

Fine Materials for the Future

CSR Report  
2016





## CONTENTS

TODA KOGYO Group's Management Philosophy and CSR Policy .....	3
TODA KOGYO Group's Business Contents and History .....	4
Messages from the President and the Chairman .....	6
Special Report ① Report on Exhibit at the 25th New Environmental Exposition 2016 .....	7
Special Report ② Completion of the Carbon Nanotube (CNT) Plant .....	8
Special Report ③ Opening of the Bengala Museum .....	10
For Our Investors .....	12
1) Corporate Governance	
2) Priority Markets	
3) TODA KOGYO's Products and Final Applications	
4) Business Overview (Fiscal 2015)	
5) IR Explanation Meetings	
6) Policies in the Medium-Term Management Plan	
For Our Customers and Business Partners .....	16
1) In Order to Fulfill the Product Responsibility	
2) Situation regarding Responses to Customer Inquiries	
3) For Protection of Human Rights	
For Society .....	19
1) Situation regarding Introduction of Management Systems	
2) Measures to Address Global Warming	
3) Certificate of Environmental Rating	
4) Green Procurement Activities	
5) BCM and BCP	
6) Involvement with Society and Community	
7) Initiatives for Biodiversity	
8) Compliance	
For Employees .....	26
1) Better Working Environment	
2) Health and Safety Activities	
3) Club Activities	
4) Training Systems	
Organization Chart .....	30
Offices .....	31

# Management Philosophy, Management Policy and Guidelines for Action

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TODA KOGYO Group renewed its Management Philosophy, Management Policy and Guidelines for Action in fiscal 2014. Each and every executive and employee fulfills his or her respective role and works in accordance with these principles.

## Management Philosophy

Our group will further improve the fine particle synthesis technology we have developed with iron oxides and will always continue lively growth and development.

We will work on a foundation built on sincerity and trust and we will bring together our creativity and manufacturing strength to make a contribution to society in general with attractive new materials and solutions that are full of originality.

## Management Policy

1. We will establish a management foundation as a "Manufacturing Company" that can contribute to society and will continue to grow and develop even 100 years after its foundation.
2. We will refine our only-one technologies and continue to offer products and solutions that have high added value.
3. We will become a company that is essential on a global level and increase the corporate value of the group.
4. We will seek the happiness of our employees and their families and will be a company that is constantly trusted by our stakeholders.

## Guidelines for Action

1. We will act quickly to offer products and solutions that respond to the requirements of the customers.
2. The whole company will come together as one, with manufacturing, engineering, sales and management working enthusiastically together.
3. We will be corporate citizens who are faithful and fair and will act with a strong sense of ethics.
4. We will improve our dignity as individuals and will continue to have pride, hope and dreams for the future.
5. We will work for harmony and symbiosis with the local community and with the global environment.

## CSR Policy

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TODA KOGYO Group is committed to carry out management on an ongoing basis which is based on management philosophy and management policy, for the purpose of continued sound development into the future. Recognizing that the fulfillment of our social responsibility is an important role as better citizens and corporate citizens, we will adhere to the relevant laws and ordinances and company regulations, on the base of the spirit of compliance. Top managers of our Group themselves will lead by examples of these philosophy and policy, then will enforce within the company, disseminating to group corporations and business partners. Furthermore, we will seek sound and normal relations with politics and government, while refusing to have relations with antisocial forces and groups that may threaten the order and safety of civil society.

### For our Investors

Not only by means of accumulation and supply of results brought by high quality growth which is underpinned by creative technologies, but also by means of establishment and administration of a transparent and sound corporate governance setup and effective internal controls, we will endeavor to earn understandings and empathies of all our investors.

### For Society


In accordance with the spirit of compliance, we will break off relations with antisocial forces, give the highest priority to considerations for safety and the global environment, and aim to build a wonderful living culture on the global level based on our cultural capital, while seeking cooperation with local communities and harmony with international societies.

### For our Customers and Business Partners

We will share values from customers' viewpoints and, using our original technologies as advantages, we will also build good partnerships with our business partners who share same ambitions. And then, we will continue to make mutually beneficial efforts for achieving our common goals.

### For our Employees

The creativity and diversity of each and every employee are our wealth. We will support and fairly assess the limitless advancement and expression of these abilities. We will also strive to live together while enhancing the comfort and affluence of employees.



Four  
guidelines  
for CSR

# Business Contents of TODA KOGYO Group

TODA KOGYO Group expands business based on nanotechnologies beginning with the wet synthesis of iron oxides. Depending on types of bonding of elements primarily comprising iron and oxygen, iron oxides show differences in color, hardness, strength, magnetism and physical or chemical properties.

TODA's wet synthetic technology is unique in that we can control the properties of iron oxides and other kind of particles, and can use our full command of the materials to produce a rich variety of materials with the desired functions and properties.

Our accumulation of specialized knowledge, technologies and know-how based on iron oxides enables us to approach customers' issues from a new viewpoint and to discover solutions from the perspective of materials.

In recent years, we have utilized our extensive knowledge of materials to develop and manufacture electronic parts such as metal-compatible IC tags and RFID antenna-sheets, and thereby we meet the advanced demands of customers.

TODA KOGYO Group will continue to provide solutions which support information, environment and energy via materials.

## History of TODA KOGYO

1907  
Plant relocated to Asakita-ku,  
Hiroshima City (Hiroshima Plant)



1933  
TODA KOGYO CORP.  
established in  
Yokogawa-Shinmachi in  
Nishi-ku, Hiroshima City

1936  
Head Office and plant  
relocated to  
Funairi-Minami in  
Naka-ku, Hiroshima City

1953  
Tokyo Sales Office  
and Osaka Sales  
Office established

1953  
In the process of  
manufacturing iron  
oxides by calcination  
of iron sulfate,  
sulfurous acid gas was  
generated and became a  
serious problem.

1959  
Onoda Plant built in Sanyo-Onoda City,  
Yamaguchi Prefecture.



1971  
Head Office relocated to  
Yokogawa-Shinmachi in Nishi-ku,  
Hiroshima City

1975  
Funairi Plant transformed into a  
dedicated research and  
development facility

1965  
Overcoming the pollution problems using the development  
of the wet synthetic method in which iron oxides are  
synthesized from aqueous solution by a chemical reaction

Founded  
in  
1823

1910

1920

1930

1940

1950

1960

1970

1823 Bengala manufacturing started in Ibara City,  
Okayama Prefecture

Beginning from the industrial manufacture of  
Bengala, the oldest pigment known to mankind



Coating material for building timber  
Primer for dark blue dyeing  
Coloring for lacquerware  
and bangasa (coarse oilpaper umbrellas)  
Ceramics (akae glaze), etc.



1953  
Joint research started with Kyoto University.  
Bengala manufacturing is transformed from a  
traditional "skill" to a "technology".

1953  
Production plant of ferrite materials  
newly added to Hiroshima Plant.



Powder



Pellets

Use of iron sulfate and  
iron chloride, which  
are derived as byproducts  
from iron and steel  
product manufacturing  
processes, as raw  
materials

