

Sustainability Talks

Utilizing individual abilities to create value that resonates with the senses through innovation

What is essential for artience as it aims to drive the next wave of innovation and achieve further growth, building on a foundation of trust? Since returning to Japan in 1995, Peter D. Pedersen has supported Japanese companies in their sustainability management efforts, gaining extensive expertise in nurturing the next generation of leaders. President Takashima discussed organizational management strategies to enhance corporate value with him.

Attempting transformation, under the banner of a company name change

Takashima When I became president in 2020, the COVID-19 pandemic had begun, and our stock price and business performance were not good. Driven by a sense of crisis that the Company would have no future without change, we resolved to change our company name, as a symbol of transformation.

Pedersen I heard that the name “artience” is a combination of the words “art” and “science.”

Takashima Yes, that’s right. Until now, we have positioned ourselves as a science-driven company. However, in a world where technology and AI will become

the central focus, we believe it is important for us to deliberately focus more on people. The new company name embodies our commitment to providing not only “science” but also “art”—forms of value that resonate with the senses (emotional value,) such as empathy and shared emotional thrills. The concept of “art” also encompasses the liberal arts philosophy of embracing diverse perspectives, making it a fitting name for our new direction as a company.

Pedersen That’s interesting. Typically, a name doesn’t convey a company’s philosophy, but the name “artience” itself expresses your philosophy. It’s wonderful.

Takashima “Creating value that resonates with the senses and building a future where all people can

live enriched lives” is our raison d’être as a company. Being useful to society, and understanding people’s wants and needs. We are pursuing these two things. Through discussions on the theme of “emotional value” during internal roundtable talks, my perspective has changed. Before, I believed that emotional value was about “universalizing identity.” Now, I understand that it is about “wishing for people’s happiness.” In conversations with frontline employees, I heard them express that “emotional value is about the joy of seeing the products we create being used in the world.” The perspective is external. It’s about altruism, or serving the interests of others. I learned this through my discussions with employees.

Pedersen During the World Future Society conference held in the United States in 1997, it was said that we had entered the era of the “experience economy.” Experience is really about emotional or sensory value. Companies that provide good experiences will prevail in business. In that sense, artience’s “value that resonates with the senses” is a great asset.

People-oriented management with an emphasis on individuals

Pedersen I hear that the overseas ratio of your business is increasing. Overseas, the name “artience” probably comes across better than “Toyo Ink Co., Ltd.” How do your employees feel about it?

Takashima Some employees had a particular attachment to the word “ink.” In overseas markets, particularly in Asia, “ink” remains the core of our business. On the other hand, many employees view the new name very positively. Over the past two years, we have held roundtable talks with young and mid-career employees at various locations, and one thing that surprised me was how positively the employees in India viewed the name change. While the company name at our subsidiary in India is still “Toyo Ink India,” employees have expressed a desire to change it to “artience” there as well, and they agree with the philosophy behind the change.

Pedersen Thinking about art and science seems to be becoming an “interface” for communication.

Takashima We have been streaming videos since January 2025, in which we convey the message that we are not a manufacturing company, but rather one that creates emotional value and joy. Then, I received an email directly from a factory employee saying that they felt uncomfortable about this.

Pedersen It’s great that you have a company culture where employees can speak directly to the president about such things.

Takashima Yes, it made me happy. In my direct response, I communicated the fact that the company name actually emphasizes manufacturing, and is forward-thinking. Thanks to increased opportunities for dialogue, we’ve noticed gradual changes.

Pedersen Large Japanese companies tend to sup-



Satoru Takashima
President and Representative Director,
Group CEO

D I A L O G U E



Peter D. Pedersen
Professor at Shizenkan University Graduate School
Representative Director of Nellis Non-profit Organization

PROFILE

An entrepreneur, originally from Denmark. After attending high school in Japan, he recognized the great potential in Japan’s rich nature, history, culture, and values. He returned to Japan in 1995, and has since been involved in supporting sustainability management at various companies and organizations. Currently, he serves as the representative director of Nellis, a non-profit organization dedicated to cultivating next-generation leaders on a global scale, while also holding positions as an outside director for multiple Japanese companies.



press individual thinking and smooth out sharp edges in their organizational cultures. However, in the coming era, it will be essential for us to bring out that individuality while working toward our goals. I believe that organizations where people can take the initiative to move toward their goals will be the ones that survive.

Takashima Our management philosophy is “*People-oriented management*.” The whole exists because of its individual parts. It is absolutely unacceptable for individuals to be sacrificed for the sake of the organization. We are currently undergoing corporate reforms, but we have decided that this philosophy will never change.

Pedersen Companies need to unlock the potential of each individual and ensure that their lives are not wasted. Human capital management can easily become a formality. I believe that the most important thing is to maximize the abilities of individuals and enable them to continue taking on new challenges, thereby leveraging “people” as a form of capital.

Creating an organization where individuals are empowered

Pedersen I feel that few people in Japan possess strong leadership abilities. An ideal organization is one that supports those who dare to venture into uncharted territory. Even if 70% of our efforts fail, I fear that there is no future for Japanese industry unless we take on bold challenges.

Takashima One of the core companies in our group, TOYO INK Co., Ltd., has traditionally had a strong top-down corporate culture, and is now undergoing the most significant transformation. Frontline employees are now submitting proposals. One such initiative is a new system called CX Center. By reducing staff by one-third while leveraging digital transformation (DX,) they are implementing a system to handle technical services and order processing. They are confident that this will improve customer satisfaction.

Pedersen That’s great. Empowering individuals is something that was impossible for us to do in a top-down organization. It may take five or ten years to see results, but I believe the company will undergo a dramatic transformation, so I encourage everyone to keep trying.

Takashima Another example is the Business Idea Contest (now known as “IPPO,”) which we launched in

2021 to support individuals who want to take on new challenges. This year marks the fourth time around, and the contest continues to evolve. The most applications have come from Toyo Ink Co., Ltd., which has experienced a tough 4–5 years due to the shrinking printing market, and is now really hungry for success. Performance has improved, and investors are expressing their surprise.

Pedersen It’s great that you’re able to turn a business contest into results, because that’s really hard to do. I think that having intrapreneurs, or entrepreneurs within the company, is a good fit for Japanese companies. It’s about maximizing freedom with a certain level of resources. It’s important for us to become an organization that can embrace diverse approaches to working and tackling new challenges.

Takashima Generally, the number of entries in business contests tends to decrease after a few years, but in our case it continues to increase. There are some really promising ideas. We want to increase the number of success stories, so we’re trying to create a system to support them more. When we posted a call for ideas for a certain project and said we needed people with marketing or sales experience, several employees volunteered immediately. We’re hoping to create a system where everyone supports the dreams of individuals.

Pedersen It’s a system where top-level management sets the direction, middle management provides support, and front-line employees take the lead, isn’t it?

Aiming for creative governance

Pedersen Japanese companies are great at auditing, risk management, and compliance, but I am also concerned that focusing too much on these areas may hinder innovation. Governance exists to support and back up the free exploration of opportunities, underpinned by high ethical standards. The question is whether individual leaders can ensure a culture of integrity on the front lines.

Takashima Differences in corporate ethics and governance are clearly reflected in attitudes toward the use of generative AI. We launched a cross-functional Generative AI Utilization Promotion Task Force in 2024, identified it as a material issue, and are exploring rules as we actively attempt new challenges. However, I have heard that some companies are restricting or prohibiting the use of AI to minimize risks, such as structural inadequacies or information leaks.

Pedersen Rules are meant to support, not suppress. I hope this shift continues to progress in a positive direction.

Takashima As part of our governance reforms, we started by reforming our Board of Directors. Do you think that the company will change as a result of this?

Pedersen Yes, it will. First, it is important to select the right people. I serve as an outside director for several companies. Some engage in strategic discussions, while others hold overnight retreats. At one company, I also serve as chair of the sustainability committee.

When outside directors with specialist knowledge and experience come together, the discussions can be very interesting. This is creative governance.

Takashima It is very beneficial to have outside directors who are professionals in the areas that the Company values. When I speak with our external board members, they all express a desire to be more involved and fulfill their roles more fully.

Pedersen Yes, that’s how it is. External board members want to get more involved, within the limits of the time available to them.

Contributing to sustainability issues and enhancing corporate value

Pedersen In addition to its technological and financial capabilities, Japan also has a non-Western view of nature, and the sanpo-yoshi (“three-way satisfaction” or “win-win-win”) philosophy of the Omi merchants. I came back to Japan in 1995 because I believed that Japan could show the world a different path from the Western approach to solving sustainability issues. However, I believe that Japanese companies today are being swept away by the influences of neoliberalism, global financial capitalism, and shareholder capitalism, and are unable to fully realize their true potential. Your company’s “emotional value” could be the solution to this problem.

Takashima As president, I base my management philosophy on Eiichi Shibusawa’s The Analects and the Abacus, which states that contribution to society and pursuit of profit are not mutually exclusive. They can coexist. I believe that true shareholder capitalism is achieved only when the economic benefits for shareholders are balanced with contributions to society.

Pedersen That’s right. That’s why listed companies are forced to make very tough decisions.

Takashima Currently, an anti-ESG trend is emerging globally, but as a manufacturer we view climate change mitigation as our responsibility, while also recognizing the business opportunities associated with it. Pursuing both of these things is at the core of our Sustainability Vision asv2050/2030, and we have no intention of changing that.

Pedersen That’s good. In today’s world, ESG activities must be linked to business to be positively recognized by the market. Being business-oriented is, in a sense, the ultimate form of recognition. While it is important to value shareholders as stakeholders, I believe that being swayed by them is not the role of management.

A diverse organization generates diverse emotional value

Takashima With global operations advancing, and more than 50% of our net sales and 60% of our operating profit coming from overseas, the Human Resources Department is working to increase the global mobility of our human resources. Since over 60% of our employees are overseas national staff, we believe that

seeking out new talent globally will also increase innovation and corporate value. Additionally, both our Board of Directors and Group Management Committee meetings are composed entirely of Japanese members, which we recognize as a significant issue.

Pedersen Globalization of corporate headquarters is a significant issue for many Japanese companies. Some companies have deliberately placed the core of their global human resources functions overseas. They have also hired a significant number of foreign employees at their head offices, to the point where it is noticeable.

Takashima With regard to our overseas offices, we hold a Global Management Forum twice a year in Japan, where top-level management from our overseas subsidiaries gather. While there are some women among our overseas executives, their numbers are not yet significant.

Pedersen The Global Management Forum is a great initiative. You should definitely continue holding it. While the number of female executives is important, the recruitment of female employees is also key. Similar to the hiring of foreign nationals, as we spoke of earlier, it is essential to purposefully recruit a significant number of female employees at once. Without such bold and symbolic initiatives, the pace of change will not increase.

Takashima Yes. We still have a low percentage of female employees, so we are strategically setting targets and working toward them.

Pedersen Technical and manufacturing fields have historically tended to have fewer women, but I feel that women are often better at empathizing with and considering things from a user’s perspective, regardless of the business they are in. Incorporating that perspective further will help artience to enhance its ability to create emotional value.

Takashima Since we changed the company name to artience, the number of female applicants has increased. I hope that the “art and science” concept is resonating with them.

Pedersen It must be resonating. The company name symbolizes a transformation for the entire company, and it gives me hope for the future.

Takashima I am grateful for your assessments and valuable insights. Thank you very much for today.



Message from Outside Directors

Drawing on experience in diplomacy to provide management advice in the face of increasingly complex global circumstances

Yutaka Yokoi

Leading Independent Outside Director
Audit and Supervisory Committee member
Leader of Advisory Committee on Appointment and Remuneration



Q Please tell us about your background and expertise as an independent outside director.

I joined the Ministry of Foreign Affairs (MOFA) in 1979 and served as a diplomat for over 40 years. In addition to holding overseas posts in countries such as the United States, China, Turkey, and Malaysia, I also worked in MOFA's Economic Cooperation Bureau, where I was involved with Official Development Assistance (ODA) policies for many years. I believe that the experience I gained from reviewing numerous projects has given me insights that are still relevant from a modern corporate management perspective.

My association with artience began before my retirement from MOFA. By coincidence, the Company has key bases in the countries where I worked, and this led to my appointment as an outside director in 2022. While I may not be an expert in matters of business management, I do bring an international policy perspective and holistic view of changes in the external environment, which I leverage to provide advice on the Company's global strategy and other matters.

Q How would you assess the current operations and supervisory functions of the Board of Directors?

I feel that the Board of Directors has evolved significantly over the past four years. Compared to when I first joined, there are now more open and active discussions taking place, and the Board now includes members with diverse backgrounds from both inside and outside the company, with an increased percentage of female directors. The Advisory Committee on Nomination and Remuneration now meets four times a year, and has begun to actively address themes relating to the very foundation of the Company's business, including succession planning, salaries, and personnel systems.

