


CSR Report

2018-2019

Fine Materials
for the Future



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Management Principle, Management Policy and Guidelines for Action

TODA KOGYO Group renewed its Management Principle, 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 Principle

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

TODA KOGYO Group is committed to carry out management on an ongoing basis which is based on management principle 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.

Four Guidelines for CSR

■ 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 empathy of all our investors.

■ For our Customers and Business Partners

We will share values from our 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 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 Employees

The creativity and diversity of each and every employee is 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 our employees.

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, magnetism and physical or chemical properties.

TODA KOGYO'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 nanotechnology based on wet synthetic technology represents the core competence of TODA KOGYO.

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 provide solutions from the perspective of materials.

In recent years, we have developed and manufactured electronic parts unique to TODA KOGYO with superior knowledge of materials, such as Ferrite sheets for noncontact charger for smartphones. Therefore, we can meet the advanced demands of customers in the electronic parts market. Moreover, returning to the origin of iron oxides, we will continue to focus on the development and manufacture of various kinds of catalysts, magnet materials and functional pigments.

With the entire TODA KOGYO Group working together, we will continue to provide solutions which support information, environment and energy via materials.



Please do have a look at "TODA KOGYO CORP." introduction video of 4 minutes and 30 seconds. You can access from the QR code on the left. (*It is an introduction only in Japanese.)



Consumer Electronics and Communication Equipment

- Magnet materials (home appliances motor)
- Product parts for mobile phones and smartphones
- Parts for wearable products



Paint

- Pigment for automobiles and office equipment
- Pigment for building and building materials
- Pigment for antirust paint for ship bottom



Automobile

- Materials for lithium ion rechargeable batteries (Electric Vehicle)
- Magnet materials (motor / sensor)
- Transparent iron oxides (coating)
- Functional materials for electronic parts (inductors and capacitors)
- Functional iron oxides (for brake pads, vibration isolation and damping)



Copying Machines and Printers

- Toner materials and carriers
- Magnet materials (Magnet roll)



Environment and Housing Life

- Lead free materials (Polyvinyl chloride resin stabilizer and road marking materials)
- Combustion catalyst
- Contaminated soil conditioner

History of TODA KOGYO Group

Founded in 1823

1823 Bengala manufacturing started in Ibara City, Okayama Prefecture

1910

1910 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 In the process of manufacturing iron oxides by calcination of iron sulfate, sulfuric acid gas was generated and became a serious problem.

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

1953 Tokyo Sales Office and Osaka Sales Office established

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

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.

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

Contributing to the reduction of industrial wastes and effective utilization of resources

The industry's first! Development of the wet synthetic method for iron oxides

1953 Coating material for building timber Primer for dark blue dyeing Coloring for lacquerware and bangasa (coarse oilpaper umbrellas) Ceramics (akae glaze), etc.

Ferrite powder

Pellets

1983 Shares listed on the first section of the Tokyo Stock Exchange

1983 Creative R&D Center newly established in Funairi-Minami in Naka-ku, Hiroshima City

1984 Otake Plant newly established in Otake City, Hiroshima Prefecture

1988 Dedicated facility to manufacture coloring materials for electronic printing added to Onoda Plant

1988 Toner materials

1989 Facility for manufacturing magnetic powder for metal tape added to Onoda Plant

1989 Computer digital recording tape

1989 Application of the wet synthetic method to materials other than iron

1991 Otake Creative R&D Center established in Otake Plant

1991 Start of overseas activities!

1994 Toda Kogyo Europe GmbH established

1996 Toda America Incorporated established

1997 Toda Pigment Corp. established

2000 Head Office relocated to Funairi-Minami in Naka-ku, Hiroshima City

2003 Head Office moved to Otake City. Wholly owned subsidiary Toda Plastic Magnet Material (Zhejiang) Corp. established in Zhejiang Province, China

2003 Facilities for manufacturing Hydrocalcite newly added to Onoda Plant

2003 Facilities for producing cathode materials for Lithium ion rechargeable battery newly added to Onoda Plant

2004 Zhejiang Toda DMEGC Magnetic Co., Ltd. established in Zhejiang Province, China

2004 Toda Magnequench Magnetic Material (Tianjin) Co., Ltd. established in Tianjin, China

2004 Toda Advanced Materials Inc. established in Canada

2004 Facilities for manufacturing Barium Titanium trioxide added to Onoda Plant

2006 TODA Ferrite KOREA Co., LTD. established in South Korea

2006 Equipment for production of antenna sheets for IC tags added to Otake Plant

2006 Facilities for manufacturing color toner carrier materials newly added to Otake Plant

2006 Equipment for production of NFC ferrite sheets for use in smartphones added to Otake Plant

2007 TODA Magnequench Magnetic Material (Tianjin) Co., Ltd. established in Tianjin, China

2007 TODA ISU CORPORATION established in South Korea

2008 All shares of Tokyo Shikizai Industry Co., Ltd. Acquired

2008 TODA ISU CORPORATION established in South Korea

2010

2010 Magnets

2010 Magnetic tickets and magnetic cards

2010 Examples of use of a dioxin-suppressing catalyst (garbage bags, cushioning material)

2010 Color toner carrier

2010 Metal-compatible IC tags

2010 Ferrite sheet

2011 Toda United Industrial (Zhejiang) Co., Ltd. in Zhejiang Province, China became a consolidated subsidiary of TODA KOGYO.

2012 TODA MAGNET (SHENZHEN) CO., Ltd. established in Guangdong Province, China

2014 Head Office relocated to Hiroshima City.

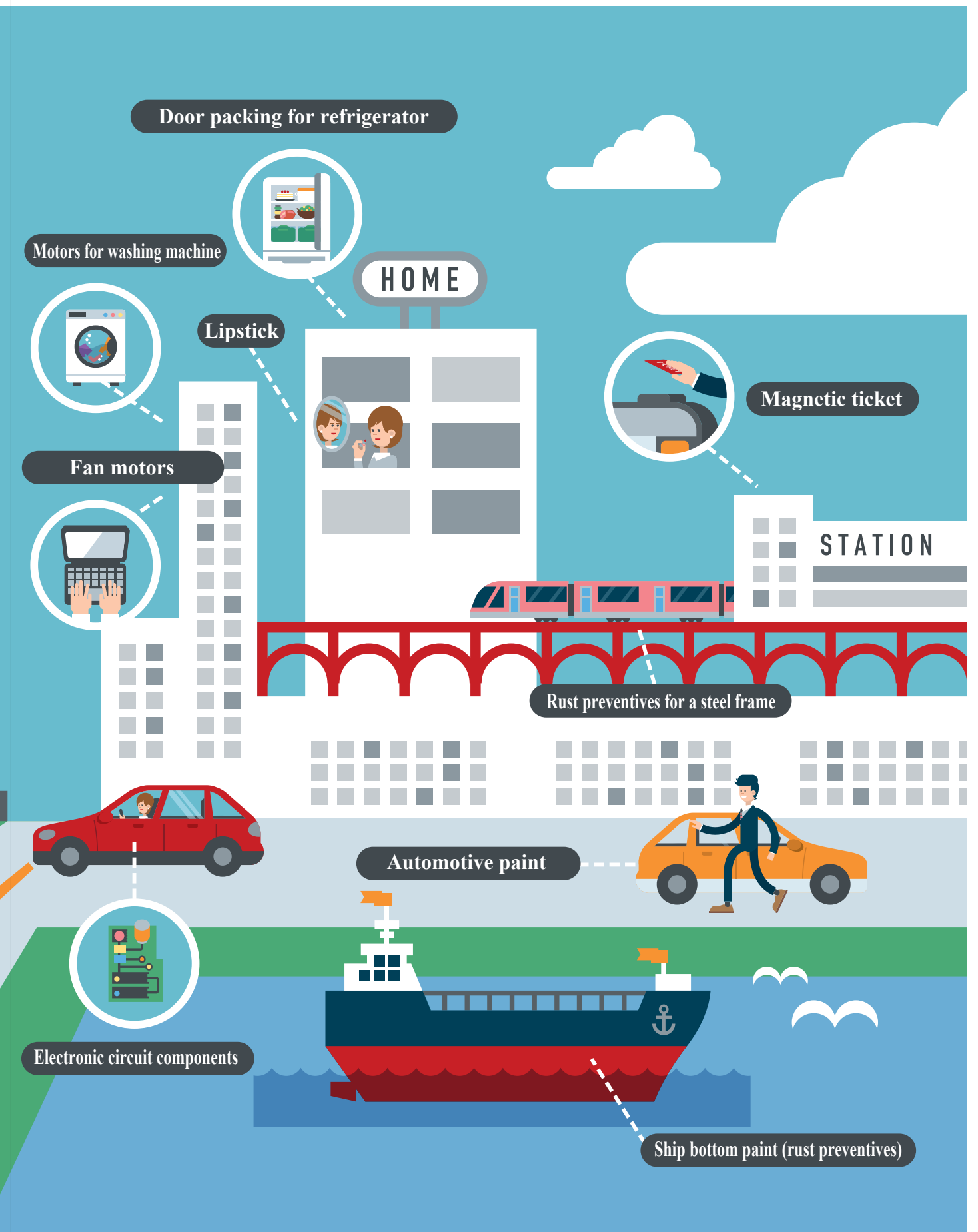
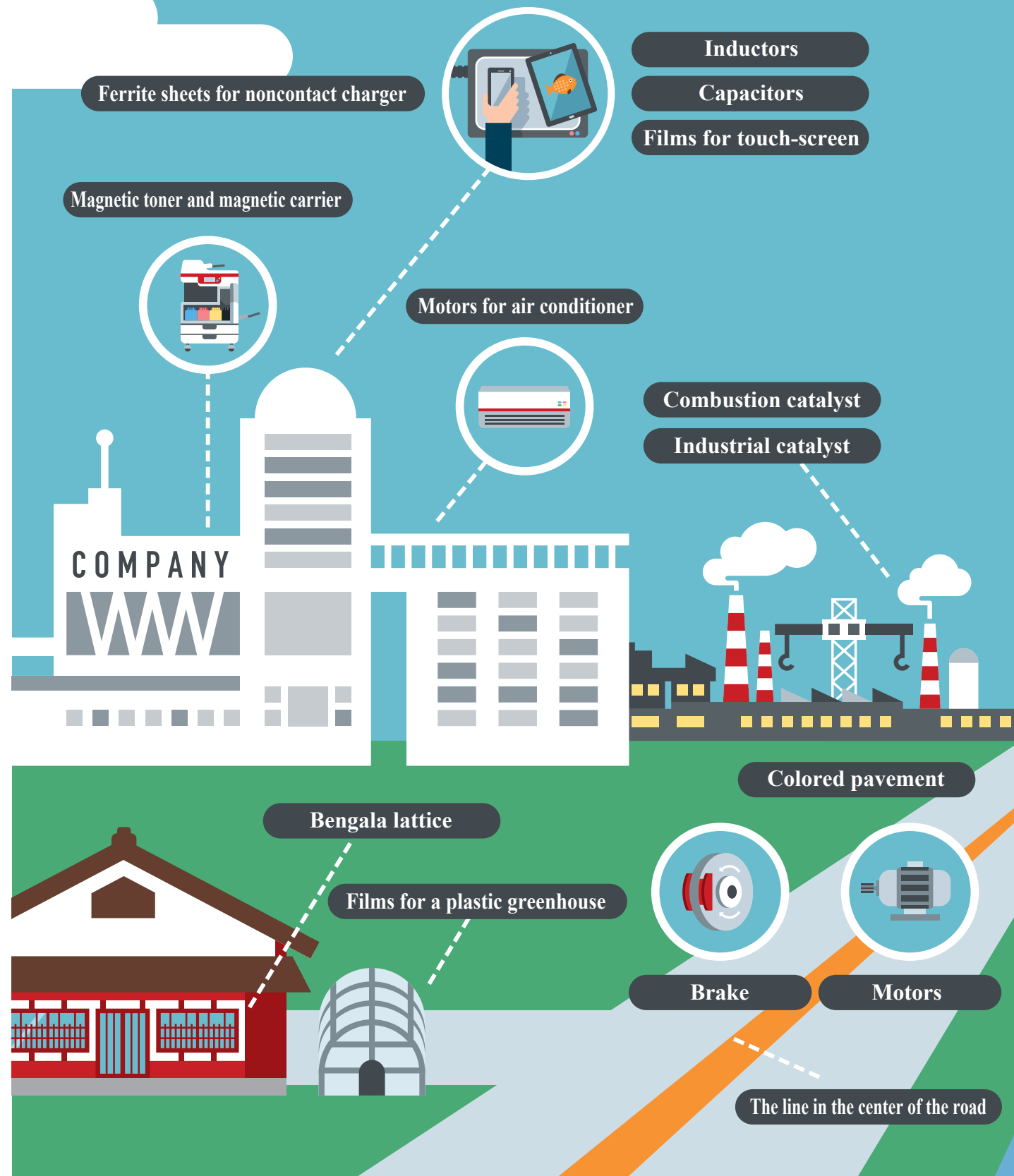
2015 BASF TODA Battery Materials LLC established

2016 Toda Kogyo Asia (Thailand) Co., Ltd. established

2016 All shares of Toda Fine Tech Inc. acquired

TODA KOGYO Group's Product Group familiar to the Consumers

TODA KOGYO Group's materials are widely used in products familiar to everyone. With "Fine Materials for the Future" as the word, we will continue to create new values utilizing the most advanced material technologies.



