

# Corporate Governance

## Basic approach

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

### Enhancement of corporate governance through continuous reform

We will continue to incessantly reform and validate management resources and risk management, and build and maintain effective corporate governance. We will adapt flexibly to changes in the business environment and work to achieve resilient corporate management that contributes to the sustainable growth of the Group.

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

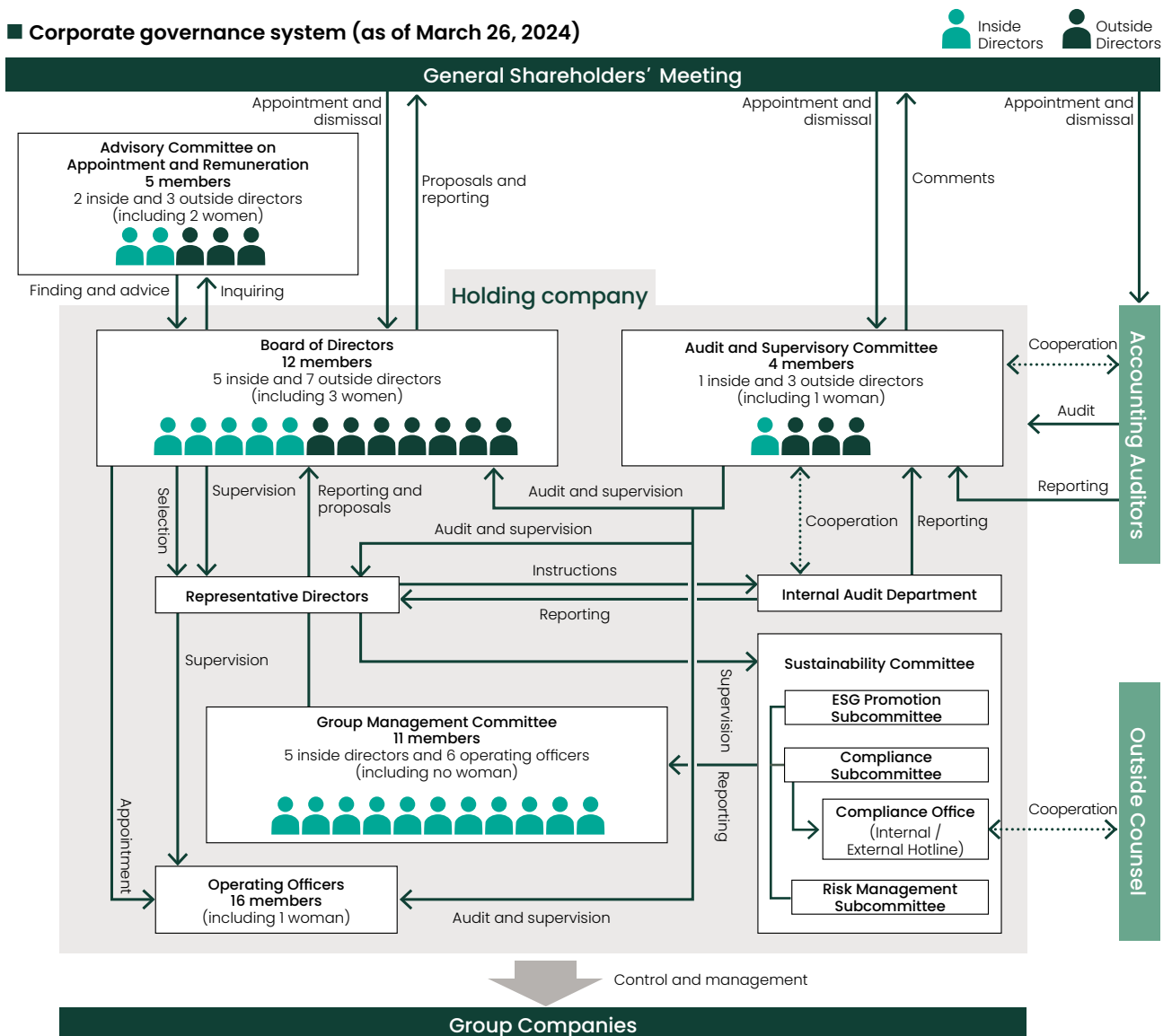
We will address individual corporate governance issues in accordance with the basic policy regarding corporate governance in an effort to establish proper corporate governance.

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

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

 The Basic Policy on Corporate Governance and details of our corporate governance initiatives are posted on our website under Sustainability > Governance > Corporate Governance.

