Message from the Executive Officer in Charge of Sustainability

By reforming our decision-making bodies, we have strengthened our governance system and deepened our commitment to sustainability management. We are boldly tackling issues such as GHG emissions reduction to drive long-term value creation

Michiko Seki

Executive Officer,
General Manager, Corporate Sustainability Division

Approach to Sustainability and Enhancing the Sustainability Governance Systems

At Tokuyama, we have established Sustainability Principles based on Tokuyama's Vision, which is comprised of our Mission "to create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry," our Vision statement, and our Values, and we will create new value in harmony with the environment by engaging in initiatives and supplying products that contribute to resolving social issues while minimizing the environmental burden caused by our business activities.

To improve the effectiveness of our sustainability initiatives, we have reinforced our management framework. The figure below shows the overall picture of the sustainability-related meeting bodies, with the number of meetings held in FY2024 noted in parentheses. Recognizing sustainability issues have become more crucial, as of April 2025, we have restructured the CSR Promotion Council into the Sustainability Executive Committee, with the President as the chair, all executive officers as members, and the option of participation by external directors, and have also restructured the Expert Committees. The previous CSR Promotion Council, which typically met in March, was focused on providing reports and involved multiple steps before making a resolution, but by incorporating a "Sustainability Part (i.e., the Sustainability Executive Committee)" within twice-monthly Executive Committee meetings, we are now able to discuss and make decisions on issues as they arise, thus speeding up the decision-making process. On the other hand, as was the case in the past, meetings of the Sustainability Executive Committee held each March will continue to involve reports on overall progress, and require oversight by the Board of Directors on crucial decisions and other approval matters.

Expert Committees chaired by the relevant directors have been established under the Sustainability Executive Committee, and these committees act as the second line of a three-line model to manage business risks and opportunities, and work to strengthen governance over business execution. The Auditing Department also conducts regular audits of sustainability-related management systems, acting as the third line in this model. These results are also being reported to and overseen by the President and the Board of Directors.

Through FY2024

From FY2025

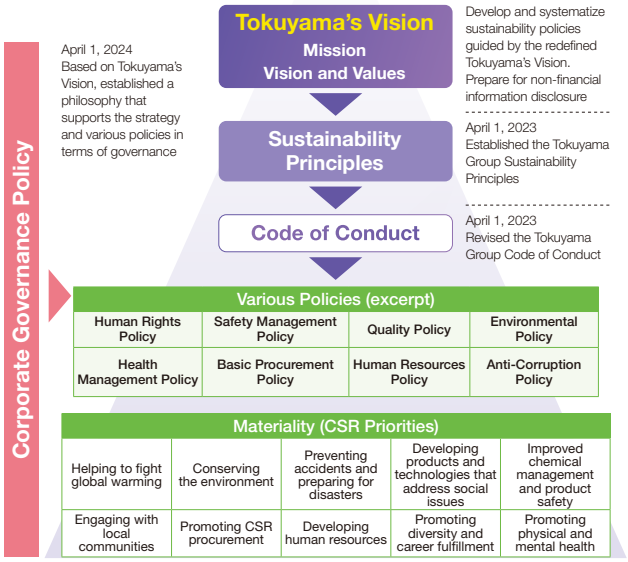
Tokuyama's Basic Approach to CSR Management

Based on Tokuyama's Vision, we have clarified our posture and approach to sustainability that will form the basis for practicing socially responsible management, established policies for individual social issues, and made them widely known both inside and outside the Company. Each Group company has also adopted, formulated, and promoted the same policies, with a focus on Group management.

In addition, KPIs for materialities, which are priority CSR issues, have been determined and monitored by the CSR Promotion Council (the Sustainability Executive Committee from FY2025) in order to strengthen our initiatives. From FY2023, we will clarify the responsibilities of all executive officers for addressing materialities, and reflect the progress made in their remuneration for the following

fiscal year. In addition, we clarified director roles and responsibilities by establishing our Corporate Governance Policy in FY2024, promoted governance-based approaches to management issues, including sustainability, and established a system that further enhances the efficacy of directors' performance of their duties. Under this management system, we are implementing the CSR management outlined in Medium-Term Management Plan 2025, which includes responding to requests and expectations of stakeholders, taking on sustainability-related initiatives (such as addressing climate change, human rights, and human capital), and establishing internal controls and whistle-blowing systems. Although the business domains of each Group company are different, 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 that end, we hope to improve our corporate value and gain recognition from stakeholders through effective initiatives and disclosure across the entire Group.

Policies on Sustainability



Primary Sustainability Initiatives in FY2024

Promotion of sustainability should be evaluated based on stakeholder (shareholders and investors, customers, business partners, employees, local communities and society, and the global environment) satisfaction. In fact, we have received recognition for taking appropriate and well-moderated responses based on sustainability investments that anticipate long-term, sustainable returns.

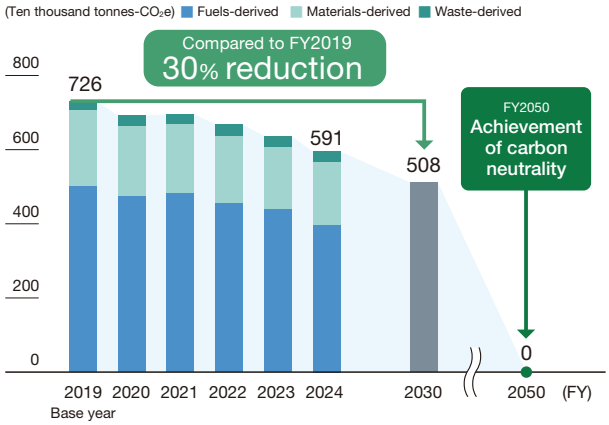
Among the many sustainability-related issues that we are faced with, we place the most emphasis on "making a contribution to the mitigation of global warming," one of the priority issues in Medium-Term Management Plan 2025, and we have made progress in reducing GHG emissions (Scope 1 and 2) by 19% compared with our target of a 30% reduction by FY2030 (compared with FY2019). Focusing on Scope 1, or direct emissions, this means that we have established a reduction mechanism and reduced CO_2e emissions by 1.35 million tonnes for these five years. As for Scope 3, we have managed to reduce total emissions in Categories 1, 3 and 4 by 6%, in comparison with our goal of 10% (compared with FY2022) by FY2030. To protect the global environment, we will strengthen our activities by setting aside an investment budget of 28.9 billion yen over the three-year period from FY2025 to FY2027 to reduce our environmental impact, taking into account internal carbon pricing*.

We have managed to achieve over 95% of our goals for the materialities we identified as being crucial for solving social issues, indicating solid progress. Among our efforts that take into consideration our customers, local communities, society, and business partners, we have enhanced our activities concerning respect for human rights, including supply chain management, and biodiversity in accordance with our commitment to the TNFD Recommendations, striving for sustainable value creation.

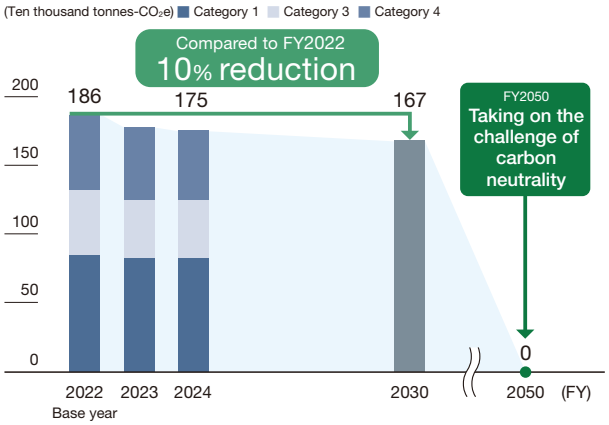
We will also continue disclosing these details in ways that will enable our shareholders and investors to feel and understand that these activities overall will help realize corporate management they can rely on. In particular, the external disclosure of sustainability information that has a financial impact will be essential for accountability in our business activities and the transparency of our governance. Toward the final fiscal year of Medium-Term Management Plan 2025, we will implement the PDCA cycle for each CSR issue we have set as a target, and assertively advance information disclosures.

* See *Tokuyama TCFD Report 2025* for more details

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)



* GHG emissions from fuels include emissions derived from coal used as a thermal energy source.

Future Focus on Sustainability

By establishing a governance structure for sustainability and establishing a flow for promoting it, discussions are now being held from the perspective of sustainable value creation, and sustainability-conscious management has taken root among executives and department and section managers.

To sustainably maintain a Tokuyama that "creates a bright future in collaboration with customers," we will remain aware of sustainability within the work our employees do, consider sustainability efforts expected of companies in a timely fashion, and live up to the trust placed in us by our stakeholders by further enhancing our corporate value.

Tokuyama's Materiality

Promotion of Sustainability through Steady Implementation of Initiatives Targeting Material Issues

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 perspective will be essential if we are to move away from traditional business models and transform ourselves into a value-creating company. Acting from a sustainable perspective or, in other words, promoting sustainability, will be a necessary condition for creating value over the medium- to long-term for Tokuyama.

To promote sustainability at Tokuyama, we are faced with a number of sustainability-related (or corporate social responsibility; CSR) challenges. We have extracted from these challenges those that Tokuyama considers important as we seek to advance sustainability management, and those strongly demanded by society from a sustainability perspective, and have positioned them as materialities. By steadily advancing our efforts to address these materialities, Tokuyama will be able to make progress toward our ideal vision.

To make this progress, we have linked these materialities to the business goals of the divisions and departments that are responsible for them. The status of these issues was also reported at the meeting of the CSR Promotion Council in FY2024 and shared with all executive officers. The relevant materialities are also taken into account as a factor in the calculation of executive officer remuneration. We are working hard to continually raise the level of sustainability management at Tokuyama by following the Company-wide PDCA cycle that we use to check on progress and analyze current conditions.

During FY2024, we managed to steadily advance our efforts to develop regional structures and conduct basic studies for reducing GHG emissions, and also revised our "Basic Procurement Policy" (formerly the "Basic Purchasing Policy") and our "Sustainable Procurement Guidelines" (formerly the "CSR Procurement Guidelines") in preparation for expanding CSR procurement activities, which previously centered around purchasing efforts, to include the entire supply chain, including labor, services, and logistics. These new policies and guidelines were disclosed in April 2025.

