

Nippon Kayaku Group Integrated Report **2025**



Nippon Kayaku Group Corporate Vision

KAYAKU spirit

**Continuously providing society with the best
products through ceaseless progress and
the combined forces of our consciences.**

The **KAYAKU spirit** represents the ideal corporate vision shared by all our officers and employees.

Through the implementation of sustainable management guided by our **KAYAKU spirit**,
we at the Nippon Kayaku Group are aspiring to create both environmental and social value
in our quest to realize a sustainable society and increase corporate value.

Corporate Slogan

Global "sukima" ideas

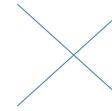
At the Nippon Kayaku Group, we strive to deliver value through the pursuit of originality, rather than relying on scale.

To realize this ambition, each employee must strive to improve his or her capabilities while continuing to create products that deliver added value.

We are developing Nippon Kayaku into a company that the world truly needs, by accumulating unique technology that stands out in niche markets and elsewhere.

Technology
integration and
niche strategies

Energetic
corporate
culture



Technology Integration and Niche Strategies

Mobility & Imaging Business Unit

No. 1 global share of micro gas generators and squibs for external sales and toward further expansion of airbag inflators



Nippon Kayaku has knowledge in the safe handling of explosives nurtured through our industrial explosives business dating back to our founding. In 1991, based on our pyrotechnic design and manufacturing technologies combining explosives and metal containers accumulated through electric detonator products, we signed a contract for joint development of inflators with Sensor Technology Co., Ltd. aimed at introducing airbag modules in the market. This was the start of our automotive safety component business. The inflators born by combining the two companies' technologies have undergone numerous modifications so far. Today, we have a lineup that includes disc-shaped inflators for airbags (ones for driver and passenger seats) as well as cylinder-type inflators for side and knee airbags. Going forward, we expect even greater demand for cylinder-type inflators in particular arising from an increase in their installation due to stricter safety-related evaluation standards.

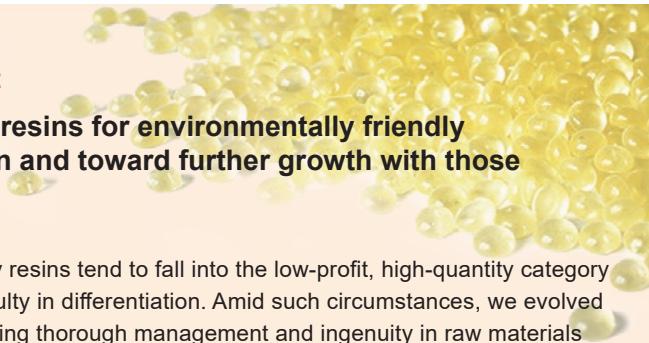
Mobility & Imaging Business Unit
General Manager of Planning & Coordination Division

Shigeru Maeda



Fine Chemicals Business Unit

No. 1 global share of epoxy resins for environmentally friendly semiconductor encapsulation and toward further growth with those for package substrates



Fine chemical products such as epoxy resins tend to fall into the low-profit, high-quantity category due to many market players and difficulty in differentiation. Amid such circumstances, we evolved our high-performance epoxy resins using thorough management and ingenuity in raw materials and manufacturing processes. Our high-performance resins achieve the several properties required by customers within a stable and strict scope while having high purity that suppresses the amount of chlorine contained as far as possible. In recognition of the reliability of our quality established in this way, our epoxy resins have secured the top global share as raw materials for semiconductor encapsulation. In recent years, the need for high-performance epoxy resins as materials for package substrates is rising in response to demand for semiconductors with greater performance and miniaturization, such as those for artificial intelligence, and sales volumes are expanding. We plan to prepare for higher medium- to long-term demand while developing a system for expanded production.

Fine Chemicals Business Unit
Head of Functional Materials Group

Yoshihiro Kawata



Life Science Business Unit

No. 1 share in Japan for the number of cancer-related products' lineups and anti-cancer drugs for unmet needs contributing to better healthcare

Nippon Kayaku has strengths in the development and provision of cancer-related pharmaceutical drugs, offering product groups meeting the diverse needs of patients. Besides our current key products of generic drugs and biosimilars, we will actively introduce new drugs related to cancer treatment in the future. Regarding IBTROZI®, a therapeutic agent for the rare ROS1-positive non-small cell lung cancer from U.S. company AnHeart Therapeutics Inc., we have obtained manufacturing and marketing approval from the Ministry of Health, Labour and Welfare in September 2025 and plan to launch it in FY2025. We hope to continue contributing toward improving patients' quality of life and advancing healthcare through the development and such of pharmaceuticals that can address unmet medical needs in the area of cancer treatment, an area in which we have particular strengths.

Life Science Business Unit
General Manager of Planning & Coordination Division

Yoshinori Hozumi



Upon Publication of Nippon Kayaku Group Integrated Report 2025

Corporate Vision

KAYAKU spirit

Corporate Slogan

Global "sukima" ideas



Organizational culture of the Nippon Kayaku Group

Editorial Policy

Organizations Covered

This report covers 27 out of the 48 companies in the Nippon Kayaku Group, in principle. The 27 companies covered are Nippon Kayaku Co., Ltd. and its 26 consolidated subsidiaries (as of March 31, 2025).

Time Period Covered

FY2024 (from April 1, 2024 to March 31, 2025). However, the report also contains some information from outside of this time period.

Date Published

October 31, 2025

Online version [URL](https://www.nipponkayaku.co.jp/english/ir/library/annual/index.html)

<https://www.nipponkayaku.co.jp/english/ir/library/annual/index.html>

The Nippon Kayaku Group has achieved growth for more than 100 years through technology integration and niche strategies, as well as an energetic corporate culture fostered with our employees at the center.

In Integrated Report 2025, we aim to convey the Nippon Kayaku Group's organizational culture and value-creation initiatives in a manner that is easy for our shareholders, investors, and other stakeholders to understand, and to encourage them to look forward to our medium- to long-term growth.

We hope this report will help you better understand our initiatives and values, and we appreciate your continued support.

(Editorial administrative office: Corporate Communications Division)

Guidelines Referenced

- International Integrated Reporting Framework
- GRI Standards
- Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)
- Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Guidance for Collaborative Value Creation
- IP and Intangible Assets Governance Guidelines



Intellectual Property
and Intangible Asset
Governance Guidelines

Highlights of Integrated Report 2025

Learn About our New President Shigeyuki Kawamura

- ▶ Message from the President ■ p. 16

Learn About our Company-wide Financial Information

- ▶ Progress of the Medium-term Business Plan **KAYAKU Vision 2025** ■ p. 22
- ▶ Financial Policies ■ p. 29
- ▶ 11-Year Summary of Consolidated Financial Data ■ p. 86

Learn About the Products and Markets of Each Business

- ▶ Nippon Kayaku Group's Strengths and Three Business Units ■ p. 09
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Learn About our Key Sustainability Initiatives

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About Cover Design

By focusing on space and expressing the act of imagining new possibilities, the design depicts the Nippon Kayaku Group's means of capturing new perspectives and ideas and bringing out future possibilities. Light and colored bands symbolizing the ideas of our three business units flow from a hand-crafted visual frame, visually expressing the process by which innovation and energy spread throughout society and bring color and vitality to the cityscape.



Disclaimer

This integrated report contains various forward-looking statements about future developments that are based on the Nippon Kayaku Group assumptions and forecasts at present. They are subject to risks and uncertainties which could cause the actual outcome, including the company's financial position, its business development, and/or performance, to differ from those described in this report.

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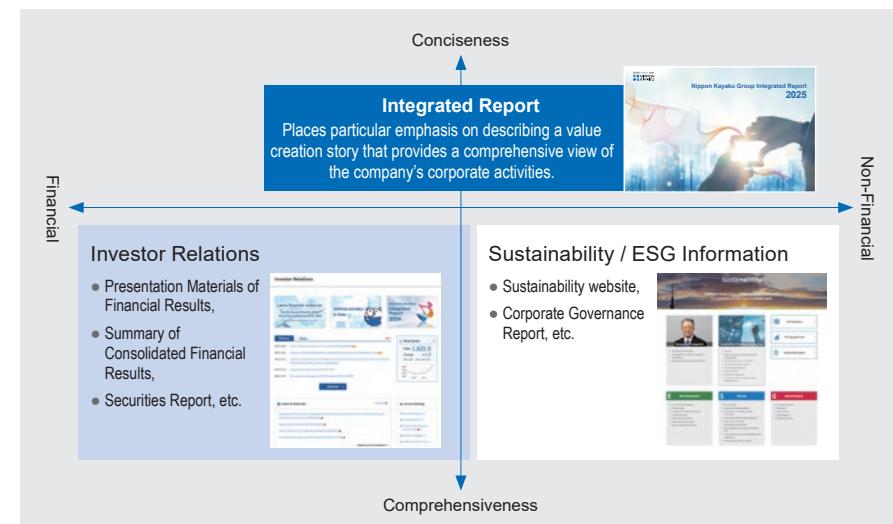
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Information Disclosed by the Nippon Kayaku Group

The Nippon Kayaku Group discloses various kinds of corporate information on the group's website in addition to the Integrated Report.

Investor Relations	Japanese English	https://www.nipponkayaku.co.jp/ir/ https://www.nipponkayaku.co.jp/english/ir/
Sustainability	Japanese English ■ GRI Standard Content Index Japanese English	https://www.nipponkayaku.co.jp/sustainability/ https://www.nipponkayaku.co.jp/english/sustainability/ ■ GRI Standard Content Index https://www.nipponkayaku.co.jp/sustainability/support/gri/ https://www.nipponkayaku.co.jp/english/sustainability/support/gri/
Reports	■ Annual Securities Report for the 168th Period (Japanese) https://ssl4.eir-parts.net/doc/4272/yoho_pdf/S100W41Y/00.pdf ■ Corporate Governance Report Japanese English	■ Annual Securities Report for the 168th Period (Japanese) https://ssl4.eir-parts.net/doc/4272/yoho_pdf/S100W41Y/00.pdf ■ Corporate Governance Report Japanese English
External Evaluation and Awards	Japanese English	https://www.nipponkayaku.co.jp/sustainability/support/evaluation/ https://www.nipponkayaku.co.jp/english/sustainability/support/evaluation/

Positioning of the Integrated Report



External Evaluations and Awards

ESG Index Inclusions and Ratings (as of August 2025)

FTSE4Good Index Series

The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.



FTSE4Good

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Nippon Kayaku Co., Ltd. has been independently assessed according to the FTSE4Good Index Series criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE4Good Index Series indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE Blossom Japan Index

FTSE Blossom Japan Index is designed to measure the performance of Japanese companies demonstrating strong ESG practices.



FTSE Blossom Japan Index

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Nippon Kayaku Co., Ltd. has been independently assessed according to the FTSE Blossom Japan Index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Blossom Japan Index indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

FTSE Blossom Japan Sector Relative Index

This index reflects the performance of the Japanese companies with outstanding ESG practices relative to others in their sector.



FTSE Blossom Japan Sector Relative Index

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MSCI ESG Ratings*



A global rating index with seven levels of ESG risk and opportunity management from "AAA," the highest rank, to "CCC," the lowest rank (the Nippon Kayaku Group was rated AA in 2025).

MSCI Nihonkabu ESG Select Leaders Index*

2025 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX

This index has the MSCI Nihonkabu IMI Index as its parent index. It comprises companies with outstanding ESG evaluation.

MSCI Japan Empowering Women Index (WIN)*

2025 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The MSCI Japan Empowering Women Index is derived from its MSCI Japan IMI Top 700 parent index, and comprises the companies with outstanding records of promoting women's empowerment.

* The inclusion of Nippon Kayaku Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Nippon Kayaku Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

S&P/JPX Carbon Efficient Index

It weights and ranks TOPIX companies based on how well they disclose environmental information and carbon efficiency (carbon emissions per unit of sales).



Morningstar Japan ex-REIT Gender Diversity Tilt Index

Morningstar Japan ex-REIT Gender Diversity Tilt Index is based on the extent to which their gender diversity policies have been instilled throughout the organization, and on how they promote equal opportunities regardless of gender.

SOMPO Sustainability Index

The SOMPO Sustainability Index is an active index uniquely compiled from the Environmental, Social and Governance (ESG) scores given in the Environmental Management and ESG Management surveys conducted by SOMPO Risk Management allied to the stock value evaluations conducted by SOMPO Asset Management.



External Evaluations and Awards

Certification

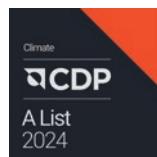
RBA (Responsible Business Alliance) Audit sees Kayaku Advanced Materials Certified Silver

KAM underwent an RBA Third-Party Audit (VAP Audit) in both 2021 and 2023. Its appropriate management in the audit areas of Labor, Safety & Health, Environment, Ethics and Management Systems was duly recognized, and deemed worthy of Silver Certification.

Recognition and Awards

CDP

The Nippon Kayaku Group earned an A in the CDP Climate Change Report and a A- in the CDP Water Security Report from CDP, an international NGO that carries out environmental examination and evaluation.



EcoVadis

The Nippon Kayaku Group earned a Committed Badge from EcoVadis, which carries out comprehensive evaluations of companies in the four fields of environment, labor and human rights, ethics, and sustainable procurement.

BroadBand Security (Gomez ESG Site Ranking)

The Nippon Kayaku Group was selected as an Outstanding Company in this ranking, which rated companies from the five perspectives of website user-friendliness, ESG sharing, E (environment), S (social), and G (governance).



BroadBand Security (Gomez IR Site Ranking)

The Nippon Kayaku Group was selected as an Outstanding Company in 2024 in this ranking, which evaluates companies based on four categories: ease of use of websites, adequacy of financial and business results information, adequacy of corporate and management information, and aggressiveness and innovativeness in disclosing information.



Daiwa Investor Relations (Daiwa Internet IR Award)

The Nippon Kayaku Group was selected as Selected in 2024 for the "Commendation Award" in the Internet IR category and the "Excellence Award" in the sustainability category, based on a survey and evaluation using the 5T&C framework (Timely, Transparent, Traceable, Trustworthy, Total, and Communication).



Nikko Investor Relations (Company Website Quality Ranking)

The Nippon Kayaku Group was selected in 2024 Best Award in comprehensive ranking segment, based on objective evaluation criteria set from the three viewpoints to "easy to understand," "easy to use," and "amount of information."



The mascot character of Nippon Kayaku Group
Kayakuma

"It is a great honor that our initiatives were recognized and we obtained external certification and evaluation. Please continue to look forward to the Nippon Kayaku Group's challenges for a sustainable future!"