## Corporate governance system (as of March 26, 2024)



## Corporate Governance

### Major Organizational Units and Meeting Bodies and their Roles

Organizational unit / meeting body	Members	Roles	Meeting held in FY2023
<p><b>Board of Directors</b>                      Term for directors who are not Audit and Supervisory Committee members: 1 year                      Term for directors who are Audit and Supervisory Committee members: 2 years</p>	<p><b>Chair:</b> President and Representative Director  <b>Members:</b> Twelve members (three of whom are women); eight directors who are not Audit and Supervisory Committee members (of whom four are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors.)</p>	<p>In addition to meeting every month as a key organizational body making decisions regarding the overall management of the Group, the Board also meets on an extraordinary basis as necessary, making decisions on legal matters and important management matters and overseeing the state of execution of business.</p>	17 times
<p><b>Audit and Supervisory Committee</b>                      Term for Audit and Supervisory Committee members: 2 years</p>	<p><b>Members:</b> Four Audit and Supervisory Committee members (including three external members and three independent members)</p>	<p>The Audit and Supervisory Committee cooperates with the Internal Audit Department and accounting auditor and audits the legality and appropriateness of directors' execution of their duties.                      It gives reports with the Internal Audit Department—the Group's internal auditing division—at regular meetings of the Audit &amp; Supervisor Committee and holds information exchange meetings as appropriate. The committee reports audit results to accounting auditors and holds information exchange meetings as appropriate.</p>	13 times
<p><b>Group Management Committee</b></p>	<p><b>Members:</b> Directors, Audit and Supervisory Committee members, operating officers who supervise or are responsible for key management functions, presidents of core operating companies</p>	<p>The Group Management Committee makes important decisions on the execution of business as a consultative and decision-making body subordinate to the Board of Directors.                      Because the Group Management Committee mainly examines the Group's business strategies, business-related issues, and business results, its meetings are always attended by Chief R&amp;D Officer, General Manager of Finance &amp; Accounting Department and General Manager of Human Resources Department who do not attend the Board of Directors' meetings, and the representative directors of the Group's core operating companies, Toyocolor Co., Ltd., Toyochem Co., Ltd. and Toyo Ink Co., Ltd.</p>	26 times
<p><b>Advisory Committee on Appointment and Remuneration</b></p>	<p><b>Chair:</b> Outside Director  <b>Members:</b> Two inside directors and three outside directors</p>	<p>It discusses director candidates and their remuneration. The committee, the majority of which consists of outside directors, advises the Board of Directors on the appointment and remuneration of officers, thereby further enhancing transparency and objectivity in the process of determining the appointment and remuneration of directors.                      Beginning in FY2024, it holds four meetings a year to closely discuss successor plans and other matters.</p>	once
<p><b>Sustainability Committee</b></p>	<p><b>Chair:</b> Chief Sustainability Officer (Director)  <b>Secretariat:</b> ESG Promotion Office / Corporate Communication Department</p>	<p>The Sustainability Committee discusses policies, strategies, plans and measures regarding sustainability for the Group. It reports the progress of sustainability activities to the management and seeks the approval of the Group Management Committee and the Board of Directors approval of important matters.</p>	twice
<p><b>ESG Promotion Subcommittee</b></p>	<p><b>Chair:</b> General Manager of ESG Promotion Office  <b>Secretariat:</b> ESG Promotion Office</p>	<p>It carries out specific measures to disclose information in compliance with the TCFD recommendations, addresses climate change, reviews material issues, discusses new material issues and draws up measures to address the material issues.</p>	13 times
<p><b>Compliance Subcommittee</b></p>	<p><b>Chair:</b> General Manager of Human Resource Department  <b>Secretariat:</b> Legal Group, General Affairs Department</p>	<p>It discusses policies, plans and measures related to compliance for the Group. It works to advance the groupwide ethics and compliance system. It plans and implements education to enhance compliance and awareness-raising activities through having a compliance month and using the Group's intranet.</p>	twice
<p><b>Risk Management Subcommittee</b></p>	<p><b>Chair:</b> General Manager of General Affairs Department  <b>Secretariat:</b> General Affairs Group, General Affairs Department</p>	<p>It discusses policies, strategies, plans and measures regarding risk management for the Group and performs groupwide risk reviews to analyze and evaluate risks and report its findings to the management. It reports material risks to the Group Management Committee and to the Board of Directors. When any risk of great urgency materializes, it sets up an emergency headquarters and leads and controls emergency measures.</p>	twice

# Corporate Governance

## Skill matrix of the Board of Directors

We define the areas where we expect the individual directors to provide helpful supervision and advice regarding management issues. We also make sure that

the Board of Directors is composed of diverse directors with abundant experience and expert knowledge to enable proper deliberation and supervise the execution of business.

### ■ Composition and the activities of the main meeting bodies, expertise and careers of the members (skill matrix)

Name and position	Age	Gender	Nationality	Attendance rate at meetings*1			Main expertise and careers*4							
				Board of Directors	Audit & Supervisory Committee	Advisory Committee on Appointment and Remuneration	Corporate Management	Technical / R&D Production	Sales Marketing	Global	Finance / Accounting	Human Resources / DE&I	ESG Compliance Risk Management	
<b>Katsumi Kitagawa</b> Chairman and Representative Director	70	Male	Japan	○ 100% (17/17)		○ 100% (1/1)	○	○	○					
<b>Satoru Takashima</b> President and Representative Director, Group CEO	63	Male	Japan	● 100% (17/17)		○ 100% (1/1)	○		○	○				
<b>Hiroyuki Hamada</b> Senior Managing Director in charge of Corporate Departments	65	Male	Japan	○ 100% (17/17)					○	○	○		○	
<b>Shingo Kaneko</b> Outside Director	73	Male	Japan	○ 100% (17/17)			○		○					
<b>Chise Onodera</b> Independent Outside Director	58	Female	Japan	○ 100% (17/17)		○ 100% (1/1)							○	
<b>Tomoko Adachi</b> Independent Outside Director	70	Female	Japan	○ 100% (13/13) *2			○	○					○	
<b>Yoshinobu Fujimoto</b> Independent Outside Director	58	Male	Japan	○ *3						○			○	
<b>Tetsuaki Sato</b> Director in charge of Quality Assurance, Production, Environment, Sustainability, Purchasing and Logistics	63	Male	Japan	○ 100% (13/13) *2				○					○	
<b>Masayuki Kano</b> Director, Audit and Supervisory Committee member (full-time)	61	Male	Japan	○ *3	● *3								○	○
<b>Yutaka Yokoi</b> Leading Independent Outside Director, Audit and Supervisory Committee member	69	Male	Japan	○ 100% (17/17)	○ 100% (13/13)	● 100% (1/1)				○			○	
<b>Keiko Kimura</b> Independent Outside Director, Audit and Supervisory Committee member	64	Female	Japan	○ 100% (17/17)	○ 100% (13/13)	○ 100% (1/1)							○	○
<b>Minoru Matsumoto</b> Independent Outside Director, Audit and Supervisory Committee member	67	Male	Japan	○ 94% (16/17)	○ 100% (13/13)						○		○	

\*1 Attendance rate in 2023 \*2 Appointed on March 23, 2023 \*3 Appointed on March 26, 2024 \*4 The above matrix does not show all the expertise or careers of each director.