To keep up with the times and engage with sustainability from an even higher perspective, we reorganized the CSR Promotion Council into the "Sustainability Executive Committee" in FY2025. The Sustainability Executive Committee is a forum for holding deliberations regarding risks and opportunities facing all of our companies, and this meeting body will confirm the details of, and progress on, materialities going forward.

Materiality KPIs and Results

As described above, we have defined materialities that are positioned as key issues for advancing sustainability management at Tokuyama. The table below shows the aspirations and KPIs for each materiality 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 corresponding SDGs are shown in the table below.

Materiality Relationship to SDGs	Aspiration	KPI / Target
Helping to fight global warming 	• **Achieving carbon neutrality (CN) by FY2050**	• Reduction of Tokuyama's GHG emissions by FY2030: · 30% reduction in Scope 1 and 2 (compared with FY2019) · 10% reduction in Scope 3 (Categories 1, 3, and 4) (compared with FY2022) • Active disclosure of climate-related information
Conserving the environment 	• **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** • **Contribution to biodiversity conservation**	• Complying with legal requirements and other regulations: Achievement of zero violations • Continued achievement of zero environmental accidents: Zero accidents • Reduced environmental impact: · Effective waste utilization rate: ≥94% · Landfill waste disposal rate: ≤1% • Enhancing dialogue 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 	• **Accident prevention and disaster preparation** • **Improvements in process safety management level** • **Fostering and improving the safety culture**	• Zero accidents and zero lost-time injuries • Deepened risk assessment • Promoting smart security

Process of Identifying Materiality

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

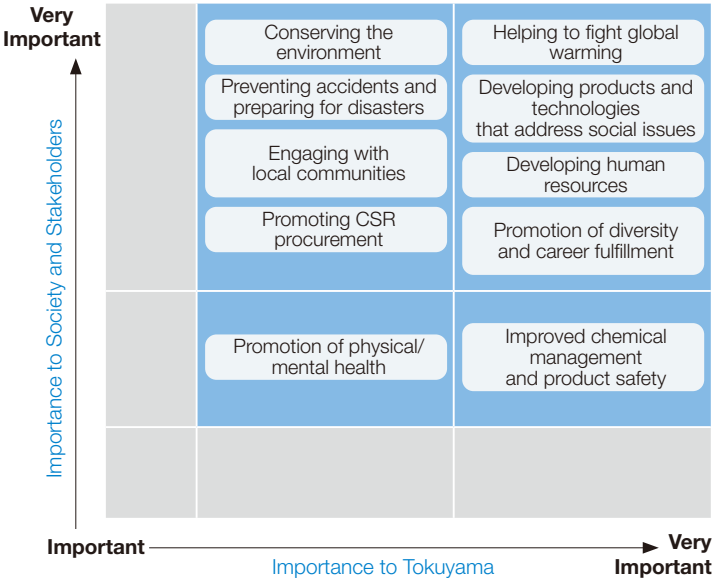
We are determined to always take action for building a sustainable future with society, to contribute to resolving social issues, and to increase trust from diverse stakeholders, as we aim to improve corporate value. Tokuyama will solidify relationships of trust with society by strengthening initiatives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

STEP 1 — Extract and organize issues
Extract and organize social issues from social requirements and Tokuyama's business activities

STEP 2 — Order of priority
Decide on priority based on importance to stakeholders and Tokuyama

STEP 3 — Review by experts
Review priorities and metrics based on feedback from outside experts

STEP 4 — Commitment from management
CSR Promotion Council discusses suitability of material issues and approves them



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

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

	FY2024 Results	Achievement Level	Person Responsible* Department Responsible
	• FY2024 GHG emissions: · 19% reduction in Scope 1 and 2 · 6% reduction in Scope 3 • Shunan Industrial Complex Decarbonization Promotion Council • Basic studies for restructuring business strategy • Promotion of information disclosures • Disclosures based on TCFD Recommendations • Acquisition of third-party verification for GHG emissions • CDP Climate Change Questionnaire score: B	○	Director (President and Executive Officer) Carbon Neutral Strategy Division Responsible Care Management Department Factory Planning and Administration Department
	• Achievement of zero violations of legal requirements, etc. • Zero environmental accidents • Reduced environmental impact: · Effective waste utilization rate: 89% · Landfill waste disposal rate: 6% * Some Group companies are no longer able to secure recycling partners, resulting in an increase in landfill disposal • Raising awareness of biodiversity • Water usage reduction rate (excluding seawater) (compared with FY2019): -12%	○	Director (Chairperson of Environment Committee) Responsible Care Management Department
	• Zero serious accidents/disasters • Identified risks through risk assessment and began mitigation · Implemented measures to comply with chemical substance regulations, etc. • Promoting smart security · Use of data analysis tools	○	Director (Chairperson of Safety Committee) Responsible Care Management Department

* Person responsible: The person serving as a director and chairperson of the committee/meeting body that is in charge of corresponding initiatives

Tokuyama's Materiality

Materiality Relationship to SDGs	Aspiration	KPI / Target
Developing products and technologies that address social issues 	• **Increased development of products and technologies that help to resolve social issues, focusing on the SDGs** • **Transform business portfolio**	• Promoting the development of products and technologies that help to resolve social issues, focusing on the SDGs • Efficient process technology development through DX of multiple-product manufacturing
Improved chemical management and product safety 	• **Maintaining effective chemical management and promoting product safety within Tokuyama**	• Complying with chemical laws and regulations in each country: Zero infractions of chemical-related regulations • Group-wide risk management of chemical products: Zero accidents due to product safety
Engaging with local communities 	• **Harmoniously co-existing and cooperating with communities** • **Contribution to communities**	• Harmoniously co-existing and cooperating with communities • Contribution to communities
Promoting CSR procurement 	• **Management of supply chains based on sustainable procurement guidelines** • **Creation of management processes**	• Improvement and execution of management and investigation of supply chains based on sustainable procurement guidelines
Developing human resources 	**Improve employee value while contributing to the realization of a management strategy** • **Increasing operational productivity** • **Assignment of human resources to growth areas and new projects** • **Recruitment and creation of human resources to drive the Company's growth**	• Establishment of an incentive system to support productivity improvements[2] • Percentage of positions filled relative to human resource plan: 100% ± 10% each fiscal year • Percentage of successor candidate positions filled for key management positions: 100% each fiscal year • Number of NBL (Next Business Leader) training participants: Cumulative total of 100 by FY2030[2] • Global human resources development training: 15 participants each fiscal year until FY2025[2] • Training highly skilled engineers to support business execution[3]
Promotion of diversity and career fulfillment 	• **Responding to diversity of values and ensuring fairness** • **Increasing engagement** • **Respect for human rights**	• Promotion of diversity and inclusion · Percentage of women hired with a bachelor's degree or higher: 20% or higher each fiscal year[3] · Percentage of managerial positions or above held by women: 15% or higher in FY2030 · Percentage of people with disabilities: Achievement of legally mandated level[2] • Employee engagement: Ongoing improvement[2] • Promotion of work-life balance · Rate of childcare leave taken by men: 100% in FY2030[3] · Rate of annual paid leave taken: 75% each fiscal year[3] • Promotion of respect for human rights
Promotion of physical/ mental health 	• **A state in which employees can work vigorously and play an active role through the cultivation of the physical & mental health of employees and their families, and the creation of a work-friendly environment**	• Strong external reviews for health management practices · Continuous certification as one of the "White 500," companies exhibiting superior health management • Reduction of absenteeism, rate of employees absent for 30 or more days: ≤1.6% • Presenteeism: ≤7.5% • Work engagement: ≥2.9 • Health guidance, measures against lifestyle-related diseases · Rate of undertaking regular health screenings: 100% · Rate of undertaking re-examination/detailed examinations: ≥90% • Promotion of smart life program, smoking rate: <15% • Promotion of mental healthcare, stress check examination rate: ≥95% • Collaborative health practice, specific health guidance rate: ≥80%

1. Person responsible: The person serving

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

	FY2024 Results	Achievement Level	Person Responsible[1] Department Responsible
	• Electronics: Accelerate efforts to commercialize customer-driven products by strengthening marketing functions and coordination with business divisions • 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
	• Zero infractions of chemical-related regulations • 64 product reviews (second and third rounds); 665 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
	• Dialogue with communities: Area community dialogue, 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, Yamaguchi Prefecture	○	Director (in charge of Sustainability, and General Affairs and Human Resources) General Affairs Department Environment & Safety Department Factory Planning and Administration Department
	• 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 yen or more; collected from 341 out of 354 companies[2] • Implemented supplier assessments for companies with a transaction value of 100 million yen or more by using the SAQ published by GCNJ; collected from 173 out of 181 companies[2] • Analyzed SAQ collection results and conducted engagement with 4 high-risk companies[2] • Create and prepare a revised Basic Procurement Policy and Sustainable Procurement Guidelines to be published in April 2025	○	Director (Chairperson of Sustainability Committee) Procurement Department Logistics Department
	• Establishment of incentive system: Preparation of system design[2] • Percentage of positions filled relative to human resource plan: 90% • Percentage of successor candidate positions filled for key management positions: 140% • Implemented NBL training: Attended by 30 selected employees (cumulative total of 67) • Implemented global human resource development: Attended by 15 employees (cumulative total of 48) • Training highly skilled engineers to support business execution[3] · DX workplace leader training: 37 participants (cumulative total of 73) · Data engineer training: 21 participants (cumulative total of 44) · DX literacy improvement training (e-learning): 1,300 participants (cumulative total of 2,700)	○	Director (in charge of General Affairs and Human Resources) Human Resources Department
	• Promotion of diversity and inclusion · Percentage of women hired with a bachelor's degree or higher: 37.1%[3] · Percentage of managerial positions or above held by women: 7.9%[3] · Percentage of people with disabilities: 2.4%[2] • Employee engagement: Implementation of improvement measures for departments with poor engagement[2] • Promotion of work-life balance · Rate of childcare leave taken by men: 55.7%[3] · Rate of annual paid leave taken: 82.3%[3] • Implementation of human rights due diligence, etc.	○	Director (in charge of General Affairs and Human Resources) Human Resources Department
	• Strong external reviews for health management practices[2] · Selected as a KENKO Investment for Health for the third consecutive year · Certified as one of the White 500 for the fourth consecutive year · Certified as a company exhibiting superior health management for the sixth consecutive year • Reduction of absenteeism[2] · Rate of employees absent for 30 or more days: 1.7% • Presenteeism: 4.0%[2] • Work engagement: 2.9[2] • Health guidance, measures against lifestyle-related diseases[2] · Rate of undertaking regular health screenings: 100% · Rate of undertaking re-examination/detailed examinations: 92.4% • Promotion of smart life program, smoking rate: 17.4%[2] • Promotion of mental healthcare, stress check examination rate: 97.1%[2] • Collaborative health practice, specific health guidance rate: 95.8%[2]	○	Director (in charge of General Affairs and Human Resources) Health Care Center

as a director and chairperson of the committee/meeting body that is in charge of corresponding initiatives 2. Non-consolidated 3. Non-consolidated and domestic consolidated subsidiaries

