

Roundtable Discussion of Outside Directors

Recommendations for the appropriateness of Toho Titanium's governance and the effectiveness of the Board of Directors

TOHO TITANIUM CO., LTD., as a company with an Audit and Supervisory Committee, ensures the effectiveness of its supervisory functions through 5 Outside Directors, including 3 Audit and Supervisory Committee Members, each fulfilling their respective roles and responsibilities.

All Outside Directors possess extensive experience in their fields of expertise, as well as outstanding character and insight, making them valuable assets in enhancing the Company's corporate value.

We invited 5 Outside Directors to discuss their analyses and recommendations regarding the Company's governance and the effectiveness of the board, as well as future value creation.



**Kimiharu
Okura**
Outside Director

**Shigeko
Senzaki**
Outside Director,
Audit and Supervisory
Committee Member

**Yasuhiko
Ikubo**
Outside Director

**Akio
Kobayashi**
Outside Director,
Audit and Supervisory
Committee Member

**Naomi
Harada**
Outside Director,
Audit and Supervisory
Committee Member

Recommendations for governance



Ikubo: I have 47 years of experience as a lawyer, and I have dealt with corporate legal issues related to corporate management and corporate activities. I have also worked on compliance and legal risk

management, and as an Outside Director, I try to make comments from that perspective. I am not aware of any pressing compliance issues in the Company. However, as the values and ethics of society change with the times, it is possible for any company to unknowingly cause inconsistencies in internal practices and internal awareness. As an Outside Director, I am conscious of the need to raise awareness to prevent such incidents from occurring. As a specialized titanium manufacturer, our business performance is strongly influenced by the market environment. In order to secure stable profits over the long term, it is important to secure stable raw material procurement and customers. At the same time, it is also necessary to develop originality and new production methods that other companies do not have. I believe that it is the role of Outside Directors to support these efforts.

Okura: I have been involved in the field of non-ferrous metals such as uranium and zirconium, in addition to copper, aluminum, nickel and titanium at a general trading company. I have served as an Outside Director for about 5 years, and have been making efforts to provide advice based on my experience. I think the Company is a very open and transparent company, and there are no issues with governance from an overall balance perspective. On the business front, in the manufacturing industry, business decisions are often made based on what the firm has been doing for a long time. From my own experience, I believe that one of the most important things is to clarify the objectives and targets and to share that awareness with all employees. Another very important thing is to review the entire portfolio, and I recognize that this is one of

the organizational challenges for the Company. As an Outside Director, I try to give advice from the perspective of standards and risks when decisions are made, and my role is to provide support in reaching a conclusion or making decisions that can be shared by all.

Senzaki: After working at a non-bank financial institution and a major foreign law firm, I worked as a certified public accountant at a major auditing firm. At the auditing firm, I was given the opportunity to engage in a variety of duties in addition to auditing, including corporate valuation for the acquisition of major companies on a global scale. After becoming independent, in addition to research and investigation at the Japanese Institute of Certified Public Accountants, I have been engaged in fraud investigation, support for the establishment of internal controls, and support for disclosure with a focus on sustainability. I am engaged in my duties as an Outside Director of the Company by utilizing various knowledge I have gained through these experiences. I feel that governance of the Company is evolving and there exists a high sensitivity to governance in the Company. The Board of Directors actively exchanges frank opinions on business operations. I have seen a strong commitment from management to meet the requirements for Prime-listed companies without delay, especially since the revision of the Corporate Governance Code in June 2021.

Harada: During my 30 years at a financial institution, I had extensive experience in banking, including credit analysis and new product development, as well as securities and trust business. During that time, I served as the president of an overseas subsidiary and as an outside director of a foreign financial institution. After that, I was engaged in the management of a railway company. Based on these experiences, I have focused on business growth strategies and the associated risk management related to business operations and finance. As a Prime-listed company, I believe that



the Company has built an organizational structure and secured human resources to meet the requirements. As a listed subsidiary, the relationship with the parent company is closely watched, and I will conduct the same rigorous and effective review by the Supervisory Committee for Conflicts of Interest among Group Companies as we have done so far. At present, I feel that we have a good relationship with each other as we leverage our strengths to advance collaboration in the field of new product development.

