

# Corporate Governance Policy

Tokuyama Corporation  
Established April 1, 2024  
Revised April 1, 2025

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## Chapter 1 General Provisions and Basic Views

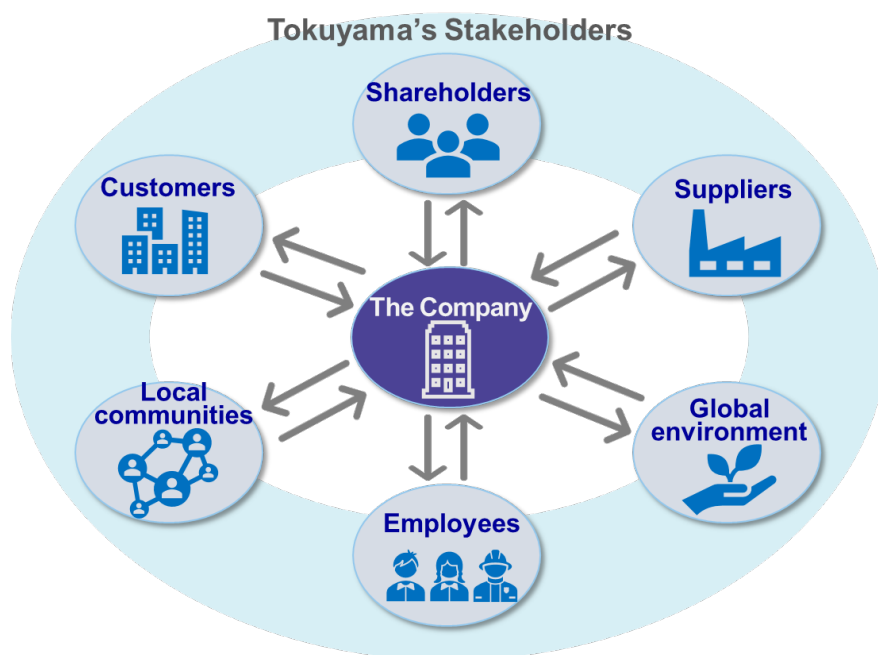
### 1. Basic Views on Corporate Governance

Amid the major transformations taking place throughout society, Tokuyama Corporation (hereinafter, “the Company”) has defined its Mission as “To create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry” in line with the business environment being faced today. This redefinition incorporates the Company’s desire to continuously conduct business in harmony with the environment and to create the future together with its customers as a means of contributing to a sustainable society. This only becomes possible with the trust and support of customers, shareholders, suppliers, employees, local communities, and all other stakeholders, which the Company believes will connect to sustainable growth and greater corporate value over the medium- to long-term.

The Company recognizes that corporate governance is an important management issue and that it is imperative to take the initiative to improve and constantly enhance the functions of governance through meeting the various expectations, requests and requirements of our stakeholders.

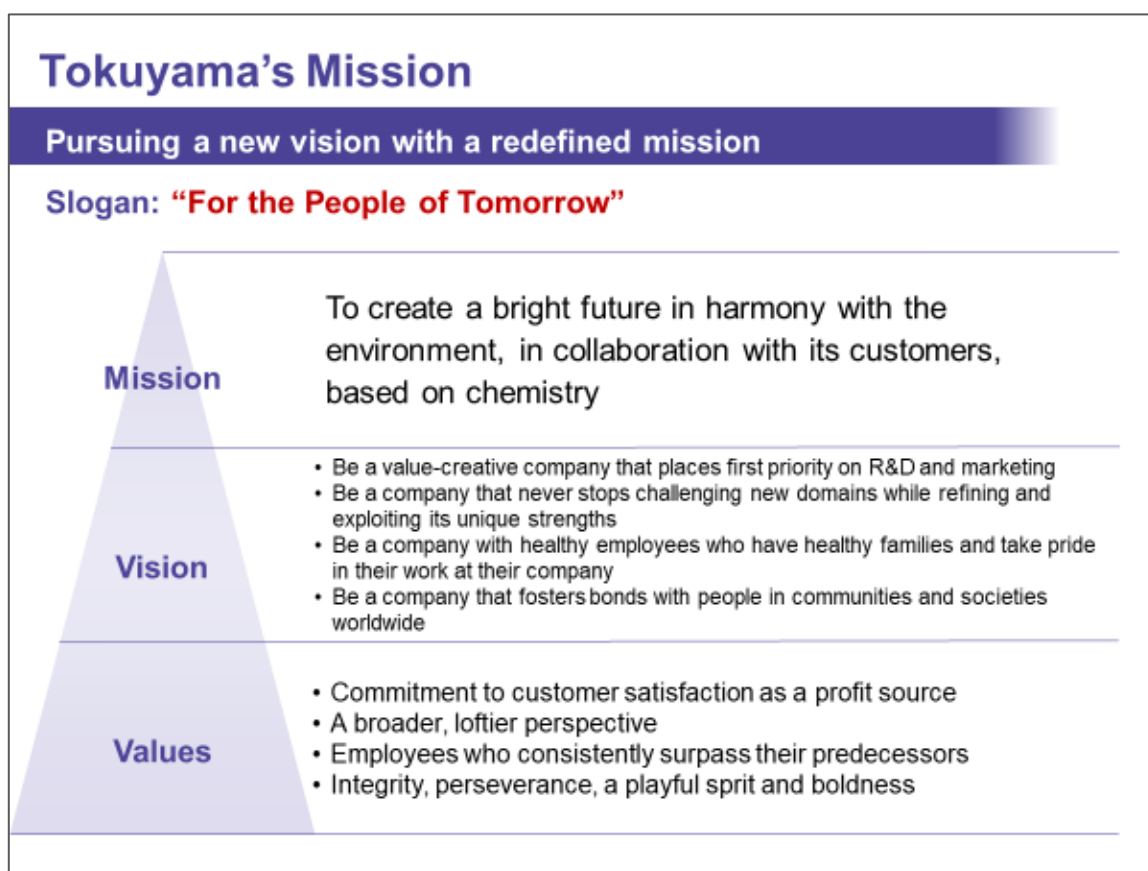
Driven by the basic views set out here, and in consideration of Japan’s Corporate Governance Code, we strive to accelerate decision-making, clarify responsibilities, maintain the independence of the Board of Directors, enhance the board’s oversight function, respect the rights and equality of shareholders, appropriately cooperate with all stakeholders, achieve transparency by proper disclosure, and engage in constructive dialogue with shareholders.

(Principle 3-1(ii))



## 2. Mission

Our mission is described in the diagram below.



## 3. Positioning, Formulation and Revision of This Policy

The purpose of this Policy is to attain the trust of our shareholders and other stakeholders, and based on our Mission "To create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry," to carry out the best possible corporate governance in order to achieve sustainable growth and improve corporate value over the medium to long term.

