

Governance

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[Important Issues] Strengthening Corporate Governance

Policy and Basic Approach

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Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Strengthening Corporate Governance		<ul style="list-style-type: none"> Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner. 	Number of times that the assessment on the effectiveness of the Board of Directors meetings is evaluated	Once per year	Once	<ul style="list-style-type: none"> Conducted a questionnaire about assessment on the effectiveness of the Board of Directors, ascertained the current situation, identified issues, and formulated measures under an action plan. Improvements underway. Enhanced timely disclosure information, Corporate Governance Report and disclosure of Company's Articles of Incorporation in English Promoted adoption of DX in management of the Board of Directors
			Number of times internal business audits are performed by the Audit Division	60 times in four years	22 times	<ul style="list-style-type: none"> Appointed one Independent Outside Audit & Supervisory Board Member Promoted formulation of intellectual property policy and strategy for intellectual properties (responding to the revised Corporate Governance Code) Promoted disclosure policies for human resource development and enhancing the internal work environment (responding to the revised Corporate Governance Code)

Initiatives

- > [Audits](#)
- > [Outside Directors and Outside Audit & Supervisory Board Members](#)
- > [Remuneration to Directors and Audit & Supervisory Board Members](#)
- > [Assessment on the effectiveness of the Board of Directors](#)
- > [Internal Control System](#)
- > [Ensure the Reliability of Financial Reporting](#)
- > [Basic Concept of Information Disclosure](#)

[Important Issues] Ensuring Compliance

Policy and Basic Approach

The Nippon Kayaku Group views compliance in a broad sense, considering it to mean not only abiding by laws and regulations, internal rules and rules of the industry, but also responding to social norms and the demands of society and continuing to earn the trust of diverse stakeholders.

As our group-wide standards of conduct, we established the Nippon Kayaku Group Charter of Conduct and Code of Conduct. We conduct business activities based on the spirit of these standards to fulfill our social responsibilities and contribute to society.

The Nippon Kayaku Group firmly ensures compliance in its business activities, and will further promote its compliance activities under the strong leadership of its top management.

Nippon Kayaku Group Charter of Conduct and Code of Conduct

The Nippon Kayaku Group established [the Nippon Kayaku Group Charter of Conduct and Code of Conduct](#) in 2000, recognizing compliance to be a matter of highest priority in its corporate activities. Subsequently, in 2011, these were revised in view of ISO 26000 (Guidance on social responsibility for organizations), and in 2020 they were revised with the aim of spontaneously putting them into practice to help achieve a sustainable society.

The Nippon Kayaku Group Charter of Conduct

◆ Business activities

1. The Nippon Kayaku Group will provide products and services that satisfy customers through Communication with customers and the provision of appropriate information, giving due consideration to the safety and reliability of its products and services.
2. In all its business activities, the Nippon Kayaku Group will comply with all relevant laws and regulations, including competition law, the spirit of these laws, and internal regulations, and will engage in fair, transparent, and free competition. We will also maintain sound relationships with the governing authorities in all regions.
3. The Nippon Kayaku Group respects human rights in all its business activities, and will not discriminate or tolerate any inappropriately behavior for reasons based on gender, age, nationality, race, religion, or disability.
4. The Nippon Kayaku Group will appropriately manage and utilize the company's assets to improve the efficiency of its business activities and strive for continuous development.
5. The Nippon Kayaku Group implements systematic crisis management in preparation for the actions of anti-social forces that threaten the lives of citizens and corporate activities, as well as for terrorism, cyber attacks, natural disasters, and other events.

◆ Relationship with society

6. The Nippon Kayaku Group respects the cultures, religions and traditions of each country and region, works in harmony with society, and contributes to the development of society as a good corporate citizen.
7. The Nippon Kayaku Group will disclose information on its business activities to stakeholders in a timely and appropriate manner based on objective facts. We will also strive to increase corporate value through constructive dialogue with stakeholders.
8. In order to contribute to a sustainable society and the environment, the Nippon Kayaku Group strives to conduct its business activities in harmony with the natural environment by constantly taking into account the impact on the global environment, not only complying with relevant laws and regulations, but also establishing its own voluntary standards.

◆ Information handling

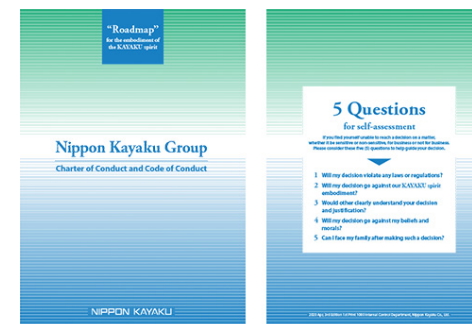
9. The Nippon Kayaku Group will appropriately protect the information it possesses through its business activities and take all possible measures for information management. In addition, we recognize the value of information assets and respect the intellectual property rights of others.

