

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Report for the 123rd Fiscal Year **(from April 1, 2021 to March 31, 2022)**

Tosoh Corporation

Business Report

(from April 1, 2021 to March 31, 2022)

1. Matters concerning the current state of the corporate group

(1) Business progress and results

Tosoh presents its full-year consolidated results for its 2022 fiscal year, from April 1, 2021, to March 31, 2022. The company's consolidated net sales were ¥918.6 billion (US\$8.2 billion), up ¥185.7 billion, or 25.3%, from fiscal 2021. The increase resulted from higher sales prices on the back of increased prices for raw materials and fuels such as naphtha, and of improved trade conditions overseas.

Operating income for fiscal 2022 was ¥144.0 billion (US\$1.3 billion), an increase of ¥56.2 billion, or 64.0%. This increase was primarily due to improved international trade conditions as higher selling prices exceeded the impact of higher raw material and fuel prices. Ordinary income rose ¥65.3 billion, or 68.7%, to ¥160.5 billion (US\$1.4 billion), while profit attributable to owners of the parent was up ¥44.7 billion, or 70.6%, to ¥107.9 billion (US\$960.0 million).

During the period under review, the Japanese economy continued to recover from the lingering effects of the COVID-19 pandemic, driven by progress in vaccination and recovery in overseas demand. The situation remained unstable, though, as restrictions on social and economic activities were repeatedly imposed and eased as the number of infections oscillated. Concerning the global economy, while demand is on the road to recovery as restrictions on economic activities are being eased—particularly in developed countries—the outlook remains unclear, given the current downward pressures resulting from Russia's invasion of Ukraine and the lockdown in Shanghai, China. Other economic slowdown factors such as the continued intermittent spread of COVID-19, surging resource prices, rising and prolonged inflation pressures, and disruptions in global supply chains are contributing to the uncertainty.

	Fiscal 2021 (122nd fiscal year)	Fiscal 2022 (123rd fiscal year)	Increase/decrease	
	Amount	Amount	Amount	Percentage change (%)
Net sales	732.9	918.6	185.7	25.3
Operating income	87.8	144.0	56.2	64.0
Ordinary income	95.1	160.5	65.3	68.7
Profit attributable to owners of parent	63.3	107.9	44.7	70.6

Note: Unless otherwise noted, figures shown are in billions of yen rounded to the nearest 100 million yen.

The following is an overview of each business segment for fiscal 2022:

Petrochemical Group

Main products

Olefin products such as ethylene and propylene, low-density polyethylene, high-density polyethylene, processed resin products, functional polymers, etc.

Petrochemical Group net sales rose ¥45.8 billion, or 34.9%, to ¥177.2 billion (US\$1.6 billion), compared with fiscal 2021. The group's operating income likewise increased, ¥8.0 billion, or 103.2%, to ¥15.7 billion (US\$139.7 million). The increases were attributable to increased shipments of a broad range of products and to rising prices for raw materials and fuels such as naphtha which positively impacted the difference between product receipts and payments.

Shipments of propylene and cumene increased on the back of a recovery in demand and elevated production volumes. Moreover, higher prices for raw materials and fuels such as naphtha and improved conditions in markets overseas led to an increase in product prices.

Shipments of polyethylene resin increased both in Japan and exports as demand rebounded. In addition, polyethylene resin prices rose, reflecting higher naphtha prices and overseas market conditions. Shipment of chloroprene rubber increased in both domestic and export markets due to recovery in demand. And product prices rose, bolstered by firm overseas demand.

Chlor-alkali Group

Major products

Caustic soda, vinyl chloride monomer, vinyl chloride resin, inorganic chemicals, organic chemicals, cement, polyurethane raw materials, etc.

The Chlor-alkali Group's net sales rose ¥86.8 billion, or 31.6%, to ¥361.6 billion (US\$3.2 billion), and operating income was up ¥28.0 billion yen, or 67.4%, to ¥69.5 billion (US\$618.3 million) due to improved terms of trade for polyvinyl chloride (PVC) products and urethane raw materials.

Shipment of caustic soda decreased, mainly in exports, but product prices rose to reflect higher overseas market prices. Vinyl chloride monomer and vinyl chloride resin shipments both decreased as production volume declined, but vinyl chloride product prices rose, reflecting higher naphtha prices and improved terms of trade overseas.

Domestic and overseas shipments of cement remained strong.

Methylene diphenyl diisocyanate (MDI) increased both in Japan and overseas due to the steady operation of a production subsidiary in China, which had suspended operations in the previous fiscal year due to the spread of COVID-19, and a rebound in demand. In addition, product prices rose, reflecting improvement in overseas market conditions.

Specialty Group

Major products

Inorganic and organic fine products, separation and diagnostic products, high-silica zeolite, zirconia, electronic materials (silica glass, sputtering targets), etc.

Net sales by the Specialty Group increased ¥45.6 billion, or 25.3% to ¥226.2 billion (US\$2.0 billion). Operating income was up ¥20.0 billion, or 85.0%, to ¥43.5 billion (US\$387.0 million), primarily due to the recovery in demand driving an increase in sales volume.

Domestic and overseas ethyleneamines product shipments increased as demand recovered. And product prices increased due to improved overseas market conditions.

Separation-related products saw an increase in shipments of packing materials for liquid chromatography, to Europe, the United States, and China. Domestic in vitro diagnostic reagent shipments, as well as those to Europe, the United States, and Asia, rose on the back of the recovery in demand.

Shipments of high-silica zeolite increased both in Japan and overseas, primarily for automotive exhaust gas catalysts, as demand recovered. Increased demand also pushed export shipments of zirconia for dental applications upward. Silica glass shipments were up, buoyed by a strong semiconductor market. Shipments of electrolytic manganese dioxide for dry cell and rechargeable battery applications increased on the back of stronger demand.

Engineering Group

Major products and businesses

Water treatment equipment, construction, etc.

Engineering Group net sales increased ¥10.1 billion, or 9.5%, to ¥116.3 billion (US\$1.0 billion). Operating income rose ¥0.3 billion yen, or 2.4%, to ¥12.3 billion (US\$109.4 million).

The water treatment business saw increased sales attributable to steady progress in construction of large-scale projects in Japan and overseas, for which orders were received primarily in the electronics industry.

Sales in the Engineering Group's construction subsidiaries increased.

Ancillary

Main businesses

Transportation and warehousing, inspection and analysis, information processing, etc.

Ancillary net sales decreased ¥2.5 billion, or 6.4% to ¥37.3 billion (US\$331.9 million). Operating income likewise decreased ¥17 million, or 0.6%, to ¥3.1 billion (US\$27.6 million).