●: Chair person ○: Member

As of March 26, 2024

	Job experience and expected roles	Period of service as director Number of the Company's shares owned
	Since becoming president and representative director in 2011, he has been leading strongly, executing business and supervising the overall management of the Company and doing the same for the Group as a whole. It is expected that he will continue to fulfill his duties as a director of the Company, supervising the management of the Company as a whole and increasing the Group's corporate value.	18 years 9 months 51,913 shares
	After working mainly in the corporate planning division and holding important posts within major affiliates in Japan and overseas, he was appointed president and representative director in 2020. He has since been leading strongly, executing business and supervising the overall management of the Company. Since 2022, he has been executing business and supervising the Group as a whole as the Group CEO. It is expected that he will continue to fulfill his duties as a director of the Company, supervising the management of the Company as a whole and increasing the Group's corporate value.	10 years 9 months 33,488 shares
	After holding key positions mainly in the Corporate Administration division and at overseas representatives, since assuming the position of Director in 2016, he has supervised the management of the Company and executed business with a high level of competence and expertise relating to corporate strategy. He is expected to properly fulfill his duties as a director of the Company and use his knowledge in the relevant areas to supervise the management of the Company.	7 years 9 months 8,623 shares
	After his long service as a director at TOPPAN Holdings Inc., he was appointed President and Representative Director of the company in June 2010. He has an abundance of experience and broad-ranging insights in corporate management and various other areas. As an expert in business administration familiar with the industry, he has, since his appointment as a director of the Company in 2020, been giving advice and guidance on the management of the Company as a whole from an objective point of view in consideration of business circumstances surrounding the Group. It is expected that he will continue to give helpful advice and opinions regarding the Group's management based on his experience and knowledge.	4 years 4,300 shares
	She has advanced and specialized knowledge in the Insurance Act and the Companies Act and outstanding insight as a legal scholar. She has been supervising the management of the Company from an objective and neutral point of view since she was appointed auditor of the Company in 2019 and director in 2021. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	3 years 2,600 shares
	In addition to her experience in hospital management, she has served as a member of various national and administrative / local government councils and committees relating to women's empowerment, and has a high level of knowledge and expertise in the areas of pharmaceuticals, health management, and diversity and inclusion. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial position and from an objective and neutral viewpoint based on her experience and knowledge.	1 year 1,100 shares
	He is a certified lawyer with advanced expertise and extensive knowledge particularly in M&A agreements and overseas transactions. It is expected that he will give advice regarding the management of the Company based on his career background and knowledge and impartially and properly supervise the execution of business from an objective and neutral point of view.	Newly appointed 0 share
	After gaining experience in the engineering division, he held important positions in the production and production management divisions. Since he became a director of the Company in 2023, he has been executing business leveraging his outstanding capabilities and expertise in the areas of engineering, production and production management. He has also been supervising the management of the Company. He is expected to properly fulfill his duties as a director of the Company and use his knowledge in the relevant areas to supervise the management of the Company.	1 years 11,732 shares
	He mainly held important positions in the personnel affairs division and in the general affairs division. Since becoming an operating officer, he has been performing his duties the areas of personnel strategies, corporate governance, risk management and other areas leveraging his advanced skills and expertise. He is familiar with the management operations of the Group as a whole. It is expected that he will appropriately audit and supervise the Company's execution of business leveraging his experience and knowledge.	Newly appointed 11,298 shares
	He has held important positions in the Ministry of Foreign Affairs for many years and possesses an international perspective cultivated through diplomacy and wide-ranging insight into world affairs. The Company appointed him to be an outside director in 2021 and an outside director also serving as an Audit & Supervisory Committee member in 2022. He has since been supervising the management of the Company from an objective and neutral viewpoint. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	3 years 2,200 shares
	She is a certified lawyer with advanced knowledge and extensive insight particularly regarding labor law and personnel and labor affairs. The Company appointed her to be an outside director in 2016 and an outside director also serving as an Audit & Supervisory Committee member in 2022. She has since been supervising the management of the Company from an objective and neutral standpoint. It is expected that she will continue to fulfill her duty to supervise the management of the Company from an impartial standpoint leveraging her experience and knowledge.	7 years 9 months 1,900 shares
	As a certified public accountant, he has extensive experience in accounting audits and considerable knowledge in finance and accounting. The Company appointed him to be an outside director in 2021 and an outside director also serving as an Audit & Supervisory Committee member in 2022. He has since been supervising the management of the Company from an objective and neutral viewpoint. It is expected that he will continue to fulfill his duty to supervise management from an impartial standpoint utilizing his experience and knowledge.	2 years 0 share

## Corporate Governance

### ■ Details of each skill and reason for selection

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

### Criteria for assessing independence of outside directors

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

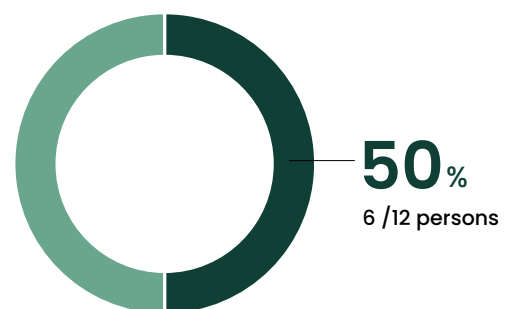
\* The details of the "Standards Concerning the Independence of Outside Officers" are stated in securities reports and corporate governance reports.

**WEB** To read the Corporate Governance Reports, visit our website and click on [Investor Relations > IR archives > Corporate Governance Report.]

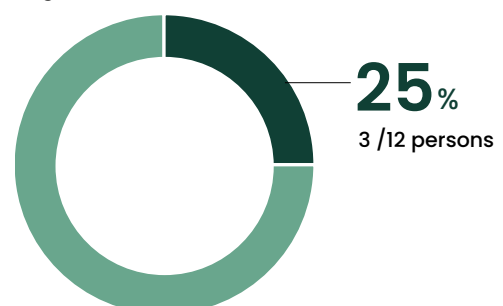
### Diversity of Directors

We select the members of our Board of Directors in consideration of diversity and expertise. We pay attention to their knowledge and experience in different areas of business management, to the achievement of gender equality and to other aspects to ensure diversity. The Board must be composed of directors with a wide variety of advanced skills. At least one third of its members must be independent outside directors that meet the standards we have determined for the independence of outside officers.

#### ■ Percentage of independent outside directors



#### ■ Percentage of female directors



## Corporate Governance

### Evaluation of the effectiveness of the Board of Directors

To ensure that corporate governance functions correctly, we conduct a questionnaire-based survey of our Directors to analyze and evaluate the effectiveness of the Board of Directors as a whole, and work to improve it based on the issues identified. In 2024, we

conducted a survey with the involvement and advice of an external organization. The Board of Directors then deliberated and made its final evaluation based on the results of the survey.

#### ■ Outline of evaluation of effectiveness

##### Implementation process



#### [Target participants]

All Board members: 11 members—seven directors who are not Audit and Supervisory Committee members (of whom three are outside directors) and four directors who are Audit and Supervisory Committee members (of whom three are outside directors.)

#### [Evaluation method]

Anonymous questionnaire

#### [Survey period]

Survey response period: From January 12, 2024 to January 25

#### [Survey question items]

- General state of the Board of Directors
- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussions at the Board of Directors
- The Board of Directors' monitoring function
- Exercising functions of Outside Directors (including Audit and Supervisory Committee members)
- Support system for directors (including Audit and Supervisory Committee Members)
- Training
- Dialogues with shareholders (investors)
- Subjects' own actions
- Summary

#### [Initiatives implemented in 2023]

The evaluation of effectiveness conducted in January 2023 pointed out training opportunities for officers, feedback to the Board of Directors on the status of dialogues with shareholders, and the operation of the Advisory Committee on Appointment and Remuneration. In response, in 2023, the Board of Directors confirmed the training curriculum for officers and submitted a proposal for an IR activity report. It also reviewed the frequency of meetings of the Advisory Committee on Appointment and Remuneration starting in FY2024.