◆ Relationships between the company and individuals

10. The Nippon Kayaku Group complies with labor-related laws and regulations, ensures a safe and comfortable working environment, and respects the basic human rights, diversity, character, and individuality of individuals.

◆ Roles of top management and thorough adherence to this charter

11. Those involved in the management of the Nippon Kayaku Group recognize that realizing the spirit of this charter is their own role and responsibility, and will thoroughly disseminate it to all employees. In addition, we will listen to the opinions of people inside and outside the group, establish effective systems within the group, and ensure thorough implementation of corporate ethics. In the event of a situation that contravenes the spirit of this charter, we will clarify both inside and outside the company our stance of solving the problem, investigate the cause, and work to prevent any recurrence.

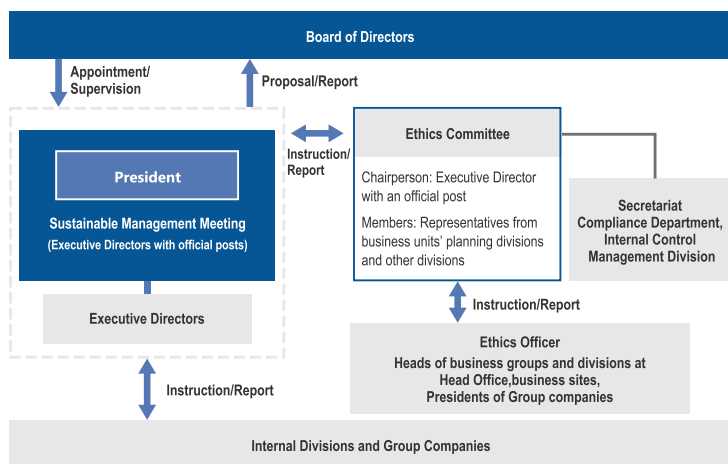


The Nippon Kayaku Group Charter of Conduct and Code of Conduct

System

The Nippon Kayaku Group established the Ethics Committee as a specialized committee under the Sustainable Management Meeting with the goal of ensuring compliance throughout the Group. The Committee meets twice a year and as necessary.

The Ethics Committee is chaired by an Executive Director with an official post nominated by the President, and consists of representatives from the business units' planning divisions and general administrative divisions that do not belong to a business unit. In addition to determining policies and measures relating to compliance with the Nippon Kayaku Group Charter of Conduct and Code of Conduct, the Committee also consults with people, handles incidents, discusses and makes decisions regarding recurrence prevention measures. Important topics discussed by the Ethics Committee are reported to the Sustainable Management Meeting and the Board of Directors for feedback.



Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Ensuring Compliance		<ul style="list-style-type: none"> Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations. Maintain and enhance an open corporate culture with a high sense of ethics 	Number of serious compliance violations*	0	0	<ul style="list-style-type: none"> No significant compliance violations Compliance training incorporates the theme of psychological safety in the workplace and was conducted at all Group companies in Japan As a result of checking all Group companies for the presence of internal reporting services, external reporting services and the establishment of regulations, we determined that reporting services had not been established at three overseas Group companies
			Compliance training rate	100%	97%	
			Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	

* Number of serious accidents as judged by the Ethics Committee

Initiatives

Policies and Measures Relating to Compliance with the Nippon Kayaku Group Charter of Conduct and Code of Conduct

◆ Instilling within the Company

To raise awareness about thorough compliance and ensure it is practiced throughout the corporate group, the Nippon Kayaku Group has created a portable card displaying its corporate vision, Charter of Conduct and Code of Conduct in six different languages (Japanese, English, Chinese, Spanish, Malay and Czech) spoken by all of the countries where we have manufacturing hubs. The card is distributed to all executives and employees of the Nippon Kayaku Group so that they can refer to Nippon Kayaku Group Charter of Conduct and Code of Conduct whenever necessary. Also, a pamphlet with easy-to-understand explanation of the Charter of Conduct and the Code of Conduct is distributed to all employees of domestic companies of the Nippon Kayaku Group.

Further, we have determined that every October will be compliance promotion month. During October, the chairperson of the Ethics Committee shares a message with all of the employees of the domestic companies of the Nippon Kayaku Group via the company newsletter. We also conduct compliance awareness surveys to continually monitor the compliance awareness of our colleagues and enable this awareness to lead to improvement.

We concluded an agreement with a consulting firm in FY2015 to conduct compliance awareness surveys. Problems in different workplaces related to the encouragement of compliance are identified from the aggregated data and the analysis of the results of the compliance awareness surveys. Improvement proposals and other feedback are then provided to the workplaces. Referring to this feedback, our colleagues in different workplaces formulate compliance action plans for the following year and implement the PDCA cycle to raise awareness.

