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# **Report for the 125th Fiscal Year**

**(from April 1, 2023 to March 31, 2024)**

**Tosoh Corporation**

## Business Report

(from April 1, 2023 to March 31, 2024)

### 1. Matters concerning the current state of the corporate group

#### (1) Business progress and results

The Company's consolidated net sales decreased ¥58.7 billion (5.5%) year-on-year to ¥1,005.6 billion (US\$7.0 billion). The decrease resulted from lower selling prices caused by lower prices in raw materials and fuels, such as naphtha and the decline in overseas product market conditions, as well as a decrease in sales volume due to an economic slowdown that lowered demand and scheduled maintenance at the Nanyo Complex and plant troubles at the Yokkaichi Complex.

Operating income rose ¥5.2 billion (7.0%) year-on-year to ¥79.8 billion (US\$552.2 million). This increase was primarily attributable to improved terms of trade, which were buoyed by lower prices in raw materials and fuels, such as naphtha and coal, and occurred despite reduced sales volume and a significant deterioration in the difference between inventory receipts and payments.

Ordinary income increased ¥5.9 billion (6.6%) year-on-year to ¥95.9 billion (US\$663.4 million), owing to the company's recording of foreign exchange gains in non-operating income on the progressively weaker yen. Profit attributable to owners of the parent increased ¥7.0 billion (13.9%) year-on-year to ¥57.3 billion (US\$396.5 million).

During the fiscal year under review the global economy continued to slow, particularly in manufacturing. Inflation remained high and monetary tightening policies remained in place, mainly in advanced Western countries, such as the United States and those in Europe. Demand in China, meanwhile, did not recover as anticipated after that country lifted its zero-COVID policy. In addition, the global economy remains uncertain, as upward pressure on prices owing to rising raw materials, fuels, and labor costs and caution over geopolitical risks, including deteriorating US-China relations and combat in the Middle East and Ukraine.

	FY2023 (124th fiscal year)	FY2024 (125th fiscal year)	Change	
	Amount (billions of yen)	Amount (billions of yen)	Amount (billions of yen)	Percentage (%)
Net sales	1,064.4	1,005.6	(58.7)	(5.5)
Operating income	74.6	79.8	5.2	7.0
Ordinary income	90.0	95.9	5.9	6.6
Profit attributable to owners of parent	50.3	57.3	7.0	13.9

Note: Unless otherwise noted, figures shown are in billions of yen rounded to the nearest 100 million yen.

The following is an overview of each business segment for FY2024:

## Petrochemical Group

### Main products

Olefin products such as ethylene and propylene, low-density polyethylene, high-density polyethylene, processed resin products, functional polymers, etc.

- Petrochemical Group net sales decreased ¥22.5 billion (10.9%) year-on-year to ¥183.6 billion (US\$1.3 billion). Operating income fell ¥1.4 billion (11.4%) year-on-year to ¥10.7 billion (US\$74.2 million), because of a deterioration in the difference between inventory receipts and payments and falling sales volume. This was despite improved terms of trade resulting from lower prices in raw materials and fuels, such as naphtha.
- Shipments of ethylene and propylene decreased owing to lower production volumes caused by troubles at the Yokkaichi Complex plant. Shipments of cumene rose as demand recovered. In addition, ethylene and propylene selling prices fell on a decline in naphtha prices. The decline in overseas market conditions lowered cumene selling prices.
- Polyethylene resin demand was sluggish from various industries, causing its domestic and export shipments to decline. Export selling prices, particularly for ethylene vinyl acetate (EVA) resins, declined amid poor overseas market conditions. Shipments of chloroprene rubber dropped in line with stagnating demand, but factors, such as the progressively weaker yen, pushed up this product's export selling prices.

## Chlor-alkali Group

### Major products

Caustic soda, vinyl chloride monomer, vinyl chloride resin, inorganic chemicals, organic chemicals, cement, polyurethane raw materials, etc.

- The Chlor-alkali Group's net sales fell ¥46.9 billion (11.5%) year-on-year to ¥359.5 billion (US\$2.5 billion). But operating income rose ¥14.3 billion year-on-year to ¥3.6 billion (US\$24.8 million). Improved terms of trade resulting from lower prices in raw materials and fuels, such as naphtha and coal, offset a deterioration in the difference between inventory receipts and payments and contributed to that rise.
- Shipments of caustic soda decreased amid a decline in production volume caused by scheduled maintenance and other factors. Domestic selling prices of caustic soda increased owing to price corrections, whereas export selling prices decreased amid the decline in overseas market conditions. Shipments of vinyl chloride monomer (VCM) declined as production volume dipped owing to scheduled maintenance and other factors. Overseas shipments of polyvinyl chloride (PVC) resin rose. But overseas selling prices of VCM and PVC fell, reflecting the decline in overseas market conditions.
- Domestic and export shipments of cement were down on weak demand. But selling prices of cement were up domestically.
- Shipments of methylene diphenyl diisocyanate (MDI) were on par with shipments in the previous fiscal year. MDI selling prices fell, however, as overseas market conditions failed to recover from the drop in demand for MDI occasioned by China's zero-COVID policy. Selling prices of hexamethylene diisocyanate (HDI) hardeners likewise fell amid deteriorating market conditions globally that manifested in sluggish demand for HDI, particularly for construction and civil engineering applications in China.

## Specialty Group

### Major products

Inorganic and organic fine products, measurement and diagnostic products, high-silica zeolite, zirconia, electronic materials (silica glass, sputtering targets), etc.

- Specialty Group net sales decreased ¥11.2 billion (4.1%) year-on-year to ¥259.6 billion (US\$1.8 billion), and operating income fell ¥14.4 billion (27.5%) year-on-year to ¥37.9 billion (US\$262.2 million). The drop in operating income resulted from a deterioration in the difference between inventory receipts and payments, higher fixed costs, and fewer shipments of silica glass and zirconia. It occurred, moreover, despite the contributions of foreign exchange effects and lower prices in raw materials and fuels, such as coal, to improved terms of trade.
- Worsening global business confidence reduced demand for and shipments of ethyleneamines. Ethyleneamines selling prices declined as overseas market conditions declined. Shipments of bromine increased because of expanded sales, primarily overseas, to complement heightened production capacity. But bromine selling prices, too, declined as overseas market conditions declined.

- Among separation-related products, shipments of packing materials for liquid chromatography to the United States and China declined. Diagnostic-related products, conversely, saw domestic and overseas shipments of automated hemoglobin analyzers and related reagents rise. Domestic shipments of diagnostic-related genetic testing reagents, however, fell.
- High-silica zeolite (HSZ) shipments, mainly for automotive applications, increased as demand recovered, and HSZ selling prices rose as the yen got progressively weaker. Shipments of zirconia for decorative and dental applications fell, but zirconia selling prices rose because of price corrections and the progressively weaker yen.
- A slowdown in semiconductor demand contributed to a decline in silica glass shipments but selling prices for silica glass rose amid price corrections and the progressively weaker yen. Selling prices of electrolytic manganese dioxide also rose, on an increase of shipments in Europe and Asia, price corrections, and the progressively weaker yen.

## **Engineering Group**

Major products and businesses

Water treatment equipment, construction, etc.