#### [Evaluation results and issues]

- Generally positive evaluations were received, such that necessary discussions were taking place in line with the proposal, and we recognized that the effectiveness of the Board of Directors as a whole was generally ensured. Improvements were also confirmed in the matters pointed out in the evaluation of effectiveness in 2023. Issues that did not produce results in a single fiscal year were designated as con-

tinuing issues.

- In 2024, the composition of the Board of Directors was newly pointed out.
- We will work to make these improvements during FY2024, and verify the state of response to these issues in the next questionnaire survey to be conducted the following year.

### Facilitating animated discussion by the Board of Directors

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

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

### Training of directors and operating officers

Regular training is provided to directors and operating officers with the goal of enabling them to improve their knowledge. In FY2023, we organized governance training (for newly appointed operating officers and those newly assigned to management positions at overseas locations,) training for understanding menopause and climacteric symptoms to increase people's understanding of promoting women's participation and advancement in the workplace (for directors, operating officers and heads of departments) and training on insider trading regulations (for officers to whom stock compensation is paid and outside directors.)



## Corporate Governance

### Succession planning plan for chief executive officers, etc.

In our successor development plan, which included CEO positions, we have positioned the Future Discussion Task Force and Training for Next-Generation Leaders programs, as systems to train future management candidates. We implement training and other programs in accordance with the human resource development plan and report the state of activities to the Board of Directors through the Advisory Committee on Nomination and Remuneration as appropriate.

### Appointment and dismissal of senior management and nomination of director candidates

When a candidate for Director is nominated, the Chairman, President and Director in charge of personnel affairs select candidates by comprehensive judgement based on the Group's director nomination standards. The result of the selection is discussed by the Advisory Committee on Nomination and Remuneration, before a final decision is reached through deliberation and a resolution at a meeting of the Board of Directors. Candidates for Directors who are Audit & Supervisory Committee members are determined by deliberation and resolution of the Board of Directors after the consent of the Audit & Supervisory Committee has been obtained with regard to the submission of a motion for selection to the shareholder's meeting.

The dismissal of senior management members is advised by the Advisory Committee, pursuant to the dismissal criteria stipulated in the Disciplinary Regulations for Directors.

The criteria for nominating candidates for CEO and Director positions are described in the Corporate Governance Report.

### Supporting System for Outside Directors

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

There is a structure in place to enable outside directors to keep up to date with the Company's operations by distributing materials relating to issues submitted for discussion by the Board of Directors to outside directors in advance and creating opportunities to explain them. Important matters from Management Committee meetings, including meetings of the Board of Directors, are communicated to outside directors by enabling them to view important documents and receive reports given at Board of Directors meetings, regardless of whether or not they attended the relevant meeting.

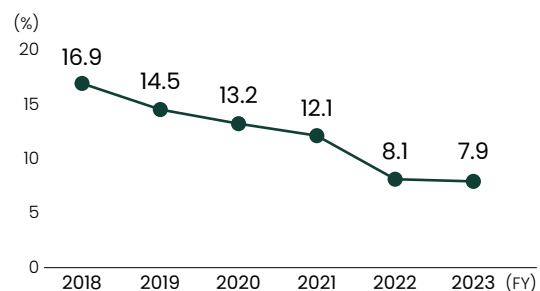
### Approach to cross-shareholdings

Regarding cross-shareholdings, their economic viability is examined at meetings of the Board of Directors each year. Benefits from holding the shares, status of transaction, and other elements are examined on a stock-by-stock basis in comparison with the capital cost. Where it is deemed to be inappropriate to hold shares in a particular company, the number of shares we own will be reduced, taking into consideration the conditions of the said company and market trends.

To achieve the goals of the medium-term management plan, the Board of Directors resolved, at a meeting in August 2024, that when selling individual stocks contributes to improving the capital efficiency of the Group as a whole, even when the significance of holding individual stocks is not judged to have diminished, we will still proceed with selling them after careful dialogue with the issuing company.

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

#### Ratio of the amount of cross-shareholdings to net assets



### About information subject to timely disclosure

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



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

## Corporate Governance

### Remuneration system for officers

We understand that the remuneration system for officers is an important matter in corporate governance. We have established a system based on the following basic policy, operated from an objective perspective by the Advisory Committee on Appointment and Remuneration.

#### Policies on the remuneration of officers

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

### Process for determining remuneration for officers

In each business year, delegated directors submitted a draft proposal for remuneration for directors, and the Advisory Committee on Nomination and Remuneration then deliberates and reports on the evaluation process and evaluation results, and this is followed by a resolution of the Board of Directors.

#### [Overview of Officer Remuneration]

From the perspective of ensuring transparency and focusing on performance, remuneration for directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) consists of basic compensation, performance-linked compensation, and transfer-restricted stock compensation. At the Annual General Meeting of Shareholders held on March 23, 2022, it was resolved that the total

amount of remuneration, etc. for directors (excluding Directors who are Audit & Supervisory Committee Members) shall be within 500 million JPY annually (up to 100 million JPY of which shall be paid to outside directors,) and that the total amount of remuneration for directors who are Audit & Supervisory Committee Members shall be within 100 million JPY annually. The aggregate amount of monetary compensation claims to be provided as transfer-restricted stock compensation to directors (excluding directors who are Audit & Supervisory Committee Members and outside directors) is set at up to 100 million JPY annually, outside the framework of the maximum of 500 million JPY annually for monetary compensation.

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

The percentage ratios of each constituent element of compensation (standard amount when 100% of the targets for performance-linked compensation are achieved) are designed as follows: 65% basic compensation, 35% performance-linked compensation and 5% transfer-restricted stock-based compensation.

