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Corporate Governance Report

Last Update: June 26th, 2024
Tokuyama Corporation
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<http://www.tokuyama.co.jp/>

The corporate governance of Tokuyama Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

Amid the major transformations taking place throughout society, the Company has defined its Mission as “To create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry” in line with the business environment being faced today. This definition incorporates the Company’s desire to continuously conduct business in harmony with the environment and to create the future together with its customers as a means of contributing to a sustainable society.

This only becomes possible with the trust and support of shareholders, customers, suppliers, employees, local communities, and all other stakeholders, which the Company believes will connect to sustainable growth and greater corporate value over the medium- to long-term. The Company recognizes that corporate governance is an important management issue and must be constantly enhanced in order to achieve the growth and value. This forms the Company’s Basic Concept on corporate governance.

In light of the Corporate Governance Code, as well as the Corporate Governance Policy enacted in April 2024, the Company’s Basic Policy is to accelerate decision-making, clarify responsibility, maintain the independence of the Board of Directors and enhance the Board’s oversight function, respect the rights and equality of shareholders, appropriately cooperate with all stakeholders, achieve a balance between proper disclosure and transparency, and strive for constructive dialogue with shareholders.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all Principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

updated

Principle 1-4 [Policy on the Holding of Listed Shares for Purposes Other Than Pure Investment]

The Company holds shares of publicly listed companies on a strategic basis in accordance with the necessities of its business activities as a part of its overall management strategy.

This includes the need to maintain and bolster transactions, raise funds and stably procure raw materials. As far as the strategic holding of shares in publicly listed companies is concerned, the Company will limit its holdings to the minimum level possible taking into consideration the need to ensure efficient corporate management.

In addition, the Board of Directors takes steps to verify the economic rationality of holding shares in publicly listed companies by comparing capital costs that factor in associated risks with accrued benefits while confirming the propriety of its holdings based on an outlook of the future each year. As of the end of fiscal 2023, the Company held shares in 20 publicly listed companies. The Company aims to reduce this number to around 10 in fiscal 2024. The Company exercises its voting rights based on the contribution to the corporate value of both the Company and the portfolio companies.

Principle 1-7 [Transactions with Related-Parties]

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

Supplementary Principle 2-4-1 [Ensure Diversity]

In addition to instilling the four values stated in the Tokuyama Vision, Tokuyama is actively engaged in developing talent and promoting diversity in a way that ensures every employee can make the most of their individuality and abilities.

Tokuyama's diversity promotion activities are aimed at creating a situation in which our employees can work with energy and succeed as a means of driving the sustainable growth of the Company. Tokuyama values the diversity of "knowledge" (including wisdom) and seeks to improve productivity while pursuing a comfortable and rewarding work environment through reforming workplace culture. In the "Medium-Term Management Plan 2025," published in February 2021, we defined the practice of socially responsible management as one of our priority issues. We also identified "an emphasis on diversity and job satisfaction" as a material issue that is particularly important from the perspective of promoting corporate social responsibility. We are working to solve and achieve materiality by concentrating management resources on these matters.

Moreover, Tokuyama introduced a multiple career-path personnel system in 2020 to accommodate employees with diverse value systems and work styles. Along with establishing training systems that correspond to the role and course of each employee, we are also engaged in developing talent by offering open-enrollment training programs.

We have set targets regarding in the workplace, including a target ratio for women managers, and are making efforts to meet those targets. Our current target for women in management is set at 15% (throughout the Tokuyama Group) by FY2030. This ratio was 8.2% (throughout the Tokuyama Group) at the end of FY2023. We have not set numerical targets for the promotion of non-Japanese nationals or mid-career hires to management positions. However, in line with spirit of "fair evaluation and treatment," which was the objective of the personnel system introduced in 2020, the percentage of mid-career hires in management positions increased from 6.8% in FY2018 to 11.5% in FY2023. We will continue to take steps to enable the recruitment and workplace success of diverse human resources that help enhance corporate value. Details on our human resources development system and targets regarding the promotion of opportunities for women are available on the Company's website (<https://www.tokuyama.co.jp/eng/csr/employee.html>).

Principle 2-6 [Roles of Corporate Pension Funds as Asset Owners]

The Company has established a basic investment policy with the goal of ensuring the income required to reliably provide pension benefits to beneficiaries over the long term. While striving to ensure the expertise and reliability of fund management through the use of management consultants, the Company in accordance with this policy also appoints investment trustees, monitors reports from the investment trustees on a regular basis, and conducts appropriate management operations, including quantitative and qualitative evaluations, to avoid any conflicts of interest. In addition, the Company has established a Pension Investment Committee chaired by the General Manager of the General Affairs and Human Resources Division and composed of pension investment managers with a high level of expertise in the field and the Chairman of the Labor Union Executive Committee, who acts as a representative of the beneficiaries. The committee meets on a regular basis to confirm financial conditions and investment performance, and provides reports directly to management.

Principle 3-1- (I) Corporate Mission (management philosophy, etc.), Management Strategies, and Management Planning

The Company defined its Mission in recognition of the current historical context of growing environmental awareness around the globe and rapid advancement of the digital revolution. In addition, the Company declared the Vision for which it aims in order to achieve its Mission. Each employee continuously moves forward to realize this Vision with four Values.

Mission

To create a bright future in harmony with the environment, in collaboration with its customers, based on chemistry

Visions

- Be a value-creative company that places first priority on R&D and marketing
- Be a company that never stops challenging new domains while refining and exploiting its unique strengths
- Be a company with healthy employees who have healthy families and take pride in their work at their company
- Be a company that fosters bonds with people in communities and societies worldwide

Values

- Commitment to customer satisfaction as a profit source
- A broader, loftier perspective
- Employees who consistently surpass their predecessors

- Integrity, perseverance, a playful sprit and boldness

The Management Policy and Medium-term Management Plan are available on the Company's public website (<https://www.tokuyama.co.jp/eng/>).

Principle 3-1- (II) [Basic Views and Guidelines on Corporate Governance based on Each of the Principles of the Corporate Governance Code]

Please refer to "I-1 Basic Views" in this report.

Principle 3-1- (III) [Board Policies and Procedures in Determining the Remuneration of the Senior Management and Directors]

For details regarding the policy for determining the remuneration of directors, please refer to the "Disclosure of Policy for Determining Remuneration Amounts and Calculations Methods" section in the portion dedicated to director remuneration in the "II-1. Organizational Composition and Operation" section of this report.

Principle 3-1- (IV) [Policies and Procedures When the Board of Directors Selects/Dismisses Management Executives and Nominates Director and Auditor Candidates]

To enable the direction of business execution as well as appropriate decision making with regard to the Company's business operations, which are centered on chemicals, the selection of executive officers appoints those with knowledge and experience in each business segment and area. When nominating director candidates, the Company selects candidates who are believed to have a high level of insight, diverse experience, and expertise in consideration of the balance and diversity of the Board of Directors in order to ensure the Board properly supervises and provides advice on important decisions and business execution.

When selecting and dismissing executive officers and nominating director candidates (excluding directors who are Audit and Supervisory Committee members), discussions are held at a Nomination and Remuneration Advisory Committee* meeting in advance of the subject appearing on the agenda at a Board of Directors' meeting. The Board of Directors makes its decisions in response to the Nomination and Remuneration Advisory Committee's report.

In regard to the selection and dismissal of the President and Executive Officer, the President Nomination Committee* deliberates on these matters, and the details of these deliberations are then presented to the Board of Directors following a report by the Nomination and Remuneration Advisory Committee, at which point the Board of Directors makes a decision.

In the case of the nomination of directors who are Audit and Supervisory Committee member candidates, the Board of Directors makes its decisions after receiving the assent of the Audit and Supervisory Committee.

(*) See Section II-2-3 of this report for more information on the Nomination and Compensation Committee. The same applies throughout this report.

