TOYO TANSO
Inspiration for Innovation

Integrated Report 2024



2030 Management Vision

“Creating products with unprecedented potential”

Becoming a leading company through Earth-friendly products and technologies

Company Policies

- Become a global company
- For the world, for society
- Become a strong company

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Editorial policy

The Integrated Report 2024 provides a concise summary of the most important aspects of the Group’s value-creating operations. More detailed information can be found on Toyo Tanso’s sustainability website and on its IR website. In compiling the report, we have drawn on the recommendations of the International Integrated Reporting Council’s International Integrated Reporting Framework and on “Guidance for Collaborative Value Creation,” a publication of the Ministry of Economy, Trade and Industry.

Environment Social Governance
Guidance for Collaborative Value Creation

Scope of coverage

The report covers Toyo Tanso Co., Ltd. and its domestic and overseas consolidated subsidiaries.
* Some non-consolidated information pertaining to Toyo Tanso Co., Ltd. alone is provided in notes.

Dates of coverage

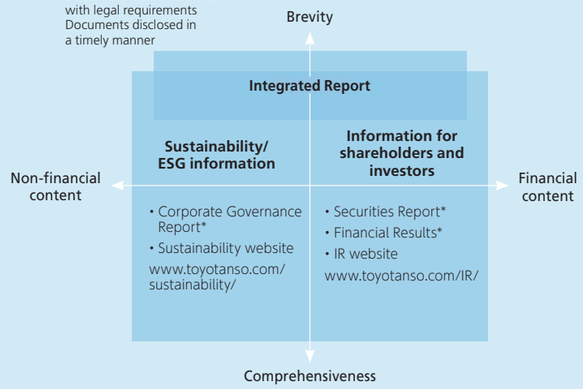
FY2023 (January 1 to December 31, 2023)
* The report also includes some information about activities undertaken during or after January 1, 2024.

Precautionary note concerning forward-looking statements

Forward-looking information contained in this report, for example forecasts of future performance, represent judgments made on the basis of information that was available at the time of their disclosure. Such information by its nature includes numerous sources of uncertainty, and actual performance may vary due to factors including changes in business conditions.

Information disclosure structures

* Documents disclosed in accordance with legal requirements
Documents disclosed in a timely manner



On the publication of the Integrated Report 2024

Embracing the challenge of even greater accomplishments in accordance with our 2030 Management Vision

We have published the Toyo Tanso Integrated Report 2024 with the aim of communicating to all stakeholders, including customers, shareholders, and investors, the Toyo Tanso Group’s contributions to addressing social issues and increasing its corporate value through its businesses.

The Toyo Tanso Group has an unwavering foundation built through a committed pursuit of added value and guided by a challenge-seeking spirit focused on “Manufacturing completely unique products.” With an enduring determination to challenge ourselves, we will continue to pursue our own growth while contributing to society based on our 2030 Management Vision of “Creating products with unprecedented potential” and “Becoming a leading company through Earth-friendly products and technologies.”

We hope that this report will help all stakeholders to gain a deeper understanding of the Group’s approach and efforts toward growth.



Naotaka Kondo
Representative Director
Chairman & President, CEO

Improving employee satisfaction and creating new high-value-added products to take the Group to the next stage

Creating a system to generate profits and fuel great business performance

FY2023 was a very busy year. In particular, demand for special graphite product electronics applications continued to grow, and we received so many orders for composite SiC-coated graphite products that production could not keep up, resulting in a significant increase in sales of SiC power semiconductors applications. Furthermore, amid an overall economic upturn, we have seen record highs for sales of special graphite products related to metallurgy and of carbon products for mechanical applications, which includes contact strips for pantograph used in trains. Sales of carbon products for electrical applications, including brush materials used in home appliances and power tools, have been somewhat sluggish due to a lull in demand following the COVID-19 pandemic. However, we believe these sales will gradually recover going forward.

The Toyo Tanso Group has seen steady growth in its business performance over the past few years, and this is due in part to better cooperation between overseas subsidiaries and the Head Office in Japan, as well as stronger governance. Our first steps were to create task force teams for each market, application, and product, and establish a system that would enable us to develop sales strategies, investment plans, and human resource plans worldwide. We also assigned leaders to each functional category, which include finance, legal affairs, processing, and quality control. Our Japanese category leaders, who also serve as on-site managers, are thoroughly familiar with the business and keep their information up to date. As such, they work closely with overseas teams to tackle a variety of technical and management issues. This has created a sense of unity throughout the group, resulting in increased sales and profits.

We believe that making a profit is extremely important for achieving sustainable growth and employee satisfaction. The Toyo Tanso Group has formulated a five-year Medium-Term Management Plan, which we review every year. These reviews include discussing which products are currently experiencing the most growth, what added value they have, and what we should do next to further increase that added value. Based on this, we formulate new plans for development and investment, striving to improve not only profit amounts but also profit margins.

Focusing on human resource development and capital investment to achieve growth strategy goals

Many of the Toyo Tanso Group's products are used in things that are essential to society, such as AI and electric vehicles. Yet, as these products will not necessarily always be so in demand, we must constantly undertake new developments.

After all, customers want to produce better products faster and at lower costs. From the standpoint of cost, quality, and technology management, the Group manufactures carbon materials in factories in Japan, but processing and sales are carried out at facilities close to customers in places such North America, Europe, Asia, and elsewhere, allowing us to respond quickly and carefully to customer needs.

In order to provide meticulous support and proposals to such customers, it is important that we have sales engineers with an extensive knowledge of products and technologies. Additionally, in developed countries, as labor shortages caused by population decline intensify, multitasking machines that can consolidate multiple processes into a single machine are being introduced to reduce the manpower required and shorten construction times. However, advanced programming is required to operate these multitasking machines. How do we develop our human resources, which includes our sales engineers and programmers? We believe this is the most important consideration for achieving our growth strategy goals, and we provide various educational and support programs accordingly.

Capital investment is also an essential element for growth, and we will work to increase production capacity in high value-added businesses while strengthening the competitiveness of core and stable businesses on a larger scale than ever before. The key in all this is to understand the needs of the market. In addition to receiving information from the sales representatives and sales engineers who interact with customers, I also frequently visit customers and hold top-level meetings to hear about changes in their circumstances and about their future outlooks. After listening to such information, we then consider from various angles what should be prioritized, where to make what, what resources will be needed, and how much time and money it will take to deploy the necessary equipment. In gathering this information, we have learned that demand for coating products such as SiC and TaC is expected to remain extremely high in the future, and so we are working to more quickly expand our portfolio of these products.



Flexibly responding to risks through balanced management

Our priority regions will be Japan, Europe, and the U.S. for SiC power semiconductors, and South Korea, Taiwan, and Japan for conventional semiconductors. Additionally, because many of our products are used in automobiles and aircraft, we believe that Southeast Asia and Mexico, which are strong in these industries, will also be regions where we can expect increased demand in the future.

Meanwhile, expanding business globally also entails facing risks that include political issues, regional conflicts, and trade friction. Exchange rates could fluctuate suddenly, or tariffs might make it impossible to import or export goods. However, risks change with the times, and sometimes we find ourselves in completely unexpected situations, as we saw with the COVID-19 pandemic. Ultimately, since we do not know what will happen in the future, the only way to prevail is to strive for balanced management — by not concentrating investment in one area, for example. While our business fundamentally consists of local production for local consumption, when one of our facilities is busy, another one with more available capacity can take over production. This is an example of how we have built a supply chain that allows the entire group to support each other and prepare for a variety of situations.

Creating a workplace informed by employee feedback to make work enjoyable

The Toyo Tanso Group's strength lies in its human resources, and we strive to create a work environment in which employees can approach their daily work with a high level of motivation. As part of this effort, we conduct an engagement survey for all employees in Japan and overseas. We gauge employees' satisfaction with their workplace and work, and strive to make improvements when any dissatisfaction or problems come to light. Also, when supervisors meet with their team members, they ask them, "What would you like to do outside of your current job?" We want to satisfy the wishes of each individual as much as possible, and we hope that by gaining diverse experience in new environments, they will broaden their knowledge and horizons as people and take the next step. At the heart of this is the belief that it is important to enjoy your work and to like the company you work for. That is why we never force a particular job or workplace on anyone; we want our company to be full of opportunities, where everyone can try the things they want to do.

I often tell employees that "good work is about more than just maintaining the status quo," and I tell them to "use your creative ideas to make a difference in your current job and workplace." I also tell them that they should always feel free to let us know if they have any ideas about how we could do things better or if they feel that anything is a waste of time. If something needs to be changed, I never be afraid to spend the money and effort to do it. What we should be scared of is standing still. If we try to stand still while the world changes and grows, we will fall down. And it is the same with human resources as it is with business: if you stand still, you cannot grow. This is why I want them all to actively seek out new environments and diverse experiences. We have now relocated our headquarters to Umeda, in the heart of Osaka, in preparation for the next stage. In addition to revamping the work environment and promoting further employment, our goal is to strengthen the basic research capabilities of the former head office. There's a limit to what we can achieve by relying solely on existing products and technologies, so we must create new products with new perspectives. If the next generation of talent, unconstrained by conventional thinking, can thrive in the field of basic research, I believe the Toyo Tanso Group's potential will continue to grow.



With our products themselves contributing to environmental protection, we take pride in our manufacturing

With regard to sustainability, we are carrying out a variety of activities centered around the Sustainability Committee, which comprises three groups: the ESG Value Creating and Promoting Group, the Sustainable Consumption and Production Group, and the People and Organizational Vitalization Group. We plan what to do and by when, steadily execute, verify results, and use these results to take the next action. It is important that these efforts be specific and repeated, with each group owner taking responsibility to address these materialities: "contribution to reducing climate change risk and environmental protection," "pursuing product development and manufacturing technologies to resolve social issues and customer needs," and "creating safe, secure workplace environments where all employees can flourish."

In this way, the Toyo Tanso Group does business with an emphasis on SDGs and ESG, and our products themselves contribute to fields that serve to protect the environment, fields such as energy saving, energy creation, and electrification. After making sure that our employees fully understand this, we encourage them to work hard, take pride in Toyo Tanso manufacturing, and introduce our products to our customers.

As part of efforts related to our materiality of "Undertaking corporate activities that inspire trust," we have revised our executive remuneration system and established a new ESG indicator, the CDP Climate Change Score Global Engagement Survey. While we are placing an emphasis on sustainability management and employee engagement, we have determined that performance indicators alone (operating profit, our stock growth rate, ROE, and sales) are insufficient. Our main goal is to evaluate the actions that management has actually taken from the perspective of sustainability management, as well as the results of these actions, and set remuneration policy accordingly.

Working closely with stakeholders and forging ahead as a group united in its direction

In a fast-moving world, the Toyo Tanso Group is constantly seeing new business opportunities. At the same time, however, the number of customers complaining about product shortages continues to grow. To both fulfill our supply-related responsibilities and stay on a growth track, we intend to make careful and steady investments. For this, we are also considering using leverage through borrowing rather than relying solely on cash on hand and operating cash flow.

Under our policy of returning profits to shareholders, we have gradually increased dividend amounts up until now and will be implementing stable shareholder returns in line with a precise standard of 30% or more for our dividend payout ratio. To reiterate, in order to do this we need to make profits, and in order to make profits we need to manufacture products with high added value.



In the refreshment space at the new Head Office

"Become a global company," "For the world, for society," and "Become a strong company." The Toyo Tanso Group has established these three principles as its company policies. "For the world, for society" means manufacturing products more efficiently and with higher quality, and this requires constant efforts in product development. "Become a strong company" means having a clear growth path to increase profits, with everyone moving in the same direction.

Last is "Become a global company." This is actually the most difficult of the three, but one initiative here is our conducting global meetings for the entire Group in English. Meetings inevitably take longer and sometimes come to a halt when an interpreter is needed, so language skills are extremely important for ensuring an active exchange of opinions. That is why we place a special emphasis on improving English skills in our employee training. Additionally, category leaders are taking the lead in bolstering technical capabilities so that our overseas manufacturing can be on par with manufacturing in Japan. We have also standardized our employee performance evaluation system across all our locations. This involved providing training and education to the evaluators, then defining goal setting parameters so that everyone could understand. We then created a system where, if goals were not achieved, discussions could be held about whether to change goals or to try again.

Putting our management vision into practice to solve various social issues

As I have explained, the Toyo Tanso Group is committed to creating a workplace that is comfortable for everyone to work in and that increases every individual's motivation. I believe that we have become a place where current employees, and those planning to join us in the future, can realize the goals they aspire to. We aim to meet the expectations that we hope you have for our future, while gaining the support of as many people as possible. To do this, we will contribute to solving social issues as we work to increase our corporate value under our management vision of "Creating products with unprecedented potential" and "Becoming a leading company through Earth-friendly products and technologies."

Background of value creation

Expanding development capabilities, production capabilities, and sales networks

We manufacture a variety of high-performance carbon products, including isotropic graphite, which is distinguished by its world-class performance. We also handle processing and sales at our major facilities both in Japan and abroad. In addition, we engage in research and development covering everything from basic research to applied research. The manufacturing, sales, and technology functions that support the Toyo Tanso Group are all more than adequate to support the Group's manufacturing operations.

And all of this began with a small local factory in Osaka. Since our founding, we have focused on "Manufacturing completely unique products" in order to create products and technologies that satisfy our customers' needs. To achieve this, the Toyo Tanso Group has honed its development capabilities and expanded its production capabilities and sales network.

Facilities

Japan　Europe & North America　Asia

Year and name of establishment
▶Current facility functions

1941 Founded
Founded Kondo Carbon Kogyosho
(currently the Kondo Teruhisa Memorial Advanced Carbon Technology Center)
▶R&D facility

1961 Built the Shikoku Plant
* Was spun off as Totan Kako Co., Ltd. in 1980

1974 Built the Ohnohara Plant
(currently the Toyo Tanso Technology Center)
▶Manufacturing facility for SiC and TaC coated graphite products

1981 Built the Hagiwara Plant
▶Manufacturing facility for mechanical carbon

1980 Established Totan Kako Co., Ltd.
▶Manufacturing facility for carbon brush (electrical carbon)

1985 Built the Takuma Plant
(Currently the Takuma Division)
▶Manufacturing facility for isotropic graphite, C/C composite products, and graphite sheet products

1999 Built the Iwaki Plant
▶Processing facility

1999 Established Ohwada Carbon Industrial Co., Ltd.
▶Processing facility

2020 Established ATN Graphite Technology Co., Ltd.
▶Manufacturing of raw material for graphite sheets

2019 Established Chengdu Toyo Tanso Industrial Co., Ltd. in China

2010 Built facility in Singapore

2014 Established Toyo Tanso (Zhejiang) Co., Ltd. in China

2003 Established Shanghai Toyo Tanso Industrial Co., Ltd. in China

2008 Built facility in Thailand

2006 Built facility in Korea

2000 Established Shanghai Yongxin Toyo Tanso Co., Ltd. in China

1991 Built a facility in Taiwan

1994 Established Shanghai Toyo Tanso Co., Ltd. in China

1988 Built facility in France

2015 Built facility in Indonesia

2015 Built facility in Mexico

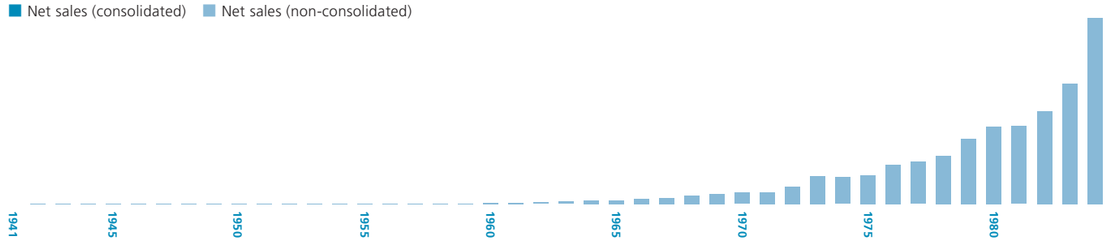
1991 Built facility in Germany

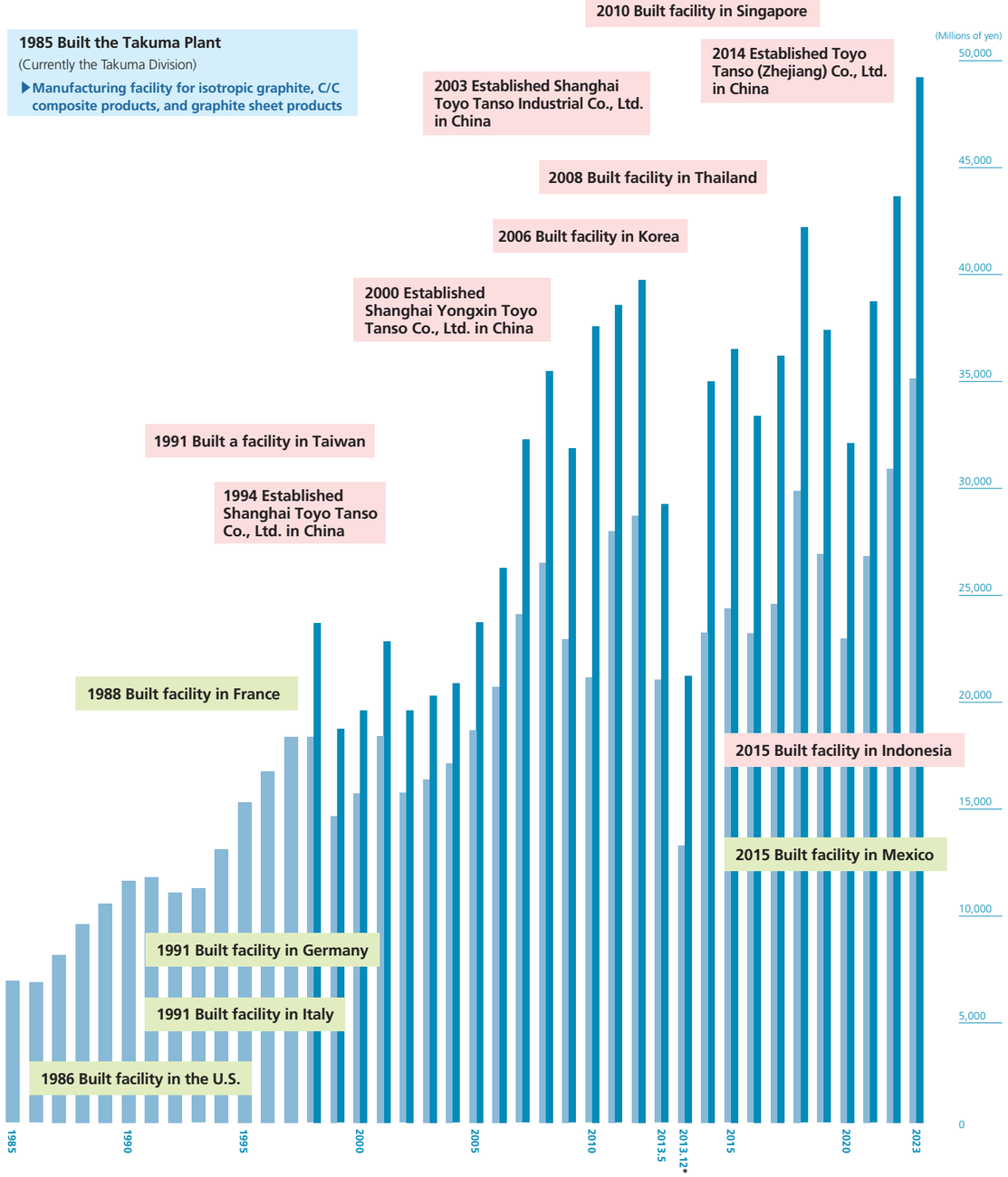
1991 Built facility in Italy

1986 Built facility in the U.S.

Net sales trends

Net sales (consolidated)　Net sales (non-consolidated)





* The end of the fiscal year changed from May 31 to December 31 starting with the fiscal year ended December 2013. Consequently, the fiscal year ended December 2013 is an irregular fiscal year insofar as it consisted of only seven months of operations (for some subsidiaries, nine months).

Business domains

Since its founding, the Toyo Tanso Group has expanded its operations into a wide range of businesses, including electronics, energy, mobility, social infrastructure, and life sciences. As we have journeyed together with customers, our technologies have encountered numerous needs, giving rise to new products and spurring the expansion of our operations into new business domains.

Having been created in this manner, our product portfolio is helping solve social issues from a variety of perspectives, including saving energy, creating energy, and electrifying automobiles.

Going forward, we will continue to focus on creating products with unprecedented potential and technologies and embracing the challenges of new domains while valuing our partnerships with customers.