1969  
Equipment for production of magnetic powder  
materials for audiotapes and videotapes added to  
Onoda Plant



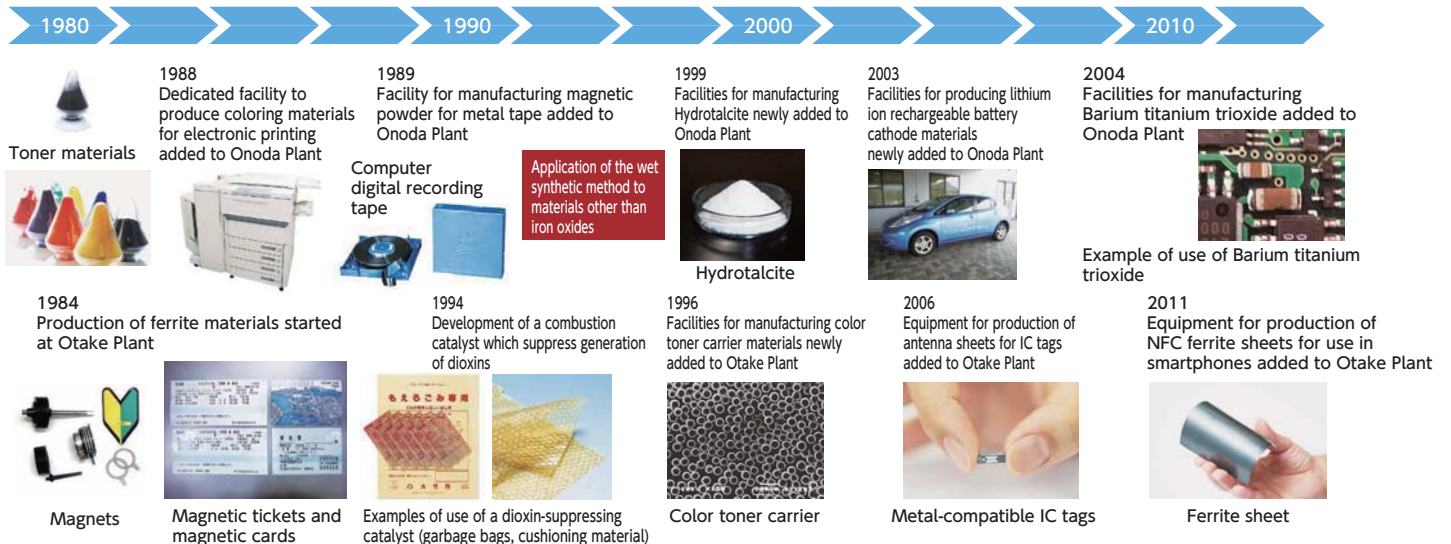
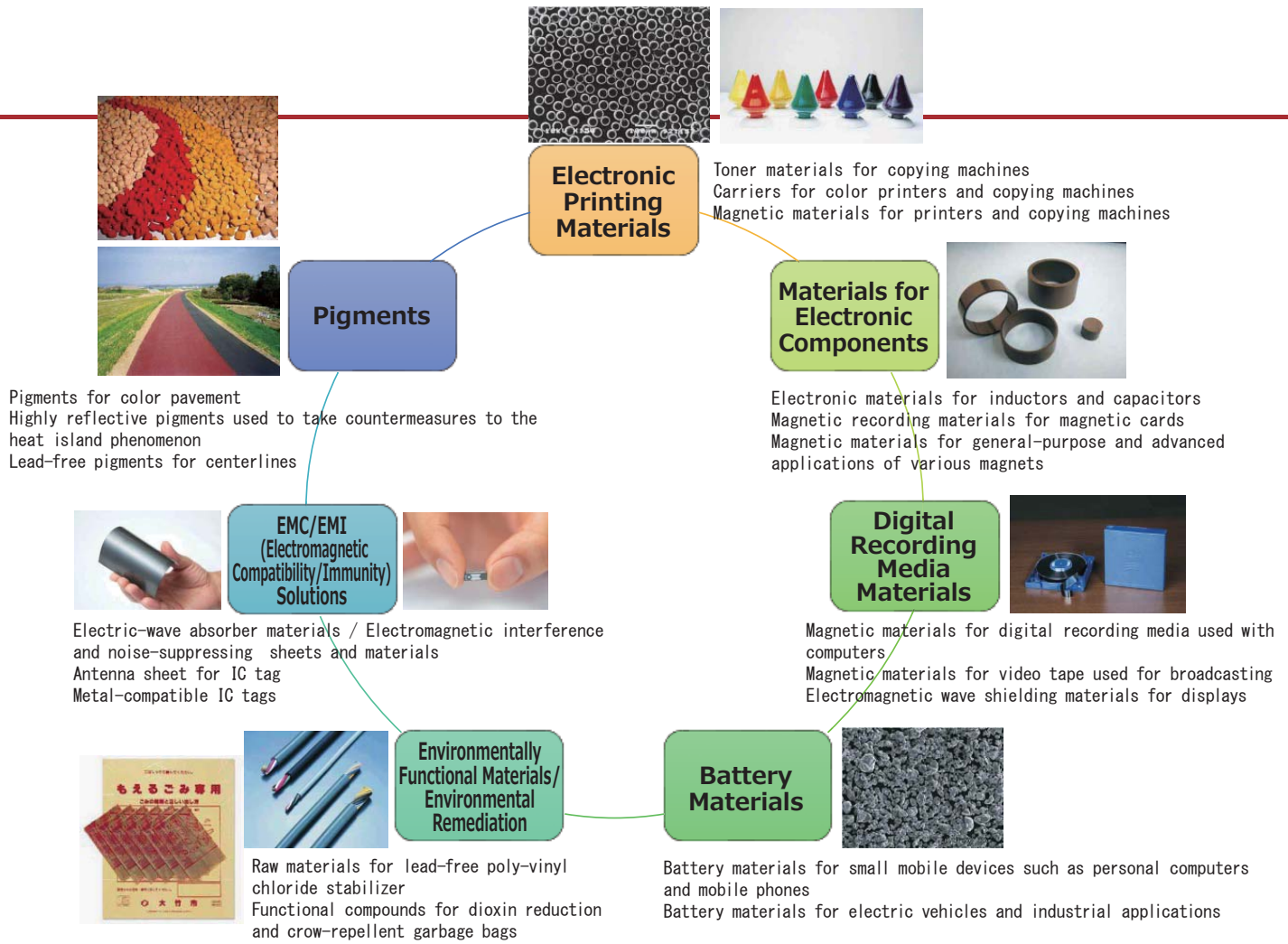
World's Number 1  
share for magnetic  
powder used in  
audiotapes and  
videotapes!

1973  
Equipment for production of  
coloring pigment using wet  
synthetic method added to  
Onoda Plant



Contributing to reduction of industrial wastes  
and effective utilization of resources

An industry first! Development of the  
wet synthetic method for iron oxides



# Top Messages



**Shigeru Takaragi**  
President and Representative Director

TODA KOGYO is a chemical material manufacturer founded nearly 200 years ago at the end of the Edo Period as a producer of the red iron oxide pigment ‘Bengara’ which is known by painting porcelain and ‘Bengala lattice’ . As the leading manufacturer of iron oxides, we not only produce a wide variety of iron oxides but also supply materials and parts which are made by means of synthetic technologies for fine particles, to leading corporations and customers all over the world.

We recognize that the continuous supply of our products that respond to customers’ needs, is an important duty. We also have a social responsibility with respect to our customers, employees, shareholders and the local community, and we are committed to fulfilling this responsibility through further development of our companies.

Under the TS2 (Toda Step Two) medium-term management plan that was newly started in 2016, TODA KOGYO Group aims to establish an even firmer management base and adopt a corporate constitution that generates high profits. We also aim to widely contribute to society through the development and provision of new materials and solutions brimming with originality. And thereby, we aim to grow as a valuable presence for all our stakeholders.

This report describes daily activities of TODA KOGYO Group for the purpose of fulfilling its social responsibility. I hope these pages help deepen your understanding our efforts.



**Tadashi Kubota**  
Chairman and Representative Director

Three and a half years have passed since I was appointed as a representative director of TODA KOGYO. In this time, our employees have actively participated in the strengthening of our corporate constitution in accordance with my idea of “bottom-up” .

Our theme is “continuity” : I believe that this above all is the company’ s mission and the starting point for managers. TODA KOGYO’ s origins can be traced back to Nishi-ebara (the current Ibara city) in Okayama Prefecture. Having started as a producer of “Bengala” 193 years ago, the company became a corporation in Hiroshima city 83 years ago. Working together with our employees, we are committed to cooperate with all our stakeholders and fulfilling our responsibilities to ensure that TODA KOGYO Group reaches its 200th and 250th anniversaries.

We stand in our positions today holding missions and objectives. I believe that the definition of taking responsibility is to “accomplish one’ s mission and objectives within the promised deadline” . I consider my mission to be “reconstruction of our company and establishment of the foundation for the company’ s continuation” . And I work every day while keeping in mind my belief of ‘Fair, Honest and Hard-working’ . I would like to explain our efforts content for the continuation of our company.

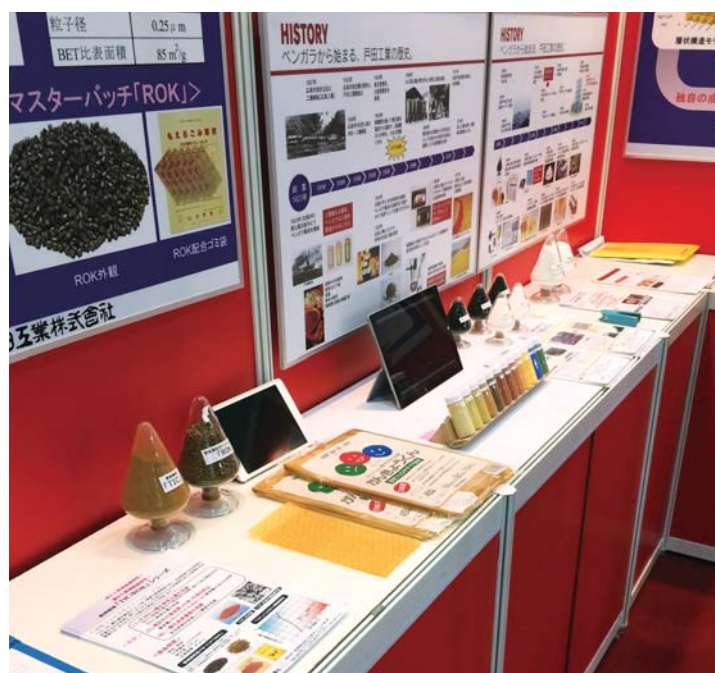
## Special Report ①

# Report on Exhibit at the 25th New Environmental Exposition 2016

TODA KOGYO put on an exhibit at the New Environmental Exposition 2016, which was held at Tokyo Big Sight between May 24-27, 2016. Through participating in this exposition, which is a chance for industry officials to gather in the same place, we aimed at creating new business opportunities by means of advertising TODA KOGYO's environmental products and finding out new customer needs.

We exhibited and gave explanations to visitors on our various environmental functional materials and iron oxide powders, such as RNIP; rapid remediation material for soil contamination and groundwater, AMF; processing agent for wastewater containing selenium and arsenic, TIC; combustion catalyst and so on. We also introduced garbage bags and various catalyst materials that are made with functional iron oxides kneaded-in.

This exposition, which is the largest environmental business exposition in Asia, attracted approximately 160,000 visitors during four days. Numerous industry officials visited the TODA KOGYO booth each day, and we exchanged business cards with around 300 persons. Visitors talked about numerous issues including the purification of contaminated soil and treatment of water, reduction of incineration costs and so on, and they showed their interests in our products we introduced as possible solutions. We intend to firmly follow up the environmental business exposition and translate it into new business from now on. Major issues in recent news have focused on preventing the outflow of heavy metals of natural origin in soil and groundwater which is



generated by civil engineering works related to the Olympic Games and constructions of railway tunnels, and also focused on the purification of hazardous pollution on sites of former industrial plants and so on. TODA KOGYO intends to contribute to society through applying its environmental functional materials to such problems.



## Special Report ②

# Completion of the Carbon Nanotube (CNT) Plant

Following the completion of work on the Carbon Nanotube (CNT) Plant being constructed in the Kaita base of Hiroshima Gas Co., Ltd., the completion ceremony was held on April 15, 2016. The plant has production capacity of approximately 500 kg per month.

