

Corporate Governance

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.

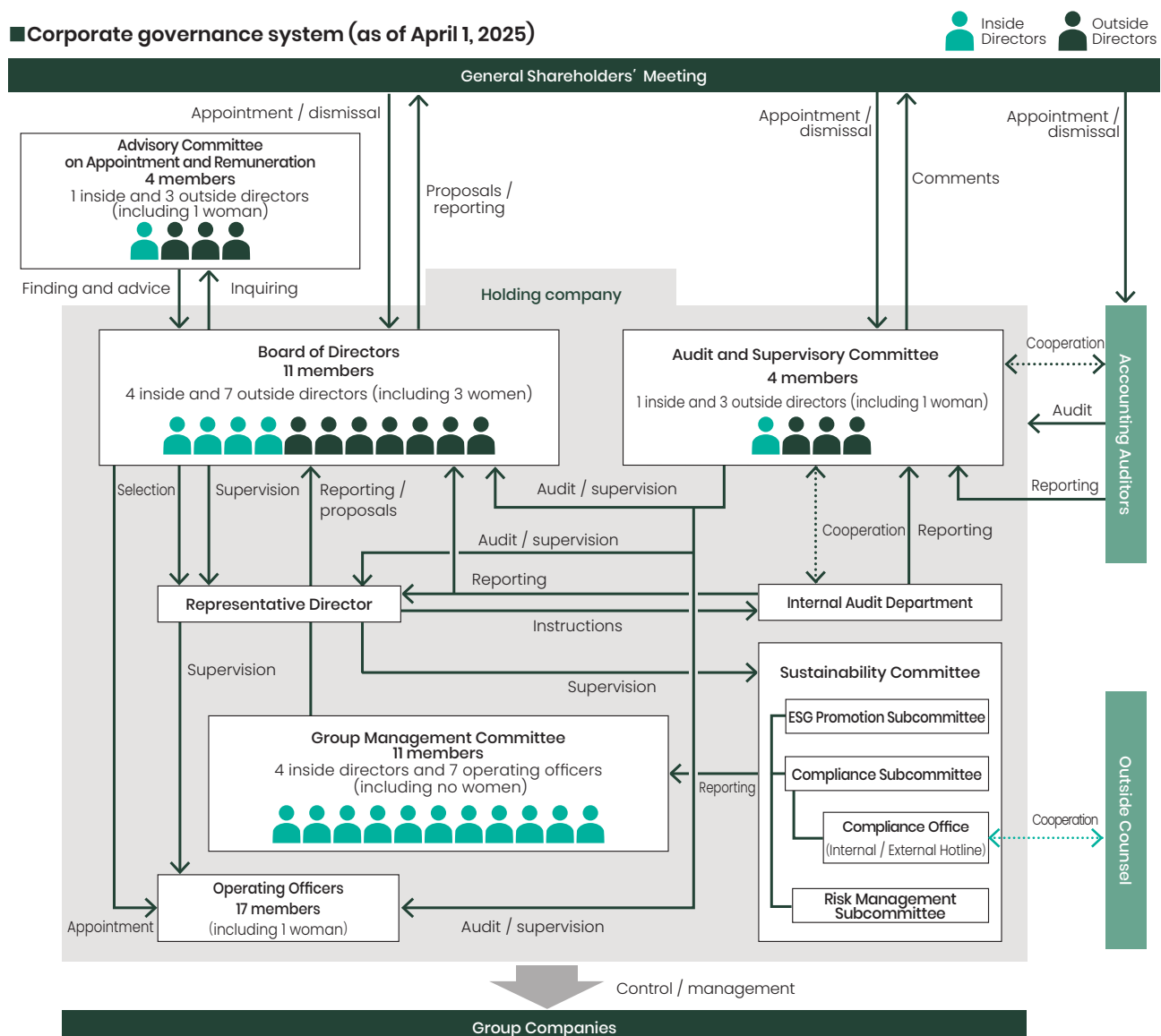
By adopting an Audit and Supervisory Committee system, we have enabled Committee members to exercise their voting rights at meetings of the Board of Directors, thereby increasing the level of fairness and transparency of management and strengthening oversight of the Board of Directors. By adopting an 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.