Electronics

Semiconductors	Components for crystal growth Components for wafer processing
Electronic components	Jigs for electronic component manufacturing



Energy

Power generation	Grounding brushes for power generators Components for manufacturing solar power generation systems Core structure for next-generational nuclear power reactors
Fuel cells	Catalyst carriers



Mobility

Railcars	Contact strips for pantograph
Aerospace	Engine part manufacturing materials (Electrodes for EDM and jigs for heat treatment)
Automobiles	Parts for various types of pumps Gaskets



Social infrastructure

Telecommunications	Components for manufacturing optical fiber Components for manufacturing cables
General industry	Packings Seal rings and bearings



Life science

Healthcare	CT machine target materials Analysis column fillers
Home appliances	Components for manufacturing LED Carbon brushes for vacuum cleaners Components for compressor

At a Glance

The Toyo Tanso Group operates by manufacturing carbon materials at its plants in Japan, shipping them to various facilities, and processing them in destination markets. By consolidating the production of materials, we can pursue economies of scale and cost competitiveness while maintaining stable quality. We respect our customers' feedback and process products close to them to ensure that our products accurately reflect their needs.

Customers
Over 3,900 companies

Graphite materials used to manufacture single-crystal silicon — **No. 1** in Global Market Share

Graphite materials for silicon/SiC epitaxial growth equipment — **No. 1** in Global Market Share

	Net sales (2023)	Companies	Number of Employees	Manufacturing capital (property, plant and equipment)
Worldwide	49,251 million yen	19	1,736	33,243 million yen
Japan	Composition of net sales 43.7%	4	1,030	24,280 million yen
North America	Composition of net sales 8.8%	2	126	2,216 million yen
Europe	Composition of net sales 10.7%	3	127	2,122 million yen
Asia	Composition of net sales 36.4%	10	453	4,624 million yen

* Sales composition by region: Other 0.4%

Toyo Tanso's value creation story

Value creation process

A variety of social issues, including increasingly serious environmental issues and a shrinking, aging population, are giving rise to a transformation in society and industry. The shift to a recycling-based society and digitalization are examples of innovations inspired by these issues, indicating that we stand on the verge of an era of significant change. Seeing these changes in the external environment as an opportunity, the Toyo Tanso Group aims to increase its corporate value by thoroughly pursuing added value using its abundant management resources and the unique strengths of the Group.

Global megatrends

INPUT (FY2023 results)

Manufacturing capital

Production sites

8 domestic plants/
13 overseas plants

Intellectual capital

R&D spending: ¥**1.0** billion

Number of patents acquired: **337**

Human capital

Consolidated employees: **1,736**

Of which, employees at overseas sites: **706**

Financial capital

Total assets: ¥**84.5** billion

Cash flows from operating activities: ¥**6.2** billion

Number of sales and sales engineers

139

Ratio of direct sales

More than **90**%

Strategies

- Planning and execution of strategies by product and application by task force teams

Development

- Product development that provides clues for resolving customers' issues
- Research and development with an eye toward future market trends

Robust partnership across the value chain, including customers and business partners

Solutions

- Provision of products and technologies that carefully address customer needs
- Identifying the next issues and compiling seeds and needs

Governance

Promotion of management and sophistication across the entire Group through category leaders appointed for each function (processing technology, quality assurance, development, sales, procurement, legal affairs, accounting, human resources, information systems, etc.)

Toyo Tanso Group
2030 Management Vision

"Creating products with unprecedented potential"
Becoming a leading company through Earth-friendly products and technologies

Extensive pursuit of added value

OUTPUT
(Medium-Term Management Plan targets for FY2028)

Net sales

¥**88.0** billion

Operating profit

¥**22.0** billion

Operating profit ratio

25%

ROE

12%

CAGR

12.3%

Outcomes

Reducing greenhouse gas emissions

Helping realize a recycling-based society

Realizing industrial development and a rich, satisfying society

Realizing diversity & inclusion

Realization of value creation process

Manufacturing that pursues added value born from close-knit relationships with customers

Since its founding, the Toyo Tanso Group has continuously pursued manufacturing with a commitment to creating products with unprecedented potential. This involves creating something that does not exist anywhere, products with high added value. The starting point for achieving this is to "working closely with our customers, listening to what they have to say," which is the source of our Group's value creation.

Close communication with customers

Because it values direct communication with customers, the Toyo Tanso Group's direct sales ratio stands at over 90%, having expanded its business sites to Europe and Asia following the United States established 1986. Today, we operate 19 sites around the world. Sales staff at each site sometimes visit customers and end users with sales engineers to ask about their manufacturing requirements, requests, and issues.



Providing solutions — From material selection and design to product development

When customers come to us with requests or problems, our manufacturing, sales, and technology teams work together, involving other groups as necessary, to thoroughly consider how we can best meet their needs. In addition to selecting graphite materials, we also offer suggestions for their design and processing, and develop new graphite materials if there are none that meet the customer's requirements for manufacturing.

In this way, the Toyo Tanso Group always works closely with its customers, working side by side with them to create completely unique products and provide a variety of solutions.



Forward-looking strategy, and research and development

When communicating with customers, we ask for a wide range of information that includes information about market and technology trends and the customer's business plans. This information is shared among task force teams (see page 17, "Group-wide product and application-specific strategies") and used to ascertain customer needs from a medium- to long-term perspective, which will then be used to formulate strategies.

Furthermore, we look beyond the customer's point of view and focused on research and development that search for seeds and anticipates market trends. The Toyo Tanso Group's manufacturing in pursuit of added value is the result of strong relationships with customers.



Promoting globalization by strengthening group competitiveness

Guided by a company policy to "Become a global company," the Toyo Tanso Group is working together on various initiatives. We are working to improve functionality and strengthen our competitiveness Group-wide, including through initiatives in each functional department (production, sales, development, and management) and by carrying out initiatives through cross-functional organizations.

Group-wide product and application-specific strategies

The key to executing and achieving the goals of our Medium-Term Management Plan is our task force teams for each market, application, and product. Team members are selected from across the Group's departments to develop company-wide and area-specific strategies based on customer and user demand information and market analysis. They then formulate plans for production, sales, investment, personnel, product development, etc., and are responsible for implementing strategies.

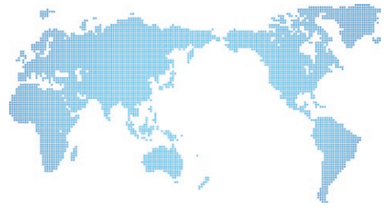
These initiatives are shared with affiliated companies, and important policies and strategies are discussed at a global conference held once a year. This aligns perspectives across the Group and enables everyone to work together in executing growth strategies.



Supply chain management

The Toyo Tanso Group operates on the principle of "local production for local consumption," manufacturing carbon materials domestically and processing them at affiliated companies near customers. This is to ensure that we listen carefully to our customers and reflect their needs in our products. To achieve "local production for local consumption," we must accurately ascertain fluctuations in demand and precisely control graphite material inventory and processing capacity in each area.

At Toyo Tanso, a dedicated department manages production activities across the entire Group, which includes looking at facility operations, delivery dates, quality, and costs. For example, when one facility is busy, other facilities with capacity to spare can assist with processing. This is how we practice supply chain management that results in increased supply capacity across the entire Group.



Group governance management

With regard to governance, which is the foundation of management, we have appointed category leaders who are experts in each functional department to unify processing technologies, quality assurance, and product development, as well as to unify management functions such as sales, procurement, legal affairs, accounting, human resources, and information systems. In this way, we have built a management system for the entire Group and are making efforts to further enhance our management system.

In addition, when standardizing operations, checking effectiveness, and monitoring, we standardize overall subsidiary management in accordance with the Management Book (Group Common Management Standards).



Medium-Term Management Plan (2024 to 2028)

The Medium-Term Management Plan announced in February 2024 is as follows.

Summary

POINT.1 Aim for further business growth with semiconductor applications as a driving force

- Demand for SiC semiconductor applications remains particularly high, with profitability also expanding
- Semiconductor applications will account for 60% of total sales in FY2028 (FY2023 result: 40%)
- Under this plan, sales in FY2027 will be approximately 20% higher than the previous plan (announced in February 2023) in real terms, at constant currency

▸ Semiconductor applications for SiC wafers: special graphite products, electronics applications
For SiC epitaxials: compound material SiC-coated graphite products

POINT.2 Make large-scale strategic investments

In order to capture robust demand for semiconductor applications and maintain a leading market share in high-value-added applications, we will continue to make aggressive investments and strengthen production capacity across the entire Group

POINT.3 Set a dividend payout ratio of 30% or more as our shareholder return policy

Provide a more stable and higher return of profits to shareholders, while taking into consideration capital demand for capital investment

POINT.4 Use financial leverage

Use cash on hand, operating cash flow during the period, and borrowings to source the funds for substantial shareholder returns and high-level capital investment

Management targets

	FY2023	FY2024 (forecast)	FY2028 (target)
Net sales	¥49.2 billion	¥54.0 billion	¥88.0 billion
Operating profit	¥92.0 billion	¥10.9 billion	¥22.0 billion
Operating profit ratio	18.8%	20.2%	25.0%
ROE	9.3%	8.7%	12%

▸ EBITDA (operating profit + depreciation) in FY2028 of approximately ¥31.0 bn (EBITDA margin of approximately 35%)

* Exchange rates: FY2023: 140.6 yen/USD, 152.0 yen/€, 19.8 yen/CNY; FY2024 and FY2028: 135 yen/USD, 149 yen/€, 19 yen/CNY

Semiconductor market outlook

Silicon wafer market

▸ The silicon wafer market has seen steady growth, and advances in AI and 5G are expected to drive continued growth in the medium to long term
▸ Epitaxial wafers for logic semiconductors are expected to see particularly strong growth

SiC device market

▸ The SiC device market is expected to grow strongly in the medium to long term on the back of automobile electrification and the proliferation of high-voltage devices
▸ We extend demand to be particularly strong for SiC epitaxial wafers, for which we have a large market share

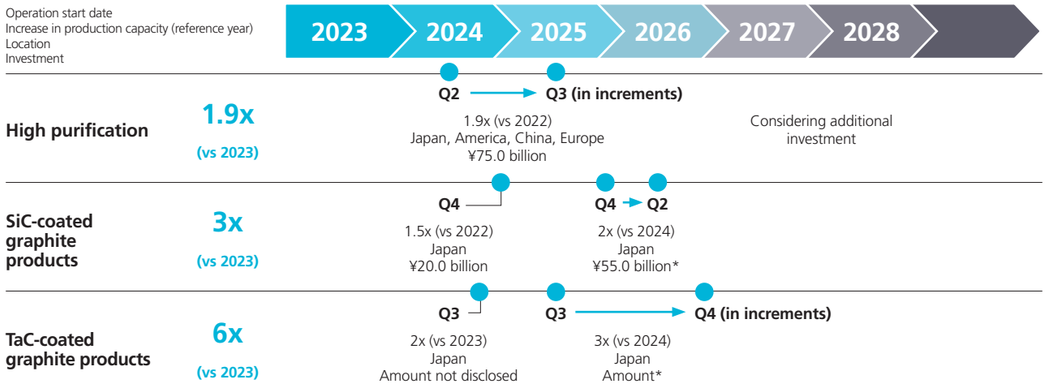
Capital investments

We will increase capacity and strengthen production structures to reliably capture demand for semiconductor applications in each process of isotropic graphite material, machining, adding high value, and processing capacity of our subsidiaries.

Direction of capital investments based on the strategies of the Medium-Term Management Plan

- Increasing global production capacity in high-value-added businesses
- Strengthening competitiveness in core businesses and stable businesses
- Labor and energy saving, process consolidation, automation, process innovation, etc.

Total capital investment amount (FY2024 to FY2028)
¥76.5 billion

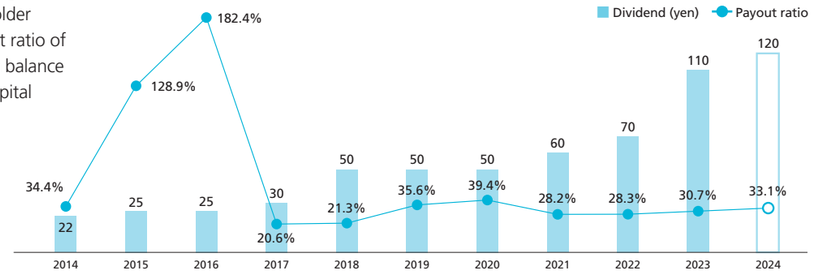


▸ In addition to the above-mentioned projects, we are considering various investments to strengthen our supply capacity and increase our competitiveness in strategic applications, such as developing innovative manufacturing methods for isotropic graphite materials and bolstering our processing capabilities both in Japan and overseas

* The amount of investment for SiC-coated graphite products scheduled to enter production in 2025-2026 includes the investment for TaC-coated graphite products scheduled to enter production in 2025-2026.

Policy on shareholder returns

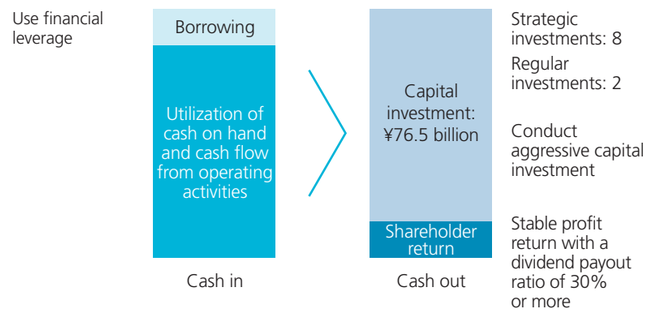
Supported by continued profit growth, we will achieve stable shareholder returns with a dividend payout ratio of 30% or more, while striking a balance between profit returns and capital investment for growth.



Cash allocation

By utilizing our financial leverage and the cash generated by our high profitability, we will actively return profits to shareholders and make strategic investments to expand our business.

▸ Effectively utilize funds for strategic investments and other purposes in order to expand business, grow profits, and improve capital efficiency

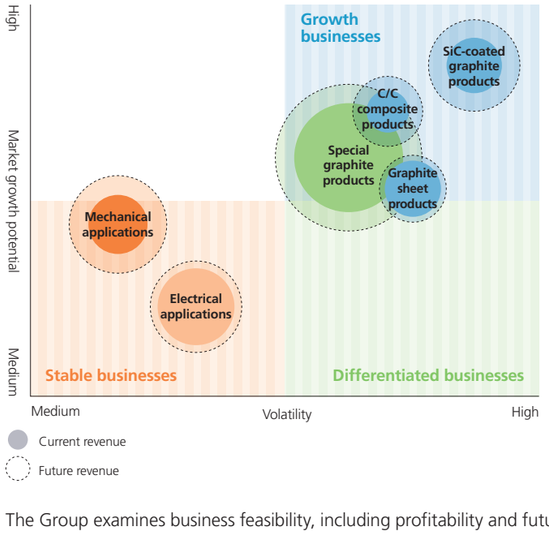


Business strategies based on the Group's business portfolio

General direction of business strategies

The Toyo Tanso Group categorizes its products into three business types based on market growth potential and business volatility, and executes well-defined strategies according to the characteristics of each business.

Business portfolio



Growth businesses

Profit drivers

- Special graphite products (electronics applications and other, etc.)
  Three major composite products (SiC-coated graphite products, C/C composite products, and graphite sheet products)

Differentiated businesses

Conduct business development focused on the high-value-added domain

- Special graphite products (general industry applications)

Stable businesses

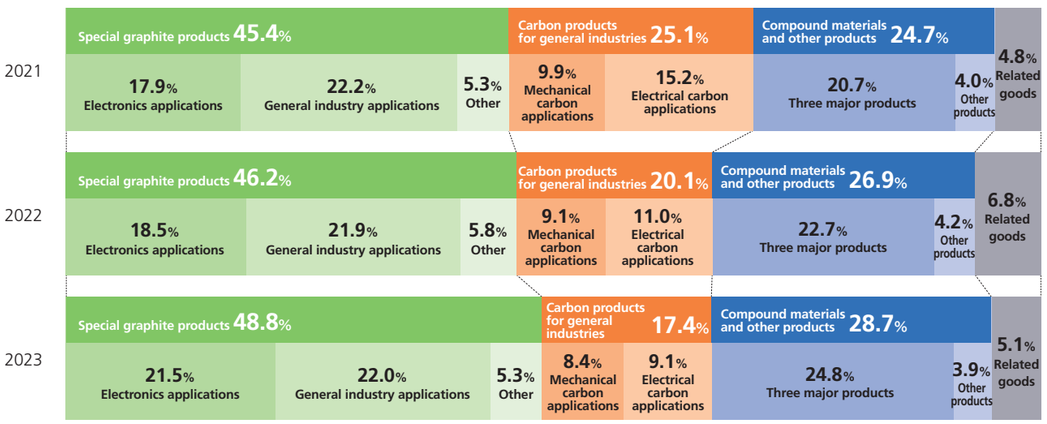
Contributing to the stability of the Group's businesses with few fluctuations in demand and profitability

- Carbon products for general industries (for mechanical and electrical applications)

The Group examines business feasibility, including profitability and future potential, on a per-application and per-project basis, focusing on maintaining stable and differentiated businesses, and restructures its portfolio as necessary after reviewing strategies and determining whether or not to continue a business. Additionally, in our growth businesses, we are implementing strategies to further increase added value, including reinforcing our supply capabilities through aggressive capital investment and strengthening our competitiveness.

In our Medium-Term Management Plan (2024-2028), special graphite products and composite SiC-coated graphite products are positioned as key products for semiconductor applications, which are revenue drivers, and as such occupy a key position among our growth businesses.

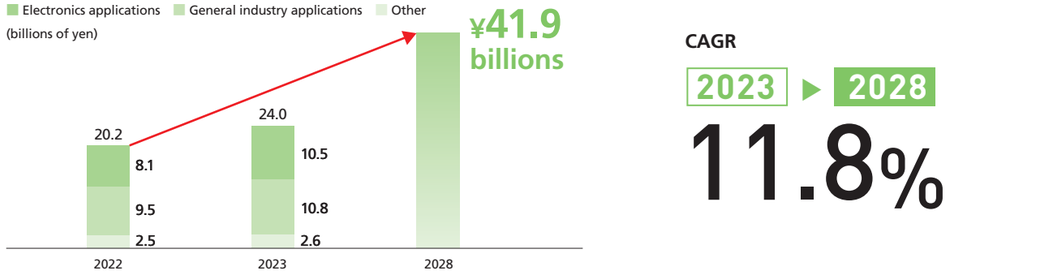
Change in sales distribution



* Sales distribution ratios are rounded to one decimal place.

Special graphite products

Net sales targets



CAGR

2023 ▶ 2028

11.8%

Strategies

Reinforcing competitiveness and ensuring profitability by strengthening sales in high-value-added domain

<Electronics applications>

- For silicon wafers (used to single-crystalline silicon manufacturing applications), we aim to maintain our high global market share while further increasing it through strategic developments tailored to each region.
- For SiC wafers (used to compound semiconductors manufacturing applications), we have established a solid foothold in Europe, the United States, and China by making full use of our global sales network. We are also considering strengthening our production system in preparation for increased demand.
- For solar cell manufacturing applications, ensuring profitability will be of prime importance as we look to differentiate ourselves from Chinese graphite manufacturers through sales of value-added products and other means.

<General industries applications>

- We will differentiate ourselves from other companies and increase profits by selling value-added products (materials and processing).

Main products



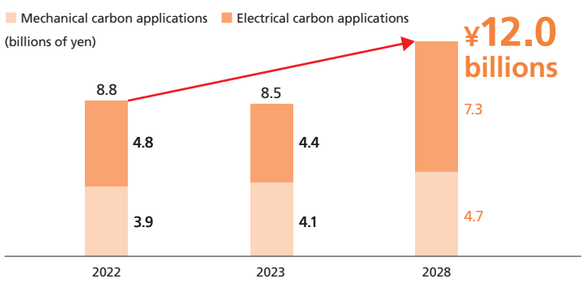
- Single-crystal silicon manufacturing equipment parts
- Internal materials for SiC crystal growth furnaces
- EDM electrodes
- Continuous casting dies

Main applications

Electronics applications	For single-crystalline silicon manufacturing applications	Crucibles and heaters for single-crystalline silicon pulling furnaces
	For compound semiconductors manufacturing applications	MOCVD system susceptors, LPE system boats, and internal materials for SiC crystal growth furnaces
	For solar cells manufacturing applications	Crucibles for single-crystal and poly-crystal silicon manufacturing furnaces, as well as heaters and carriers for anti-reflective coating
General industry applications		Continuous casting dies, EDM electrodes, heaters and structural materials for various industrial furnaces
Other	Manufacture of advanced processing equipment applications	Electrodes for ion implantation equipment, glass sealing jigs
	Nuclear, aerospace, and medical applications	Core materials for high-temperature gas-cooled reactor, wall materials for nuclear fusion reactors, rocket parts, and CT scan parts

Carbon products for general industries

Net sales targets



CAGR

2023 ▶ 2028

Mechanical carbon applications **3.0%**

Electrical carbon applications **10.6%**

Strategies

<Mechanical carbon applications>

Strengthening initiatives involving technology and production, including improving manufacturing technology (materials, processing, etc.), automating manufacturing, and reducing costs, as a concerted Group-wide effort that includes overseas subsidiaries

- The market for automotive applications is expected to grow at an annual rate of more than 5%*, with electrification-related applications expected to grow even faster. This is being positioned as an area of focus in order to offset the decline in internal combustion engine-related applications.
- We are strengthening the processing capabilities of our local subsidiaries in order to increase the currently low proportion of overseas sales.
- We will appropriately allocate resources and develop new applications while carefully assessing profitability and market trends.

