

Sustainability Management

Enhancement of Contributions to Society and Local Communication

Activities for social contribution, aesthetic maintenance and conservation of biodiversity

Our Group conducts activities for social contribution, aesthetic maintenance and conservation of biodiversity, including donations and gifts, sports support, volunteer cleanups, and sponsorships.

At Aronkasei, a group company, we have launched activities where we make donations to the NPO WaterAid JAPAN\* in line with the number of products we sell, from the standpoint of achieving clean water and lives for all people.

The main results for 2024 are shown in the following table. We will continue actively promoting social contribution activities into the future.

\*An NPO that promotes activities to deliver water, sanitation, and correct hygiene habits to developing countries.

Results in 2024

Site	Activity contents
Site in Japan	Local and neighborhood cleanup activity <ul style="list-style-type: none"><li>T.LEAGUE Official Partner</li><li>Support for the MINATO City Half Marathon 2024 in Minato-ku, Tokyo</li><li>Donations to the Children's Future Support Fund (led by the central government) and the Ashinaga Foundation</li></ul>
Head Office	<ul style="list-style-type: none"><li>Donations for the Noto Peninsula earthquake, the heavy rain disaster in the same area, and the earthquake off the east coast of Taiwan</li><li>Donation to the Tobitate! Study Abroad Initiative</li><li>Donation to the Chemistry Personnel Cultivation Program</li><li>Donation to the Japanese Foundation for Cancer Research (supporting technical development for cancer treatment)</li></ul>
Nagoya Plant	Higashiyama Zoo sponsorship, donation of equipment to the Social Welfare Council
Tokushima Plant	Donation to Tokushima Forest Development Promotion Organization Partnership Agreement
Hirono Plant	Sponsorship of Iwaki FC
Aronkasei	<ul style="list-style-type: none"><li>Support for regions affected by the Noto Peninsula earthquake through the supply of products (with simple installation that can enable a Japanese-style toilet to be used as a Western-style toilet)</li><li>Donations in line with the number of eligible products sold (NPO WaterAid JAPAN)</li></ul>
Toagosei America Inc.	Donations to local municipalities and neighborhood sports organizations
Toagosei (Zhuhai) Limited	Donation of books to Zhuhai City Welfare Center
Toagosei (Zhangjiagang) New Technology Co., Ltd.	Visits to welfare schools, donations to the local community
Toagosei KOREA Co., Ltd.	Donation to UNICEF, participation in blood donations drives and volunteer activities



Awareness-raising poster

Communication with local communities

Our Group organizes events such as plant tours, school visits and on-site lectures at each business site. In 2024, we held a "Kids' Cafeteria" for local families in the cafeteria of our new employee dormitory Rooformi EGASAKI (Tsurumi-ku, Yokohama).

This event went beyond simply providing meals to combine informative lectures on the importance of breakfast and food education with classes themed around biodiversity, creating opportunities to broaden children's knowledge of healthy eating and expand their interest in sustainability.

As a member of the local community, the Toagosei Group aims to contribute to society and nurture the next generation through this initiative.

Results in 2024

Site	Activity contents
Site in Japan	Participation in plant tours and community events
Head Office	Participation in the "Kids' Chemistry Experiment Show 2024" summer event Holding Kids' Cafeteria in the new employee dormitory Rooformi EGASAKI Participation in the "Youngsters' Science Festival 2024 Nagoya"
Nagoya Plant	Published the "Seiryu" local newsletter Participation in "Riko-challe Summer of 2024"
Takaoka Plant	Lectures at Kanazawa Institute of Technology and University of Toyama
Tokushima Plant	Participation in the Tokushima Forest-Building Cooperative
Aronkasei	Participation in the "Shiga Job Encyclopedia" experiential program for children in Takashima City.



The Kids' Cafeteria

Corporate Governance

P	D	C	A
Targets for 2024	Results in 2024	Achievement	Targets for 2025
Further strengthening of capital policy based on the Medium-Term Management Plan	<ul style="list-style-type: none"><li>Establishment and implementation of plans for selling off cross-shareholdings</li><li>Total shareholder return ratio of 116.1%</li></ul>	★★★★	Further strengthening of capital policy based on the Medium-Term Management Plan
Strengthening corporate governance	<ul style="list-style-type: none"><li>Integration of the Nomination Committee and Remuneration Committee into the Nomination and Remuneration Committee</li></ul>	★★★★	Strengthening initiatives to improve corporate governance
Further disclosure of non-financial information	<ul style="list-style-type: none"><li>New inclusion of non-financial data highlights (human resources, environment, disaster data) and employee stock ownership association membership ratio in the GROUP REPORT.</li></ul>	★★★★	Further disclosure of non-financial information
Respond proactively to the amended internal control reporting system	<ul style="list-style-type: none"><li>Revised scope of internal controls evaluation</li><li>Created a risk and control matrix to address cyberattacks (operation commenced in 2025)</li><li>Created internal control measures targeting business email fraud (operation commenced in 2025)</li></ul>	★★★★	Respond proactively to the amended internal control reporting system
Promote autonomous internal control for group companies	<ul style="list-style-type: none"><li>Revised the company-wide internal control checklist</li></ul>	★★★★	Promote autonomous internal control for group companies

