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Corporate Governance Report

CORPORATE GOVERNANCE

artience Co., Ltd.

Last Update: April 2, 2024

artience Co., Ltd.

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Contact: General Affairs Department

Securities code: 4634

<https://www.artiencegroup.com/en/>

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

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

1. Basic Views

The artience Group (“the Group”) reaffirms that it is a global corporate group whose main business is the chemical manufacturing industry, and that it has the potential to have a significant impact on society and the environment. The Group believes that it must build good relationships with all stakeholders, and work to maintain and improve them. To do so, the Group recognizes that constantly analyzing and evaluating its own activities and practicing balanced management from the perspectives of people, society, the environment, and the economy is an important issue for fulfilling our corporate social responsibilities.

Enhancement of corporate governance through continuous reform is one of the pillars of the Group’s sustainability management. The Group will continue to incessantly reform and validate management resources and risk management, and build and maintain effective corporate governance. The Group will adapt flexibly to changes in the business environment and work to achieve resilient corporate management that contributes to the sustainable growth of the Group.

The Company’s thoughts on each item of corporate governance are posted in its Basic Policy on Corporate Governance, which is published on the Company’s website.

◇Basic Policy on Corporate Governance:

https://www.artiencegroup.com/en/corporate/sustainability/governance/corporate-governance/index.html#qa_1_1

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

The Company is implementing all of the principles under the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code **Updated**

【Principle 1.4 Cross-Shareholdings】

The Company holds shares of companies as it deems necessary for policy reasons as part of its management strategy, including business alliances, the maintenance and strengthening of business relationships and the stable procurement of raw materials.

Each year, the Board of Directors examines the economic rationality of holding each individual cross-held listed stock from a medium- to long-term perspective, and the Company sells stocks whose holdings have become less meaningful.

The Company sold 13.1 billion yen in stocks during the period of the previous medium-term management plan (FY2020 to FY2023) and plans to sell more than 10.0 billion yen in stocks during the period of the current medium-term management plan (FY2024 to FY2026).

Voting rights in relation to cross-shareholdings for listed shares will be exercised in an appropriate manner on a case-by-case basis, taking into account whether or not the relevant proposal will help to enhance the corporate value of the issuing company over the medium to long term, whether or not it will contribute to the profits of all

shareholders, including the Company, and the qualitative and overall impact it will have on the Group in terms of management and business. Where an issuing company has special circumstances, such as the occurrence of significant damage to its corporate value or a serious compliance violation, or where there is a concern that an issuing company may damage the corporate value of the Company as its shareholder, judgment over whether or not to approve will be made carefully by collecting sufficient information through dialogues with the issuing company or by other means.

【Principle 1.7 Related Party Transactions】

The Group will carry out all transactions, including related party transactions, in accordance with its own internal regulations, having sought necessary approvals in line with the importance and nature of the relevant transaction. Transactions whereby the related party is a major shareholder, or equivalent, will be subject to the same terms and conditions as transactions with third parties, to ensure that transactions are carried out legitimately.

【Principle 2.4 Ensuring Diversity, Including Active Participation of Women】

The Group believes that recruiting diverse human resources regardless of gender, age, nationality or disability and accepting their diverse values, thoughts and ideas will generate innovative ideas and innovation and promote the creation of value through diversity.

One of the most important issues is the promotion of the active participation of women. In terms of promoting a comfortable working environment, the Company has created an environment where employees are able to work actively while balancing childcare and work, and in 2010 the Company acquired Kurumin mark certification. By enhancing support system, in-house training, information provision, etc., the Company also received Eruboshi certification in 2017 and Platinum Kurumin certification in 2023. Regarding the promotion of the active participation of women, approximately 41.5% of the new graduates hired in April 2024 are women. In addition, the Company aims to establish an education system to develop women candidates for managerial positions.

The Group will facilitate the advancement of women in terms of both ease of work and careers and promote the appointment of women to managerial positions.

【Supplementary Principle 2.4.1 Ensuring the Diversity in Promotion to Core Positions】

The Group set itself a target of increasing the percentage of managers in Japan that are women to 10% by FY2030. The Group will provide career training for female future leaders and implement other initiatives to encourage female employees to take the first step in trying new jobs and duties with confidence and courage.

In the Group's view, it is unnecessary to set a numerical target for the percentage of managers in Japan that are foreign nationals and midcareer hires given that its policy is not to discriminate on the basis of nationality or career background in the context of employment and career development. The Group endeavors to ensure diversity in accordance with the policy described later in this report.

As of January 2024, the percentage of managers in Japan that are women was around 5.5%, the percentage that are foreign nationals was less than 1% and the percentage that are midcareer hires was around 32%.

The Group's policies to cultivate human resources and develop an internal environment to ensure diversity are follows.

<Cultivate human resources that have global perspectives and abilities>

The Group cultivates human resources based on a policy of developing abilities through diverse practical work experience related to overseas business both in Japan and overseas.

In anticipation of future needs, the Group also cultivates human resources through practical training at overseas subsidiaries aimed primarily at young and middle-ranking employees.

<Foster diversity to invigorate the organization>

In order to (i) provide information and training for mutual respect and the effective use of differences among employees and (ii) further promote diversity, the Company renamed the Diversity and Inclusion (D&I) Promotion Office the Diversity, Equity and Inclusion (DE&I) Promotion Office in January 2024. The Company will develop an environment, design programs and consider measures that will enable the active participation of diverse human resources.

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

The Company has adopted a contract-type defined benefit corporate pension plan and manages the pension assets.

Under the pension scheme of the Fund, the assets are managed by diversifying them appropriately after listening to opinions from the asset management consultant and asset management organizations, to secure investment earnings on a long-term basis for the purpose of securing resources for stable payment in the future.

Management of the pension assets is entrusted to multiple asset management organizations, and each organization

is left to select individual investment destinations and exercise voting rights, so as to prevent a conflict of interest between beneficiaries of the corporate pension and the Company. In addition, information about the management status is obtained regularly from each management organization, and details are shared by the Asset Management Committee, which is composed of executives in charge of personnel and managers from personnel and finance departments, and management status is managed appropriately.

Further, managers and persons in charge from the personnel department, which is the department in charge, cooperate with asset management consultants to ensure appropriate asset management and participate in pension management seminars and similar sessions hosted by asset management organizations, as part of their efforts to strengthen their expertise.

【Principle 3.1 Full Disclosure】

i) Company objectives (e.g., business principles), business strategies and business plans;

Details of the Company's Corporate Philosophy and Management Plan are published on the Company's website for reference.

◇Corporate Philosophy:

<https://www.artiencegroup.com/en/corporate/info/philosophy.html>

◇Management Plan:

<https://www.artiencegroup.com/en/corporate/info/strategy.html>

ii) Basic views and guidelines on corporate governance based on each of the principles of the Code;

Details of the Company's basic position on corporate governance are included under Section I-1. (Basic Views) of this report.

The Company's Basic Policy on Corporate Governance are published on the Company's website for reference.

◇Basic Policy on Corporate Governance:

https://www.artiencegroup.com/en/corporate/sustainability/governance/corporate-governance/index.html#qa_1_1

iii) Board policies and procedures in determining the remuneration of the senior management and directors;

The Company believes the executive remuneration system is an important part of its corporate governance and has established the five policies below based on this understanding. The Company will also ensure that the system adopts an objective perspective through the Nomination and Remuneration Advisory Committee which is chaired by an Outside Director

- 1) Remuneration should be at a level that reflects economic conditions and corporate performance.
- 2) It should be at a level that enables the Company to attract and retain talent to increase its corporate value.
- 3) The remuneration system should embody the Company's Corporate Policy, reflect its medium- and long-term management strategies and strongly inspire sustainable growth.
- 4) Remuneration should adopt the performance-linked system and inspire the achievement of the disclosed performance forecasts.
- 5) It should be designed to be fair and rational from a perspective of accountability to the stakeholders. It should be determined through an appropriate process that increases fairness and transparency.

For more information, see II-1. (Director Remuneration, Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof) of this Report.

iv) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of director candidates;

When a candidate for Director is nominated, the following matters (a) to (d) are determined comprehensively by the Chairman, President and Director in charge of personnel affairs. The President nominates candidates for the posts of Directors and Audit and Supervisory Committee Member. The nomination of candidates for the post of Director is discussed by the Nomination and Remuneration Advisory Committee, which is attended by three independent Outside Directors, and candidates for Directors who are members of the Audit and Supervisory Committee are approved at the meeting of the Audit and Supervisory Committee concerning submission of the proposal for the appointment to the General Meeting of Shareholders, before they are determined through deliberation and a resolution at a meeting of the Board of Directors.

(a) Criteria for nomination of Chief Executive Officer

In accordance with the Company's Corporate Policy, the Company nominates the Chief Executive Officer, based on a comprehensive assessment of:

- the nominee's ability to balance short-term, medium-term and long-term perspectives and to make sophisticated management decisions;
- the nominee's familiarity with the Group's business gained through experience serving as an executive director;
- and

- the nominee's awareness of the need to strictly enforce the law and corporate ethics.

