

Last Update: **June 30, 2022****Toagosei Co., Ltd.**

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<https://www.toagosei.co.jp/english/>

The corporate governance of Toagosei Co., Ltd (the “Company”) is described below.

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

1. Basic Approach

1. The Toagosei Group’s corporate philosophy is “Through the endless possibilities of chemistry, we bring happiness created by highly functional materials.” Based on this philosophy, the Group strives to fulfil its corporate social responsibility by positioning the enhancement of corporate governance as a key priority for management. To achieve sustainable growth and medium- to long-term increase in corporate value, the Group will pursue effective corporate governance to realize transparent and fair decision-making that is swift and firm, and will continue taking measures for its enhancement.
2. The Group’s basic approach to corporate governance is as follows:
 - 1) Respect shareholders’ rights and ensure their equality.
 - 2) Consider the interests of various stakeholders, including shareholders, customers, business partners, employees and local communities. Build good relationships with these stakeholders and cooperate appropriately with them.
 - 3) Disclose corporate information appropriately and ensure transparency.
 - 4) Strive to ensure effective supervisory functions for business execution by the Board of Directors.
 - 5) Engage in constructive dialogue with shareholders who have an investment policy that aligns with medium- to long-term shareholder profits.

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

The Company implements all of the principles of the Corporate Governance Code.

This report is based on the revised code in June 2021 (including content for the Prime Market).

Disclosure Based on the Principles of the Corporate Governance Code

The Company’s basic approach and policies relating to corporate governance are compiled as basic policies and published

on the Company's website (URL:<https://www.toagosei.co.jp/english/csr/effort/pdf/c211025.pdf>).

【Principle 1.4 Cross-Shareholdings】

1. The Company shall acquire and holds the shares of its business partners (hereinafter “cross-shareholdings”) in cases where it deems that this will increase the corporate value of the Company from a medium- to long-term perspective from a standpoint of maintaining and strengthening business relationships and building business alliances.
2. The Company shall regularly review cross-shareholdings on an annual basis, examining the effect of holding them, giving comprehensive consideration to the effect of maintaining and strengthening the overall relationship with the business partner and whether the risks and benefits of holding the shares are commensurate with the capital cost. The results of these examinations shall be reported to the Board of Directors.
3. In 2021, the Company revised its basic policy on cross-shareholdings and decided to proceed with the sale of cross-shareholdings that are not regarded as contributing to the enhancement of the medium- to long-term corporate value, with a target of achieving roughly 10% of consolidated net assets in the recording of cross-shareholdings on the balance sheet. In fiscal 2021, the Company sold 18 listed stocks and one unlisted stock (2.9 billion yen in total).
4. In exercising the voting rights related to cross-shareholdings, the Company shall vote for or against each individual proposal after comprehensively considering such factors as whether a proposal will help increase the corporate value of the business partner, or whether it could impair the Company's shareholder value. More specifically, we will vote against proposals that include organizational restructuring such as a merger or business transfer that is judged to eliminate the significance of the holding, a significant change in net assets without justifiable grounds, or any elements that would clearly lead to a significant deterioration in business performance or financial position.
5. In the event that a company holding the shares of the Company indicates its intention to sell those shares, the Company shall not engage in any activity that would impede the said sale, including any suggestion of a reduction in transactions.
6. The Company shall not engage in any transactions with cross-shareholders that lack economic rationale.

【Principle 1.7 Related-Party Transactions】

1. To prevent harm to the Company and the common interests of shareholders from competing transactions between the Company and its directors and transactions involving a conflict of interest, such transactions shall be conducted only after receiving prior approval from the Board of Directors based on laws and regulations, and the Regulations of the Board of Directors and so forth. The result of the transaction shall be promptly reported to the Board of Directors. Directors involved in transactions that have a conflict of interest shall not participate in the deliberation of those transactions by the Board of Directors.
2. Important or non-typical transactions between the Company and its subsidiaries or major shareholders (parties holding 10% or more of the total voting rights either directly or indirectly), and so forth, shall receive prior approval from the Board of Directors based on the Regulations of the Board of Directors and so forth.

【Supplementary Principle 2.4.1 Ensuring Diversity Within the Company】

1. Basic Policy on Ensuring Diversity

The Group promotes the active participation of diverse human resources, creates environments that enable each employee to fully demonstrate their abilities and special characteristics, and nurtures core human resources.

2. Status and Goals Relating to the Promotion of Diversity in Core Human Resources

(1) Women

Since listing the “Promotion of active participation by women” as a CSR goal (currently a sustainability target) in 2016, the Group has engaged in a variety of initiatives that enable women to fully demonstrate their abilities. Currently, the ratio of female managers within the Company is 3.4% of the total workforce (as of January 1, 2022). We aim to boost this ratio to 5% or more by 2026 and are working on nurturing human resources and other measures.

(2) Foreign Nationals

The Group is striving to expand its overseas production and sales bases. We believe that the active participation of local employees, especially those in middle managerial positions, is important in order to improve business performance at these overseas bases.

Among those in managerial positions within the Group, the ratio of employees registered at overseas subsidiaries is currently 5.8% (as of January 1, 2022). We will work on nurturing human resources and other measures to enable us to maintain a ratio of 5% or higher by 2026.

(3) Midcareer hires

The Group adopts a flexible approach to hiring midcareer employees after identifying the businesses that we want to focus on in the future and determining which area of specialization needs strengthening. Midcareer hires possess specialist knowledge and experience different from those of new graduate hires and have an important presence in that they drive the creation of new value for the Group and, by extension, promote the enhancement of sustainable corporate value.

Among those in managerial positions within the Group, the ratio of midcareer employees that possess specialist knowledge and experience different from those of new graduate hires is currently 7.4% (as of January 1, 2022). We will work on nurturing human resources and other measures to enable us to boost this ratio to 8% or higher by 2026.

3. Status of Human Resources Development and Measures to Improve Internal Environments to Ensure Diversity

In addition to upholding basic human rights, the Group strives to create an environment in which employees can demonstrate their abilities, while also respecting the individual characteristics of diverse human resources.

We have published specific details of our initiatives on P46-53 of the 2022 Group Report.

(URL:https://www.toagosei.co.jp/csr/csr_report/pdf/2022csr.pdf) (Japanese only)

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

In order to ensure pension benefits throughout the future, the Company shall set up the Corporate Pension Fund Management Committee, comprising members including the general managers of human resources and finance departments, formulate policy-based asset composition ratios from a medium- to long-term perspective, and monitor corporate pension fund asset management.

【Principle 3.1 Full Disclosure】

1. The Company's Goals (Management Philosophy, etc.), Management Strategy, and Management Plan

The Group vision is described below.

(1) Corporate Philosophy

The Group's corporate philosophy is "Through the endless possibilities of chemistry, we bring happiness created by highly functional materials," details of which are published on the Company website.

(URL:<https://www.toagosei.co.jp/english/company/organization/philosophy.html>)

(2) Management Plan

The Group has formulated a medium-term management plan entitled "Stage up for the Future" starting in fiscal 2020, details of which are published on the Company website.