TODA KOGYO Group is a chemical material manufacturer founded at the end of the Edo Period as a producer of the red iron oxide pigment ‘Bengala’ which is known by painting of porcelain and ‘Bengala lattice’. At present, in the field of automobile and communication equipment, we also provide parts and materials indispensable for highly advanced electronics, such as magnet materials for high performance motors and Ferrite sheets for noncontact charger.

Five years to the 200th anniversary of foundation, with each and every executive and employee of our group working together, we will steadily respond to the demands of the times by means of the synthetic technologies for fine particles of inorganic materials, based on the achievements for the synthesis of iron oxides.

The CSR Report is the fourth in this issue. We not only introduce our products, but also show how our company fulfills social responsibilities in terms of economy, environment & safety and society. We hope to see the following contents. In this issue we also show the relations between our activities and SDGs^{※)}. We are in an era where not only the continuity as a company, but also efforts on a global scale for mankind to survive abundantly are required. TODA KOGYO Group will promote activities based on the comprehension of SDGs through governance and business activities, and will contribute to the rich development of humanity.

We will continue to strive to develop lively together with our stakeholders. We appreciate your kind understanding and support.

President and Representative Director **Shigeru Takaragi**

※) SDGs: “Sustainable Development Goals” adopted at the United Nations General Assembly in September 2015; 17 development goals related to economy, society and the environment, that should be achieved by the international community from 2016 to 2030

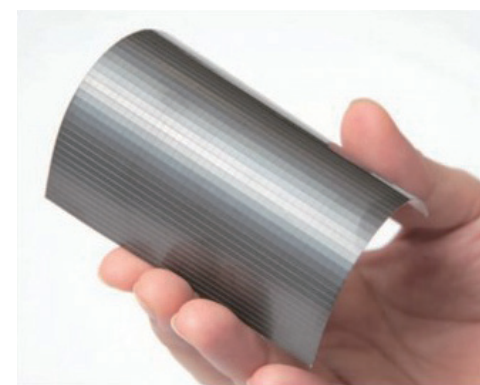


The 10th anniversary ceremony of TODA ISU CORPORATION in South Korea (hereafter “TODA ISU”), established in February 2008, was held on May 8, 2018 at Hiroshima head office of TODA KOGYO. TODA ISU is a joint corporation with ISU Corporation in South Korea. TODA ISU manufactures and sales Ferrite powder, Ferrite sheets, inductors, etc.

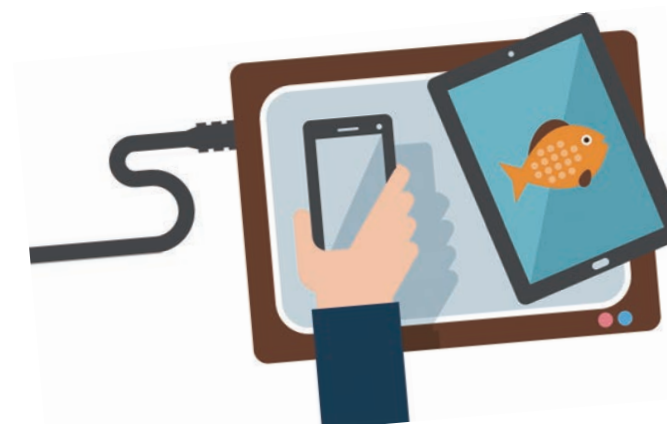
On the ceremony day the chairman of ISU Group and the president of ISU Corporation came to Japan from South Korea and participated. In a warm atmosphere, a discussion session, a factory tour of Otake Plant, etc. were held. As a result of business expansion during ten years, TODA ISU became an indispensable part of TODA KOGYO Group. We will continue to raise TODA ISU by working with local staff and joint venture partners.



Scene from the anniversary ceremony, held at Hiroshima head office



Ferrite sheet



1) Establishment of BTA (BASF TODA America LLC)

Toda America Incorporated (hereafter, “TAI”), a subsidiary of TODA KOGYO, has concluded a management on a joint business with BASF Corporation (hereafter, “BASF”), a U.S. corporation of a group (hereafter, “BASF Group”) focusing on BASF SE, a global chemical company in Germany.

TAI started a joint venture on the business of cathode materials for Lithium ion rechargeable batteries (hereafter, LIB) in the United States, with BASF Group.

After investing in BASF TODA America LLC (Limited Liability Company in the United States, hereafter, “BTA”) that was established by BASF for this business alliance on March 8, 2028, TAI transferred the assets of Battle Creek Plant owned by TAI (Michigan, U.S.A.) to BTA on the same day. Following BASF TODA Battery Materials LLC(headquartered in Minato-ku,Tokyo) established in 2015, BTA is an entity of the second collaboration between TODA KOGYO Group and BASF Group.

Trade name of the new company	BASF TODA America LLC
Business contents	Production and sales of cathode materials for LIB
Equity ratio	BASF makes a majority contribution.
Employees	consist of employees of BASF and TAI

TODA KOGYO Group is developing materials that contribute to society by means of deepening the technologies cultivated with the synthesis of iron oxides. In addition to expanding sales of various coloring materials, magnet materials, etc. which are core business, in the LIB market expected to have highly promising potential, we established a joint venture company with BASF Group in Japan in February 2015, and thereby we have been responding to the globally expanding market by means of supplying cathode materials to manufacturers of LIB in Japan, Asia, Europe and North America. In order to establish a system that can respond appropriately to the demands of the rapidly expanding LIB market in the future, we decided to collaborate with BASF Group also in the United States.

BASF Group mainly manufactures and sells chemicals, plastics, agriculture related products, oil and gas, etc., including cathode materials and electrolytes.



External appearance of BTA

Mr. Kenneth Lane (left); President, BASF Global Catalyst Division, and President Takaragi



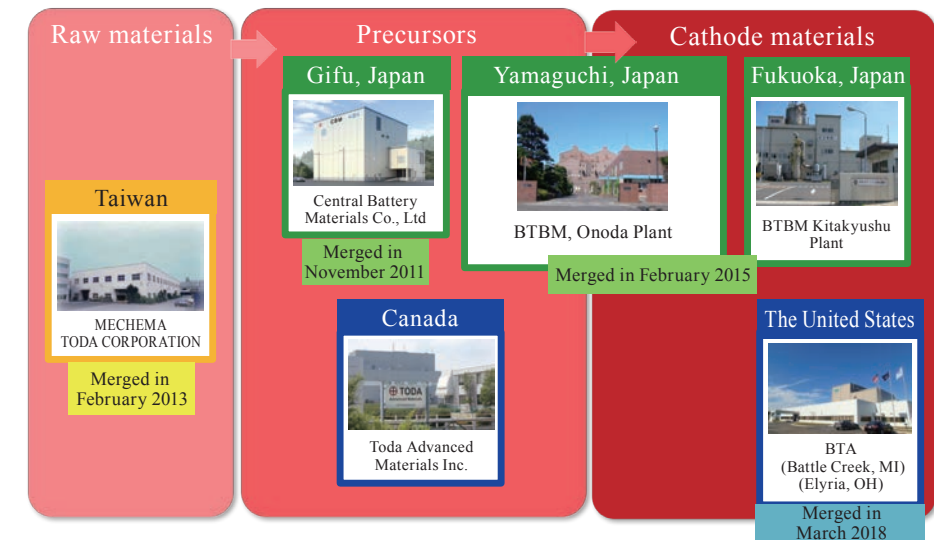
2) Special Prize Winner of “Award for M&A that creates social value and capital”

TODA KOGYO received the special prize of the “4th Award for M&A that creates social value and capital” organized by Development Bank of Japan Inc. (hereafter, DBJ). (The award ceremony was held on June 12, 2018.)

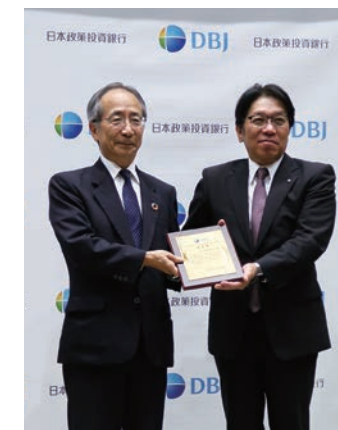
This award selects and awards efforts of M&A which excel in creating both social value and capital, using the evaluation system independently developed by DBJ.

An effort of M&A by TODA KOGYO Group together with BASF Group to make a joint venture of cathode materials business for LIB for electric vehicles in Japan and the United States, was highly appreciated not only for its economic value but also as an activity on a socially superior M&A (“Social M&A”). Moreover, our effort was appreciated not only by realizing expansion of production capacity utilizing the procurement capabilities, sales network, etc. of BASF Group, but also by creating new employment and ripple effects on the local economy at Onoda Plant (the main production base of the joint venture) etc.

By means of gathering resources with BASF Group, TODA KOGYO Group will strengthen product development, performance, cost competitiveness, supply scale and supply capacity which are key factors for growing in the LIB market. And we will continue to respond appropriately to the market that will expand further globally in the future.



Supply chain of cathode materials for LIB involved in TODA KOGYO Group
* BTBM = BASF TODA Battery Materials LLC.



Mr. Yanagi (left); President of DBJ and President Takaragi



Message from President Takaragi at the award ceremony

1) Corporate governance

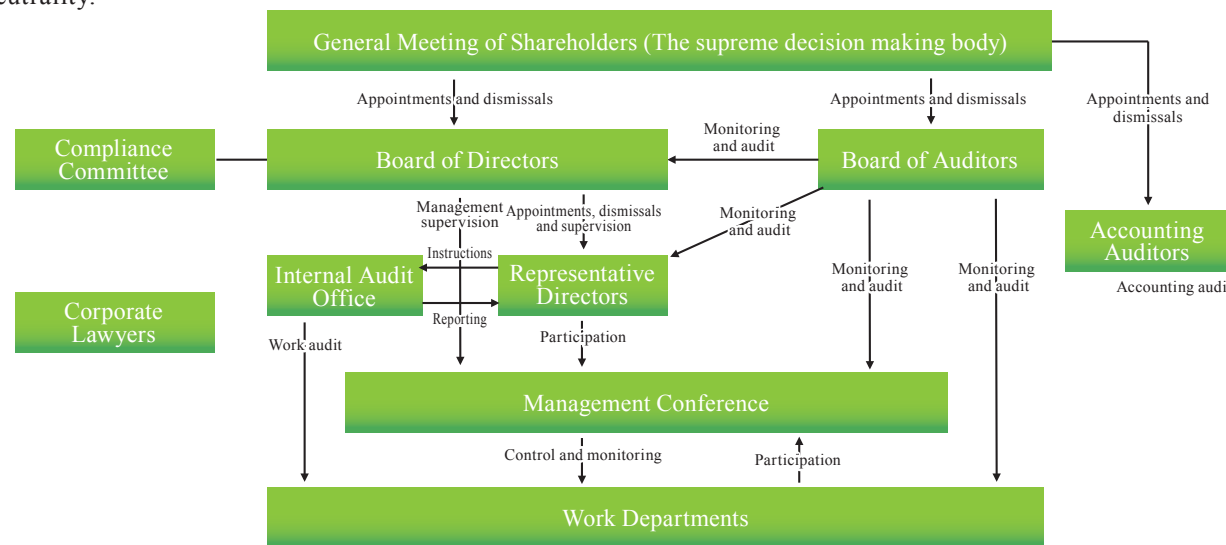
< Basic concept >

By means of gathering imagination and creativity, TODA KOGYO Group will widely contribute to society through new materials and solutions that are attractive and original. In order to be trusted by a wide range of stakeholders, including shareholders, customers, business partners, local communities, employees, their families, etc., we recognize both ensuring transparency, soundness and legality of management, and increasing efficiency of management, as one of the most important issues for management. Through these activities, we will continue to strengthen and enhance corporate governance.

< System >

TODA KOGYO adopts a form of corporate governance system based on the framework of governance by the “General Meeting of Shareholders”, the supreme decision-making body, the “Board of Directors”, a decision-making body concerning important business execution and the “Board of Auditors”, a supervising body for business execution.