Our approach and policies (vision)

Our Group has established the Toagosei Group Basic Policy on Corporate Governance. Based on the corporate philosophy of "Through the endless possibilities of chemistry, we bring happiness created by highly functional materials," the Group strives to fulfill its corporate social responsibility by positioning the enhancement of corporate governance as a key priority for management. The Group pursues transparent, fair, swift and resolute decision-making through effective corporate governance, to achieve sustainable growth and to increase its corporate value over the medium- to long-term. The Group is committed to the continuous enhancement of corporate governance.

The Group's basic approach to corporate governance is shown on the right.

Basic Approach to Corporate Governance

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.

Corporate governance system

We are a company with an Audit and Supervisory Committee, and have a system to accelerate decision-making by securing management oversight functions. This is done by separating business execution by directors and executive officers from the supervision by the Board of Directors, which includes outside directors, of management decision-making and business execution.

Progress of initiatives to strengthen corporate governance

Year	Item	Change in the number of outside directors
2001	Introduction of Executive officer system	
2003	Appointment of outside directors started	
2006	Internal Control Section established Basic Policy on Internal Control system established by resolution	1
2016	Toagosei Group Basic Policy on Corporate Governance established Transition to a company with an audit & supervisory committee	
2017	Start of assessment for the effectiveness of the Board of Directors	5
2018	The proportion of outside directors in the voluntary Nomination Committee/Remuneration Committee increased to a majority	
2019	Increase in the number of outside director to seven	
2020	Introduction of stock compensation plan	
2022	Outside directors became the majority for the first time (6 internal and 7 outside) Move to the Tokyo Stock Exchange Prime Market	7
2023	Disclosure of initiatives for improving PBR	
2024	Integration of the Nomination Committee and Remuneration Committee into the Nomination and Remuneration Committee	

Directors and the Board of Directors

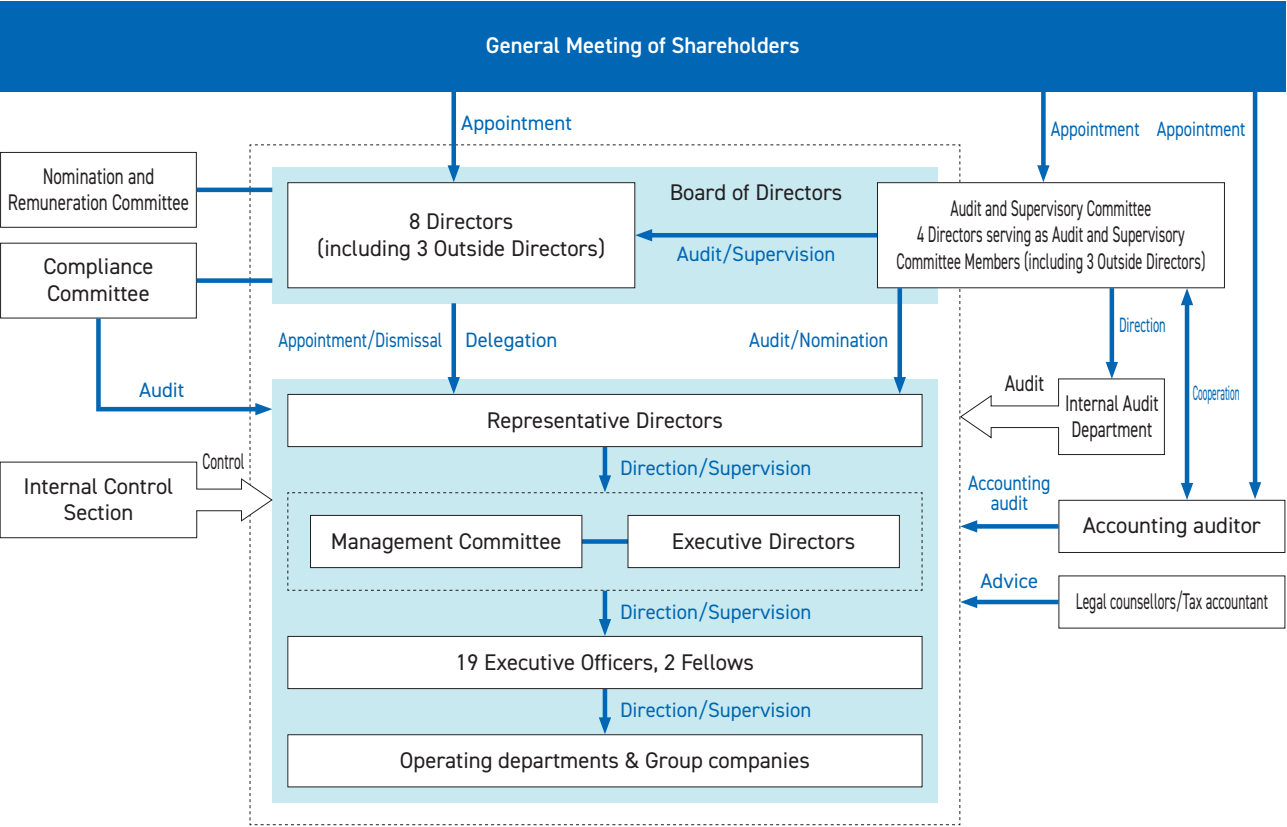
Toagosei's Board of Directors consists of 12 directors (including four directors who serve as Audit and Supervisory Committee Members). The six independent outside directors play the roles mainly in strengthening the Board's oversight over the management. At the meetings of Toagosei's Board of Directors, 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.