(URL <https://www.toagosei.co.jp/english/company/organization/plan.html>)

2. Basic Approach and Policies on Corporate Governance Based on the Principles of this Corporate Governance Code

The Group's basic approach and policies on corporate governance are described in the segment of basic policies above.

3. Policies and Procedures for the Board of Directors to Determine Remuneration for Senior Management Members and Directors

(1) The remuneration of the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) is determined by taking into account the following perspectives:

(a) Remuneration shall be set at a level befitting the directors' duties, responsibilities, and performance, at an appropriate, fair, and balanced amount.

(b) The remuneration system shall provide incentive for directors to drive sustainable growth in business results and corporate value over the medium and long term, while giving due consideration to the need to secure talented human resources.

(c) Remuneration shall be determined appropriately, taking into account factors such as the remuneration levels of other companies, the remuneration of the Company's employees and other personnel, social and economic conditions, and directors' performance reviews.

(2) The remuneration of the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) shall comprise monthly remuneration, bonuses, and restricted share remuneration. The monthly remuneration shall comprise fixed monthly remuneration and performance-linked remuneration. The amount of the performance-linked remuneration shall be determined based on the Company's business results in a given fiscal year, along with each director's responsibilities and status of performance of his or her duties from short- and medium- to long-term perspectives. The business environment and other factors shall also be taken into consideration.

(3) Performance-linked remuneration shall not be paid to directors who act as Audit and Supervisory Committee

members and independent outside directors who do not act as Audit and Supervisory Committee members, reflecting an emphasis on their roles in fulfilling supervisory functions over management from an independent perspective.

(4) To enhance the objectivity and transparency of the management, the Board of Directors of the Company has set up a Remuneration Committee consisting of one director who is not an independent outside director and several independent outside directors, as an advisory body to the Board of Directors. The Remuneration Committee shall, in response to consultation from the Board of Directors, examine and submit findings on the remuneration structure and individual remuneration for directors.

(5) Remuneration of individual directors (excluding directors acting as Audit and Supervisory Committee members) shall be set within the total amount approved by the General Meeting of Shareholders and shall be determined by members of the Remuneration Committee delegated by resolution of the Board of Directors following the reporting of the result of examination by the Remuneration Committee and pursuant to the calculation criteria established by the Board of Directors.

(6) Remuneration of directors who act as Audit and Supervisory Committee members shall be set within the total amount of remuneration approved by the General Meeting of Shareholders. The remuneration shall be determined through discussions by the Audit and Supervisory Committee, taking into account the nature of the roles and duties of each Audit and Supervisory Committee member and other factors.

4. Policies and Procedures for the Board of Directors to Appoint or Dismiss Senior Management Members and Nominate Candidates for Directors and Audit and Supervisory Committee Members

(1) The selection standards for the Company's directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) shall be as follows:

(a) Persons who possess outstanding knowledge and abilities and extensive experience in regard to the business administration and operational management of the Group, or persons who possess sufficient understanding of the Group's business activities, along with the experience and knowledge needed to appropriately and fairly supervise the business execution of the Company's directors and other personnel, thereby contributing to the achievement of the Group's medium- to long-term management plans.

(b) Persons who are capable of executing fair and appropriate supervision of business administration, operational management, and business execution based on high ethical standards, being of a fair-minded, unimpeachable character who possess the knowledge and the ability needed to fulfill their assigned duties.

(2) Audit and Supervisory Committee members shall be selected from among persons who possess high ethical standards, as well as fairness and integrity, thereby contributing to ensuring the soundness and transparency of the Group's management. In addition, at least one of the Company's Audit and Supervisory Committee members shall have appropriate expertise in finance and accounting.

(3) To enhance the objectivity and transparency of the management, the Board of Directors of the Company has set up a Nomination Committee consisting of one director who is not an independent outside director and several independent outside directors, as an advisory body to the Board of Directors. The Nomination Committee shall, in response to consultation from the Board of Directors, examine and submit findings, which include a consideration

of the diversity of individual attributions and skills, on the succession plan for representative directors, etc., the selection procedures, qualities, reasons for selection of candidates for director, the selection procedures, qualities, reasons for selection of candidates for representative director, and the independence criteria of candidates for independent outside directors as well as other related matters.

- (4) When selecting candidates for director (excluding directors who act as Audit and Supervisory Committee members), the representative director shall prepare a draft list of candidates and the Board of Directors will resolve on successful candidates after receiving a report on the result of examination by the Nomination Committee. When selecting candidates, the representative director shall consider the qualities and other attributes stipulated in Article 13 (Composition of the Board of Directors) and Article 14 (Qualities of Directors) under the Basic Policy. Moreover, when selecting candidates for director reappointment, the representative director shall prepare a list of candidates in consideration of each candidate's track record of business activities, accomplishments, and other aspects as a director.
- (5) Regarding candidates for Audit and Supervisory Committee members, the representative director shall prepare a draft list of candidates. After receiving a report on the result of examination by the Nomination Committee, the final proposal shall be put forward to the Board of Directors with the consent of the Audit and Supervisory Committee, and approved by resolution of the Board of Directors. The representative director shall prepare a draft list of candidates for Audit and Supervisory Committee members with consideration to the qualities and other attributes enumerated in Article 14 Paragraph 2 (Qualities of Independent Outside Directors) and Article 20 (Qualities of Audit and Supervisory Committee Members) under the Basic Policy.
- (6) In the event that a director (excluding directors who act as Audit and Supervisory Committee members) is deemed to have engaged in behavior that violates laws and regulations or the Articles of Incorporation, or a situation arises in which it is judged that the continued performance of the said director's duties is inappropriate, the Board of Directors shall deliberate and determine the dismissal or other disposition of the said director from his or her position, or the submission of a dismissal proposal to the Ordinary General Meeting of Shareholders, subject to discussions by the Nomination Committee. However, in cases requiring urgent measures, the Board of Directors shall determine the dismissal or other disposition of the said director from his or her position without discussions by the Nomination Committee.

5. Explanation of Selection and Nomination of Each Candidate When the Board of Directors Selects Senior Management Members and Nominates Director and Audit and Supervisory Committee Member Candidates in Accordance with Item 4 Above

A brief career summary and reasons for the appointment of candidates for director (excluding directors who act as Audit and Supervisory Committee members) and candidates for Audit and Supervisory Committee member are stated in the Notice of the 109th Ordinary General Meeting of Shareholders and the Notice of the 108th Ordinary General Meeting of Shareholders.

【Supplementary Principle 3.1.3 Disclosure of Sustainability Initiatives, etc.】

1. Sustainability Initiatives and Investment in Human Capital and Intellectual Property

We promote initiatives that will help develop a sustainable society based on our sustainability policy, "We take up

the challenge to create new value to deliver happiness to future generations.” In addition, we have declared the securing and developing of human resources and the strengthening of our intellectual property strategy as important issues in our medium-term management plan, and we are actively promoting investment in human capital and intellectual property. We disclose details of specific initiatives in our Group Report.