(b) Appointment and nomination of candidates for Executives and Directors who are not members of the Audit and Supervisory Committee

In accordance with the Company's Corporate Policy, the Company nominates candidates for Executives and Directors, based on a comprehensive assessment of:

- their expected ability to contribute to the further development of the Group and related industries as a whole;
- their ability to accurately identify issues in their division and work with other Executives to resolve those issues; and
- their awareness of the need to strictly enforce the law and corporate ethics.

(c) Appointment and nomination of candidates for Directors who are members of the Audit and Supervisory Committee

In accordance with the Company's Corporate Policy, the Company nominates candidates for Audit and Supervisory Committee Members, based on a comprehensive assessment of:

- their ability to audit Directors' performance, prevent violations of the law and the Company's articles of incorporation before they occur, and maintain and improve sound management and public trust in the Group; and
- their ability to conduct audits from a neutral, objective perspective, and contribute to ensuring sound management.

(d) Appointment and nomination of candidates for Outside Directors

Taking the Company's criteria for independence for independent officers into consideration, the Company nominates candidates for Outside Directors, based on a comprehensive assessment of:

- their extensive expertise and experience in fulfilling leadership roles in areas such as management, legal affairs, finance and accounting, personnel and labor relations, and the chemical industry; and
- their ability to get to the heart of issues affecting the Group, adequately share their opinions with management, and provide guidance and supervision.

Concerning the removal of an Executive, consultation will be sought from the Nomination and Remuneration Advisory Committee in light of the criteria for removal stipulated in the Rules on Disciplinary Actions against Directors.

v) Explanations with respect to the individual appointments/dismissals and nominations based on iv).

The reasons for the nomination of candidates for Directors are already available on the Company's website for reference of the Notice of the Annual General Meeting of Shareholders.

◇ Notice of the Annual General Meeting of Shareholders:

<https://www.artiencegroup.com/en/corporate/ir/stock-information/generalmeeting.html>

Reasons for the nomination of Outside Directors are also stated in II-1. (Directors, Outside Directors' Relationship with the Company) of this Report.

【Supplementary Principle 3.1.3 Sustainability Initiatives】

The Group has set the basic vision of promoting a range of sustainability activities centered on the achievement of carbon neutrality in 2050 and interim goals in 2030 by formulating its sustainability vision, asv2050/2030, as a practical long-term goal for the Group's sustainability activities. Framework to promote sustainability and disclosures of climate change-related financial information based on the TCFD recommendations are published in the Company's website and Integrated Report 2023.

With respect to human capital, the Group sees human resources as its most important management capital and actively invests in them, introducing a human resource rotation program, promoting women's participation and advancement in the workplace to increase diversity, and ensuring safety and health in the workplace as a manufacturer. Similarly, in terms of the creation of new intellectual property, the Company has renewed its R&D structure to promote the development of new products and the creation of new businesses which meet the needs of society. In addition, the Group is endeavoring to promote open innovation and strategically acquire patents, and is actively disclosing information about these activities through its integrated report and other means.

◇ Sustainability Vision "asv2050/2030":

<https://www.artiencegroup.com/en/corporate/info/strategy.html#a03>

◇ Integrated Report 2023:

<https://www.artiencegroup.com/en/corporate/ir/archives/integrated-report/>

◇ Sustainability Data Book 2023:

<https://www.artiencegroup.com/en/corporate/sustainability/archives/sustainability-data-book/>

【Supplementary Principle 4.1.1 Scope of Delegation to Management】

In addition to matters that require a decision from the Board of Directors in accordance with the law or the Company's articles of incorporation, important management matters including the basic policy and strategic direction of the Group are submitted for approval by the Board of Directors in accordance with the Regulations of the Board of Directors. In addition, in order to transfer decision-making authority for the execution of business, decisions regarding the execution of business may be delegated to the Representative Directors in accordance with the Articles of Incorporation and the Board of Directors Regulations.

Decisions regarding other important matters in relation to management are made by the Group Management Committee in accordance with the Regulations of operating the Top Management Committee. To ensure effective supervision by the Board of Directors, matters determined by the Group Management Committee are then reported to the Board of Directors.

Operations relating to matters other than those submitted to the Board of Directors or the Group Management Committee are handled directly by the relevant Director in accordance with responsibilities determined by the Board of Directors. Such operations may also be delegated to a responsible Executive Officer. Even in cases such as these however, there are approval regulations in place for matters that can only be acted upon with approval from the Representative Directors, due to their importance or nature.

【Principle 4.9 Independence Standards and Qualification for Independent Directors】

Details of independence standards for Outside Directors and Audit and Supervisory Committee Members are included under II -1. (Matters Concerning Independent Directors) of this report.

【Supplementary Principle 4.10.1 Authority and Roles of the Nomination and Remuneration Committee】

The Company has established Nomination and Remuneration Advisory Committee aimed at further enhancing transparency and objectivity in processes for determining the nomination and remuneration of Directors.

The Nomination and Remuneration Advisory Committee consists of a majority of independent Outside Directors. The two Representative Directors attend the committee as members but an independent Outside Director serves as chair to ensure independence.

The Company positions the committee as advisory bodies which are mandated by the Board of Directors to deliberate on candidates for Directors and remuneration proposals presented by the Representative Directors before their proposal to the Board of Directors and to confirm the appropriateness of such candidates and proposals. The Representative Directors make proposals to the Board of Directors, based on utmost respect for the opinions of the committee. Details of procedure are stated in Principle 3.1. iv) of this section.

【Supplementary Principle 4.11.1 Policy on Diversity of the Board of Directors】

The Company's Board of Directors shall be composed of appropriate personnel, taking into consideration diversity and expertise within the number of Directors stipulated in the Articles of Incorporation, and at least one-third of the Directors shall be independent Outside Directors in accordance with the Company's independence standards as stipulated in Principle 4-9 above.

The criteria for nominating Directors and the procedures for their election are described in Principle 3-1 (iii)(iv) above. For the Director skills matrix, see the Attachment to this Report.

【Supplementary Principle 4.11.2 Concurrent Positions Held by Directors】

Details of executive positions held concurrently by Directors at other listed companies are included in the Notice of the Annual General Meeting of Shareholders and the Annual Securities Report, which are posted on the Company's website. In addition, those of Outside Directors are also stated in II-1. (Directors) of this Report.

◇Notice of the Annual General Meeting of Shareholders:

<https://www.artiencegroup.com/en/corporate/ir/stock-information/generalmeeting.html>

◇Annual Securities Report (*Japanese only):

<https://www.artiencegroup.com/ja/corporate/ir/archives/annual-security-report/>

【Supplementary Principle 4.11.3 Analyses and Evaluations of Effectiveness of the Board of Directors】

Each year, the Company conducts an evaluation of the effectiveness of the Board of Directors for all Directors, including Outside Directors, and takes steps to improve the Board of Directors based on issues identified.

<Initiatives implemented in FY2023>

The evaluation of effectiveness conducted in January 2023 pointed out training opportunities for officers, feedback to the Board of Directors on the status of dialogues with shareholders, and the operation of the Advisory Committee on Nomination and Remuneration. In response, in FY2023, the Board of Directors confirmed the training curriculum for officers and submitted a proposal for an IR activity report. It also reviewed the frequency

of meetings of the Advisory Committee on Appointment and Remuneration starting in FY2024.

<Process of the evaluation of effectiveness conducted in January 2024>

- A questionnaire survey was developed and conducted with the involvement and advice of a third-party external organization.
- Anonymity was ensured by enabling the submission of responses directly to the external organization.
- Analysis, discussion and evaluation were made at a meeting of the Board of Directors in March 2024 based on reports of aggregate results from the external organization.

<FY2024 Evaluation results and issues>

- Generally positive evaluations were received, such that necessary discussions were taking place in line with the proposal, and we recognized that the effectiveness of the Board of Directors as a whole was generally ensured. Improvements were also confirmed in the matters pointed out in the evaluation of effectiveness in FY2023. Issues that did not produce results in a single fiscal year were designated as continuing issues.
- In 2024, the composition of the Board of Directors was newly pointed out.

The Company's Board of Directors will strive to continuously improve its effectiveness by addressing the issues identified in this evaluation and monitoring the status of improvements in the following year's evaluation.

【Supplementary Principle 4.14.2 Policy on Training for Directors】

The Company continues to provide Directors with opportunities for essential training to help them to perform their respective duties and responsibilities.

In addition to supporting the expenses necessary to ensure that Directors and Executive Officers continue to obtain useful information on management, training to appropriately understand the changes in the business environment such as DX, TCFD and diversity is also provided. Further, all of the Executive Officers receive external training on finance, corporate governance and other related topics when they are appointed.

Outside Directors are provided with other resources besides the foregoing, including explanations aimed at improving their understanding in areas such as the Group's management strategy, business activities and current status, upon taking office as well as facility tours and briefings from supervising executives as necessary thereafter.

【Principle 5.1 Policy for Constructive Dialogue with Shareholders】

The Company has established the following policy in its Basic Policy on Corporate Governance (Article 17: Dialogues with Shareholders).