The Company selects a well-balanced mix of candidates for directors who possess extensive experience and abundant knowledge in various business fields including R&D, technology, production, sales, corporate management, financial accounting, legal affairs, and labor affairs, while also focusing on the digital transformation (DX) and global sustainability fields. The Board also includes a female director, as part of the Company's efforts to maintain the diverse structure of the Board of Directors.

Composition of the Board of Directors



Corporate Governance System



Audit and Supervisory Committee

The four-member Audit and Supervisory Committee consists of one director who serves as a full-time Audit and Supervisory Committee Member and three outside directors. 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, the status of internal control systems construction and operation, financial conditions, and other matters.

The Audit and Supervisory Committee met 19 times during FY2024, and in addition to performing internal audits related to our Group's compliance conditions and appropriateness of business operations, received reports from directors and employees regarding matters discussed at the Management Committee and important matters that have an impact on operations and business performance.

Management Committee

The Management Committee, composed of five executive directors, meets every week, in principle, for the purpose of accelerating management decision-making and improving the efficiency of business advancement. It engages in practical discussions, from an operational perspective, of matters delegated to it based on resolutions by the Board of Directors.

Profile of Directors

Name	2024 Attendance at the Board of Directors meetings (times)	Fields of experience							
		Corporate management/planning	Sales/marketing	R&D technology/production DX	Finance/accounting	Legal affairs	HR/labor affairs	Global	Sustainability
Mikishi Takamura	13/13	●			●		●		●
Hidehiko Kobuchi	13/13	●	●	●					
Etsuzo Marumoto	10/10*			●					●
Shoji Takayama	10/10*	●	●						
Akihiko Matsuda	—	●	●		●			●	
Takashi Kato	Outside12/13			●				●	●
Masahiko Ito	Outside10/10*	●	●	●					●
Reiko Ishiyama	Outside—						●		●
Yoshihito Takahashi	10/10*			●	●		●		●
Nobuhiko Takano	Outside13/13				●				
Toshiyuki Teramoto	Outside10/10*	●			●				
Ikuko Komachiya	Outside—					●		●	●

\*Since appointment to office in March 2024

Nomination and Remuneration Committee

To enhance objectivity and transparency in corporate management, the Board of Directors has established, as its advisory body, the Nomination and Remuneration Committee, comprising one director who is not an independent outside director and several independent outside directors.

Upon request from the Board of Directors for advice, the Nomination and Remuneration Committee deliberates and reports to the Board of Directors on matters such as succession planning for representative directors, procedures for appointing candidates to directorships or representative directorships, candidate qualifications and reasons for appointment, as well as on independence criteria for independent outside directors, including perspectives on diversity of personal attributes and skills.

Upon request from the Board of Directors for advice, the committee deliberates on the remuneration system for directors as well as individual director's remuneration, and reports to the Board of Directors. The amounts of remuneration of individual directors (excluding directors who serve as Audit and Supervisory Committee Members) are determined by the members of the Nomination and Remuneration Committee, which is entrusted with the task, in line with the calculation criteria established by the Board of Directors, based on the results of deliberation submitted by the Nomination and Remuneration Committee, and by resolution of the Board of Directors.