(URL:https://www.toagosei.co.jp/csr/csr_report/pdf/2022csr.pdf) (Japanese only)

2. Responding to the Effects of Climate Change

In 2019, the Company endorsed the Task Force on Climate-related Financial Disclosures (TCFD) and are working to reduce greenhouse gas (GHG) emissions by declaring the control of climate change as an important issue in environmental response. In 2021, we revised our long-term targets and are now aiming to reduce GHG emissions by 50% by 2030 compared to 2013 levels, and to achieve net zero emissions by 2050. We publish details of our TCFD-related initiatives on the Company website.

(URL:<https://www.toagosei.co.jp/english/csr/reduction.html>)

【Supplementary Principle 4.1.1 Scope of Matters Delegated to Management】

In order to facilitate swift decision-making relating to the execution of business, the Board of Directors, in accordance with laws and regulations and internal regulations such as the Regulations of the Board of Directors, shall delegate decision-making on business execution to the Company’s representative directors and executive directors who execute the relevant business, with the exception of matters stipulated by laws and regulations as requiring the exclusive decision of the Board of Directors, management plans, the appointment, dismissal, and remuneration of directors, and any other particularly important individual business plans or investments, etc. The Board of Directors shall seek to speed up the Company’s decision-making process and strengthen its supervisory function.

【Principle 4.9 Independence Criteria and Qualification for Independent Outside Directors】

1. The Company has adopted the following independence criteria for outside directors. Candidates are considered to be insufficiently independent from the Company if any of the following applies:

- (1) (a) A person who currently executes business for the Company or a subsidiary of the Company (executive director, corporate officer, executive officer, or other employee in a senior management position) or has done so over the past 10 years
- (b) A party for which the Company is a major client, or if the party is a company, a person who executes its business (executive director, corporate officer, executive officer, or other employee in a senior management position)
- (c) A party that is a major client of the Company, or if the party is a company, a person who executes its business (executive director, corporate officer, executive officer, or other employee in a senior management position)
- (d) A legal specialist such as a lawyer, or an accounting specialist such as a certified public accountant, or a consultant, etc. who has received a significant sum of money or other assets from the Company, other than executive remuneration (or when the receiver of the assets is a corporation, association, or some other organization, a member of the organization)
- (e) A major shareholder of the Company, or in the case where the shareholder is a company, a person who executes

business for the company

- (f) The recipient of a large sum of donations from the Company (or where the recipient of the financial asset is a corporation, association, or other organization, a member of the organization)
- (g) The spouse or relation within two degrees of someone to whom any of the above (a) to (f) applies.
- (h) A person to whom any of the above (b) to (g) have applied within the past three years.

(2) A person who has been an outside director of the Company for more than eight years.

2. When selecting candidates for independent outside director, the Company shall select persons who have an interest in Group operations and express their opinions in a timely and accurate manner from a bird's eye perspective on overall Group management and are considered capable of supervising the execution of business by directors, etc., in order to facilitate a frank and vigorous exchange of opinions in Board of Directors meetings.

【Supplementary Principle 4.10.1 Independence of the Nomination Committee and the Remuneration Committee, etc.】

Our thinking regarding the independence, authority, and role of the Company's Nomination Committee and Remuneration Committee is described in the "Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairman)" section of this report.

【Supplementary Principle 4.11.1 View on the Overall Balance, Diversity, and Scale of the Board of Directors】

1. The Company shall have a Board of Directors comprising not less than 8 but not more than 15 directors (including directors serving as Audit and Supervisory Committee members) to ensure an effective management structure and effective discussions at Board of Directors meetings, and shall organize a Board of Directors that is diverse in terms of gender, nationality, career history, age, etc. and is equipped with the skills described below. There are currently 13 directors on the Board.
 - (1) Rich experience and in-depth knowledge of each business field in which the Group is involved, such as research and development, technology and production, sales and supply chain, group administration and corporate planning, etc.
 - (2) Extensive experience and deep professional insight into various areas, such as company management, accounting, legal affairs, business administration, and academia.
2. A skills matrix listing the skills of each director as well as the Company's policies and procedures for electing directors are published on p56-57 of the Group Report 2022 (Japanese only). We have also included the content of our policies and procedures regarding the election of directors in Item 4. Policies and Procedures for the Board of Directors to Appoint or Dismiss Senior Management Members and Nominate Candidates for Directors and Audit and Supervisory Committee Members in **【Principle 3.1 Full Disclosure】** of this report.
(URL:https://www.toagosei.co.jp/csr/csr_report/pdf/2022csr.pdf) (Japanese only)

【Supplementary Principle 4.11.2 The Status of Concurrent Director Positions】

The Company's Basic Policy stipulates that independent outside directors shall not serve concurrently as directors or Audit and Supervisory Committee members of more than three listed companies other than the Company except in special

circumstances.

The status of the concurrent positions served by Company directors at other listed companies is disclosed annually in the Business Report section of the Notice of the Ordinary General Meeting of Shareholders and the Company's annual securities report. Currently, Outside Director Yasuhiro Koike concurrently serves as an officer at Nagase Brothers Inc., Outside Director Hidetoshi Furukawa serves as an officer at Isetan Mitsukoshi Holdings Ltd., Outside Director Nobuhiko Takano serves as an officer at NICHIAS Corporation, and Outside Director Kiyoko Ishiguro serves as an officer at Nippon Seiro Co., Ltd. However, in all cases, the directors serve in three or fewer concurrent positions at listed companies in addition to their position at the Company. For that reason, we consider that these positions do not hinder the directors' ability to appropriately fulfill their roles and responsibilities as directors of the Company.

【Supplementary Principle 4.11.3 Analysis and Evaluation of Board Effectiveness】

Each year, the Company's Board of Directors conducts a questionnaire survey of all directors regarding the composition, operation, and effectiveness of the Board, support systems, constructive dialogue with shareholders, and contribution to the Board of Directors. The results of the questionnaire and any submitted opinions are discussed in Board of Directors meetings. The survey items are examined, aggregated, and analyzed by a third-party to ensure objective and transparent evaluations.

The results of the survey conducted in February 2022 revealed that the majority of respondents considered most of the survey items to be "appropriate" and confirmed that the effectiveness of the Board of Directors was generally secured. In particular, all respondents considered the schedule, proceedings operation, and atmosphere during deliberations to be appropriate so we were able to confirm and share that the Board had improved its operation since the previous year, with several respondents praising the improvement in preparing the materials and content of report. We also confirmed and shared several opinions stating that the meeting held for the first time in 2021 to exchange views on the direction of the Company's medium- to long-term management was extremely meaningful. On the other hand, we confirmed and shared that there were some issues regarding the need to further consider the appropriate number of directors and the level of diversity of the Board, discuss remuneration and succession planning, devise ways to further improve advance explanations and operating methods, discuss medium- to long-term management direction, and share opinions from our shareholders and investors.

Going forward, we will continue to consider how to address these issues and strive to improve the effectiveness of the Board of Directors.

