

Message from the Executive Officer in Charge of Sustainability

Executive Officer
General Manager, the Corporate Social Responsibility Division

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Tokuyama's Views and System on Sustainability

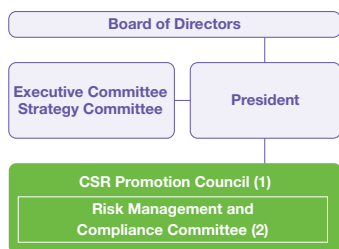
Tokuyama has established the Tokuyama Group Sustainability Principles in order to realize our Vision based on our mission “to create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry,” and we will create new value in harmony with the environment by supplying products that contribute to the solving of social issues while minimizing the environmental burden caused by our business activities.

The figure below shows the overall picture of the sustainability-related meeting bodies, with the number of meetings held in FY2023 noted in parentheses. The CSR Promotion Council is chaired by the President and includes all executive officers, and each committee is chaired by the director in charge and consists of the heads of the relevant

departments. In promoting CSR management, decisions on important matters and matters for approval are supervised by the Board of Directors.

Regarding efforts to address climate change and human rights, a task force has been established under the Sustainability Committee to bring together a wide range of relevant divisions, consider the issues, and promote them as Company-wide activities. In addition, we have also started working on biodiversity by establishing a working group under the Environment Committee, and in June 2024 we endorsed the philosophy of the Taskforce on Nature-related Financial Disclosures (TNFD) and announced our participation in the TNFD Forum.

Promotion System on Sustainability



Expert Committees (Number of Meetings Held in FY2023)	Main Risks Managed
Financial Reporting Committee (8)	Financial and accounting risks
Fair Trade and Competition Committee (1)	Risk of violation of antitrust laws and unfair competition prevention laws
Security Trade Committee (1)	Trade control risks (inadequate security trade control)
Information Security Committee (2)	Information security risks (cyber attacks, information leaks, system failures, etc.)
Environment Committee (1)	Environmental risks (hazardous pollutant spills, noise, odor, illegal dumping and disposal of waste, etc.)
Safety Committee (1)	Accident risk (fire, explosion, chemical leak, etc.), industrial accident risk
Product Safety and Quality Assurance Committee (1)	Quality risk (management of chemical substances contained in products, unfair and deceptive representations, distribution accidents, etc.)
Sustainability Committee (2)	Climate change risks, human rights risks, etc.

Establishment of Sustainability Governance

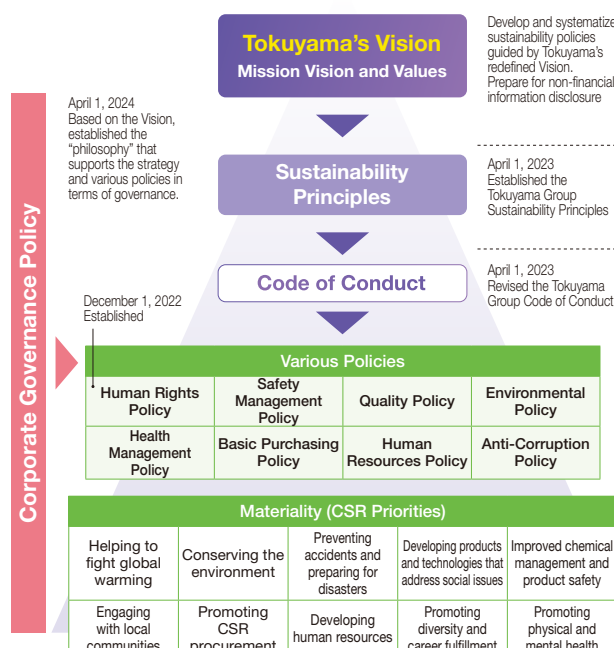
Practicing socially responsible management is one of the high-profile issues in Medium-Term Management Plan 2025, and we have clearly stated our attitude and approach to sustainability as the foundation of our policy, which is practiced throughout the Group. In addition, KPIs for materialities, which are priority CSR issues, are determined and monitored by the CSR Promotion Council in order to strengthen our initiatives. From FY2023, we will clarify the responsibilities of all executive officers for addressing materiality, and reflect the progress made in their remuneration for the following fiscal year.

In order to further clarify the roles and responsibilities of directors, we have established a Corporate Governance Policy, which promotes efforts to address management issues, including sustainability, from a governance perspective, and establishes a system to further increase the effectiveness of the execution of duties by Directors.

In response to the recent demands and expectations of stakeholders as well as sustainability-related initiatives and information disclosures, it is important to respond on a Group-wide basis. We will promote internal control, improvement of whistleblowing systems, risk management, non-financial information disclosure, response to climate change, human rights, and human capital initiatives, all of which are centered on Group management. Although the business domains of each Group company are different, I believe that they all share the same corporate slogan, “For

the People of Tomorrow,” and the desire to “be a company that lasts into the future.” To this end, we intend to enhance the evaluation by our stakeholders and corporate value through effective Group-wide initiatives and disclosure.

Policies on Sustainability



Progress of Sustainability Initiatives in FY2023

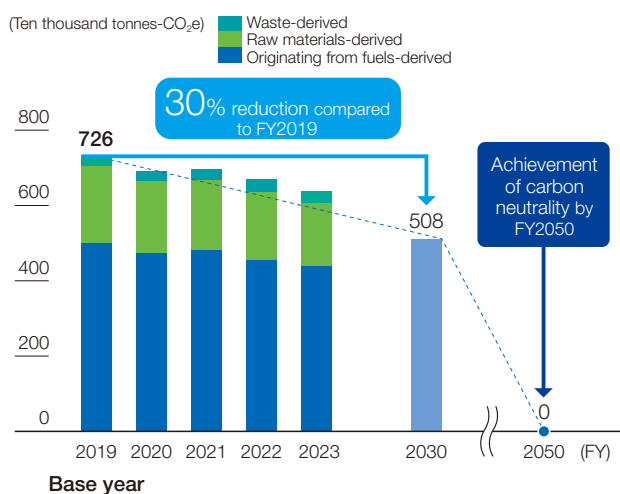
To make a “Contribute to Mitigating Global Warming,” one of the priority issues in Medium-Term Management Plan 2025, we have made progress in reducing GHG emissions (Scope 1 and 2) by 13% compared to our target of a 30% reduction by FY2030 (compared with FY2019). Furthermore, we are working toward the realization of carbon neutrality by addressing both the risks related to climate change and the potential new business opportunities in the environmental field. This includes the impact of making visible the carbon costs coming from the introduction of internal carbon pricing, addressing the impact of potential changes in customer procurement policies, and identifying the impact on financing from potential policy changes at financial and investment companies.

Targets were previously established for Scope 1 and 2, but we have also set a new emission reduction target for Scope 3. Since categories 1, 3, and 4 account for more than 90% of the Group's Scope 3 emissions, we aim to achieve a 10% reduction by FY2030 (compared to FY2022) relative to the total amount in these three categories. In terms of our

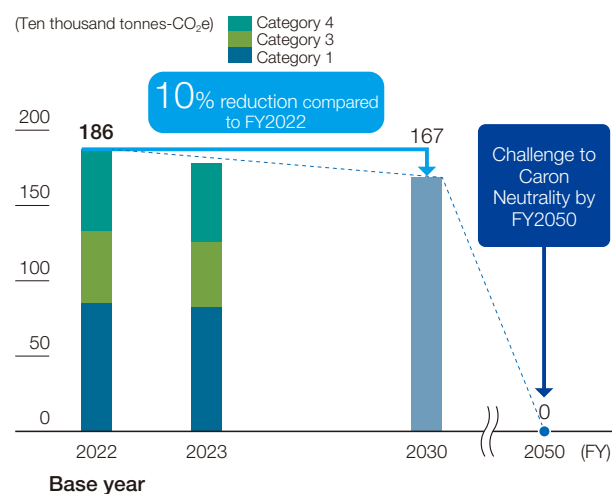
performance in FY2023, we were able to achieve a 5% reduction in Scope 3 emissions compared to the baseline year of FY2022. Going forward, we will embrace the challenge of making the entire supply chain carbon neutral and strengthen our supply chain engagement activities.

Also, we participated in the GX League promoted by the Ministry of Economy, Trade and Industry. To participate in the GX League, we are required to set GHG emission reduction targets in accordance with the standards set by the GX League, and we have set targets for Scope 1 and 2 on a non-consolidated basis and for our consolidated manufacturing subsidiaries in Japan, in addition to the GHG emission reduction targets we have set in accordance with the GHG Protocol. Although the GX League's data differs from that established in accordance with the GHG Protocol in terms of the baseline year and emissions calculation method, the original data is common and the reduction targets are consistent. In FY2023, we were able to achieve an 11% reduction compared to the baseline year of FY2021.

Medium- to Long-Term GHG Emissions Reduction Targets (Scope 1 and 2)



Medium- to Long-Term Supply Chain Emissions Reduction Targets (Scope 3) (Categories 1, 3 and 4)



What Needs to Be Addressed from Now

Toward the final year of Medium-Term Management Plan 2025, we will implement the PDCA cycle for each CSR issue we have set as a target. For Practice socially responsible management, I think the following three approaches are common for tackling any issue: (1) to address medium- and long-term goals (Vision), and to incorporate them into effective Group-wide initiatives, (2) to move forward while getting stakeholders widely involved, and (3) to disclose information externally and leverage feedback from stakeholders for the next step. In particular, the external disclosure of non-financial information will be essential for accountability in business activities and the transparency of our governance.

As was discussed in the evaluation of the effectiveness of the Board of Directors, the scope and content of

sustainability-related considerations have expanded, and we feel there is a need to review the positioning of meeting bodies and committees, as well as the members who participate in them. We would also like to also rebuild the overall structure so that discussions by the members involved become more active.

For Tokuyama “to create a bright future” and be sustainable, we will consider the sustainability that is now required of a company in a timely manner, and disclose information externally that is used for determining corporate value, including the ESG, respond to stakeholders’ trust, and contribute to more improvement of our corporate value.