Principle 3-1- (V) [Explanations with Respect to Individual Appointments and Dismissals when the Board of Directors, based on (iv) above, Nominates Director Candidates or Appoints/Dismisses Senior Management Personnel.]

For an explanation regarding the appointment and nomination of individual executive officers, please see the appendix at the end of this report. The nomination of candidates for the Board of Directors is explained in the General Shareholder Meeting reference materials.

This report also covers matters related to the appointment and independence of outside directors.

Supplementary Principle 3-1-3 [Sustainability Disclosures]

In response to worsening climate change and the trend towards practicing ESG within society, the "Medium-Term Management Plan 2025" raises three priority issues: "transform business portfolio," "contribute to mitigation of global warming," and "practice socially responsible management." "Transform business portfolio" aims to transform the Company's portfolio from its current reliance on energy-intensive businesses to sustainable businesses that are energy efficient and serve to solve social issues. "Contribute to mitigation of global warming" raises and aims to steadily achieve the lofty goal of "carbon neutrality by FY2050." As part of practicing socially responsible management, we have positioned the CSR priority issue of "materiality" as a specific action objective for achieving the "Vision" included in the "Medium-Term Management Plan 2025," and will build a solid foundation for growth by faithfully engaging in these efforts. Tokuyama's Basic Sustainability Principles were established in April 2023, and they are a specific example of its core sustainability efforts. Based on these

principles, various policies have been implemented, including the Tokuyama Group Code of Conduct. Together with the Tokuyama Group Human Rights Policy established in December 2022, these measures serve as a foundation for the Company's sustainability initiatives.

Basic Sustainability Principles <https://www.tokuyama.co.jp/eng/csr/activities.html>

Tokuyama Group Code of Conduct https://www.tokuyama.co.jp/eng/csr/pdf/2023csrpdf_1_e.pdf

Tokuyama Group Human Rights Policy

https://www.tokuyama.co.jp/eng/csr/pdf/human_rights_policy_e.pdf

We are promoting efforts to steadily reduce GHG emissions by 30% in FY2030, compared to FY2019 levels, and to achieve carbon neutrality in FY2050. In February 2021, Tokuyama expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Since FY2022, we have organized the information we disclose according to the TCFD framework of Governance, Strategy, Risk Management, and Indicators and Targets. This information is published as the Tokuyama TCFD Report (https://www.tokuyama.co.jp/eng/csr/global_warming.html). Additionally, we committed in March 2023 to the Science Based Targets (SBT) initiative, an international accreditation body. In May 2023, Tokuyama announced its participation in the GX League for carbon-reducing companies, promoted by Japan's Ministry of Economy, Trade and Industry.

Moreover, the Tokuyama Group aims to be a value-creating company, starting with marketing and R&D. This value creation is supported by the various intellectual properties accumulated by the Group, and we recognize that the protection and utilization of these properties, as well as investment in research and development to deepen and acquire new ones, are essential to achieving a business portfolio transformation. The details of these efforts are outlined in the Tokuyama Report (https://www.tokuyama.co.jp/eng/ir/report/annual_rep.html). In April 2023, the Tokuyama Group Basic Policy on Intellectual Property was established to clarify the Group's approach to this kind of asset. (https://www.tokuyama.co.jp/eng/csr/pdf/basic_intellectual_property_policy_e.pdf)

Furthermore, the Group has identified human resource development as one of its material issues. As people are the source of our corporate competitiveness, we are implementing measures to further develop and strengthen our human resources, while also nurturing younger employees. The Human Resources Policy, revised in June 2023 (https://www.tokuyama.co.jp/eng/csr/employee.html#Human_Resources_Policy), defines the expectations for employees and directions for their growth. It serves as the cornerstone for our personnel strategies, and the foundation for updating and maintaining our human resource system. We promote full-scale adoption of this policy by Group companies. This personnel policy was the basis for the approval by the Board of Directors of a new human resources strategy in April 2024 to accommodate changes in the business environment. With this human resources strategy, we express our commitment to "enhancing employee value as we work to achieve management strategies." This strategy provides a concrete story that leads to the achievement of our management strategies and enhancement of our corporate value and aims for a highly diverse and productive pool of talent with a work style that meets their needs. "Tokuyama Report" provides a more detailed explanation of our human resources strategy and other aspects of our approach to human capital.

Supplementary Principle 4-1-1 [Duties of the Board of Directors and the Scope of Management Delegation]

Matters requiring resolutions by the Board of Directors in accordance with laws and regulations or the Articles of Incorporation, as well as important management matters are resolved by the Board of Directors in accordance with the "Rules for the Board of Directors" and the "Rules for Decision Making," while matters related to business execution are delegated system specifically designed for the execution of business.

Principle 4-9 [Criteria for Defining the Independence of External Directors]

With regard to its Criteria for Defining the Independence of External Directors, the Company adjudges those who do not fall into any of the following categories as demonstrating sufficient independence.

- A) Persons who are not currently nor in the past 10 years been engaged in the execution of business operations of the Company or its affiliated companies*1.
- B) Persons who are not currently nor in the past three years been engaged in the execution of business operations of a major trading partner of the Company, or executives thereof. However, the Company's major trading partners are defined as those that fall into either of the following categories:
 - (1) Financial institutions that have financed more than 2% of the Company's total borrowings.
 - (2) Trading partners that account for more than 2% of the Company's consolidated net sales.
- C) Persons who currently deem or in the past three years have deemed the Company or an executive thereof to be a major trading partner. However, persons who deem the Company to be a major trading partner are defined as those cases in which the amounts paid by the Company account for 2% or more of the said trading partner's consolidated sales.

- D) Consultants, accountants or legal professionals who currently receive or in the past three years have received large financial considerations or other property*2 from the Company besides their compensation as a director/auditor. (If the entity in receipt of the assets is an organization, such as a legal entity or an association, the person who belongs to such organization.) However, includes those that fall into either of the following categories:
- (1) Auditors who are responsible for the statutory audit of the Company.
 - (2) Law firms that serve as legal counsel to the Company.
- E) Spouses or relatives within the second degree of kinship of the relevant persons in the sections above (but limited to important persons*3.

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

*2 In the case of an individual, a substantial compensation payment is defined as an annual amount of compensation that exceeds ¥10.0 million, and in the case of an organization, an amount of 2% or more of the annual total income of that organization.

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

Supplementary Principle 4-10-1 [Independent Nomination/Remuneration Committee]

To improve independency and objectivity, director and executive officer nominations and remuneration are deliberated by the Nomination and Remuneration Advisory Committee, of which independent outside directors make up the majority of members in addition appropriate reports and recommendations are provided to the Board of Directors.

The Chief Executive Officer (President and Executive Officer) Succession Plan is implemented in a more focused, professional manner by the President Nomination Committee, which was established within the Nomination and Remuneration Advisory Committee. The President Nomination Committee is only attended by one internal director, namely the President and Executive Officer, and independent outside directors account for the majority of members and serve as the chairperson.

Supplementary Principle 4-11-1 [Concept on the Diversity of the Board of Directors]

The Company considers the composition of the Board of Directors with respect to the number of directors, the balance of fields in which Directors can be expected to contribute using their individual areas of expertise, experience, and abilities, and the Board's diversity in a way that enables the Board of Directors to hold effective debates in view of the Management Policy and Medium-term Management Plan established by the Company, and to appropriately exhibit the required decision-making and management execution supervising/auditing functions.

Please refer to the General Shareholder Meeting reference materials for the composition of the Board of Directors, including the skill matrix related to the above.

(https://www.tokuyama.co.jp/eng/ir/pdf/2024_Jun_Notification_e.pdf)

Supplementary Principle 4-11-2 [Status of Directors Concurrently Serving as Officers at Other Listed Companies]

When a director at the Company assumes the position of director or auditor at another company, the Board of Directors of the Company is charged with determining whether there is any conflict of interest. For outside directors, the Board of Directors confirms that individuals serving in concurrent positions have the time and ability to fulfill their roles and responsibilities to the Company.

