

# Progress of Medium-Term Management Plan 2025

## Progress of Medium-Term Management Plan 2025

### Transform Business Portfolio

## Increase growth businesses' share of consolidated net sales to over 50%

### FY2021-25 Plans

- Redefine/reorganize growth businesses around the three themes of electronics, healthcare, and the environment, and proceed to move ahead with expanding them
- Chemicals and cement businesses to promote increased efficiency while generating sustainable cash flows

### Priorities and Initiatives

#### Technology

Pursue added value and promote technological differentiation by collaborating more with external partners

#### Efficiency Gains

Pursue Company-wide operational efficiency, mainly through DX

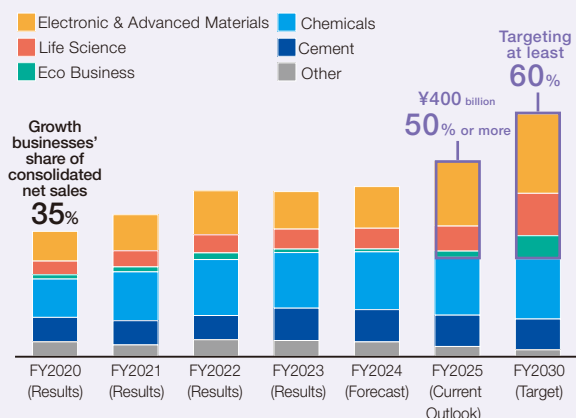
#### International Expansion

Expand operations in growing overseas markets

### Progress in FY2023

While the sales price revisions that we have been working on since FY2022 to address soaring raw material and fuel prices triggered by Russia's invasion of Ukraine have taken hold and earnings from cement and chemical products recovered in FY2023, sales of semiconductor-related products were sluggish due to the slowdown in the semiconductor market, which began in FY2022, making it a year of treading water in the transformation of our business portfolio in terms of net sales. Even in this context, Life Science has steadily improved its performance and the expansion of our semiconductor-related products has steadily progressed overseas, ensuring stable execution of measures aimed at achieving the FY2025 plan.

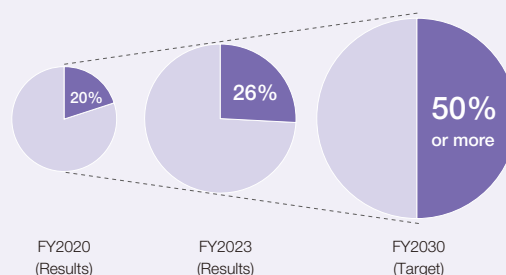
### Breakdown of Consolidated Net Sales by Business



### International Expansion

The overseas share of consolidated net sales in FY2023 decreased year on year due to the fall in overseas market conditions for chemicals and the decline in export volumes caused by the sluggish semiconductor market. Under such conditions, Formosa Tokuyama Advanced Chemicals (FTAC), a manufacturing and sales company for high-purity IPA established in Taiwan, has completed its factory startup and started the full-scale shipment of products. Similarly, STAC, established in South Korea, has completed its factory and is working towards the shipment of products to customers. In addition, we have decided to establish a manufacturing and sales company for polycrystalline silicon in Malaysia, and are proceeding with preparations for future expansion. In the healthcare field, the sales area for dental materials and equipment has traditionally been mainly in Europe and the United States, but it has also expanded to emerging countries, and overseas business growth is accelerating.

### Overseas Share of Consolidated Net Sales



	Efforts in FY2023	Details Page
Technology	<ul style="list-style-type: none"> <li>• Opened the No. 2 Tsukuba Research Laboratory</li> <li>• Accelerated development through joint research with Taiwan's Industrial Technology Research Institute (ITRI), universities and national research institutes, and participation in NEDO* projects</li> </ul>	p. 32
Efficiency Gains	<ul style="list-style-type: none"> <li>• Renewed certification as a "DX certified business operator" by the Ministry of Economy, Trade and Industry</li> <li>• Improved efficiency of the method for considering optimal factory operating policies by building the management simulation model "T-FORCE" for Tokuyama Factory</li> <li>• Improved operational efficiency through the use of AI</li> </ul>	p. 30
International Expansion	<ul style="list-style-type: none"> <li>• Establishing an overseas production site of the high-purity IPA through subsidiaries in Taiwan and South Korea</li> <li>• Decided to establish a joint venture with OCI Company Ltd. in Malaysia for the semiconductor-grade polycrystalline silicon business</li> </ul>	pp. 17, 31

\* NEDO: New Energy and Industrial Technology Development Organization

## Contribute to Mitigating Global Warming

## Expedite development/ commercialization of next-gen energy technologies

### Reduce GHG emissions (Scope 1 and 2) 30% by FY2030\*

\* Base year: FY2019 GHG emissions of approximately 7.26 million tonnes-CO<sub>2</sub>e

➡ p. 38 Message from the Executive Officer in Charge of Sustainability

➡ p. 44 Disclosures Based on TCFD Recommendations

In FY2023, we set a new Scope 3 emissions reduction target to further promote efforts to achieve carbon neutrality and to take on the challenge of decarbonizing our supply chain. GHG emissions (Scope 1 and 2) were reduced by 13% compared to FY2019 through biomass co-fire generation and aggressive energy conservation activities.

Main Reduction Targets <sup>1</sup>	Initiative Policy	Efforts in FY2023
In-house power generation facilities	Reduce GHG emissions from in-house power generation by 50% by FY2030 <sup>2</sup>	Co-firing of biomass/ammonia Use of local energy
Cement	Reduce limestone use and coal use	Suspension of one cement kiln line
Carbon offsets	Consider implementing CCUS technology and offsets	Development of carbon negative concrete

1. Reduction targets: Reviewed by origin.

2. Base year: FY2019

## Practice Socially Responsible Management

## Step up high-priority CSR initiatives to lay the groundwork for further growth and realize our Vision

➡ p. 8 Message from the President

➡ p.40 Vision and Materiality

➡ p. 56 Risk Management

In order to promote sustainability, which has now become inseparable from management, we have formulated a Corporate Governance Policy that explicitly outlines our philosophy on governance and clarifies the roles and responsibilities of directors. We have developed policies for officers and employees, including the Tokuyama Group Sustainability Principles and the Tokuyama Group Code of Conduct. In addition, we have increased management transparency through the disclosure of information in the form of integrated reports, annual securities reports, and TCFD reports, etc.

### Progress toward Achieving Targets

KPI	FY2021 Results	FY2022 Results	FY2023 Results	FY2025 Targets <sup>1,2</sup>	Keys to Achieving Target
Net sales (billion)	293.8	351.7	341.9	<b>400.0</b>	Focus on business portfolio transformation Reflect cost increases
Operating profit (billion)	24.5	14.3	25.6	<b>45.0</b>	Growth toward FY2025 Revised due to change in depreciation method
Growth business net sales compound annual growth rate (CAGR <sup>3</sup> ) (%)	19.9	20.1	8.5	<b>10.0 or higher</b>	Strengthen R&D Accelerate international expansion
ROE (%)	13.2	4.1	7.4	<b>11.0 or higher</b>	Balance efficiency of shareholders' equity and financial base Revised due to change in depreciation method

1. Due to the change in depreciation method, the targets for operating profit for FY2025 were updated from ¥40 billion to ¥45 billion and ROE was changed from 10% to 11% (announced April 28, 2023).

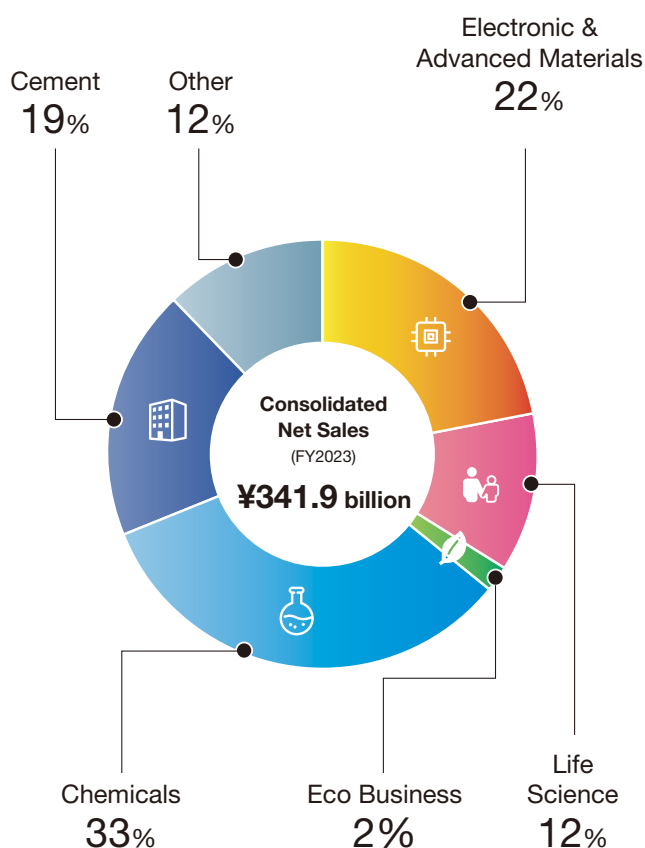
2. In consideration of business performance trends and the business environment, we have changed our net sales forecast for FY2025 from ¥320 billion to ¥400 billion (announced on April 26, 2024).