Vision and Materiality

Achieving Our Vision through Socially Responsible (CSR) Management

To realize our mission “to create a bright future in harmony with the environment, in collaboration with customers, based on chemistry,” we must first correctly understand the expectations and requirements of society, and then make sure that every person in the Group has a “vision” of what needs to be done and a “sustainability perspective” in order to work every day from a long-term perspective and to have an awareness of potential social issues. This attitude and this behavior are also important for us as we move from the traditional business model and transform ourselves into a value creating company. In other words, Tokuyama’s CSR management covers the creation of new value for a sustainable society and it should be promoted by the concerted effort of all managers and all employees.

The Tokuyama Vision has been developed so that we can clearly visualize our future image in order to realize our Mission. Materialities (material issues) refer to priority CSR issues for CSR management that are used when formulating an action plan for realizing our Vision.

We work on our initiatives to realize our Vision, while connecting materiality with the objectives of the divisions and departments. Every year, these are reported to the CSR Promotion Council, and are shared with all executive officers. The relevant materialities are also taken into account as a factor in the calculation of executive officer compensation. We are working hard to continually raise the level of CSR management by following the Company-wide PDCA cycle that we use to check on progress and analyze current conditions.









The Sustainability Committee, established in FY2022, has begun to promote CSR procurement and information disclosure based on the TCFD recommendations. In addition, following the establishment of the Tokuyama Group Human Rights Policy in December 2022, we have developed policies such as establishing the Tokuyama Group Sustainability Principles and revising the Tokuyama Group Code of Conduct in April 2023.

Tokuyama’s Materiality

Material issues are used as guidelines to devise action plans for realizing Tokuyama’s Vision. The table below shows the aspirations and KPIs for each material issue as well as results and the people and departments who are

responsible. Our actions for addressing materialities also contribute to the realization of the UN’s SDGs. For reference, our material issues and their main SDGs are shown in the table below.

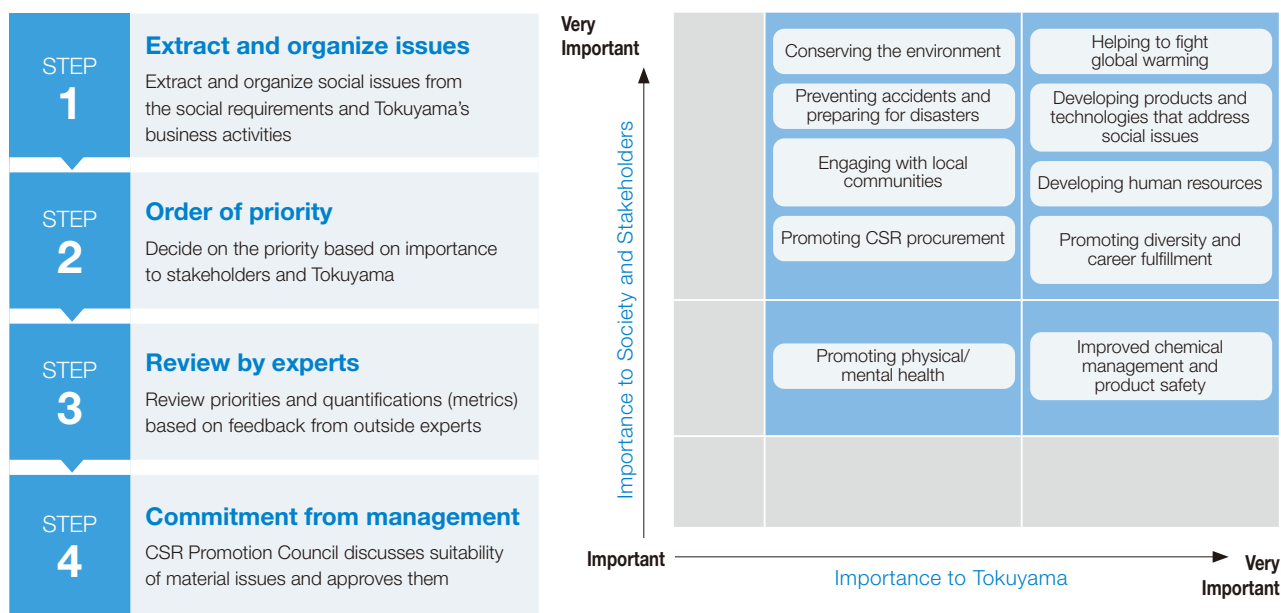
Materiality KPIs and Results

Materiality Relationship to SDGs	Our Vision	KPI / Target
Helping to fight global warming  	<ul style="list-style-type: none"> Achieving carbon neutrality (CN) by FY2050 	<ul style="list-style-type: none"> Reduction of Tokuyama’s GHG emissions by FY2030: <ul style="list-style-type: none"> - 30% reduction in Scope 1 and 2 (compared to FY2019) - 10% reduction in Scope 3 (categories 1, 3, and 4) (compared to FY2022) Active disclosure of climate-related information
Conserving the environment   	<ul style="list-style-type: none"> Promoting recycling and maintaining zero landfill waste Maintaining low emissions of environmental impact substances Complying with legal requirements and other regulations, achievement of zero environmental accidents Contributing to biodiversity conservation 	<ul style="list-style-type: none"> Complying with legal requirements and other regulations: achievement of zero violations Continued achievement of zero environmental accidents: zero accidents Reduced environmental impact: <ul style="list-style-type: none"> - Effective utilization rate for waste ≥94% - Zero waste emission rate ≥99% Enhancing dialog with stakeholders and information disclosure Contributing to biodiversity conservation: Responding to TNFD Effective use of water resources: Reduction of water consumption (excluding seawater) (below FY2019 standard)
Preventing accidents and preparing for disasters   	<ul style="list-style-type: none"> Accident prevention and disaster preparation Improvements in process safety management level Fostering and improving the safety culture 	<ul style="list-style-type: none"> Zero accidents and zero lost time injuries Deepened risk assessment Promoting smart security

Process of Identifying Materiality

In 2019, the Company identified nine material issues based on important social factors, dialogs with stakeholders, and third-party opinions from external experts. In 2021, after reviewing these issues, in line with the new Medium-Term Management Plan 2025, we increased the number of materialities (material issues) to ten, then formulated targets and KPIs for FY2025.

We are determined to always take action for building a sustainable future with society, to contribute to resolving social issues, and increase trust from diverse stakeholders, as we aim to improve corporate value. Tokuyama will solidify relationships of trust with society by strengthening initiatives for dealing with material issues, while pursuing our own unique approach to CSR management.



For detailed information on our activities, please refer to the CSR section of Tokuyama's website.
<https://www.tokuyama.co.jp/eng/csr/>



○: 95% or more △: 60% or more ×: less than 60%

	FY2023 Results	Achievement Level	Person Responsible* Department Responsible
	<ul style="list-style-type: none"> FY2023 GHG emissions: <ul style="list-style-type: none"> - 13% reduction in Scope 1 and 2 - 5% reduction in Scope 3 Promoted coordination with regions, local governments, and within the industrial complex, aiming for CN Considered the introduction of alternative fuels, such as biomass and ammonia Disclosures based on TCFD recommendations Submission of GHG emissions data for GX League baseline year CDP Climate Change Questionnaire score: A- 	○	Director (President and Executive Officer) Carbon Neutral Strategy Division Responsible Care Management Department Factory Planning and Administration Department
	<ul style="list-style-type: none"> Achievement of zero violations of legal requirements, etc. Zero environmental accidents Reduced environmental impact: Not achieved <ul style="list-style-type: none"> - Effective utilization rate for waste: 92% - Zero waste emission rate: 97% Raising awareness of biodiversity Water usage reduction rate (compared to FY2019): -18.5% 	○	Director (Chairperson of Environment Committee) Responsible Care Management Department
	<ul style="list-style-type: none"> Zero serious accidents/disasters Identified risks through risk assessment and began mitigation Promoting smart security 	○	Director (Chairperson of Safety Committee) Responsible Care Management Department

* Person responsible: Someone who serves as a director and chairperson of the committee/meeting body that he/she is in charge of

Materiality Relationship to SDGs	Our Vision	KPI / Target
Developing products and technologies that address social issues 	<ul style="list-style-type: none"> Increased development of products and technologies that help to resolve social issues, focusing on SDGs Transform business portfolio 	<ul style="list-style-type: none"> Promoting the development of products and technologies that help to resolve social issues, focusing on SDGs
Improving chemical management and product safety 	<ul style="list-style-type: none"> Maintaining effective chemical management and promoting product safety within Tokuyama 	<ul style="list-style-type: none"> Complying with chemical laws and regulations in each country: Zero infractions of chemical-related regulations Risk management of chemical products, including the whole Group: Zero accidents due to product safety
Engaging with local communities 	<ul style="list-style-type: none"> Harmoniously co-existing and cooperating with communities Contribution to communities 	<ul style="list-style-type: none"> Harmoniously co-existing and cooperating with communities Helping resolve community issues and contributing to sustainable development
Promoting CSR procurement 	<ul style="list-style-type: none"> Management of supply chains based on CSR procurement guidelines Creation of management processes 	<ul style="list-style-type: none"> Improvement and execution of management and investigation of supply chains based on CSR procurement guidelines
Developing human resources 	<p>Improve employee value while contributing to the realization of a management strategy</p> <ul style="list-style-type: none"> Increase operational productivity Provision of human resources to growth areas and new projects Recruitment and creation of human resources to drive the Company's growth 	<ul style="list-style-type: none"> Establishment of an incentive system to support productivity improvements¹ Percentage of positions filled relative to human resource plan: 100% ± 10% every year Percentage of successor candidate positions filled for key management positions: 100% Number of NBL (Next Business Leader) training participants: A total of 100 by 2030¹ Global human resources development training: 15 participants each fiscal year until FY2025¹ Training highly skilled engineers to support business execution²
Promoting diversity and career fulfillment 	<ul style="list-style-type: none"> Responding to diversity of values and ensuring fairness Increasing engagement Respect for human rights 	<ul style="list-style-type: none"> Promotion of diversity and inclusion Percentage of women hired with a bachelor's degree or higher: 20% or higher every year² Percentage of managerial positions or higher held by women: 15% or higher in FY2030 Promotion of employment of persons with disabilities: Achievement of legally mandated level¹ Employee engagement: Ongoing improvement¹ Promotion of work-life balance Acquisition rate of men taking childcare leave ≥100%² Percentage of annual paid leave taken: 75% every year² Promotion of respect for human rights
Promoting physical/mental health 	<ul style="list-style-type: none"> A state in which employees can work vigorously and play an active role through the cultivation of the physical and mental health of employees and their families, and the creation of a work-friendly environment 	<ul style="list-style-type: none"> Enhanced individuals' awareness of health¹: Smoking rate <15% Maintaining and lowering percentage of findings¹ Regular health consultation rate: 100%¹ Re-examination rate: ≥90%¹ Specific health guidance rate: ≥80%¹ Lowering the leave rate: <0.5%¹ Stress check examination rate: ≥95%¹ Certification as a health and productivity enterprise: Obtain White 500 certification¹