<Shigeru Takaragi, President of TODA KOGYO (left) and Hiroyuki Yamamoto, Managing Director of Hiroshima Gas (right)>

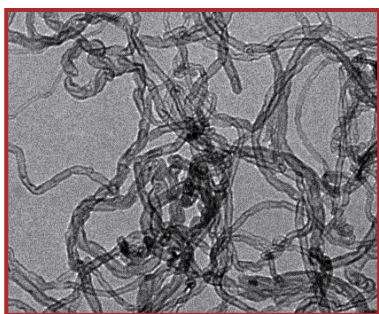


The direct reforming method makes it possible to synthesize hydrogen and CNT having various features using hydrocarbon gases which includes carbon source, such as natural gas, etc. Hydrogen is viewed as a potential clean energy. Hiroshima Gas Technology Research Institute is promoting the recovery and refining of generated hydrogen and development of its applications.

Direct reforming method  $\text{CH}_4 \Rightarrow \text{C (CNT)} + 2\text{H}_2$  (hydrogen)

## ▶ What is CNT?

CNT consists of three words: Carbon, Nano (= nanometer (nm)) and Tube. As the name suggests, this substance has a tubular structure, formed with a network of carbon atoms. Such tubes are extremely thin, measuring only nanometers in diameter or 1/50,000 the thickness of a human hair.



CNTs have various outstanding properties as follows.

- They are light, have high tensile strength and flexibility.
- They have corrosion resistance and heat resistance.
- They have good heat conductivity.
- They are good conductors of high current density.
- They are semiconductors with high mobility.
- They have large specific surface area.
- They show high electric field emission characteristics.

## ▶ CNT Market

Despite their various characteristics, the market for CNTs has been slow to develop due to the difficulty in dispersion. TODA KOGYO has succeeded in developing and making it possible to mass produce CNTs which can easily disperse.

Since it has become possible to achieve a high dispersion property and develop a highly concentrated dispersion, requests from users for samples have been increasing in recent years.



<CNT dispersion using conventional CNT powder>



<Highly concentrated CNT dispersion developed by TODA KOGYO>



We aim to develop a wide range of markets focusing on applications as electron-conductive materials and conductivity-auxiliary agent for lithium ion rechargeable batteries (LIB), capacitors and so on, by taking advantages of the electric conductivity, heat conductivity and reinforcing property of CNT.

► The control of CNT-synthesis catalyst based on wet synthetic technologies accumulated over many years, and a proposal of easy dispersion characteristics by the surface treatment of CNT.

Fibrous CNT linking active materials



Easily dispersible CNT powder



Highly concentrated dispersion



CNT on the surface of Electrical conductive rubber-sheet




LIB conductive additives  
"Electrical conductivity /fibrous"



Potential for numerous applications based on various characteristics

Electrical conductive rubber/  
Planer heating element  
"Extremely high conductivity"



Translucent conductive film  
"Electrical conductivity"



EDLC activator  
"Electrical conductivity"



"Flexible strength"  
reinforcing additive



Heat-resistant black pigment  
"Heat resistant colored in jet black"



<Project meeting>



# Special Report ③ Opening of the Bengala Museum





On November 30, 2015, to coincide with the anniversary of the founding of TODA KOGYO, the Bengala Museum, which introduces the modern industry of Bengala to the public, was opened on site of Toda Pigment Corp. in Okayama Prefecture.

This building was originally constructed in 1958 as a materials storage. At that time, this plant was still manufacturing Bengala by the dry manufacturing method as a key plant of TODA KOGYO. It was subsequently used as a power receiving room following almost 60 years. And the building was renovated in its original form.

The building was constructed in the midst of Japan's high-level economic growth in the year when Tokyo Tower was completed and the engagement of Crown Prince Akihito and Crown Princess Michiko was announced. Rather than demolishing such a historic building that has been watching the plant since this era, we decided to renovate it as a museum with a view to handing down in some small way to future generations the "industry and history of Bengala," which is a part of Japanese culture.

Toward its 200th anniversary, TODA KOGYO Group and all its employees under the current president are promoting social initiatives aimed at realizing continuous growth and creating a bright future under the slogan of "Fine Materials for the Future."



# For Our Investors

## 1) Corporate Governance

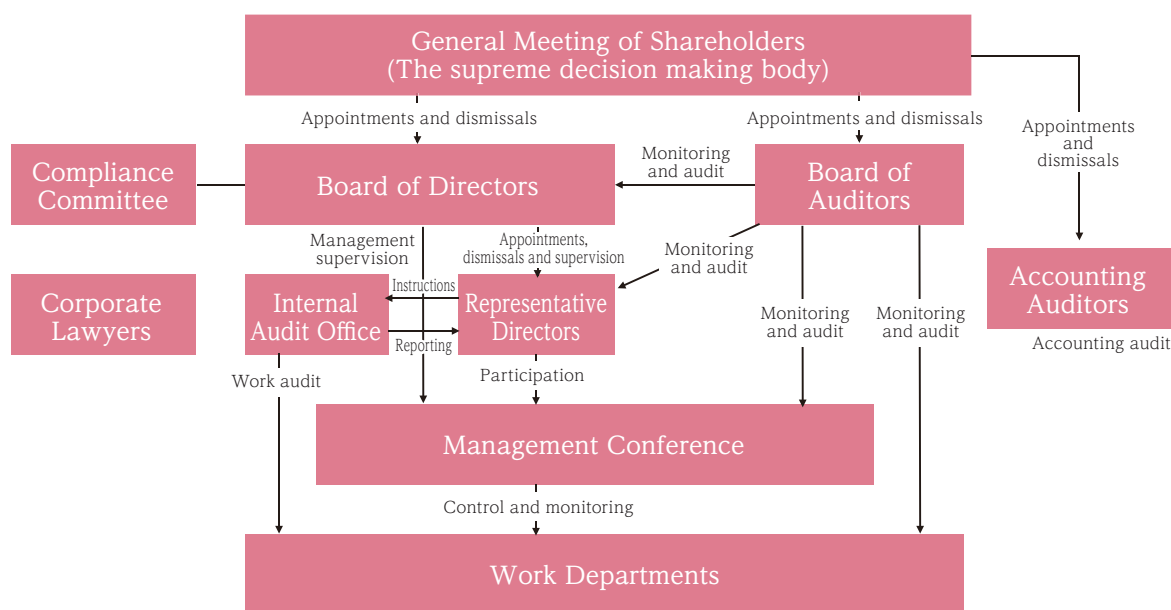
For the purpose of maintaining and promoting fairness, soundness, transparency and efficiency in its corporate management affairs, TODA KOGYO has established principles of corporate governance and the management organization illustrated below.

### Principles of Corporate Governance

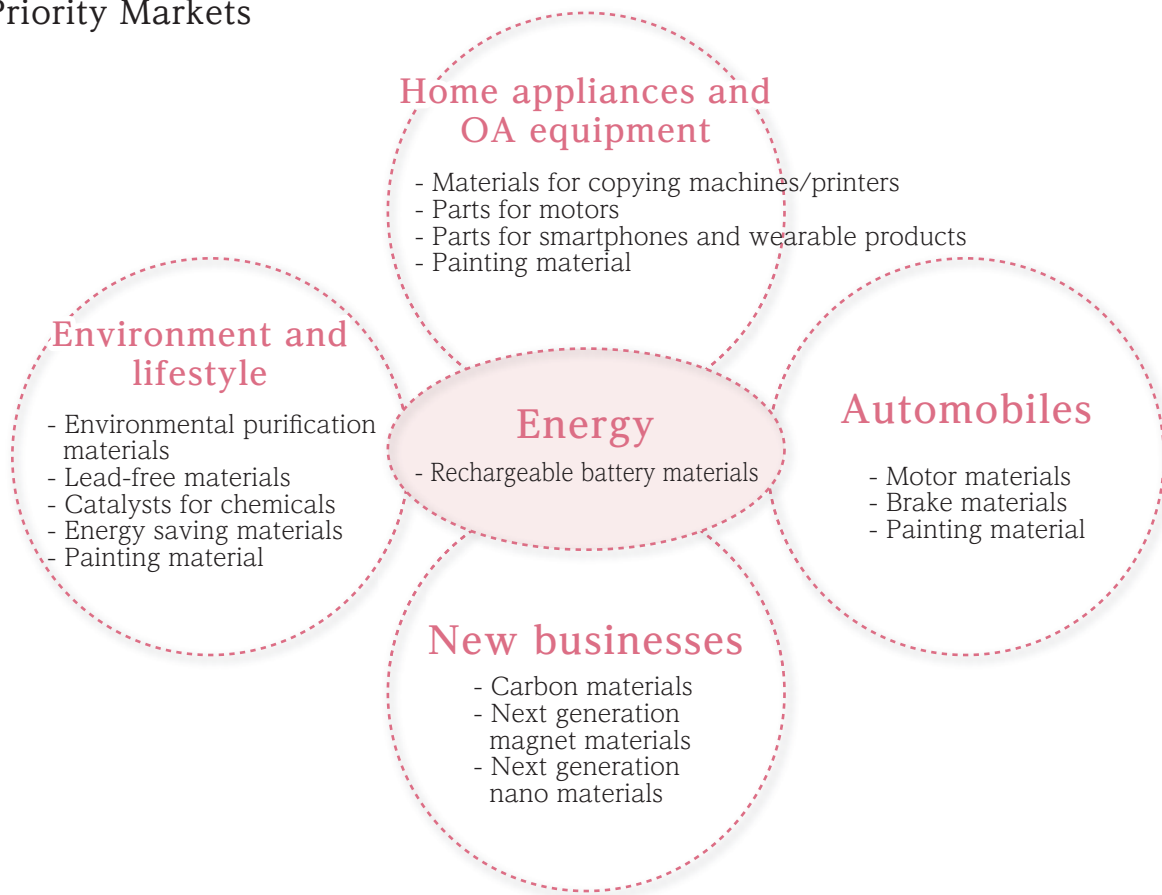
Recognizing that the fulfillment of our social responsibility is an important role as better citizens and corporate citizens, TODA KOGYO Group, are committed to carry out management on an ongoing basis which is based on management philosophy and management principles, for the purpose of continued sound development into the future. We will adhere to the relevant laws and ordinances and company regulations, on the base of the spirit of compliance. Top managers of our Group themselves will lead by examples of these principles and polices, then will enforce within the company, disseminating to group corporations and business partners. Furthermore, we will refuse to have relations with antisocial forces and groups. Therefore, we will strengthen the Board of Directors' function for monitoring execution as the representative of shareholders and promote transparent management. We also aim to realize agile corporate governance which can rapidly respond to environmental changes. Moreover, we have established and endeavor to realize the following principles aimed at fairly protecting the rights and profits of shareholders and other stakeholders in the market based on appropriate information disclosure.