* Estimate by Toyo Tanso

<Electrical carbon applications>

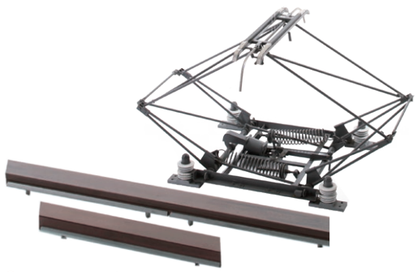
Strengthening production technologies in areas such as material development and automation to achieve high quality and low cost

- The end is in sight for adjustments made in response to a falloff of the special demand caused by people staying at home due to the COVID-19 pandemic, and by a decline in consumer sentiment due to inflation. Against this backdrop, we will look to expand sales by taking advantage of opportunities such as a withdrawal of competitors as well as changes in procurement locations resulting from supply chain restructuring.
- Although the shift to brushless motors has made some measure of progress, demand remains strong for brushed motors, which are superior in power and cost, and we expect demand for carbon brushes for home appliances and power tools to gradually increase. We aim to expand our market share in Asia by capitalizing on our outstanding delivery times and services.
- For automotive and industrial applications, where sales volume is currently low, we will take advantage of opportunities such as automobile electrification and expanding wind power generation to increase sales through business development, including through alliances.

Main products



Seal rings



Contact strips for pantograph



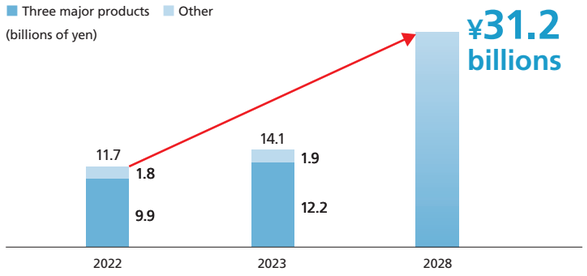
Carbon brush

Main applications

Mechanical carbon applications	General industrial machinery applications	Bearings and seal rings for pumps and compressors
	Transportation equipment applications	Contact strips for pantograph, automotive parts
Electrical carbon applications	Small motor applications	Carbon brushes for vacuum cleaners, carbon brushes for power tools
	Large motor applications	Large motor brushes, carbon brushes for wind power generation

Compound materials and other products

Net sales targets



CAGR

2023 ▶ 2028

17.3%

Strategies

<SiC-coated graphite products>

Further increase production capacity to approximately double sales of core value-added businesses in five years

- For our silicon epitaxial wafer applications, we will satisfy the technical requirements of our major customers as we maintain and expand our top share globally.
- For our SiC epitaxial wafer applications, we aim to maintain and expand market share by capturing users' demand for consumables in addition to installing these wafers in new systems.
- As to our LED applications, we will aggressively launch products for large-scale, mass-produced MOCVD equipment in our main market, China.
- With a view to the next 10 years, we will promote innovation in manufacturing technology that pursues excellent quality along with cost efficiency and productivity.

<C/C composite products>

For the three focus applications (industrial furnace, semiconductor, and solar cell applications), we will take a proposal-based approach that includes design and usage methods, and will capture latent demand and demand for materials to replace other materials.

- For industrial furnace applications, C/C composite materials have superior properties compared to the currently mainstream metal jigs, which are being replaced amid an accelerating trend toward energy saving, labor saving, and automation. Fewer parts are being processed in industrial furnaces as the shift to EVs continues, and the emergence of new parts and the need to conduct heat treatment at high temperatures are acting as tailwinds for C/C composite materials.

<Graphite sheet products>

In order to achieve market growth for business such as automotive and manufacturing jig applications, as well as growth in other areas, we will utilize our strength in "customization support for customers" to expand our portfolio of high value-added products and new applications

- A joint venture company handling raw materials has begun making improvements to thermally expandable graphite (a raw material). This will lead to improved quality and the development of new applications. There is currently no impact from China's export restrictions, but we will continue to monitor the situation.

Main products



Susceptors (SiC-coated graphite products)



Susceptors (TaC-coated graphite products)



Crucibles (C/C composite products)



Three-layered trays (C/C composite products)



Graphite sheet products

Main applications

SiC-coated graphite products	Susceptors for Si-Epi growth equipment, susceptors for SiC-Epi growth equipment, and susceptors for MOCVD equipment
C/C composite products	Components for industrial furnaces, crucibles for single-crystalline silicon pulling furnaces, components for solar cells manufacturing, and reactor wall materials for nuclear fusion reactors
Graphite sheet products	Automotive gaskets

Pursuing product development and manufacturing technologies to resolve social issues and customer needs

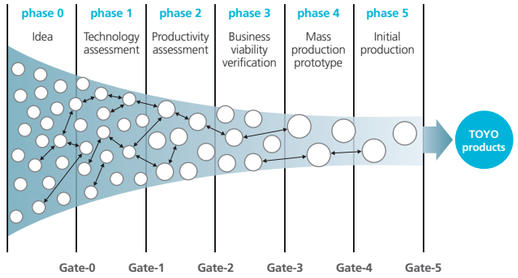
Developing products and improving manufacturing processes to help realize a recycling-based society

Product and merchandise development management informed by environmental assessments

The Toyo Tanso Group employs a stage-gate approach to R&D management of products and merchandise. At each gate screening, we also conduct environmental assessments to reduce environmental impact and conserve resources as we strive to develop environmentally friendly products and goods. From the perspective of raw material procurement, we also manage supply risks from the initial development stage while simultaneously considering alternative raw materials. The principal assessment items are as follows:

- Use of environmentally harmful substances (REACH regulations, RoHS Directive, etc.)
- Energy savings (power consumption, production efficiency, etc.)
- Resource savings
- Life cycle (raw materials, and product manufacturing, distribution, consumption, disposal, recycling, etc.)
- Risk assessment of raw materials

Illustration of gate screenings

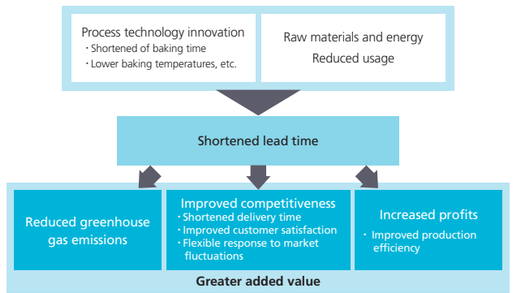


The need to reduce environmental impacts and conserve resources is considered during the screening at each gate.

Working to develop innovative process technologies and improve resource efficiency

At the Toyo Tanso Group, we approach the development of each process technology that makes up the carbon material manufacturing process from two angles: development aimed at increasing production efficiency through technological improvements, and innovative technological development that incorporates completely new ideas. Moreover, in order to maintain an advantage in a fiercely competitive environment, we believe it will be important in the future to establish process technologies that incorporate new perspectives rather than simply being an extension of conventional technologies.

These efforts, which will lead to reducing the amount of raw materials and energy used in the entire manufacturing process while shortening production lead time, will ultimately satisfy customer needs for improved cost competitiveness and shorter delivery times, and will be essential for realizing a recycling-based society.



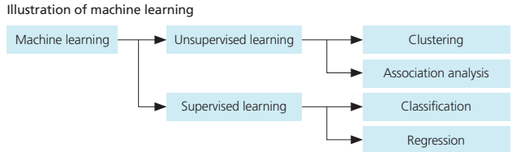
Shortened development lead times with machine learning

At the Toyo Tanso Group, we are targeting the technology development and design processes in the engineering chain* of the manufacturing industry, and are working to use machine learning technology to streamline and accelerate experiment and analysis cycles and create explicit knowledge. Advanced modeling that makes full use of data and cutting-edge technologies such as AI makes it possible to easily optimize parameters under multiple constraints, as well as perform impact analysis and performance prediction in experiments and analyses. This makes it possible to streamline the trial-and-error process that previously required considerable time and cost.

Utilizing these cutting-edge technologies, the Group will carry out rapid product development and meet the needs of our customers and the market.

* The engineering chain refers to the series of linked business processes in manufacturing, starting from planning and continuing to development, design, production preparation, production, and after-sales service.

Illustration of machine learning



Developing new products and improving services in partnership with stakeholders

Collaboration with research institutes

At the Toyo Tanso Group, we believe that in order to increase competitiveness in the market and provide innovative products and services, it is important to acquire technologies that are superior to those of our competitors by conducting challenging research and development. Based on the belief that speed is also important in responding to today's rapid market changes, the Toyo Tanso Group does not conduct all research and development in-house. Instead, it deepens collaboration with universities and research institutes through joint research, commissioned research, and open innovation, and actively engages in value co-creation. In recent years, we have been conducting basic research with Doshisha University, Nippon Institute of Technology, and Ritsumeikan University in the fields of fuel cells, carbon brush materials, and yttrium oxide composite materials, respectively, and are utilizing the results of this research in next-generation products. We are also focused on brand building via efforts that include promoting "Toyo Tanso as a company of technology" through academic conference presentations and other events.

As the world turns sharply toward carbon neutrality, industry-related companies are increasing the position of SiC semiconductors in their business as power semiconductors that help save energy by reducing power loss, for example, and are focusing on their development and manufacture. The Toyo Tanso Group also positions SiC semiconductors as a focus application, and we have a strong presence in the field of graphite components for crystal (wafer ingot) manufacturing equipment and epitaxial growth* equipment used in the production of SiC wafers. To further enhance our competitiveness in this application, we are participating in the Tsukuba Power Electronics Constellations (TPEC) and are evaluating the impact that the properties of graphite material have on the manufacturing of SiC wafers. We are making use of these achievements in our products and technologies to give us a greater presence in SiC semiconductor applications and provide even better products and services.

* A process for growing single-crystal thin films on a wafer. This process results in films with fewer crystal defects.



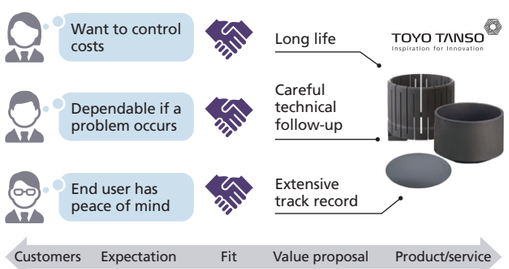
TaC-coated graphite products

Developing products to satisfy customer needs, while improving and expanding on evaluation and analysis technologies

As a pioneer of carbon products, the Toyo Tanso Group has led the industry in technology, building a solid technological foundation that allows it to introduce products that align with society's requirements in a timely manner, while embracing the challenge of R&D that focuses on new applications, and of developing carbon products that exceed the characteristics of past offerings. As a result, we have been able to create products that comply with regulations on environmentally hazardous substances and to achieve the level of quality demanded by the clean energy market.

As carbon professionals, the Group is committed to diligently addressing the carbon-related issues our customers face and working with them to find solutions. To that end, we have developed a variety of analytical equipment and evaluation and analysis techniques to serve as a key to finding the root causes of customer issues, and we are constantly refining these in-house technologies.

The unique, high-quality, high-value-added products and solution services that are the result of these efforts have earned high praise from customers.



Complying with increasingly sophisticated quality requirements

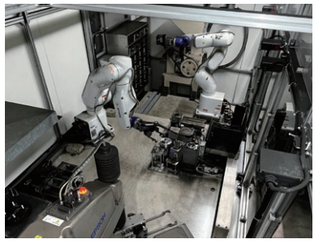
2030 target
Number of serious complaints:
0 **(consolidated basis)**

Basic principles concerning product quality

The Toyo Tanso Group has built Group-wide quality control mechanisms around international standards such as ISO 9001 (quality management systems), including establishing policies on quality and quality management systems. Recognizing the need to satisfy quality requirements that will become increasingly sophisticated in the future, "we will improve customer satisfaction," "deliver the highest standard of quality," and "manufacturing completely unique products" by carrying out quality improvement activities in every process, from design and development to production, sales, and service.

Promoting automation in quality inspections

As a manufacturing company, quality management activities are important in order to continue to be a "strong company" as stated in the Company Policies, and we are making various efforts to evolve our operations on a daily basis. One of these is the automation of measurement and inspection operations. In addition to the use of state-of-the-art measuring equipment, we share our wisdom with the entire workforce in order to improve work efficiency and accuracy, including fabricating and operating automation facilities designed in-house, which will also create a comfortable working environment that reduces the workload placed on employees. We are also advancing our quality control activities through means such as investing the resources freed up through automation into global quality control activities and human resource development, which includes improving employee skills.



Data-driven manufacturing

Manufacturing requires the accumulation and utilization of data obtained in the manufacturing process to ensure that we always produce products of a certain standard. As part of efforts to maintain and improve quality, we use data obtained at each process to adjust manufacturing conditions for the next process, and use quality characteristic data for the final product to set subsequent manufacturing process conditions. We are also working to make better use of data by working with all relevant departments to quickly discuss and respond to work and decisions for each process based on process data. Our database centrally housing quality information is always containing the latest data, and by analyzing and analyzing this data while collating it with information and data provided by customers, we are able to achieve a high level of quality assurance and customer satisfaction.



Promoting globalization

In order to deliver products of stable quality globally as the Toyo Tanso brand, we provide operational support for production and quality assurance led by Head Office staff to our affiliates. In addition to understanding the situation and resolving issues at affiliates through regular web conferences, we provide comprehensive support for manufacturing, processing and quality control from the perspective of our quality management system so that product quality can be maintained through appropriate production. This includes sending Head Office staff to provide technical guidance or inviting local staff to the Head Office plant for training. Moreover, we conduct improvement activities with our affiliates whose effectiveness has been proven, then replicate the effects throughout the entire Group. In so doing, we eliminate the gap between affiliates while maintaining and improving quality globally.



Sustainability

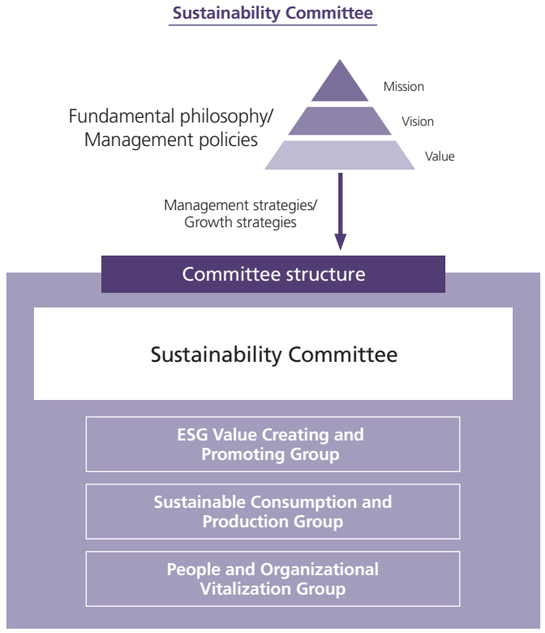
Sustainability structures

Sustainability policy

At the Toyo Tanso Group, all employees shall carry out their duties with independence and a sense of responsibility based on the governance policy established by the Board of Directors. They shall strive to provide the value that is expected by all stakeholders (customers, suppliers, local communities, shareholders and investors, and employees). So that we can be a company that continually contributes to improving sustainability (sustainable societal growth and preservation of the global environment), our policy is to achieve continual advancements through our business activities while increasing the sustainability of corporate growth.

Based on this policy, we will conduct all business activities throughout our value chain with a basic approach that is strongly focused on contributing to society while achieving continued growth. This includes technological innovations and creation of value for society and customers through our products, as well as consideration for the global environment, ensuring safety and health, compliance and risk management, fair business practices, respect for human rights and diversity, and harmony with society through social contribution activities.

Sustainability structures



Environment, social and governance (ESG)

Issues	
Management	Communicating our corporate philosophy, vision, and policies
	Communicating our sustainability policies
Growth strategies and businesses	Resolve social issues through business (Materiality identification and KPIs)
	Developing and selling ESG-compatible products
Production	Reducing CO_2 and environmental impacts Saving energy, creating energy, and saving resources Improving productivity through automation
	Reducing waste
Quality and procurement	Ensuring product quality and complying with environmental regulations
	Promoting sustainable procurement
Environment, safety, human resources/ general affairs, and legal affairs	Utilizing human capital and improving productivity
	Promoting health and safety and practicing health- oriented management
	Respecting human rights, preventing harassment, and boosting morals
	Promoting diversity and female employees' participation in the workplace
	Strengthening corporate governance
	Practicing risk management and business continuity planning (BCP)
	Ensuring compliance and protecting information assets and intellectual property
	Practicing community service

Principal activities of the Sustainability Committee

Number of meetings in FY2023: 4

- Discussion of financial impact according to the TCFD
- Discussion of KPIs and targets for materiality (key issues)
- Consideration and discussion of human rights policies
- Implementation of third-party verification of GHG protocols
- Scoring report by ESG rating agency

Materialities and contributions to the resolution of social issues

The Toyo Tanso Group has identified materialities (key issues) related to sustainability and classified them into four categories. By accelerating initiatives to address these materialities, we are seeking both to increase our own sustainability and to expand our contributions to society and the environment.

Materialities

The Toyo Tanso Group has identified 14 key issues that it should address as a global material manufacturer as materialities and classified them into four categories. Products developed, manufactured, and sold in line with society's and customers' needs in markets such as semiconductors and other electronics, mobility, life science, and clean energy have particularly high potential to contribute to the realization of a sustainable society.

We are currently setting targets for FY2030 for some of our materialities. Going forward, we plan to periodically review these materialities so that we can respond flexibly to changes in the management environment and society while studying key performance indicators (KPIs) and targets and continuing dialog with stakeholders.

Matrix analysis of material issues

Importance to external parties	Basic	Critical
Critical	• Manage water and wastewater	• Respond to environmental laws and regulations in relevant countries and reduce environmental burdens • Enhance information disclosure • Maintain management's financial soundness • Manage supply chain (evaluate it to ESG) • Ensure suppliers' and subcontractors' stable management and provide them with technical assistance and necessary information • Preserve and restore biodiversity	• Reduce greenhouse gas emissions (including energy saving and energy creation) • Contribute, through products, to reduction of greenhouse gas emissions • Improve product development and manufacturing process towards a recycling- based society • Use green raw materials and avoid procurement risks • Create safe and sound work environments and improve productivity • Respond to increasing quality demand • Compliance • Enhance crisis management abilities • Promote all stakeholders' human rights • Develop human resources and provide training and education • Promote and respect diversity in human resources • Work with stakeholders to develop new products and improve services • Promote social contribution activities
Basic	• Conduct appropriate marketing and promotion activities	• Ensure customer privacy	

Importance to the company (Basic – Critical)

Materiality identification process

STEP 1 Identification of issues

We identified our own sustainability issues along each value chain while making reference to international guidelines provided by programs and entities such as the GRI, SASB, and SDGs.

STEP 2 Evaluation of the importance of issues

We evaluated the importance of issues from external (impacts on society and the environment) and internal (impact of society and the environment on Toyo Tanso) perspectives.

STEP 3 Prioritizing issues

We prioritized issues based on our evaluation of their importance. We held exchanges of views with Outside Directors and Audit & Supervisory Board Members to ensure our decisions would incorporate outside opinions.

Identification of materialities

Following study by the Sustainability Committee, the materialities were approved by the Board of Directors.