Selection of Directors

The Company has prescribed the selection standards for the Company's directors (excluding directors who also serve as Audit and Supervisory Committee Members and independent outside directors who do not serve as Audit and Supervisory Committee Members) as follows to clarify the qualities expected of directors:

- 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.
- Persons who are fair-minded and possess excellent character, views, and job execution capabilities as well as have the ability to execute fair and appropriate supervision of business administration, operational management, and business execution based on high ethical standards.

The Nomination and Remuneration Committee deliberates on matters such as appointment procedures, qualification and reasons for appointment regarding proposals on candidates for directorships prepared by the representative director, and reports on the deliberation results to the Board of Directors.

Remuneration for Directors

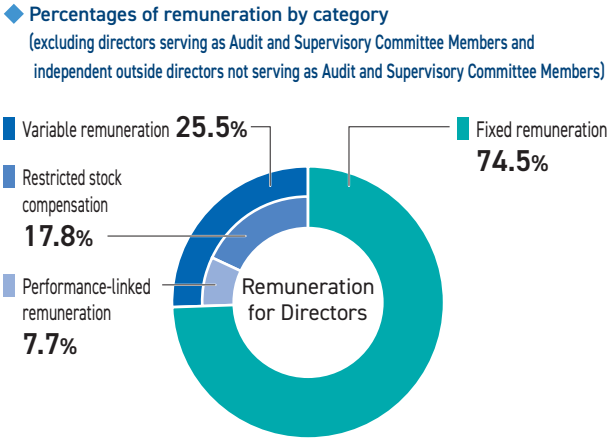
Remuneration for the Company's directors consists of three parts, namely, fixed remuneration, performance-linked remuneration, and share-based remuneration, and is paid within the amount approved by the General Meeting of Shareholders.

The amounts of fixed remuneration are determined and paid in consideration of each director's duties, responsibilities, performance and other matters. For the directors who serve as Audit and Supervisory Committee Members, fixed remuneration is paid in consideration of the role and duties of each director.

The amounts of the performance-linked remuneration are determined and paid based on the Company's performance in the previous business year, such as consolidated operating income, as well as duties and responsibilities according to the positions and the business environment, among other factors. Performance-linked remuneration is not paid to directors who serve as Audit and Supervisory Committee Members or to independent outside directors, in light of their important role in overseeing corporate management from independent viewpoints.

Under the stock compensation plan, the Company allocates restricted shares as remuneration to eligible directors, in a number commensurate to the duties and responsibilities of each director, for the purpose of providing incentives to them to

sustainably enhance the Company's corporate value and to further promote the sharing of value with the Company's shareholders. As with performance-linked remuneration, the Company does not pay stock-based compensation to directors who serve as Audit and Supervisory Committee Members or to independent outside directors.



◆ Breakdown of Remuneration for Directors (January 2024-December 2024)

Classification	Total amount of remuneration (Millions of yen)	Total amount by remuneration type (Millions of yen)			Number of directors (Persons)
		Fixed remuneration	Performance-linked remuneration	Restricted Stock compensation	
Directors (not serving as Audit and Supervisory Committee Members)	187	147	12	28	11
of which, Outside Directors	28	28	-	-	4
Directors (Audit and Supervisory Committee Members)	54	54	-	-	7
of which, Outside Directors	38	38	-	-	5

◆ Activity status of the Nomination and Remuneration Committee

Name	Meetings held	Activities
Nomination Committee	3	<ul style="list-style-type: none"><li>● Deliberation on successor development training</li><li>● Deliberation on revision of rules</li><li>● Deliberation on revision of the composition of the Board of Directors</li></ul>
Remuneration Committee	1	<ul style="list-style-type: none"><li>● Deliberation and report to the Board of Directors regarding remuneration for directors, executive officers, and fellows</li><li>● Deliberation and report to the Board of Directors regarding other matters such as changes to the remuneration amount</li></ul>
Nomination and Remuneration Committee	4	<ul style="list-style-type: none"><li>● Deliberation and report to the Board of Directors regarding changes in officers based on the candidates' career experience and skills</li><li>● Deliberation on succession planning for representative directors and others</li><li>● Deliberation and report to the Board of Directors regarding matters such as changes to the remuneration amount</li></ul>

\*The Nomination Committee and The Remuneration Committee were integrated into the Nomination and Remuneration Committee by resolution of the Board of Directors on July 31, 2024.