- Engineering Group net sales increased ¥18.9 billion (13.7%) year-on-year to ¥157.0 billion (US\$1.1 billion). Operating income rose ¥6.8 billion (37.6%) year-on-year to ¥24.7 billion (US\$171.0 million).
- The Engineering Group's water treatment engineering business increased its sales amid generally steady progress in construction of large-scale electronic industry projects for which orders were received, including those related to semiconductors. It also had robust sales of service solutions, including expanded equipment-ownership services for domestic semiconductor plants and an increase in various maintenance services.
- Sales by the Engineering Group's construction subsidiaries likewise increased.

## **Ancillary**

Main businesses

Transportation and warehousing, inspection and analysis, information processing, etc.

- Other net sales rose ¥2.9 billion (6.8%) year-on-year to ¥45.9 billion (US\$317.5 million). Operating income likewise increased ¥0.0 billion (0.8%) year-on-year to ¥2.9 billion (US\$20.0 million).
- Sales increased at operating companies as diverse as transportation and warehousing, inspection and analysis, and information processing.

## **(2) Financing status**

We did not raise any significant funds during the period.

The capital investment for the fiscal year under review is mainly funded by own funds and borrowings.

## **(3) Status of capital investment**

The total amount of capital investment made during the period under review is ¥61,418 million, the main items of which are as follows:

- (i) Major facilities acquired during the period under review

None

- (ii) New construction and expansion of major equipment continuing in the period under review

Tosoh Corporation

New establishment of a bioscience research building and Customer Support Center (Specialty Group) at our Tokyo Research Center

Construction of a biomass-fired power plant at the Nanyo Complex (Petrochemical Group, Chlor-alkali Group, and Specialty Group)

Production capacity increase for separation and purification media (Specialty Group) at the Nanyo Complex

Subsidiaries

Capacity increase of sputtering target manufacturing facility (Specialty Group) at Tosoh SMD, Inc.

Installation of crude methylene diphenyl diisocyanate (MDI) splitter (Chlor-alkali Group) at Tosoh (Vietnam) Polyurethane Co., Ltd.

**(4) Status of significant corporate restructuring, etc.**

None.

**(5) Issues to be addressed**

The global economy is expected to recover due to the easing of price hikes, rate cuts by European and US central banks, further recovery of semiconductor market situations, and economy support measures by the Chinese government. The business environment, however, may continuously face downside risks where such expected factors may not go well. The risks also include the tense situations in Ukraine and the Middle East and intensified rivalry between the US and China.

Under these circumstances, the Group will closely monitor the fluctuating prices of raw materials and fuel, conditions in overseas product markets, exchange rates, and the supply-demand balance, all of which are impacted by a multitude of factors. It will strive to secure earnings by responding quickly and flexibly as situations in the business environment evolve.

Outline of medium-term business plan for FY2023–2025

In August 2022, the Company announced a three-year medium-term business plan with fiscal 2025 as the final year, outlined as follows:

1. Desired profit structure (by FY2031)

- Establish Commodity as a profitable business while focusing on decarbonization  
Aim to build a profit base of over ¥100 billion in Specialty

2. Basic management policy

- Focus on expanding Specialty earnings while maintaining a dual management strategy based on Commodity and Specialty businesses:
  - *Commodity*  
Conduct business through the optimal combination of strengthening operations and reducing CO<sub>2</sub> emissions; maintain stable supply through appropriate cost burden and price pass-through
  - *Specialty*  
Invest in businesses that have comparative advantages; allocate management resources to growth areas; expand revenue base by fostering new businesses
- Make a concerted effort to reduce CO<sub>2</sub> emissions and utilize CO<sub>2</sub>
  - Fulfill corporate responsibility to work toward the realization of a sustainable society by promoting a decarbonization strategy from all perspectives
- Invest aggressively based on a solid financial foundation
  - Decarbonization of society will drastically change the business environment, and the Tosoh Group will seize this opportunity to make timely, strategic investments in preparation for the future
- Reinforce safety infrastructure, establish and deepen safety culture
  - Safe plant operation takes precedence over all else; continue efforts to strengthen safety infrastructure, establish and deepen safety culture

### 3. Numerical targets

(billions of yen)

	FY2025 target
Net sales	1,160.0
Operating income	150.0
Operating profit margin	Over 10%
ROE	Over 10%
(Assumptions)	
USD (yen/USD)	125
EUR (yen/EUR)	135
Naphtha	75,000 yen/kl

### 4. Investment and lending plan

- Cumulative 3-year investment for FY2023–2025 = ¥200 billion in capital expenditures + M&A, additional measures for decarbonization
- Proactive investment centered on Specialty, capital investment includes ¥30 billion for CO<sub>2</sub> reduction
- M&A exploration focused on bio-related fields

#### Major capital investment projects

##### Conventional investment

- Chloroprene rubber (expansion)
- Bromine and flame retardants (expansion)
- Separation and purification media (expansion)
- Zirconia powder (expansion)
- Methylene diphenyl diisocyanate (MDI) splitter installation overseas
- Sputtering targets (US capacity increase)
- Silica glass materials and fabricated quartzware (expansion)

##### Investment to reduce CO<sub>2</sub> emissions

- Upgrade to circulating fluidized bed boiler
- Installation of additional gas turbines
- Installation of CO<sub>2</sub> feedstock conversion equipment at carbon monoxide (CO) plant

### 5. Research and development (R&D)

- Concentrate R&D resources on the three priority themes of life sciences, electronic materials, and environment and energy
- Accelerate R&D through effective use of research infrastructure, material design efficiency improvement by leveraging materials informatics technology, promotion of open innovation, and acquisition of cutting-edge technology through funds

### 6. Shareholder returns

- Strive to improve capital efficiency through share buybacks, while maintaining stable dividends as a basic policy
- Set a target for dividend payout ratio of around 30%
- Implement share buybacks flexibly, taking into account the level of free cash flow and other factors

## 7. Decarbonization measures (CO<sub>2</sub> reduction targets)

- Implement specific measures to achieve a 30% reduction by FY2031 (compared with FY2019)
- Endeavor to achieve a 30% reduction with current technology through the conversion of biomass wood fuel for power generation facilities, and fuel diversification through the introduction of a circulating fluidized bed boiler
- CO<sub>2</sub> feedstock conversion being a mission for chemical manufacturers, we are assigning it a higher priority and strengthening related initiatives

### Precautions

The plans in this document are forecasts based on information available at the present time. Accordingly, actual results may differ significantly from the planned performance due to future economic conditions in Japan and overseas, unpredictable factors, and other factors.

### Progress of medium-term business plan

In FY2024, the second year of the three-year medium-term business plan, the Group's operating income was ¥79.8 billion, which marked a significant divergence from the target income of ¥150.0 billion set forth in the medium-term business plan. Although price hikes of raw materials and fuel were relieved, compared with the expectation at the establishment of the medium-term business plan, product market conditions worsened due to influences caused by China's economic slowdown and a decline in semiconductor demand. Accordingly, in FY2025, the last year of the medium-term business plan, business environments are not expected to recover rapidly. In a difficult business environment like this, the Group will strive to get as close as possible to the earnings targets.