【Supplementary Principle 4.14.2 Director Training】

1. Regarding matters required for directors to appropriately fulfill their roles and responsibilities such as laws and regulations and corporate governance, the Company provides individual directors with opportunities to study areas useful in the execution of their duties as well as financial support, both when they are appointed and during their tenure.
2. The Company creates opportunities for newly appointed independent outside directors to deepen their understanding of the Group's management strategy, financial position, and other important matters on a continuous basis, both at the time of their appointment and during their tenure, and also provides opportunities for

visits to the Company's major bases.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

1. The Group shall endeavor to drive the Company's sustained growth and enhance its corporate value over the medium and long term by fostering an appropriate understanding of the Company's business policies and other such matters through constructive dialogue with shareholders.
2. The Corporate Communication Department shall primarily undertake all aspects of constructive dialogue with shareholders, under the leadership of the Director in Charge of Investor Relations (IR). Through IR activities, business strategies and information about the Company's financial condition, business results, etc. shall be disclosed in a timely and appropriate manner to shareholders, investors, and others. Efforts are also being made to foster appropriate understanding of the Company's business strategies and other matters by enhancing dialogue with stakeholders, including shareholders and other investors.
3. To engage in proactive dialogue, the Group holds earnings presentations for institutional investors and also conducts private meetings with them to a reasonable extent, along with proactively disclosing information via the Company's website.
4. The Group shall endeavor to share information by reporting on opinions, queries and other input obtained through dialogue with shareholders to the Management Committee and the Board of Directors, as necessary.
5. In order to prevent any leaks of insider information, the Group has established and appropriately implements the Regulations on Control of Insider Information, which sets forth the treatment of material information not yet made available to the public. Moreover, the Group has set up an IR Committee, which is chaired by the Director in Charge of Investor Relations (IR). The IR Committee is made up of members selected by the General Manager of the Corporate Management Division plus any other members selected by the IR Committee Chair. Each IR Committee member reports IR-related information to the Committee, including information subject to timely disclosure rules within the member's assigned scope of business information, as part of efforts to prevent any leaks of insider information.

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	16,866,300	13.49
Custody Bank of Japan, Ltd. (Trust account)	6,668,100	5.33
Sumitomo Mitsui Banking Corporation	5,818,105	4.65
Business Partner Shareholders' Committee	4,714,082	3.77
Employee Shareholders' Committee	2,884,610	2.31
MUFG Bank, Ltd.	2,824,288	2.26
The Norinchukin Bank	1,972,084	1.58

TAIJU LIFE INSURANCE COMPANY LIMITED	1,845,500	1.48
The Hyakujushi Bank, Ltd.	1,741,324	1.39
STATE STREET BANK AND TRUST COMPANY 505001	1,714,576	1.37

Name of Controlling Shareholder, if applicable (excluding Parent Company)	-
Name of Parent Company, if applicable	None

Supplementary Explanation

1. This is based on the shareholder register as of December 31, 2021.
2. The Status of Major Shareholders is calculated after deducting the number of treasury shares.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	December
Business Sector	Chemicals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

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

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

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

1. Organizational Composition and Operation

Corporate Governance System	Company with an Audit and Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	15
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	13
Election of Outside Directors	Elected
Number of Outside Directors	7
Number of Independent Officers	7

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yasuhiro Koike	Academic											
Yuichiro Mori	Lawyer											
Hidetoshi Furukawa	From another company					△						
Nobuhiko Takano	Tax accountant											
Kiyoko Ishiguro	Lawyer											
Masahiko Yasuda	CPA											
Koichi Danno	From another company					△						

*Categories for "Relationship with the Company".

(Use "○" 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; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
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Yasuhiro Koike		○	Concurrent Positions <ul style="list-style-type: none"> · Professor, Keio University · Director, Keio Photonics Research Institute · Outside Director, Nagase Brothers Inc. 	Mr. Yasuhiro Koike was appointed as an outside director because we judged that he would be able to help further enhance the management system of the Company by reflecting the specialist knowledge and experience, etc. that he has cultivated as a professor in the Faculty of Science and Technology in the management of the Company. <p>In addition to the above, Mr. Koike does not fall under any of the above items a to k so we judged him to be an independent outside officer who is not likely to have any conflict of interest with general shareholders, and registered him as an independent officer.</p>
Yuichiro Mori		○	Concurrent Positions <ul style="list-style-type: none"> · Lawyer, Jones Day · Supervisory Director, DREAM Private REIT Inc. 	Mr. Yuichiro Mori was appointed as an outside director because we judged that he would be able to help further enhance the management system of the Company by reflecting his specialist knowledge and experience, etc. as a lawyer in the management of the Company. <p>In addition to the above, Mr. Mori does not fall under any of the above items a to k so we judged him to be an independent outside officer who is not likely to have any conflict of interest with general shareholders and registered him as an independent officer.</p>
Hidetoshi Furukawa		○	Concurrent Positions <ul style="list-style-type: none"> · Outside Director, Isetan Mitsukoshi Holdings Ltd. · Chairman, General Incorporated Company, Kobe City Property Research 	Mr. Hidetoshi Furukawa was appointed as an outside director because we judged that he would be able to help further enhance the management system of the Company by reflecting the wide-ranging insight he has cultivated during his career in financial institutions and his extensive experience as a company officer in the management of the Company. <p>Mr. Furukawa served as Representative Director and Deputy President of Sumitomo Mitsui Banking Corporation, the Company's main bank, but he retired in April 2015. Six years and 11 months have already passed since his retirement. In addition, Sumitomo Mitsui Banking Corporation holds only 4.7% of the total number of Company shares issued, and borrowing from Sumitomo Mitsui Banking Corporation account for 28.6% of total borrowings, which is not significantly higher than our borrowings from other financial institutions and represents only 1.6% of the Company's shareholders' equity, so the bank does not exert any control over the Company's management. <p>Based on the above, we judged Mr. Furukawa to be an independent outside officer who is not likely to have any conflict of interest with general shareholders and registered him as an independent officer.</p> </p>
Nobuhiko Takano	○	○	Concurrent Positions <ul style="list-style-type: none"> · Certified Public Tax Accountant (Takano Nobuhiko Tax Accountant Office) · Audit & Supervisory Board Member, NICHIAS Corporation 	Mr. Nobuhiko Takano was appointed as an outside director who acts as an Audit and Supervisory Committee Member because we judged that he would be able to help further enhance the Company's audit and supervisory functions by reflecting his professional career at the National Tax Agency and his specialist knowledge and experience, etc. as a certified public tax accountant in the management of the Company. <p>In addition to the above, Mr. Takano does not fall under any of the above items a to k so we judged him to be an independent outside officer who is not likely to</p>