Action on Climate Change

Disclosures Based on TCFD Recommendations

The Tokuyama Group endorsed the TCFD (Task Force on Climate-related Financial Disclosures) recommendations in 2021, and we are currently disclosing our efforts to address climate change based on the framework of "governance," "strategy," "risk management," and "metrics and targets," recommended by the Sustainability Standards Board of Japan (SSBJ). Continuing on from our disclosure of our Scope 3 emissions reduction targets last fiscal year, in FY2025 we disclosed a specific plan for reducing GHG emissions from our in-house power generation facilities, which represent a key element in our carbon neutrality road map and carry significant financial implications.

Our Group efforts toward carbon neutrality are disclosed in detail in *Tokuyama TCFD Report 2025.*

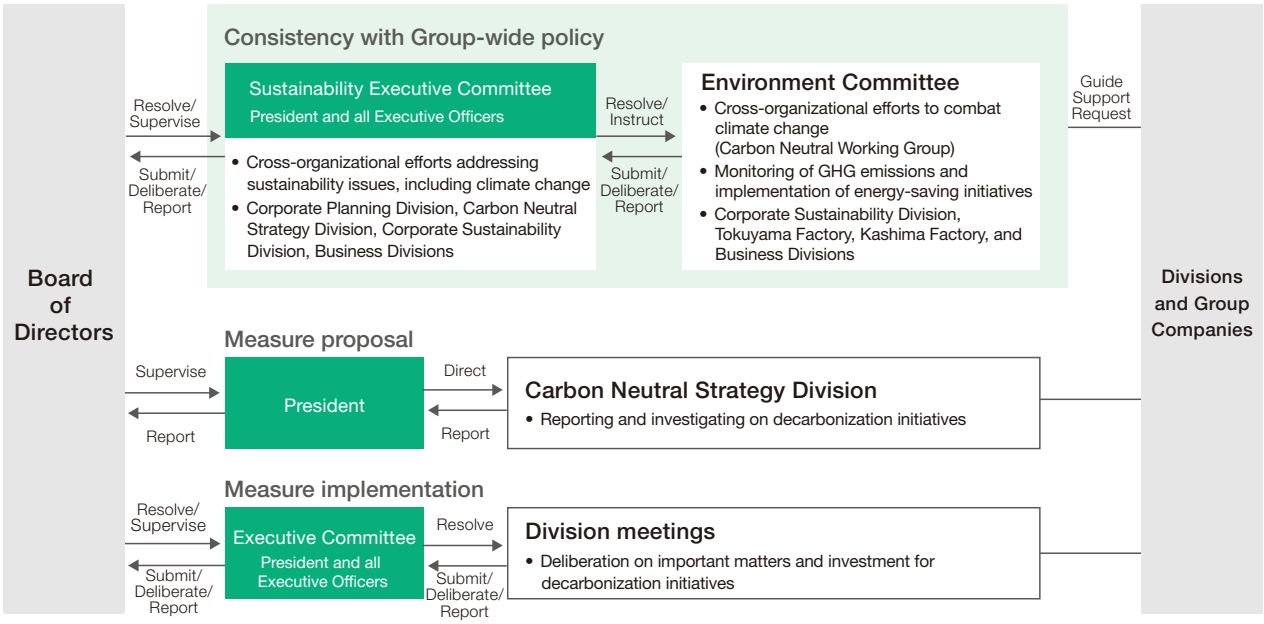
See the Company's website for more details.
https://www.tokuyama.co.jp/eng/csr/global_warming.html#section2

1 Governance

Our Group has positioned climate change as one of its most important management risks. Medium-Term Management Plan 2025 identified efforts to contribute to the mitigation of global warming as a priority issue, and we are advancing relevant initiatives under the direction of the President, to whom responsibility over this matter has been delegated by the Board of Directors. Following the transition of climate change initiatives, particularly those involving achieving carbon neutrality among all Group companies, into the implementation phase, in April 2023 we established an independent organization of the Carbon Neutral Strategy Division to develop and advance measures toward carbon neutrality.

Starting in FY2025, the Sustainability Executive Committee will hold annual meetings intended to primarily revolve around reporting on activities, and address any matters that may need to be addressed during the "sustainability part" of the twice-monthly meetings of the Executive Committee, thereby ensuring a system that will provide overall oversight and consider risks and opportunities. As for the implementation of investments and other measures, we will continue to deliberate on and consider these matters at the Executive Committee.

System to Promote Carbon Neutrality Achievement (from FY2025)



2 Strategy

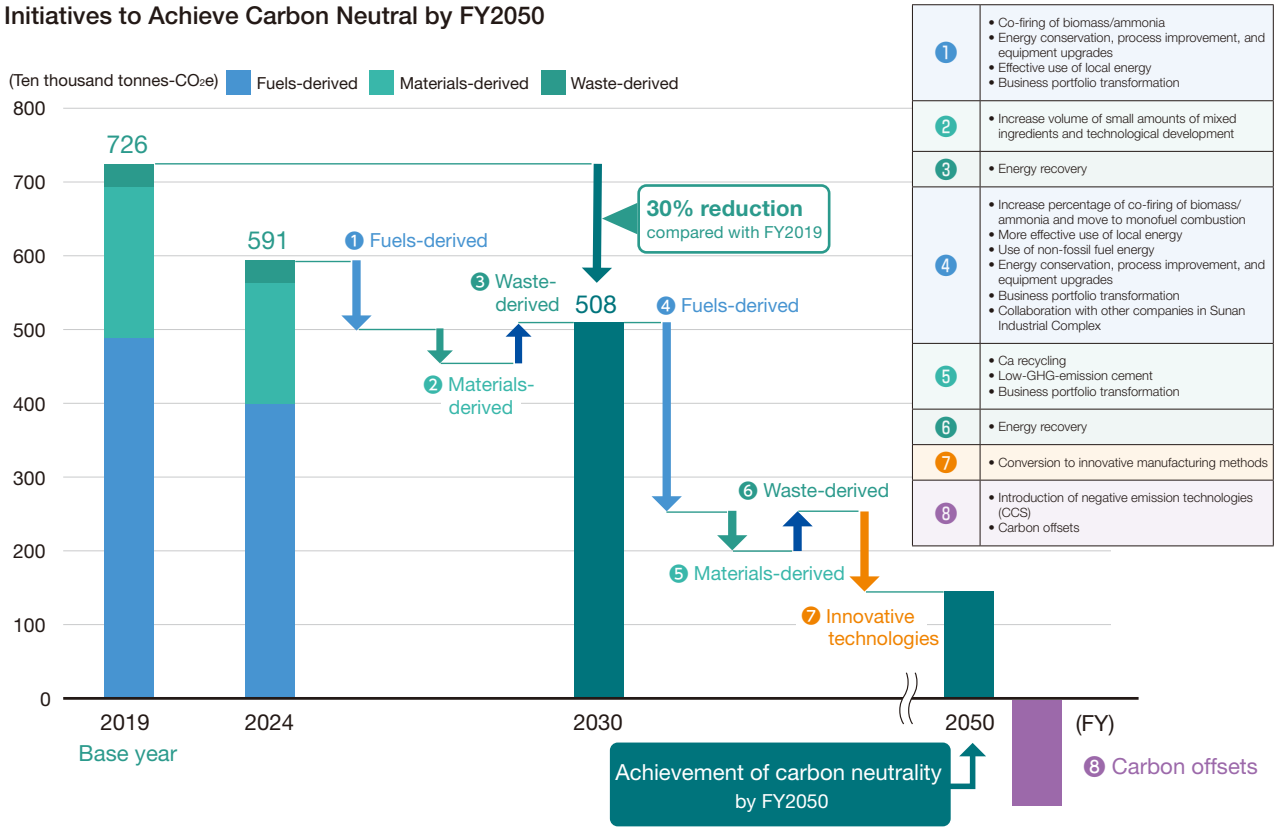
Our Group aims to reduce its GHG emissions (Scope 1 and 2) by 30% compared with FY2019 by FY2030, has categorized them as fuels-derived, materials-derived, or waste-derived, and is implementing measures for each category. We plan to make environmental investments of approximately 28.9 billion yen in these measures over a three-year period starting from FY2025.

Regarding fuels-derived emissions, which account for the largest amount of GHG emissions, we are systematically moving forward with a shift toward using non-fossil fuels (biomass, ammonia) in our in-house power generation facilities. Of the four power generation facilities at the Tokuyama Factory, one of the east power plant units is scheduled to begin co-firing ammonia by FY2030 in collaboration with other companies in the complex. At the central power plant, one unit that is already actively using biomass fuel (PKS) will continue co-firing at a high ratio, while another unit is undergoing equipment modifications to enable co-firing with wood pellets starting in FY2024. Co-firing is scheduled to commence around autumn of FY2025.

