/2020 Results & 2021 Issues and Goals

Material issues	ESG fields	Key initiatives	Issues and goals of FY 2020/12	Main achievements and progress in FY 2020/12	Evalu- ation	Issues and goals of FY 2021/12	Pages	SDGs to we cont	
Creation of new added value that contributes to innovation		Further improve customer satisfaction	 Rapidly and steadily work to develop a support structure rigorously focused on customer satisfaction along with R&D Through rigorous marketing, TOK will carefully identify and intensively and proactively address solutions that lead to the creation of new value for customers. 	Consolidated net sales: Increased by 14.4% year-on-year	0	 Rapidly and steadily work to develop a support structure rigorously focused on customer satisfaction along with R&D Through rigorous marketing, TOK will carefully identify and intensively and proactively address solutions that lead to the creation of new value for customers. 	P56–59 P64–71	3 escontrum	
			Improve detection sensitivity for metal impurities that comply with customer development roadmaps	Improve detection sensitivity for metal impurities that comply with customer development roadmaps	0	Improve detection sensitivity for metal impurities that comply with customer development roadmaps	P8 P65 P67		
		Contribute to innovation and resolutions to social issues	Ambitiously develop the technologies required by 5G, IoT and other innovations	■ Increased total net sales of cutting-edge photoresists by 19.2% year-on-year	0	Ambitiously develop the technologies required by 5G, IoT and other innovations	P40-41 P56-59		
			Continue to develop and strengthen commercial viability of high-functional films, life science-related materials, and optical materials	Promoted development and commercialization of high-functional films for use in separators for lithium-ion storage batteries, optical materials for use in UV nanoimprint materials, and life science-related materials for use in biochip manufacturing materials and cell sequencing chips	0	Continue development and strengthen commercial viability of high- functional films, life science-related materials, and optical materials	P44-45		
			 Expand cutting-edge materials development at the new R&D building Expand collaborative projects with other companies and groups 	 Commenced operations of new R&D building Number of collaborative projects promoted with other companies and groups: Increased by approx. 2% year on year 	0	 Expand cutting-edge materials development at the new R&D building Expand collaborative projects with other companies and groups 	P58–59 P65–67		
	Social (S)		Strengthen human resource development by introducing new training	Implementing teaching and coaching training for section managers	0	Implementing training for new managers and transferred employees	P60-63		
Enhancement of personnel measures on a global basis			Continue promoting a good work-life balance	 Ratio of paid leave taken: 72.0%* Expanded the range of eligibility for childcare support systems (shorter working hours, childcare time, occupational rehabilitation system) (Previously: up to the child's fourth year of elementary school; now: up to the child's sixth year) Increased childcare leave taken (male employees: 1 in 2019 to 5 in 2020)* 	0	 Continue promoting a good work-life balance Flex time expanded to more departments and work from home was introduced as an official system Hourly paid holiday system was introduced 	P60-63	3 0010000 	
		Diversity and inclusion	Continue promotion of corporate activities that leverage diversity Promote personnel exchanges within the Group	 Ratio of non-Japanese employees: 24.2% Ratio of local hires in overseas management positions (consolidated basis): 53.8% Personnel exchange within the Group was limited due to the impact of COVID-19 	Δ	Continue promotion of corporate activities that leverage diversity Promote personnel exchanges within the Group	P60-63 P78	5 excer	
			Continue to promote women in the workplace	 Ratio of women in senior and middle management: 3.2%* Ratio of female new graduates hired: 38.5%* 	Δ	Continue to promote women in the workplace Career training featuring life stages was introduced	P60–63 P78	8 eccent 2	
		Respect for human rights and fair working conditions	 Further develop details of the system Raise awareness and conduct training in preparation for introduction of new personnel system 	 Further develop details of the system Introduction of the new system was postponed from 2021 to 2022 due to the impact of COVID-19 	Δ	New system was formulated in detail toward introduction in 2022	P60-63	- 10 HB	
			 Implement training based on new themes Continue efforts to prevent harassment 	 Conducted dialogs between managers and executives based on TOK Vision 2030 Efforts to implement human rights education including harassment prevention 	0	Continue efforts to prevent harassment Implement human rights education	P60-63		