Category	Material issue	FY2030 Target	Related SDGs	E (Environment)	S (Social)	G (Governance)
Contribution to reducing climate change risk and environmental protection	Reducing greenhouse gas emissions, including through energy savings and creation	30% reduction*1 (compared to FY2019; non- consolidated basis)	13	○		
	Contributing to the reduction of greenhouse gas emissions through products	Ratio of environmentally-friendly products*2 to net sales 35% (consolidated basis)	7	○		
	Using Earth-friendly raw materials and avoiding procurement risk		9, 12	○		
	Complying with various countries' environmental laws and regulations and reducing environmental impacts	Number of violations of environmental laws and regulations: 0 (non-consolidated)	12	○		
Pursuing product development and manufacturing technologies to resolve social issues and customer needs	Developing products and improving manufacturing processes to help realize a recycling-based society		9, 12	○		
	Complying with increasingly sophisticated quality requirements	Number of serious complaints: 0 (consolidated basis)	12		○	○
	Developing new products and improving services in partnership with stakeholders		9, 17	○	○	○
Creating safe, secure workplace environments where all employees can flourish	Improving safe, healthy workplace environments and increasing productivity		3, 8		○	
	Ensuring all stakeholders' human rights are respected		4, 5, 8		○	○
	Offering human resources development, training, and education programs		4		○	
	Respecting workforce diversity		4, 5, 10		○	
Undertaking corporate activities that inspire trust	Compliance		16		○	○
	Strengthening crisis management capabilities		9		○	○
	Undertaking community service activities		4, 11, 14, 17		○	

*1: Greenhouse gas emissions per unit of net sales (Scope 1 and Scope 2)　*2: For information on environmentally friendly products, please see page 35.

Roundtable discussion involving

Group Heads of Sustainability Committee

Sustainable Consumption and Production Group
Tadashi Shimada
Senior Operating Officer, Director of Division, Production Division

ESG Value Creating and Promoting Group
Tatsuro Hamada
Director, Senior Managing Executive Officer, Director of Division, Corporate Planning Division

People and Organizational Vitalization Group
Hiroshi Hashigami
Managing Executive Officer, Director of Division, General Administration Division



Please talk about your main activities and achievements in FY2023.

Hamada: The ESG Value Creating and Promoting Group focused on developing and expanding sales of products that contribute to solving environmental and social issues. With regard to product development, we use a method called stage-gate, whereby a project cannot proceed unless it passes a review based on the missions (e.g., Gate 1 and Gate 2) set for each stage. The evaluation criteria include business viability and marketability as well as environmental impact, resource conservation, waste, and supply chains, which I think makes our management solid in terms of sustainability. We have been using this approach for all product development for about four years now, and a significant number of development themes passed the review in FY2023. I believe we have seen some good results from this.

Hashigami: The People and Organizational Vitalization Group continued endeavoring to create a pleasant work environment based on a management strategy that emphasizes human capital, as it has done in the past. Over the past year in particular, we have kept a close eye on whether any human rights issues were occurring at our domestic and overseas facilities. We have also been proactive in developing and educating our employees, which includes providing executive and leadership training and supporting reskilling to improve language skills. We also have undertaken activities with a variety of goals that include contributing to local communities and improving evaluations received from third-party organizations, and the most recent of these is the revision of our executive remuneration system. At Toyo Tanso, we consider issues related to the environment and human capital to be material, that is, important management issues. As such, we believe that incentives should also be linked to these issues, and have therefore included the CDP Climate Change score and global engagement survey as indicators for determining medium- to long-term incentive remuneration.

Shimada: The Sustainable Consumption and Production Group is engaged in various efforts based on a roadmap to achieve the goal of reducing greenhouse gas emissions per unit of sales by 30% in 2030 compared to 2019. In FY 2023, we replaced our factories' compressors with highly efficient inverter compressors and changed all lighting to LED. We also made progress in installing solar panels and electrifying forklifts. Additionally, at our main manufacturing site, the Takuma Division, we are gradually updating our heat treatment process in order to reduce CO_2 emissions through energy conservation. To further reduce our CO_2 emissions, we have been proactively purchasing renewable energy, with our usage rate increasing by 10 points in FY2023 compared to FY2022. As a result, approximately 40% of the electricity currently used at the factory comes from renewables.

What activities will you focus on in FY2024?

Hamada: The ESG Value Creating and Promoting Group intends to continue focusing on product development. Developing new technology takes a long time — four or five years — so the efforts made this year and next year will essentially be an extension of last year's efforts. We have also embarked on a number of new developments that involve increased opportunities for joint research with external research institutes. One of these is the development of fuel cells, carbon brush materials, and compound materials together with Doshisha University, Nippon Institute of Technology, and Ritsumeikan University. Another is the adoption of a research topic on making graphite materials into a non-fossil fuel material by the New Energy and Industrial Technology Development Organization (NEDO)'s "NEDO Feasibility Study Program/ Feasibility Study Program on New Technology." With a mission to reduce greenhouse gas emissions through its products, the Group will focus on power semiconductors as well as nuclear power generation and wind power generation.

Hashigami: The NEDO project is not just about our company; several parties are working together on this, so it's a form of open innovation, so to speak. Although the time span will be quite long, I feel that this research will be extremely impactful and meaningful towards achieving carbon neutrality by 2050. Is the aim of Shimada's Sustainable Consumption and Production Group to further strengthen existing initiatives?

Shimada: Yes. Because it is so difficult to carry out such groundbreaking initiatives that could be called "remarkable achievments" on a production line, I think it is important to proceed according to plan, adding activities one by one that lead to energy conservation and energy creation — by updating aging equipment and purchasing renewable energy, for example. One area we would like to focus this year in particular is reducing waste and loss. Remaking or discarding products leads to extra energy usage, so we aim to raise quality levels and improve yields. We also hold production process improvement presentations in, and provide incentives for, each department, as part of our efforts to improve the company expected to start operation in the front line.

Hashigami: The People and Organizational Vitalization Group has set improving employee motivation and engagement as a major goal for FY2024. We need to consider both financial and non-financial measures, including increasing base pay and improving employee benefits, and one initiative already underway is improving the work environment at our plants. This has involved cleaning the shower rooms and toilets so that employees can come to work comfortably every day and return home feeling refreshed. Meanwhile, although manufacturing companies are often thought of as being male-dominated places, we are promoting the active participation of women in various workplaces, including our plants. Although our percentage of female executives is similar to that of our peers, I would like to see even more women playing active roles at the management level. At the same time, we hope to develop new graduates into managers and executives.



What message would you like to share with your stakeholders?



Hashigami: The Toyo Tanso Group has three company policies: "Become a global company," "For the world, for society," and "Become a strong company." Particularly important among these is "For the world, for society," and we believe that a clear understanding of how our manufacturing actually contributes to society will lead to better job satisfaction for all employees. This is why we have begun efforts to help our employees understand how our customers use the Toyo Tanso Group's products and the type of products connected in the end market. As someone also involved in recruitment activities, I have noticed that many students these days want to work for a company that can contribute to society. We want to be a company that can accommodate the aspirations of these highly motivated young people, and we will strive to improve employee engagement so that they feel truly glad to have joined the company.

Hamada: The Toyo Tanso Group's products are extremely diverse, so I believe there are probably many more products and technologies that can contribute to the environment. Carbon has a lot of potential, and performance could be changed in a number of ways by adding various materials to create compound materials. In order to uncover new possibilities, we hope to further expand our interactions with the outside world and keep our ears to the ground as we go. Furthermore, while circumstances around the globe continue to change at a dizzying pace, we will develop products and technologies by looking at the entire supply chain from an environmental and humanitarian perspective.

Shimada: As I mentioned earlier, the Sustainable Consumption and Production Group is working to improve yields at production sites. Conducting such improvement activities globally is important and will be an area of focus going forward. The general flow of the Toyo Tanso Group's business consists of manufacturing materials domestically, processing them at overseas facilities, and providing them to overseas customers. However, we would like to make this flow more visible and improve production efficiency so that we can channel materials according to the circumstances of each facilities.

Hamada: Shimada's talk about production, Hashigami's talk about human resources, and my talk about product development — these are by no means separate things. Each of these topics is based on a medium-term management plan, and each is closely linked to the others, making related activities possible.

Hashigami: As group owners, we formulate activity policies and report to the board of directors. Meanwhile, those in operational teams actively communicate beyond the boundaries of the group and work on various projects and problem solving. To further improve sustainability, we hope that the three groups will continue to work together in "solidarity," as our CEO often says.



Environment

Environmental policy and management structure

Environmental Policy

The Toyo Tanso Group recognizes that a business operating as part of 21st century industry must take environmental considerations into account. Carbon (C) is the second-most common element on Earth after silicon (Si), but resources are finite, and we believe it is important to develop our businesses in line with a constant focus on reuse.

In manufacturing technologies as well as research and development, we focus on how waste products emitted by manufacturing processes can be eliminated or reduced.

The Group's environmental management departments monitor the volume of waste produced by other departments as well as the reduction measures they implement in an effort to protect the global environment. The Group is also working to address the issue of how graphite waste can be effectively used in its research and development programs while raising all employees' environmental awareness.

The Group sees its mission as pursuing environmental friendliness in its corporate activities day in and day out.

1. Protecting the global environment
We practice environmentally friendly manufacturing in order to safeguard the children of the future and our beautiful planet.

2. Reducing environmental impacts
We strive to design products with low environmental impacts and to save energy, save resources, and reduce and reuse waste.

3. Complying with laws and regulations
We comply with applicable environmental laws, ordinances, and other requirements to which we have agreed.

4. Realizing continuous improvements
We precisely assess all environmental impacts of our business activities, and we continually strive to prevent and reduce them to the extent that is technologically and economically feasible.

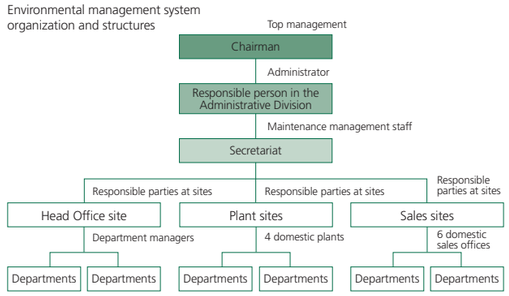
5. Raising environmental awareness
To implement these Environmental Policies smoothly and efficiently, we work to educate all employees on the environment and raise their environmental awareness.

6. Disclosing environmental information
We communicate information about these Environmental Policies and related initiatives to all employees and interested parties, including by disclosing them to the public.

Environmental management system

The Toyo Tanso Group has integrated ISO 14001 certified environment management system with other business processes as part of its business management system, as it seeks to help realize a sustainable society by working to reduce environmental impacts, for example by limiting energy consumption. As of 2023, five domestic facilities and overseas subsidiaries have obtained environmental management system certification.

Environmental management system organization and structures



ISO 14001 initiatives



To coexist with the local communities we serve, we undertake production activities while ensuring compliance with laws and regulations.

We are working to reduce energy use by boosting process capacity in concert with our ISO 9001 activities.

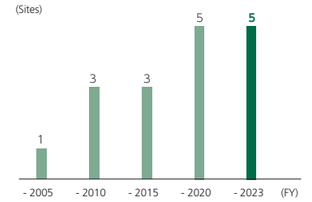
By moving forwards with energy savings activities and working to reduce energy consumption, we are limiting emissions of CO_2 and other greenhouse gases.

Safe, secure workplaces make possible coexistence with employees, marking a step forward in our drive to realize a sustainable society.

We are striving to realize a society without energy losses by actively practicing the 5S methodology (sorting, setting in order, shining, standardizing, and sustaining the discipline) to improve operations.

Reducing industrial waste is a global issue, and the Toyo Tanso Group is also working actively to address it.

ISO 14001: Cumulative number of obtained certifications



* Figures for FY2023 differ from those in the previous year due to non-consolidated subsidiaries and affiliates being excluded from calculations.

Contribution to reducing climate change risk and environmental protection

Reducing greenhouse gas emissions, including through energy creation and savings

2030 target
Greenhouse gas emissions per unit of net sales:
(compared to 2019)
30% reduction (non-consolidated)

Reducing greenhouse gas emissions in production activities

The Toyo Tanso Group has formulated a roadmap for reducing greenhouse gas emissions in promoting various measures with the aim of reducing greenhouse gas emissions (Scope 1 and Scope 2) per unit of sales by 30% (non-consolidated) in FY2030 compared to FY2019 (Figure 1).

As a result of implementing various measures that led to more efficient energy use and labor saving in our production activities, we were able to achieve our GHG emissions reduction target (energy intensity) for FY2023 (Figure 2).

We will continue to undertake various initiatives with the aim of meeting the 2030 target and contributing to achieving carbon neutrality.

Figure 1: Progress on the roadmap for reducing GHG Emissions

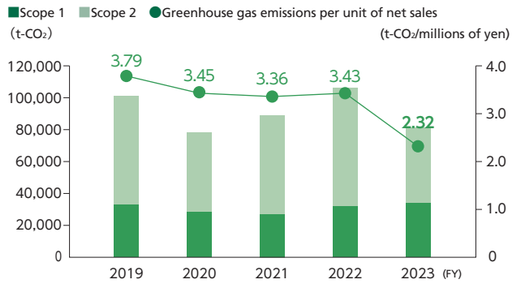
Large = 50% or more Medium = 30% to less than 50% Small = less than 30%
◎ = 100% or more ● = 90% or more ▲ = 80% to less than 90% ×= Less than 80%

Target Indicators	Load factor in 2030 emission reductions	FY2023 actual target achievement level	Examples of measures
(1) Introduction of energy-saving equipment	Small	◎	• Introduction of high-efficiency compressors • Installation of LED lighting
(2) Introduction of energy with low CO_2 emission coefficient	Large	◎	• Purchase of electricity from renewable energy sources (J-Credits, etc.) • Purchase and introduction of electricity from renewable energy sources (solar power generation, etc.)
(3) Switching to baking furnace with smaller energy units	Small	–	• Fuel conversion • Furnace renewal
(4) Optimization of furnace operation time	Small	◎	• Promotion of energy conservation • Improvement of existing facilities
(5) Optimization of furnace loading efficiency	Small	–	• Improvement of yield • Implementation of AI for furnace loading instructions

* The "-" in the fiscal year target achievement levels will be implemented sequentially from FY2024 onwards.

Figure 2: Greenhouse gas emissions (non-consolidated)

2024 GHG emissions reduction target
Approximately 25,000t-CO_2/year (equivalent to 24% of the total emissions and reductions in FY2023)



Energy saving initiatives roadmap (1) (4)

At our main manufacturing site, the Takuma Division, we have replaced our isotropic graphite manufacturing equipment (graphitization furnaces and baking furnaces) with energy-saving equipment that incorporates the latest control methods, thereby reducing energy consumption. In addition, we carried out energy conservation initiatives such as installing LEDs, as well as consolidating and inverter-equipping compressors, which are utility equipment at our facilities, to improve efficiency. As a result, the facility reduced its energy usage by 2.5%.

Not only do these efforts achieve energy savings, they also lead to reduced energy costs and improved workability.

Currently, we are working to further reduce energy usage by conducting initiatives that will lead to energy savings and automation of existing equipment, initiatives that include verifying shortened operation times and optimized filling efficiency at each of our existing furnaces.



High-efficiency compressor (Takuma Division)

Energy saving initiatives roadmap (2)

The Toyo Tanso Group is actively adopting renewable energy as part of its efforts to reduce CO_2 emissions. At our plant in Kagawa Prefecture, which serves as our main production facility, the actual usage rate of electricity derived from renewable energy sources (renewable energy usage rate) has increased by 10% from FY2022 to 40%. In addition, the head office and the Kondo Teruhisa Memorial Advanced Carbon Technology Center are now entirely powered by renewables. One of the deciding factors behind relocating to the new head office in January 2024 was that essentially all of the office's electricity would come from renewables.

Through these efforts, Toyo Tanso's (non-consolidated) renewable energy usage rate is now approximately 40%, and we are currently considering specific measures to further increase this rate in the future.

Furthermore, through the use of the Kagawa Smart Green Bank's J-Credit scheme, we achieved a reduction in greenhouse gas emissions of 1,046 t-CO_2/year in FY2023, a significant reduction from 281 t-CO_2/year in FY2022. Starting this fiscal year, the GHG reduction amount under the J-Credit Scheme has been changed to the amount of reduction achieved during the year when the relevant projects were invalidated.

In order to achieve our target for 2030, we will gradually increase the proportion of electricity we use that is generated from renewables.



Solar panels installed at the SiC coating factory in the Production Technology Center

Contributing to the reduction of greenhouse gas emissions through products

2030 target
Ratio of environmentally friendly products to net sales:
35% (consolidated) (2023 result: 27.1%)

Graphite products essential for high-temperature gas-cooled reactors

The role of nuclear power generation in the energy mix is becoming an increasingly important for achieving carbon neutrality by 2050.

Due to its stability and low carbon nature, nuclear power generation is seen as a sustainable energy source that can play an important role in combating global warming, and many countries are moving toward expanding their use of nuclear power.

At COP28 (the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change) held in the United Arab Emirates (UAE), 22 countries, including Japan, the United States, the United Kingdom, France, and Canada, issued a declaration to triple the world's nuclear power generation capacity by 2050 compared to 2020 levels, in order to achieve the 1.5°C target set out in the Paris Agreement.

As interest in nuclear power generation grows due to its potential to combat global warming, high-temperature gas-cooled reactors, which use Toyo Tanso Group's graphite products, are attracting renewed attention.

As a next-generation nuclear power generation technology, high-temperature gas-cooled reactors are expected to play an important role in sustainable energy supply, and research and development into them is being actively carried out in countries around the world. This is because high-temperature gas-cooled reactors are expected to contribute to carbon neutrality through their inherently superior safety and their utilization of high-temperature heat of over 950°C for hydrogen production and other purposes.

Through many years of joint research with public institutions and other organizations, the Group has accumulated data and expertise on graphite materials for nuclear power applications. We have also provided high-temperature gas-cooled reactors to test and demonstration reactors in Japan and China.

We hope to continue to provide our customers with a stable supply of reliable, high-quality products and contribute to society with a view to achieving carbon neutrality.

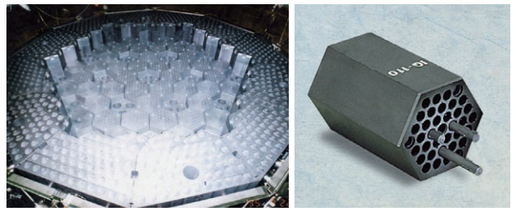


Photo courtesy of the Japan Atomic Energy Agency

Using Earth-friendly raw materials and avoiding procurement risk

As carbon materials are made using raw materials derived from fossil resources such as petroleum and coal, developing raw materials that do not rely on fossil resources is an important issue, both for reducing CO_2 emissions and for production activities.

The Toyo Tanso Group is engaged in research and development into the material recycling of used graphite products, and is developing technologies to reduce waste in numerous ways. This includes technologies for pulverizing used graphite and returning it to its raw material, and for the secondary utilization of waste materials. Furthermore, as a carbon manufacturer specializing in high-performance products, we are working to develop technologies for refining and pulverizing raw materials such as graphite precursors and graphite powder in order to maintain and improve quality stability with respect to synthetic graphite. By applying these powder control and waste utilization technologies, we aim to establish a chemical recycling technology by creating a base material from used graphite materials that can be used as the raw material for synthetic graphite.

As part of these activities, a research and development theme jointly proposed by Toyo Tanso and three other organizations* has been selected as a research and development project under the "NEDO Feasibility Study Program/Feasibility Study Program on New Technology" for FY2024, which was publicly solicited by the New Energy and Industrial Technology Development Organization (NEDO). This will see us advance research and development aimed at breaking away from a reliance on fossil-derived raw materials for synthetic graphite.

We will work with all parties toward putting synthetic graphite raw materials made from non-fossil resources into practical use in society by 2040, and will contribute to achieving society-wide carbon neutrality by 2050.

Project	Feasibility Study Program on Energy and New Environmental Technology/[I-M1] Development of Innovative Technology for Producing Synthetic Graphite to Escape Dependence on Fossil-Derived Raw Materials
Selected theme	Research and development of non-fossil raw materials for graphite materials
Participating Organizations*	• Toyo Tanso Co., Ltd. • National Institute of Advanced Industrial Science and Technology • SEC Carbon, Ltd.; I'MSEP Co., Ltd. • Nippon Steel Chemical & Material Co., Ltd.
R&D Period	Up to three years, starting from FY2024

Complying with various countries' environmental laws and regulations and reducing environmental impacts

2030 target
Violation of environmental laws: 0 (non-consolidated)

The need to manage chemical substances in products is increasing as international laws and regulations governing chemical substances, including the European RoHS Directive and REACH regulations and the U.S. TSCA are strengthened with each passing year, along with industry standards like IEC 62474 and GADSL and customer requirements.

The Toyo Tanso put in place a series of management standards for chemical substances in products following an effort led by its chemical substances in products management department to collect and organize the latest information about related laws and regulations, industry standards, and customer standards. In addition to applying those standards to our Green Procurement Guidelines, we are building product chemical management structures that are integrated into our quality management system, for example by collecting related information into a product chemical content management list.