Capital investment is expected to remain above ¥200 billion level initially planned as a cumulative total for the three years. In spite of worsened business environments, we will proceed with investments in growth steadily.

The Commodity business decided to install a methylene diphenyl diisocyanate (MDI) splitter in Vietnam. The Group will take this opportunity to lay foundations for the local production for the local consumption in the growth market. The Specialty business will proceed with capacity increase for target materials and silica glass materials and fabricated quartzware, all of which are used in the semiconductor production process. Also, we will seize the demand in growing fields by addressing capacity increase for production facilities of separation and purification media used in purification and other processes of biopharmaceutical production.

In parallel with implementing investment in growth, we have promoted construction of circulating fluidized bed boiler as an investment contributing to reduction of CO<sub>2</sub> emissions and installation of CO<sub>2</sub> feedstock conversion equipment for the isocyanate production process. Accordingly, we will continue to manage our business operations while balancing growth and decarbonization.

Our basic policy for shareholder returns is to pay continuous and stable dividends. In FY2024, our total annual dividend was ¥85 per share, a ¥5 increase year on year. The reason is that we strived to achieve stable dividends and improvement of capital efficiency. As a result, dividend payout ratio was 47.2% exceeding 30%, a target for dividend payout ratio set in the medium-term business plan.

Operating income and operating profit margin

(billions of yen)

	FY2023 results		FY2024 results		FY2025 target	
Petrochemical Group	12.1	5.9%	10.7	5.8%	15.0	6.4%
Chlor-alkali	(10.7)	(2.6)%	3.6	1.0%	55.0	12.5%
Specialty Group	52.3	19.3%	37.9	14.6%	61.0	20.3%
Engineering Group and Ancillary	20.8	11.5%	27.6	13.6%	19.0	10.3%
Total	74.6	7.0%	79.8	7.9%	150.0	12.9%

(6) Changes in assets and profits and losses

Classification	121st fiscal year (FY2020)	122nd fiscal year (FY2021)	123rd fiscal year (FY2022)	124th fiscal year (FY2023)	125th fiscal year (FY2024)
Net sales (billions of yen)	786.1	732.9	918.6	1,064.4	<b>1,005.6</b>
Operating income (billions of yen)	81.7	87.8	144.0	74.6	<b>79.8</b>
Ordinary income (billions of yen)	86.0	95.1	160.5	90.0	<b>95.9</b>
Profit attributable to owners of parent (billions of yen)	55.6	63.3	107.9	50.3	<b>57.3</b>
Earnings per share (yen)	171.03	197.89	339.23	158.14	<b>180.07</b>
ROE (%)	10.0	10.7	16.3	7.0	<b>7.5</b>
Net D/E ratio (times)	(0.01)	(0.04)	(0.10)	0.08	<b>0.04</b>
Equity ratio (%)	64.0	62.6	65.2	61.9	<b>61.6</b>
Net assets (billions of yen)	609.7	661.7	759.7	794.2	<b>858.8</b>
Total assets (billions of yen)	886.6	982.8	1,087.7	1,194.3	<b>1,289.9</b>
PBR (times)	0.70	1.09	0.81	0.77	<b>0.83</b>

- (Notes) 1. EPS (earnings per share) is calculated based on the average number of shares outstanding during the period (after deducting treasury stock).
2. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of fiscal 2022. For the status of assets and profits and losses for fiscal 2022 and beyond, the figures after applying the said accounting standards, etc. are stated.



**(7) Status of important subsidiaries**

Company name	Capital stock	Tosoh ownership (%)	Major line of business
Organo Corporation	Millions of yen 8,225	*44.1	Manufacture and sale of water treatment equipment, pure water equipment, ion exchange resins, etc.
Taiyo Vinyl Corporation	Millions of yen 6,000	84.0	Manufacture and sale of vinyl chloride resin
Tohoku Tosoh Chemical Co., Ltd.	Millions of yen 2,000	100.0	Manufacture and sale of soda industry products, electronic materials, etc.
Tosoh SGM Corporation	Millions of yen 1,600	*100.0	Manufacture of silica glass materials, quartz glass for optics, and quartz tubes
Tosoh Hyuga Corporation	Millions of yen 1,500	100.0	Production of electrolytic manganese dioxide and ferrite raw materials
Hokuetsu Kasei Co., Ltd.	Millions of yen 1,500	100.0	Manufacture and sale of polyethylene films, etc.
Taihei Chemicals Limited	Millions of yen 1,222	*74.6	Manufacture and sale of rigid PVC films and sheets, color chips, etc.
Tosoh Logistics Corporation	Millions of yen 1,200	100.0	Transportation, cargo handling, insurance agency
Plas-Tech Corporation	Millions of yen 870	*65.1	Manufacture and sale of vinyl chloride compounds and various plastic products
Tosoh Speciality Materials Corporation	Millions of yen 800	100.0	Manufacture of sputtering targets
Tosoh Finechem Corporation	Millions of yen 500	100.0	Manufacture and sale of catalysts, organic electronic materials, various organic fluorine and bromine compounds, etc.
Tosoh America, Inc.	Thousands of U.S. dollars 28,119	100.0	Investment in Tosoh USA, Inc. and other subsidiaries and affiliates in North America
Philippine Resins Industries, Inc.	Thousands of Philippine pesos 1,504,000	80.0	Manufacture and sale of vinyl chloride resin
Tosoh China Holdings Co., Ltd.	Thousands of Chinese yuan 323,086	100.0	Investment in Tosoh (Guangzhou) Chemical Industries, Inc. and other subsidiaries and affiliated companies in China
Tosoh Guangzhou Chemical Industries, Inc.	Thousands of Chinese yuan 206,912	*67.0	Manufacture and sale of vinyl chloride resin
Tosoh Europe N.V.	Thousands of euros 16,391	*100.0	Sale of clinical diagnostic equipment and reagents
Tosoh Hellas Single Member S.A.	Thousands of euros 12,745	100.0	Manufacture and sale of electrolytic manganese dioxide
PT. Standard Toyo Polymer	Thousands of U.S. dollars 14,000	60.0	Manufacture and sale of vinyl chloride resin
Tosoh Advanced Materials Sdn. Bhd.	Thousands of Malaysian ringgit 60,000	100.0	Manufacture of high-silica zeolite
Tosoh (Ruian) Polyurethane Co., Ltd.	Thousands of Chinese yuan 149,811	*100.0	Manufacture and sale of urethane raw materials
Mabuhay Vinyl Corporation	Thousands of Philippine pesos 661,309	88.0	Manufacture and sale of soda industrial products
Tosoh SMD, Inc.	Thousands of U.S. dollars 10,000	*100.0	Manufacture and sale of sputtering targets

Company name	Capital stock	Tosoh ownership (%)	Major line of business
Tosoh Polyvin Corporation	Thousands of U.S. dollars 7,532	*90.0	Manufacture and sale of vinyl chloride compounds
Tosoh (Shanghai) Polyurethane Co., Ltd.	Thousands of Chinese yuan 53,678	*100.0	Manufacture and sale of polyurethane, paints and adhesives
Tosoh Quartz Co., Ltd.	Thousands of Taiwan dollars 150,000	*100.0	Manufacture and sale of quartz glass processed products
Tosoh Quartz, Inc.	Thousands of U.S. dollars 4,270	*100.0	Manufacture and sale of quartz glass processed products

(Note) An asterisk (\*) indicates the ratio including ownership through subsidiaries.