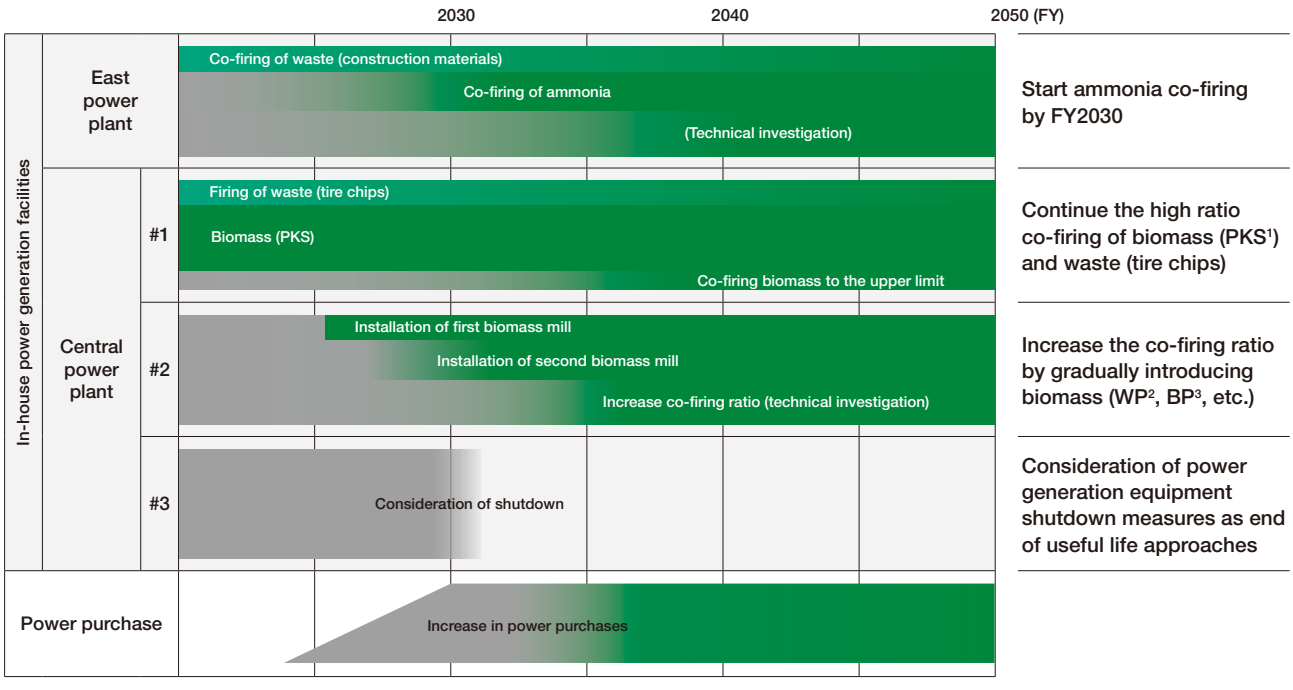
To reduce GHG emissions from raw materials, we are responding to the revision of the JIS standard that allows for an increase in volume of small amounts of mixed ingredients in cement and are promoting technological development toward CCU*. While the steady reduction of GHG emissions is our responsibility as a company, we also recognize that reducing GHG emissions caused by our products is important, and will approach the issue from multiple angles.

* CCU: CO_2 Capture and Utilization

Initiatives to Achieve Carbon Neutral by FY2050



Reduction Plan for Fuel-derived GHG Emissions from In-house Power Generation Facilities (Fuel Conversion Considerations)



* The above is a plan that is considered reasonable at the present time and is not guaranteed

1. PKS: Palm kernel shells 2. WP: White pellets 3. BP: Black pellets

3 Risk Management

The impacts of climate change include risks such as increased carbon costs due to the introduction of carbon pricing, changes in customer procurement policies, and impacts on fundraising due to policy changes at financial and investment companies, as well as opportunities such as new business expansion as a result of responding to climate change. These risks and opportunities are based on transition risk scenarios such as NZE created by the International Energy Agency (IEA) and physical risk scenarios such as RCP8.5 and SSP-7.0 by the Intergovernmental Panel on Climate Change (IPCC), and are used to assess the financial impact and priority order from now till FY2050, and are analyzed under the 1.5°C and 4°C scenarios. We are taking various measures based on this analysis.

Risks Posed by Climate Change (Scenario Analysis)

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

Scenario	Risks category	Risk assessment target	Potential impact on the Group (Financial) (Identified risks)	Financial impact	Timing of risk materialization	Business impact	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	• Initiatives to reduce GHG emissions through fuel conversion (biomass and ammonia) • Promoting GHG emissions 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 the GHG emission regulations	Large	Medium to long term	Large	High	
	Technology	Green process adoption measures	• Increased production and procurement costs due to green initiatives	Large	Medium term	Large	High	• Investigation of ammonia supply chain establishment at the Shunan Industrial Complex • Ensuring stable procurement of certified biomass fuel by building relationships with suppliers • Development of black pellets • Calculation of product carbon footprint (CFP) • Promoting the value of green products
			• 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	Stakeholder evaluations	• 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	• Improving information disclosure and steadily working to reduce GHG emissions • Dialogue with the local community • Business portfolio transformation • Procurement of certified biomass fuel
	Market	Customer green procurement dissemination	• Rejection of products by the market based on large carbon-footprint evaluation • Deterioration of profits due to an inability to recover green initiative costs caused by raising prices	Large	Medium to long term	Large	High	• 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	• 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	• Prompt implementation of measures
4°C	Physical risks (acute)	More frequent extreme weather events and sea level rise	• 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	• 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 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

4 Metrics and Targets

Please see Message from the Executive Officer in Charge of Sustainability (p. 38-39) for details on the progress in reducing GHG emissions.

Efforts to Preserve Biodiversity

The Group takes the impact the chemical industry has on the environment seriously and is working to conserve biodiversity. We established the Tokuyama Group Biodiversity Conservation Policy in FY2023, then created and published the Tokuyama Group Policy on Sustainable Forestry in April 2025. These policies disclose how Tokuyama views this issue.

We also announced in May 2024 that we had become a member of the TNFD Forum, which supports the TNFD (the Taskforce on Nature-related Financial Disclosures) philosophy and its activities. We also participate in the domestic TNFD Japan Council and are stepping up our efforts to assess and disclose nature-related risks based on an international framework. Given the nature of our business, we analyzed our dependence and impact on nature, comprehensively identified risks it poses in terms of climate change, air, water, and soil pollution, and the destruction of habitats due to the extraction of mineral and water resources and land use, and summarized our current response measures.

To visualize our dependence and impact on natural capital, we issued a preparatory report for the TNFD in 2024. We analyzed the risks and opportunities that our business activities pose to, and can gain from, the natural environment using methods such as LEAP, and are working to establish a system for future information disclosure. Our business activities include taking environmental measures such as reducing GHG emissions and reducing environmentally hazardous substances and waste, and we continue to engage in corporate citizenship activities, such as forest volunteer activities and participation in the blue carbon offset scheme. These activities go beyond simple sustainability; they are strategic initiatives that aim to create sustainable value through dialogue and collaboration with local communities and the entire supply chain.

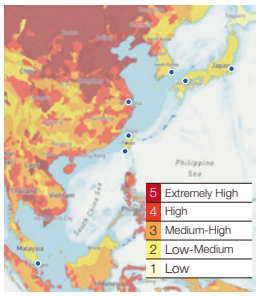
To respond to water risks that have a particularly large impact, we use Aqueduct, a global database on water risks, to understand current and future water risks (such as water stress and flood risk) affecting our domestic and overseas bases. As part of our efforts to manage water resources in our business activities, we carefully examine local water environments by tracking the amount of water used in our manufacturing processes and reducing the amount of water we withdraw through recycling and reuse, as well as managing wastewater according to our own management standards that are stricter than the regulatory standards.

Analysis of Response Status via the LEAP Framework

Locate, Evaluate, Assess, Prepare (LEAP) approach	Implemented items
Scoping Develop a hypothesis of the organization's activities that are likely to have significant nature-related dependencies, impacts, risks, and opportunities	● Structure: Working group formed ● Company stance: Endorse the TNFD recommendations ● Discussions: Discussed important nature-related dependencies
Locate Prioritize areas with direct operations and/or medium or high dependency and potential impacts	● First, focus on the Tokuyama Factory, which is directly operated ● Examine ecologically sensitive sites
Evaluate Consider the scale and importance of dependency on nature and conduct an impact assessment	● Identified issues of high importance and began considering how to respond ● Created an inventory of the organization's dependencies and impacts on nature
Assess Identify, measure, and prioritize nature-related risks and opportunities identified during the Locate and Evaluate phases	● Considering nature-related risks and opportunities identified in the Locate and Evaluate phases
Prepare How should the organization respond to the issues identified and what should it disclose in line with the TNFD disclosure recommendations?	● Set targets ● Consider which risks and opportunities are significant and need to be disclosed in line with the TNFD recommendations

In the 100+ years since its founding, we have held coexistence with the local community to be of the utmost importance. We work to create sustainable communities through conservation of natural environments around our factories and dialogue with local residents. These long-term efforts have become important assets that help us increase corporate value and manage risk. We will continue to use scientific and strategic approaches to create sustainable communities.

We conducted an analysis of water stress and flood risks using Aqueduct by the World Resources Institute (WRI), and verified that no locations, either in Japan or abroad, are classified as having "Extremely High" overall water risk.



(Source: https://www.wri.org/aqueduct)

Dependence and Impact on Nature

Status of measures A: Adequate measures are being implemented B: Measures are under consideration and being acted upon C: Measures under consideration

Impact drivers	Business activities and dependence on nature	Impact level	Impact on nature	Measures and initiatives	Status of measures
Climate change	• Fuel combustion · Fossil and non-fossil fuels · Biomass/waste (In-house power generation, high-temperature firing furnaces)	Large	• Increased global warming and more natural disasters due to GHG emissions	• Carbon neutrality Increasing the use of non-fossil fuels (Co-firing of biomass/ammonia, hydrogen)	B
Pollution **Eliminating pollution**	• Atmospheric emissions: SOx, NOx, fluorocarbons, etc.	Minimal	• Air pollution	• Reducing emissions by improving the processes for recovering and detoxifying chemical substances	A
	• Discharges into water: COD, BOD	Minimal	• Poorer water quality		A
	• Industrial waste disposal	Minimal	• Soil contamination		A
Changing how we use land, water, and the ocean	• Use of water resources	Large	• Water resources are being depleted and are drying up	• Reducing water intake and improving water recycling technology	B
	• Extraction of raw materials and fuels	Moderate	• Mine development and expansion	• Post-mining reforestation activities	B
	• Use of land and ports	Minimal	• Shrinking green spaces and marine areas	• Managing green spaces, forest conservation activities, and promoting greening after raw material mining	B
			• Loss of ecosystems	• Maintaining and managing ecosystems (qualitative and quantitative evaluation)	Not yet considered
Resource utilization **Resource replenishment**	• Use of water resources	Large	• Water resources are drying up	• educing water intake	B
	• Extraction and transport of raw materials	Moderate	• Mineral resources are running out	• Managing mines	B
	• Transporting waste and recyclable products	Moderate	• Global warming GHG emissions during transport	• Comprehensive resource recycling	A
				• Creating greener transport methods	C
Invasive alien species	• Procuring raw materials and fuel overseas, and exporting products (loading and unloading at ports, round trip transportation by cargo ships)	Moderate	• Ecosystem balance is disrupted by invasive species	• Measures against invasive species during loading and unloading; monitoring and educating transport companies	B

Respect for Human Rights

Basic Stance

The Tokuyama Group considers respect for human rights a foundational aspect of all of its business activities. To fulfill its responsibility as a company to respect human rights, the Group established the Tokuyama Group Human Rights Policy (hereinafter the “Human Rights Policy”) based on the Tokuyama Group Sustainability Principles and the Tokuyama Group Code of Conduct in FY2022.