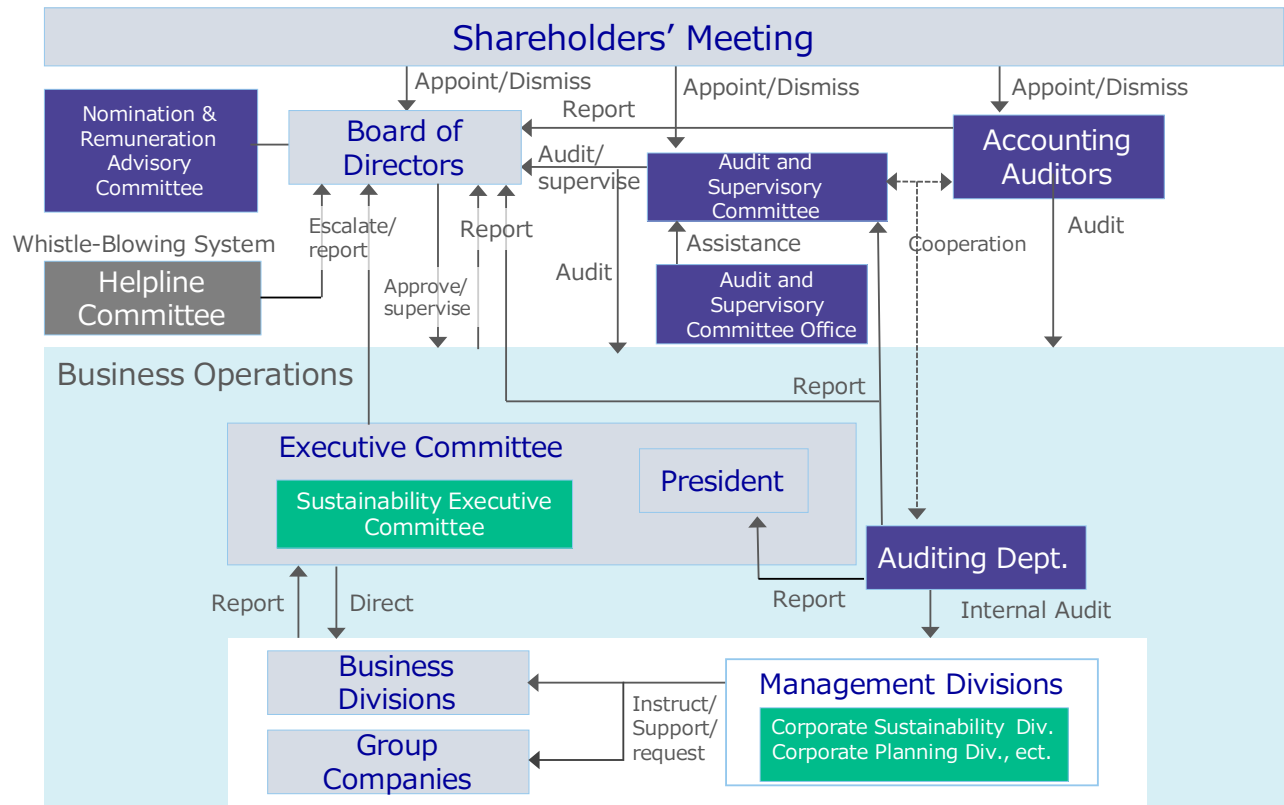
The formulation and revision of this Policy shall be conducted with the approval of the Board of Directors. However, minor changes, such as the correction of words or phrases, etc., may be conducted with the approval of the director in charge of the Corporate Planning Division.

(Principles 2-1, 3-1(i))

## Chapter 2 Corporate Governance Structure

### 1. Overview of Corporate Governance Structure

The Company's corporate governance structure is detailed in the diagram below.



#### (1) Board of Directors

The Board of Directors deliberates and determines statutory and other important matters related to business execution. It also supervises the status of business execution by directors and executive officers to whom the execution of business is delegated. The Company operates a hybrid style Board of Directors that makes both decisions on business execution and supervises the execution of business by directors and executive officers. These functions include advising the executive management team on its determined efforts to enhance corporate value over the medium to long term. Given these functions, the Board of Directors is chaired by an executive director or a director with executive experience. In order to enhance the effectiveness of decision-making from a broader perspective and supervision of business execution, at least one third of the Board of Directors shall be independent outside directors.

The Board of Directors shall, in principle, convene once a month, with other extraordinary meetings convened as necessary.

## (2) Audit and Supervisory Committee

Aiming to engage in an open management style, the Company is focused on governance and determined to be customer-centric. In order to strengthen the audit and supervisory functions of the directors' execution of their duties and expedite decision-making, the Company's institutional design under the auspices of Japan's Companies Act is that of a "Company with Audit and Supervisory Committee." The Audit and Supervisory Committee is comprised of non-executive directors, and the directors who are Audit and Supervisory Committee members (hereinafter "ASC members") attend meetings of the Board of Directors and other important internal meetings in order to gather information on the status of the execution of business, and they also audit the status of execution by executive directors.

## (3) Nomination and Remuneration Advisory Committee

Based on the Company's basic views on corporate governance, in order to achieve greater transparency and objectivity in management, the Company has established the Nomination and Remuneration Advisory Committee, which is tasked with deliberating on personnel matters and compensation for directors (excluding ASC members), executive officers, and other persons accorded treatment as executives, as well as making reports and recommendations to the Board of Directors (deliberations on the President Succession Plan, however, are conducted by the President Nomination Committee, which is established as a subsidiary body to the Nomination and Remuneration Advisory Committee). Independent outside directors comprise the majority of the Nomination and Remuneration Advisory Committee and the term of their office is one year.

## (4) Executive Committee

The Executive Committee is a decision-making body relating to business execution, the members of which are selected by the president and chief executive officer (hereinafter, "the president") from among the Company's executive officers. In principle, the committee meets twice each month. The Executive Committee discusses and makes decisions on important matters concerning the Company's execution of business, pursuant to the Rules for Decision Making determined by the Board of Directors.

## (5) Strategy Committee

The Strategy Committee is an advisory body to the president, the members of which are selected by the president from among the Company's executive officers. The committee meets once a month, and in addition to deliberating on the direction business execution should take, it also works to confirm the allocation of management resources in respect to important matters requiring approval and guides business execution policies for such matters.

## (6) Sustainability Executive Committee

The Sustainability Executive Committee is chaired by the president and comprised of all executive officers of the Company, and it is tasked with determining CSR (sustainability) policies and goals, while also facilitating activities to achieve those goals. In addition to sustainability-related issues, the committee also discusses important matters regarding internal controls.

#### (7) Expert Committees

With regard to fields that are mission-critical and specialized from the perspective of sustainability and internal control, expert committees have been established and are operated under the Sustainability Executive Committee. These are the Compliance Committee, the Financial Reporting Committee, Fair Trade and Competition Committee, Security Trade Committee, Information Security Committee, Environment Committee, Safety Committee, and Product Safety and Quality Assurance Committee.

#### (8) Helpline Committee

The Helpline Committee is responsible for the whistleblowing system (Helpline) for addressing legally questionable actions, etc., within the Group.