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)



Corporate Governance

■ Responsibilities and composition of major meetings and committees

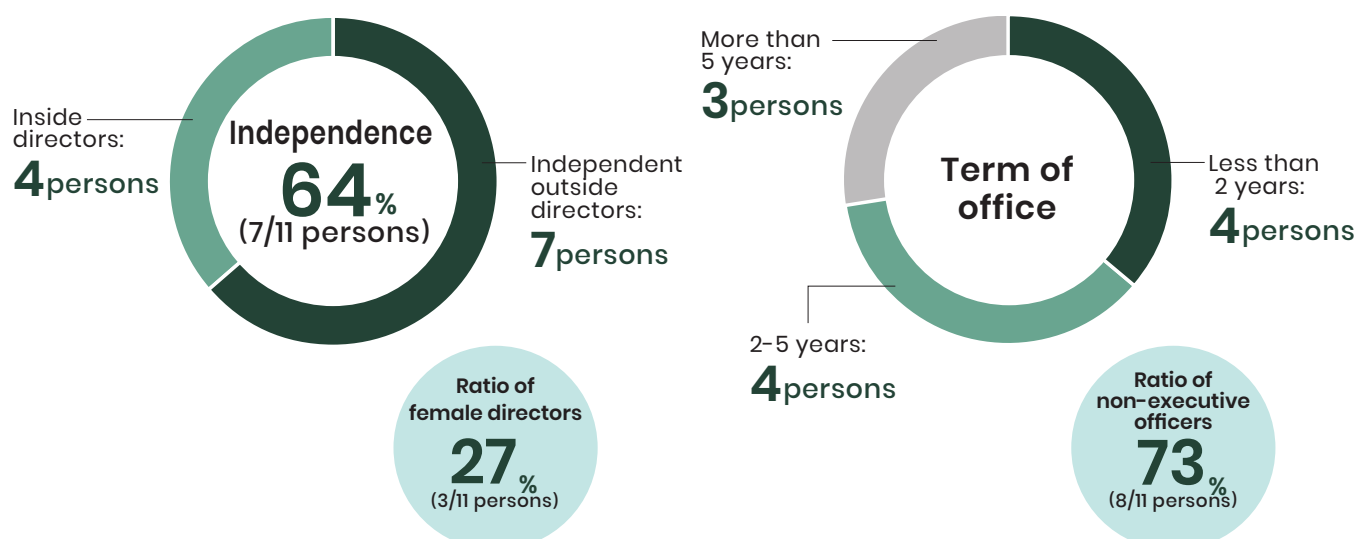
Board of Directors	· Makes management decisions and supervises execution of business for the entire Group · Makes decisions on matters stipulated by law and important management issues · Chair: President and Representative Director · Members: Eleven members (three of whom are women): seven directors 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	· 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	· 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	· 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 di-

versity. 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



Corporate Governance

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.

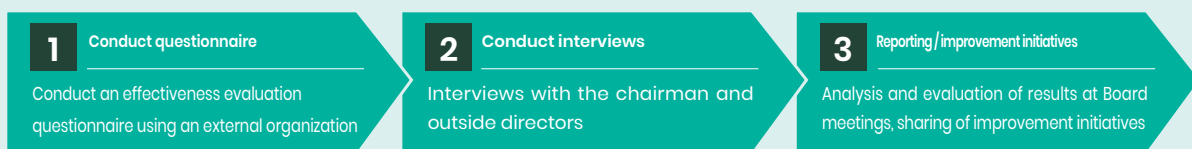
In 2024, we conducted a questionnaire survey of all directors, with a five-point scoring scale (multiple-choice scoring questions) and free-response

questions. As in 2023, we requested the involvement and advice of an external organization to ensure unbiased questions and quantitative analysis of results, including comparisons with other companies. To accurately identify issues, we also conducted interviews with the chairman 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]



[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 chairman 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 General Meeting of Shareholders, status of dialogue with shareholders and investors, etc.), enactment and revision of sustainability-related policies, Medium-term Management Plan artience2027, 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.

Corporate Governance

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

Corporate Governance

■ 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.

Corporate Governance

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.]

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.

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 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.