I believe that our management monitoring function is also currently functioning adequately. While it is difficult for outside directors to fully grasp details of all corporate activities, recent efforts such as providing outside directors with tablets that enable them to access the same information as employees have strengthened information-sharing mechanisms.

Q What are your thoughts on the progress and issues of the artience2027/2030 Management Plan?

One of artience's strengths is its diverse business portfolio, which enables it to maintain overall stability even if certain areas are underperforming. However, the ink business—

which has been the cornerstone of the Company's business since its founding—is gradually shrinking. artience cannot afford to rely on it going forward. For this reason, I believe that the new management plan, which aims to provide "value that resonates with the senses" beyond just manufacturing, and clearly defines the direction in which the Company is heading, holds significant meaning.

In particular, the decision to make large-scale investments to establish production facilities in five bases in four countries overseas in the LiB sector was an insightful, forward-thinking move, anticipating the potential fragmentation of the global supply chain. The external environment is experiencing rapid changes, with the EV market undergoing a radical restructuring of power dynamics centered on China, and fluctuations in European and US trade policies having complex effects. Given this environment, the fact that artience has already established its bases in advance should give it a solid competitive advantage going forward.

However, the reality is that the Company's overall plan is currently around two years behind schedule. While there are high expectations for the future of the LiB field, it is also essential to establish second and third pillars of revenue to avoid excessive dependency. I believe that it is important to focus on other new growth areas, such as the semiconductor field.

Q What are the key perspectives for improving artience's corporate value?

From my experience as Press Secretary for MOFA, I understand the importance of communicating information, so I believe that it is essential to consider how to communicate the value that the Company has to offer. While artience's IR activities have made significant progress in recent years, I feel that there is still room for more proactive communication regarding the state of the LiB business. The challenging business environment requires that we communicate with the market in a precise yet bold manner.

Additionally, artience is already a global enterprise with more than 50% of its net sales and employees based overseas. Because artience is conducting business in an environment where the policies, cultures, and business practices of various countries intertwine, it is very important to swiftly identify risks and work together with local authorities and stakeholders. I aim to leverage the expertise I have gained from adjusting to the policies of various governments and advising Japanese companies in diplomatic settings to support artience in actualizing its business strategies.

Leveraging expertise in international corporate law to support the sustainable growth of artience as it continues its global expansion

Yoshinobu Fujimoto

Independent Outside Director



Q Please tell us about your background and expertise as an independent outside director.

Since beginning my career as an attorney in 1991, I have focused primarily on corporate law, M&A, and international transactions. After studying abroad in the United States, I also obtained a New York State bar license, and have since been involved in numerous overseas cases. I have been associated with artience since around 2000, providing legal support for international cases, including the acquisition of local subsidiaries in Belgium and Turkey. In particular, in 2010, I worked closely with the current president, Mr. Takashima, on a very challenging case involving the US Department of Justice, which helped to build a strong trusting relationship between us. Since then, I have continued my involvement with the Company in various capacities, and in 2024 I was approached to join its Board of Directors. Having gained a deep understanding of artience through many years of work, and recognizing this as an opportunity to contribute by leveraging my legal expertise, I accepted the role of outside director.

Q How would you assess the current operations and supervisory functions of the Board of Directors?

My initial impression of the Board itself was that it was somewhat cautious and rigid, but now its membership has changed significantly, and the depth of our discussions has increased dramatically with the addition of new outside directors with expertise in management and finance. Recently, our Board meetings have been so lively that discussions cannot be concluded within two hours.

In order for us to exercise our voting rights as outside directors appropriately, it is essential for us to know the Company well. In FY2024, I made multiple factory visits. I found it highly beneficial to gain firsthand insights from the front lines. I also consider it meaningful that my proposal to create informal opportunities for open dialogue with the management team outside of formal board meetings was adopted and implemented.

It is also essential that outside directors have a proactive attitude and take the initiative in accessing information. Rather than demanding excessive documentation from the secretariat, I believe it is possible to enhance our supervisory function more efficiently by sharing existing management meeting materials and participating as observers in internal meetings.

Q What are your thoughts on the progress and issues of the artience2027/2030 Management Plan?

In terms of business performance, ROE has been steadily improving, and it is our assessment that the Company has made a solid start from the first year (of the plan.) The decisions to change the company name, revise the philosophy framework, and undertake cultural reforms were all driven by a strong commitment by management to transform the Company. The key question going forward will be how to infuse real passion into the plan targets and execute them effectively. Particularly in non-financial areas such as human capital and sustainability, where targets and evaluations tend to be more qualitative than quantitative, there is a need to engage in practical efforts and translate them into tangible results.

In addition, artience is now a company where both sales and profits from overseas markets exceed 50% of total sales and profits. While the domestic (i.e., Japanese) market offers a relatively stable business environment, expanding overseas operations brings various risks. I believe that it will become increasingly important to respond quickly and accurately to changes in policies and regulations that vary between countries and regions.

Q What are the key perspectives for improving artience's corporate value?

artience is a serious and sincere company that is committed to ESG and sustainability. However, its PBR is currently below 1, and I feel that external recognition is yet to catch up with its efforts. The issue of how to communicate the value the Company offers is an IR/SR issue that must be addressed with an even greater level of care.

The role of outside directors goes beyond mere monitoring. The essence lies in how effectively we can contribute to sustainably enhancing corporate value by leveraging our expertise and experience. Personally, I hope to contribute to artience's value creation by making full use of my legal expertise, as well as all available resources and networks. In particular, as artience strengthens its efforts toward global expansion, it will face increasing challenges in addressing complex legal systems and risks. In such situations, I will strive to provide sound advice that will lead to better management decisions.

Top Management

(As of March 26, 2025)



Back row from left: Keiko Kimura, Tetsuaki Sato, Yoshinobu Fujimoto, Noriko Kosugi, Yukihiro Tachifuji, Minoru Matsumoto
Front row from left: Masayuki Kano, Tomoko Adachi, Satoru Takashima, Hiroyuki Hamada, Yutaka Yokoi

Satoru Takashima

President and Representative Director,
Group CEO

App. & Rem.

April	1984	Joined the Company
March	2020	President and Representative Director
March	2022	Group CEO
Number of shares held: 37,721 shares / Term of office: 11 years 9 months		

Masayuki Kano

Director
Audit and Supervisory
Committee member (full-time)

Audit

April	1984	Joined the Company
March	2024	Director (Audit & Supervisory Committee member (full-time))
Number of shares held: 11,598 shares / Term of office: 1 year		

Hiroyuki Hamada

Vice President
In charge of Overall Management and Corporate
Departments

April	1981	Joined the Company
March	2025	Vice President In charge of Overall Management and Corporate Departments
Number of shares held: 11,021 shares / Term of office: 8 years 9 months		

Tomoko Adachi

Independent Outside Director

Outside Independent

November	1995	Assistant Professor, Department of Obstetrics and Gynecology, Tokyo Women's Medical University
December	2017	Board member of Aiku Association for Maternal, Child Health and Welfare
December	2017	Director of Aiku Association Maternal and Child Health Center Aiku Hospital ("Aiku Hospital")
April	2022	Honorary Director of Aiku Hospital
March	2023	Outside Director of the Company
June	2024	Vice President of the Japan Society of Obstetrics and Gynecology
Number of shares held: 2,200 shares / Term of office: 2 years		

Tetsuaki Sato

Director in charge of Quality Assurance,
Production and Environment, Sustainability,
Purchasing and Logistics

April	1985	Joined the Company
March	2023	Director
July	2023	In charge of Quality Assurance, Production, Environment, Sustainability, Purchasing and Logistics
Number of shares held: 13,490 shares / Term of office: 2 years		

Yoshinobu Fujimoto

Independent Outside Director

Outside Independent

April	1991	Registered with the Daini Tokyo Bar Association
April	1991	Joined Masuda and Ejiri Law Office (current Nishimura & Asahi (Gaikokuho Kyodo Jigyo))
January	1999	Partner of Nishimura & Asahi (Gaikokuho Kyodo Jigyo)
June	2008	Outside Auditor of Mita Securities Co., Ltd.
March	2024	Outside Director of the Company
Number of shares held: 100 shares / Term of office: 1 year		

New

Yukihiro Tachifuji

Independent Outside Director

Outside
Independent
App. & Rem.

April	1985	Joined Mitsubishi Paper Mills Co., Ltd.
June	2019	President and CEO of Mitsubishi Paper Mills Co., Ltd.
June	2022	Advisor of Mitsubishi Paper Mills Co., Ltd.
June	2023	Outside Director of Fuji Electric Co., Ltd.
June	2023	Outside Director of JNC Corporation
March	2025	Outside Director of the Company
Number of shares held: 0 shares / Term of office: 0 years		

Keiko Kimura

Independent Outside Director
Audit and Supervisory
Committee member

Outside
Independent
App. & Rem. Audit

April	1980	Joined Itochu Corporation
October	1989	Joined Citibank, N.A.
October	2002	Registered with Daiichi Tokyo Bar Association
October	2002	Joined Anzai & Sotai Law Offices (currently Anzai Law Offices)
June	2016	Outside Director of the Company
June	2017	Outside Director (Audit and Supervisory Committee member) of Yashima & Co., Ltd.
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)
Number of shares held: 2100 shares / Term of office: 8 years 9 months		

New

Noriko Kosugi

Independent Outside Director

Outside Independent

April	1990	Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)
June	2019	Managing Director and Managing Executive Officer of Unizo Holdings Co., Ltd.
August	2020	Finance Director of the British School in Tokyo
April	2023	Outside Director of Computer Engineering & Engineering Co., Ltd.
March	2025	Outside Director of the Company
Number of shares held: 0 shares / Term of office: 0 years		

Minoru Matsumoto

Independent Outside Director
Audit and Supervisory
Committee member

Outside
Independent
Audit

October	1983	Joined Tohmatsu & Aoki Audit Corp. (currently Deloitte Touche Tohmatsu LLC)
March	1987	Registered as a Certified Public Accountant
September	2012	Retired from Deloitte Touche Tohmatsu LLC
October	2013	Established Minoru Matsumoto CPA Office
June	2015	Outside Director of Foster Electric Co., Ltd.
March	2021	Outside Audit & Supervisory Board member (part-time) of the Company
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)
October	2022	Representative employee of Terada Kaikai Office (tax accountants)
Number of shares held: 0 shares / Term of office: 3 years		

Yutaka Yokoi

Leading Independent
Outside Director
Audit and Supervisory
Committee member

Outside
Independent
App. & Rem.
Audit

April	1979	Joined the Ministry of Foreign Affairs of Japan
August	2013	Ambassador Extraordinary and Plenipotentiary of Japan to Turkey
March	2016	Ambassador Extraordinary and Plenipotentiary of Japan to the People's Republic of China
December	2020	Retired from the Ministry of Foreign Affairs of Japan
March	2021	Outside Director of the Company
October	2021	Councilor at Chiba Institute of Technology
January	2022	Distinguished Professor at Chiba Institute of Technology
March	2022	Outside Director of the Company (Audit & Supervisory Committee member)
June	2022	Outside Director of Hokuoku Financial Group, Inc.
Number of shares held: 3,400 shares / Term of office: 4 years		

Corporate Governance

Enhancing group-wide corporate governance, starting with reforms to the Board of Directors

Holding discussions without time limits, until all members are satisfied

Two key challenges in strengthening corporate governance are enhancing the supervisory function of the Board of Directors and ensuring independence.

At artience, the Board of Directors is working to improve the quality of its supervisory function by sharing sufficient information in advance on matters for resolution, and conducting in-depth discussions at meetings. The Board operates with a policy of purposefully not setting time limits for meetings and continuing discussions until all members are satisfied, when necessary. We are also working to deepen the understanding of the Group's business operations among outside directors by providing direct explanations from business unit leaders and arranging opportunities for site visits.

Enhancing the balance of skills and attributes among Board members

In FY2025, we improved the balance of our skill matrix by appointing two new outside directors with management experience at listed companies. The current ratio of outside directors is 64%, with three of them being women. Although the percentage of female managers within the company is still low, we aim to promote gender diversity throughout the entire Group by taking the lead in increasing the ratio of women on the Board of Directors.

Stakeholders have also pointed out that the independence of directors tends to decline around 8–10 years after their appointment. To address this, we have established a maximum term of office for officers in our internal regulations to promote turnover.

The Advisory Committee on Appointment and Remuneration, which meets four times a year as of FY2024, has been discussing the appropriateness of officer compensation, with the lead outside director serving as Chair. While our remuneration system has traditionally emphasized contributions to sales and profits, we now need to place a greater emphasis on



capital efficiency. For this reason, we are considering adding achievement of ROE targets to our evaluation metrics and expanding the proportion of performance-based remuneration.