Sales of other operating companies such as trading companies decreased.

(2) Financing status

We did not raise any significant funds during the period.

The capital investment for the current fiscal year is mainly funded by own funds and borrowings.

(3) Status of capital investment

The total amount of capital investment made during the current period is 48.0 billion yen, the main items of which are as follows:

(i) Major facilities acquired during the current period

None.

(ii) New construction and expansion of major equipment continuing in the current period

Tosoh Corporation

Increased capacity of bromine production equipment facility (for Specialty) at Nanyo Complex

New establishment of Bio Research Building and Customer Support Center (for Specialty products) at our Tokyo Research Center

(4) Status of significant corporate restructuring, etc.

None.

(5) Issues to be addressed

Social and economic activities that have been constrained by the impact of COVID-19 are expected to begin normalizing in many of the world's major regions, backed by progress in vaccination. However, Russia's invasion of Ukraine and prolonged economic sanctions have amplified downside risks to the global economy through soaring resource prices and other factors. As such, uncertainty in the outlook for economic conditions domestically and abroad is expected to persist.

Under these circumstances, the Group will remain vigilant with regard to business risks and changes in the business environment, such as the situation in Ukraine and the status of normalization of the pandemic in Japan and overseas. Other factors include the deterioration of the supply-demand environment due to various uncertainties, volatility in raw material and fuel prices and trade conditions abroad, exchange rates fluctuations, and supply chain disruptions. Tosoh will strive to secure earnings by responding quickly and flexibly as situations evolve.

Status of achievement of the medium-term business plan for fiscal 2020–2022

In the fiscal 2020-2022 medium-term business plan announced in May 2019, we have aimed to stabilize and expand profits based on the basic policy of dual business management, which intends to strengthen the foundation of the commodity business and expand the specialty business.

In fiscal 2022, the final year of the current medium-term management plan, we achieved our operating income targets in each business. With the buoyant market conditions in the Chlor-alkali Group as a tailwind, operating income was 144.0 billion yen, operating profit margin was 15.7%, and ROE was 16.3%, which exceeded the numerical targets.

*Achievement of numerical targets

(billions of yen)

	FY2022 results	FY2022 target	Difference
Net sales	918.6	890.0	28.6
Operating income	144.0	110.0	34.0
Operating profit margin	15.7%	10% or more	Achieved
ROE	16.3%	10% or more	Achieved
(Assumptions)			
Dollar	112 yen/dollar	110 yen/dollar	2 yen/dollar
Euro	131 yen/euro	125 yen/euro	6 yen/euro
Naphtha	56,875 yen/kl	46,000 yen/kl	10,875 yen/kl

*Operating income by business segment

(billions of yen)

	FY2022 results	FY2022 target	Difference
Petrochemical Group	15.7	15.0	0.7
Chlor-alkali Group	69.5	41.0	28.5
Specialty Group	43.5	43.0	0.5
Engineering Group and Ancillary	15.3	11.0	4.3
Total	144.0	110.0	34.0

Capital investment has been carried out for three years, focusing on capacity-building in growth fields such as electronic materials like quartz glass materials, chloroprene rubber, and bromine in the specialty business, as well as on strengthening the foundation such as investment in improving the efficiency of power generation facilities in the commodity business. Cumulative capital investment amounted to 159.8 billion yen, exceeding the plan by 19.8 billion yen. Moreover, in the bio field, we made a wholly owned subsidiary of a manufacturing and sales company for continuous chromatography equipment in the United States. We will steadily link these investments to profits and aim for further growth in fiscal 2023 and beyond.

Medium-term business plan for fiscal 2023–2025

In May 2022, we planned to announce a three-year medium-term business plan with fiscal 2025 as the final year, but since Russia's invasion of Ukraine, raw material and fuel prices have shown sharp fluctuations, and it has become difficult to rationally forecast the future of the business environment.

In light of these circumstances, we have decided to postpone the announcement of the new medium-term business plan to August 2022.

In the new medium-term business plan, we consider balancing growth and decarbonization as the most important management issue, and will continue to focus on expanding profits in the Specialty business while continuing hybrid management as a basis.

(6) Changes in assets and profits and losses

Classification	119th fiscal year (FY2018)	120th fiscal year (FY2019)	121st fiscal year (FY2020)	122nd fiscal year (FY2021)	123rd fiscal year (FY2022)
Net sales (billions of yen)	822.9	861.5	786.1	732.9	918.6
Operating income (billions of yen)	130.6	105.7	81.7	87.8	144.0
Ordinary income (billions of yen)	132.3	113.0	86.0	95.1	160.5
Profit attributable to owners of parent (billions of yen)	88.8	78.1	55.6	63.3	107.9
Earnings per share (yen)	273.49	240.62	171.03	197.89	339.23
ROE (%)	19.6	15.1	10.0	10.7	16.3
Net D/E ratio (times)	0.00	0.01	(0.01)	(0.04)	(0.10)
Equity ratio (%)	58.0	61.6	64.0	62.6	65.2
Net assets (billions of yen)	528.1	579.5	609.7	661.7	7,597
Total assets (billions of yen)	845.7	878.2	886.6	982.8	10,877

(Notes)

1. EPS (earnings per share) is calculated based on the average number of shares outstanding during the period (after deducting treasury stock).
2. We conducted a reverse stock split on October 1, 2017 at a ratio of one common stock for two. As a result, EPS (earnings per share) is calculated on the assumption that the reverse stock split was carried out at the beginning of FY2018.
3. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) have been applied since the beginning of fiscal 2019. Total assets for fiscal 2017 are figures after applying the relevant accounting standard retroactively.
4. “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the current consolidated fiscal period. For the status of assets and profits and losses for the current consolidated fiscal year, the figures after applying the relevant accounting standards, etc. are stated.