Corporate Governance

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 other than pure investment purposes]

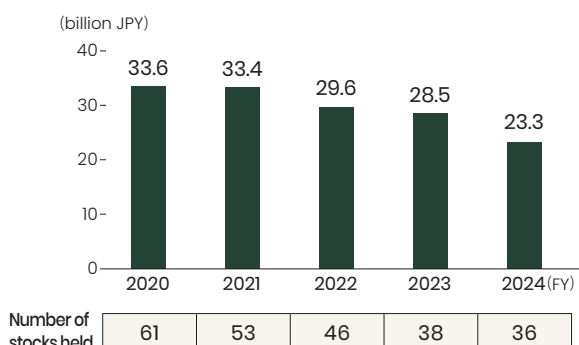
As part of its management strategy, including business alliances, maintaining and strengthening business relationships, and stable procurement of raw materials, the Company holds shares in companies that it deems necessary, as a matter of policy.

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.

■ Listed shares held by the Company in monetary terms (book value basis)



About information subject to timely disclosure

The General Affairs Department and Finance & Accounting Department of artience Co., Ltd. work with relevant departments to disclose information in a timely and continuous manner. We also actively disclose information that may affect investors' decisions, even when it is not required by the Financial Instruments and Exchange Act or the disclosure rules stipulated by stock exchanges.



Our Disclosure Policy (Policy on Information Disclosure) is posted on our website under Investor Relations > Stock / shareholder information > Management information.

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.

Corporate Governance

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.)

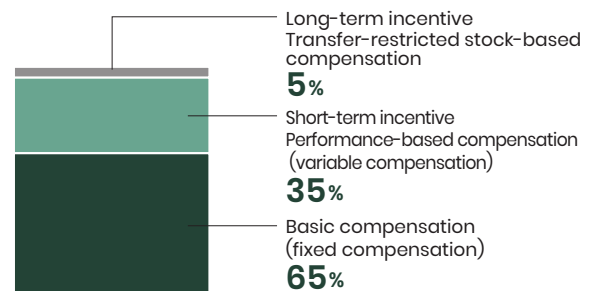
In addition, in the future officer compensation system, we are considering increasing the ratio of restricted stock compensation aimed at improving medium- to long-term corporate value, and introducing ROE as a new performance evaluation indicator for performance-linked compensation, with an emphasis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

■ Percentage composition of remuneration*



* In the case of directors (excluding outside directors and directors who are the members of the Audit & Supervisory Committee)

- 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. In July 2025, we established a Business Continuity Plan (BCP) Policy.

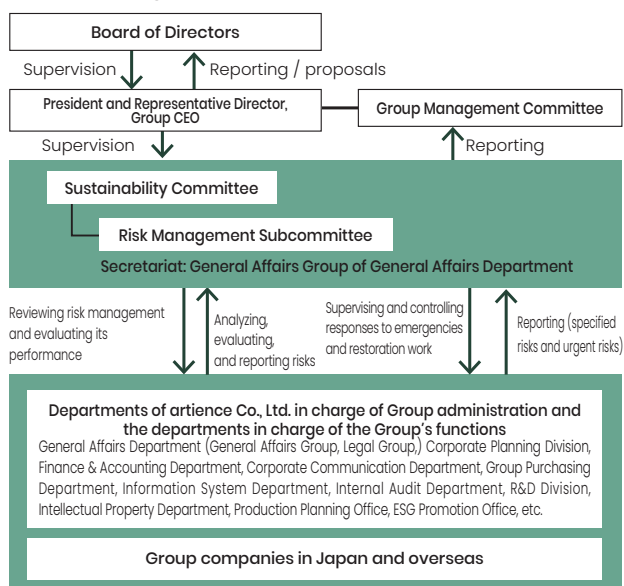


The Basic Policy on Risk Management, the Basic Policy on Development of Internal Control System, the Risk Management Action Policy, and the Policy on Business Continuity Plans (BCPs) are posted on our website under [Sustainability > Governance > Risk Management.]

Promotion 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 department 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.