- ① We endeavor to protect the rights of shareholders.
- ② We endeavor to ensure equality of shareholders.
- ③ We endeavor to build smooth relations with stakeholders other than shareholders.
- ④ We endeavor to ensure information disclosure and transparency.
- ⑤ We endeavor to enhance supervision of management and ensure accountability with respect to shareholders.

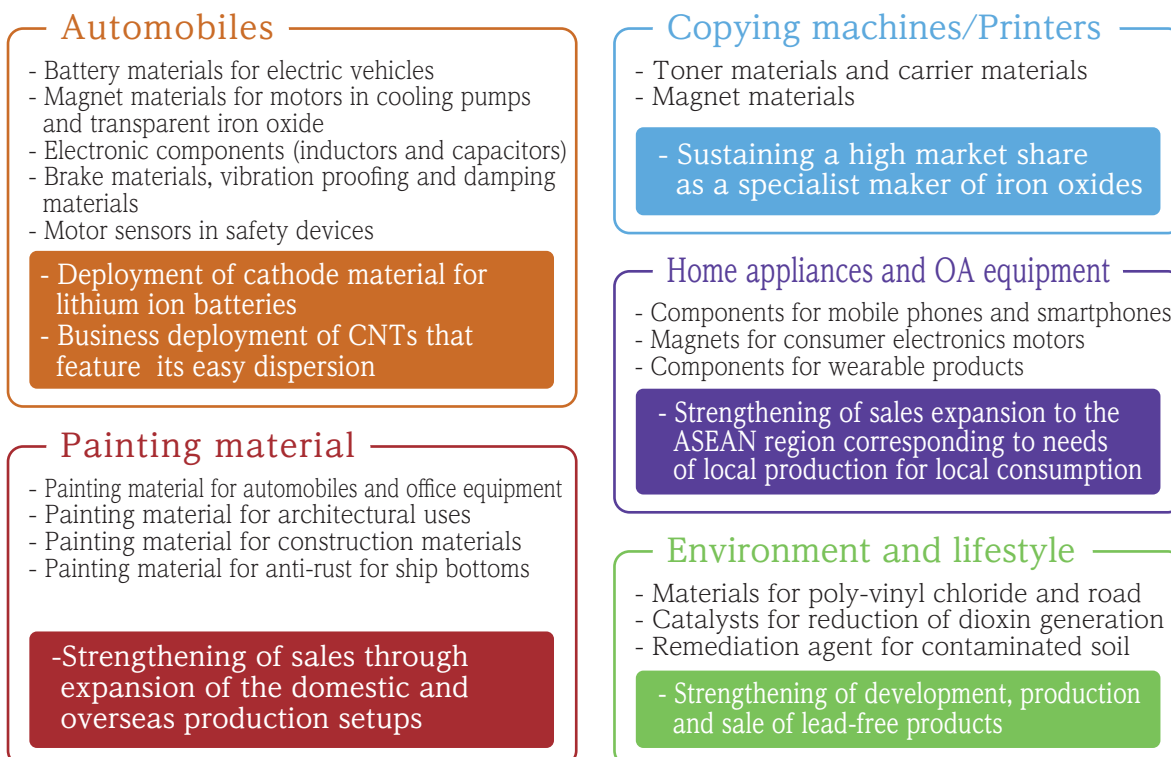
<Promotion Setup for Corporate Governance>



## 2) Priority Markets



## 3) TODA KOGYO's Products and Final Applications



# For Our Investors

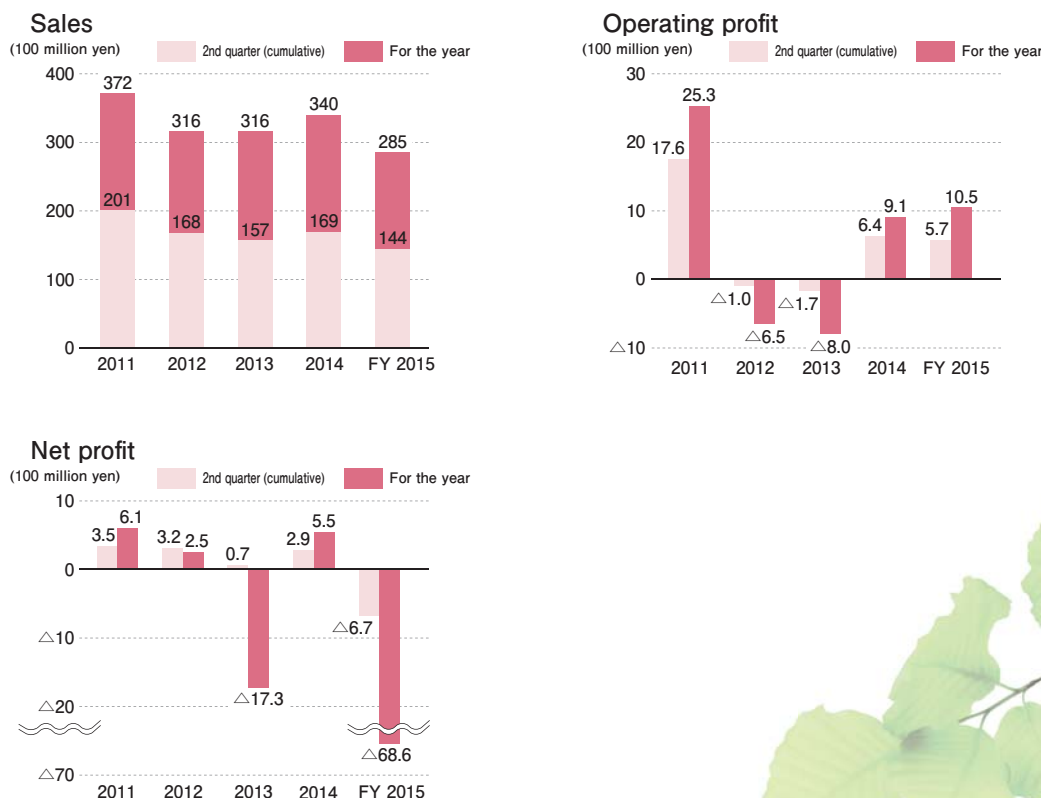
## 4) Business Overview (Fiscal 2015)

Japan's economy this fiscal year has been continuing to show a gradual recovery trend such as improvement of corporate earnings and recovery of plant and equipment investment, based on the government's economic policies and the money policies of Bank of Japan. On the other hand, with the slowdown in overseas economies in China and elsewhere, and with the rapid appreciation of the yen in contrast to the progress of stock price depreciation at the start of the year, the economic outlook is still uncertain.

Under these circumstances, depending on the influence of transferring the domestic business of the lithium ion battery cathode material to an affiliated company accounted for by the equity method, sales of TODA KOGYO Group fell to 28,510 million JPY (16.3% down on the previous year comparison). However, the operating profit margin, which TODA KOGYO regards as its top priority management indicator, was improved to 3.7% (1.0% higher than the previous year) thanks to cost cutting efforts promoted since last year. And as a result, operating profit was 1,051 million JPY (up 15.2% on the previous year).

The group also recorded an investment loss based on the equity method of 1,942 million JPY, an exchange loss of 607 million JPY, etc., and consequently the ordinary loss amounted to 1,440 million JPY (compared to the ordinary income of 963 million JPY in the previous year). The loss arising from step acquisition in line with transition from non-consolidated to a consolidated subsidiaries under the equity method was 2,325 million JPY, the impairment loss on fixed assets in the electronic materials business domain was 1,879 million JPY, and the corporation tax adjustment was 1,328 million JPY, resulting in a current net loss attributable to parent company shareholders of 6,865 million JPY (In the previous term, the current net profit attributable to parent company shareholders was 559 million JPY).

Concerning prospects for the next fiscal year, under still uncertain market conditions, TODA KOGYO Group will continue to push transition towards a highly-profitable constitution by means of reducing costs and improving the equity in net income of affiliates. It also intends to expand consolidated performance by means of developing new overseas markets for magnet materials, expanding the ferrite sheet business for smartphones and wearable devices, rebuilding the battery business and so on.



## 5) IR Explanation Meetings

TODA KOGYO holds IR explanation meetings (settlement report meetings) for investors, analysts, economic journalists, etc. twice per year.