In FY2023, there were no violations of environmental laws and regulations at Toyo Tanso.

Sales departments serve as a point of contact for information about chemical substances contained in individual products at the time of order contracts, investigation requests, etc., and responds and answers to such requests.

Example investigations

- Certificate of non-use for substances prohibited by the RoHS Directive
- Certificate of SVHC non-use under REACH regulations
- chemSHERPA*

* A data authoring and support tool administered by the Joint Article Management Promotion-Consortium with the goal of communicating information about the chemical substances contained in products throughout the supply chain in a smooth and efficient manner.

Reducing environmental impacts

The Toyo Tanso strives to design products with low environmental impacts and to save energy and resources while reducing and reusing waste. We are also working to monitor emissions of environmentally harmful substances from manufacturing processes in accordance with applicable environmental laws and regulations and to reduce environmental impacts. Going forward, we will work actively to reduce emissions of greenhouse gases.

Compliance with TCFD recommendations

In July 2021, the Toyo Tanso Group affirmed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are working to disclose information in line with the TCFD's disclosure framework. We have now identified the financial impacts of the major risks and opportunities associated with responding to climate change. Going forward, we will address each risk and opportunity.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

1. Governance

The TCFD Compliance Project, which was established to support the Sustainability Committee, studies scenarios related to climate change action, analyzes risk and opportunities, and formulates measure in response while reporting on those activities to the Sustainability Committee.

Discussions held by the Sustainability Committee are reported to the Board of Directors for approval and instruction. Sustainability-related resolutions that are reported to and approved by the Board of Directors are propagated to business departments and group companies via the Sustainability Committee and applied to their respective business plans and operational management. Cooperation may be sought from business partners depending on the nature of the resolutions.

2. Strategies

In keeping with guidance recommended by the TCFD, we use techniques for applying scenario analysis to the business environment through 2040 to analyze and evaluate the impacts of climate change on Toyo Tanso.

Overview of scenario analysis

Scope	Consolidated subsidiaries of the Group
Anticipated timeframe	Present to 2040 (for CO_2 reduction targets, 2050)
Scenario-building	**(1) 1.5°C scenario** Scenario in which the average global temperature increase is kept within 1.5°C from levels prior to the Industrial Revolution **Reference information** From the IEA WEO2020 SDS Scenario, 1st Working Group Report of the IPCC 6th Assessment Report SSP1-1.9,2.6/Other **(2) 4°C scenario** Scenario in which the average global temperature rises 4°C from levels prior to the Industrial Revolution **Reference information** IEA WEO2020 STEPS scenario; SSP2-4.5, SSP3-7.9, SSP5-8.5 from the 1st Working Group Report of the IPCC 6th Assessment Report; A-PLAT S8 climate RCP 8.5; others

WEO: IEA's World Energy Outlook 2020
IPCC: Intergovernmental Panel on Climate Change
A-PLAT: Climate Change Adaptation Information Platform

Principal risks		Emergence timeframe	Financial impacts
Policies and regulations	Strict greenhouse gas emission reduction standards will be put in place, necessitating investments and technological improvements in order to reduce emissions.	Short to long term	–
Changes in markets/ customers	Demand for engine-related products will shrink due to the electrification of automobiles.	Medium to long term	Small
	Widening adoption of next-generation solar panels will cause demand for products to shrink.	Long term	Small
Changes in the industry, for example in other companies in the same industry	Competition with competitors will intensify due to a review of the production system in consideration of the changing environment of the industry.	Medium to long term	Medium
Procurement	Disruption in the balance between supply and demand for raw materials (coke and pitch) may cause prices to rise substantially.	Short to long term	Medium
	The prices of procured products that comply with the introduction of a carbon tax and other environmental requirements may rise substantially.	Short to long term	Small
Manufacturing	Costs may increase due to factors such as stoppages in facility operations due to intensifying natural disasters.	Medium to long term	Small
	The cost of manufacturing process improvements required in order to comply with environmental requirements will rise.	Medium to long term	Medium

Principal opportunities		Emergence timeframe	Financial impacts
Policies and regulations	Demand for environment-related products such as renewable energy may rise.	Medium to long term	–
Changes in markets/ customers	Demand for graphite parts and materials, for example products related to power semiconductors, will rise as a result of the electrification of automobiles.	Medium to long term	Large
	Demand for brushes used in power supply and grounding equipment will rise due to growing demand for wind power.	Medium to long term	Small
	Demand for graphite for use in nuclear power applications may rise as CO_2 emissions are reduced.	Medium to long term	Small

Financial impacts (small: 0 to less than 1.0 billion yen; medium: 1.0 billion yen to less than 10.0 billion yen; large: 10.0 billion yen or more)

3. Risk management

In keeping with its Basic Rules on Risk and Compliance, the Toyo Tanso Group has established the Risk and Compliance Committee (RC Committee) and given it responsibility for ensuring compliance with laws, regulations, Toyo Tanso's Articles of Incorporation, and corporate ethical guidelines and establishing risk management structures. The committee discusses important issues and makes decisions about policies related to risk and compliance. Principal departments are responsible for managing and addressing individual risks, and the RC Committee oversees those efforts.

Climate-related risks are managed by the Sustainability Committee, while the results of assessments and studies by the RC Committee are reported to the Board of Directors as part of Toyo Tanso's companywide risk management efforts.

4. Indicators and targets

The indicators and targets needed to manage risks and business opportunities are determined after formulating measures to address each. Greenhouse gas emissions (Scopes 1 to 3, FY2023) have been verified by a third-party.

Greenhouse gas emissions for Toyo Tanso Co., Ltd. (FY2023)
(Greenhouse gas emissions)
Scope 1 (consolidated): 35,594 t-CO_2e
Scope 2 (consolidated): Location-based: 84,302 t-CO_2e, market-based: 62,013 t-CO_2e
Scope 3 (non-consolidated): 83,689 t-CO_2e
Breakdown (t-CO_2e)
Category 1: 53,716 Category 2: 8,007 Category 3: 16,239 Category 4: 4,119
Category 5: 817 Category 6: 138 Category 7: 410 Category 13: 152 Category 15: 90

Third-party verification report

Scope 1 and 2
https://www.toyotanso.com/sustainability/pdf/independent_assurance_report_2024.pdf

Scope 3
https://www.toyotanso.com/sustainability/pdf/independent_assurance_report_2024_scope3.pdf

Creating safe, secure workplace environment where all employees can flourish

Improving safe, healthy workplace environments and increasing productivity

Promoting occupational health and safety

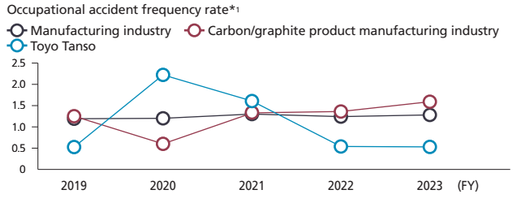
Toyo Tanso has established safety and health regulations for securing the health and safety of employees and promoting the creation of a comfortable workplace environment where each and every one of our employees can continue to work in safety, security, and good health. We are striving to continually improve and enhance safety and health activities, in addition to forming a Safety and Health Committee and adhering to laws, regulations, and ordinances related to labor health and safety, so that labor and management can come together as one to prevent risks and health dangers to laborers.

With the goal of zero occupational accidents, we make full efforts daily to prevent occupational accidents at manufacturing plants, as we strive to prevent and lessen employee occupational accidents.

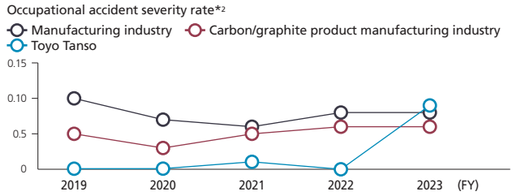
Toyo Tanso Environmental, Health and Safety Policy

1. New year zero accident initiatives and making known the health and safety plan for the current fiscal year
2. Promoting health maintenance
3. Thorough environmental, health, and safety training and increasing safety awareness
4. Thorough measures to reduce industrial waste
5. Preventing heat stroke by raising awareness of its dangers
6. Improving work environments
7. Year-end zero accident initiatives
8. Reviewing current fiscal year health and safety activities and planning activities for the next fiscal year

Occupational accident frequency rate*1



Occupational accident severity rate*2



Number of occupational accidents

2019	2020	2021	2022	2023
8	2	6	5	5

*1 Frequency rate: An index expressing the frequency of accidents in terms of the number of casualties due to occupational accidents per one million hours of actual labor. Frequency rate = number of casualties due to occupational accidents/hours of actual labor x 1,000,000

*2 Severity rate: An index expressing the severity of an accident in terms of the number of lost labor days per one thousand hours of actual labor. Severity rate = number of lost labor days/hours of actual labor x 1,000

System and activities of the Environmental, Health and Safety Committee

The members of the Environmental, Health and Safety Committee consist of general health and safety managers, health and safety managers, safety managers, health managers, industrial physicians, laborers and labor union representatives.

At the monthly committee meeting, information is shared and potential solutions are discussed regarding primarily the following topics, leading to the creation of a better workplace environment.

- Reporting safety results (work accidents, traffic accidents), monthly activity results/planning, reporting results of patrols by industrial physicians and committee members
- Examining cases of near misses and risk assessments
- Publishing safety activity topics

Health management initiatives

Toyo Tanso has progressed with measures aimed at enhancing the health of employees over the long term.

In 2022, we introduced a cloud health management system with the aim of building a system that give consideration to employee health management. This system enables us to centrally manage employee information and stress check results which had been scattered around at each workplace in the nation, as well as to consult with industrial physicians for an interview at the appropriate, desired time. It is a system that allows us to accurately assess employee health condition and respond rapidly and precisely.

Additionally, by digitizing management of information that had been on paper, such as annual health check results, we eliminate the complexities of information management, leading to optimization of health management duties.

Moving forward, we will give top priority to the health of our employees, and work to build a better workplace environment.

Ensuring all stakeholders' human rights are respected

The Toyo Tanso Group has established the Toyo Tanso Group Human Rights Policy to further clarify our stance on and initiatives for human rights.

We understand that our corporate activities may have an impact on human rights. We will fulfill our responsibility to respect the human rights of all stakeholders involved in the corporate activities of the Toyo Tanso Group.

Basic approach to human rights

Our fundamental philosophy of "Contribute to the world through the pursuit of the possibilities inherent in carbon (C)" is in itself a contribution to the advancement of a sustainable society. Under this philosophy, we carry out numerous initiatives, which include supporting the SDGs through our products and business activities, aimed at resolving social issues.

Our initiatives are aimed at realizing a society that provides a safe and enriching lifestyle to people around the world. Indispensable to these initiatives is a respect for human rights.

With a sincere understanding of the impacts that the Toyo Tanso Group's business activities have on human rights, we make it our social mission to deal appropriately with these impacts. The Toyo Tanso Group Human Rights Policy was thus enacted as the ultimate guideline towards fulfilling this mission.

Acting on this policy, we seek to work with our stakeholders to make society even more sustainable.

Toyo Tanso Group Human Rights Policy
https://www.toyotanso.com/sustainability/society/respect.html

Offering education on human rights

The Toyo Tanso Group is striving to create employee-friendly workplaces by gaining deeper understanding, through offering year-round education, including workplace management training for employees in management positions, human rights awareness- raising training for all employees, and case studies examining a variety of harassment issues in the workplace.

Establishment of human rights helpline

The Toyo Tanso Group has established an internal helpline to serve as a point of contact for questions and problems involving human rights. In addition to providing multiple points of contact, including by creating both internal and external helplines for the Group companies, we accept anonymous reports. Information submitted via these helplines is treated in a strictly confidential manner, and conduct that could identify people using the helpline is prohibited. We also work to ensure that no employee is subject to disciplinary action or disadvantageous treatment because they contacted one of these helplines.

Human rights due diligence

Based on the UN Guiding Principles on Business and Human Rights, the Toyo Tanso Group has built a system for human rights due diligence. Utilizing this system, we strive to discover negative effects on individual rights, understanding their potential risks and then prevent or alleviate them.

In fiscal 2024, Toyo Tanso (non-consolidated) implemented human rights due diligence, and will continue to work on assessing, preventing, and reducing negative effects on human rights, or risks of such, across the entire business value chain. Moving forward, we are planning to encourage related companies to participate in initiatives by step-wise expansion of scope.

Additionally, although we perform check and are aware of issues in human rights and labor, such as prohibited child labor and forced labor, through supplier surveys using check sheets, we will now start investigating in more detail by implementing human rights due diligence.

Chart of years for implementing human rights due diligence

	Non-consolidated	Within Group	Main primary suppliers
Domestic	2024	2025	2025
Overseas	—	2026 2027	2027

Supply chain initiatives

To contribute to the realization of a sustainable society while building trusting relationships with suppliers through fair and impartial transactions and offering opportunities to participate in its procurement activities to would-be suppliers worldwide, the Toyo Tanso Group has adopted procurement policies that are designed to ensure its ability to protect the environment and fulfill its social responsibility across the supply chain.

In addition, our Sustainable Procurement Guidelines, which suppliers are required to follow, set forth various requirements concerning human rights and labor, including prohibitions on child labor and forced labor. We conduct regular audits to verify supplier compliance.

Human resource strategies

Managing human capital

We are experiencing changes in the management environment at a bewildering pace, from globalization to fewer workers due to an aging society, the wave of digital transformation (DX), and transformations into new modes of work, new values, and new business models. Amid these changes, the Toyo Tanso Group is promoting the construction of a human resource environment that will contribute to the realization of a sustainable society.

Naturally, we want to be a company where employees feel a sense of value in their work, but we also emphasize respect for diversity, proper assignment of human resources, mid- to long-term human capital development, promotion of health management, enhancement in employee engagement through fair evaluations and an overall compensation policy.

Through these human resource policies, we will optimize performance of people and organization, and continue to provide a stage for activity where each and every employee can take on challenges with passion and pride, as we aim for the realization of a society where No One is Left Behind and everyone is guaranteed safety and security.

For results and information on each of these initiatives, please refer to the ESG data collection available on our Company website.

ESG data collection

https://www.toyotanso.com/sustainability/esg-data.html

Initiatives in managing human capital

Category	Contents
Human resources development and education	Employee skills development programs
	Execution of education and training
	Career development and securing promotion opportunities
Occupational environment and welfare benefits	Execution of improvement measures for occupational environment
	Execution of welfare benefit programs
	Promotion of work-life balance
Diversity & inclusion	Acceptance and promotion of diversity
	Increase in diversity index related to sex, age, ethnicity, and presence/absence of disability
Employee engagement	Execution of engagement surveys
	Concrete initiatives for enhancing engagement
Health and safety	Occupational health and safety management
	Execution of health maintenance/improvement programs
	Mental health measures
Compensation and evaluation	Guaranteeing transparency in the compensation system
	Link between performance evaluation and compensation
	Introduction of an incentive system
Adoption and establishment	Hiring strategies and results
	On-boarding process for new hires
	Reduced turnover rate and countermeasures

Basic approach to human resource development

The Toyo Tanso Group recognizes human resources as our most important asset and that human growth is the driving force behind the development of the company. Based on the following three policies, we create social value, and work to grow together with our employees as a company trusted by society.

1. Based on our Company Policies deeply linked to our management philosophy, the Toyo Tanso Group provides opportunities for cross-cultural exchange through overseas assignments to foster a global perspective. We also provide training to improve teamwork and communication skills in a global environment to develop human resources adept at cross-border work.
2. We focus on employee skills development to build a resilient organizational foundation. We provide opportunities for continuous learning and skills development, develop human resources who can flexibly deal with a rapidly changing business environment with fresh thinking, support the enhancement of leadership and problem-solving skills, and create an environment that encourages autonomous career development. Moreover, by valuing innovation and promoting new ideas and creations, we aim to develop human resources with a powerful competitive edge.
3. We will foster awareness on ethics and social responsibility among our employees in order to develop human resources who are highly motivated in contributing to society. We place importance on sustainability and advance initiatives to address environmental and other social issues.

Training and education system

Total number of participants in certifications, lectures, etc. in 2023: 497/Goal of 500 or more (99.4% achievement) (non-consolidated)

Educational system diagram

	Management positions	Supervisor positions	General positions
Level-based training	Management position training	Leadership training	New-hire training
Selective training	Manufacturing training		
	Plant training for mid-career hires		
Training for all employees	Compliance training		
	Information security training		
	ISO training		
	Security export control training		

	Management positions	Supervisor positions	General positions
Department-based training	Specialized training at each department		
	OJT		
Self-development training	Seminars		
	Online English lessons		
	Correspondence courses		
	e-learning		

Respecting workforce diversity

Diversity & inclusion

We consider the pursuit of diversity and inclusion to be a key priority, and we believe that a diversity of ideas from a diverse workforce is the source of sustainable growth for both the company and society.

The Toyo Tanso Group fundamentally prohibits discrimination on the basis of gender, nationality, religion, age, disability, or any other characteristic, and we are striving to cultivate an organizational culture rich in trust and creative collaboration so that employees with different values and ideas will respect one another and feel motivated by their jobs.

We have formulated a personnel plan linked to the business strategies of the Medium-Term Management Plan, and hire personnel (new graduates and mid-career hires) in accordance with this plan. Additionally, we ensure diversity in our workforce by hiring talented human resources regardless of nationality; thereby building a foundation for our Company Policy of "Become a global company."

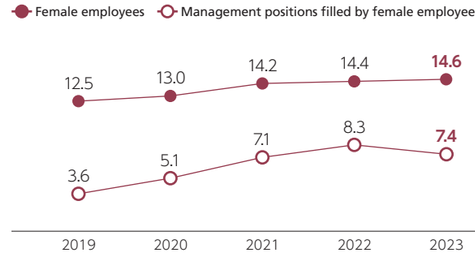
Evaluation and promotion of employees are based on the same criteria regardless of nationality, or status as new graduate or mid- career hire. So we do not set targets for the promotions of foreign nationals or mid-career hires.

Female empowerment

Toyo Tanso has built a workplace environment where women can fully demonstrate their abilities and play an active role, as we have prepared an environment that is easy to work in, enabling a balance of work and childcare. As a result, we have seen an increase in the percentage of female employees and female managers in recent years.

Additionally, we have formulated an action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life, and are moving forward with systematic initiatives.

Percentage of female employees and management positions filled by female employees (non-consolidated)



Action plan (Period: 2 years from January 1, 2024 to December 31, 2025)

Goal	Legal basis	Measure
Utilization rate for employee with 60% or higher annual paid leave (group's overall average)	Act on Advancement of Measures to Support Raising Next-Generation Children/ Act on the Promotion of Women's Active Engagement in Professional Life	Grasp utilization conditions of annual paid leave and construct measures to encourage utilization • Perform monthly check on utilization rate to grasp conditions • Encourage utilization through periodic posting on internal bulletin boards and work at increasing utilization rate
Create an environment where it is easy to utilize childcare-related leave	Act on Advancement of Measures to Support Raising Next-Generation Children/ Act on the Promotion of Women's Active Engagement in Professional Life	Alert the entire Company to laws, ordinances and internal regulations, and create an environment where all employees who have a baby or are expecting one can easily take childcare-related leave. • Plan for thorough welfare benefits and create an environment where it is easy to take off work for childcare • Use the "Parenting Enjoyment Handbook" to interview people who have a baby or are expecting one • Explain the childcare leave system (at birth) and vacation system and encourage them to proactively get involved in child-rearing so they can enjoy fulfillment in both public and private life
Support formation of a career vision for female employees who have given birth and raised a child	Act on Advancement of Measures to Support Raising Next-Generation Children/ Act on the Promotion of Women's Active Engagement in Professional Life	Execute internal training to increase awareness of formation of a career vision for female employees who have a child in 6th grade of elementary school or younger and for female employees who wish to receive training ▶March 2024 - List participants, examine content ▶September 2024 - Execute internal training, take a survey, summarize
Have 80% or more of departments (across the company) with a women in place, either through hiring or transfer	Act on the Promotion of Women's Active Engagement in Professional Life	▶March 2024 - Assess the current conditions by identifying positions (departments) where there is imbalance in assignments of male and female employees ▶May 2024 - Implement a survey to discover potential issues when placing a female employee, examine measures to solve those problems, and proactively promote placement of a female employee

Childcare support

Toyo Tanso has consistently worked to help employees balance the demands of their jobs and families. We have formulated an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and we have acquired the Kurumin mark, verification as a child-nurturing corporation.