1. Non-consolidated 2. Non-consolidated and domestic consolidated subsidiaries

○: 95% or more △: 60% or more ×: less than 60%

	FY2023 Results	Achievement Level	Person Responsible* Department Responsible
	<ul style="list-style-type: none"> Electronics: Accelerate efforts to commercialize customer-driven products by strengthening marketing functions, with some themes moving into the commercialization phase Healthcare: Accelerate development by narrowing down commercialization themes and concentrating resources Environment: Move several themes into the commercialization phase. Promote new carbon neutral related themes. Traditional business areas: Develop and launch products that address environmental issues, and develop process technologies Other: Grants for academic and research purposes 	○	Director (in charge of Research & Development) Research & Development Division
	<ul style="list-style-type: none"> Zero infractions of chemical-related regulations 61 product reviews (second and third rounds); 787 labeling reviews Understood and responded to domestic and overseas regulatory trends Promoted the management system for chemicals contained in products Provided education to departments and Group companies involved in chemical product management and conducted regular inspections and interviews on their state of management 	○	Director (Chairperson of Product Safety and Quality Assurance Committee) Responsible Care Management Department
	<ul style="list-style-type: none"> Dialog with community: Community dialog, roundtable meetings, factory tours, etc. Social contributions: Volunteer activities, educational support to neighboring schools, and donations to contribute to the local community Contributions through business: Specified supply of power to Shunan City 	○	Director (in charge of CSR, and General Affairs and Human Resource) General Affairs Department Environment & Safety Department Factory Planning and Administration Department
	<ul style="list-style-type: none"> Raised awareness of the CSR procurement guidelines that were revised in December 2022 Requested written consent from companies with a transaction value of ¥30 million or more Collected from 310 out of 323 companies¹ Implemented supplier assessments for companies with a transaction value of ¥100 million or more by using the SAQ published by GCNJ Collected from 173 out of 181 companies¹ Analyzed SAQ collection results and conducted engagement with 5 high risk companies¹ 	○	Director (Chairperson of Sustainability Committee) Procurement Department Logistics Department
	<ul style="list-style-type: none"> Establishment of incentive system: Preparation of system design¹ Percentage of positions filled relative to the human resource plan: Implementation of target setting (no actual values as this is an indicator to be measured starting in FY2024) Percentage of successor candidate positions filled for key management positions: Implementation of target setting (no actual values as this is an indicator to be measured starting in FY2024) Implemented NBL training: Attended by 30 select employees (cumulative total of 67)¹ Implemented global human resource development: Attended by 16 employees¹ Training highly skilled engineers to support business execution² Implemented DX workplace leader training and data engineer training Implemented DX literacy training (e-learning): Attended by 1,400 employees 	○	Director (in charge of General Affairs and Human Resources) Human Resources Department
	<ul style="list-style-type: none"> Promotion of diversity and inclusion Percentage of women hired with a bachelor's degree or higher: 30.1%² Percentage of female managers: 8.2% Percentage of people with disabilities: 2.29%¹ Conducted employee engagement survey: 94.7% response rate, visualized priority issues¹ Promotion of work-life balance Acquisition rate of men taking childcare leave: 47.3%² Percentage of annual leave taken: 76.5%² Implementation of human rights due diligence, etc. 	○	Director (in charge of General Affairs and Human Resources) Human Resources Department
	<ul style="list-style-type: none"> Promotion of anti-smoking measures¹ <ul style="list-style-type: none"> Smoking rate: 17.8% Establishment of smoking-free zones Implemented anti-smoking campaign Health guidance and measures after health diagnosis¹ <ul style="list-style-type: none"> Regular health consultation rate: 100% Re-examination rate: 87.4% Specific health guidance rate: 93.0% Mental health care support¹ <ul style="list-style-type: none"> Leave rate: 0.69% Stress check examination rate: 97.7% Implementation of mental health training and e-learning Selected as a Health and Productivity Stock and obtained certification as a health and productivity enterprise (White 500) in FY2024¹ 	○	Director (in charge of General Affairs and Human Resources) Health Care Center

* Person responsible: Someone who serves as a director and chairperson of the committee/meeting body that he/she is in charge of

Disclosures Based on TCFD Recommendations

The Tokuyama Group supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and has conducted repeated investigations into climate change risks and opportunities based on the TCFD recommendations. In FY2023, we further expanded disclosure information in accordance with the framework of

“Governance,” “Strategy,” “Risk Management,” and “Metrics and Targets,” recommended by TCFD and set and disclosed reduction targets for Scope 3 emissions in order to take on the challenge of reducing GHG emissions in our supply chain. See Disclosures Based on TCFD Recommendations (*Tokuyama TCFD Report*, or *TCFD Report*) for more details.



Disclosures Based on TCFD Recommendations (*TCFD Report*)
https://www.tokuyama.co.jp/eng/csr/global_warming.html#section2



Governance

The Tokuyama Group has identified climate change as one of the most significant management risks. Accordingly, contributing to mitigating and preventing global warming is one of the priority issues under Medium-Term Management Plan 2025. The Sustainability Committee, which is positioned under the CSR Promotion Council, has established a system to identify and evaluate important risks and opportunities related to sustainability

across the organization. Items of special importance are discussed by the CSR Promotion Council, and reported to and overseen by the Board of Directors. Since April 2023, Tokuyama has been accelerating efforts by establishing the Carbon Neutral Strategy Division, which operates independently. The *TCFD Report* provides more details, including supervision by the Board of Directors and the role of the management team.

System to Promote Carbon Neutrality Achievement



Strategies and Risks

Medium-Term Management Plan 2025 incorporates both the risks and business opportunities that arise in society as it moves toward decarbonization. In addition, our aim is to monetize promising business opportunities while reducing climate change risks by shifting our business portfolio from energy-intensive to value-creating companies based on analysis using international risk scenarios. Tokuyama positions climate change risk as the most important risk. Given the

accelerating global trend toward decarbonization, we have decided that we must shift away from our energy-intensive business structure, which has been our strength up to this point. “Contribute to Mitigation of Global Warming” has been set as one of the priority issues of Medium Term Management Plan 2025, and we are pursuing Group-wide initiatives to achieve this. The *TCFD report* provides a detailed report of these strategies and risks.

Risks Posed by Climate Change (Scenario Analysis)

Short term: by FY2025, medium term: by FY2030, long term: by FY2050

Scenario	Risk category	Target of risk assessment	Potential impact on the Group (Financial) (Identified risks)	Financial impact	Timing of risk materialization	Impact on business	Priority level	Response measures
1.5°C	Government policy and regulations	Carbon pricing and energy procurement costs	• Increase in operating costs due to expanded carbon pricing	Large	Medium to long term	Large	High	<ul style="list-style-type: none"> Initiatives to reduce GHG emissions through fuel conversion (biomass and ammonia) Promoting GHG emission reduction measures by adopting internal carbon pricing Enhancing initiatives to help promote green transformation by participating in the GX League
			• Increase in costs for mitigation initiatives due to tightening of the GHG emission regulations	Large	Medium to long term	Large	High	
	Technology	Green process adoption measures	• Increased green energy production and procurement costs	Large	Medium term	Large	High	<ul style="list-style-type: none"> Investigation of ammonia supply chain establishment at the Shunan petrochemical complex Ensuring stable procurement of certified biomass fuel by building relationships with suppliers Development of black pellets Calculation of product carbon footprint (CFP)
			• Increased costs for green material procurement and green process conversion due to lack of technology and market maturity	Large	Medium to long term	Large	High	
	Evaluation	Evaluation by stakeholders	<ul style="list-style-type: none"> Decline in market value and increase in financing costs due to a poor evaluation of carbon neutrality initiatives Risk of litigation by local residents demanding shutdown or decommissioning of coal-fired power plants Sustainability risks for biomass fuel 	Large	Medium to long term	Large	High	<ul style="list-style-type: none"> Improving information disclosure and steadily working to reduce GHG emissions Dialogue with the local community Business portfolio transformation Procurement of certified biomass fuel
	Market	Penetration of green procurement by customers	<ul style="list-style-type: none"> Rejection of products by the market based on large carbon-footprint evaluation Deterioration of profits due to an inability to recover green initiative costs by raising prices 	Large	Medium to long term	Large	High	<ul style="list-style-type: none"> Steadily reducing GHG emissions through energy conservation and fuel conversion, etc. Consideration of obtaining mass balance certification Enhancing supply chain cooperation for green market formation Construction of a carbon footprint evaluation system
		Lost opportunities due to a failure to keep up with green market expansion	<ul style="list-style-type: none"> Opportunity loss due to delays in building a green supply chain Lost opportunities due to insufficient efforts for entering the circular economy and the carbon recycling field 	Large	Medium to long term	Large	High	<ul style="list-style-type: none"> Prompt implementation of measures
4°C	Physical risks (Acute)	More frequent extreme weather events and rising sea levels	• Wind and flood damage to production plants: production plan delays and increased costs due to supply chain disruptions, etc.	Moderate	Long term	Moderate	Moderate	• Enhanced business continuity plan measures
	Physical risks (Chronic)	Long-term intensification of extreme weather events and rising sea levels	<ul style="list-style-type: none"> Decrease in production capacity due to insufficient factory cooling capacity caused by rising average temperatures Production halts due to storm surges caused by rising sea levels 	Minimal	Long term	Minimal	Low	• Maintaining capacity through equipment modifications, etc.