Advancement of corporate governance		Strengthen the effectiveness of governance	Confirm implementation status of new remuneration system Further enhance the nomination system and related issues Increase transparency of the Nomination and Compensation Advisory Committee Introduce a new remuneration system for directors Continue to thoroughly operate the PDCA cycle to improve the effectiveness of the Board of Directors (assess its effectiveness once a year) Set out authority for subsidiaries inside and outside Japan Enhance internal control functions	 Implemented and confirmed status of implementation of new remuneration system Management successor planning Conducted evaluation of the Board of Directors for the previous fiscal year and made improvements on identified issues Revised the content of the questionnaire for the Board of Directors evaluation Revised authority for subsidiaries inside and outside Japan 	0	 Establish new remuneration system and formulate performance indicators concerning next medium-term plan Formulate skill matrix of directors Continue to thoroughly operate the PDCA cycle to improve the effectiveness of the Board of Directors (assess its effectiveness once a year) Enhance internal control functions Confirm the operating status after the revision of authorities 	P74–93		
			 Continue to improve business processes Promote sharing of business operations through the Group and review organization roles Create systems for CSR entrenchment and RBA Code of Conduct compliance 	 Established new import management function in GMS (Group Management System) Established monitoring system for amendments to laws Progress rate on issue resolution in operating processes: 98% Streamlined operations of the division in charge of CSR and received RBA audit at the Koriyama Plant 	0	 Review the structure and operation of GMS Committee Visualize operations to achieve standardized and globally optimized operations in the Group 	P50–52 P78 P90–91		
				Continue activities to instill compliance	 Conducted compliance training Prepared the <i>Guide to Overseas Laws for Secondees</i> Incorporated the Compliance Standards of Conduct into the CSR Policy 	0	Continue activities to instill compliance	P90-91	10 7500
	Governance (G)		 Minimize legal risks Establish and implement legal and regulatory management systems 	 Listed laws applicable to group businesses Revised group compliance rules Started formulating the list of applicable laws and the legal management procedures 	Δ	Formulate and disseminate the list of applicable laws and the legal management procedures	P51 P90–91 P95		
			Continue appropriate operation of internal reporting system Further enhance internal reporting system	Three reports were received, for which solutions and recurrence prevention measures were explored and implemented consulting an expert (legal advisor)	Δ	Continue appropriate operation of internal reporting system Further enhance and disseminate whistleblowing system	P91	8	
			■ Work to reduce risks previously and newly identified in risk assessments	Continued activities to reduce risks assessed as highly impacting on business continuity, such as the risk of flooding caused by torrential downpour or the risk of spread of COVID-19 infection	0	Work to reduce risks previously and newly identified in risk assessments	P91-96		
			Create a unified BCP for the Group to begin implementation in 2021	Formulated BCP scenarios and restoration principles at the production sites of overseas subsidiaries	Δ	Create a unified BCP for the Group to begin implementation in 2022	P91-93		
			 Continue to hold drills to increase awareness and aim to keep response rate high Conducted desktop drills 	Conducted drills to improve awareness of the safety confirmation system in the event of major natural disasters. Three company-wide drills held with high response rate maintained in all	Δ	Continue to hold drills to increase awareness and aim to maintain a high response rate	P91-93		
				 Revised information security countermeasures and information management rules to align with work-style reforms and open innovation Promote effective utilization of information through digitalization Maintain and entrench information management standards 	 Reviewed information security measures and information management rules for improvement Promoted shift to paperless practice and prepared the <i>Files and Folders Classification Guidebook</i> for the use of information Conducted information management training 	0	 Promote effective utilization of information Review of cyber security measures Maintain and entrench information management standards 	P92-93	