				have any conflict of interest with general shareholders and registered him as an independent officer.
Kiyoko Ishiguro	○	○	Concurrent Positions <ul style="list-style-type: none"> · Lawyer (Partner, Noda Memorial Law Office) · Audit & Supervisory Board Member, TORAJI CORPORATION · Outside Director, NIPPON SEIRO CO., LTD. 	Ms. Kiyoko Ishiguro was appointed as an outside director who acts as an Audit and Supervisory Committee Member because we judged that she would be able to help further enhance the Company's audit and supervisory functions by reflecting her specialist knowledge and experience, etc. as a lawyer in the management of the Company. In addition to the above, Ms. Ishiguro does not fall under any of the above items a to k so we judged her to be an independent outside officer who is not likely to have any conflict of interest with general shareholders and registered her as an independent officer.
Masahiko Yasuda	○	○	Concurrent Positions <ul style="list-style-type: none"> · Certified Public Accountant (Chief, Yasuda Masahiko Certified Public Accountant Office) · President and Representative Director, Benedi Consulting Co., Ltd. 	Mr. Masahiko Yasuda was appointed as an outside director who acts as an Audit and Supervisory Committee Member because we judged that he would be able to help further enhance the Company's audit and supervisory functions by reflecting his specialist knowledge and experience, etc. as a certified public accountant in the management of the Company. In addition to the above, Mr. Yasuda does not fall under any of the above items a to k so we judged him to be an independent outside officer who is not likely to have any conflict of interest with general shareholders and registered him as an independent officer.
Koichi Danno	○	○		Mr. Koichi Danno was appointed as an outside director who acts as an Audit and Supervisory Committee Member because we judged that he would be able to help further enhance the Company's audit and supervisory functions by reflecting the wide-ranging insight he has cultivated during his career in financial institutions and his extensive experience as a company officer in the management of the Company. Mr. Danno served as Director and Senior Managing Executive Officer at Sumitomo Mitsui Banking Corporation, the Company's main bank, but he retired in April 2013. Eight years and 11 months have already passed since his retirement. In addition, Sumitomo Mitsui Banking Corporation holds only 4.7% of the total number of Company shares issued, and borrowing from Sumitomo Mitsui Banking Corporation account for 28.6% of total borrowings, which is not significantly higher than our borrowings from other financial institutions and represents only 1.6% of the Company's shareholders' equity, so the bank does not exert any control over the Company's management. Based on the above, we judged Mr. Danno to be an independent outside officer who is not likely to have any conflict of interest with general shareholders and registered him as an independent officer.

Audit and Supervisory Committee

Composition of Audit and Supervisory Committee and Attributes of the Chairman

	All Committee Members	Full-time Members	Internal Directors	Outside Directors	Committee Chair (Chairman)
Audit and Supervisory Committee	5	1	1	4	Internal Director

Appointment of Directors and/or Employees to Support the Audit and Supervisory Committee	Appointed
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Matters Concerning Independence of Said Directors and/or Employees from Executive Directors

The Internal Audit Department has been established to assist with the duties of the Audit and Supervisory Committee and the Company has assigned several employees exclusively to that department. The Company has delegated complete authority to the Audit and Supervisory Committee to give directions or orders to those employees, and prior consent will be sought from the Audit and Supervisory Committee regarding any personnel transfers or evaluations, etc. of those employees.

Status of Coordination between Audit and Supervisory Committee, Accounting Auditor, and Internal Audit Department

The Audit and Supervisory Committee receives explanations from the accounting auditor regarding the audit plan and the results of audits when appropriate, and exchanges opinions with the accounting auditor when necessary.

In order to enhance the audit systems, the Audit and Supervisory Committee maintains close cooperation with the Internal Control Section by receiving reports from the section on the status of internal control operations and periodically sharing information.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairman)

	Committee's Name	All Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Committee Chair (Chairman)
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination Committee	3	0	1	2	0	0	Internal Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Remuneration Committee	3	0	1	2	0	0	Internal Director

Supplementary Explanation

To enhance objectivity and transparency of the management, the Board of Directors of the Company has set up a Nomination Committee and a Remuneration Committee to serve as advisory bodies to the Board, consisting of one director who is not an independent outside director and several independent outside directors.

The Nomination Committee, in response to consultation from the Board of Directors, shall examine and submit findings, which include a consideration of the diversity of individual attributions and skills, on the succession plan for representative directors, etc., the selection procedures, qualities, reasons for selection of candidates for director, the selection procedures, qualities, reasons for selection of candidates for representative director, and the independence criteria of candidates for independent outside director as well as other related matters.

The Remuneration Committee, in response to consultation from the Board of Directors, shall examine and submit findings on the remuneration structure and individual remuneration for directors.

Both the Nomination Committee and the Remuneration Committee consist of three members, one internal member (President and Representative Director Mikishi Takamura) and two outside members (outside directors Yasuhiro Koike and Hidetoshi Furukawa). The committees are both chaired by President and Representative Director Mikishi Takamura.

Matters Concerning Independent Officers

Number of Independent Officers	7
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Other Matters Concerning Independent Officers

The Company designates all outside officers as independent officers if they satisfy the criteria for independent officers.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme, Other
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Supplementary Explanation for Applicable Items

We have introduced performance-linked remuneration and restricted share remuneration for directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members). Of these, the amounts of the performance-linked remuneration are determined based on the Company's performance, such as consolidated operating income for the previous fiscal year, as well as duties and responsibilities for each position and the business environment, among other factors.

The reason why we selected consolidated operating income as the main indicator of performance-linked remuneration is that we believe that evaluating the profits of our core business is an appropriate way of evaluating the Company's performance.

Persons Eligible for Stock Options	-
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Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

Content of officer remuneration paid by the Company in fiscal 2021:

Remuneration paid to directors who do not act as Audit and Supervisory Committee members (11 directors): 199 million yen (including 26 million yen paid to 4 outside directors)

Remuneration paid to directors who act as Audit and Supervisory Committee members: (5 directors): 50 million yen (including 35 million yen paid to 4 outside directors)

Total (16 directors): 249 million yen (including a total of 62 million yen paid to 8 outside directors)

Notes:

1. The above figures include directors who retired during the current fiscal year.
2. The Company does not pay employee salaries (including bonuses) to directors who concurrently serve as employees.
3. The above figures include the amount recorded for the current fiscal year as expenses related to restricted share remuneration.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

The remuneration for directors (excluding directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members) consists of fixed remuneration, performance-linked remuneration, and share-based remuneration. Remuneration for directors who act as Audit and Supervisory Committee members and independent outside directors who do not act as Audit and Supervisory Committee members consists solely of fixed remuneration, reflecting an emphasis on their roles in fulfilling supervisory functions over management from an independent perspective.

The fixed remuneration for directors (excluding directors who act as Audit and Supervisory Committee members) is determined within the remuneration limit, which includes performance-linked remuneration, resolved by the General Meeting of Shareholders, taking into account the duties and responsibilities for each position and the level of achievement, etc.

The provision of share-based remuneration to directors (excluding directors who act as Audit and Supervisory Committee members and outside directors) is designed to provide an incentive to them to continuously improve the Company's corporate value and to further promote the sharing of value with shareholders. The share-based remuneration consists of a certain quantity of restricted shares allocated according to the duties and responsibilities attached to each position.