01

Chapter

Global "sukima" ideas

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- Fine Chemicals Business Unit and Its Products
- Life Science Business Unit and Its Products

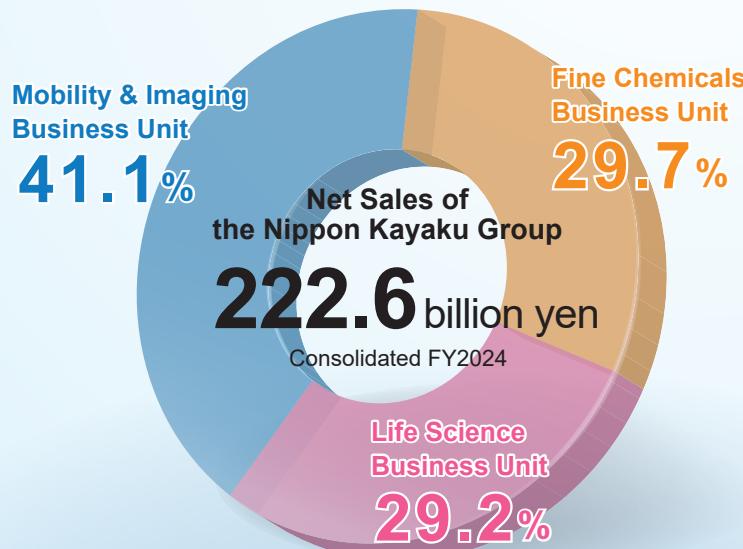
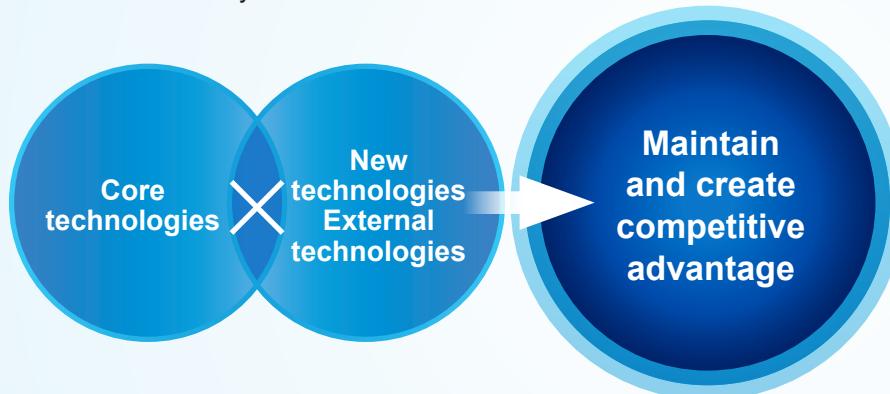
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Nippon Kayaku Group's Strengths and Three Business Units

The Nippon Kayaku Group pursues originality, implementing technology integration and niche strategies based on the slogan of Global "sukima" ideas that deliver value to expand the "sukima" niche markets that are discovered. Together with carefully protecting the core technologies developed since our establishment, we will combine them with the latest technologies of the times to continue creating innovative businesses and products that always meet the needs of society.



Products of Mobility & Imaging Business Unit

Safety Systems Business

Automotive Safety Components

- Airbag inflators
- Micro gas generators for seatbelt pretensioners
- Squibs (ignition components found in inflators and micro gas generators)

Drone Safety Devices

- PARASAFE® emergency parachute system for drones

Polatechno Business

Optical Components

- Automotive polarizers
- Sun-guard films for head-up displays
- Polarizers for passive LCDs
- Polarizers for sunglasses

Precision Components

- Components for X-ray analysis systems (sources, windows, detectors)
- Polarizers for projectors



Products of Fine Chemicals Business Unit

Functional Materials Business

Resin Materials

- Epoxy resins
- Maleimide resins
- UV-curing type resins

Resist Materials for MEMS

Cleaners for LCDs and Semiconductors

Semiconductor Manufacturing Equipment

Color Materials Business

Inkjet (IJ) Color Materials

- Consumer inkjet colorants
- Industrial inkjet inks

Thermal Materials

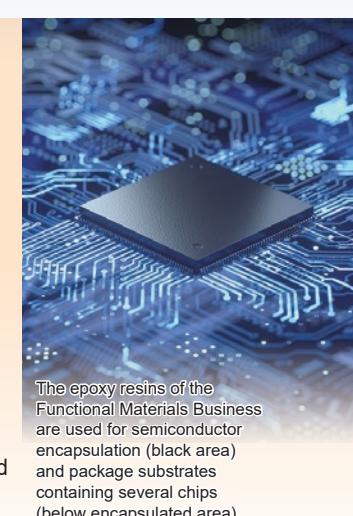
- Non-phenol developers
- Phenol developers

Dyes for Paper and Textiles

Catalysts Business

Gas-Phase Oxidation Catalysts

- Catalysts for the production of acrylic acid
- Catalysts for the production of methacrylic acid



Products of Life Science Business Unit

Pharmaceuticals Business

Cancer-Related Medical Pharmaceuticals

- New drugs
- Generic drugs
- Biosimilars

Agrochemicals Business

Pesticides for Vegetables and Fruit Trees

- Insecticides
- Soil fumigants



Nippon Kayaku Group's Strengths and Three Business Units

Mobility & Imaging Business Unit and Its Products

Through progress in automotive safety components that provide safety to people around the world and light control technology that achieves new imaging devices, we contribute to the development of future mobility technologies.

Core Technologies & Strengths

Handling of pyrotechnics and technologies for pyrotechnic design and manufacturing

- ▶ Knowledgeable in the safe handling of pyrotechnics from many years of experience and can properly comply with laws and regulations (Explosives Control Act)
- ▶ Acquisition of airbag inflator design technology from collaboration and reaching the top level of the industry through repeated in-house improvements

Key Products

Safety Systems Business

Inflators

Inflators are built into the airbags installed in various locations of an automobile. They are filled with a gas-generating agent that applies explosive technology and serve as components that instantly inflate the airbags in the event of a collision.



Disc-shaped inflators (top) used in airbags for driver and passenger seats and cylinder-type inflators (bottom) for curtain, side, and knee airbags



Five global locations producing automotive safety components

- ▶ Establishment of five locations to meet the rising needs of automotive safety components globally
- ▶ Development of a system that delivers products using optimal routes according to the trends of automobile production in each country

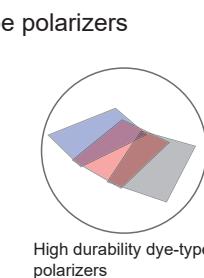
Light control technology, including the design and production of polarizers

- ▶ Technologies for dye synthesis and film processing that supports high durability dye-type polarizers
- ▶ Besides light control of displays, ability to meet the specialized needs of customers by also using X-ray control technology

Polatechno Business

High durability dye-type polarizers

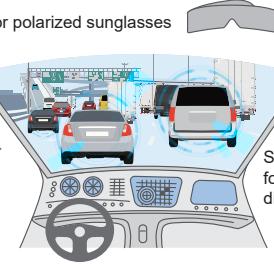
High-durability dye-type polarizers with excellent resistance to heat and light are used as optical components that can withstand harsh environments such as automotive applications.



For polarized sunglasses



Sun-guard films for head-up displays



For vehicle instrument panels

X-ray analyzer components

X-ray analyzer components—which are compact, lightweight, and emit little heat—are found in handheld X-ray detectors and such used by airports and border security.



Handheld X-ray fluorescence analyzer

Safety components and displays evolving together with automobiles

Safety components and in-vehicle displays continue to be installed while evolving with changes in automobiles, such as development in electric vehicles and the realization of automated driving. Using our core technologies, we will provide solutions for changing needs.

Continuing to provide safety and security for progress in mobility

We contribute toward improving safety and reliability in future mobility by applying the technologies developed in automotive safety components to provide safety devices for industrial drones and flying cars that are expected to be adopted in future society.

Topics: Ensuring Safety for the Future of Extensive Use of Air Mobility—PARASAFE® ■ p. 37

Nippon Kayaku Group's Strengths and Three Business Units

Fine Chemicals Business Unit and Its Products

Using our core technologies in resins, colorants, and catalysts, we provide functional chemicals with added value in the areas of information, communication, digital printing, and basic chemicals to contribute to the realization of a prosperous and comfortable society.

Contribution to Society

Using high-performance semiconductor materials to support a comfortable life

We provide high-performance resins that can be used with semiconductors that are evolving due to AI technology and such. We also contribute to efficient production with our manufacturing equipment technology.

Environmentally friendly high-performance inks that are necessary for next-generation digital printing

We reduce waste using inks that can quickly print on demand, contributing to the creation of a sustainable society.

Core Technologies & Strengths

Management technology for producing resins with consistent quality and performance

- Ability to mass produce high-performance epoxy resins with few impurities and stable properties through careful management of raw materials and reaction conditions
- Ability to provide new materials with the matching properties in a short period of time using research and development that closely follows customers' requirements

Expertise in the development and production of inkjet colorants

- Development of industrial inkjet inks using colorant technology developed in inkjet inks for households
- Collaboration with printer and printhead manufacturers to build a joint development and sales system for industrial inks

World-class gas-phase oxidation catalysts

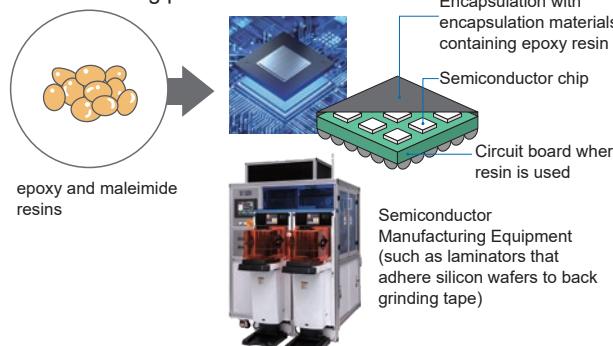
- Based on world-class catalyst technology introduced from U.S.-based Standard Oil Company (Ohio), continuing to improve yield and other performance, maintaining the industry's leading performance and quality even today
- Going beyond catalyst development, a practical technical support system that includes operational expertise at users' sites

Key Products

Functional Materials Business

- Semiconductor-related products (resins and other materials; manufacturing equipment)

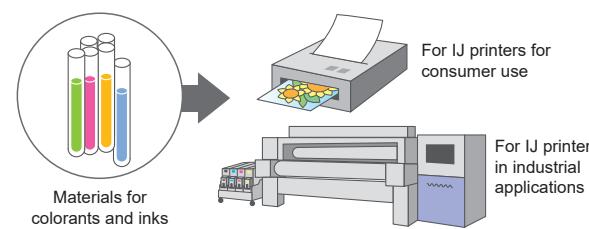
Besides high-performance epoxy resins for semiconductor encapsulation and package substrates, our Group company Teikoku Taping System provides laminators and other manufacturing equipment used in semiconductor manufacturing processes



Color Materials Business

- Colorants for inkjet printers

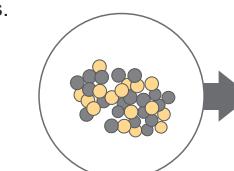
Instead of inkjet inks for households, for which demand is expected to remain flat, we are focusing on industrial inkjet ink, an area that is expected to expand in the future. We specialize in water-based pigment inks that are friendly to the environment. We currently sell inks for coated paper, and we are also developing inks for food packaging and other flexible packaging materials.



Catalysts Business

- Catalysts for the production of acrylic acid and methacrylic acid

We sell high-yield catalysts for the production of acrylic acid and methacrylic acid to production plants.



Disposable diapers made from SAP



Acrylic glass used in aquariums and such

Catalysts for the production of acrylic acid (raw material for resins such as SAP^{*1} used in disposable diapers) and methacrylic acid (raw material for resins such as PMMA^{*2} used in acrylic glass)

*1 Superabsorbent polymer

*2 Polymethyl methacrylate

Nippon Kayaku Group's Strengths and Three Business Units

Life Science Business Unit and Its Products

By promoting innovation using technologies we are strong in and stably supplying high-quality pharmaceuticals, we improve the quality of healthcare and provide environmentally friendly agrochemicals, thereby contributing to a society where people can live with peace of mind.

Core Technologies & Strengths

System for compiling and providing information to medical professionals

- ⦿ Nationwide stationing of medical representatives who possess advanced expertise and cover information on all products
- ⦿ Establishment of a Pharmaceutical Information Center for medical professionals and patients, and building of a support system for cancer treatment

Production facilities that contribute to the stable supply of pharmaceuticals for healthcare

- ⦿ Operation of Takasaki Plant as a domestic production base for cancer-related generic drugs and biosimilars
- ⦿ Promotion of facility expansion with a view of responding to replacement supply leading to product consolidation

Technical support and sales structure for global provision of agrochemicals

- ⦿ Amid slow growth in Japan's agrochemical market, human resource allocation and business system organization focusing on expanding overseas, where further growth is expected

Key Products

With 49 products, we are number one in our lineup of cancer-related pharmaceuticals in Japan. We supply approximately 30%—in quantity—of injected anti-cancer drugs used in Japan, supporting domestic cancer treatment. In FY2024, our biosimilars and generic anti-cancer drugs helped to save more than 20 billion yen in medical fees, based on drug prices, helping patients to undergo cancer treatment with peace of mind.



Pharmaceuticals Business

■ New drugs

We sell new drugs, such as Portrazza®, a therapeutic agent for squamous non-small cell lung cancer and ALAGLIO®, a photodynamic diagnostic agent for bladder cancer. In September 2025, we obtained license to manufacture and sell IBTROZI®, a new ROS1 inhibitor, in Japan. We aim to start selling it during FY2025. We intend to continue expanding our lineup of new drugs to address unmet medical needs.

■ Biosimilars (BS)

We sell two therapeutic agents for inflammatory diseases and such, and three cancer-related products. We have the top market share in Japan for four of these products, assisting in the treatment of patients. In our broad policy (Basic Policy on Economic and Fiscal Management and Reform), we state that we will promote the use of our biosimilars and continue to spread their adoption. We are strengthening our initiatives for the manufacturing and sales of biosimilars in Japan.

■ Generic anti-cancer drugs

We sell 33 cancer-related products. New drugs, such as antibody drugs, are being developed in the area of cancer treatment, and our anti-cancer drugs are used in parallel with these drugs for various types of cancer. Amid the current need for a stable supply of generic drugs, we provide a stable supply while guaranteeing quality and expanding production, contributing to cancer treatment in Japan.

* All figures stated as of July 2025

We have a rich lineup of insecticides, soil fumigants, and such mainly for vegetables and fruit trees that meet the on-site needs of farmers. Using our strengths in formulation design, we develop new products as well as conduct long-term research and development in new active pharmaceutical ingredients. Besides selling in Japan, we will increase our overseas sales ratio, a major target market in the future.



FINESAVE® insecticide, launched in 2018, contains new active pharmaceutical ingredients

Agrochemicals Business

Supporting healthcare with expertise in cancer and stable supply of high-quality pharmaceuticals

We will contribute toward improving the quality of healthcare and patients' quality of life (QOL) by providing pharmaceutical drugs in cancer meeting unmet healthcare needs, such as rare diseases. **Delivering environmentally friendly agrochemicals to around the world and contributing to the development of sustainable agriculture**

We will utilize our excellent formulation technology to develop new forms of existing formulations and new active pharmaceutical ingredients to intensively meet the world's agrochemical needs.