3. CAGR (compound annual growth rate): The annual geometric mean rate calculated from the growth rate over multiple years

## Progress of Medium-Term Management Plan 2025

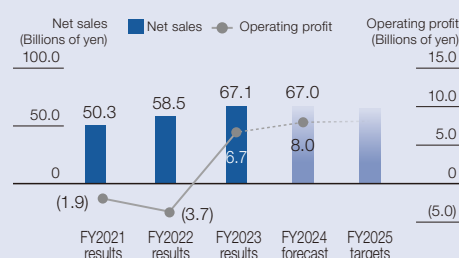
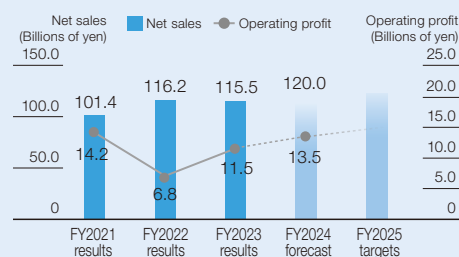
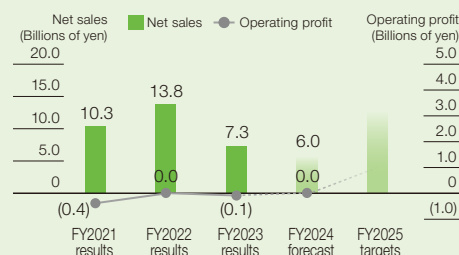
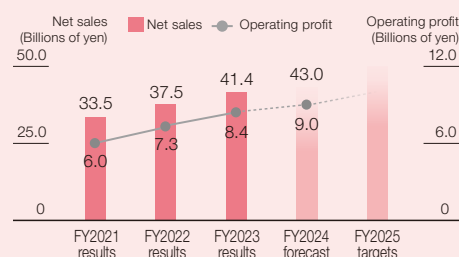
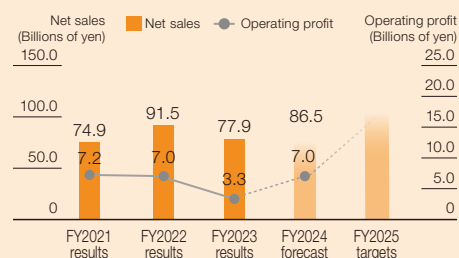
In FY2023, although we made progress in passing on the higher raw material and fuel costs to prices, as can be seen with cement returning to profitability, growth toward business portfolio transformation came to a standstill, as sales and profits of Electronic & Advanced Materials declined due to the sluggish semiconductor market.

Meanwhile, in FY2024 we anticipate that the semiconductor market will enter a recovery phase, and we expect increased profits and improved earnings in all business segments, based on factors such as the ongoing improvement in manufacturing costs.



### Growth businesses

#### Quantitative Targets



### Traditional businesses

## Priority Measures

- Aggressive expansion into overseas markets
- Expansion of new applications and product lineup
- Pursuing high-grade production and analysis technologies

## Strategy Progress by Product Area

Product Area	FY2023 Results	Future Plans and Investments
<b>Silicon</b>	<ul style="list-style-type: none"> <li>• Decided to establish a joint venture in Malaysia and a subsidiary in Vietnam for the semiconductor-grade polycrystalline silicon business</li> <li>• Increased capacity of semiconductor-grade high-purity chlorosilane</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of second location for semiconductor-grade polycrystalline silicon</li> <li>• Global expansion of high-purity chlorosilane at two locations in Japan and China</li> </ul>
<b>IC chemicals</b>	<ul style="list-style-type: none"> <li>• Expansion of supply of high-purity IPA for electronics manufacturing by the Taiwan JV</li> <li>• Development of a system for supply of high-purity IPA for the electronics manufacturing by the South Korea JV</li> </ul>	<ul style="list-style-type: none"> <li>• Start of supply of high-purity IPA for the electronics manufacturing by the South Korea JV</li> <li>• Expansion of global bases</li> </ul>
<b>Silica</b>	<ul style="list-style-type: none"> <li>• Increased production capacity of hydrophobic silica</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of case and personal care applications</li> <li>• Expansion of sales of hydrophobic silica</li> <li>• Entry into the field of organic silicone</li> </ul>
<b>Thermal management materials</b>	<ul style="list-style-type: none"> <li>• Expanded lineup of aluminum nitride/boron nitride fillers</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of silicon nitride</li> <li>• Expansion of sales of boron nitride fillers</li> <li>• Application development and expansion into downstream fields</li> </ul>

- Strengthen sales structure and accelerate increase in production capacity to further increase share of the overseas dental materials and equipment market
- Strengthen new product development and sales activities to further expand the photochromic market overseas
- Strengthen the medical diagnostic system business

Product Area	FY2023 Results	Future Plans and Investments
<b>Fine chemicals</b>	<ul style="list-style-type: none"> <li>• Sales performed well due to recognition of the quality of generic APIs</li> <li>• Steady increase in global market share due to high photochromic performance for eyeglass lenses</li> </ul>	<ul style="list-style-type: none"> <li>• Development of rare APIs and strengthened competitiveness</li> <li>• Make further performance improvement and obtain overseas market share through the introduction of next-generation photochromic materials</li> </ul>
<b>Dental materials and equipment</b>	<ul style="list-style-type: none"> <li>• Tokuyama Dental built new production building</li> <li>• Globally expanded composite resins due to increased shipments to overseas markets, and increased sales to Europe, the United States, and emerging markets</li> <li>• Continued increase in sales of blocks for dental crowns</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen sales structure and accelerate supply systems to further increase market share</li> <li>• Accelerate material development to expand the digital dental field</li> </ul>
<b>Medical Diagnosis Systems</b>	<ul style="list-style-type: none"> <li>• Increased sales of laboratory information systems and laboratory automation systems in the domestic market, and had strong sales of electrolyte analyzers in the Chinese market</li> </ul>	<ul style="list-style-type: none"> <li>• In conjunction with the expansion of the electrolyte business, start construction of a production building to meet the increasing demand for electrodes</li> </ul>

- Respond to expanded demand for water treatment membranes due to strengthened environmental regulations
- Expansion of recycling business for waste gypsum boards and PV panels, etc.
- Commercialization of next-generation energy technologies that have been developed

Product Area	FY2023 Results	Future Plans and Investments
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Waste gypsum board recycling: Started operations at the third domestic site in Muroran City, Hokkaido</li> <li>• PV<sup>1</sup> panel recycling: AGC succeeded in testing the production of float glass using our recycled cover glass as a raw material</li> </ul>	<ul style="list-style-type: none"> <li>• Waste gypsum board recycling: Secure stable operations and revenue at three domestic plants</li> <li>• PV panel recycling: Further improve recycling quality and build a business model</li> </ul>
<b>Ion-Exchange Membranes</b>	<ul style="list-style-type: none"> <li>• Improved productivity in response to replacement demand for existing customers</li> </ul>	<ul style="list-style-type: none"> <li>• Cultivate environmental-related demand such as for organics recovery and decarbonization</li> </ul>

1. PV: photovoltaic panels for converting sunlight into electricity

- Strengthen business and increase efficiency to maximize revenue
- Reduce CO<sub>2</sub> emissions and waste by improving manufacturing processes
- Improve the supply chain through the promotion of DX

Product Area	FY2023 Results	Future Plans and Investments
<b>Soda Ash and Calcium Chloride</b>	<ul style="list-style-type: none"> <li>• Launched a business model transformation project for the soda ash business</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and renewal of equipment necessary for stable business continuity</li> <li>• Energy saving and rationalization in response to environmental issues</li> </ul>
<b>Chlor-alkali and vinyl chloride</b>	<ul style="list-style-type: none"> <li>• Acquired Shin Dai-Ichi Vinyl and developed manufacturing technology package for general purpose PVC resin</li> </ul>	

- Introduction of energy-saving facilities to reduce CO<sub>2</sub> emissions
- Reduction of coal consumption by increasing the acceptance of a thermal energy alternative such as waste plastic

Product Area	FY2023 Results	Future Plans and Investments
<b>Cement</b>	<ul style="list-style-type: none"> <li>• Revised sales prices</li> <li>• Improved energy efficiency through the introduction of high efficiency coolers</li> <li>• Considered the suspension of one kiln line</li> </ul>	<ul style="list-style-type: none"> <li>• Suspension of one kiln line and the establishment of an optimal production system</li> <li>• Maintenance and renewal of the equipment required for stable business continuity</li> <li>• R&amp;D and introduction of technology aimed at environmental issues and carbon neutrality</li> </ul>
<b>Recycling</b>	<ul style="list-style-type: none"> <li>• Enhanced collection of waste plastic</li> <li>• Prepared for the receipt of liquid fuel from waste and byproducts</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of waste treatment that contributes to a closed-loop society</li> </ul>