(Principle 4-10, Supplementary Principle 4-10①)

## **2. Roles and Responsibilities of the Board of Directors**

(1) In order to enhance corporate value and achieve sustainable growth, the Company believes that it is necessary for the executive management team to appropriately and efficiently procure and allocate management capital (human resources, etc.) and resources (financial, tangible and intangible assets, etc.) and to make and execute decisions with a due sense of expediency, in order to achieve the Company's Mission "To create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry" and carry out management plans based on that Mission. At the core of these activities is the business execution system (involving all executive officers including the president and meeting bodies such as the Executive Committee). The Board of Directors is responsible for objectively auditing and supervising to ascertain if decision-making and execution by the business execution system are being properly conducted, taking into account the expectations of stakeholders. In addition, the Board of Directors also provides constructive advice to the executive management team on its risk-taking initiatives to enhance corporate value over the medium to long term and encourages the best possible decision-making and business execution with a view to achieving the Company's Mission and related management plans.

(2) In order to fulfill the responsibilities detailed in the preceding paragraph, the Board of Directors works to ensure fairness and transparency of management by exercising its supervisory function over management as a whole. It also makes decisions on the selection and dismissal of the representative director and executive directors, compensation of officers, succession planning for the president, formulation of management strategies, determination of important risks and countermeasures, and

determination of important business execution of the Company, in accordance with the Rules for the Board of Directors and Rules for Decision Making. Based on the Rules for Decision Making, matters pertaining to some items of business execution are delegated to the business execution system for decision.

- (3) Based on the Basic Policy on Establishing the Internal Control System (see Appendix 1), as set forth by the Board of Directors, the Company works to strengthen internal control systems across the entire group, and continuously works to develop and improve these systems in response to changes in the management environment, in order to ensure appropriate operations and maintain the soundness of the organization.

(General Principle 4, Principles 4-1, 4-2, 4-3, Supplementary Principle 4-3④)

### **3. Invigorating Deliberations in the Board of Directors**

- (1) In order to ensure that the Board of Directors can sufficiently deliberate important matters in the limited time available, based on proposals and opinions from each director, critical matters related to the Company's management strategy, risks and internal controls are determined at the beginning of the fiscal year as priority items for deliberation by the Board.
- (2) Materials relating to the agenda and agenda items for the Board of Directors are provided to each director, including outside directors, through briefings prior to the date of the board meeting (however, this does not apply to matters of an urgent nature), with a view to activating deliberations.

(Principle 4-12)

### **4. Analysis and Evaluation of Overall Effectiveness of the Board of Directors**

- (1) The Company conducts an annual evaluation of the effectiveness of the Board of Directors. An external organization is commissioned to conduct either a questionnaire survey or interview, or in some cases both, for all directors, with the results being analyzed and then reported to the Board of Directors for review and discussion.
- (2) The results of the effectiveness survey and a summary of the issues identified are disclosed as appropriate.

(Principle 4-11)

### **5. Roles and Responsibilities of the Audit and Supervisory Committee**



Working with the Board of Directors to fulfil a supervisory function for the Company, and also as a legally mandated independent body that is entrusted by shareholders to supervise the execution of duties by the directors of the company, the Audit and Supervisory Committee is responsible for establishing a high-quality corporate governance system by properly acquitting its abovementioned duties. A high-quality corporate governance system means a system through which the Company and the group as a whole give due consideration to the interests of various stakeholders, strive to collaborate with these stakeholders, and deliver healthy and sustainable growth while creating corporate value over the medium to long term, in so doing responding to the trust placed in them by society.

(Principle 4-4)

## **6. Roles and Responsibilities of Directors**

- (1) Directors comply with relevant regulations, working cooperatively and with dedication to the development of the Company's business, while also assuming duties and obligations as stipulated in the Companies Act.
- (2) Directors may participate in consultations on the selection and compensation of executive directors and executive officers (however, only members of the Nomination and Remuneration Advisory Committee may participate), and in deliberations in various meeting bodies.
- (3) From the perspective of the common interests of all shareholders, directors shall collect sufficient information, seek explanations at board meetings, actively express their opinions, and confirm the rationality of decision-making processes before exercising their voting rights.

(Principle 4-5)

## **7. Roles and Responsibilities of Independent Outside Directors**

- (1) Independent outside directors, given their independence and the reasons for which they were appointed, and based on their own knowledge from a neutral standpoint, provide advice intended to help promote the sustainable growth of the company and improve corporate value over the medium to long term.
- (2) Recognizing that independent outside directors are expected to express their opinions objectively based on the interests of the shareholders and also the interests of the Company and the Group, they exchange opinions with other independent outside directors and the Audit and Supervisory Committee, in addition to which, in cooperation with other independent outside directors, they exchange information with the relevant departments responsible for exchanging opinions with shareholders. When deemed necessary, independent outside directors express their opinions to the representative director and the Board of Directors, from the perspective of according due consideration to the interests of shareholders.

(Principle 4-7, 4-8)

## **8. Criteria for Defining the Independence of External Directors**

The independence of external directors is determined based on the Company's "Criteria for Defining the Independence of External Directors" (see Appendix 2).

(Principle 4-9)

## **9. Policy on Selection and Dismissal of Officers**

- (1) Executive officers are appointed in each business segment and area based on their knowledge and experience to make certain that they direct the execution of business and make appropriate decisions with regard to the Company's business operations, centered on chemicals.
- (2) When nominating candidates for directorships, the Company selects those who have demonstrated a high level of insight, diverse experience and expertise, and then takes into consideration the balance and diversity of the Board of Directors, in order to ensure the board properly supervises and provides advice on important decisions and business operations (see Appendix 3: Skills Matrix of the Board of Directors).
- (3) When selecting and dismissing executive officers and nominating candidates for directorships (excluding ASC members), discussions shall be held in advance of the subject appearing on the agenda at a Board of Directors' meeting at a meeting of the Nomination and Remuneration Advisory Committee. The Board of Directors shall then make decisions in response to the Nomination and Remuneration Advisory Committee's report. For the selection and dismissal of the president, the President Nomination Committee shall deliberate on these matters, and the details of these deliberations shall then be presented to the Board of Directors following a report by the Nomination and Remuneration Advisory Committee, at which point the Board of Directors makes a decision.
- (4) In the case of the nomination of directors who are ASC member candidates, the Board of Directors makes decisions after receiving the assent of the ASC.

(Principle 3-1(iv), Supplementary Principles 4-3①,②,③)

## **10. Policy on Determining Director Remuneration**

The Company has established a policy for determining the content of remuneration for directors on an individual basis (excluding ASC members). An overview of this policy is detailed in Appendix 4, and individual remuneration is determined by the Board of Directors following deliberations by the Nomination and Remuneration Advisory Committee.

## **11. Information Acquisition and Support System**

In addition to the briefings described in Chapter 2 Section 3.(2), the Company shall provide the following support to outside directors.