### (8) Major line of business (as of March 31, 2024)

The Group's businesses and major products are as follows:

Business segment	Major products
Petrochemical Group	Olefin products such as ethylene and propylene, low-density polyethylene, high-density polyethylene, processed resin products, functional polymers, etc.
Chlor-alkali Group	Caustic soda, vinyl chloride monomer, vinyl chloride resin, inorganic chemicals, organic chemicals, cement, polyurethane raw materials, etc.
Specialty Group	Inorganic and organic fine products, measurement and diagnostic products, high-silica zeolite, zirconia, electronic materials (silica glass, sputtering targets), etc.
Engineering Group	Water treatment equipment, construction, etc.
Ancillary	Transportation and warehousing, inspection and analysis, information processing, etc.

### (9) Major offices, factories, etc. (as of March 31, 2024)

#### (i) Tosoh Corporation

Sales offices	Head office (Tokyo), Osaka Branch, Nagoya Branch, Fukuoka Branch, Sendai Branch
Production bases	Nanyo Complex (Yamaguchi Pref.), and Yokkaichi Complex (Mie Pref.)
Research bases	Advanced Materials Research Laboratory (Kanagawa Pref.), Life Science Research Laboratory (Kanagawa Pref.), Functional Polymers Research Laboratory (Mie Pref.), Polymer Materials Research Laboratory (Mie Pref.), Inorganic Materials Research Laboratory (Yamaguchi Pref.), Organic Materials Research Laboratory (Yamaguchi Pref. and Kanagawa Pref.), Polyurethane Research Laboratory (Mie Pref.), and Technology Center (Yamaguchi Pref.)

(ii) Subsidiaries

Organo Corporation	Sales offices	Head office (Tokyo)
	Production bases	Tsukuba Factory (Ibaraki Pref.), and Iwaki Factory (Fukushima Pref.)
	Research bases	R&D center (Kanagawa Pref.)
Taiyo Vinyl Corporation	Sales offices	Head office (Tokyo)
	Production bases	Chiba Plant, and Yokkaichi Plant (Mie Pref.)
Tosoh (Guangzhou) Chemical Industries, Inc.	Sales offices and production bases	Head office and plant (China)
Tosoh Europe N.V.	Sales offices	Head office (Belgium)
Philippine Resins Industries, Inc.	Sales offices and production bases	Head office and plant (Philippines)
PT. Standard Toyo Polymer	Sales offices and production bases	Head office and plant (Indonesia)
Tosoh Advanced Materials Sdn. Bhd.	Production bases	Head office and plant (Malaysia)

(10) Status of employees (as of March 31, 2024)

(i) Tosoh Group

Number of employees	Comparison with the previous term
14,394	Increase of 128

A breakdown of the number of employees by segment is as follows:

Petrochemical	Chlor-alkali	Specialty	Engineering	Others	Total
1,243	3,169	4,824	2,957	2,201	14,394

(ii) Tosoh Corporation

Number of employees	Comparison with the previous term	Average age	Average years of service
3,875	Increase of 29	38.4 years old	13.5 years

(Notes) The number of employees is that of full-time employees.

A breakdown of the number of employees by segment is as follows:

Petrochemical	Chlor-alkali	Specialty	Total
1,013	1,507	1,355	3,875

A breakdown of the number of employees by gender is as follows:

Male	Female	Total
3,452	423	3,875

**(11) Major lenders and the borrowing amount (as of March 31, 2024)**

The Company's major lenders and the borrowing amount are as follows:

(Millions of yen)

Lender	Outstanding borrowing amount
Mizuho Bank, Ltd.	9,500
Sumitomo Mitsui Trust Bank, Limited	9,000
The Norinchukin Bank	6,800
The Yamaguchi Bank, Ltd.	6,700
MUFG Bank, Ltd.	1,500

**(12) Other important matters regarding the current state of the corporate group**

There are no applicable matters.

## 2. Matters related to shares of the company (as of March 31, 2024)

- (1) Total number of authorized shares 900,000,000
- (2) Total number of issued shares 325,080,956 (including 6,633,347 treasury shares)
- (3) Number of shareholders 79,827
- (4) Status of major shareholders (top 10)

Shareholder's name	Status of investment in the Company	
	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	51,050	16.03
Custody Bank of Japan, Ltd. (Trust Account)	22,793	7.16
JPMorgan Securities Japan Co., Ltd.	7,217	2.27
Mizuho Bank, Ltd.	7,046	2.21
Sumitomo Mitsui Trust Bank, Limited	6,702	2.10
Nippon Life Insurance Company	6,683	2.10
BNYMSANV as Agent / Clients Lux Ucits Non Treaty 1	6,013	1.89
Mitsui Sumitomo Insurance Company, Limited	5,624	1.77
Tosoh Employee Shareholding Association	5,595	1.76
The Norinchukin Bank	4,992	1.57

(Notes) 1. The Company holds 6,633 thousand treasury shares, but is excluded from the above major shareholders.  
2. Shareholding ratio is calculated excluding the treasury shares.

### (5) Shares delivered to corporate officers as compensation for the execution of their duties during the fiscal year under review.

The Company has adopted a stock compensation system for delivering restricted shares, and at the Board of Directors meeting held on July 7, 2023, it resolved to dispose of treasury shares for restricted share compensation. As a result, 37,211 shares of the Company's common stock were disposed of on August 3, 2023 for a total amount of 64,040,131 yen.

Total shares delivered to directors and other officers by category

Classification	Number of shares	Number of recipients
Directors (excluding external directors)	13,229 shares	5
Executive officers	23,982 shares	22

(Reference) Changes in dividends and dividend payout ratio

	121st fiscal year (FY2020)	122nd fiscal year (FY2021)	123rd fiscal year (FY2022)	124th fiscal year (FY2023)	125th fiscal year (FY2024)
Interim dividend	28 yen	28 yen	30 yen	40 yen	40 yen
Year-end dividend	28 yen	32 yen	50 yen	40 yen	45 yen
Total	56 yen	60 yen	80 yen	80 yen	85 yen
Dividend payout ratio (consolidated)	32.7%	30.3%	23.6%	50.6%	47.2%

### 3. Matters related to share acquisition rights of the Company

Outline of contents of share acquisition rights held by the Company's officers

(As of March 31, 2024)

	Number of share acquisition rights	Number of holders/ Company's directors	Type and number of the share that is the object of share acquisition rights	Issue price of share acquisition rights (per share)	Exercise price (per share)	Exercise period of share acquisition rights
Eighth share acquisition rights (Issued on July 12, 2013)	5,118	1	Common share of the Company 2,559 shares	676 yen	1 yen	From July 14, 2013 to July 13, 2038
Ninth share acquisition rights (Issued on July 11, 2014)	4,071	1	Common share of the Company 2,035 shares	850 yen	1 yen	From July 13, 2014 to July 12, 2039
Tenth share acquisition rights (Issued on July 17, 2015)	2,888	1	Common share of the Company 1,444 shares	1,198 yen	1 yen	From July 19, 2015 to July 18, 2040
Eleventh share acquisition rights (Issued on July 15, 2016)	8,028	2	Common share of the Company 4,014 shares	862 yen	1 yen	From July 17, 2016 to July 16, 2041
Twelfth share acquisition rights (Issued on July 14, 2017)	6,274	4	Common share of the Company 3,137 shares	2,276 yen	1 yen	From July 16, 2017 to July 15, 2042
Thirteenth share acquisition rights (Issued on July 13, 2018)	10,400	4	Common share of the Company 5,200 shares	1,373 yen	1 yen	From July 15, 2018 to July 14, 2043
Fourteenth share acquisition rights (Issued on July 12, 2019)	15,266	5	Common share of the Company 7,633 shares	1,191 yen	1 yen	From July 14, 2019 to July 13, 2044

(Notes) 1. The above number of holders includes only directors (excluding external directors), and the Company does not issue share acquisition rights to external directors and corporate auditors.