This Human Rights Policy was developed based on domestic and international human rights norms, including the United Nations Guiding Principles on Business and Human Rights, while also taking into consideration the opinions of relevant internal departments and officers, as well as the opinions of external experts. The policy was then approved by the CSR Promotion Council (currently the Sustainability Executive Committee), and enacted via resolution of the Board of Directors.

Activities relating to respecting human rights are primarily carried out by the Compliance Committee, and important matters are deliberated on and approved by the Sustainability Executive Committee, a higher-level conference body. These activities are also being reported to and overseen by the Board of Directors.

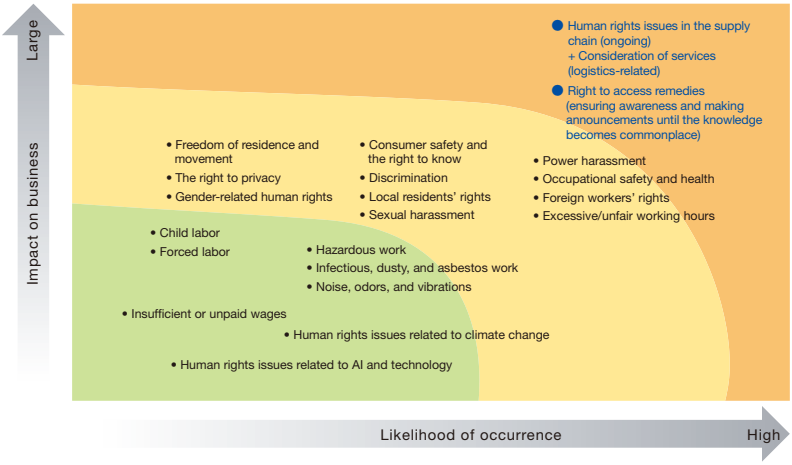
Due Diligence on Human Rights

In FY2022, our Group established a Human Rights Due Diligence Task Force under the Sustainability Committee (at the time) to conduct cross-organizational human rights due diligence involving multiple departments related to human rights. Starting in FY2025, the Task Force continued its activities while under the umbrella of the Compliance Committee.

The Task Force identified the human rights risks that could arise through the Group’s business activities and depicted them as a diagram, then began working to address the most serious and likely risks of human rights issues in the supply chain and the right to access remedies. To address potential risks within the supply chain, the Task Force asked suppliers with whom the Group does business above a certain amount to pledge they will adhere to our CSR Procurement Guidelines (currently the Sustainable Procurement Guidelines), and to conduct self-assessments. We also established a new contact desk to facilitate people’s right to access remedies.

In FY2025, in addition to continuing our efforts with respect to the supply chain, we intend to engage with new providers of services and labor.

Tokuyama Human Rights Risks Mapping (Excerpt)



Supply Chain Initiatives

As part of our efforts in the supply chain, we present our current Basic Purchasing Policy and CSR Procurement Guidelines (currently the Sustainable Procurement Guidelines) to our suppliers, and survey them using a CSR Survey Questionnaire (SAQ) once every three years. These initiatives are not just limited to human rights; they also broadly promote supply chain sustainability, including business ethics such as anti-corruption and fair trade, reducing environmental impact including climate change and biodiversity, and improving information security.

From FY2022 to FY2024, we presented our CSR Procurement Guidelines to 354 suppliers with transaction volumes of 30 million yen or more. Of these, 341 suppliers have pledged to adhere to these guidelines. In addition, we have asked 181 suppliers who have transaction volumes of 100 million yen or more to conduct self-assessments using SAQs developed by Global Compact Network Japan (GCNJ). 173 suppliers responded, and we visited and engaged with four considered to be high risk in FY2024.

Furthermore, to similarly investigate services and labor in FY2024, we revised our Basic Procurement Policy and our CSR Procurement Guidelines to our Sustainable Procurement Guidelines, and have engaged with three Group companies that have large mainly labor-related transaction amounts, and confirmed that no major issues had occurred.

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 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 with proper consideration for the protection of whistle-blowers: for example, whistle-blowers may discuss matters with the Helpline in complete anonymity so that their affiliations and names are not known to the Company, or by allowing them to discuss matters with a female attorney. We also began operating the Global Helpline in April of 2024 to enable locally recruited employees at overseas Group companies to make reports to the Helpline in their native language, and are working to ensure thorough awareness of this system. Our whistle-blowing system not only covers compliance aspects such as preventing corruption and fraud and complying with laws and regulations, it also serves as a grievance mechanism to prevent harassment, discrimination, and address other human rights issues.

The number of reports has increased as we have expanded our internal reporting system to Group companies and have strengthened our anti-harassment activities since FY2021.

Meanwhile, there were no occurrences of serious noncompliance in FY2024.

	FY2020	FY2021	FY2022	FY2023	FY2024
Number of reports	24	34	29	44	44

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

Compliance Education and Training

To raise and instill compliance awareness throughout the Group, we continue to provide legal responsibility training for newly appointed directors and auditors of Group companies, and conducted various compliance training sessions for employees 58 times in FY2024. In addition, we held a total of eight e-learning lectures on themes such as information security and human rights.

(Times)

	FY2020	FY2021	FY2022	FY2023	FY2024
Compliance training	45	60	48	60	58
Other e-learning	5	3	6	6	8

Stakeholder Engagement

Stakeholder Engagement

Stakeholders	Key Engagement Methods
Customers	• Sales activities (as needed) • Factory tours (138 times) • Exhibitions (19 times)
Business Partners	• Awareness and dissemination of the Basic Procurement Policy • Joint health and safety meetings (once/year)
Employees	• Employee surveys and harassment surveys (once/year each) • In-house newsletters (4 times/year) • Intranet (as needed) • Labor-Management Council meetings (once/month) • Health and Safety Committee meetings (once/month per site covered)
Shareholders and Investors	• Financial Results Briefing (Institutional investors: each time a financial statement is issued) • IR seminars for individual investors • Management briefings, business briefings (once/year) • Various reports (annual securities reports, consolidated reports, corporate governance reports) • Factory tours for individual shareholders (once/year)
Communities and Society	• Security and disaster prevention • Regional dialogue 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 emissions and save energy • Acceptance and appropriate processing of waste • Initiatives to address biodiversity

Participation in Initiatives (Excerpt)

- United Nations Global Compact
- GX League
- TCFD Consortium
- TNFD Forum
- CDP
- Japan Business Federation (Keidanren)

Evaluation by Society (Excerpt)

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

CDP Supplier Engagement Leader

Excellent KENKO Company 2025 (Large Corporation Category) White 500

Selected as a KENKO Investment for Health in 2025

DX Certified Business Operator

Board Members' Roundtable Discussion

Striving to establish effective governance based on an honest and open corporate culture

Naoki Kondo
External Director,
Audit & Supervisory Committee Member

Nobuko Mizumoto
External Director,
Audit & Supervisory Committee Member

Tomohiro Inoue
Director,
Managing Executive Officer

Assessing Tokuyama's corporate governance

Inoue As external directors, you both work hard every day to improve Tokuyama's management structure. We would like to hear your candid opinions on the current state of Tokuyama's governance and future challenges. First, could you please introduce yourself and share your impressions and assessment of the Company's governance?

Kondo Since being registered as an attorney in 2000, I have worked at the Ministry of Economy, Trade and Industry, and I am currently a partner at the law firm Oh-Ebashi LPC & Partners. I was appointed as a Tokuyama external director (Audit & Supervisory Committee member) in June 2023, and it is my opinion that the constructive discussions at Board of Directors meetings are what ensure excellent governance. We have diverse directors with different backgrounds that come from both inside and outside the Company, and we have an open corporate culture where anyone can speak freely. Furthermore, external directors and executives cooperate closely, and I believe that the effectiveness of governance is ensured.

Mizumoto I joined the research institute of Ishikawajima-Harima Heavy Industries Co., Ltd., and after serving as Director and Managing Executive Officer at IHI Corporation (renamed in 2007), I was appointed as a Tokuyama external director (Audit & Supervisory Committee member) in June 2021. Looking back over the past four years, I strongly feel that the information provided by the executive side to the external directors has steadily improved. The Corporate Planning Division, which acts as the secretariat for Board of Directors meetings, explains cases in advance, and at general meetings, the internal directors provide detailed descriptions of each agenda item. This is one of the factors that have made the Board of Directors more effective.

Missions and roles to be fulfilled by external directors (Audit & Supervisory Committee members)

Inoue Contributions by external directors have been key in the evolution of our governance over the past few years. External directors provide insightful comments on Group strategies and individual measures, not only in terms of sales and profit forecasts, but also from the perspective of stakeholder benefits and improving corporate value. They also point to management issues that tend to be overlooked when carrying out business operations, such as addressing carbon neutrality and expanding human capital. In responding to such fundamental criticisms and suggestions, directors and executive officers have begun to realize they need to reconsider how the business is managed.

