

Fine Materials for the Future



CSR Report

2020-2021

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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 empathies of all our investors.

### For Society

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

### For our Customers and Business Partners

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

### For our Employees

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

# Business Contents of TODA KOGYO Group

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

TODA KOGYO's wet synthetic technology is unique in that we can freely produce various kind of materials with the functions and properties required by the application, by means of controlling properties of particles. 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 find solutions from the perspective of materials.

In recent years, we have developed and manufactured materials for electronic parts unique to TODA KOGYO with superior knowledge of materials, such as Barium titanium trioxide. 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. (\*It is an introduction only in Japanese.)

## History of TODA KOGYO Group

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

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

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

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, sulfurous acid gas was generated and became a serious problem.

Founded in 1823

1910

1920

1930

1940

1950

1960

1970

1823 Bengala manufacturing started in Ibara City, Okayama Prefecture

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

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



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

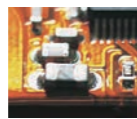
1973 Equipment for production of coloring pigment using wet synthetic method added to Onoda Plant.

1969 Manufacturing equipment 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!

Contributing to reduction of industrial wastes and effective utilization of resources

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



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

Pellets

1983 Shares listed on the first section of 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

1991 Otake Creative R&D Center established in Otake Plant

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

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

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

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

2008 Toda Advanced Materials Inc. established in Canada

2011 All shares of Tokyo Shikizai Industry Co., Ltd. Acquired

2012 TODA ISU CORPORATION established in South Korea

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

2019 All shares of Toda Fine Tech Inc. acquired

2019 Toda Plastic Magnet Material (Zhejiang) Corp. relocated and responded to increase the capacity of production

1980

1990

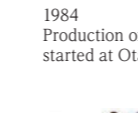
2000

2010

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



Toner materials



Magnets



Magnetic tickets and magnetic cards

1989 Manufacturing facility of magnetic powders for metal tape added to Onoda Plant



Computer digital recording tape



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



Color toner carrier

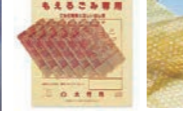
1999 Facilities for manufacturing Hydrotalcite newly added to Onoda Plant



Hydrotalcite

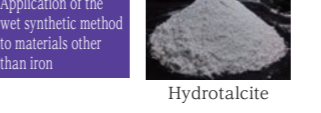


Metal-compatible IC tags

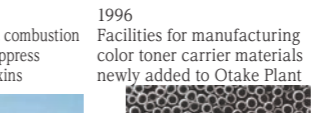


Ferrite sheet

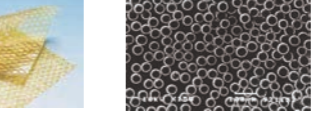
2003 Manufacturing facility of cathode materials for lithium ion rechargeable battery newly added to Onoda Plant



Manufacturing equipment of cathode materials for lithium ion rechargeable battery newly added to Onoda Plant



Manufacturing equipment of antenna sheets for IC tags added to Otake Plant



Manufacturing equipment of NFC Ferrite sheets for use in smartphones added to Otake Plant

2004 Facilities for manufacturing Barium titanium trioxide added to Onoda Plant



Example of use of Barium titanium trioxide

Magnets

Magnetic tickets and magnetic cards

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

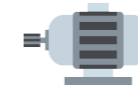
Color toner carrier

Metal-compatible IC tags

Ferrite sheet

## Putting the most advanced technologies at your side and at your fingertips

### ◆ Device



#### Materials for electronic components

- Magnet materials for motors for automobiles
- Magnet materials for household appliance motors
- Magnet materials for various sensors
- Electronic parts (inductors and capacitors)

### ◆ EMC



#### Electromagnetic compatibility/immunity solution

- Parts for smartphone products
- Parts for wearable products
- Electric wave absorption materials

### ◆ Imaging



#### Electronic printing materials

- Toner materials for monochrome printers
- Carriers for color copiers
- Magnet materials for printers and copiers

### ◆ Ecology



#### Environmentally functional materials

- Lead free materials (Polyvinyl chloride resin stabilizer and road indication materials)
- Combustion catalysts
- Contaminated soil conditioners

### ◆ Digital



#### Digital recording media materials

- Magnetic materials for digital recording media used with computers
- Magnetic materials for magnetic cards

### ◆ Color



#### Pigments

- Pigments for automobiles and office equipment
- Pigments for building and building materials
- Pigments for antirust paints for ship bottom

### ◆ Battery



#### Battery materials

- Battery materials for electric vehicle

# TODA KOGYO Group's Product Group familiar to Consumers

Chemical products are used in various forms as a part of our everyday lives. TODA KOGYO Group's materials contribute to downsizing, weight reduction and increasing the performance of automobiles, consumer electronics, information equipment, etc. Under the slogan of "Fine Materials for the Future", we will continue to create new values utilizing the most advanced material technologies.



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TODA KOGYO Group is a chemical material manufacturer founded as a producer of the red iron oxide pigment 'Bengala' which is known by painting of porcelain and 'Bengala lattice' in 1823, at the end of the Edo Period. 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, Ferrite sheets for wireless charger and Barium titanium trioxide for multilayered ceramic capacitors (MLCC).

The 200th anniversary of foundation is coming soon three years from now. Although the business environment surrounding us is always facing major changes and becoming uncertain caused by the global recession due to Coronavirus Disease 2019 (COVID-19) etc., TODA KOGYO Group engages in activities to provide products and services that anticipate markets' needs, with each and every executive and employee of our group.

Concerning CSR activities, we are in accordance with the principle of SDGs. We also continue to work with constant attention to the role which a company should play for the rich development of humanity. As introduced on the following pages, we also make strenuous efforts with regard to the commercialization of environmental materials such as "Adsorbent for water treatment" and "Carbon Nanotube". Moreover, we strengthen activities for the establishment of a corporate structure to survive in the society as a company, such as the provision of an environment and a structure where every employee is comfortable to work, and the enhancement of corporate governance. 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**



**What is Responsible Care?**

In the chemicals industry, each company that uses chemical substances, voluntarily promotes activities so as to preserve the environment and to ensure safety & health in all stage of the life cycles of chemical substances from developing and manufacturing to distribution, use, final consumption and disposal, as well as conducting dialogues and communication with the public starting with disclosing the results of these efforts. We call these activities "Responsible Care, RC".

**Dialogues with Local Communities**

In order to disclose the results of activities and to engage in dialogue with local communities, Onoda Plant and Otake Plant participated in dialogues with local communities organized by the RC committee of Japan Chemical Industry Association. Persons involved in government administrations, educators, industry associations, citizens' groups, regional residents associations, neighboring companies and member companies participated in the dialogues. And a keynote speech, reports on companies' efforts on RC, a question-and-answer session, an exchange meeting, etc. were held. These dialogues were conducted mainly by answering opinions and requests placed on us by local communities using surveys in advance.

We will continue to promote activities so as to preserve the environment and to ensure safety & health in line with community needs. We will also promote community contribution initiatives.

**◆A dialogue with local communities of the west section of Yamaguchi Onoda Plant◆**

Date: November 8, 2019  
Location: ANA Crowne Plaza Ube  
Member & supporting companies: 7  
Number of participants: 108



Exhibition booth of documents of companies



Scene from the dialogue

**<Request for companies>**

- ① Emergency response at earthquake disaster
- ② Prevention of plant accidents
- ③ Strengthening of prevention of environmental contamination
- ④ Communication with local communities
- ⑤ Active participation in regional events

**<Information disclosure>**

Preliminary drafts of dialogues with local communities of the west section of Yamaguchi and the district around Iwakuni & Otake are disclosed in Japanese only, on our website.



**◆A dialogue with local communities of the district around Iwakuni & Otake Otake Plant◆**

Date: February 14, 2020  
Location: Iwakuni Kokusai Kanko Hotel  
Member & supporting companies: 7  
Number of participants: 100



The reception desk



Scene from a question-and-answer session



Scene from the dialogue

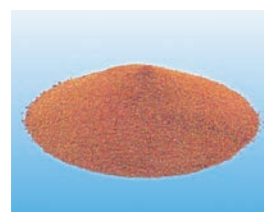
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TODA KOGYO Group makes active efforts on the preservation and improvement of the global environment through the development and commercialization of products, technologies and services concerned with reductions of greenhouse gases in the atmosphere, water purification measures, etc., as well as promoting activities toward the achievement of SDGs (Sustainable Development Goals).

## Reductions of greenhouse gases in the atmosphere



Reduction of more than 15 kt of CO<sub>2</sub> gas emissions during life cycle ※Milestone at 2025

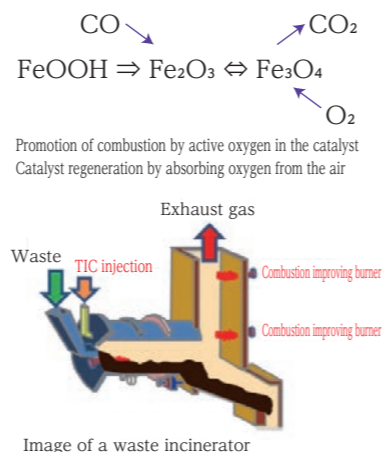


TIC powder

### ◆Iron oxide combustion catalysts, TIC®

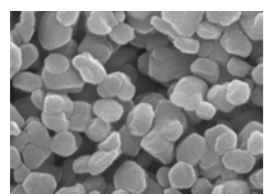
Iron oxides originally have a catalytic activity, by which reactant substances are oxidized (burned). TIC is designed to maximize its catalytic activity. By supply of TIC into a waste incinerator, it acts as a combustion improver which promotes perfect combustion of wastes.

Due to this action, operation of a combustion improving burner during waste incineration can be controlled. Our target in 2025 is reducing more than 15 kt of CO<sub>2</sub> gas emissions that corresponds to the reduction of the operation of a combustion improving burner, by means of supplying customers in Japan and overseas with 500 t of TIC.



Adsorption, immobilization and reduction of more than 1 kt of CO<sub>2</sub> gas in the atmosphere ※Milestone at 2025

### ◆Heat insulating additive for agricultural polyolefin resin film

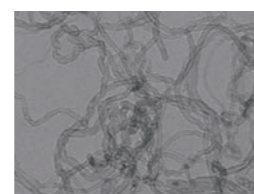


Electron micrograph of Hydrotalcite

Hydrotalcite that is used as heat insulating additive for agricultural polyolefin resin film, have the chemical formula, Mg<sub>6</sub>Al<sub>2</sub>(OH)<sub>16</sub>CO<sub>3</sub>·

4H<sub>2</sub>O. Hydrotalcite has the high infrared ray absorptivity in wavelengths from 5 to 25 μm, caused by carbonate anions in its crystal structure. Therefore, the decline in temperature inside greenhouses can be prevented. In TODA KOGYO, Hydrotalcite is synthesized using the exhaust gas from boilers etc. which contains CO<sub>2</sub>. CO<sub>2</sub> originated from exhaust gas is not released into the air but immobilized within Hydrotalcite. Our sales target of Hydrotalcite in 2025 is 6,000 t, resulting immobilized CO<sub>2</sub> amount of 550 t.

### ◆Carbon Nanotube



Electron micrograph of CNT

By DMR (Direct Methane Reforming) reaction using an active iron based catalyst, highly functional Carbon Nanotube (CNT) and highly concentrated hydrogen that does not contain CO<sub>2</sub> can be obtained simultaneously.