The compliance activities of the overseas companies of the Nippon Kayaku Group are in line with laws and business practices of the respective countries in which they operate. In China, general managers and ethics representatives of the Nippon Kayaku Group's companies gather and hold a meeting each year to report on the companies' compliance-related efforts and problems, identify problems and discuss measures to address them. Nippon Kayaku's Internal Control Management Division and the Legal Department of KSC* cooperate with each other to provide local employees with compliance training in their offices. In consideration of the situations in the different countries, we will deepen cooperation between the companies and divisions of the Group so that their global compliance activities become more effective and efficient.

* KSC: Kayaku (Shanghai) Co., Ltd., a management company in China

◆ Education and Training

The Nippon Kayaku Group holds domestic compliance education and training on different themes every year, and uses regular meetings at business sites to conduct study groups and training based on case studies. The FY2022 compliance training was themed on psychological safety at workplaces. Nippon Kayaku provided training, mainly e-learning programs, and the companies of the Nippon Kayaku Group mostly conducted group training with the goal of providing all employees with training opportunities and programs.

Name of training program	Main themes covered	Main target	FY	Training format	Number of sessions	Attendance rate
Compliance training (Yearly and mandatory)	Psychological safety at workplaces	Executives and employees (including contract employees and part-time employees), temporary employees	2022	e-learning/ group training	1	97.3%
Compliance training (Yearly and mandatory)	Guidelines for Handling Whistleblower Complaints / Nippon Kayaku Group Basic Policy on Anti-Bribery	Executives and employees (including contract employees and part-time employees), temporary employees	2021	e-learning/ group training	1	98.2%
Compliance training (Monthly)	<ul style="list-style-type: none"> Harassment (difference between instruction/request and harassment) Fundamental human rights (LGBT, unconscious bias) Sincere activities (integrity, action taken in the event of a mistake) Good workplace environment (problems of negative and passive words and behaviors) 	Executives and employees (including contract employees and part-time employees), temporary employees	2022	e-learning	6	Average of 79.2%
Compliance training (Monthly)	<ul style="list-style-type: none"> Insider trading Good workplace environment (how to interact with people who are hard to talk to) Fundamental human rights (portrait rights) Sincere activities (compliance risk, prohibition of conflicts of interest) Harassment (Power harassment) 	Executives and employees (including contract employees and part-time employees), temporary employees	2021	e-learning	6	Average of 77.7%
Risk management training	Nippon Kayaku's crisis management system	Executives and employees (including contract employees and part-time employees), temporary employees	2022	e-learning	1	77.8%
Risk management training	Risk of infection	Executives and employees (including contract employees and part-time employees), temporary employees	2021	e-learning	1	76.0%
New employee training ^{*1}	Compliance basics, Charter of Conduct and Code of Conduct, Compliance Hotline, etc.	New employees	2022	group training	1	100%
Newly appointed manager training ^{*1}	Compliance basics, Charter of Conduct and Code of Conduct, Compliance Hotline, etc.	Newly appointed managers	2022	group training	2	100%
Expatriate training ^{*2}	Charter of Conduct and Code of Conduct, Nippon Kayaku Group Basic Policy on Anti-Bribery, etc.	Expatriates	2022	In-person/ online	10	100%

*1 Held annually

*2 Provided to expatriates before they are assigned to a new post

◆ Initiatives to Prevent Corruption and Anti-competitive Behavior

The Nippon Kayaku Group Charter of Conduct and Code of Conduct uphold that fair, transparent and free competition should be conducted in all business activities in compliance with both the letter and spirit of relevant laws and regulations, including competition laws, as well as internal rules. In addition, they prohibit bribery and other misconduct in relation to our business transactions.

Furthermore, to clarify our basic approach to the prevention of bribery, the scope of application, and rules to abide by, we have established the Nippon Kayaku Group Basic Policy on Anti-Bribery, which is widely embraced and practiced by our officers and employees, including Group companies in Japan and overseas.

Nippon Kayaku Group Basic Policy on Anti-Bribery

Established: June 21, 2021

◆ I . Preamble

Nippon Kayaku established the Nippon Kayaku Group Basic Policy on Anti-Bribery (hereinafter referred to as the Basic Policy) to clarify the basic concept, scope, and rules to be followed regarding the prevention of bribery, for declaration to both inside and outside the company. This basic policy applies to all officers and employees of the Nippon Kayaku Group (employees, junior employees, contract employees, advisors, contract workers, parttime workers, etc.).