Climate Change Opportunities (Scenario Analysis)

Short term: by FY2025, medium term: by FY2030, long term: by FY2050

Scenario	Opportunity type	Opportunity assessment target	Impact on Tokuyama Group	Impact level	Term	Priority Level	Response measures
1.5°C	Market	Expanding demand in the environmental market	• Expansion of businesses offering waste disposal, effective utilization of resources, and measures to combat global warming	Large	Medium to long term	High	• Commercialization of renewable resources and energy
		Shift to carbon neutrality by regions and industrial complexes	• Enhancing site competitiveness by promoting large-scale green supply chains for energy and materials	Large	Medium to long term	High	• Green supply chain construction conducted and promoting green technology development through the Shunan Industrial Complex Decarbonization Promotion Council
	Resource use efficiency	Requests for CCU-related products and services	• Entering new business fields by establishing a carbon recycling system	Large	Medium term	High	• Accelerating R&D, demonstration projects, and actual green technology adoption in business operations

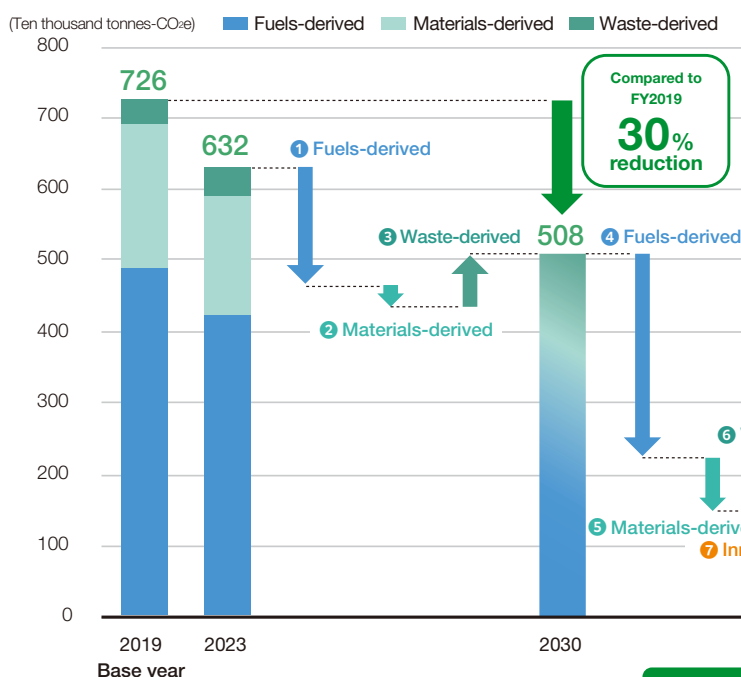


Metrics and Targets

We are aiming to reduce fuel-derived GHG emissions by promoting energy-saving measures and switching to non-fossil fuels, and to reduce raw materials-derived GHG emissions by reducing the use of limestone as a raw material. While the steady reduction of GHG emissions is our responsibility as a company, we also recognize that reducing GHG emissions caused by our products is important (see page 46). In FY2023, we promoted fuel conversion initiatives and initiatives with local

governments and companies in the industrial complex. In addition, we have implemented initiatives towards opportunities, such as promoting the water electrolysis business. The *TCFD Report* provides details of climate-related metrics, Scope 1, Scope 2, and Scope 3 GHG emissions, as well as the targets and performance against the targets, and the specific approach aimed at a decarbonized society.

Initiatives to Achieve Carbon Neutrality by FY2050



1	Co-firing of biomass/ammonia Effective use of local energy Energy conservation, process improvement, and equipment upgrades Transform the business portfolio
2	Suspension of one cement kiln line, increase volume of small amount of mixed ingredients
3	Thermal recycling
4	Increase percentage of co-firing of biomass/ammonia and progress to monofuel combustion Use of renewable energy Transform the business portfolio More effective use of local energy Energy conservation, process improvement, and equipment upgrades Improve the energy efficiency of the industrial complex
5	Ca recycling Offer low-GHG-emission cement/concrete Transform business portfolio
6	Thermal recycling
7	Conversion to innovative manufacturing methods
8	Introduction of negative emission technology (CCUS) Offsets (J credits, etc.)

4 Initiatives to Address Climate Change

Improve the energy efficiency of the industrial complex

Introduction of negative emission technology (CCUS)

- Shunan Industrial Complex Decarbonization Promotion Council -

The Shunan Industrial Complex Decarbonization Promotion Council was established by Shunan City, the Society for Chemical Engineers, Japan, and companies in Shunan Industrial Complex (Idemitsu Kosan Co., Ltd, NIPPON STEEL Stainless Steel Corporation, Zeon Corporation, Tosoh Corporation and Tokuyama) in order to share the new challenge of maintaining and strengthening the competitiveness of Shunan Industrial Complex companies and to contribute to the realization of carbon neutrality by drawing up a future vision for decarbonization and promoting social implementation initiatives, including technology development, evaluation, demonstration, and policy recommendations. Discussions began in February 2022 and a grand design for the Shunan Industrial Complex in 2050 was announced in May 2023. In FY2023, subcommittees set up within the Council having been proceeding with the examination of each of these themes.

Structure of the Council



Development of alkaline water electrolyzers

Business Opportunities

Tokuyama and Nippon Shokubai Co., Ltd. are conducting the Project for Developing Large Alkaline Water Electrolyzers and Separators Suited for High-pressure Electrolysis as a project commissioned by NEDO under the framework of the Collaborative Industry-Academia-Government R&D Project for Solving Common Challenges Toward Dramatically Expanded Use of Fuel Cells and Related Equipment as Technology Development for Diversifying Fuel Cell Use.

A high-pressure alkaline water electrolyzer (high-pressure AWE) is a device that produces hydrogen and oxygen by supplying an alkaline solution to cells separated by separators and passing electricity through them. Hydrogen is attracting attention as a next-generation energy source, and there are high expectations worldwide for low-carbon hydrogen produced with electricity derived from renewable energy sources.

This project aims to develop a world-class competitive high-pressure AWE by combining the development of a large separator suitable for high-pressure systems by Nippon Shokubai and the development of the internal structure of the electrolyzer that maximizes the performance of the separator by Tokuyama. The separator developed by Nippon Shokubai is being incorporated into a pilot facility for a high-pressure AWE developed by Tokuyama to conduct research and development.

In addition to utilizing the original technology related to electrolyzers that we have developed over many years in the salt electrolysis business, we will work to develop and demonstrate a high-pressure AWE, which enables lower prices, and will make efforts to promote the spread of next-generation energy.

Compliance

Basic Stance and System

For Tokuyama, the word compliance has a broad meaning, including not only complying with laws and internal rules but also behaving sensibly in a way that conforms with corporate ethics to meet social expectations. To communicate and spread awareness of compliance throughout the Group, the Company distributes a leaflet that includes the Tokuyama

Group Code of Conduct to all Group officers and employees. In addition, we conduct regular educational activities on compliance through collective education, e-learning, and information distribution. Furthermore, we also conduct engagement through regular meetings with management and personnel in charge of compliance at Group companies.

Whistle-blowing System

A whistle-blowing helpline has been established to enable safe, anonymous reporting and consultations on compliance violations involving the Tokuyama Group (including potential violations) without fear of retaliation. Reporting and consultations can be carried out by postal mail, e-mail, or telephone. The helpline is operated in a way that protects whistle-blowers. Employees can use the helpline without disclosing to the Company their name or department, and a female attorney is available for consultations. In FY2023, we established a system that allows locally hired employees at overseas Group companies to file reports in their native language, and this entered into operation in April 2024. We are working to expand our whistle-blowing systems not only

in terms of compliance, but also in terms of the grievance mechanism for responding to human rights.

The number of reports has increased due to the establishment of these whistle-blowing systems and the penetration of ongoing harassment prevention activities since FY2021. Meanwhile, there were no occurrences of serious noncompliance in FY2023.

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of reports	29	24	34	29	44

Note: Including contact points for Harassment Desk
Including contact points for whistle-blowing system for subsidiaries (including domestic only until FY2022, overseas as of FY2023)

Stakeholder Engagement

Stakeholder Engagement

Stakeholders	Key Engagement Methods
Customers	• Sales activities (as needed) • Factory tours (as needed) • Exhibitions (as needed)
Business Partners	• Business partner surveys (approximately 200 companies; once every 3 years) • Joint health and safety meetings (once per year)
Employees	• Employee surveys and harassment surveys (once per year each) • In-house newsletters (4 times per year) • Intranet (as needed) • Labor-Management Council meetings (once per month) • Health and Safety Committee meetings (once per month per site covered)
Shareholders and Investors	• Financial Results Briefing (Institutional: each time a financial statement is issued) • IR seminars for individual investors • Various reports (annual securities reports, consolidated reports, corporate governance reports)
Local Communities and Society	• Security and disaster prevention • Regional dialog and event sponsorship • Regional volunteers • Subsidies for next-generation training (accepting interns, donating books, traveling classrooms) • Subsidies for the promotion of science and technology (donations)
Environment	• Efforts to reduce GHG and save energy • Acceptance and appropriate processing of waste • Initiatives to address biodiversity

Evaluation by Society (Excerpt)

Category	Item
ESG Investment	• FTSE Blossom Japan Sector Relative Index • FTSE Blossom Japan Index
Health Management	• White 500 Health and Productivity Management Organization (Large Enterprise Category) • 2024 Health and Productivity Stock
DX	• DX certified business operator
Work-life Balance	• Platinum Kurumin Certification

Participation in Initiatives (Excerpt)



United Nations Global
Compact



GX League



TCFD Consortium



TNFD Forum



For more information on social recognition, please visit the Company's website.
<https://www.tokuyama.co.jp/eng/csr/evaluation.html>



Dialogue with External Directors

Taking on the challenge of building transparent governance while fulfilling management checks and advisory functions

Naoki Kondo

External Director
Audit & Supervisory Committee Member



Hiraku Ishizuka

External Director
Audit & Supervisory Committee Member

External Directors' Perspective and Evaluation of Tokuyama's Governance

Ishizuka I joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) in 1984. After serving as an executive officer of Mitsubishi UFJ Financial Group, I went on to serve as vice president and president of Mitsubishi UFJ NICOS Co., Ltd., and am currently chairman of the board. I became an External Director (Audit & Supervisory Committee Member) of Tokuyama in June 2023. My advisory activities are focused on the adequacy of the decision-making process. All of Tokuyama's directors, both internal and external, think sincerely about the Company's current status and future, and express their opinions frankly, and I believe that the effectiveness of governance is fully ensured.