The fixed remuneration for directors who act as Audit and Supervisory Committee members is debated and determined by the Audit and Supervisory Committee within the remuneration limit resolved by the General Meeting of Shareholders, taking into account the roles and duties of each Audit and Supervisory Committee member.

The remuneration for individual directors (excluding directors who act as Audit and Supervisory Committee members) is determined by the members who constitute the Remuneration Committee delegated by resolution of the Board of Directors in

accordance with the calculation standard established by the Board of Directors and with reference to the reported deliberations in the Remuneration Committee.

Support System for Outside Directors

The Internal Audit Department is in charge of supporting the Audit and Supervisory Committee. Independent outside directors periodically receive reports from the Corporate Strategy Division, which serves as the secretariat for the Management Committee, and receive explanations of the content of materials for Board of Directors meetings when necessary.

Statuses of Persons who have Retired as President and Representative Director, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as President and Representative Director, etc.

Name	Job title/position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/CEO ended	Term
—	—	—	—	—	—

Number of Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) After Retiring as President and Representative Director, etc.

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Other Related Matters

While the Company does have a consultant and advisor system, there are currently no people who have experienced the position of president who have been assigned to such a role.

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

The Company has established a Board of Directors, a Management Committee, an Audit and Supervisory Committee, and an accounting auditor as a corporate governance framework.

1. Directors and Board of Directors

The Company's Board of Directors consists of 13 directors (including five directors who act as Audit and Supervisory Committee members). The seven independent outside directors play the roles mainly in strengthening the Board's oversight over the management. At the meetings of Board of Directors, the directors, including outside directors, engage in lively discussions. The Board of Directors makes decisions on important management matters, such as Toagosei's management policy and management strategy, and fulfills the role of supervision of business execution of directors and executive officers.

From January to December 2021, the Board of Directors met 13 times. All directors attended all Board meetings (directors who were newly appointed at the General Meeting of Shareholders held in March 2021 attended all Board of Directors meetings from that date onwards).

2. Management Committee

The Management Committee, which consists of five executive directors, meets every week, in principle, to practically discuss, from an operational perspective, on matters delegated to it based on a resolution by the Board of Directors.

3. Audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee, which consists of five directors (including four outside directors), audits the execution of business by attending meetings of the Board of Directors and exchanging opinions at regular Audit and Supervisory Committee meetings. The Audit and Supervisory Committee is responsible for contributing to the Company's sound and sustained growth through the audit of legal compliance with respect to the performance of duties by directors and other officers, the appropriateness of the Company's business operations, internal control, financial conditions, and other matters.

4. Internal Audits

We established the Internal Audit Department (3 members) to strengthen the Company's internal audit function, with auditors appointed from among the Company's employees conducting internal audits. In addition, the Internal Control Section (3 members) conducts internal control-related operations.

5. Initiatives to Strengthen the Functions of the Audit and Supervisory Committee

The Company appoints Audit and Supervisory Committee members who have considerable knowledge of finance and accounting as described below.

Nobuhiko Takano: Possesses specialist knowledge and experience in accounting and tax affairs as a certified public tax accountant

Masahiko Yasuda: Possesses specialist knowledge and experience in accounting as a certified public accountant.

Koichi Danno: Possesses many years of experience working in financial institutions.

6. Accounting Auditor

The certified public accountants who have conducted the Company's audits are as follows:

Name of CPA	Name of Affiliated Auditing Corporation	Number of Years Auditing the Company
Shigeyuki Kano	Ernst & Young ShinNihon LLC	-
Takayuki Ueki	Ernst & Young ShinNihon LLC	-

(Note) Number of years auditing the company is presented for those who have been auditing the Company for over seven years.

The assistants for accounting audit duties for the Company consist of eight certified public accountants, five partly-qualified accountants, and 11 others.

7. Outline of the Contents of the Company's Limited Liability Agreement

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into a liability limitation agreement with directors (excluding executive directors, etc. as stipulated in Article 2 Paragraph 15 (a) of the

same act), to limit his/her liability under Article 423, Paragraph 1 of the same act to the greater of 10 million yen or the amount specified by applicable laws and regulations. Limited liability will only be recognized if the director has acted in good faith and there has been no gross negligence in the execution of the duties for which he or she is responsible.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted a company with an Audit and Supervisory Committee structure in order to speed up decision-making and ensure solid business supervision functions by separating the management decision-making and business execution supervisory functions of the Board of Directors, including outside directors, from the business execution functions of directors and executive officers.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	The Company strives to send out Notices of the Ordinary General Meeting of Shareholders promptly to ensure that shareholders have sufficient time to consider the proposals and exercise their voting rights appropriately. The Notice of the 109th Ordinary General Meeting of Shareholders held on March 30, 2022 was dispatched as of March 1, 2022.
Scheduling of the General Meeting of Shareholders During Non-Peak Days	
Electronic Exercise of Voting Rights	It is possible to exercise voting rights via the internet.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in a voting platform for institutional investors.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	An abbreviated versions of the Notice of the Ordinary General Meeting of Shareholders and reference documents are prepared in English and published on the Company's website.
Other	We disclose notices of convocation and notices of resolutions as well as the results of the votes taken for proposals at the Ordinary General Meeting of Shareholders (including the number of votes for and against each proposal) on the Company's website.

2. Status of IR-related Activities

Supplementary Explanation	Explanation by a representative director or a representative executive officer

Formulation and Publication of Disclosure Policies	We have established the Disclosure Policy that stipulates our basic policy, standards, and systems, etc. for information disclosure. The policy is published on the Company's website. (URL: https://www.toagosei.co.jp/english/ir/disclosure/)	
Regular Investor Briefings held for Individual Investors		Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	In principle, we hold briefings for analysts on the Company's financial results in February and August.	Held
Regular Investor Briefings held for Overseas Investors		Not Held
Online Disclosure of IR Information	We post IR materials such as financial results information, materials for timely disclosure other than financial results, annual securities reports or quarterly securities reports, financial results briefings, convocation notices, etc. on the Company website.	
Establishment of Department and/or Placement of a Manager in Charge of IR	We have established the Corporate Communication Department under the direct control of the Director in Charge of Investor Relations (IR), and have appointed two full-time personnel in addition to one general manager (managerial position).	
Other	Department in Charge of IR: Corporate Communication Department Director in Charge of IR: Taizo Serita, General Manager, Group Administrative Division Person in charge of IR Administration: Akihiko Matsuda, Corporate Communication Department	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The relationship with each of our stakeholders is stipulated in the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Under our Basic Policies for Responsible Care (RC) "The Toagosei Group is committed to ensuring the safety of its products, as well as workforce safety and hygiene, and to reducing the impact on the environment of these products and their manufacturing processes at all stages from development through use