Internal Control Section

The Company has established the Basic Policy on Internal Control by the resolution of the Board of Directors in order to strengthen corporate governance. In accordance with the said policy, the Internal Control Section confirms the operating status of internal control from an independent perspective, reports such results to the Audit and Supervisory Committee Members, and performs duties related to internal control (duties to ensure appropriate financial reporting), based on Japan's internal control reporting system (J-SOX).

In cooperation with the Internal Audit Department (an auxiliary organ of the Audit and Supervisory Committee Members) and the accounting auditor, the Internal Control Section ensures that the Group's business operations as a whole are conducted appropriately in compliance with relevant laws and regulations.

Assessment for the effectiveness of the Board of Directors

Each year, the Company's Board of Directors conducts a questionnaire survey of all directors and analyzes and evaluates the effectiveness of the Board of Directors. The survey questions are designed to prompt the directors to reflect. We assign a third party to analyze and evaluate the questionnaire results to ensure the objectivity of the assessment. Based on the third-party evaluation, the Board of Directors discusses ways to resolve any issues and strives to improve its function.



1 Questions asked in the survey

The following items are answered on a 3-point scale and with free response

- Structure and operation of the Board of Directors
- Enhancement of Board Meeting agenda and discussions
- Enhancement of discussions concerning financial results
- System supporting the Board of Directors
- Constructive dialogue with shareholders
- Contribution to the Board of Directors (self-assessment)

In addition to a ranked scale, the evaluation enables the directors to freely write their opinions, and the questionnaire is not anonymous, to ensure that these evaluations help to improve governance.

2 Assessment results

The following is a summary of the results of the survey conducted in January 2025.

- Overall, the effectiveness of the Company's Board of Directors is generally secured.
- While there were some critical opinions expressed in the free comment section, there were also positive comments concerning new initiatives, and the directors recognized efforts to address the issues from last year's survey results.

Items eliciting high ratings

- Discussion on the future structure of the Board of Directors
- Overall approach to discussions by the Nomination and Remuneration Committee, and information-sharing
- Opportunities for Audit and Supervisory Committee members to obtain information and support frameworks

Items identified as future issues

- Discussions from medium- to long-term perspectives

3 Issues and future initiatives

We will work on measures aimed at further improving the effectiveness of the Board of Directors, taking into account the opinions received concerning the items identified as issues.



Support system for outside directors

We have taken various steps to establish the environment that enables outside directors to properly supervise that medium- to long-term management directions are deliberated in a multi-dimensional way and the Company's management strategies are executed appropriately. Specifically, we provide outside directors with opportunities to visit each business site of the Company periodically with a view to deepen their understanding of the Company's business. Furthermore, they receive monthly briefings regarding the contents discussed by the Management Committee, and share their understanding of the Company's management issues, constructively exchanging opinions as needed through attendance at important meetings regarding research and development, sustainability policy, etc.

Dialogue with shareholders and investors, and information disclosure

Basic policy and framework

In the Toagosei Group Basic Policy on Corporate Governance, the Company stipulates that we "respect the rights of our shareholders and ensure their equality," and that we "engage in constructive dialogue with shareholders who have an investment policy that aligns with medium- to long-term shareholder profits."

In terms of information disclosure, we act in compliance with rules on the handling of important information (insider information) specified in the Financial Instruments and Exchange Act, etc., the Regulation on Fair Disclosure, the Rules of Tokyo Stock Exchange (TSE) and other related regulations. In addition, in order to disclose information to all stakeholders in a timely, appropriate, and fair manner, and to enable an accurate understanding of our Group, we are actively promoting the disclosure of release text and financial statements in English in order to eliminate uneven amounts of information depending on the language.

General Meeting of Shareholders

We disclose the notices of convocation on the Company's website and through the TSE, before the day on which the notices are sent, for early information disclosure to our shareholders to ensure that the General Meeting of Shareholders is a place for more productive dialogue. In addition, in view of the increase in the number of foreign shareholders, a summary of the notice of convocation, reference documents and the notice of resolution are translated into English and disclosed on the Company's website and through the TSE concurrently with the Japanese version.

Moreover, to convey the proceedings of the General Meeting of Shareholders to more of our shareholders, we provide live streaming on the day of the meeting and on-demand streaming after the meeting.

Financial results briefing and information disclosure

We strive to disclose information proactively, including the voluntary disclosure of information in addition to legal disclosure under applicable laws and regulations and timely disclosure under the Rules of Tokyo Stock Exchange.