- (1) Inquiries regarding management issues, industry trends, business strategies, and the status of the establishment and operation of the internal controls system are responded to and explained by executive officers, or other officers.
- (2) With regard to the auditing plan of the accounting auditor, reviews of quarterly and year-end accounts, and audit results, the accounting auditor provides explanations directly to outside directors.
- (3) In accordance with the Companies Act, when auditing financial statements, etc., internal directors who are members of the Audit and Supervisory Committee (hereinafter “internal ASC member”) shall receive detailed explanations from the departments in charge of accounting, etc., and provide an outline of this information to external ASC members.
- (4) With regard to the implementation status of internal audits, the internal ASC members shall receive detailed information from the Auditing Department (or head of the Auditing Department), and shall provide an outline of this information to external ASC members.
- (5) The Corporate Sustainability Division reports on the development and operational status of the internal controls system to outside directors at the Board of Directors meetings.

(Principle 4-13)

## **12. Training Policy for Officers**

- (1) Newly appointed directors and newly appointed executive officers, as they are future candidates for directorships, shall participate in external executive training. The content of the training program may be selected based on the experience and knowledge of the individual, but with corporate governance in mind, the required content shall include legal affairs and corporate governance, as well as accounting and finance. The officers may also choose to attend external seminars related to their own particular corporate responsibilities.
- (2) External directors shall be given the opportunity to visit factories and learn about the Company when they take office, so that they can better understand the current condition of the Company’s businesses and functions.
- (3) The Company shall hold study sessions when needed for all directors to gain a better understanding

of domestic and international economic conditions, legal revisions, and new systems, etc.

(Principle 4-14)

## **Chapter 3 Rights of Shareholders**

### **1. Respecting the Rights of Shareholders**

Based on the Company's Mission "To create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry," we believe that a relationship of trust and collaboration with shareholders is indispensable as the foundation for achieving sustainable growth and enhancing corporate value over the medium to long term. Based on this view, the Company respects the rights of all shareholders and endeavors to create an environment in which they can exercise those rights with ease.

(Principle 1-1)

### **2. Securing Effective Equal Treatment of Shareholders**

In order to build relations of trust with shareholders and promote cooperation, the Company places importance on securing effective equal treatment of all shareholders, including institutional investors, individual investors, and foreign investors. In addition to appropriate disclosure of information (including for example conducting briefings for institutional and individual investors, and preparing English-language materials for foreign investors), the Company engages in a multilayered dialogue with shareholders by engaging in communication tailored to their individual needs. The Company shares opinions obtained through dialogue with shareholders internally, including with the executive management team, and maintains a system to protect the rights of shareholders by strictly managing insider information, etc. Through these and other measures, we strive to secure effective equal treatment of all shareholders.

(General Principle 1)

### **3. General Meeting of Shareholders**

The Company values the General Meeting of Shareholders as an opportunity for shareholders to exercise their rights and as an opportunity for the Company to communicate directly with a variety of shareholders. We endeavor to operate the General Meeting of Shareholders in such a way as to enable shareholders to smoothly exercise their rights, including the early dispatch of the notice of convocation of the General Meeting of Shareholders and reference documents, setting a meeting date that avoids dates where other general shareholder meetings are concentrated, enabling exercise of voting rights by electronic means, providing the notice of convocation in English (summarized version).

(Principle 1-2)

#### **4. Distribution of Profits to Shareholders**

Concerning the distribution of profits, the Company's basic policy is to ensure the continuous and stable payment of dividends to shareholders. In carrying out this policy, the Company takes into consideration performance trends, the dividend payout ratio, and the roadmap established under the medium- to long-term business plan. Retained earnings are used to establish a sound financial position in consideration of business risks, and they are allocated to future-oriented capital investment and investment and loans to further increase corporate value.

The Company's basic policy is to pay dividends from surplus twice a year, an interim dividend and a year-end dividend. The year-end dividend is determined by the General Meeting of Shareholders and the interim dividend is determined by the Board of Directors. Pursuant to the stipulations of Article 454, Paragraph 5 of the Companies Act, it is set forth in the Articles of Incorporation that the interim dividend may be determined and distributed by a resolution of the Board of Directors.

(Principle 1-3)

#### **5. Policy on Holding Listed Shares for Purposes Other than Pure Investment**

The Company holds shares of publicly listed companies on a strategic basis in accordance with the necessities of its business activities as a part of its overall management strategy. This includes the need to maintain and bolster transactions, raise funds and stably procure raw materials. With regard to this policy on holding listed shares for purposes other than pure investment, each year the Board of Directors takes steps to verify the economic rationality of holding shares in publicly listed companies by comparing capital costs that factor in associated risks with accrued benefits, while confirming the propriety of its holdings based on an outlook for the future. The Company exercises its voting rights based on the contribution to the corporate value of both the Company and the portfolio companies. The Company limits its holdings to the minimum level possible, taking into consideration the need to ensure efficient corporate management.

(Principle 1-4)

#### **6. Policy Concerning Control of the Company**

As a listed company, Tokuyama has accepted the unrestricted transaction of the Company's shares by shareholders, and therefore believes that decisions regarding the need to address large-scale purchases of the Company's shares should ultimately be made based on the will of the shareholders. However, among such large-scale share purchases, judging from the purpose of such, some actions present the risk of loss to the corporate value of the target company, and therefore to the common interests of the shareholders.

In order to secure the corporate value of the Tokuyama Group and the common interests of shareholders, the Company implements all appropriate countermeasures in accordance with relevant laws and regulations. These include requesting any party that intends to conduct a large-scale share purchase of the

Company's shares to furnish all necessary and adequate information, and providing shareholders with pertinent details, including the Board of Directors' appraisal and opinion of that information, as well as information on the business features pertaining to any large-scale share purchase.

(Principle 1-5)

## **7. Transactions with Related Parties**

In order to ensure that the common interests of the Company and its shareholders are not harmed, in accordance with the Rules for the Board of Directors, the Company requires the prior approval of the Board of Directors, as well as subsequent reporting of the same, for any competitive transactions, proprietary transactions, or transactions that may involve a conflict of interest.

(Principle 1-7)

# **Chapter 4 Appropriate Cooperation with Stakeholders Other Than Shareholders**

## **1. Building Good Relations with Stakeholders Other Than Shareholders**

Recognizing that the Company's sustainable growth and creation of medium- to long-term corporate value are the result of the provision of resources and tangible and intangible contributions made by various stakeholders, including customers, suppliers, employees, creditors, and local communities, the Company endeavors to appropriately cooperate with all these stakeholders.

The directors and executive officers of the company exercise leadership in establishing a sound corporate culture that respects the rights and positions of these stakeholders and upholds compliance.

(General Principle 2)

## **2. Sustainability Issues and General Principles on Sustainability**

Based on the Company's Mission "To create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry," we create and provide products and services for a future that is more convenient, healthier, and comfortable for people, and we act with integrity in our business activities so that we can continue to nurture and earn the trust of our stakeholders.

