



Responsible Care: Management

Commitment

President's Message

Our objectives in fiscal 2015 remain to achieve results from our safety reform activities while continuing to expand our earnings. Each Tosoh employee must be aware of and take responsibility for the need to ensure safety at Tosoh operations. Collectively, they must work as a team for zero accidents to thereby avoid lost time at our operations.

Results from Safety Reforms Are Essential

An explosion and fire occurred at and shut down the No. 2 Vinyl Chloride Monomer (VCM) Plant at our Nanyo Complex in November 2011. We've been implementing safety reforms since August 2012, when we completed our investigation, to prevent another such incident.

Reforms notwithstanding, some incidents have happened again. They are not, however, the result of insufficient know-how or deficient operating manuals, as was the case in November 2011. They stem from poorly managing equipment and plant maintenance.

We have increased allocations of money and time for maintenance and are working to eliminate operating difficulties. We also insist on new perspectives in managing facilities and substantially more-thorough risk assessments. To restore our reputation as a "safe chemical manufacturer," it is necessary for Tosoh employees to confront safety issues and demonstrate safety reforms.

Our Mission Is to Contribute to Society through Our Products

Tosoh's corporate mission is "to contribute to society through the chemistry of innovation." Good management is essential. That requires a commitment to superior products and regard for the environment, safety, and health. Emissions must be minimal and the characteristics of chemical substances understood. These are our responsibilities if we wish to supply products that benefit society.

We Must Coexist with Society and Build Mutual Trust

Corporate viability hinges largely on our being a member of society overall. We must communicate with the communities where we operate and aim for open and accessible places of business. Only then can we earn community trust and provide communities a sense of security.

Tosoh will merge with Nippon Polyurethane Industry Co., Ltd. (NPU), in October 2014. Our principal manufacturing facility, the Nanyo Complex, is adjacent to NPU, and it and NPU will assume more prominent roles in our operations and their surrounding communities following the merger. As well, Tosoh and NPU will combine their safety, health, and environmental initiatives and conduct the highest level of Responsible Care (RC) activities.

Looking ahead, we reaffirm the viability of chemical companies. We will offer safe products reliably and further develop our business with our stakeholders. The continuing guidance and support of stakeholders for our RC endeavors is welcomed and appreciated.

Message from the Chairman of the RC Committee

RC auditing discussions at Tosoh relate to day-to-day issues. Discussion outcomes are reflected in RC Committee policies, and ensuing activities are run through the plan-do-check-act (PDCA) cycle for refinement.

Following the explosion and fire at the Nanyo Complex's No. 2 VCM Plant in November 2011, we have undertaken groupwide initiatives based on safety reform guidelines drafted as a result of the accident investigation. Those initiatives include improving employee training and education, reviewing operating manuals, and identifying potentially unsafe production locations.

We regret that these efforts have not eliminated incidents, chiefly because of shortcomings in managing equipment and plant maintenance. Tosoh is committed to safety and has substantially increased its budget for plant maintenance. Translating commitment into action requires that each of us must raise our abilities to predict dangers, offer insights, and think of initiatives from new perspectives.

Manufacturing products invariably emits chemical substances into the atmosphere, water, and soil. To lessen our environmental impact, we must manage our chemical products from development to production to use.

And to safely and efficiently deliver products to customer satisfaction, it is important that we thoroughly manage the logistics of their transport. We must at all times communicate with the providers of logistics services to prevent distribution problems.

We know that it is important for everyone who handles, uses, and is even remotely exposed to Tosoh products—including employees, distributors, customers, and community members—to act in concert. So we work to ensure such cooperation.

Environmental Accounting

Tosoh applies environmental cost-benefit accounting to quantify its environmental programs. In fiscal 2014, because major projects were still ongoing, investments in environmental preservation amounted to ¥910 million, or ¥1.44 billion less than in the previous year.