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

#### ■ Total amounts of remuneration, etc. by directors (FY2023)

Position	Total amount of remuneration, etc. (million JPY)	Total amount of remuneration, etc. by type (million JPY)			Number of eligible persons (persons)
		Fixed compensation (Basic compensation)	Variable compensation (Performance-linked compensation)	Transfer-restricted stock-based compensation	
<b>Directors</b> (Excluding Directors who are members of the Audit & Supervisory Committee) outside directors	267 (29)	187 (29)	73 (-)	6 (-)	9 (4)
<b>Directors</b> (Audit and Supervisory Committee member) outside directors	54 (30)	54 (30)	-	-	4 (3)
<b>Total</b> outside directors	321 (59)	241 (59)	73 (-)	6 (-)	13 in total (7 in total)

\* The number of people and the amounts of compensation above include the two directors who resigned at the closing of the Annual General Meeting of Shareholders held on March 23, 2023.



# Risk Management

## Basic approach

The artience Group advances initiatives based on our understanding that identifying risks that may affect business continuity and addressing these risks promptly and appropriately to minimize the impact of the risks is an important task.

In line with the change of the name of the Company and the Company's philosophy in January 2024, we reorganized our policies and guidelines related to sustainability and established the Basic Policy on Risk Management and the Basic Policy on Development of Internal Control System.

### Related Policies

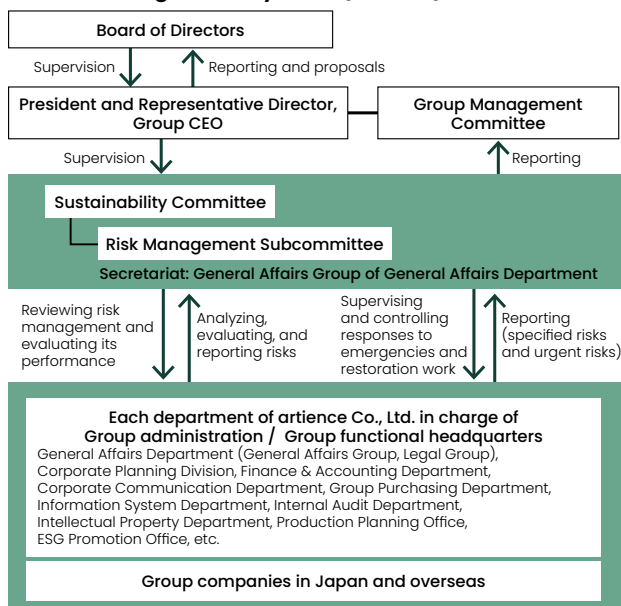
- Basic Policy on Risk Management (revised on January 1, 2024)
- Basic Policy on Development of Internal Control System (revised on January 1, 2024)
- Risk management action policy

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

## Risk management system

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

### Risk management system (FY2024)

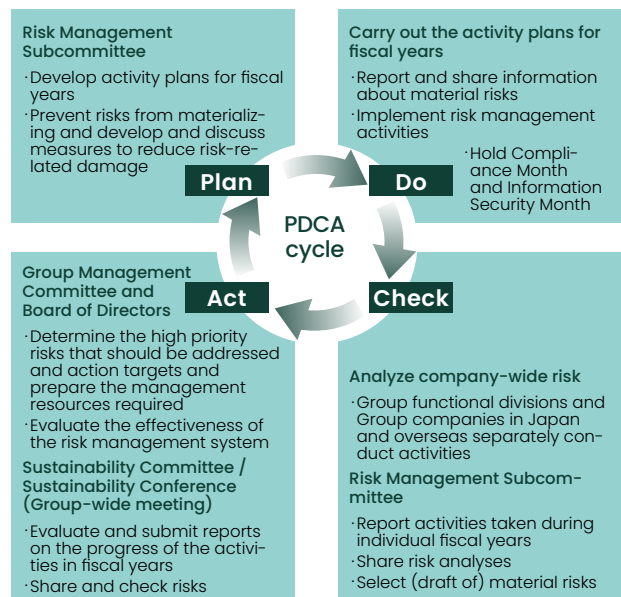


\* Excerpts and additions from P.8 Sustainability promotion system (FY2024)

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

## Risk Management Process

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



**WEB** For information about the implemented risk management activities, visit our website and click on [Sustainability > Governance > Risk Management.]

## Major activities in FY2023

In FY2023, we reviewed our risk assessment method and checked important risks throughout the Group, and considered and shared information on issues such as (1) reaffirming business continuity planning (BCP) initiatives at manufacturing sites, (2) core system problems and cyber risks, and (3) intellectual property, contract, and legal risks, as well as harassment.

Education and awareness-raising activities included (1) safe driving training sessions for sales employees at all sites in Japan, and (2) safety education on chemical injuries and low-frequency work using e-learning at production sites, including temporary and part-time employees (held twice in total, with approximately 2,000 participants each time.)

**WEB** Risk assessment methods and risk maps for company-wide material risks are described in our securities reports.

## Risk Management

### Typical business risks and our response

Representative risks that management recognizes could have a significant impact on the financial position, operating results and cash flows of the Group

are as follows. (This is not an exhaustive list.) In FY2023, there was no new risk of a significant adverse impact on the Group.