The growing importance of global risk management

As a group that generates more than half of its revenue overseas, risk management is essential as we continue to expand our global operations. The Group's global risk management framework involves each company conducting its own risk assessments, with the Risk Management Subcommittee compiling the results to identify and prioritize common risks. Response measures are then implemented across the entire Group (▶P.76.)

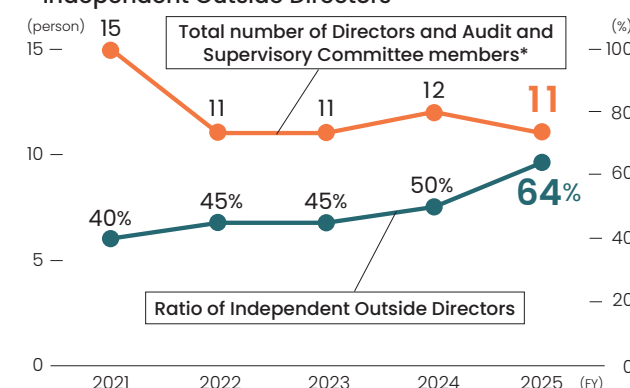
Over the past few years, we have implemented an internal whistleblowing system at overseas locations, and expanded and enhanced internal audits both domestically and internationally. The introduction of an ERP system for centralized management of finance, accounting, and tax has also enhanced our global monitoring capabilities.

Deepening the level of communication with overseas Group companies and sharing our vision and philosophy as a group are also important elements for strengthening governance. The Group has been holding a Global Management Forum twice a year for over ten years, attended by members of the Group Management Committee, presidents of domestic and overseas Group companies, and senior managers, to share information and awareness on global issues, strategies, and measures. We actively disclose these initiatives to enhance management transparency, aiming for the sustainable growth and enhancement of the Group's corporate value.

Major initiatives to strengthen corporate governance

FY2020	Abolish takeover defense measures (introduced in 2008)
FY2021	Significant reduction in number of Directors (15 to 11) Launch of the Future Discussion Task Force (next-generation management development program)
FY2022	Transition from a company with an Audit and Supervisory Board to a company with an Audit and Supervisory Committee
FY2023	Significant reduction in number of Operating Officers (32 to 16) Increase in number of female Directors (2 to 3)
FY2024	Increase in number of meetings per year of the Advisory Committee on Appointment and Remuneration (established in 2017) (1 to 4) Basic Policy on Corporate Governance (established in 2015)

Changes in number of Directors and ratio of Independent Outside Directors



Basic approach

The artience Group has defined the "Enhancement of corporate governance through continuous reform" as one of the key objectives of sustainability management in its Sustainability Charter.

Enhancement of corporate governance through continuous reform

We will continue to incessantly reform and validate management resources and risk management, and build and maintain effective corporate governance. We 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.

Excerpt from the "Sustainability Charter" (revised January 2024)

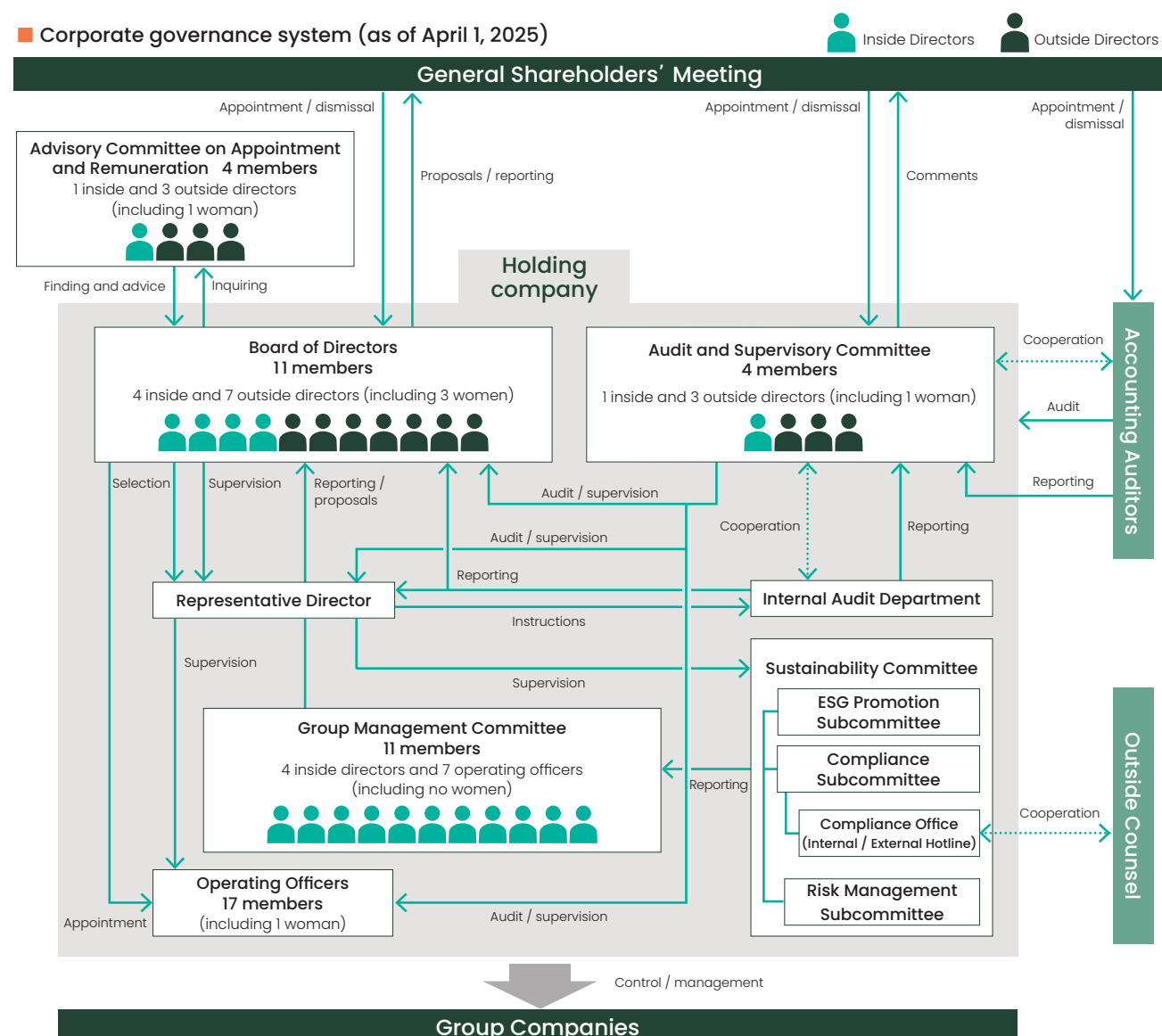
We will address individual corporate governance issues in accordance with the basic policy regarding corporate governance in an effort to establish proper corporate governance.

By adopting an Audit and Supervisory Committee system, we have enabled Committee members to exercise their voting rights at meetings of the Board of Directors, thereby increasing the level of fairness and transparency of management and strengthening oversight of the Board of Directors. By adopting an operating officer system (one-year term,) we have clarified the division of roles between management supervisory and executive functions and are speeding up decision making and enhancing supervisory functions with regard to execution of business.

Additionally, Toyocolor Co., Ltd., Toyochem Co., Ltd., and Toyo Ink Co., Ltd., the core operating companies of the group, each have an Operating Company Management Committee that regularly meets to share management policies and strategies, and discuss issues and achievements regarding the execution of business. Directors of the holding company attend these meeting.

WEB For more information about the Basic Policy on Corporate Governance and our corporate governance initiatives are posted on our website under [Sustainability > Governance > Corporate Governance.]

Corporate governance system (as of April 1, 2025)



Responsibilities and composition of major meetings and committees

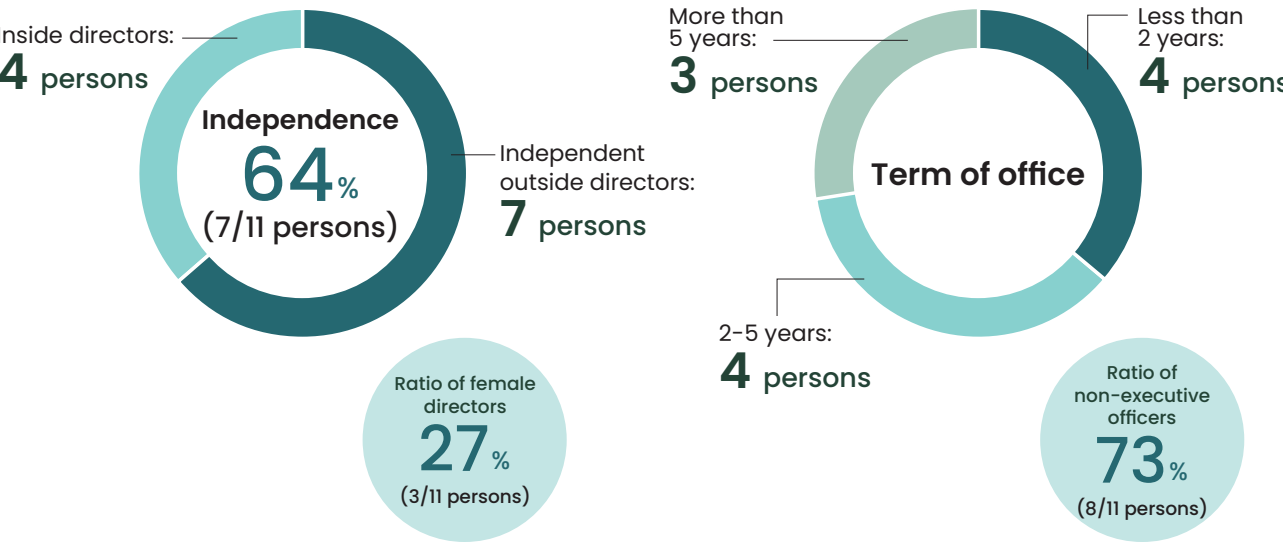
Board of Directors	<ul style="list-style-type: none">· Makes management decisions and supervises execution of business for the entire Group· Makes decisions on matters stipulated by law and important management issues· Chair: President and Representative Director· Members: Eleven members (three of whom are women): seven directors who are not Audit and Supervisory Committee members (of whom four are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors)· Term of office: 1 year for directors who are not Audit and Supervisory Committee members, 2 years for directors who are Audit and Supervisory Committee members· 17 meetings were held in FY2024
Audit and Supervisory Committee	<ul style="list-style-type: none">· Cooperates with the Internal Audit Department and accounting auditor to audit the legality and appropriateness of directors' execution of their duties· Makes regular reports at Audit and Supervisory Committee meetings and holds information exchange meetings with the Internal Audit Department as needed, and reports audit results and holds information exchange meetings with the accounting auditor as needed· Members: Four Audit and Supervisory Committee members (of whom three are independent outside directors)· Term of office: 2 years· 13 meetings were held in FY2024
Advisory Committee on Appointment and Remuneration	<ul style="list-style-type: none">· Discusses the selection of director candidates and their remuneration in a transparent and objective manner· Considers and evaluates succession plans· Chair: Outside Director· Members: An inside director and three outside directors· 4 meetings were held in FY2024
Group Management Committee	<ul style="list-style-type: none">· Making important decisions on the execution of business as a consultative and decision-making body subordinate to the Board of Directors.· Members: Inside Directors, Audit and Supervisory Committee member (full-time,) Corporate Officers in charge of important management functions (CTO, General Managers of General Affairs Department / Finance and Accounting Department / Human Resources Department, representative directors of three core operating companies)· 26 meetings were held in FY2024

Composition of the Board of Directors

We select the members of our Board of Directors in consideration of diversity and expertise. We pay attention to their knowledge and experience in different areas of business management, to the achievement of gender equality and to other aspects to ensure diversity. The Board is currently composed of directors

with a wide variety of advanced skills, and over half of its members are independent outside directors who meet the standards we have determined for the independence of outside officers.

Composition of the Board of Directors



Promoting sustainability management

The Group has established a Sustainability Charter as its basic philosophy for promoting sustainability in all of its corporate activities. The Charter is based on the Group's philosophy system, consisting of our Corporate Philosophy, Brand Promise, and Our Principles. To drive sustainability management from a medium- to long-term perspective, we are implementing initiatives throughout the entire Group using the Sustainability Vision asv2050/2030, which is derived using a back-casting approach based on our ideal vision for 2050, as a guideline for our activities (▶P.31.) In addition, artience2027, Medium-term Management Plan, which is currently underway, sets out three basic policies: (1) shift to highly-profitable existing businesses, (2) create strategic priority businesses, and (3) transform the Company's management foundation. It also clearly specifies sustainability management issues that should be addressed to (3) transform the Company's management foundation, such as the reform of the personnel development program, the maximization of capital efficiency, innovation in production processes, digital transformation and the strengthening a technological foundation for the Company (▶P.36.)