◆ II . Overview

The Nippon Kayaku Group established the Nippon Kayaku Group Charter of Conduct and Code of Conduct to implement sustainable management that is integrated with management strategy while maintaining a high level of ethical standards. This is aimed at realizing the corporate vision **KAYAKU spirit** of "continuing to provide society with the best products through constant progress and the combination of conscience." The Charter of Conduct and Code of Conduct stipulates that; we will "comply with competition laws and other relevant laws and regulations, as well as their spirit and internal regulations, and engage in fair, transparent and free competition in all our business activities; that we will maintain sound relations with politics and the government;" and that we will "comply with relevant laws and regulations in each country and region, and respect international norms, cultures, religions and traditions." Furthermore, the Nippon Kayaku Group considers the establishment and strengthening of anti-bribery systems both domestically and overseas to be an important issue to be addressed by the Group as a whole as we continue to expand our business globally year by year.

◆ III. Declaration

The Nippon Kayaku Group will comply with laws and regulations that prevent bribery in each country and region in which the Nippon Kayaku Group operates, including the Japan Anti-Unfair Competition Act, the U.S. International Anti-Corruption Act (Foreign Corrupt Practices Act:FCPA),the Bribery Act (Bribery Act:UKBA), and the Chinese Commercial Bribery Regulation. In addition, we will not act in a way that violates the Ethical Code for Public Employees of Japan, the Code of Ethics for National Public Employees, the ethical rules stipulated by special public corporations, local governments, etc., and the laws and regulations concerning the public employees^{*1}, etc. of each country.

◆ IV. Compliance items

1. Prohibition of Bribery of Public Officials, etc.

The Nippon Kayaku Group will not provide, offer or promise any illegal entertainment, gifts, benefits or other economic benefits*², whether directly or indirectly, to domestic and overseas public employees or persons in similar positions ("public employees, etc.") with the aim of influencing their conduct of duties.

In the event public officials, etc. request the provision of illegal entertainment, gifts, benefits, or other economic benefits domestically or overseas, the Company shall refuse such request and notify the relevant organizations as appropriate.

2. Payment to agents, etc.

The Nippon Kayaku Group shall not make any payments to agents or consultants (hereinafter referred to as "Agents") in cases where any part of such payments are or may be diverted to illegal approaches to public officials, etc.

3. Entertainment and gifts to business partners other than public officials, etc.

In compliance with national laws, industry codes and internal regulations, we will not provide entertainment, gifts, or other economic benefits that exceed a reasonable range of social conventions to our domestic and overseas business partners, including their officers and employees.

4. Entertainment and gift-giving

We do not receive excessive entertainment from business partners or gifts of money that exceed the scope of social conventions.

5. Donation activity

Donations, such as grants and political contributions, will not be made for the purpose of fraudulently obtaining or securing business benefits.

6. Control of Records

We will prepare and maintain accounting records of all transactions and dispositions of assets, as appropriate and accurately as possible, to demonstrate that bribery has not occurred.

◆ Requests to business partners

This basic policy summarizes the Nippon Kayaku Group's approach to anti-bribery, and we believe that the understanding and cooperation of our business partners is essential to the implementation of this basic policy. If you encounter or suspect any violations to this basic policy or related laws or regulations, please notify your contact person at the Nippon Kayaku Group.

We also request that you cooperate in investigations by Nippon Kayaku Group companies or relevant authorities regarding alleged violations or violations.

*1 "Public officers, etc." refers to those who are in charge of legislative, administrative, judicial, and other public affairs in each country or region, candidates for such services, officials of government agencies, employees of companies and other organizations owned and operated by the government, officers and employees of political parties, and officers and employees of public international organizations composed of countries, regions, and their governments.

*2 "Gifts, benefits, and other economic benefits" include all items that are equivalent to cash, such as gifts, services, employment, loans, travel expenses, food and beverage, invitations (sports tours, theatrical tours), donations, daily grants, and rewards, all of which are in profit, whether in their nominal terms. Provided, however, that this shall not apply to acts where the scope of the Anti-Corruption and Anti-Bribery Laws and Regulations applicable to each country or region is moderate in light of lawful and sound business practices and socially accepted norms.

High Standards of Ethics and Transparency in Pharmaceuticals Business

It is incumbent upon pharmaceutical companies to consistently ensure high standards of ethics and transparency in their business activities, to establish relationships of trust with external stakeholders including medical, dental and pharmaceutical researchers and healthcare professionals, wholesalers, patient groups, etc., and to make efforts to ensure that optimal and ethical medical care is provided from the standpoint of patients.

Nippon Kayaku established the Nippon Kayaku Code of Practice as a standard against which its directors and employees can determine whether their own acts are in keeping with the Japan Pharmaceutical Manufacturers Association (JPMA) Code of Practice. By thus underscoring and firmly sharing our commitment to corporate ethics and compliance, which are the foundation of our business activities, we proceed with our business with a highly ethical mindset in adherence to the code.