Contribution to Society

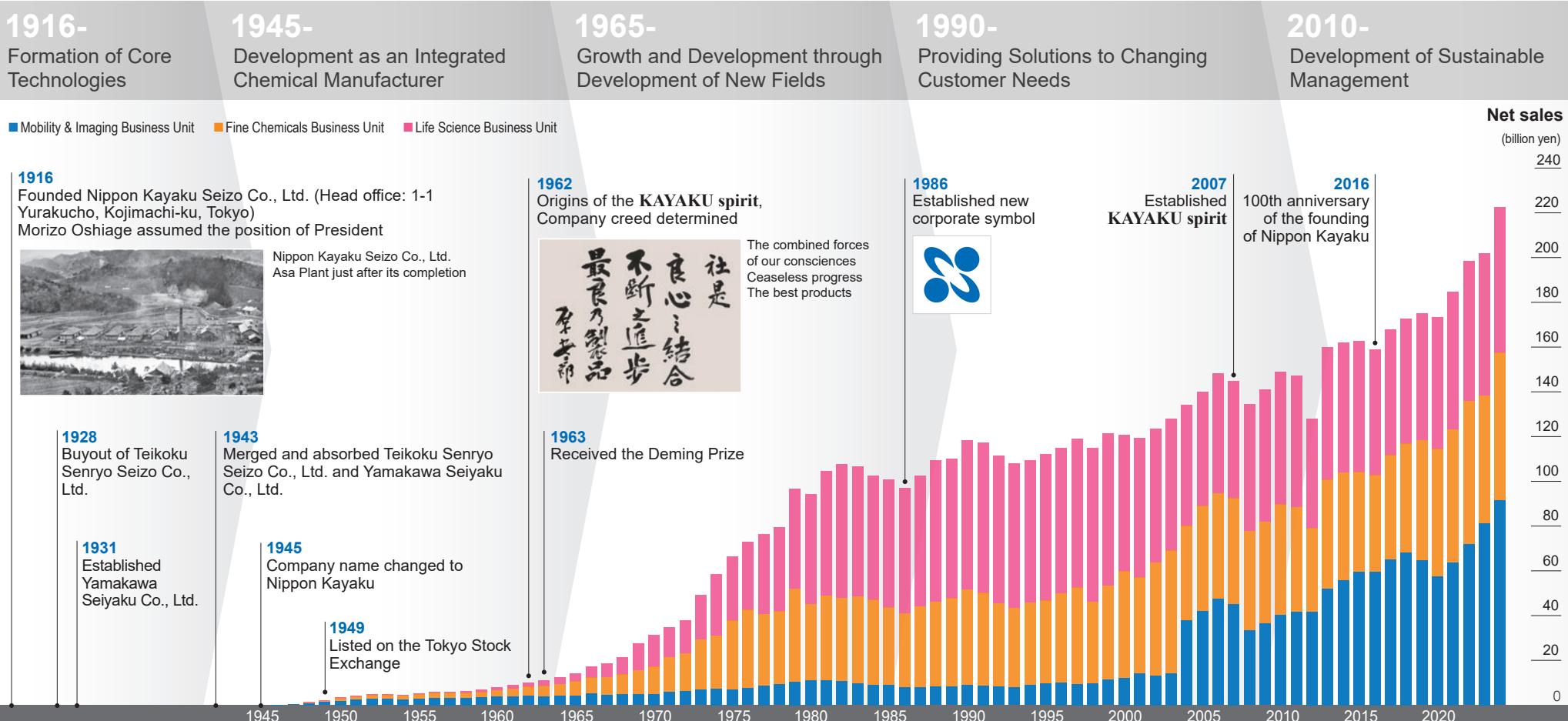
The History of Value Creation

The Nippon Kayaku Group's History and Trend in Net Sales

The Nippon Kayaku Group started when Nippon Kayaku Seizo Co., Ltd. was founded on June 5, 1916 as Japan's first private-sector industrial explosives manufacturer, continuing business for more than 100 years since then.

Facing and overcoming many trials and tribulations over the years, including the Great Depression in 1927, World War II, post-war chaos, trade liberalization, two oil crises, the burst of Japan's economic bubble, and the collapse of Lehman Brothers, the company transformed from a company specializing in explosives into a comprehensive explosives manufacturer and further evolved into a comprehensive chemical company.

Today, Nippon Kayaku continues to take on new challenges, seeking to be a company that can contribute toward the realization of a sustainable society.



The History of Value Creation

Providing the best products while evolving core technologies in step with the needs of the times

● Automotive safety components ★ Emergency parachute system for drones ▲ Polatechno

● ★ 1917
Began production of Japan's first industrial dynamite
A pioneer in Japan



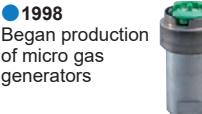
● 1989
Began production of squibs
Technology changes
Applying safety pyrotechnics to automotive safety components



● 1992
Began production of disk-type aluminum inflators
▲ 1992
Began shipments of a polarizing film used in projectors and in vehicles
Polatechno products on the market



● 1998
Began production of micro gas generators
▲ 2000
Began production of cylinder-type steel inflators



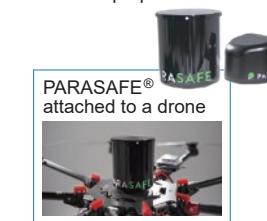
▲ 2004
Made a capital investment in MOXTEC, Inc. providing inorganic polarizers and components for X-ray analysis systems



▲ 2017
Expanded a business in components for X-ray analysis systems following a buyout of RaySpec Ltd.

● 2018
Began mass production of new types of inflators
Weight reduction and smaller diameter

★ 2021
Began sales of PARASAFE® emergency parachute system for drones used for industrial purposes



Safety Systems
We provide safety and security for automobiles and new types of mobility by utilizing technologies for safe handling of pyrotechnics.

Polatechno
We are expanding high durability dye-type polarizers for applications such as in-vehicle liquid crystal displays and head-up displays, and focusing on initiatives to achieve growth of components for X-ray analysis systems.

● Functional materials ★ Color materials □ Catalysts

★ 1916
Succeeded in producing sulfur black dye in Japan
A pioneer in Japan



● 1951
Launched the direct dye, Kayarus, intended for use with cotton, hemp yarn, and other cellulose fibers



● 1969
Began production of epoxy resins

● 1972
Began manufacturing catalysts used in the production of acrylic acid used as a raw material for the high water absorption resin used in diapers, etc.

Catalyst products on the market

● 1963
Entered into a contract with U.S. firm, Standard Oil Co. (Ohio), concerning the introduction of acrylic acid technologies (catalysts)

● 1979
Began pilot production of the ultraviolet curing resin DPFA

● 1984
Launched TG-SA® developer used for thermal paper such as those for boarding passes



● 1999
Began full-scale production of colorants for inkjet printers

Conversion of applications of color materials



● 2002
Launched the NC-3000 epoxy resins used for semiconductor encapsulation, etc.



Resins for semiconductors, still the main product

● 2018
Launched maleimide resins for 5G substrates

● 2020
Launched TG-MD®, a phenol-free developer for thermal paper

● 2021
Made Teikoku Taping System Co., Ltd. a subsidiary and began selling semiconductor manufacturing equipment

Functional Materials
We focus on the expansion of semiconductor-related products by leveraging synergies among resins, cleaners, and manufacturing equipment.

Color Materials
We focus on the growth of industrial inkjet inks and dyes, and develop thermosensitive color developers and functional dyes.

Catalysts
In addition to catalysts for the production of acrylic acid and methacrylic acid, we develop catalysts that contribute to a hydrogen energy society.

● Ethical pharmaceuticals Active pharmaceutical ingredients / Diagnostic agents ♦ Insecticides for vegetables and fruits, Soil fumigants

● 1932
Launched the anti-inflammatory drug, ASPIRIN



● 1948
Began production of the antibiotic, PENICILLIN



● 1964
Began production of the insecticide, DIAZINON® granules



♦ 1934
Began production of the soil fumigant, CHLOROPICRIN
Technology changes

Started production of agrochemicals using dye synthesis technology

● 1992
Launched the bite damage prevention agent, R-731

● 1994
Launched the prostate cancer drug, ODYNE®

● 2005
Launched the epidemic prevention agent, SAFROTIN® MC

● 2014
Launched the biosimilar, INFLIXIMAB BS

A pioneer in Japan

♦ 2016
Launched the insecticide/miticide, FUHMON®
Evolution of formulation technology

● 2019
Launched Portrazza®, an anti-EGFR (epidermal growth factor receptor) human monoclonal antibody

● 2021
Launched PEMETREXED, a generic drug
Launched ALAGLIO®, a photodynamic diagnostic agent

♦ 2018
Launched the insecticide, FINESAVE®
Launch of agrochemicals with medicinal ingredient developed in-house

● 2022
Launched DARVIAS®, an anti-cancer drug
Launched BEVACIZUMAB BS, a biosimilar

● 2023
Launched Adalimumab BS, a biosimilar

● 2025
Obtained license to manufacture and sell the anti-cancer drug, IBTROZI® (September)

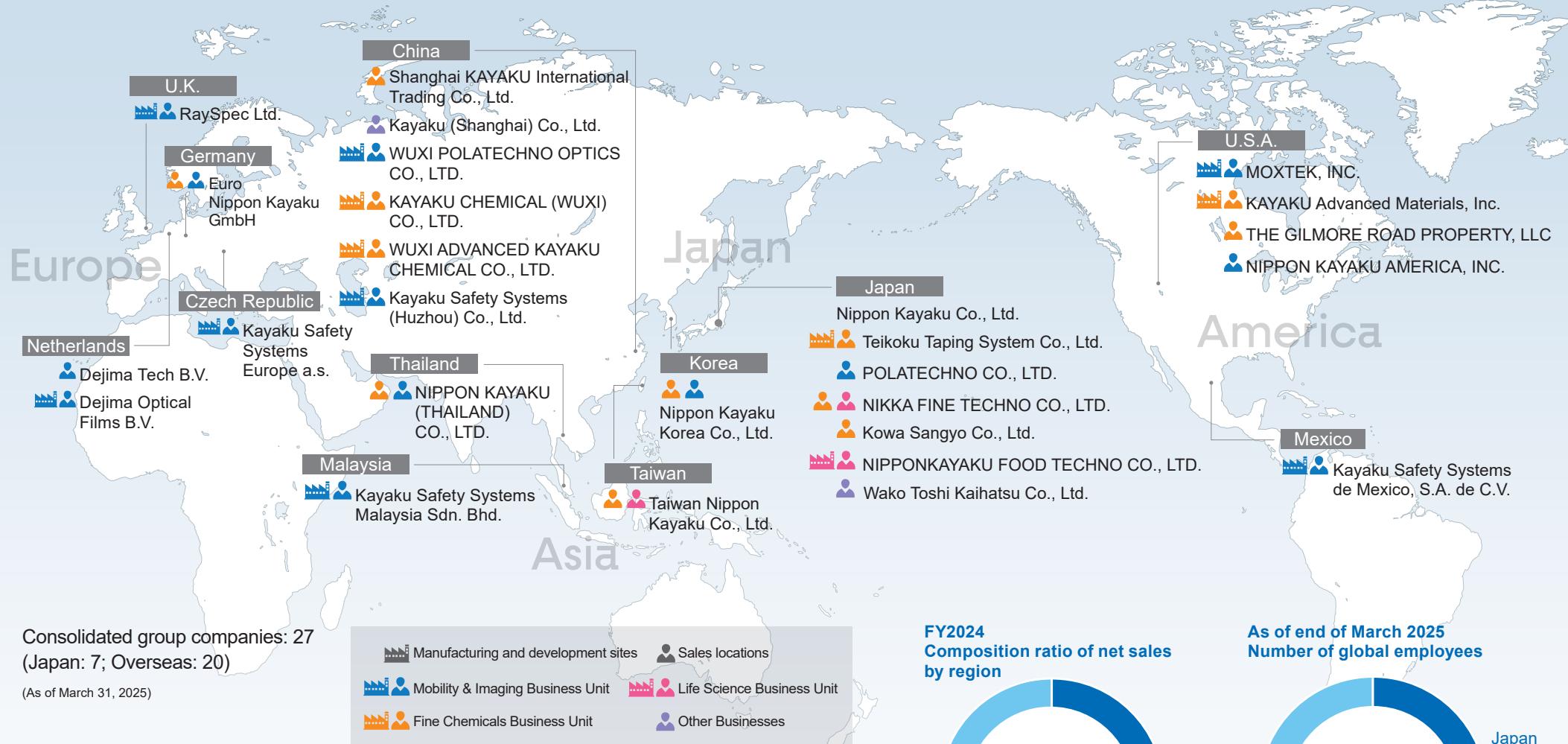
Pharmaceuticals
We reliably supply anti-cancer drugs and related products, mainly in the cancer field, while working on the development of outstanding pharmaceuticals and other products.

Agrochemicals
We contribute to sustainable agriculture by meeting the needs for agrochemicals specialized in the vegetable and fruit fields by using our strength in formulation technology.

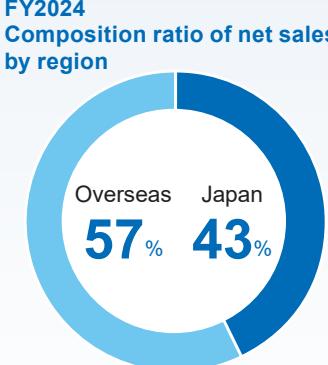


Global Business Expansion

Global expansion of the “best products, technologies and services” based on the concept of Global “sukima” ideas.



The Nippon Kayaku Group operates in three business units—Mobility & Imaging, Fine Chemicals, and Life Science—through 27 consolidated group companies in Japan and 11 other countries and regions. Nippon Kayaku strives to be an invaluable global company by applying core technologies, technologies which may even come to prominence in niche areas, to deliver the “best products, technologies and service” to fill out “sukima (gaps)” in the global market.



Message from the President



“Adding Speedy Transformation to Seriousness”

— Upholding Nippon Kayaku’s Uniqueness While Enhancing Responsiveness to Change

Member of the Board,
President, Representative Director

Shigeyuki Kawamura

Profile

Joined Nippon Kayaku in 1987. After 19 years in pharmaceutical sales, he engaged in business management in the Safety Systems Business, such as making the business profitable and establishing overseas locations. In 2023, he became the officer in charge of the Mobility & Imaging Business Unit that was created due to business reorganization.

Message from the President

Appointment as President

In June 2025, I was appointed as the President and Representative Director of Nippon Kayaku Co., Ltd. First, I want to express my sincere gratitude to everyone for always giving us your strong support and kindness.

I was approached by former-President Wakumoto about the appointment as President at the start of 2025. It was something I did not expect, and I was so surprised that I was at a loss for words for a while. However, as I listened to his words while reflecting on my career at the company so far, I began to feel that this was a unique opportunity that allows me to contribute to the future of Nippon Kayaku more than before. I saw this challenge as fate and resolved to take it on with my heart and soul.



I joined the company in 1987 as a fresh graduate. Back then, the term "medical representative (MR)" was not yet in wide use. I was assigned to work as a pharmaceutical sales representative, and the term "proper" was used instead. My first workplace was in Osaka. While visiting hospitals and clinics to get them to adopt our products, I learned that I must first understand the feelings of the doctors, and to do so, it is most important to communicate closely and build trust. This experience is the starting point of my career, and today, it still serves as the foundation of my belief that, to get customers to use our products, we must begin by gaining their trust.

After working in pharmaceutical sales in Osaka, Tokyo, and Mie for a total of 19 years, I transferred to the Safety Systems Business, which handles automotive safety components. There, I took on the challenge of raw material procurement, a totally different area. I felt like I had switched to a completely different company, but I undertook this challenge with a positive mindset of doing my best in the environment I have been given. In time, I came to find this area interesting. And over the more than 19 years since, I have been blessed with many valuable opportunities, including turning the business profitable, achieving significant sales growth, establishing global bases, and gaining experience as the general manager of a group company in China. Even during such times, the importance of building relationships of trust—a mindset developed during my time in pharmaceutical sales—always remained as the core of my actions and was essential in the smooth execution of business activities.

In 2023, the Mobility & Imaging Business Unit—which integrates the Safety Systems Business and the Polatechno Business for polarizers—was created due to business reorganization. As the officer-in-charge, I did my best to fuse and grow the two businesses. However, in the process, I was faced with a heavy decision, both for the organization and personally, of having to solicit people willing to retire early as we worked on streamlining the Polatechno Business. As a member of management, it was extremely painful and involved a deep internal conflict to ask such a choice of people who had supported the company for many years. Looking to the future, anticipating changes, and depicting a path to sustainable growth leads to happiness for every employee. This experience made me keenly feel again the weight of responsibility as someone in management, and I renewed my determination to further practice management that has foresight and allows speedy decisions and actions going forward.

Message from the President

Lessons and Issues of **KV25** and Bringing a Sense of Speed and Flexibility to the Uniqueness of Nippon Kayaku

The Nippon Kayaku Group entered the final year of the Medium-term Business Plan **KAYAKU Vision 2025 (KV25)** in FY2025. During the period of **KV25**, net sales trended strongly, setting record highs each year. As a result, we expect net sales to reach 234.6 billion yen in FY2025, an increase of 12 billion yen from FY2024 and 4.6 billion yen above the initial plan.