1. The Company shall engage in sincere dialogue with shareholders to achieve sustainable growth and increase corporate value, from a medium- to long-term perspective.
2. To encourage constructive dialogue, the Company shall establish the following systems and initiatives.
 - (1) Designate a director in charge of IR to oversee IR activities.
 - (2) Establish a department in charge of general shareholders and a department in charge of investors, which will serve as external points of contact and seek to enhance dialogue in cooperation with other relevant Group departments.
 - (3) Hold briefings for investors, in addition to individual meetings, as a means of dialogue to promote understanding of the Company's management policy, business performance, and business operations, etc.
 - (4) Share the content of dialogue among officers by periodically reporting to the Board of Directors and other means.
 - (5) Disclose information fairly and proactively, in accordance with the Disclosure Policy (Policy on Information Disclosure.) Give consideration to the management of insider information, such as setting a silent period for dialogue.

【Action to Implement Management that is Conscious of Cost of Capital and Stock Price】 【Available in English】

The Company has formulated the Medium-Term Management Plan artience 2027 (execution period: January 2024 to December 2026) through the Board of Directors. In the Plan, the Company is working on business portfolio transformation, maximization of capital efficiency and cash flow, and the development of corporate foundations and sustainable management that will support these initiatives, with the goal of exceeding the cost of shareholders' equity based on the recognition that the Company's cost of shareholders' equity is approximately 7%. In addition, the Representative Director and the Director in charge of IR explain the progress at results briefings held four times a year, and individual meetings and small meetings are held from time to time to explain the details.

Details are published on the Company's website for reference.

◇Medium-Term Management Plan artience 2027/2030(medium-term management plan briefing material) :

https://ss14.eir-parts.net/doc/4634/ir_material_for_fiscal_ym8/150856/00.pdf

* Action to implement management that is conscious of cost of capital and stock price is posted on page 21.

【Status of Dialogue with Shareholders】

Details are published on the Company's website for reference.

◇ Dialogue with shareholders and investors :

<https://www.artiencegroup.com/en/corporate/sustainability/governance/corporate-governance/index.html>

2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%
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Status of Major Shareholders **Updated**

Name or Company Name	Number of Shares Owned	Percentage (%)
TOPPAN Holdings Inc.	10,446,988	17.92
The Master Trust Bank of Japan, Ltd. (Trust account)	6,383,500	10.95
TOYO INK SC HOLDINGS CO., LTD.	5,262,779	9.03
Custody Bank of Japan, Ltd. (trust account)	3,485,500	5.98
Nippon Shokubai Co., Ltd.	1,661,230	2.85
Toyo Ink Group Employee's Stock Club	1,591,701	2.73
Toyo Ink Suppliers' Stock Club	916,200	1.57
STATE STREET BANK AND TRUST COMPANY 505001	794,837	1.36
STATE STREET BANK AND TRUST COMPANY 505003	664,340	1.14
MUFG Bank, Ltd.	602,646	1.03

Name of Controlling Shareholder, if applicable (excluding Parent Company)	_____
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Name of Parent Company, if applicable	None
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Supplementary Explanation **Updated**

As of December 31, 2023, TOPPAN Holdings Inc. holds 19.75% of the voting rights in the Company. That means that the Company is positioned as an equity method affiliate of TOPPAN Holdings Inc. For the purpose of receiving advice and guidance on the Company's general management from an objective perspective with a view toward the business environment surrounding the Group from an expert with seasoned knowledge of the industry, the Chairman of TOPPAN Holdings Inc. also serves as a Director of the Company as of the day when this report has been submitted.

Management decisions are made independently by the Company based on the deliberations of the Board of Directors of the Company and various other management meetings, and the Company considers that a certain level of independence has been secured. Moreover, terms and conditions for all transactions with TOPPAN Holdings Inc. and its group companies are determined based on a comprehensive overview of factors such as contract details and market prices, in the same way as transactions with other companies that have no capital ties with the Group. Through this management structure and policy on transactions, the Group has established a system to effectively protect minority shareholders.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, 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	50 or more and fewer than 100

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

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

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 Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	20
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors Updated	12
Election of Outside Directors	Elected
Number of Outside Directors Updated	7
Number of Independent Directors Updated	6

Outside Directors' Relationship with the Company (1) Updated

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shingo Kaneko	From another company					○		○				
Chise Onodera	Academic											
Tomoko Adachi	Other											
Yoshinobu Fujimoto	Lawyer											
Yutaka Yokoi	Other											
Keiko Kimura	Lawyer											
Minoru Matsumoto	CPA								△			

*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) Updated

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Shingo Kaneko			Chairman and Representative Director of TOPPAN Holdings Inc. The Group regularly conducts transactions with the TOPPAN Group. As of December 31, 2023, TOPPAN Holdings Inc. holds an 17.92% stake in the Company.	Mr. Shingo Kaneko is a management expert with extensive experience in this industry, and can therefore be expected to provide general management advice and guidance from an objective perspective with a view toward the business environment surrounding the Group, which will lead to livelier discussions at meetings of the Board of Directors.
Chise Onodera		Y	Professor, College of Law, Nihon University	Ms. Chise Onodera is an independent party with no trading relationship with the Company. She possesses highly professional knowledge in the Insurance Act and the Companies Act along with distinguished insight as a jurist. The Company expects her to supervise management from an

				impartial perspective. As Ms. Onodera is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.
Tomoko Adachi		Y	Trustee, Imperial Gift Foundation Boshi-Aiiku-Kai Honorary Director, Aiiku Hospital, Aiiku Maternal and Child Health Center, Imperial Gift Foundation Boshi-Aiiku-Kai Visiting Professor, School of Medicine, Tokyo Women's Medical University	Ms. Tomoko Adachi is an independent party with no trading relationship with the Company. She possesses experience in hospital management as well as highly professional knowledge and expertise in medicines and health-conscious business management and diversity & inclusion, having served as a member of multiple national and administrative councils and committees for women's advancement. The Company expects her to supervise management from an impartial perspective. As Ms. Adachi is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.
Yoshinobu Fujimoto		Y	Partner, Nishimura & Asahi (Gaikokuho Kyodo Jigyo) Outside Audit & Supervisory Board member of Mita Securities Co., Ltd.	Mr. Yoshinobu Fujimoto is an independent party with no trading relationship with the Company. He possesses highly professional knowledge of and broad insight, especially into M&A transactions and overseas transactions with the certification as lawyer. The Company expects him to supervise management from an impartial perspective. As Mr. Fujimoto is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.
Yutaka Yokoi	Y	Y	Councilor and Distinguished Professor, Chiba Institute of Technology Outside Director of Hokuohoku Financial Group, Inc.	Mr. Yutaka Yokoi is an independent party with no trading relationship with the Company. He possesses international sensibility and wide-ranging insight on global affairs cultivated through his career in diplomacy. The Company expects him to supervise management from an impartial perspective.

				As Mr. Yokoi is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.
Keiko Kimura	Y	Y	Lawyer, Anzai Law Office Outside Director (Audit and Supervisory Committee Member) of Yashima & Co., Ltd.	Ms. Keiko Kimura is an independent party with no trading relationship with the Company. She possesses highly professional knowledge of and broad insight especially into the Labor Act and human resource and labor related affairs with the certification as lawyer. The Company expects her to supervise management from an impartial perspective. As Ms. Kimura is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.
Minoru Matsumoto	Y	Y	Representative Partner of Terada-kaikei Tax Accountant Corporation Outside Director of Foster Electric Company, Limited Outside Director (Audit & Supervisory Committee Member) of JASTEC Co., Ltd. Mr. Minoru Matsumoto used to belong to Deloitte Touche Tohmatsu LLC, which is the accounting auditor of the Company. However, he left the auditing corporation in September 2012.	Mr. Minoru Matsumoto is an independent party with no trading relationship with the Company. He possesses a wealth of experience in accounting audit along with considerable knowledge of finance and accounting as a certified public accountant. The Company expects him to supervise management from an impartial perspective. As Mr. Matsumoto is not covered under Article 211, Paragraph 4, Section 6 of the Enforcement Rules for Securities Listing Regulations, there is not deemed to be any conflict of interest with general shareholders.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	4	1	1	3	Inside Director

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

Where the Company appoints employees to assist the duties of the Audit and Supervisory Committee, before the appointment or transfer of any such employee, the prior approval of the Audit and Supervisory Committee is required and the Audit and Supervisory Committee is responsible for issuing instructions and orders to and evaluating any such employee.

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

Outside Directors who are Audit and Supervisory Committee Members receive reports on matters such as audits and the status of development and operation of the internal control system from the accounting auditor, the Internal Audit Department and Audit and Supervisory Board Members of Group companies, either directly or through the full-time Audit and Supervisory Committee Members, and express opinions at meetings of the Board of Directors and the Audit and Supervisory Committee where necessary. Moreover, meetings attended by Outside Directors (excludes Directors who are Audit and Supervisory Committee Members) and Outside Directors who are the Audit and Supervisory Committee Members are organized as appropriate to exchange information on audits and the development and operation of the internal control system, thus strengthening mutual cooperation.

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 (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Advisory Committee	5	2	2	3	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Advisory Committee	5	2	2	3	0	0	Outside Director

Supplementary Explanation

The Company has established Nomination and Remuneration Advisory Committee aimed at further enhancing transparency and objectivity in processes for determining the nomination and remuneration of Directors. The Committee is chaired by an Outside Director and consists of two Internal Directors and three Outside Directors who meet the Company's independence standards for Outside Directors.