Kondo Perhaps I ask so many fundamental questions because I am a newcomer who is not necessarily familiar with the inner workings of Tokuyama or the chemical industry. For example, when deciding whether or not to approve an investment project, I ask questions that focus more on whether the project is in the best interests of shareholders and whether it can gain the understanding of shareholders and investors. As external directors, we have a responsibility to provide thorough oversight and advice to ensure that decisions are made in line with the will of shareholders and other stakeholders. This is also what top

management and executive officers expect of us.

Mizumoto As Mr. Kondo pointed out, an important role of an external director is to supervise and support management while maintaining an external perspective, that, among other things, strives to learn how the world sees Tokuyama. Approximately half of Tokuyama's Board of Directors are external directors, all of whom also serve as Audit & Supervisory Committee members, giving the Company an organizational design that is optimal for ensuring smooth governance.

Inoue Speaking of organizational design, though informal, Representative Director meetings can also help strengthen governance. Board of Directors meetings are subject to significant time constraints and thus tend to focus solely on voting on individual proposals and business reports. On the other hand, Representative Director meetings, which are attended by the Representative Director and Audit & Supervisory Committee members and do not limit discussion topics, provide valuable opportunities to exchange opinions on more fundamental

themes, such as the Group's medium- to long-term direction and the nature of CSR management.

Future outlook and governance issues to be addressed

Inoue Next, I would like to hear your thoughts on the governance issues that need to be addressed.

Mizumoto I hope that the progress of issues decided upon at Board of Directors meetings will be followed up more carefully. After decisions on whether or not to proceed with projects are made, projects are turned over to executives, so there are many aspects we cannot see. However, for external directors to fulfill our responsibilities, we must have a clear understanding of how strategies and measures are progressing. We are particularly responsible for making decisions regarding R&D and investment projects that will determine the future of the Group, so we need to keep track of subsequent developments, including receiving feedback on whether there are any course corrections.

Kondo Transforming from a "top-dependent" to an "autonomous" organization is an important management issue. The Company has traditionally enjoyed steady growth, but it has not been an easy road. It has faced crises that have threatened its very existence, such as the over 100 billion yen in impairment losses it suffered in FY2015. In such an environment, strong leadership was needed for Tokuyama to make its presence felt in the chemical industry, and the President has led all Group employees and the Company's growth strategy to success so far. However, the current management structure is not permanent. Going forward, a thorough succession plan must be formulated based on the track record and achievements that the past presidents have accumulated, and efforts must be made to develop the next generation of management talent.

Mizumoto Strengthening human capital not only among our management team but throughout the entire Group is another important management theme. Tokuyama Corporation introduced a new personnel system based on the "Pay for job" ethos in May 2025. The new framework has been built, but much work is required to give the system life so that all employees can get on board and use it. Nothing, from transforming our business portfolio to reacting to environments, can be achieved without human thought and ingenuity. Supporting all employees through both systems and organizational culture so that they can maximize their individuality and capabilities is an example of Tokuyama's unique approach to human capital management.

Further enhancing the governance system

Inoue We will share your understanding of governance issues with all members of the management team, including our executive officers, and address them sincerely. The Tokuyama Group is nearing the completion of Medium-Term Management Plan 2025, and is scheduled to launch a new medium-term management plan in FY2026 with an eye toward the next stage of growth. As the business environment becomes more uncertain, people within the Company and stakeholders will be expecting even more from the external directors. Finally, I would like to conclude this discussion by asking you both about your goals and aspirations for the future.

Kondo Transforming a business portfolio is by no means an easy goal to achieve. In some cases, we may have to abandon measures that are working relatively well, and there will be times when we have to take bold risks. As external directors, we strive not only to ensure transparency and fairness in management, but to be a presence that helps internal directors and executive officers make decisive decisions. Furthermore, we will work to improve our corporate value by strengthening governance with strong backing from our executives.

Mizumoto Our external directors have diverse careers and expertise, and I am often amazed at the breadth of their knowledge. We often receive opinions and suggestions from unexpected perspectives, and the resulting diversity and creativity help the Board of Directors to operate more smoothly. As an external director, I intend to provide appropriate guidance and supervision while communicating and promoting Tokuyama's Vision and value creation story to stakeholders.

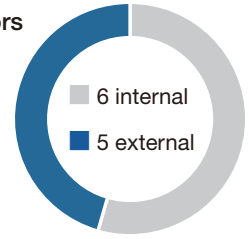
Management Team (As of June 24, 2025)

(Back row, from left) Takahide Taniguchi, Shiro Saito, Tomohiro Inoue, Hiroshi Yokota, Naoki Kondo, Kazumasa Sueoka
(Front row, from left) Hiraku Ishizuka, Youji Miyamoto, Nobuko Mizumoto, Fumiaki Iwasaki, Yumiko Kajiwara

Number of Directors

Gender Composition

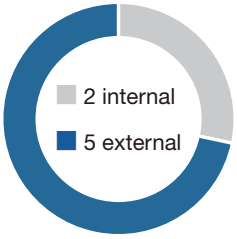
9 men
2 women



Number of Audit & Supervisory Committee Members

Gender Composition

5 men
2 women



	Name and Position		Number of Company Shares Owned / Tenure as Director	Management Planning, Strategy	Sales and Marketing	
Internal	Hiroshi Yokota	**Representative Director, President and Executive Officer** In charge of Chemicals, Electronic & Advanced Materials, Audit Office and Secretarial Department	40,700 shares / 10 years	●	●	
	Fumiaki Iwasaki	**Representative Director, Senior Managing Executive Officer, General Manager, Research & Development Division and Life Science Business Division** In charge of Life Science, Research & Development and Environment & Safety of Kashima Factory	3,142 shares / 5 years	●	●	
	Tomohiro Inoue	**Director, Managing Executive Officer, General Manager, Corporate Planning Division** In charge of Corporate Planning, Sustainability, Eco Business, Tokuyama Factory, Carbon Neutral Strategy, New Business, Center for Commercialization of Advanced Technology and Digital Administration & Planning	2,100 shares / 2 years	●	●	
	Takahide Taniguchi	**Director, Managing Executive Officer, General Manager, Cement Business Division** In charge of Cement, General Affairs & Human Resources and Procurement & Logistics	5,123 shares / Newly appointed	●	●	
	Youji Miyamoto	**Director, Audit & Supervisory Committee Chair**	2,800 shares / 8 years	●		
	Kazumasa Sueoka	**Director, Audit & Supervisory Committee Member**	600 shares / Newly appointed	●		
External	Nobuko Mizumoto	**External Director, Audit & Supervisory Committee Member**	1,000 shares / 4 years	●		
	Hiraku Ishizuka	**External Director, Audit & Supervisory Committee Member**	0 shares / 2 years	●		
	Naoki Kondo	**External Director, Audit & Supervisory Committee Member**	900 shares / 2 years	●		
	Shiro Saito	**External Director, Audit & Supervisory Committee Member**	0 shares / Newly appointed	●		
	Yumiko Kajiwara	**External Director, Audit & Supervisory Committee Member**	0 shares / Newly appointed	●	●	

* The skills listed above do not represent the entirety of each individual's knowledge or experience.

Reason for Skill Selection

Skill	Definition of skill and reason for selection
Management planning and strategy	The Company considers that having one or more directors with extensive management experience and broad insights in this area is indispensable when determining management plans and strategic policies, including portfolio management, in order for the Company to achieve sustainable growth.
Sales and marketing	Based on the value of "Commitment to customer satisfaction as a profit source," the Company considers that having one or more directors with extensive experience and broad insights in this area is necessary for marketing, building businesses and creating profits based on an accurate understanding of the business environment.
R&D, production technology and engineering	As a comprehensive chemical manufacturer, the Company considers that having one or more directors with a track record of promoting various innovations and extensive experience and broad insights in R&D, production technology and engineering is necessary in order to create new business opportunities based on proprietary technologies.
Finance and accounting	The Company considers that, both for accurate financial reporting and the formulation of a financial strategy that facilitates both investment for sustainable growth and shareholder returns while building a strong financial foundation, having one or more directors with extensive experience and broad insights in this area is necessary.
Governance and risk management	The Company considers that the establishment of an appropriate governance system is the foundation for all corporate activities and that having one or more directors with extensive experience and broad insights in areas such as corporate governance, risk management, legal affairs and compliance is necessary in order to improve the effectiveness of management and supervision by the Board of Directors.
Sustainability	In order to contribute to solving various social issues through its business and to be a company that is both trusted and needed by society, and given that this requires expertise from a sustainability management perspective pertaining to the environment and society, the Company considers that having one or more directors with extensive experience and broad insights in this area is necessary.
Human capital	The Company recognizes human resources as being the most critically important management capital for sustainable growth, and considers that having one or more directors with extensive experience and broad insights in this area is necessary in order to build a human resources strategy that is linked to our business strategy and to be a company where diverse human resources can harness their respective skills to the maximum extent.
Digital transformation (DX)	The Company considers that, since the promotion of fundamental business reforms through digital transformation (DX), rather than merely seeking to improve operational efficiency and productivity through IT, is indispensable for the Company's continued sustainable growth and medium- to long-term improvement of corporate value, having one or more directors with extensive experience and broad insights in this area is necessary.
Global business	Given that the acceleration of overseas business is essential for transforming the business portfolio, which is part of the Company's medium- to long-term strategy, the Company considers that having one or more directors with extensive experience and broad insights in global business, such as overseas management experience and business development, is necessary.