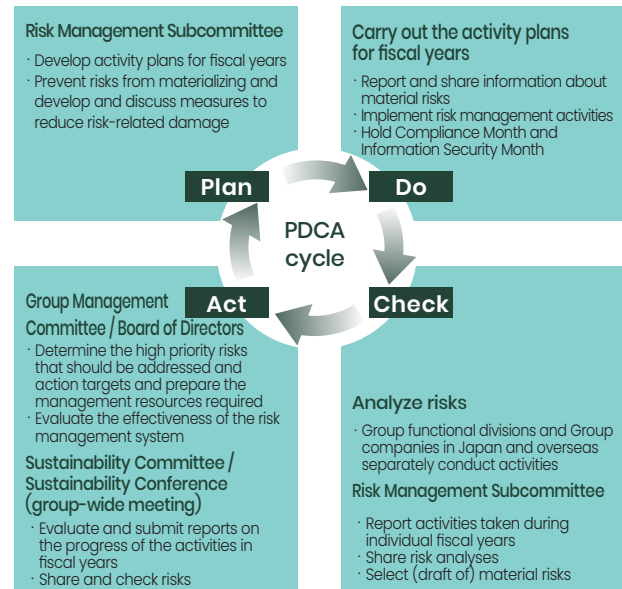
■ Risk management system (FY2025)



* Excerpts and additions from Page 12: Sustainability promotion system (FY2025)

Risk management process

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



Metrics and targets

■ Relevant themes in Group Materiality 2025-2030

Theme: 4-2. Compliance / Risk Management / Information Security

Continuously review compliance and risk management systems to improve their effectiveness

- Building overseas information security systems (implementation of common rules, customization for individual bases, vulnerability testing / corrective activities, etc.)

[Achievements in FY2024]

KPIs and measures	Achievements in FY2024
Building overseas information security systems (implementation of common rules, customization for individual bases, vulnerability testing / corrective activities, etc.)	- Held an Information Security Month (September–November) including overseas operations - Conducted assessments of the state of security countermeasures - Performed vulnerability diagnostics and provided instructions/guidance for prompt response to known vulnerabilities

Risk Management

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.

■ 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

Seriousness of damage ↑ Large ↓ Small		- 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		
	Inappropriate accounting by overseas subsidiaries	- Inadequate response to PRTR and Foreign Exchange Law amendments - Cyber security incidents	- Infectious diseases - Quality fraud and defects - Raw material procurement - Impairment of fixed assets - Natural disasters in Japan and overseas - Geopolitical risks	- High inflation and currency depreciation - Climate change - Tighter environmental regulations
			- Workplace accidents - Tax risks such as transfer pricing - Securing human resources - Loss of human resources	Generation of bad debts
	Frequency of occurrence			
	Low			High

Risk Management

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 CO ₂ 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 change	- 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 CO₂ 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.

Risk Management

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 cyberattacks, 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 security 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 > Related Policies and Guidelines.]

[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 cyberattacks, 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.



