

Corporate Social Responsibility

CSR

Tokuyama practices corporate social responsibility (CSR) by fulfilling its mission to use chemistry to create value that enhances people's lives. By leveraging the chemical technologies it has developed and practicing socially responsible management, Tokuyama will help achieve the Sustainable Development Goals (SDGs) while continuing to create and supply new value that brings contentment to people and contributes to social progress.

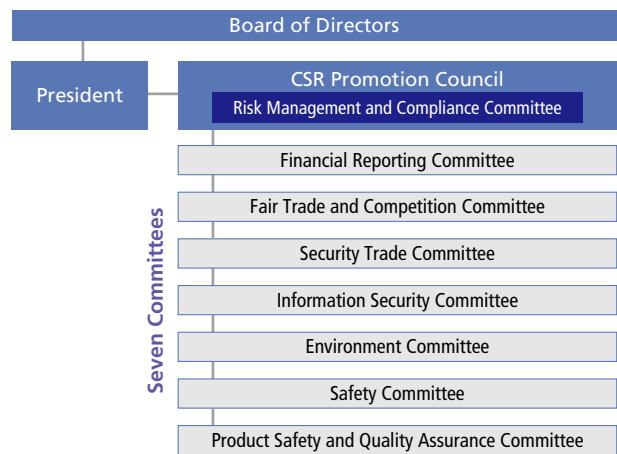
CSR Framework

Tokuyama operates a CSR Promotion Council that is chaired by the President and comprises all executive officers in Japan. The Council decides on CSR policies and goals, and facilitates their implementation. CSR is built upon a platform of appropriate corporate governance and internal controls. Accordingly, the Council discusses important matters related to internal controls.

Materiality

Tokuyama conducted a materiality assessment to align its CSR initiatives and management priorities. This assessment extracted and identified issues that are of particular material importance to Tokuyama, so that it can concentrate its management resources on resolving these issues.

For details, please refer to the CSR Report or the website.
<https://www.tokuyama.co.jp/eng/csr/materiality.html>



	Materiality (Identified in March 2019)	Aspirations (Fiscal 2025)
Environment	Helping to fight global warming 	<ul style="list-style-type: none"> Reduce CO₂ emissions from energy consumption: 15% reduction in BAU CO₂ emissions by fiscal 2030, compared with fiscal 2013 levels Expand Scope 3 emissions and c-LCA disclosure data
	Conserving the environment 	<ul style="list-style-type: none"> Promote recycling and maintain zero landfill waste Maintain low emissions of environmental impact substances Comply with legal requirements and other regulations, achieve zero environmental accidents
Safety and Accident Prevention/Occupational Health and Safety	Preventing accidents and preparing for disasters 	<ul style="list-style-type: none"> Maintain zero accidents and disasters Foster and improve the safety culture Improve process safety management level Provide amenable working conditions
Technical Quality	Developing products and technologies that address social issues 	Expand the development of products and technologies that help to resolve social issues, focusing on the SDGs
	Managing chemical substances 	Continue to strengthen chemicals management
Society	Engaging with local communities 	<ul style="list-style-type: none"> Harmoniously co-exist and cooperate with communities Contribute to communities
	Promoting CSR procurement 	Survey and manage supply chains based on CSR procurement guidelines
	Developing human resources 	<ul style="list-style-type: none"> Develop the next generation of managers Put the right people in the right positions according to their career plan and job skills, and increase job rotations Develop global human resources
	Emphasizing diversity 	<ul style="list-style-type: none"> Promote diversity and inclusion Employ persons with disabilities Respect for human rights Promote work-life balance

Basic Philosophy of Tokuyama's CSR-Oriented Management

Tokuyama approaches its CSR activities in accordance with a basic philosophy of continuously working with society to build a sustainable future by contributing to the resolution of social issues and earning greater trust from various stakeholders with the aim of improving corporate value.

Environmental Initiatives

For Tokuyama, the pursuit of proactive initiatives to protect the earth's environment is an important part of its corporate social responsibilities. Accordingly, the Company practices environmental management that takes into account the natural environment in all business activities.

■ Helping to Fight Global Warming

Tokuyama is helping to mitigate global warming by conserving energy used in its business activities, developing and manufacturing products that help to reduce GHG emissions and managing Scope 3 emissions.

■ Reducing Substances with Environmental Impact and Waste

Tokuyama is working to reduce its emissions of air and water pollutants and implementing environmental conservation initiatives such as waste recycling.

In order to reduce atmospheric pollution, Tokuyama equips boilers, cement kilns and other pollutant-

generating facilities with flue gas desulfurizers, denitration equipment, low-NOx burners and high-performance dust collectors.