(7) Status of important subsidiaries

Company name	Capital stock	Tosoh ownership (%)	Major line of business
Organo Corporation	Millions of yen 8,225	*42.6	Manufacture and sale of water treatment equipment, pure water equipment, ion exchange resins, etc.
Taiyo Vinyl Corporation	Millions of yen 6,000	84.0	Manufacture and sale of vinyl chloride resin
Tohoku Tosoh Chemical Co., Ltd.	Millions of yen 2,000	100.0	Manufacture and sale of soda industry products, electronic materials, etc.
Tosoh SGM Corporation	Millions of yen 1,600	*100.0	Manufacture of silica glass materials, quartz glass for optics, and quartz tubes
Tosoh Hyuga Corporation	Millions of yen 1,500	100.0	Production of electrolytic manganese dioxide and ferrite raw materials
Hokuetsu Kasei Co., Ltd.	Millions of yen 1,500	100.0	Manufacture and sale of polyethylene films, etc.
Taihei Chemicals Limited	Millions of yen 1,222	*74.6	Manufacture and sale of rigid PVC films and sheets, color chips, etc.
Tosoh Logistics Corporation	Millions of yen 1,200	100.0	Transportation, cargo handling, insurance agency
Plas-Tech Corporation	Millions of yen 870	*65.1	Manufacture and sale of vinyl chloride compounds and various plastic products
Tosoh Speciality Materials Corporation	Millions of yen 800	100.0	Manufacture of sputtering targets
Tosoh Finechem Corporation	Millions of yen 500	100.0	Manufacture and sale of catalysts, organic electronic materials, various organic fluorine and bromine compounds, etc.
Tosoh America, Inc.	Thousands of U.S. dollars 28,119	100.0	Parent company of Tosoh USA, Inc. and other subsidiaries and affiliates in North America
Philippine Resins Industries, Inc.	Thousands of Philippine pesos 1,504,000	80.0	Manufacture and sale of vinyl chloride resin
Tosoh China Holdings Co., Ltd.	Thousands of Chinese yuan 323,086	100.0	Parent company of Tosoh (Guangzhou) Chemical Industries, Inc. and other subsidiaries and affiliated companies in China
Tosoh (Guangzhou) Chemical Industries, Inc.	Thousands of Chinese yuan 206,912	*67.0	Manufacture and sale of vinyl chloride resin
Tosoh Europe N.V.	Thousands of euros 16,391	*100.0	Sale of clinical diagnostic equipment and reagents
Tosoh Hellas Single Member S.A.	Thousands of euros 12,745	100.0	Manufacture and sale of electrolytic manganese dioxide
PT. Standard Toyo Polymer	Thousands of U.S. dollars 14,000	60.0	Manufacture and sale of vinyl chloride resin
Tosoh Advanced Materials Sdn. Bhd.	Thousands of Malaysian ringgit 60,000	100.0	Manufacture of high-silica zeolite
Tosoh (Ruian) Polyurethane Co., Ltd.	Thousands of Chinese yuan 149,811	*100.0	Manufacture and sale of urethane raw materials
Mabuhay Vinyl Corporation	Thousands of Philippine pesos 661,309	88.0	Manufacture and sale of soda industrial products
Tosoh SMD, Inc.	Thousands of U.S. dollars 10,000	*100.0	Manufacture and sale of sputtering targets

Tosoh Polyvin Corporation	Thousands of U.S. dollars 7,532	*90.0	Manufacture and sale of vinyl chloride compounds
Tosoh (Shanghai) Polyurethane Co., Ltd.	Thousands of Chinese yuan 53,678	*100.0	Manufacture and sale of polyurethane, paints and adhesives
Tosoh Quartz Co., Ltd.	Thousands of Taiwan dollars 150,000	*100.0	Manufacture and sale of quartz glass processed products
Tosoh Quartz, Inc.	Thousands of U.S. dollars 4,270	*100.0	Manufacture and sale of quartz glass processed products

(Note) An asterisk (*) indicates the ratio including ownership through subsidiaries.

(8) Major line of business (as of March 31, 2022)

The Group's businesses and major products are as follows:

Business segment	Major products
Petrochemical Group	Olefin products such as ethylene and propylene, low-density polyethylene, high-density polyethylene, processed resin products, functional polymers, etc.
Chlor-alkali Group	Caustic soda, vinyl chloride monomer, vinyl chloride resin, inorganic chemicals, organic chemicals, cement, polyurethane raw materials, etc.
Specialty Group	Inorganic and organic fine products, measurement and diagnostic products, high-silica zeolite, zirconia, electronic materials (silica glass, sputtering targets), etc.
Engineering Group	Water treatment equipment, construction, etc.
Ancillary	Transportation and warehousing, inspection and analysis, information processing, etc.

(9) Major offices, factories, etc. (as of March 31, 2022)

(i) Tosoh Corporation

Sales offices	Head office (Tokyo), Osaka Branch, Nagoya Branch, Fukuoka Branch, Sendai Branch
Production bases	Nanyo Complex (Yamaguchi Pref.), and Yokkaichi Complex (Mie Pref.)
Research bases	Advanced Materials Research Laboratory (Kanagawa Pref.), Life Science Research Laboratory (Kanagawa Pref.), Functional Polymers Research Laboratory (Mie Pref.), Polymer Materials Research Laboratory (Mie Pref.), Inorganic Materials Research Laboratory (Yamaguchi Pref.), Organic Materials Research Laboratory (Yamaguchi Pref. and Kanagawa Pref.), Polyurethane Research Laboratory (Mie Pref.), and Technology Center (Yamaguchi Pref.)

(ii) Subsidiaries

Organo Corporation	Sales offices	Head office (Tokyo)
	Production bases	Tsukuba Factory (Ibaraki Pref.), and Iwaki Factory (Fukushima Pref.)
	Research bases	R&D center (Kanagawa Pref.)
Taiyo Vinyl Corporation	Sales offices	Head office (Tokyo)
	Production bases	Chiba Plant, and Yokkaichi Plant (Mie Pref.)
Tosoh (Guangzhou) Chemical Industries, Inc.	Sales offices and production bases	Head office and plant (China)
Tosoh Europe N.V.	Sales offices	Corporate services (Belgium)
Philippine Resins Industries, Inc.	Sales offices and production bases	Corporate services and plant (Philippines)
PT. Standard Toyo Polymer	Sales offices and production bases	Head office and plant (Indonesia)
Tosoh Advanced Materials Sdn. Bhd.	Production bases	Corporate services and plant (Malaysia)

(10) Status of employees (as of March 31, 2022)

(i) Tosoh Group

Number of employees	Comparison with the previous term
13,858	Increase of 227

A breakdown of the number of employees by segment is as follows:

Petrochemical	Chlor-alkali	Specialty	Engineering	Others	Total
1,207	3,167	4,463	2,916	2,105	13,858

(ii) Tosoh Corporation

Number of employees	Comparison with the previous term	Average age	Average years of service
3,758	Increase of 75	38.4 years old	14.0 years

(Note) The number of employees is that of full-time employees.

A breakdown of the number of employees by segment is as follows:

Petrochemical	Chlor-alkali	Specialty	Total
981	1,498	1,279	3,758

A breakdown of the number of employees by gender is as follows:

Male	Female	Total
3,373	385	3,758

(11) Major lenders and the borrowing amount (as of March 31, 2022)

The Company's major lenders and the borrowing amount are as follows:

(Millions of yen)

Lenders	Outstanding borrowing amount
Mizuho Bank, Ltd.	1,893
Sumitomo Mitsui Trust Bank, Limited	1,677
The Norinchukin Bank	1,432
The Yamaguchi Bank, Ltd.	1,140
Development Bank of Japan Inc.	993

(12) Other important matters regarding the current state of the corporate group

There are no applicable matters.