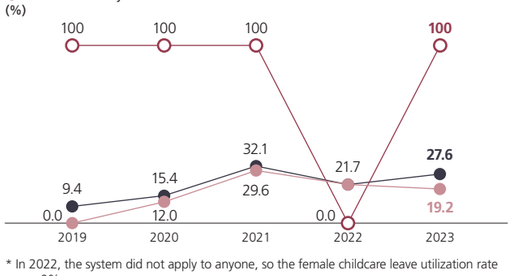
In addition, we hand out a Toyo Tanso original "Parenting Enjoyment Handbook" to male employees with newborn children and meet with them to explain available programs as part of our efforts to build an environment in which fathers can participate in parenting. We have expanded eligibility for our paid-time-off savings program (which lets employees accumulate expiring annual paid time off), and we have established a program that lets employees take up to three days off after their spouse gives birth. We also encourage employees to utilize available time off. For the past few years, we have achieved our target where 100% of female employees who have given birth utilize childcare leave and return to work with no turnover.

Additionally, we aim for 30% or more male employees to utilize childcare leave, but in 2023, we only reached 19.2%, so we will continue with more initiatives to promote utilization.

Moreover, we are working to create an environment in which employees can continue to work with peace of mind, for example by hosting exchange meetings for employees who are using our parenting programs so that they can share parenting concerns, anxiety about how to balance work with family responsibilities, and useful information while building supportive relationships with each other.

Moving forward, we will continue to support the balance of work and childcare and engage in achieving an employment environment where each of the diverse array of employees can sufficiently demonstrate their abilities.

Childcare leave utilization rate (non-consolidated)



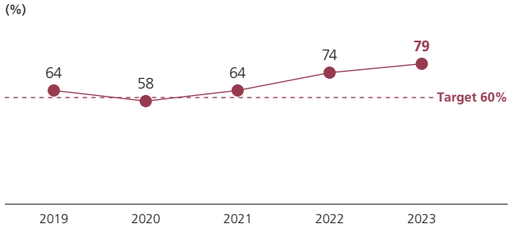
* In 2022, the system did not apply to anyone, so the female childcare leave utilization rate was 0%.

Promotion of work-life balance

Toyo Tanso aims to create a workplace environment where men and women can continually work with a sense of purpose, and all employees can grow together with the Company. We have prepared a range of systems in addition to childcare support, such that employees can work flexibly and efficiently, and balance work and lifestyle.

- Shortened full-time employee system
- Flex-time system
- Telework system
- Paid leave accumulation system
- Hourly annual paid leave utilization system

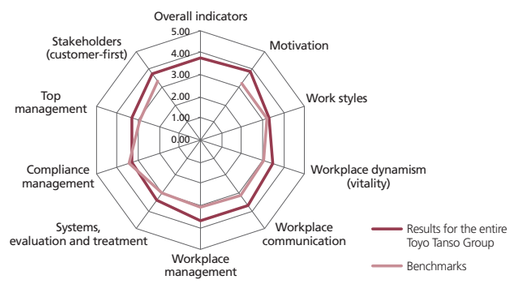
Average utilization rate of yearly paid leave (non-consolidated)



Increasing employee engagement

Based on our belief that enhancing the engagement of each and every employee leads to growth for both the corporation and the employee, the Toyo Tanso Group places job satisfaction as an important indicator of sustainable growth. In 2008, we began implementing the employee awareness survey for all Toyo Tanso employees, and starting in 2022, we have been implementing the global engagement survey for all Toyo Tanso Group employees. We are progressing with various initiatives with the intention of enhancing engagement based on those results.

Engagement survey 2023 cumulative results



Benchmark: Average score of listed companies in the manufacturing industry among companies participating in the engagement survey (by Nikkei Research)

Governance

Undertaking corporate activities that inspire trust

Compliance

Basic approach to compliance

The Toyo Tanso Group considers compliance activities to consist not only of obeying the law but also accommodating requirements imposed by society, including in the form of social and ethical norms. Our approach to compliance activities lies in encouraging individual employees to reform their conduct so that awareness of compliance percolates through our corporate culture.

Compliance structure

We are implementing compliance activities with the Risk & Compliance Committee, composed of committee members assigned from among Directors and Executive Officers, as the highest organization. The Risk & Compliance Committee also, in addition to forming policies for and examining important issues in compliance, surveys the risk of compliance violations by the company and its affiliate companies on a quarterly basis as part of an ongoing monitoring program.

Education and awareness-raising activities

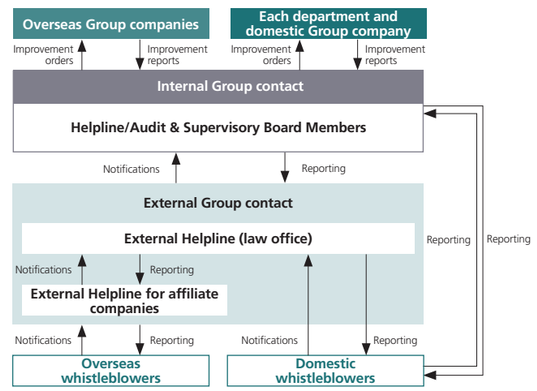
In addition to enacting a Compliance Guidebook to foster compliance awareness, the Toyo Tanso Group has established October as annual "Compliance Enhancement Month" and work to educate and raise awareness among all employees so that the principles be expressed in their conduct.

Additionally, we are expanding into education and awareness-raising activities for each level and each field, as indicated on the right.

Educational and awareness-raising activities (2023)	Participants	Number of trainees
New-hire training (April)	Newly hired graduates	27
Training to prepare employees for overseas postings	Prospective employees to be posted overseas	5
Officer compliance training (May, November)	Directors, Audit & Supervisory Board Members, Executive Officers	17
Power harassment prevention training (July, August)	Managers, Supervisors	132
Regular compliance training (September)	Employees who have been with the company for less than one year	124
Compliance Enhancement Month (October)	Company employees	All employees
Training for newly assigned managers (December)	New managers	9

Internal reporting system

The Toyo Tanso Group has established internal helplines to serve as points of contact for consultations and tips related to compliance violations and corporate ethics issues. To encourage broad utilization, multiple points of contact have been established in the form of internal and external helplines for the Group companies, and anonymous reporting is accepted. Information received via these helplines is kept confidential, and the results of any investigations are relayed to whistleblowers. It is prohibited to engage in conduct that would identify or scrutinize whistleblowers, who are protected against disciplinary action and other disadvantageous treatment as a result of their having contacted the helpline.



Strengthening crisis management capabilities

Basic approach to risk management

Based on the Group-wide Basic Policy on Compliance Risk Management, Toyo Tanso's Risk & Compliance Committee serves as the promotion organization for sharing risk management issues and foreseen risks, identifying, calculating, and assessing important risks for management, and then determines priority risks, creating a "risk map" based on the results. In this manner, we are promoting activities to mitigate risks globally.

Additionally, the Risk & Compliance Committee surveys risk occurrence for the Company and affiliated companies every quarter. When an unforeseen event which has a major impact on the Group occurs, we fulfill our social responsibility as a corporation by protecting customer value through continuation of our business activities.

Privacy policy

Toyo Tanso is deeply aware that appropriately safeguarding the personal information of all people involved with Toyo Tanso, including customers, is an important social responsibility. With the protection of individual rights and interests as our number one priority, we comply with Japan's Personal Information Protection Act and other laws and guidelines, and have established the basic privacy policy shown on the right to protect personal information.

1. We comply with the Personal Information Protection Act and other related laws and regulations, and use personal information appropriately.
2. In addition to establishing management structures related to the protection of personal data, we work to spread awareness of the Personal Data Protection Rules among officers and employees and to ensure that the rules are followed.
3. We use personal data within the scope of the indicated purpose of use. In addition, we do not disclose or provide personal data provided by customers to any third parties unless the owner of that information has given their consent or it is permitted by law or regulation.
4. We strive to prevent unauthorized access to personal data as well as the loss, corruption, alteration, and unauthorized disclosure of personal data.
5. We accommodate inquiries and requests for disclosure of personal information or other action quickly and in a spirit of good faith.

Global business continuity plan (BCP)

The Toyo Tanso Group has formulated a business continuity plan (BCP) to minimize the impact from any suspension of manufacturing of major products due to large-scale disaster, such as earthquakes or wind and flood damage. We have also established the concept of all-hazard BCP shared across the entire Group, and are taking action such as ensuring the seismic resistance and safety of buildings and production equipment, backing up information systems, and maintaining supply with inventory. Additionally, in the event of a large-scale disaster, we actively ensure the safety of the region and provide support to the area (in the form of saving lives, providing goods and facilities, contributing to society and other support.)

BCP activity policy

1. Fulfill our supply responsibility and social responsibility by continuing supply and quick restoration of business by establishing and revising a continuous global BCP (business continuity plan).
2. Make saving human life a top priority when large-scale disasters and emergencies occur, and working to prevent the expansion of disasters to nearby regions as we ensure the safety and security of the regional society.
3. Deliberate, analyze, and implement measures to critical risks requiring response with the highest priority that could greatly impact the Company's management.
4. Implement education and training of employees, and work to spread risk awareness and enhance risk sensitivity.



Stockpile warehouse

Information security management structures

We have established internal standards such as basic policies and rules on information security management, and have prepared an information security structure based on these standards or rules.

Also, reflecting our belief that confidential information from customers, personal data, internal technical data, and other sensitive information constitute an important asset for the Company, we are taking countermeasures to prevent system interruptions due to infection by computer viruses or cyberattacks and to avoid external leaks.

In particular, we consider the recently growing risk posed by cyberattacks to be a serious management issue, and we are working to strengthen management structures. We performed a Group-wide information security assessment and have moved forward with stronger monitoring of IT devices, including infrastructure and servers. We are also strengthening our information security structures by establishing Toyo Tanso-CSIRT, a computer security incident response team that can respond quickly in the event of an information security incident.

When appropriate, we move forward with countermeasure strengthening initiatives and revisions from every aspects, including organizational, human, technological, and physical, in concert with ever-evolving IT technology and changes in information security risks.

Undertaking community service activities

Community service policy

The Toyo Tanso Group values interactions and communications with people in the countries and communities where it operates.

We hope that by voluntarily engaging in community service as a member of the local community, each and every one of our employees will feel that they are contributing not only to the development of the local community but also that the awareness and sense of fulfillment they gain through working on social issues will lead to an increase in their own sense of purpose in life and work.

Therefore, with the aim of supporting employee efforts to contribute to society, we have newly established a cumulative paid leave system (maximum of 2 days per event) that can be utilized when they participate in volunteer activities.

1. Through our business activities, we create a society in which the local community and the company can coexist.
2. We work with the local community to promote ongoing activities based on an understanding of requests, expectations, and needs.
3. We raise a sense of volunteering among our employees and encourage and support their activities in the community.

Social welfare

We are working to address issues related to social welfare through the Red Feather Central Community Chest, for example by encouraging employees to donate blood and by providing food and other necessities to people who require assistance in their daily lives, for example economically disadvantaged people, elderly people without relatives, and people with physical disabilities.

- Participating in volunteer activities
- Offering food assistance to people in economic need
- Providing drinking water to social welfare councils

Environmental conservation

We work to raise employee awareness and conserve the environment through a variety of programs, including by orchestrating clean-up activities near our plants, planting trees at our facility sites, and participating in river and beach cleanup events hosted by local governments and volunteer organizations.

- Clean-up activities at rivers and beaches
- Clean-up (beautification) activities near business sites



Natural disaster assistance

In the event of natural disasters like earthquakes and flooding due to extreme weather, we work with local governments to open our facilities (canteens, parking lots, etc.) to the public and provide emergency food, drinking water, and other necessities that we have stockpiled for this purpose to affected local residents.

- Providing space for storing supplies for use in the event of a natural disaster
- Providing shelter facilities for use in the event of a natural disaster
- Providing supplies for use in the event of a natural disaster

Developing human resource

We are elevating interest in local corporations and hometown love, and support fostering human resources and growth of youth who carry the local society. In 2023, in order to get young people who are aspiring to the scientific and technological fields to deepen their understanding of local industry, we implemented a school tour for students from Kagawa Prefectural Kanonji Daiichi High School, designated a "Super Science High School" by the Ministry of Education, Culture, Sports, Science and Technology.

Additionally, we aim to develop next-generation human resources through operational support from Kondo Zaidan Public Interest Foundation.


School tour of a worksite

Creating safe, secure communities

We encourage people to join local fire departments, contributing to regional fire prevention. Currently, forty people, primarily employed at the Kagawa plants, are active members of their local fire departments. Additionally, we are helping build safe, secure communities, for example by contributing to improve disaster preparedness, and traffic safety and crime prevention to protect children from traffic accidents and crime.

- Encouraging employees to join local volunteer fire departments
- Posting crossing guards

Contributing to local communities

As one of our initiatives in contributing to local communities, in December 2023, we obtained naming rights for the facilities in Marugame City Sports Park, and named them "Toyo Tanso Urban Sports Park Marugame." In this fond name, we have placed our desire for this location in Kagawa Prefecture, where our company has developed several production sites, to be loved as a place of exchange through sports for everyone in the local community.

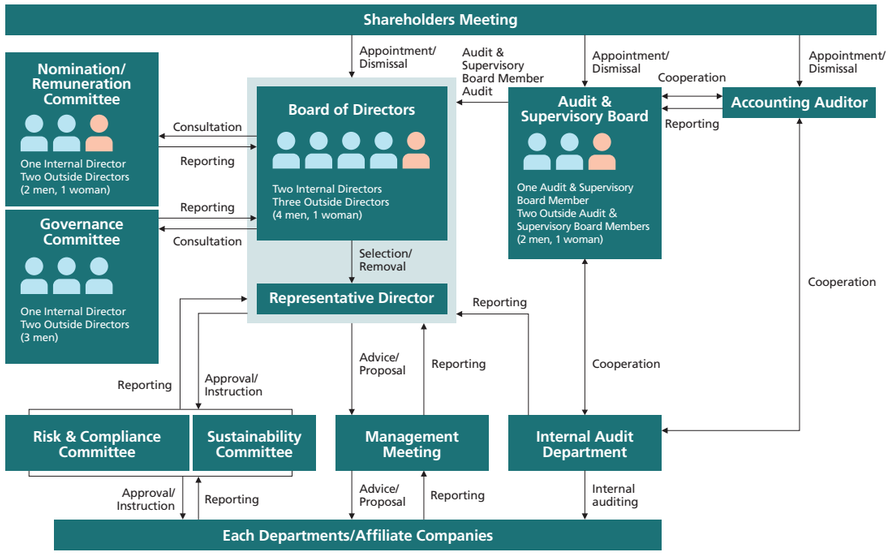

Toyo Tanso Urban Sports Park Marugame's skateboarding area (left) and basketball court (right)

Corporate governance

Corporate governance structures

In order to respond to the trust placed in us by our stakeholders including shareholders, customers, employees and society, and to achieve sustainable growth and medium- to long-term corporate value, while following the fundamental philosophy and management policies below as our basic principle, the Toyo Tanso Group has built a structure of corporate governance aiming to make transparent, fair, quick and decisive decisions while keeping a balance between management supervision and the execution of duties.

Overview of corporate governance



Global management

To further strengthen Group governance and the management of affiliated companies, category leaders at the Head Office are globally centralizing processing technologies, quality assurance, and product development, while also working to centralize management functions, including production, sales, procurement, legal affairs, accounting, human resources, and information systems. The Group is also standardizing subsidiary management in accordance with the Management Book (Group Common Management Standards), which includes standardizing operations, checking effectiveness, and monitoring.



- Centralize processing technology, quality assurance, and development under the Head Office
- Centralize management of functions such as sales, procurement, legal affairs, accounting, human resources, and information systems

Principal meeting structures

Board of Directors

Chairperson: Naotaka Kondo, Representative Director, Chairman & President, CEO

Members: Two Internal Directors (Naotaka Kondo, Tatsuro Hamada)
Three Outside Directors (Shusuke Matsuo, Keiko Kosaka, Makio Naito)

The Board meets once a month in regular session and in extraordinary sessions as necessary to make decisions concerning important matters such as our management policies. We have adopted an Executive Officer structure in which daily operational matters are entrusted Executive Officers to speed decision-making and clarify responsibility. Executive Officers, who are appointed by the Board of Directors, carry out operations by directing the internal organization under their control and are responsible for ensuring that those operations are carried out in accordance with the company's management policies. In addition to overseeing Directors' execution of their responsibilities, the Board of Directors oversees Executive Officers' implementation of operations.

Governance Committee

Chairperson: Naotaka Kondo, Representative Director, Chairman & President, CEO

Members: One Internal Director (Naotaka Kondo)
Two Outside Directors (Shusuke Matsuo and Makio Naito)

As a voluntary advisory body to the Board of Directors, the Governance Committee, whose purpose is to increase the transparency and fairness of management while enhancing the Group's corporate governance in an ongoing manner from the perspective of all stakeholders, deliberates on important matters related to corporate governance and reports to and advises the Board of Directors.

Audit & Supervisory Board

Chairperson: Toshimi Boki, Audit & Supervisory Board Member

Members: One Audit & Supervisory Board Member (Toshimi Boki)
Two Outside Audit & Supervisory Board Members (Kazuhiro Imai, Junko Uemura)

The body, which meets in regular session once a month and in extraordinary session as necessary, receives reports on the status of Audit & Supervisory Board Members' execution of their responsibilities, shares information, and works to ensure the effectiveness of audits. An alternate Audit & Supervisory Board Member is appointed to ensure the company has enough Audit & Supervisory Board Members as required under the law.

Risk & Compliance Committee

Chairperson: Hiroshi Hashigami, Managing Executive Officer, Director of Division, General Administration Division

Members: Committee members appointed by the Representative Director from among the Directors and Executive Officers

Under the supervision of the Board of Directors, the Risk Management & Compliance Committee deliberates on important issues related to risk and compliance and determines policies for both with the purpose of ensuring that the Group is in compliance with laws, regulations, the Articles of Incorporation, and corporate ethics and establishing risk management.

Management Meeting

Chairperson: Naotaka Kondo, Representative Director, Chairman & President, CEO

Members: Five directors, eight executive officers (excluding those also serving as Directors), and related officers and employees

The Management Meeting, which in principle meets once a month, works to accelerate decision-making and strengthen the company's operational functions by deliberating on important management matters and discussing matters that should be reported to the Board of Directors. It also ensures that decision-making on important matters is informed by good judgment.

Sustainability Committee

Chairperson: Naotaka Kondo, Representative Director, Chairman & President, CEO

Members: The Committee and three promotion groups (ESG Value Creating and Promoting Group, Sustainable Consumption and Production Group, and People and Organizational Vitalization Group)

The Sustainability Committee deliberates on important issues related to sustainability and determines policies for the purpose of establishing the Group's sustainability promotion structures, maintaining the sustainable development of society and the global environment, and advancing the sustainable growth of the Group. The heads of each promotion group are appointed by the Chairperson.

Nomination/Remuneration Committee

Chairperson: Shusuke Matsuo, Outside Director

Members: One Internal Director (Naotaka Kondo)
Two Outside Directors (Shusuke Matsuo and Keiko Kosaka)

As a voluntary advisory body to the Board of Directors, the Nomination/Remuneration Committee deliberates on human resources and remuneration matters concerning directors and other officers and reports to the Board of Directors in order to ensure the transparency of the discussion process related to human resources (appointments and dismissals) and remuneration for Directors, Executive Officers, and Audit & Supervisory Board Members, as well as to strengthen the company's corporate governance structures. In addition, the Nomination/Remuneration Committee deliberates and examines its policies and roles, as well as the criteria for the appointment and dismissal of Directors, as appropriate.

Internal Audit Department

The Internal Audit Department, under the direct supervision of the President, conducts audits including the appropriateness of the Group's operations, the reliability of financial reporting, management efficiency, and compliance. Audit & Supervisory Board Members and the Accounting Auditor exchange information as appropriate, and strive to conduct effective audits in cooperation with each other by sharing information and other means.