We hold financial results briefings (twice annually) and individual interviews with institutional investors and the media, and we disclose transcripts of the briefings for stakeholders who were unable to attend the financial results briefings. Briefing materials for the first quarter and third quarter financial results are also available on our website.

From April 2025, we disclose information simultaneously in Japanese and English (summarized disclosure for some information), and we are striving to provide information to investors both in Japan and overseas.

<https://www.toagosei.co.jp/english/ir/library/presentations/index.html>

Dialogue with stakeholders

The Company actively holds individual dialogue with analysts and institutional investors in Japan and overseas, with dialogue held a total of 110 times in 2024. The General Manager of the Corporate Communication Department is the primary person to meet with shareholders, but other officers or employees of related divisions may be in attendance depending on the topic of the agenda or discussion.

We actively engage in dialogue covering a broad range of topics, primarily a summary of our financial results but also including main topics such as the Company's Medium-Term Management Plan, initiatives to improve our PBR, and IR activities.

The status of meetings and the opinions of shareholders and investors are also reported to the Board of Directors each fiscal quarter through the Director in Charge of Investor Relations (IR) overseeing these matters, and we engage in an exchange of views.

Number of individual interviews held	2022	63 times
	2023	98 times
	2024	110 times

PICK UP

IR activities for individual investors

On May 8, 2025, Toagosei's President Kobuchi appeared in the popular "Interview with Top Management" segment on the dedicated markets and economics channel Nikkei CNBC.\* This segment features live-broadcast-style interviews with guests from the top management teams of notable companies, providing deep and multifaceted insights into corporate identity and growth strategies. President Kobuchi introduced himself as Toagosei's new president (including an overview of his career so far) and highlighted the Group's attractiveness and growth potential to individual investors through an explanation of its growth drivers, key products, shareholder returns, and his message for viewers.



A view of the segment (Left: Nikkei CNBC interviewer Masaki Morita; Right: President Kobuchi)

\* Nikkei CNBC is a 24-hour dedicated markets and economics channel established primarily by Nikkei Inc. and CNBC, a subsidiary of NBC, which is one of the four major television channels in the United States.

Corporate Governance

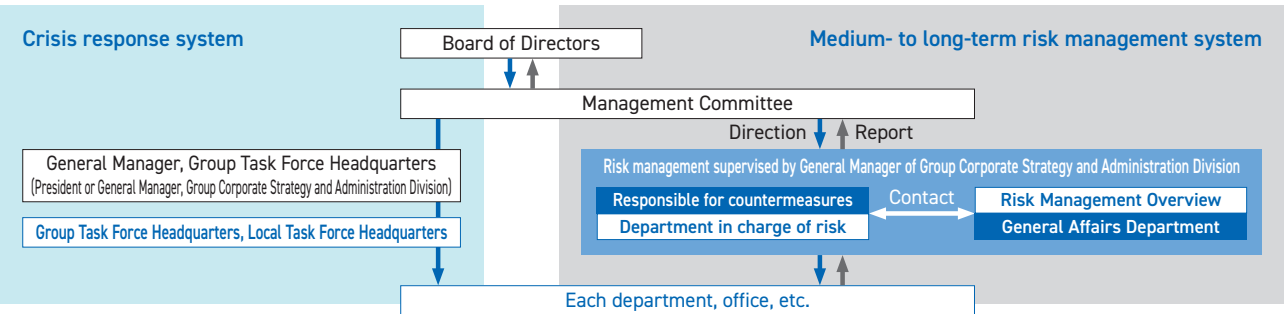
Risk Management

P	D	C	A
Targets for 2024	Results in 2024	Achievement	Targets for 2025
Continue making improvements to the risk management system	● Continue operation of a risk management system that enables departments and workplaces to respond more autonomously and flexibly	★★★	Verify and improve the BCP operating structure
Conduct crisis response training in response to new potential risks	● Conduct crisis preparedness training in anticipation of cyberattacks	★★★	Conduct crisis response training in response to new potential risks
Improvement of drills at each site in preparation for earthquakes, accidents, etc.	● Disaster prevention drills and safety confirmation drills, etc., conducted at each site	★★★	Improvement of drills at each site in preparation for earthquakes, accidents, etc.

Our approach and policies (vision)

Based on the "Toagosei Group Risk Management Regulations", the Toagosei Group designates a department in charge of each risk and implements appropriate risk countermeasures, including the formulation of a business continuity plan (BCP) and risk management for the purpose of prevention and avoidance, led by the department in charge. In addition to each department evaluating and responding to risks, the Management Committee and Board of Directors regularly assess the overall risk picture of the Group and confirm the adequacy of countermeasures, to ensure swift response to risks and management of company-wide risks. In the event that a risk materializes, a Group Task Force is established to respond flexibly to the crisis situation.