2. Matters related to shares of the company (as of March 31, 2022)

- (1) Total number of authorized shares 900,000,000
 (2) Total number of issued shares 325,080,956
 (Including 6,838,872 treasury shares)
 (3) Number of shareholders 33,420
 (4) Status of major shareholders (top 10)

Shareholder's name	Status of investment in the Company	
	Number of shares held (thousands of share)	Shareholding ratio %
The Master Trust Bank of Japan, Ltd. (Trust Account)	50,181	15.77
Custody Bank of Japan, Ltd. (Trust Account)	16,708	5.25
Mizuho Bank, Ltd.	8,046	2.53
Sumitomo Mitsui Trust Bank, Limited	7,502	2.36
Nippon Life Insurance Company	6,683	2.10
Mitsui Sumitomo Insurance Company, Limited	6,624	2.08
The Norinchukin Bank	6,492	2.04
State Street Bank and Trust Company Corporation 505001	6,307	1.98
Tosoh Employee Shareholding Association	5,328	1.67
The Yamaguchi Bank, Ltd.	4,972	1.56

- (Notes) 1. The Company holds 6.8 million treasury shares, but is excluded from the above major shareholders.
 2. Shareholding ratio is calculated excluding the treasury shares.

- (5) Shares delivered to corporate officers as compensation for the execution of their duties during the current fiscal year

The Company has adopted a stock compensation system for delivering restricted stock, and at the Board of directors meeting held on July 9, 2021, it resolved to dispose of treasury stock for a restricted stock compensation. As a result, 31,159 shares of the Company's common stock were disposed of on August 3, 2021 for a total amount of 60,884,686 yen.

Total shares delivered to directors and other officers by category

Classification	Number of shares	Number of recipients
Directors (excluding outside directors)	11,463	5
Executive officers	19,696	22

(Reference) Changes in dividends and dividend payout ratio

	119th fiscal year (FY2018)	120th fiscal year (FY2019)	121st fiscal year (FY2020)	122nd fiscal year (FY2021)	123rd fiscal year (FY2022)
Interim dividend	24 yen	28 yen	28 yen	28 yen	30 yen
Year-end dividend	32 yen	28 yen	28 yen	32 yen	50 yen
Total	56 yen	56 yen	56 yen	60 yen	80 yen
Dividend payout ratio (consolidated)	20.5%	23.3%	32.7%	30.3%	23.6%

* We conducted a reverse stock split on October 1, 2017 at a ratio of one common stock for two.

The interim and year-end dividends in the table above are calculated on the assumption that the reverse stock split was conducted at the beginning of fiscal 2018.

3. Matters related to share acquisition rights of the Company

(1) Outline of contents of share acquisition rights held by the Company's officers

(As of March 31, 2022)

	Number of share acquisition rights	Number of holders Company's directors	Type and number of the share that is the object of share acquisition rights	Issue price of share acquisition rights (per share)	Exercise price (per share)	Exercise period of share acquisition rights
Second share acquisition rights (Issued on July 17, 2007)	2,666	1	Common share of the Company 1,333 shares	1,274 yen	1 yen	From July 19, 2007 to July 18, 2032
Third share acquisition rights (Issued on July 18, 2008)	4,325	1	Common share of the Company 2,162 shares	800 yen	1 yen	From July 20, 2008 to July 19, 2033
Fourth share acquisition rights (Issued on July 17, 2009)	16,356	2	Common share of the Company 8,177 shares	450 yen	1 yen	From July 19, 2009 to July 18, 2034
Fifth share acquisition rights (Issued on July 16, 2010)	18,776	2	Common share of the Company 9,387 shares	392 yen	1 yen	From July 18, 2010 to July 17, 2035

Sixth share acquisition rights (Issued on July 15, 2011)	16,422	2	Common share of the Company 8,210 shares	626 yen	1 yen	From July 17, 2011 to July 16, 2036
Seventh share acquisition rights (Issued on July 13, 2012)	31,342	2	Common share of the Company 15,670 shares	328 yen	1 yen	From July 15, 2012 to July 14, 2037
Eighth share acquisition rights (Issued on July 12, 2013)	20,976	3	Common share of the Company 10,487 shares	676 yen	1 yen	From July 14, 2013 to July 13, 2038
Ninth share acquisition rights (Issued on July 11, 2014)	16,683	3	Common share of the Company 8,341 shares	850 yen	1 yen	From July 13, 2014 to July 12, 2039
Tenth share acquisition rights (Issued on July 17, 2015)	14,274	3	Common share of the Company 7,136 shares	1,198 yen	1 yen	From July 19, 2015 to July 18, 2040
Eleventh share acquisition rights (Issued on July 15, 2016)	41,532	4	Common share of the Company 20,766 shares	862 yen	1 yen	From July 17, 2016 to July 16, 2041
Twelfth share acquisition rights (Issued on July 14, 2017)	15,773	5	Common share of the Company 7,886 shares	2,276 yen	1 yen	From July 16, 2017 to July 15, 2042
Thirteenth share acquisition rights (Issued on July 13, 2018)	27,734	5	Common share of the Company 13,867 shares	1,373 yen	1 yen	From July 15, 2018 to July 14, 2043
Fourteenth share acquisition rights (Issued on July 12, 2019)	32,342	5	Common share of the Company 16,171 shares	1,191 yen	1 yen	From July 14, 2019 to July 13, 2044

- (Notes) 1. The above number of holders includes only directors (excluding external directors), and the Company does not issue share acquisition rights to external directors and corporate auditors.
2. Main conditions for exercising share acquisition rights
- The holder of share acquisition rights may exercise the share acquisition rights within the period of exercising the share acquisition rights only from the day following the day when the position of director of the Company is lost to the day when 10 days have passed.
 - If a share acquisition rights holder waives his/her share acquisition rights, such share acquisition rights may not be exercised.