In addition to regular meetings once a month of the Board of Directors, an extraordinary Board of Directors is held as necessary to business needs, enabling us to make quick and accurate management decisions. In addition, by utilizing two outside directors we believe that the roles to mutually monitor and supervise the execution of duties by directors are functioning effectively. Moreover, by means of implementation of audits of the Board of Directors and other important meetings by the Board of Auditors, including three highly independent outside auditors, we ensure the system of monitoring and supervision for business execution with high objectivity and neutrality.



Corporate Governance System Outline drawing

● General Meeting of Shareholders

In order that shareholders can exercise their rights, TODA KOGYO takes necessary and appropriate measures. We also strive to deepen understanding of TODA KOGYO group by providing report on business situation and information on future business strategies etc. to shareholders. By means of establishing a place to actively exchange opinions with shareholders and promoting constructive dialogue on business, we aim for sustainable growth and improvement of medium- to long-term corporate value of TODA KOGYO.

● Board of Directors

The Board of Directors consists of 7 members, including 5 directors and 2 outside directors. We select a person as a director candidate, who is familiar with the business contents of the TODA KOGYO Group and understand the importance of basic development technology, which is the strength of TODA KOGYO, so as to ensure the system that enables prompt and appropriate decision-making on important business execution. We choose a person who has attainments as a manager, wide knowledge and work experience as a candidate for an outside director, so as to build a system that can monitor and oversee the execution of duties by directors from a more neutral and independent perspective.

● Board of Auditors

The Board of Auditors consists of 4 members, including 1 fulltime auditor and 3 outside auditors. The Auditors attend meetings of the Board of Directors and other important meetings, state opinions as necessary and audit the legality of the execution of duties by directors. They also conduct audits of the legality and appropriateness of business execution of TODA KOGYO Group as a whole by collecting appropriate information from directors and other executives and employees. The Board of Auditors conducts efficient and effective audits in cooperation with the Accounting Auditors and the Internal Audit Office.

● Internal Audit Office

TODA KOGYO aims to improve the efficiency of the audits and the quality of TODA KOGYO Group as a whole, by means of establishing the Internal Audit Office and cooperating with the Accounting Auditors and the Board of Auditors.

The Internal Audit Office conducts business audits including Internal Control Audits. They audit whether business activities are being carried out correctly in accordance with policies, plans, systems and various regulations of our company, and assess maintenance and operation of the internal control based on the Financial Instruments and Exchange Act.

The Internal Audit Office audits TODA KOGYO and companies within TODA KOGYO Group. If matters to be improved are found during the audit process, they perform improvement instructions and advice, and assess the results of improvement.

This year is the tenth year since the internal control audits began in 2008. In addition to being useful for achieving management goals, the Internal Audit Office will make efforts to discover and mitigate risks, through giving opinions and advices on business improvement points and responding to changes in the external environment,

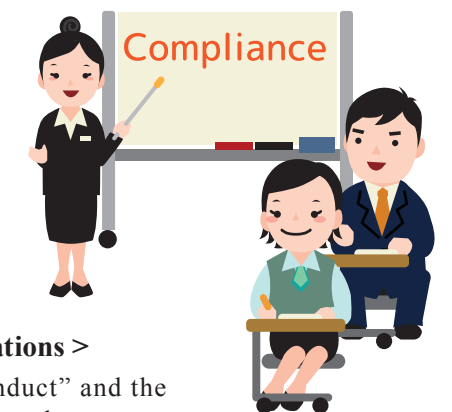
● Management Conference

The Management Conference is an agency to examine projects such as capital investments, transactions, etc. of a certain size or larger before making resolutions at the Board of Directors, that consists of executives and employees of each division related to the project. By means of preventing the execution of risky projects beforehand or expressing opinions to take appropriate measures through the examination by executives and employees with profound knowledge of the business contents, the Management Conference supports rapid decision-making by the Board of Directors.

2) Compliance

< Basic concept >

TODA KOGYO Group stipulates that acting with a strong sense of ethics as a faithful and fair corporate citizen is one of the guidelines for action. Under the guideline we endeavor to maintain and improve compliance within TODA KOGYO Group.



< Compliance Code of Conduct and Compliance Promotion Regulations >

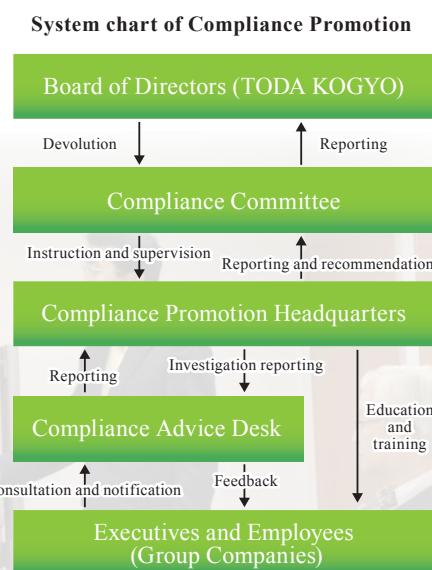
TODA KOGYO Group has established the “Compliance Code of Conduct” and the “Compliance Promotion Regulations”, and endeavors to ensure and promote compliance.

The “Compliance Code of Conduct” specifies that all executives and employees of the TODA KOGYO Group shall comply with laws, regulations, internal regulations, etc. and take actions which are compatible with social ethics and social norms, based on the guidelines for action of TODA KOGYO.

The “Compliance Promotion Regulations” stipulate a system so as to promote compliance with the “Compliance Code of Conduct”. TODA KOGYO has established a system based on the regulations and ensures the effectiveness of compliance with the “Compliance Code of Conduct”.

< Promotion System >

Within TODA KOGYO Group, the Compliance Committee determines the basic direction of compliance in ordinary times, and the Compliance Promotion Headquarters perform and ensures compliance in collaboration with the Internal Audit Office and the Legal Group. When a specific issue arises, the Compliance Committee and the Compliance Promotion Headquarters make compliance more effective by taking steps to solve problems and prevent recurrence.



●Legal Group

The Legal Group does business from the viewpoint of preventing violation of laws, corporate ethics and contract or other troubles by TODA KOGYO Group.

By means of examinations concerning both documents imprinted by TODA KOGYO and contracts signed by TODA KOGYO Group, and by means of responding to inquiries from other departments when conducting transactions, contracts, etc., the Legal Group prevents the occurrence of troubles in normal transactions. Moreover, through consulting with a lawyer outside the company, as necessary, for high risk projects etc., the Legal Group strives to prevent problems that will cause major disadvantages to our company.

Through fostering and improving employees' awareness of compliance by training for new employees and newly appointed managers, the Legal Group aims to ensure complete compliance within TODA KOGYO Group.

●Compliance Committee and Compliance Promotion Headquarters

The Compliance Committee consists of executives such as Directors, Audits, etc., the corporate lawyer and the person responsible for the Legal Group. The Compliance Promotion Headquarters consist of ex and the persons responsible for each department.

In ordinary times following the determination of the basic direction of compliance by the Compliance Committee, the Compliance Promotion Headquarters aim to maintain and improve compliance within TODA KOGYO Group by means of implementing concrete measures such as educational activities on compliance and implementation of training, and by monitoring compliance status.

In emergencies the Compliance Committee discusses specific cases of compliance violations or fear of compliance violations and determine how to respond etc. Following the decision, the Compliance Promotion Headquarters responds to the specific cases and takes appropriate preventive measures.

< Consultation System >

In order to prevent violations of laws and social ethics or to discover those at an early stage, TODA KOGYO has set up a consultation system with officials in each department and external lawyers as contacts, based on the "Compliance Promotion Regulations" .

The Compliance Promotion Headquarters investigates consultation cases and takes appropriate measures and necessary measures for the future in case of violation.

In order to protect the consulter, this system accepts anonymous consultation, deals with the fact and content of the consultation as a secret, so that the consulter will not receive disadvantageous measures. Provisions concerning the system are designed to make it easy for any employees to browse and use it.

< In-company Education and Enlightenment Activities >

For the purpose of improving compliance awareness among employees in TODA KOGYO Group, TODA KOGYO conducts in-company education for all employees using e-learning and documents such as DVD.

Through regularly conducting a lecture to raise awareness of compliance with laws, social ethics norms, etc. for new employees and newly appointed managers and a lecture on information security for all employees, we have opportunities for employees to repeatedly recognize the importance of compliance.

We also publish a "Compliance News" posting hot topics and information on compliance every other month in order to endeavor to promote compliance awareness among executives and employees within TODA KOGYO Group. "Compliance News" has contents considering ease of understanding, such as using simple expressions, and promotes fostering of compliance among executives and employees.

Interview with the Internal Audit Office

Q: What kind of audits do you conduct as internal audits?

Internal Audit Office We mainly audit the internal controls related to the Financial Instruments and Exchange Act. This audit is a measure to increase the reliability of the consolidated financial reporting.

Q: In more concrete terms, what exactly is a measure to increase the reliability of the financial reporting?

Internal Audit Office This measure involves continuously carrying out improvement activities and strengthening internal controls, by means of periodically evaluating the development and operation status of internal controls related to the financial reporting and giving feedback to each office / group company. The Internal Audit Office oversees this measure and reports it to the Board of Directors etc.

Q: What kind of departments are subject to internal audits within the company?

Internal Audit Office We examine the business process of TODA KOGYO and companies of TODA KOGYO Group. The business processes that include accounting and financial reporting, purchasing, production, sales, asset management, etc. are important processes closely related to business purpose.

Q: How do you think SDGs and internal controls are related?

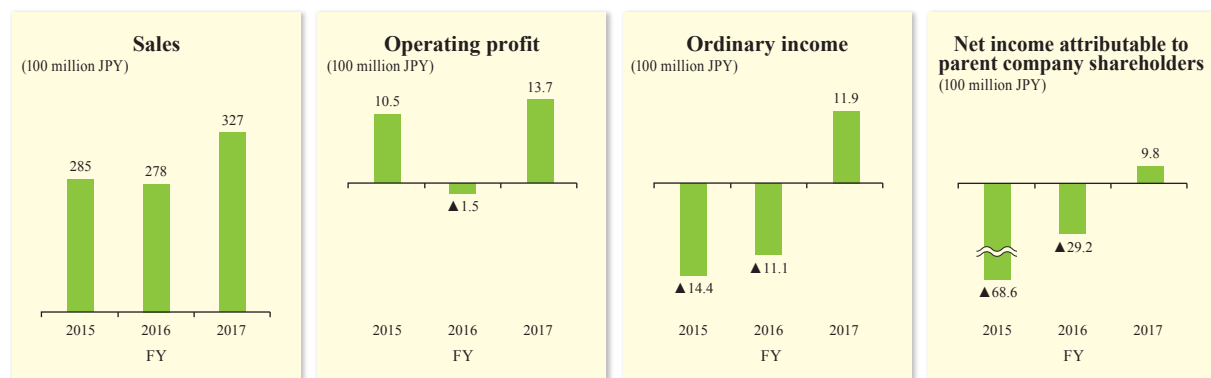
Internal Audit Office As stated in the president's policy for fiscal 2018, SDGs are activities to be undertaken by the entire company in the future. By the development and operation of internal controls, we believe that we can help even a little especially for the realization of "Goal 8; Decent work and economic growth" and "Goal 17: Partnerships for the goals" .

Q: Why do we need internal controls?

Internal Audit Office Internal controls are the management-led measures. Taking compliance as an example, we believe that the attitude (not only to obey the law but also to understand and adapt to the social demands behind the law) of the people at the top of our company fosters a corporate culture to prevent the occurrence of improprieties.

1) Business Overview of fiscal 2017 (April 1, 2017 - March 31, 2018)

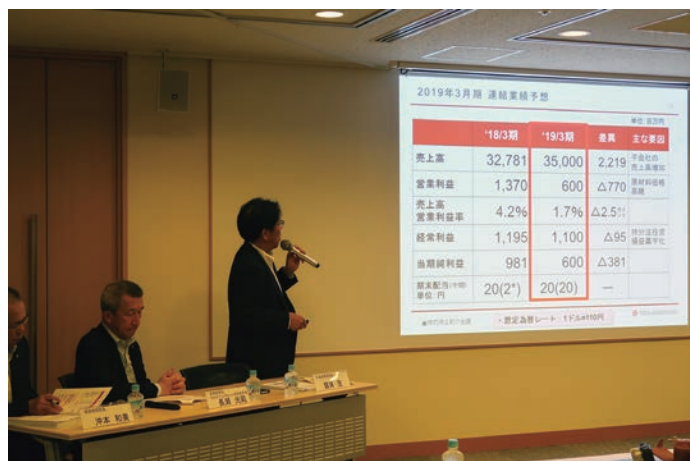
Because of the sales growth of Ferrite sheet for noncontact charger for smartphones and magnet materials for consumer electronics and automobiles, sales of TODA KOGYO Group reached 32,781 million JPY (17.5% up on the previous fiscal year comparison). In terms of profits, despite the impact of the sharp rises in raw material prices, the cost rate was improved due to the effect of promoting cost reduction activities etc. through in-house production of raw materials. Moreover, as we continued our efforts to reduce selling and general administrative expenses, the operating income significantly increased to 1,370 million JPY (operating loss was 151 million JPY in the previous fiscal year). As a result of dividend income of 88 million JPY as non-operating income etc., the ordinary income was 1,195 million JPY (compared to the ordinary loss of 1,116 million JPY in the previous fiscal year) and the net income attributable to parent company shareholders was 981 million JPY (compared to the net loss attributable to parent company shareholders was 2,926 million JPY in the previous fiscal year).