Kondo I registered as an attorney-at-law in 2000, I served as an Assistant Counselor in the Trade Policy Bureau of the Ministry of Economy, Trade and Industry, and I have been a partner at Oh-Ebashi LPC & Partners since 2016. I was appointed as an External Director (Audit & Supervisory Committee Member) of Tokuyama in June 2023, the same month as Director Ishizuka, and perform my duties while keeping in mind the perspective of shareholder interests. Tokuyama has passed on a corporate culture of integrity since its founding, and I feel that this is directly reflected in its current governance structure, which is transparent and fair.

Strengths of Tokuyama's Governance

Ishizuka In the just over a year since I was appointed as a director of Tokuyama, I have been very impressed with the thorough prior explanation and information sharing of important matters to the external directors. Of course, discussions by the Board of Directors are important, but time is limited and there is

no room for rumination. Detailed explanations from President Yokota and the executive officers deepen my understanding of matters and issues, and allow me ample time to think about them, which makes discussions at meetings of the Board of Directors more fruitful. I believe it is worth mentioning that we are also given the authority to audit operations.



Kondo I also highly rate the sharing of management information and awareness of issues in Tokuyama's governance. For example, the Board of Directors regularly reports on the execution of business operations. Executive officers spend as much as one hour per area explaining the current status of business execution and issues, providing a valuable opportunity for external directors to gain a deeper understanding of the business.

Roles and Functions to Be Fulfilled by External Directors (Audit Committee Members)

Ishizuka External directors have the dual functions of checking and advising management, but it is not easy to fulfill the checking function in a closed corporate culture. In this respect, Tokuyama has inherited a traditionally free and open corporate culture, and it is safe to say that there are no obstacles to the exercise of the checking and monitoring functions. Meanwhile, as for the advisory function, since I do not have the knowledge to provide expert advice on Tokuyama's technologies and businesses, my task is to examine whether top management's business decisions and executive officers' execution of strategies and measures are appropriate with regard to important themes that will determine Tokuyama's future, such as technology development, overseas expansion, new investments, and transforming the business portfolio. President Yokota and the other directors and executive officers take the opinions and recommendations of our external directors seriously, and I believe that the effectiveness of governance is fully ensured.



Kondo One of the characteristics of our Board of Directors that makes governance sufficiently effective may be the diversity of its human resources. Members of the Board of Directors include those who concurrently serve as both directors and executive officers, as well as the one who concurrently serves as both internal director and chair of the Audit & Supervisory Committee, and the external directors are also composed of unique individuals with different backgrounds. Of the nine directors, four are external directors and one is a woman, which we believe is in keeping with our diversity philosophy.

Focusing on Achieving the Goals of Medium-Term Management Plan 2025

Ishizuka Tokuyama's Medium-Term Management Plan 2025 includes three themes, one of which is "Practice socially responsible management," which includes materialities related to human capital such as "Developing human resource" and "Promotion of diversity and career fulfillment." I believe that efforts to strengthen our human resources and organizational capabilities will be the key to Tokuyama's future. A new job-based personnel system for managers was launched in April of this year, but the issue is how to manage the new system and bring it to fruition in strengthening the human resource base. As someone who was present during Tokuyama's period of transformation, I will closely monitor the progress of Medium-Term Management Plan 2025 and materiality.

Kondo Director Ishizuka constantly stresses the importance of balancing risk and opportunity. I concur, and believe that in order to achieve the various goals of Medium-Term Management Plan 2025, it is important to determine how to face new business opportunities based on a thorough analysis of the potential risks. I feel that it is also an important duty as an external director and Audit & Supervisory Committee Member to make recommendations to the executive side on whether or not it is appropriate to take risks and how to control such risks.

Future Outlook and Issues to Be Addressed

Ishizuka One of Tokuyama's strengths is its sincere and positive employees. Although the issues to be addressed are piling up, such as strengthening relationships with stakeholders and developing market-oriented technologies, I believe that Tokuyama will surely reach the next stage of growth if management and Group employees work together to promote the initiatives of Medium-Term Management Plan 2025. For this reason, it is important for the Board of Directors, each committee, and the Audit & Supervisory Committee, which has an advanced advisory function, to work together in an organic manner. We, the external directors, will also support Tokuyama's efforts aimed at sustainable growth by utilizing the knowledge and expertise that we have accumulated over the years.

Kondo Tokuyama is continuing to transform and take on challenges in order to realize its mission "To create a bright future in harmony with the environment, in collaboration with customers, based on chemistry." However, there are a number of issues that need to be addressed, such as the somewhat lack of discussion on the future vision at meetings of the Board of Directors. I look forward to working with other directors and executive officers to help Tokuyama grow under the strong leadership of President Yokota.

Management Team

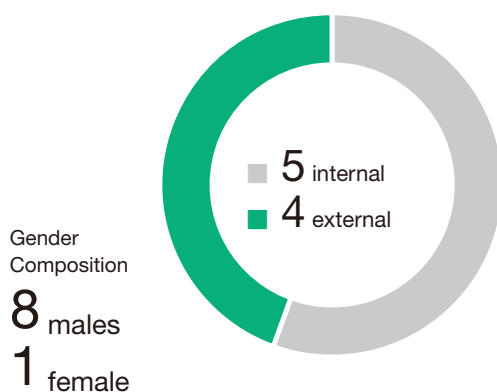


(Back row from left) Nobuko Mizumoto, Naoki Kondo, Tomohiro Inoue, Fumiaki Iwasaki, Hiraku Ishizuka, Youji Miyamoto
(Front row from left) Yuzo Kawamori, Hiroshi Yokota, Hideo Sugimura

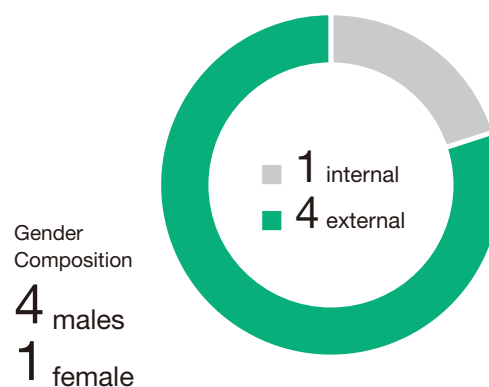
Name and Position		Number of Company Shares Owned, Tenure as Director	
Hiroshi Yokota	Representative Director, President & Executive Officer In charge of Chemicals, Cement, Electronic & Advanced Materials, Auditing Office	37,300 shares / 9 years	
Hideo Sugimura	Representative Director, Senior Managing Executive Officer, Assistant to the President In charge of General Affairs & Human Resources, Procurement & Logistics, Secretarial Department, Digital Administration & Planning	8,503 shares / 7 years	
Fumiaki Iwasaki	Director, Senior Managing Executive Officer, General Manager, Research & Development Division and Life Science Business Division In charge of Life Science, New Business, Research & Development, Environment & Safety of Kashima Factory, Center for Commercialization of Advanced Technology	2,942 shares / 4 years	
Tomohiro Inoue	Director, Managing Executive Officer, General Manager, Corporate Planning Division In charge of Corporate Planning, Corporate Social Responsibility, Eco Business, Tokuyama Factory, Carbon Neutral Strategy	1,900 shares / 1 year	
Youji Miyamoto	Director, Audit & Supervisory Committee Chair	2,600 shares / 7 years	
Yuzo Kawamori	External Director, Audit & Supervisory Committee Member	2,500 shares / 5 years	
Nobuko Mizumoto	External Director, Audit & Supervisory Committee Member	800 shares / 3 years	
Hiraku Ishizuka	External Director, Audit & Supervisory Committee Member	0 shares / 1 year	
Naoki Kondo	External Director, Audit & Supervisory Committee Member	400 shares / 1 year	

Corporate Governance Structure

Number of Directors



Number of Audit & Supervisory Committee Members



(As of June 26, 2024)

Reason for Appointment	Attendance	
	Board of Directors	Audit & Supervisory Committee
Based on his extensive experience in personnel and labor issues, traditional businesses and advanced materials businesses, he is actively working to realize the current Medium-Term Management Plan, such as in terms of transforming the business portfolio, carbon neutrality, and implementing CSR management.	19/19 (100%)	—
Based on his extensive business experience in the introduction of an information system, management of an overseas subsidiary, reconstruction of a domestic subsidiary, and serving as general manager of corporate planning departments, he is actively working on a wide range of business activities in general.	17/19 (89%)	—
Based on his extensive experience in the fields of R&D and manufacturing technology, he is actively engaged in promoting new research and development and creating new businesses.	19/19 (100%)	—
Based on his extensive experience in overseas operations, the Recycling & Environment Promotion Department, the Cement Production Department, and the Eco Business Division, he is actively involved in planning and implementing growth strategies for the Group, such as carbon neutrality and strengthening the functions of the Tokuyama Factory.	15/15* (100%)	—
With a high degree of expertise in finance and accounting gained through many years of accounting operations, he has been supervising management as an Audit & Supervisory Board member since 2013, and as a director who is an Audit & Supervisory Committee member since 2017. * Principal concurrent positions: Auditor, ASTOM; Auditor, Tokuyama Dental; Auditor, A&T	19/19 (100%)	24/24 (100%)
Possessing extensive experience and broad insight as a corporate manager in the manufacturing industry, he has been supervising the management of the Company as an external director who is an Audit & Supervisory Committee member since 2019.	19/19 (100%)	24/24 (100%)
She has extensive and rich experience in the manufacturing industry, first as a researcher and then as a corporate manager through key posts in headquarter divisions. She has been supervising management of the Company as an external director who has been an Audit & Supervisory Committee member since 2021. * Principal concurrent positions: Outside Director, Okamura Corporation	19/19 (100%)	24/24 (100%)
Possessing extensive experience and broad insight as a corporate manager in financial institutions, he has been supervising management of the Company as an external director who has been an Audit & Supervisory Committee member since 2023. * Principal concurrent positions: Representative Director & Chairman, Mitsubishi UFJ NICOS Co., Ltd.	14/15* (93%)	18/18* (100%)
Based on his specialist perspective and rich experience as a lawyer, he has been supervising the management of the Company as an external director who is an Audit & Supervisory Committee member since 2023. * Principal concurrent positions: Partner, Oh-Ebashi LPC & Partners Outside Director (Audit & Supervisory Committee Member), ibis inc. Outside Auditor, A&D HOLON Holdings Company, Limited	15/15* (100%)	18/18* (100%)

* Attendance after appointment and assumption of office at the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2023.