2. Main conditions for exercising share acquisition rights

- The holder of share acquisition rights may exercise the share acquisition rights within the period of exercising the share acquisition rights only from the day following the day when the position of director of the Company is lost to the day when 10 days have passed.
- If a share acquisition rights holder waives his/her share acquisition rights, such share acquisition rights may not be exercised.

#### 4. Matters related to officers of the Company

##### (1) Names, etc. of directors and corporate auditors

Name	Position and responsibility	Status of significant concurrent positions
Mamoru Kuwada	Representative director, president	
Toru Adachi	Representative director, executive vice president President of Engineering Group Responsible for Corporate Strategy, General Affairs, Corporate Secretariat, Osaka Branch, Nagoya Branch, Fukuoka Branch, Sendai Branch, and Yamaguchi Sales Office Involved in Corporate Control & Accounting and Human Resources	
Toru Doi	Director, executive vice president General manager of Research and Development Planning and general manager of MI (Materials Informatics) Center Responsible for Environment, Safety & Quality Control, CSR Advancement, Advanced Materials Research Laboratory, Functional Polymers Research Laboratory, Polymer Materials Research Laboratory, Inorganic Materials Research Laboratory, Organic Materials Research Laboratory, Polyurethane Research Laboratory, and Yamagata Office Involved in Life Science Research Laboratory, Legal & Patents, and Tokyo Research Center	
Akihiro Yoshimizu	Director, executive vice president Senior general manager of Nanyo Complex Involved in Technology Center and Yokkaichi Complex	
Takahiko Kamezaki	Director, executive vice president President of Chlor-alkali Group Responsible for International Corporate Development, Corporate Communications, and Auditing Involved in China Operations, TVP Project Team, IT Strategy & Supervisory, and Purchasing & Logistics	
Tsutomu Abe	External director	
Yoshihiro Hombo	External director	Representative director, president & COO of Valqua, Ltd.
Mariko Hidaka	External director	Representative of Hidaka CPA Office External director (Audit and Supervisory Committee member) of Kyokuto Boeki Kaisha, Ltd. Outside Audit and Supervisory Board member of SBI Sumishin Net Bank, Ltd.
Yukimasa Nakano	External director	
Satoru Yonezawa	Corporate auditor	External director (Audit and Supervisory Member) of Lonseal Corporation
Makoto Okayama	Corporate auditor (external)	
Tetsuya Teramoto	Corporate auditor (external)	
Tsuneyasu Ozaki	Corporate auditor (external)	Representative of Fukuoka Office, Nishimura & Asahi LPC External director (Audit and Supervisory Committee member) of CellSource Co., Ltd.

- (Notes) 1. The position and responsibilities are as of March 31, 2024.
2. Four of the directors, Mr. Tsutomu Abe, Mr. Yoshihiro Hombo, Ms. Mariko Hidaka, and Mr. Yukimasa Nakano are external directors as stipulated in Article 2, Item 15 of the Companies Act, and are designated as independent officers based on the provisions of Tokyo Stock Exchange, Inc. and reported to the exchange as such.
3. Of the corporate auditors, Mr. Makoto Okayama, Mr. Tetsuya Teramoto, and Mr. Tsuneyasu Ozaki are external corporate auditors as stipulated in Article 2, Item 16 of the Companies Act, and are designated as independent officers based on the stipulations of Tokyo Stock Exchange, Inc. and reported to the exchange as such.
4. Mr. Satoru Yonezawa, a corporate auditor, has been in charge of the financial accounting business in the Company for many years, and Mr. Makoto Okayama, a corporate auditor, has many years of experience in financial practice at a financial institution and has considerable knowledge of finance and accounting.
5. All directors were re-elected at the 124th Ordinary General Meeting of Shareholders held on June 23, 2023, as their terms of office expired.

(Reference) Names, etc. of executive officers excluding those concurrently serving as director

Name	Position and responsibility
Nobukatsu Ohmichi	Executive vice president President of Specialty Group and senior general manager of Advanced Materials Division Responsible for Toyama Office
Yutaka Murata	Senior vice president Senior general manager of Yokkaichi Complex
Teruhiko Ide	Senior vice president General manager of Life Science Research Laboratory and general manager of Tokyo Research Center
Hidetoshi Horiuchi	Senior vice president President of Petrochemical Group and senior general manager of Olefins Division
Yasuhiro Kojima	Senior vice president Deputy senior general manager of Nanyo Complex
Takafumi Kiuchi	Senior vice president Senior general manager of Urethane Division, chief of China Operations, and team leader of TVP Project Team
Mitsutaka Sugata	Senior vice president Senior general manager of Organic Chemicals Division
Tatsuji Kushimoto	Senior vice president Senior general manager of Bioscience Division
Masaki Nomura	Vice president General manager of Planning & Coordination, Nanyo Complex
Akira Takano	Vice president General manager of Human Resources
Sousuke Matsushima	Vice president General manager of Production and Technology Planning
Takayuki Mine	Vice president General manager of Purchasing & Logistics
Nobuya Fujii	Vice president Senior general manager of Polymers Division
Hiroshi Ogawa	Vice president General manager of Legal & Patents
Yutaka Shiokawa	Vice president General manager of CO <sub>2</sub> Reduction & Utilization Strategy
Eiji Okanari	Vice president General manager of Technology Center
Masahige Sakata	Vice president General manager of Corporate Control & Accounting
Hisashi Murata	Vice president Senior general manager of Chlor-alkali Division
Seiya Chuurei	Vice president Deputy senior general manager of Yokkaichi Complex, general manager of Planning & Coordination and Ethylene & Energy Production, and team leader of CO <sub>2</sub> Reduction and Utilization Strategy Task Force Yokkaichi, Yokkaichi Complex



Name	Position and responsibility
Yoshinori Matsumura	Vice president Deputy senior general manager of Nanyo Complex, general manager of Cement & Energy Production, and team leader of CO <sub>2</sub> Reduction and Utilization Strategy Task Force Nanyo, Nanyo Complex
Hideaki Imoto	Vice president Deputy senior general manager of Organic Chemicals Division and general manager of Planning & Business Development, Organic Chemicals Division
Mitsuhiro Nishimura	Vice president General manager of IT Strategy & Supervisory and team leader of ERP Renewal Project Team

(Note) The position and responsibility are as of March 31, 2024.