Major concurrent positions held by directors are disclosed in the General Shareholder Meeting reference materials. Information regarding outside directors is disclosed in the portion dedicated to directors in the "II-1. Organizational Composition and Operation" section of this report.

Supplementary Principle 4-11-3 [Analysis and Evaluation of Overall Effectiveness of the Board of Directors]

The Company conducts an annual evaluation of the effectiveness of its Board of Directors. In the fiscal year ending March 31, 2023, it engaged an external organization to conduct a questionnaire survey of all the directors, and analyzed their responses. The results were submitted the Board of Directors for review and discussion. The analysis and evaluation revealed that the effectiveness of Board of Directors is generally good. The evaluation

noted such strengths as fostering and maintaining respect for open and spirited discussion and sharing information via a variety of channels. It also confirmed that sufficient and effective efforts had been taken to address the issues identified in the previous evaluation, specifically substantiating business execution reports and providing opportunities for focused deliberations on management issues. The evaluation did, however, cite issues related to continuous improvement of Board of Director operations and contribution to realizing the vision the Company set out in the Medium-Term Management Plan 2025.

The Board will further strengthen its oversight function by encouraging active involvement, especially by outside directors, in continuous efforts to improve operations. The Board will also focus on holding more substantial discussions with the executive management team, seeking to catalyze the achievement of the vision the Company set out in its Medium-Term Management Plan 2025.

Supplementary Principle 4-14-2 [Policy on Training Directors]

Since the introduction of the executive officer system in 2011, the Company has maintained a policy of also involving newly appointed executive officers who are candidates to be future directors in external executive training. The training program must include "legal affairs and corporate governance" and "accounting and finance" from the perspective of corporate governance. The Company also allows participants to attend external seminars as needed. Outside directors are given the opportunity to learn about the Company when they take office, including through facility visits and in respect to the current condition of operations and the Company's businesses.

Finally, the Company also holds study sessions when needed for all directors in order to better understand domestic and international economic conditions, legal revisions, and new systems.

Principle 5-1 [Policy on Constructive Dialogue with Shareholders]

In order to gain the understanding and trust of our shareholders and investors, the Company strives to disclose not only management and financial information, but also non-financial information, including in regard to the products and services it provides to society, as well as in regard to information related to environmental and social subjects in a timely, appropriate, and easy-to-understand manner. For information on the Company's basic stance on disclosing information and its timely disclosure system, please see "V-2. Other Matters Concerning to Corporate Governance System in this report.

The section chief of the Corporate Communication and Investor Relations Department will take the role of promoting constructive dialogue with shareholders and investors.

The Corporate Communication and Investor Relations Department works closely with other internal departments, including the Corporate Strategic Planning Department, the Corporate Accounting Department, the Finance and Investment management Department, the Corporate Social Responsibility Planning Department, the General Affairs Department, the Research and Development Division, and business divisions in the planning and promotion of dialogue.

In regard to IR activities in which executives communicate with shareholders and investors directly, the Company holds a results briefing session for analysts and institutional investors four times a year, and participates in conferences and small meetings held by securities firms whenever necessary. The Corporate Communication and Investor Relations Department, which is in charge of IR activities, holds interviews with institutional investors inside and outside Japan, as well as sessions for introducing the Company to individual investors. For the details of other IR activities, please see "III-2. IR Activities" in this report.

The opinions and views of shareholders and investors received through dialogue are confirmed and shared at our IR meetings, which are attended by executives and relevant section chiefs. The subsequent IR report is then distributed to each section within the Company to provide feedback, and is used to formulate and revise management and business strategies with the goal of improving corporate value.

In regard to the management of insider information, the Company has formulated in-house rules and ensures comprehensive management through non-disclosure agreements and other measures.

[Measures to promote management with a focus on capital costs and the stock price] [Disclosure in English]

At Tokuyama Corporation, our mission is "to create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry." To fulfill it, we strive to achieve sustainable growth and improve corporate value over the medium to long term. Under our Medium-Term Management Plan 2025, we have adopted return on equity (ROE) as one of our management indicators, and we are working to improve capital utilization and returns for shareholders. Furthermore, we will work to further improve corporate value by enhancing shareholder returns, promoting management using return on invested capital (ROIC), and reducing cross-shareholdings. For more details use the link below.

https://www.tokuyama.co.jp/eng/news/pdf/2024042604_Release_e.pdf

[Dialogue with Shareholders, etc.]

For information on dialogue with shareholders in fiscal 2023, please see the press release at the URL below.
https://www.tokuyama.co.jp/eng/news/pdf/2024042604_Release_e.pdf
For details on other IR activities, please see “III-2. IR Activities” in this report.

2. Capital Structure

Foreign Shareholding Ratio	More than 20%, but less than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	12,082,500	16.76
Custody Bank of Japan, Ltd. (trust account)	5,512,040	7.64
Nippon Life Insurance Company	2,174,958	3.01
The Yamaguchi Bank, Ltd	1,649,252	2.28
Meiji Yasuda Life Insurance Company	1,488,425	2.06
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15.315 PCT NON TREATY ACCOUNT	1,442,000	2.00
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	1,410,649	1.95
Tokuyama Corp. employee share ownership	1,393,590	1.93
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB	1,081,493	1.50
DFA INTL SMALL CAP VALUE PORTFOLIO	1,045,467	1.45

Controlling Shareholder (except for Parent Company)	-----
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Parent Company	none
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Supplementary Explanation

Note: As of March 31st, 2024. The percentage of shares held is calculated after deducting the shares held by the Company as treasury share (22,468 shares).

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Not applicable

5. Other Special Circumstances which may have Material Impact on Corporate Governance

Not applicable

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Yuzo kawamori	From another company									△			
Nobuko Mizumoto	From another company									△			
Hiraku Ishizuka	From another company					△				○			
Naoki Kondo	Lawyer												○

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yuzo Kawamori	○	○	Mr. Kawamori has been appointed as an Independent External Director. Until 2013, he served as an operating officer of Kansai Paint Co.,	Mr. Kawamori brings a wealth of practical experience to his position, including business development outside Japan for a major paint manufacturer, as

			<p>Ltd., one of the Company's trading partners. Given that the Company's transactions with this trading partner total less than 1% of both the Company's and the trading partner's consolidated net sales, it is not classified as a major trading partner. Although he owns Tokuyama shares as of the submission date for this report, the number of shares is insignificant, and there is no relationship involving a special interest between him and the Company.</p>	<p>well as extensive and outstanding insight based on his experience as a corporate executive. The Company judged him to be suitably qualified as a Director who will serve on the Company's Audit and Supervisory Committee and has appointed him as such.</p>
Nobuko Mizumoto	○	○	<p>Ms. Nobuko Mizumoto has been appointed as an Independent External Director. Until 2020, she served as an operating officer at IHI Corporation, one of the Company's trading partners. Given that the Company's transaction status with this trading partner totals less than 1% of both the Company's and this trading partner's consolidated net sales, it is not classified as a major trading partner. Similarly, as of the date of this report, Mizumoto owns shares of the Company's stock. However, she does not own a material number of shares and therefore does not share any special interest with the Company.</p>	<p>Ms. Mizumoto also has extensive practical experience gained from positions in research and head office operations at a major heavy industrial manufacturer as well as extensive and outstanding insight based on his experience as a corporate executive. The Company judged her to be suitably qualified as a Director who will serve on the Company's Audit and Supervisory Committee and has appointed her as such.</p>
Hiraku Ishizuka	○	○	<p>Mr. Ishizuka has been appointed as an External Director. Until 2018, he was an executive at MUFG Bank, Ltd., one of the Company's business partners, and up until 2019, was an executive at that bank's parent company, Mitsubishi UFJ Financial Group, Inc. While the financial institution concerned is the Company's main bank, it has been six years since he retired from that institution (and five years since retiring from its parent company). As of the submission date for this report, Mr. Ishizuka is also an executive at Mitsubishi UFJ NICOS Co., Ltd. Transactions between this firm and the Company account for less than 1% of either</p>	<p>Given his extensive practical experience at a financial institution and his time as a corporate executive there, Mr. Ishizuka has considerable knowledge of finance and accounting. The Company judged him to be suitably qualified as a Director who will serve on the Company's Audit and Supervisory Committee and has appointed him as such.</p>