Meanwhile, operating income is expected to be 20 billion yen, a decrease of 0.4 billion yen from FY2024 and 6.5 billion yen below the initial plan. This is largely due to the impact of the external environment, including soaring raw material prices, rising labor costs, and fluctuating exchange rates.

However, we have stated "strengthen earning power" that is not affected by such external factors as our biggest issue for the period of **KV25**. Although we sought to respond flexibly to environmental changes, operating income in the final fiscal year is lower than the plan and I feel there is room for improvement. In particular, due to delays in decision-making, an overly cautious attitude toward risks, inadequate organization of information, and other such factors, we fell behind in taking action. This is honestly a point for reflection. Going forward, we need to transform into a corporate structure that can quickly and accurately respond to changes in the business environment.

While the characteristics of future issues differ for each segment, they all require the ability to respond to change. The Mobility & Imaging Business Unit needs to flexibly and quickly respond to rapid changes in the Chinese market. Amid intensifying competition in semiconductor-related products, it is necessary for the Fine Chemicals Business Unit to use our technological capabilities and expand the scope of materials that can be proposed. It is important for the Life Science Business Unit to consolidate the areas that we are good in, such as generic anti-cancer drugs and biosimilars, and further accelerate the shift to an earning structure using new drugs.

Quickly and accurately respond to changes in the environment of each business unit to strengthen earning power

- Mobility & Imaging** Flexibly and quickly respond to rapid changes in the Chinese market
- Fine Chemicals** Expand lineup of materials that can be proposed for the advancing semiconductor market
- Life Science** Invest earnings from generic drugs and biosimilars into the introduction of new drugs to strengthen earning power

Business and Results Overview  p. 34

Companies have their own uniqueness. The uniqueness of Nippon Kayaku is our sincerity and seriousness. This is the wellspring of the trust we have earned from our customers over the years, and it is also our pride. However, with the business environment changing even more rapidly due to technological innovation, geopolitical risks, and changes in the market itself,

seriousness alone is no longer enough to win the competition. We must constantly keep in mind to add a sense of speed and flexibility to the uniqueness of Nippon Kayaku. This is the most important issue that has to be carried over from **KV25** into the next Medium-term Business Plan.

Becoming a Company That Brings Excitement to Society

Nippon Kayaku has created new products by evolving core technologies according to the needs of the times and sometimes combining them with external technologies. To continue having our products, technologies, and services adopted by a wide range of markets, both domestic and overseas, and to further increase awareness of the Nippon Kayaku brand, it is essential to keep creating and nurturing new developmental themes with dreams, those that make our stakeholders excited.

Under **KV25**, we focused on the Creation of New Business and Products to strengthen earning power. And now, in the final year of the plan, we are steadily creating new themes that hold significant potential.

For example, the Safety Systems Business has embarked on the development theme of space pyrotechnics. We seek to help reduce the weight of fuel and improve payload efficiency by applying our pyrotechnic technology—nurtured through automotive safety components—in rocket propulsion systems. Applying our expertise in automotive safety components to space development and significantly increasing added value—this is truly a great example of fully drawing out the potential of technology. This theme started when a researcher casually thought that our technology may be useful for space development. At first, I felt somewhat skeptical about his idea, but as a result of being positive, believing in the potential and backing him, development progressed smoothly based on a system of cooperation with external parties, and our product was adopted for a rocket that is scheduled to be launched.

Besides this, the business units also came up with new themes, one after another, during the period of **KV25**. The Pharmaceuticals Business is working toward achieving Japan's first large-scale production of biopharmaceuticals. The Fine Chemicals Business Unit has launched several development projects in the environment and energy areas, including the development of catalysts for hydrogen production.

Research & Development  p. 45

The Nippon Kayaku Group will continue to put in all efforts to adhere to our stance as a research and development company, where employees come up with ideas for solving social issues and the company actively invests in themes with potential.

Message from the President

Leaders Who Take the Lead in Working Together Will Change the Company

The issues I have mentioned—about the Nippon Kayaku Group becoming a company with a sense of speed and flexibility and generating many new themes with hidden potential—cannot be achieved by simply recognizing them. Eventually, it is the power of our people that allows us to confront these management issues head on. I have always cherished and upheld the belief that a company is made up of its people. Even if we have excellent strategies and innovative technologies, it is our people that apply them, and it is the abilities of our people that allow us to overcome issues.

In particular, the presence of leaders who draw out the organization's strengths is critical. Leaders at all levels within the company—from the President and executives to general managers, section managers, and the leaders on the ground—need to take ownership over the organization's work, making decisions and acting with responsibility. Leaders do not simply give instructions; they take the lead in working together. When Toyota Motor Corporation's Chairman Akio Toyoda was President, he said that bosses say "Do it" but leaders say "Let's do it."* I deeply empathize with his words. Besides deciding on the allocation of roles among subordinates, I think a true leader leads by example and builds relationships of trust while guiding the team toward results. An organization where the leaders at the various levels can say "Let's do it" will be able to decisively overcome even difficult management issues.

To achieve such an organization, better in-house education and appropriate personnel assignment will be even more important than before. One of our current education systems is the Nippon Kayaku Business Academy (NBA), where the management has opportunities to directly speak to the next generation of managerial candidates. Through the NBA, I convey the attitude of a leader, the ways to take responsibility, as well as the importance of increasing knowledge and awareness through reading and learning from one's seniors and constantly striving to improve oneself as a leader.

Human Resources ■ p. 49

* Refer to the following URL for the source of the quote.

■ Article (in Japanese) dated February 26, 2020 in "News" of Toyota Times
https://toyotatimes.jp/en/toyota_news/

Today, with the attention on utilization of human capital, we will first focus on our leaders and develop many excellent leaders. I hope this can lead to the Group's sustainable growth, including steadily solving management issues, enhancing the company's overall decision-making speed and execution, growing our business, and promoting management with high capital efficiency.

To Our Stakeholders

Nippon Kayaku is a company with sincere and serious employees. Some customers even say that we are too serious, but also a company that can be trusted. However, this is our asset, and it is a culture that will not change in the future.

Going forward, besides this sincerity, the entire organization will undertake speedy transformation while believing in the capabilities of each employee and developing leadership. We will also properly listen to feedback from our front lines and actively embark on new themes to raise our fundamental strengths as a company.

The Nippon Kayaku Group will place importance on dialogue with our shareholders and investors as we evolve the core technologies—passed down from the time of our establishment—according to the needs of the times, create products, technologies, and services that contribute to society, and achieve sustainable growth.

We hope you will continue to give us your unwavering support.

October 31, 2025

President, Representative Director

Shigeyuki Kanamura



02

Chapter

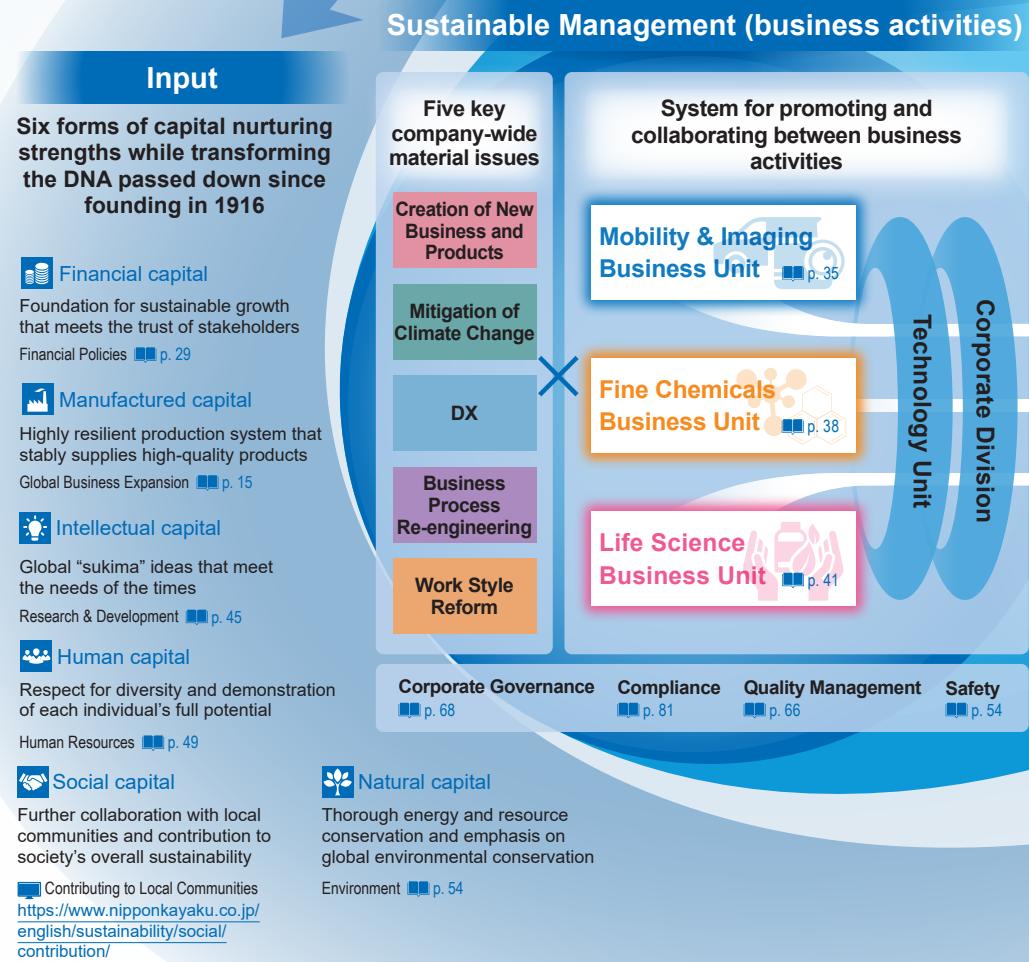
Path to Growth

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Nippon Kayaku Group's Value Creation Process

Under its corporate vision, the **KAYAKU spirit**, the Nippon Kayaku Group will practice sustainable management that responds to the trust placed in it by all of its stakeholders, by ensuring transparency and fairness in management and contributing to the creation of a sustainable environment and society through its business activities.



KAYAKU spirit

Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.

Outcome

Provision of economic, environmental, and social value through products and services

Contribution to stakeholders

- Shareholders**
 - Sustainable growth
 - Returning of profits

Policy for Shareholder Returns [p. 32](#)
Dialogue with the Capital Market Including Shareholders and Investors [p. 75](#)
- Suppliers**
 - Value co-creation

Environmental and Social Considerations in the Supply Chain [p. 65](#)
- Customers**
 - Products that provide economic value
 - Products that contribute to the SDGs

Nippon Kayaku Group's Strengths and Three Business Units [p. 09](#)
Opportunities for Each Business Field if Moving Toward a Decarbonized Economy in a 1.5°C Target Scenario [p. 56](#)
- Employees**
 - A workplace where employees can work with peace of mind
 - Maintaining employment

Initiatives for Internal Environment Improvement [p. 51](#)
- Environment and Society**
 - Contributing to a sustainable society through products
 - Carbon neutrality

Mitigation of Climate Change [p. 55](#)

Progress of the Medium-term Business Plan **KAYAKU Vision 2025**

KV25 Company-wide Management Targets

Economic value

Net sales under the current Medium-term Business Plan **KAYAKU Vision 2025 (KV25)** continued to set new records until FY2024, the third year of the plan, and are expected to exceed the target of 230 billion yen in FY2025.

Meanwhile, operating income is trending below the target for each fiscal year due to factors such as soaring raw material prices, higher fixed costs, and the occurrence of license fees at the Life Science Business Unit. In FY2025, the final fiscal year of **KV25**, we will aim to achieve an operating income of 20 billion yen, which was the forecast as of May. At the same time, we will strengthen initiatives, such as passing on the costs to prices, and strive to get as close to the target as possible.

For return on equity (ROE), we will work toward achieving the target of 8% together with our capital policy. We will also continue measures toward achieving the medium-term target of a return on invested capital (ROIC) of 10% through company-wide capital efficiency improvement initiatives.

FY2025 Targets and FY2024 Results Related to Economic Value

Self-evaluation through FY2024: ○ Achieved △ Not achieved × Measures need to be revised

Net sales		Operating income	
Goals 230 billion yen		Goals 26.5 billion yen	
FY2024 results 222.6 billion yen	Self-evaluation ○	FY2024 results 20.4 billion yen	Self-evaluation △
ROE		ROIC	
Goals 8% or more		Goals 10% or more	
FY2024 results 6.5%	Self-evaluation ×	FY2024 results 7.1%	Self-evaluation △

Environmental and social value

We are steadily creating environmental and social value toward achieving the company-wide management targets of **KV25**. In the environmental aspect, toward achieving carbon neutrality by 2050, we have revised—in April 2024—our reduction targets for greenhouse gas emissions from the previous 2°C to the 1.5°C target that is expected to have greater effects. Besides information disclosure based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), in FY2025, we started disclosing information related to natural capital according to the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

In the social aspect, we promote research and development in our key business areas and contribute to the realization of a sustainable society. We will also focus on improving respect for human rights across the supply chain as well as enhancing customer satisfaction.

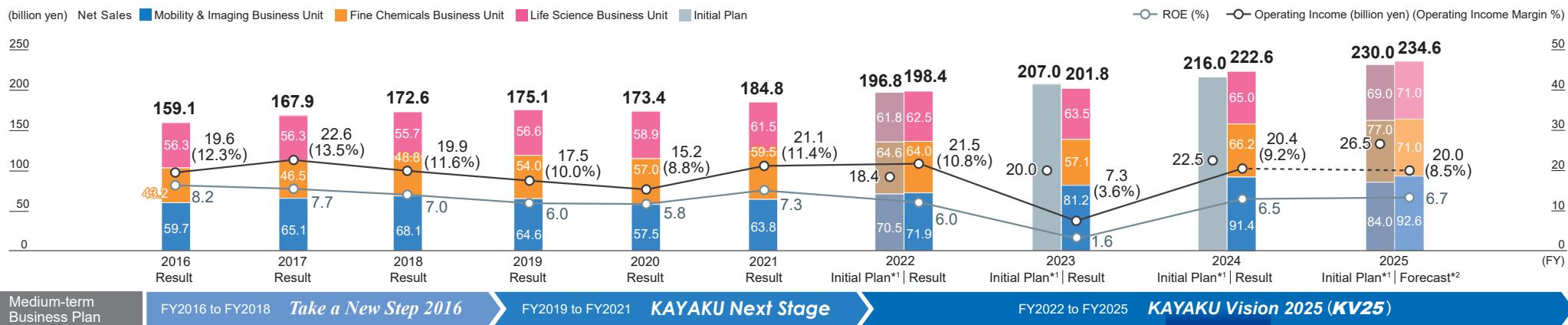
Furthermore, we positioned investment in our people—the source of corporate activities—as one of our most important issues and conducted an employee engagement survey for the first time in FY2023. By analyzing the results and implementing improvement measures for the issues identified to build an organization where diverse human resources can apply themselves, we promote management centered on human capital.

Targets Related to Environmental and Social Value

Greenhouse gas emissions	Building a digital society
Reduce by 46% in FY2030 (Compared to FY2019)	Providing environmentally friendly semiconductor materials that contribute to next-generation communications and digital transformation (DX)
Carbon neutrality	Creating a healthy society
Achieve by FY2050	Contributing to the improvement of QOL Providing a stable supply of pharmaceuticals
Continuing to protect lives	Creating a company with a strong presence
Providing products that ensure safety and security in the mobility field	Increasing customer satisfaction Human rights due diligence to business partners
Supporting the supply of food	Human resources development
Providing safe agro-products to meet global food needs	Improve employee satisfaction Promotion of diversity (Percentage of female managers over 10%, etc.)