4. Matters related to officers of the Company

(1) Names, etc. of directors and corporate auditors

Name	Position and charge	Status of significant concurrent positions
Mamoru Kuwada	Representative director and president	
Katsushi Tashiro	Representative director and senior executive vice president Senior general manager of Nanyo Complex Involved in Production and Technology Planning, Facility Management Center, Technology Center and Yokkaichi Complex	
Toru Adachi	Director and executive vice president President of Petrochemical Group, president of Chlor-alkali Group and president of Engineering Group Responsible for Corporate Strategy, International Corporate Development, IT Strategy, Finance, General Affairs, Corporate Communications, Auditing, Osaka Branch, Nagoya Branch, Fukuoka Branch, Sendai Branch, Yamaguchi Sales Office, Yamagata Office and Toyama Office Involved in China Operations, Corporate Control & Accounting, Purchasing & Logistics, Human Resources, and Corporate Secretariat	
Toru Doi	Director and senior vice president General manager of Research and Development Planning and president of Specialty Group Responsible for CSR Promotion, Functional Polymers Research Laboratory, Polymer Materials Research Laboratory, Inorganic Materials Research Laboratory, Organic Materials Research Laboratory and Polyurethane Research Laboratory Involved in Legal & Patents, Environment, Safety & Quality Control, Life Science Research Laboratory, Advanced Materials Research Laboratory and Tokyo Research Center	
Toshinori Yamamoto	Director and corporate adviser	
Tsutomu Abe	External director	
Keiichi Miura	External director	NOF Corporation external director (Audit and Supervisory member)
Yoshihiro Hombo	External director	Representative director, president & COO, of Valqua, Ltd.

Mariko Hidaka	External director	Kyokuto Boeki Kaisha, Ltd. external director (Audit and Supervisory member) Representative of Hidaka CPA Office
Kouji Kawamoto	Internal auditor	Lonseal Corporation external director (Audit and Supervisory Member)
Makoto Okayama	External auditor	
Tetsuya Teramoto	External auditor	
Tsuneyasu Ozaki	External auditor	Head of Fukuoka Branch Office, Nishimura & Asahi LPC Outside external corporate auditor, CellSource Co., Ltd.

- (Notes)
1. The position and responsibilities are as of March 31, 2022.
 2. Four of the directors, Mr. Tsutomu Abe, Mr. Keiichi Miura, Mr. Yoshihiro Hombo and Ms. Mariko Hidaka, are external directors as stipulated in Article 2, Item 15 of the Companies Act, and are designated as independent officers based on the provisions of Tokyo Stock Exchange, Inc. and reported to the exchange as such.
 3. Of the corporate auditors, Mr. Makoto Okayama, Mr. Tetsuya Teramoto, and Mr. Tsuneyasu Ozaki are external corporate auditors as stipulated in Article 2, Item 16 of the Companies Act, and are designated as independent officers based on the stipulations of Tokyo Stock Exchange, Inc. and reported to the exchange as such.
 4. Mr. Kouji Kawamoto, corporate auditor, has been in charge of the financial accounting business in the Company for many years, and Mr. Makoto Okayama, corporate auditor, has many years of experience in financial practice at a financial institution and has considerable knowledge of finance and accounting.
 5. All directors were re-elected at the 122nd Ordinary General Meeting of Shareholders held on June 25, 2021, as their terms of office expired.

(Reference) Names, etc. of Executive Officers excluding those concurrently serving as Director

Name	Position and responsibility
Satoru Yonezawa	Senior vice president, general manager of Corporate Control & Accounting and representative of China Operations
Akihiro Yoshimizu	Senior vice president, senior general manager of Yokkaichi Complex
Yoshiyuki Uchiyama	Vice president, general manager of Human Resources
Masanobu Kasai	Vice president, senior general manager of Bioscience Division
Hiroyuki Yoshimura	Vice president, general manager of Legal & Patents
Hideyuki Obayashi	Vice president, senior general manager of Chlor-alkali Division
Kenichi Kai	Vice president, general manager of Technology Center and CO2 Reduction and Effective Use: Nanyo Task Force
Shigeki Hattori	Vice president, president of Tosoh Information Systems Co., Ltd.
Yutaka Murata	Vice president, deputy senior general manager of Yokkaichi Complex and CO2 Reduction and Effective Use: Yokkaichi Task Force
Teruhiko Ide	Vice president, general manager of Life Science Research Laboratory and manager of Tokyo Research Center
Kouji Inage	Vice president, deputy senior general manager of Nanyo Complex and team leader of CO2 Reduction and Effective Use: Nanyo Task Force
Hidetoshi Horiuchi	Vice president, senior general manager of Olefins Division
Hideaki Nishioka	Vice president, senior general manager of Polymers Division
Takahiko Kamezaki	Vice president, senior general manager of Organic Chemicals Division and general manager of Planning & Business Development
Nobukatsu Ohmichi	Vice president, senior general manager of Advanced Materials Division
Yuji Takeda	Vice president, general manager of Environment, Safety & Quality Control
Yasuhiro Kojima	Vice president, deputy senior general manager of Nanyo Complex and general manager of No.1 Urethane Production
Masaki Nomura	Vice president, manager of Planning & Coordination at the Nanyo Complex
Shuji Takato	Vice president, general manager of Advanced Materials Research Laboratory
Takafumi Kiuchi	Vice president, senior general manager of Urethane Division
Akira Takano	Vice president, general manager of Corporate Secretariat
Sousuke Matsushima	Vice president, general manager of Production and Technology Planning, general manager of Facility Management Center and manager of CO ₂ Reduction and Effective Use Strategy
Ryouji Yoshimura	Vice president, director of Tosoh SGM Corporation
Mitsutaka Sugata	Vice president, general manager of Purchasing & Logistics and group leader of Raw Materials & Fuel Operations

(Note) The position and responsibility are as of March 31, 2022.

(2) Outline of contents of the limitation of liability contract

The Company and the directors (excluding those who are executive directors, etc.) and the corporate auditors have entered into a contract to limit their liability for damages under Article 423, paragraph 1 of the Companies Act in accordance with the provisions of Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation.

The liability for damages under the contract is limited to the minimum liability amount provided for in Article 425, paragraph 1 of the Companies Act.

(3) Outline of the contents of the directors and officers liability insurance contract

The Company has concluded a liability insurance contract for officers, etc. as prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, whereby the insured parties will be covered for the amount of damages and litigation expenses in cases where they receive a claim for damages arising from their actions in the execution of their duties. However, damages caused by acts performed by the insured while recognizing that they violate the law or criminal acts by the insured will not be covered.

Directors, corporate auditors, executive officers, and associate directors of the Company and its registered subsidiaries are insured parties under said insurance contract, and insurance premiums are fully paid by the Company and its registered subsidiaries according to the affiliation of the insured.

(4) Amount of compensation, etc. for directors and corporate auditors

Classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of eligible officers
		Fixed compensation	Performance-based compensation, etc.	Non-monetary compensation, etc.	
Directors (Of which, external directors)	347 million yen (48 million yen)	232 million yen (48 million yen)	92 million yen (-)	22 million yen (-)	10 (4)
Corporate auditors (Of which, external corporate auditors)	69 million yen (39 million yen)	69 million yen (39 million yen)	-	-	5 (3)

(i) Matters related to performance-based compensation, etc.