2) General Meeting of Shareholders and IR Explanation Meeting

On June 27, 2018, TODA KOGYO's 85th term general meeting of shareholders was held. Many shareholders attended, like always, this fiscal year. We have positioned the general meeting of shareholders as an opportunity for valuable communication with shareholders. After the meeting of the general meeting of shareholders has been completed, we hold a Management Record Reporting Meeting by the President every time, and strive to make our shareholders deepen their understanding of TODA KOGYO Group. We also inform our shareholders how TODA KOGYO's products are used in products familiar in our life, through exhibits of our products and explanations by technical experts.

In addition, TODA KOGYO regularly holds an IR (Investor Relations) Explanation Meeting for investors, analysts, economic reporters, etc. We held an IR Explanation Meeting for fiscal 2017 on June 5, 2018 in Tokyo.



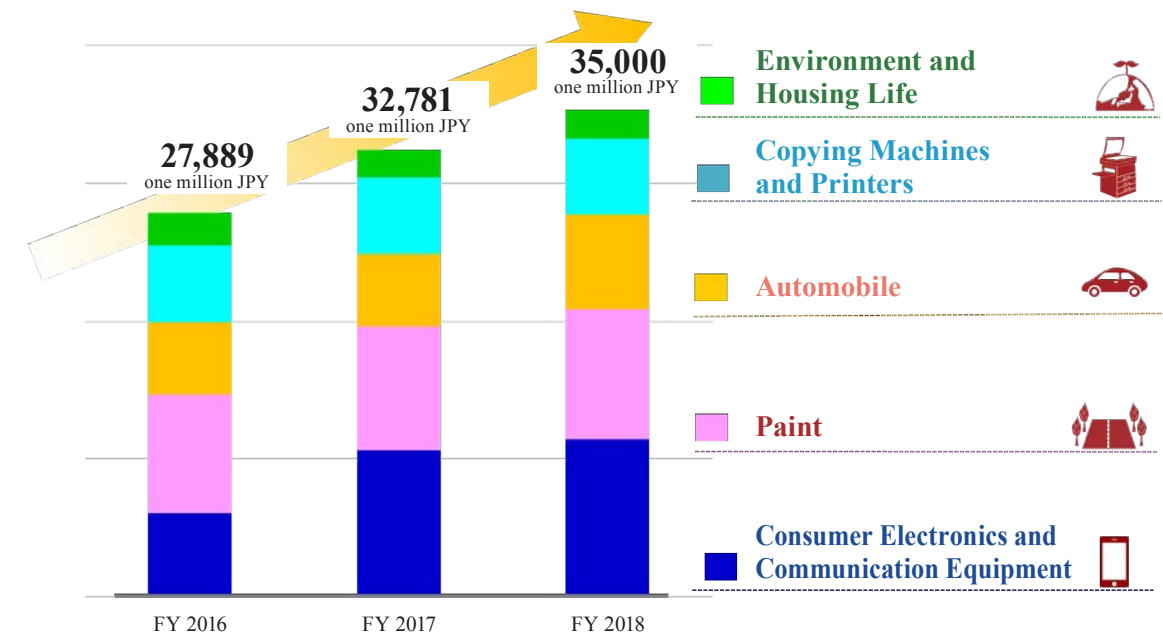
Scene from the IR Explanation Meeting

3) Management Plan for fiscal 2018

Under the Medium-term Plans; "Toda Step One" from fiscal 2013 to fiscal 2015 and "Toda Step Two" for one year from fiscal 2016, TODA KOGYO Group has worked to consolidate our foundation for profitable operating income and further growth. As a result, as mentioned in the previous page, we achieved profitability even in the net income in fiscal 2017. So as to continue growing steadily in the future, we will promote resource concentration in our focused business, reinforcement of organizational strengths and so on.

For fiscal 2018 and later, we are earnestly considering what kind of situation we aim to achieve under what kind of vision in the medium term. The medium-term management plan will be released as soon as it is completed. This report introduces trends in consolidated net sales by product use and future prospects.

① Consolidated net sales by product use in FY 2018



② Future prospects

As a big topic, TODA KOGYO resolved to make a capital and business tie-up with TDK Corporation (hereafter, "TDK") on January 10, 2019 (planned). (At the Board of Directors meeting held on July 30, 2018)

TODA KOGYO Group and TDK will utilize the resources and know-how possessed by both companies so as to promote efficiency and sharing; related to planning and development of products concerning materials and raw materials for electronic parts, cooperation on sales of the products and logistics operations of the products. We believe that the cooperation of both companies in development of new products centering on electronic materials business, procurement of raw materials both in Japan and overseas, marketing and logistics using global network, etc. contribute to further expansion of business opportunities of TODA KOGYO Group.

Through the business alliance with TDK, by means of bringing together the technology and development capabilities, sales force, information capabilities, etc. both of TODA KOGYO Group and TDK, and by means of mutually complementing them, we aim to realize enhancement of product competitiveness, expansion of sales, development of new markets, etc. which are planned by both companies.

1) For Improving Product Quality

TODA KOGYO Group promotes the quality assurance activities shown below based on the quality policy; “Provide quality which obtain the customers’ trust and satisfaction by developing continuous improvement activities.” The Quality Assurance Department as a promoter, is an organization that is independent from sales, development and manufacturing departments placed under the direct control of the President so as to promote quality assurance activities from a neutral standpoint, more effectively.

The Quality Assurance Department organizes a Quality Assurance Committee, shares information with the quality assurance department of each TODA KOGYO Group’s plant, and has established a system to resolve quality issues throughout the entire company. In addition to performing quality audits for the manufacturing departments of TODA KOGYO Group, the Quality Assurance Department identifies causes of complaints, claims, etc. delivered to sales department from customers. Moreover, the Quality Assurance Department plans and implements measures to prevent recurrence of complaints, and performs verification and horizontal development of them from the perspective of workplace.

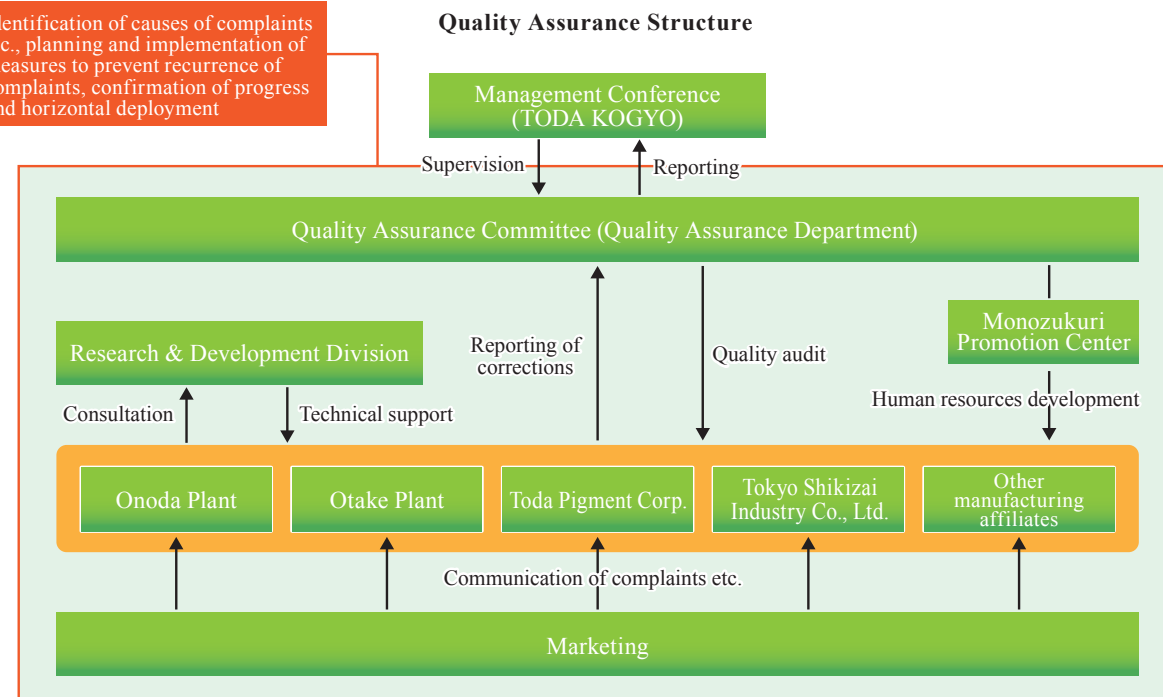
In fiscal 2017, in order to expand quality management education activities, we established the "Monozukuri*) Promotion Center" under the organization of the quality assurance department and worked on human resource development based on the idea that "Monozukuri corresponds to human resource development". In fiscal 2018, we will place “Monozukuri*) Promotion Center” directly under the newly established Human Resources Development Department and will cooperate to support these activities.

*) Monozukuri means manufacturing.

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).
4. We support strengthening the quality assurance system of overseas companies.
5. We support the human resource education so as to enhance Genbaryoku (capabilities to find and solve problems in the workplaces).

Identification of causes of complaints etc., planning and implementation of measures to prevent recurrence of complaints, confirmation of progress and horizontal deployment

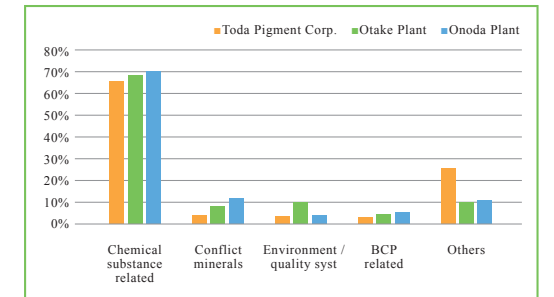


2) Situation regarding Responses to Customers’ Inquiries

TODA KOGYO Group is trying to respond to customers’ inquiries regarding the products, CSR, etc. promptly and politely.

Concerning the issues that arise in such activities, we cooperate with the departments in charge and strive to solve problems.

In fiscal 2017, we responded to a large number of inquiries, mainly on inquiries related to chemical substances as shown in the figure on the right.



Breakdown of contents of customer inquiries by business location

3) Small Group Activities

Within TODA KOGYO Group, we recognize the ideal form of the production site at each workplace of each plant and each manufacturing subsidiary, under the slogan “No efficiency without safety; No trust without quality; No growth without innovation (improvement)”.

We also actively participate in small group activities in cooperation with subcontracting companies toward improving the issues.

By means of expanding the scope of activity theme to environment and safety, we are strengthening the unity of employees at the site through this activity. In addition to improving awareness and knowledge of employees, we lead to the sharing of know-hows between workplaces by implementing presentation meetings.



Scene from the small group presentation meeting at Otake Plant

4) Development of Human Resources Capable of Strengthening the Workplace

Monozukuri Promotion Center is promoting a corporate culture that can be improved by thinking autonomously by noticing the problems of its own workplace based on the idea that "Monozukuri corresponds to human resource development".

We support “the activity of special zone of 5S”, so as to foster a culture that improves small problems noticed in our workplace by "5S"; Seiri (arrangement), Seiton (ordering), Seiso (cleaning), Seiketsu (neatness), Shitsuke (discipline). Through the activity, we promote to revitalize the workplaces by fostering the capability to solve the found problems and eliminate waste. In fiscal 2017, based on the activity, we provided opportunities to learn "How to view and think about things based on QC (Quality Control)" which means recognizing the appearance that the workplace should be, visualizing the problems and improving them. In more concrete terms, we held study sessions on QC stories, change point management, why-why analysis, etc.



Study sessions on QC stories

In fiscal 2018, we will work on the human resource development reflecting the idea of TQM (Total Quality Management), in order to enhance human resource development through the quality control education. We aim at developing human resources capable of adapting both to workplace problems and to the rapidly changing business environment, by enhancing Genbaryoku (capabilities to find and solve problems in the workplaces) and organizational capabilities.



1) Reduction of the Environmental Load

① Basic Environmental Policy

TODA KOGYO Group conducts environmental management based on the ISO14000 series, and not only recognizes environmental conservation as the mission imposed on global citizens, but also considers environmental conservation activities and management activities coaxial. We are responsible for ourselves and work on these activities across the entire group.