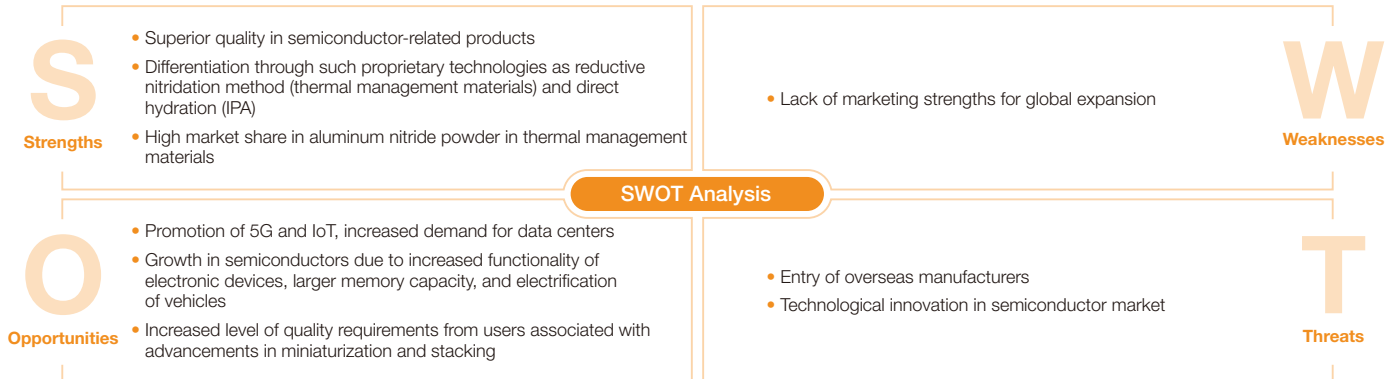
## Progress of Strategy by Business Segment

### Electronic & Advanced Materials

#### Growth businesses

#### Business Goal

Push forward with globalization, and capture the top market share in the high-purity and thermal management materials fields supporting the miniaturization and stacking of semiconductors



#### Message from the Executive Officer in Charge

Improve our market presence through technological innovation and increase capacity to lead to the establishment of a timely supply system

#### Katsumi Nagase

Managing Executive Officer  
General Manager, Electronic & Advanced Materials Business  
Headquarter, Advanced Materials Business Division, and New Business Division



#### FY2023 Summary (Results and Issues)

The Advanced Materials Business Division consists of two segments: Silica and Thermal Management Materials. Shipments of silica for semiconductor chemical mechanical polishing (CMP) were sluggish due to the downturn in semiconductor market conditions, whilst shipments for silicone and other products were on a recovery trend from around the end of the fiscal year. However, shipments of silica decreased mainly due to the effects of the stagnation in the Chinese economy.

In order to expand the new applications set forth in Medium-Term Management Plan 2025, Tokuyama Chemicals (Zhejiang) Co., Ltd. has completed expansion of surface-treated silica production capacity to meet the wind power blade adhesives and paint ink markets, which are expected to grow in the future. We will be proceeding with customer evaluations after the trial operation of the expanded line. New grades for food products have also begun to be evaluated by leading North American companies, and we have started to expand sales of spherical silica as an alternative material for microplastic beads in the United States and Europe. Shipments of thermal management materials were sluggish due to the decrease in actual demand for aluminum nitride powder for semiconductor materials and excessive customer inventories. However, we have been working to expand sales of aluminum nitride and boron nitride fillers by providing differentiated quality. We recognize that the future challenge for thermal management materials will not only be to improve our presence but also to establish a timely supply system in response to the speed of growth and technological innovation in the semiconductor and mobility industries.

#### Progress on Medium-Term Management Plan 2025 Priority Measures and Future Business Implementation

At the Center for Commercialization of Advanced Technology, we are working to commercialize silicon nitride, which is expected to be an insulating substrate for power semiconductors in vehicles and other applications. We are brushing up quality levels to satisfy our customers and are developing mass-production technologies to stabilize quality and to ensure more stable production. Aluminum nitride and boron nitride fillers also have excellent fluidity in resin, which increases the filling amount and significantly increases the thermal conductivity of the resin when filling the resin, and we have received a high level of support from customers. By offering these products in the lineup, we will be able to provide a range of green energy sources, such as automotive, industrial machinery, railways, solar cells, and wind power. We will enhance our presence in thermal management materials for power semiconductors used in a wide range of fields such as power transmission, as well as in advanced semiconductor packages that support HPC (High Performance Computing) and AI. As electronic devices used in these fields become more compact and dense, the amount of heat generated by the devices continues to increase, and heat dissipation measures are becoming an urgent issue. As new social infrastructure is being built while advances are being made with electronic equipment, we will contribute to the development of the semiconductor and information communications industry by expanding our lineup of highly efficient thermal management materials to meet customer needs.

## Message from the Executive Officer in Charge

### Honing our technology and adding value to remain the company of choice among semiconductor industry leaders

#### Seiji Teranishi

Executive Officer  
General Manager, Electronic  
Materials Business



## FY2023 Summary (Results and Issues)

The Electronic Materials Business Division includes two subsegments: Silicon and IC Chemicals. With regard to silicon, sales of polycrystalline silicon, a major product, were sluggish due to the strong inventory adjustments caused by the slow semiconductor market, but we have launched a new etching line to respond to the higher quality required by our customers. Customer feedback has also been good, and we will continue to improve quality to ensure that our products can be used in the latest silicon wafers with peace of mind.

For IC Chemicals, on the other hand, there has been major growth in demand for high-purity IPA used in cleaning processes due to increased miniaturization of semiconductor chips in recent years. In Taiwan, which is the largest demand area, we have established an integrated production plant for raw materials, and have received certification from our largest customer on all production lines. In the past, we exported high-purity IPA from Japan, but we are currently switching to mostly locally produced products for our largest customer.

Both polycrystalline silicon and high-purity IPA are used in state-of-the-art semiconductor plants, so high purity must be maintained in every process until used by the customer. A future issue will be to ensure that we generate revenue as a growth business by making sure that customers recognize the value.

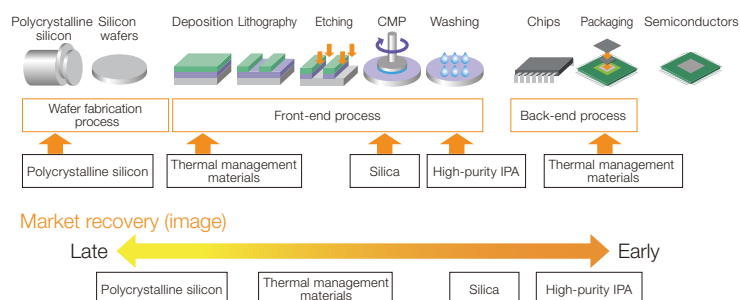
## Progress on Medium-Term Management Plan 2025 Priority Measures and Future Business Implementation

Since the second half of 2022, the semiconductor market has been in the longest stage of inventory adjustment in its history, but looking from a medium- to long-term perspective, the semiconductor market will definitely continue to grow. Despite some planned delays, new factories are under construction in all areas, including silicon wafers, memory and foundries, and we have also been working to support our customers' growth strategies by proceeding with new plans for polycrystalline silicon and high-purity IPA. In particular, a new plant was constructed in South Korea for high-purity IPA, as in Taiwan, and samples began to be supplied to major customers this year. As we are making a somewhat late entry into the Korean market, we will carefully study the stable production technology, quality control technology and trace analysis technology cultivated in Japan, Taiwan and Singapore, and take action to enable mass production as soon as possible. In addition, our high-purity IPA will be mass-produced at our Taiwan plant to be used at a 2-nm plant for the first time in the world. Although the quality requirements of our customers are extremely demanding, we will work with them to pursue quality, create added value, differentiate ourselves from price competition, and continue to survive in this growing market.

## TOPICS Semiconductor Market Conditions

The semiconductor industry, which had been in a prolonged slump, is expected to see a recovery and further expansion in demand, especially for memory and logic products, against the backdrop of investments related to AI and other areas from FY2024. In our Electronic & Advanced Materials business, we expect products used in the front-end processes of semiconductor manufacturing to recover first, followed by a recovery in upstream components and products used in back-end processes. Although the timing of recovery will depend on inventory conditions in the supply chain, we will secure an appropriate supply system to reliably meet demand.

### Semiconductor Manufacturing Process and Market Recovery by Product







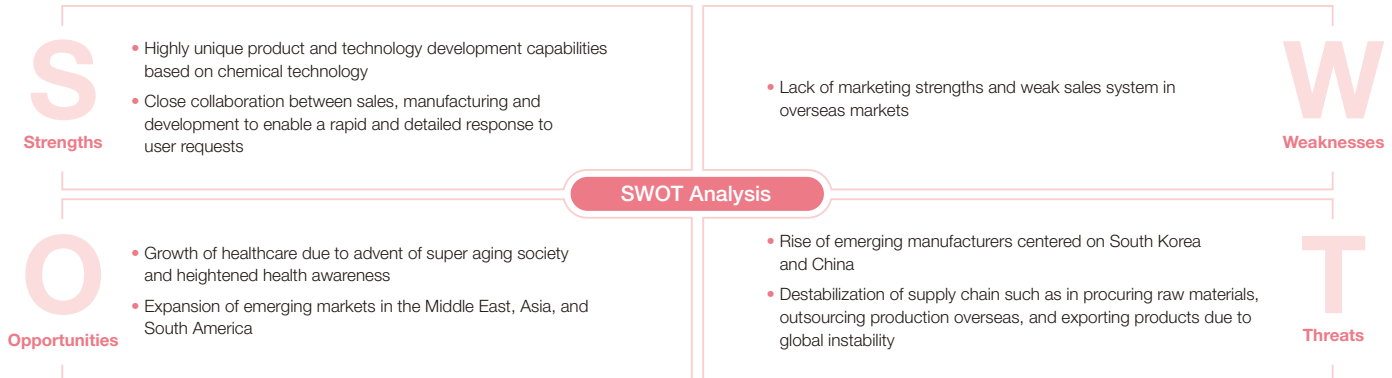
## Progress of Strategy by Business Segment

### Life Science

#### Growth businesses

#### Business Goal

Use unique technology to capture top niche market share in areas where differentiation is possible: vision, dental, and diagnostics



#### Message from the Executive Officer in Charge

Strengthening production capacity in response to increased demand.  
Increasing the speed of new product development will lead to increased revenue

#### Fumiaki Iwasaki

Director, Senior Managing Executive Officer,  
General Manager, Research & Development Division and Life Science Business Division



#### FY2023 Summary (Results and Issues)

In FY2023, the Life Science Business Division recorded an increase in revenues and profits over the previous fiscal year. In the dental materials and equipment business, overseas sales of composite resin, including OMNICHROMA®, performed well, and the impact of the weaker yen also resulted in increased revenues and profits. In APIs and intermediates of the fine chemicals subsegment, APIs for generic drugs were strong, and the photochromic materials for eyeglass lenses in the same subsegment also performed well, resulting in increased revenues over the previous fiscal year. In addition, the development of next-generation products is progressing steadily toward the launch of new products in FY2025.