As described in “(2) Outline of the decision policy (2)” in “(iv) Policy on deciding the details of individual compensation, etc. for directors.”

(ii) Details of non-monetary compensation, etc.

As described in “(2) Outline of the decision policy (3)” in “(iv) Policy on deciding the details of individual compensation, etc. for directors.”

(iii) Matters related to resolutions of the General Meeting of Shareholders regarding compensation, etc. of directors and corporate auditors

The date of the resolution of the General Meeting of Shareholders regarding the compensation, etc. of directors of the Company is June 25, 2020, and the content of the resolution is that the total amount of compensation, etc. of directors shall be within 670 million yen per year (this amount is broken down as follows: (1) the cash compensation portion is 620 million yen (of which, 60 million yen or less for external directors), and (2) the stock-based compensation portion is 50 million yen, not including salaries and bonuses for officers who also serve as employees). The number of directors at the end of this General Meeting of Shareholders is nine.

The date of the resolution of the General Meeting of Shareholders regarding the compensation, etc.

of corporate auditors of the Company is June 27, 1989, and the content of the resolution is that the total amount of compensation of corporate auditors shall be within 6 million yen per month. The number of corporate auditors at the end of this General Meeting of Shareholders is three.

(iv) Policy for determining details of individual compensation, etc. for directors

1) How to decide the policy for determining details of individual compensation, etc. for directors

The policy for determining details of individual compensation, etc. for directors (hereinafter the “Decision Policy”) is resolved at the meeting of the board of directors held on February 24, 2021, based on the report of the Nomination and Compensation Advisory Board.

2) Outline of the decision policy

Our basic policy is to create a compensation system aimed at continuously improving corporate performance and enterprise value, and securing excellent human resources. Specific details based on the basic policy are as follows:

(1) Policy on determining how to calculate the amount of fixed compensation

Fixed compensation is regarded as consideration for the position, and is determined for each position in consideration of the compensation level in the survey results of the management compensation compiled by an external organization.

(2) Policy on determining the content of performance indicators related to performance-based compensation and the method of calculating the amount of performance-based compensation

The performance-based compensation uses, as a performance indicator, the non-consolidated ordinary income of the previous fiscal year, which shows the results of the entire business, including both ordinary operating activities and financial activities. The amount will be determined for each position based on the ratio to the fixed compensation and the performance-based range, in consideration of the compensation level, etc. in the survey results of management compensation compiled by external organizations.

(3) Policy on determining the content of non-monetary compensation (stock-based compensation) and the method of calculating the amount of non-monetary compensation

The allotment of restricted stock, which is non-monetary compensation, will be decided for each position by comprehensively considering various matters such as the degree of contribution.

(4) Policy on determining the ratio of the amount of fixed compensation, performance-based compensation, and non-monetary compensation to the amount of individual compensation, etc. for directors

The ratio of fixed compensation, performance-based compensation and non-monetary compensation (stock-based compensation) to the amount of individual compensation, etc. shall be determined for each position, in consideration of the compensation level in the survey results of the management compensation compiled by an external organization.

Moreover, external directors shall receive only fixed compensation from the perspective of their role and independence.

(5) Policy on determining the timing or conditions for giving compensation, etc. to directors

Fixed compensation and performance-based compensation are paid monthly. Fixed remuneration based on the position of the current fiscal year and performance-based compensation based on the performance of the previous fiscal year are paid monthly as the compensation for the current fiscal year. As for the restricted stock compensation, which is a non-monetary compensation, restricted shares are allotted annually in accordance with the allotment agreement, and the transfer restriction will be removed upon retirement.

(6) How to determine the content of individual compensation, etc. for directors other than the above

Individual remuneration, etc. for directors will be decided by the board of directors based on a report of the Nomination and Compensation Advisory Board, the majority of whose members are independent external directors.

3) Reasons why the board of directors has determined that the details of individual compensation, etc. for directors for the current fiscal year are in line with the decision policy

When deciding the content of individual compensation, etc. for directors, the Nomination and Compensation Advisory Board confirms the consistency with the decision policy and reports to the board of directors on individual compensation, etc. for directors, and the board of directors determines that the content is in line with the decision policy.

(v) Matters related to delegation in determining the individual compensation, etc. for directors

The individual compensation, etc. for directors are determined by the board of directors based on a report of the Nomination and Compensation Advisory Board and are not delegated to any other party.

(5) Matters related to outside officers

(i) The Status of significant concurrent positions held at other companies, etc. and relationship between the Company and the other companies, etc.

- The Company has a business relationship with NOF Corporation, where Mr. Keiichi Miura, director, has a concurrent assignment, but has no special relationship with it.
- The Company has no business relationship with Valqua, Ltd., where Mr. Yoshihiro Hombo, director, concurrently serves.
- The Company has a business relationship with Kyokuto Boeki Co., Ltd., where Ms. Mariko Hidaka, director, has a concurrent assignment, but has no special relationship with it. In addition, the Company has no business relationship with the Hidaka Certified Public Account Office, which she represents.
- The Company requests Nishimura & Asahi, where Mr. Tsuneyasu Ozaki, corporate auditor, concurrently serves, to provide legal services whenever necessary. In addition, the Company has no business relationship with CellSource Co., Ltd., where he also holds a position.