DMR reaction technology can contribute to realizing a low-carbon society. We aim at early practical applications. Our target supply of CNT for customers in Japan and overseas in 2025 is 400 t/year, resulting hydrogen production amount of 120 t/year. In this case, reduced CO<sub>2</sub> amount by the consumption of Methane is about 860 t.



## Supply of safe water



Supply of safe water for more than five million people in developing countries ※Milestone at 2025

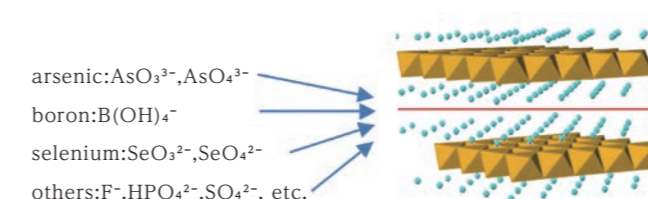


Hydrotalcite powder

### ◆Adsorbent for water treatment

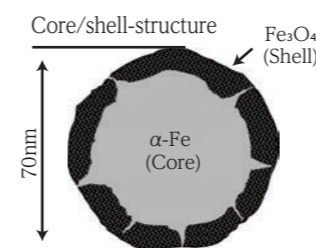
Mg/Al-Hydrotalcite and iron based compounds have been commercialized as adsorbents/removers of harmful ions including arsenic, boron, phosphorus, selenium in the water.

Mg/Al-Hydrotalcite traps, tightly fixes and removes harmful ions in water, by exchanging harmful ions with its harmless carbonate ions etc. through the chemical reaction called "intercalation". At present, we are developing a system that purify the contaminated water polluted with arsenic to safe water for developing countries. We have a plan to supply safe water for more than five million people (1,000 t of Mg/Al-Hydrotalcite powder) using the system in 2025.



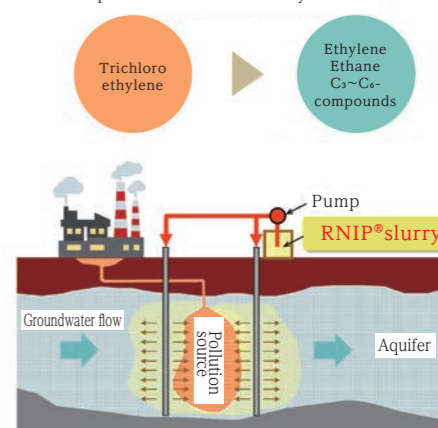
Cartridge unit for adsorbent for water treatment

### ◆Purifier for remediation of soil and groundwater,RNIP®



RNIP is composed of iron complex nanoparticles with a mean particle diameter of 70nm, which have core (α-Fe)/shell (Fe<sub>3</sub>O<sub>4</sub>)-structure. By injection of RNIP into the contaminated soil, RNIP purifies chlorinated volatile organic compound (VOC) in soil and groundwater by rapid decomposition (hydrogenation and dechlorination), due to its excellent reducing ability. A slurry of RNIP has an excellent diffusion property because of its nanoparticle size. Therefore, deep layer pollutions can be purified at the in-situ conditions in a short period while minimizing environmental impacts. Moreover, soluble heavy metals in soil and groundwater are insolubilized by Ferrite formation.

Decomposition of trichloroethylene with RNIP



Conceptual design of the purification process at the in-situ conditions using RNIP

### ◆Additive for insolubilization of heavy metals, AMH



AMH powder

AMH is composed of environmentally friendly inorganic oxides, fixes and insolubilizes soluble heavy metals; arsenic, lead, fluorine, etc. in the contaminated soil, as well as preventing the elution of these heavy metals into the groundwater.

Placing the highest priority on safety and security, Monozukuri Promotion Center, Human Resources Development Department established the workshop of the safety training based on the sensations at Onoda Plant in fiscal 2014. Based on the experience, we established “the Monozukuri workshop” in Onoda Plant, as an important location that will further reinforce the base as a whole, including safety on January 23, 2020.

In order to remain as a developing company beyond the 200th anniversary of our founding, we now have to further strengthen the base of “Monozukuri” once again. In the rapidly changing business climate, the important points here are understanding of the basic principles, reconfirming existing states, and proposing and promoting improvements & innovations of

“Monozukuri” while adopting common viewpoint by everyone. We consider these efforts as our fundamental concepts.

On the opening of the Monozukuri workshop, we revised the definition of Monozukuri in TODA KOGYO Group once again. Summarizing our management philosophies and policies, guidelines to put them into practice and origins of TODA KOGYO’s Monozukuri, our company newly adopted slogans, “Toda Spirits”.

The mission of the Monozukuri workshop is to develop human resources who know important basic principles for different levels,



## Toda Spirits

“Monozukuri that creates a better future”

- ◆ Monozukuri that places top priority on safety and security
- ◆ Monozukuri that pursues trust and satisfaction of customers and business partners
- ◆ Monozukuri that takes on challenges in improvements, supported by each and every one
- ◆ Monozukuri that creates the originality and the marketability
- ◆ Monozukuri that pursues stability / reproducibility of quality, and efficiency
- ◆ Monozukuri that considers the environment and takes business globally

notice workplace problems and can resolve the problems by themselves, under “Toda Spirits”. Based on safety, 5S; Seiri (arrangement), Seiton (ordering), Seiso (cleaning), Seiketsu (neatness), Shitsuke (discipline) and TQM(Total Quality Management), we look forward to learn across various fields together with all participants through experiences of seeing and feeling at the workshop.

The training of “Monozukuri from a management viewpoint” for management-level and the training of “Philosophy regarding quality” were implemented when the workshop was opened and in February, respectively. However, under the influence of COVID-19 related confusion, trainings scheduled from March had not implemented as planned. By recognizing the period of delay as a preparatory period to enhance the contents of trainings, we had been involved in preparing. Although the situation has not returned to what it was before COVID-19, we restarted the trainings since July with attention to create a situation where “Three Cs” (Closed spaces with poor ventilation, Crowded places with many people nearby and Close-contact setting such as close-range conversations) can be avoided.

Considering “Monozukuri that pursues trust and satisfaction of customers and business partners” as our fundamental concept, we will continue to work on human resources development.



▲Scene from the training after the opening ceremony



▲The entrance of the Monozukuri workshop

### ◆Comments from Mr. Aizawa, advisor of TODA KOGYO CORP.◆

Since 2019, as an advisor in charge of “Strengthening the basis of manufacturing”, I have been working on the construction of the Monozukuri workshop with members of Human Resources Development Department with the guidance & support from the top management and with the advices from concerned departments.

Prior to joining our company, I worked about 40 years in order to “establish global competitiveness” in development/production departments, engineering/planning departments and overseas entities of an automotive parts manufacturer. During that time, I was taught about the concept of TOYOTA Production System (TPS) directly by the members of Engineering & Research department of TOYOTA MOTOR CORPORATION. This experience is my starting point for considering strengthening of “Monozukuri (manufacturing)”.



Because our company is a chemical company, our production processes are considerably different from those of an automotive parts manufacturer. However, I believe that a fundamental approach for “Monozukuri” of our company is the same as that of an automotive parts manufacturer. The 200th anniversary of foundation is coming soon in 2023. In order to pursue growth strategies by creating new values, first of all, it is important to further deepen “core technologies” of existing businesses. And it is also important to promote productive and technological innovation in addition to continuous improvements. I believe that “the resources” needed to realize these targets exist in “Human Resources Development”.

Having established in January 2020, “the Monozukuri workshop” has just reached a place to start. We will work on expanding and upgrading the systematic position-based training programs for anyone involved in all fields concerned with “Monozukuri”.

We are now considering the content of education programs. We improve teaching materials for participants to learn “methods and approaches that can be practically used”. We also think that these programs might be good opportunities for trainers to arrange their own experiences & knowledges and review them based on principles. Moreover, how to pass on skills and know-how accumulated by our predecessors is a significant challenge. Therefore, we have proposed to advance this challenge to an initiative across the company.

Japanese manufacturing that had led the world has been losing its advantage caused by the problems of the declining birthrates & aging society, high-cost business structure and strengthened regulations & protectionism. The situation is becoming a serious problem. Facing today’s rapidly changing business environment, we regard pursuing “our ability to manufacture products that outperform the competition in the global market” as a crucial management task. And we are working on this task.

Japan is expected to always lead the whole world as “the center of technology”. We seek to develop “Human Resources Development from a global perspective” considering diversity management.



▲Scene from the training



▲Scene from the group activity

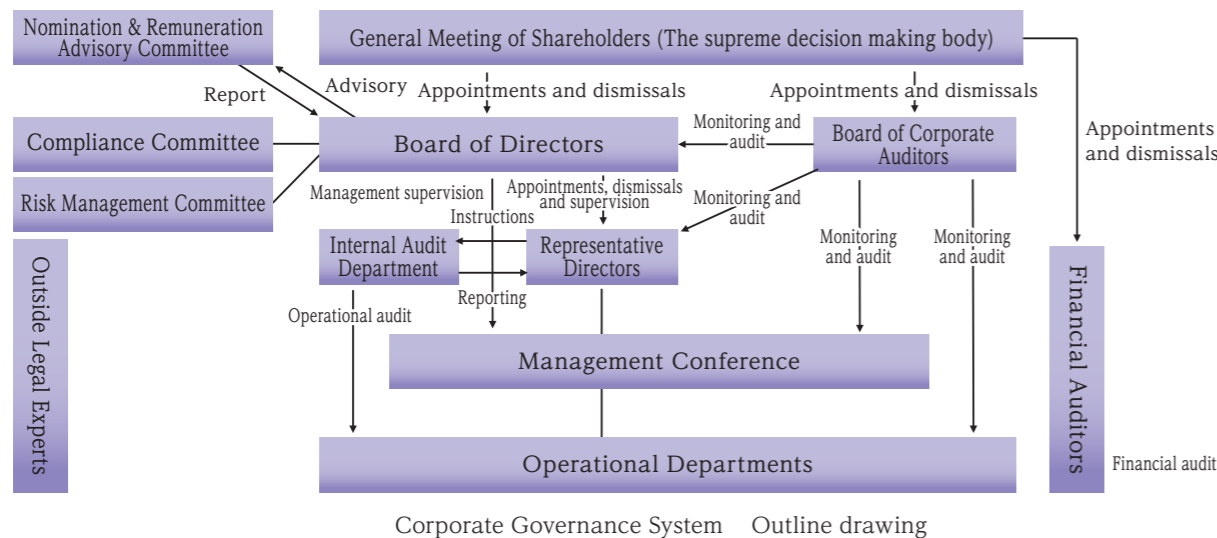
## 1) Corporate Governance

### ◆ Initiative 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 the execution of important operation and the “Board of Corporate Auditors”, a supervising body for business operation.

In addition to regular meetings once a month of the Board of Directors, an extraordinary Board of Directors is held as necessary for business needs, enabling us to make quick and appropriate management decisions. In addition, by utilizing three outside directors, we recognize that the mutual monitoring and supervision of the execution of duties by directors function more effectively. Moreover, by means of implementation of audits of the Board of Directors and other important meetings, by the Board of Corporate Auditors including three highly independent outside auditors, we ensure the system of monitoring and supervision for the execution of operation with high objectivity and neutrality.