For medical diagnosis systems, sales of laboratory Information systems and laboratory automation systems increased in the Japanese market, and sales of electrolyte analyzers were strong in the Chinese market, resulting in increased revenues and profits.

#### Progress on Medium-Term Management Plan 2025 Priority Measures and Future Business Implementation

In a year where the semiconductor recession continued longer than expected, we felt the expectation for a Life Science business that is not susceptible to economic trends. In order to expand the Life Science business, we will continue to improve production efficiency through the promotion of DX at the Kashima Factory, strengthen overseas networks, and introduce new products and services into the market.

In the dental materials and equipment business, the construction of the production building, which was started in FY2023, was completed in April 2024. Going forward, we will increase production capacity and meet customer demand by increasing production facilities and improving efficiency. In the area of APIs and intermediates, we will continue to embrace challenges in new areas such as the development of processes for highly active APIs while maintaining the current business scale. In photochromic materials for eyeglass lenses, we will continue to focus on sales activities that respond to customer needs and market changes, and will speed up the development of new products for FY2025. In the diagnosis systems business, A&T Corporation has begun construction of a new building at the Shonan Site to meet the increasing demand for electrodes, which are consumables for electrolyte analyzers. With operation planned to start in May 2025, A&T will supply high-performance, high-quality electrodes to medical facilities around the world. The company will also work with Tokuyama to develop medical diagnostic reagents.



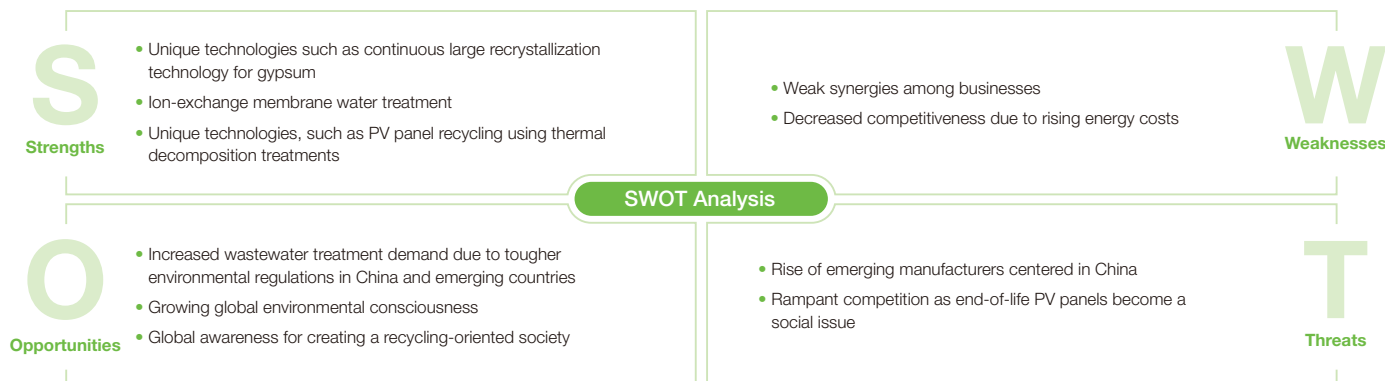
## Progress of Strategy by Business Segment

## Eco Business

## Growth businesses

Business  
Goal

Serve as a new business pillar for the future



## Message from the Executive Officer in Charge

Promote sales expansion and the commercialization of distinctive products and technologies against a backdrop of growth potential in environment-related markets

Naoki Tamura

Executive Officer  
General Manager,  
Eco Business Division



## FY2023 Summary (Results and Issues)

Both revenue and profit in the Eco Business decreased over the previous fiscal year in FY2023, but this was due to a special factor of Excel Shanon Corporation, a plastic window sash manufacturer, being excluded from our consolidated subsidiaries as a result of an increase in the investment ratio of our partner (Panasonic Corporation). Across the division as a whole, we have developed PV panel recycling technology in Nanporo, Sorachi-gun, Hokkaido, and started operation of the third plant of Tokuyama Chiyoda Gypsum Co., Ltd., which has waste gypsum board recycling technology, in Muroran City, Hokkaido, to provide a solid foundation for future growth.

In the development of PV panel recycling technology, our continuous operation verification testing to process and extract the materials that make up obsolete PV panels at a high level of quality was successful. In addition, the cover glass, which is approximately 60% of the total weight, is separated and processed to be supplied as a recycled material for float glass, and AGC Inc. was successful in conducting the first recycling test with the material in float glass in Japan. We will continue our joint research with NEDO in FY2024, and will promote the recycling of other materials, including silicon, which is our strength, and build a business model for realizing a circular economy for solar panels.

Tokuyama Chiyoda Gypsum Co., Ltd., which possesses technology that enables the complete recycling of waste gypsum board into gypsum board raw materials, has launched operations at its third plant in Muroran City, Hokkaido, a region where the recovery of gypsum board had been undeveloped. In FY2024, the second year, we aim to make the Muroran Plant profitable. While this company is facing a harsh business climate, we will secure

earnings and stable operations at our three locations as we go ahead with several initiatives, including revising our prices.

ASTOM Corporation achieved major improvements in both revenue and profit with continued demand from the use of specialized membranes with distinctive characteristics to recover a valuable resource, lithium (Li). There was also firm demand for ion-exchange membranes used in the production of salt, foods, and potable water. In addition to the extremely strong demand from both Japan and overseas, the demand for technological improvements is likely to remain strong. We will further promote development, and will establish and strengthen our supply system in order to respond to robust demand as much as possible.

### Progress on Medium-Term Management Plan 2025 Priority Measures and Future Business Implementation

Although certain progress has been observed in terms of technology development, it will take time for this to lead to sales and profits, and in terms of business, we have not yet met our expectations as a division that plays a part in the areas of electronics, healthcare and the environment that we have positioned as growth businesses. We are also showcasing technologies that contribute to the environment at exhibitions, and have received strong interest from both Japan and overseas, so we feel the potential for the growth of the market as well as the high expectations of our customers for our technologies. We will strive to further improve our business value by contributing to the formation of a sustainable society with a high awareness of the commercialization of technology that contributes to the environment.





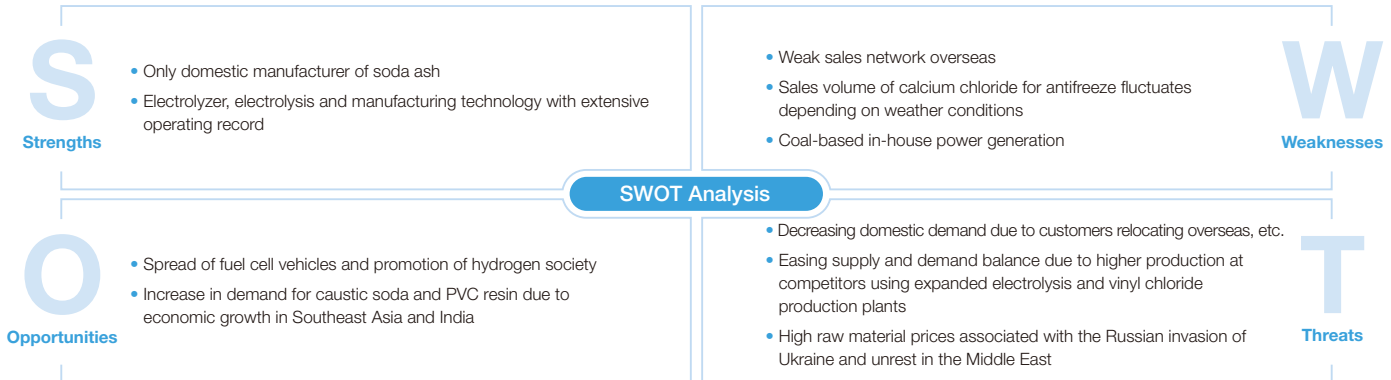
## Progress of Strategy by Business Segment

# Chemicals

### Traditional businesses

#### Business Goal

Ensure stable earnings in the existing business



#### Message from the Executive Officer in Charge

Aiming to maximize profits by strengthening sales capabilities through a new sales structure

Hiroataka Nishihara

Managing Executive Officer  
General Manager, Chemicals  
Business Division



#### FY2023 Summary (Results and Issues)

In order to achieve Medium-Term Management Plan 2025, we have worked to strengthen the chloro-alkali and PVC chloride chain with the aim of maximizing income in the electrolysis business. In FY2022, Shin Dai-Ichi Vinyl Corporation became a wholly owned subsidiary, and in order to further integrate the PVC business, we established a system for absorption into Tokuyama Corporation, which was realized in April 2024. This will allow us to maximize profits by making more flexible decisions about how chlorine generated from electrolysis process is distributed by looking at the market conditions for PVC resin. In addition, we intend to continue the PVC business into the future by creating technology packages based on our expertise in the production of PVC resin. In FY2023, the technology packaging of general-purpose PVC resin was almost finished, and we will proceed with the technology packaging of paste PVC resin in the future.