			company's consolidated sales, and the two are not considered to be key business partners. As of the same date, he does not hold any Tokuyama shares, and there is no relationship involving a special interest between him and the Company.	
Naoki Kondo	○	○	Mr. Kondo has been appointed as an External Director. Currently, he is a Partner at Oh-Ebashi LPC & Partners, which has no form of business relationship with the Company, including any advisory contract. As of the submission date for this report, he does not hold any Tokuyama shares, and there is no relationship involving a special interest between him and the Company.	Although Mr. Kondo has never been involved in corporate management other than serving as an independent director or independent corporate auditor, he has legal expertise and insight based on his wealth of experience as a law firm partner. The Company judged him to be suitably qualified as a Director who will serve on the Company's Audit and Supervisory Committee and has appointed him as such.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	5	1	1	4	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Audit and Supervisory Committee Office was established and employees assigned to it so as to assist the Audit and Supervisory Committee in their duties. The Audit and Supervisory Committee has the right to direct these employees in their actions, and the Audit and Supervisory Committee's consent must be obtained in regard to any related personnel evaluations, hiring, transfers, or disciplinary actions.

Cooperation among Audit and Supervisory Committee, Accounting Auditors and Auditing Departments

The Audit and Supervisory Committee and the Accounting Auditor hold regular meetings to strengthen mutual cooperation.

The Audit and Supervisory Committee receives reports from the Accounting Auditor on audit policies, audit plans, audit implementation status, and audit reviews, and participates in the exchange of opinions related to those subjects as well as Key Audit Matters.

The Company has established the Auditing Department. The Auditing Department conducts internal audits of the Company's departments and group companies.

The Audit and Supervisory Committee Chair holds regular meetings with the head of the Auditing Department to hear audit policies, audit plans, and the status of audit implementations, etc., and to exchange opinions. The Committee Chair also receives reports on the results of audits conducted by the Auditing Department each time an audit is conducted.

In addition to making regular audit reports at the Board of Directors, the Auditing Department also ensures that all directors, including Audit and Supervisory Committee members, can view any of its audit reports at any time.

[Voluntary Establishment of Nomination/Remuneration Committee]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson

	Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
voluntary committee in lieu of a nomination committee	The Nomination and Remuneration Advisory Committee	6	0	2	4	0	0	Inside Director
Voluntary committee in lieu of a remuneration	The Nomination and Remuneration Advisory Committee	6	0	2	4	0	0	Inside Director

Supplementary Explanation

With a majority of members who are External Directors, the Nomination and Remuneration Advisory Committee serves as a voluntary advisory committee for the Company that deliberates on personnel matters and compensation for directors and executive officers, and makes appropriate reports and recommendations to the Board of Directors.

[Independent Directors]

Number of Independent Directors	4
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Matters relating to Independent Directors

For information related to criteria for Defining the Independence of External Directors, please see I - 1 [Disclosure Based on the Principles of the Corporate Governance Code] principle 4-9.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

For details regarding the policy for determining incentive-based compensation for directors, please refer to the “Disclosure of Policy for Determining Remuneration Amounts and Calculations Methods” section in the portion dedicated to director remuneration in the “II-1. Organizational Composition and Operation” section of this report.

Recipients of Stock Options	Not applicable
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Compensation NOT disclosed on an individual basis
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Supplementary Explanation

Director remuneration, etc., for FY2023 is listed below.

- ¥155 million paid to five Directors (excluding those serving on the Audit and Supervisory Committee)
- ¥29 million paid to one Director serving on the Audit and Supervisory Committee (excluding External Directors)
- ¥56 million paid to six External Directors

(Notes)

1. The above figures include three directors who retired during the current fiscal year.
2. The above amounts include eight million yen in performance-based stock compensation expenses recorded during the current fiscal year.
3. The above amounts do not include employee salaries paid to directors with duties in an employee's capacity.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Policy on Determining Director Remuneration on an Individual Basis

The Company has established a policy for determining the content of remuneration for Directors on an individual basis (excluding those who serve on the Audit and Supervisory Committee). The following provides an overview of such, where individual remuneration is determined by the Board of Directors following deliberations by the Nomination and Remuneration Advisory Committee.

(Basic Policy)

- 1) The remuneration plan for the Company's Directors is based on the following views.
 - Ensures that Directors contribute to charting sustainable growth for corporate performance and corporate value based on the "Vision of Tokuyama"
 - Provides a level of remuneration that secures and retains human resources that can support the Company's management
 - Considers the performance of the Company
 - Employs a highly transparent, objective remuneration decision process
- 2) Remuneration for the Company's Directors consists of basic remuneration and bonuses*1 in the form of monetary remuneration and performance-linked Share-based Remuneration in the form of non-monetary remuneration*2.

(Policy on Determining Director Remuneration on an Individual Basis)

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

(Policy on Determining the Ratio of Remuneration for Directors by Type)

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

- *1 Directors eligible for the bonus plan are those who are executive officers.
- *2 All directors, except those who serve on the Audit & Supervisory Committee, Non-executive Directors, External Directors, and those NOT residing in Japan, are eligible for the performance-linked Share-based Remuneration plan.

(Policy on Determining Director Remuneration on an Individual Basis)

- 1) The final annual amount of basic remuneration for each individual is calculated and determined by the Representative Director, President and Executive Officer, having received authorization to do so from the Board of Directors, based on a standard amount predetermined for each position. The Nomination and Remuneration Advisory Committee deliberates on whether the calculated basic remuneration is appropriate or not. In addition, as part of the Company's ESG efforts specific roles and responsibilities regarding important material issues for the realization of the Company's CSR management are taken into consideration when calculating an individual's remuneration. This is a factor in the calculation of an individual's remuneration, and part of the Company's ESG efforts.
- 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 ratio in accordance with the standard bonus amounts for each position, the performance targets for the target fiscal year, and the achievement level for those targets. The Nomination and Remuneration Advisory Committee deliberates on whether the performance targets, calculation methods, and calculation results are appropriate or not. The specific performance target for fiscal 2024 is the target consolidated ordinary income set under the Medium-Term Management Plan. Each remuneration amount is calculated by multiplying the individual's standard amount by the performance-linked coefficient (ranging from 0% to 150%) set according to the degree of target achievement.
- 3) The granting of share options as part of performance-linked share-based remuneration is based on the executive share-based remuneration regulations deliberated by the Nomination and Remuneration Advisory Committee and adopted by the Board of Directors. The number of share options to be granted to each individual is calculated by multiplying the total number of standard points determined for the position concerned by the performance-linked coefficient (ranging from 0% to 150%) set according to the degree of target achievement. In addition, the specific performance target is the Company's target total consolidated operating income for the target period.

[Supporting System for Outside Directors]

1. The Corporate Planning Division explains the contents of each agenda item to the outside directors in advance of each Board of Directors meeting and holds a question-and-answer session.
2. Directors and executive officers meet with outside directors individually and respond to inquiries from them regarding management issues, industry trends, business strategies, and the operational status of the internal controls system.
3. In regard to the auditing plan of the accounting auditor, reviews of quarterly and year-end accounts, and audit results, an internal director who is a member of the Audit and Supervisory Committee (hereafter Internal Audit and Supervisory Committee member) and outside directors who are members of the Audit and Supervisory Committee (hereafter outside Audit and Supervisory Committee members) receive related information directly from the Accounting Auditor.
4. In accordance with the Companies Act, Internal Audit and Supervisory Committee member when auditing financial statements receive detailed information from the departments in charge of accounting and provide an outline on this information to outside Audit and Supervisory Committee members.
5. For internal audits, Internal Audit and Supervisory Committee member receives detailed information from the Auditing Department and provide an outline on this information to outside Audit and Supervisory Committee members.
6. The Corporate Social Responsible Division reports on the development and operational status of the internal controls system to the outside directors at the Board of Directors meetings.