➤ [Commitment to Compliance Based on Nippon Kayaku Code of Practice](#)

Initiatives at Overseas Companies of the Nippon Kayaku Group

The Nippon Kayaku Group annually discusses risk management measures after identifying risks in the offices including the offices of the overseas companies of the Nippon Kayaku Group and it regularly conducts reviews. (For details, see [\[Important Issues\] Risk Management > Preventing Risks](#))

We identified compliance risks relating to corruption in China in 2022. As a measure to address these risks, general managers and ethics representatives of the Nippon Kayaku Group's companies in China gathered and held a meeting to establish the Anti-Bribery Regulations for the companies of the Group in line with Chinese laws and business customs.

Considering the situations in the different countries we operate within, we will increase the cooperation between the companies and divisions of the Group so that global compliance activities become more effective and efficient.

Preventing the Bribery of Suppliers

Nippon Kayaku conducts a sustainable procurement questionnaire with new clients and existing clients with large annual transactions. The questionnaire includes questions about preventing corruption in an effort to encourage suppliers to not be involved in corrupt acts.

➤ [Environmental and Social Considerations in the Supply Chain](#)

Consulting, Handling Incidents and Preventing Recurrence

◆ Whistleblower System

Nippon Kayaku has a Whistleblower System and, by establishing the Compliance Hotline, endeavors to prevent, detect at an early stage and correct wrongful acts.

The Compliance Hotline is available to all executives, employees (including contract employees and part-time employees), temporary employees and retirees (within one year of retirement) of the domestic companies of the Nippon Kayaku Group. The overseas companies of the Group use their own whistleblower systems.

Subjects for the report include violations of laws, wrongful acts, violations of the Nippon Kayaku Group's internal regulations such as the Charter of Conduct and the Code of Conduct, violations of corporate ethics rules and other matters. Human rights infringement, harassment, bribery, illegal transactions and comprehensive acts of corruption are also included. Whenever appropriate, the Compliance Hotline accepts reports and consultations on wrongful acts that occurred in the Nippon Kayaku Group's operations and matters that may result in wrongful acts.

The Compliance Hotline set up offices within the Ethics Committee's administrative office (Compliance Department, Internal Control Management Division) and at an outside law firm so that whistleblowers can choose which office they would like to report and consult on problems to either anonymously or disclosing their name. Employees may submit whistleblowing reports by phone, e-mail, letter or in person (round the clock with the exception of whistleblowing over the phone or in person).

When a Compliance Hotline office receives a report or consultation, the Ethics Committee's administrative office discusses the need for an investigation and conducts an investigation if deemed necessary. If an investigation confirms a wrongful act, corrective actions and recurrence prevention measures will be swiftly taken. Subsequently, the Ethics Committee's administrative office informs results of the investigation and corrective actions to the whistleblower.

Our Whistleblower System ensures confidentiality and anonymity. The Guidelines for Handling Whistleblower Complaints explicitly ban any disadvantageous treatment of a whistleblower.

To make the Whistleblower System and Compliance Hotline offices better known throughout the Group, information is communicated via group training, e-learning programs, our internal portal site, posters at workplaces, the distribution of portable cards and other means.

Flow of Reporting and Consulting



Number of Reported Matters for the Past Five Years

In FY2022, sixteen reports and requests for consultation were received. The reports and requests for consultation received were addressed through fact checking, investigation and corrective action where necessary. None of these cases were found to be serious enough to affect our business operations. Through internal training and other opportunities, we will continue to work to make the Whistleblower System more widely known throughout the Group and encourage its use in an effort to prevent and detect wrongful acts at an early stage and ensure the prevention of their spread.

Nature of reports	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Workplace harassment (power harassment, sexual harassment, etc.)	Cases	4	8	6	2	7
Violation of company rules and etiquette	Cases	3	2	0	0	2
Labor/management relations	Cases	2	1	1	1	3
Others	Cases	0	0	0	1	4
Total	Cases	9	11	7	4	16

◆ Compliance Hotline for Suppliers

The Nippon Kayaku Group has established a Compliance Hotline for Suppliers to report acts in violation of laws and regulations. Please read items 1 through 5 and report an incident or seek advice via “6. Compliance Hotline for Suppliers” if you wish to do so.

- Eligible hotline users**
All officers and employees of suppliers engaged in business transactions with the domestic Nippon Kayaku Group.
- Subjects for a report or a consultation**
When any officer or employee of a Nippon Kayaku Group company in Japan is identified as engaging in, or having the intention to engage in, an illegal or unethical act.
- Contact for reporting**
Ethics Committee administration office, Nippon Kayaku Co., Ltd. (Internal Control Management Division)
- Requests for hotline users**
Hotline users should specify their full name and the name of their company/affiliation. We do accept Reports and consultations if the hotline user wishes to remain anonymous, but please be advised that this may hinder fact-checking and other investigations and prevent us from offering the hotline user a response, including regarding investigation findings and measures to prevent recurrence.
- Protection of hotline users**
The personal information of hotline users will be used exclusively for matters related to an investigation and other steps necessary to look into the reported incident, and will be handled with the utmost care based on the Company’s [Personal Information Protection Policy](#). Hotline users will not be disadvantaged because of their submitting a report.
- Reporting method**
Reports and consultations should be submitted via the [“Compliance hotline for suppliers.”](#)

Number of Reports and Consultations

The Compliance Hotline for Suppliers was set up in FY2021. The number of reports and requests for consultation was zero in FY2021 and one in FY2022. The reports and requests for consultation received were addressed through fact checking, investigation and corrective action where necessary. None of these cases were found to be serious enough to affect our business operations. We will sincerely listen to the opinions of our suppliers and work to increase the fairness and transparency of transactions.