At the same time, we have established a new Group Materiality 2025-2030, which identifies sustainability issues that must be addressed by 2030 and sets specific targets, as part of our efforts to integrate sustainability activities into our business activities (value provision) and put our Brand Promise of "Creating value that resonates with the senses and building a future where all people can live enriched lives" into practice (▶P.32.) Based on this, we will engage in sustainability activities throughout the entire Group and collaborate with partners and communities to implement various measures aimed at creating a sustainable society.

WEB Our policies and guidelines are posted on our website under [Sustainability > Related Policies and Guidelines.]

* Related policies and guidelines are written in Japanese, English, and Simplified Chinese.

Activity status of the Sustainability Committee (FY2024)

In FY2024, we held three Sustainability Committee meetings and one Sustainability Conference (group-wide meeting) to report and discuss progress. The Sustainability Committee also took a central role in formulating the new Group Materiality, and is driving activities to ensure its implementation from FY2025 onward.

Date of Sustainability Committee meetings

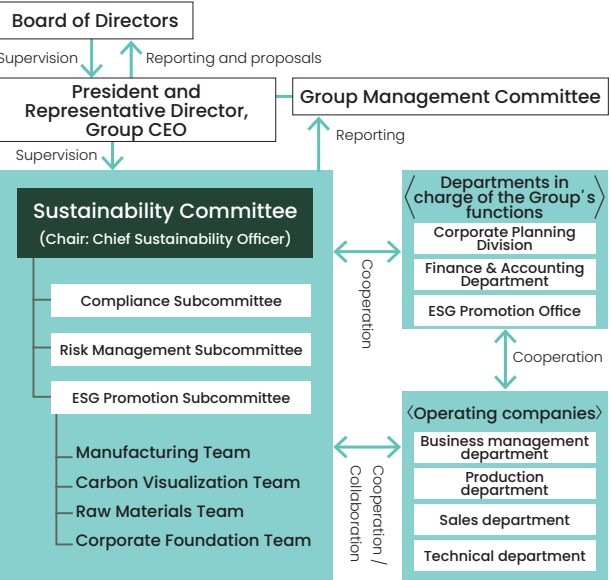
January 19, 2024	Sustainability Committee meeting (extraordinary meeting)
February 8, 2024	1st Sustainability Committee meeting
April 16, 2024	2nd Sustainability Committee meeting
July 1, 2024	Sustainability Conference (group-wide meeting)

Promotion system

The Sustainability Committee is chaired by the Group's Chief Sustainability Officer, with the Group CEO as chief supervisor. The committee formulates plans, implements, evaluates, and follows up on all group-wide sustainability-related activities. The committee's activities are reported to management through the Group Management Committee and the Board of Directors, with particularly important matters being decided upon and supervised by the Board.

The three subcommittees of the Sustainability Committee and the administrative departments of each domestic Group company play a central role in supporting the sustainability activities of the entire Group from their various perspectives, and are working to drive activities on a global scale.

Sustainability promotion system (FY2025)



Major activities of the three subcommittees (FY2024)

Risk Management Subcommittee	Confirmed company/group-wide risks, reviewed and considered guidelines for responding to overseas risks, reported risk themes in a timely manner, and organized reporting routes for natural disasters and other risks
Compliance Subcommittee	Increased knowledge and understanding of the Code of Ethical Conduct, handled labor cost price transfers, and increased knowledge and understanding of the whistleblowing system
ESG Promotion Subcommittee	Created a roadmap for decarbonization (achieved at 87% of group bases (based on CO ₂ emissions,)) introduced a scope calculation system, held dialogues with suppliers toward decarbonization and distributed questionnaires (engagement survey)

Evaluation of the effectiveness of the Board of Directors

To ensure that corporate governance functions correctly, we analyze and evaluate the effectiveness of the Board of Directors as a whole, and work to improve it based on the issues identified.

In 2024, we conducted a questionnaire survey of all directors, with a five-point scoring scale (multiple-choice scoring questions) and free-response questions. As in 2023, we requested the involvement and advice of an external organization to ensure un-

biased questions and quantitative analysis of results, including comparisons with other companies. To accurately identify issues, we also conducted interviews with the Chair of the Board of Directors and independent outside directors to check and reaffirm their individual awareness of issues.

Based on the results of the questionnaire and interviews, the Board of Directors held discussions and made a final assessment.

Outline of evaluation of effectiveness

[Implementation process]

1 Conduct questionnaire

Conduct an effectiveness evaluation questionnaire using an external organization

2 Conduct interviews

Interviews with the Chair and outside directors

3 Reporting / improvement initiatives

Analysis and evaluation of results at Board meetings, sharing of improvement initiatives

[Issues identified and initiatives implemented in the past two years]

Initiatives to address issues identified in the evaluation of effectiveness in FY2022

- In light of feedback that reporting on dialogue with shareholders and investors was insufficient, we decided to report on dialogue with shareholders and investors to the Board of Directors semiannually from FY2023.
- Based on feedback that details of training including executive training were unclear, we reported information on training implemented over the year to the Board of Directors.
- In view of feedback that reporting from the Advisory Committee on Appointment and Remuneration to the Board of Directors was inadequate, from FY2024, we increased the number of meetings of the advisory committee for more in-depth examination and also stepped up reporting to the Board of Directors.

Initiatives to address issues identified in the evaluation of effectiveness in FY2023

- Based on the view that the Board of Directors should be made up of more individuals with business experience, two individuals with expertise in management and finance were selected as first-time outside director candidates and elected at the 187th Annual General Meeting of Shareholders held in March 2025.

Process of evaluation of effectiveness in FY2024 (implemented from December 2024 to February 2025)

- We prepared and implemented a questionnaire survey with the involvement and advice of a third-party external organization.

- Based on the external organization's aggregated questionnaire survey results, we interviewed the Chair of the Board and independent outside directors.
- The results of the questionnaire and interviews were analyzed, discussed and evaluated at a meeting of the Board of Directors in March 2025.

FY2024 effectiveness evaluation results and issues

- The evaluation was mostly positive, including that the Board of Directors is becoming more effective year by year, and it was found that the Board of Directors functions effectively overall.
- Improvements were also confirmed in the matters pointed out in the evaluation of effectiveness in past fiscal years.
- In the FY2024 effectiveness evaluation, a number of operational improvements to enhance discussions at meetings of the Board of Directors were proposed/identified. These included clarification of discussion points based on the role expected of Directors and enhancement of information provision by executives. In response to such comments, the Company will commit to creating an environment for useful discussion through greater focus in FY2025 on expanding opportunities for the exchange of opinions between Directors and improving information sharing with outside directors.

The Board will address the issues identified in this assessment and work to continuously improve effectiveness by reviewing the state of improvements in the next assessment.

Facilitating animated discussion by the Board of Directors

Documents regarding agendas are distributed to Board of Directors meeting participants in advance to facilitate spirited discussion.

Issues discussed and deliberated at meetings of the Board of Directors in FY2024 included matters for resolution pursuant to laws and regulations, as well as matters required under the Corporate Governance Code (evaluation of effectiveness of Board of Directors, verification of the economic rationale of cross-shareholdings, analysis of results of voting at the Gener-

al Meeting of Shareholders, status of dialogue with shareholders and investors, etc.,) enactment and revision of sustainability-related policies, artience2027, Medium-term Management Plan, the fiscal year plan, initiatives for improving capital efficiency, large investments and loans, status of activities of the Advisory Committee on Appointment and Remuneration, and initiatives for human capital, risk management and compliance.

Attendance at major meetings, expertise and careers (skill matrix)

We define the areas where we expect the individual directors to provide helpful supervision and advice regarding management issues. We also make sure that the Board of Directors is composed of diverse directors with abundant experience and expert knowledge to enable proper deliberation and supervise the execution of business.

Attendance at major meetings, expertise and careers (skill matrix) of Directors

Name and position	Age Gender (Nationality)	Attendance rate at meetings*1				Main expertise and careers*4						
		Board of Directors	Audit & Supervisory Committee	Advisory Committee on Appointment and Remuneration	Group Management Committee	Corporate Management	Technical / R&D / Production	Sales / Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG / Compliance / Risk Management
Satoru Takashima President and Representative Director, Group CEO	64 Male (Japan)	○ (Chair) 100% (17/17)		○ 100% (4/4)	○ 100% (26/26)	○		○	○			
Hiroyuki Hamada Vice President In charge of Overall Management and Corporate Departments	66 Male (Japan)	○ 100% (17/17)			○ 100% (26/26)	○		○	○	○		○
Tomoko Adachi Independent Outside Director	71 Female (Japan)	○ 100% (17/17)				○	○				○	
Yoshinobu Fujimoto Independent Outside Director	59 Male (Japan)	○ 92% (12/13) *2							○			○
Yukihiro Tachifuji Independent Outside Director	65 Male (Japan)	○ *3		○ *3		○	○					
Noriko Kosugi Independent Outside Director	58 Female (Japan)	○ *3				○			○	○		
Tetsuaki Sato Director in charge of Quality Assurance, Production, Environment, Sustainability, Purchasing and Logistics	64 Male (Japan)	○ 100% (17/17)			○ 100% (26/26)		○					○
Masayuki Kano Director Audit and Supervisory Committee member (full-time)	62 Male (Japan)	○ 100% (13/13) *2	○ (Chair) 100% (10/10) *2		○ 100% (20/20) *2						○	○
Yutaka Yokoi Leading Independent Outside Director Audit and Supervisory Committee member	70 Male (Japan)	○ 100% (17/17)	○ 100% (13/13)	○ (Chair) 100% (4/4)					○			○
Keiko Kimura Independent Outside Director Audit and Supervisory Committee member	65 Female (Japan)	○ 100% (17/17)	○ 100% (13/13)	○ 100% (4/4)							○	○
Minoru Matsumoto Independent Outside Director Audit and Supervisory Committee member	68 Male (Japan)	○ 100% (17/17)	○ 100% (13/13)							○		○

*1 Attendance rate in 2024 *2 Appointed on March 26, 2024 *3 Appointed on March 26, 2025
*4 The above matrix does not show all the expertise or careers of each director.

Attendance at major meetings, expertise and careers (skill matrix) of Operating Officers who are members of the Group Management Committee

Name and position	Age Gender (Nationality)	Attendance rate at meetings*1				Main expertise and careers*3						
		Board of Directors	Audit & Supervisory Committee	Advisory Committee on Appointment and Remuneration	Group Management Committee	Corporate Management	Technical / R&D / Production	Sales / Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG / Compliance / Risk Management
Toshinori Machida Executive Operating Officer in charge of Technical, R&D, Intellectual Properties (CTO) Division Director of R&D Division	63 male (Japan)				○ 100% (26/26)	○	○					
Takahiro Nakamura Executive Operating Officer in charge of Incubation Center General Manager of General Affairs Department	63 male (Japan)				○ *2			○				○
Takeshi Arimura Operating Officer in charge of Finance, General Manager of Finance & Accounting Department	52 male (Japan)				○ 100% (26/26)					○		
Junji Sekino Operating Officer in charge of Human Resources, General Manager of Human Resources Department	53 male (Japan)				○ 100% (26/26)						○	○
Hideki Okaichi Executive Operating Officer President and Representative Director of Toyocolor Co., Ltd.	64 male (Japan)				○ 96% (25/26)	○		○	○			
Yasushi Ariyoshi Executive Operating Officer President and Representative Director of Toyochem Co., Ltd.	52 male (Japan)				○ 100% (26/26)	○	○					
Hideki Yasuda Executive Operating Officer President and Representative Director of Toyo Ink Co., Ltd.	57 male (Japan)				○ 100% (26/26)	○	○					

*1 Attendance rate in 2024 *2 Became a member of the Group Management Committee on April 1, 2025.
*3 The above matrix does not show all the expertise or careers of each operating officer.

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.
	Technical / 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 D&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 sustainability management, achieve the asv2050/2030 sustainability vision, and solve social issues indicated by the Group's material issues.

Criteria for assessing independence of outside directors

We elect outside directors in accordance with the "Standards Concerning the Independence of Outside Officers" to ensure their independence.

* The details of the "Standards Concerning the Independence of Outside Officers" are stated in securities reports and corporate governance reports.

 The Corporate Governance Reports are posted on our website under [Investor Relations > IR archives > Corporate Governance Reports.]