(ii) Major activities during the period under review

Classification	Name	Main activities
Director	Tsutomu Abe	Attended all 16 meetings of the board of directors held during the current period. At the meetings he attends, based on his wealth of experience and sophisticated insight in finance, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, he appropriately fulfills his responsibilities as chairperson of the Nomination and Compensation Advisory Board by asking questions and providing opinions as appropriate, and reporting to the board of directors on the deliberations of the Board.
Director	Keiichi Miura	Attended 14 of 16 meetings (88%) of the board of directors held during the current period under review. At the meetings he attends, based on his wealth of experience and sophisticated insight in research planning, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, he appropriately fulfills his responsibilities by asking questions and providing opinions as appropriate.
Director	Yoshihiro Hombo	Attended 15 of 16 meetings (94%) of the board of directors held during the current period. At the meetings he attends, based on his wealth of experience and sophisticated insight in marketing, overseas, business management, corporate management, etc., he views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, he appropriately fulfills his responsibilities by asking questions and providing opinions as appropriate.
Director	Mariko Hidaka	Attended all 16 meetings of the board of directors held during the current period. At the meetings she attends, based on her wealth of experience and sophisticated insight in accounting, auditing, corporate management support, etc., she views the Group from an objective perspective and makes comments as appropriate that contribute to management supervision and enhancement of the enterprise value. In addition, as a member of the Nomination and Compensation Advisory Board, she appropriately fulfills her responsibilities by asking questions and providing opinions as appropriate.
External auditor	Makoto Okayama	He became a corporate auditor of the Company on June 25, 2021, and has attended all 13 meetings of the board of directors held after his inauguration and all 11 meetings of the Audit & Supervisory Board held after his inauguration. Based on his extensive experience and sophisticated insight in finance and corporate management, etc., he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.
External auditor	Tetsuya Teramoto	Attended all 16 meetings of the board of directors and all 15 meetings of the Audit & Supervisory Board held during the current period under review. Based on his extensive experience and sophisticated insight in corporate management, etc., he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.
External auditor	Tsuneyasu Ozaki	Attended 15 of 16 meetings (94%) of the board of directors and 14 of 15 meetings (93%) of the Audit & Supervisory Board held during the current period under review. Based on his extensive experience and sophisticated insight as a lawyer, he speaks from an objective and professional viewpoint and appropriately performs auditing from a neutral and fair standpoint.

5. Status of independent auditor

(1) Name of independent auditor
KPMG AZSA LLC

(2) Amount of compensation, etc. for independent auditor for the period under review

(i) Amount of remuneration, etc. as independent auditor for the period under review 81 million yen

(ii) Total of money and other property benefits that the Company and subsidiaries should pay to the independent auditor 203 million yen

(Notes) 1. In the audit contract between the Company and the accounting auditor, audit fees for audits based on the Companies Act and those for audits based on the Financial Instruments and Exchange Act are not distinguished and cannot be substantially divided, so the total amount of these is described.

2. The Audit & Supervisory Board agreed with the amount of compensation, etc. paid to the independent auditor after reviewing the details of the audit plan of the independent auditor, the status of performance of accounting audit duties, and changes in compensation for the auditing, as well as the appropriateness of the audit time and amount of compensation for each audit item for the current period.

3. Of the Company's significant subsidiaries, Tosoh America, Inc. and 16 other companies are audited (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to these laws)) by certified public accountants or an auditing firm (including those who have qualifications equivalent to these qualifications in foreign countries) other than the Company's independent auditor.

(3) Policy on determining dismissal or non-reappointment

If an independent auditor is deemed to fall under any of the items of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the independent auditor with the consent of all Audit & Supervisory Board members.

Further, if there is any obstacle to the performance of the independent auditor's duties, etc., the Audit & Supervisory Board comprehensively considers the independence and reliability of the independent auditor and other factors related to the performance of his or her duties, and decides on the content of a proposal to be submitted to the General Meeting of Shareholders regarding the dismissal or non-reappointment of the independent auditor.

6. Structure and policy of the Company

(1) System to ensure the appropriateness of business activities

We believe that construction of an internal control system is essential in order for corporate governance to function effectively. The basic policy on development of the internal control system resolved by the board of directors is as follows:

- (i) Systems to ensure that execution of the duties by directors and employees complies with laws and regulations and the articles of incorporation
 - We will establish rules related to compliance, establish a code of conduct that will serve as norms for directors and employees, and establish a compliance committee to thoroughly implement them, and carry out company-wide efforts including in-house training.
 - We will establish a whistleblower system and always strive to ensure its effectiveness.
 - Auditing performs audits on compliance practices.
- (ii) System for storing and managing information related to the execution of duties by the directors
 - Documents and other information related to the execution of duties by directors shall be appropriately stored and managed in accordance with internal rules.
 - The directors and corporate auditors may access these documents at any time.
- (iii) Regulations and other systems for managing the risk of losses
 - We shall institute regulations and develop risk management systems in order to address each kind of risk relating to the performance of production and sales activities.
 - Each department, under the supervision of a responsible director, shall autonomously manage risks in the course of day-to-day business activities.
- (iv) System to ensure that duties by directors are executed efficiently
 - For important matters pertaining to business operations, the board of directors shall, after deliberation by the executive board meeting, make executive decisions in accordance with internal regulations.
 - At the management liaison meeting, which is composed of directors, corporate auditors, general managers of business divisions, general managers of related departments, etc., the business practices of each division are reported, prior explanations of approvals are given, and other important matters are communicated.
- (v) System to ensure the appropriateness of business in the corporate group
 - Enact regulations regarding management and operation of subsidiaries and apply them properly.
 - Request its subsidiaries to report their business operations on a regular or appropriate basis.
 - A responsible department is set for each subsidiary to manage the business operations of the subsidiary, and the directors and corporate auditors are dispatched to the subsidiary to provide advice and guidance for risk management and efficient business execution at the subsidiary.
 - Establish and disseminate a code of conduct related to compliance as the Tosoh Group.
 - Perform cross-group compliance activities and Responsible Care (RC) activities by departments involved in general affairs and legal affairs
 - Auditing conducts audits on the subsidiaries.

- (vi) Matters concerning the employee when the corporate auditors request the appointment of an employee to assist their duties, and matters concerning the independence of the employee from the directors and ensuring the effectiveness of the instructions given by the corporate auditors to the employee
 - In order to support the work of the corporate auditors, establish an Audit & Supervisory Board Secretariat under the Audit & Supervisory Board and assign full-time employees to the unit.
 - The employees shall be placed under the direct command of the corporate auditors.
 - The personnel affairs of the employees shall be discussed with the Audit & Supervisory Board in advance to obtain the approval of the board members.

- (vii) System for the directors and employees to report to the corporate auditors and other systems for reporting to the corporate auditors
 - The directors and employees shall report how their duties are executed in a timely and appropriate manner to corporate auditors through significant meetings including the board of directors meetings.
 - Important approval documents and minutes of meetings shall be circulated to the corporate auditors.
 - The directors and employees shall provide necessary reports in response to requests by the corporate auditors periodically or appropriately.
 - Details of reports received by the whistleblowing desk shall be reported to the corporate auditors.
 - The corporate auditors shall be designated as one of the contact points for the whistleblowing system.
 - Enact regulations to prevent whistleblowers under the whistleblowing system from being treated unfavorably because of their whistleblowing.

- (viii) System for directors, corporate auditors, and employees of the subsidiaries or persons who received reports from them to report to the corporate auditors
 - Report on business operations received from the subsidiaries to the corporate auditors as appropriate.
 - Request the directors, etc. of the subsidiaries to report to the corporate auditors of the Company as appropriate.
 - The whistleblowing system shall also accept reports related to and from subsidiaries.

