

Message from Outside Directors

Always pursuing compliance that is felt, not just followed

Outside Director (Audit and Supervisory Committee Member)

Ikuko Komachiya



Past experiences

I have spent approximately 30 years as an attorney at law, and in addition to serving as an outside director at other companies, I have also served as a director and auditor for various organizations. I served as Deputy Secretary General of the Japan Federation of Bar Associations, a mandatory membership organization for attorneys at law with over 45,000 members, where I was involved in the operation of its activities, including general meetings. In addition, for 13 years, I worked at a third-party organization in the broadcasting industry, investigating and reviewing inappropriate incidents at broadcasting stations and announcing opinions, including measures to prevent recurrence. Although I have no experience in corporate management, I have consistently provided legal advice to companies. I have experience in a wide range of business fields, and I have a proven track record of engaging in concrete dispute resolution, not just theoretical discussions, particularly in the fields of human rights, the environment, and information disclosure. Having spent six years living in Europe and the United States, which have societies and cultures that are different from Japan, I also possess a global perspective on politics, society, and economics.

Evaluation of Toagosei Group's compliance system and initiatives, and future challenges

Toagosei Group has created a handbook that explains compliance in a visually easy-to-understand way, based on the "Toagosei Group Code of Conduct" and the "Toagosei Group Manual of Behavioral Standards." We conduct employee training in a multifaceted manner, including level-specific training, group training, and workplace-based training. Employee training tends to be comprehensive and general in nature, covering all topics. However, product technology development is a crucial driving force for the Group's business activities, and we frequently engage with researchers at national and public universities through collaborative research with universities and other research institutions. In light of this, I believe that the focus in training on the themes of bribery and illegal provision of benefits to quasi-public officials through case studies can be seen as part of an effective risk-based approach. In addition to the above, we have established Corporate Ethics Helplines and a dedicated helpdesk for sexual harassment, etc., to promptly resolve compliance and human rights issues, as well as an internal whistleblowing hotline. Therefore, I commend Toagosei for establishing the necessary compliance system. Reports submitted through the internal whistleblowing hotline are shared with the Audit and Supervisory Committee and discussed there.

The actual supervision of compliance is handled by the Compliance Committee, which is composed of members including outside legal counsel. I also attended meetings in the previous fiscal year, and I found that a variety of incidents were reported in detail based on well-organized materials, and this gave me a clear understanding of the Group's compliance status. However, the Compliance Committee gives the impression of being somewhat distant from employees, and it would be good to see improvements to its operational methods so that it doesn't simply receive reports compiled internally. It is necessary to verify on a daily basis whether compliance goes beyond simply adhering to standards and internal regulations, and whether it involves a genuine sense of constantly questioning why certain actions must be taken. In addition, given that there are collaborative research projects with researchers at private universities and private companies, it might be wise to clearly state, for example, that the provision of benefits is prohibited, even though they are not considered quasi-public officials.

Role as an outside director

Improvement in corporate value should not only include increasing operating income, but also being a trustworthy entity in society by being a clean company that maintains decency and complies with laws and regulations. While legal advice from attorneys at law can often slow things down, we must also be mindful that excessive adherence to procedures can lead to organizational paralysis and a loss of speed in business operations, which can hinder a company's growth. From this perspective, I believe that an attorney at law's role as an outside director is to provide opinions that leverage legal expertise in order to enhance corporate value while complying with laws and regulations. The Group is a mature and stable company with a long history, and I intend to continue questioning whether this might create an environment that makes it difficult to take on new challenges.

To our investors

The first year of the new Medium-Term Management Plan has begun. In order to achieve this Medium-Term Management Plan, we need to advance its overseas business and create a foundation for it to become a pillar of business alongside Japanese business in the future. Overseas, where social backgrounds, cultures, and laws differ, businesses are often forced to operate differently than they do in Japan. I intend to conduct thorough monitoring to ensure the implementation of decisive management.

Governance

Towards the creation of highly functional “future” substances

Outside Director

Yoshiyuki Kobayashi



Past experiences

I have consistently worked in research and development at Daiichi Sankyo Company, Limited. My background is in organic synthesis chemistry and medicinal chemistry. During my time at a research laboratory, I was mainly involved in the exploratory research of new drugs based on sugars, and from that research, the influenza treatment drug “INAVIR” was discovered. In relation to INAVIR, I also have experience in clinical development and product launch as a project manager. Later, as Director of the Medicinal Chemistry Research Laboratories, I managed early-stage drug discovery and synthesis research, as well as lead compound optimization research. Furthermore, I served as CEO & President of the local R&D subsidiary in India, gaining experience in managing overseas R&D units.

In addition to India, I also spent time working in the United States. In total, I spent nine years working abroad. In the United States, I participated in collaborative research with a venture company as a visiting researcher. Subsequently, at a U.S. subsidiary, I was involved in collaborative research with ventures and universities as well as open innovation operations related to product introduction and licensing, and served as head of alliance management for the development of antibody-drug conjugates (ADCs).

After leaving Daiichi Sankyo, I served as Chief Science Officer (CSO) of a Japanese drug discovery venture, and I gained experience in a range of key R&D operations at pharmaceutical companies and venture companies in Japan and the United States.