## (2) Outline of contents of the limitation of liability contract

The Company and its directors (excluding those who are executive directors, etc.) and corporate auditors have entered into a contract to limit their liability for damages under Article 423, paragraph 1 of the Companies Act in accordance with the provisions of Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation.

The liability for damages under the contract is limited to the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act.

## (3) Outline of the directors and officers liability insurance contract

The Company has concluded a liability insurance contract for officers, etc. as prescribed in Article 430-3, paragraph 1 of the Companies Act with an insurance company, whereby the insured parties will be covered for the amount of damages and litigation expenses in cases where they receive a claim for damages arising from their actions in the execution of their duties. However, damages caused by acts performed by the insured while recognizing that they violate the law or criminal acts by the insured will not be covered.

Directors, corporate auditors, executive officers, and associate directors of the Company and its registered subsidiaries are insured parties under said insurance contract, and insurance premiums are fully paid by the Company and its registered subsidiaries according to the affiliation of the insured.

## (4) Amount of compensation, etc. for directors and corporate auditors

Classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible officers
		Fixed compensation	Performance-based compensation, etc.	Non-monetary compensation, etc.	
Directors (Of which, external directors)	361 million yen (48 million yen)	236 million yen (48 million yen)	102 million yen (-)	22 million yen (-)	12 (5)
Corporate auditors (Of which, external corporate auditors)	69 million yen (45 million yen)	69 million yen (45 million yen)	-	-	5 (3)

- (i) Matters related to performance-based compensation, etc.  
These are as described in “2) Outline of the decision policy (2)” in “(iv) Policy for determining details of individual compensation, etc. for directors.”
- (ii) Details of non-monetary compensation, etc.  
These are as described in “2) Outline of the decision policy (3)” in “(iv) Policy for determining details of individual compensation, etc. for directors.”
- (iii) Matters related to resolutions of the general meeting of shareholders regarding compensation, etc. of directors and corporate auditors  
The date of the resolution of the general meeting of shareholders regarding the compensation, etc. of directors of the Company is June 25, 2020, and the content of the resolution is that the total amount of compensation, etc. of directors shall be within 670 million yen per year (this amount is broken down

as follows: (1) the cash compensation portion is 620 million yen (of which, 60 million yen or less for external directors), and (2) the stock-based compensation portion is 50 million yen, not including salaries and bonuses for officers who also serve as employees). The number of directors at the end of this general meeting of shareholders is nine (including four external directors).

The date of the resolution of the General Meeting of Shareholders regarding the compensation, etc. of corporate auditors of the Company is June 27, 1989, and the content of the resolution is that the total amount of compensation of corporate auditors shall be within 6 million yen per month. The number of corporate auditors at the end of this General Meeting of Shareholders is three.

(iv) Policy for determining details of individual compensation, etc. for directors

1) How to decide the policy for determining details of individual compensation, etc. for directors

The policy for determining details of individual compensation, etc. for directors (hereinafter the “Decision Policy”), which is resolved at the meeting of the Board of Directors, based on the report of the Nomination and Compensation Advisory Board, is described as follows.

2) Outline of the decision policy

Our basic policy is to create a compensation system aimed at continuously improving corporate performance and enterprise value, and securing excellent human resources. Specific details based on the basic policy are as follows:

(1) Policy on determining how to calculate the amount of fixed compensation

Fixed compensation is regarded as consideration for the position, and is determined for each position in consideration of the compensation level in the survey results of the management compensation compiled by an external organization.

(2) Policy on determining the content of performance indicators related to performance-based compensation and the method of calculating the amount of performance-based compensation

The performance-based compensation uses, as a performance indicator, the consolidated ordinary income of the previous fiscal year (90.0 billion yen), which shows the results of the entire business, including both ordinary operating activities and financial activities. The amount will be determined for each position based on the ratio to the fixed compensation and the performance-based range, in consideration of the compensation level, etc. in the survey results of management compensation compiled by external organizations.

(Specific target indicators are not decided for determination of the compensation amount.)

The Board of Directors meeting held on April 23, 2024, decided the introduction of two types of new performance-based compensation from July 2024. Such introduction is in addition to the above-mentioned performance-based compensation by using the consolidated ordinary income of the previous fiscal year, as a performance indicator that shows the results of the entire business, including both ordinary operating activities and financial activities. One is performance-based compensation calculated by using an annual dividend per share based on the financial results of the previous fiscal year, as a performance indicator showing shareholder returns. The other is performance-based compensation based on the achievement level of KPI of the Company’s CSR key issues for the previous fiscal year. The achievement level shows a performance indicator for promoting contribution to a sustainable society.

(3) Policy on determining the content of non-monetary compensation (stock-based compensation) and the method of calculating the amount of non-monetary compensation

The allotment of restricted shares, which is non-monetary compensation, will be decided for each position by comprehensively considering various matters such as the degree of contribution.

(4) Policy on determining the ratio of the amount of fixed compensation, performance-based compensation, and non-monetary compensation to the amount of individual compensation, etc. for directors

The ratio of fixed compensation, performance-based compensation, and non-monetary compensation (stock-based compensation) to the amount of individual compensation, etc. shall be determined for each position, in consideration of the compensation level in the survey results of the management compensation compiled by an external organization.

Moreover, external directors shall receive only fixed compensation from the perspective of their role and independence.

(5) Policy on determining the timing or conditions for giving compensation, etc. to directors

Fixed compensation and performance-based compensation are paid monthly. Fixed compensation based on the position of the current fiscal year and performance-based compensation based on the performance of the previous fiscal year are paid monthly as the compensation for the current fiscal year. As for the restricted share compensation, which is a non-monetary compensation, restricted shares are allotted annually in accordance with the allotment agreement, and the transfer restriction will be removed upon retirement.

- (6) How to determine the content of individual compensation, etc. for directors other than the above

Individual compensation, etc. for directors will be decided by the Board of Directors based on a report of the Nomination and Compensation Advisory Board, the majority of whose members are independent external directors.

- 3) Reasons why the Board of Directors has determined that the details of individual compensation, etc. for directors for the current fiscal year are in line with the decision policy

When deciding the content of individual compensation, etc. for directors, the Nomination and Compensation Advisory Board confirms the consistency with the decision policy and reports to the Board of Directors on individual compensation, etc. for Directors, and the Board of Directors determines that the content is in line with the decision policy.

- (v) Matters related to delegation in determining the individual compensation, etc. for directors

The individual compensation, etc. for directors is determined by the Board of Directors based on a report of the Nomination and Compensation Advisory Board and is not delegated to any other party.

**(5) Matters related to external officers**

- (i) The status of significant concurrent positions held at other companies, etc. and the relationship between the Company and the other companies, etc.

- The Company has no business relationship with Valqua, Ltd., where Mr. Yoshihiro Hombo, a director, concurrently serves.
- The Company has a business relationship with Kyokuto Boeki Co., Ltd., where Ms. Mariko Hidaka, a director, has a concurrent assignment, but has no special relationship with it. In addition, the Company has no business relationship with Hidaka Certified Public Accountant Office, which she represents, or SBI Sumishin Net Bank, Ltd., where she holds a concurrent position.
- The Company requests Nishimura & Asahi LPC, where Mr. Tsuneyasu Ozaki, corporate auditor, concurrently serves, to provide legal services whenever necessary. In addition, the Company has no business relationship with CellSource Co., Ltd., where he also holds a position.