Corporate Governance

Basic Stance

Amid the major transformations taking place throughout society, Tokuyama, in line with the business environment we face today, has defined the corporate Mission as “To create a bright future in harmony with the environment, in collaboration with customers, based on chemistry.” This definition incorporates the Company’s desire to contribute to a sustainable society by pursuing business in harmony with the environment and working to create the future together with customers. This is only possible with the trust and support of shareholders, customers, suppliers, employees, local communities, and all other stakeholders, which the Company believes will fuel sustainable growth and greater corporate value over the medium to long term.

Corporate governance is an important management issue in order to achieve this, and we recognize that it is

vital to improve and constantly enhance the function of governance itself by responding to the various expectations, requirements, and requests of our stakeholders.

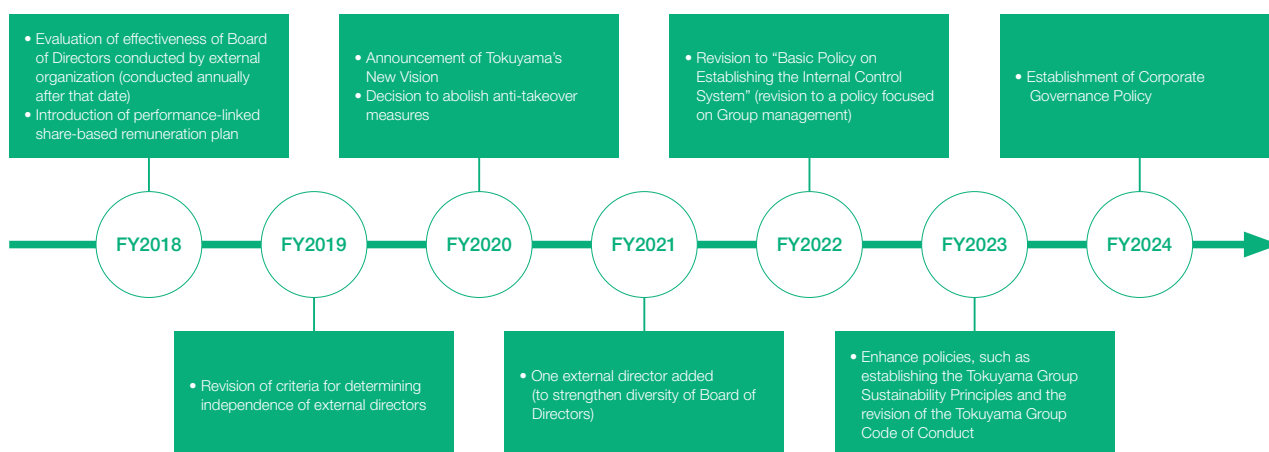
We newly established the Corporate Governance Policy in 2024, and have explicitly stated our philosophy on governance, such as that we will respect the rights and equality of shareholders, cooperate effectively with all stakeholders, achieve the disclosure of information and transparency, maintain the independence of the Board of Directors and improve the Board’s oversight, accelerate decision-making, clarify responsibility, and strive for constructive dialog with shareholders.



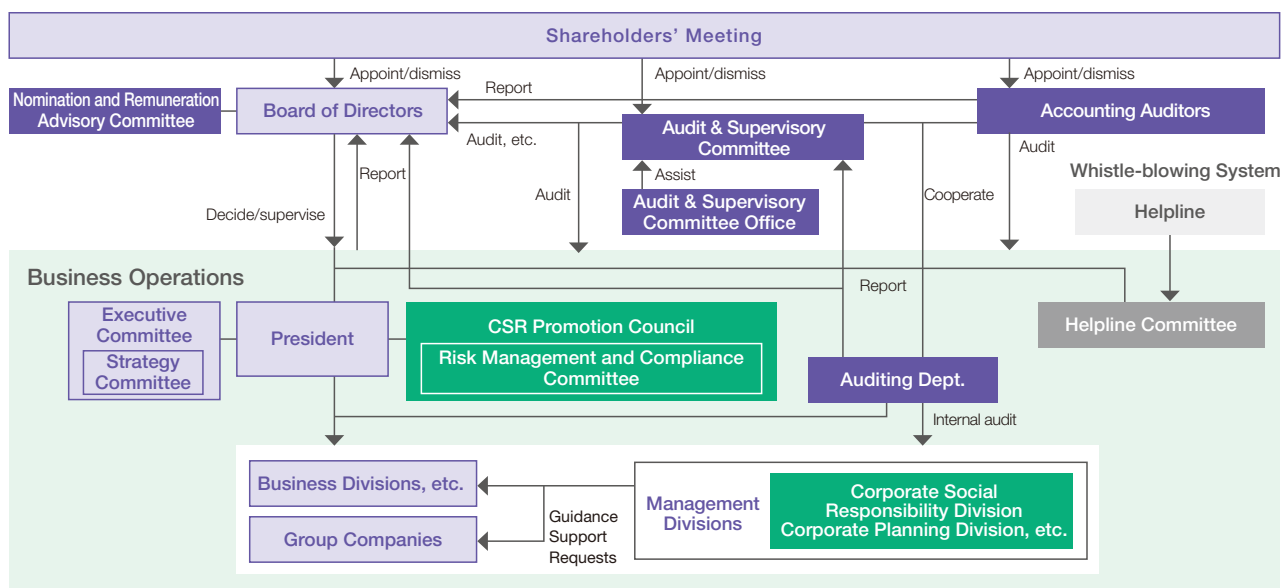
Corporate Governance Report
https://www.tokuyama.co.jp/eng/company/pdf/20240626_CGHoukokusyo_en.pdf



Steps to Strengthen Our Governance Structure



Corporate Governance Structure



Meeting Bodies on Governance and Main Content of Deliberation

	Overview
Board of Directors	<p>The Board of Directors deliberates and decides on statutory matters and important matters related to business execution, and supervises the status of business execution by directors and executive officers to whom the execution of business is delegated. The Company is oriented toward a hybrid Board of Directors that both makes decisions on business execution and supervises the execution of business by directors and executive officers. This function includes advising the executive management team on its resolute efforts to enhance corporate value over the medium to long term. In light of this, the Board of Directors is chaired by an executive director or a director with executive experience. At least one-third of the Board of Directors are independent external directors in order to enhance the effectiveness of decision-making from a broader perspective as well as the supervision of business execution. In principle, meetings are held regularly once a month, and extraordinary meetings are held as needed.</p> <p>The Board of Directors deliberated and decided on matters related to corporate accounting, such as financial statements, matters related to dividends, important personnel and organizational matters, and important matters related to business execution, and also actively exchanged opinions on management issues and other important topics.</p> <ul style="list-style-type: none"> Meetings of the Board of Directors held in FY2023: 19 Resolutions in writing: 5 times (pursuant to Article 370 of the Companies Act and Article 29 of the Company's Articles of Incorporation)
Audit & Supervisory Committee	<p>The Company has chosen the format of a company with audit and supervisory committee as its institutional design under the Companies Act in order to strengthen the auditing and supervisory functions of the directors' execution of their duties and to facilitate prompt decision-making, with the aim of achieving open management with an emphasis on governance and customer-oriented management. The Audit & Supervisory Committee consists of non-executive directors, and Directors who are Audit & Supervisory Committee members (hereinafter referred to as "Audit & Supervisory Committee members"); members monitor the status of business execution through meetings of the Board of Directors and other important internal meetings, and audit the execution of business by executive directors.</p> <p>The committee conducts hearings on the status of business execution from the heads of business divisions and functional divisions, exchanges opinions with representative directors, examines the status of operations at plants and major business offices, and communicates and exchanges information with the auditors of subsidiaries. It also holds regular meetings with the Accounting Auditor to confirm reports on the status and results of audits and to exchange opinions on key audit matters (KAMs).</p> <ul style="list-style-type: none"> Number of meetings held in FY2023: 24
Nomination and Remuneration Advisory Committee	<p>Based on the Company's basic philosophy on corporate governance, and in order to achieve more transparent and objective management, the Company has established the Nomination and Remuneration Advisory Committee, whose duty is to deliberate on personnel matters and remuneration for directors (excluding Audit & Supervisory Committee Members), executive officers, and other persons treated as executives, and to report or make proposals to the Board of Directors (In addition, the President Nomination Committee, which is separately established as a subordinate organization of the Nomination and Remuneration Advisory Committee, is responsible for deliberations on the succession plan for the President). The Nomination and Remuneration Advisory Committee shall consist of a majority of independent external directors, and the term of office of its members shall be one year.</p> <p>In the area of human resources, the main topics of discussion included the selection of candidates for directors, the selection of representative directors, the selection of executive officers, the determination of their responsibilities, and the skill matrix for directors. In the area of remuneration, the main topics of discussion included the introduction of a bonus system for directors, the calculation of monetary remuneration by the president, and strengthening the relationship between remuneration and materiality for the next and subsequent years.</p> <ul style="list-style-type: none"> Number of meetings held in FY2023 Nomination and Remuneration Advisory Committee: 9, President Nomination Committee: 1)
Executive Committee	<p>The Executive Committee is a decision-making body whose members are selected by the president and executive officer (hereinafter referred to as "the president") from among the Company's other executive officers. In principle, the committee meets two times each month. Based on the approval-related rules determined by the Board of Directors, the Executive Committee deliberates on and makes decisions on strategies and other important matters.</p>
Strategy Committee	<p>The Strategy Committee is an advisory body to the president made up of members are selected by the president from among the Company's other executive officers. The committee meets once a month and serves , and in addition to deliberating on the direction of business execution, it works to confirm the allocation of management resources with the aim of evaluating conditions relating to business execution in respect to important matters requiring approval. It also sets the direction of policies related to business execution with regard to specific projects.</p>
CSR Promotion Council	<p>Chaired by the president, the CSR Promotion Council includes all executive officers. The committee sets CSR (sustainability) policies and goals, while also enabling initiatives to achieve those goals. In addition to sustainability issues, important internal control issues are also discussed by the committee.</p>
Risk Management and Compliance Committee	<p>Tokuyama's Risk Management and Compliance Committee, chaired by the director in charge of corporate social responsibility, has been established under the CSR Promotion Council to handle risk management and compliance.</p>
Expert Committees	<p>Separately from the Risk Management and Compliance Committee, under the CSR Promotion Council, Tokuyama operates various committees (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, and Sustainability Committee) focused on risk management and compliance in critical and specialized areas.</p>
Helpline Committee	<p>The Helpline Committee is responsible for the administration of Tokuyama's helpline (whistle-blowing) system for the internal reporting of legally questionable actions and behavior by Group executives and employees.</p>