Progress of the Medium-term Business Plan KAYAKU Vision 2025

Ten-year Net Sales and Operating Income Trends and Plan, Including Period of KV25



KV25: Progress by FY2024 and Forecast for Final FY2025

Progress by FY2024	
Nippon Kayaku Group as a whole	Compared to KV25 initial plan Net sales: +6.6 billion yen (103%) Operating income: -2.1 billion yen (91%) [FY2024 results] <ul style="list-style-type: none"> Although the Fine Chemicals Business Unit saw a decrease in sales, the increase in sales at the other two business units was even higher Lower profits due to the Fine Chemicals and Life Science Business Units
Mobility & Imaging Business Unit	
Safety Systems Business	<ul style="list-style-type: none"> Exchange rate was advantageous with continued market recovery since FY2022 There was impact on profits from increases in raw materials costs and fixed costs
Polatechno Business	<ul style="list-style-type: none"> For dye-type polarizers, those for passive LCDs struggled and there was a shift toward launching sun-guard films for head-up displays Sales of X-ray analyzer components held firm
Fine Chemicals Business Unit	
Functional Materials Business	<ul style="list-style-type: none"> Epoxy resins for semiconductors, which had been sluggish since the second half of FY2022, started recovering in FY2024 centered on products for substrates
Color Materials Business	<ul style="list-style-type: none"> Demand for consumer inkjet colorants continued Industrial inkjet inks shifted toward strong performance
Catalysts Business	<ul style="list-style-type: none"> Held firm although performance fluctuated from year to year
Life Science Business Unit	
Pharmaceuticals Business	<ul style="list-style-type: none"> Impact of yearly drug pricing revisions was covered by higher volume to achieve continued growth For FY2023, costs of introducing new anti-cancer drugs for unmet needs led to lower profits
Agrochemicals Business	<ul style="list-style-type: none"> Held firm due to steady overseas sales, etc.

Forecast for FY2025 (final fiscal year)	
Compared to KV25 initial plan	Net sales: +4.6 billion yen (102%) Operating income: -6.5 billion yen (75%)
<ul style="list-style-type: none"> Net sales are expected to exceed the KV25 plan, but operating income is expected to be below the plan due to soaring raw material prices, higher labor costs, and individual factors at each business unit 	
Compared to KV25 initial plan	Net sales: +8.6 billion yen (110%) Operating income: -1.8 billion yen (86%)
<ul style="list-style-type: none"> Overseas sales are expected to grow, centered on customers in China and South Korea Newly expanded facilities are scheduled to contribute toward performance from FY2026 	
<ul style="list-style-type: none"> While sun-guard films for HUDs will see an increase, products for passive LCDs will be sluggish, negatively affecting profits 	
Compared to KV25 initial plan	Net sales: -6.0 billion yen (92%) Operating income: -2.7 billion yen (80%)
<ul style="list-style-type: none"> Higher sales are expected, but the delay in demand for epoxy resin encapsulation materials will negatively affect the KV25 plan 	
Compared to KV25 initial plan	Net sales: +2.0 billion yen (103%) Operating income: -2.1 billion yen (79%)
<ul style="list-style-type: none"> Demand is expected to be strong, although there will be impact from research and development costs and drug pricing revisions 	
<ul style="list-style-type: none"> Strong performance is expected in both Japan and overseas 	

Changes in net sales and operating income as well as their key reasons

Progress of the Medium-term Business Plan KAYAKU Vision 2025

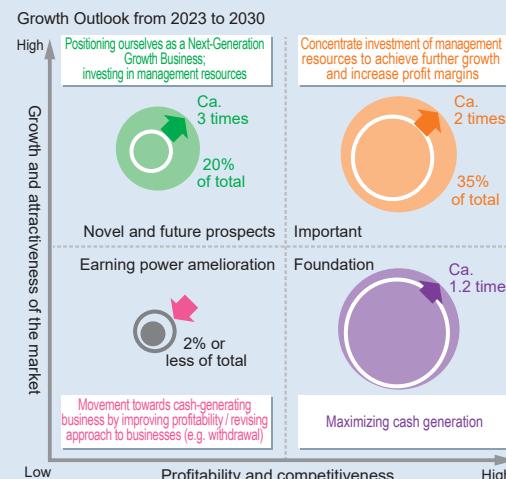
Position of Business Units for Company-wide Strengthening of Earning Power

The Nippon Kayaku Group pursues management that is strong to market changes through several business units. In the past, when the Safety Systems Business shifted to automotive safety components from its previous form as the industrial pyrotechnic business, it was supported by the Functional Chemicals Business and Pharmaceuticals Business until stable income was achieved.

Currently, the Safety Systems Business is growing. It is under the Mobility & Imaging Business Unit, which has become an earning pillar of Nippon Kayaku. Meanwhile, the Pharmaceuticals Business—which is under the Life Science Business Unit—is in a business environment where its key products of generic drugs and biosimilars are easily affected by drug pricing revisions. Therefore, we invest in the new drug launches and such to improve the earning power of the Pharmaceuticals Business and use earnings from the other two business units to invigorate the Life Science Business Unit to seek overall growth for the Nippon Kayaku Group into the future.

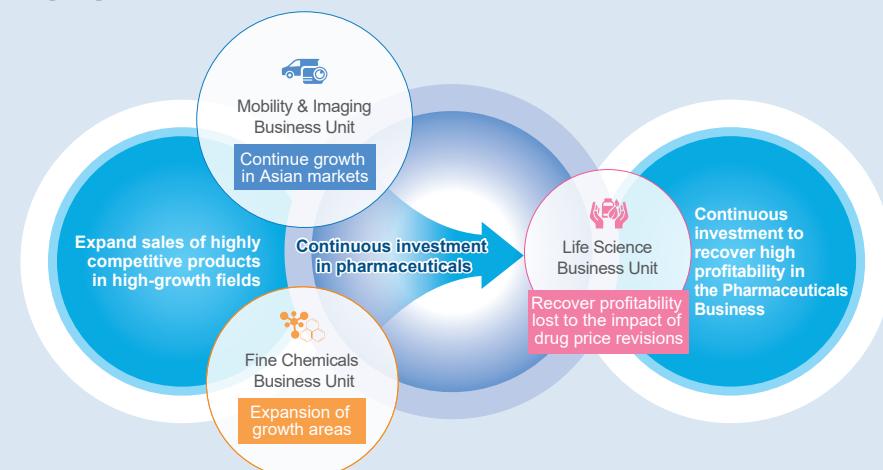
Strengthen the Business Portfolio

We have clarified the positioning of the product groups in each business unit by evaluating and categorizing them in terms of growth and attractiveness of the market as well as profitability and competitiveness. We maximize cash generation by appropriately allocating management resources. At the same time, for product groups that need to improve profitability, we strive to keep their share of company-wide net sales to 2% or lower, such as by thoroughly searching for ways to improve profitability or withdrawing from those for which improvement is difficult.



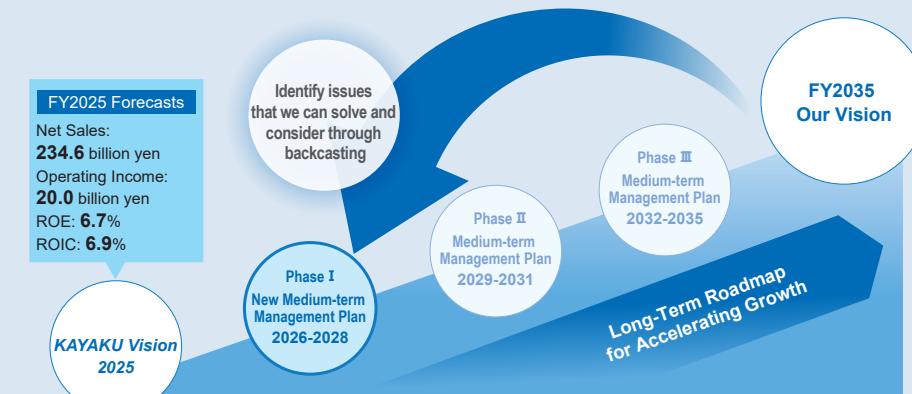
	Mobility & Imaging	Fine Chemicals	Life Science
Important	<ul style="list-style-type: none"> • Inflators • HUD light shield films <p>Shifted from novel and future prospects</p>	<ul style="list-style-type: none"> • Semiconductor manufacturing products group • Digital printing inks 	<ul style="list-style-type: none"> • Unmet needs oncology drugs • Biosimilars
Novel and future prospects	<ul style="list-style-type: none"> • X-ray analyzer components • Drone safety device 	<ul style="list-style-type: none"> • New functional dyes • Carbon neutral catalysts 	<ul style="list-style-type: none"> • Bio-pharmaceuticals <p>Newly added to novel and future prospects</p>
Foundation	<ul style="list-style-type: none"> • Squibs • Micro gas generators 	<ul style="list-style-type: none"> • Acrylic and methacrylic acid production catalysts • Consumer inkjet colorants 	<ul style="list-style-type: none"> • Generic anti-cancer drugs • Insecticides
Earning power amelioration	<ul style="list-style-type: none"> • Polarized film for projectors 	<ul style="list-style-type: none"> • Thermal developers 	<ul style="list-style-type: none"> • Non-core pharmaceuticals

Categorization as of May 2025

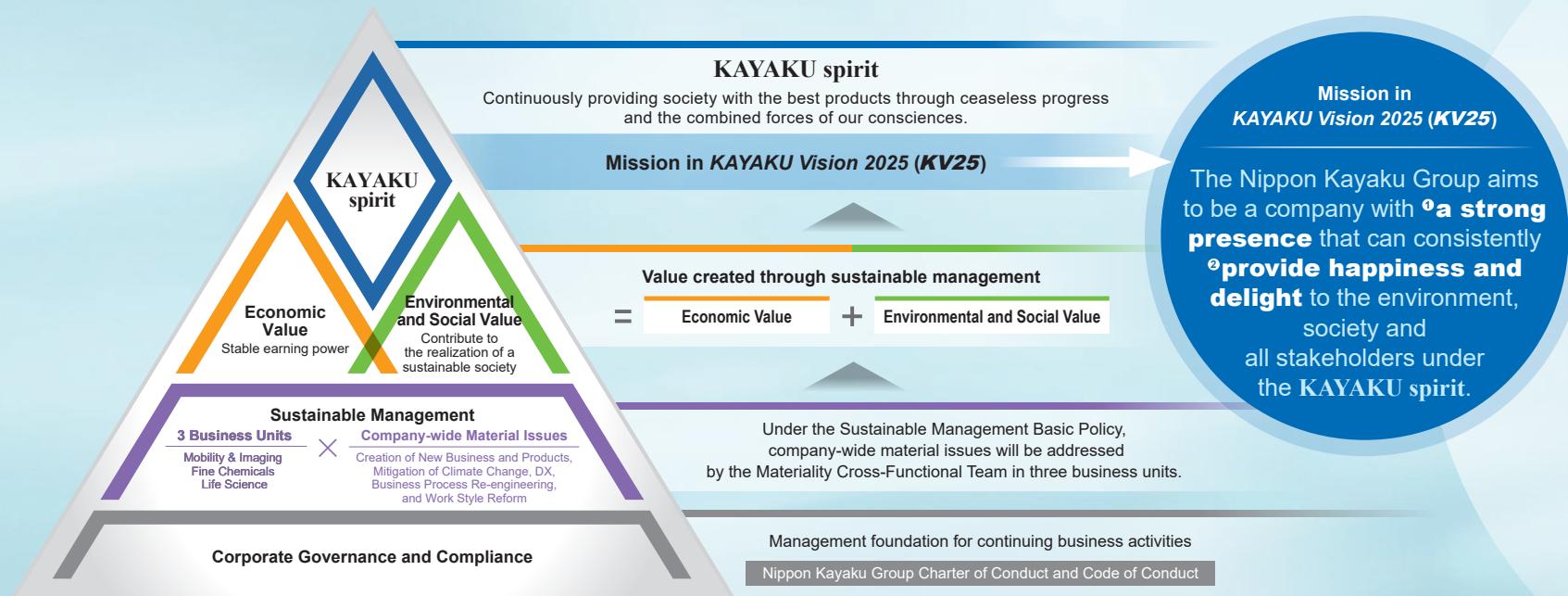


Toward the Next Medium-term Management Plan — Realizing Our Vision through Future-Oriented Sustainable Management —

Toward the next medium-term corporate plan, it is necessary to set high targets to achieve sustainable growth after fully reflecting on the reasons leading to underachievement of **KV25**. Therefore, we plan to set the Nippon Kayaku Group's vision for 2035 as an ambitious long-term vision and formulate the medium-term corporate plan by back casting from 2035. The period until 2035 will be split into three phases, and the new medium-term corporate plan for Phase I, which spans FY2026 to FY2028, will be announced when we present our financial results for FY2025 (scheduled for May 2026).



KAYAKU spirit and Sustainable Management



The Nippon Kayaku Group's Corporate Vision is embodied by the **KAYAKU spirit**: "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Under the **KAYAKU spirit**, we aim to create environmental, social and economic value by engaging in sustainable management, create a sustainable society, and increase our corporate value.

As a standard of conduct to realize the **KAYAKU spirit**, we have established a Nippon Kayaku Group Charter of Conduct and Code of Conduct. In all of our corporate activities, we respect fundamental human rights, comply with laws and regulations, engage in fair business activities and respond to the trust of all stakeholders.

 Nippon Kayaku Group Charter of Conduct and Code of Conduct
<https://www.nipponkayaku.co.jp/english/company/vision/conduct.html>

System

The Nippon Kayaku Group has created a Sustainable Management Meeting, chaired by the President under the direct supervision of the Board of Directors to implement sustainability initiatives throughout the group. In principle, Sustainable Management Meetings are held on a weekly basis to discuss and report on all matters relating to the sustainability of the corporate group, society, and the environment. Important agenda items are approved by the Sustainable Management Meeting before discussion and reporting at Board of Directors meetings. The **KAYAKU spirit** and Sustainable Management The Nippon Kayaku Group's Corporate Vision is embodied by the **KAYAKU spirit**: "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Under the **KAYAKU spirit**, we aim to create environmental, social and economic value by engaging in sustainable management, create a sustainable society, and increase our corporate value. As a standard of conduct to realize the **KAYAKU spirit**, we have established a Nippon Kayaku Group Charter of Conduct and Code of Conduct. In all of our corporate activities, we respect fundamental human rights, comply with laws and regulations, engage in fair business activities and respond to the trust of all stakeholders.

Under the umbrella of the Sustainable Management Meeting, we have established four subcommittees: the Ethics Committee, the Risk Management Committee, the Environment, Safety, Quality Management Committee, and the Research & Development Management Committee. The committees hold meetings on a regular basis and discuss and report to the Sustainable Management Meeting to ensure the transparency and fairness of management.

 Sustainability Promotion System
<https://www.nipponkayaku.co.jp/english/sustainability/management/system/>

① Presence

At the Nippon Kayaku Group, we will show our presence as a corporation seeking sustainable growth and strive to improve our social recognition through technology integration and niche strategies rooted in Global "sukima" ideas.

② Provision of happiness and delight to all stakeholders

Besides continuing to provide the best products, technologies, and services through our three business units, we will work on important issues such as Mitigation of Climate Change and Work Style Reform so that we can provide value to all stakeholders related to the Nippon Kayaku Group.

Basic Policy on Sustainable Management

Under its corporate vision, the **KAYAKU spirit**, the Nippon Kayaku Group will practice sustainable management that responds to the trust placed in it by all of its stakeholders, by ensuring transparency and fairness in management and contributing to the creation of a sustainable environment and society through its business activities. (**KAYAKU spirit**: Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.)