- (ix) Matters about procedures for advance payment or reimbursement of expenses that arise from execution of the duties of corporate auditors, as well as about policies on processing of expenses or obligations that arise from execution of their duties
 - The corporate auditors may charge the Company for settlement of expenses or debts considered necessary for the execution of their duties.

- (x) Other systems to ensure that audits by corporate auditors are performed effectively
 - Meetings of the corporate auditors and the representative director shall be held periodically for exchange of opinions on all aspects of management.
 - The corporate auditors and Auditing shall exchange information periodically to promote mutual cooperation.

- (2) Overview of the operational status of the systems to ensure the appropriateness of business activities

Based on the above policy, the Company strives to develop the internal control system to operate it appropriately. The operational status of the internal control system during the current period under review is as follows:

 - (i) System to ensure that execution of the duties by directors and employees complies with laws and regulations and the articles of incorporation

- In addition to establishing compliance rules and other regulations related to compliance, the Company has also established the Tosoh Group Code of Conduct for all the officers and employees of the Tosoh Group.
 - The Company has established a compliance committee to promote compliance practices.
 - We have established a whistleblowing system and have stipulated the operational standards, etc. to prevent whistleblowers from being treated unfavorably because of their whistleblowing, and we will respond in good faith to any received report.
 - Auditing conducts audits on the status of compliance practices.
- (ii) System for storing and managing information related to the execution of duties by the directors
- We have established basic documentation rules and other rules, and strive to properly store and manage documents and information, and the directors and corporate auditors may access these documents at any time.
- (iii) Regulations and other systems for managing the risk of losses
- We have established environmental safety management regulations related to the execution of production activities, disaster countermeasure regulations, quality management regulations, purchasing management regulations, sales management regulations related to the execution of sales activities, derivative transaction management regulations, regulations on handling of personal information, and compliance-related regulations to deal with various risks.
 - Countermeasures against each kind of risk are discussed at the board of directors meetings and other meetings.
- (iv) System to ensure that duties by directors are executed efficiently
- In principle, the board of directors meeting is held monthly, the executive board meeting is held weekly, and the management liaison meeting is held twice a month to ensure that the directors perform their duties efficiently.
- (v) System to ensure the appropriateness of business in the corporate group
- We have established rules for operations of subsidiaries and affiliates and have designated a responsible division for each subsidiary to manage its business operations. The directors and corporate auditors are dispatched to the subsidiaries and attend meetings of the subsidiary's board of directors.
 - The Company receives reports on business operations from the subsidiaries in writing and at meetings.
 - In addition to establishing the Tosoh Group Code of Conduct for all officers and employees of Tosoh Group, Tosoh General Affairs, Legal and Patents, Human Resources, Corporate Control & Accounting, Environment, Safety & Quality Control, etc. carry out cross-group compliance activities and Responsible Care (RC) activities.
 - Auditing conducts audits on the subsidiaries.
- (vi) Matters concerning the employees when the corporate auditors request the appointment of employees to assist their duties, and matters concerning the independence of the employees from the directors and ensuring the effectiveness of the instructions given by the corporate auditors to the employees
- The Audit & Supervisory Board Secretariat has been established and full-time employees are assigned to it. The personnel affairs of the employees are discussed with and approved by the Audit & Supervisory Board in advance, and the employees receive direct commands and orders from the corporate auditors.
- (vii) System for the directors and employees to report to the corporate auditors and other systems for reporting to the corporate auditors

- The directors and employees report how their duties are executed to the corporate auditors through important meetings including the board of directors meetings, and upon request from the corporate auditors.
 - Important approval documents and minutes of meetings are circulated to the corporate auditors.
 - Under the whistleblowing system, the corporate auditors are designated as one of the contact points for the whistleblowing system, and the details of reports received by other desks are reported to the corporate auditors. In addition, the Company has established operating standards for the whistleblowing system to prevent whistleblowers under the whistleblowing system from being treated unfavorably because of their whistleblowing.
- (viii) System for directors, corporate auditors, and employees of subsidiaries or persons who receive reports from them to report the fact to corporate auditors
- Reports received from the subsidiaries in relation to their business operations are circulated to the corporate auditors as appropriate. In addition, directors, etc. of the subsidiaries report to the Company's corporate auditors as appropriate.
 - The whistleblowing system shall also accept reports related to and from the subsidiaries, and details of such reporting are reported directly or through the reception desk to the corporate auditors.
- (ix) Matters about procedures for advance payment or reimbursement of expenses that arise from execution of the duties of corporate auditors, as well as about policies on processing of expenses or obligations that arise from execution of their duties
- The Company budgets expenses necessary for the execution of duties by the corporate auditors.
 - We accept advance payment or reimbursement of expenses charged by the corporate auditors.
- (x) Other systems to ensure that audits by corporate auditors are performed effectively
- Meetings of corporate auditors and representative directors are held periodically for exchanging opinions on all aspects of management.
 - The corporate auditors and Auditing exchange information periodically.
- (3) Basic policy on elimination of antisocial forces
- (i) Basic approach for eliminating antisocial forces
- We have instituted the Tosoh Group Code of Conduct, which is distributed to all employees. The Code states that we resolutely respond to antisocial forces and will not engage with them, and if we receive an improper demand from such forces, we will not resolve the situation by paying them money or the like.
- (ii) How the system is developed to eliminate antisocial forces
- As to the elimination of antisocial forces, the department in charge is designated as Tosoh General Affairs, and we have a system in which we cooperate with external specialized institutions such as lawyers and the police to take concrete measures. We also gather information regarding antisocial forces from these specialized external organizations, and convey it, as necessary, to the associated departments and the subsidiaries and affiliated companies.
- (4) Basic policy regarding determination of surplus dividends, etc.
- The Company recognizes that its most important management issue is to enhance its long-term enterprise value by improving profitability and further strengthening its financial foundation. Based on this belief, we determine the allocation of dividends and retained earnings by comprehensively taking into consideration factors such as future earnings trends, financial conditions, and the necessary funds for future business development.

Regarding dividends, we position the return of profits to shareholders as one of our important capital policies and make it a basic policy to pay continuous and stable dividends. With regard to retained earnings, we will strive to meet the expectations of our shareholders through helping to improve our long-term enterprise value by strengthening our financial position, investing in core businesses, and effectively utilizing it for research and development activities. We will consider the acquisition of treasury shares flexibly from the viewpoint of medium- to long-term capital policy.

Based on this policy, we declared a year-end dividend of 50 yen per share for the current period, which, together with the interim dividend of 30 yen per share, makes a total annual dividend of 80 yen per share.

(Reference) Diagram of corporate governance system of the Company