Analysis and Evaluation of Overall Effectiveness of the Board of Directors

We regard corporate governance as an important management issue, and as part of this, we conduct an evaluation of the effectiveness of the Board of Directors every year.

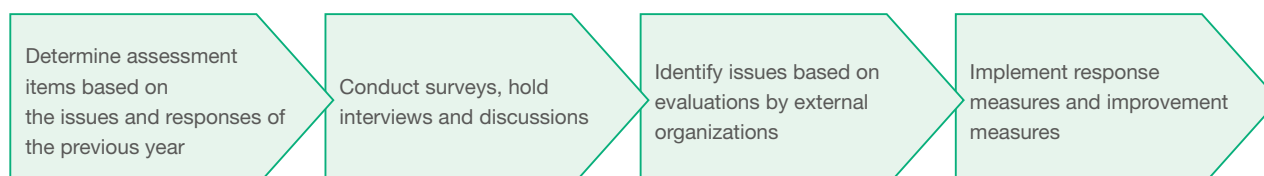
In the FY2023, the Company engaged an external organization to conduct a questionnaire survey and interviews of all the directors, and analyzed their responses. The results were submitted to the Board of Directors for review and discussion.

The results of the analysis and evaluation revealed that the effectiveness of the Board of Directors is generally being ensured. In particular, the culture of respecting free and vigorous discussion is fostered and maintained, and information is shared through various channels, among other strengths. In addition, it was confirmed that sufficient and effective efforts were made to substantiate the business

execution reports and to provide opportunities for focused discussion of management issues, which were issues identified in previous years. Meanwhile, issues emerged in terms of the ongoing improvement of the Board of Directors' operations and its contribution to the realization of the Vision set forth in Medium-Term Management Plan 2025.

The Company's Board of Directors will further strengthen its supervisory function by encouraging active involvement, especially by external directors, in the continuous improvement of operations. In relation to Medium-Term Management Plan 2025, the Board of Directors will also deepen discussions with the executive management team in order to function as a catalyst for the realization of our Vision.

Evaluation Process



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, important skills identified from the

areas in which it is expected that directors will contribute are indicated below. 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.

Skills	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, 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.
DX	The Company considers that, since the promotion of fundamental business reforms through 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.

		Management Planning, Strategy	Sales, Marketing	R&D, Production Technology, Engineering	Finance, Accounting	Governance, Risk Management	Sustainability	Human Capital	DX	Global Business
Internal	Hiroshi Yokota (Representative Director, President and Executive Officer)	●	●			●	●	●		●
	Hideo Sugimura (Representative Director, Senior Managing Executive Officer)	●			●	●	●	●	●	
	Fumiaki Iwasaki (Director, Senior Managing Executive Officer)	●	●	●				●	●	●
	Tomohiro Inoue (Director, Managing Executive Officer)	●		●	●	●				●
	Youji Miyamoto (Director, Audit & Supervisory Committee Chair)	●			●	●	●			●
External	Yuzo Kawamori (External Director, Audit & Supervisory Committee Member)	●	●		●	●	●	●		●
	Nobuko Mizumoto (External Director, Audit & Supervisory Committee Member)	●		●		●	●	●	●	
	Hiraku Ishizuka (External Director, Audit & Supervisory Committee Member)	●			●	●			●	
	Naoki Kondo (External Director, Audit & Supervisory Committee Member)	●			●	●				●

Note: Skills, career, and expertise considered necessary for the Board of Directors are reviewed in accordance with changes in the business environment and management policies. The skill matrix indicates the fields that each respective Director is expected to contribute to in the supervision of management, but does not represent all skills, career, and expertise that each Director possesses.

Response to Chief Executive Officer Succession Plan

The Company has established a President Nomination Committee within the Nomination and Remuneration Advisory Committee, which has the function of formulating and implementing a succession plan for the Chief Executive Officer (President and Executive Officer), deliberating on selection and dismissal, and making reports and recommendations to the Nomination and Remuneration Advisory Committee. The President Nomination Committee is chaired by an independent external director, with the President as the only internal director and a majority of the members being independent external directors.

The Board of Directors deliberates on and appropriately supervises the activities of the President Nomination Committee with respect to regular reports through the Nomination and Remuneration Advisory Committee to ensure that the Company's management philosophy (Vision) and management strategy are taken into account and that sufficient time and resources are being systematically allocated to the development of potential successors.

Director Training

Newly appointed directors and newly appointed executive officers, who will be candidates for directors, are required to participate in external executive training. The content of the training program can be selected based on the experience and knowledge of the individual, but with corporate governance in mind, the required content includes legal affairs and corporate governance as well as accounting and finance. The Company also allows participants to attend external seminars related to their corporate responsibilities on their

own. External directors are given the opportunity to visit factories and to learn about the Company when they take office, so that they can understand the current condition of the Company's businesses and operations. Finally, the Company also holds study sessions, when needed, in order for all directors to gain a better understanding of domestic and international economic conditions, legal revisions, and new systems.

Director Remuneration

For details of the Company's policy for determining the content of remuneration, etc. of individual directors (excluding Audit & Supervisory Committee Members), please refer to the Corporate Governance Policy [Appendix 4] "Policy on Determining Director Remuneration on an Individual Basis (excluding those who serve on the Audit and Supervisory Committee)." The amount of remuneration is calculated in accordance with this policy and is determined by the Board of Directors after deliberation by the Nomination and Remuneration Advisory Committee.

Basic Policy

The remuneration plan for the Company's directors is based on the following perspectives:

- Ensures that directors contribute to sustainable growth for corporate performance and corporate value based on the Tokuyama Vision
- Provides a level of remuneration that secures and retains human resources that can support the Company's management
- Considers the performance of the Company
- Employs a highly transparent, objective remuneration decision making process

Overview of the Remuneration System

The Company's remuneration for directors consists of basic remuneration and bonuses,¹ which are monetary remuneration, and performance-linked share-based remuneration,² which is non-monetary remuneration, and the method of determining each has been prescribed.

1. Recipients are executive directors

2. Recipients are directors excluding directors who are Audit & Supervisory Committee Members, non-executive directors, external directors and non-residents of Japan

Method for Determining Remuneration

- The final annual amount of basic remuneration for each individual is calculated and determined by the Representative Director, President and Executive Officer, having received authorization to do so from the Board of Directors, based on a standard amount predetermined for each position.
- Bonuses are determined by the Representative Director, President and 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 percentage in accordance with the standard bonus amounts for each position, the performance targets for the target fiscal year, and the achievement level against those targets.
- For performance-linked share-based remuneration, the number of shares granted is calculated by multiplying the performance-linked coefficient (ranging from 0% to 150%) set according to the degree of target achievement.

Amount of Remuneration Paid to Directors and Audit & Supervisory Committee Members (FY2023)

Category	Number of People	Remuneration Amount
Directors (excluding directors who are Audit & Supervisory Committee members)	5	¥155 million
Audit & Supervisory Committee members (excluding external directors)	1	¥29 million
External Director	6	¥56 million

Note: 1. The above includes three directors who retired during the current fiscal year.

2. The above includes ¥8 million of performance-linked share-based compensation expense recorded during the current fiscal year.

3. The figures above do not include the employee salary portion for directors also serving in employee positions.



Corporate Governance Policy
https://www.tokuyama.co.jp/eng/csr/pdf/corporate_governance_policy_e.pdf



Policy on Holding Listed Shares for Purposes Other Than Pure Investment

The Company holds shares of publicly listed companies for strategic reasons in accordance with the requirements for business activities as part of the overall management strategy. This includes the need to maintain and bolster transactions, raise funds, and consistently procure raw materials. As far as the strategic holding of shares in publicly listed companies is concerned, the Company will limit holdings to the minimum level possible, taking into consideration the need to ensure efficient corporate management. In addition, 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 holdings based on a future outlook each year. The Company held shares in a total of 20 listed companies as of March 31, 2024. Efforts will be made to reduce the number of shares by around 10 companies in FY2024. The Company exercises voting rights in shares based on the contribution to corporate value for both the Company and the investment target company.