In order to enhance corporate governance by strengthening fairness, transparency and objectivity of procedures concerning nomination and remuneration of directors and executive officers, the Board of Directors adopted the resolution to establish Nomination & Remuneration Advisory Committee as a voluntary advisory body to the Board of Directors on April 24, 2020. Currently, in response to requests from the Board of Directors, Nomination & Remuneration Advisory Committee discusses matters including the appointment & dismissal of directors and executive officers and matters related to remuneration thereof, and report to the Board of Directors.



## 2) Compliance

### ◆ Compliance System

Through the establishment of Compliance Committee, the establishment & operation of Compliance Code of Conduct and Compliance Promotion Regulation, the implementation of compliance education and other activities, TODA KOGYO Group will continue to maintain and improve compliance across the group.

Recently, concerning information security, we have been promoting the enhancement of personal and organizational measures through revision of internal rules and education for employees etc. of group companies and subcontracting companies, as well as the enhancement of technical and physical measures. Under the influence of the spread of COVID-19 around the world since the end of 2019, the Government of Japan requested for a self-constraint of going out and an implementation of telework. By means of providing the telework environment under the basis of enhanced information security, we implemented working at home first in Tokyo Office where seriously affected by the virus spread, and in other business site sequentially as well. This is one of the results achieved by enhancement of information security.

In an increasingly diverse society, we will continue to strengthen sustainable compliance.

## 3) Risk Management

### ◆ Risk management system

Having established Risk Management Committee (which is chaired by president and representative director & executive officer) composed principally of executive officers, TODA KOGYO Group regularly discusses its risks that are becoming apparent. In addition, having established responsible departments for respective risks (such as disasters etc. / BCP, product quality, procurement, information security) surrounding TODA KOGYO Group since fiscal 2019, the group makes efforts for the formulation of basic plans, the implementation of measures and the evaluation & improvement at the responsible departments concerned. Risk Management Promotion Committee which consists of managers and members of responsible departments for risks, shares the progresses and the problems in each activity and reports them to Risk Management Committee. Having received said report, Risk Management Committee appropriately conducts corrective actions and reports on these risk management activities to the Board of Directors. As a result, the Board of Directors is promoting the establishment of the general management system where the risks of the entire TODA KOGYO Group are exhaustively and continuously monitored.



### ◆ Efforts in fiscal 2019

#### ◆ Formulation of the Basic Plan

In fiscal 2019, we formulated the “Basic Plan” as a result of “identification of risks” and “assessment of risks” in each responsible department through the activities including workshops by representatives from several departments within every business site and meetings by all members of respective departments. Thanks to these activities, we believe that we could avoid omissions of risks and could implement adjustments of risk assessments among responsible departments. In fiscal 2020, we will promote risk mitigation activities by implementing countermeasures along the Basic Plan.



Scene from the workshop to identify the possible risks.

#### ◆ Training for an establishment of a Risk Response Headquarters

If a risk occurs or materializes, TODA KOGYO Group stipulates in our Risk Management Regulations to immediately establish a “Risk Response Headquarters” and correspond thereto. In fiscal 2019, we implemented a training for an establishment of a Risk Response Headquarters at Hiroshima Head Office, in conjunction with the emergency response drill at Otake Plant implemented every year as BCP / disaster management. Under the assumption of the response drill that an earthquake measuring 6 on the seismic intensity scale hit Otake Plant, the Plant would have little reserve to manage the risks as the activities such as life-saving and firefighting have a top priority to take care. In order to cover this, we established a Risk Response Headquarters at Hiroshima Head Office (it was assumed that the office was not directly affected by the earthquake) and did the training of confirming the safety of employees within the whole of our company, determining the damage situation, examining countermeasures, publicity activities.



Risk Response Headquarters established at the Head Office Scenes from checking the extent of damage and a request for support. between Otake Plant (left) and Head Office (right)



## 1) Business Overview and Business Activities

### ◆ Basic Policy for Business Activities

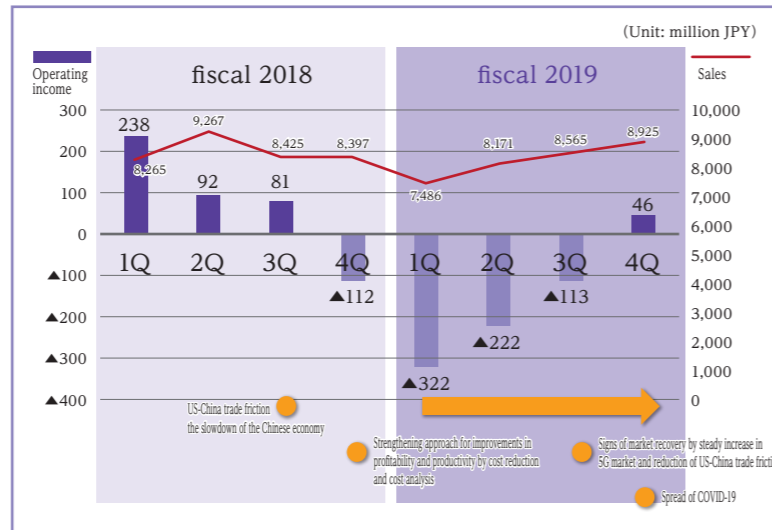
With a mission to “contribute to solving social issues through business activities”, TODA KOGYO Group has achieved growth by responding to social issues and the most advanced needs of the time. Recently, we support the basic infrastructure of industry by having close relationships with many industrial fields including automobile, electronics, etc. through our materials. Significant changes such as the evolution of the next-generation automobiles in line with the guidelines, CASE (Connected, Autonomous, Shared & Services and Electric) and the fast pace development of information & communications field, as represented by 5G (5th generation mobile communication system), have started to occur toward the social environment in the future. We not only solve customer issues, but also deal with our own problems and predict issues which we will be facing in the future. By combining abilities of materials, our own abilities and our partners’ abilities, we will solve these problems and continue to create new values.

In January 2020, we formulated “Toda Spirits” that summarize basics of manufacturing in order to further increase the strength of our company. We will promote business activities which further contribute to a society.

### ◆ Business Overview of fiscal 2019

(April 1, 2019 - March 31, 2020)

The business environment remained unpredictable during fiscal 2019, mainly reflecting US-China trade friction, the slowdown of the Chinese economy and the problem of British exit from the EU. Moreover, since the end of 2019, there was further growing concern on the global economic slowdown under the influence of the spread of COVID-19. Within TODA KOGYO Group, although there was the sales growth of battery-related materials due to the expansion of the market of lithium ion rechargeable batteries, demand in Japan and overseas of main business such



Trends of the sales and operating profit during fiscal 2018 and fiscal 2019

as magnet materials and coloring materials, remained stagnant caused by the economic slowdown in many parts of the world such as in China. Therefore, the sales, the operating loss, the ordinary loss and the net loss attributable to owner of parent were 33,147 million JPY, 611 million JPY, 1,307 million JPY and 5,285 million JPY, respectively.

### ◆ Initiatives in fiscal 2020 (April 1, 2020 - March 31, 2021)

Business environment both in the global economy and Japanese economy in fiscal 2020 is particularly affected by COVID-19. Although large-scale economic support packages by various countries are being implemented, the difficult economy in fiscal 2020 which is much harder than that in fiscal 2019 is expected.

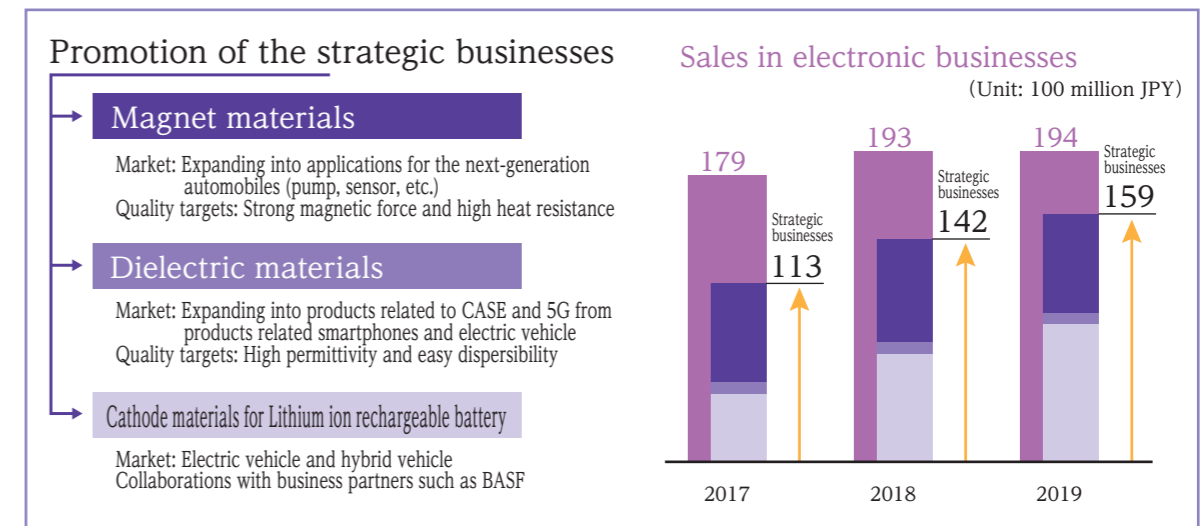
Under the influence of the stagnation of economy & supply chain in the world, and the delay of the operation behind the schedule by our customers that manufacture final products as well, operating rates for production facilities in production bases within TODA KOGYO Group have not increased. Our company is working on countermeasures to decrease the impact. We will continue to implement necessary measures corresponding to rapidly changing market conditions.

As shown in the above figure, during the first half of fiscal 2019, under the stagnation of the global economy caused by the US-China trade friction, there was a slowdown in the demand owing to the adjustment of overstock in the market of electronic materials. However, during the second half of fiscal 2019, there were signs of demand recovery centered on 5G-related products and smartphones. Thanks to the acceleration of the popularity of 5G, the progress in IoT in the field such as automobiles, consumer electronics and industrial instruments as well, we encountered the situation where market expansion in the medium term is expected.

Although the recovery of demand is delayed due to the influence of the spread of COVID-19, we expect the recovery after the calming down of the influence. We will also establish production capabilities so as to respond appropriately to the expansion of demand. With “Expansion of business”, “Enhancement of a highly profitable structure” and “Improvement of management foundation” as keywords, we promote our activities for a further improvement in performance.

### ◆ Main initiatives: Initiatives for strategic businesses

Having named three businesses included in electronic businesses “Cathode materials for Lithium ion battery (LIB)”, “Magnet materials” and “Dielectric materials” as strategic businesses, we will continue to strengthen the efforts.



Trend of the ratio of sales of the strategic businesses in the net sales of electronic businesses (from fiscal 2017 to fiscal 2019)

### ◆ Main initiatives: Initiatives for Sustainable Development Goals (SDGs)

In order to promote activities for achieving SDGs through business and governance across TODA KOGYO Group in accordance with the principle of SDGs related to economy, society and environment that should be achieved by the international community by 2030, we formulated “TODA KOGYO Group, Environmental Vision 2033”. We are promoting the environmental conservation activities under the concrete numerical targets. Concerning one of five focuses for environmental management, “Supply of environmentally harmonized products and technologies”, we manufacture and sell iron oxide combustion catalysts, TIC®, purifier for remediation of soil and groundwater, RNIP®. Concerning “Initiatives for the formation of recycling-oriented society” and “Effective use of industrial waste”, we are proactively promoting activities centered on reuse of inorganic waste by taking advantage of our years of experience.