Concrete codes of conduct

(1) Setting and achievement of high environmental conservation goals

Executives and employees set high goals that anticipates social expectations at their own responsibility, and strive to create economic value through the achievement of them, as well as compliance with laws and regulations.

(2) Promotion of the development of innovative environmental technologies

Executives and employees create customer value and proceed with the development of innovative environmental technologies widely used across society.

(3) Continuous improvement with the participation of all executives and employees

Executives and employees grasp the impact on the environment in all business activities, and continuously improve on the prevention of pollution and effective use of energy and resources by all participants.

(4) Provision of environmentally conscious products and services

When providing products and services, executives and employees strive to reduce the environmental load in all stages leading to sales, logistics, use, recycling and disposal from procurement policies and production.

(5) Improvement of consciousness and promotion of responsible environmental conservation activities

Each and every executive and employees broadly looks at society, raises awareness through positive learning, and proceeds with environmental conservation activities by his/her own responsibility.

(6) Contribution to the realization of a sustainable society

Executives and employees contribute to the realization of a sustainable society by means of joining and supporting environmental conservation activities.

(7) Acquisition of social trust through communication

Executives and employees develop environmental conservation activities in cooperation with stakeholders and gain the trust of society through active communication.

② 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.

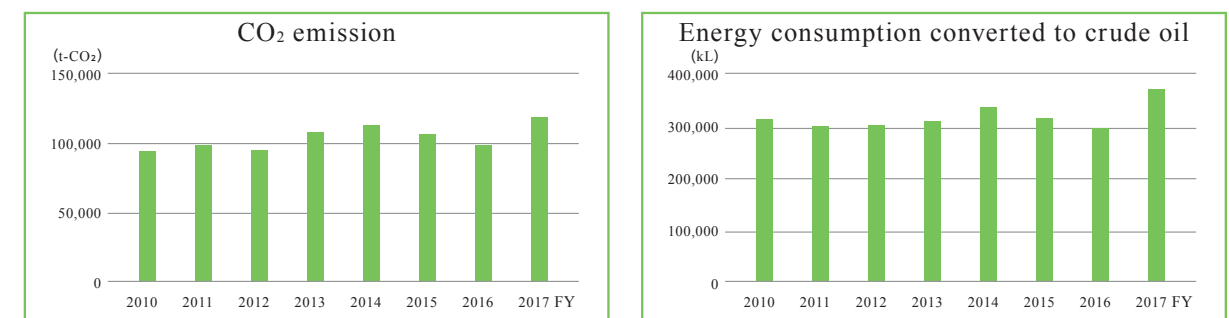
*) PDCA means plan, do, check and act.

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

③ Measures against Global Warming

TODA KOGYO Group is promoting measures against global warming by the Environment Committee (composed of domestic group companies) which is under the control of the CSR, Environment & Safety Department. In addition to responding to CDP (International NGO) 's climate change questionnaire since 2016, we are working on the climate change issues on the Board of Directors level, by setting CSR, Environment & Safety Department directly under the president.

In each plant, the production department improves productivity, the equipment division updates to equipment with excellent energy saving performance and the development department is engaged in development of manufacturing method with excellent productivity etc. respectively. Moreover, we hold an energy conservation proposal contest for all employees, and award prizes and certificates of commendation for excellent proposals. Although CO2 emissions and energy consumption converted to crude oil increased with the effect of launching of new business in fiscal 2017, we will promote measures against global warming throughout the company.

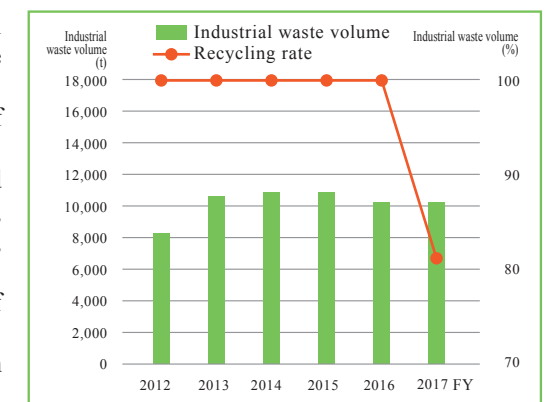


From the regular report by TODA KOGYO CORP., based on the Energy Conserv

④ Recycling of waste

By effective utilization of recycling, reuse, etc. of industrial waste, TODA KOGYO Group promotes activities targeting the final waste disposal (landfill disposal) amount zero (zero emission). At domestic business sites we restrict the generation of waste and collecting and reusing waste by reviewing the manufacturing processes. In addition to recycling the generated iron-based inorganic sludge as cement raw material, mixed fuel, catalyst application, etc., we promote recycling of waste plastics, waste scraps, paper and other materials.

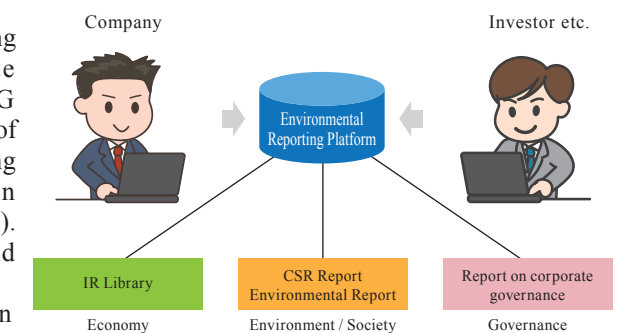
Due to such results of activities, the recycling rate in total of Onoda Plant, Otaka Plant and Toda Pigment Corp. was maintained at 99% or more during fiscal 2012 and fiscal 2016. In fiscal 2017, the composition and physical properties of the generated sludge changed with the increase in production at Onoda Plant. As a result of these changes, the recycling rate decreased to 80.8% because the acceptance volume of recycling processors decreased. By promoting countermeasures such as reducing the amount of generated sludge and improving the physical properties of sludge, we aim to recover the recycling rate to the level until fiscal 2016.



⑤ Registration for the participation in the Environmental Reporting Platform Development Pilot Project (Ministry of the Environment)

Efforts towards the environment by companies are becoming important in corporate social responsibility. Corporate valuations are performed comprehensively from ESG (environment, society and governance) information. Ministry of the Environment is developing the "Environmental Reporting Platform Development Pilot Project" ; the demonstration project for full-scale operation of "ESG Dialogue Platform"*. TODA KOGYO Group has participated in the project and started to engage in dialogue with investors etc.

*) On ESG Dialogue Platform, companies engaged in environmental initiatives interact with investors etc. in order to be appropriately evaluated by them.



2) Sustainable Procurement

① Policy

TODA KOGYO Group shares global values with respect to "Human Rights", "Labour", "Environment" and "Anti-Corruption" stipulated by the United Nations Global Compact and follows "Procurement Policy", "Guidelines", "Basic Policy concerning Conflict Minerals", as described below. We also improve our business competitiveness and corporate value by enhancing sustainability with business partners, and aim to contribute to society.

Procurement Policy

Since our founding, we have always maintained the spirit of creativity and originality, studied hard, refined our sense and sensibility and aimed to create values. In order to contribute to society even more in the future as a world's top-class material manufacturer, we list the following procurement policies.

Guidelines

1. Compliance with laws and regulations: In all activities related to procurement we comply with laws and regulations and conduct fair transactions.
2. CSR: In addition to recognizing the responsibility as better citizens and doing our CSR activities, we collaborate with business partners who share similar ambitions and fulfill our social contribution.
3. Green procurement: We conduct purchase transactions, based on the procurement considering resource conservation and environmental conservation.
4. Fair and impartial transactions: We widely open the trading market and conduct purchase transactions, based on impartial and fair standards both domestically and abroad.
5. Selection of business partners: We comprehensively evaluate quality, price, delivery time, etc. presented by business partners. Considering the promotion of cost reduction activities, the possibility of providing new materials and new technologies, etc., we make selection based on economic rationality.
6. Regarding purchase transactions, we always pursue consistency and do not conduct speculative transactions.
7. We strictly manage documents and information provided in purchase transactions.

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.

Under such circumstances, in the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) 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, industrial associations, 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.

② Business Partner Survey

In accordance with the purchasing regulations, we are obligated to implement business partner surveys. In the surveys, from various aspects such as quality assurance, supply capability, BCP / BCM, environmental conservation, human rights, compliance with laws and regulations, social contribution, etc., we receive responses from our business partners and share values. Through these efforts, we aim to acquire trust, expectations and security of customers, shareholders and society.

(Form)

取引先様再調査表
原材料・包材・消耗品・委託者・物流 _____年 月 日

貴社名	原料名称	ISO	評価
所属	記入者	ISO	評価
再調査の対象			

下記項目についてご回答ください

1. 貴社は、品質システムとしてISO-9001を認証取得しておりますか？(プルダウンから「取得済、取得予定、未取得」を選択して下さい)	ISO	評価
2. 貴社は、環境システムとしてISO-14001を認証取得しておりますか？(プルダウンから「取得済、取得予定、未取得」を選択して下さい)	ISO	評価

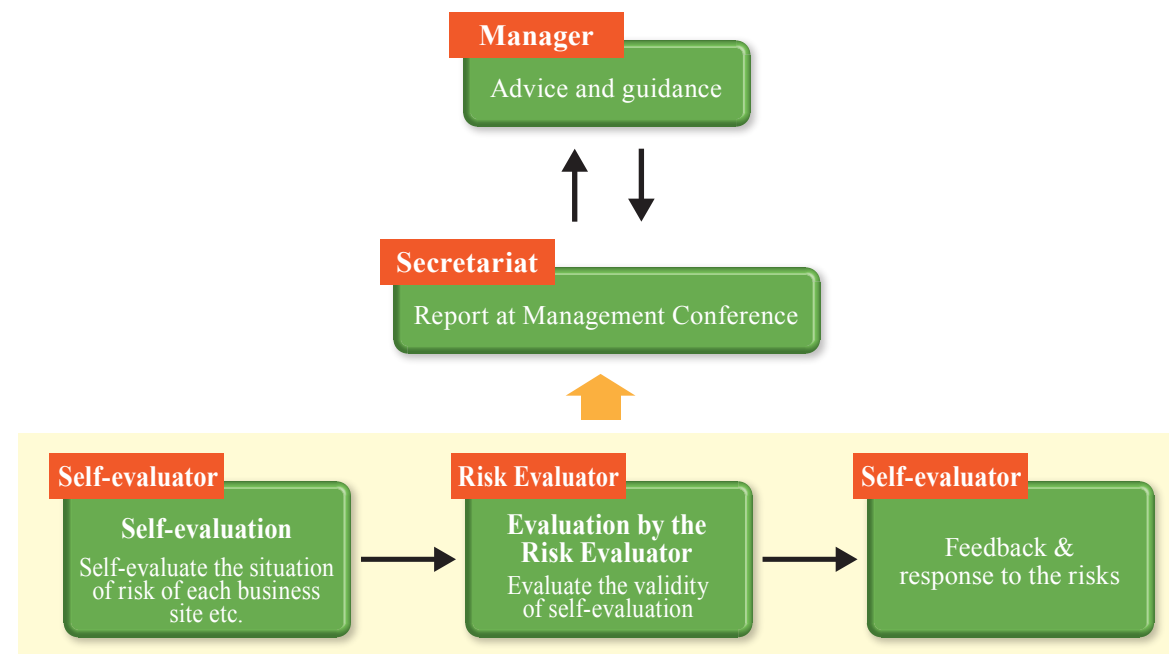
項目	評価内容(プルダウンから)	評価点「4,3,2,1」を選択ください	4:良くできている 3:できている 2:あまりできていない 1:できていない	評価点
組織	品質に関する理念・方針・目標が明確ですか			
品質	品質計画や品質保証体系が確立され、提示出来ていますか			
文書管理	品質文書の管理方法を定めていますか			
供給者の管理	品質文書の使用・取扱いの管理が適切に行われていますか			
製造工程	製造工程等4Mを管理する場合は、会社に申請する制度は確立されていますか			
検査	検査基準は、明確に書かれていますか			
不適合品	検査基準は、明確に書かれていますか			
教育・訓練	不適合品の処理方法について文書化されていますか			
環境方針	従業員に対して、品質に関する教育訓練が実施されていますか			
目的・目標	環境保全に関する理念・方針及び目標が明確に書かれていますか			
環境方針	環境保全に関する目的・目標を達成するための組織・推進責任者が明確に書かれていますか			
目的・目標	目的・目標を達成するための手段・方法を定めた計画が明確に書かれていますか			
エネルギー	エネルギー削減、CO2削減等の削減目標が設定されていますか			
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3) Risk Management

① Risk Management

TODA KOGYO Group has established "Risk Management Regulations". We conduct identification, assessment, training, etc. of risks surrounding the entire TODA KOGYO Group.