Appointment as outside director

I believe that my main role as an outside director is to contribute to the development of the medical field, which is one of Toagosei’s next-generation growth drivers. The term “medical field” encompasses a wide range of areas, including pharmaceuticals, medical materials, and medical devices. Here, I would like to share my thoughts on drug discovery. Through the aforementioned influenza treatment drug “INAVIR” project, I learned many things about drug discovery. One such thing is the concept that “drugs are highly functional substances that contribute to healthcare.” This led to a major shift in my perspective on drug discovery. It is commonly believed that physiologically active substances that strongly bind to disease-

causing proteins and regulate their function in the body are immediately suitable as drugs, but in reality, this is extremely rare. For a physiologically active substance to become a drug, not only its physiological activity, but also its in vivo functions, such as pharmacokinetics, are important factors. How to extract the functions of these substances is key to the success of drug discovery, and in fact, INAVIR was discovered through such research. In recent years, the term “modality” has been frequently used in drug discovery. In modality research, a major pillar of research is the creation of highly functional physiologically active substances, as seen in ADCs, a representative example of modality research, where “physiologically active substance × functional substance = highly functional physiologically active substance = novel drug that surpasses standard treatment.” I believe that in the coming era, the creation of highly functional physiologically active substances that focus more on the functions of substances will become mainstream in drug discovery.

Toagosei’s strength lies in its R&D capabilities, cultivated over many years, which enable the creation of highly functional substances. I am confident that the medical business, which is built upon these R&D capabilities, will create highly functional physiologically active substances that can contribute to the diverse and broad field of medicine. As an outside director, in order to realize the creation of these highly functional physiologically active substances—highly functional “future” substances—I would like to create an environment that makes it easier to take on challenges through dialogue with employees.

To our investors

We possess broad and outstanding technical capabilities for the creation of highly functional substances. Moreover, a great willingness to take on challenges is an invaluable source of energy for activities. I am confident that a combination of technical capabilities and this mindset in the medical business will undoubtedly make a significant contribution to healthcare, and, in turn, lead to substantial growth for Toagosei. In order to achieve this going forward, I would like to engage in discussions from various perspectives with employees, officers, shareholders, and investors, and contribute to improving corporate value.

Aiming to improve corporate value by responding appropriately to the surrounding environment

Outside Director (Audit and Supervisory Committee Member)

Masahiko Enomoto



Past experiences

After engaging in the enforcement of the tax system within the national tax organization, I opened my own practice as Certified Public Tax Accountant. Currently, I work as a Certified Public Tax Accountant while also serving as a corporate advisor and outside director.

Within the national tax organization, I worked for a long time in the National Tax Agency, primarily in internal management and crisis management departments, mainly focusing on personnel. I also gained experience in tax audits and collection management at regional taxation bureaus and tax offices. In tax audits and collections, I have strived to ensure fair and equitable taxation and collection. In addition, I have had the opportunity to interact with people in the legal field through my work.

Although I have no experience in corporate management, I have had opportunities to discuss the realities of management and initiatives to improve corporate value with individuals from companies in private tax-related organizations, and this has proven to be extremely useful in my post-retirement work.

Appointment as outside director

I recognize that my primary role as an outside director is to provide an objective and constructive perspective from a standpoint that is independent from management, and in doing so improve the quality of decision-making. Therefore, I will not only fulfill my oversight functions, but also will actively participate in discussions on the Company’s medium- to long-term growth strategies and risk management, and make effective recommendations.

In addition, the business environment surrounding companies is changing rapidly, requiring more complex and diverse perspectives than ever before, including on population decline, responses to ESG and sustainability, globalization, and the advancement of digitalization. To respond to these changes, flexible management that integrates both internal and external expertise is essential. Leveraging my past experience, I aim to contribute to building a foundation for sustainable growth for the Company by providing constructive advice and oversight from a multifaceted and medium- to long-term perspective. I would also like to support the Company in realizing management that fulfills its corporate social responsibilities,

while respecting diverse perspectives both inside and outside the Company.

Furthermore, I hope to build a relationship of trust with management while preserving an appropriate degree of tension, and contribute to the healthy development of the Company through constructive dialogue. I will strive to perform my duties with integrity and responsibility in order to meet the expectations of our stakeholders.

To our investors

In today’s business environment, companies are required more than ever before to have highly transparent governance and the ability to make flexible management decisions that are mindful of capital efficiency. The environment surrounding companies is changing at an unprecedented pace. If companies stand still, they will be left behind, and if they are slow to adapt to change, they may end up damaging their own value. To respond quickly and appropriately to changes in the environment, forward-looking management that includes risk management is essential. In the chemical industry, which has a business model where upfront investment in R&D is directly linked to global market fluctuations, I believe my role is to realize governance that supports investments for growth while appropriately controlling risks and ensuring transparency, from a fair and impartial standpoint. In particular, I will strive to meet the expectations of our investors by focusing on management that is mindful of capital efficiency and by disclosing appropriate information, including non-financial information.

In addition, securing personnel is crucial for a company to achieve sustainable growth. To secure top personnel in a so-called seller’s market caused by the declining birthrate, companies must earn the love of their employees by improving the working environment, including through the prevention of harassment. I want to contribute to creating a comfortable, bright, and open work environment so that Toagosei becomes a company that people want to be hired by and that they want to continue working for.

I will strive to protect the interests of our investors and to make the Group a company that is truly trusted by society and that continues to grow sustainably.