## TODA KOGYO Group Environmental Vision 2033

### Five Pillars of Environmental Management

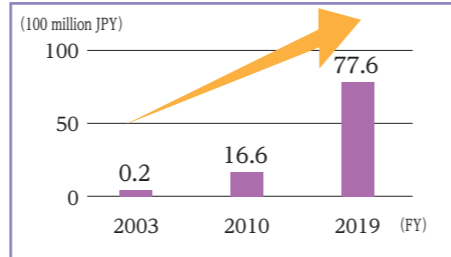
- (1) Initiatives for biodiversity
- (2) Reduction greenhouse gas emissions
- (3) Supply of environmentally harmonized products and technologies
- (4) Initiatives for the formation of a recycling-oriented society
- (5) Effective use of industrial waste

## 2) Expanding Businesses in China

We mainly develop business of materials for electronic components and pigment business in China. We manage four companies (Toda Plastic Magnet Material (Zhejiang) Corp., Zhejiang Toda DMEGC Magnetic Co., Ltd., Toda Magnequench Magnetic Material (Tianjin) Co., Ltd. and TODA MAGNET (SHENZHEN) Co., Ltd.) as business bodies of materials for electronic components. We also manage two companies (Toda United Industrial (Zhejiang) Co., Ltd. and Zhejiang Huayuan Pigment Co., Ltd.) and a trading company (TODA (CHINA) Co., Ltd.) as business bodies of pigment business.

While pioneering its markets respectively, each company also plays a role of completion within the company group by supporting its supply chain with each other. Since establishing our first Chinese site and starting full-scale business expansion in 2003, the business scale in China has expanded and the business fields & the number of affiliates have been increasing year after year. Although net sales in the first year was 20 million JPY (the simple total of the sales of consolidated subsidiaries prior to consolidation elimination), the net sales have steadily increased, reaching 1,660 million JPY in 2010 and 7,760 million JPY in 2019, respectively.

Business contents of each business site, and examples of community interaction thereof are described below.



Trend of the sales volumes of consolidated subsidiaries in China(\*)  
 (\*): Consolidated subsidiaries in China: Toda Plastic Magnet Material (Zhejiang) Corp., Toda Magnequench Magnetic Material (Tianjin) Co., Ltd., TODA MAGNET (SHENZHEN) Co., Ltd., Toda United Industrial (Zhejiang) Co., Ltd., and TODA (CHINA) Co., Ltd.

### ◆Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.

The company was established in 2007 as a joint venture between TODA KOGYO CORP. and Magnequench International, LLC. Located in Wuqing district in northwestern part of Tianjin, the company mainly manufactures and sells rare-earth compounds for injection molding.



#### ~ Safety policies ~

Since its foundation in 2007, the company has been operating policies of "Safety first, Prevention centric approach, Integrated management, All employees' participation, Environmental improvement, Health management, Scientific operations management and Continuation & improvement". The company is audited and evaluated in the whole company by a third party experts every year, and implements various types of safety trainings on a companywide basis.



### ◆Toda Plastic Magnet Material (Zhejiang) Corp.

Since its opening in September 2003, the company has been a manufacturer of magnetic compounds, engaging in part of electronic business of TODA KOGYO Group. As magnet materials for various motors and sensors, the magnetic compounds contribute to society in a variety of fields such as consumer electronics and automobiles.

Because it's at time of great change, the company itself intends to flexibly change and to respond to customers' requests.

#### ~ Community interaction ~



Employees of the company participated in "Walkathon in Dongyang China Woodcarving City" organized by Dongyang city.

### ◆Zhejiang Toda DMEGC Magnetic Co., Ltd.

Zhejiang Toda DMEGC Magnetic Co., Ltd. is a joint venture company in which 50% of equity contributed and owned by TODA KOGYO CORP.. The company manufactures and sells Ferrite magnetic powder. The company sells products to its parent companies both in Japan and China, as well as doing business with newly developed clients by its own.

### ◆Toda United Industrial (Zhejiang) Co., Ltd.

Toda United Industrial (Zhejiang) Co., Ltd. which has four affiliate companies, manufactures and sells pigments and flexible containers. Although doing business partly with companies of TODA KOGYO Group, the company mainly deal with clients across the world and in China.

#### ~ Regional contribution activity ~



The employees participated in the weeding activity in the forest during Ching Ming Festival in April 2020 Ching Ming Festival (as shown in the photo).

### ◆TODA (CHINA) Co.,Ltd.

The company does three businesses, ①Importing and selling TODA KOGYO' s products such as pigments, magnet materials, functional materials from Japan ②Exporting raw materials, and facilities from China ③Environment-related facilities. The company will continue to support "Monozukuri (manufacturing)" of our Chinese group companies as a point of contact to TODA KOGYO Group in China.



### ◆Zhejiang Huayuan Pigment Co., Ltd.

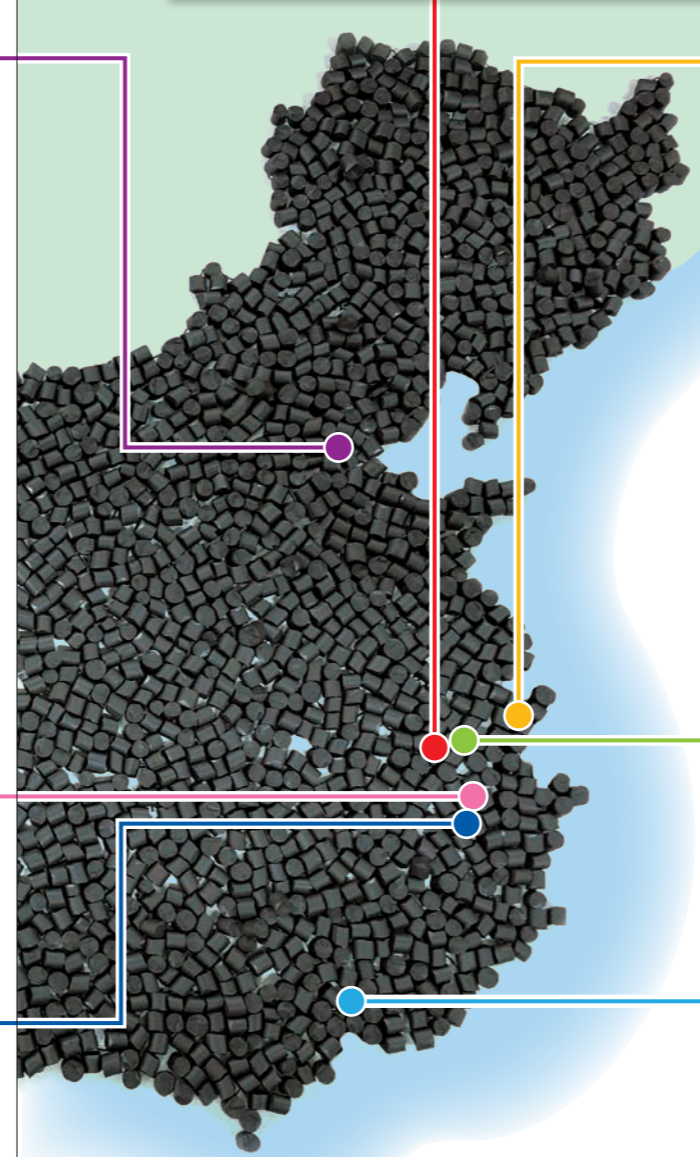
Zhejiang Huayuan Pigment Co., Ltd. is a joint venture company in which 22.5% of equity owned by TODA KOGYO CORP. . The company manufactures and sells pigments and does business on pigments with each company of TODA KOGYO Group.

### ◆TODA MAGNET (SHENZHEN) Co., Ltd.

TODA MAGNET (SHENZHEN) Co., Ltd. mainly manufactures rubber magnets for fan motors with production of about 60 tons per month. At the worksite, over twenty employees work at the process including mixing, sharing, rolling and cutting. The sales area is limited in Japanese-affiliated companies located in China.

#### ~ Community interaction ~

As one part of our community interaction, the employees participate in the softball league organized by Japanese association of Shenzhen.



## 1) For Improving Product Quality

TODA KOGYO Group determines the quality policy; “Provide qualities which obtain the customers’ trust and satisfaction by developing continuous improvement activities” in accordance with “Toda Spirits” which consist of six spirits of Monozukuri\*), and promotes the quality assurance activities as shown below. 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.

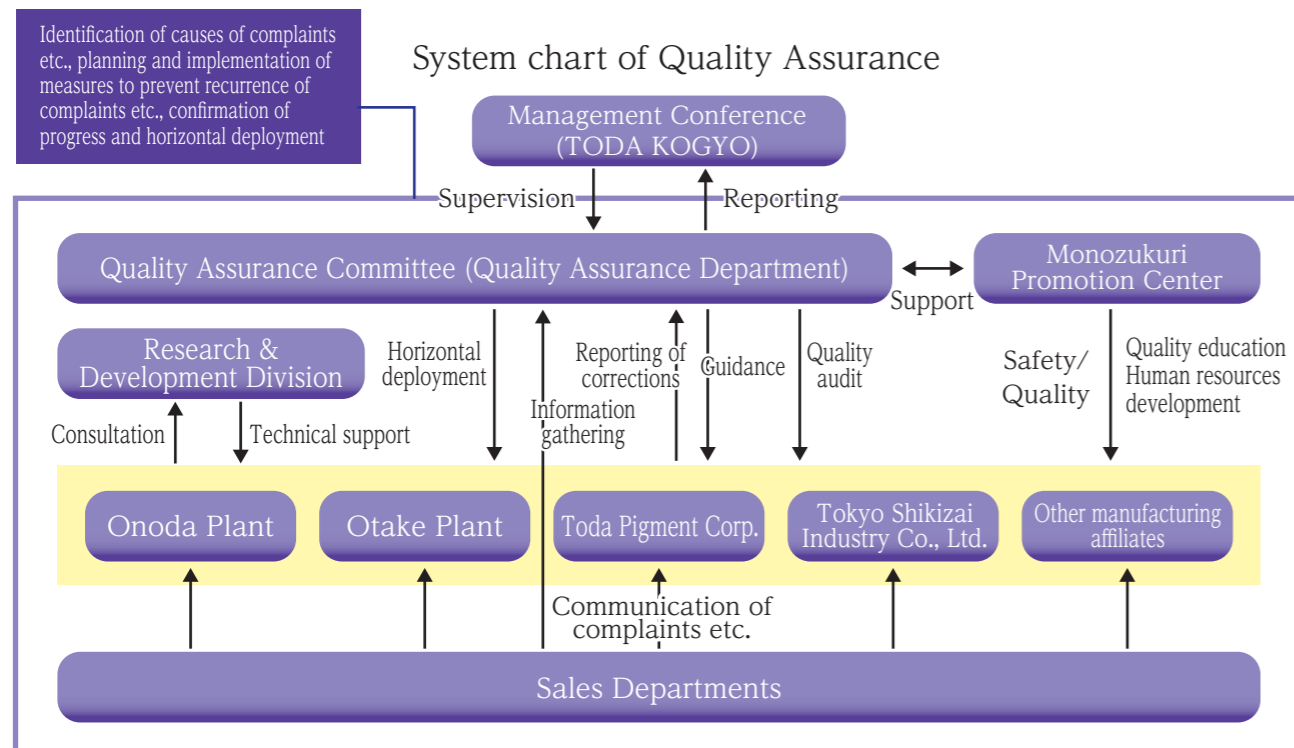
Quality Assurance Department organizes Quality Assurance Committee, shares information with the quality assurance department of each TODA KOGYO Group’ s plant, and has established a system to resolve quality issues throughout the entire company. In addition to performing quality audits for the manufacturing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

In fiscal 2020, we promote prevention activities by strengthening risk management. In addition, by cooperating with “Monozukuri Promotion Center” that was established based on the idea that “Human resources development through Monozukuri” within Human Resources Development Department, we will work on human resources development and deepen quality assurance activities.