Having set up a risk management team in fiscal 2017, we promote to make risk management more effective. Specifically, by assigning an internal specialist as a "Risk Evaluator" for each risk category, we evaluate the risk situations which are self-evaluated by our business sites and operating companies.



Currently, the major items that we recognize as risks are the following four. When classifying them finely, we evaluate the risks of 40 more.

- (1) Political, economic and social risks (Occurrence of terrorism and war, material economic fluctuations, etc.)
- (2) Disaster risks (Stop of infrastructure, occurrence of earthquake, etc.)
- (3) Operational risks (Occurrence of bad debt, institution of a lawsuit, occurrence of a labour issue, etc.)
- (4) Management risks (Hostile takeovers etc.)

Risk management is essential for the company's sustainability. Together with the following BCP (Business Continuity Plan), we will continue to focus on them.

② BCP / Disaster prevention activities

(1) BCP

Based on the basic business continuity policy, TODA KOGYO Group is engaged in BCP at company level including business offices both in Japan and overseas.

(2) Emergency response drill

Since we handle inflammables such as heavy oil, kerosene, LPG and hydrogen gas in large quantities, at each worksite, there are risks of fire, explosion and pollution due to outflow of chemical substances. In order to prevent the development of these potential risks, we carry out daily and periodic inspections and improve our safety system. Emergency response drills are held every year at the worksites. We conduct drills for evacuation, rescue, firefighting, etc., assuming ① " personnel damage" , ② " fire occurrence" and ③ " damage to buildings" due to an earthquake.



Tokyo Shikizai Industry Co., Ltd.
A disaster prevention drill on 16th November 2017



Toda Pigment Corp.
First aid for injured person in a
disaster prevention drill on 26th September 2017



Toda Pigment Corp.
Initial firefighting activity in a
disaster prevention drill on 26th September 2017



Onoda Plant
Report by a headquarters captain in a
disaster prevention drill on 13th November 2017



Onoda Plant
Scene from recording a time line in a
disaster prevention drill on 13th November 2017



Otake Plant
Evacuation of injured person in a
disaster prevention drill on 13th November 2017



Otake Plant
Initial firefighting activity in a
disaster prevention drill on 13th November 2017

4) Occupational Safety and Health

①The Constitution for Safety of TODA KOGYO

The preamble) Based on the "Safety First" principle, TODA KOGYO works on prevention of industrial accidents to protect the happiness of all employees and their families.

Article 1. Human life and human safety are given top priority.

Article 2. Safety is achieved by all participants.

Article 3. We develop human resources for safely.

Article 4. We remove or improve unsafe situations without leaving them.

Article 5. Safety is based on "5S".

Article 6. All workers work in accordance with established rules.

Article 7. We thoroughly investigate the causes of disasters and prevent recurrence.

Article 8. We aim for intrinsic safety with the risk assessment in advance.

Article 9. We seek the creation of comfortable workplaces.

②Safety and Health Activities

For the purpose of unifying the activities on occupational safety and health in the entire group, TODA KOGYO Group operates safety and health activities with the following organizational system.

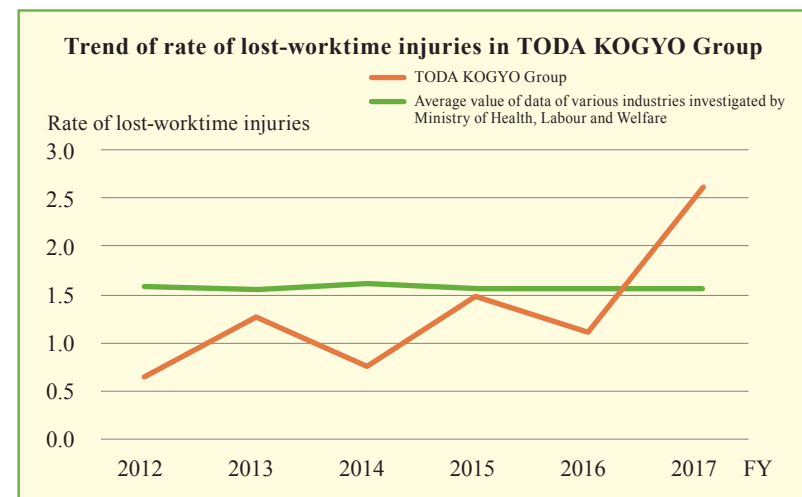
- Operation of the safety and health committees in each plant under the Central Summarizing Safety and Health Committee
- Cooperation with the Safety Promotion Center which provides support activities focusing on education and awareness-raising activities

Under the above system, we promote to foster a corporate culture of safety and health for the entire group.

(1)Data on industrial accidents

Unfortunately, four lost-worktime injuries occurred in the entire group in fiscal 2017. There were 3 disasters of the group employees and 1 case of an employee of a subcontracting company in a work site. Reflecting the result, we conducted an inspection of the organization, as a first step in strengthening the safety and health management system at each workplace.

We strive to raise awareness of all employees by transmitting information on safety and health every month. Unfortunately, in the event of industrial accidents, we distribute information on the accident to the site workers reliably and in a timely manner. All the workers learn from past accident cases and confirm the measures to prevent recurrence. Through these efforts, we will continue to develop activities aiming for our wishful "eradication of industrial accidents" in collaboration with the safety and health committees in each plant.



* Rate of lost-worktime injuries: This means the number of casualties caused by industrial accidents per 1 million actual working hours, and expresses the frequency of industrial accidents.

(2) Safety Activities

At Onoda plant and Otake plant, we hold a "Safety Convention" every year before the National Safety Week and the National Health Week. We invite lecturers from Ube Labour Standards Inspection Office at Onoda Plant and Hatsukaichi Labour Standards Inspection Office at Otake Plant respectively, in order to listen to lectures on disaster trends and disaster prevention plans together with the employees, and to raise employee's awareness of safety. We recognize the lectures as opportunities to reconfirm the results of disaster occurrences in the previous fiscal year. We also reconsider the goals for the current fiscal year and set them.



Scene from a Safety Convention in Onoda plant



Scene from a Safety Convention in Otake plant

(3)Holding of various types of courses and seminars

By implementing courses focusing on priority themes set for each work site from time to time; such as "Special education for low pressure electricity handling", "Course on danger prevention training", "Course on wearing of personal protective equipment", "Course on mental healthcare", "Course on VDT (Video Display Terminal) operation", etc., not limited to legal special courses, TODA KOGYO Group strives to disseminate the recognition on safety and health for the group employees.



Scene from a course on mental healthcare in Toda Pigment Corp.

(4)Activities at the Safety and Monozukuri (manufacturing) workshop

Centering on the Safety Promotion Center, we hold the Safety and Monozukuri workshop for all employees including subcontracting companies.

At this workshop, we hold courses in the classroom on "5S" and "Danger prevention training" that are regarded as basic of safety, for half a day though it is short time.



Scene from a classroom lecture in the Safety and Monozukuri workshop

In order for all participants to experience “the importance of safety” (“What is danger?” , “Notice of dangerous situation” , etc.) with their whole bodies, we adopt experiencing devices and instruction methods, such as “Risk of load lifting” , “Risk related to exposure to a liquid chemical” , “Hanging experience using one hanging safety belt” and so on. Through the simulated experiences and experiences of danger by the unique devices and creative methods, we provide the participants with opportunities for awareness of danger.



Entrance of the Safety and Monozukuri workshop and Scenes from various experiences



③ Efforts for Health Promotion

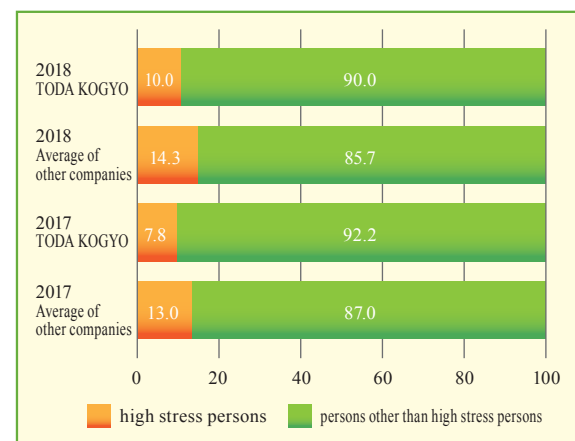
(1) Employee's health maintenance and promotion

Based on the Industrial Safety and Health Act, TODA KOGYO Group conducts general health checkups and at the time of employment of employees and at least once a year. We also carry out special health checkups for employees engaged in specific tasks. We analyze the results of health checkups and reflect it in health maintenance / promotion activities at a safety and health committee etc. at each worksite.

(2) Result of stress check test

Along with the revision of the Industrial Safety and Health Act, TODA KOGYO established the Stress Check System Implementation Regulations on April 1, 2016 and conducts annual stress check test for all employees. According to the result of June 2018, the ratio of high stress persons was 10% of all examinees. Although increased slightly compared to the fiscal year 2017, the ratio of high stress persons maintains a lower value than the average ratio of 14.3% of the stress check test implementation consignment company (400,000 people under examination).

We are actively working on various measures for mental health measures, based on the "Guidelines for Maintaining and improving Workers' Mental Health" established by the Ministry of Health, Labour and Welfare. We conduct the stress check test described above, as “Self-care” based on “Four types of mental health care” (“Self-care” , “Care by management supervisors” , “Care by industrial health staff, etc. placed at offices” and “Care by external resources”). We also strive to create an environment that makes it easy to consult inside and outside the company, by the implementation of various training including mental health course and health consultation by in-company medical staff.

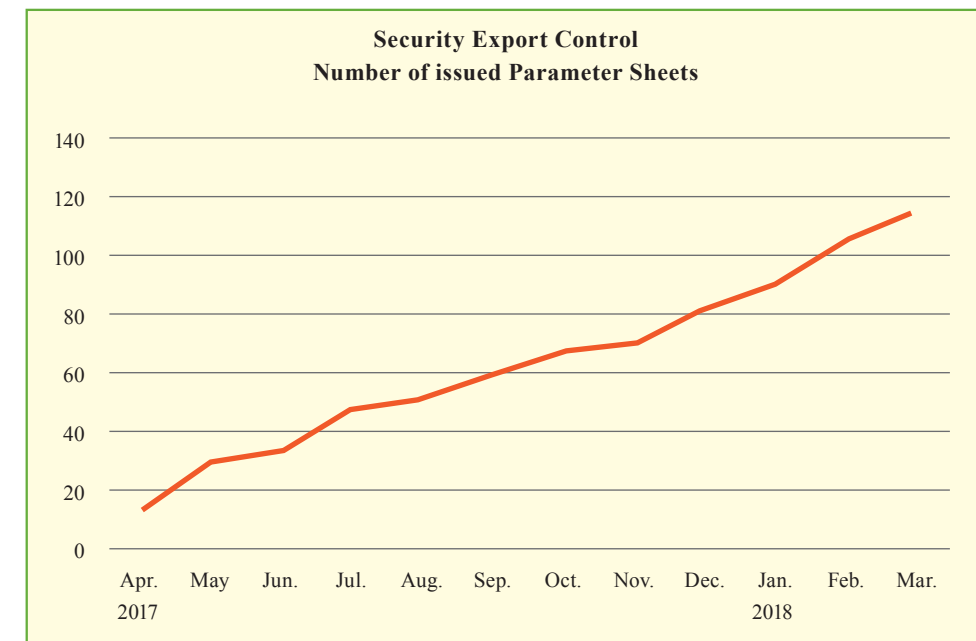


Scene from a Course on mental healthcare via DVD viewing in Head Office

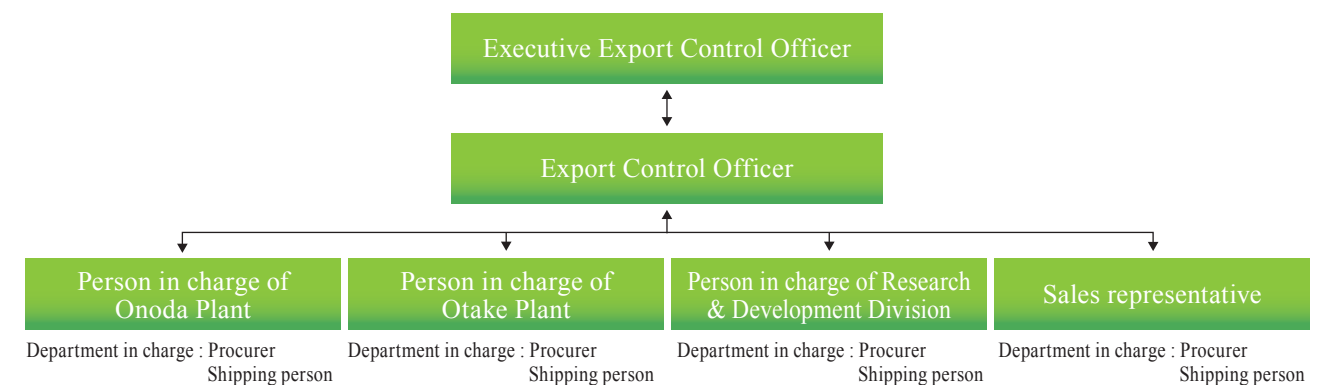
5) Security Export Control

TODA KOGYO Group has established the Security Export Control Regulations, and declares not only to comply with laws and regulations but also to contribute to maintain international peace and security.