[Retired presidents/CEOs, etc. holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO, etc. ended	Term
-	-	-	-	-	-

Number of retired presidents/CEOs, etc. holding advisory positions (sodanyaku, komon, etc.)

0

Others

Not applicable

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The following section outlines the Company's management structure, its operations, and the status of accounting audits.

(1) Board of Directors

In addition to deliberating and making resolutions on important matters relating to the activities of the Company, the Board of Directors supervises business operations. During fiscal 2023, the Board of Directors met on 19 occasions.

As of the date this report was submitted, there were nine directors on the Company's Board of Directors. The Company is working to strengthen the supervisory function of the Board of Directors through the appointment of four outside directors. With the goal of clarifying management responsibilities and responding quickly to changes in the business environment, the term of office for directors (excluding directors on the Audit and Supervisory Committee) is set at one year.

Tokuyama adopted an executive officer system in 2011 with the aim of separating the executive and supervisory functions for business operations. As of June 26, 2024, the Company had 17 executive officers.

Based on the rules for approval determined by the Board of Directors, authority is delegated to the business executive system.

(2) Audit and Supervisory Committee

Directors who are Audit and Supervisory Committee members attend meetings of the Board of Directors and other important internal meetings in order to gather information on the status of the execution of businesses. They also conduct audits on how well the executive officers are executing their duties. During fiscal 2022, Audit and Supervisory Committee met on 24 occasions, making reports, participating in consultations, and making resolutions on important matters. As of the date this report was submitted, the Audit and Supervisory Committee consists of five directors, including four external directors.

(3) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee, which has a majority of External Directors, deliberates on matters relating to personnel affairs and remuneration for officers. It is a voluntary advisory committee for the Company and submits reports and recommendations to the Board of Directors as necessary. For the purpose of implementing the Chief Executive Officer (President and Executive Officer) Succession Plan in a more focused, dedicated manner, the Company established the President Nomination Committee within the Nomination and Remuneration Advisory Committee. The President Nomination Committee is composed of the President and Executive Officer and the outside directors.

(4) Executive Committee

Members of the Executive Committee are selected by the president and executive officer (hereinafter referred as the president) from among the Company's other executive officers. The Executive Committee serves as the Company's decision-making body with respect to the execution of business operations. 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 and makes decisions on strategies and other important matters.

(5) Strategy Committee

Members of the Strategy Committee are selected by the president from among the Company's executive officers. The committee meets once a month and serves as an advisory body to the president. In addition to deliberating on the direction of business execution, the Committee works to confirm the allocation of management resources with an aim at evaluating conditions relating to the execution of business in respect to important matters requiring approval. It also sets the direction of policies related to the execution of business in respect to specific projects.

(6) CSR Promotion Council

Chaired by the president, the CSR Promotion Council is comprised of all executive officers working in Japan. The Committee sets CSR(sustainability) policies and goals, while also facilitating activities to achieve those goals. The Committee focuses on maintaining appropriate corporate governance and internal controls, which together form the foundation of the Company's CSR(sustainability). It also discusses important matters regarding internal controls as well as sustainability.

(7) Risk Management and Compliance Committee

Tokuyama's Risk Management and Compliance Committee, chaired by the director supervising the Corporate Social Responsibility Division, operates under the CSR Promotion Council. The Committee takes the initiative in promoting risk management and compliance, which are central to effective internal control.

(8) Expert Committees

With regard to areas requiring particular expertise and of great importance in terms of risk management and compliance, expert committees (Financial Reporting Committee, Antitrust Law Compliance Committee, Security Export Controls Committee, Cyber and Information Security Committee, Security and Environmental Measures Committee, Product Safety and Quality Committee and Sustainability Committee) have been established under the CSR Promotion Council to carry out activities in the areas, separated from the Risk Management and Compliance Committee.

(9) Helpline Committee

The Helpline Committee is responsible for the administration of Tokuyama's helpline (whistle-blowing) system, which has been established for the purpose of enabling the internal reporting of legally questionable actions and behavior by Group executives and employees.

(10) Accounting Auditors

Tokuyama has appointed Grant Thornton Taiyo LLC. as its independent accounting auditor. There are no special interests between the Company and Grant Thornton Taiyo LLC or the executives at that firm engaged in audits of Tokuyama. The names of the certified public accountants conducting audits for the year under review, and the number of persons providing auditing assistance are shown below.

- Names certified public accountants
Certified Public Accountant, Designated and Engagement Partner: Tomohiro Ohki (5 year)
Certified Public Accountant, Designated and Engagement Partner: Noriaki Yamauchi (4 years)
- Number of accounting audit assistants
Certified public accountants:4, Other: 10

3. Reasons for Adoption of Current Corporate Governance System

The Company introduced an executive officer system to separate the supervision and execution functions in April 2011, and in June of the same year an external director was appointed. Subsequently, the Company increased the number of external directors gradually.

In 2017, the Company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee.

The Audit and Supervisory Committee, of which four external directors are appointed out of five members, strives to maintain sound management by ensuring transparency and fairness in management.

As a company with an Audit and Supervisory Committee, Tokuyama seeks to enhance corporate governance at all times by making the best of its rapid decision making as well as effective supervising/auditing functions.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company released the convocation notice for the 160th Ordinary General Shareholder Meeting held on June 25, 2024, 33 days prior to the meeting on TDnet of Tokyo Stock Exchange, Inc., and on the Company's website.
Scheduling AGMs Avoiding the Peak Day	The Company holds general shareholder meetings on days other than the peak day every year.
Allowing Electronic Exercise of Voting Rights	Voting rights may be exercised electronically via personal computers on the website for the exercise of voting rights designated by the Company's shareholder registry administrator.
Participation in Electronic Voting Platform	The Company participates in the Electronic Voting Platform for Institutional Investors provided by ICJ Inc.
Providing Convocation Notice in English	The Company prepares a notice of convocation (summary) in English and discloses it on its webpage.
Other	Questions were accepted in advance at the 160th Ordinary General Meeting of Shareholders held on June 25, 2024.

2. IR Activities

	Supplementary Explanations	Explanation by Representatives of the Company
Preparation and Publication of Disclosure Policy	In the Tokuyama Group Code of Conduct, the Company clearly states its basic stance on information disclosure as a company. About guidelines and Internal Structure for Timely Disclosure, please see “V—2. Other Matters Concerning to Corporate Governance System” or on the Company’s webpages. https://www.tokuyama.co.jp/eng/ir/business_policy/disclosure.html	
Regular Investor Briefings for Individual Investors	The Company holds briefing sessions for individual investors several times a year. In addition, its websites are dedicated to individual investors, with the aim of providing easy-to-understand summaries of materials relating to company briefings and company information.	No
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds online results briefing sessions for analysts and institutional investors four times a year, when it announces quarterly results. It also holds briefing sessions and small meetings on medium-term management plans, factory tours, etc. for institutional investors from time to time.	Yes
Posting of IR Materials on Website	The Company posts earnings reports, annual securities reports, documents related to general shareholder meetings, integrated reports, presentation materials and summaries of the main questions and answers at results briefings, as well as performance and financial data. The Company also posts English versions of its IR materials (with some exceptions) at the same time as the Japanese versions.	
Establishment of Department and/or Manager in Charge of IR	The Company has a dedicated team for IR activities in Corporate Social Responsibility Division, Corporate Communications and Investor Relations Department. In implementing IR activities, the Company strives to maintain timely, appropriate and comprehensible disclosure of information through close coordination between the senior management, the Corporate Planning Division, the business divisions and other departments of the Company.	
Other		