ENVIRONMENTAL PROTECTION COSTS					
(Billions of Yen)					
ITEMS	MAJOR ACTIVITIES	CAPITAL SPENDING ¹			CURRENT EXPENDITURES ²
		FY 2012	FY 2013	FY 2014	FY 2014
Costs within business area		1.34	2.30	0.85	11.51
Pollution prevention	Exhaust gas and wastewater treatment	0.24	1.44	0.69	7.00
Global environmental protection	Electric power and fuel reduction measures	0.60	0.44	0.10	1.86
Resource recycling	Raw material and waste product recovery	0.50	0.42	0.06	26.5
Administration	Environmental management, impact assessment, environmental report publishing, environmental load auditing	0.03	0.02	0.05	0.47
Research and development	Environmental load reduction technology and environmental product development	0.19	0.03	0.01	1.14
Social activities	Association fees, planting, community contributions	0.00	0.00	0.00	0.02
Other		0.00	0.00	0.00	0.07
Total		1.56	2.35	0.91	13.21

1. Expenditures on capital investments for environmental protection purposes.

2. Expenditures related to such expenses as variable and labor costs for environmental protection purposes.

Health, Safety, Environmental Management

Basic Principles Regarding the Environment, Safety, and Health

In all of its business activities, Tosoh Corporation will contribute to the advancement of society through continuous innovation in chemistry, leading ultimately to the supply of products and services that bring customer satisfaction. At the same time, Tosoh will continue to regard environmental protection, safety, and health as top management priorities.

Action Policies

Basic Stance

- Promote initiatives based on awareness of the need to comply with laws and regulations and self-responsibility
- Establish targets, formulate action plans, and implement actions with the participation of all concerned
- Reflect audit results in future action plans

Environmental Protection Initiatives

- Conserve energy and resources through the use of the smallest-possible quantities of resources to obtain the greatest-possible benefits
- Lower emissions and waste through improved manufacturing processes and operational management

Safety Assurance Initiatives

- Prevent accidents and respond to disasters through facility safety management
- Maintain and manage emergency response capabilities through safety drills
- Eliminate accidents and disaster effects through the analysis of case studies

Product-Related Environmental and Safety Assurance Initiatives

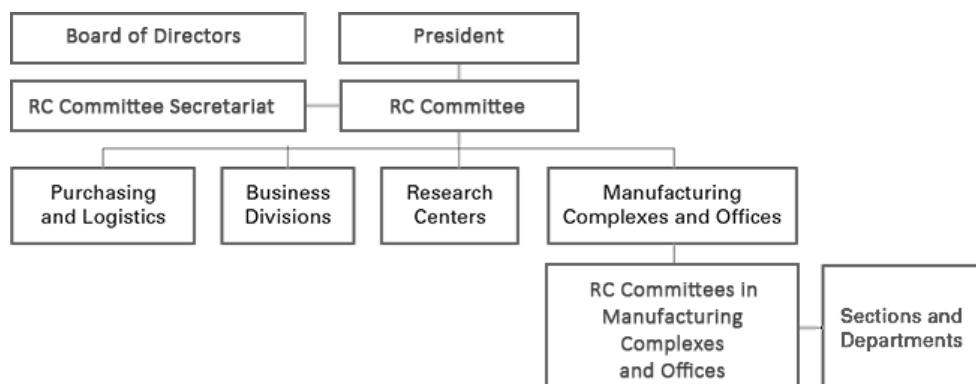
- Allow consideration for the environment, safety, and health to guide the product design and development of manufacturing processes
- Undertake prior assessment during the development of new products and processes
- Ensure product safety through total quality management

Communication Initiatives

- Provide safety management—related information for products and chemical substances
- Enhance public confidence through dialogue about business activities

Responsible Care Promotion Structure

To promote its RC activities, Tosoh has established an RC Committee. The director responsible for the company's Environment, Safety and Quality Control Division chairs the committee, and the committee's members include general managers from Tosoh's Purchasing and Logistics Division, operating divisions, manufacturing complexes and offices, and research centers. Our RC Committee decides the RC activity plan for each year and reports it to Tosoh's president, after which our Board of Directors makes the final decision on the plan. Our manufacturing complexes and offices then determine the details and carry out the planned activities.