- (ii) Major activities during the period under review

Classification	Name	Main activities
Director	Tsutomu Abe	Attended all 15 meetings of the Board of Directors held during the current period. At the meetings he attends, based on his wealth of experience and sophisticated insight in finance, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, he appropriately fulfills his responsibilities as chairperson of the Nomination and Compensation Advisory Board by asking questions and providing opinions as appropriate, and reporting to the Board of Directors on the deliberations of the board.
Director	Yoshihiro Hombo	Attended all 15 meetings of the Board of Directors held during the current period. At the meetings he attends, based on his wealth of experience and sophisticated insight in sales and marketing, overseas, business management, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, he appropriately fulfills his responsibilities by asking questions and providing opinions as appropriate.

Classification	Name	Main activities
Director	Mariko Hidaka	Attended all 15 meetings of the Board of Directors held during the current period. At the meetings she attends, based on her wealth of experience and sophisticated insight in accounting, auditing, corporate management support, etc., she views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, she appropriately fulfills her responsibilities by asking questions and providing opinions as appropriate.
Director	Yukimasa Nakano	Attended all 12 meetings of the Board of Directors held after he was appointed director on June 23, 2023. At the meetings he attends, based on his wealth of experience and sophisticated insight in accounting, sales and marketing, business management, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, he appropriately fulfills his responsibilities by asking questions and providing opinions as appropriate.
Corporate auditor (external)	Makoto Okayama	Attended all 15 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during the current period under review. Based on his extensive experience and sophisticated insight into finance and corporate management, etc., he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.
Corporate auditor (external)	Tetsuya Teramoto	Attended all 15 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during the current period under review. Based on his extensive experience and sophisticated insight into corporate management, etc., he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.
Corporate auditor (external)	Tsuneyasu Ozaki	Attended all 15 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board held during the current period under review. Based on his extensive experience and sophisticated insight as a lawyer, he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.

## **5. Status of independent auditor**

### **(1) Name of independent auditor**

KPMG AZSA LLC

### **(2) Amount of compensation, etc. for independent auditor for the period under review**

- (i) Amount of compensation, etc. as independent auditor for the period under review 85 million yen
- (ii) Total of money and other property benefits that the Company and subsidiaries should pay to the independent auditor 231 million yen

- (Notes)
1. In the audit contract between the Company and the accounting auditor, audit fees for audits based on the Companies Act and those for audits based on the Financial Instruments and Exchange Act are not distinguished and cannot be substantially divided, so the total amount of these is described.
  2. The Audit & Supervisory Board agreed with the amount of compensation, etc. paid to the independent auditor after reviewing the details of the audit plan of the independent auditor, the status of performance of accounting audit duties, and changes in compensation for the auditing, as well as the appropriateness of the audit time and amount of compensation for each audit item for the current period.
  3. Of the Company's significant subsidiaries, Tosoh America, Inc. and 16 other companies are audited (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to these laws)) by certified public accountants or an auditing firm (including those who have qualifications equivalent to these qualifications in foreign countries) other than the Company's independent auditor.

### **(3) Details of non-auditing services**

The Company pays consideration to KPMG AZSA LLC for outsourcing operations, etc. concerning responses to TCFD recommendations.

### **(4) Policy on determining dismissal or non-reappointment**

If an independent auditor is deemed to fall under any of the items of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the independent auditor with the consent of all Audit & Supervisory Board members.

Further, if there is any obstacle to the performance of the independent auditor's duties, etc., the Audit & Supervisory Board comprehensively considers the independence and reliability of the independent auditor and other factors related to the performance of his or her duties, and decides on the content of a proposal to be submitted to the general meeting of shareholders regarding the dismissal or non-reappointment of the independent auditor.

## **6. Structure and policy of the Company**

### **(1) System to ensure the appropriateness of business activities**

We believe that the construction of an internal control system is essential in order for corporate governance to function effectively. The basic policy on the development of the internal control system resolved by the Board of Directors is as follows:

- (i) Systems to ensure that execution of the duties by directors and employees complies with laws and regulations and the articles of incorporation
  - We will establish rules related to compliance, establish a code of conduct that will serve as norms for directors and employees, and establish a compliance committee to thoroughly implement them, and carry out company-wide efforts including in-house training.
  - We will establish a whistleblower system and always strive to ensure its effectiveness.
  - Auditing performs audits on compliance practices.
- (ii) System for storing and managing information related to the execution of duties by directors
  - Documents and other information related to the execution of duties by directors shall be appropriately stored and managed in accordance with internal rules.
  - Directors and corporate auditors may access these documents at any time.
- (iii) Regulations and other systems for managing the risk of losses
  - We shall institute regulations and develop risk management systems in order to address each kind of risk relating to the performance of production and sales activities.
  - Each department, under the supervision of a responsible director, shall autonomously manage risks in the course of day-to-day business activities.
- (iv) System to ensure that duties by directors are executed efficiently
  - For important matters pertaining to business operations, the Board of Directors shall, after deliberation by the executive board meeting, make executive decisions in accordance with internal rules.
  - At the management liaison meeting, which is composed of directors, corporate auditors, senior general managers of business divisions, general managers of related departments, etc., the business practices of each division are reported, prior explanations of approvals are given, and other important matters are communicated.
- (v) System to ensure the appropriateness of business in the corporate group
  - Enact regulations regarding the management and operation of subsidiaries and apply them properly.
  - Request its subsidiaries to report their business operations on a regular or appropriate basis.
  - A responsible department is set for each subsidiary to manage the business operations of the subsidiary, and directors and corporate auditors are dispatched to subsidiaries to provide advice and guidance for risk management and efficient business execution at subsidiaries.
  - Establish and disseminate a code of conduct related to compliance as the Tosoh Group.
  - Perform cross-group compliance activities and Responsible Care (RC) activities by departments involved in general affairs and legal affairs
  - Auditing conducts audits on subsidiaries.
- (vi) Matters concerning the employee when corporate auditors request the appointment of an employee to assist with their duties, and matters concerning the independence of the employee from directors and ensuring the effectiveness of the instructions given by corporate auditors to the employee
  - In order to support the work of corporate auditors, establish an Audit & Supervisory Board Secretariat under the Audit & Supervisory Board and assign full-time employees to the unit.
  - The employees shall be placed under the direct command of corporate auditors.
  - The personnel affairs of the employees shall be discussed with the Audit & Supervisory Board in advance to obtain the approval of the board members.

- (vii) System for directors and employees to report to corporate auditors and other systems for reporting to corporate auditors
  - Directors and employees shall report how their duties are executed in a timely and appropriate manner to corporate auditors through significant meetings including the Board of Directors meetings.
  - Important approval documents and minutes of meetings shall be circulated to corporate auditors.
  - Directors and employees shall provide necessary reports in response to requests by corporate auditors periodically or appropriately.
  - Details of reports received by the whistleblowing desk shall be reported to corporate auditors.
  - Corporate auditors shall be designated as one of the contact points for the whistleblowing system.
  - Enact regulations to prevent whistleblowers under the whistleblowing system from being treated unfavorably because of their whistleblowing.
  