Possessed Skills								Attendance	
	Research and Development, Production Technology, Engineering	Finance, Accounting	Governance, Risk Management	Sustainability	Human Capital	DX	Global Business	Board of Directors	Audit & Supervisory Committee
			●	●	●		●	18/18 (100%)	–
	●		●	●	●	●	●	18/18 (100%)	–
	●	●	●	●	●	●	●	18/18 (100%)	–
			●	●	●		●	–	–
		●	●	●			●	18/18 (100%)	24/24 (100%)
		●	●	●		●	●	–	–
	●		●	●	●	●		18/18 (100%)	24/24 (100%)
		●	●		●	●		18/18 (100%)	24/24 (100%)
		●	●				●	18/18 (100%)	24/24 (100%)
	●		●			●	●	–	–
			●	●	●	●	●	–	–

Corporate Governance

Basic Stance

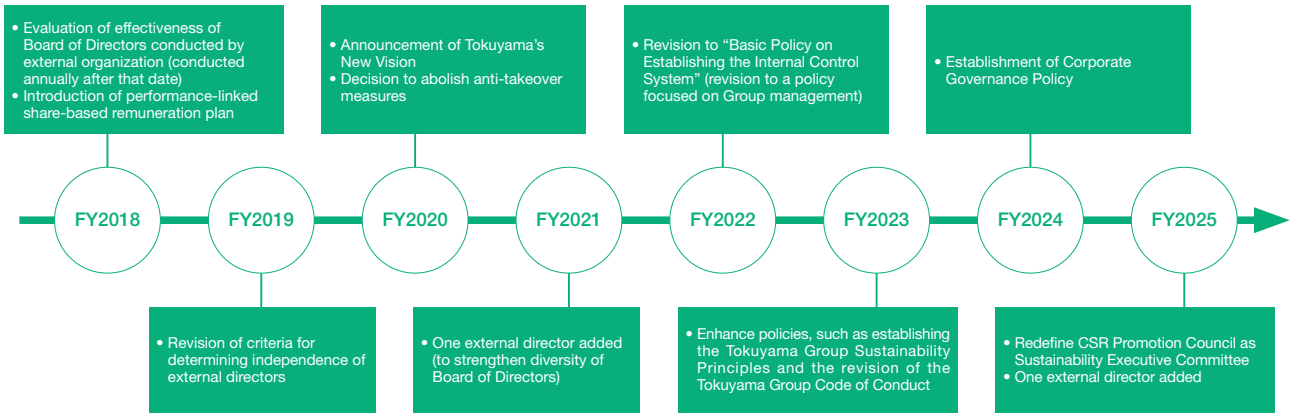
Amid the major transformations taking place throughout society, Tokuyama, in line with the business environment we face today, has defined our corporate Mission as "To create a bright future in harmony with the environment, in collaboration with customers, based on chemistry." This definition incorporates 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.

To realize our Mission, we recognize that corporate governance is the cornerstone of management, and we believe it is necessary to constantly improve and enhance our governance in response to the various expectations, requests and demands of our stakeholders.

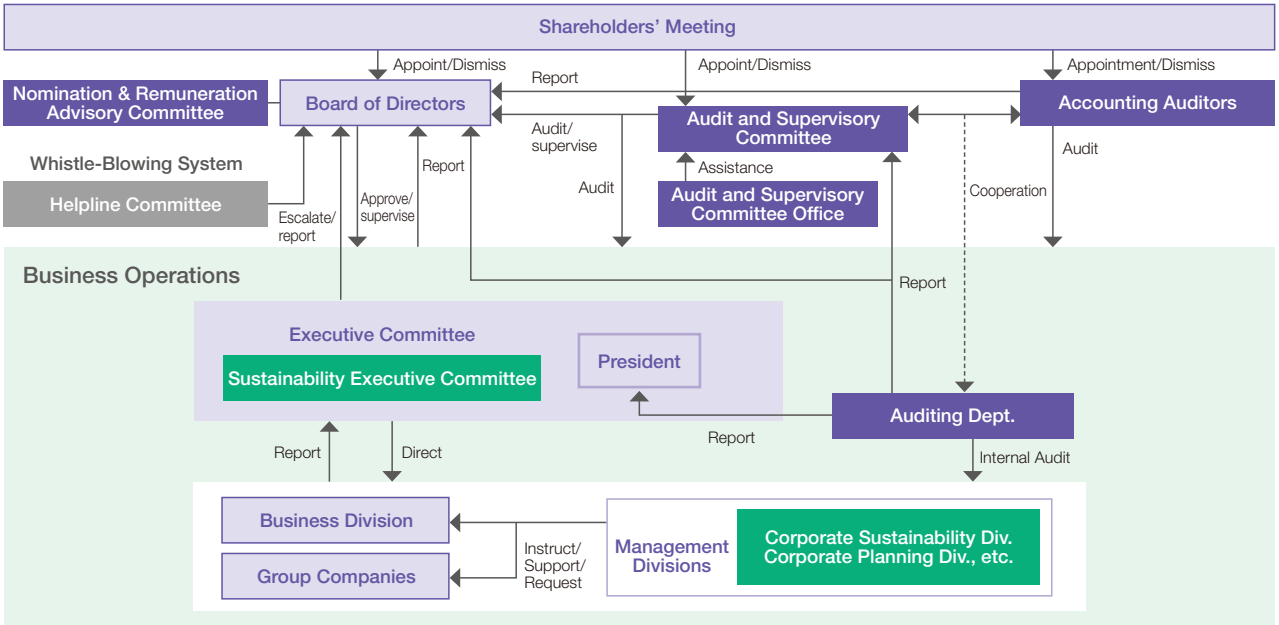
We established a new Corporate Governance Policy in FY2024 to clarify our philosophy on governance, and we revised it in FY2025 to strengthen our sustainability efforts.

Corporate Governance Report
https://www.tokuyama.co.jp/eng/company/governance/index.html

Steps to Strengthen Our Governance Structure



Corporate Governance Structure



Meeting Bodies on Governance and Main Content of Deliberation

An overview of each governance-related meeting body and the details of their deliberations are provided below.

Board of Directors

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.

- Meetings held in FY2024: 18 written resolutions: 2 (pursuant to Article 370 of the Companies Act and Article 29 of the Company's Articles of Incorporation)

Audit and Supervisory Committee

We have chosen to be a company with an Audit and Supervisory Committee 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 and Supervisory Committee is made up of non-executive directors and is responsible for keeping up to date on the status of business execution through the Board of Directors and other important internal meetings, and for auditing the status of business execution by the executive directors.

As of the date the securities report was submitted, the Audit and Supervisory Committee is composed of seven directors, including five external directors, who are Audit and Supervisory Committee members.

- Number of meetings held in FY2024: 24

Nomination & Remuneration Advisory Committee

In order to achieve more transparent and objective management based on our basic approach to corporate governance, we have established a Nomination & Remuneration Advisory Committee with the mission of deliberating on personnel and compensation matters for directors (excluding Audit & Supervisory Committee members), executive officers, and other individuals with officer status, and submitting recommendations or recommendations to the Board of Directors. (Note that the President's succession plan will be handled in a more focused and specialized manner by the President Nomination Committee, which has been established under the Nomination & Remuneration Advisory Committee.)

The Nomination & Remuneration Advisory Committee shall consist of a majority of independent external directors, and the term of office of its members shall be one year. The President Nomination Committee is comprised with a majority of external directors, with the President and Executive Officer being the only internal director. The committee's chair is selected from among the independent external directors.

- Number of meetings held in FY2024:
  Nomination & Remuneration Advisory Committee: 5,
  President Nomination Committee: 3

Executive Committee

The committee deliberates and decides important matters related to business execution, and also oversees business execution.

With the President as chair, the committee is a decision-making body whose members are selected by the President from among the executive officers. In principle, the committee meets two times each month. Based on the approval-related rules and regulations determined by the Board of Directors, the Executive Committee deliberates on and makes decisions on strategies and other important matters.

- Number of meetings held in FY2024: 28, written resolutions: 2

Strategy Committee

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 generally meets once a month, 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 with respect to important matters requiring approval. It also sets the direction of policies related to business execution with regard to specific projects.

- Number of meetings held in FY2024: 8

CSR Promotion Council (Sustainability Executive Committee)

Chaired by the President and Executive Officer, the CSR Promotion Council includes all executive officers. The council 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. Beginning in FY2025, the council will be reorganized as the Sustainability Executive Committee. This committee will also handle Company-wide risk management, which was previously handled by the Risk Management and Compliance Committee until FY2024.

- Number of meetings held in FY2024: 1

Expert Committees

The committee deliberates and decides important matters related to business execution, and also oversees business execution.

We will establish Expert Committees that will head activities in areas that require particular expertise and are of high importance from the perspective of risk management and compliance. Through FY2024, eight committees were established under the Risk Management and Compliance Committee: the Financial Reporting Committee, the Fair Trade and Competition Committee, the Security Trade Committee, the Information Security Committee, the Environment Committee, the Safety Committee, the Product Safety and Quality Assurance Committee, and the Sustainability Committee. However, beginning in FY2025, in conjunction with the reorganization into the Sustainability Executive Committee, the Risk Management and Compliance Committee transferred its risk management functions to the Sustainability Executive Committee and became the Compliance Committee, and the Sustainability Executive Committee was reorganized in a more expansive manner, handing over its functions to the Sustainability Executive Committee, the Environment Committee, and other meeting bodies. See p. 38 for the number of meetings held in FY2024.

Helpline Committee

The Helpline Committee is responsible for the whistle-blowing system (helpline) for compliance violations (including possible violations) related to the Tokuyama Group.

- Number of meetings held in FY2024: 1

Analysis and Evaluation of Overall Effectiveness of the Board of Directors

In FY2024, we commissioned an external organization to survey all directors and analyze 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. They found the Board's particular strengths are that it is composed appropriately given the role of a Board of Directors, and that it shares information continuously through various channels, contributing to the exercise of Board of Director supervisory functions.

The survey also revealed the need for further discussions on reducing the cost of capital and improving the stock price as a new issue for FY2025.

Going forward, we will work to improve operations through ongoing candid feedback from Board members, including external directors, on business execution, and to make the Board of Directors more effective by placing special emphasis on creating opportunities for more multifaceted discussions on the topic of the cost of capital.

Evaluation Process

To investigate the effectiveness of the Board of Directors, a 33-question survey with ratings and free-form responses was administered to all directors. The questions included topics related to the composition and operation of the Board of Directors, management strategy, business strategy, corporate ethics, risk management, communication with shareholders, and management evaluation and compensation. In addition, the FY2024 survey revealed two issues: Ongoing improvement of Board of Directors' operations and contribution by the Board of Directors to realizing the vision set forth in Medium-Term Management Plan 2025. It also established questions related to these issues. This enabled a comprehensive and objective evaluation of the effectiveness of the Board of Directors and also confirmed the progress of improvements made to the major issues identified in the previous fiscal year.