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Tokuyama has a mission “to create a bright future in harmony with the environment in collaboration with our customers, based on chemistry.” It has established the Tokuyama Group Basic Sustainability Principles in order to realize Our Vision, which includes Tokuyama’s vision points and values.</p> <p>To help turn these basic principles and vision into concrete action, the Company has established the Tokuyama Group Code of Conduct. It serves as action guidelines for individual employees, and describes the Group’s relationships with different types of stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Tokuyama Group Code of Conduct outlines actions to be taken concerning safety, quality, the environment, the promotion of a sustainable society, and operations that are in harmony with society. Solving environmental issues is a challenge common to all of humankind, and the Company is taking proactive action as it believes this to be an essential reason for the existence and activities of companies in general. In researching, developing, and manufacturing products, as well as in selling and disposing of products and goods, the Company is always sure to fully recognize the importance of environmental protection and comply fully with all environmental laws and regulations. As a good corporate citizen, Tokuyama is committed to the active engagement in social contribution activities, and the Company outlines those activities on its website, in Sustainability Data Book and Integrated Report.</p>
Development of Policies on Information Provision to Stakeholders	<p>As clearly laid out in the basic philosophy of our Corporate Governance Policy, we believe that the trust and cooperation of our stakeholders are essential to ensuring sustainable growth and enhancing corporate value over the medium- to long-term. Toward this end, we strive to appropriately disclose information and establish transparency.</p> <p>On this basis, the Tokuyama Group Basic Sustainability Principles require the Company to actively communicate with all types of stakeholders. Moreover, the Tokuyama Group Code of Conduct outlines how employees and officers should promote this communication.</p> <p>Along with timely and appropriate information disclosure for shareholders and investors, the Company also publicly shares appropriate management, financial and non-financial information in a timely and accessible way. This includes details concerning the products and services Tokuyama provides to society, as well as information on how its operations impact the environment and society.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

At the Board of Directors meeting held on April 21, 2022, the Basic Policy on Establishing the Internal Control System was revised with an emphasis on Group management. Then, at the Board of Directors meeting on March 23, 2023, the Basic Sustainability Principles were adopted and incorporated into the preamble of the Company's Basic Policy.

Views on the Internal Control System

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

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

Basic Policy on Establishing the Internal Control System

(1) System for ensuring the legality and efficiency of execution of duties by Directors

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

Progress Update: This system has been established as described in "Organizational Composition and Operation, etc."

(2) System for retaining and managing information relating to execution of duties by Directors

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

Progress Update: Appropriate information retention and management has been implemented.

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

- 1) The Company shall define the responsible department for rules regarding risk management of loss within the Tokuyama Group, establish management regulations, and work to ensure the thorough implementation of these.
- 2) The Company shall establish a management system that understands important laws and regulations that are relevant to business execution and that tracks movements in the revision thereof as a means of reducing compliance risk within the Tokuyama Group.
- 3) The Company shall respond appropriately when a risk manifests within the Tokuyama Group by establishing a crisis response headquarters in accordance with the severity of the manifest risk, and shall rapidly engage in recovery and post-event management efforts.

Progress Status: In addition to establishing rules to reduce compliance risk and rules to address risks that have manifested, the Company is also undertaking business continuity management in an ongoing manner.

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

- 1) The Company shall establish a Whistle-blowing System contact point (helpline) that allows individuals to report and consult on compliance violations, or matters that are believed to hold the potential to violate

such, in a safe, anonymous manner without receiving disadvantageous treatment, and shall implement appropriate management and countermeasures according to the report or consultation.

- 2) The Company shall conduct monitoring and self-assessments led by the responsible party for the business divisions, etc., and management divisions in order to ensure the appropriateness of duties. At the same time, each Group company shall also be requested to conduct monitoring and self-assessments.
- 3) The Company shall provide the required guidance, support, and requests regarding important matters to all business divisions, etc., and Group companies through the Corporate Planning Division, the Corporate Social Responsibility Division, and other management divisions.
- 4) The Company shall conduct internal audits of business divisions, etc., management divisions, and Group companies via an Auditing Department that is independent of the divisions, etc.
- 5) The Company shall report any discovery of compliance violation matters to those within and outside the organization in accordance with the severity of such, and shall immediately correct for the violation and deploy such horizontally within the Tokuyama group in order to prevent a recurrence.

Progress Update: Past cases regarding compliance within and outside the Company have been compiled and shared within the Tokuyama group using groupware. Moreover, the Company conducts compliance training using group training and e-learning on an ongoing basis.

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

- 1) The Company shall establish the CSR Promotion Council for the purpose of promoting CSR management within the Tokuyama Group, and shall deliberate and determine important matters regarding internal control.
- 2) The Company considers risk management and compliance to be central and equally important to internal control, and shall therefore establish the Risk Management and Compliance Committee within the CSR Promotion Council in order to effectively and efficiently carry out internal control within the Tokuyama Group.
- 3) With regard to areas requiring specialist expertise and of great importance from the viewpoint of risk management and compliance (financial reporting, antitrust law compliance, security export controls, cyber and information security, security and environmental measures, product safety and quality, and sustainability), the Company shall establish expert committees separate from the Risk Management and Compliance Committee.
- 4) The Company shall evaluate the effectiveness and efficiency of internal control for the Tokuyama Group through the above meeting structure and shall engage in ongoing improvements.
- 5) The Company shall establish an internal management system for group companies and shall operate and manage group companies thereby.
- 6) The Company shall respect the principle of self-responsibility in order for each group company to achieve healthy growth while at the same time providing the required guidance, support, and requests to ensure the appropriateness of business.
- 7) The Company shall dispatch Company Directors and employees as Directors or Auditors for group companies as necessary.
- 8) The Company shall include group companies as being subject to the Whistle-blowing System and internal audits.

Progress Update: The Company has entered Basic Operation and Management Agreements with each group company, and requires each group company to report and receive approval on important matters. Moreover, the Company provides the required guidance, support, and requests to group companies to ensure the appropriateness of business within the corporate group.

(6) System to ensure effective audits by the Audit and Supervisory Committee

- 1) The Company shall establish an Audit and Supervisory Committee Office to aid the duties of the Audit and Supervisory Committee, and shall appoint Company employees for this purpose. Moreover, the Company shall receive consent from the Audit and Supervisory Committee regarding personnel evaluations, hiring, transfers, and discipline in regard to such employees.
- 2) The authority to instruct and provide orders to employees of the Audit and Supervisory Committee Office shall reside in the Audit and Supervisory Committee.
- 3) The Company shall immediately report on any cases to the Audit and Supervisory Committee when a request is made by the Audit and Supervisory Committee for an explanation of matters relating to the execution of such duties and when a compliance violation matter is discovered by the Company, including that reported by a group company. Moreover, NO disadvantageous treatment shall be made against the reporting party due to the provision of information to the Audit and Supervisory Committee.
- 4) The Company shall permit the necessary audit expenses, including those for employing attorneys at law, certified public accountants, consultants, and other external advisors for the purpose of supporting an

audit by the Audit and Supervisory Committee, when such is deemed necessary by the Audit and Supervisory Committee.

- 5) The Audit and Supervisory Committee shall cooperate closely with the Auditing Department and accounting auditors in order to improve the efficiency of audits.
- 6) The Company shall establish other systems for the purpose of ensuring that audits by the Audit and Supervisory Committee are carried out effectively.

Progress Update: In addition to the Board of Directors, important matters are reported to the Audit and Supervisory Committee through the Executive Committee and the CSR Promotion Council.

(7) System to ensure the reliability of financial reporting

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

Progress Update: The Company receives appropriate opinions on the internal control and reporting systems mandated under the Financial Instruments and Exchange Act from an auditing firm on an ongoing basis for the purpose of ensuring the reliability of financial reporting.

(8) System for blocking ties with anti-social forces

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

2. Basic Views on Eliminating Anti-Social Forces

The Company has included its basic concept on eliminating anti-social forces as an item in the "Basic Policy on Establishing the Internal Control System" described above.