Officers

Director



Naotaka Kondo

Representative Director, Chairman & President
Chief Executive Officer (CEO)
In charge of Administration Division and Global Sales Division

● Number of shares held: 1,219,480



Tatsuro Hamada

Director
Director of Division,
Corporate Planning Division
In charge of the Global Supply Chain Promotion Department, Global R&D Division, and Production Division

● Number of shares held: 2,683



Shusuke Matsuo

Director (Outside, Independent)

● Number of shares held: 899



Keiko Kosaka

Director (Outside, Independent)

● Number of shares held: 518



Makio Naito

Director (Outside, Independent)

● Number of shares held: 43

Audit & Supervisory Board Member



Toshimi Boki

Audit & Supervisory Board Member (Full time)

● Number of shares held: 2,200



Kazuhiro Imai

Audit & Supervisory Board Member (Outside, Independent)

● Number of shares held: 0



Junko Uemura

Audit & Supervisory Board Member (Outside, Independent)

● Number of shares held: 0

Years of service		6 years	5 years	4 years	2 years	1 year	2 years	2 years	2 years
Reason for appointment		Naotaka Kondo has a wealth of experience and knowledge serving in management positions, exercising strong leadership since being appointed to the office of Representative Director of the Company in 2018. He has driven initiatives to reinforce corporate governance and to implement the Company's growth strategy, and is expected to contribute to improving corporate value.	Tatsuro Hamada was involved for many years in the development division of a tire manufacturer and has experience as both an Executive Officer and the head of a management division. Since joining the Company, he has contributed to reforms of technical development, business development and promoting management strategy, and is therefore expected to contribute to improving the company's value.	In addition to working as a manager at a chemical manufacturer, Shusuke Matsuo has experience as a manager at an overseas subsidiary of a trading company, and has abundant experience and knowledge about management from a global perspective. Based on his experience as an Outside Director at our company, he is expected to appropriately fulfill his supervisory function with respect to executing the Company's business and to contribute to discussing and reviewing the Company's overall management strategy.	Keiko Kosaka has knowledge and experience in corporate law that she has cultivated over many years as an attorney in the field of corporate law. She has also contributed to audits as an Outside Audit & Supervisory Board Member at the Company since March 2018, and has experience as an Outside director and Outside Audit & Supervisory Board Member at other companies. Based on this experience, she is expected to appropriately fulfill her supervisory function with respect to executing the Company's business and to contribute to strengthening our corporate governance.	Makio Naito has a wealth of academic experience as a specialist, serving in research and management at industrial machinery manufacturers, and with many years of engagement in research relating to powder engineering at Osaka University, where he serves as a professor. He is expected to appropriately fulfill his supervisory function with respect to executing the Company's business from an objective standpoint with respect to the Company's overall management, and to contribute to discussing and reviewing the Company's overall management.	As a tax accountant, Kazuhiro Imai has extensive knowledge and experience in finance and accounting.	As an attorney, Junko Uemura has extensive knowledge and experience in legal affairs, primarily corporate law.
Committee Affiliation	Nomination/Remuneration Committee	○	—	Committee Chairman ○	○	—	—	—	—
	Governance Committee	Committee Chairman ○	—	○	—	○	—	—	—
Attendance	Board of Directors	17 of 17 meetings	17 of 17 meetings	17 of 17 meetings	17 of 17 meetings	13 of 13 meetings	17 of 17 meetings	17 of 17 meetings	17 of 17 meetings
	Audit & Supervisory Board	—	—	—	—	—	14 of 14 meetings	14 of 14 meetings	14 of 14 meetings
	Nomination/Remuneration Committee	7 of 7 meetings	—	7 of 7 meetings	7 of 7 meetings	—	—	—	—
	Governance Committee	3 of 3 meetings	—	3 of 3 meetings	—	1 of 1 meeting	—	—	—
Skills Matrix	Overall management	●	●	●		●			
	Key business/industry experience (Materials industry)	●	●	●		●			
	Global management	●	●	●		●			
	Sales/marketing	●	●	●					
	R&D/production technology	●	●			●			
	Quality control/procurement and logistics	●					●		
	Sustainability/ESG	●	●		●	●			
	IT/AI/IoT/DX	●					●		
	Legal affairs/personnel/risk management, etc.	●		●	●				●
	Finance/institutional accounting/ management accounting/taxation	●		●			●	●	

* The number of shares of the Company held by each Director and Audit and Supervisory Board member, as well as their attendance at meetings of the Board of Directors, Audit & Supervisory Board, and each committee are accurate as of December 31, 2023.
* Attendance figures for Director Makio Naito indicate his attendance at Board of Directors and Governance Committee meetings held during FY2023 since his appointment as Director on March 30, 2023.

Executive Officers (as of March 28, 2024)

Position	Name	Area of responsibility
Chairman & President Executive Officer	Naotaka Kondo*	Chief Executive Officer (CEO) In charge of General Administration Division and Global Sales Division
Senior Managing Executive Officer	Tatsuro Hamada*	Director of Division, Corporate Planning Division In charge of Global Supply Chain Promotion Department, Global R&D Division, and Production Division
Managing Executive Officer	Hiroshi Hashigami	Director of Division, General Administration Division, General Manager of Secretarial Department In charge of Human Resources Department
Managing Executive Officer	Akira Sasaki	Director of Division, Grobal sales Division In charge of Sales Management Department
Senior Operating Officer	Tadashi Shimada	Director of Division, Production Division
Executive Officer	Hideki Kiku	Deputy Director General of Division, Global Sales Division In charge of Domestic Sales Department, International Sales Department, and Industrial Brush Sales Promotion Department
Executive Officer	Manabu Takata	Deputy Director General of Division, Corporate Planning Division General Manager of Planning Department and Global Business Strategy Department In charge of Sustainability Promotion Department and Carbon Brush Business Promotion Department
Executive Officer	Kiyofumi Sone	Deputy Director General of Division, Production Division In charge of Innovation of Engineering Department, Engineering of Materials Department, Facility Department, Production Department, and Production Coordination Department
Executive Officer	Hiroshi Machino	Deputy Director General of Division, Production Division In charge of Purification Department, Advanced Material Department, C/C Composite Production Department, and PF Production Department
Executive Officer	Yusuke Murata	Director of Division, Global R&D Division and General Manager of Development Planning Department

Executive Officers whose position is preceded by an asterisk also serve as Directors.

Efforts to strengthen corporate governance



Change in the number of directors

	2016	2017	2018	2019	2020	2021	2022	2023	2024–
Directors	8	7	7	8	8	7*	6	6	5
Outside Directors	3	3	3	3	3	3	3	3	3
Female Directors	0	0	0	0	0	0	1	1	1
Audit & Supervisory Board Members	3	3	3	3	3	3	3	3	3
Outside Audit & Supervisory Board Members	2	2	2	2	2	2	2	2	2
Female Audit & Supervisory Board Members	0	0	1	1	1	1	1	1	1

* Director headcount as of August 1, 2021 (reflecting one resignation effective July 31, 2021).

Officer remuneration

Our basic policy concerning the determination of officer remuneration is that such remuneration should comprise a system that functions adequately as a robust incentive to encourage sustained improvement of corporate value and contributions to the sustainable development of society, reflects shareholder profits, and aligns with the Medium-Term Management Plan. Remuneration for Executive Officers consists of a monthly salary as basic remuneration and short- and medium-/long-term incentive remuneration as a performance-based component. The indicators used to determine performance-based remuneration are chosen with the goal of ensuring that those components of officers' remuneration more closely track the company's performance during the business year in question as well as its medium- and long-term performance. Remuneration for Non-Executive Officers who perform oversight functions consists exclusively of a monthly salary as basic remuneration, determined on the basis of their job responsibilities. Audit & Supervisory Board Member remuneration consists exclusively of basic remuneration.

At the Board of Directors meeting held on January 25, 2024, a resolution was passed to add performance indicators to medium- to long-term incentive remuneration and to establish ESG indicators.

Remuneration components

Remuneration components are determined according to position. The higher the position, the higher the proportion of variable remuneration.



The amount paid when sales targets are achieved is set at 100, and varies between approximately 0 and 150 depending on the degree of achievement.

Short-term incentive (STI) remuneration

- ROE
- Achievement rate of operating profit target
- Self assessment by individual officers

Medium- to long-term incentive (LTI) remuneration

* Additional indicators

▶ **Performance indicators**
- **Operating profit***
- Company stock growth rate
- ROE
- Net sales

▶ **ESG Indicators***
- **CDP Climate Change Score**
- **Global Engagement Survey**

Total remuneration and other remuneration by officer classification, total remuneration and other remuneration by type, and number of officers (FY2023)

Officer classification	Total remuneration and other remuneration (Millions of yen)	Total remuneration and other remuneration by type (Millions of yen)		Number of eligible officers
		Basic remuneration	Performance-linked remuneration	
Directors (Excluding Outside Directors)	131	98	32	3
Outside Director	22	22	–	4
Audit & Supervisory Board members (Excluding Outside Audit & Supervisory Board Members)	16	16	–	1
Outside Audit & Supervisory Board Members	11	11	–	2

* The number of officers and total amount of remuneration and other remuneration listed above includes one Director (Outside Director) who retired due to the expiration of his/her term of service at the conclusion of the Ordinary General Meeting of Shareholders held on March 30, 2023.
* ROE and achievement rate of the operating profit target, which serve as indicators for evaluating performance, were 9.3% and 109.2%, respectively, during the business year under review.
* Financial remuneration for Directors was capped at 540 million yen per year by the 77th Ordinary General Shareholders Meeting held on March 28, 2019. As of the closing of that meeting, the company had eight Directors (of whom three were Outside Directors).
* Financial remuneration for Audit & Supervisory Board Members was capped at 36 million yen per year by the 77th General Shareholders Meeting held on March 28, 2019. As of the closing of that meeting, the company had three Audit & Supervisory Board Members(of whom two were Outside Audit & Supervisory Board Members).

Officer training policy

Toyo Tanso provides, facilitates, and funds training opportunities designed to allow Directors, Audit & Supervisory Board Members, and Executive Officers to acquire necessary knowledge concerning the Group's businesses, finances, organization, and other characteristics and to develop a sufficient understanding of the roles and responsibilities they are expected to fulfill at the time of their appointment and to update this knowledge on an ongoing basis while they serve in their positions. As an example of specific initiatives, in addition to Directors, Audit & Supervisory Board Members, and Executive Officers, we plan to regularly conduct training for executive candidates as necessary.

Evaluating the effectiveness of the Board of Directors

Toyo Tanso's Governance Committee plays the lead role in evaluating and analyzing the effectiveness of the Board of Directors as a whole and undertaking initiatives to address the issues identified as a result. An overview of the FY2023 evaluation follows.

Method	Questionnaire format	Participants	Directors and Audit & Supervisory Board Members
Contents	Survey forms including the following principal evaluation items were handed out: 1. Responsibilities and roles of the Board of Directors 2. Scale, composition, and structures of the Board of Directors 3. Administration of the Board of Directors 4. Relationships with stakeholders		
Results	The Board of Directors was found to be carrying out its roles and responsibilities in line with the Corporate Governance Code and to be functioning in a generally effective manner.		

Areas where we will work to make improvements based on an awareness of the need for enhancements and additional development	Areas to be targeted for initiatives in 2024 onwards
(1) Enhancing deliberation of topics such as the direction of corporate strategy and the Medium-Term Management Plan by the Board of Directors	• Progress and reassessment of the Medium-Term Management Plan • Consideration of M&As • Deepening of discussions on management strategies (overseas business, capital investments, personnel, etc.)
(2) Formulating successor plans	• Progress in successor plans
(3) Progress in addressing issues identified in evaluating the effectiveness of the Board of Directors last year, and improvements for those issues	• Progress in initiatives related to (1) and (2)

Roundtable discussion among Outside Directors

Outside Director **Makio Naito** × Outside Director **Keiko Kosaka** × Outside Director **Shusuke Matsuo**



What are the characteristics of and areas needing improvement with respect to Toyo Tanso's Board of Directors?

Matsuo: While Board of Directors' meetings have a different atmosphere from company to company, what makes Toyo Tanso stand out is the ability to communicate frankly and openly. And while our strong business performance is partly responsible, I also like the fact that there are many constructive discussions about how to further grow our businesses. We also participate in Management Meetings as Outside Directors, and some of the topics discussed there are also brought forward to the Board of Directors meetings, allowing us to understand these topics to a certain degree before attending. Suffice to say that I think a bit more criticism wouldn't hurt. Everyone in the Company is rather warm-hearted and don't express their opinions much about other departments besides their own, and I think more interaction of this sort would vitalize the Company.

Kosaka: Inside Directors participate in various meetings such as General Manager meetings as well as Board of Directors meetings and Management Meeting assemblies, so I believe that many issues have already been thoroughly discussed. However, I feel that it is important for us to hear directly from people within the company in order to deepen our understanding of things.

Naito: I agree with Matsuo about the Company's frank and open communication. Even though I was just appointed in March of last year, I don't have to feel tense just because I'm an Outside Director, I can just be myself in discussions. However, with such a diverse range of products and facilities located all over the world, the topics of discussion end up being so different from each other that we don't have enough time to address them all. This is why, after consulting with Matsuo and Kosaka, I arranged for a forum to be set up outside of Board of Directors meetings to hold discussions with executive officers on topics that I wanted to explore in more depth, such as long-term

plans. Looking back on our activities over the past year, this is one initiative that we feel is a positive one.

Matsuo: Since Board of Directors meetings mainly focus on daily operations and current projects, the forum will be a valuable opportunity to discuss future courses of action.

Kosaka: I feel that the awareness around the need to have a medium- to long-term view is growing every year, and now that the COVID-19 pandemic has subsided and meetings are being held face-to-face, it has become easier to exchange opinions. I hope this means we can have further discussions on future-focused topics going forward. With Matsuo in company management, Naito in research and development, and myself in the legal field, the three of us have very different backgrounds. And depending on the topic, the presidents of our overseas subsidiaries also join in on the meetings, so I think this lets us discuss things from a variety of perspectives.



From your perspective as experts, what management issues do you think should be given priority?

Matsuo: I believe the most important thing is to develop human resources. As we expand our global operations, we need people who can handle a variety of tasks overseas, or more simply, people with strong English skills. Language skills cannot be acquired overnight, so thorough education and support are needed. I also think it's extremely important to be able to hire the best possible people, which I think is something every company struggles with. And Toyo Tanso is a global company, so I don't think it's essential that everyone be Japanese. Furthermore, and I know this is Naito's area of expertise, but I want to see a greater focus on nurturing human resources with new ideas for technologies.

Naito: Toyo Tanso's mission is to consistently develop new products using its unique technology and contribute to the businesses of its customers and society. In short, we are a company that thrives on technology, and stopping development for even a moment would see the Company lose its current position and sustainable growth. Continuing to point this out is something I see as one of my roles, and over the past year, the Company's three R&D structures (basic research, technological development, and production technology) have reorganized significantly, which gives me hope for future developments.

Kosaka: The Company has also made substantial developments to its systems over the past few years with respect to legal matters such as domestic contract review and compliance with environmental regulations. I think a challenge for the future is how to make global management more effective. Departments must work closely with their subsidiaries and determine how Toyo Tanso may be involved in addressing these subsidiaries' legal issues and risks. With regard to intellectual property, systems have been put in place that include systems for reviewing IP development, but I think there needs to be further discussion about how to manage these systems globally.

Naito: Regarding intellectual property, I believe there was one discussion regarding patents at last year's Board of Directors meeting. Since Toyo Tanso finds itself being pursued by competitors, it will likely need to create more opportunities for discussing its intellectual property strategy in the future.

How do you rate the Company's sustainability efforts?

Naito: It has set a goal of reducing greenhouse gas emissions intensity per unit of net sales by 30% by 2030 compared to FY2019 levels, but what I think is appealing about Toyo Tanso is that its carbon materials themselves are contributing to the creation of a sustainable society.





Matsuo: In FY 2023, approximately 27% of the sales of environmentally friendly products contributed to energy conservation and creation. The goal for 2030 is 35%.

Naito: At the same time, producing carbon materials and environmentally friendly products requires a considerable amount of energy. That's why the company has begun to place more importance on this point and have begun working on utilizing renewable energy and developing manufacturing technologies that save energy while having low environmental impact.

Kosaka: Toyo Tanso has established the Sustainability Committee, which identifies various issues and reports the committee's activities to the Board of Directors. To improve the transparency of governance within the Group, the Company has appointed category leaders in each department at the Head Office to centralize the management of technologies and operations, and has standardized subsidiary management in accordance with Group Common Management Standards. From a sustainability perspective, I believe these measures also contribute to progress productivity and risk management. I also feel that a system is coming together that will enable the Group to respond as a whole to issues such as strengthening its response to environmental regulations overseas.

What will you be focusing on in your future activities?

Kosaka: With the relocation of our head office now complete, we are currently working to lay the foundations for further growth. Going forward, I hope that we can share more about our future course of action regarding how we will increase our performance and grow the company based on our medium- to long-term plans, and would like to have more in-depth discussions at Board of Directors meetings.

Matsuo: Although I believe there are limitations that come with being an outside director, I aim to offer advice that ensures the Company does not stray from the correct path forward. I also hope to further develop the discussion regarding the medium- to long-term plans mentioned by Kosaka. We are currently formulating a medium-term management plan that will run through 2028 and that we will continue to review annually. But I would also like to discuss in more detail the direction of our management in the long-term.

Naito: The foundation of that medium-term management plan is, of course, technological development. Now that the basic infrastructure is in place, we want to be able to provide advice on not only actual technology development, but also on laborsaving and automation using data science, AI, IoT, etc., as well as the development of new materials making full use of the latest software technologies. We also hope to be able to support members of the technology development, basic research, and production technology teams in working together to create synergy effects.

Kosaka: The shared wish of all Outside Directors is to provide support to everyone within the Company. Since this requires gaining a deeper understanding of Toyo Tanso, we toured its Takuma Division and other facilities, as well as the factories of its affiliates, and listened to what everyone had to say.

Matsuo: Toyo Tanso has a positively enormous number of products on the market, and because they are not something you typically see on a daily basis, there are many things that non-experts like myself and Kosaka don't know about them. However, when I actually saw how things were made in the factory and had it carefully explained to me what the machines did, even the novice that I am was able to understand what they were all about.

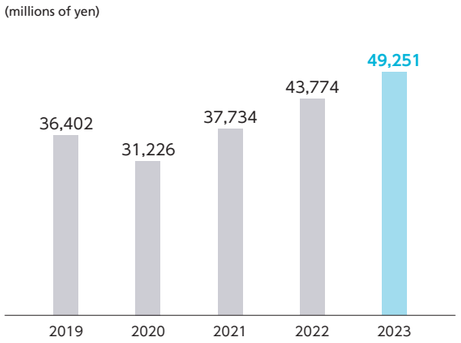
Naito: You both ask sharp questions that get to the heart of the matter, which must have been a refreshing experience for everyone at the event. I think knowing the viewpoints of people in different areas of expertise is very important for creating something new. What impressed me was the passion of the young engineers. Seeing them work with such great motivation and in a relaxed atmosphere, I felt they had the potential to grow even more in the future.

Kosaka: Going on-site not only helps deepen our knowledge of technology and products, we can also experience what the on-site environment is like, what kind of equipment they need to invest in, and what the current state of Toyo Tanso is like from various angles. Doing this has brought new issues to light and helped me to better understand the agenda items discussed in Board of Directors meetings. By continuing to make use of opportunities like this, I hope to contribute to the Company's further development.