Responsible Care Activities

	Results of RC Activities in Fiscal 2014	Objectives of RC Activities in Fiscal 2015
	Priorities	Priorities
	Promoted Employee Participation in RC Activities Based on Safety Reform Initiatives	Instill a Thorough Awareness of RC Activities in Each Employee
Safety and Disaster Prevention	- Experienced six incidents despite safety reform measures across all corporate activities ⇒Investigation of cause and prioritization - Based on information issued by the public sector, prepared report on issues related to earthquake and tsunami policies that takes into account estimates of potential damage	- Strengthen the weakness in equipment management and plant maintenance that was the cause of trouble in fiscal 2015 - Implement medium- to long-term plans for dealing with earthquakes and tsunami
Environmental Preservation	- Attained RC objectives (369 metric tons/year) for the emissions of substances covered by the Pollutant Release and Transfer Register (PRTR) system - Achieved RC objectives (1,768 metric tons/year by 2015) for the volume of industrial waste for final disposal - Promoted the disposal of equipment containing polychlorinated biphenyls (PCBs) ⇒Made decision to complete the disposal of equipment containing high concentrations of PCBs during fiscal 2014	- Continue managing the emissions of substances covered by the PRTR system - Continue to reduce the volume of industrial waste for final disposal - Complete the disposal of equipment containing high concentrations of PCBs and formulate plans for the disposal of equipment containing lower concentrations of PCBs.
Chemical and Product Safety	- Complied with new Japan Industrial Standards (JIS) requirements for safety data sheets (SDS) - Prepared SDS and labels to comply with the transition to the Global Harmonized System of Classification and Labeling of Chemicals (GHS) system in Thailand and South Korea	- Continue to comply with new JIS requirements for SDS - Make further progress in complying with restrictions regarding chemical substances in overseas markets
Quality Assurance	Witnessed a decline in claims regarding logistical quality because of strengthened oversight and guidance. Experienced a claim because of deficiencies in process and plant maintenance	Promote continuing quality assurance and continue to reduce claims among parties along the logistics chain through detailed claims analyses
Logistical Safety	Implemented measures to raise the awareness of product handling among concerned parties to deal with troubles when transporting goods	Promote measures to reduce logistical problems based on analyses of issues and reduce problems related to route transport
Dialogue with the Public	- Encouraged teamwork with communities - To promote risk-related communications, prepared a pamphlet to educate the public on how to deal with leakages	- Continue to encourage teamwork with the community - Offer clear information to stakeholders regarding risk

Stewardship

Stewardship of Social Responsibility

We will endeavor to continuously innovate products that contribute to the healthy development of society, to provide a reliable supply of our products, and to acquire the trust of society.

We will strive to be a prosperous business and a cooperative and contributing member of the local communities where we do business.



Responsible Care: Environment and Society

Environment and Safety

Input and Output

Our products are manufactured by reaction, cracking, and distillation. Tosoh's power generation plants and coal-fired boilers provide the electricity and steam, respectively, for reactions and cracking. We use industrial water and seawater to cool reactions.

We manage our generation of electricity and steam to balance our product output. We also manage our emissions to lessen the burden our production activities place on the environment.

Effective Use of Resources

Tosoh makes a significant contribution to recycling in its operations and in the surrounding communities. The company collects waste produced on location and from households and other companies near its operations and recycles it into new products.

Tosoh is able to process much of its waste, such as coal ash, as raw materials at its cement plant. At the Nanyo Complex manufacturing hub, the company is able to process not only industrial waste from nearby companies but also household garbage from local communities. In fiscal 2014, Tosoh's volume of industrial waste for final disposal amounted to only 0.4% of its industrial waste produced. Tosoh will continue to use resources as effectively as possible.

Industrial Waste Emissions

We dispose of and recycle almost all of our industrial waste. What we don't process we make available for use outside the Tosoh Group or dispose of in landfills.