Training of directors and operating officers

Regular training is provided to directors and operating officers with the goal of enabling them to improve their knowledge. In FY2024, we conducted workshops to foster a change-oriented mindset among officers (participants: directors, operating officers,) governance training (participants: newly appointed operating officers, newly appointed overseas expatriates assigned to top-level management positions,) training to deepen understanding of women's advancement "Seminar on PMS and Menstrual Disorders" and "Seminar to

Roles and functions of outside directors

Outside directors act as independent and objective overseers and advisors, performing management oversight and advisory functions to ensure sound corporate governance and management of the Company.

Promote Understanding of Infertility Treatment" (participants: operating officers, department heads,) and generative AI training (participants: directors, operating officers.)
Through systematic training, we provide opportunities for officers to acquire the experience and knowledge necessary for senior management, and to strengthen the skills required to formulate and execute sustainable growth strategies with a broad perspective over the medium to long term.

Succession planning plan for chief executive officers, etc.

As part of our succession planning, which includes succession planning for the position of CEO, we have established Future Discussion Task Force (participants: department heads) and Training for Next-Generation Leaders (participants: production section managers) programs headed and participated by the president to discover and develop the next generation of management personnel. These programs are part of our

efforts to develop future candidates for senior management.
The Advisory Committee on Appointment and Remuneration reviews the status of these initiatives, discusses training measures, conducts interviews with candidates as appropriate, and reports to the Board of Directors.

Appointment and dismissal of senior management and nomination of director candidates

When a candidate for Director is nominated, the executives in charge select candidates by comprehensive judgement based on the Group's director nomination standards. The result of the selection is discussed by the Advisory Committee on Nomination and Remuneration, before a final decision is reached through deliberation and a resolution at a meeting of the Board of Directors. Candidates for Directors who are Audit & Supervisory Committee members are determined by deliberation and resolution of the Board of Directors

after the consent of the Audit & Supervisory Committee has been obtained with regard to the submission of a motion for selection to the shareholder's meeting.
The dismissal of senior management members is advised by the Advisory Committee, pursuant to the dismissal criteria stipulated in the Disciplinary Regulations for Directors. The criteria for nominating candidates for CEO and Director positions are described in the Corporate Governance Report.

Supporting system for outside directors

In order to deepen their understanding of the Group’s management strategies and the content and status of the Group’s business activities, outside directors are given opportunities to learn about the Company at Sustainability Conference (held once a year,) training for officers and managers, factory tours and roundtable-discussion with employees as well as at the time of their appointment (by visiting business sites and receiving explanations from officers in charge.)

There is a structure in place to enable outside directors to keep up to date with the Company’s operations by distributing materials relating to issues

submitted for discussion by the Board of Directors to outside directors in advance and creating opportunities to explain them. Important matters from Management Committee meetings, including meetings of the Board of Directors, are communicated to outside directors by enabling them to view important documents and receive reports given at Board of Directors meetings, regardless of whether or not they attended the relevant meeting. In 2024, we improved meeting processes by significantly increasing the amount of time allocated for adjustments and preliminary explanations, to enable more in-depth discussions.

Status of shareholdings

[Standards and approach to the classification of investment shares]

The Company classifies investment shares into those held for pure investment purposes (shares held for the purpose of earning profits from fluctuations in market value, or from dividends) and those held for purposes other than pure investment.

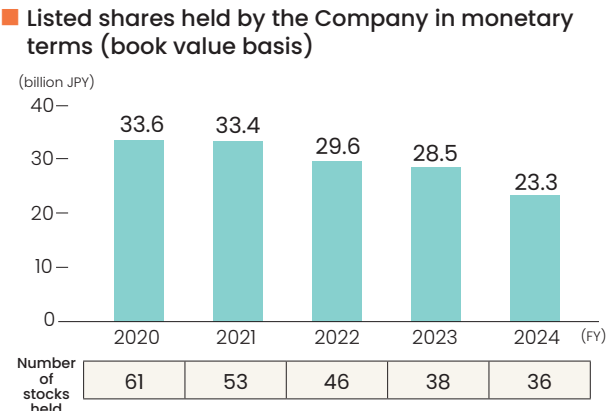
[Investment shares held for purposes of pure investment]

As part of its management strategy, including business alliances, maintaining and strengthening business relationships, and stable procurement of raw materials, the Company holds shares in companies that it deems necessary, as a matter of policy.

Every year, the Board of Directors examines the economic rationality of each individual shareholding from a medium- to long-term perspective, and sells those shares that have lost their significance as shareholdings. As a result of these validations, the Board of Directors resolved, at a meeting in August 2024, that when selling individual stocks contributes to improving the capital efficiency of the Group, even when the significance of shareholdings is not judged to have diminished, we will still proceed with selling them after careful dialogue with the issuing company.

The Company sold 13.1 billion JPY in stocks during the period of the previous medium-term management plan (FY2021 to FY2023) and plans to sell more than 20.0 billion JPY in stocks during the period of the current medium-term management plan (FY2024 to FY2026.)

Voting rights in relation to listed share held are exercised in an appropriate manner on a case-by-case basis, taking into account whether or not the relevant proposal will help 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 us, and the qualitative and overall impact it will have on the Group in terms of their management and businesses. Where an issuing company has special circumstances, such as significant damage to its corporate value or a serious violation of laws, regulations, or other rules, or where there is a concern that an issuing company may damage the corporate value of us as its shareholder, we will determine the actions to be taken carefully by collecting sufficient information through dialogue with the issuing company and other means.



Remuneration system for officers

We understand that the remuneration system for officers is an important matter in corporate governance. We have established a system based on the following

basic policy, operated from an objective perspective by the Advisory Committee on Appointment and Remuneration.

- Policies on the remuneration of officers**
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.

Process for determining remuneration for officers

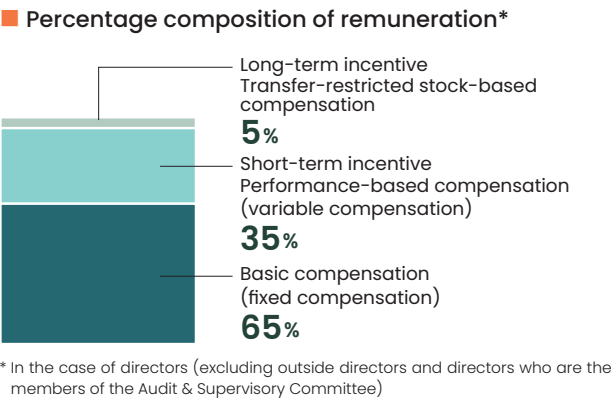
In the past, when determining remuneration for directors, the Advisory Committee on Nomination and Remuneration deliberated and reported on the evaluation process and evaluation results, followed by a resolution of the Board of Directors. At a Board of Directors’ meeting held on March 26, 2025, the Board resolved to delegate authority for determining compensation for individual directors (excluding Audit & Supervisory Committee members) to the Advisory Committee, effective as of that date. Delegating this authority to the Advisory Committee—which is made up of a majority of independent outside directors—has increased the fairness, transparency and objectivity of procedures for determining the amount of remuneration for individual directors (sum total of the amounts of basic compensation and performance-linked compensation.)

In addition, in the future officer compensation system, we are considering increasing the ratio of restricted stock compensation aimed at improving medium- to long-term corporate value, and introducing ROE as a new performance evaluation indicator for performance-linked compensation, with an emphasis on capital efficiency.

[Overview of officer remuneration]

From the perspective of ensuring transparency and focusing on performance, remuneration for directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) consists of basic compensation, performance-linked compensation, and transfer-restricted stock compensation. At the Annual General Meeting of Shareholders held on March 23, 2022, it was resolved that the total amount of remuneration, etc. for directors (excluding Directors who are Audit & Supervisory Committee Members) shall be within 500 million JPY annually (up to 100 million JPY of which shall be paid to outside directors,) and that the total amount of remuneration for directors who are Audit & Supervisory Committee Members shall be within 100 million JPY annually.

The aggregate amount of monetary compensation claims to be provided as transfer-restricted stock compensation to directors (excluding directors who



are Audit & Supervisory Committee Members and outside directors) is set at up to 100 million JPY annually, outside the framework of the maximum of 500 million annually for monetary compensation.

- Basic remuneration is fixed monetary remuneration paid monthly, based on a director’s post.
- 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. Only directors who are not Audit and Supervisory Committee members are eligible to receive this compensation.
- Transfer-restricted stock-based compensation is a long-term incentive paid to inside directors who are not Audit and Supervisory Committee members, with the aims of sharing the benefits and risks of fluctuations in share prices with shareholders, improving the Company’s results over the medium to long term based on a healthy entrepreneurship, and increasing directors’ enthusiasm for and contribution to enhancing corporate value.

Remuneration for outside directors who are members of the Audit and Supervisory Committee is limited to only basic compensation up to a maximum amount of 100 million JPY per year, in light of their duties and roles of supervising and auditing the execution of business.

■ Total amounts of remuneration, etc. by directors (FY2024)

Position	Total amount of remuneration, etc. (million JPY)	Total amount of remuneration, etc. by type (million JPY)			Number of eligible persons (persons)
		Basic compensation (fixed compensation)	Performance-based compensation (variable compensation)	Transfer-restricted stock-based compensation	
Directors (excluding directors who are members of the Audit & Supervisory Committee) (outside directors)	300 (37)	203 (37)	86 (—)	10 (—)	8 (4)
Directors (members of the Audit and Supervisory Committee) (outside directors)	56 (30)	56 (30)	—	—	5 (3)
Total (outside directors)	356 (68)	259 (68)	86 (—)	10 (—)	13 in total (7 in total)

*The number of people and the amounts of compensation above include the one director who resigned at the closing of the Annual General Meeting of Shareholders held on March 26, 2024.

Risk Management

Basic approach

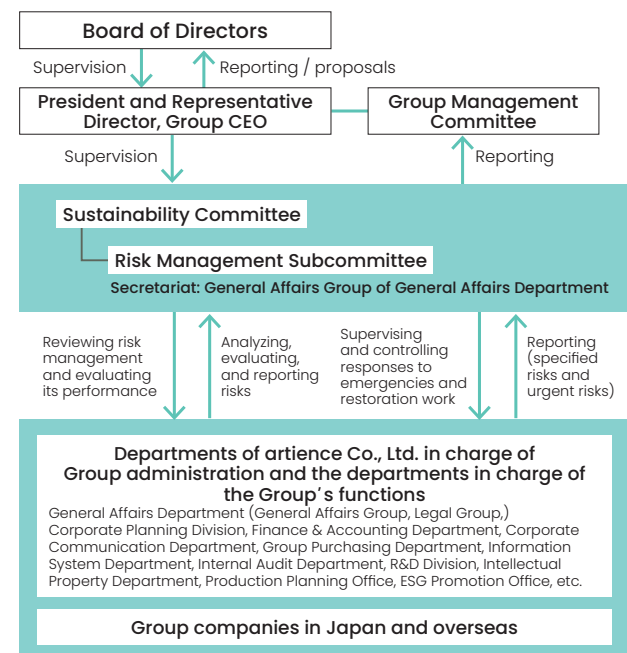
The artience Group recognizes that identifying risks that may affect business continuity and addressing these risks promptly and appropriately to minimize the impact of the risks is an important task. In addition to the Basic Policy on Risk Management (revised on January 1, 2024) and the Basic Policy on Development of Internal Control System (also revised on January 1, 2024,) the Risk Management Subcommittee has established the Risk Management Action Policy as its policy, and is implementing initiatives while continuously reviewing risks and making improvements.

WEB The Basic Policy on Risk Management, the Basic Policy on Development of Internal Control System, and the Risk Management Action Policy are posted on our website under [Sustainability > Governance > Risk Management.]