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

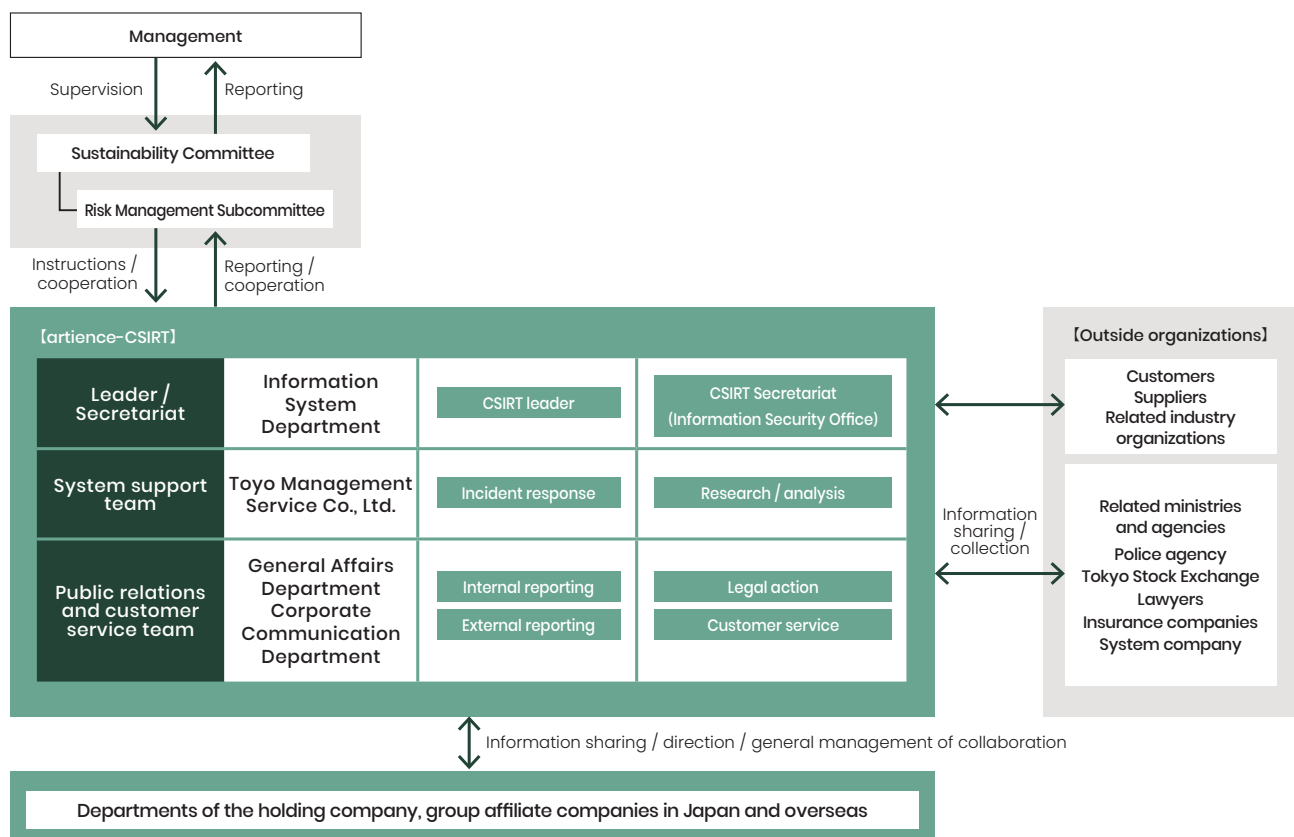
[Cyber security measures]

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 cyberattack.

■ Security incident response structure (FY2025)



Risk Management

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.

Policy on Business Continuity Plans (BCPs)

In accordance with its basic risk management policy, the artience Group aims, as part of its business continuity management (BCM) initiatives, to minimize any risk that could significantly hinder the continuity of its business by taking preventive measures and making reasonable and sufficient preparations as a part of its normal practices. If a risk materializes or an unforeseen situation occurs that may materially affect the continuity of its business, the Group is committed to securing the safety of its employees, preserving its assets and fulfilling its responsibilities to society and its stakeholders, and the Group will build a framework for ensuring business continuity and recovering quickly from such events.

Excerpt from our Business Continuity Plan (BCP) Policy
(established July 1, 2025)

[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 95.

[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 measures 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 waterproof 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 19 to 26: Response to Climate Change.

[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.)



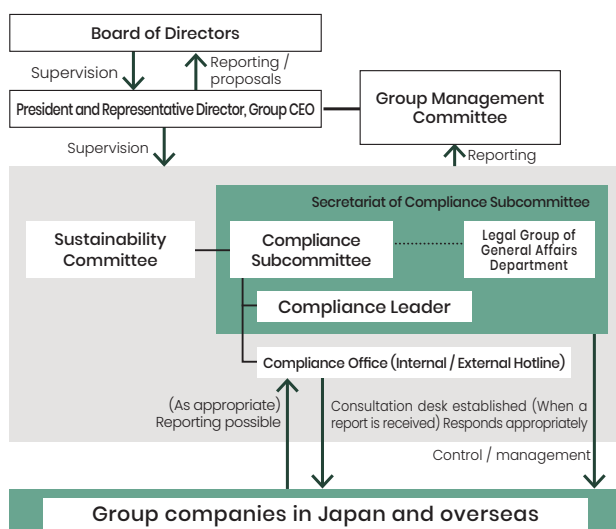
The Sustainability Charter, the Code of Ethical Conduct, and the Basic Policy on Compliance are posted on our website under [Sustainability > Related Policies and Guidelines].