Kobayashi: I have been appointed as Outside Director and Audit and Supervisory Committee Member of the Company from this fiscal year. As I have many years of experience in providing accounting audits and advisory services at an auditing firm, I would like to utilize my knowledge of finance, accounting and corporate information disclosure in the management of the Company as a certified public accountant. In addition, as I have been involved in many corporate governance-related institutional design and corporate advisory services, I believe that I can contribute to the Company in terms of transparent and sound corporate management and dialogue with stakeholders as a listed company. The Company's Board of Directors consists of Outside Directors with diverse experience and knowledge. While acquiring a great deal of knowledge from them, I would like to contribute to the development of the Company by being involved in the Company's decision-making required in response to various environmental changes in the future from an independent and objective standpoint. I recognize that an important role as an Outside Director is to supervise execution from an independent and objective standpoint, and to make decisions that take into account the interests of shareholders and various stakeholders, especially when there is a conflict of interest. While I strive to provide management advice from a broad perspective to avoid micromanagement, I do not hesitate to ask questions when I feel uncomfortable or have doubts.

Recommendations for the management and effectiveness of the Board of Directors

Harada: The Board of Directors is a free and open forum for discussion, and the President is eager to

implement any useful recommendations made by the Board of Directors. If I were to cite one issue, the Board of Directors meeting currently consists of reports on business performance and their Q&A sessions for the most part. However, I feel that it would be better to shift more weight to the issues and long-term strategies of each business. The persons in charge of each business division explain the progress of their work, and I think it is necessary to discuss the business portfolio and strategic planning of the Company as a whole based on their explanation. As an Audit and Supervisory Committee Member, I visit the site several times a month and listen to many stories from the site. I sometimes happen to hear that there are difficult aspects of business management, but I think that is a good thing. In the future, I hope that such opinions from the field will be shared among related departments and lead to improvements in our operations.

Senzaki: As the Chairperson of the Board of Directors, the President facilitates proceedings and summarizes key points of discussion at the appropriate time. I have the impression that the President listens carefully to the opinions of each Director and does not miss any remarks. I myself try to be aware of what is important in the agenda and speak out in limited time. As an important point, I think it is necessary to establish a mechanism to continuously monitor or verify whether or not my recommendations have been followed and whether or not discussion at the Board of Director is being utilized in the management of the Company.

Okura: If I were to pick one issue to consider, I would say that the general process is that when a project is submitted to the Board of Directors, a resolution is made after prior explanation and discussion through a request for approval, etc. However, because our structure is compact and the role is played by the Executive Committee, projects are directly submitted to and resolved at the Board of Directors. I think that it would be effective to go through



the process to review the proposal at committees such as Investment and Finance Committee, before making a resolution at the Board of Directors. In addition, I think it is desirable to submit proposals related to financial results to the Board of Directors after thorough examination by an independent organization such as finance and accounting department, which we have not done yet. As we do not know daily information like Executive Managing Officers and Executive Officers, I think one more step would be beneficial so that we can provide more effective advice.

Ikubo: For important matters, it is necessary to clarify the process so that we understand what substantial discussions took place before they are submitted to the Board of Directors. For that reason, prior to the meeting of the Board of Directors, there may be an opportunity to provide an explanation. Our discussions may be completely different depending on whether there is such an opportunity or not. Therefore, I would like to ask further improvement on such opportunity. A company with a long history has a corporate culture, and many employees are working in one direction to expand their business performance and develop their business. That is an advantage, but on the other hand, having everyone looking in the same direction can sometimes be a risk. I believe that a company is stronger when there are diverse viewpoints, so my own approach is to always be aware of expressing opinions from a different perspective from those within the company, and to look at things from a different angle and make statements.



situation of board of directors of many companies. At our Board of Directors, the Chairperson always tries to elicit constructive comments from internal and external Directors, and I feel that there are actually

active discussions. On the other hand, if we listen to the opinions of Outside Directors, I can see that the Board of Directors demonstrates a commitment to improving itself, aiming for more beneficial and effective Board of Directors rather than settling for the current status, and that the Board of Directors is constantly updating its discussions on new corporate issues that will arise as the environment changes. In terms of information, I am fortunate to have the opportunity to hear from a variety of people in the field as an Audit and Supervisory Committee Member. I also attend meetings of the Executive Committee as an observer, so I am extremely grateful for the many channels through which I can obtain information.