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[Self-assessment of goal achievement]

- O Undertook, achieved results
- △ Undertook, but need to do more
 × Did not undertake or achieve yet

* Tokyo Ohka Kogyo Co., Ltd. only

Material Issues/2020 Results & 2021 Issues and Goals

Material issues	ESG fields	Key initiatives		Issues and goals of FY 2020/12	Achievements in FY 2020/12	Evalu- ation	Issues and goals of FY 2021/12	Pages	s Whi		
		Promote environmental management	Develop and produce environmentally friendly products	 Stably supply i-Line photoresists for power semiconductors Expand sales of equipment for power semiconductors 	 Stably supply i-Line photoresists for power semiconductors Expand sales of equipment for power semiconductors 	0	 Stably supply i-Line photoresists for power semiconductors Expand sales of equipment for power semiconductors 	P42-43 P66 P69-70			
			Eradicate environmental accidents that affect external parties	Number of environmental accidents: Severe accidents: Zero	■ Number of environmental accidents: Severe accidents: Zero	0	■ Number of environmental accidents: Severe accidents: Zero	P104-105	05		
			Proactive response to new environmental regulations	 Introduce electronic manifests at sites where they have not been introduced Examine the introduction of an integrated waste management system 	 Continue to prepare for introducing electronic manifests Examine introduction of an integrated waste management system 	Δ	Introduce a comprehensive management system for environment-related data	P102-103	13		
		Proactive disclosure of environmental information	Proactively disclosed information by publishing the Integrated Report and disclosed environmental information on website	Proactively disclosed information by publishing the Integrated Report and disclosed environmental information on website	0	Proactively disclosed information by publishing the Integrated Report and disclosed environmental information on website	P12-13	;			
		Create an environmental ISO organization and systems	 Examine methods for effective implementation of company-wide environmental management activities 	Identified risks and opportunities at each department to set company-wide targets	0	 Examine methods for effective implementation of company-wide environmental management activities 	-	-			
		Improve energy-related CO ₂ emissions per base unit* [Medium-term target]	[New medium-term targets] FY 2020 only ■ Reduce by 11 points compared with 2019 by 2030 * Reduction target values changed from FY 2020	Reduce energy-related CO ₂ emissions (per base unit) by 11 point compared with 2019 in 2020	0	[New medium-term targets] FY 2021 and after Reduce energy-related CO ₂ emissions (per base unit) by 15 points compared with 2019 by 2030	P98-99	6			
			Reduce energy-related CO ₂ emissions (per base unit) by 11 points by 2030 compared with 2019 (reduction of 1 point annually)	Reduce energy-related CO ₂ emissions (per base unit) by 1 point compared with 2019 in 2020		0	 [New medium-term targets] FY 2021 and after Reduce energy-related CO₂ emissions (per base unit) by 1 point compared with the previous year 	P98-99	i 7		
		Address climate change issues toward	Improve energy consumption per base unit* [Medium-term target]	Reduce by 11 points compared with 2019 by 2030		0	[New medium-term targets] FY 2021 and after Reduce energy consumption (per base unit) by 15 points compared with 2019 by 2030	P98-99	- 		
		decarbonization	Reduce energy consumption (per base unit) by 11 points by 2030 compared with 2019 (reduction of 1 point annually)		Reduce energy consumption (per base unit) by 9 points compared with 2019 in 2020	0	[New medium-term targets] FY 2021 and after Reduce energy consumption (per base unit) by 1 point compared with the previous year	. P98–99	'		
obal environmental onservation			Improve energy consumption per base unit in distribution*	Reduce energy consumption (per base unit) by at least 1 point year-on-year	■ No change in energy consumption (per base unit) compared with 2019 in 2020	Δ	Reduce energy consumption (per base unit) by at least 1 point year-on-year	P98–99	' ¹		
	Environment		Measures to prevent global warming at overseas manufacturing sites	Developed production activities from standpoint of energy conservation	Developed production activities from standpoint of energy conservation	0	Developed production activities from standpoint of energy conservation	P99			
	(E)			■ Propose and execute plans at each site	■ Propose and execute plans at each site	0	Propose and execute plans at each site				
		Promote resource recycling Preserve air, water, and soil environments	Promote resource	Initiatives to address water risk*	 Reduce by 13% compared with 2017 by 2030 Reduce by 3% compared with 2017 in 2020 	 Attained the target by reducing 8.3% vs. 2017* * Starting with the FY 2021 target, the base year was shifted from 2017 to 2019 for new activities <reference> Increased by 1.2% vs. 2019</reference> Installed water bars at the Sagami Operation Center to reduce flooding risks 	0	 Reduce by 15% compared with 2019 by 2030 Continue measures against flooding risks 	P100-101)1	