The Company was founded to provide soda ash in 1918 and is currently the only manufacturer in Japan. In order to maintain stable supply and production for the next 100 years, we launched a project in FY2023 to carry out fundamental modifications to the manufacturing process. In FY2024, we will proceed with preparations to implement more specific measures, as the improvement of this process is expected to have a significant effect on energy savings. In the sodium silicate and cullet business, like soda ash, as one of the largest manufacturers in Japan, we will carry out various studies including fuel conversion to improve and stabilize quality in order to continue to provide stable supply and production.

#### Progress on Medium-Term Management Plan 2025 Priority Measures and Future Business Implementation

Since FY2024, we have significantly changed our chemical sales organization to become a more customer-oriented organization. Except pharmaceutical-grade baking soda and hydrogen, which were previously excluded from soda and calcium chloride, sales of all products, including chloro-alkali products such as caustic soda and PO, have been transferred to Tokuyama Soda Trading Co., Ltd. (TST), a wholly owned subsidiary of Tokuyama. In addition, sales of Sun Arrow Kasei Co., Ltd., a PVC compound manufacturer, and sales of METACLENE, a chlorine-based solvent, have also been incorporated into TST's Chemical Sales Division, aiming for more functional sales. Also, the sales of the merged Shin Dai-Ichi Vinyl Corporation will be reorganized as the PVC Sales Department of the Company, and the Chemical Sales Control Division will be established as its upper level organization. The decision-making for chemicals sales as a whole, including TST, will be swiftly conducted at the Management Office, with the aim of maximizing profits in terms of sales toward achieving the Medium-Term Management Plan 2025.

Furthermore, as an environmentally friendly product, we have also started the pilot production of magnesium hydride using our hydrogen. Looking ahead, we will work with our technology partner Biocoke Lab. Co., Ltd. to develop applications with the aim of bringing them to market early.



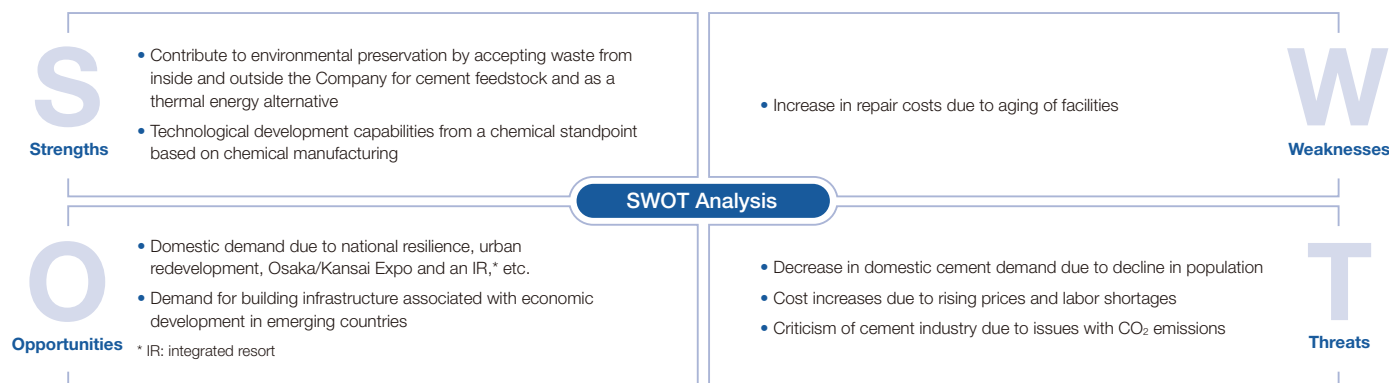
## Progress of Strategy by Business Segment

## Cement

## Traditional businesses

Business  
Goal

Become the domestic industry leader in energy efficiency



## Message from the Executive Officer in Charge

Become the domestic industry leader in energy efficiency in the two-kiln production system

## Takahide Taniguchi

Managing Executive Officer  
General Manager,  
Cement Business Division



## FY2023 Summary (Results and Issues)

Due to a significant increase in coal prices since 2021, we have revised our sales prices on two occasions. However, we have not been able to absorb the significant cost increases and have experienced operating losses in the last two fiscal years. In addition to self-help efforts such as thermal energy cost reduction and constraining repair costs, we have continued to vigorously revise sales prices in order to secure profits, and this fiscal year we have been successful in achieving an operating profit.

However, prices for raw materials and supplies and logistics costs continue to rise. We are also increasingly required to respond to environmental issues, and to make efforts toward carbon neutrality. Under such circumstances, in FY2023 we installed the latest high-efficiency coolers and switched to bag filters for electrostatic precipitators in our manufacturing facilities. We are also expanding the process of replacing thermal energy, and we have begun to prepare for the acceptance of liquid fuels from waste and by-products, as well as for the acceptance of plastic fluff<sup>1</sup> from overseas. In addition, we are conducting joint research on CO<sub>2</sub>-fixing recycle beads to effectively utilize biomass combustion ash and realize CCS.<sup>2</sup> We have conducted test operations at our Tokuyama Factory.

1. Fluff: Film or sheet cut finely to about 30 mm.

2. CCS: Carbon dioxide Capture and Storage

Progress on Medium-Term Management Plan 2025  
Priority Measures and Future Business Implementation

As priority measures for our business target of being the domestic industry leader in energy efficiency, we will focus on introducing equipment that is energy efficient and that reduces CO<sub>2</sub> emissions as we cut coal consumption by using more thermal energy alternatives, such as waste plastic. The Company has introduced the latest high-efficiency coolers to reduce CO<sub>2</sub> emissions, and has increased the purchase of plastic fluff to reduce coal consumption. In addition, we have also started to accept new liquid fuels from waste and by-products in an effort to diversify and stabilize thermal energy alternatives.

On the other hand, domestic demand for cement has decreased more than had been expected at the time of the formulation of Medium-Term Management Plan 2025 due to longer construction periods and the shortage of personnel at contractors and logistics companies, etc. In this situation, we have been considering the establishment of an appropriate cement production system in order to strengthen the profitability of our cement business, and have decided that it would be best to suspend one kiln line and use a two-kiln production system. In the future, we will develop our business with the aim of becoming the leader in energy efficiency in Japan in the two-kiln production system.

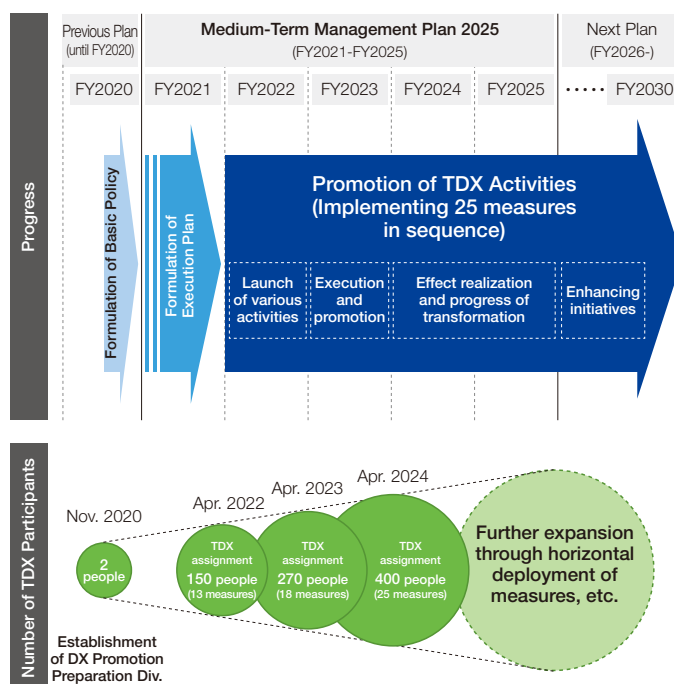
# DX Strategy

## Overview of DX Strategy

In Medium-Term Management Plan 2025, Tokuyama has stated that it will transform its business portfolio to the growth areas of electronics, healthcare, and the environment, and is actively promoting DX to achieve this goal. Tokuyama DX (TDX) is not simply the use of digital technology to improve operational efficiency, but rather structural and operational reforms to realize Tokuyama's Vision through the utilization of data and digital technology.

The TDX Basic Policy is “building a foundation” and “promoting transformation” in parallel. While aiming for “transformation” such as the advancement of supply chain management and development of new materials by applying Materials Informatics (MI), we are also focusing on “building a foundation,” such as the development of a paperless and digital environment in order to overcome changes in the world environment and ensure transformation.

Another thing that we emphasize in promoting TDX is that the entire Tokuyama Group must be involved. In order to create a highly engaged organization that can adapt to environmental changes, each employee must think DX as a personal matter. To accomplish this, DX key persons are assigned to each department and company to raise the overall level of TDX activities while building a cross-company network.