Matters Concerning Independent Directors

Number of Independent Directors	Updated	6
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Other Matters Concerning Independent Directors

The Company's criteria of independence for outside directors is as follows.

The Board of Directors of the Company does not certify Outside Directors as independent officers if they fall under any of the following categories.

- (1) A business executive¹ of the Company or its affiliated company (hereinafter collectively "the Group")
- (2) A major business partner of the Group² or a business executive of such business partner
- (3) A major client of the Group³ or a business executive of such client
- (4) A major shareholder of the Company⁴ or a business executive of a major subsidiary⁵ of such shareholder
- (5) An entity or a business executive of such entity that receives a large amount of donations⁶ from the Group
- (6) A consultant, accountant, or legal specialist who receives a large amount of monetary or other assets from the Group aside from executive compensation⁷ (in case of corporation, association or other organization, an individual who belongs to such organization)
- (7) A certified public accountant, an employee, partner or staff of an audit firm that provides accounting audit of the Group
- (8) In case of a law firm, audit firm, tax accounting firm or consulting firm, or other professional advisory firm that do not fall under above (6) or (7), an employee, partner, associate or staff of a firm whose major client is the Group⁸
- (9) A business executive of a company whereat a business executive of the Group is an outside officer
- (10) A business executive of a company whose major shareholder is the Company
- (11) An individual who has fallen under criteria (1) above in the past ten years prior to his/her assumption of office (in case of an individual who was a non-executive Director or an Audit and Supervisory Board Member of the Company in the past ten years prior to his/her assumption of office, another ten years prior to such assumption)
- (12) An individual who has fallen under criteria (2) or (3) in the past three business years
- (13) An individual who has fallen under criteria (4) through (8) in the past three years (with regard to (7), this shall apply only to an individual who was actually in charge of handling the audit (excluding ancillary duty) of the Group (including an individual who is retired or resigned at present)
- (14) A close relative⁹ to an individual that would fall under the following
 - a. An important business executive¹⁰ of the Group
 - b. An individual who has fallen under above a. in the past five years
 - c. An individual defined as above (2) through (10) (with regard to "a business executive" in (2) through (5), and (9) and (10), an important business executive, with regard to "an individual who belongs to such organization" in (6), an important business executive and, in case of an audit firm or a law firm, etc., an individual who possesses professional qualification, and with regard to "an employee, partner or staff of an audit firm" in (7), an important business executive and certified public accountant and other professional experts)
 - d. An individual who has fallen under above c. in the past three years

Notes:

1. "A business executive" is defined as executive director, executive officer or employee.
2. "A major business partner of the Group" is defined as any of the following:
 - 1) A business partner group that provides products or services to the Group (a party that belongs to a consolidated group to which the direct business partner belongs; the same applies hereafter.), a business partner group whose transactions with the Group exceeds 2% of the consolidated net sales or total income of the business partner group for the most recent fiscal year
 - 2) The counterparty group to which the Group is indebted and the aggregate amount of indebtedness of the Group exceeds 2% of consolidated total assets of the counterparty at the end of the most recent fiscal year
3. "A major client of the Group" is defined as any of the following:
 - 1) The business partner group to which the Group provides products or services and the transactions with the business partner group exceed 2% of the consolidated net sales of the Group for the most recent fiscal year
 - 2) The counterparty group that is indebted to the Group and the aggregate amount of indebtedness of the counterparty group exceeds 2% of the consolidated total assets of the Group at the end of the most recent fiscal year
 - 3) The financial institution group from which the Group is borrowing (defined as an individual who belongs to a consolidated group to which the financial institution from which the Group is directly borrowing belongs) and the aggregate borrowing amount of the Group from the financial institution group exceeds 2% of the consolidated total assets of the Group at the end of the most recent fiscal year
4. "Major shareholder" is defined as a shareholder who owns 10% or more of the total voting rights either directly or indirectly.

5. “Major subsidiary” is defined as a subsidiary that is presented as a major subsidiary in the “Status of the parent company or major subsidiaries” (Article 120, Paragraph 1, Item 7 of the Ordinance for Enforcement of the Companies Act) in the Business Report of the Company pertaining to the most recent fiscal year, or in other disclosure documents made public by the Company.
6. “Entity that receives a large amount of donations” is defined as an entity who received from the Group a donation amounting to 10 million yen or more, a year taken in average of the three most recent fiscal years, or an amount equivalent to 30% or more of the average total annual cost of such entity, whichever is higher.
7. “A consultant, accountant, or legal specialist who receives a large amount of monetary or other assets from the Group aside from executive compensation” is defined as an individual who receives from the Group, a financial benefit of 10 million yen or more a year taken in average of the three most recent fiscal years aside from executive compensation.
8. “A firm whose major client is the Group” is defined as a firm that received a payment from the Group in an amount equivalent to 2% or more of the consolidated net sales of the firm taken in average of the three most recent fiscal years.
9. “A close relative” is defined as a spouse or relative within the second degree, or a relative living together.
10. Of business executives, “an important business executive” is defined as an individual who executes significant business operations, including executive director, executive officer or general manager.

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

Details are included under II-1. (Director Remuneration) of this report.

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
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Supplementary Explanation for Applicable Items Updated

The Company disclosed the aggregate amounts of individual remuneration for Internal Directors and for Outside Directors. Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) in FY 2023 totaled ¥267 million (¥29 million of which was paid to Outside Directors).

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

<Remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members)>

The Company believes the executive remuneration system is an important part of its corporate governance and has established the five policies below based on this understanding. The Company will also ensure that the system adopts an objective perspective through the Nomination and Remuneration Advisory Committee which is chaired by an Outside Director.

- 1) Remuneration should be at a level that reflects economic conditions and corporate performance.
- 2) It should be at a level that enables the Company to attract and retain talent to increase its corporate value.
- 3) The remuneration system should embody the Company's Corporate Policy, reflect its medium- and long-term management strategies and strongly inspire sustainable growth.
- 4) Remuneration should adopt the performance-linked system and inspire the achievement of the disclosed performance forecasts.
- 5) It should be designed to be fair and rational from a perspective of accountability to the stakeholders. It should be determined through an appropriate process that increases fairness and transparency.

Remuneration for Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) shall consist of (a) Basic salary, (b) Performance-based compensation and (c) Restricted stock compensation, in accordance with the executives remuneration policy. The percentage of each constituent element of compensation (standard amount when the 100% of the targets for performance-based compensation are achieved) is as follows: (a) 65% Basic salary, (b) 35% Performance-based compensation and (c) 5% Restricted stock compensation. However, remuneration for Outside Directors (excluding Directors who are Audit and Supervisory Committee Members) is fixed and composed of only (a) Basic salary in light of their duties and roles of supervising the execution of business.

(a) Basic salary

The basic salary is cash-based and paid monthly according to the specific position.

(b) Performance-based compensation

The Company's performance-based compensation is designed to reflect the evaluation of consolidated financial results and takes the form of monthly compensation paid as a short-term incentive. The calculation method is as follows.

*Basic amount of performance-based compensation for each position x Payment rate (%) based on the evaluation of consolidated financial results

*The method for calculating the payment rate based on the evaluation of consolidated financial results is as follows. Target below is the published target at the beginning of the period.

- Indicators for the evaluation of consolidated financial results are the comparison of consolidated net sales and consolidated operating profit with the targets and the previous year respectively.
- The comparison of consolidated net sales with the target, the comparison of consolidated net sales with the previous year, the comparison of consolidated operating profit with the target and the comparison of consolidated operating profit with the previous year are weight-averaged using the following percentages: 24%, 16%, 36%, and 24%, respectively, and the payment ratio is determined based on their results.

These indicators were chosen because the Company believes that the degree of achievement of performance targets in each business year reflects increases and decreases in corporate value and judges them to be appropriate as indicators.

(c) Restricted stock compensation

The Company has established restricted stock compensation as a long-term incentive, with the aim of sharing the benefits and risks of fluctuations in share prices with shareholders, improving the Company's results over the medium and long terms based on a healthy entrepreneurial spirit, and increasing Directors' enthusiasm for and contribution to the improvement of corporate value. The Company will deliver its restricted stock compensation to Directors excluding Outside Directors and Directors who are Directors who are Audit and Supervisory Committee Members. The calculation method is as follows.

*Basic amount of restricted stock compensation for each position x Payment rate (%) based on the evaluation of consolidated financial results

*The method for calculating the payment rate based on the evaluation of consolidated financial results is as follows. Target is the published target at the beginning of the period.

- Indicators for the evaluation of consolidated financial results are the comparison of consolidated net sales and consolidated operating profit with the targets and the previous year respectively.
- The comparison of consolidated net sales with the target, the comparison of consolidated net sales with the previous year, the comparison of consolidated operating profit with the target and the comparison of consolidated

operating profit with the previous year are weight-averaged using the following percentages: 24%, 16%, 36%, and 24%, respectively, and the payment ratio is determined based on their results.