* Our Sustainability Charter, Code of Ethical Conduct, Basic Policy on Respect for Human Rights, and Basic Policy on Occupational Safety and Health are available in PDF format in multiple languages (12 languages in total.) We plan to add further multilingual support in the future.

Promotion 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)



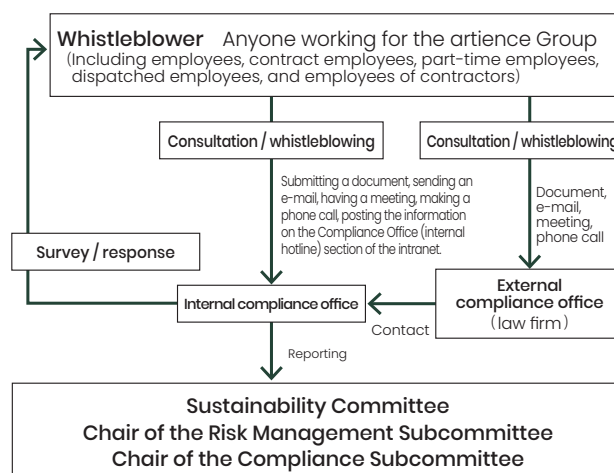
* Excerpts and additions from Sustainability promotion system (FY2025) on page 12.

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.

Whistleblowing system



Compliance

Metrics and targets

■ Relevant themes in Group Materiality 2025–2030

Theme: 4-2. Compliance / Risk Management / Information Security

Continuously review compliance and risk management systems to improve their effectiveness

- Raising awareness of the Code of Ethical Conduct and the whistleblowing system
- Number of serious compliance violations (violations of laws and regulations and other conduct for disciplinary action): Zero continued



Page 10 to 11: Group Materiality 2025–2030

[Achievements in FY2024]

KPIs and measures	Achievements in FY2024
Raising awareness of the Code of Ethical Conduct and the whistleblowing system	· Ensured awareness and understanding among employees both in Japan and overseas through compliance meetings at individual sites

■ Number of serious compliance violations (unit: cases)

KPIs and measures	Achievements in FY2022	Achievements in FY2023	Achievements in FY2024	Target (every FY)
Number of serious compliance violations	0	0	0	0

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)

Examples of themes regularly covered in training

- Anti-monopoly Act ■ Subcontract Act
- Unfair Competition Prevention Act
- Fraudulent inspections
- Portrait rights
- Act on the Protection of Personal Information
- Whistleblower Protection Act
- Bribery ■ Insider trading
- Harassments
(power harassment, sexual harassment, etc.)

- 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."

Prevention of corruption and bribery

[Basic approach]

The artience Group has a policy of unequivocally prohibiting corruption and bribery. We have established the Bribery Prevention Regulations. The internal audit performed by the Internal Audit Department of artience Co. Ltd. includes inspection on bribery.

The "Definition of acts of corruption" section of the Policy on Anti-corruption (established in January 2024) clearly states that we prohibit acts of corruption such as bribery, excessive gifts and entertainment, conflicts of interest, and illegal or inappropriate political contributions. We are also working to distribute information regarding the prohibition of corruption within the company by clearly stating the prohibition of corruption in the Code of Ethical Conduct*.

It forbids all forms of corruption and misconduct, including bribery of third parties such as public employees and business partners, offering and receiving excessive entertainments or gifts, collusion, embezzlement, breach of trust and money laundering. We conduct fair and impartial business activities in compliance with laws, regulations and internal rules related to the prevention of bribery and corruption.

*The artience Group Code of Ethical Conduct and related policies and guidelines are posted on our website, and are available in multiple languages (Japanese, English, and Chinese.)



The Policy on Anti-Corruption and the Code of Ethical Conduct are posted on our website under [Sustainability > Related Policies and Guidelines.]

[Promotion system]

The Compliance Subcommittee in the Sustainability Committee takes the initiative in sending out informa-

Compliance

tion on the prohibition of any form of corruption and in education about laws and regulations on a group-wide scale. Our internal rules are the responsibility of the Legal Group of General Affairs Department, artience Co., Ltd. For high-risk themes and areas, the Legal Group of General Affairs Department identifies issues and implements education and surveys, etc., for relevant employees based on individual themes. We also ensure thorough awareness through initiatives like Compliance Improvement Month.