In order to prevent weapons and military-transferable cargo / technology from going to countries or terrorists etc. that threaten the security of the international community, TODA KOGYO Group conducts export controls in good faith based on Foreign Exchange and Foreign Trade Act and other applicable international laws and foreign laws when exporting and providing our products, our technical information, etc.



System of Security Export Control



<Inquiries concerning security export control>

For inquiries concerning security export control of our products or related technology, please contact the nearest technical / sales representative.

6) Initiatives for Biodiversity

①Introduction of Action Guidelines

TODA KOGYO Group has defined the following concrete action guidelines that take into consideration biodiversity, and promotes business activities in order to contribute to global environmental conservation.

Action 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.

We do environmental beautification activities along rivers and roads near each workplace in order to preserve biodiversity.



Cleanup activities of Egawa River adjacent to Otake Plant



Cleaning up mud from side grooves of a prefectural road near Toda Pigment Corp.



The breakwater, constructed along the contour of Otake Plant, near the estuary of Egawa River and the green belt

②Breakwater and green belt (Otake Plant)

Along the breakwater, constructed along the contour of Otake Plant, near the estuary of Egawa River, there is a natural forested green belt where dragonflies fly and birds also sing. During lunch breaks this green belt is a place for relaxation of employees or a health walking course.

③Participation in the observation class of the tidal flat in Ozegawa River in Otake (The following is a comment from a participant.)

I participated in “the observation class of the tidal flat in Ozegawa River in Otake”, conducted by Otake city as part of environmental conservation activities by local governments. (on July 23, 2017) Entering the sea, collecting living things by pulling a grinding net with a total length of about 8 meters in cooperation with other participants, I also conducted volunteer activities such as participants' support for measures against heat stroke.

As the weather was cloudy on that day, the maximum temperature was 33 ° C and it was hot and humid, the sweat did not stop as it seemed to be in the sauna, in the unfamiliar muddy work wearing the rubber torso length. I have participated almost every year since 2012. This time I entered quite a lot off the coast aiming for big things, so there was also the influence of the waves, I got wet to the skin more than usual year. It is a valuable opportunity for me to experience biodiversity of the familiar sea with children. (The pictures are provided by Civic Life Department, Environment Improvement Division, Otake City.)



Scenes from the collecting living things and the observation of them at the tidal flat in Ozegawa River in Otake





1) Respect for human rights

Regarding the originality and the diversity of each employee as property, TODA KOGYO Group supports unlimited leap and activity of its capabilities, and evaluate fairly. We also endeavor to enhance employee's comfort and affluence and aim to live together.

In the CSR Code of Conduct "10. Respect for Human Rights, Employment and Labour", we have established the following basic policies and concrete code of conduct.

< Basic policy >

TODA KOGYO Group seeks always to respect fundamental human rights on the basis of mutual understanding. TODA KOGYO Group also does not discriminate on the basis of race, religious faith, gender, social position, citizenship, sickness, handicaps, etc.

< Concrete code of conduct >

(1) Elimination of all discrimination

Executives and employees must respect the fundamental human rights of individuals and must not engage in any actions that ignore human rights such as discriminatory language, violence, sexual harassment, power harassment, etc.

(2) Protection of personal privacy

When contacting personal information inside and outside the company for business activities, executives and employees must pay close attention in their handling of this information in order that the personal privacy will not be infringed, and must exercise the proper management control over it.

(3) Elimination of improper labour practices

Executives and employees must eliminate improper labour practices. Moreover, they must not employ children under the legal working age of the country or region concerned. Executives and employees must also impose the same conditions as conditions within TODA KOGYO Group, on its sales outlets and subcontracting companies.

① Enhancement of Company Regulations

We have established "Harassment prevention regulations", "Regulations concerning protection of personal information", "Regulations for childcare and nursing care leave", "Regulations concerning leave due to personal illness and return to work", "Stress check system implementation regulations", "Compliance promotion regulations", "Compliance consultation system", etc. and strive to respect human rights throughout our group.

Consultation System

By setting up a consultation counter for harassment consultation / complaints in the Personal & General Affairs Department, we take appropriate measures in accordance with the harassment prevention regulations.

Internal awareness survey

We conducted a survey of attitudes for all employees in fiscal 2015. Based on the result, we have established a new personnel system that enriches "environment and system which allows us to work together in friendly rivalry".

② Efforts concerning Respect for Human Rights

As efforts to promote globalization and diversity within TODA KOGYO Group, we conduct promotion of employment of foreign nationals in TODA KOGYO, support for training for overseas subsidiary staff, education for expatriates, etc. Activities in fiscal 2017 are introduced as follows.

(1) Activities on regular recruitment of foreign students

Of nine regular recruits in fiscal 2018, three are foreign nationals. (The total number of foreign national employees is seven.) In order to make life and work smoothly in Japan, we conduct correspondence education for improving Japanese language skills etc. before joining the company.

(2) Training support for overseas subsidiary staff

In order to raise the career of the local manager (foreign nationality) of the overseas subsidiary, TODA KOGYO started educational support since fiscal 2017.



Scene from the training for local managers of overseas subsidiary (Held in Japan)

(3) Education for expatriates

For Japanese assigned to overseas subsidiaries, we conduct various training (basics of cross-cultural business etc.) for smooth subsidiary management.

(4) Education for foreign employees of our company and those of subcontracting companies

In order to prevent from occurring various human rights problems due to differences in language, religion, culture, customs, etc., we educate in the local language.



Scene from the education for Indonesian trainees



Scene from the education for employees of affiliated companies in China

2) Involvement with Society and Community

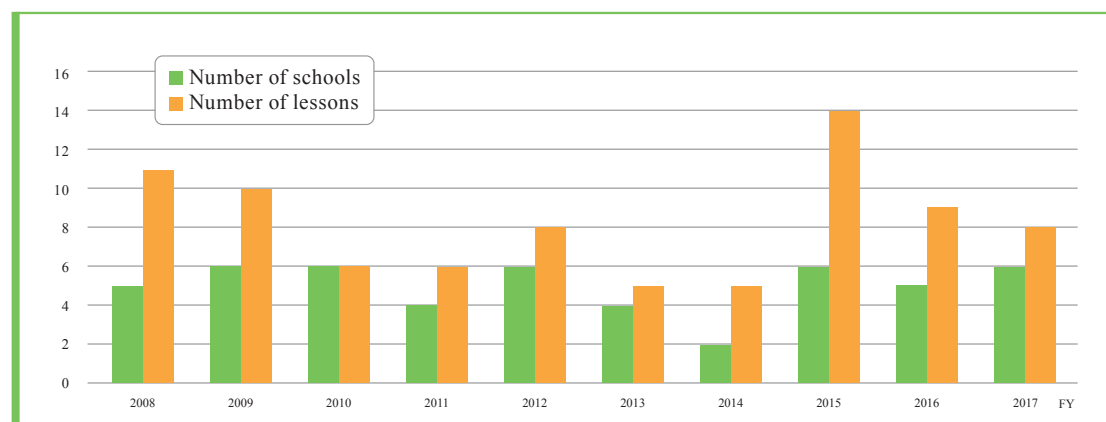
① Outreach science lessons and events

Since fiscal 2008, TODA KOGYO has implemented outreach science lessons and events for elementary and middle school pupils in Hiroshima. Children experience the work of permanent magnets and electromagnets, and learn that products using magnets are useful in familiar lives, through touching various types of permanent magnets, or through making easy-handmade motors using permanent magnets, enameled wire coils and dry batteries. As a result of these activities, we hope that more children will be interested in science and will become the bearers of science and technology in Japan in the future.



Scenes from science events and outreach lessons

Number of outreach lessons



② Exhibition by companies at Hiroshima University Open Campus (Chemistry Dream)

At Hiroshima University Open Campus (August 21 to 22, 2018), Cluster 3, Faculty of Engineering, Hiroshima University (Programs of Applied Chemistry, Biochemistry and Chemical Engineering) carried out a company exhibition targeting high school students who consider taking the entrance examination of the chemical course of faculty of engineering, Hiroshima University. In order that these high school students experience the wonder of chemical technology and how it works in concrete terms in the world, member companies in the Chugoku region's chemical conversation party (Secretariat: Department of Chemical Engineering, Faculty of Engineering, Hiroshima University) exhibited advanced materials, technologies, interesting substances, etc. which create "Chemistry Dream". TODA KOGYO participates every year and conveys the interests, wonders and dreams of chemistry to high school students.

Exhibit contents by TODA KOGYO

1. A top that keeps spinning
2. Electronic tickets for football games, antennas for mobile wallet (Ferrite IC tags)
3. Not hot (?), no noisy (?) coating (Heat insulating and soundproof paint)
4. Cosmetic (lipstick) samples (Application of nanoparticles)
5. Lithium ion rechargeable battery materials for smartphone and personal computer



Scenery of corporate exhibition



Exhibition booth of TODA KOGYO

③ Exchange meeting of new technology

The Chugoku region's chemical conversation party (Secretariat: Department of Chemical Engineering, Faculty of Engineering, Hiroshima University, The number of party members is 62.) is engaged in various activities such as a research group, a seminar, an exchange meeting of new technology, etc. with the aim of promoting academic and technological development on chemical engineering and mutual friendship. The 22nd exchange meeting of new technology was held on July 14, 2017 at Otake Plant. 53 participants from local companies and universities deepened friendship through the new technology introduction seminar, tours of Otake Plant and Otake Creative R&D Center, and the social gathering.



Scene from the seminar at the exchange meeting of new technology

④ Volunteer of “Disbudding of Kozo Project” by Handmade Japanese paper Preservation Society, Otake

In order to grow the trunk of Kozo (Hybrid mulberry tree used to make Japanese paper) in good quality, we participated in volunteering work "Disbudding of side buds". From June to September, it is necessary to pick the side buds at a frequency of once in two weeks. Thanks to the heavy work of crushing lively Kozo under the scorching sun, it grows to a height 3 m or more in the late summer. After reaping straight grown Kozo in November, winter work of paper raw material making begins.



Kozo field, Bouka, Otake in July 2017



Kozo

⑤ Flower planting campaign

In the area around Kuba Station, the closest station to Otake Plant of TODA KOGYO, a beautification activity, called “flower-planting campaign” is being implemented primarily by local residents' association. Members of TODA KOGYO have participated in this campaign since 2011, replanting roadside flowers twice a year.



⑥ Blood donation activity

TODA KOGYO Group promotes regular blood donation activities at each of our domestic offices and subsidiaries. In fiscal 2017, the number of blood donors was 104 (in total of Onoda Plant, Otake Plant and Research & Development Division). For continuous blood donation activities, Otake Plant received a certificate of appreciation from Hiroshima Prefecture in fiscal 2017.



3) Better Working Environment (Interview with employees)

TODA MAGNET (SHENZHEN) CO., Ltd. President

Takafumi Mita

I moved to South Korea in May 2010 and moved to Shenzhen, China since May 2014. My overseas assignment has entered the ninth year. TODA MAGNET (SHENZHEN) CO., Ltd. which I serve as president, manufactures and sells rubber magnets for motors and processed Ferrite sheets for NFC.

Because of working in a foreign country, it is natural that there are language barriers and differences in business customs. There are problems how to adapt myself to these differences or how to ask local employees to understand that “in this case, we take such action in Japan”. Every day, I make every effort to solve these problems. It is crucial to accept the reality that things do not advance like in Japan, and to decide how to proceed from there.

As part of communication with local employees, we carry out information sharing by monthly performance review meeting and implement “Report, Communication and Consultation”. We hold a dinner party on each juncture and make grassroots exchanges through China-specific toast competition.

Once a year, we go on a comfort trip although it is a nearby place. In the past, we went to swimming in the sea, hot springs, etc. Every year, there is a conversation between local employees such as “Where shall we go next year?”. I hope that such a conversation will contribute to the vitality of the workplace.

By the way, although it is a personal story, I participate in the monthly softball league game held by the local Japanese society, for the purpose of health maintenance (rather than promotion). Although I can no longer play softball like my young days, that is a good change of pace, including the closing party at the after. That is also a precious place to exchange information among Japanese people.

I will continue to work hard together with local employees, in order to continue to develop in the future.