The 184th Annual General Meeting of Shareholders held on March 23, 2022 passed a resolution deciding that the aggregate amount of remuneration for Directors (excluding Directors who are Audit and Supervisory Committee Members) would not exceed ¥500 million a year (including an aggregate amount for Outside Directors of ¥100 million or less). In addition, the Annual General Meeting of Shareholders passed a resolution deciding that the aggregate amount of monetary compensation claims to be provided as restricted stock compensation to Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors) would be ¥100 million a year or less, outside the framework of the ¥500 million a year or less for monetary compensation. The number of Directors (excluding Directors who are Audit and Supervisory Committee Members) at the conclusion of the Annual General Meeting of Shareholders was seven (three of whom are Outside Directors).

In addition, the remuneration of individual Directors (excluding Directors who are Audit and Supervisory Committee Members) is determined through the following procedures.

- 1) The Board of Directors delegates the determination of the amounts of the remuneration for individual Directors (the amount of the basic salary and the amount of the performance-based compensation) to the Chairman, the President and the Director in charge of personnel affairs who shall consult on the matter. The President shall present a proposal prepared after consultation among the three persons above on the amount of remuneration for each Director and the number of shares to be granted to each Director through the restricted stock compensation to the Nomination and Remuneration Advisory Committee (hereinafter the “Advisory Committee”).
- 2) The Advisory Committee examines and deliberates on this evaluation process and the results of the evaluation, etc.
- 3) The Chairman, President and Director in charge of personnel affairs consult to determine the amount of remuneration for each Director taking into consideration the Advisory Committee’s report, and the Board of Directors confirms the Company’s evaluation of the performance-based compensation.
- 4) The Board of Directors shall then determine the number of shares to be granted to each Director in the restricted stock compensation.

<Remuneration for Directors who are Audit and Supervisory Committee Members>

Remuneration for Directors who are Audit and Supervisory Committee Members is fixed and composed of only the basic salary in light of their duties and roles of supervising and auditing the execution of business.

The 184th Annual General Meeting of Shareholders held on March 23, 2022 passed a resolution deciding that the aggregate amount of remuneration for Directors who are Audit and Supervisory Committee Members would not exceed ¥100 million a year. The number of Directors who are Audit and Supervisory Committee Members at the conclusion of the Annual General Meeting of Shareholders was four (three of whom are Outside Directors).

Support System for Outside Directors

There is a structure in place to enable Outside Directors to keep up to date with the Company’s operations based on important matters from Management Committee meetings, including meetings of the Board of Directors, through measures such as receiving reports at the Board of Directors meetings and accessing important documents, regardless of whether or not they attended the relevant meeting. In addition, to enable independent Outside Directors to actively contribute to discussions at Board of Directors meetings and to further communicate and coordinate with management and the Directors who are full-time Audit and Supervisory Committee Members, the Company has established a forum for the exchange of information and understanding between independent Outside Directors who are not Audit and Supervisory Committee Members and the Audit and Supervisory Committee.

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

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

None

Other Related Matters

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

(Board of Directors)

The Board of Directors meets every month, in its capacity as the key management decision-making body of the Company and the Group as a whole to make decisions on matters prescribed by laws and regulations and important management-related matters and supervise the status of business execution. As of March 26, 2024, the Board of Directors is composed of 8 Directors (excluding Directors who are Audit and Supervisory Committee Members; 4 of whom are Outside Directors) and 4 Directors who are Audit and Supervisory Committee Members (3 of whom are Outside Directors), making a total of 12 Directors.

The main topics discussed and deliberated at the Board of Directors meetings in FY2023 include, in addition to statutory resolutions, matters required by the Corporate Governance Code (evaluation of the effectiveness of the Board of Directors, verification of the economic rationality of cross-shareholdings, analysis of results of voting rights executed at the General Meeting of Shareholders), revisions to Our Principles (action guidelines) and sustainability-related policies due to the change of philosophy system and trade name, the Medium-Term Management Plan artience 2027, annual plans, initiatives to improve capital efficiency and large-scale investments and loans.

In FY2023, the Board of Directors met 17 times.

(Audit and Supervisory Committee)

As of March 26, 2024, the Audit and Supervisory Committee is composed of 4 Directors who are Audit and Supervisory Committee Members (3 of whom are Outside Directors). The Audit and Supervisory Committee cooperates with the Internal Audit Department and accounting auditor and audits the legality and appropriateness of Directors' execution of their duties.

The Audit & Supervisory Committee formulates audit plans and priority audit items and conducts its activities in accordance with the Code of Audit and Supervisory Committee Auditing and Supervising Standards, and the specific contents of its review include the legal compliance of Directors' execution of duties, the appropriateness of audits by accounting auditors, the appropriateness of the contents of business reports, and the appropriateness of the appointment and remuneration of Directors (excluding Directors who are Audit and Supervisory Committee members) based on the results of deliberation at the Advisory Committee, in addition to the confirmation of the business and property status of each company and base of the Group, the operating status of the internal control system and responses to important matters based on audits by Audit & Supervisory Committee members, Group company auditors, the Internal Audit Department and accounting auditors.

In FY2023, the Audit and Supervisory Committee met 13 times.

(Group Management Committee)

As consultative and policymaking body, subordinate to the Board of Directors, the Group Management Committee is the key executive decision-making body. Meetings are always attended by Audit and Supervisory Committee Members, as part of a system that enables sufficient oversight of operations carried out by Directors. Because the Group Management Committee mainly examines the Group's business strategies, business-related issues, and business results, its meetings are always attended by Executives in charge of technology, research and development, the General Managers of the Group Finance Department and the Group Human Resources Department, and the representative directors of the Group's core operating companies, TOYOCOLOR CO., LTD., TOYOICHEM CO., LTD. and TOYO INK CO., LTD.

In FY2023, the Group Management Committee met 26 times.

(Nomination and Remuneration Advisory Committee)

At a meeting held on February 9, 2017, the Company's Board of Directors approved a resolution to establish

Nomination and Remuneration Advisory Committee aimed at further enhancing transparency and objectivity in processes for determining the nomination and remuneration of Directors. The committee is chaired by an independent Director and are composed of 2 internal Directors and 3 Outside Directors who satisfy the criteria of independence of Outside Directors established by the Company.

The Company convened the said committees ahead of the 186th Annual General Meeting of Shareholders held on March 26, 2024, to discuss candidates for Directors (excluding the Directors who are the Audit & Supervisory Committee members) and their remuneration.

In FY2023, the Nomination and Remuneration Advisory Committee met 1 time.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted an organizational design with an audit and supervisory committee under the Companies Act. By seeking to expedite decision-making processes and business execution through the delegation of decision-making authority on business execution from the Board of Directors to Directors and by allowing Audit and Supervisory Committee Members, who are Directors, to exercise their voting rights at meetings of the Board of Directors, the Company aims to increase fairness and transparency of management and strengthen oversight of the Board of Directors, thereby further enhancing corporate governance.

A majority of the Directors are Outside Directors. Outside Directors fulfil their role of overseeing management from an outside perspective and objective standpoint by attending (and contribute to) important meetings, including meetings of the Board of Directors, and being kept up to date with important management information via access to important documents.

The Company uses an executive officer system (term of office of Executive Officers is set at one year) to clarify the separation of roles between management supervisory functions and business execution functions and has speeded up decision making and strengthened the supervisory functions over business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	In 2024, measures were taken to electronically provide the Notice of the 186 th Annual General Meeting of Shareholders and reference documents on Thursday, February 29, 26 days prior to the date of the General Meeting of Shareholders. The Notice of the 186 th Annual General Meeting of Shareholders and reference documents were sent out to shareholders on Wednesday, March 6, 20 days prior to the date of the General Meeting of Shareholders. In addition, if a proposal for the General Meeting of Shareholders is determined to have the potential to affect the rights and interests of shareholders, the Company promptly discloses information on the content of the proposal through the Company's website and TDnet, etc. following the resolution by the Board of Directors before sending the notice of convocation, to ensure shareholders have sufficient time to consider the proposal and that they are able to make an appropriate decision.
Scheduling of the General Shareholders Meeting During Non-Peak Days	In 2024, the General Meeting of Shareholders was held on Tuesday, March 26.
Electronic Exercise of Voting Rights	The Company has set up a voting website to enable voting rights to be exercised online. The Company have also adopted the "The Portal of Shareholders' Meeting®," a one-stop service that provides from electronic provision of the Notice of the General Shareholders Meeting to the exercise of voting rights.
Participation in a Platform for the Electronic	The Company participates in the ICJ platform in order to encourage institutional and overseas investors to exercise their voting rights.

Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company provides reference documents accompanying notices of General Shareholders Meetings in English to encourage overseas investors to exercise their voting rights
Other	The Company streamed the General Meeting of Shareholders held on March 26, 2024 live to allow large number of shareholders to watch the meeting. In addition, the Company accepted questions in advance from shareholders who would be unable to attend the meeting.