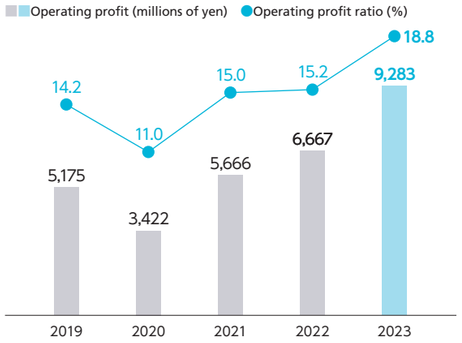
Financial and non-financial information

Financial and non-financial highlights

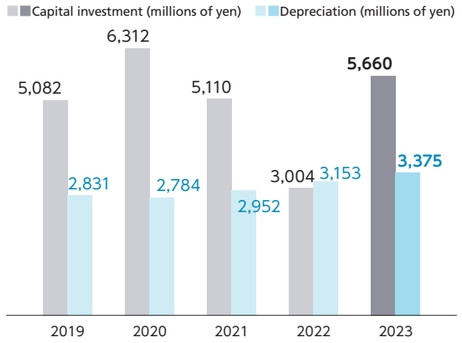
Net sales



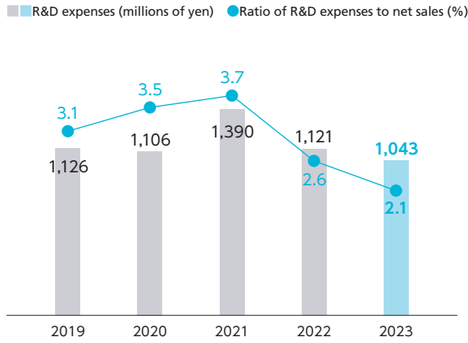
Operating profit/Operating profit ratio



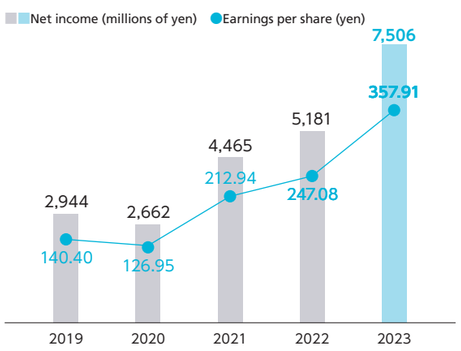
Capital investment/Depreciation



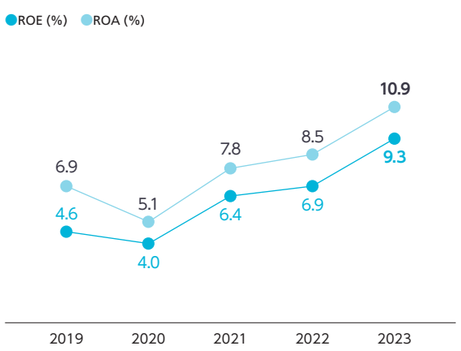
R&D expenses/Ratio of R&D expenses to net sales



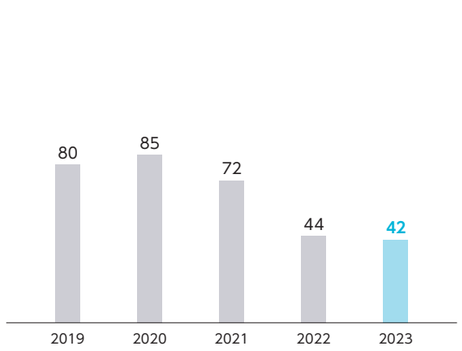
Net income/Earnings per share



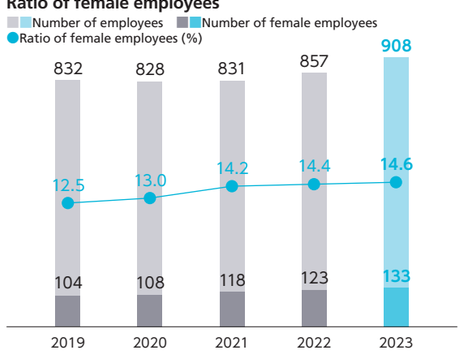
ROE/ROA



Number of R&D employees

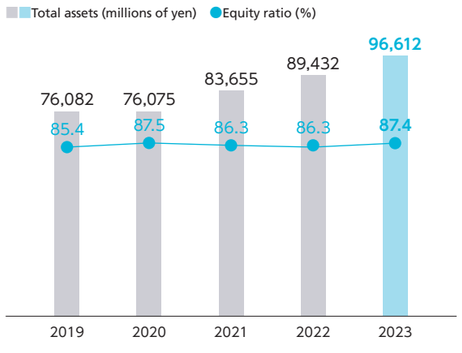


Number of employees/Number of female employees/ Ratio of female employees

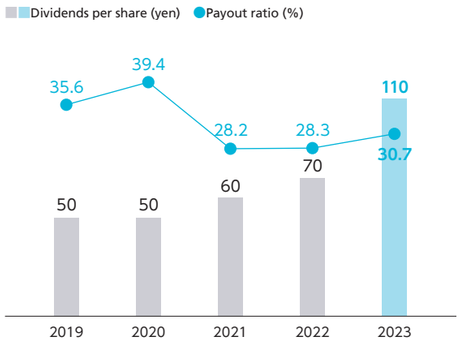


* Toyo Tanso Co., Ltd., non-consolidated basis

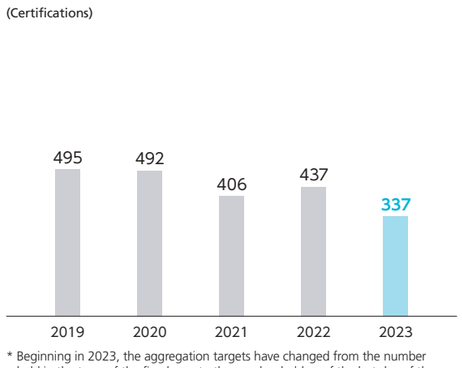
Total assets/Equity ratio



Dividends per share/Payout ratio

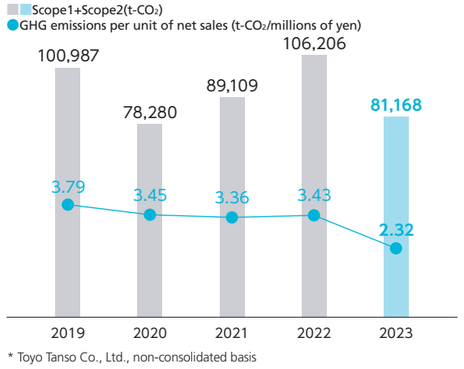


Number of patents held



* Beginning in 2023, the aggregation targets have changed from the number held in the term of the fiscal year to the number held as of the last day of the fiscal year. Additionally, we are implementing proper optimizations through assignment of patent rights and such, and therefore, the number of patents held has decreased compared to the previous year.

Greenhouse gas emissions



* Toyo Tanso Co., Ltd., non-consolidated basis

11-year financial and non-financial summary

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 (forecast)
Performance (millions of yen)	Net sales	34,066	35,558	32,464	35,240	41,132	36,402	31,226	37,734	43,774	49,251	54,000
	Operating profit	1,140	790	652	3,708	7,009	5,175	3,422	5,666	6,667	9,283	10,900
	Ordinary profit	1,501	917	759	3,719	7,057	5,207	3,877	6,264	7,369	10,182	10,500
	Profit attributable to owners of parent	1,327	402	284	3,020	4,910	2,944	2,662	4,465	5,181	7,506	7,600
Financial position (millions of yen)	Total assets	75,831	72,990	69,797	74,223	74,951	76,082	76,075	83,655	89,432	96,612	
	Net assets	60,918	59,487	58,182	60,986	64,096	65,706	66,622	72,256	77,200	84,524	
Cash flows (millions of yen)	Cash flows from operating activities	7,374	6,797	5,120	6,972	5,759	5,149	7,020	7,328	5,625	6,216	
	Cash flows from investing activities	(2,314)	(5,235)	(4,127)	(5,951)	(4,318)	(4,017)	1,011	(6,252)	(5,253)	(2,693)	
	Cash flows from financing activities	(3,406)	(3,167)	(1,270)	(1,216)	(1,169)	(1,372)	(2,099)	(1,261)	(1,388)	(1,970)	
	Cash and cash equivalents at end of period	9,061	7,147	6,424	6,361	6,414	6,101	12,093	12,470	11,773	13,601	
Per-share data (yen)	Net assets	2,850.98	2,803.69	2,741.06	2,884.66	3,019.47	3,097.00	3,174.52	3,442.80	3,678.50	4,027.70	
	Profit	64.02	19.40	13.71	145.52	234.52	140.40	126.95	212.94	247.08	357.91	362.38
	Diluted earnings	63.90	19.38	—	145.25	—	—	—	—	—	—	
	Dividend	22.00	25.00	25.00	30.00	50.00	50.00	50.00	60.00	70.00	110.00	120.00
Indicators (%)	Equity ratio	78.0	79.6	81.4	81.0	84.5	85.4	87.5	86.3	86.3	87.4	
	Return on equity (ROE)	2.3	0.7	0.5	5.2	8.0	4.6	4.0	6.4	6.9	9.3	8.7
	Return on Assets (ROA)	2.0	1.2	1.1	5.2	9.5	6.9	5.1	7.8	8.5	10.9	
	Percentage of overseas sales	60.2	61.4	58.7	60.2	63.0	54.8	56.9	59.0	58.3	56.3	
	Operating profit/net sales	3.3	2.2	2.0	10.5	17.0	14.2	11.0	15.0	15.2	18.8	20.2
	D/E ratio	0.08	0.04	0.03	0.02	0.01	0.00	0.00	0.00	0.00	0.00	
	Payout ratio	34.4	128.9	182.4	20.6	21.3	35.6	39.4	28.2	28.3	30.7	33.1
Capital investments, depreciation, R&D expenses (millions of yen)	Capital investments	2,591	2,958	2,662	2,221	2,653	5,082	6,312	5,110	3,004	5,660	15,030
	Depreciation	3,935	3,673	3,414	3,223	2,959	2,831	2,784	2,952	3,153	3,375	3,677
	R&D expenses	1,790	1,490	1,458	1,233	1,165	1,126	1,106	1,390	1,121	1,043	1,161
	Ratio of R&D expenses/net sales (%)	5.3	4.2	4.5	3.5	2.8	3.1	3.5	3.7	2.6	2.1	2.2
Non-financial information	Number of employees	1,969	1,986	1,903	1,710	1,678	1,700	1,658	1,640	1,690	1,736	
	(average number of temporary employees)	167	176	153	214	230	254	275	282	288	292	
	Percentage of female employees*1 (%)	10.2	9.5	9.8	10.3	10.8	12.5	13.0	14.2	14.4	14.6	
	Average years of service*1 (years)	14.6	14.5	15.4	17.0	17.7	17.1	17.9	18.1	18.0	17.6	
	Percentage of Outside Independent Directors (%)	12.5	25.0	37.5	42.9	37.5	37.5	37.5	42.9	50.0	50.0	60.0
	Percentage of female officers*2 (%)	9.1	9.1	0.0	0.0	9.1	9.1	9.1	9.1	22.2	22.2	25.0
	Number of R&D employees	99	142	111	91	89	80	85	72	44	42	
	Number of patents held	491	549	573	502	493	495	492	406	437	*3 337	
	Number of newly acquired patents	61	93	52	51	62	54	46	17	23	*3 11	
	Greenhouse gas emissions (Scope 1 and Scope 2)*1 (t-CO_2)						100,987	78,280	89,109	106,206	81,168	
	Greenhouse gas emission per unit of net sales (Scope 1 and Scope 2)*1 (t-CO_2/millions of yen)						3.79	3.45	3.36	3.43	2.32	

*1 Non-consolidated basis
*2 Directors and Audit & Supervisory Committee members
*3 Beginning in 2023, the aggregation targets have changed from the number held in the term of the fiscal year to the number held as of the last day of the fiscal year.
Additionally, we are implementing proper optimizations through assignment of patent rights and such, and therefore, the number of patents held has decreased compared to the previous year.

Consolidated financial statements

Consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (As of December 31, 2022)	Current consolidated fiscal year (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	15,437	15,132
Notes and accounts receivable - trade	16,606	17,494
Securities	2,999	2,999
Merchandise and finished goods	8,121	9,440
Work in progress	7,127	8,145
Raw materials and supplies	3,167	4,220
Other	502	726
Allowance for doubtful accounts	(101)	(61)
Total current assets	53,861	58,099
Non-Current assets		
Property, plant and equipment		
Buildings and structures	24,010	24,553
Accumulated depreciation	(12,988)	(13,846)
Buildings and structures, net	11,022	10,706
Machinery, equipment and vehicles	55,534	58,196
Accumulated depreciation	(45,540)	(47,108)
Machinery, equipment and vehicles, net	9,993	11,087
Land	5,931	6,104
Leased assets	1,592	1,693
Accumulated depreciation	(424)	(544)
Leased assets, net	1,167	1,148
Construction in process	1,773	3,104
Other	5,489	5,711
Accumulated depreciation	(4,240)	(4,619)
Other, net	1,248	1,091
Total property, plant and equipment	31,138	33,243
Intangible assets	289	488
Investments and other assets		
Investments securities	350	503
Deferred tax assets	1,490	1,491
Retirement benefit asset	566	685
Other	1,896	2,272
Allowance for doubtful accounts	(160)	(171)
Total investments and other assets	4,143	4,781
Total non-current assets	35,571	38,513
Total assets	89,432	96,612

(Millions of yen)

	Previous consolidated fiscal year (As of December 31, 2022)	Current consolidated fiscal year (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,328	2,718
Electronically recorded obligations - operating	1,004	831
Short-term borrowings	285	—
Accounts payable - other	1,890	2,523
Income taxes payable	1,734	1,675
Provision for bonuses	772	772
Provision for bonuses for directors (and other officers)	113	32
Other	3,018	2,557
Total current liabilities	11,147	11,111
Non-current liabilities		
Deferred tax liabilities	125	129
Retirement benefit liability	147	174
Asset retirement obligations	272	278
Other	538	394
Total non-current liabilities	1,084	976
Total liabilities	12,231	12,088
Net assets		
Shareholders' equity		
Share capital	7,947	7,947
Capital surplus	9,609	9,609
Retained earnings	55,672	61,710
Treasury shares	(60)	(61)
Total shareholders' equity	73,168	79,206
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	117	222
Foreign currency translation adjustment	3,944	5,053
Remeasurements of defined benefit plans	(83)	(11)
Total accumulated other comprehensive income	3,978	5,264
Non-controlling interests	53	53
Total net assets	77,200	84,524
Total liabilities and net assets	89,432	96,612

Consolidated financial statements

Consolidated statement of income

(Millions of yen)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Net sales	43,774	49,251
Cost of sales	29,346	31,528
Gross profit	14,427	17,722
Selling, general and administrative expenses	7,759	8,439
Operating profit	6,667	9,283
Non-operating income		
Interest income	92	90
Dividend income	67	69
Foreign exchange gains	282	361
Share of profit of entities accounted for using equity method	158	304
Revenue from sales of electric power	42	38
Other	127	86
Total non-operating income	770	952
Non-operating expenses		
Interest expenses	33	25
Depreciation	16	16
Contracted research expenses	9	–
Other	8	10
Total non-operating expenses	68	52
Ordinary profit	7,369	10,182
Extraordinary income		
Gain on sales of non-current assets	11	87
Gain on sale of investment securities	1	–
Subsidy income	42	382
Settlement income	73	–
Total extraordinary income	129	470
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	112	215
Impairment loss	–	120
Loss on suspension of operations	87	–
Total extraordinary losses	200	336
Profit before income taxes	7,298	10,317
Income taxes - current	2,503	2,849
Income taxes - deferred	(391)	(40)
Total income taxes	2,112	2,809
Profit	5,186	7,507
Profit attributable to non-controlling interests	4	0
Profit attributable to owners of parent	5,181	7,506

Consolidated statement of comprehensive income

(Millions of yen)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Profit	5,186	7,507
Other comprehensive income		
Valuation difference on available-for-sale securities	(42)	104
Foreign currency translation adjustment	1,065	1,058
Remeasurements of defined benefit plans, net of tax	(49)	71
Share of other comprehensive income of entities accounted for using equity method	47	54
Total other comprehensive income	1,021	1,289
Comprehensive income	6,207	8,796
Comprehensive income attributable to		
Owners of parent	6,201	8,791
Non-controlling interests	6	4

Consolidated statement of changes in equity

Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,609	51,748	(60)	69,245
Changes of items during period					
Dividends of surplus			(1,258)		(1,258)
Profit attributable to owners of parent			5,181		5,181
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	3,923	(0)	3,923
Balance at end of period	7,947	9,609	55,672	(60)	73,168

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	159	2,833	(33)	2,959	52	72,256
Changes of items during period						
Dividends of surplus						(1,258)
Profit attributable to owners of parent						5,181
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	(42)	1,111	(49)	1,019	1	1,021
Total changes of items during period	(42)	1,111	(49)	1,019	1	4,944
Balance at end of period	117	3,944	(83)	3,978	53	77,200

Consolidated statement of changes in equity

Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,947	9,609	55,672	(60)	73,168
Changes of items during period					
Dividends of surplus			(1,468)		(1,468)
Profit attributable to owners of parent			7,506		7,506
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	6,038	(0)	6,037
Balance at end of period	7,947	9,609	61,710	(61)	79,206

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	117	3,944	(83)	3,978	53	77,200
Changes of items during period						
Dividends of surplus						(1,468)
Profit attributable to owners of parent						7,506
Purchase of treasury shares						(0)
Net changes of items other than shareholders' equity	104	1,109	71	1,285	0	1,285
Total changes of items during period	104	1,109	71	1,285	0	7,323
Balance at end of period	222	5,053	(11)	5,264	53	84,524

Consolidated financial statements

Consolidated statement of cash flows

(Millions of yen)

	Previous consolidated fiscal year (From January 1, 2022 to December 31, 2022)	Current consolidated fiscal year (From January 1, 2023 to December 31, 2023)
Cash flows from operating activities		
Profit before income taxes	7,298	10,317
Depreciation	3,153	3,375
Impairment loss	—	120
Share of loss (profit) of entities accounted for using equity method	(158)	(304)
Increase (decrease) in retirement benefit asset or liability	(43)	(0)
Increase (decrease) in provision for bonuses	152	(16)
Increase (decrease) in provision for bonuses for directors (and other officers)	83	(80)
Increase (decrease) in allowance for doubtful accounts	(9)	(45)
Interest and dividend income	(159)	(159)
Interest expenses	33	25
Foreign exchange losses (gains)	(324)	(385)
Loss (gain) on sale of non-current assets	(10)	(86)
Loss on retirement of non-current assets	112	215
Decrease (increase) in trade receivable	(2,021)	(459)
Decrease (increase) in inventories	(1,959)	(2,883)
Increase (decrease) in trade payable	(127)	(65)
Other, net	1,131	(692)
Subtotal	7,150	8,871
Interest and dividend received	201	249
Interest paid	(34)	(24)
Income taxes refund (paid)	(1,692)	(2,879)
Net cash provided by (used in) operating activities	5,625	6,216
Cash flows from investing activities		
Payments into time deposits	(8,334)	(5,722)
Proceeds from withdrawal of time deposits	7,722	8,018
Purchase of property, plant and equipment	(4,219)	(4,698)
Proceeds from sales of property, plant and equipment	13	108
Purchase of intangible assets	(91)	(276)
Purchase of shares of subsidiaries and associates	(269)	—
Other, net	(76)	(123)
Net cash provided by (used in) investing activities	(5,253)	(2,693)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	101	(297)
Repayments of long-term borrowings	(34)	(9)
Repayments of finance lease liabilities	(190)	(191)
Purchase of treasury shares	(0)	(0)
Dividends paid	(1,259)	(1,467)
Dividends paid to non-controlling interests	(4)	(4)
Net cash provided by (used in) financing activities	(1,388)	(1,970)
Effect of exchange rate change on cash and cash equivalents	320	276
Net increase (decrease) in cash and cash equivalents	(696)	1,828
Cash and cash equivalents at beginning of period	12,470	11,773
Cash and cash equivalents at end of period	11,773	13,601

Corporate information

Company profile

Name	Toyo Tanso Co., Ltd.
Founded	February 11, 1941
Incorporated	July 31, 1947
Capital stock	7.9 billion yen
Representative	Naotaka Kondo Representative Director Chairman & President, CEO
Website	https://www.toyotanso.com/
For inquiries	Investor Relations and Public Relations Group, Planning Department, Corporate Planning Division 16th Floor Osaka Umeda Twin Towers South, 1-13-1 Umeda, Kita-ku, Osaka-shi, Osaka https://www.toyotanso.com/Contact/

Stock information

Stock data

(As of June 30, 2024)

Number of shares outstanding	20,992,588
Share unit	100 shares
Number of shareholders	7,927

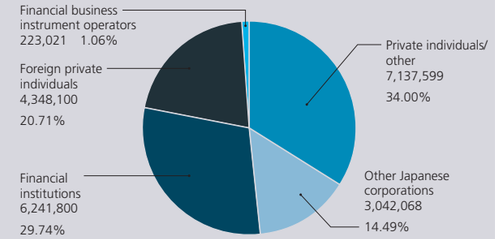
Major shareholders

(As of June 30, 2024)

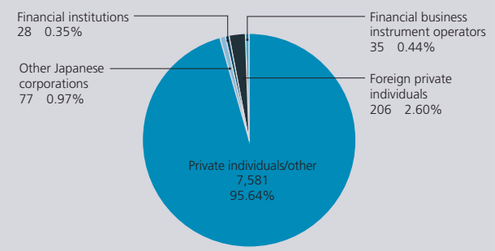
Shareholder name	Number of shares held (Thousands of shares)	Percentage of total
Custody Bank of Japan, Ltd. (trust account)	2,361	11.26
The Master Trust Bank of Japan, Ltd. (trust account)	1,863	8.89
Tomoko Kondo	1,560	7.44
Naotaka Kondo	1,218	5.81
Kondo Holdings Co., Ltd.	1,165	5.55
Kondo Zaidan Public Interest Foundation	834	3.98
NT Corporation, Ltd.	626	2.98
Takako Kondo	620	2.96
Junko Morita	600	2.86
The Nomura Trust & Banking Co. (Investment trust account)	537	2.56

* Treasury stock (20,217 shares) has been excluded in calculations of share ownership percentages.

Distribution of shares by owner (As of June 30, 2024)



Distribution of shareholders by type (As of June 30, 2024)





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