Risk Management

Strengthening Our Risk Management System

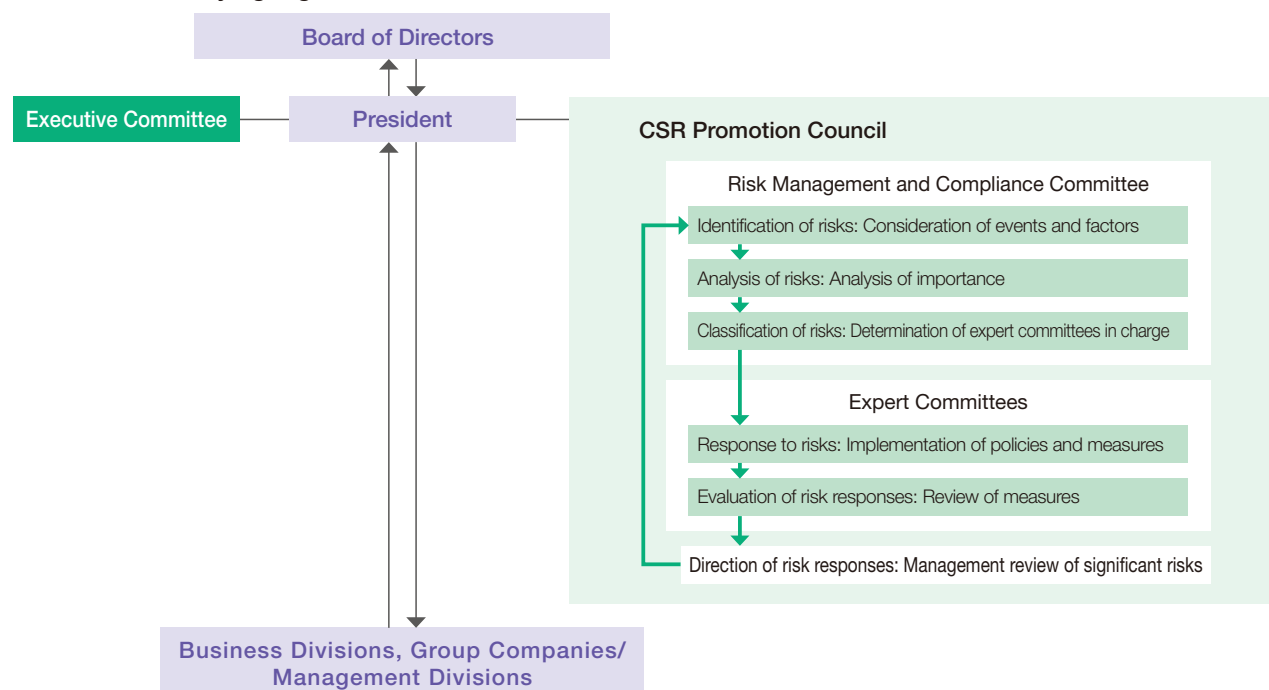
Tokuyama has established the Risk Management and Compliance Committee under the CSR Promotion Council as part of our Company-wide risk management system, as outlined on p. 38: Sustainability-related Meeting Bodies. The Risk Management and Compliance Committee considers events and issues that have recently emerged or that have undergone a change in the degree of impact, by monitoring social conditions and coordinating with other committees. This committee then assesses whether or not these are real risks and meets with expert committees to develop a response.

The Risk Management and Compliance Committee performs group-wide enterprise risk management by making visible and mapping risk levels both quantitatively and qualitatively from several perspectives: impact (monetary loss, decrease in market share, and scale of impact, etc.); occurrence frequency and probability; and Company's vulnerability.

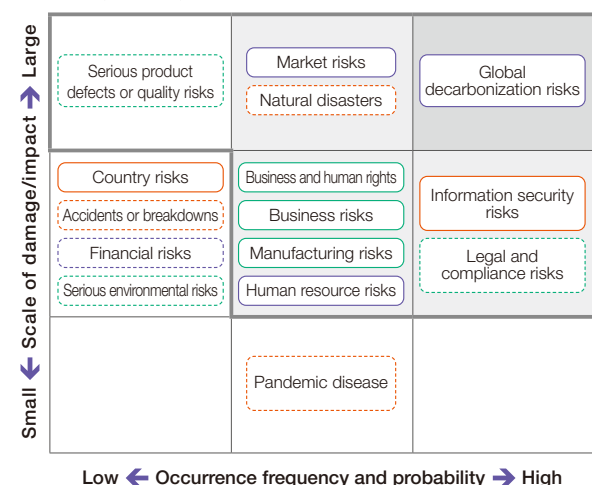
The expert committees examine and determine mitigation policies for the risks they are responsible for (including risk reduction, avoidance, transfer, and retention). Based on the policies that are developed, the Group plans and implement ways to manage risks and also conducts periodic reviews to check on the performance of the risk management system.

For instance, we are working to mitigate compliance risk by setting up management systems for understanding the laws and regulations that cover business execution. As well, we are tracking trends in amendments to those laws and regulations in Japan and overseas. The Risk Management and Compliance Committee also discusses the establishment of systems and business continuity plans in the event of a crisis involving business continuity, such as a catastrophe.

Process of Identifying Significant Risks



Mapping of Significant Enterprise Risks



Definition of Scale of Damage and Impact

Large ↑	Damage that threatens the survival of the company, as well as substantial damage such as loss of assets
Moderate	Significant decrease of profits, or minor loss of assets
Minimal ↓	Little impact on corporate profits and assets

Definition of Occurrence Frequency and Probability

High →	Occurs more than once a year; will almost certainly occur in the near future
Moderate	Occurs several times a decade
Low ←	Occurs once every decade or longer

Definition of Vulnerability

High	Mitigation measures have not been implemented or are completely inadequate
Moderate	Some measures have been implemented, but they are still insufficient
Low	Effective measures have been implemented and a management cycle is in place

List of Significant Risks (FY2024)

Hazard risk (external environment risk) Risks posed by the external environment and potential events		
Moderate category	Minimal category	Relevant committee
Natural disasters	Earthquake, tsunami, weather-related disaster, abnormal weather event (typhoon, storm surge, heavy rains, etc.)	Risk Management and Compliance Committee
Accidents or breakdowns	Fire, explosion, chemical leak, equipment or device damage or failure, utility supply interruption, accident with aircraft, ship or railway	Safety Committee
Pandemic disease	Widespread outbreak of COVID-19 or another endemic infectious disease	Risk Management and Compliance Committee
Country risks	War, conflict, terrorism incident, riot, unlawful political change, or economic crisis	Risk Management and Compliance Committee
Information security risks	Cyberattack, virus infection, information leaks, failure of system facilities/equipment, system failure	Information Security Committee

Business risk (strategic risk) Risks posed by the quality and accuracy of corporate strategies that affect performance and corporate value		
Moderate category	Minimal category	Relevant committee
Global decarbonization risks	Carbon pricing and energy costs, green process adoption measures, customer penetration of green procurement, stakeholder assessment, extreme weather, increasingly extreme weather in the long term, and lost opportunity of expansion into the green market	Sustainability Committee
Market risks	Changes in market needs, marketing failures or deficiencies, emergence of new competitors, product development failures or obsolescence, delays in responding to rapid technological innovations, and delays or barriers to overseas expansion	(Executive Committee)
Human resource risks	Mass turnover, difficulty in securing human resources, workforce aging, distorted human resource pyramid, human resource development and technology transfer (including workers from overseas), failure to adopt new work styles, and human resource mismatch due to business transitions	(Executive Committee)
Financial risks	Funding plan or financing failure, paid capital increase, suspension of financial support, interest rate or foreign exchange rate fluctuation risk, and stock price decline	(Executive Committee)

Operational risk (business process risk) Risks arising from deficiencies in internal processes related to business execution, or from inadequate functions		
Moderate category	Minimal category	Relevant committee
Manufacturing risks	Equipment or machine stoppages or accidents due to operating errors, industrial accidents, and aging equipment or machinery	Safety Committee
Business risks	Soaring raw material or fuel prices, failed pricing policies, declining price competitiveness, dependence on a small number of suppliers, and dependence on a small number of customers	(Executive Committee)
Serious product defects or quality risks	Quality defects, voluntary recalls, product liability accidents, deficiencies in chemical safety management when exported, management of chemical substances contained in products, and mislabeling or counterfeit labeling	Product Safety and Quality Assurance Committee
Serious environmental risks	Release of hazardous pollutants, contamination of soil and groundwater, complaints from local residents regarding noise and odors, illegal dumping and improper disposal of waste, water risks, and biodiversity	Environment Committee
Business and human rights	Human rights violations in supply chains, boycotts, and consumer movements	Sustainability Committee
Legal and compliance risks	Non-performing loans/bad debts, intellectual property rights infringement and violation, invention compensation disputes, antimonopoly law violation, Unfair Competition Prevention Act violation (bribery), improper contract signing, insider trading, inadequate management of licenses and permits, misconduct involving executives or employees, ties to antisocial forces, and intimidation	Fair Trade and Competition Committee Risk Management and Compliance Committee

Notes: 1. The chairperson of each committee is a director who is responsible for the relevant risks.

2. Not all risks in the Group are covered, and there may be risks that could affect business activities in addition to those listed.

Information Security Initiatives

In order to preserve information assets such as customer information and to continue appropriate corporate operations, the Company has established an Information Security Committee, which deliberates on policies, plans, the identification of risks as well as the effectiveness and appropriateness of response plans and measures, and is proceeding with the necessary measures. We have established an Information Security Policy that covers the entire group, and have a security risk management system in place. The status of the system is regularly evaluated and security risk measures are implemented in a timely and appropriate manner. In order to maintain and improve risk levels, we regularly conduct information security self-inspection checks, internal audits, and e-learning programs to raise awareness.

As laws concerning the protection of personal information are being developed in countries (regions) around the world, and compliance with laws and regulations is required not only in Japan but also globally, we have established the Basic Privacy Policy as we regard the protection of the rights and interests of individuals throughout the Group with respect to the proper handling of personal information to be an important issue. In our Privacy Policy, we have also reviewed the contents

related to GDPR compliance and contacts for personal information inquiries.

In addition, we introduced a marketing automation tool to collect and analyze information on website visitors for the purpose of cultivating new customers, etc. With its introduction, we established a Cookie Policy as a statement to inform visitors about the use of cookie information, since cookie information can be linked to other information to identify individuals.

Cybersecurity is becoming increasingly important year by year. We recognize that protecting the Company's information assets from external attacks is necessary not only for our company's operations, but also to protect the stable operations of our customers. The entire Group is taking action in order to be fully equipped to serve as a part of the customer's supply chain. This year, we also received requests from important customers, and we checked each group company, including overseas, about the possibility of an incident occurring, and we are taking steps to identify and address the issues.

As a result of these activities, in FY2023, there were no significant incidents involving information security or personal information.