Risk management system

The Risk Management Subcommittee, whose secretariat is the General Affairs Department, exhaustively and comprehensively manages the risks of the entire Group under the operating officer in charge of risk management (the Chair of the Risk Management Subcommittee.) Each company and department of the Group are working to identify risks that are hidden in the changes in the social environment and in daily operations to assess and study them, prevent risks from materializing and carry out measures to reduce risk-related damage. The Risk Management Subcommittee assesses the risks of each company and de-

Risk management system (FY2025)

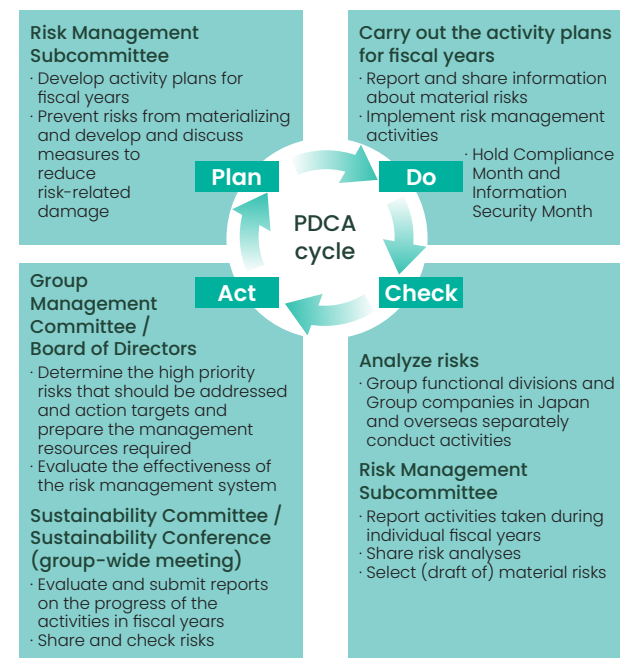


* Excerpts and additions from P.69 Sustainability promotion system (FY2025)

partment based on the frequency of occurrence and severity, and creates and shares a risk map. The committee checks the progress and level of achievement of activities for the mitigation of serious risks. It reports the group-wide risks, which need to be addressed by the Group as a whole, to the Group Management Committee and the Board of Directors. If a new problem arises that could develop into a serious risk, we report to the Board of Directors and establish an emergency headquarters to address the risk.

Risk management process

Leveraging the risk management system, we review risks and implement a PDCA cycle to improve the quality of activities.



Major activities in FY2024

In FY2024, we conducted a risk assessment from the group-wide perspective and checked important risks throughout the Group. We also (1) shared the latest incident status using CSIRT, (2) checked the status of responses to quality fraud and quality defect risks, and (3) checked the status of responses to legal risks and shared information. In terms of educational and awareness-raising activities, we (1) conducted safe driving seminars for drivers and managers of all company vehicles at all locations in Japan, (2) provided safety education on preventing back injuries and electrical fires at production sites, including temporary dispatch staff and part-time employees, using e-learning (held twice, with approximately 2,000 participants each time,) and (3) created quality check sheets for each business to stabilize quality and reduce risks throughout the entire Group, and rolled them out to overseas locations.

Selection of material risks

The Risk Management Subcommittee assesses and reviews the risks of each company and department based on the probability of occurrence and severity and shares a risk map with the whole Group. For themes among the anticipated material risks that are considered to have a high degree of impact on business continuity, the relevant departments systemat-

ically implement measures and report their progress to the Group Management Committee and the Board of Directors. By monitoring material risks at the senior management level, we conduct risk management activities based on a group-wide perspective and management perspective of risk awareness.

Evaluation criteria for frequency of occurrence

4	Almost certain possibility of occurrence (once to several times a year)	2	Able to predict possibility of occurrence (once every 10 to 50 years)
3	Possibility of occurrence (once every few years or once every 10 years)	1	Occurs only under exceptional circumstances (once every 50 or more years, or long term)

Evaluation criteria for seriousness

	Personal damages	Financial damages	Reputation
4	Fatal accidents	Damage of over 5 billion JPY	Long-term major coverage in mass media and social media (negative coverage) Significant loss of confidence among business partners and consumers
3	Many injured	Damage of over 1 billion JPY	Temporary major coverage in mass media and social media (negative coverage) Loss of confidence among multiple business partners and consumers (5 years or more to recover trust)
2	Injuries requiring hospitalization	Damage of 100 million JPY	Slight coverage in mass media and social media Loss of confidence among some business partners and consumers (2-3 years or more to recover trust)
1	Light wounds	Damages of less than 100 million JPY	Resolved by daily management

Map of material risks

Large ↑ Seriousness of damage ↓ Small		<ul style="list-style-type: none">• Infringement of intellectual property rights, misappropriation and leakage of confidential information• Violation of the Antimonopoly Act• Bad reputation in dealing with the media• Fire and chemical leakage accidents• Human rights violations and complicity in violations		
	<ul style="list-style-type: none">• Inappropriate accounting by overseas subsidiaries	<ul style="list-style-type: none">• Inadequate response to PRTR and Foreign Exchange Law amendments• Cyber security incidents	<ul style="list-style-type: none">• Infectious diseases• Quality fraud and defects• Raw material procurement• Impairment of fixed assets• Natural disasters in Japan and overseas• Geopolitical risks	<ul style="list-style-type: none">• High inflation and currency depreciation• Climate change• Tighter environmental regulations
			<ul style="list-style-type: none">• Workplace accidents• Tax risks such as transfer pricing• Securing human resources• Loss of human resources	<ul style="list-style-type: none">• Generation of bad debts
	Low	Frequency of occurrence		High

Responses to material risks (FY2024)

- **High inflation and currency depreciation** Mitigated impact of environmental changes through cash flow management and CCC reduction.
- **Climate change / tighter environmental regulations** Formulated a roadmap for reducing CO₂ emissions. Calculated group-wide global Scope 3 emissions.
- **Raw material procurement** Reviewed raw material lists and supplier evaluation sheets relating to risk concerns, formulated purchasing strategies in response to demand fluctuations, and implemented flexible price revisions.
- **Quality fraud and defects** Rolled out quality trouble sheets both in Japan and overseas, and implemented quality education and preventive measures.
- **Natural disasters in Japan and overseas** Reviewed disaster response manuals and communication methods during times of disaster, and promoted business continuity through training drills.

Typical business risks

Representative risks that management recognizes could have a significant impact on the financial position, operating results and cash flows of the Group are as follows. In FY2024, there was no new risk of a significant adverse impact on the Group.

■ Typical business risks

Category	Typical risks concerning the entire Group
(1) Risks related to overseas operations	· Changes in laws and regulations, and changes in tax systems that could have adverse effects · The adverse effect of inadequate social common capital on corporate activities · Unfavorable political factors · Social turmoil caused by terrorism or war · Unexpected rapid change in the work environment
(2) Risks related to system fault, information leakage, loss, and damage	· Suspension of operations due to system failure · Occurrence of the leak, loss, or damage of information due to malware attacks, including ransomware
(3) Risks related to quality and product liability	· Accidents or complaints caused by the quality of products · The 2024 Problems in Logistics
(4) Risks related to natural disasters and epidemics	· Difficulties in procuring raw materials, hindrance to production activities, stagnation of global consumer activities and stagnation of logistics functions in the supply chain, etc., due to natural disasters, such as major earthquakes, heavy rain and epidemics in Japan and other countries
(5) Risks related to the sourcing of raw materials	· The increase of prices and supply shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other issues · Compensation for damages due to the delayed or suspended supply of raw materials from suppliers and the resulting failure to supply products to customers
(6) Risks related to exchange rate fluctuations	· Dramatic fluctuations in exchange rates
(7) Risks related to general legal restrictions	· Changes to legal restrictions in Japan and overseas and the resulting changes in markets · Litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement
(8) Risks of environmental burdens	· Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets · Increased expenses caused by delays in taking measures to reduce environmental impact · Additional investment and changes in business portfolio in response to social environmental requirements (such as the shift away from plastics and the carbon neutrality, etc.)
(9) Risks related to climate changes	· Changes to climate change-related laws and regulations in Japan and other countries and the resulting changes in markets · Increase in costs due to delays in responding to social demands, such as the reduction of CO ₂ emissions
(10) Risks related to common debt collection	· Difficulty in collecting of trade receivables and other claims due to the worsening of customers' financial conditions
(11) Risks relating to impairment losses on non-current assets	· Impairment losses on non-current assets due to changes in economic conditions, etc.
(12) Risks related to human resource	· Labor shortage due to changes in social environment
(13) Risks related human rights	· Impairment of social trust and suspension of transactions due to human rights issues · Lawsuits and conflicts due to human rights issues

* Details of business risks are shown in the securities reports.

Internal controls

[Status of internal control systems]

At the artience Group, we recognize that the improvement and utilization of the internal controls system is an important management issue. The Board of Directors has formulated the "Basic Policy on the Internal Controls System" (revised on January 2024,) and we strive to put in place the implementation systems and monitoring systems needed to ensure that we carry out our business activities in an appropriate manner.

 For information about the Basic Policy on Development of Internal Control System, visit our website and click on [Sustainability > Governance > Risk Management.]

[Internal audit initiatives]

The Group's Internal Audit Department conducts internal audits to establish a sound foundation for business activities, from the perspectives of legality, appropriateness, effectiveness of business activities, efficiency, and risk management. It also provides advice and recommendations for improvement to the audited departments, and follows up on the progress of improvements.

The Group's internal audits are broadly divided into audits of the state of development and operation of internal controls related to financial reporting (J-SOX audits) and audits of the state of compliance and risk management initiatives based on instructions from management and requests from the risk management department (business audits.) The Internal Audit Department reports the results of internal audits directly to the President and Representative Director, the director in charge of internal control, the Board of Directors and the Audit & Supervisory Committee, and shares information with operating officers and department heads. Audit and Supervisory Committee members and accounting auditors also meet regularly to share information and exchange opinions on audit policies, targets, and audit results, etc., in an effort to improve the efficiency and effectiveness of audits.

In FY2024, we conducted internal audits at 12 Group companies (42 departments) in Japan and 26 Group companies overseas.

Information security

[Basic approach]

Information security measures are becoming more important with each year. It is important to work out policies and measures to address diversifying risks, including infections with viruses, unauthorized access to systems, leaks of personal information, and cyber attacks, to prevent risk materialization and minimize the effects of incidents if they occur. The artience Group has established the Basic Policy on Information Security (established on May 10, 2024,) the Information Protection Management Regulations and Information System Management Regulations and has implemented technological and physical preventive measures using information technology, information se-

curity education, and incident response trainings. The Group works to maintain and enhance appropriate information management and information security.

Policies on Information Security Activities in FY2024

- Improve information security awareness and countermeasures based on IT and data utilization, and strengthen incident response capabilities against increasingly sophisticated cyber attacks
- (1) Continuing education for employees to achieve both data utilization and information security
 - (2) Strengthen information security measures across the entire Group, including overseas
 - (3) Enhance the effectiveness of artience-CSIRT* in response to cyber incidents
- * Abbreviation for Cyber Security Incident Response Team

 The Basic Policy on Information Security is posted on our website under [Sustainability > Governance > Risk Management.]

[Promotion system]

The Information System Department takes a leading role in initiatives in information security and addressing risk cooperating with the General Affairs Department and Corporate Communication Department. We have established the Information Security Contact Office, a point of contact that receives consultation and reports from employees.

In the event of an incident, we will launch the artience Group Cyber Security Incident Response Team (artience-CSIRT) in accordance with the artience-CSIRT Setup Guidelines. The team will deliver reports to the Risk Management Subcommittee, to the Sustainability Committee and to management and carry out response actions for the purpose of minimizing its impacts. The Information System Department will serve as an administrative office for the team.

[Major activities in FY2024]

In 2024, We are working to improve information security awareness by offering a range of education and conducting awareness-raising activities. They include the Information Security Months (in September and October) in the overall Group including its overseas sites, alerts and information distribution on data security with the use of our internal portal, education for new employees and training for representatives at overseas affiliates and an IT literacy test.

We also conduct targeted e-mail drills every year to combat information security risks caused by cyber attacks, which leads to improvements in the information security awareness of each and every employee (conducted on November 19 in FY2024.) In addition, we conducted incident response training for artience-CSIRT to confirm response procedures in the event of a cyber incident.

At overseas Group companies, we assessed the state of security measures to understand their current status, performed vulnerability assessments, and instructed and guided companies to respond quickly to known vulnerabilities.