			Reduce industrial waste* [Medium-term target] Reduce industrial waste (per base unit) by 5 points by 2020 compared with 2015 (reduction of 1 point annually)	Reduce industrial waste (per base unit) by 5 points compared with 2015 and by 1 point year-on-year	Attained the target by reducing 11 points vs. 2015 The target left unattained because of increase by 15 points vs. previous year	Δ	■ Reduce base unit by 15 points vs. 2019 by 2030	P102-103			
				Industrial waste disposed in landfills => less than 1% Achieve zero emissions	Industrial waste disposed in landfills => less than 1% Achieved zero emissions for a seventh consecutive year	0	Industrial waste disposed in landfills => less than 1% Achieve zero emissions		3		
			Prevent Air, Water, and Soil Pollution	Incidents where operational thresholds are exceeded: None	Operational thresholds were exceeded for a specified substance in groundwater at Sagami Operation Center	×	■ Incidents where operational thresholds are exceeded: None				
			Countermeasures against ozone-depleting substances	 Manage CFC leakage volume through proper management of equipment Examine introduction of non-CFC equipment when renewing facilities 	 Manage CFC leakage volume through proper management of equipment Examine introduction of CFC-free equipment when renewing facilities 	0	 Manage CFC leakage volume through proper management of equipment Examine introduction of non-CFC equipment when renewing facilities 	P104-105	15		
				Comp	Comply with PRTR Law	Review factors for PRTR-regulated substance emissions and transportation volume	Review factors for PRTR-regulated substance emissions and transportation volume	0	■ Maintain compliance with PRTR Act		
		Preserve biodiversity	Improve awareness of biodiversity based on TOK Biodiversity Protection Declaration and encourage participation in related activities	 Implement ongoing employee training Continue activities to preserve forests 	 Implemented CSR training for employees, as well as all directors, audit & supervisory board members, and officers (185 participants) Dispatched employees to participate in activities at the Kanagawa Trust Midori Foundation 	0	 Implement ongoing employee training Continue activities to preserve forests 	P105			
Chemical substance management		Precisely address la and regulations	ce	Precisely address laws and regulations	Carry out appropriate and reliable manage- ment of chemical substances	 Maintain upstream management system Continue to strengthen and operate chemical substance management system 	 Maintain upstream management system Supplier survey system has yet to be introduced Continue to strengthen and operate chemical substance management system Proceeded with the listing of legal requirements included in chemical substance import laws and customer requirements 	Δ	 Establish chemical substance information management system Continue to strengthen and operate chemical substance management system 	P106-110	10
			Properly Comply with PCB Special Measures Act	Examine creating a roadmap for disposing PCB waste (low concentration) by 2027 deadline	Formulated a road map toward the completion of disposal	0	Formulate and promote equipment renewal plan based on the road map toward the deadline of disposal of PCB waste (low concentration) in 2027				
Occupational health and safety/ Social Security and disaster (S) prevention			Foster a safety culture	Established and improved occupational health and safety management	■ Acquired ISO 45001 certification at the Gotemba plant in June 2020		Established and improved occupational health and safety management systems				
			Promotion of safety education and training, and disaster drills	systems Prepare to acquire ISO 45001 certification and to extend the scope of certification	 Conducted internal audit at sites where ISO 45001 certification is scheduled to be expanded in 2021, and established occupational health and safety management system 	0	 Prepare to acquire ISO 45001 certification and to extend the scope of certification (to complete acquisition at sites in Japan by 2023) 				
			Promotion of risk assessment activities in chemical substance handling work	 Improve risk assessments (take action to clarify high-risk, high-severity operations and equipment and reduce the risks at each site) Continue implementation of internal guidelines for handling of highly corrosive chemical substances Confirm and improve handling status of chemical substances through internal and external audits 	 Continued reduction activities for risks with high severity at each site. Also promoted risk assessment and hazard prediction activities for infrequent operations Established and started operation of internal standards for highly corrosive substances and poisonous/deleterious substances Improved the handling of chemical substances and antistatic measures and so on through ISO 45001 internal audit and external review 	0	 Strengthen risk assessment and hazard prediction activities for infrequent operations Establish Lockout/Tagout (LOTO) rules 	P52 P109-110			
			Zero workplace accidents*	Achieve zero workplace accidents	Workplace accidents: 7 Achieved zero accidents resulting in lost workdays	×	Achieve zero workplace accidents				

[Self-assessment of goal achievement]

- O Undertook, achieved results
- △ Undertook, but need to do more
 × Did not undertake or achieve yet

* Tokyo Ohka Kogyo Co., Ltd., and consolidated subsidiaries in Japan