- (viii) System for directors, corporate auditors, and employees of subsidiaries or persons who received reports from them to report to corporate auditors
  - Report on business operations received from subsidiaries to corporate auditors as appropriate.
  - Request directors, etc. of subsidiaries to report to corporate auditors of the Company as appropriate.
  - The whistleblowing system shall also accept reports related to and from subsidiaries.
  
- (ix) Matters about procedures for advance payment or reimbursement of expenses that arise from the execution of the duties of corporate auditors, as well as about policies on processing of expenses or obligations that arise from the execution of their duties
  - Corporate auditors may charge the Company for the settlement of expenses or debts considered necessary for the execution of their duties.
  
- (x) Other systems to ensure that audits by corporate auditors are performed effectively
  - Meetings of corporate auditors and representative director(s) shall be held periodically for the exchange of opinions on all aspects of management.
  - Corporate auditors and Auditing shall exchange information periodically to promote mutual cooperation.

**(2) Overview of the operational status of the systems to ensure the appropriateness of business activities**

Based on the above policy, the Company strives to develop the internal control system and operate it appropriately. The operational status of the internal control system during the current period under review is as follows:

- (i) System to ensure that execution of the duties by directors and employees complies with laws and regulations and the articles of incorporation
  - In addition to establishing compliance rules and other regulations related to compliance, the Company has also established the Tosoh Group Code of Conduct for all the officers and employees of the Tosoh Group.
  - The Company has established a compliance committee to promote compliance practices.
  - We have established a whistleblowing system and have stipulated the operational standards, etc. to prevent whistleblowers from being treated unfavorably because of their whistleblowing, and we will respond in good faith to any received report.
  - Auditing conducts audits on the status of compliance practices.
  
- (ii) System for storing and managing information related to the execution of duties by the directors
  - We have established basic documentation rules and other rules, and strive to properly store and manage documents and information, and directors and corporate auditors may access these documents at any time.



- (iii) Regulations and other systems for managing the risk of losses
- We have established environmental safety management regulations related to the execution of production activities, disaster countermeasure regulations, quality management regulations, purchasing management regulations, sales management regulations related to the execution of sales activities, derivative transaction management regulations, regulations on handling of personal information, and compliance-related regulations to deal with various risks.
  - Countermeasures against each kind of risk are discussed at the Board of Directors meetings and other meetings.
- (iv) System to ensure that duties by directors are executed efficiently
- In principle, the Board of Directors meeting is held monthly, the executive board meeting is held weekly, and the management liaison meeting is held twice a month to ensure that directors perform their duties efficiently.
- (v) System to ensure the appropriateness of business in the corporate group
- We have established rules for the operations of subsidiaries and affiliates and have designated a responsible division for each subsidiary to manage its business operations. Directors and corporate auditors are dispatched to a subsidiary and attend meetings of the subsidiary's Board of Directors.
  - The Company receives reports on business operations from subsidiaries in writing and at meetings.
  - In addition to establishing the Tosoh Group Code of Conduct for all officers and employees of Tosoh Group, General Affairs, Legal & Patents, Human Resources, Corporate Control & Accounting, Environment, Safety & Quality Control, etc. carry out cross-group compliance activities and Responsible Care (RC) activities.
  - Auditing conducts audits on the subsidiaries.
- (vi) Matters concerning the employees when corporate auditors request the appointment of employees to assist with their duties, and matters concerning the independence of the employees from directors and ensuring the effectiveness of the instructions given by corporate auditors to the employees
- The Audit & Supervisory Board Secretariat has been established and full-time employees are assigned to it. The personnel affairs of the employees are discussed with and approved by the Audit & Supervisory Board in advance, and the employees receive direct commands and orders from corporate auditors.
- (vii) System for directors and employees to report to corporate auditors and other systems for reporting to corporate auditors
- Directors and employees report how their duties are executed to corporate auditors through important meetings including the Board of Directors meetings, and upon request from corporate auditors.
  - Important approval documents and minutes of meetings are circulated to corporate auditors.
  - Under the whistleblowing system, corporate auditors are designated as one of the contact points for the whistleblowing system, and the details of reports received by other desks are reported to corporate auditors. In addition, the Company has established operating standards for the whistleblowing system to prevent whistleblowers under the whistleblowing system from being treated unfavorably because of their whistleblowing.
- (viii) System for directors, corporate auditors, and employees of subsidiaries or persons who receive reports from them to report the fact to corporate auditors
- Reports received from subsidiaries in relation to their business operations are circulated to corporate auditors as appropriate. In addition, directors, etc. of subsidiaries report to the Company's corporate auditors as appropriate.
  - The whistleblowing system shall also accept reports related to and from subsidiaries, and details of such reporting are reported directly or through the reception desk to corporate auditors.
- (ix) Matters about procedures for advance payment or reimbursement of expenses that arise from the execution of the duties of corporate auditors, as well as about policies on processing of expenses or obligations that arise from the execution of their duties
- The Company budgets expenses necessary for the execution of duties by corporate auditors.



- We accept advance payment or reimbursement of expenses charged by corporate auditors.
- (x) Other systems to ensure that audits by corporate auditors are performed effectively
  - Meetings of corporate auditors and representative directors are held periodically to exchange opinions on all aspects of management.
  - Corporate auditors and Auditing exchange information periodically.

**(3) Basic policy on elimination of antisocial forces**

- (i) Basic approach for eliminating antisocial forces  
We have instituted the Tosoh Group Code of Conduct, which is distributed to all employees. The Code states that we resolutely respond to antisocial forces and will not engage with them, and if we receive an improper demand from such forces, we will not resolve the situation by paying them money or the like.
- (ii) How the system is developed to eliminate antisocial forces  
As to the elimination of antisocial forces, the department in charge is designated as General Affairs, and we have a system in which we cooperate with external specialized institutions such as lawyers and the police to take concrete measures. We also gather information regarding antisocial forces from these specialized external organizations, and convey it, as necessary, to the associated departments and the subsidiaries and affiliated companies.

**(4) Basic policy regarding determination of surplus dividends, etc.**

The Company recognizes that its most important management issue is to enhance its long-term enterprise value by improving profitability and continuation of its solid financial foundation. Based on this belief, we determine dividends by comprehensively taking into consideration factors such as future earnings trends, financial conditions, and the necessary funds for future business development.

Regarding dividends, we position the return of profits to shareholders as one of our important capital policies and make it a basic policy to pay continuous and stable dividends. With regard to retained earnings, we will strive to meet the expectations of our shareholders through helping to improve our long-term enterprise value by investing in specialty and CO2 reduction, and effectively utilizing it for research and development activities. We will acquire treasury shares flexibly, taking into consideration the level of free cash flow.

Based on this policy, we declared a year-end dividend of ¥45 per share for the current period, which, together with the interim dividend of ¥40 per share, makes a total annual dividend of ¥85 per share.

For the fiscal year ending March 31 2025, the Company plans to pay an annual dividends of ¥85 per share through interim and year-end dividends of ¥42.5 each, matching the annual dividend of the fiscal year ending March 31, 2024.

[Reference]

Diagram of corporate governance system of the Company