Risk Management

[Information security incidents]

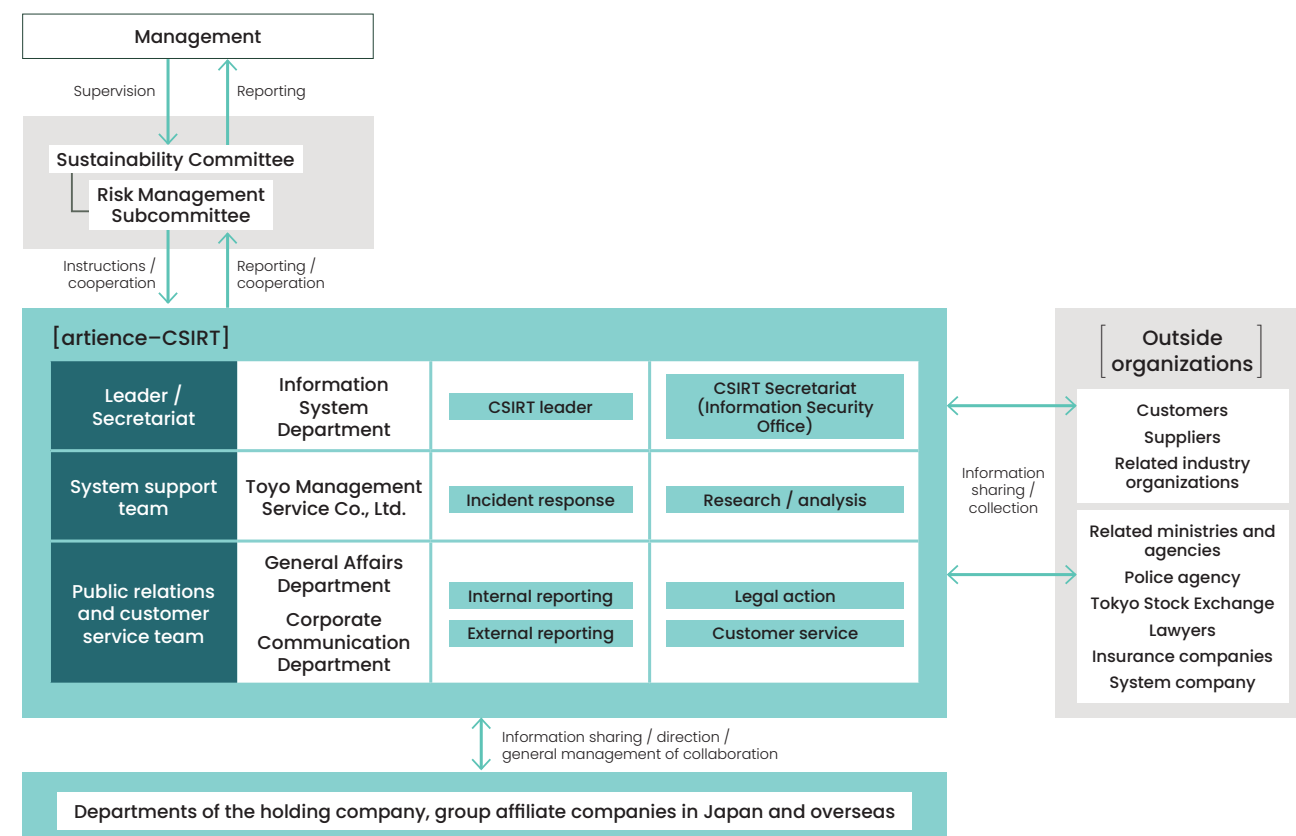
In FY2024, there was no occurrence of a material information security incident, such as leaks of personal information.

[Protection of personal information]

The artience Group recognizes the importance of protecting personal information, and making efforts to properly handle and protect personal information while complying with laws and regulations regarding the handling of personal information. In addition to enacting the "Privacy Policy," we established "Personal Information Management Regulations" and appointed personal information managers to each department. A personal information ledger is used to properly manage information as part of our efforts to maintain customer confidence. We are also proceeding with initiatives based on the laws and regulations of each country, such as compliance with the EU General Data Protection Regulation (GDPR) that came into effect in the EU in May 2018.

WEB The Privacy Policy (Policy on Personal Information Protection) is posted on our website under [Sustainability > Related Policies and Guidelines.]

■ Security incident response structure (FY2025)



[Cyber security measures]

The Group needs to build up its organizational capacity to respond to unexpected cyber incidents in accordance with its Basic Policy on Risk Management. For this purpose, we set up the artience-CSIRT as an organization for system BCP aimed at minimizing damage caused by an incident and at maintaining business continuity. We have developed the Risk Management Implementation Rules, the Emergency Response Rules, the Information System Disaster Control Measures Guidelines and other rules and response procedures for responding to, and recovering from, incidents. Additionally, we have developed the artience-CSIRT Setup Guidelines and the Cyber Incident Response Manual and strive to make them known to internal personnel.

Action Principles against Cyber Incidents

1. Take consistent actions to reduce and eliminate damage to information as important assets.
2. Always put customers first and serve them swiftly and sincerely.
3. Pay attention to maintaining and improving the brand image without yielding to cyber attack.

Business Continuity Management (BCM)

[Basic approach]

The artience Group implements risk response measures for Business Continuity Management (BCM) targeting risks that have the potential to be an obstacle to business continuity, including natural disasters such as earthquakes, typhoons and floods, etc., infectious diseases pandemics, accidents such as explosions, fires or leaks taking place at factories, and cyber attacks, etc. Recognizing the importance of ensuring smooth recovery, and of the establishment of the product supply systems, in the event of an accident either at a artience facility or at another chemical manufacturer, the artience Group has continued to implement BCM measures.

Basic policy on disaster countermeasures

1. Ensuring the safety of personnel (ensuring the safety of employees and visitors)
2. Preservation of assets (mitigation of damage to company assets such as buildings, equipment, products, and important documents)
3. Secondary disaster prevention (prevention of collapses of buildings, structures, and hazardous materials, etc., and prevention of secondary disasters such as fires)
4. Contribution to surrounding communities (participation in relief activities of local residents and actions in coordination with surrounding communities)
5. Business continuity (early-stage restoration of head office and site functions to ensure business continuity)

[Establishment of emergency procedures]

We operate our safety confirmation system to verify the safety of all employees in the event of a major disaster and respond promptly to the disaster in accordance with the damage. This system automatically identifies employees in affected areas based on the intensity of the earthquake and the range of the affected areas and provides necessary information by receiving the latest disaster information. In addition, we conduct disaster drills and similar events every year at our major business locations, and an emergency contact network for prompt reporting, as well as satellite phones and disaster transceivers (installed at major bases in Japan) are in place.

In addition, we have launched the artience-CSIRT* as a team for system BCP measures aimed at cyber security control.

* For the artience-CSIRT, see Cyber security measures on page 80.

[Making facilities more earthquake-resistant]

At the artience Group, we formulated the Rules on the Response to Measures against Earthquakes (Prevention of Collapses, Leaks, Fires, and Falling Objects) based on the results of the post-quake safety audits carried out after the Great East Japan Earthquake. These rules show specific measures for preventing falling objects, leaks, and fires by assuming a seismic intensity of upper 6 on the Japan Meteorological Agency (JMA) scale. At our business establishments in Japan, we promote mea-

sures including seismic analysis, reinforcement of buildings, demolition of aging buildings, fixing equipment, and introduction of earthquake-resistant equipment.

[Response to climate disasters]

The artience Group supports the Task Force on Climate-Related Financial Disclosures (TCFD.) With business continuity plans (BCPs) at individual sites in Japan and overseas, we develop operation manuals in the event of disaster and implement disaster control measures.

Specifically, we adopted an emergency structure and response procedures to be used when the water level reaches a dangerous level in preparation for river overflows and flooding following heavy rainfall or typhoons. We also installed water stop panels and water-proof walls at production sites, and carried out actions based on past experiences, such as relocating electrical equipment to elevated locations, installing sandbags and turning procedures for breaking electric circuits into plans. We use Aqueduct Water Risk Atlas to assess water risks at different sites in Japan and overseas and to identify risks so that the findings will be used for measures.

* For information disclosures in accordance with the TCFD recommendations, see pages 83 to 85.

[Stable procurement of raw materials]

Since the Great East Japan Earthquake, we have been promoting the replacement of major limited-source materials (monopoly raw materials) with widely-available ones and the procurement of such materials from multiple sources. At the same time, we have been engaged in activities to prevent the occurrence of limited-source materials, which begin at the product design phase, so as to ensure the stable procurement of raw materials.

[Establishment of a backup production system]

In response to major disasters and supply chain failures, we have established a backup production system for all of our domestic and overseas manufacturing facilities, created a system to prevent extensive damage to our business, and completed a backup production manual. Aiming for early recovery from an incident, we have clarified an action plan needed for a backup production system to be applied in the event of a one- to two-month shutdown. We are also establishing a system for backup production in cooperation with other companies in an emergency.

[Extension of BCM to cover overseas business locations]

As part of its efforts to standardize business processes useful to the operation of its bases, the Group publishes the "Guidelines for Overseas Risk Responses," and the "Risk Management of the artience Group" textbook for overseas companies. The textbook is written in both Japanese and English, and the Guidelines are available in Japanese, English, and Chinese language versions. To ensure that the important business processes that we have identified are not interrupted even in the event of serious damage caused by natural disasters or other disasters, we are working to create BCM basic policies and establish systems for in the event of a disaster, to restore them within the target recovery time.

Compliance

Basic approach

Compliance activities of the artience Group are based on the belief that it is important that every single employee should be aware of compliance. We discuss compliance in daily operations, aiming to steadily instill within the Group an awareness of the importance of compliance with laws and regulations.

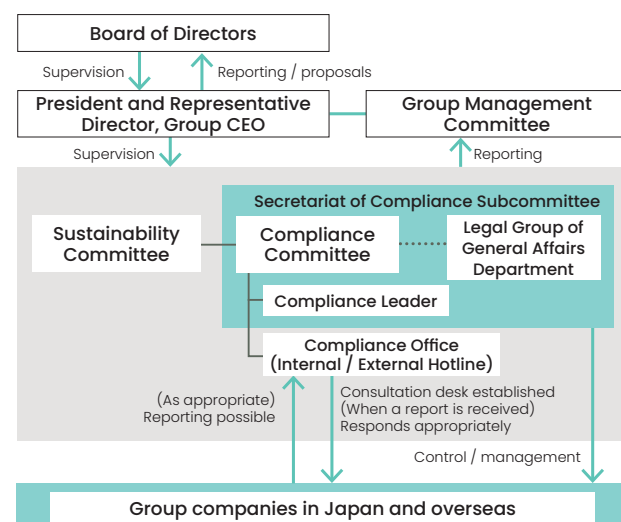
In line with the change of our company name and partial revision of our philosophy in January 2024, we have reviewed our sustainability-related policies and guidelines. We revised our CSR Charter, revising it as the Sustainability Charter, and reorganized and revised the Code of Business Ethics, which had previously been used as an explanatory material in our compliance activities, as the Code of Ethical Conduct. We also established a new Basic Policy on Compliance (enacted on May 10, 2024.)

WEB The Sustainability Charter, the Code of Ethical Conduct, and the Basic Policy on Compliance are posted on our website under [Sustainability > Related Policies and Guidelines.]

Compliance system

We are planning compliance measures, disseminating the way of thinking about compliance and providing education on regulations throughout the Group, with the leading role played by the Compliance Subcommittee under the Sustainability Committee. We are also proactive in creating opportunities to deepen our awareness of compliance related to daily operations, with the central role played by compliance leaders in each operation site.

Compliance system (FY2025)



* Excerpts and additions from P.69 Sustainability promotion system (FY2025)

Whistleblowing system

We have established internal / external Compliance Office as a consultation desk for compliance. We have also established the "Operating Regulations of Compliance Office" to ensure fair and proper operation of the Office. Consultations and reports mainly cover violations of laws and regulations (including corruption such as bribery and violations of the Antimonopoly Act) and violations of internal rules.

We investigate the fact based on consultation, and take measures immediately if there is any concern of problem occurrence. In addition, we give maximum consideration to protection and confidentiality of whistleblowers. In FY2024, there were seven consultations / reports regarding harassment and violations of internal regulations, but none of them posed a serious risk.

Major activities in FY2024

- Compliance meetings in each site (from April to June)**
 We held meetings at numerous locations in Japan (3,315 participants,) using materials that are used Group-wide, to promote the identification of new compliance issues and the formulation and implementation of solutions.
- Compliance Improvement Month held in October**
 We held meetings at each operation site (3,375 participants.) We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks. In addition, we sent the compliance materials, which are translated into local languages, to all representatives at overseas affiliates, and requested that they hold compliance meetings including local staff, and strengthen their awareness of compliance.
- Compliance education**
 Compliance seminar for new employees (held once a year)
 Advance training for overseas assignments (held twice a year)
 Antimonopoly Act seminar (13 sessions, 313 participants)
 Subcontracting Act seminar (23 sessions, 379 participants)
- Compliance auditing, with the goal of creating an organization with integrity**
 In FY2024, we conducted a questionnaire survey of all Group companies regarding their responses to guidelines on price negotiations for the appropriate transfer of labor costs, as being promoted by the Fair Trade Commission and other organizations. As a result, we found no illegal transactions.
- Response to overseas legal risks**
 We also established external hotlines for overseas sites to facilitate whistleblowing and informed overseas representatives and local staff of these hotlines. Further, in China, we check the status of operations in the country every six months based on the "Bribery Prevention Regulations."

Addressing Climate Change – Information Disclosure Based on the TCFD Recommendations

The artience Group understands that responding to climate change is a material management issue with a huge impact on business activities. In November 2020, we expressed support for the Task Force on Climate-related Financial Disclosures (TCFD.) Currently, we conduct activities for addressing climate change such as reducing CO₂ emissions towards carbon neutrality in 2050 in accordance with our Sustainability Vision "asv2050/2030." We also disclose information in accordance with the TCFD recommendations.