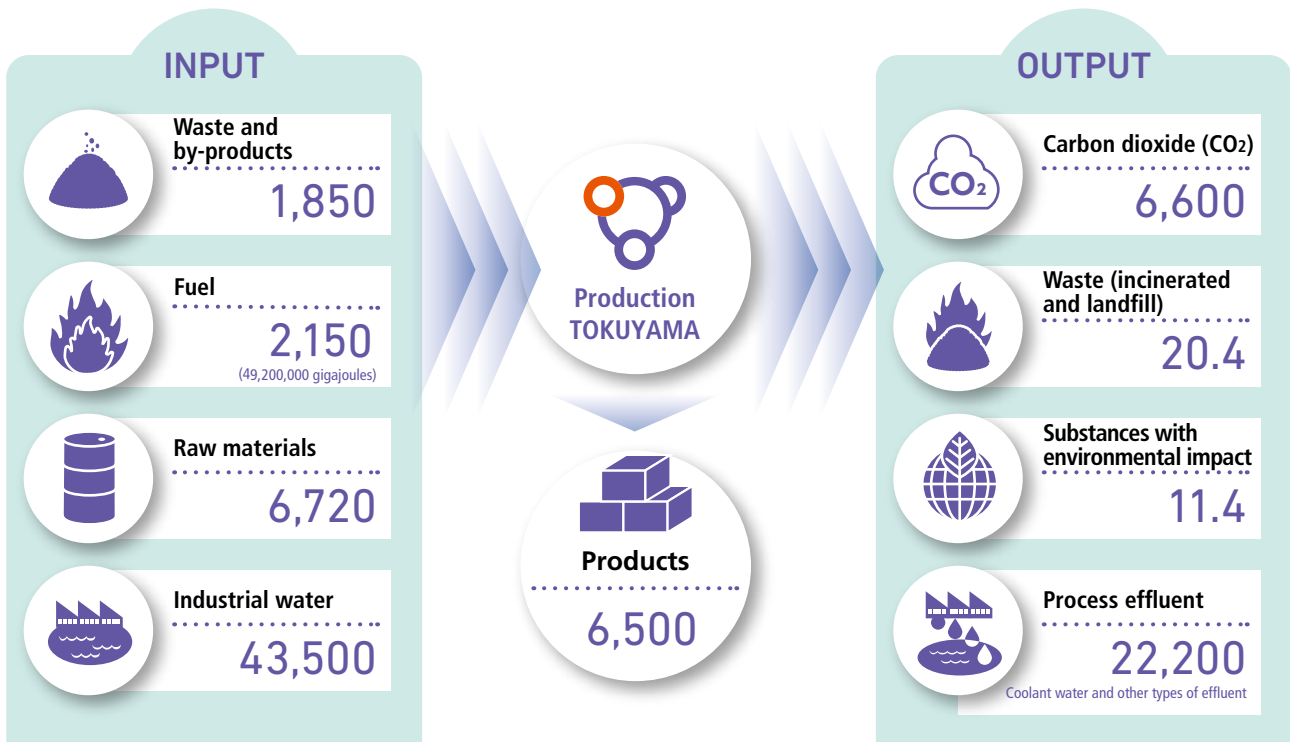
As for the prevention of water pollution, the Tokuyama Factory follows a stringent system for monitoring industrial effluent and purifying wastewater using treatment equipment in order to comply with regulatory standards and limits set by the local government, as well as the Company's own standards, which are even stricter.

The effective utilization rate for waste and the "zero emissions" rate remained high in fiscal 2019 due to efforts to reduce the volume of waste and comprehensive recycling efforts.

■ Proper Management of Chemical Substances

Tokuyama practices thorough product quality control and verifies the hazard level and toxicity of chemical substances so that they can be used with peace of mind. It also complies with chemical regulations in and outside Japan.

● Flow of Materials in Business Activities (Unit: 1,000 metric tons)



* All amounts are for Tokuyama Corporation on a non-consolidated basis in fiscal 2019.

Initiatives for Society

As a company that is needed in society, particularly in local communities, Tokuyama places emphasis on communication with local communities and with many different stakeholders as it conducts a range of activities.

■ Social Contribution Activities

Tokuyama helps educate children, holding company tours for elementary school children and giving lectures at elementary schools and junior high schools mainly in Yamaguchi Prefecture, where the Tokuyama Factory is located.

The third-grade children of four elementary schools in Shunan City visited the Tokuyama Factory and learned about the production from sea salt of many different products familiar to them, the size of the factory, plant



Students touring the Tokuyama Factory

■ Tokuyama Human Resource Development

Tokuyama has established the Human Resources Policy to clarify how employees, who are responsible for the survival, growth and development of the Company, are expected to work, how the Company will encourage them to grow and what they are expected to be. Under this policy, Tokuyama has reformed its personnel system to increase the work satisfaction of employees. The aim is to change the organizational culture by encouraging adoption of the Tokuyama Vision, while adhering to the basics and ensuring that all employees receive impartial treatment under a thoroughly applied, fair evaluation system. Following changes in the personnel systems for managers and senior contract employees, a new personnel system for general employees is being introduced in fiscal 2020.

While the new personnel system is based on the existing performance-based qualifications grade system, it has shifted to being a role-based qualifications system that emphasizes people's roles and work activities. In the new system, the levels of the roles and duties required by the Company for each qualification grade are shown, which encourages employees to take on challenges.