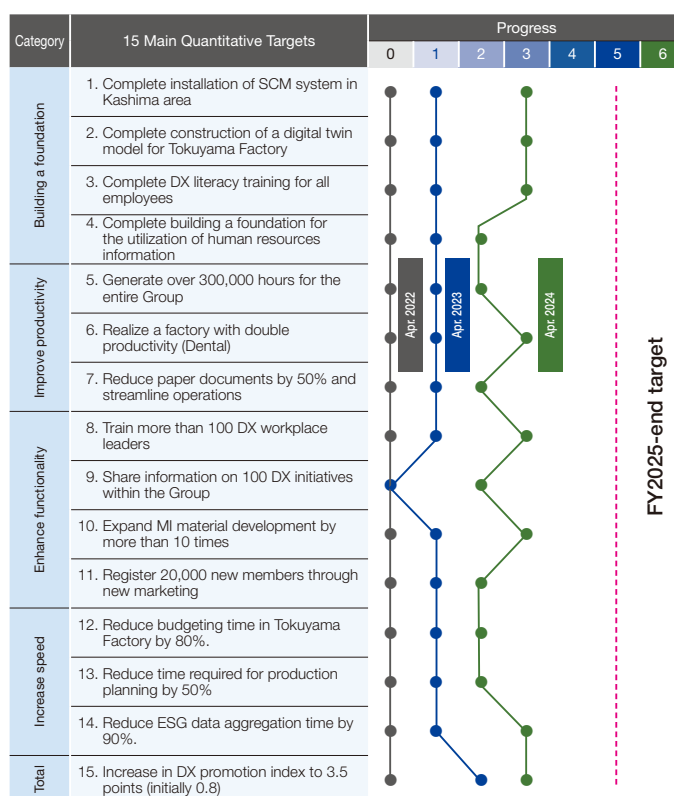


## Progress with Major KPIs

With TDX, we have established eight categories, including manufacturing, workstyle, R&D, and business transformation, and are implementing a total of 25 measures. For these initiatives, we have set 15 quantitative targets and are working to achieve them. Our measures are making steady progress overall, and we are “building a foundation” for transformation. As one of the results, in manufacturing DX, we have built the Tokuyama Factory Optimizer with Rapid Calculation of Economic efficiency (T-FORCE) from the perspective of the overall optimization of the Tokuyama Factory. The model is expected to significantly improve the efficiency of the process of considering optimal factory operation policies, taking into account the balance between energy, materials, and waste circulation, and to serve as a basis for developing guidelines for GHG reduction and for the transformation of the business portfolio.

While Company-wide, cross-sectional measures are underway to “improve productivity,” “enhance functionality,” and “increase speed,” our future challenge is to improve individual skills and expand voluntary DX efforts at the front line. While promoting skills development through DX training, which is currently being implemented as a Company-wide measure, we will also work together to achieve our targets for FY2025 by raising the level of autonomous activities at the workplace level through the use of generative AI, citizen development, and other measures.

In January 2024, our TDX initiatives were well received, with the renewal of our “DX certified business operator” certification from the Ministry of Economy, Trade and Industry.



Note: Evaluation criteria of 5 levels are set by each project and confirmed and assessed by the supervising PMO. The fifteen items are also disclosed outside the Company.

## TOPICS

## Promoting Operational Efficiency Improvement through the Use of AI

In TDX, we are actively promoting the use of AI in various business areas, including production activities. The introduction of the system into monitoring and quality control operations, which place a particularly heavy burden on workers, has been remarkably effective. We would like to show you some examples.

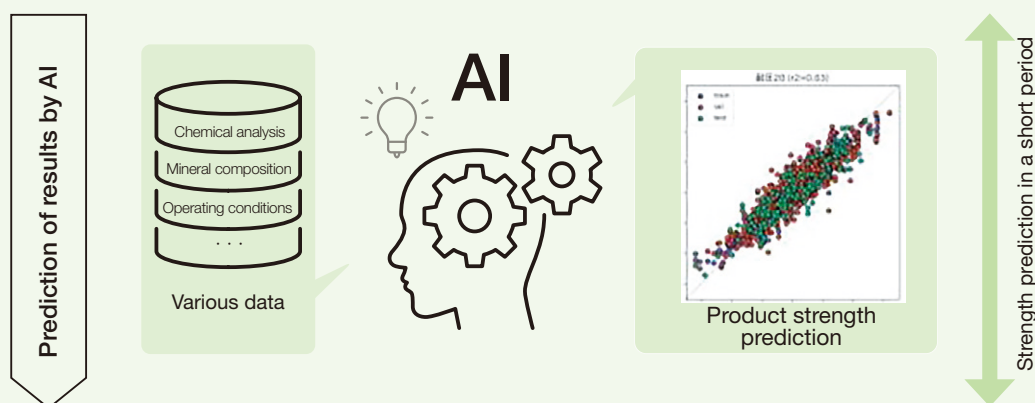
In terms of monitoring operations, we developed and introduced an application for detecting black smoke, using environmental monitoring cameras at Tokuyama Factory. In the past, our response was to have disaster prevention cameras monitored by people, but the development and introduction of a diagnostic imaging AI with high judgment accuracy has enabled constant monitoring, contributing to the early detection of black smoke and reducing the burden on monitoring staff.

In terms of quality control, AI can now predict the results of mortar compressive strength tests carried out in the Cement Production Department. For strength that develops over a long period of time, as many as 28 days are required for the test results to be revealed, but by using AI to predict long-term strength, this can be reflected in adjustments to manufacturing

conditions at an earlier stage, contributing to the further stabilization of quality.

In the area of medical diagnostic systems, we have developed an in-house AI-based automatic judgment system for quality inspections, which has dramatically improved inspection quality and productivity. Compared to conventional inspection systems, the number of visual image inspections has been reduced by 75%, and the training time for inspectors has also been reduced. Furthermore, roll-out to other products was also achieved within a short period of four months after introduction.

In order to strengthen and expand the use of AI, we are systematically implementing “promoting utilization,” “sharing information,” and “human resource development” throughout the Tokuyama Group. The first meeting of the Tokuyama Group AI Promotion Council was held in July 2024 for the purpose of “information sharing” and was attended by DX practitioners from each Group company. We aim to expand the use of AI technology, which tends to be department-specific, to the entire Group, and to take it to new heights through mutual cooperation.



## Accelerate International Expansion

### Decided to establish a joint venture with OCI of South Korea in Malaysia for the semiconductor-grade polycrystalline silicon business

At the meeting of the Board of Directors held on December 13, 2023, the Company resolved to enter into a joint venture agreement with OCI Company Ltd. (Seoul, South Korea) concerning the joint production of semi-finished polycrystalline silicon for semiconductor applications in Malaysia and to establish a joint venture company.

In anticipation of increased demand associated with the future expansion of the semiconductor market, we will promote business expansion in electronics while limiting increases in GHG emissions in order to establish a production and supply system for polycrystalline silicon for semiconductors that uses clean energy. The establishment of the company is subject to approval from the relevant authorities.

#### Overview of the Joint Venture (Equity Method Affiliate)

Name	Sarawak Advanced Materials Sdn. Bhd.
Location	Sarawak, Malaysia
Business	The manufacture and sale of semi-finished semiconductor-grade polycrystalline silicon
Capital	US\$168 million
Production capacity	8,000 tonnes * Plans to increase annual production to approximately 10,000 tonnes in the future
Investment amount	US\$300 million
Investment ratio	OCI Company Ltd. 50% Tokuyama Corporation 50%

## Research and Development

### “One Tokuyama” to ensure the transformation of the business portfolio

Director, Senior Managing Executive Officer,  
General Manager, Research & Development Division and  
Life Science Business Division

Fumiaki Iwasaki



Medium-Term Management Plan 2025 is now in its fourth year. As stated in our Vision, we have made continuous efforts to refine and leverage our unique strengths and to take on challenges in new areas, but we recognize that we have now entered a period in which we must reap the fruits of our efforts.

In FY2023, we took stock of our R&D themes, taking into account changes in the market environment and Tokuyama's strengths, and reassigned our personnel. In addition, in January 2024 we opened the No. 2 Tsukuba Research Laboratory and transferred 50 researchers in the healthcare domain and environment domain from Tsukuba Research Laboratory, which had become too small, to improve the environment for research and development activities. Based on the above, we would like to raise the stage of research and development for two development themes going into the final year, FY2025, leading to monetization in the future.

One of these is membranes for AEM water electrolysis in the environmental domain, and roll-to-roll equipment has been installed at the No. 2 Tsukuba Research Laboratory, providing a system to enable the shipment of samples. Water electrolysis using anion conductive membrane is a technology that is anticipated to reduce the cost of hydrogen production because it is expected to reduce material costs due to the non-use of rare precious metals as catalysts. In recent years, active research and development has been conducted both in Japan and abroad, and Tokuyama will also contribute to activities aimed at social implementation.

The other is porous silica, which is being developed by Tokuyama Research Laboratory in collaboration with the Electronic & Advanced Materials Business Headquarter, and is being considered for use in the electronics field due to its uniqueness of being a powder control technology that enables the flexible control of particle hardness. We plan to scale up from the lab level in order to meet demand.

In FY2024, in addition to the aforementioned monetization efforts, we will select themes for the next Medium-Term Management Plan based on marketing information obtained from the front lines. In addition to strengthening the electronics domain, we would like to focus on expanding the healthcare domain, which is less susceptible to changes in the economic situation. In the medical diagnostics systems field, we are developing new diagnostic reagents by utilizing our chemical expertise, and A&T Corporation and Tokuyama will work as one to bring them to market.