Risk management system



Risk management and BCP

To continue business operations even in the event that a risk is materialized, our Group has formulated the BCP that determines the standards for businesses that should be prioritized to continue operation, as well as the target recovery time according to the damage status.

The Toagosei Group has established the "Toagosei Group Crisis Response Rules" that specify the organizational framework and concrete measures in the event of a crisis. Moreover, the "Emergency Action Manuals" have been prepared according to respective phenomenon and office, and training is conducted regularly.

In addition, risks are assessed based on their probability of occurrence and degree of impact, which are then used for overall risk management and to prioritize countermeasures.

Crisis response training

We conduct crisis response training under a range of different scenarios, to ensure that we can take swift and appropriate action in the event of a crisis incident. We use a variety of training methods based on the circumstances of each situation and the approach we take, including training demonstrations

and drills based on diagrams. Issues identified during the training are also shared with each department, and actions are taken to improve them.

In 2024, we conducted crisis preparedness training in anticipation of cyberattacks. In addition to confirming our initial response when core systems are down, we were also able to outline issues such as our response priorities in the event of a prolonged crisis situation. We are currently moving ahead with developing response measures based on these issues.

Information security risk countermeasures

Multi-layered defense is used for security measures at entrances, exits and interior levels. The main countermeasures include firewalls, anti-virus software, behavior detection, and restrictions on sending and receiving e-mails.

With the increase in information security risks such as cyber-attacks, we also conduct monitoring and security diagnostics via security vendors.

In 2024, we also implemented e-learning for all Group employees to raise awareness of information security. We are progressively implementing measures from the perspectives of both hardware and software.

Corporate Governance

Compliance

P	D	C	A
Targets for 2024	Results in 2024	Achievement	Targets for 2025
Continuous compliance education	<ul style="list-style-type: none"><li>Compliance courses held for newly hired and promoted employees</li><li>Compliance education held at each workplace</li><li>Harassment prevention measures implemented when new recruits join the Group</li></ul>	★★★	Continuous compliance education
Continuation of monitoring and checks by the Compliance Committee	<ul style="list-style-type: none"><li>Compliance Committee meetings held (twice)</li></ul>	★★★	Continuation of monitoring and checks by the Compliance Committee
No major violation	<ul style="list-style-type: none"><li>Two cases of administrative guidance, no major violation</li></ul>	★★★	No major violation

Corporate ethics and legal compliance

Code of Conduct and Manual of Behavioral Standards

As fundamental guidelines and the basis for the correct behavior for all officers and employees to act as exemplary citizens, the Group has established the “Toagosei Group Code of Conduct” and the “Toagosei Group Manual of Behavioral Standards”. Both of these are included in the Compliance Handbook, which is carried by everyone in the Group, to ensure that all employees are aware of them.

Compliance education

In order to instill awareness of compliance, we are implementing education by employee position, Group-wide education, and voluntary education at workplaces. In addition to providing education for new employees and managers by job rank, the Group ordinarily conducts training at each workplace using a compliance handbook and other materials. In an easy-to-understand manner, the handbook describes various matters to be careful about in business activities as well as relevant laws and regulations, contributing to comprehensively raising awareness among employees.

In 2024, we also translated the handbook into three languages (English, Chinese, and Thai) and distributed it to local staff overseas. This will enable workplace-based compliance training to be conducted regularly overseas, contributing to the strengthening of the compliance system Group-wide.

In addition, we continued to conduct group training and workplace education at Toagosei and group companies, holding over 800 sessions in total during 2024. We will continue to maintain and strengthen the Group’s compliance system through various educational initiatives.



Compliance education

Compliance Committee

The Company has established the Compliance Committee that includes external members (outside legal counsel). The Committee periodically monitors the status of implementation of compliance measures at Toagosei’s sites and group companies (including overseas subsidiaries) and provides recommendations for improvement in order to ensure management that emphasizes compliance. The Compliance Committee met two times in 2024, and members discussed the reported matters. We maintain the Group’s compliance system by defining methods for improvements and making recommendations on matters that require improvements.

Compliance regarding business activities

To ensure that the Group’s business activities are in compliance with laws and regulations, we establish rules and conduct reviews by internal organizations.

For example, regarding the Antimonopoly Act and the Subcontractor Act, we stipulate Toagosei’s guidelines and describe initiatives in the Antimonopoly Act Compliance Manual, conduct pre-screening of legal content when concluding contracts, and also require a review by the Antimonopoly Act Compliance Committee upon the revision of product prices as part of efforts to prevent any violation of laws and regulations.