KAYAKU spirit and Sustainable Management

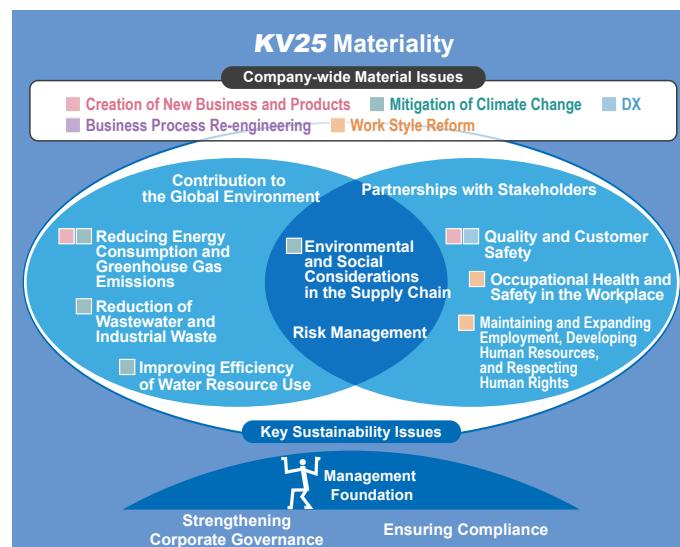
KV25 Materiality

In order to realize its mission of being a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**, the Nippon Kayaku Group has identified five key company-wide material issues (materiality) to be addressed as priorities: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform.

We have also appropriately identified important issues faced by the Group in implementing sustainable management, from both internal and external perspectives, **KV25** defined them as key sustainability issues (materiality), and formulated a Sustainability Action Plan linked to our business activities.

KV25 places top priority on addressing these company-wide material issues and the key sustainability issues that supplement them, to contribute to the creation of a sustainable environment and society based on our Basic Policy on Sustainable Management.

KV25 Materiality is a generic term combining these company-wide material issues and key sustainability issues.

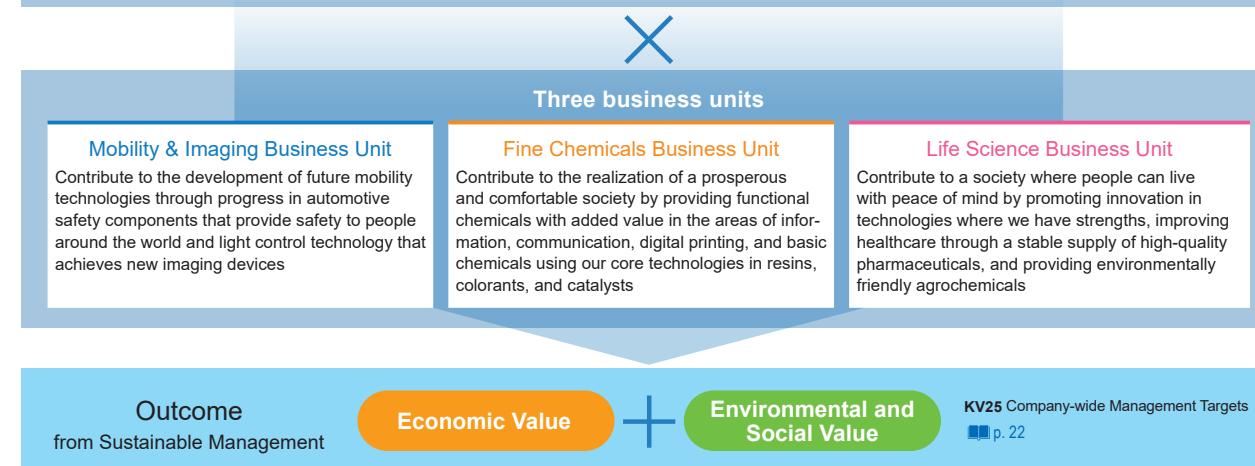


Realizing the Nippon Kayaku We Desire: Addressing Important Company-wide Issues

The Nippon Kayaku Group has identified five key issues that should be prioritized in company-wide cross-organizational projects, as company-wide material issues: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform. Our Materiality Cross-Functional Team (M-CFT), composed of members selected from multiple divisions, is working to instill awareness of initiatives addressing company-wide material issues and speed up the resolution of each issue.

Company-wide material issues	Initiatives
Creation of New Business and Products	We will contribute to realizing our mission by collaborating across the three business units and breaking down barriers within existing organizations to create new businesses and products in the four businesses of Mobility, Environment and Energy, Electronics, and Life Science. p. 45
Mitigation of Climate Change	We will work to prevent global warming—such as the reduction of greenhouse gas emissions—and achieve carbon neutrality, and make united efforts with each plant and research institute to combat climate change risks. p. 55
DX	Our current goals are to drive company-wide digital transformation (DX), increase sales through process transformation, and expand our businesses by reducing costs. Specifically, we will work to achieve DX in the areas of (1) IT education and awareness reform, (2) strengthening IT infrastructure through ERP and IT infrastructure restructuring, etc., (3) R&D, production, sales / marketing and management business processes. p. 63
Business Process Re-engineering	We will work to improve our asset efficiency and earning power by reviewing our group business management, business operation / control (management) and cost control methods, and by improving work efficiency and productivity through A3 activities (KAIZEN)* aimed at business process improvement—to eliminate all kinds of waste—and cost reduction. p. 31
Work Style Reform	We will work to implement work style reforms and personnel system reforms to enable every employee to work energetically and increase employee engagement, with the aim of being a good, strong, energetic company. p. 49

* A3 activities (KAIZEN): Awareness reform activities—based on awareness of reducing costs—designed to develop individual and organizational strengths (skills and expertise) and autonomy, to make the Nippon Kayaku Group an energetic company.



KAYAKU spirit and Sustainable Management

Method for Identifying Key Sustainability Issues

To appropriately grasp issues facing the Nippon Kayaku Group from both internal and external perspectives and respond to the expectations and demands of stakeholders, the key medium-term CSR issues were identified in 2019. To coincide with the start of the new Medium-term Business Plan—**KAYAKU Vision 2025**—and the shift 17 SDGs. By implementing initiatives to achieve the KPIs in the Sustainability Action Plan, we will contribute to the achievement of the SDGs and the creation of a sustainable society. From CSR management to sustainable management, in April 2022, we changed the term “key CSR issues” to “key sustainability issues” and reviewed them in order to appropriately respond to the diversification of our business activities and various changes in social issues.

STEP 1	Recognition of themes	Building on our previous key sustainability issues (laid down in our KAYAKU Next Stage key medium-term CSR issues), we have extracted themes from the GRI Standards on the demands of a diversifying society to serve as our base, and updated our issue items accordingly.
STEP 2	Creating point scores from internal and external opinions	<p>A Converting External Evaluations into Points: We have taken the evaluation standards of multiple international assessment bodies concerned with promoting responsible investment, as well as the SASB* required standards for separate industries, linked them to our issue items, and assigned external evaluation point scores to them.</p> <p>B Converting Internal Evaluations into Points: We have taken the key Medium-term Business Plan themes for each separate business and corporate division, linked them to our issue items, and assigned internal evaluation point scores to them.</p> <p>* The Sustainability Accounting Standards Board (SASB) is an American non-profit organization which determines sustainability information disclosure standards for each separate industry.</p>
STEP 3	Mapping of important issues	The materiality items “Strengthening Corporate Governance” and “Ensuring Compliance” are identified as the “most important issues for corporate survival.” Other issues are mapped based on external and internal evaluations, which assign point-based assessments. Our resultant point-based map has had threshold levels inserted, with anything exceeding those thresholds being specified as key sustainability issues
STEP 4	Validation and approval	With intellectual input from our sustainability specialists taken into account, our specifying methods and specification results are reviewed by our key decision making institution, the Sustainable Management Meeting, and approved after two rounds of discussions.

Key Sustainability Issues Initiatives and KPIs

We have classified our key sustainability issues into three categories—most important issues for corporate survival, most important issues, and important issues—and established action plans for each issue.

The Nippon Kayaku Group's Sustainability Action Plan utilizes the SDG Compass* to link each key issue (materiality) with one or more of the 17 SDGs. By managing and disclosing the progress of KPIs every year and implementing sustainability activities, the Group aims to create environmental, social and economic value, help to achieve the SDGs (i.e., to create a sustainable society) and increase corporate value.

* The official name is “SDG Compass - Corporate Action Guidelines for SDGs”, which was jointly developed by three international organizations, GRI, UNGC and WBCSD, as a guide to the SDGs for companies.



KAYAKU spirit and Sustainable Management

Key Sustainability Issues and Sustainability Action Plan (excerpt)

Sustainability Action Plan

<https://www.nipponkayaku.co.jp/english/sustainability/management/materiality/#h-02-04>

Key sustainability issues		Action plans	Indicators (KPI)	FY2025 Targets	FY2024 Results
Most important issues for corporate survival	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* ¹ Compliance training rate Percentage of group companies with compliance / whistleblowing hotlines	0 100% 100%	0 97.7% 100%
	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 Number of times internal business audits are performed by the Audit Division	Once per year 60 times in four years	Once 12 times
	Quality and Customer Safety	<ul style="list-style-type: none"> Enhance our quality control and quality assurance systems by continuously improving our quality management system and ensuring thorough quality-related governance Implement quality management, improve production efficiency and reduce process abnormalities through digitalization 	Number of serious complaints by customers* ² Number of serious quality process abnormalities in processes* ²	0 0	0 1
	Environmental and Social Considerations in the Supply Chain	<ul style="list-style-type: none"> Practice supply chain management with consideration for environmental and social aspects, based on the Sustainable Procurement Guidelines 	Response rate for confirmation of consent to Sustainable Procurement Guidelines Formulation and implementation of improvement plans using questionnaires to suppliers	(Non-consolidated) 90% (Non-consolidated) Disclose progress	(Non-consolidated) 91% Ensure that there are no human rights or environmental issues with any of our business partners
	Reducing Energy Consumption and Greenhouse Gas Emissions		Greenhouse gas emissions (Scope 1+2)	(Targets to be achieved by FY2030) 70,598 tons or less (A reduction of 46% or more compared to FY2019)	111,102t-CO ₂
	Reduction of Wastewater and Industrial Waste		VOC emissions	(Non-consolidated) Disclose results	(Non-consolidated) 60.3 tons
	Improving Efficiency of Water Resource Use	<ul style="list-style-type: none"> Implement energy-saving and global warming countermeasures and achieve FY2030 environmental targets Identify issues and clarify strategies for achieving carbon neutrality by FY2050 	COD emissions Total waste output Recycling rate Zero emission rate	(Non-consolidated) Disclose results (Non-consolidated) Disclose results (Non-consolidated) Disclose results (Non-consolidated) 80% or higher (Non-consolidated) 1% or less	(Non-consolidated) 22.2 tons (Non-consolidated) 28,225 tons (Non-consolidated) 86.5% (Non-consolidated) 0.6%
			Goal setting in line with SBT and consideration and implementation of specific measures	Progress disclosed	Selected for CDP's Climate Change A List Promoted energy and resource conservation and introduced solar-powered PPA models
			Disclosure in line with TCFD recommendations	Progress disclosed	Information disclosed in Sustainability website
			Develop products and technologies with consideration for environmental issues	Progress disclosed	Information disclosed in Sustainability website
Important issues	Occupational Health and Safety in the Workplace	<ul style="list-style-type: none"> Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm 	Number of serious accidents* ³ Acquisition of certifications under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category) Percentage of paid leave taken Percentage of employees who take mental health training Percentage of employees receiving regular health checkups Ascertaining and improving employee satisfaction through questionnaire surveys	0 (Non-consolidated) Continued certification (Non-consolidated) 70% or higher (Non-consolidated) 100% (Non-consolidated) 100% (Non-consolidated) Disclose progress	0 (Non-consolidated) Continued certification (Non-consolidated) 73% The 2nd year of the 3-year plan has started as scheduled (Non-consolidated) 100% Conducted second engagement survey (slight improvement with a score of 48.4) Promoted improvement action plans at each workplace
	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	<ul style="list-style-type: none"> Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development Engage in business operations that pay care and consideration to the human rights of employees and all other people involved in the supply chain 	Percentage of female employees in management posts* ⁴ Percentage of employees with disabilities Amount invested in education and training per employee Training hours per employee Number of training sessions held on human rights Human rights due diligence: human rights impact assessment rate	(Non-consolidated) 10% or higher (Non-consolidated) Achieve legal minimum employment rate (Non-consolidated) Disclose results (Non-consolidated) Disclose results Once or more per year (Non-consolidated) Implemented by FY2022 (Consolidated) 100% by FY2025	(Non-consolidated) 8.3% (Non-consolidated) 2.11% (Non-consolidated) ¥72,015 / person (Non-consolidated) 15 hours Once Implementing actions to prevent, mitigate, and remedy adverse human rights impacts related to the priority risks identified through our Human Rights Risk Impact Assessment.
	Risk Management	<ul style="list-style-type: none"> Respond to various business related risks and ensure business continuity by maintaining production systems, ensuring the proper procurement of raw materials, and strengthening measures against disasters 	Implementation rate of risk control activities for business, etc., and top five risk control activities Number of BCP drills conducted	100% Once or more per year	100% 3 times

*1 Number of serious accidents as judged by the Ethics Committee *2 Losses of 10 million yen or more *3 Accidents involving three or more people requiring time off work, or resulting in fatalities *4 Targets for the end of FY2024

Financial Policies

Message from Chief Financial Officer

Financial Strategy for Sustainable Growth

Member of the Board Managing Director,
In charge of Corporate Planning Division,
Corporate Communications Division,
Finance & Accounting Division and
Information Systems Division

Shinji Inoue



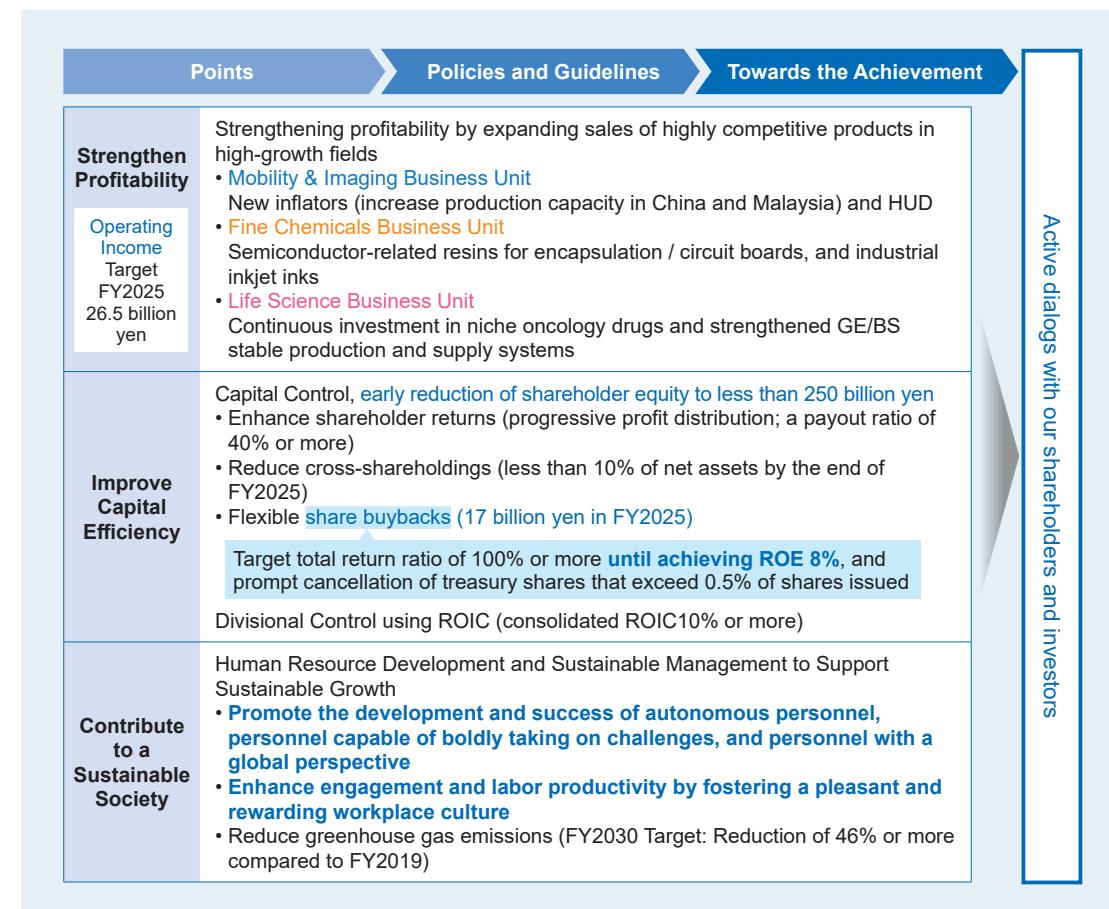
I wish to express my deep gratitude to all stakeholders for always giving us your strong support. As the final fiscal year of the Medium-term Business Plan **KAYAKU Vision 2025 (KV25)**, which spans a period of four years, FY2025 is a critical milestone. In the period of this plan, based on our cash allocation policy, we have steadily advanced portfolio transformation toward future growth and strengthened shareholder returns.