WEB This content omits some of our Group's information disclosure based on the TCFD recommendations. The full document is put on our website under [Sustainability > Environment > Response to Climate Change > Information Disclosure Based on TCFD Recommendations.]
<https://www.artiencegroup.com/en/corporate/sustainability/environment/climate-change/tcfd/>

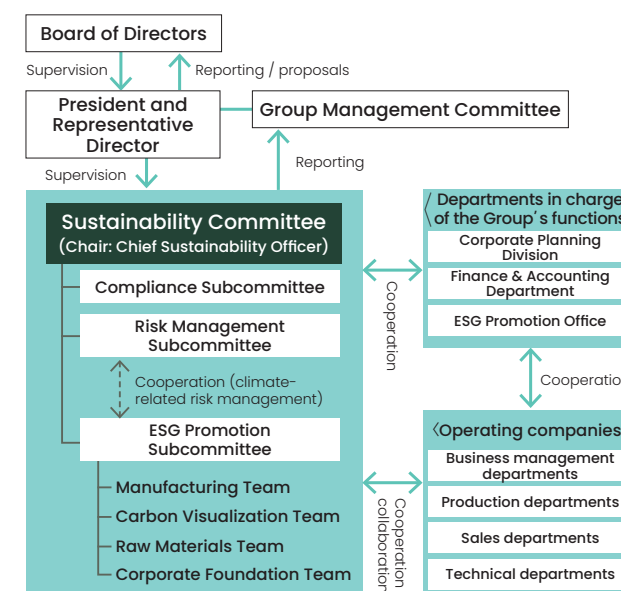
Governance

The Sustainability Committee, which oversees the sustainability activities of the entire artience Group including climate change and promotes them across the organization, is supervised by the Board of Directors via the President and Representative Director. Important issues are discussed and resolved by the Group Executive Committee, and then reported to the Board of Directors for approval.

The President and Representative Director oversees the Sustainability Committee as the chief supervisor for the Group's response to climate change, taking ultimate responsibility for management decisions relating to the group-wide sustainability activities, and appointing a Chief Sustainability Officer as the executive officer in charge of sustainability activities.

Subordinate to this committee, the ESG Promotion Subcommittee plans and implements specific activities relating to the group-wide sustainability, including the response to climate change. We are also enhancing the effectiveness of our climate change response activities by collaborating and cooperating with practical organizations such as the ESG Promotion Office, Group functional departments, and departments at each operating company.

System for addressing climate change (FY2025)



* Additions from P.69 Sustainability promotion system (FY2025)

Report on climate change to management (Board of Directors and Group Management Committee)

	Contents of report
July 2024	Progress report based on the decarbonization roadmap for bases in Japan and overseas, proposal for establishing a Scope 3 / product's CFP calculation systems (Sustainability Conference)
February 2025	Explained the Group's new materiality (including detailed explanation of climate-related themes)
March 2025	Reports on activities in FY2024 and explanations on the activity policy for FY2025 at the Sustainability Committee meeting

Risk management

[Risk / opportunity management process]

The Group has established a group-wide risk management system centered on the Risk Management Subcommittee. We recognize that climate-related risks, like other corporate risks, are factors that affect the sustainable growth of the Group, and that taking appropriate measures will lead not only to preventing the actualization of risks and the mitigation of their impact when they actualized, but also to opportunities such as increasing profits and improving the reputation in the market. The ESG Promotion Subcommittee manages climate-related risks and opportunities in cooperation with the Risk Management Subcommittee, applying the same management process as for corporate risks in general.

The ESG Promotion Subcommittee identifies and assesses climate-related risks and opportunities and reports them to the Group Management Committee and to the Board of Directors. It organizes a Sustainability Conference as the group-wide meeting on an annual basis to provide not only the management layer and managers of divisions in group companies but also general employees with opportunities to hear discussions in a bid to share information and views in the Group. It also provides education and training related to climate by means of e-learning to all employees to raise awareness, to update them with the latest information and to develop their ability to perceive risks. Management layer and Group companies incorporate response measures and action plans based on these risks and opportunities into their management plans and business plans, and reflect them in specific measures.

[Risk / opportunity identifying process] (conducted from December 2021 to May 2022)

Using a matrix of the categories of the risk and opportunity categories defined by the TCFD recommendations (Transition Risks: Policy and Legal, Technology, Markets, and Reputation; Physical Risks: Acute and Chronic; Opportunities: Resource Efficiency, Energy Sources, Products and Services, Markets, and Resilience) and the Group's value chain processes (procurement, production, logistics, sales, R&D, management, use, and disposal,) we exhaustively extracted risks and opportunities associated with climate change. The va-

lidity of the extracted results (i.e. whether or not they are matched with the practical work and the on-the-spot situation) was confirmed through a workshop for department managers at each Group company. After organizing these risks and opportunities, we conducted an impact assessment (scenario analysis) based on two axes: financial impact and likelihood of occurrence. In this way, we identified four key risks and two key opportunities based on the evaluation results.

Scaring up risks / opportunities	Validation by practical departments	Sorting and summarizing of extracted results	Financial impact assessment	Identification of risks / opportunities	Consideration of response measures
Comprehensively scared up risks / opportunities by a team led by the ESG Promotion Subcommittee (approximately 300 items)	Confirmation of consistency between extracted results and actual real-world conditions through workshops with department managers	Organized identified risks / opportunities and summarized them into 41 items	Evaluated the importance of each item based on the financial impact and likelihood of occurrence	Identification of four risks and two opportunities with significant impacts and checks on the details of the impacts	Confirmation of state of response to identified risks / opportunities and consideration of future measures and actions

Strategy

[Basic policies and strategies]

The artience Group recognizes that the policies and measures taken by national and local governments in response to global climate change have a significant impact on market conditions, the procurement of raw materials and consumer preferences and may have a strong impact on business continuity and business

performance in the future. We have set out the "Policy on Climate Change" (established in April 2022, revised in January 2024,) analyze these risks and opportunities, reflect them in our management plans and business plans, and engage in appropriate activities to address climate change.

WEB The Policy on Climate Change is posted on our website under [Sustainability > Environment > Response to Climate Change > Information Disclosure Based on TCFD Recommendations.] https://www.artiencegroup.com/en/corporate/sustainability/environment/climate-change/tcfd/#qa_1_1

[Scenario analysis]

The purpose of scenario-based analysis is to grasp and understand risks and opportunities that will arise from anticipated climate change and what kind of impact they will have on the Group, confirm the resilience of the Group's sustainable growth strategy in the expected future, and consider the need for further measures.

We conducted a scenario analysis on four risks and two opportunities identified by the Group, referring to two climate change scenarios (1.5°C and 4°C) proposed by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC.)

Categories	Risks / opportunities	Financial impact / expressivity		Periods of increased impact
		1.5°C scenario	4°C scenario	
Transition risks: Legal, Market	Rising raw material and energy prices	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Mid
Transition risks: Technology, Market, Reputation	Decline in demand for packaging- and printing-related items	Impact 3 / Expressivity 3	Impact 2 / Expressivity 2	Short
Transition risks: Policy and Legal	Increased impact of carbon prices on costs	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Physical risks: Acute	Loss of business opportunities due to the intensification of climate-related disasters	Impact 2 / Expressivity 2	Impact 3 / Expressivity 3	Long
Opportunities: Energy Source, Products and services	Increased sales of low-emission products	Impact 3 / Expressivity 3	Impact 2 / Expressivity 3	Short
Opportunities: Products and Services, Market	Acquisition of business opportunities such as materials for combating extreme heat and infectious diseases	Impact 2 / Expressivity 3	Impact 3 / Expressivity 3	Long

Financial impact: 3=impact of several billion JPY or higher; 2=impact of around one billion JPY; 1=impact of less than one billion JPY
Likelihood of occurrence: 3=already occurring at the present time, or almost certain to occur in the future;
2=relatively high likelihood of occurrence; 1=low likelihood of occurrence
Period of increase in impact: Short-term = around 1 year (period of annual plan) Medium-term = around 3 years (period of medium-term management plan)
Long-term = around 10 years (interim target year of asv2050/2030 = period up to FY2030)
For our 1.5°C scenario, we refer to the IEA World Energy Outlook: Net Zero Emission by 2050 Scenario and IPCC: SSP1-1.9 scenario.
For our 4°C scenario, we refer to IEA World Energy Outlook: Stated Policy Scenario and IPCC: SSP5-8.5 scenario.
Scope of analysis: Existing businesses of the entire Group and new businesses anticipated at this time

Metrics and targets

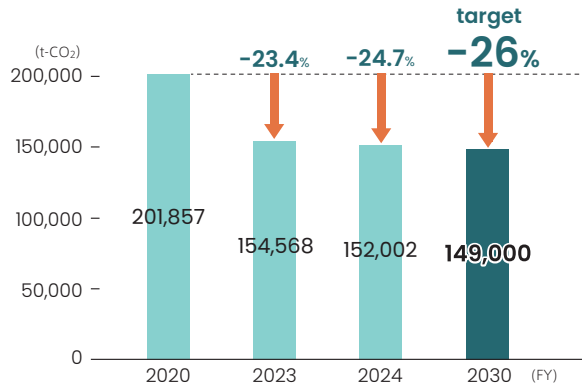
[Scope 1 + 2 emissions] (indicator for risk)

Since launching the "CO₂ Reduction Project" in FY2010, the artience Group has been striving to reduce CO₂ emissions from its production bases in Japan and overseas.

Our Sustainability Vision asv2050/2030 declares that the artience Group will reduce GHG emissions from its production activities and achieve carbon neutrality by 2050. In addition, it sets specific interim targets of reducing Scope 1 + 2 emissions globally by 26% from the FY2020 level by FY2030.

Our measures to achieve these targets can be classified into three aspects: reducing energy consumption, shifting to low-carbon energy, and shifting to low-carbon power. In Japan, co-generation systems are in operation at many production bases. Our efforts will center on shifting to low-carbon energy, such as changing fuels for system into lower-carbon fuels and electrification of production facilities. Overseas, the electrification of production facilities is more advanced. There, we will focus on shifting to low-carbon energy, such as electric power generated from renewable energy.

Changes in Scope 1 + 2 emissions and targets



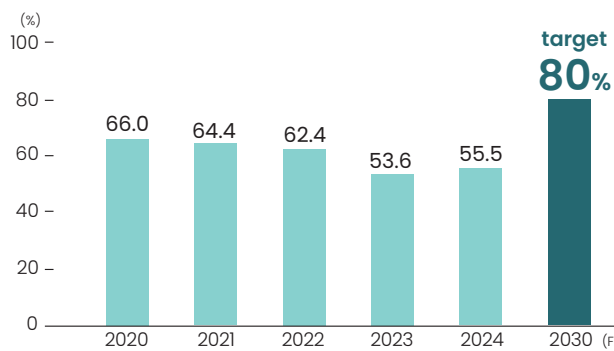
Direction of measures	Major reduction measures
Reduction of energy consumption	<ul style="list-style-type: none"> Energy conservation (eliminating energy loss in processes) Production process reform from an energy-saving perspective
Low carbonization of energy	<ul style="list-style-type: none"> Electrification of production equipment (reducing direct emissions) Preparation and research for the use of LNG alternative fuels
Low carbonization of electric power	<ul style="list-style-type: none"> Introducing low-carbon power (reducing indirect emissions) Introducing renewable energy equipment

[Sales ratio of Sustainability-enhancing products] (indicator for opportunity)

The artience Group began our efforts to improve the environmental friendliness of our products in the early days of the Group. In the 1990s we started placing environmentally friendly products on the market. Our Sustainability Vision asv2050/2030 defines our products that help improve the sustainability of society as Sustainability-enhancing products. This category of products offers not only the environmental value provided by environmentally friendly products but also lifestyle value, which includes comfort, health, welfare, safety and peace of mind in people's lives. Through the Group's scenario analysis, we have identified two climate-related opportunities, namely increased sales of low-emission products and the acquisition of business opportunities such as materials for combating extreme heat and infectious diseases. Sustainability-enhancing products include products that are associated with these opportunities.

The asv2050/2030 adopts the ratio of sales of these Sustainability-enhancing products to the Group's total sales as an indicator of the Group's climate action and sets a target of attaining 80% or more in this indicator by FY2030.

Changes in sales ratio of Sustainability-enhancing products* and targets



* In FY2023, a new definition of Sustainability-enhancing products was introduced under asv 2050/2030 and the scope of calculation was expanded to include overseas sales. The figures up to an including FY2022 are net sales and sales composition ratio of conventional environmentally friendly products.