## 6) Policies in the Medium-Term Management Plan

### 「TSO」 ( Toda Step One )

### 「TS2」 ( Toda Step Two )

Term

Fiscal 2016-2018  
Secure growth with profits  
Strengthening of organization

Management Goals

- ① Sales target (annual rate up by 10%)
- ② Operating profit margin of 8%
- ③ Execution of the reconstruction plan for business affiliates
- ④ Selected concentration on developing and growing businesses
- ⑤ Strengthening of organization

#### Toda Step One

(During FY 2013-FY 2015)

##### Consolidation of the Foundations

- Transition to an operating profit making concern
- Improvement of the equity method balance
- Review of unprofitable businesses and normalization of assets
- Maintenance and expansion of the iron oxides business
- Selection of development themes
- Cutting of costs and reduction of expenses
- Rebuilding of the domestic cathode material business
- Reconstructing or withdrawal of loss making companies
- Withdrawal of unprofitable brands
- Reduction of interest-bearing debt
- Countermeasures for exchange risk
- Organizational restructuring

#### Toda Step Two

(FY 2016-2018)

##### Further Growth

- Expansion of business
- Transition to a high profit constitution
- Promotion of improvement in business companies
- Strengthening of organization (sound organization)
- Strengthening of deployment of magnet materials to overseas markets
- Expansion of the ferrite sheet business
- Further growth of business companies
- Compilation and execution of reconstruction plans
- Initiatives for increasing corporate value
- Reconstruction of the cathode material business in North America
- Pursuit of optimum organization
- BCP countermeasures

# For Our Customers and Business partners

## 1) In Order to Fulfill the Product Responsibility

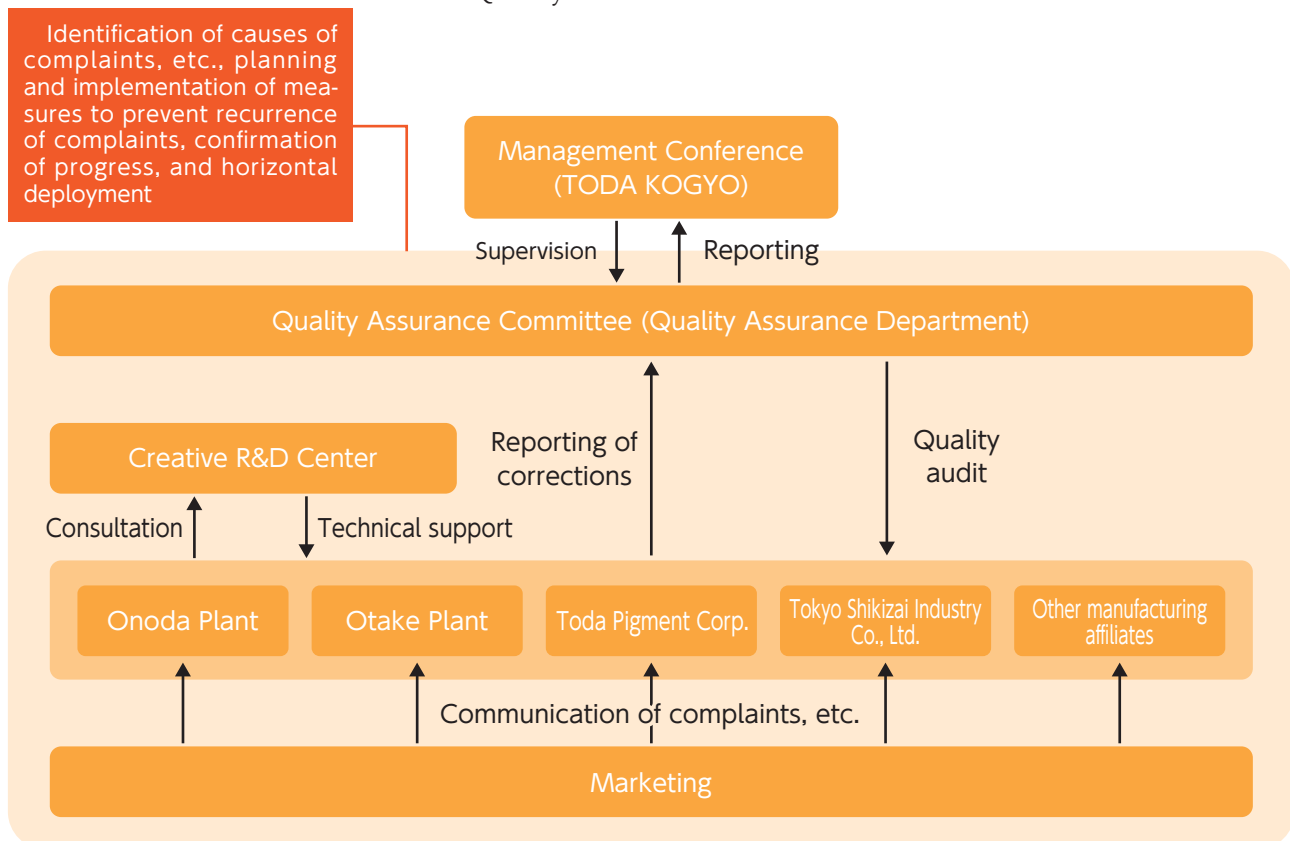
TODA KOGYO Group promotes the quality assurance activities shown below based on the quality policy: “To develop continuous improvement activities and provide qualities which obtain the customers’ trust and satisfaction.” In order to separate these quality assurance activities from marketing, development and manufacturing lines and thus increase their effectiveness, the Quality Assurance Department in Head Office was placed under the direct control of the president in July 2016.

In addition to performing quality audits for the manufacturing departments of TODA KOGYO Group, the Quality Assurance Department identifies causes of complaints from customers, plans and implements measures to prevent recurrence of complaints, and performs horizontal deployment activities together with people on the production line.

### Guidelines of Quality Assurance Activities

1. We perform quality audits for the purpose of confirming compliance with requirements in the ISO9001 series and improvement of the quality assurance systems.
2. We confirm the status of compliance with laws, regulations and other requirements.
3. In order to improve the quality of products by TODA KOGYO Group, we promote comprehensive quality improvement by means of analyzing quality, providing improvement guidance for related departments and holding regular quality review meetings (quality assurance committees).

### <Quality Assurance Structure>





## 2) Situation regarding Responses to Customer Inquiries

We constantly receive inquiries from customers concerning products, CSR and so on. At TODA KOGYO Group, we regard such inquiries as good opportunities to review ourselves and make it our goal to promptly respond all inquiries. Concerning the issues that arise in such activities, we determine the corresponding department and work on problem solving.

### ▶Quality Control

TODA KOGYO Group has introduced the latest measurement equipment in its effort to supply outstanding quality products together with safety and peace of mind to customers.

We are also totally committed to securing stable quality and developing new products that can respond to our customer's request.



<Small group presentation meeting at the Otake Plant>

### ▶Small Group Activities

With a view to fully drawing capabilities on the production line at each plant, TODA KOGYO aggressively conducts small group activities together with subcontracting companies based on the slogan "No efficiency without safety; No trust without quality; No growth without innovation (improvement)." Such activities help foster unity, awareness and knowledge among employees on the production line, while presentation meetings lead to the sharing of know-how between workplaces.



### 3) For Protection of Human Rights

TODA KOGYO Group advances initiatives for respecting human rights all over the supply chain from the purchase of raw materials to the delivery of products to customers. From fiscal 2010, TODA KOGYO Group clearly defined “respect for human rights” in the CSR Code of Conduct, and monitors in suppliers as a priority item in the entire Group.

#### Respect for Human Rights, Employment and Labor – from the CSR Code of Conduct –

TODA KOGYO Group always respects fundamental human rights as a prerequisite for mutual understanding. Moreover, TODA KOGYO Group does not discriminate by race, creed, sex, social status, nationality, sickness or disability, etc.

##### (1) Elimination of all kinds of discrimination

Executives and employees must respect the fundamental human rights of individuals, and must not do any discriminatory speech and action, violent acts, sexual harassment, power harassment or other behavior to ignore human rights.

##### (2) Protection of personal privacy

When executives and employees touch personal information inside and outside the company in the course of business activities, they must pay close attention and appropriately manage it to ensure that individual privacy is not compromised.

##### (3) Elimination of unfair labor

Executives and employees must eliminate unfair labor. They must not employ children below the minimum working age determined by laws and regulations of each country and region. Executives and employees must demand the same policy as in the TODA KOGYO Group from agents and subcontracting companies.



## 1) Situation regarding Introduction of Management Systems

TODA KOGYO Group has acquired certification under the following management systems and implements the PDCA\*) cycle in its business activities.\*) PDCA means plan, do, check and action.

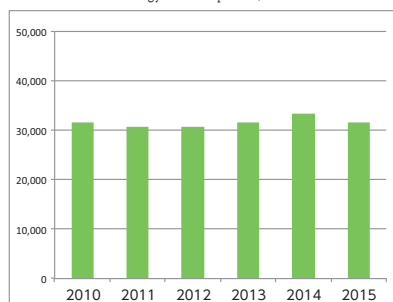
ISO9001 ISO14001 OHSAS18001	ISO9001 ISO14001	ISO9001
Onoda Plant Otake Plant	Toda Pigment Corp.	TODA MAGNET (SHENZHEN) CO., Ltd. Otake Creative R&D Center: Product Development Group
	TODA Ferrite KOREA Co., Ltd.	
	TODA ISU CORPORATION	
	Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.	
	Toda Plastic Magnet Material (Zhejiang) Corp.	ISO 14001
	Zhejiang Toda DMEGC Magnetic Co., Ltd.	
	Toda United Industrial (Zhejiang) Co., Ltd.	Otake Creative R&D Center
	Zhejiang United Pigment Co., Ltd.	
Toda America Inc.		

\* Affiliated companies in which the shareholding is 50% or more are stated.

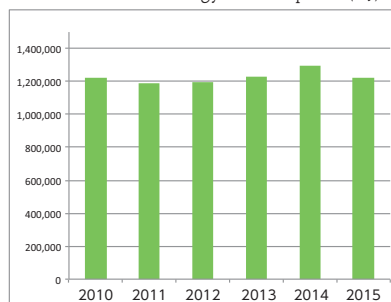
## 2) Measures to Address Global Warming

Data concerning energy consumption and greenhouse gases in TODA KOGYO Group are shown below. We carry out daily efforts to reduce energy consumption. Moreover, energy consumption is controlled corresponding to fluctuations in handled items and so on. TODA KOGYO Group will continue to promote further energy conservation activities.