Category	Typical risks concerning the entire Group	Examples of our response to risks
① Risks related to overseas operations	<ul style="list-style-type: none"> <li>Changes in laws and regulations, and changes in tax systems that could have adverse effects</li> <li>The adverse effect of inadequate social common capital on corporate activities</li> <li>Unfavorable political factors</li> <li>Social turmoil caused by terrorism, war, or infectious disease</li> <li>Unexpected rapid change in the work environment</li> </ul>	<ul style="list-style-type: none"> <li>Expanding business in worldwide and improving the balance of business fields, aiming to build an earnings structure that is unlikely to be affected by economic trends or other risks in individual countries</li> <li>Establishing supply chain management that enables a flexible response to risk</li> </ul>
② Risks related to system fault, information leakage, loss, and damage	<ul style="list-style-type: none"> <li>Suspension of operations due to system failure</li> <li>Occurrence of the leak, loss, or damage of information due to a computer virus or security breach</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring that important systems to be redundant, securing backups of these systems and establishing a computer security incident response team (CSIRT) system</li> <li>Enhancing the information management system and training staff to reduce human risks</li> </ul>
③ Risks related to quality and product liability	<ul style="list-style-type: none"> <li>Accidents or complaints caused by the quality of products</li> <li>The 2024 Problems in Logistics</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring compliance with legal regulations related to quality and safety and carrying out activities to strengthen quality assurance</li> <li>Participating in "White Logistics" (initiatives aimed at creating a healthy and safe working environment in the logistics industry) and cooperating with other companies to improve logistics</li> </ul>
④ Risks related to natural disasters and epidemics	<ul style="list-style-type: none"> <li>Difficulties in procuring raw materials, hindrance to production activities, stagnation of global consumer activities and stagnation of logistics functions in the supply chain, etc., due to natural disasters, such as major earthquakes, heavy rains and epidemics in Japan and other countries</li> </ul>	<ul style="list-style-type: none"> <li>Creating manuals tailored to specific risks and providing regular training to tackle them</li> <li>Establishing a disaster control system and systems for complementary production in Japan and overseas, through business continuity management (BCM)</li> </ul>
⑤ Risks related to the sourcing of raw materials	<ul style="list-style-type: none"> <li>The increase of prices and supply shortages due to the fluctuation of market conditions, natural disasters, accidents, government policies, and other issues</li> <li>Compensation for damages due to the delayed or suspended supply of raw materials from suppliers and the resulting failure to supply products to customers</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing raw materials for appropriate prices by increasing and accuracy of market price and demand forecast</li> <li>Securing stocks of raw materials according to their characteristics by sourcing them from a wide range of suppliers</li> </ul>
⑥ Risks related to exchange rate fluctuations	<ul style="list-style-type: none"> <li>Dramatic fluctuations in exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>Taking steps to reduce exchange rate fluctuation risks, including exchange forward contracts and the balancing of foreign currency receivables and payables</li> </ul>
⑦ Risks related to general legal restrictions	<ul style="list-style-type: none"> <li>Changes to legal restrictions in Japan and overseas and the resulting changes in markets</li> <li>Litigation or other legal procedures that seriously affect the Group's businesses, including litigation related to environmental issues, product liability, and patent infringement</li> </ul>	<ul style="list-style-type: none"> <li>Collecting information about legal restrictions in Japan and overseas and taking measures to address them</li> <li>Review of compliance-related policies and implementation of measures by the Compliance Subcommittee, a committee dedicated to compliance matters</li> <li>Managing the overall Group with internal control system and improving the effectiveness of the management</li> </ul>
⑧ Risks of environmental burdens	<ul style="list-style-type: none"> <li>Changes to environmental laws and regulations in Japan and overseas and the resulting changes in markets</li> <li>Increased expenses caused by delays in taking measures to reduce environmental impact</li> <li>Additional investment and changes on business portfolio in response to social environmental requirements (such as the shift away from plastics and the carbon neutrality, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Advancing environmental measures (including the reduction of CO<sub>2</sub> emissions, the development of VOC-free products, and the recycling of materials including chemical recycling) by reviewing manufacturing processes in the long-term management plan</li> <li>Strengthening the management of chemicals and systematizing management</li> </ul>
⑨ Risks related to climate changes	<ul style="list-style-type: none"> <li>Changes to climate change-related laws and regulations in Japan and other countries and the resulting changes in markets</li> <li>Increase in costs due to delays in responding to social demands, such as the reduction of CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>Disclosures based on the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and promoting measures to address climate change</li> </ul>
⑩ Risks related to common debt collection	<ul style="list-style-type: none"> <li>Difficulty in collecting of trade receivables and other claims due to the worsening of customers' financial conditions</li> </ul>	<ul style="list-style-type: none"> <li>Regular review of customers' credit risk</li> <li>Implementing measures to protect receivables and strengthening credit management</li> </ul>
⑪ Risks relating to impairment losses on non-current assets	<ul style="list-style-type: none"> <li>Impairment losses on non-current assets due to changes in economic conditions, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Having discussions in the Group Management Committee and the Board of Directors on investment plans including the amount that is planned to be invested</li> </ul>
⑫ Risks related to human resource	<ul style="list-style-type: none"> <li>Labor shortage due to changes in social environment</li> </ul>	<ul style="list-style-type: none"> <li>Carrying out workstyle reforms and other measures</li> <li>Implementing DX and other measures to streamline operations</li> </ul>
⑬ Risks related human rights	<ul style="list-style-type: none"> <li>Impairment of social trust and suspension of transactions due to human rights issues</li> <li>Lawsuits and conflicts due to human rights issues</li> </ul>	<ul style="list-style-type: none"> <li>Conducting human rights training and activities to raise awareness of human rights</li> <li>Carrying out efforts to address human rights issues in the supply chain</li> </ul>

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

## Risk Management

### Internal controls

#### [Status of internal control systems]

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

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

#### [Internal audit initiatives]

The Group's Internal Audit Department conducts internal audits to establish a sound foundation for business activities, from the perspectives of legality, appropriateness, effectiveness of business activities, efficiency, and risk management. It also provides advice and recommendations for improvement to the audited departments, and follows up on the progress of improvements. The Group's internal audits are broadly divided into audits of the state of development and operation of internal controls related to financial reporting (J-SOX audits) and audits of the state of compliance and risk management initiatives based on instructions from management and requests from the risk management department (business audits.) The Internal Audit Department reports the results of internal audits to the President and Representative Director and the Audit & Supervisory Committee, and shares information with outside directors, operating officers, and department heads who are not Audit & Supervisory Committee members. Audit and Supervisory Committee members and accounting auditors also meet regularly to share information and exchange opinions on audit policies, targets, and audit results, etc., in an effort to improve the efficiency and effectiveness of audits.

### Information Security

#### [Basic approach]

Information security measures are becoming more important with each year. It is important to work out policies and measures to address diversifying risks, including infections with viruses, unauthorized access to systems, leaks of personal information, and cyber attacks, to prevent risk materialization and minimize the effects of incidents if they occur. The artience Group has established the Information Protection Management Regulations and Information System Management Regulations and has implemented technological and physical preventive measures using information technology. The Group works to maintain and enhance appropriate information management and information security.

#### Policies on Information Security Activities in FY2023

Further raising the level of cyber incident response and information security measures by ensuring the feasibility of artience-CSIRT\* / information security office system, based on the premise of diverse work styles such as remote work and data utilization

- Strengthening the information security system and driving information security with the establishment of CSIRT
- Continuing education for employees to achieve both data utilization and information security
- Improving awareness of information security measures at overseas companies
- Strengthening technical and physical defense measures by restructuring system BCP measures

#### [Promotion system]

The Information System Department of artience Co., Ltd. takes a leading role in initiatives in information security and addressing risk cooperating with the General Affairs Department, Legal Department and Corporate Communication Department. We have established the Information Security Contact Office, a point of contact that receives consultation and reports from employees. In the event of an incident, we will launch the artience Group Cyber Security Incident Response Team (artience-CSIRT) in accordance with the Information System Disaster Response Guidelines and the artience-CSIRT Setup Guidelines. The team will deliver reports to the Risk Management Subcommittee, to the Sustainability Committee and to management and carry out response actions for the purpose of minimizing its impacts. The Information System Department will serve as an administrative office for the team.