2. Status of IR-related Activities Updated

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company's Disclosure Policy is available on the website. ◇Disclosure Policy: https://www.artiencegroup.com/en/corporate/ir/management/disclosure-policy.html	
Regular Investor Briefings held for Individual Investors	The Company regularly appears at briefings for individual investors organized by IR support companies.	No
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds a Results Briefing twice a year, once for the second quarter and once for the full year. From FY2024, the Company will also hold an online Results Briefing for the first quarter and the third quarter.	Yes
Online Disclosure of IR Information	The Company posts Financial Statements, materials of Results Presentations, Stock Information, IR News and other such documents on its website. ◇Investors: https://www.artiencegroup.com/en/corporate/ir/	
Establishment of Department and/or Placement of a Manager in Charge of IR	IR is handled by the Corporate Planning Division.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has stated the Group's basic approach to sustainability in its Sustainability Charter, and has established matters that all executives and employees must comply with as members of the Group in its Code of Ethical Conduct. ◇Sustainability Charter: https://www.artiencegroup.com/en/corporate/sustainability/strategy/management/#qa_1_1 ◇Code of Ethical Conduct: https://www.artiencegroup.com/en/corporate/sustainability/governance/compliance/index.html/#qa_1_1

<p>Implementation of Environmental Preservation Activities and CSR Activities, etc.</p>	<p>The Company has been proceeding its sustainability activities including its environmental preservation activities and CSR activities with its responses as part of its corporate governance system by establishing the Sustainability Committee under the supervision of the Board of Directors through the President and Representative Director. Based on its Sustainability Charter, which is the Group’s basic policy regarding overall sustainability, and the basic policies regarding each sustainability field, the Committee plays a central role in promoting and managing the progress of sustainability activities centered on the five material issues that were identified with the goal of balancing sustainable corporate growth and the improvement of the sustainability of society.</p> <p>The details of the Group’s activities are disclosed through its Integrated Report and Sustainability Data Book.</p> <p>◇Sustainability Charter: https://www.artiencengroup.com/en/corporate/sustainability/strategy/management/#qa_1_1</p> <p>◇Integrated Report 2023: https://www.artiencengroup.com/en/corporate/ir/archives/integrated-report/</p> <p>◇Sustainability Data Book 2023: https://www.artiencengroup.com/en/corporate/sustainability/archives/sustainability-data-book/</p>
<p>Formulation of Policies, etc. on Provision of Information to Stakeholders</p>	<p>The Company resolved to adopt a policy of disclosing information in accordance with the Financial Instruments and Exchange Act and the timely disclosure rules issued by the Tokyo Stock Exchange, and disclosing information, in a manner as active and as fair as possible, that is not applicable to the above rules, but is critical for its shareholders and investors to understand the Group (“Disclosure Policy”), and published the Disclosure Policy on its website.</p> <p>◇Disclosure Policy: https://www.artiencengroup.com/en/corporate/ir/management/disclosure-policy.html</p>
<p>Other</p>	<p>—</p>

IV. Matters Concerning the Internal Control System

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

<Outline of Basic Policy on Development of Internal Control System>

Based on the “artience Group Philosophy System,” which consists of the Corporate Philosophy, the Brand Promise, and the Our Principles, the Company conducts its business activities in accordance with the “artience Group Sustainability Charter” and its related policies, and the “artience Group Code of Ethical Conduct,” to contribute to the creation of a sustainable society through its business activities and achieve its own sustainable growth.

The Company recognizes that the establishment of a system necessary to ensure the appropriateness of business operations (hereinafter referred to as the “internal control system”) is a process necessary for sound corporate continuity and the building of social trust, and that it should be actively utilized to achieve management and business goals. The Company has established the following internal control system and modify it in response to changes in the business environment, to ensure that the Company’s management is in the best interests of its shareholders and other stakeholders.

(1) Systems to ensure that Directors and employees perform their duties in compliance with the law and the Company’s Articles of Incorporation

The Company has established the Group Philosophy System that describes the ideal image the Group should aspire to and the basic ideas and actions required of the Group’s officers and employees, and the Code of Ethical Conduct that describes the rules to be observed by all officers and employees as members of the Group, and will

disseminate them to all officers and employees as part of its efforts to instill awareness of the Group's corporate ethics and compliance.

As a good corporate citizen, the Company aims to be part of a corporate group that is trusted by society based on the Sustainability Charter, which clearly defines the Group's stance on corporate social responsibility and contributions to improving the sustainability of society.

The Company has established the Sustainability Committee, which is responsible for driving Group-wide sustainability activities under the supervision of the Representative Director. Under the Sustainability Committee, the Company has established the Risk Management Subcommittee, the Compliance Subcommittee, and the ESG Promotion Subcommittee. The Compliance Subcommittee plays a central role in ensuring compliance management. In addition, through the Compliance Office (internal and external whistleblowing hotline), the Compliance Subcommittee enhances the system for early detection and correction of acts in violation of laws and regulations and the Code of Ethical Conduct.

The Board of Directors confirms the legality of Directors' execution of their duties and also makes decisions on important matters which impact the Company and the whole Group in accordance with laws and regulations and the articles of incorporation. The Representative Director performs their duties on behalf of the Company as a whole, based on decisions made by the Board of Directors.

The Audit and Supervisory Committee, where a majority of members are Independent Outside Directors, audits the legality and appropriateness of Directors' execution of their duties and reports the results obtained through its audit activities to the Board of Directors in a timely and appropriate manner. Meanwhile, in response to requests from Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee (hereinafter referred to as "Selected Audit and Supervisory Committee Members,") Directors report to the Audit and Supervisory Committee on the status of execution of their duties.

The Group's Internal Audit Department reports directly to the Representative Directors, and audits operations within the Company to ensure they are being carried out in compliance with laws and regulations and the articles of incorporation and in an appropriate manner and that the internal control system is working effectively. In addition to reporting audit results to the Representative Director and the Director in charge of internal control, the department also reports to and works in cooperation with the Audit and Supervisory Committee.

(2) Systems for the storage and management of information relating to the performance of duties by Directors

The Company stores and manages information relating to the performance of duties by Directors in an appropriate manner in accordance with the law, and the Company's Articles of Incorporation, Board of Directors Regulations and Information Security Regulations.

Directors and Audit and Supervisory Committee Members are able access the relevant information as and when necessary.

(3) Crisis management regulations and other systems relating to losses

Based on a system presided over by the Officer in charge of Risk Management, in accordance with Risk Management Regulations in line with the artience Group Code of Ethical Conduct, the Company identifies Group-wide risks and operates a risk management system designed to implement risk countermeasures, in order to maintain sound corporate activities and earn public trust, by the Risk Management Subcommittee.

In an effort to raise awareness of risk management, the Company incorporates risks and issues facing individual divisions and Group companies into its annual plans and employs management techniques that are built into its evaluation standards. The Company is also focused on preventing risks at all times, by having companywide risk countermeasures established and implemented by the Risk Management Subcommittee and the division in charge.

In case of an emergency, there is an emergency contact system in place whereby individual facilities immediately contact the Representative Director if they detect a risk. If the apparent risk could have a serious impact on the Company's business, there is a business continuity system in place to immediately respond to the relevant emergency, by setting up an emergency task force for instance.

(4) Systems to ensure that Directors perform their duties efficiently

To ensure that Directors perform their duties efficiently, the Company holds additional meetings of the Board of Directors as and when necessary, as well as regular monthly board meetings, with the aim of speeding up management decisions and running the business efficiently.

The Company also holds regular monthly meetings attended by Executive Directors and Operating Officers, as a means of discussing and making decision regarding Group management issues and business strategy. Meetings enable management issues and strategies to be shared, in an effort to efficiently achieve management and business targets. Such meetings are also attended by Selected Audit and Supervisory Committee Members, who provide

the necessary input from an auditing perspective, thereby strengthening oversight with regard to the performance of duties by Directors.

The Board of Directors may delegate certain important business execution decisions to Directors who execute business in accordance with laws and regulations, the articles of incorporation, and the Board of Directors Regulations, for the purpose of increasing the flexibility of business execution.

(5) Systems to ensure that operations are carried out appropriately as a corporate group consisting of the Company and its subsidiaries

The Company strives to maximize the corporate value of the entire Group, by sharing the artience Group Philosophy System, and making the most of management resources within the Group.

The Company has set out Affiliate Management Regulations to ensure that Group management is implemented appropriately, and requires Group companies to report on the performance of important matters in accordance with the relevant regulations, whilst still respecting the autonomy of individual Group companies. This ensures appropriate Group management, underpinned by involvement from the Company.

In addition to applying the risk management system and emergency measures outlined in the above section (3) to Group companies, the Company holds regular Legal Committee meetings for selected Group company Directors, and shares details of legal risks affecting Group management, in an effort to ensure that the Group is being run in an appropriate manner. Group companies hold regular meetings attended by Directors, amongst others, and work to achieve their management and business targets efficiently. They also report to the Company on a regular basis.

The Audit and Supervisory Board Members of each Group company shall audit the legality and appropriateness of Directors' execution of duties at each company and report the results to the Board of Directors of each company and the Company's Audit and Supervisory Committee.

The scope of the audits conducted by the Internal Audit Department in the above section (1) shall include each Group company.

By way of systems to ensure the reliability of financial reports, the Company consults its accounting auditor as and when necessary, based on an organizational structure headed by the Representative Director. It also establishes and operates effective internal control systems in accordance with standards for evaluating and auditing internal controls in relation to financial reports, published by the Business Accounting Council, and in line with the basic internal control framework set out in the relevant practice standards. In addition, the Company will develop a mechanism collecting information from the Group companies and sharing it with them, raise awareness of proper operational procedures and implement the appropriate internal audits of operation bases which were not identified as important bases on the basis of sales, when appropriate, taking into account the risks peculiar to them.