It has been decided that a human resource management system will be introduced in fiscal 2020 for the proper operation of the new personnel system. The human resource management system is expected to have positive effects, including the enhancement of the process from target setting to evaluation, the unified management and

facilities and safety measures.

Tokuyama lectured at the Hikari Kankyo Mirai Juku (class on the environment in the future) held by Hikari City for first-year students at Asae Junior High School. The topic was "What is hydrogen energy?" The MIRAI hydrogen vehicle, powered by hydrogen the Company supplies, was shown to the students, and a sustainable society and the utilization of hydrogen were explained.



Workshop on hydrogen energy at a local school

sharing of information on human resources and the development of human resources and personnel rotations based on different types of data.

■ Promoting Diversity

Tokuyama is promoting diversity to ensure that all employees are able to work energetically and succeed. These initiatives emphasize the utilization of employees' knowledge and wisdom (diversity of knowledge) and fairly evaluate employees to ensure their skills are utilized based on their contribution to the improvement of corporate value. For example, we offer opportunities for everyone to diversify their knowledge through the sharing of employees' own knowledge through the introduction of new employees hired mid-career in the Company newsletter and study sessions that are held once a month during lunch within the Group. Additionally, we have discontinued the general system that limited promotions, and in the new personnel system, we created a path for the growth of female employees, which account for a majority of employees. We believe this will lead to achieving the goals of the Action Plan to Promote Opportunities for Women (e.g., ensuring that women make up no less than 6% of management). Moreover, we are expanding the current work from home system, which is currently limited to those raising children or needing to provide nursing care, to improve productivity and employee work satisfaction. Tokuyama is also working to improve workplace environ-

ments for persons with disabilities, aiming for the legally required employment rate of 2.2%.

■ Promoting Work-Life Balance

At Tokuyama, employees in workplaces eligible for flextime can choose their workday schedules with no core work-period requirement. The Company is also striving to optimize working hours by tracking and presenting aggregate data based on the computer log details of employees, enabling actual working conditions to be managed.

Under a program to help employees balance work and childcare responsibilities, eligible employees can also use flextime from the time that pregnancy is determined until the child reaches sixth grade*1. Starting April 2019, the period during which paid parental leave can be taken was

extended to within one year of childbirth. Childcare leave can be taken until the child reaches two years of age*2.

Employees can also take family care leave for up to two years (legal requirement: 93 days in total) for each family member requiring care. With family care time off (unpaid), regardless of the number of care recipients, it is possible to take off two days a week (legal requirement: five days a year).

In addition, an employee reinstatement (re hiring) system has been established to allow employees who resigned for childcare or family care reasons to be rehired.

*1 Employees who are pregnant or raising a child in sixth grade or younger can work shortened hours below the prescribed monthly work hours, and can work intermittently with interruptions and resumption of work.

*2 In certain cases, leave can be taken until the child reaches age two.

● Usage of Childcare and Family Care Leave, etc.

	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019
Number of employees taking childcare leave	10	13	11	12	12
Return to work rate	90.0%	84.6%	100.0%	100.0%	100.0%
Number of employees taking parental leave	18	13	25	33	65
Family care leave-taker	1	1	2	2	1
Number of employees taking family care time off	1	1	0	1	1
Number of flextime users	52	55	54	50	52

■ Accident Prevention and Occupational Health and Safety

Recognizing that safety is the basis for its business activities, Tokuyama practices safety as the first step to maintaining good relations with the communities in which it operates. Based on this approach, the Company carries out stringent accident prevention measures and occupational health and safety initiatives in its efforts to create a positive and safe work environment that is free of accidents.

■ Disaster Preparedness Drills

Tokuyama has carried out various training activities. These include disaster drills for pipe leaks and fires caused by an earthquake, emergency drills at individual company divisions, joint drills involving affiliated companies and contractors, and workplace safety competitions.



General disaster preparedness drill

The Company has also conducted drills for initiating its business continuity plan (BCP) in the scenario of a Tokyo inland earthquake by designating the Tokyo Head Office as the disaster response headquarters and the Tokuyama Factory as the crisis response headquarters.

■ Tokuyama Health Management

Based on the basic Company-wide health management plan that focuses on the sound mental and physical health of employees and the promotion of measures to mitigate lifestyle-related diseases, Tokuyama has established the following goals: to improve personal health awareness, to maintain and reduce the rate at which employees are diagnosed with health conditions (below 44%) and to reduce employees' absence rate. The Company performs a variety of activities, with the promotion of the Smart Life Program, health guidance, measures to mitigate lifestyle-related diseases and mental health care as priority tasks.

The Company received Health and Productivity Management certification in March 2020. Tokuyama was praised for its promotion of weight management and anti-smoking measures, its implementation of occupational stress evaluations and its establishment of a consulting service both inside and outside the Company.

* This certification considers employees' health management from a managerial viewpoint and is awarded to particularly superior companies from among those strategically working on health management. The Ministry of Economy, Trade and Industry established this system and the Nippon Kenko Kaigi awards certification.