The Board of Directors recognizes that addressing sustainability issues is an important management priority that can lead to opportunities as well as risk mitigation. , We have formulated the Tokuyama Group Sustainability Principles to address such challenges positively and proactively, thereby enhancing corporate value over the medium to long term (see Appendix 5).

(General Principle 2-3, Supplementary Principle 2-3①, 3-1③, 4-2②)

### **3. Tokuyama Group Code of Conduct**

Maintaining the position that compliance is to be prioritized across the corporate activities of the Company and the Group, the Tokuyama Group Code of Conduct (see Appendix 6) was established to govern business activities. In order that the Company and the Group can continue to benefit from and further develop the trust of stakeholders, we ensure that all employees comply with the Code of Conduct and act in accordance with its stipulations.

(Principle 2-2)

### **4. Group Governance**

In order to enhance medium- to long-term corporate value and the sustainable growth of the entire group, we pursue effective governance as a corporate group, while respecting the independence of each group company. Important matters at group companies are resolved by those group companies after institutional approval from the Company, and any necessary guidance, support, and requests are also provided to ensure operational management in accordance with the agreements concluded between the Company and group companies.

### **5. Ensuring Diversity**

We recognize that the existence of diverse viewpoints and values reflecting different experiences, skills, and attributes within the Company, including on the management team, not only prevents business execution from a tendency to be self-righteous, but is also a strength in our effort to become a value-creating company capable of solving social issues through our business operations. We promote the development of an environment and systems that enable diverse human resources to play an active role, regardless of gender, nationality, age, etc.

(Principle 2-4, Supplementary Principle 2-4①)

### **6. Whistleblowing System**

As part of its redress and grievance mechanism, the Company has established a whistleblowing system contact point (Helpline) that enables individuals to report and consult on compliance violations, or matters that have the potential to constitute a compliance violation, in a safe, anonymous manner, without receiving disadvantageous treatment, and conducts appropriate investigations, fact-finding operations, and corrective measures according to the content of the report or consultation. The Board of Directors receives reports on the whistleblowing system and supervises its operation as a check against inappropriate business execution.

In addition, in order to ensure the independence of responses to whistleblowing, any cases that involve

officers of the Company, or are suspected to possibly involve officers, are reported to and deliberated by the Audit and Supervisory Committee.

(Principle 2-5, Supplementary Principle 2-5①)

## **7. Roles of Corporate Pension Funds as Asset Owners**

The Company has established a basic investment policy with the goal of ensuring the income required to reliably provide pension benefits to beneficiaries over the long term. While striving to ensure the expertise and reliability of fund management, the Company, in accordance with this policy, also appoints investment trustees, monitors reports from the investment trustees on a regular basis, and conducts appropriate management operations, including quantitative and qualitative evaluations.

(Principle 2-6)

# **Chapter 5 Ensuring Appropriate Information Disclosure and Transparency**

## **1. Basic Policy on Information Disclosure**

The Company actively and fairly discloses both financial information, including financial standing and operating results, etc., and non-financial information, including business strategies and issues, human capital, risk, and governance, all the while working to build trust by engaging in proactive dialogue with a wide range of stakeholders.

(General Principle 3)

## **2. Full Disclosure**

Information pertaining to the abovementioned matters is appropriately disclosed by the Company in various media and formats, including securities reports, corporate governance reports, integrated reports, and on corporate websites.

In addition, the Company appropriately discloses its initiatives on sustainability based on internationally well-established frameworks, taking into account their impact on its own business activities and earning opportunities, and it endeavors to enhance the quality and quantity of its disclosures.

(Principle 3-1(iii), Supplementary Principle 3-1③)

## **3. External Auditors**

The Audit and Supervisory Committee engages in actions appropriate for ensuring proper auditing, including the formulation of standards for the selection and dismissal of external auditors, verifying the independence



and expertise of external auditors, as well as confirming audit plans, the status of execution of duties, and remuneration, among other actions.

(Principle 3-2, Supplementary Principle 3-2②)

## **Chapter 6 Dialogue with Shareholders**

### **1. Policy for Constructive Dialogue with Shareholders**

The Company engages in constructive dialogue with shareholders based on the following policy.

- (1) The Company designates persons and departments in charge of constructive dialogue with shareholders, and these departments work closely with other relevant internal departments to enhance this dialogue with shareholders.
- (2) Persons in top management roles engage actively in IR activities.
- (3) Views and opinions expressed by shareholders and investors in dialogue are confirmed and shared among top management and relevant departments, and efforts are made through internal considerations to make good use of such opinions in the formulation of management and business strategies, and in improving corporate value.
- (4) With regard to the management of insider information, the Company ensures comprehensive management by formulating in-house rules and non-disclosure agreements, among other measures.

(Principle 5-1)

### **2. Establishing and Disclosing Business Strategies and Business Plans**

The Company actively discloses formulated business strategies and plans in a timely manner, and works to build trust by engaging in continuous dialogue with a wide range of stakeholders.

(Principle 5-2)

## — Appendix —

### Appendix 1

#### Basic Policy on Establishing the Internal Control System

##### Views on the Internal Control System

The Basic Sustainability Principles were established to realize Tokuyama's vision based on its mission "to create a bright future in harmony with the environment in collaboration with our customers, based on chemistry." The Company is implementing sustainability management based on these principles with the aim of increasing corporate value.

The Company recognizes that corporate governance must function effectively within all business activities performed by the Company and its Group companies (hereinafter, referred to as "Tokuyama Group"). The Company therefore continuously works to establish internal control systems and to make improvements to these in accordance with changes in the business environment in order to ensure the appropriateness of business and maintain the health of the organization.

##### Basic Policy on Establishing the Internal Control System

- 1) System for ensuring the legality and efficiency of execution of duties by Directors
  - i. Directors shall execute their duties based on the division of duties to which they are entrusted under the applicable laws and regulations, Articles of Incorporation, Rules for the Board of Directors, and other internal rules, as well as under Board of Director's resolutions.
  - ii. Directors shall make the necessary proposals and reports at the Board of Directors regarding their execution of duties, and the Board of Directors shall provide oversight for the execution of duties by Directors. Moreover, the Board of Directors shall include External Directors in order to strengthen the Board's oversight function.
  - iii. Directors shall provide mutual monitoring and oversight regarding the legality and efficiency of execution of duties by other directors via attendance at important meetings in addition to the Board of Directors.
  - iv. Directors shall efficiently execute their duties pursuant to the stipulated company organization, executive responsibilities, and division of duties for each organization, and to the delegated authority based on the Company's approval rules.
- 2) System for retaining and managing information relating to execution of duties by Directors

The Company, in accordance with applicable laws and regulations and the stipulations of the Company's management regulations, shall retain information relating to the execution of duties by Directors for the designated retention period at the responsible department.