Supporting such initiatives are the strengths of the financial capital that the Nippon Kayaku Group has built over many years. The three business units are well balanced and supplement each other. They generate stable cash flow which is used as resources for investing in future growth, establishing a virtuous cycle. As a result, we continue to receive a rating of "A" from Rating and Investment Information, Inc. (R&I). This is an objective evaluation of our financial discipline and we truly appreciate it.

Toward the culmination of **KV25** in this fiscal year and the future beyond, we will maintain our solid financial structure while advancing optimization. Using our stable financial foundation as the driving force, we will create economic value and further focus on providing environmental and social value, including Mitigation of Climate Change, to contribute toward the realization of a sustainable society.

Action to Implement Management Practices that are Conscious of Cost of Capital and Stock Price

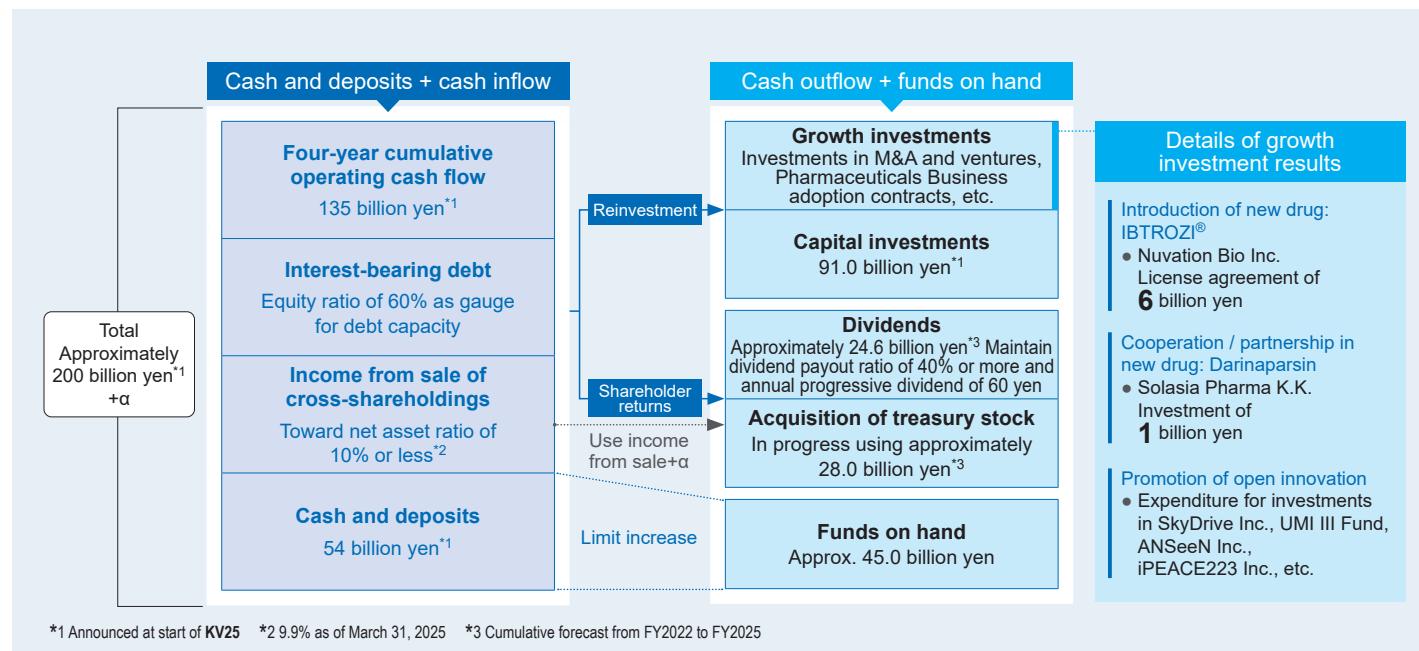
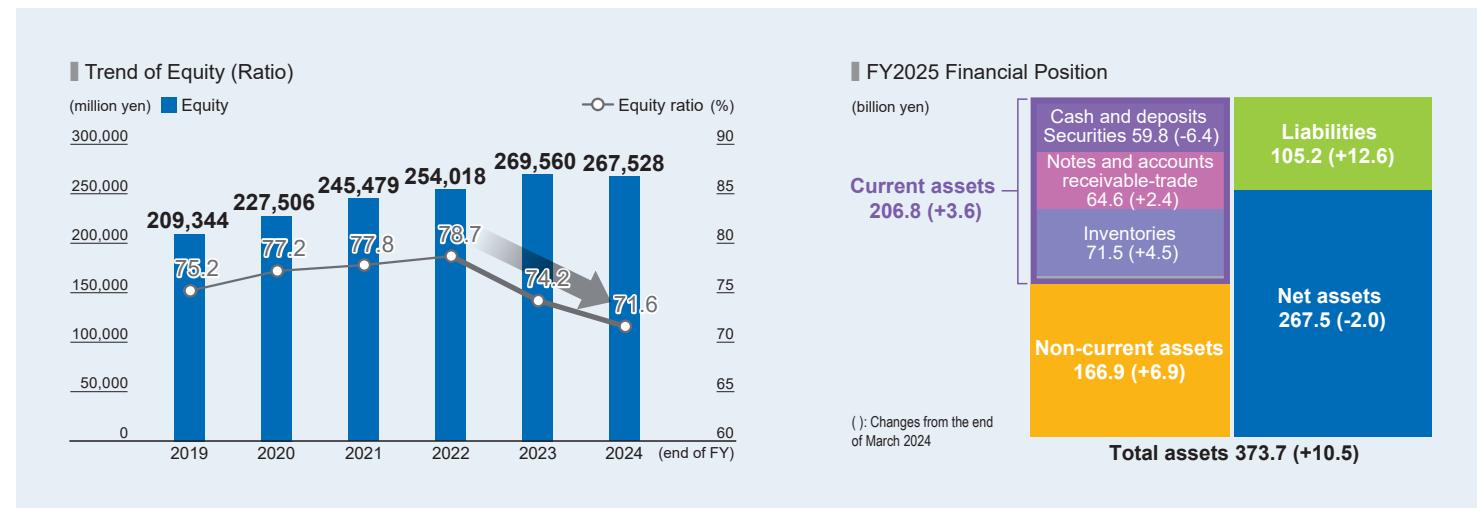
In response to Tokyo Stock Exchange's request for "Action to Implement Management That is Conscious of Cost of Capital and Stock Price," the Nippon Kayaku Group implements various measures under three pillars: strengthen earning power, improve capital efficiency, and contribute to a sustainable society. Specifically, we work to increase earning power by responding to greater demand in each business unit and expanding new products, and we strive to improve return on equity (ROE) together with our capital policies. In addition, as a company that promotes sustainable management, we work to reduce environmental and other business risks while focusing on human resource development and utilization.



Financial Policies

Financial Position as of March 31, 2025

Until around 2022, the Nippon Kayaku Group's equity ratio had trended at a high level close to 80%. However, this was brought down to 71.6% at the end of FY2024 based on the approach that it is acceptable to go as low as 60% when considering the utilization of borrowing and such. We will continue to maintain an appropriate financial position, including the control of current assets such as limiting the accumulation of cash and deposits, lowering of accounts receivable, and reduction of inventory.



Approach to Cash Allocation During KV25

The cumulative cash allocation for KV25 (FY2022 to FY2025) is set as a total of 200 billion yen with additional allocations. Cash inflow considers interest-bearing borrowing and income from the sale of cross-shareholdings, while cash outflow includes an adequate amount necessary for investment for the future. At the same time, we will strengthen shareholder returns.

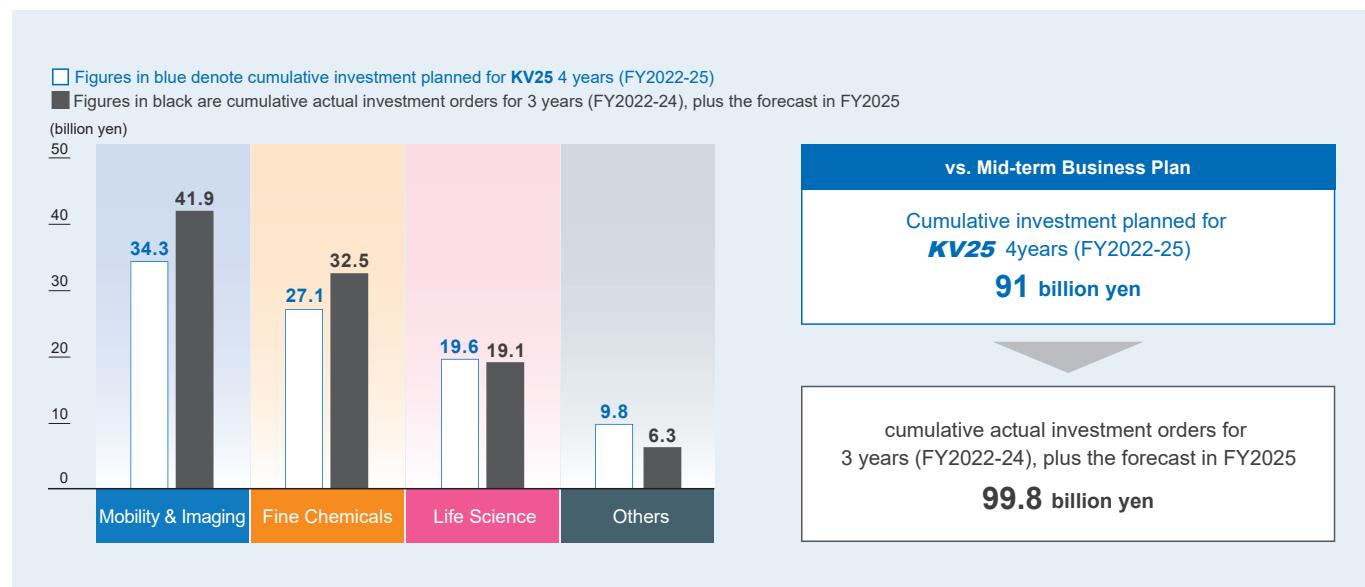
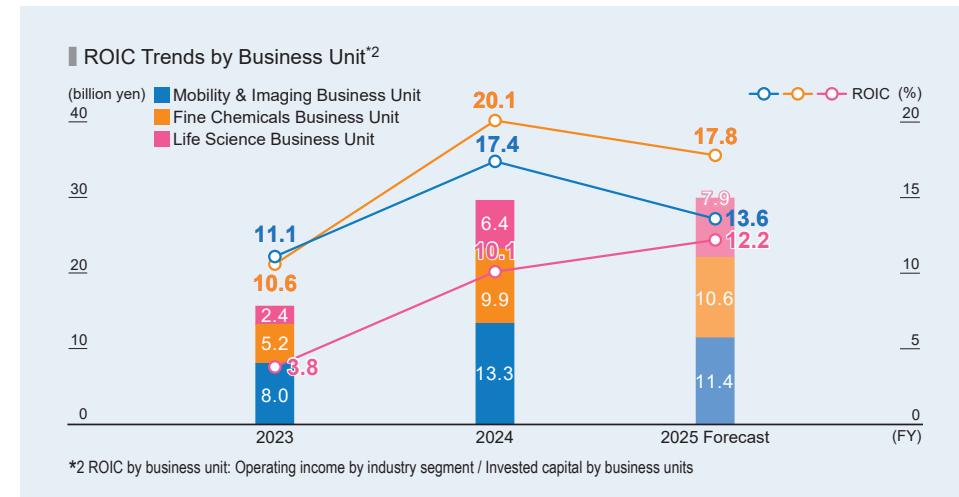
Financial Policies

Promote ROIC Management

The Nippon Kayaku Group aims to achieve high capital efficiency through ROIC-based management by department. We monitor company-wide ROIC and ROIC by department. At the same time, implementing and deciding on capital budget with an emphasis on investment effectiveness, shortening collection periods by lowering accounts receivable, reducing inventory, and other such initiatives are undertaken in a multi-faceted manner, from management decisions to front-line activities.