Recommendations to Personnel and Compensation Advisory Committee

Ikubo: The role of the Personnel and Compensation Advisory Committee is to monitor personnel and compensation to ensure that that unreasonable or arbitrary decisions do not intervene, and I believe the committee is doing its job adequately. When making recommendations for personnel, detailed explanations are given on the candidates' backgrounds, etc., and when deciding on remuneration, the decision is made based on internal regulations, taking into account performance at that time, etc. I believe that the value of committee is significant.

Okura: I receive detailed explanation from the President why he is recommending this candidate and what kind of experience he would like the candidate to have in the future. If there is only one issue, I think it would be better to have a program in place, such as training of executive candidates to develop future management teams. It is also necessary for them to rotate departments and gain experience. I think it would be even better if there is a program that shows the steps candidates take and indicates how they can move to different departments next.

Senzaki: Our committee is a voluntary organization, but I believe it is significant that all Outside Directors currently participate as members. I also recognize that the Personnel and Compensation Advisory Committee's involvement in the succession plan is important. As an Outside Director, it is more important to supervise

the process of formulating the succession plan than to find suitable candidates individually, and I believe that creating a mechanism for this is necessary. With regard to the Compensation Committee, I believe that the role of the Compensation Committee is to oversee the system for determining the compensation structure, including those linked to performance.

Harada: I feel that the appointment of management executives is highly convincing because it provides a detailed presentations of the candidates' backgrounds and reasons for their recommendation. At the Board of Directors and the time of on-site inspections as an Audit and Supervisory Committee Member, I can receive explanations from the candidates themselves, providing an opportunity to confirm whether they are qualified.

Kobayashi: I do not know the details because I have not participated in the discussion on nomination and compensation yet, but I am aware that many companies are making various efforts related to nomination and compensation. For example, a performance-linked compensation system has been frequently discussed in recent years. Considering the situation of the Company, I believe that the management of the Personnel and Compensation Advisory Committee has been discussed in a balanced manner, taking into account the situation of the Company, without being rushed.

Expectations for social value creation

Ikubo: A company must work to create new social value while ensuring stable corporate operations and stable business performance. I believe that our greatest strength will be in creating new manufacturing methods and new products that are unique to the Company. Management is aware of this and is working hard on it, and the Board of Directors often receives reports on the development of such new technologies. We will continue to look forward to such efforts with expectations.

Okura: One of the key words is the review of the company-wide portfolio. The review must be done regularly. Our business itself is similar to processing industry in that we purchase raw materials, make things and deliver them. We need to consider whether we will continue to live in this processing industry. In order for Toho Titanium to survive, it is necessary to periodically

review its basic policy and let the management at the time make a decision on whether to control raw materials upstream or part of the market downstream.

Senzaki: The Company has 3 pillars: Titanium, Catalyst, and Chemicals Businesses. I believe that optimizing the portfolio of these 3 divisions, including personnel exchanges, and creating synergies through our product mix will contribute to our sustainable development. In addition, we have a strong track record in research and development, and I feel that the morale of our research division is very high for the development of products for the realization of a sustainable society. Through this, I hope that the Company will contribute to solving social issues.

Harada: The Company has a long history of over 70 years and has been developed by our original Titanium Business. For the further growth of the Company, we must continue discussions on how to allocate our management resources to each of our business divisions while considering the product life cycles of our 3 business divisions, what our core competencies are, and the potential for synergies among business divisions. In this process, if we can utilize our superior manufacturing technology in the field of environmental improvement, such as CO₂ reduction, we can create important social significance. There are products such as WEBTi that are already being commercialized, so I have high expectations. I understand that the President's high awareness of risk management is the key foundation for driving growth. I understand that the President's daily statement that risk management is the essence of management enables us to develop strategies for growth with confidence.