Before issuing a manifest on handling industrial waste, Tosoh double checks the specifics of each, waste disposal. Through our manifests, we supervise waste leaving our facilities on-site and confirm final waste disposal or reuse. We also annually inspect our disposal sites.

Product Safety

Tosoh's raw materials and products contain specified-use and restricted substances under Japan's Fire Prevention Law, Law Concerning Poisons and Other Harmful Substances, and other laws. Ensuring safety each, step along the way is essential in all operations including R&D, manufacturing, logistic and quality assurance. Tosoh complies with safety requirements under its RC goals of "chemical product safety," "quality assurance," and "logistical safe and other internal directives.

R&D

R&D involves improving and developing products, from basic materials to cutting-edge technologies. Tosoh continues to develop products that meet customer needs on a daily basis.

Production

Providing stable product supplies is a chemical company's main mission. When adding new equipment, expanding capacity, and maintaining and upgrading facilities, the company establishes committees to assure that safe operations are achieved.

Safety and Reliability

Logistics

Tosoh conducts training programs for the companies that transport its products. It aims to raise safety awareness and establish safe supply lines between itself and its customers.

Quality Assurance

Tosoh has implemented a quality management system. It also emphasizes responding promptly to customer inquiries.

Safe Sourcing of Chemical Products

Tosoh engages in initiatives to comply with domestic and foreign legal regulations for the safe handling of chemicals. These include assessing product safety and providing product information.

Tosoh Initiatives

- Tosoh provides safety data sheets (SDS) along with its products to ensure the safe handling of its products in accordance with unified international classification and labeling requirements known as the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).
- Tosoh submits notifications, registrations, and applications in compliance with such domestic laws as the Chemical Inspection, Health and Sanitation, and Pharmaceuticals Laws.
- Tosoh complies with such foreign legal regulations as Europe's Registration Evaluation Authorization and Restriction of Chemicals (REACH).
- Tosoh participates in the autonomous Japan Initiative of Product Stewardship (JIPS) movement promoted by the Japan Chemical Industry Association. JIPS aims to minimize the effects of chemical products on health and the environment.

Human Rights, Human Resources, Diversity

Human Resources

Human Resources System

Tosoh's human resources system strives to inspire and then reward employees who exhibit a proactive attitude based on a strong sense of ownership.

Principles

Creative Organization

Enabling employees to realize their potential

Challenging Environment

Applying a grading system for thorough employee evaluation

Impartial Treatment

Rewarding employees who go the extra distance

Employee Education Programs

Tosoh has traditionally provided education and training programs to increase learning and interaction between company employees, create a stimulating workplace, and foster creative leaders. These education programs include on-site training, manager and other rank-based training sessions, vocational classes, and classes that promote internationalization. After 21 years, Tosoh is once again providing this type of training program on ships. Three employees participated in a program in fiscal 2014 that visited Singapore, Malaysia, and Thailand.

Recruitment Policies Promote Diversity

Transmitting technical skills from experienced to new workers is among Tosoh's recruitment policies. So we reemploy people after they retire. We also employ women, and we employ physically challenged persons to the legally recommended 2.0% of our workforce.

Human Resource Data

	Regular employees	Newly hired personnel	Reemployed personnel	Average age of regular employees	Average number of years worked by employees	Ratio of employees leaving
Fiscal 2013	2,516 (195)	133 (12)	239	40.5	18.8	2.27%
Fiscal 2014	2,548 (203)	148 (16)	239	40.0	18.4	0.86%

Note: Figures in parentheses are the number of female employees.

Contribution to Society

Learning Opportunities for Children

Every year, we invite children attending middle schools in the areas neighboring the Nanyo Complex to visit its facilities. Students interact with Tosoh employees and thereby increase their understanding and interest in chemistry and the chemical industry as a potential career path.