#### [Major activities in FY2023]

In 2023, We are working to improve information security awareness by offering a range of education and conducting awareness-raising activities. They include the Information Security Months (in September and October) in the overall Group including its overseas sites, alerts and information distribution on data security with the use of our internal portal, education for new employees and training for representatives at overseas affiliates, a fact-finding survey on information security, and an IT literacy test. We also conduct

## Risk Management

targeted e-mail drills every year to combat information security risks caused by cyberattacks, which leads to improvements in the information security awareness of each and every employee (conducted on September 20 and October 11 in FY2023). For important systems, we have taken measures to ensure redundancy and backups.

### [Information security incidents]

In FY2023, there was no occurrence of a material information security incident, such as leaks of personal information.

### [Protection of personal information]

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

**WEB** Our Privacy Policy (Policy on Personal Information Protection) is posted on our website under Sustainability > Related policies and guidelines.

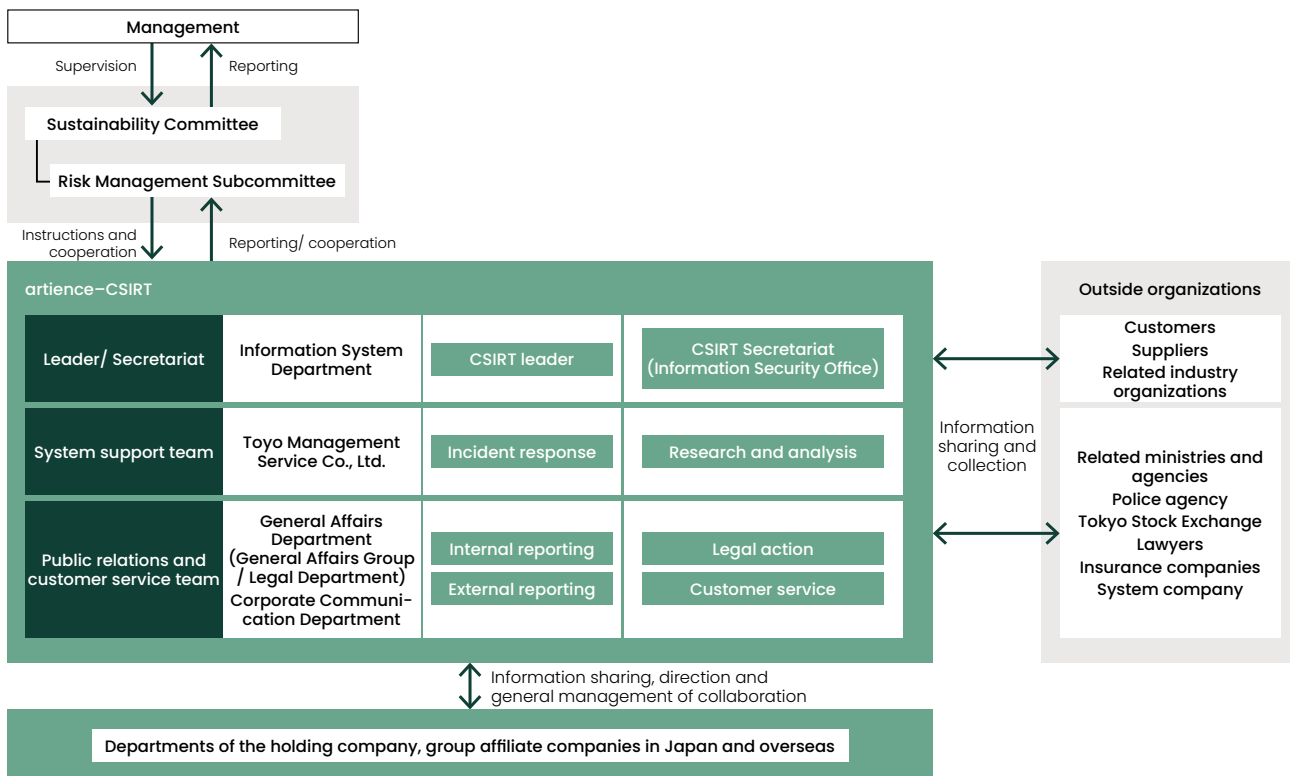
### [Cyber security measures]

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

#### Action Principles against Cyber Incidents

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

### ■ Security incident response structure (FY2024)



## Risk Management

### Business Continuity Management (BCM)

#### [Basic approach]

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

#### Basic policy on disaster countermeasures

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

#### [Establishment of emergency procedures]

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

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

 For the artience-CSIRT, see Cyber security measures on page 73 to 74.

#### [Making facilities more earthquake-resistant]


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

ysis, reinforcement of buildings, demolition of aging buildings, fixing equipment, and introduction of earthquake-resistant equipment.

#### [Response to climate disasters]

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

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

 For information disclosures in accordance with the TCFD recommendations, see pages 68 to 73 in Integrated Report 2024.

 For an assessment of water risk and countermeasures, see page 27.

#### [Stable procurement of raw materials]

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

#### [Establishment of a backup production system]

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

#### [Extension of BCM to cover overseas business locations]

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



# Compliance

## Basic approach

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

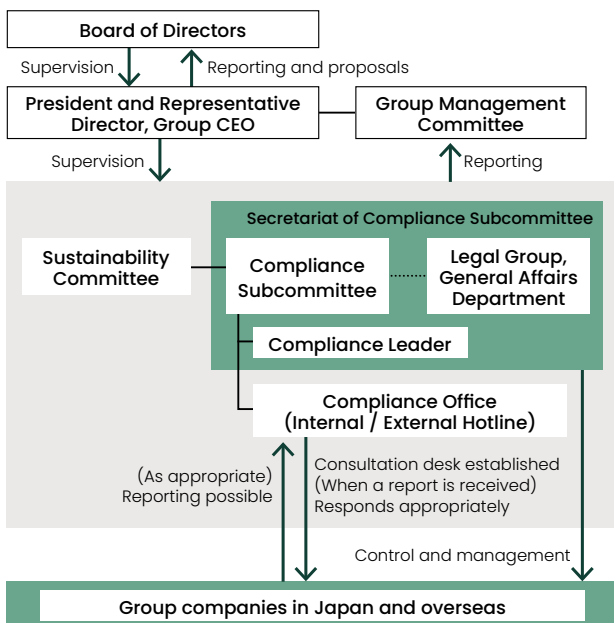
When the Company changed its name and philosophy in January 2024, we reorganized our policies and guidelines regarding sustainability and revised them to clarify the Group's position and the actions it would take in consideration of the change of society. We traditionally used the Code of Business Ethics as an explanatory document in our compliance activities. We have reorganized and revised it into the "Code of Ethical Conduct."