\*) Monozukuri means manufacturing.

## 2) 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 qualities of products by TODA KOGYO Group, we promote comprehensive quality improvement by means of analyzing qualities, providing improvement guidance for related departments and holding regular quality review meetings (Quality Assurance Committees).
4. We make efforts to strengthen the quality assurance system of overseas operating companies.
5. We promote the human resources education so as to enhance Genbaryoku (capabilities to find and solve problems in the workplaces).



## ◆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.

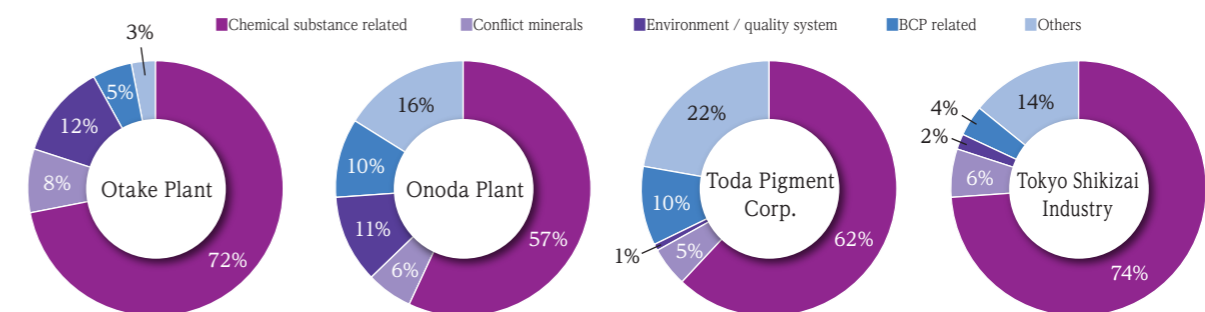
ISO9001 ISO14001 ISO45001	ISO9001 ISO14001	ISO9001
Onoda Plant Otake Plant	Toda Pigment Corp. TODA Ferrite KOREA Co., Ltd. TODA ISU CORPORATION Toda Magnequench Magnetic Material (Tianjin) Co., Ltd. Toda Plastic Magnet Material (Zhejiang) Corp. Zhejiang Toda DMEGC Magnetic Co., Ltd. Zhejiang United Pigment Co., Ltd. Toda America Incorporated Toda Kogyo Asia (Thailand) Co., Ltd.	TODA MAGNET (SHENZHEN) CO., Ltd. Otake Creative R&D Center: Product Development Group
		ISO14001
		Otake Creative R&D Center

## 3) Situation regarding Customers’ Inquiries

TODA KOGYO Group is trying to respond to customers’ inquiries regarding the products, CSR, etc. promptly and with sincerity, for the purpose of maintaining and improving the quality of our products.

We strive to resolve the issues identified in the responses to customers’ inquiries, in cooperation with the relevant departments.

In fiscal 2019, we responded to about four inquiries per day sincerely, mainly on inquiries related to chemical substances as shown in the figure below.



## 4) Small Group Activities

Within TODA KOGYO, we recognize the ideal form of the production site at each workplace of each plant, under the slogan “No efficiency without safety. No trust without quality. No growth without innovation (improvement).” We also actively implement small group activities in cooperation with subcontracting companies toward achieving the issues.

In order to share problems and encourages active communication among all employees, we have also been promoting 5S activities by small groups that are elected to conduct “the activities of special zone of 5S” as role models in each workplace since fiscal 2016.

We expanded the scope of activity theme not only to productivity improvement and quality improvement, but also to environmental conservation and preservation of safety. Through these activities, we improve awareness / knowledge of employees and cultivate healthy relationship among employees. We also lead to the sharing of know-hows between workplaces by implementing presentation meetings.

## 1) Reduction of the Environmental Load

### ◆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 take responsibility for Environmental Vision 2033, formulated as a desirable state of TODA KOGYO, and work on these activities across the entire group, as well as conducting active disclosure of information and communication with local residents through “Responsible Care”.

### ◆Promotion of Environmental Vision 2033

Toward 100th anniversary of establishment of our company in 2033, TODA KOGYO Group formulated “Environmental Vision 2033”, as a result of discussion on a “desirable state as TODA KOGYO at 2033” among executives and employees, from the view point of four principles of sustainability. The Environment Committee (composed of domestic group companies) which is under the control of the CSR, Environment & Safety Department placed under the direct control of the President is promoting “Environmental Vision 2033”.

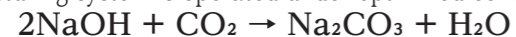
### ◆Reduction of greenhouse gases

TODA KOGYO Group sets following targets related to reduction of greenhouse gases under Environmental Vision 2033. (2033 as our target year)

- a 20% reduction in energy consumption rate compared to the 2013 level
- a 10% introduction of renewable energies into the total energy consumption
- a 30% reduction in GHG (Greenhouse Gases) emission compared to the 2013 level
- a 30% reduction in CO<sub>2</sub> gas emission during transportation and commuting to work compared to the 2013 level

At Onoda Plant, TODA KOGYO CORP., a technology for manufacturing the raw material, “high-purity sodium carbonate” with utilizing the exhaust gas from boilers and sodium hydroxide (Japanese Patent No.3114775) was developed in-house, and a sodium carbonate manufacturing plant was constructed in 1993. As a manufacturing capability, a maximum reduction of CO<sub>2</sub> gas emission is 3,600 t/y. At present, high-purity sodium carbonate used in Onoda Plant, is manufactured by fully automated and unmanned operation.

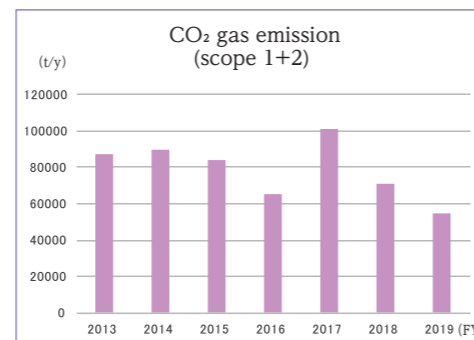
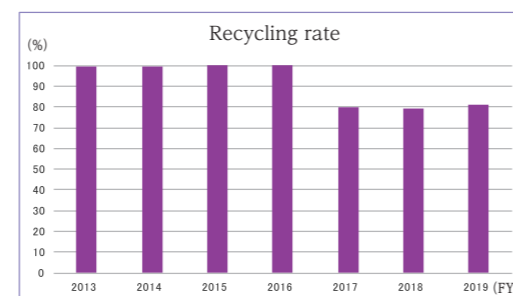
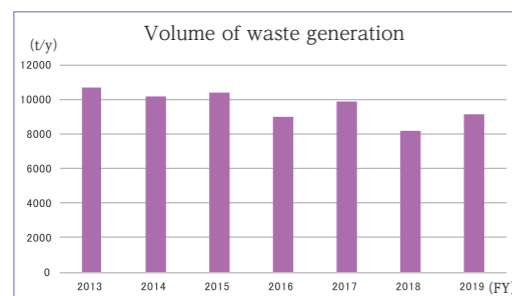
By means of an analysis of the reaction rate and a simulation program, it is possible to predict the operation status accurately. The manufacturing system is operated under optimized conditions.



### ◆Effective use of industrial waste

TODA KOGYO Group sets following targets related to industrial waste under Environmental Vision 2033. By recycling of industrial waste, we will achieve the final waste disposal (landfill disposal) amount zero. (fiscal 2033 as our target year)

- a 30% reduction in industrial waste compared to the 2013 level
- an achievement of a recycling rate of 100%



Sodium carbonate manufacturing plant



Iron sulfate manufacturing plant

## ◆Development of environmentally harmonized products and technology

The Government of Japan sets the target to be achieved of an 80% reduction in GHG emission compared to the 2013 level by 2050. Innovation in each industry and collaboration which exceeds the boundaries between types of industry are indispensable for the achievement of the target.

Under Environmental Vision 2033, we evaluate products and technologies supplied by TODA KOGYO Group by classifying them into three categories (Excellent: environmentally harmonized, Good: environmentally conscious, Acceptable: standard). And we strive to make all the products and technologies supplied by TODA KOGYO Group to be classified into the category of “Excellent: environmentally harmonized” by 2033.

## ◆Initiatives for Establishing a Sound Material-Cycle Society

As an obligation of the manufacturer in accordance with Basic Act on Establishing a Sound Material-Cycle Society, the Law for the Promotion of Effective Resources and the Green Purchasing Law, we take necessary measures to reduce the waste etc. produced from raw materials etc. in carrying out business activities. If raw materials etc. can be Circulative Resources in the business activities, we ourselves take necessary measures in order that they are cyclically reused properly. We ourselves also promote the formation of a recycling society by using recycled materials etc., and cooperate with the measures for establishing a sound material-cycle society, implemented by national or local public authorities. At present, the main raw material “iron sulfate” is manufactured in-house from discarded sulfuric acid and scrap steel in Onoda Plant, TODA KOGYO CORP.

## 2) An international NGO, Carbon Disclosure Project (CDP)'s climate change questionnaire

Since 2016, we have been responding to CDP's climate change questionnaire and disclose initiatives for climate change to institutional investors etc. Having formulated Environmental Vision 2033 in 2019, the score of our initiatives stepped up from previous D to C, by means of changing previous passive initiatives with active ones.

We identify increasing environmental risks and new opportunities, and reflect them in management strategies.

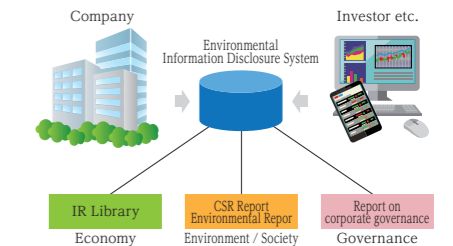
A score: Leadership, B score: Management, C score: Awareness, D score: Disclosure

2016	D score	2018	D score
2017	D score	2019	C score



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

In order to facilitate ESG (environment, society and governance) investment to our company, we registered IR library, CSR report, environmental report and report on corporate governance on Environmental Information Disclosure System. We started dialogues with investors etc. through “ESG Dialogue Platform”.



## 4) CSR Rating of TODA KOGYO Group by a third party rating organization, EcoVadis SAS

In TODA KOGYO Group, CSR, Environment & Safety Department, CSR Committee and Environment Committee primarily promote CSR activities.

Our CSR activities are rated by a third party rating organization, EcoVadis SAS. The EcoVadis Rating covers four themes; Environment, Labour & Human Rights, Ethics and Sustainable Procurement. The ratings on twenty one issues that belong to the four themes, respectively, are done in accordance with international CSR standards such as the principles of the United Nations Global Compact, the agreements of the International Labour Organization (ILO), the Global Reporting Initiative (GRI) standards, ISO 26000 and Coalition for Environmentally Responsible Economies (CERES) principles.

Our CSR activities in 2019 and 2020 were awarded SILVER Medal and BRONZE Medal, respectively.