We also provide opportunities for other groups to visit the Nanyo Complex to similarly deepen an understanding of the chemical industry and specifically of Tosoh. Local chambers of commerce, for example, sponsor Summer Vacation Industry Tours for Children and Parents that, along with other group tours of primary and middle school students, visit the complex.

Opportunities for Interaction with Children

Tosoh also passes on the specialized knowledge, skills, and experience of its personnel to schoolchildren and their teachers in the communities near the Yokkaichi Complex. In response to requests from local governments, Yokkaichi Complex personnel teach chemistry in local classrooms, offer training courses for local school teachers, and conduct group plant tours for students and teachers to enhance the level of instruction in chemistry in schools throughout the neighboring communities.

At the Yokkaichi Children's Chemistry Seminar, held in August 2013, Tosoh personnel taught student attendees how to make bath powder using Tosoh's sodium bicarbonate.



Responsible Care: Governance

Corporate Governance and Management System

Tosoh is structuring to respond promptly to a changing business environment to thereby raise corporate value. We endeavor to manage our activities soundly and to a high degree of fairness and transparency.

We have formed five corporate governance committees consisting of directors and general managers from across the Tosoh Group: Internal Control Committee, Compliance Committee, Antimonopoly Compliance Committee, Export Supervision Committee, and RC Committee. All five function to gain the trust of society.

The Tosoh Group Code of Conduct

Basic Policy

Each of us will comply with all laws, internal regulations, and social mores related to our business activities.

Guidelines

1. Create workplaces where all employees can draw on their capabilities to the fullest (comply with laws, regulations, and norms in society and with rules of employment; respect human rights; forbid discrimination and harassment; and create a healthy workplace)
2. Respond to the expectations of customers, business partners, and shareholders (prevent bribery and corruption, comply with import and export laws and regulations and with antitrust laws and regulations, prohibit ties with antisocial elements, and prevent insider dealings)
3. Contribute to the healthy development of society (promote environmental conservation and protection, maintain a safe and clean workplace, and raise the awareness of stewardship for social responsibility)

Internal Control and Risk Management

Internal Control Committee

The Internal Control Committee monitors Tosoh's compliance with the financial reporting requirements of Japan's Financial Instruments and Exchange Act. Specifically, it supports the design and improvement of our internal controls.

It assesses the effectiveness and, based on assessments by our Audit Office, the status of our internal controls and formulates plans. It also prepares and publicly issues internal control reports. Its members are general managers from related departments.

Preparedness for Major Earthquakes

The Great East Japan Earthquake of 2011 taught Japan's Central Disaster Prevention Council and other groups that major earthquakes might occur and cause serious damage even where tremors are rare. Meetings in March and August 2012 produced conclusions about earthquakes and tsunami based on analyses of the Nankai Trough using megaquake models. Those conclusions, published in December 2013 and March 2014, included maps and more indicating the impact of tsunami on Yamaguchi Prefecture, home to Tosoh's Nanyo Complex, and Mie Prefecture, home to Tosoh's Yokkaichi Complex.

The Nanyo and Yokkaichi Complexes comply with all legal requirements, including the Construction Standards, High-Pressure Gas Safety, and Fire Service Laws. They are, with the exception of some electric power generation, designed to safely cease operation at a specified magnitude of earthquake. Working groups at the complexes confirm equipment and facility earthquake resistance and formulate tsunami and evacuation procedures—with priority on saving lives.

Compliance

Compliance Committee

Our Compliance Committee structures our compliance systems; formulates our corporate behavior guidelines; and prepares and implements our compliance-related training, research, and fact-finding. In April 2014, it revised the parent company's Japanese-language code of conduct and expanded it to the Tosoh Group. The new Tosoh Group Code of Conduct was produced in English and Chinese and establishes high standards for groupwide compliance.

The committee also has established a compliance hotline to allow employees and others to anonymously report compliance-related indiscretions. In addition, it has a section on our intranet site highlighting the latest compliance-related developments. Also included are quizzes on compliance, real-life examples of compliance, and more to heighten employee awareness of the importance of compliance.

Board of Directors

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