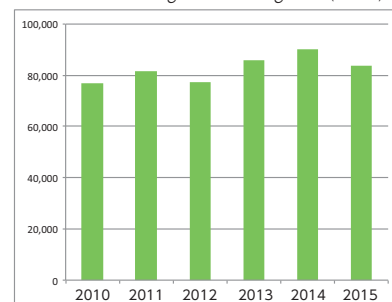
The transition of energy consumption (converted to crude oil: kl)



The transition of energy consumption (GJ)



The transition of greenhouse gases (tCO<sub>2</sub>)



\* The target scope of the graphs is the statutory regular report on energy saving in TODA KOGYO CORP.

In January 2016, TODA KOGYO Group received a “Silver” ranking in the sustainability investigated by Eco Vadis Inc. (France). Targeting suppliers in 150 business sectors in 110 countries Eco Vadis Inc. assesses policies, measures and performance in the areas of environment, society (working environment, human rights, etc.), fair business activities and supply chain. In this latest survey, TODA KOGYO Group was ranked in the top 30% of companies overall. In addition, we endeavor to reduce greenhouse gases (GHG) through participation in the climate change program (CDP\*).

\* CDP (Carbon disclosure project) is an international not-for-profit organization that provides the only global system for measuring, disclosing, managing and sharing the important environmental information of corporations and cities.

### 3) Certificate of Environmental Rating

In fiscal 2013, TODA KOGYO was certificated the Development Bank of Japan's (DBJ's) Environmental Ratings, which support the environmental management of corporations, in recognition for its initiatives to realize a sustainable society.



### 4) Green Procurement Activities and Conflict Minerals

TODA KOGYO Group has clearly prescribed “Green procurement activities” and “Basic policy concerning conflict minerals” within its procurement policy. We carry out procurement activities in consideration of environment and human rights with cooperation from its business partners.

Green procurement policy: Carry out procurement activities in consideration of protection of resources and environmental preservation

#### Basic policy concerning conflict minerals:

In the Democratic Republic of the Congo and neighboring countries, significant violations of human rights and environmental destruction by anti-government forces are occurring. These problems are serious concerns for the international community. It is said that some of the minerals (tin, tantalum, tungsten, gold) that are produced in this region are exploited as a source of funding (so-called “conflict minerals”) for these forces.

In these circumstances, under the Dodd-Frank Wall Street Reform and Consumer Protection Act established in the United States, it has been made compulsory for listed companies in the United States to disclose use of “conflict minerals” in their products and so on.

TODA KOGYO Group has no intention to assist such violations of human rights and environmental destruction. We will continue to advance initiatives in cooperation with our customers, business partners, industry organizations and so on.

TODA KOGYO Group asks its business partners to procure from smelters which comply with the Conflict-Free Smelter Program\* established by the Electronic Industry Citizenship Coalition (EICC) CSR alliance / Global e-Sustainability Initiative (GeSI), or smelters which are recognized as having no involvement with conflicts in traceability projects which track traces of reliable minerals from their mining to processing and distribution.

\* Conflict-Free Smelter Program: A program in which an independent third party certifies that all the minerals which smelters process are originated from conflict-free sources.

## 5) BCP (Business Continuity Plan)

The Japanese archipelago is faced with earthquakes and other natural disasters. In addition, there is always a risk of fire or terrorist attack and so on causing immense damage to a company's business. When such emergencies arise, it is important to minimize damage and endeavor to continue business or restore business early. It is also important to avoid inconveniences to customers and not to lose the trust of markets and shareholders.

In order to implement such actions promptly, TODA KOGYO has formulated a BCP in preparation for emergencies. Even at normal times, the company carries out emergency response training, holds discussions with suppliers and customers, and steadily works on securing alternative means of production and so on, in accordance with the BCP.



### Disaster Prevention Education and Training

#### ① Hiroshima Disaster Prevention Center



#### ② Training based on the safety confirmation system

When a strong earthquake measuring an upper 5 on the seven-point Japanese scale occurs, a safety confirmation email is automatically sent to registered addresses. We endeavor to ensure effectiveness in case of disaster, by means of irregular training at normal times.

#### ③ Rescue slider (emergency stair evacuation vehicle)

#### ④ Disaster prevention seminars

Scene from a seminar staged by Hiroshima Regional Meteorological Observatory of Japan Meteorological Agency.



## ▶ The Merits of Formulating a BCP (from an in-company report)

- Become a disaster-resistant corporation.

The BCP protects the safety of employees, core businesses and the trust of customers. By means of formulating a BCP, the company can get the measures to survive disasters.

- Increase credibility of customers and other business partners

Corporations which formulate a BCP are seen as stable organizations and gain greater trust from customers and other business partners. Some major corporations require business partners to also formulate a BCP.

- Cooperation is deepened with employees and subcontracting companies, etc.

BCP signifies working together with employees and subcontracting companies, etc. By means of showing top managers' attitude to protect their company, employees' sense of security is born and leads to strengthen the relationship between subcontracting companies

- It provides an opportunity to develop management strategies over the medium- and long-terms

Formulating a BCP is the planning of the management strategy itself, in that it entails identifying the core businesses that need to be prioritized, identifying the weaknesses in management resources and rebuilding relations with customers and subcontracting companies, etc.

- It is possible to get loans with preferential interest rates

When a corporation that has a BCP implements disaster prevention measures, it is entitled to defray the costs by means of getting loans with preferential interest rates. Government-based small to medium-sized enterprise (SME) financial institutions and some private financial institutions implement such a system.

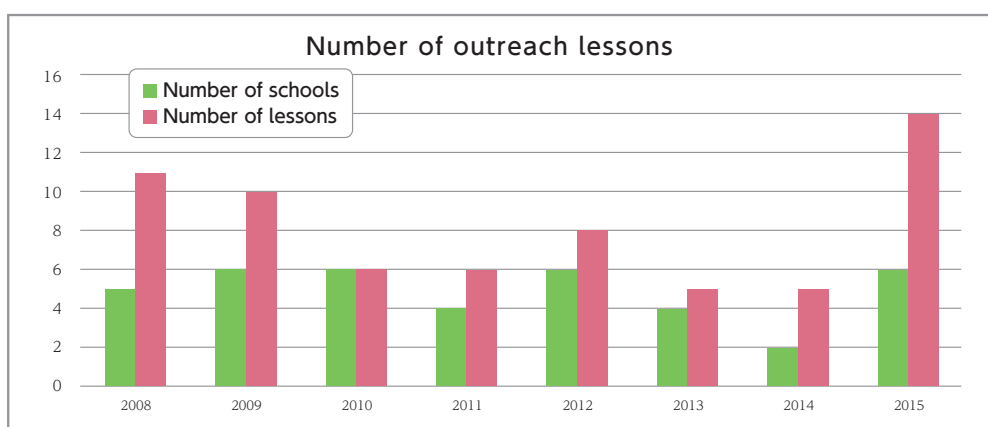


## 6) Involvement with Society and Community

### ① Outreach lessons and science events

Since fiscal 2008, TODA KOGYO has implemented factory tours and outreach science lessons for elementary and middle school children, and participated in local science events in Hiroshima. On such occasions, we mainly carry out experiments using permanent magnets and motors for students of upper grades of elementary school.

The children find out about the various strengths of permanent magnets, learn about permanent magnets and electromagnets from an experience of making motors using paper cups and enamel coil, and understand how permanent magnets and small motors are utilized in automobiles and numerous electric appliances. It is especially impressive to see how enthusiastically the children try to make their motors to rotate in their experiments. We will continue to implement outreach lesson activities so that children are encouraged to deepen their interest in science.



<Scene from an outreach lesson>



<Scene from a science event>



### ② Flower planting campaign

In the area around Kuba Station, the closest station to the Otake Plant of TODA KOGYO, a flower-planting beautification campaign is being implemented primarily by local citizens and the children of Kuba Elementary School. Members of TODA KOGYO have participated in this campaign since 2011, replanting roadside flowers two times a year in spring and fall.



# For Society

### ③Eco Cap Campaign

Toda Pigment Corp. (Okayama City) has been donating PET bottle caps collected within the plant and the homes of employees to the local Okayama Municipal Fukuwatari Elementary School since fiscal 2013. The returns earned by selling approximately 2 kilograms of PET bottle caps can be used to donate polio vaccine for one person. It is a slow and steady activity, however, we will continue to implement this activity as something significant for deepening communication with the local community.



## 7) Initiatives for Biodiversity

TODA KOGYO Group has defined the following specific action guidelines and promotes business activities to preserve biodiversity on earth. We also actively participate in local activities such as river cleaning and event volunteering in order to preserve the regional biodiversity.

### Behavioral Guidelines for Biodiversity

1. Recognizing the preservation of biodiversity to be an important issue in the corporation, we will practice environmental management.
2. We will understand the influences on biodiversity affected by our business activities including our raw materials procurement policy, and endeavor to continuously reduce these influences.
3. We will continuously promote resource saving, energy saving and 3R (reduce, reuse, recycle) not only in our own business activities but also in cooperation within our supply chain.
4. We will promote manufacture of products which contribute to the preservation of biodiversity, technological development and innovation of the production process.
5. We will endeavor to enhance communication and contribute to cooperation with customers, suppliers, other corporations, NGOs, education and research agencies, local governments and so on.
6. Because the activities of each and every employee are essential for preserving biodiversity, we will increase awareness for protection of abundant ecosystems through education of employees.