**WEB** For information about our Basic Policy on Compliance and Compliance Activity Policy for FY2023, please visit our website and click on [Sustainability > Governance > Compliance.] Our policies can be read in the [Sustainability > Related policies and guidelines] section of our website.

## Compliance system

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

### Compliance system (FY2024)

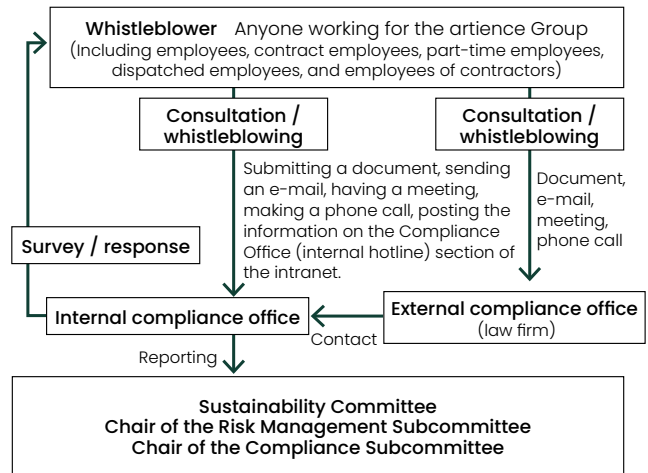


\* Excerpts and additions from P.8 Sustainability promotion system (FY2024)

## Whistleblowing system

We have established internal / external Compliance Office as a consultation desk for compliance. We have also established the "Operating Regulations of Compliance Office" to ensure fair and proper operation of the Office. Consultations and reports mainly cover violations of laws and regulations (including corruption such as bribery and violations of the Antimonopoly Act) and violations of internal rules. We investigate the fact based on consultation, and take measures immediately if there is any concern of problem occurrence. In addition, we give maximum consideration to protection and confidentiality of whistleblowers. In consultations with the Compliance Office in FY2023, no issues were reported that could lead to serious risks.

### Whistleblowing system



## Major activities in FY2023

- Compliance meetings in each site (from March to June)  
We held meetings at numerous locations in Japan (3,386 participants,) using materials that are used Group-wide, to promote the identification of new compliance issues and the formulation and implementation of solutions.
- Compliance Improvement Month held in October  
We held meetings at each operation site (3,479 participants.) We confirmed and studied response status of the issues identified at each site, as well as any newly occurred risks. In addition, we sent the compliance materials, which are translated into local languages, to all representatives at overseas affiliates, and requested that they hold compliance meetings including local staff, and strengthen their awareness of compliance.
- Compliance education  
<Programs tailored to each grade / level and job function>  
Compliance seminar for new employees (held once a year)



## Compliance

Advance training for overseas assignments (held twice a year)

### 〈Theme-based programs〉

Antimonopoly Act seminar (11 sessions, 408 participants)

Subcontracting Act seminar (16 sessions, 272 participants)

#### Examples of themes regularly covered in training

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

### •Compliance auditing, with the goal of creating an organization with integrity

In FY2023, we conducted a questionnaire — based on Q&A previously published by the Japan Fair Trade Commission — to check whether transactions are being conducted in compliance with the Subcontract Act, at all Group companies which engage in transactions subject to the Subcontract Act. As a result, we found no illegal transactions.

### •Response to overseas legal risks

We also established external hotlines for overseas sites to facilitate whistleblowing and informed overseas representatives and local staff of these hotlines. Further, in China, we check the status of operations in the country every six months based on the "Bribery Prevention Regulations."

## Prevention of corruption and bribery


### [Basic approach]

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

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

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

\* The Code of Ethical Conduct and related policies and guidelines are posted on our website, and are available in Japanese, English, and Chinese.

 The Policy on Anti-Corruption and the Code of Ethical Conduct are posted on our website under Sustainability > Related policies and guidelines.

### [Promotion system]

The Compliance Subcommittee in the Sustainability Committee takes the initiative in sending out information on the prohibition of any form of corruption and in education about laws and regulations on a group-wide scale. Our internal rules are the responsibility of the Legal Group of General Affairs Department, artience Co. Ltd.

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

### [Employee education and Compliance Office]

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

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


 For the Whistleblowing System, see page 76.

### [Actions Related to Supply Chains]

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

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

We ask suppliers to consent to the Basic policy on Procurement and the Sustainable Supply Chain Guidelines. We also implement CSR procurement self-assessments and analyze the findings in order to understand and redress adverse impacts of our supply chain on the environment and society.

 The Sustainable Supply Chain Guidelines are posted on our website under Sustainability > Society > Supply Chain Management.

### [Violations]

In FY2023, there were no violations related to corruption or bribery, or disciplinary actions against employees (including dismissals) or fines or penalties related to violations.

## Compliance

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### Fair trade

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

#### **[Prevention of violations of the Anti-monopoly Act]**

Every year, we hold Anti-monopoly Act workshops for all employees involved in sales activities, to establish knowledge of anti-monopoly laws. In addition, we apply internal rules stipulating that employees are required, in principle, to seek approval of contacts with competing companies in advance and has established a system that blocks cartel behavior. There were no violations of the Anti-monopoly Act in FY2023.

#### **[Compliance with the Subcontract Act]**

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

#### **[Prevention of insider trading]**

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

#### **[Response to anti-social forces]**

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


 [Page 96: ESG Data Collection > Compliance](#)

# Tax Affairs

## Basic approach

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

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

 Our Tax Policy is posted on our website under Sustainability > Governance > Tax Affairs.

## Tax governance

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

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

## Relationship with tax authorities

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

### ■ Tax data

	FY2021	FY2022	FY2023
Corporate taxes, etc. (consolidated)	3,450 million JPY	2,968 million JPY	3,042 million JPY

# Intellectual Property Management

## Basic approach

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

## System

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

## Initiatives

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

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

### ■ Number of patents held\*

Japan	2,169 patents
Overseas	962 patents

### ■ Number of registered trademarks held\*

Japan	504 items
Overseas	1,151 items

\* As of December 31, 2023