3) Rules and other systems relating to management of risk of loss

- i. The Company shall conduct enterprise-wide risk management as a system for managing risks of loss within the Tokuyama Group from an organization-wide perspective.
- ii. The Company shall designate the responsible department for rules regarding risk management of loss within the Tokuyama Group, establish management regulations, and work to ensure the thorough implementation of these.
- iii. The Company shall establish a management system that understands important laws and regulations that are relevant to business execution and that tracks movements in the revision thereof as a means of reducing compliance risk within the Tokuyama group.
- iv. The Company shall respond appropriately when a risk manifests within the Tokuyama group by establishing a crisis response headquarters in accordance with the severity of the manifest risk, and shall rapidly engage in recovery and post-event management efforts. The Company shall also implement crisis scenarios and conduct drills when conditions are normal to develop an emergency response system.

4) System to ensure that the execution of duties by employees complies with laws and regulations and the Articles of Incorporation

- i. The Company shall conduct ongoing awareness-raising activities to ensure awareness of compliance, including observance of social norms and internal rules as well as laws and regulations, and encourage ethical conduct in accordance with the Tokuyama Group Code of Conduct.
- ii. The Company shall conduct monitoring and self-assessments led by the responsible party for the business divisions, etc., and management divisions in order to ensure the appropriateness of duties. At the same time, each Group company shall also be requested to conduct monitoring and self-assessments.
- iii. The Company shall provide the required guidance, support, and requests regarding important matters to all business divisions, etc., and Group companies through the Corporate Planning Division, the Corporate Sustainability Division, and other management divisions.
- iv. The Company shall conduct internal audits of business divisions, etc., management divisions, and Group companies via an auditing department that is independent of the divisions, etc.
- v. The Company shall report any discovery of compliance violation matters to those within and outside the organization in accordance with the severity of such, and shall immediately correct the violation and deploy such horizontally within the Tokuyama group in order to prevent a recurrence.
- vi. The Company shall establish a Whistle-blowing System contact point (helpline) that allows individuals to report and consult on compliance violations, or matters that are believed to hold the potential to violate such, in a safe, anonymous manner without receiving disadvantageous treatment, and shall implement appropriate management and countermeasures according to the report or consultation.

5) System to ensure appropriateness of business within the corporate group

- i. To promote sustainability management and implement effective and efficient internal control within the Tokuyama Group, the Company shall establish the Sustainability Executive Committee to deliberate and determine important matters regarding individual sustainability issues and internal control.

- ii. With regard to areas requiring specialist expertise and of great importance from the viewpoint of sustainability and internal control (compliance, financial reporting, antitrust law compliance, security export controls, cyber and information security, security and environmental measures, and product safety and quality), the Company shall establish expert committees under the Sustainability Executive Committee. The Sustainability Executive Committee and the expert committees shall oversee risks and opportunities in the relevant area.
  - iii. The Company shall evaluate the effectiveness and efficiency of internal control for the Tokuyama Group through the above meeting structure and shall engage in ongoing improvements.
  - iv. The Company shall establish an internal management system for group companies and shall operate and manage group companies thereby.
  - v. The Company shall respect the principle of self-responsibility in order for each group company to achieve healthy growth while at the same time providing the required guidance, support, and requests to ensure the appropriateness of business.
  - vi. The Company shall dispatch Company Directors and employees as Directors or Auditors for group companies as necessary.
  - vii. The Company shall include group companies as being subject to the Whistle-blowing System and internal audits.
- 6) System to ensure effective audits by the Audit and Supervisory Committee
- i. The Company shall establish an Audit and Supervisory Committee Office to aid the duties of the Audit and Supervisory Committee, and shall appoint Company employees for this purpose. Moreover, the Company shall receive consent from the Audit and Supervisory Committee regarding personnel evaluations, hiring, transfers, and discipline in regard to such employees.
  - ii. The authority to instruct and provide orders to employees of the Audit and Supervisory Committee Office shall reside in the Audit and Supervisory Committee.
  - iii. The Company shall immediately report on any cases to the Audit and Supervisory Committee when a request is made by the Audit and Supervisory Committee for an explanation of matters relating to the execution of such duties and when a compliance violation matter is discovered by the Company, including that reported by a group company. Moreover, NO disadvantageous treatment shall be made against the reporting party due to the provision of information to the Audit and Supervisory Committee.
  - iv. The Company shall permit the necessary audit expenses, including those for employing attorneys at law, certified public accountants, consultants, and other external advisors for the purpose of supporting an audit by the Audit and Supervisory Committee, when such is deemed necessary by the Audit and Supervisory Committee.
  - v. The Audit and Supervisory Committee shall cooperate closely with the Internal Audit Department and accounting auditors in order to improve the efficiency of audits.
  - vi. The Company shall establish other systems for the purpose of ensuring that audits by the Audit and Supervisory Committee are carried out effectively.

7) System to ensure the reliability of financial reporting

- i. The Company shall establish and operate internal controls relating to business processes (including business processing controls relating to IT) and general controls relating to IT, and shall ensure the reliability of accounting data through the evaluation and improvement of such controls.
- ii. The Company shall work to standardize and improve the efficiency and quality of accounting and financial duties, and shall maintain and operate internal controls relating to financial reporting in order to ensure the reliability of financial reporting.
- iii. The Company shall establish a Financial Reporting Committee that fully ensures the reliability of financial disclosures through deliberations.

8) System for blocking ties with anti-social forces

- i. The Company shall address unfair demands made by anti-social forces throughout the organization, from upper management on down. Moreover, the Company shall ensure the safety of Directors and employees who address such unfair demands.
- ii. The Company shall prepare for unfair demands made by anti-social forces by building close cooperative relationships with external expert organizations during normal times.
- iii. The Company shall NOT maintain any relationships, including transactional relationships, with anti-social forces. Moreover, the Company shall reject all unfair demands made by anti-social forces.
- iv. The Company shall take legal action from both a civil and criminal standpoint against unfair demands made by anti-social forces.
- v. The Company shall prohibit backroom dealings with and providing funding for anti-social forces, and shall never engage in such activities.
- vi. The Company shall establish and maintain a structure for itself and each Group company for the purpose of blocking ties with anti-social forces.

## Appendix 2

### Criteria for Defining the Independence of External Directors

With regard to its criteria for defining the independence of external directors, the Company considers those who do not fall into any of the following categories to possess sufficient independence.

- (1) Persons who are not currently nor in the past ten years have been engaged in the execution of business operations of the Company or its affiliated companies (\*1).
- (2) Persons who are not currently nor in the past three years have been engaged in the execution of business operations of a major trading partner of the Company, or executives thereof. However, the Company's major trading partners are defined as those that fall into either of the following categories:
  - i. Financial institutions that have financed more than 2% of the Company's total borrowings.
  - ii. Trading partners that account for more than 2% of the Company's consolidated net sales
- (3) Persons who currently deem or in the past three years have deemed the Company or an executive thereof to be a major trading partner. However, persons who deem the Company to be a major trading partner are defined as those cases in which the amounts paid by the Company account for 2% or more of the said trading partner's consolidated sales.
- (4) Consultants, accountants or legal professionals who currently receive or in the past three years have received large financial considerations or other property (\*2) from the Company in addition to their compensation as a director/auditor. (If the entity in receipt of the assets is an organization, such as a legal entity or an association, any person who belongs to such organization.) However, this includes those that fall into either of the following categories:
  - i. Auditors who are responsible for the statutory audit of the Company.
  - ii. Law firms that serve as legal counsel to the Company.
- (5) Spouses or relatives within the second degree of kinship of the relevant persons in the sections above (but limited to important persons (\*3)).