#### <Cleaning and weeding activities around company facilities>



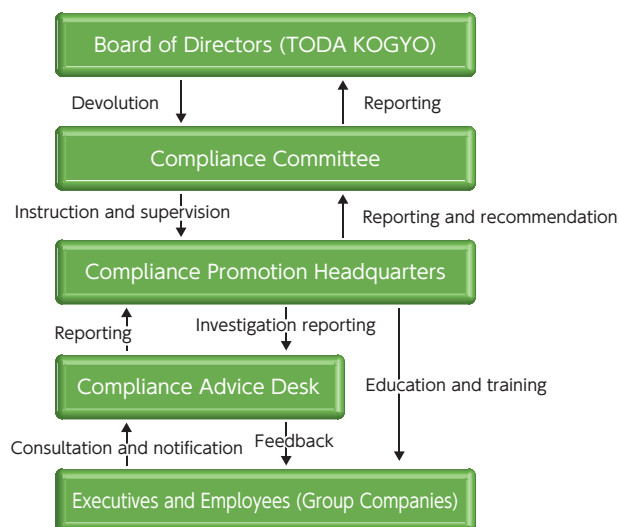


## 8) Compliance

TODA KOGYO Group has established the Compliance Code of Conduct and Compliance Promotion Regulations, applicable to all Group companies, in order to ensure that every executive and employee act in compliance with laws, social norms and company’ s regulations and so on. And we endeavor to promote and ensure the Compliance.

Here, we introduce two activities that were took place last year.

<Chart of the Compliance Structure>



<Teaching materials for an intellectual property seminar>



### ①Intellectual property seminar

As a company based on technology, TODA KOGYO encourages creative activities related to intellectual property and endeavor to appropriately protect and utilize such property. In order to let R&D members, as the center of creative activities, master accurate knowledge on intellectual property, primarily patents, last year we held a seminar on intellectual property with planning by the Intellectual Property and Patent Group and asking a lecture for our corporate patent attorneys.

In addition to R&D members, employees in departments throughout the company sat this seminar via the television conference system. The seminar was held three times on the themes of “Outline of the patent system,” “How to prepare patent application documents” and “Technical scope of patent inventions” . Explanations were provided in reference to court cases related to intellectual property and examples of TODA KOGYO’ s patent applications. Each seminar was attended by around 40 participants.

According to the questionnaires after attendance, more than 90% of attendants replied that the seminar had been “Useful.” In particular, attendants made the following comments: “I reconfirmed activities that I normally do in my development work,” “The contents on review trends, points of responses to notifications of reasons for refusal, points of selection of publicly known resources and how to combine resources were very useful,” “Understanding of patent infringements deepened,” “I became aware of the significance of continuous patent applications” and so on, suggesting a progress in understandings of intellectual property.

The Intellectual Property and Patent Group will continue to hold in-company seminars with a view to promoting intellectual property activities.

### ②Information security

Under the present circumstances of the extensive spread of smartphones and PCs, cyber-attacks and the diversification of computer viruses, the risk of information leakage can no longer be overlooked by corporations in all business sectors. TODA KOGYO Group has also experienced situations that could lead to information leaks, giving cause to re-recognize the importance of information management.

TODA KOGYO Group last year implemented e-learning as a part of its information security education. This comprised 10 lectures, organized in such a way that employees had to keep repeating lectures until they earned full marks in the check tests implemented after each one. During the course period of three months, 433 executives and employees completed the lectures, thereby deepening their understanding of information security.

The Information Security Group will continue to implement similar e-learning courses.

# For Employees

## 1) Better Working Environment

TODA KOGYO Group implements measures in compliance with laws and ordinances to ensure that workplaces can become places for the activity of each and every employee. And we also endeavor to build a better working environment overall. Here we introduce the thoughts of two employees from the perspective of “employee-friendly.”

### Toda Kogyo Europe GmbH Tomonori Takamatsu

I was assigned from the Tokyo office to work on marketing in the German affiliate on October 1, 2013.

Toda Kogyo Europe GmbH is a very homely workplace that comprises two German and four Japanese employees.

Since my work entails marketing, it is important to communicate with European, mainly German customers. In communicating with them, I have difficulty not only in languages but also in cultural differences.

However, thanks to the willingness of the local German superiors and my colleagues to talk with me about professional and even private matters, I have found my time here to be most rewarding. Here, I feel that I have the opportunity to try the things I have done in Japan on the wider stage of the EU.

I have also found the dispatch of unconventional ideas and information and challenges presented by new markets to be highly stimulating and rewarding.

Looking ahead, I hope to continue working on communicating thoughts, ideas and requests for cooperation between Toda Kogyo Europe GmbH, Japan and other overseas offices, and thereby fulfill my role of taking cooperation with our global subsidiaries.

(Interview: January 2016)



### Onoda Plant, Production Division Mari Kawamura

I have two children, one in elementary school first grade and the other four years old. Thanks to the maternity and childcare leave and short-time working systems, I have been able to balance my work with domestic duties. I am extremely grateful for the support of everyone in my office. Raising children while continuing to work is not easy. However, there are senior colleagues who have achieved such a balance and I am helped by their willingness to give advice.

At times when I have to take a break from work due to my children's sudden sickness or events at the kindergarten and so on, everybody in the department has provided follow-up and made it easier for me. I can achieve a balance between home and work thanks to the company's understanding.

This spring I will give birth to my third child and plan on taking maternity and childcare leave once again. It is thanks to the company's understanding that I can raise my children like this. I approach my daily work with gratitude that I have an environment in which I will be able to continue working after returning from my time off.

(Interview: January 2016)



## 2) Health and Safety Activities

### ① Safety activities

Otake Plant holds an annual “Safety Convention” as a review of its safety activities. This is attended by not only the main members in the plant but also representatives from subcontracting companies and the head of the labor standards inspection office. In the convention, the results of safety activities are introduced, the head of the labor standards inspection office gives a talk, and a safety declaration is adopted in an effort to promote safety.



### ② Activities in the Safety and Monozukuri workshop

TODA KOGYO, close to enter its second century, aims to continue growing and become a “monozukuri enterprise” that can make a contribution to society. Continuous monozukuri corresponds to “human development” and we consider it important for each and every employee to energize workplaces and boost autonomy and “Genbaryoku” (capabilities to find and solve problems in the work sites) while feeling job satisfaction.

The Safety and Monozukuri Center has been implementing safety education based on the sensations of “seeing, touching and thinking” for employees of TODA KOGYO Group and members of subcontracting companies since October 2014.

In fiscal 2015, 258 persons attended 22 safety workshops, meaning that approximately 45% of all eligible persons had participated in the education so far.



The trainees not only undergo sensory training but also learn about the essence of the basic 5S (Seiri (arrangement), Seiton (ordering), Seiso (cleaning), Seiketsu (neatness), Shitsuke (discipline)) and make the decision to change their own workplaces in a “declaration of action (target)” .

A system has been put in place a few months later whereby it can be confirmed whether or not the targets set by each trainee are achieved, and this is intended to encourage a reform of thinking based on reflection and review.



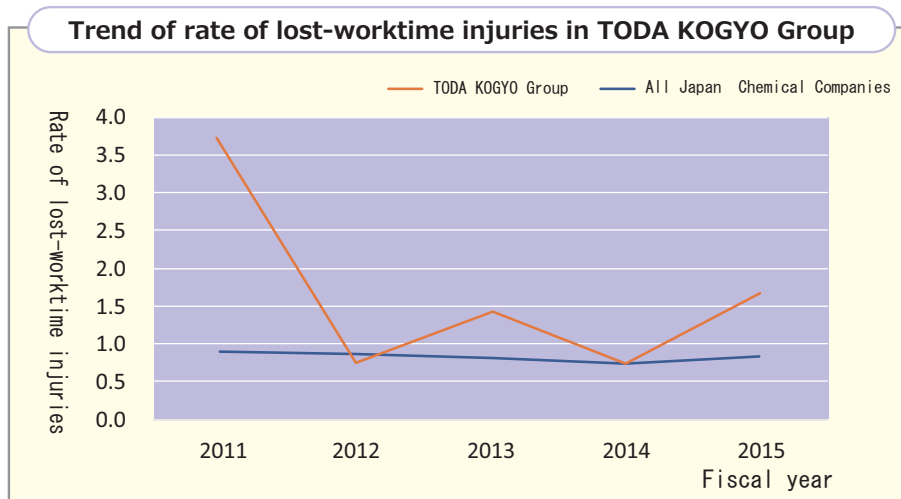
In the sensory training, a “pipe draining task” has been added for participants to consider, which simulates reassembly work on pipes carrying a hazardous fluid (alkaline solution, etc.). Through experiencing this task with their own senses, the trainees understand and get a feel for fluid principles and valve structures.

We will continue to further enhance this sensory safety training. Additionally, efforts will be made to establish and run monozukuri workshops geared to making employees more sensitive to abnormalities in the workplace and capable of resolving their own problems.

# For Employees

### ③Occupational health and safety

TODA KOGYO Group employees experienced zero lost work accidents during fiscal 2015, although there were two such incidents in subcontracting companies. The Environmental & Safety Management Department and Safety and Monozukuri Center and the health and safety committees in each plant and office will continue to cooperate and strive for the total elimination of industrial accidents.



\* Rate of lost-worktime injuries: The number of fatalities caused by industrial accidents per 1 million actual working hours. This expresses the frequency of industrial accidents.

### 3) Club Activities

As one element of its welfare program, TODA KOGYO encourages employees to have a good leisure time in club activities with the primary objectives of deepening friendship and unity among employees and promoting physical and mental health.

#### [Club Activities Introduction]

Here we take a look at the “Outdoor Recreation Club” and “Smash Club” of the Tokyo Office.