Progress Update: The Company has defined internal rules founded on the Basic Policy, and has appointed individuals responsible for preventing unfair demands, provides internal training, cooperates with external expert organizations, confirms that new trading partners are NOT anti-social forces, and includes organized crime exclusion clauses in agreements.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

Summary of the Basic Policy Regarding Persons Who Control the Company's Decisions on Financial Matters and Business Policies

Tokuyama aims to emerge as an entity that creates new value that makes peoples' lives healthier, more convenient, and more comfortable. Therefore, we defined our mission statement, which outlines our management philosophy, as "to create a bright future in harmony with the environment, in collaboration with our customers, based on chemistry." Moreover, if the Company's value creation process is not in harmony with the environment, we will not survive for long. Under this philosophy, Tokuyama established the following "Vision" for which all employees working at the Tokuyama Group must aim in order to achieve this transformation into a value-creative company.

- 1) Be a value-creative company that places first priority on R&D and marketing
- 2) Be a company that never stops challenging new domains while refining and exploiting its unique strengths
- 3) Be a company with healthy employees who have healthy families and take pride in their work at their company
- 4) Be a company that fosters bonds with people in communities and societies worldwide

Through initiatives aimed at realization of our Vision, we plan to pursue sustained growth as a company that keeps providing value deemed essential even amid drastic societal change.

Therefore, persons who control the Company's decisions on financial matters and business policies must first and foremost sympathize with and understand the Tokuyama Group mission statement and Vision, and must be able to maintain the trust of our many stakeholders who support the Group, while securing and increasing the corporate value of the Group and the common interests of the shareholders from a medium- to long-term perspective.

Mechanisms for Preventing Control by Persons Deemed Unsuitable in Light of the Basic Policy

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

In order to secure the corporate value of the Tokuyama Group and the common interests of the shareholders, Tokuyama implements all appropriate countermeasures in accordance with relevant laws and regulations. This includes requesting any party who intends to conduct a high-volume purchase of the Company's shares to furnish all necessary and adequate information, and providing shareholders with pertinent details including the Board of Directors' appraisal and opinion of that information, as well as the business features pertaining to any Large-Scale purchase.

2. Other Matters Concerning to Corporate Governance System

1. Basic stance on Information Disclosure

In March 2023, the Board of Directors revised the Tokuyama Group Code of Conduct by clarifying the Group's basic approach to information disclosure in section 6 of the Code, "Communication."

[Tokuyama Group Code of Conduct]6. Communication

We disclose information in a timely and appropriate manner to a wide range of stakeholders and build relationships of trust through ongoing dialogue.

- 1) We actively disclose the status of our corporate activities in a fair way, including financial and non-financial information, and strive for good public communication.
- 2) We maintain sound and highly transparent relationships with politicians and public officials.
- 3) We never engage in insider trading using confidential information that is not available to the public.
- 4) We properly handle confidential and personal information belonging to the Group and our customers and business partners, and implement information security measures to prevent its leakage.

5) We strive to maintain good labor-management relations based on mutual trust and dialogue.

2. Internal Structure for Timely Disclosure

Based on its timely disclosure rules and regulations, the disclosure of information pertaining to the Company and its subsidiary companies with respect to:

- a) decisions of fact:
- b) incidents of fact, and:
- c) financial results:

shall be undertaken in accordance with the following process and flow. In addition, the Auditing Department conducts audits of the timely disclosure system as necessary.

- a) Disclosure of information pertaining to decisions of fact:

The secretariat of the Board of Directors, etc., sends the agenda of important matters to be resolved at the Board of Directors, etc., to the Corporate Communications & Investor Relations Department in advance. The Corporate Communications & Investor Relations Department shall determine whether or not the item is a matter that requires disclosure. In the event that disclosure is deemed necessary, the item shall be presented to the head of the division with jurisdiction over the Corporate Communications & Investor Relations Department and disclosed after ratification by such decision-making bodies as the Board of Directors. The department governing subsidiaries shall also follow the same procedure for subsidiary company information.

- b) Disclosure of information pertaining to incidents of fact:

Departments involved in major incidents of fact shall report to the Corporate Communications & Investor Relations Department. The Corporate Communications & Investor Relations Department shall determine whether or not the item is a matter that requires disclosure. In the event that disclosure is deemed necessary, the item shall be presented to the head of the division overseeing the Corporate Communications & Investor Relations Department and disclosed. The department governing subsidiaries shall also follow the same procedure for subsidiary company information.

- c) Disclosure of information pertaining to financial results and other important information:

Before disclosing information on financial results, etc., the contents of disclosure are checked by the Financial Reporting Committee chaired by the director in charge of Corporate Planning Division. The committee also ensures internal checks within and between the constituent departments that comprise the committee. The Financial Reporting Committee Secretariat is charged with the responsibility of seeking approval to the disclosure of financial results and related information from the secretariat of the Board of Directors. While the Financial Reporting Committee Secretariat puts forward matters for discussion to the Board of Directors, agenda items are forwarded to the Corporate Communications & Investor Relations Department in advance. Items are then presented to the officer responsible for the Corporate Communication & Investor Relations Department by Corporate Communications & Investor Relations Department and disclosed after ratification by the relevant decision-making body.

Principle 3-1- (V) [Explanations with Respect to Individual Appointments and Dismissals when the Board of Directors, based on (iv) above, Appoints/Dismisses Senior Management Personnel (as of June 26, 2024).

President and Executive Officer Hiroshi Yokota

Mr. Hiroshi Yokota executes overall corporate business as President and Executive Officer.

He has an abundance of experience in areas such as personnel and labor affairs, as well as in Tokuyama's traditional and advanced materials businesses. By demonstrating strong leadership as chief executive officer, he is actively addressing important goals and issues for the Group, including business portfolio transformation, carbon neutrality achievement, and CSR management.

Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Senior Managing Executive Officer Hideo Sugimura

Hideo Sugimura serves as Senior Managing Executive Officer and Executive Assistant to the President.

Based on a wide range of business experience in many areas including finance and accounting, management of overseas subsidiaries, reconstruction of domestic subsidiaries, adoption of new core information systems, and overall responsibility for corporate departments, he is actively addressing important goals and issues for the Group. Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Fumiaki Iwasaki

Fumiaki Iwasaki serves as Senior Executive Officer, General Manager of the Research & Development Division, and General Manager of the Life Science Division. He has a wealth of experience in research and development as well as manufacturing technology. As the individual with overall responsibility for R&D, he is expected to actively work on key goals and challenges for the Group by taking the lead in promoting R&D. Since April 2024, he has also been responsible for the Life Science Division and is expected to contribute to the development of growth businesses. Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Takahide Taniguchi

Mr. Takahide Taniguchi executes his duties as Managing Executive Officer and General Manager of the Cement Business Division.

His abundant experience lies in areas such as the Cement Business, management planning, special product planning, and overseas project promotion. As the head of the Cement Business Division, he is actively working to address important goals and issues for the Group.

Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Hirotaka Nishihara

Mr. Hirotaka Nishihara executes his duties as Managing Executive Officer and General Manager of the Chemicals Business Division.

He has a wealth of business experience in sales and purchasing of dental materials, chemical products, vinyl chloride resins, polysilicon, and other products. As head of the Chemicals Business Division, he is actively addressing key goals and challenges for the Group.

Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Tomohiro Inoue

Mr. Tomohiro Inoue executes his duties as Managing Executive Officer and General Manager of the Corporate Planning Division. His extensive experience covers overseas operations, business promotion projects, resource recycling, serving as head of the cement manufacturing department, and managing subsidiaries in Japan. Following concurrent positions as General Manager of the Eco Business Segment and Deputy General Manager of the Cement Segment, he has served as the officer responsible for the Corporate Planning Division since April 2024, and in this capacity he is expected to actively address important goals and challenges for the Group. Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Yasushi Okuno

Mr. Yasushi Okuno is Managing Executive Officer and General Manager of the Tokuyama Factory.

He brings a wealth of experience in engineering operations, overseas project promotion, overseas operations, and operations at the Tokuyama Factory. He is actively addressing the Group's key goals and challenges by executing his responsibilities at the Tokuyama Factory.