(6) Matters relating to employees in the event that the Audit and Supervisory Committee requires the assignment of employees to assist with its duties

If the Audit and Supervisory Committee requires the assignment of employees to assist with its duties, the Company consults the Audit and Supervisory Committee and assigns employees to assist with the Audit and Supervisory Committee's duties. The Company also sets up information sharing meetings between the Audit and Supervisory Committee and the Internal Audit Department, in order to strengthen systems to enable them to implement audits in conjunction with one another, and works to improve internal auditing capabilities in order to strengthen the auditing capabilities of the Audit and Supervisory Committee.

(7) Matters relating to the independence of employees assisting the Audit and Supervisory Committee with its duties from Directors (excluding Directors who are members of the Audit and Supervisory Committee,) and ensuring that instructions issued to such employees are effective

In the event that employees are assigned to assist with the Audit and Supervisory Committee's duties as outlined in the above section (6), they will be appointed and transferred with the agreement of the Audit and Supervisory Committee, which will then be responsible for issuing instructions to and evaluating the relevant employees.

(8) Systems for Directors and employees to report to the Audit and Supervisory Committee; systems for Directors, Audit and Supervisory Board Members and employees at the Company's group companies, and parties in receipt of reports from such, to report to the Audit and Supervisory Committee; systems for other parties to report to the Audit and Supervisory Committee; and systems to ensure that reporting parties are not disadvantaged

The Company's Directors and Operating Officers report on the performance of operations under their supervision at important meetings attended by Audit and Supervisory Committee Members, including meetings of the Board of Directors.

Directors, Audit and Supervisory Board Members, Operating Officers and employees working for the Company or any Group company are required to report the following facts to the Audit and Supervisory Committee immediately, in accordance with Risk Management Regulations and other applicable regulations.

- Important facts relating to compliance
- Facts that will cause, or could potentially cause, serious damage to the company
- Any other facts that are required to be reported based on consultation with the Audit and Supervisory Committee

The utmost care is taken to protect and maintain the confidentiality of reporting parties, in accordance with Compliance Office Regulations.

In addition to requiring that Directors working for the Company or any Group company report the above facts to the Audit and Supervisory Committee, Selected Audit and Supervisory Committee Members also attend various meetings essential to auditing, and have access to information liable to have a serious impact on business operations, including approval documents.

Directors, Operating Officers and employees of the Company and each Group company are required to report on the status of company operations and property if instructed to do so by Selected Audit and Supervisory Committee Members.

(9) Matters relating to procedures for advance payment or reimbursement of expenses incurred by Audit and Supervisory Committee Members in performing their duties (only expenses related to performance of duties of Audit and Supervisory Committee), and policies for processing other expenses or debts arising from the performance of such duties

If an Audit and Supervisory Committee Member claims for expenses incurred from auditing activities, the claim will be processed immediately. If incurring emergency auditing expenses or new research expenses for expert services, in addition to regular auditing expenses, the Audit and Supervisory Committee Member will notify the relevant officer in advance.

(10) Other systems to ensure that Audit and Supervisory Committee Members conduct audits effectively

The Company continues to improve systems so that Audit and Supervisory Committee Members can conduct audits effectively, while exchange opinions with Representative Directors and other Directors regularly regarding management issues and other important issues affecting business operations.

The Audit and Supervisory Committee receives reports on planned internal audits conducted by the Internal Audit Department and regularly exchanges opinions with the Audit and Supervisory Board Members of each Group company and the accounting auditor, to ensure that audits are conducted by Audit and Supervisory Committee Members efficiently and effectively.

(11) Systems aimed at combating antisocial forces

The Company is resolute in its rejection of antisocial forces posing a threat to the order or safety of people's everyday lives, as specified in the artience Group Code of Ethical Conduct and the Regulations for Dealing with Antisocial Forces. The Company will not respond to any unreasonable or illegal demands, and will not have any relationship with antisocial forces, trading or otherwise. The Company also coordinates with external specialist organizations to gather and manage information relating to antisocial forces.

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

The Company is resolute in its rejection of antisocial forces posing a threat to the order or safety of people's everyday lives, as specified in the Code of Ethical Conduct and the Regulations for Dealing with Antisocial Forces, and will not respond to any unreasonable or illegal demands. The Company clearly states in its Basic Policy on Development of Internal Control System that it will not have any relationship with antisocial forces, trading or otherwise, and that it will coordinate with external specialist organizations to gather and manage information relating to antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

The Company introduced anti-takeover measures by resolution of the 170th Annual General Meeting of Shareholders held on June 27, 2008 and updated these measures by resolution of the Annual General Meeting of Shareholders every three years thereafter. However, at the meeting of the Board of Directors held on February 17, 2020, the Company resolved not to renew the anti-takeover measures and to abolish them as of the close of the 182nd Annual General Meeting of Shareholders held on March 26, 2020 when their period of validity expired. Accordingly, the Company does not have anti-takeover measures in place as of the date of submission of this report.

The Company will ask those who have conducted or will try to conduct a large purchase of the Company's shares to provide necessary and sufficient information for the Company's shareholders to make an appropriate decision on the appropriateness of the large purchase and strive to secure time and information for their consideration by disclosing the opinions of the Company's Directors at the same time. The Company will also take measures in an appropriate and timely manner based on the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations.

2. Other Matters Concerning the Corporate Governance System

1. Disclosure structure

- (1) Information relating to financial results is drafted by the General Manager of the Finance & Accounting Department, submitted to the President via the relevant supervising Director, and then disclosed on a timely basis as soon as it has been approved by the Board of Directors.
- (2) Corporate information other than that specified in the above point (1) (decisions, incidents, etc.) is gathered by the General Manager of the General Affairs Department in accordance with the Company's internal Guidelines on the Timely Disclosure of Corporate Information. The General Manager of the General Affairs Department then determines whether or not disclosure is required, in consultation with the relevant department. If proceeding with timely disclosure, the relevant information will be disclosed as soon as it has been approved by the Board of Directors.

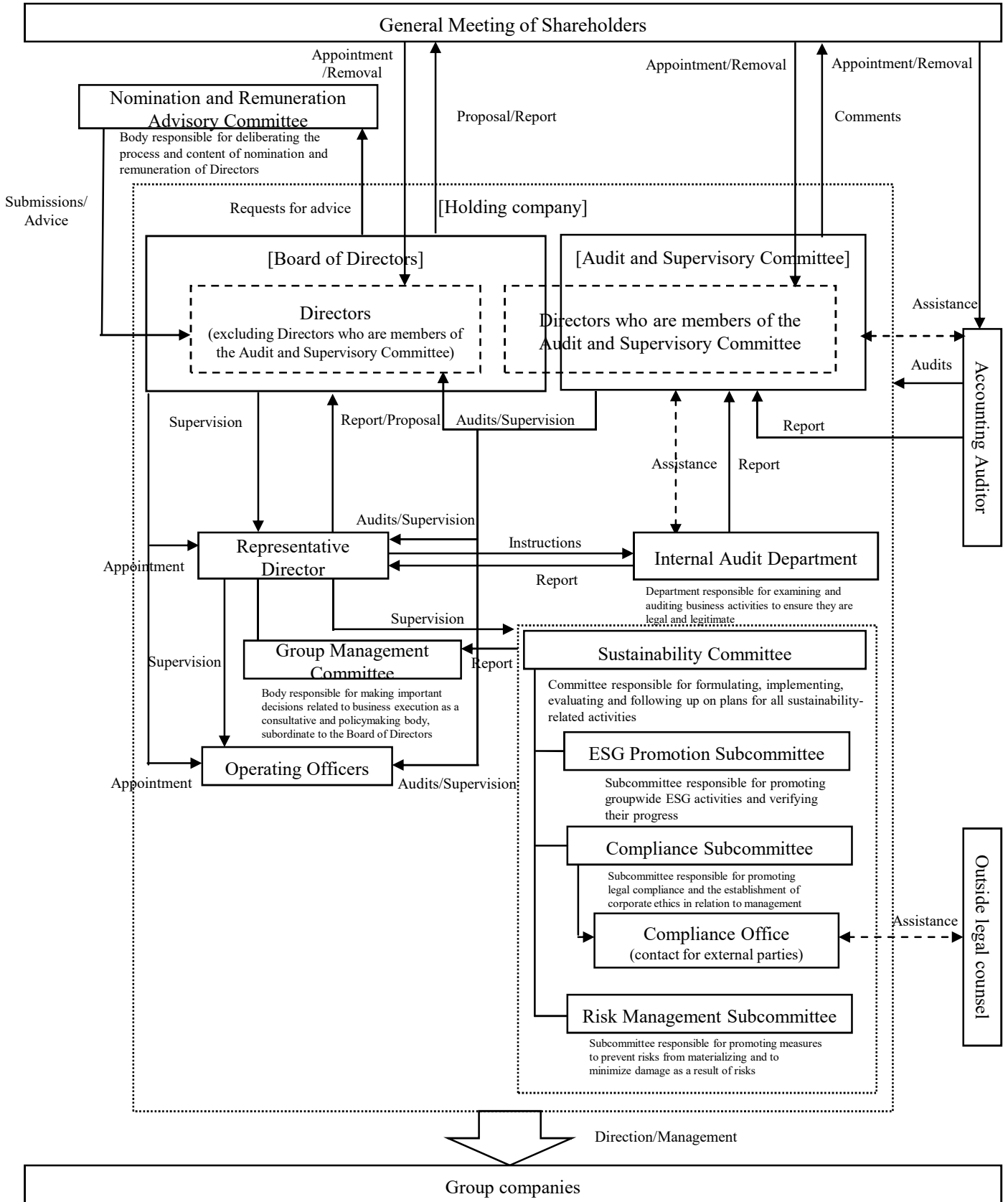
2. Information management structure

The Company will set out regulations in relation to information management, including Information Protection & Management Regulations and Insider Trading Prevention Regulations, and will make every effort to adequately manage and operate corporate information.