Data

Disciplinary Action, Dismissal, Fines and Penalties Resulting from an Employee’s Violation of Our Anti-corruption Policy

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of violations of our anti-corruption policy	Non-consolidated	Cases	0	0	0	0	0
Disciplinary action and dismissal	Non-consolidated	Cases	0	0	0	0	0
Fines relating to acts of corruption	Non-consolidated	Yen	0	0	0	0	0
Application of penalties related to acts of corruption	Non-consolidated	Cases	0	0	0	0	0

Political Contributions

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Political contributions	Non-consolidated	Ten thousand yen	115	118	113	104	106

Commitment to Compliance Based on Nippon Kayaku Code of Practice

Establishment of Nippon Kayaku Code of Practice

It is incumbent upon pharmaceutical companies to consistently ensure high standards of ethics and transparency in their business activities, to establish relationships of trust with external stakeholders including medical, dental and pharmaceutical researchers and healthcare professionals, wholesalers, patient groups, etc., and to make efforts to ensure that optimal and ethical medical care is provided from the standpoint of patients.

In 2013, the Japan Pharmaceutical Manufacturers Association (JPMA) established the JPMA Code of Practice for all officers and employees of its member companies to follow in interacting with researchers, healthcare professionals, patient groups, etc., in line with the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) Code of Practice.

Nippon Kayaku established the Nippon Kayaku Code of Practice as a standard against which its officers and employees can determine whether their own acts are in keeping with the JPMA Code of Practice. By thus underscoring and firmly sharing our commitment to corporate ethics and compliance, which are the foundation of our business activities, we proceed with our business with a highly ethical mindset in adherence to the code.

Concrete Initiatives for Ensuring Compliance

Providing Information on Pharmaceuticals and Securing Transparency

The progress of medicine, pharmacy and medical engineering and enhancement of public health are built on our interactions with researchers and healthcare professionals and collaborations with patient groups and other bodies. We need to be accountable for such interactions and collaborations, ensuring that they are conducted ethically and in good faith. To this end, we annually disclose any funding we provide in relation to these acts on our website to ensure transparency of corporate activity information based on our own guidelines created in line with JPMA's "Guidelines for Transparency of Relationship between Pharmaceutical Companies and Medical Institutions, etc." and "Guidelines for Transparency of Relationship between Corporate Activities and Patient Organizations."

Creating, Verifying and Providing Information Materials for Pharmaceuticals, etc.

Information materials play an extremely important role in providing pharmaceutical information to ensure the appropriate use of prescription drugs. Their contents must therefore be based on scientific evidence and created and used in an accurate, fair and objective manner. For this reason, Nippon Kayaku has set forth a Review Procedure in compliance with such laws and regulations as the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (hereinafter, "Pharmaceuticals and Medical Devices Act"), Guidelines for Provision of Sales Information on Prescription Drugs, JPMA Code of Practice and Guideline for Preparation of Product Overview for Prescription Drug, and tasks the Review Committee, which is comprised of expert committee members including in-house medical doctors, with conducting appropriate reviews. In addition, our internal monitoring system keeps activities for the provision of sales information in check and provides instructions to make sure that they do not deviate from the Guidelines for Provision of Sales Information on Prescription Drugs.

Providing Ongoing Education and Training to Employees

To execute ongoing corporate activities with a highly ethical mindset, it is imperative that all our officers and employees become versed in the Nippon Kayaku Code of Practice. In support of JPMA's initiative to promote understanding of its code, we set concrete goals to be pursued by each group and workplace with the aim of optimizing our corporate activities, and regularly implement education and training tailored for each business site.

Roles of Code Compliance Committee in Ensuring Adherence to Nippon Kayaku Code of Practice

Nippon Kayaku has in place Code & Compliance Committee, Pharmaceuticals Group (hereinafter, "the Committee") as a body for promoting compliance within Pharmaceuticals Group, and for building an internal system to ensure our compliance with related laws including the Pharmaceuticals and Medical Devices Act and Antimonopoly Act, government guidelines including the Guidelines for Provision of Sales Information on Prescription Drugs and voluntary industry standards including the Fair Competition Code concerning Restriction on Premium Offers in Ethical Pharmaceutical Drugs Marketing Industry and JPMA Code of Practice.