Analytical Technique Development Group, Research & Development Division

Kaori Kohara

I belong to Analytical Technique Development Group of Research & Development Division, and mainly perform quantitative determination of trace elements contained in products, analysis of foreign contaminations and products of other companies, construction of new analysis techniques, etc. When I was assigned to our group, I was puzzled with various needs for analysis of different kinds of materials from different groups. However, the atmosphere in the workplace is good, the superior, seniors and colleagues teach me kindly, so I think that I felt little anxiety. In addition, as there are opportunities to participate in lecture sessions and analytical seminars outside the company, I am in an environment where I can acquire useful information and techniques for my daily work in a timely manner.

Nowadays, in addition to stationary analysis, non-stationary analysis such as analysis of products of other companies and further investigations are increasingly requested. Since there are many problems which cannot be solved by the conventional methods, deeper considerations are required. In those cases I work towards achieving the objectives by cooperating with all members of our group.

With a quick and accurate work in mind, I will continue to push forward with my daily work while receiving the cooperation of my colleagues.



4) Support for the development of the next generation / activities on promotion of women's participation and advancement

Based on the provisions of the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on Promotion of Women's Participation and Advancement in the Workplace, TODA KOGYO has formulated the following action plans concerning the development of the next generation training and promotion of women's participation and advancement, and we are promoting activities according to these plans.

①Action plans for supporting the development of the next generation (5 years from 1 April 2016 to 31 March 2021)

	Goal	Measures to achieve the goal	Result of fiscal 2017
1	During the planning period, we will raise awareness about childcare in the workplace and create a corporate culture / structure that will provide understanding and cooperation for employees who take childcare.	We regularly make awareness of various systems concerning childcare through the intranet and other means, and continue to conduct necessary education for managerial training etc.	As a result of actively implementing regular recruitment and career recruitment activities to raise the female ratio in the workplace, the female ratio increased to 13.3% as of the end of fiscal 2017. (12.1% at the end of fiscal 2016)
2	During the planning period, the status of childcare leave acquisition will be as follows. In addition to extending the applicable period for reducing working hours, we encourage acquisitions of shortening, advancement and carry down of working hours. ※Male: Make one or more acquirers. ※Female: Maintain an acquisition rate of 100% and a return rate of 100%.	<ul style="list-style-type: none"> We continue educational activities on good balance between work and family for all of our employees. We inform all employees about childcare leave law and childcare leave rules, especially urge men to acquire the leaves. 	Under the regulation for childcare and nursing care leave revised on April 1, 2017, the period during which work hours can be shortened for childcare, and during which the start time and the end time can be carried forward and downward, was expanded to the period until reaching the beginning of enrollment at junior high school. Both an acquisition rate and a return rate of childcare leave are maintained 100%.
3	During the planning period, we shorten the total actual working hours of our employees. (Reduction of overtime hours worked, promotion of annual paid holidays, expansion of application of hourly use of annual paid vacation, etc.)	We will consider measures to maintain annual paid leave usage of over 70% and measures to promote acquisition.	<ul style="list-style-type: none"> Reduction of the scheduled working hours per year (Decreased by 7 hours compared to fiscal 2016) Implementation of no-overtime days (At each worksite) Implementation of systematic grant rule for payed leave (At Research & Development Division) Promotion of operational efficiency using rental offices (At Tokyo Office)
4	We make children realize the interests of science and chemistry.	<ul style="list-style-type: none"> We encourage understanding of science and chemistry through exhibiting at events for elementary, junior high and high school students. We will cooperate with school education for elementary school students (outreach science lessons etc.). 	<ul style="list-style-type: none"> Number of exhibitions at events for elementary, junior high and high school students: 2 Number of implementations of outreach science lessons: 8 lessons were held at 6 schools.

②Action plans for promotion of women's participation and advancement (5 years from 1 April 2016 to 31 March 2021)

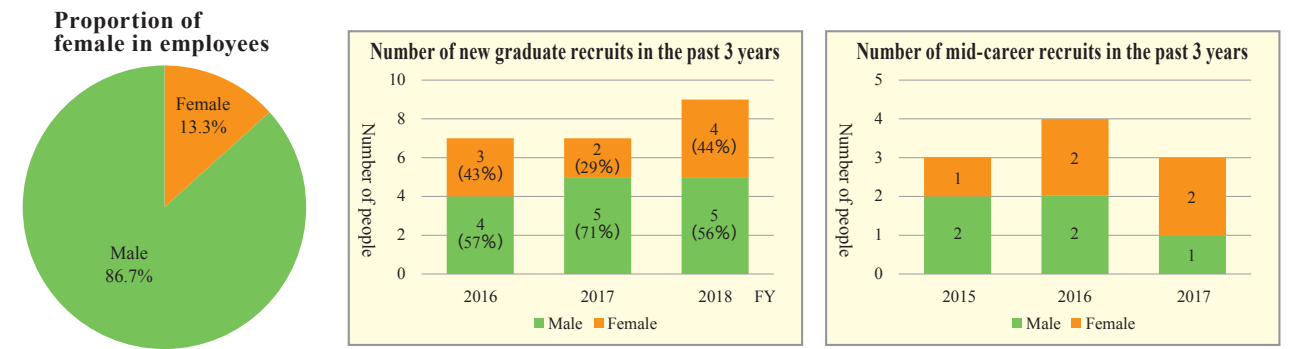
In response to our problems that the ratio of female employees is low and the number of female applicants is small, we promote the following countermeasures with the goal of setting the proportion of female graduates to new graduate recruits to 30% or more,

【Measures to achieve the goal】

We will review recruitment selection criteria and its operation and will improve measures to support balance between work and family after employment. We also aim to increase both the number of female job applicants and the female ratio in new graduate recruitment, by means of disclosing information such as acquisition rate of childcare leave.

【Results】 All data are as of March 31, 2018.

(1)Recruitment



(2)Continued employment and work style reforms

	Male	Female	Average
Average number of years of continuous service	23.3	12.6	22.0
Average age	49.5	39.4	48.3

Monthly average of extra working hours (hr)	11.2
Average acquisition rate (%) of annual paid leave and number of acquired days of annual paid leave	60.2% / 11.6

	Male	Female
Number of people eligible for childcare leave	4	4
Number of acquirers	0	4
Acquisition rate (%)	0%	100%

※Acquisition rate of female maintains 100% over the past ten years.

(3)Evaluation and promotion (As of March 31, 2017)

Percentage of female workers in assistant manager	10.7%
Percentage of female workers in management	1.3%
Percentage of female in executives	0%

5) Club Activities

As part of welfare programs at TODA KOGYO, we support a part of the club activities expenses, which are mainly related to the friendship between our employees and the promotion of mental and physical health. There are 16 clubs registered for application in fiscal 2017. Among them, two clubs that are active mainly by employees of Onoda Plant are introduced as follows.

Onoda Tennis Club

Our main activities are exercises conducted jointly with people of neighboring companies every Tuesday. Moreover, we participate in the preliminary contest of the industrial-league (B) Yamaguchi Prefecture and exchange matches by five neighboring companies in Onoda area. We also have lessons, so even beginners are welcome. If you are interested, please feel free to contact us.



Dunhill (Baseball club)

Our team consists of our employees, employees of our affiliates, subsidiaries and subcontracting companies, and families of our employees. We regularly play games with the local baseball teams in Sanyo Onoda City. In order to win at least one victory, we practice every Thursday evening this year. The game is held once or twice a month at the Municipal Stadium, Sanyo-Onoda City. Those who have time, please come to support us. Thank you in advance for your help.



6) Training (Education) Systems

① New Recruit Training

Among various education systems, TODA KOGYO especially puts effort into the training for new recruits. All recruits (technical and clerical recruits) work on the same training program together.

Introductory training

The training is intended to switch the trainees from students to members of society in terms of rhythm of life and feelings. And it is also intended to learn the basics as workers.

- Training at Zen-temple (Switching from students to members of society in terms of feeling and rhythm of life which is to be done together with new recruits of other companies)
- Business training (Starting with manners training, the recruits master the basics of "workers" with good spirit and technique.)
- In-company training (Lecture on company organization and products, learning about the company system and rules, plant tours, etc.)



Workplace training (5 months from May to September)

The training is intended to understand the company culture and the workplace atmosphere by on-the-job experiences for a long time. And it is also intended to contact directly with senior employees etc.

After learning the basics of Monozukuri, R&D and marketing activities in production departments, Research & Development departments and sales departments, the recruits acquire professional knowledge on the job.



Decision of official assignments (October)

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

② OJT training

Enhancement of OJT system for new recruits (Training plans and implementations of training for OJT leaders), implementations of safety and health / quality control educations, dispatches to domestic universities / research institutes, etc.

③ OFF-JT training

Stratified training, training to select candidates for the next management executives, priority issue training, job-classified training, mental health training, etc.

④ Self-development

Implementation of correspondence education assistance system (Individuals can optionally select courses. If they graduate with outstanding results, they are exempted from paying tuition fees.)

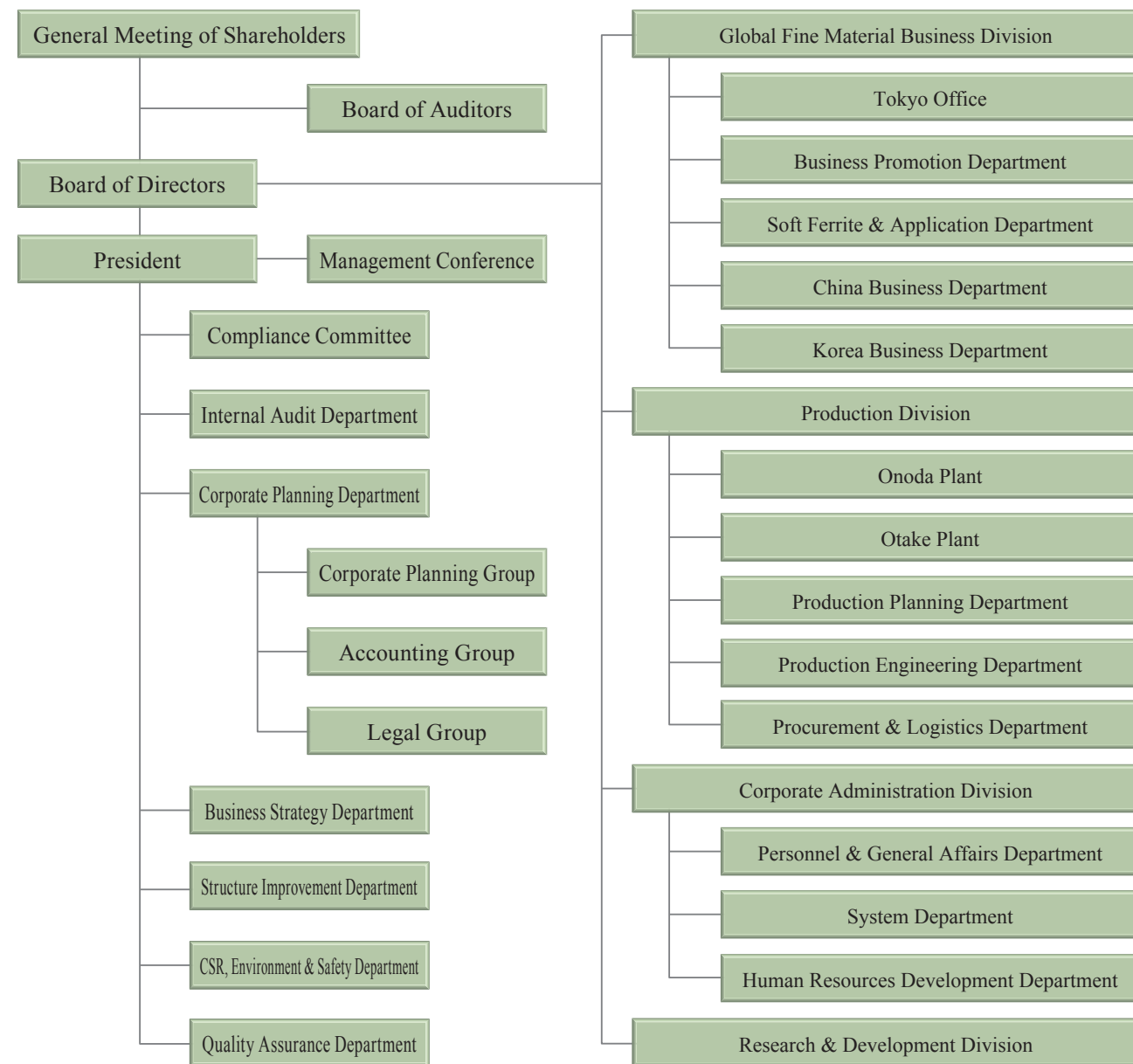


Scene from a training for assistant manager



Scene from a new recruit training (a training at Zen-temple)

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
 Number of employees: 343 (stand-alone), 1,186 (consolidated)
 ※ As of March 31, 2018

Offices and Subsidiaries

Japan



* BTBM = BASF TODA Battery Materials LLC.

Overseas





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