Issues and Future Initiatives

Issues	Countermeasures and improvement measures
Continuous improvements to Board of Directors operations (continued from FY2024)	Confirmed that, given its role, the Board of Directors is composed appropriately. Continue to share information through various channels, such as advance explanations and business reports to directors, and continue to encourage the Board of Directors to exercise its supervisory function.
Contribute to the Board of Directors' realization of the "Vision" set forth in Medium-Term Management Plan 2025 (Continued from FY2024)	Although discussions of management issues were enhanced via creative agenda setting, there is still room for improvement.
Further discussions on reducing the cost of capital and improving the stock price are needed	We will learn the current situation and provide opportunities for more multifaceted discussions.

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 & 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:

(a) Ensures that directors contribute to sustainable growth for corporate performance and corporate value based on Tokuyama's Vision
(b) Provides a level of remuneration that secures and retains human resources that can support the Company's management
(c) Considers the performance of the Company
(d) 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

(1) 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.
(2) 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.
(3) 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 (FY2024)

Category	Number of People	Remuneration Amount
Directors (excluding directors who are Audit & Supervisory Committee members)	4	¥168 million
Audit & Supervisory Committee members (excluding external directors)	1	¥29 million
External directors	4	¥56 million

1. The above bonuses indicate the bonuses paid to the applicable directors in the current fiscal year.
2. The performance-linked share-based remuneration amounts shown above are the expense amounts 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/company/governance/index.html

Policy on Strategic Shareholdings

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 FY2024, in addition to the 20 listed stocks that we previously held, we will have completed the reduction of 12 of the three listed stocks that we inherited from consolidated subsidiaries through an absorption-type merger, resulting in our holding 11 listed stocks at the close of the fiscal year ended March 2025.

In addition, the Board of Directors takes steps to verify the economic rationality of holding shares in publicly listed companies by comparing the cost of capital after factoring in associated risks with accrued benefits, while confirming the propriety of holdings based on a future outlook each year.

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

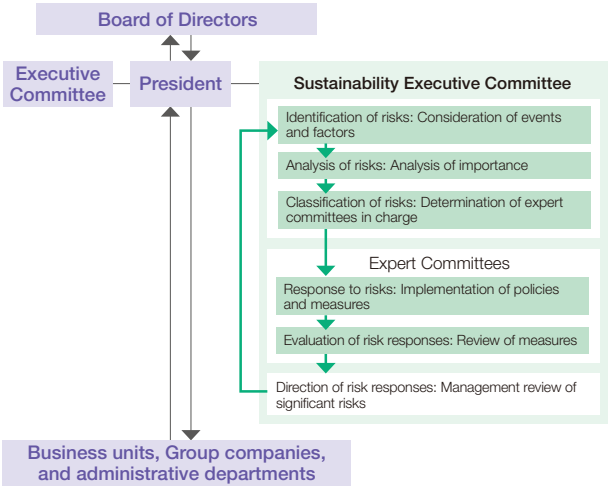
Our Group regards events and factors that could affect the achievement of expected organizational goals and the sustainability of business, and could lead to the impairment or enhancement of corporate value in corporate management, and that require a cross-organizational response, as “significant risks,” and has established a management system to ensure that we respond to these risks appropriately.

Strengthening Our Risk Management System

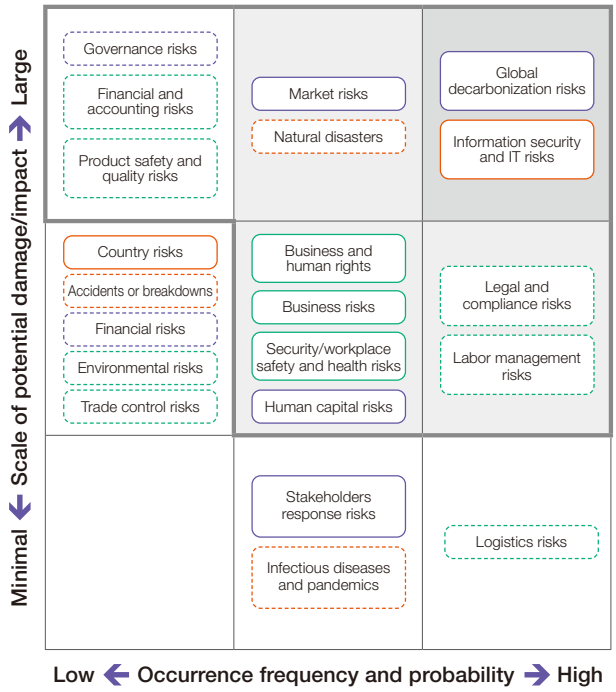
Through FY2024, the Risk Management and Compliance Committee, which was established in the CSR Promotion Council as a Company-wide risk management system, considers events and issues that have recently emerged or that have undergone a change in the degree of impact, by monitoring social conditions and coordinating with other committees. This committee then assesses whether or not these are real risks and determines which expert committees will address the issues. Furthermore, the committee also performs Group-wide enterprise risk management by making visible and mapping risk levels both qualitatively and quantitatively 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), and propose and implement measures to address risks. These committees then conduct regular reviews of the results of any implemented actions, and manage implementation in accordance with the management system.

Starting from FY2025, this Company-wide risk management will be discussed at the Sustainability Executive Committee, a meeting body that has been restructured from the CSR Promotion Council. These meetings will serve as venues to deliberate on both risks and opportunities from a perspective of sustainability. Note that compliance risks that were previously handled by the Risk Management and Compliance Committee will be handled by the newly established Compliance Committee. We will also review the details of significant risks beginning in FY2025. With respect to “information security risks,” we added risks associated with DX and IT implementation, which are essential to structural reform, and revised this term to be “information security and IT risks.” Additionally, in light of recent growing tensions around cybersecurity and the widespread use of IT in business operations, we have increased the scale of potential damage and impact by one level. Management will reaffirm the importance of information security and IT risks, and demonstrate its commitment to taking all possible measures to address them.

Process of Identifying Significant Risks



Mapping of Significant Risks (FY2025)



Classification of risks

Hazard risks (external environment risks)	Risks posed by the external environment and potential events
Business risks (strategic risks)	Risks posed by the quality and accuracy of corporate strategies that affect performance and corporate value
Operational risks (business process risks)	Risks arising from deficiencies in internal processes related to business execution, or from inadequate functions

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 (FY2025)

Hazard risk (external environment risk) Risks posed by the external environment and potential events

Category	Subcategory	Relevant committee*
Natural disasters	Earthquake, tsunami, weather-related disaster, abnormal weather event (typhoon, storm surge, heavy rains, etc.)	Sustainability Executive 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
Infectious diseases and pandemics	Widespread outbreak of COVID-19 or another endemic infectious disease	Sustainability Executive Committee
Country risks	War, conflict, terrorism incident, riot, unlawful political change, or economic crisis	Sustainability Executive Committee
Information security and IT risks	Cyberattack, virus infection, information leaks, system failure, failure of system facilities/equipment, IT risks	Information Security Committee

Business risk (strategic risk) Risks posed by the quality and accuracy of corporate strategies that affect performance and corporate value

Category	Subcategory	Relevant committee*
Global decarbonization risks	Carbon pricing and energy procurement costs, green process adoption measures, penetration of green procurement by customers, evaluation by stakeholders, more frequent extreme weather, long-term intensification of extreme weather events, and lost opportunities due to a failure to keep up with green market expansion	Sustainability Executive Committee Environment 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, low PBR risks	(Executive Committee)
Human capital risks	Excessive outflow of human resources and difficulties in securing human resources, workforce aging and distorted human resource pyramid, human resource development and technology transfer, delays in adapting to new work styles, human resource mismatch due to business transitions, and inadequate and delayed disclosure of human capital information	(Executive Committee)
Governance risks	Lack of succession planning, securing governance transparency, and inadequate control over reporting lines	(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)
Stakeholders response risks	Criticism and slander by the media, reputational damage, social media risks, inappropriate information disclosure, damage to corporate values by activists	(Executive Committee)

Operational risk (business process risk) Risks arising from deficiencies in internal processes related to business execution, or from inadequate functions

Category	Subcategory	Relevant committee*
Security/workplace safety and health 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)
Product safety and quality risks	Poor quality, voluntary recalls, product liability accidents due to design defects, manufacturing defects, improper labeling, or false labeling, violations of domestic and international laws	Product Safety and Quality Assurance Committee
Logistics risks	Damage during transportation and storage (including leakage of hazardous materials)	Product Safety and Quality Assurance Committee
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
Trade control risks	Inadequate security trade control	Security Trade Committee
Business and human rights	Human rights violations in supply chains, boycotts, and consumer movements	Compliance Committee
Financial and accounting risks	Window dressing, improper accounting, tax compliance, bad debts and defaults	Financial Reporting Committee
Legal and compliance risks	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 Compliance Committee
Labor management risks	Death from overwork, long working hours, illegal overtime, labor disputes and strikes, human rights issues, discrimination, harassment, mental health, ensuring the safety of expatriates and business travelers overseas	Compliance Committee

* The chairperson of each committee is a director who is responsible for the relevant risks
Note: 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

To protect customer information and other informational assets, and to continue operating appropriately as a company, measures to ensure information security are essential. The Company has established an Information Security Committee that operates an information security management system. This committee has established an information security policy for the entire Group, and has devised goals and plans to periodically evaluate the operational status of the Group's information security measures. Furthermore, to maintain and improve risk levels, we regularly conduct information security self-inspection checks, internal audits, and e-learning programs to raise awareness.

As personal information protection will require a global response, in addition to establishing a "Tokuyama Group Basic Personal Information Protection Policy," we have also prepared a "GDPR Response," "Personal Information Contact Desk," and "Cookie Policy" with respect to the Company's Basic Personal Information Protection Policy.

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 the 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 our customers' supply chains. We have also confirmed the possibility of incidents occurring at each Group company, including overseas companies, and are advancing fundamental responsive measures after identifying the issues. As a result of these activities, there were no significant incidents involving information security or personal information in FY2024.

In addition to the expansion of the scope of business operations covered by IT systems due to the advancement of DX, the impact of IT system risks on business is increasing, including the so-called "2025 cliff" problem. This has led us to recognize "IT risks" in addition to traditional cybersecurity and information management risks to create the "information security and IT risks" category, and we decided to further increase the impact of our response. We will consider and implement risk mitigation measures under the Information Security Committee.