\*1 Pursuant to Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act of Japan.

\*2 In the case of an individual, a substantial compensation payment is defined as an annual amount of compensation that exceeds ¥10 million, and in the case of an organization, an amount of 2% or more of the annual total income of that organization.

\*3 In the case of a company, important persons are defined as those who hold the responsible positions of director, executive officer, operating officer, or positions equivalent to manager; in the case of an accounting office and audit corporation, certified accountants; in the case of law offices and legal corporations, lawyers; and in the case of a tax accountant office and tax accountant corporation, tax accountants. In other organizations, an important person means a director, such as a director or a councilor.

## Appendix 3

### Skills Matrix in the Board of Directors

In order for the Board of Directors to hold effective discussions and properly perform the required supervisory functions over decision-making and business execution in consideration of the vision, management policies, and business development pursued by the Company, the following are important skills identified from the areas in which it is expected that directors will contribute

By ensuring an overall balance of skills among the Board of Directors and ensuring the board is comprised of diverse members, the Company aims to further bolster the effectiveness of governance (applied from the selection of board members from fiscal 2024).

Skill	Definition of skill and reason for selection
Management planning and strategy	The Company considers that having one or more directors with extensive management experience and broad insights in this area is indispensable when determining management plans and strategic policies, including portfolio management, in order for the Company to achieve sustainable growth.
Sales and marketing	Based on the value of “Commitment to customer satisfaction as a profit source,” the Company considers that having one or more directors with extensive experience and broad insights in this area is necessary for marketing, building businesses and creating profits based on an accurate understanding of the business environment.
R&D, Production technology and engineering	As a comprehensive chemical manufacturer, the Company considers that having a director with a track record of promoting various innovations and extensive experience and broad insights in R&D, production technology and engineering is necessary in order to create new business opportunities based on proprietary technologies.
Finance and accounting	The Company considers that, both for accurate financial reporting and the formulation of a financial strategy that facilitates both investment for sustainable growth and shareholder returns while building a strong financial foundation, having one or more directors with extensive experience and broad insights in this area is necessary.
Governance and risk management	The Company considers that the establishment of an appropriate governance system is the foundation for all corporate activities and that having one or more directors with extensive experience and broad insights in areas such as corporate governance, risk management, legal affairs and compliance is necessary in order to improve the effectiveness of management and supervision by the Board of Directors.
Sustainability	In order to contribute to solving various social issues through its business and to be a company that is both trusted and needed by society, and given that this requires expertise from a sustainability management perspective pertaining to the environment and society, the Company considers that having one or more directors with extensive experience and broad insights in this area is necessary.

Human capital	The Company recognizes human resources as being the most critically important management capital for sustainable growth, and considers that having one or more directors with extensive experience and broad insights in this area is necessary in order to build a human resources strategy that is linked to our business strategy and to be a company where diverse human resources can harness their respective skills to the maximum extent.
Digital transformation (DX)	The Company considers that, since the promotion of fundamental business reforms through digital transformation (DX), rather than merely seeking to improve operational efficiency and productivity through IT, is indispensable for the Company's continued sustainable growth and medium- to long-term improvement of corporate value, having one or more directors with extensive experience and broad insights in this area is necessary.
Global business	Given that the acceleration of overseas business is essential for transforming the business portfolio, which is part of the Company's medium- to long-term strategy, the Company considers that having a director with extensive experience and broad insights in global business, such as overseas management experience and business development, is necessary.

\* The skills, career background, and expertise required for the Board of Directors are reviewed in response to changes in the business environment and management policies. In addition, the areas in which each director is expected to contribute to management oversight are all clearly set out, but they do not necessarily represent all of the skills, career background, and expertise possessed by each director.



## Appendix 4

### **Policy on Determining Director Remuneration on an Individual Basis (excluding those who serve on the Audit and Supervisory Committee)**

#### **Basic Policy**

- (1) The remuneration plan for the Company's directors is based on the following intentions.
  - a) To ensure that directors contribute to charting sustainable growth for corporate performance and corporate value based on the "Vision of Tokuyama."
  - b) To provide a level of remuneration that secures and retains human resources that can support the Company's management.
  - c) To consider the performance of the Company.
  - d) To employ a highly transparent, objective remuneration decision process.
- (2) Remuneration for the Company's Directors consists of basic remuneration and bonuses<sup>1</sup> in the form of monetary remuneration and performance-linked share-based remuneration<sup>2</sup> in the form of non-monetary remuneration.

#### **Policy on Determining Director Remuneration on an Individual Basis**

- (1) Basic remuneration
  - a) The basic remuneration (annual amount) is determined from a comprehensive perspective, taking into consideration the roles and responsibilities to be undertaken.
  - b) The determined basic remuneration is divided into 12 equal monthly payments.
- (2) Bonuses
  - a) Bonuses are determined on a scale from 0% to 150% of the standard bonus amount pre-determined for each position. Each bonus is calculated according to the degree of achievement with respect to performance targets set in advance for each fiscal year.
  - b) The performance targets are established based on the main financial performance targets for the entire Group.
  - c) The determined bonus is paid at a fixed time of year.
- (3) Performance-linked share-based remuneration
  - a) Performance-linked share-based remuneration is based on the total number of standard points determined for each position during the target period, which is the fiscal years covered by the Medium-Term Management Plan. Tokuyama share options are granted to the individual on a scale of 0% to 150% of the standard points, according to the level of achievement of the pre-determined performance targets.
  - b) The performance targets are established based on the main financial targets under the Medium-Term Management Plan.
  - c) In principle, the share options are only granted after the end of the target period

(4) Level of remuneration

- a) The levels of remuneration are decided using compensation survey data from specialized external agencies.

**Policy on Determining the Ratio of Remuneration for Directors by Type**

The ratio of remuneration for Company directors by type is determined in consideration of the ideal balance between the basic standard for the required roles/responsibilities and incentives to stimulate the desire to achieve performance targets.

(Notes)

1. Directors eligible for the bonus plan are those who are executive officers.
2. All directors, except those who serve on the Audit & Supervisory Committee, non-executive directors, external directors, and those not residing in Japan, are eligible for the performance-linked share-based remuneration plan.

**Policy on Determining Director Remuneration on an Individual Basis**

- (1) The final annual amount of basic remuneration for each individual is calculated and determined by the representative director, president and chief executive officer, having received authorization to do so from the Board of Directors, based on a standard amount predetermined for each position.