If any events considered risk factors or serious problems occur, they will be reported to the Board of Directors following the work flow created by the Risk Management Subcommittee, and the subcommittee will deal with them in cooperation with related departments.

[Employee education and Compliance Office]

In January 2024, we formulated the artience Group Code of Ethical Conduct, which clearly states that we prohibit corruption, including prohibition of inappropriate honorariums and gifts, prohibition of political contributions, and prohibition of bribery of public officials. The Code of Ethical Conduct, along with the Group's Brand Promise, philosophy system, and various policies, is posted on our website (in Japanese, English, and Chinese,) and we make efforts to distribute it to all Group employees. Furthermore, in the compliance activities we conduct every year, we focus on corruption and bribery cases, among other cases, regularly and carry out activities to prevent recurrence of similar cases in all business sites.

We have a system in which consultations and reports about corruption, bribery and violations of laws and regulations related to corruption and bribery are received at the Compliance Office (Whistleblowing System,) internal and external.

 [Page 97: Whistleblowing System](#)

[Actions Related to Supply Chains]

For the purpose of enhancing supply chain management, we revised the Procurement Principles and Standard for Selecting Suppliers to Basic Policy on Procurement in January 2024, and also revised the Sustainable Supply Chain Guidelines on October 24, 2022 (revised in May 2024.)

The Basic Policy on Procurement states, under the heading of "Fair business practices," that the Group will prohibit bribery, the sharing or receiving of illegal gains, the obstruction of fair and open competition, and the infringement of intellectual property rights, while the Sustainable Supply Chain Guidelines have an explicit provision for the prevention of corruption under the heading of "5. Ethics."

We ask suppliers to consent to the Basic policy on Procurement and the Sustainable Supply Chain Guidelines. We also implement CSR procurement self-assessments and analyze the findings in order to strive to promote the prevention of corruption in our supply chain.

Based on responses to the CSR Procurement Self-Assessment, we identify suppliers judged to be at high risk of corruption. If a corruption risk is identified,

we conduct awareness-raising activities on corruption prevention with suppliers and request corrective actions to mitigate risks.



The Sustainable Supply Chain Guidelines is posted on our website under [Sustainability > Related Policies and Guidelines.]

[Approach to Political Contributions]

The artience Group Code of Ethical Conduct stipulates: "In order to maintain the political neutrality of the Group, we will not use any company property as political contributions to any political parties, political groups, or candidates for public office."

[Violations]

In FY2024, there were no violations related to corruption or bribery, or disciplinary actions against employees (including dismissals) or fines or penalties related to violations.

Fair trade

In fair and sound business activities described in the Code of Ethical Conduct, it states that the Group will adhere to free and fair competition. The Group's corporate activities are compliant with laws and regulations related to fair competition and fair trade in each country in which the Group operates.

[Prevention of violations of the Anti-monopoly Act]

Every year, we hold Anti-monopoly Act workshops for all employees involved in sales activities, to establish knowledge of anti-monopoly laws. In addition, we apply internal rules stipulating that employees are required, in principle, to seek approval of contacts with competing companies in advance and has established a system that blocks cartel behavior. There were no violations of the Anti-monopoly Act in FY2024.

[Compliance with the Subcontract Act]

We continue to hold Subcontract Act workshops for all employees involved in subcontracting transactions to ensure compliance with the Subcontract Act.

[Prevention of insider trading]

The "Prohibition of acts of corruption" section of the Code of Ethical Conduct clearly states the prohibition of insider trading. We prohibit insider tradings based on non-public material information obtained through business.

[Response to anti-social forces]

The "Separation from antisocial forces" section of the Code of Ethical Conduct clearly states that we will not have any relationship with antisocial forces or groups. We do not engage in any relationship with antisocial forces, and respond to them with a resolute attitude.



[Page 101: Governance Data > Compliance](#)

Tax Affairs

Basic approach

The artience Group's Sustainability Charter (revised on January, 2024) includes a section on "Ensuring compliance." The Group complies with not only laws and regulations in Japan and overseas but also international treaties and local social norms. We strive to ensure that we make decisions and act based on good reason, in good conscience and in a way that meets high ethical standards. We have the same basic stance on taxation, and we fulfill our corporate social responsibility by complying with the relevant laws and regulations of each country and paying taxes appropriately, while working to raise awareness through awareness raising activities targeting each and every employee, based on our Tax Policy.