The Outdoor Recreation Club organizes outdoor events such as mountain climbing and fishing on holidays, while the Smash Club is a club activity after work on weekdays at a Minato-ku sports center located just 5 minutes’ walk from the company.

#### ▶Outdoor Recreation Club

The club members climbed Mt. Tsukuba during the rainy season. Mt. Tsukuba, one of the 100 most celebrated peaks of Japan, rises above the Kanto Plain. Having an altitude of just 877 meters, it is the lowest of the 100 most celebrated peaks. However, since it is not surrounded by any other high mountains, it affords a view of the Kanto Plain. Unfortunately, on the day of this visit, it was not possible to enjoy the scenery because of rain. The club members are determined to have better luck next time!

<Outdoor Recreation Club: Climbing Mt. Tsukuba>



< Smash Club: Badminton>

#### ▶Smash Club

Members of the Smash Club have showed their remarkable growth and always play their badminton games hard. The sound of a shuttlecock being smashed gives the members a real thrill. Table-tennis, on the other hand, is played in a much more relaxed atmosphere akin to a students’ gathering. The communication that takes place in such an atmosphere is excited across generations.



## 4) Training Systems

### New Recruit Training

Among its education systems, TODA KOGYO especially puts effort into its training for new recruits. Even during the training period, the new recruits work on the front line.

This depicts training for new recruits after entering the company.

#### Introductory training

- \* All recruits, regardless of whether they be in the engineering field or the administrative field, take this group training together.
- \* The training is intended to switch the trainees from students to members of society in terms of physique, minds and feelings. And it is also intended to impart the trainees understanding of the company and society.



Business manner training

In-company training (lectures about the company's organization and products, learning about the various systems, plant tour, etc.)

Zen temple training



#### Workplace training(5 months from May to September)

- \* This training, in which the new recruits experienced actual workplaces, is intended to impart understanding of conditions on the ground.



After learning the basics of monozukuri, R&D and marketing activities in manufacturing plants, R&D centers and sales offices, the recruits are temporally assigned to their respective departments, where they acquire professional knowledge on the job.

#### Decision of official assignments(October)

Assignments are decided in consideration of each recruit's aptitude and needs in the company. After that, the recruits gain a variety of experiences according to their wishes and in-company job rotation.

### Development Training and Capacity Development System

Improving the market value of human resources (human resources that can function in the market)

OJT  
Job-based capacity development

Dispatches to domestic universities, etc., qualification assistance system, health and safety and quality control education, etc.

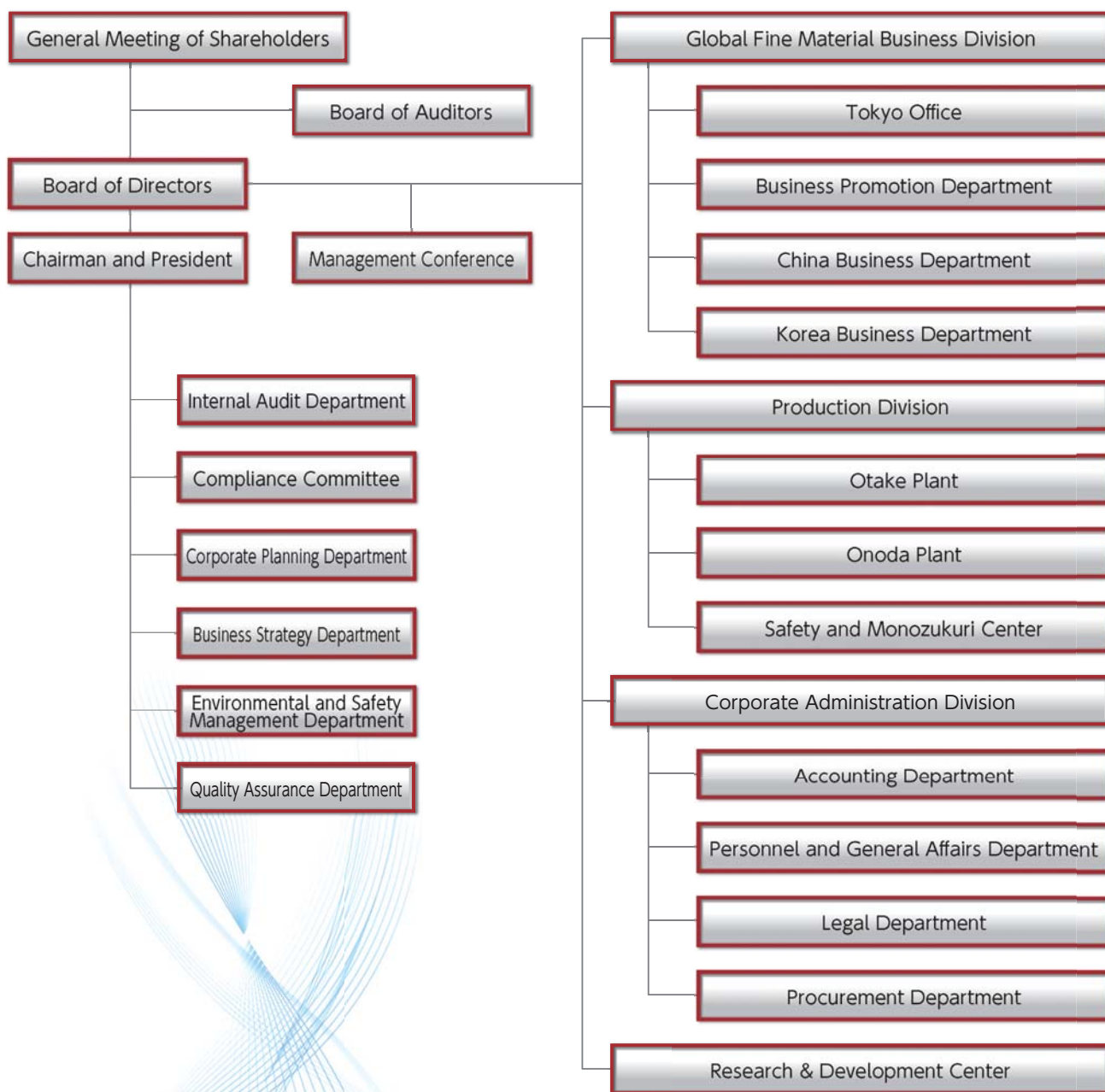
OFF-JT  
Selected education

Future top managers / Executive-based / Priority issue training

Self-development  
Correspondence education assistance system

Individuals can optionally select courses. If they graduate with outstanding results, they are exempted from paying tuition fees.

# Organization chart



## <Company Data>

Name of company: TODA KOGYO CORP.

Head Office: Mitsui-seimei Hiroshima-ekimae Bldg. 9F,  
1-23 Kyobashi-cho, Minami-ku, Hiroshima, 732-0828 Japan

Founded: 1823

Incorporated: November 30, 1933

Capital: 7,477 million yen

※As of March 31, 2016

# Offices and Subsidiaries

## Japan

**BTBM, Kitakyushu Plant**  
(Kitakyushu, Fukuoka Prefecture)

**Onoda Plant**  
BTBM, Onoda Plant  
(Sanyo-Onoda, Yamaguchi Prefecture)

**Research & Development Center**  
(Otake, Hiroshima Prefecture)

**Otake Plant**  
(Otake, Hiroshima Prefecture)

**Head Office**  
(Minami-ku, Hiroshima)

**Toda Pigment Corp.**  
(Kita-ku, Okayama)

**Central Battery Materials Co., Ltd.**

**Research & Development Center**  
**Otake Plant**  
• T&T Innovations Inc.  
• Toda Fine Tech Inc.

**Onoda Plant**  
• BTBM  
Onoda Plant

**Head Office**

**Central Battery Materials Co., Ltd.**

**Tokyo Shikizai Industry Co., Ltd.**  
Iwaki Plant

**Tokyo Office**  
• Tokyo Shikizai Industry Co., Ltd.  
Head Office and Plant  
• BASF TODA Battery Materials LLC  
Head Office

**Tokyo Office**  
(Minato-ku, Tokyo)

**MT Carbon Co., Ltd.**

**Toda Pigment Corp.**  
• BTBM.  
Kitakyushu Plant

\* BTBM = BASF TODA Battery Materials LLC.

## Overseas

**USA**  
**Toda America Inc.**  
Manufacture and sale of electronic materials

**Canada**  
**Toda Advanced Materials Inc.**  
Manufacture and sale of electronic materials

**Germany**  
**Toda Kogyo Europe GmbH**  
Supply and sale of Group products, etc.

**Korea**  
**TODA ISU CORPORATION**  
Manufacture and sale of electronic materials

**Taiwan**  
**MECHEMA TODA CORPORATION**  
Manufacture and sale of raw materials for electronic materials

**China**

**c**  
**Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.**  
Manufacture and sale of electronic materials

**d**  
**Toda United Industrial (Zhejiang) Co., Ltd.**  
Manufacture and sale of functional pigments

**d**  
**Shenghua Group Deqing Huayuan Paint Co., Ltd.**  
Manufacture and sale of functional pigments

**e**  
**Toda (China) Co., Ltd.**  
Procurement and trading

**f**  
**Zhejiang Toda DMEGC Magnetic Co., Ltd.**  
Manufacture and sale of electronic materials

**f**  
**Toda Plastic Magnet Material (Zhejiang) Corp.**  
Manufacture and sale of electronic materials

**g**  
**TODA MAGNET (SHENZHEN) CO., Ltd.**  
Manufacture and sale of electronic materials

**a**  
**TODA ISU CORPORATION**  
Manufacture and sale of electronic materials

**b**  
**TODA Ferrite KOREA Co., Ltd.**  
Manufacture and sale of electronic materials

※ Functional pigments = "colored materials" and "magnetic powder materials"  
Electronic materials = "ferrite materials" and "battery materials"



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