While striving to promote compliance within the, the Committee, pursuant to the Nippon Kayaku Code of Practice, aims to establish and revise the internal operating rules and procedures required for ensuring that our officers and employees comply with related laws and voluntary standards in their interactions with stakeholders, and to make sure that the rules and procedures are widely embraced by all and embedded in the corporate culture.

In the event that a serious violation of any law related to pharmaceuticals, the Guidelines for Provision of Sales Information on Prescription Drugs or any important code occurs, the Committee responds to the incident and discusses and determines measures to prevent recurrence. Moreover, when a violation of any code including the Guidelines for Transparency or noncompliance is identified, the Committee holds a meeting to discuss and determine measures to prevent recurrence.

Ensuring Compliance in Overseas Activities

When providing pharmaceutical information to healthcare professionals overseas or inviting healthcare professionals in Japan to attend lectures and conferences held overseas, or when a subsidiary in an overseas country assigns its non-Japanese licensees or agents to engage in activities in the applicable country based on a licensing or agency agreement, all individuals involved are expected to respect the Nippon Kayaku Code of Practice, and comply with the relevant laws of the applicable country and its pharmaceutical industry association code if there is one, or the IFPMA Code of Practice if there is not.

[Important Issues] Risk Management

Policy and Basic Approach

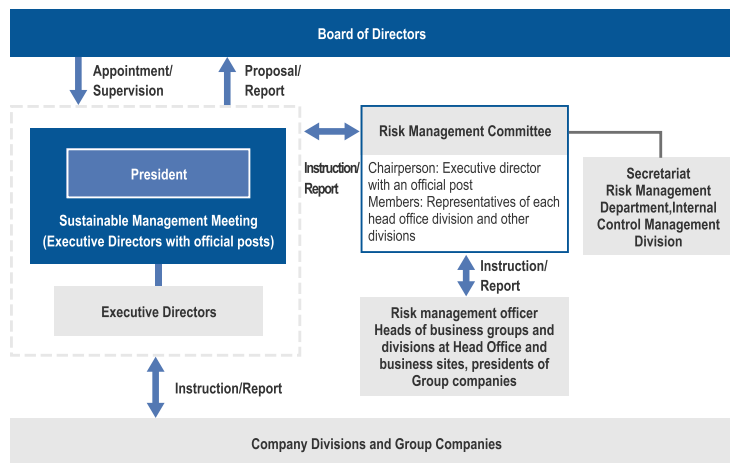
We are facing many different risks amid the continuously changing business environment and the growing complexity and uncertainty. The Nippon Kayaku Group works to prevent the manifestation of many different operational risks and seeks to minimize impact of risks by maintaining its production structure, properly securing raw materials and strengthening anti-disaster measures to ensure the continuity of business.

To ensure the restoration of operations within the targeted period after a disaster or large emergency occurs, our head office, divisions and plants have created BCP manuals and pushed forward with the development of BCP manuals for overseas offices.

System

The Nippon Kayaku Group established the Risk Management Committee to be a specialized committee under the Sustainable Management Meeting with the goals of preventing the manifestation of risks and minimizing the impact of risks. The Committee meets twice a year and as necessary.

Chaired by an Executive Director with an official post nominated by the President, the Risk Management Committee consists of representatives from business units' planning divisions and from departments of general administration divisions that do not belong to a business unit. The committee builds and manages a crisis management structure to prevent risks that may cause the Nippon Kayaku Group's corporate management and business activities to incur enormous damages, respond to emergencies and recover from damage after an emergency occurs. Important topics discussed by the Risk Management Committee are reported to the Sustainable Management Meeting and the Board of Directors for feedback.



Indicators

Key sustainability issues	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Risk Management	<ul style="list-style-type: none"> Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the appropriateness of raw materials, and strengthening measures against disasters 	Implementation rate for business, etc., risk control activities and top five risk control activities	100%	100%	<ul style="list-style-type: none"> Implemented Top 5 risk control activities at each factory of Nippon Kayaku (non-consolidated) and all Group companies (trends include increasing risks such as rising geopolitical risks, sharply rising raw material prices, and disruptions to the supply of raw materials) Conducted interviews regarding points considered to be important for the top 5 risks at two domestic factories and four overseas Group companies
		Number of BCP drills conducted	One or more per year	2 times	<ul style="list-style-type: none"> Domestic Group companies continued to use an emergency communication system introduced in FY2021 as a BCP drill in preparation for the occurrence of earthquakes BCP drills were conducted under local consulting and guidance of Chinese Group companies

Initiatives

Preventing Risks

◆ Risk Control Activities by Business Groups and Top Five Risk Control Activities

To identify and control important risks, the Nippon Kayaku Group implements division risk control and the top five risk control activities throughout the year as follows.