The Nomination and Remuneration Advisory Committee deliberates on whether the calculated basic remuneration is appropriate or not.

- (2) Bonuses are determined by the representative director, president and chief executive officer, having received authorization to do so from the Board of Directors, based on performance for the target fiscal year, after first determining the payment ratio in accordance with the standard bonus amounts for each position, the performance targets for the target fiscal year, and the achievement level for those targets. The Nomination and Remuneration Advisory Committee deliberates on whether the performance targets, calculation methods, and calculation results are appropriate or not.

- (3) The granting of share options as part of performance-linked share-based remuneration is based on the executive share-based remuneration regulations deliberated by the Nomination and Remuneration Advisory Committee and adopted by the Board of Directors. The number of share options to be granted to each individual is calculated by multiplying the total number of standard points determined for the position concerned by the performance-linked coefficient (ranging from 0% to 150%) set according to the degree of target achievement.

In addition, the specific performance target is the Company's target total consolidated operating income for the target period.

## Appendix 5

### **Tokuyama Group Sustainability Principles**

Based on chemistry, Tokuyama's mission is to create a bright future in harmony with the environment in collaboration with its customers. In order to fulfill this mission, we have established the following principles on the promotion of sustainability.

1. We ensure that all of our business activities help solve social issues and contribute to a sustainable future.
2. We respect human rights, individuality, and diversity, and we strive to deliver job satisfaction for our employees and business partners by implementing human resources development and health management.
3. We practice thorough compliance and conduct transparent business activities in good faith.
4. We always give top priority to safety, and we work hard to prevent accidents and ensure occupational health and safety.
5. We operate in harmony with the global environment by striving to combat global warming and protect biodiversity.
6. We deliver products and services that meet the needs of customers and consumers and provide them with peace of mind.
7. We contribute to local communities by acting as a good corporate citizen in the countries and regions in which we operate.
8. We maintain good communication with all of our diverse stakeholders.

Established April 1, 2023

## Appendix 5

### Tokuyama Group Code of Conduct

At the Tokuyama Group, all of us work hard to ensure that the Group's business activities help to build a sustainable society. This is part of the Group's mission to create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry.

To ensure that the Tokuyama Group continues to develop with the confidence of all stakeholders, we will adhere to this Code of Conduct.

#### Scope

This Code of Conduct applies to all officers and employees working at the Tokuyama Group.

#### 1. Value Creation

We will create and deliver products and services that contribute to people's convenience, health, comfort and happiness.

- 1) By recognizing that commitment to customer satisfaction is the source of our profit, we create and provide useful products and services to help build a sustainable society.
- 2) We aim to be a value-creating company that places first priority on R&D and marketing, by adopting ever broader perspectives and going beyond our current business areas.
- 3) We continue to grow by enhancing and utilizing our unique strengths, including the proprietary technologies, manufacturing processes and technologies, and customer networks that we have developed over our more than a century in business.
- 4) We place importance on finding the courage to take on new challenges so that we can all become professional human resources and surpass our predecessors.

#### 2. Human Rights Protection and Work Styles

We believe that respect for human rights lies at the foundation of all corporate activities.

- 1) By recognizing that our business activities could potentially have adverse impacts on human rights, we strive to avoid any human rights infringement and always to protect them.
- 2) We respect the diversity, personality, and individuality of all our fellow officers and employees, and will not discriminate against them in any way.
- 3) Under no circumstances will we engage in any activity that may harm the dignity of an individual.
- 4) While recognizing the need for diverse work styles, we create rewarding workplaces where every employee can demonstrate their full potential based on mutual understanding and trust.
- 5) We ensure that our workplaces are safe and promote good physical and mental health, while also offering supportive and rewarding environments that are conducive to work.

#### 3. Compliance

We believe that compliance with all applicable laws, social norms, and internal rules is paramount for all

corporate activities.

- 1) We comply with all applicable laws, regulations, and rules related to our corporate activities, and act based on good judgement in accordance with corporate ethics.
- 2) We maintain corporate governance that meets the expectations of society and earns its trust, while striving for sustainable growth and corporate value improvement.
- 3) We maintain proper accounting and tax payments in compliance with all applicable laws and regulations.

#### **4. Safety, Quality and Environmental Measures**

In every process of developing, manufacturing, and delivering products and services that meet the needs of society, we take all necessary safety measures, and promote other efforts to earn the trust of customers and consumers and ensure their satisfaction.

- 1) By making safety the top priority, we ensure the safety and security of our workplaces and communities.
- 2) We continually enhance all safety systems relating to our business activities.
- 3) We continually improve our quality management systems to provide products and services that reliably meet the quality requirements of our customers and consumers.
- 4) As we manufacture environmentally friendly products, we strive to utilize resources effectively in our own business activities and to reduce environmental impact.

#### **5. Corporate Citizenship and Sustainable Society Promotion**

We strive to maintain sustainable economic growth and leverage our business activities to help solve social issues.

- 1) We recognize that addressing climate change is critical for the continued viability of our business, and accordingly, we take proactive measures.
- 2) As part of our business activities, we strive to protect biodiversity and promote the sustainable use of biological resources.
- 3) As a good corporate citizen of the countries, regions, and societies in which we operate, we actively contribute to the development of the local economies and societies concerned, and we continue to pursue progress in cooperation with local stakeholders.

#### **6. Communication**

We disclose information in a timely and appropriate manner to all stakeholders and build relationships of trust with them through ongoing dialogue.

- 1) We actively disclose the status of our corporate activities in a fair manner, including financial and non-financial information, and we strive to maintain good communication with the broader society.
- 2) We maintain sound and highly transparent relationships with political organizations and public officials.
- 3) We never engage in insider trading using significant confidential information that has not been released publicly.
- 4) By implementing information security measures, we ensure proper handling of all confidential and personal information belonging to our company or entrusted to us by our customers and business partners.

5) We promote good labor-management relations based on mutual trust and dialogue.

## **7. Ethical Business Activities**

We promote the sound social and economic development by engaging in honest business activities.

- 1) We always engage in fair, appropriate and transparent transactions, based on free competition, and will never employ any corrupt practices such as bribery.
- 2) We avoid any relationship with antisocial forces that threaten the order and safety of civil society.
- 3) To help promote the development of a sustainable society, we carry out socially and environmentally responsible procurement activities across our supply chain.
- 4) To fulfill our responsibilities for maintaining international peace and security, we comply with all applicable laws and regulations concerning the export of goods and technology.
- 5) We properly utilize, maintain, and protect intellectual property rights as important corporate assets, and we never improperly use the intellectual property rights of others.
- 6) Officers of Tokuyama Corporation and of the individual companies of the Tokuyama Group affirm their responsibility for taking action to ensure that this Code of Conduct is put into practice, and they strive to thoroughly implement this Code.

## **Supplementary Provision**

With prior approval from Tokuyama Corporation, individual companies in the Tokuyama Group may make partial changes to this Code of Conduct, to better reflect applicable laws, business domains, and corporate culture, etc

Revised April 1, 2023