He has been appointed an Executive Officer so that he can continue enhancing the Group's corporate value.

Managing Executive Officer Katsumi Nagase

Mr. Katsumi Nagase serves as Managing Executive Officer, General Manager of the Electronic & Advanced Materials Business Headquarters, General Manager of the Advanced Materials Business Division, and General Manager of the New Business Division.

His extensive experience covers a diverse range of operations related to the polysilicon and fumed silica businesses, as well as overseas operations. He is actively addressing the Group's key goals and challenges by supervising electronic and advanced materials operations and overseeing the advanced materials business. Since April 2024, he has been concurrently responsible for the New Business Division and is expected to contribute to the creation of new businesses.

He has been appointed an Executive Officer so that he can continue enhancing the Group's corporate value.

Executive Officer Hiroshi Fujimoto

Mr. Hiroshi Fujimoto is an Executive Officer and General Manager of the Purchasing & Logistics Division.

His vast experience includes polypropylene resin sales, chemical product planning, purchasing, and serving as head of the General Affairs & Human Resources Division. He now oversees the Procurement & Logistics Division and is actively working to address key goals and challenges for the Group. Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Naoki Tamura

Mr. Naoki Tamura is Executive Officer and General Manager of the Eco Business Segment. His wealth of business experience covers overseas operations as well as sales of functional powders, polysilicon, fine chemicals, and other materials. He served as head of the Life Science Division until March 2024. In April 2024, he was appointed as officer responsible for the Eco Business Segment and is expected to actively address key goals and issues for the Group in this capacity.

Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Takashi Satou

Mr. Takashi Satou is an Executive Officer and General Manager of the General Affairs & Human Resources Division.

His extensive experience covers areas such as logistics planning, logistics subsidiary management, adoption of new core information systems, and heading purchasing and logistics. As head of the General Affairs & Human Resources Division, he is actively addressing key goals and challenges for the Group.

Accordingly, he has been appointed to an Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Michiko Seki

Ms. Michiko Seki executes her duties as Executive Officer and General Manager of the CSR Division.

She has a wealth of experience gained at other companies in fields such as research and development, technology strategy, quality and environmental management, and CSR promotion. As head of the CSR Division, she is actively working to address key goals and issues for the Group. She has been appointed to a new Executive Officer position so that she can continue enhancing the Group's corporate value.

Executive Officer Kenji Saka

Mr. Kenji Saka executes his duties as Executive Officer, General Manager of Digital Administration & Planning Division, and Leader of DX Promotion Department.

His abundant experience gained at other companies includes fields such as manufacturing, technology, overseas operations, business alliances, and ICT strategy promotion. As head of the Digital Administration & Planning Division, he is expected to proactively address important goals and issues related to digital transformation and other matters important to the future of the Group. Accordingly, he has been appointed to a new Executive Officer position, effective as April 2023, so that he can continue enhancing the Group's corporate value.

Executive Officer Takeshi Ito

Mr. Takeshi Ito executes his duties as Executive Officer, Deputy Manager of Corporate Planning Division and Leader of Corporate Planning Division.

He has extensive experience in business planning, overseas operations, overseas business management, and activities related to joint ventures and M&A. As deputy head of the Corporate Planning Division, he is actively working on important goals and issues for the Group. Accordingly, he has been appointed to a new Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Seiji Teranishi

Mr. Seiji Teranishi executes his duties as Executive Officer, Electronic Material Business Division and Chief of Silicone Sales Department.

His wealth of business experience includes personnel and labor, overseas operations, and sales of thermal management materials, polysilicon, chemicals for electronics materials, and other materials. As head of the Electronic Materials Business Division, he is actively working on the Group's key goals and challenges.

Accordingly, he has been appointed to a new Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Yuji Inoue

Mr. Yuji Inoue executes his duties as Executive Officer and General Manager of Carbon Neutral Strategy Division.

His extensive experience covers overseas operations as well as manufacturing and technology relating to polysilicon and other materials. He is actively working on important goals and issues for the Group as the individual in charge of the Group's strategy for carbon neutrality achievement.

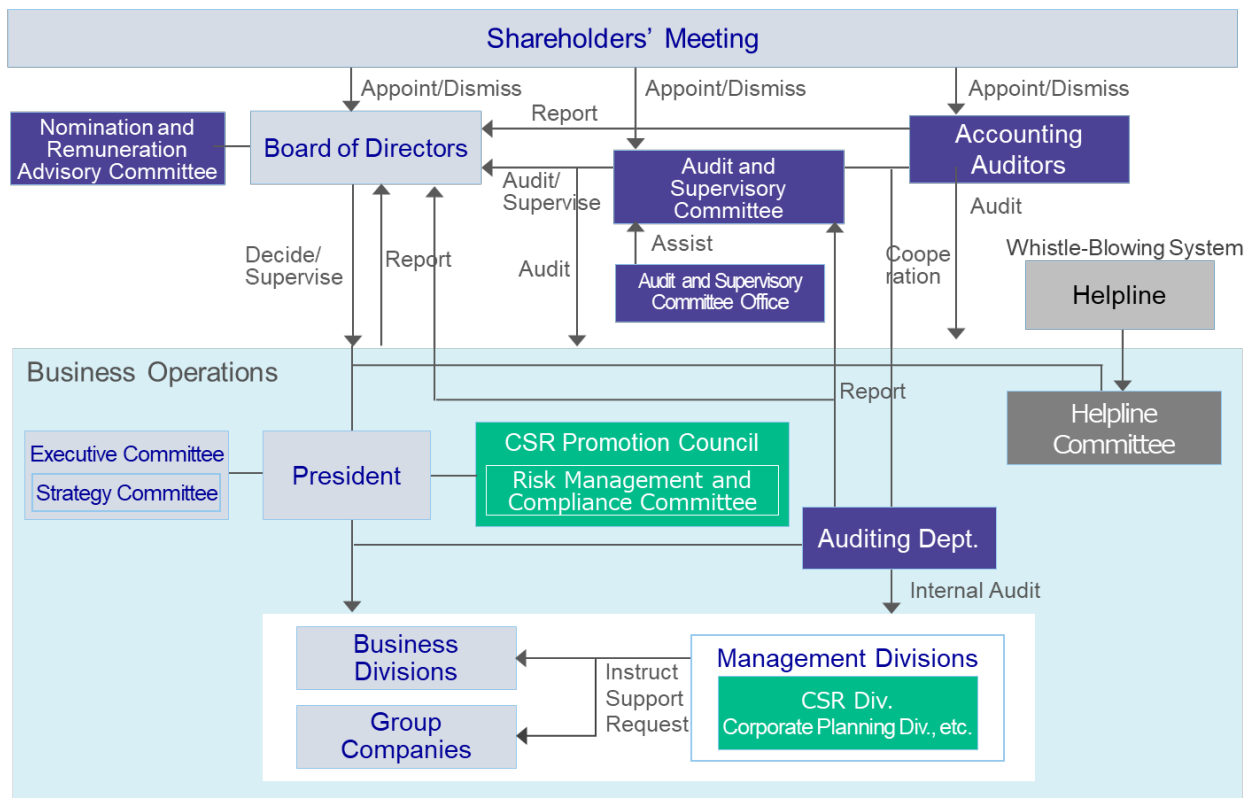
Accordingly, he has been appointed to a new Executive Officer position so that he can continue enhancing the Group's corporate value.

Executive Officer Etsuji Uchida

Etsuji Uchida serves as Executive Officer and General Manager of the Engineering Center.

He brings a wealth of experience as an engineer at the Tokuyama Factory and overseas manufacturing bases. As head of the Engineering Center, he is expected to actively address key goals and challenges for the Group, including enhancing functions at the Tokuyama Factory.

Accordingly, he was appointed to a new Executive Officer position in April 2024 so that he can continue enhancing the Group's corporate value.



Process and Flow for Timely Disclosure