## 5) Sustainable Procurement

### ◆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" and "Basic Policy concerning Conflict Minerals" (disclosed on our website). We also improve our business competitiveness and corporate value by enhancing sustainability with business partners, and aim to contribute to society.

#### [Guidelines]

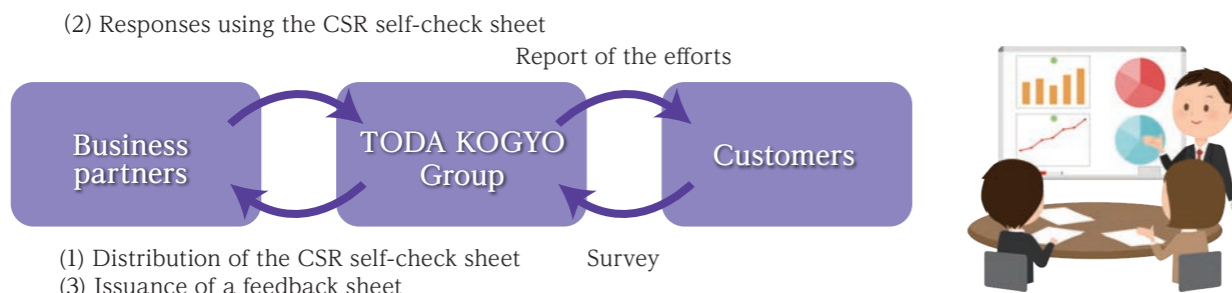
1. Compliance with laws and regulations: In all activities related to procurement we comply with laws and regulations and conduct fair transactions.
2. CSR: In addition to recognizing the responsibility as better citizens and doing our CSR activities, we collaborate with business partners who share similar ambitions and fulfill our social contribution.
3. Green procurement: We conduct purchase transactions, in accordance with the procurement policies that consider 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 focus on solidity and do not conduct speculative transactions.
7. We strictly manage documents and information provided in purchase transactions.

### ◆CSR procurement

According to our internal purchasing regulations, it is 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, we receive responses from our business partners and share common values. Through these efforts, we aim to acquire trust, expectations and security of customers, shareholders and society. Since fiscal 2019, having been asking our major business partners to respond to the CSR self-check sheet (in Japanese, English and Chinese) every year, we issue feedback sheets for them. We ask our major business partners to implement improvements in CSR through the application of the PDCA \*cycle.

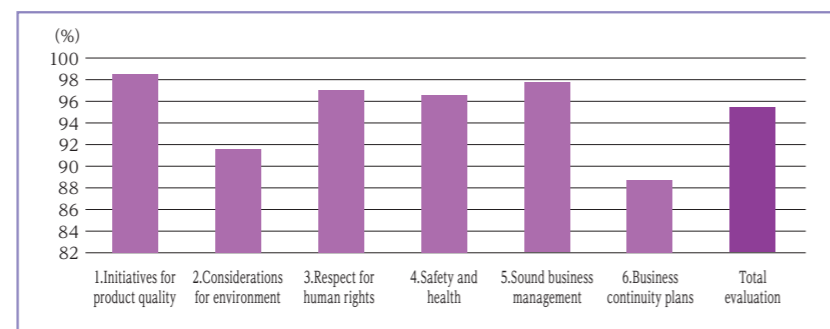
\*) PDCA means plan, do, check and act.

We promote sustainable procurement in cooperation with everyone in the supply chain.



	FY2019		
	Number of issues	Number of answers	Response rate
Totals	48	45	94%

Operational results of the CSR self-check sheet in fiscal 2019



Results of the CSR self-check answered by the suppliers

### ◆Green Procurement

Designated procurement items under Act on Promotion of Procurement of Eco-Friendly Goods and Services by the State and Other Entities (also known as the Green Purchasing Act) started from 101 items in 14 fields in fiscal 2001 and increased to 275 items in 21 fields in fiscal 2018. (Cabinet decision in February 2018) With referring to the "Public Procurement Guidelines for Green Purchasing (February 2018)" published by Japanese Ministry of the Environment, and by means of taking into account chemical substance management, energy saving, resource saving, recycling, packaging materials, ease of regeneration / disassembly / treatment, impact on ecosystem, etc., we procure products and services which are considered to reduce the environmental load.

Covered items: paper, stationery, home appliances, office equipment, water heaters, lighting, working clothes, air conditioners and fire extinguishers

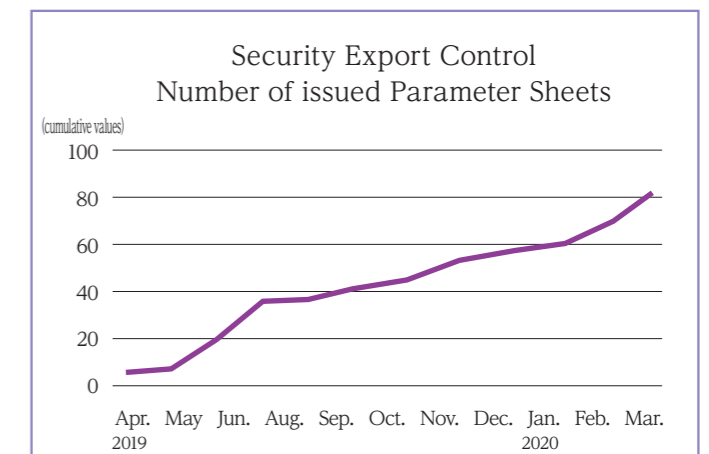
Reference environmental labels etc.



## 6) Security Export Control

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

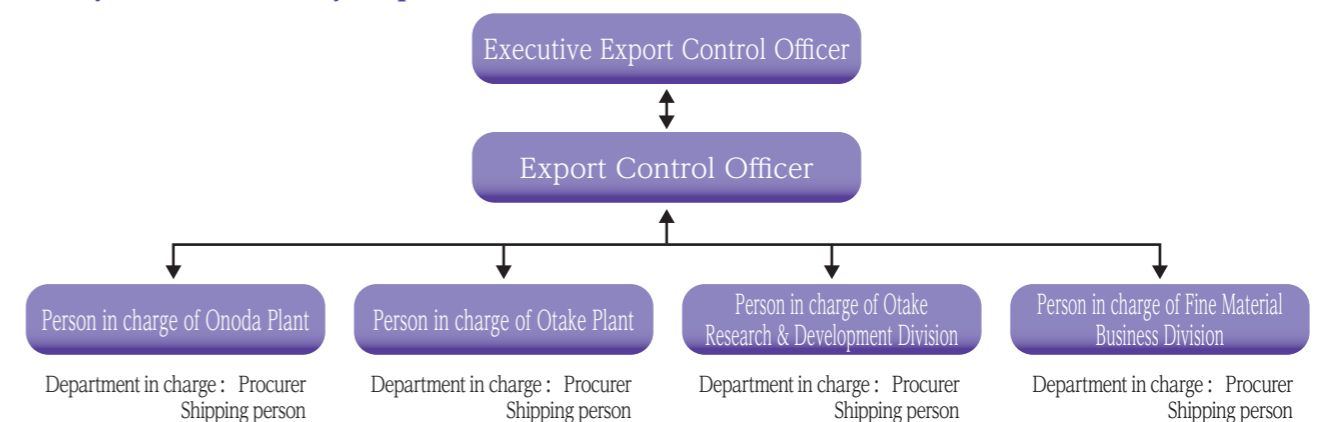
In order to prevent weapons and military-transferable cargo / technology from going to countries or terrorists that threaten the security of the international community, TODA KOGYO Group conducts export controls in good faith based on Foreign Exchange and Foreign Trade Act and other applicable international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



### ◆Inquiries concerning security export control

For inquiries concerning security export control of our products or related technology, please contact our technical / sales representative who is convenient. Because security export control is under the control of the CSR, Environment & Safety Department directly managed by the President, you can also contact to our Head Office for such inquiries.

### ◆System of Security Export Control◆



## 7) Occupational Safety and Health (Safety and Health Activities)

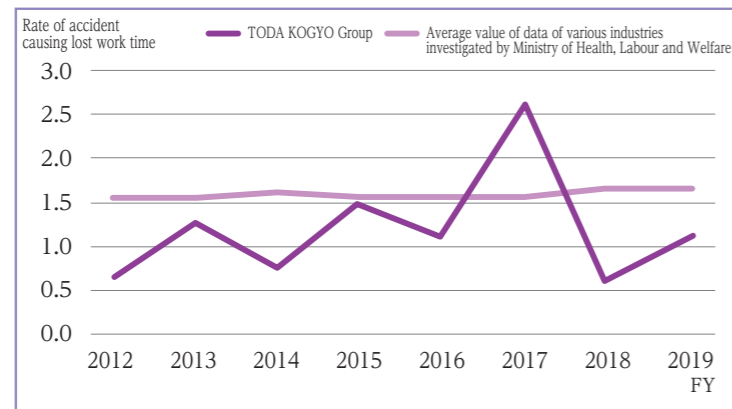
For the purpose of unifying the activities on occupational safety and health in the entire group, TODA KOGYO Group operates safety and health activities with the following organizational system.

- Operation of the safety and health committees in each plant under the Central Summarizing Safety and Health Committee
  - Development of human resources through the education cooperating with Monozukuri Promotion Center
- Under the above system, we promote to foster a corporate culture of safety and health for the entire group.

### ◆Data on industrial accidents

One accident causing lost work time occurred in the entire group in fiscal 2018. Cooperating with CSR, Environment & Safety Department, Monozukuri Promotion Center and safety and health committees in each plant, we will continue to promote activities for the purpose of the elimination of industrial accidents.

Trend of rate of accident causing lost work time in TODA KOGYO Group



\* Rate of accident causing lost work time: This means the number of casualties caused by industrial accidents per 1 million actual working hours, and expresses the frequency of industrial accidents.

### ◆Safety Activities

In 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 get lectured 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

### ◆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 "Course on danger prevention training", "Course on heat stroke", "Special education for low pressure electricity handling", "Special education for the prevention of hazards due to dust", "Reeducation of safety training of forklift truck operation etc.", "Basis of GHS(Globally Harmonized System) and preparation methods of labelling & SDS(Safety Data Sheet)", "Course on traffic safety", etc., TODA KOGYO Group strives to disseminate the recognition on safety and health for the group employees.



Reeducation of safety training of forklift truck operation etc.



Course on heat stroke



Special education for the prevention of hazards due to dust



Lecture regarding health care by an industrial physician



Course on traffic safety

### ◆Activities in the Safety workshop

Since fiscal 2014, we have been holding the Safety workshop for all employees within TODA KOGYO Group and subcontracting companies. Experiential educations for almost all target persons were completed by the end of fiscal 2019.

In this workshop, we hold courses in the classroom on "5S" and "Danger prevention training" that are regarded as basic of safety.

Moreover, by means of adopting eight experiencing devices, the safety education so as to experience the importance of safety ("What is danger?", "Notice of dangerous situation", etc.), based on the sensations of "seeing, touching and thinking", is implemented. Through the simulated experiences and experiences of dangers by participants themselves, participants experience the actualization of risks in workplaces. We will continue to provide participants with opportunities to raise sensitivity to dangers, mainly as a training for new employees.

### ◆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. Conducting drills for evacuation, rescue, firefighting, etc., assuming ① "personnel damage", ② "fire occurrence" and ③ "damage to buildings" due to an earthquake etc., we make efforts to be able to respond more properly. We also promptly share information by promoting collaboration with Risk Management Committee set up at Head Office.

Photos of emergency response drills implemented at each workplace are shown below.