	<p>to final disposal. By these means, the Group raises its reputation for trustworthiness among both its customers and society at large,” the entire Group is working together to confirm the safety of its products, ensure the safety of local communities and workers, and preserve the environment.</p> <p>Toagosei is also a member of the Responsible Care Committee established by the Japan Chemical Industry Association and various other organizations, and we actively participate in environmental conservation activities for the chemical industry as a whole.</p> <p>As a framework for promoting these activities, we have acquired the international standard ISO 14001 certification for the Company and our main subsidiaries. We set specific targets every year based on this system as a way of promoting continuous improvement.</p> <p>The status of our environmental and safety initiatives is compiled in the Toagosei Group Report that is published annually and is widely distributed to relevant persons and also published on the Company’s website.</p>
Formulation of Policies, etc. on Provision of Information to Stakeholders	We have established the Regulations for the IR Committee in order to actively disclose accurate information on the Company to all stakeholders, and we disclose information in accordance with those rules.
Other	

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1. System to Ensure the Execution of Duties by Directors and Employees of the Company and its Subsidiaries Complies with Laws, Regulations, and the Articles of Incorporation

(1) Code of Conduct

Based on the Toagosei Group’s corporate philosophy “Through the endless possibilities of chemistry, we bring happiness created by highly functional materials,” we have formulated the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards for all officers and employees of the Toagosei Group, which is made up of the Company and its subsidiaries. We are working to ensure that the officers and employees of the Company and its subsidiaries are thoroughly informed of the code and manual.

(2) Board of Directors

The Company’s Board of Directors makes decisions on important management-related matters in accordance with laws and regulations, the Company’s Articles of Incorporation, and the Regulations of the Board of Directors, and supervises the execution of duties by directors from the viewpoint of both sound management and efficiency.

(3) Audit and Supervisory Committee and Internal Audit Department

(a) As a Company with an Audit and Supervisory Committee, the execution of duties by directors and employees of the Company and its subsidiaries are subject to audits by the Audit and Supervisory Committee based on the

audit policy determined by the said committee.

- (b) The full-time Audit and Supervisory Committee member shares information regarding matters reported at important meetings they attended with part-time Audit and Supervisory Committee members at regular Audit and Supervisory Committee meetings.
- (c) The Company has established the Internal Audit Department to conduct internal audits regarding the status of compliance and the appropriateness of operations at the Company and its subsidiaries. The Internal Audit Department submits reports on the result of the internal audits to the Audit and Supervisory Committee and the representative directors, as appropriate.

(4) Compliance Committee

- (a) The Company has formulated the Regulations for the Compliance Committee and established a Compliance Committee constituted by members including external members. The Compliance Committee supervises and investigates the implementation status of compliance across the Toagosei Group, and provides recommendations when necessary.
- (b) The Company has established its Corporate Ethics Helpline (compliance hotline) as a whistleblowing system within the Toagosei Group. The hotline can also be used by officers and employees of subsidiary companies. There are two hotline routes, one to the Company's internal consultation center and the other to an advisory legal office. Furthermore, the Company will not unfavorably treat any persons who blew a whistle based on the said system.
- (c) The Company conducts compliance education for officers and employees of the Company and its subsidiaries when necessary.

(5) Sustainability Committee

The Company has formulated the Regulations for the Sustainability Committee and established a Sustainability Committee. Through audits, the Sustainability Committee confirms the status of the Toagosei Group's efforts to help develop a sustainable society. The Chair of the Sustainability Committee holds meetings when it is deemed necessary and receives reports on the result of the audits, and deliberates future measures.

(6) Basic Views on Measures for Eliminating Anti-social Force and Status of Development

The Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards stipulate that the Company shall resolutely confront any anti-social groups that threaten the order and safety of civil society, and we are working to ensure that the officers and employees of the Company and its subsidiaries are thoroughly informed of the code and manual.

The Company establishes cooperative relationships by exchanging information with external specialized organizations, such as the police, on a regular basis, and is resolved to respond resolutely to unreasonable demands from anti-social forces and organizations and sever all ties with any such organizations.

2. System Regarding the Storage and Management of Information Related to the Execution of Duties by Directors

In accordance with the Document Management Rules and other relevant internal rules, the Company appropriately stores and manages documents and electronic records relating to the execution of duties by directors, including the minutes of Board of

Directors meetings, and has established a system that enables directors to view such information at any time.

3. Rules and Other Systems Regarding the Management of the Risk of Losses of the Company and its Subsidiaries

(1) Risk Management

The Company has formulated the Toagosei Group Risk Management Rules and set up the Risk Management Committee, which is chaired by an officer nominated by the President. The Risk Management Committee identifies significant operational risks in the Company and its subsidiaries and conducts cross-sectional reviews and analysis of risks. It designates a manager and a department to be in charge of each risk, formulates an appropriate Business Continuity Plan (BCP), and conducts risk management designed to prevent or avoid risks.

(2) Response to Crisis Situations

In the event of an unforeseen event occurring at the Company or its subsidiaries, based on the Toagosei Group Risk Management Rules and the Toagosei Group Crisis Response Rules, the Company will collect information in accordance with the communication system stipulated in these regulations, and, depending on the severity of the crisis occurred, establish a Group response headquarters under the direction of the Company President to prevent or minimize the spread of any damage.

4. System to Ensure the Efficient Execution of Duties by Directors of the Company

(1) Executive Officer System

The Company has introduced an executive officer system that separates management and business execution functions and seeks to realize accurate decision-making and efficient business execution and to clarify business execution responsibilities.

(2) Medium-term Management Plan

The Company determines medium-term management plans and annual business plans that cover the entire Toagosei Group by resolution of the Board of Directors, and sets and manages targets for the entire company and individual departments based on these plans.

(3) Management Committee

To enable the Board of Directors to deliberate matters more carefully, the Management Committee conducts preliminary deliberations about the agenda items submitted to the Board of Directors meetings. In accordance with the Regulations for the Management Committee, the Management Committee also deliberates and decides on important matters relating to the execution of business which are considered second to the agenda items submitted to the Board of Directors meetings, conducts practical discussions on the execution of individual business operations, and seeks to ensure coordination between each executive director and realize efficient business execution.

(4) Execution of Business Based on Decisions by the Board of Directors

In accordance with the Regulations on Organizations, Administrative Authority, and Segregation of Duties, the Company determines persons in charge of each corporate management division and individual executive department, their responsibilities, and the details of business execution process.

5. Systems for Reporting Matters Relating to the Execution of Duties by Directors of Subsidiaries to the Company

In accordance with the Affiliated Company Management Rules, each subsidiary shall periodically report any information required for business management, such as the status of business execution and financial affairs, to a presiding division within the Company. In addition, when a subsidiary makes an important management decision, it must first report to the Company and obtain approval in accordance with the Affiliated Company Management Rules. Each subsidiary shall report its individual management and financial status to the Company at All-Toagosei Budget Meetings or other meetings.

6. System to Ensure the Efficient Execution of Duties by Directors of Subsidiaries

(1) Subsidiary Management System of the Company

In accordance with the Affiliated Company Management Rules, the Company establishes a presiding division and a support division for each subsidiary determined according to the nature of the business it conducts, and manages and supports the execution of business at each subsidiary. The Company's Corporate Strategy Division formulates management strategy for the entire Toagosei Group and manages subsidiaries in a universal and comprehensive manner.