The realization of commercialization from R&D requires a One Tokuyama response with seamless connections between the Research & Development Division, the business divisions and operating companies responsible for future exit, as well as the engineering personnel responsible for process development. Everyone involved will work diligently in order to ensure the transformation of our business portfolio.

#### TOPICS

#### Strengthening Research in Healthcare and the Environment, Opening No. 2 Tsukuba Research Laboratory

No. 2 Tsukuba Research Laboratory was opened in January 2024. No. 2 Tsukuba Research Laboratory, located about a 10 minutes away from the existing Tsukuba Research Laboratory, covers an area of approximately 45,000 m<sup>2</sup> and can house up to 100 employees. As part of the organization of the Tsukuba Research Laboratory, which is responsible for corporate research, this facility conducts technological and product development in the healthcare domain, mainly medical materials and diagnostic reagents, and in the environment domain, including ion exchange membranes for AEM water electrolysis for the production of hydrogen. With regard to the development of medical diagnostic reagents, we are developing POCT (Point of Care Testing), a reagent for immediate testing at clinical sites that can be used in situations such as home care, and we will actively promote R&D activities with an eye toward the next Medium-Term Management Plan.





# R&D Structure Based on Future Predictions for Target Markets

Much of Tokuyama's research and development begins with a search on the theme of technologies needed in the market based on predictions of future social issues, targeting markets which are centered on the growth business areas of electronics, healthcare, and the environment. Then, from among a countless number of themes, we select themes in which the Tokuyama Group can demonstrate its strengths by combining marketing information obtained from existing customers and potential markets with the Tokuyama Group's proprietary technologies and knowledge that can be utilized from outside the Company.

New themes are brought to market step-by-step through basic research, technology development, and product development within the corporate R&D of the Research & Development Division, while utilizing open innovation in order to speed up development and receiving support from various specialist departments within the Company. In particular, the support provided by the Analytical Science Department (Shunan City, Yamaguchi Prefecture), which possesses high-precision analysis technology, plays an important role in differentiating us from our competitors in electronics. Furthermore, as part of the TDX<sup>1</sup> initiative, we are also actively utilizing generative AI and MI<sup>2</sup> in our R&D activities in order to transform and streamline our development operations.

Meanwhile, it is also true that there is a major barrier, known as the "valley of death," between the R&D phase and commercialization. In April 2022, we established the New Business Center (upgraded to a division in April 2023, now the

New Business Division) for the purpose of launching new businesses in growth business areas with a sense of speed. At present, we are concentrating various management resources on the construction of hardware at the Center for Commercialization of Advanced Technology (Yanai City, Yamaguchi Prefecture) in order to commercialize alkaline water electrolysis technology for the production of hydrogen and heat dissipation applications that will contribute to the improved performance of electronic devices.

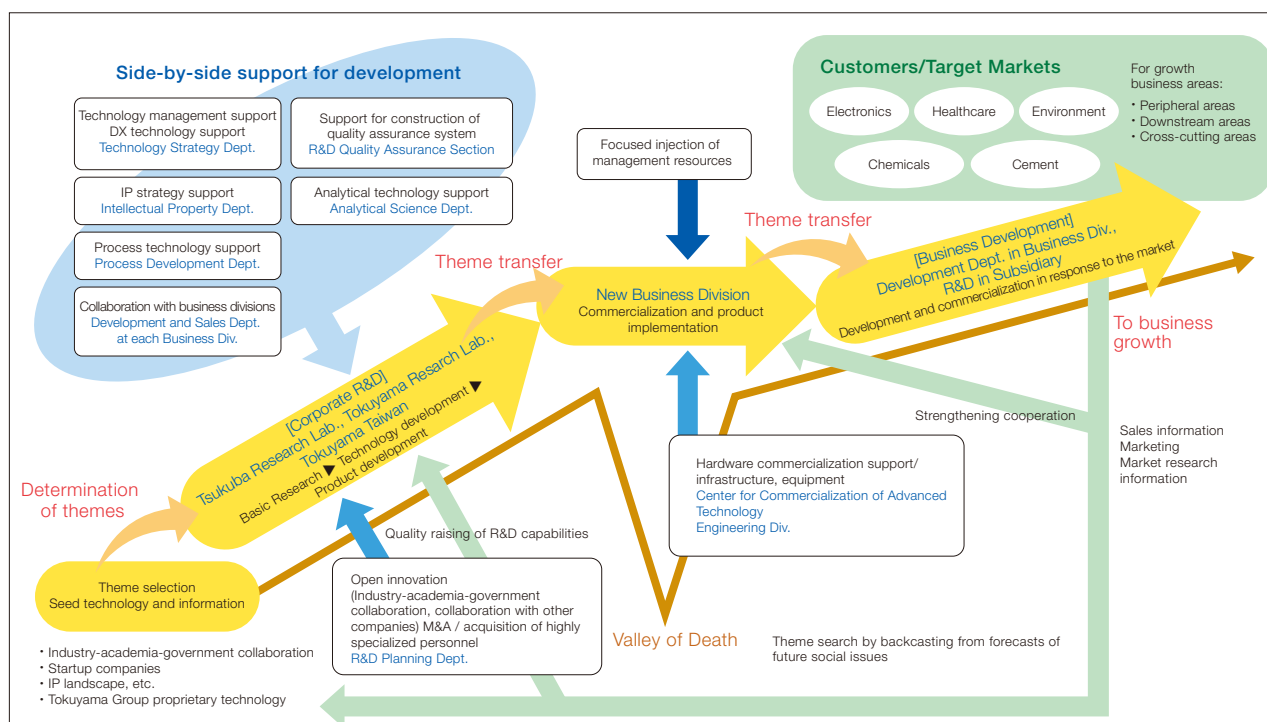
The development groups in each business division are positioned on the front lines of marketing to ascertain market needs and the latest technological trends, including requests for improvements from existing customers. The organization can be considered the starting point for the aforementioned theme search, and in addition to promoting improvements to meet market needs, it also has the function of promoting new product development in cooperation with corporate research, etc. In our traditional business areas of Chemicals and Cement, we are also working to commercialize unique materials such as magnesium hydride, which is a hydrogen storage alloy, and roadbed materials utilizing biomass combustion ash.

Tokuyama's research and development is conducted in collaboration with corporate research, the New Business Division, and business division development, with the entire company working as one in order to achieve business growth.

1. TDX: Tokuyama DX

2. MI: Material Informatics

## R&D Concept



Note: This image shows the organizations involved in R&D, focusing on their functions, and may differ from actual activities.



# Human Capital

Enhancement of human capital vital for achieving our Vision.

Execute a new human resources strategy in line with 8 strategic axes under the Human Resources Policy

Executive Officer, General Manager,  
General Affairs & Human Resources Division  
**Takashi Satou**

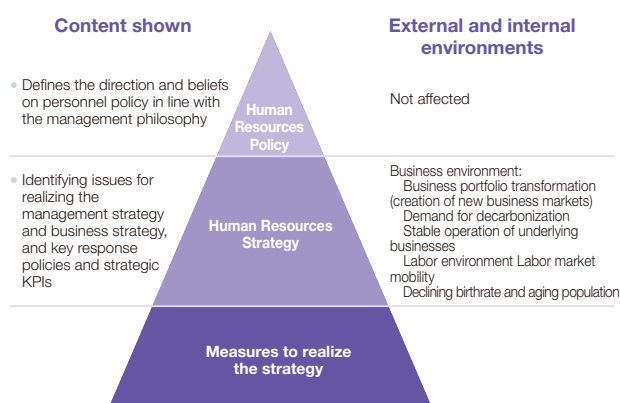


In order to respond to changes in the business environment, a new Human Resources Strategy to be implemented from FY2024 was resolved at the Board of Directors meeting held in April 2024. The aim of the new strategy is to create diverse and productive human capital that meets the needs of work styles, with the message of a "Human Resources Strategy to improve employee value while contributing to the realization of a management strategy" the objective is to explain specific stories that will lead to the realization of a management strategy and the enhancement of the company's corporate value.

The new Human Resources Strategy is positioned below the Human Resources Policy, which is our philosophy on human capital, and is flexible enough to change according to management strategy and the external environment. Considering our management strategy, our Human Resources Strategy requires us to recruit and develop personnel capable of demonstrating high performance to enable business portfolio transformation, while at the same time, we must aim to firmly improve the labor productivity of the traditional businesses that support our growth businesses and to ensure the generation of cash. In addition, to create a system and a culture that values the diversity where diverse talents can flourish in order to respond to the ever-changing business environment and the evolving management of the Group, the realization of human capital management with a view to the entire Group is also an important area targeted by this Human Resources Strategy. In order to resolve these issues, we will define eight strategic axes in our Human Resources Strategy and implement each of our measures in line with these strategic axes.

Going forward, the approach to human resources of companies must change in the name of human capital management in response to changes of the management environment. In order to respond to various changes, we will increase engagement through solid dialog with our employees, and each employee will grow in action that embodies the content of our strategy, thereby increasing corporate value and realizing human capital management that our stakeholders can appreciate.

## Positioning of the Human Resources Strategy



It is essential for our human resources strategy to be aligned with the overall business strategy, not only based on internal guidelines, and to be sustainable in terms of human resources management. Furthermore, it is crucial to communicate the human resource strategy to investors and the labor market in order to have the company's value accurately evaluated. We will proactively advance recruitment activities, emphasizing the potential for a diverse range of talent to thrive, including new graduates and experienced professionals.