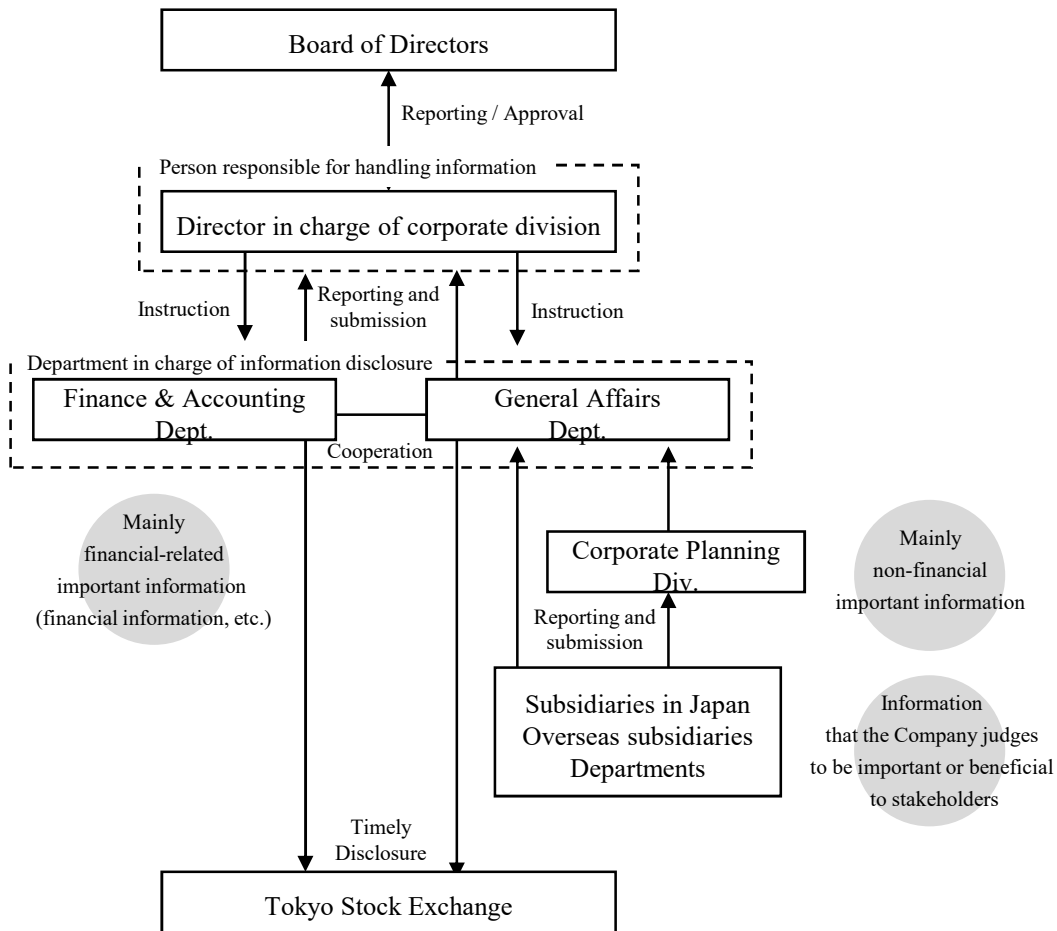
3. Auditing structure

The Company will ensure that audits in accordance with the Companies Act are regularly conducted by Directors who are Audit and Supervisory Committee Members and the accounting auditor, that audits in accordance with the Financial Instruments and Exchange Act are regularly conducted by the accounting auditor, and that the performance of general duties, including at subsidiaries, is regularly audited by internal auditing departments, in order to maintain and improve sound operations.

[Corporate Governance System Chart] (As of January 1, 2024)



[Reporting system based on the Timely Disclosure Rules] (As of January 1, 2024)



[Skills matrix of the Board of Directors and the Group Management Committee]

The Board of Directors is composed of a diverse range of directors with a wealth of experience and specialized knowledge. The Company use a skills matrix to set areas of particular expectation, to enable useful supervision and advice on management issues.

<Details of each skill and reason for selection>

Section		Reason for selection
Matters relating to the base and growth of the company	Corporate Management	Formulating and implementing a sustainable growth strategy in the medium to long term requires comprehensive judgment in corporate management, and experience in business management and/or organizational management were selected as necessary knowledge and skills, with no bias toward individual expertise.
	R&D / Production	Sound knowledge and experience in the fields of technology, research and development, quality, and production were selected as necessary knowledge and skills to further advance and develop the technologies the Group has developed and bring about various innovations.
	Sales / Marketing	Extensive knowledge and experience in sales and marketing were selected as necessary knowledge and skills to steadily increase sales and profits in the market and continue to achieve growth in the medium to long term.
	Global	A wide range of insights and experience relating to overseas management experience, overseas lifestyles and culture, business environments, geopolitics, and regional strategies were selected as necessary knowledge and skills in view of the Group's global business presence.
Matters that ensure the company's growth	Finance / Accounting	Solid knowledge and experience enabling accurate financial reporting, building a solid financial base, making growth investments to sustainably increase corporate value, and strengthening shareholder returns were selected as key knowledge and skills to maximize corporate value through the efficient management of the Company's capital.
	Human Resources / DE&I	Human resources are the most important management resource for the Company, and experience, insight, and expertise in the field of human resources (including HR development and DE&I) were selected as necessary knowledge and skills for securing diverse human resources to support the Group's value creation.
	ESG / Compliance / Risk Management	A wide range of experience, insights, and expertise in ESG, compliance, and risk management were selected as key knowledge and skills to implement sustainable management, achieve the asv2050/2030 sustainability vision, and solve social issues indicated by the Group's material issues.

*DE&I: Diversity, Equity & Inclusion

<Configuration of the Board of Directors>

Name Positions at the Company	Main expertise and experience that the Company regards as strengths of the members						
	Corporate Management	R&D / Production	Sales / Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG/ Compliance/ Risk Management
Katsumi Kitagawa Chairman, Representative Director	●	●	●				
Satoru Takashima President, Representative Director	●		●	●			
Hiroyuki Hamada Senior Managing Director			●	●	●		●
Shingo Kaneko Director Outside Director	●		●				
Chise Onodera Director Outside Director Independent							●
Tomoko Adachi Director Outside Director Independent	●	●				●	
Yoshinobu Fujimoto Director Outside Director Independent				●			●
Tetsuaki Sato Director		●					●
Masayuki Kano Director, Full-time Audit & Supervisory Committee Member						●	●
Yutaka Yokoi Director, Audit & Supervisory Committee Member Outside Director Independent				●			●
Keiko Kimura Director, Audit & Supervisory Committee Member Outside Director Independent						●	●
Minoru Matsumoto Director, Audit & Supervisory Committee Member Outside Director Independent					●		●

*Ms. Tomoko Adachi has experience in hospital management although she has never been involved in company management.

*The above table does not indicate all expertise and experiences of the members.

<Members of the Group Management Committee>

Below are main expertise and experience that the Company regards as strengths of the members of the Group Management Committee, a voluntary body responsible for making important decisions related to business execution.

Name Positions and responsibilities	Main expertise and experience that the Company regards as strengths of the members						
	Corporate Management	R&D / Production	Sales / Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG/ Compliance/ Risk Management
Katsumi Kitagawa Chairman, Representative Director	●	●	●				
Satoru Takashima President, Representative Director, Group CEO	●		●	●			
Hiroyuki Hamada Senior Managing Director, Supervisor of Corporate Departments			●	●	●		●
Tetsuaki Sato Director, Supervisor of Quality Assurance, Production and Environment, Sustainability, Purchasing, and Logistics		●					●
Masayuki Kano Director, Full-time Audit & Supervisory Committee Member						●	●
Toshinori Machida Executive Operating Officer, Supervisor of Technology, Research and Development, Intellectual Property	●	●					
Takeshi Arimura Operating Officer, General Manager of Finance & Accounting Department					●		
Junji Sekino Operating Officer, General Manager of Human Resources Department						●	●
Hideki Okaichi Executive Operating Officer, President & Representative Director, TOYOCOLOR CO., LTD.	●		●	●			
Yasushi Ariyoshi Executive Operating Officer, President & Representative Director, TOYOICHEM CO., LTD.	●	●					
Hideki Yasuda Executive Operating Officer, President & Representative Director, TOYO INK CO., LTD.	●	●					

* The Company has an operating officer system, and some of the Operating Officers attend Group Management Committee meetings.

* The table above does not indicate all expertise and experiences of the members.