(2) Other Support Systems

For major subsidiaries, the Company provides support that helps contribute to the efficiency of operations of the subsidiaries by, for instance, offering core business systems used by the Company and operating subsidiaries that undertake indirect operations.

7. Matters Concerning Employees who Assist with the Duties of the Company's Audit and Supervisory Committee

The Internal Audit Department has been established to assist the duties of the Audit and Supervisory Committee. Company employees are assigned as dedicated staff to the Audit and Supervisory Committee.

8. Matters Regarding Ensuring of the Independence of the Employees in the Preceding Paragraph from Other Directors (excluding Directors who act as Audit and Supervisory Committee Members) and the Effectiveness of Instructions Given to Those Employees by the Audit and Supervisory Committee

In order to ensure the independence of these employees, the Company has assigned multiple dedicated staff to the Internal Audit Department and delegated complete authority to the Audit and Supervisory Committee regarding the guidance and instruction to be given to those employees. In addition, prior consent shall be obtained from the Audit and Supervisory Committee regarding any personnel transfers or evaluations, etc. of those employees.

9. Systems for Directors (excluding Directors who act as Audit and Supervisory Committee Members) and Employees of the Company and its Subsidiaries to Report to the Audit and Supervisory Committee, and Other Systems for Reporting to the Audit and Supervisory Committee

(1) Reporting Agenda Items Submitted to the Management Committee

In addition to the reports stipulated by laws and regulations, the Articles of Incorporation, and other internal rules, the secretariat for the Company's Management Committee reports to the Audit and Supervisory Committee on a monthly basis, in principle, on matters submitted or reported to the Management Committee.

(2) Reporting System for Directors and Employees

In accordance with the internal regulations stipulating director and employee reporting systems, Directors (excluding Directors who act as Audit and Supervisory Committee Members) and employees of the Company and its subsidiaries report important matters that affect the Company's business affairs or performance to the Audit and Supervisory Committee on a case-by-case basis, and make a report as necessary upon request of the Audit and Supervisory Committee.

(3) Corporate Ethics Helpline

The Company regularly reports the operational status of the Corporate Ethics Helpline (compliance hotline) and the results of any internal investigations to the Audit and Supervisory Committee in accordance with the Rules on Whistleblowing.

(4) Internal Control Division

The Internal Control Section maintains close cooperation with Audit and Supervisory Committee members by sharing information with the Audit and Supervisory Committee on a regular basis, in addition to reporting the status of internal control operations to Audit and Supervisory Committee members.

10. Matters Concerning Procedures for Advance Payment or Reimbursement of Expenses Arising from the Execution of Duties by the Company's Audit and Supervisory Committee Members and Policies for Other Expenses Arising from the Execution of Such Duties or the Disposal of Debt

The Company assigns a certain amount of budget each year to cover any expenses arising from the execution of duties by Audit and Supervisory Committee members. If any urgent auditing expenses other than regular auditing expenses are incurred, the Company shall follow the procedures predetermined in advance for paying those expenses, except in cases where expenses pertaining to such payment request is clearly recognized as not being necessary for the execution of the duties of the Audit and Supervisory Committee.

11. System to Ensure the Effective Audits by the Company's Audit and Supervisory Committee

The Audit and Supervisory Committee may request Company directors and employees to submit reports to the Audit and Supervisory Committee when necessary. In addition, the Audit and Supervisory Committee regularly exchanges information with the accounting auditor by, for instance, having the accounting auditor explain the accounting audit plan and the outcome of its implementation, and strives to promote mutual cooperation between the Audit and Supervisory Committee, the Internal Audit Department, and the accounting auditor.

2. Basic Approach on Measures for Eliminating Anti-Social Forces and Status of Development

The Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards stipulate that the Company shall resolutely confront any anti-social groups that threaten the order and safety of civil society, and we are working to ensure that the officers and employees of the Company and its subsidiaries are thoroughly informed of the code and manual.

The Company establishes cooperative relationships by exchanging information with external specialized organizations, such as

the police, on a regular basis, and is resolved to respond resolutely to unreasonable demands from anti-social forces and organizations and sever all ties with any such organizations.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

While the Company has not introduced specific takeover defense measures, it has established the following basic policy on the control of the Company.

1. The Company considers that the persons who control decisions on the Company's finance and business policies should possess sufficient knowledge on the stable management of a company from a medium- to long-term perspective, trusting relationships with stakeholders, and its accumulated management resources, and should be able to secure and increase the corporate value of the Company and the common interests of shareholders.
2. If someone intends to initiate a large-scale purchase of the Company's shares, the Company shall take appropriate measures against the potential bidder to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act, and other related laws and regulations, including requesting the potential bidder to submit necessary and sufficient information to allow shareholders to judge appropriately whether or not to approve the large-scale purchase, disclosing opinions of the Board of Directors of the Company and striving to secure sufficient time for shareholders to consider the large-scale purchase.

2. Other Matters Concerning the Corporate Governance System

The Company implements various measures designed to help strengthen our corporate governance system based on the basic policy on internal control systems determined by the Board of Directors. Those measures include reviewing our organization and internal regulations as necessary and strengthening systems that ensure the appropriateness of the Company's business.

(1) Status of Establishment of Risk Management System

Regarding operational and various other risks, each relevant division that falls under each risk category is fully aware of the possibility of the emergence of risks, and strives to take appropriate measures in cooperation with relevant organizations in order to minimize the impact on the Group's operating results and financial position. In order to grasp and manage risks across the Group, the Risk Management Committee regularly identifies and evaluates risks, formulates countermeasures based on its findings, checks the status of those countermeasures, and strives to reduce risks across the Group.

(2) Compliance

We implement the following specific measures to promote a management framework that emphasizes the importance of compliance across the Group.

<Specific Measures>

- Establishing the Toagosei Group Code of Conduct and the Toagosei Group Manual of Behavioral Standards and thoroughly informing officers and employees of the code and manual by distributing them
- Conducting compliance training for officers and employees of the Group
- Holding meetings of the Compliance Committee comprised of members including external lawyers
- Establishing and operating the Corporate Ethics Helpline (compliance hotline)
- Holding meetings of the Contract Review Committee for the purpose of reviewing important contracts

(3) Outline of Timely Disclosure System

The status of the internal framework relating to the timely disclosure of Company information is as follows:

- (a) The Company has established an IR Committee chaired by the Director in Charge of Information Disclosure (the General Manager of the Group Administrative Division). Among information from within the division each member is assigned to, each IR Committee member reports information related to timely disclosure to the Committee, enabling the Company to make judgements on important information and prevent any leaks of insider information.
- (b) The General Manager of the Group Administrative Division instructs the Corporate Communication Department of the Group Administrative Division to disclose determined facts without delay after institutional decisions are made, and to disclose important matters, such as facts occurred, financial results, and voluntary disclosure items after obtaining the approval of the representative directors. The Corporate Communication Department disseminates information based on these instructions as the department in charge of information handling and serves as the contact point for any inquiries from stakeholders.

END