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Toagosei’s Opinions on the Report by the Institutional Shareholder Services (ISS) Proxy Advisory Firm Relating to Proposals to Be Resolved at Our 110th Ordinary General Meeting of Shareholders

The Institutional Shareholder Services Inc. (hereinafter “ISS”) proxy advisory firm issued a voting recommendation report (hereinafter “the Report”) on March 2, 2023 relating to the proposals to be resolved at our 110th Ordinary General Meeting of Shareholders (hereinafter “the Meeting”) scheduled to be held on March 30, 2023. In response to that, Toagosei Co., Ltd. hereby informs you below of our opinions on the Report.

We kindly ask our shareholders to make a judgment to exercise their voting rights upon understanding our opinions.

1. Details of the Recommendations by the ISS

The ISS states in the Report that problems will not arise with our financial soundness from an increased dividend because of our level of cash in regards to “Proposal 4: Appropriation of Surplus” which is a shareholder proposal by THE KILTEARN GLOBAL EQUITY FUND (hereinafter “the Proposing Shareholder”). In addition, the ISS says that it is reasonable to buy back our own shares in regards to “Proposal 5: Buyback of Own Shares” which is a shareholder proposal by the Proposing Shareholder. It bases its opinion on the fact a resolution of this proposal will not obligate us to buy back our own shares and from our level of cash, capital policy and market assessment.

2. Our Opinions on the Report

The ISS issued the Report without responding to our request for dialogue about this matter. Moreover, the Report does not reflect the initiatives in our Medium-term Management Plan (hereinafter “the Plan”) we announced on January 31, 2023. Accordingly, there is no way we can accept that the Report was prepared taking into consideration our actual business conditions. Therefore, we believe that the recommendation to vote for Proposal 4 and Proposal 5 in the Report may damage our medium- to long-term corporate value.

(1) Policy of the Plan

The reasons for the above are as we stated in the Plan and the opinions of our Board of Directors on the shareholder proposals by the Proposing Shareholder announced on February 10, 2023 and also given in the convocation notice for the Meeting. With the three basic policies in the Plan of “strengthen development capabilities for new products and novel technologies,” “increase overseas net sales,” and “contribute to a sustainable society,” we will invest additional management resources in reinforcing our R&D capabilities and strengthening our production base, as well as develop infrastructure and conduct sustainability-related investments, including development of logistics facilities, reduction of greenhouse gas emissions and active introduction of green energy generation at each of our locations, in order to strengthen our business base.

(2) Cash Allocation

Specifically, we will accelerate the strengthening of our R&D capabilities through capital investment of 68.0 billion yen over the three years from 2023 to 2025, investment of 16.0 billion yen in R&D and capital participation in start-up companies. These activities will be funded by cash flows from operating activities during the three-year period of the Plan, proceeds from the sale of cross-shareholdings, which are targeted to be less than 10% of consolidated net assets, and cash on hand. As a result, net cash balance, which is obtained by deducting interest-bearing debts from the sum of cash and deposits and short-term securities held, is expected to decrease to approximately 25.0 billion yen at the end of 2025 from 47.3 billion yen at the end of 2022. Nevertheless, we believe that our proactive investment combined with an expansion in our sales network overseas and a further promotion of sustainable management in response to social demands while securing the necessary cash on hand will build a business base resilient to intense changes in the business environment. That will contribute to an improvement in our medium- to long-term corporate value.

(3) Aiming to Achieve an ROE of 8% or More and a PBR of 1x or More

In addition, as we explained in our financial results briefing on February 17, 2023, our target of an ROE of 7.3% in the Plan is a value in the process of continuous growth. We will continue to promote initiatives to achieve an ROE of 8% or more and a PBR of 1x or more as soon as possible. For example, we will engage in proactive capital investment and invest in high value-added products. At the same time, we will establish a management technique using return on invested capital (ROIC).

3. Our Opinions on the Shareholder Proposals

(1) Proposal 4

For dividends, which are direct return of profits to our shareholders, we have a policy of “stable and continuous return of profits,” and have increased dividends seven times since 2009, while not reducing dividends even when our performance deteriorated. As for annual dividends in 2022, the year-end dividend of 18 yen (annual dividend of 36 yen per share) which we propose in Proposal 1 will result in a dividend payout ratio of 35.5%. That will give us a total return ratio of 69.7% when combined with our share buyback of 4.3 billion yen in 2022.

In contrast to this, Proposal 4, which is a shareholder proposal, would greatly exceed our planned dividend amount which we calculated based on the Plan mentioned above. That means it may hinder with the implementation of the Plan. Moreover, it deviates from our stable and continuous return of profits policy aimed at improving the medium- to long-term corporate value of our group. Accordingly, we have to say this proposal is based on a short-term point of view. Therefore, we believe this will not contribute to an improvement in our medium- to long-term corporate value.

(2) Proposal 5

We recognize that shareholder return is an important management issue. We are targeting a dividend payout ratio of 30% and a total return ratio of 50% upon thorough consideration of investments for growth, earnings trends and internal reserves to pay for business risks. On top of that, we are planning to buy back 20.0 billion yen in our own shares during the Plan. We will aim to achieve a higher dividend payout ratio and total return ratio for shareholder returns.

We will continue to proactively return profits to our shareholders in the future. However, Proposal 5, which is a shareholder proposal, asks us to buy back a large amount of our own shares of 16.0 billion yen within one year from the conclusion of the Meeting. We believe this proposal may seriously interfere with the execution of our business based on the Plan in the same way as with Proposal 4. In addition, this proposal does not take into consideration the average market volume of

our shares. Therefore, we believe it will not contribute to an improvement in our medium- to long-term corporate value.

4. Conclusion

As we state above, we are currently working to improve our medium- to long-term corporate value by aiming for a growth strategy and appropriate financial levels.

Therefore, we kindly ask our shareholders to make a judgment to exercise their voting rights upon understanding our opinions.