Use of the compliance handbook overseas

We have prepared versions of the Compliance Handbook in English, Chinese, and Thai to be used for compliance training at group companies overseas.



Human Rights Policy

The Group supports international human rights standards and principles, including the UN “Guiding Principles on Business and Human Rights” and the “Guidelines for Respecting Human Rights in Responsible Supply Chains” formulated by the Japanese government. We do not engage in human rights abuses, including forced labor, child labor, discrimination, and harassment.

To clarify this thinking, the Group has established the “Toagosei Group Human Rights Policy”, approved by our Board of Directors in 2022, which has been published on our website. In addition to the officers and employees of our Group, this policy expects suppliers and other business partners to support this thinking. In accordance with this policy, we are also establishing a human rights due diligence mechanism and working to identify, prevent and mitigate human rights issues, as well as setting up “Corporate Ethics Helplines” to provide assistance in the case of violations of human rights.

Conduct of human rights due diligence

Our Group conducts human rights due diligence in accordance with the “Toagosei Group Human Rights Policy.” We identify and evaluate human rights risks based on the “Practical Reference Materials for Respecting Human Rights in Responsible Supply Chains” developed by the Ministry of Economy, Trade and Industry. Identified issues are examined by sending survey forms to relevant suppliers and contractors, and the required action to be taken is considered and implemented based on the results of the survey. The implementation of human rights due diligence is also reported to the Compliance Committee to verify that it is deemed appropriate.

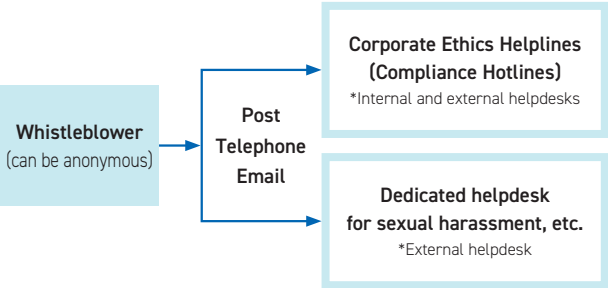
Past initiatives

In 2024, we distributed the Sustainable Procurement Guidelines to major suppliers of raw materials in Japan. We also conducted a survey on the status of overall sustainability initiatives and received responses from 26 out of 29 companies (89.7% response rate). The survey did not reveal any significant issues related to human rights or sustainability at the relevant suppliers. Looking ahead, we will be expanding the scope of companies surveyed and making improvements to our survey methods.

In 2024, we distributed our Human Rights Policy to companies that are consigned with work on a continuing basis, urging them to make an effort to respect our principles on human rights. We then conducted a survey on human rights and received responses from 8 out of 8 companies (100% response rate). We also conducted individual interviews with representatives from some of the companies. The results of the survey revealed that there were no major risks identified that conflict with the International Labor Organization’s Core Labor Standards and other international norms (elimination of forced labor, abolition of child labor, elimination of discrimination, a safe and healthy working environment, etc.) or with various domestic laws and regulations. We were able to confirm that companies to which we outsource advertising and promotions, in particular, are implementing appropriate measures to avoid complicity with human rights violations when selecting advertising performers and agencies.

Corporate ethics helplines

The Group has both in-house and external “Corporate Ethics Helplines”, which is a grievance mechanism for early detection and resolution of compliance and human rights issues. The Helpline is available via dedicated telephone line or email. It has also established a dedicated helpdesk for sexual harassment, etc., in an effort to provide a better work environment regardless of gender. In addition, it appropriately receives, investigates, and provides feedback in line with the whistleblowing flow established under the “Regulations on whistleblowing” aimed at improving the effectiveness of the whistleblowing system and provide whistleblowers with the protection of anonymous reporting. In conjunction with efforts to strengthen the compliance system, employees are also informed about the number of reports and a summary of their content, within a scope that does not infringe on whistleblower privacy.



TOPICS

More substantial education to prevent harassment

The Group has been conducting compliance education, including harassment prevention, as part of its level-specific and selective training. In 2024, the Group’s departments in charge of human resources development and compliance collaborated to incorporate compliance education into the training for young employees responsible for plant operations and their supervisors. The participants took part in education focused on appropriate communication, primarily covering the differences between guidance and harassment, as well as how to engage in active listening. They deepened their understanding of the importance of harassment prevention through lectures and group work. Going forward, we plan to continue compliance education through level-specific and selective training, as well as incorporating compliance education into large-scale training programs, aiming to further instill awareness of harassment prevention among employees.