Scene from a fire drill



Training to rescue injured persons



Scene from setting up a first-aid station



Scene from training to spray water

## 1) Relationships with local communities

### ◆Environmental beautification activities

Not only by means of implementing cleanup activities along rivers and roads near each workplace, but also by means of participation in cleanup events of coasts and public parks organized by local governments, TODA KOGYO Group actively promote environmental beautification activities.



Cleanup activities of Egawa River adjacent to Otake Plant



Cleanup activities around Otake Plant



Cleanup activities of the roadways around Onoda Plant



Cleanup activities of the roadways around Toda Pigment Corp.



Beautification activity, called "flower-planting campaign" around Kuba Station (Otake city)



### ◆The 10th science exhibition in Sanyo-Onoda City

Scene from an activity in the booth



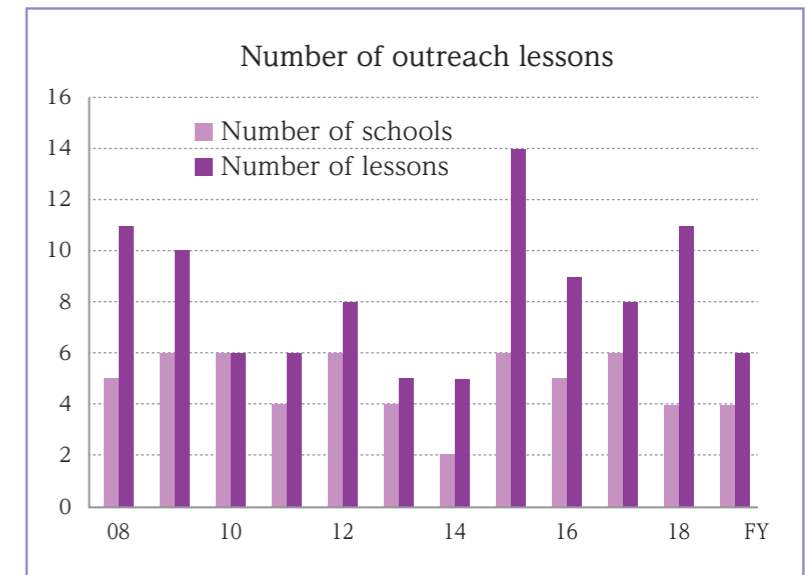
The 10th science exhibition in Sanyo-Onoda City was held at Onoda Sun-Park on August 28 and 29, 2019. TODA KOGYO has participated for four consecutive years since 2016. We made a presentation of "Let's make an easy-hand-made motor!" at the exhibition booth of TODA KOGYO on August 28, 2019. We asked about 120 children to make a motor. In order to entertain, surprise and impress children through learning sciences, we will continue to implement the activity.



Exhibition booth of TODA KOGYO

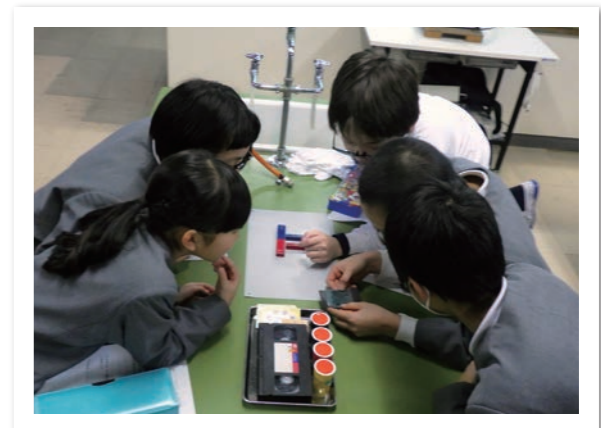
### ◆Outreach science lessons

Since fiscal 2008, TODA KOGYO has implemented outreach science lessons and events for elementary and middle school pupils in Hiroshima prefecture. Children experience the work of permanent magnets and electromagnets, and learn that magnets are used in various products in familiar lives, through touching various types of permanent magnets, or through making easy-hand-made 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.



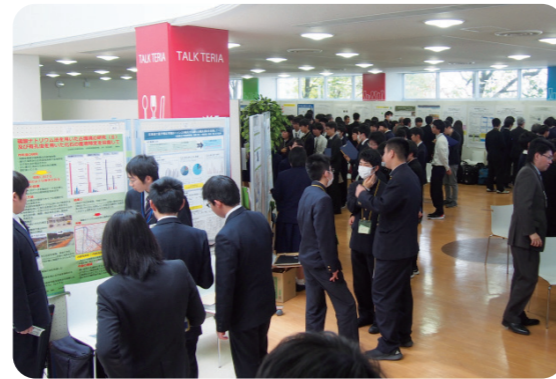
### ◆Scenes from outreach science lessons

(The pictures of outreach science lessons are provided by the Japan Institute of Invention and Innovation Hiroshima Branch, a general incorporated association.)



◆Participation in scientific research presentations by high school students in Hiroshima

Hiroshima Prefectural Board of Education holds an annual “Hiroshima Prefectural Scientific seminar”, in which high school students in Hiroshima give presentations on the results of scientific research activities in classes, science club, etc. In fiscal 2019, six supporting companies including TODA KOGYO were invited, and the seminar was held at Hiroshima City University on February 8, 2020. The number of participating schools: 18, the total number of students: 252, and the number of



Scenes from poster presentations



(The pictures are provided by Hiroshima City University.)

presentations: 79 (A total in six fields of physics, chemistry, biology, geology, mathematics and information) Active presentations and discussions in the poster session were developed. Ten presentations were recognized as awards of excellence. TODA KOGYO, as a supporting company, awarded one presentation as a special award. All of the students are interested in natural sciences, brightened their eyes and answered our questions. It is a valuable event in which we can confirm their enormous potential. TODA KOGYO will continue to actively participate in the event.

◆Exhibition by companies at Hiroshima University Open Campus

At Hiroshima University Open Campus (August 20 to 21, 2019), Cluster 3, School of Engineering carried out a company exhibition for high school students. In order that they can 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.



Scenery of corporate exhibition



[Exhibit contents]

1. Cosmetic samples (Application of nanoparticles)
2. Lithium ion battery materials for smartphone and personal computer
3. A top that keeps spinning (Magnetic materials)
4. IC tags (Wireless communication devices)
5. Not hot (?), no noisy (?) coating (Heat insulating and soundproof paint)

◆Koi, Koi-Festival in Otake

“Koi, Koi-Festival in Otake” (organized by Otake city) was held at the Otake General Civic Hall and around the Otake City Fire Department on November 10, 2019. TODA KOGYO exhibits at sections of environment & business PR every year and willingly communicates with the local residents.



Section of business PR

◆Endorsement for Green Greetings Project



A-bombed Trees

Having converted to the ashes after the atomic bombing in 1945, it was said that nothing green would grow in Hiroshima urban areas in the next several decades. But recently, we can see the green and the most beautiful landscapes around Peace Memorial Park and Peace Boulevard. There are about 160 trees that are A-bombed in these green landscapes. “Green Greetings Project” started on August 6, 2005 in order to save these A-bombed trees for posterity. TODA KOGYO Group endorse this project that promotes conservation activities of A-bombed trees for world peace.



The official website of Green Greetings Project, 2020  
<https://www.green-greetings.com/>



The poster of Green Greetings Project, 2020



## 2) 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.

### ◆Basic policy

TODA KOGYO Group seeks always to respect fundamental human rights which are premises of mutual understanding. TODA KOGYO Group also does not discriminate on the basis of race, creed, gender, social status, citizenship, sickness, handicaps and any other unjustifiable reasons.

### ◆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.

#### (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.

### ◆Enhancement of Company Internal Rules◆

We have established internal rules such as "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" in order to 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 our internal harassment prevention regulations.

### ◆Efforts concerning Respect for Human Rights◆

#### (1) Activities on recruitment of foreign nationals

We conduct promotion of employment of foreign nationals in our company. Currently, we hire eight foreign nationals as regular employees. Since 2019, we started to participate in activities organized by Hiroshima Prefecture, to encourage science and technology students from foreign country to find employment at companies in the prefecture. We are promoting the recruitment of talented human resources from Asia and other regions.

#### (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 has conducted educational support since fiscal 2017. In fiscal 2019, we held a training program on QC (Quality Control) for overseas subsidiary staff at Otake Plant.

#### (3) Education for expatriates

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

## 3) Training (Education) Systems

### ◆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 mind. And it is also intended to learn the basics as office workers.

- Training at Zen-temple (Switching from students to members of society in terms of mind 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 "office 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 (4 months from May to August)

The training is intended to understand the company culture and the workplace atmosphere by on-the-job experiences for a long period. 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 (September)

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 according to in-company job rotation.

### ◆On-the-Job Training (OJT)

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

### ◆Off-the-Job Training

Stratified training, priority issue training, job-classified training, mental health training, training for overseas assigned personnel, etc.

### ◆Self-development

Providing support to the correspondence self-education system (Individuals can optionally select courses. If they graduate with outstanding results, they are exempted from paying tuition fees.)



Scene from a training for managers



Scene from a new recruit training (a training on business manner)

## 4) Interview with employees

We interviewed with two employees posted to an overseas subsidiary and a young employee working in Japan, concerning the way they work, ways of spending holidays, etc.

### Toda Magnequench Magnetic Material (Tianjin) Co., Ltd.

### Masahiko Katayama, Hiroyasu Miki

**Q: Please introduce your colleagues working at Toda Magnequench Magnetic Material (Tianjin) Co., Ltd. (hereafter, TMT).**

K: A total staff number is 51 including about twenty operators and about thirty day shift staffs engaged in maintenances, quality control, etc. The average age and the average length of employment of them are 35 years and 7 years, respectively. There are many employees since the company's founding.



Miki (M)

Katayama (K)

**Q: Are there anything you are keeping in mind in everyday conversation with local staffs?**

M: Because we communicate through an interpreter, I do not converse in Hiroshima dialect and speak using a short sentence. I try to talk positively about something other than work-related, for example, ask something which I found in downtown and could not understand what it was. I also speak some Chinese acquired. I usually call out to staffs when I notice the change in clothing or hairstyle.

K: As it might be difficult to convey my idea fully at once, I usually reconfirm the understanding of the staffs by asking questions about what I explained from various viewpoints. Recently, under the influence of COVID-19, we communicate with our colleagues remotely from Japan. In order to facilitate a smooth communication under this inconvenient situation, I usually ask "Please feel free to call me if there is anything to talk".

M: I also speak clearly regarding safety. I write in Chinese characters or in English when it seems that my colleague does not understand my intention.

**Q: What is your communication with your colleagues other than your duties?**

K: We hold a year-end party at the end of the year. I also go out for a drink with my colleague individually and go to lunch with my colleagues at a restaurant near our company.

M: When moving, my colleague kindly took me to IKEA where it took about one-hour drive from the company. I also took a tour of curtain shops with my colleague, and visited the Great Wall of China with other colleagues.

**Q: What are the strong points of TMT?**

M: The members of the facilities team are outstanding. They continue improvements and carefully implement precautionary measures.

K: Chinese employees tend to make a career move after their experience. However, TMT staff remains in the company and continues working for a long period of time.



Members of TMT

**Q: Finally, do you have a message to readers?**

K: Although I take a significant responsibility as a president of the company, I feel a strong motivation in my job every day. Though living in a foreign country may not be so easy, I keep it in mind to enjoy the inconvenience. Because not everyone can experience such inconvenience, I would like to challenge many kinds of goals and expand the range of activities both in public and private.