## Eight Strategic Axes Bridging the Gap toward Our Vision



# Measures for Implementing Strategy

## Recruitment

### Actively recruiting, retaining, and increasing the strength of strategic personnel

In terms of recruitment, securing personnel from a labor market in which the population is declining and aging, and the needs of working styles are diversifying, is a pressing issue. We determine the personnel to be hired that are necessary for our business based on the personnel plan established every year in accordance with our management plan. In this process, we not only establish the number of employees to recruit but also assess the necessary human resource requirements to be applied to our businesses, such as whether to recruit from the new graduate market, which is centered on personnel who are expected to grow over the medium to long term, or to recruit mid-career personnel who are expected to be ready for business; we secure personnel according to the characteristics of each business. In addition, in order to recruit the talented personnel required for business growth in the midst of a labor shortage, we redefine the characteristics and strong points of the Company and demonstrate the attractiveness of the Company to the labor market through effective media to develop a multilateral recruitment route that is appropriate for the region, technology, and work experience to ensure continuous talent retention.

## Development

### Human resource management in collaboration with business divisions

Given the management environment of the Company, we need personnel who are active globally in growth businesses and have experience in projects in difficult environments and project management, as well as personnel who can manage M&As. We will develop executive candidates by identifying the experiences and skills needed for future sustainable growth and managing the careers of our employees.

In addition, in FY2024 a job-based personnel system was introduced in management roles, and in the future, we plan to formulate a medium-term succession plan for posts defined as important positions, and to develop human resources according to strategic staffing plans and the content thereof.

On the other hand, in terms of overall employee development, the Company conducts training before and after each level of promotion, as well as training and education to improve the level of knowledge of employees, and bears some or all of the costs to raise the overall level of knowledge and skills and to develop human resources that are capable of responding to changing business environments.

## Evaluation

In light of the recent significant diversification of work style needs, we will consider meeting the needs of employees by establishing multiple evaluation methods based on the type of job function and conducting evaluations based on each work style, rather than a standardized evaluation of work results. In addition, we plan to implement appropriate incentives based on productivity to increase employee motivation toward improving overall productivity.

Furthermore, in the evaluation of managerial positions, personnel evaluations will be conducted to assess the degree of achievement of the duties required in the management plan in conjunction with the introduction of the job-based system, and evaluations will be conducted in a scientific and fair manner by monitoring the management status of the organization through a 360 degree evaluation and the results of the organizational engagement survey.

## Work Styles

One of the visions of the Company is to “Be a company with healthy employees who have healthy families and take pride in their work at their company” and has been selected as a Health and Productivity Stock jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for the second consecutive year. We will continue to promote management with an awareness of a work-life balance so that employees can work vibrantly in good health, both physically and mentally.

In addition, systems and operations for managing human resources with a variety of wisdom and experience, as well as women and mid-career hires, will be improved appropriately to

ensure that these people fulfill their potential, regardless of the conventional framework, to create a highly engaged human capital structure where employees and the Company work together. In FY2023, we adopted an open application system for some employee transfers, and we have started measures that are based on employees' preferences.



## Dialog with Employees



### Aiming to create a corporate culture brimming with freshness in which employees' challenges are the driving force for business growth

In April 2024, we designed and introduced a new job-based personnel system for managerial positions, accelerating our efforts to transform the organizational culture and to expand human capital. What are the thoughts and aims of junior managers at the forefront of business? Three new leaders, who were promoted to managerial positions during the period from 2023 to this year, were asked to discuss the future of Tokuyama as well as their own challenges.

Tokuyama Dental Corporation  
Tsukuba Research Laboratory  
**Hiroshi Morisaki**

Electronic & Advanced  
Materials Planning Dept.  
**Satoko Yoshimura**

Chemicals Planning Dept.  
**Hisashi So**

#### Department and Responsibilities

**Morisaki:** I am very pleased to have this opportunity for an exchange of opinions among junior managers. Since joining Tokuyama in 2011, I have continued to pursue development fields, and am now a leader in the Composite Materials Development Department at Tokuyama Dental Corporation's Tsukuba Research Laboratory. As a recent topic, OMNICHROMA®, a dental filling composite resin for which I was involved in development, has won three technical awards in Japan. Driven by OMNICHROMA®, the dental materials and equipment business has become a core part of the Life Science Business Division. I feel motivated and a sense of mission to play a role in transforming the business portfolio.

**Yoshimura:** I am a member of the Electronic & Advanced Materials Planning Department and work in the procurement of raw materials and supplies. The supply chain for electronic materials is becoming increasingly complex every year, and social interest in environmentally friendly green procurement has also risen. We cannot fulfill our mission by simply purchasing inexpensive raw materials according to the

requirements of the Manufacturing Department. In addition to developing new suppliers to ensure stable, high-quality products, we are committed to implementing our medium- to long-term procurement strategies, including establishing a global procurement network and building new channels through alliances.

**So:** After joining the Company in 2005, I worked on logistics operations, implementation of ERP systems, and operation of Tokuyama & Central Soda Co., Ltd. (as it was named at the time), and in April 2024, I was appointed manager of the Business Planning Team of the Chemicals Planning Department. In the past, we have worked on a wide range of activities, including sales strategies and business plans for a decarbonized society, with a global perspective of the market for various chemicals, including soda ash, the business on which the Company was founded. At present, we are working with our partner company to develop the market for magnesium hydride, which has started the pilot production at the Tokuyama Factory.

#### Our Challenge — As Leaders in a New Era

**Morisaki:** The important thing to do in R&D is not only to create innovative technologies that have never been possible before, but also to bring them to market as products. In addition to thinking and anticipating, engineers need to be able to execute the entire R&D process, from establishing hypotheses to bringing new products to market. What I'm

mindful of now is to develop the future researchers, and to improve the organizational capabilities of the Development Division. We will contribute to the development of the Life Science Business Division while respecting the "workplace intuition" of each researcher and engineer.

**Yoshimura:** I worked for a foreign silicon wafer manufacturer before joining Tokuyama in 2012. Moving from a foreign company to a long-established Japanese company with a history spanning more than 100 years, it took time for me to get used to the culture and customs. However, I am grateful that I am now entrusted with the important task of procurement at the Electronic & Advanced Materials Division. My challenge is to develop and implement an effective procurement strategy that incorporates a medium- to long-term market outlook and a sustainability perspective. We are striving to expand Tokuyama's profits while optimizing the entire supply chain, from procurement of materials and raw materials through to product logistics.

**So:** My challenge is to put the business of magnesium hydride on track, which I mentioned at the beginning. Magnesium hydride, a hydrogen-absorbing alloy, is receiving great attention both inside and outside the industry as a next-generation hydrogen carrier that can safely and easily store and transport hydrogen. I would like to promote the utility and potential of magnesium hydride for industry in a wide range of areas, and to enhance the market value of this product by establishing a stable production and supply system and strengthening cooperation with our partner.

### Tokuyama's Corporate Culture

**Morisaki:** Compared to other companies in the industry in Japan and overseas, I think there may still be a relaxed atmosphere. However, in the past few years, I feel that more and more employees have experienced a sense of alarm concerning the Company's current situation. At Tsukuba Research Laboratory, mid-career recruits account for more than one-third of researchers, and the diversification of human resources has allowed the organization to become more vibrant. The main actors in research and development are "people," and I view this change as a great opportunity to further accelerate Tokuyama's value creation.

**Yoshimura:** Like Mr. Morisaki, I am one of the people who feel that the organization is revitalized by recruiting external personnel. I think the feeling varies considerably depending on the business that people are engaged in, but in the Planning Dept. I belong to, I think there is an environment in which employees can express their opinions without hesitation and freely discuss them with colleagues and supervisors. We have

recently launched a new job-based personnel system. I think that employees will become even more motivated by ensuring that job descriptions, which are a key part of system design, fully permeate the organization.

**So:** I am part of a traditional business, and I sometimes feel that I am more oriented toward being conservative and stable. On the other hand, there are also signs of change, such as the communication of messages by the General Manager of General Affairs and Human Resources via internal radio, the introduction of a new personnel system, and the more detailed recommendation to talk to each other by name rather than referring to people by their position. However, it is also true that the old conservative stance of duties and strict control systems are effective in the operation of the Chemicals business, where stable operation is a priority. I believe that changes to the corporate culture need to be handled in line with the characteristics of the business and the division.

### Aspirations for the Future

**Morisaki:** Tokuyama is currently focusing on growth areas in order to transform its business portfolio. To develop products required by the market and evolve into a value creation company, it is essential to develop leaders who will take charge of the next generation. In addition, if leaders cannot clearly communicate the business vision and processes for realizing this, productivity will not increase across the organization as a whole. I aim to be a leader who can clearly communicate my vision and goals in my own words and to fully draw out the capabilities of my subordinates.

**Yoshimura:** I think the great joy of working is to feel the growth of myself and my team. For people to grow, it is essential that they are not afraid of failure and embrace the challenge of new issues and themes. I will not only embrace my own business challenges, but will also support the challenges of my subordinates and junior employees, and strive to create a dynamic corporate culture full of pioneering spirit.

**So:** For many years, Tokuyama has contributed to industrial development in Japan and overseas, and has received strong trust from local communities. In my involvement in the traditional business of chemicals, when I touch the Tokuyama logo on a tanker truck, for example, I get a feeling that I will continue to cherish the intimacy and pride of the community, employees and their families. We will promote magnesium hydride technology as soon as possible, create a world where hydrogen can be used safely and with peace of mind by everyone, and will expand the view around the world that Tokuyama is a positive force for society.