In our global operations, we follow the OECD Transfer Pricing Guidelines, among other rules, when we conduct transactions with overseas affiliates, and the transactions are subject to arm's length prices. We will not arbitrarily engage in tax avoidance, such as use of tax havens.



The Tax Policy is posted on our website under [Sustainability > Related Policies and Guidelines.]

Promotion system

The Finance & Accounting Department of artience Co., Ltd. under the Chief Financial Officer has built the tax governance system and works to reduce tax risks in cooperation with the accounting departments of Group companies.

If any tax problems arise, they will be reported to the Board of Directors and other bodies as needed and be dealt with appropriately in consultation with outside experts in a timely manner.

Relationship with tax authorities

We strive to maintain a good and healthy relationship with the tax authority. We sincerely give explanations to, and communicate with, the tax authority based on facts in good faith. If there are any suggestions or guidance from the tax authority, we identify the reasons and take appropriate corrective and remedial actions to prevent a recurrence.

■ Tax data

	FY2022	FY2023	FY2024
Corporate taxes, etc. (consolidated)	2,968 million JPY	3,042 million JPY	4,156 million JPY
Total in Japan	—	—	2,913 million JPY
Overseas total	—	—	1,243 million JPY

Intellectual Property Management

Basic approach

In line with the provisions in the section on fair and sound business activities in its Code of Ethical Conduct, the artience Group appropriately manages and uses company assets and strives for the proper management and use of intellectual property, information, brands and other assets. We will protect our own intellectual property and respect the intellectual property of other companies. We will focus on creating strategic intellectual property in the process of new development.

Promotion system

The Intellectual Property Department of artience Co., Ltd. plays a central role in the protection and management of intellectual property, and formulation of rules and principles in collaboration with relevant departments. "artience growth field" (Group-wide education & training program) and other bodies provide employee education and conduct awareness-raising activities related to intellectual property.

Initiatives

The artience Group understands that intellectual properties are key part of assets. We are working to create, protect and make active use of intellectual property and take measures against counterfeit products around the world. Procedures for the protection of intellectual property vary from country to country. We observe laws and regulations in separate countries to take appropriate actions.

- Prevention of intellectual property rights infringement
We study and check patent information to prevent our products from infringing any third party's intellectual property rights.
- Measures against counterfeit products
We adopt global anti-counterfeit measures, specifically the collection of information in separate regions and monitoring by means of market research.

■ Number of patents held*

Japan	2,348 patents
Overseas	1,002 patents

■ Number of registered trademarks held*

Japan	484 items
Overseas	1,125 items

* As of December 31, 2024

Governance Data

Corporate Governance

■ Members of major meeting bodies related to corporate governance

			FY2021	FY2022	FY2023	FY2024	FY2025
Composition of the Board of Directors	Gender	Male (persons)	8	9	8	9	8
		Female (persons)	2	2	3	3	3
		Percentage of female directors (%)	20.0	18.2	27.3	25.0	27.0
	Total (persons)		10	11	11	12	11
	By age group (%)	Under 30	0	0	0	0	0
		Age 30 to 49	0	0	0	0	0
		Over 50	100	100	100	100	100
	Independent outside Director (persons)		4	5	5	6	7
Composition of the Group Management Committee	Gender (persons)	Male	9	11	11	11	11
		Female	0	0	0	0	0
	Total (persons)		9	11	11	11	11
Composition of Operating Officers	Gender (persons)	Male	23	24	23	15	16
		Female	0	0	0	1	1
	Total (persons)		23	24	23	16	17

* Members after the annual general meeting of shareholders; except for FY2025, for which the figure is as of April 1, 2025.

■ 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)
		Fixed compensation (basic compensation)	Variable compensation (performance-based 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

	FY2022	FY2023	FY2024
Serious incidents related to information security (cases)	0	0	0

Compliance

	FY2022	FY2023	FY2024
Serious compliance violations (cases)	0	0	0
Violations related to corruption (cases)	0	0	0
Fines relating to corruption (JPY)	0	0	0