M: When visiting Tianjin, please feel free to drop by TMT. We would like to extend to you a cordial welcome.

### Maintenance Department, Production Technology Division

### Takao Kawada



One year has passed since joining our company. At the new recruit training, I gained experiences across a broad range of tasks concerning development division, production division and sales division. Through the training, I not only studied attitudes toward manufacturing in each division, but also acquired basic knowledges indispensable in my work in the future, such as the history and social responsibility of TODA KOGYO, relations between other divisions in the course of my work, etc.

At present, I carry out daily activities as a member of Equipment Maintenance Department, Production Engineering Division. My main activity is the repairing of facilities. Different from the days when I first assigned, opportunities for construction management as a main person responsible, are increasing recently.

Although there are bound to be some failures caused by many first experiences, I do my best every day thanks to kind advices from my bosses and seniors.

From now on, I will steadily learn knowledges of facilities and skills. I strive to perform daily work responsibilities in order to become an engineer who can consider and propose the most suitable ways for repairing and improvements with various point of views such as safety aspects.

## Go Beyond 200! Project

In 2023, we will celebrate the 200th anniversary of our founding. Toward the anniversary year and as a major goal of a sustainable development of the company after the anniversary, a project called "Go Beyond 200! (hereafter, GB200!)" was launched. The project members seek to make the working time that has a large percentage in time in their lives, more meaningful and more fun than now. In order to facilitate this aim, having set up a subcommittee to promote a small group activity, each member works on an activity with enthusiasm to grow up throughout the company by means of a bottom-up approach. Contents of activities by subcommittees are not restricted. Specific examples of subcommittees include workshops such as "Enhancement of the corporate recognition" and "Construction of a manufacturing process in the future". There are various kinds of activities by the subcommittees.

### ◆ GB200! Recruiting department

As one of these activities, there is "GB200! Recruiting department" established by four younger employees within 5 years after hiring. It is said that the shortage of workers will become a serious problem in the future. In order that our company continue to be healthy in such a circumstance, the subcommittee was established with enthusiasm to continuously increase our colleagues by delivering appeal of our company to students. The first internship program in our company for applicants in the humanities and social sciences was entrusted to the subcommittee from planning to management, and successfully completed with the support of Personnel & General Affairs Department. Because the internship program was mostly appreciated by participating students, this subcommittee achieved an important result that about 80 percent of the students applied for the subsequent recruitment. Under the major goal of the project, for the purpose that our company will be much more attractive than now through a bottom-up approach, we will continue to promote daily activities.



Scene from a discussion

5) 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.

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

	Goal	Measures to achieve the goal	Result for fiscal 2019
1	During the planning period, we will raise <b>awareness about childcare in the workplace</b> 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 15.5% as of the end of fiscal 2019. (14.5% at the end of fiscal 2018)
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"> <li>We continue educational activities on good balance between work and family for all of our employees.</li> <li>We inform all employees about childcare leave law and childcare leave rules, especially urge men to acquire the leaves.</li> </ul>	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 usage of annual paid leave, expansion of application of hourly use of annual paid leave, 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"> <li>Reduction of the scheduled working hours per year (Decreased by 1.16 hours compared to fiscal 2018)</li> <li>Implementation of no-overtime days (At each worksite)</li> <li>Implementation of systematic grant rule for annual paid leave (At Research &amp; Development Division)</li> <li>Promotion of operational efficiency using rental offices (At Tokyo Office)</li> </ul>
4	We make children realize the interests of science and chemistry.	<ul style="list-style-type: none"> <li>We encourage understanding of science and chemistry through exhibiting at events for elementary, junior high and high school students.</li> <li>We will cooperate with school education for elementary school students (outreach science lessons etc. ).</li> </ul>	<ul style="list-style-type: none"> <li>Number of exhibitions at events for elementary, junior high and high school students: 2</li> <li>Number of implementations of outreach science lessons: 6 lessons were held at 4 schools.</li> </ul>

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

In response to our problems that the ratio of female employees is low, we promote the following counter-measures with the goal of setting the female ratio in new graduate recruits to 30% or more,

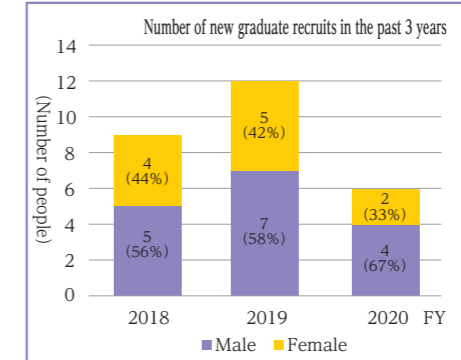
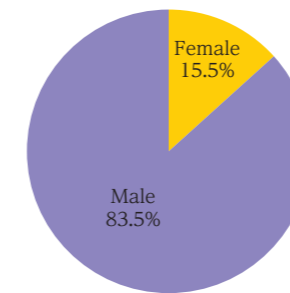
◆Measures to achieve the goal◆

In addition to reviewing recruitment selection criteria and its operation, we will expand support measures for work-life balance after employment, and will disclose information such as acquisition rate of childcare leave. As a result of these measures, we aim to increase both the number of female job applicants and the female ratio in new graduate recruits.

◆Results◆ All data are as of March 31, 2020. / Results for fiscal 2019 (Number of new graduate recruits includes a result for fiscal 2020.)

(1) Recruitment

Proportion of female in employees



(2) Continued employment and work style reforms

	Male	Female	Average
Average number of years of continuous service	23.6	11.7	21.9
Average age	49.2	38.1	47.6

Monthly average of extra working hours (hrs)	9.34
Average acquisition rate (%) of annual paid leave and number of acquired days of annual paid leave	72.3%/13.9

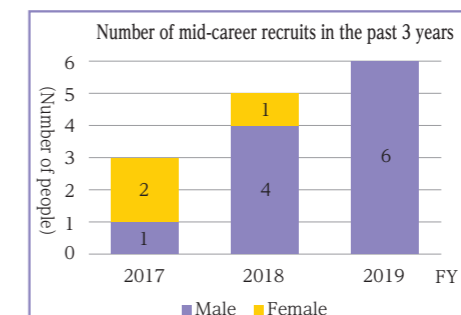
	Male	Female
Number of people eligible for childcare leave	8	3
Number of acquirers	0	3
Acquisition rate (%)	0%	100%

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

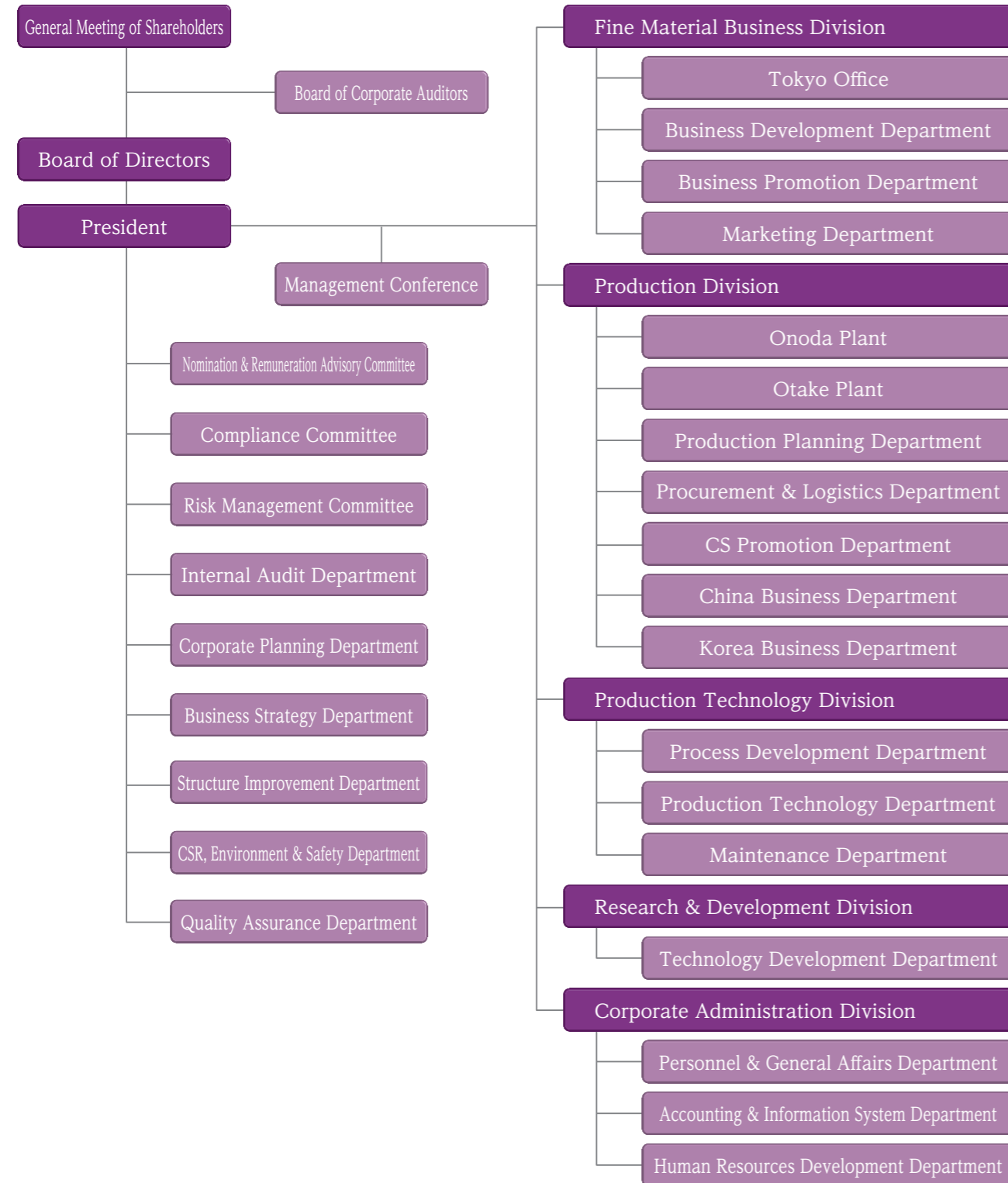
(3) Evaluation and promotion (As of March 31, 2020)

Percentage of female workers in assistant manager	11.8
Percentage of female workers in management	2.7
Percentage of female in executives	0

(4) Renewed challenges (Various career paths)



# Organization Chart



## <Company Data>

Name of company: TODA KOGYO CORP.  
 Head Office: 1-23 Kyobashi-cho, Minami-ku, Hiroshima, 732-0828 Japan  
 Founded: 1823  
 Incorporated: November 30, 1933  
 Capital: 7,477 million yen  
 Number of employees: 351 (stand-alone), 1,188 (consolidated)

※As of March 31, 2020

# Offices and Affiliate Companies

## Japan



\* BTBM = BASF TODA Battery Materials LLC.

## Overseas



※Functional pigments = "a variety of coloring materials" and "magnetic powder materials"  
 Electronic materials = "Ferrite materials" and "battery materials"

Management Principle and CSR Policy  
 Business Contents  
 Product Group  
 Message from the President  
 Special Report I  
 Special Report II  
 Special Report III  
 Management  
 Topics of Business Activities  
 Product Quality  
 Environment and Safety  
 Society  
 Organization Chart  
 Offices and Subsidiaries



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TODA KOGYO CORP.  
participates in local sports  
promotion activities!



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