The division risk control activities encompass seven groups. From the perspective of the operation of business, these groups identify risks that may significantly affect business activities and discuss measures to address these risks.

The top five risk control activities cover the companies of the Nippon Kayaku Group, including plants, laboratories, pharmaceuticals branches and offices and overseas affiliates. For the activities, five risks that are especially important from the perspectives of the offices and business sites are selected and measures are discussed.

The risks identified by the groups and sites and measures to address them are reported to the Internal Control Management Division, the administrative office of the Risk Management Committee. The Internal Control Management Division comprehensively understands and analyzes risk trends. Decisions regarding important risks and measures to address them are made after discussion by the Risk Management Committee. Progress and activities are reported biannually to the Sustainable Management Meeting and the Board of Directors.

◆ Handling ESG Risks

The Nippon Kayaku Group sees a need to accurately understand the risks and opportunities involved in its sustainable management to mitigate risks, seize new business opportunities and leverage these opportunities for the growth of the business.

In 2022, the Nippon Kayaku Group disclosed information based on risks and opportunities relating to key sustainability issues and TCFD recommendations. We will seek to resolve environmental and social problems through our business operations in pursuit of the realization of a sustainable society and the continued improvement of corporate value.

We will continue to review risks and opportunities on a regular basis and seek to improve our information disclosure both qualitatively and quantitatively in an effort to properly keep up with the diversification of business activities and the changes in environmental and social issues.

- > [Risks and Opportunities for Key Sustainability Issues](#)
- > [Information Disclosure Based on the TCFD Recommendations](#)

◆ Information Security Initiatives

Nippon Kayaku usually protects corporate information and continues to implement information security initiatives in compliance with the Code of Conduct for information handling in the Nippon Kayaku Group Charter of Conduct and Code of Conduct. We strengthen information security throughout the Company by controlling and monitoring information security across the board on an ongoing basis and devising programs to prevent data leaks and illegal data acquisition by third parties. Based on the company-wide Corporate Information Management Regulations, all employees are periodically provided with information security training and each of our offices designates a corporate information manager to establish its own rules and regulations. In this way, we strive to increase every employee's awareness of information security.

As a measure against cyberattacks, all employees participated in two drills for defending against quasi-targeted e-mail attacks in FY2022. Subsequently, feedback about the results was provided to employees who also received tips for how to identify targeted e-mail attacks and to avoid risky behaviors like opening attached files to increase their awareness of information security. There were no cases falling under specific complaints concerning customer privacy violation or the loss of customer data in FY2022.

◆ Education and Training

As part of the activities to increase risk awareness and implement the PDCA cycle to mitigate risk, the Nippon Kayaku Group provides risk management education to all of its executives and employees (including contract employees and part-time employees) and temporary employees. Also, a separate risk management training session is organized for new hires, newly appointed managers and Japanese expatriate employees being assigned overseas.

› [Education and Training](#)

Actions to Take in the Event of an Emergency and Developing and Managing a Crisis Management System

◆ Risk Management System

We have established our Risk Management Regulations and BCP Manuals, among others, in preparation for risks that could have a serious impact on corporate activities in an effort to enhance our risk management system.

The Risk Management Regulations were set forth in FY2022 by modifying the Risk Management Manual, which was formulated in FY2000 with the aim of appropriately managing and addressing all kinds of risks surrounding the Nippon Kayaku Group.

◆ Business Continuity Plan (BCP)

Preparing BCP Manuals

As part of its policy, the Nippon Kayaku Group will work to restore the operations of its businesses within the target period after a disaster occurs. The Group instituted a cross-sectoral BCP project and all of its divisions and plants in Japan established BCP manuals. The overseas companies of the Nippon Kayaku Group are developing and improving their BCP manuals with the goal of facilitating the Nippon Kayaku Group's efforts to handle global risks.

BCP Training

Enabling an organization to quickly function as written in its BCP manual in the event of the materialization of a business continuity risk requires continuous training. In Japan, we conduct annual BCP drills and all executives and Audit & Supervisory Board members including the President participate in them. In FY2022, the Himeji Plant implemented a BCP drill mainly consisting of actions to address equipment damage and save lives in the event of an earthquake. The president, the chairperson of the Risk Management Committee, the manager and the employees of the Himeji Plant and the members of the Safety Systems Group participated in the BCP drill. They properly gathered information and made quick decisions, verifying the effectiveness of the business continuity plan. We will examine the findings and problems identified by the BCP drill and work to address them ahead of the next BCP drill.

A Group company in Wuxi, China conducted a BCP drill assuming the approach and passing of a typhoon that caused damage to the area. The BCP drill was guided by an outside consultant. The problems identified by the outside consultant have been provided via feedback for future training and improvements have been made accordingly, such as the correction of the BCP manual.

We will be holding more BCP drills based on various scenarios.