	FY2023 Result	FY2024 Result	FY2025 Forecast
Operating Income	7.3 billion yen	20.4 billion yen	20.0 billion yen
Consolidated ROIC ¹	2.7%	7.1%	6.9%

*1 Consolidated ROIC: Operating income / Invested capital



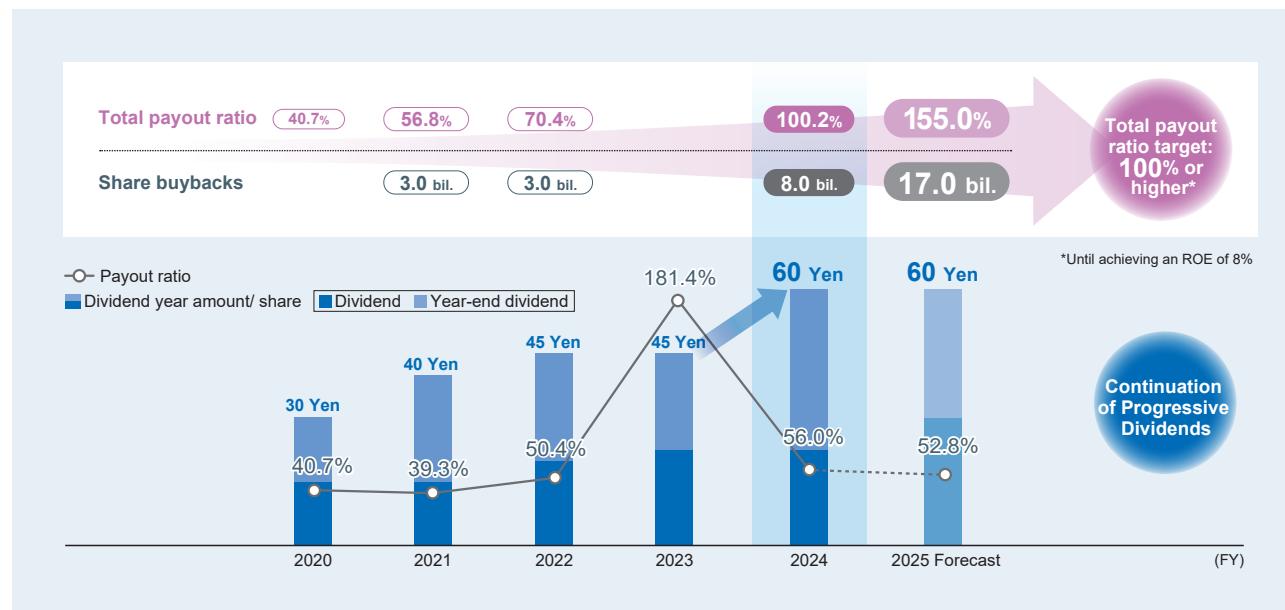
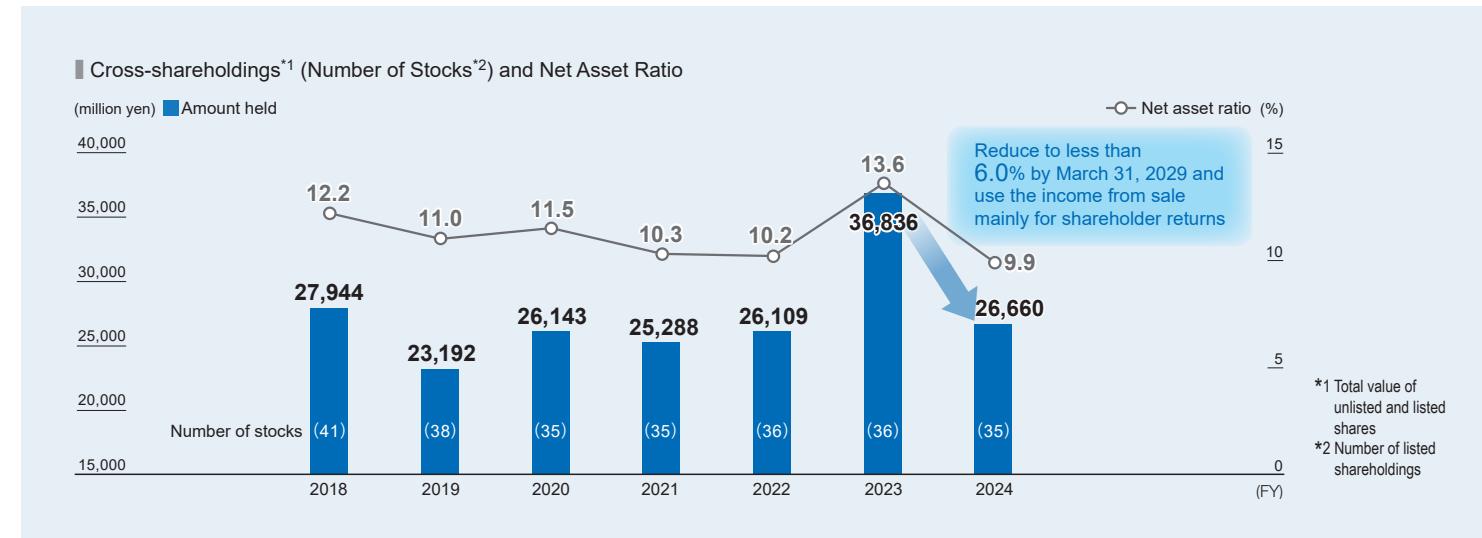
Progress of Capital Investments

During the period of **KV25** (FY2022 to FY2025), we actively invest to increase assets to respond to the strong demand for mainstay products, such as inflators of the Mobility & Imaging Business Unit and epoxy resins of the Fine Chemicals Business Unit. In addition, we constructed a new integrated pharmaceutical quality assurance building at the Takasaki Plant of the Life Science Business Unit to further enhance quality assurance for pharmaceuticals. The four-year cumulative plan for these capital investments is being implemented almost according to plan.

Financial Policies

Reduction of Cross-shareholdings

We examine the significance of possessing cross-shareholdings and sell them if we deem that they are not contributing toward improving corporate value over the medium-to-long term. In FY2023, the value of cross-shareholdings increased above expectations due to the rise in the Nikkei Stock Average, but we achieved our target of 10% or less of net asset ratio in FY2024. We will work toward reducing cross-shareholdings to less than 6.0% by March 31, 2029.



Policy for Shareholder Returns

The Nippon Kayaku Group regards returns to our shareholders as important. Our policy is to target a dividend payout ratio of 40% or higher and progressive dividends. We are also flexibly acquiring treasury stock, seeking to implement a total return ratio of 100% or more until we achieve an ROE of 8%.

We aim to acquire around 32 billion yen of treasury stock over a two-year period starting April 2025, and for FY2025, we are currently acquiring up to 17 billion yen of treasury stock. We will promptly cancel treasury stock in excess of 0.5% of issued shares.

Chapter

03

3 Business Units' Growth Strategies

CONTENTS

- 34 Business and Results Overview
- 35 Mobility & Imaging Business Unit
- 38 Fine Chemicals Business Unit
- 41 Life Science Business Unit

Business and Results Overview

Business Overview for FY2024

Mobility & Imaging Business Unit

Safety Systems Business

Inflators Strong

Micro gas generators and squibs Strong

- Domestic sales were somewhat sluggish due to slack automobile production caused by unauthorized model certification issues
- Overseas sales increased substantially due to strong demand in China as well as the advantages provided by yen depreciation

Operating Income by Industry Segment

Operating income rose as a result of increased revenue and price revisions for some products. During the second half of the year, operating income was affected by soaring raw material prices

Polatechno Business

Optical components Flat

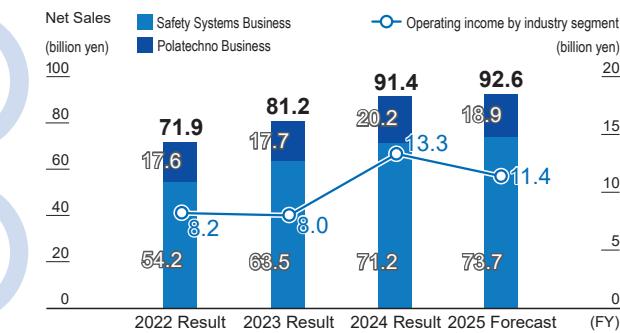
- In the polarizer business, sales of existing products were sluggish, but sales of polarizers for head-up displays expanded

Precision components Strong

- The X-ray analyzer components business performed well, benefiting from the depreciation of the yen

FY2024 Ratio to Total Net Sales
41%

FY2024 Ratio to Total Operating Income by Industry Segment
45%



Fine Chemicals Business Unit

Functional Materials Business

Epoxy resins for semiconductor encapsulation and substrates Steady

- Demand for epoxy resins recovered due to the strength of the AI, high-end server, and smartphone markets

Ultraviolet curing resins for displays Steady

Operating Income by Industry Segment

Operating income rose as a result of greater revenue in each business

Color Materials Business

Consumer inkjet colorants Steady

- Demand increased, driven by overseas home office demand, etc.

Industrial inkjet inks Steady

- Sales of digital press ink for coated paper increased

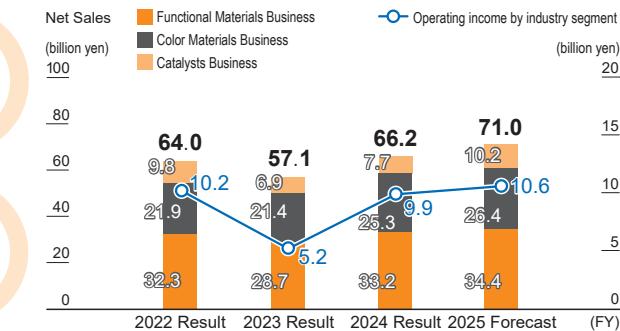
Catalysts Business

Catalysts for the production of acrylic acid and methacrylic acid for use in new manufacturing Sluggish

- Business was sluggish during the first half, but was firm during the second half due to catalyst replacement demand from large customers

FY2024 Ratio to Total Net Sales
30%

FY2024 Ratio to Total Operating Income by Industry Segment
33%



Life Science Business Unit

Pharmaceuticals Business

The impact of drug pricing revisions was covered by higher volume, and sales were basically the same as in the previous year for the business as a whole

Biosimilars (BS) Strong

- Bevacizumab BS, which treats colon, rectal, ovarian cancers and other indications, penetrated the market and gained a 28% market share (as of March 31, 2025)
- Launched in 2023, Adalimumab BS, which treats rheumatism and other autoimmune diseases, achieved the top share as a biosimilar.

Generic anti-cancer drugs Strong

- Dasatinib, which treats chronic myelogenous leukemia and other such indications, increased sharply in its share of generic drugs after the switch to generic drugs due to the same indications, dosages and administration as the original product

Agrochemicals Business

Steady

Flometoquin and DIAZINON® grew in overseas sales

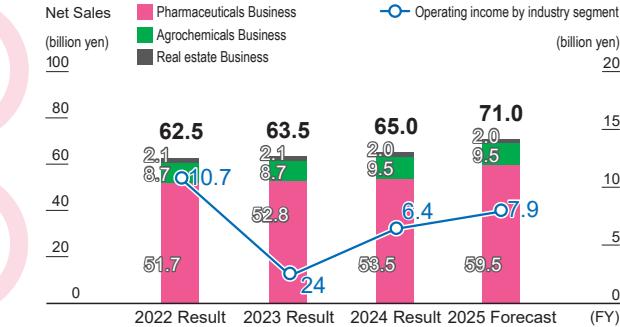
Operating Income by Industry Segment

In the pharmaceuticals business, operating income increased in comparison to FY2023, when it was affected by special factors*

* Recording of upfront licensing fee of six billion yen for anti-cancer drugs for unmet needs

FY2024 Ratio to Total Net Sales
29%

FY2024 Ratio to Total Operating Income by Industry Segment
22%



Mobility & Imaging Business Unit

Contributing to the future development of mobility technology through advances in automotive safety components that offer greater safety to people around the world and light control technologies that make new imaging devices possible



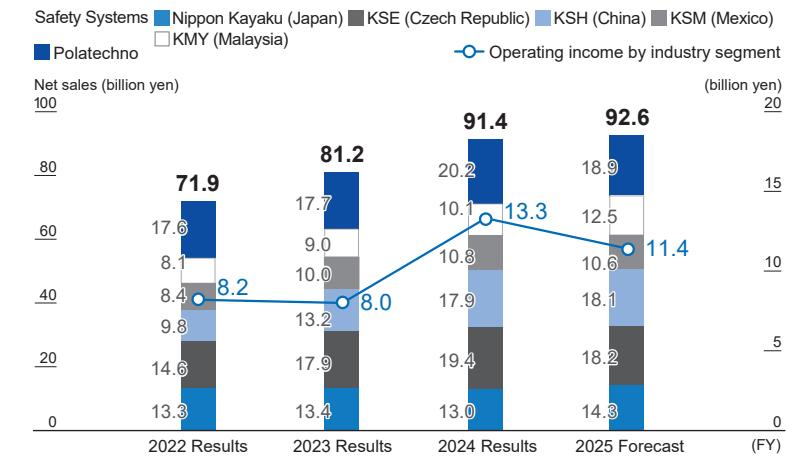
Managing Director
In charge of Mobility & Imaging Business Unit,
Head of Safety Systems Group
Takumi Fujita



Overview for FY2024

In FY2024, the Mobility & Imaging Business Unit performed extremely well overall, reaching net sales of 91.4 billion yen, a new record high and a year-on-year increase of 10.2 billion yen. In the Safety Systems business, automotive safety component sales rose in Asia, which includes China, where vehicle production and sales, primarily of EVs, are strong. Sales volumes of inflators increased significantly. In the Polatechno business, sales of conventional polarizers for vehicle passive LCD continued to weaken, but sales of X-ray analyzer components remained strong. With respect to polarizers for projectors, which have been discontinued due to declining profitability, there were relatively large-scale close-out sales, which boosted net sales.

Net Sales and Operating Income Trends



Growth Strategy from FY2025 and Beyond

Due to factors such as the fact that we are currently expanding our production capacity for inflators, there are concerns about disadvantageous exchange rates, and the passive LCD market (especially for monochrome LCDs) is shrinking, we expect there to be a temporary lull in FY2025, but the business environment is such that we expect to see growth in both businesses from FY2026. We will increase our earning power by reducing and passing off costs, and we will actively develop new products to contribute to the growth of the business unit.

Expansion of the automotive safety component business, primarily focused on inflators

The Safety Systems business will strive to increase its global market share for inflators through measures such as expanding sales of compact, lightweight, and inexpensive cylinder-type inflators and the development of new products aligned with customer requests.

▶ For details, see "Growth Markets" p. 36

Focusing on Sun-Guard Polarizers for head-up displays

We plan to achieve steady growth in our Sun-Guard Polarizers for head-up displays, which are hoped to become future flagship products.

Together with X-ray analyzer components, which we expect to remain strong, from FY2026, we believe the Polatechno business will recover and return to its growth trajectory.

▶ For details, see "Growth Markets" p. 37

Development of new, future-oriented products

In the Safety Systems business, we are marketing safety components for drones that utilize pyrotechnic technologies. We have also begun deliberations regarding the application of pyrotechnic device technologies to space development. We believe that the high reliability operation technologies that we have nurtured through our automotive safety components will serve of use in actuators, which are essential for rocket operation, and for devices for rapidly issuing alerts in the event of a fire. The Polatechno business will continue to search for business opportunities such as new vehicle applications that require the durability of polarizers and medical imaging applications for X-ray related components.

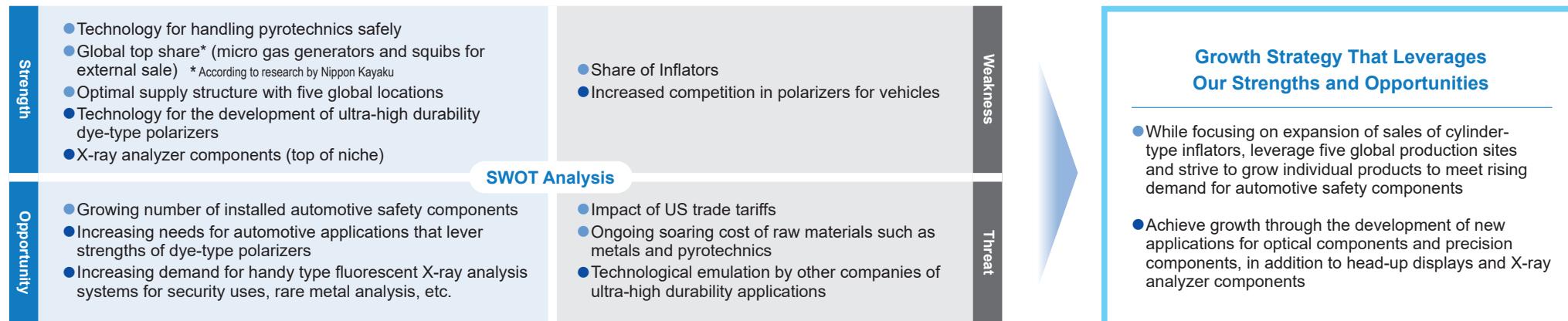


▶ For details, see "TOPICS" p. 37

Image: Conceptual illustration of a spacecraft

Mobility & Imaging Business Unit

● Safety Systems ● Polatechno



Growth Markets

Safety Systems Business
Expand automotive safety components, focusing on inflators

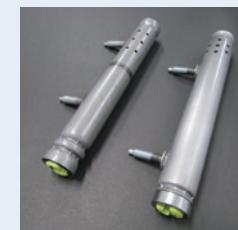
Market Size
310 billion yen
Our estimate for 2030

Advantages

- Lightweight design
- Performance & Price
- 3 supply bases (Japan, China, Malaysia)

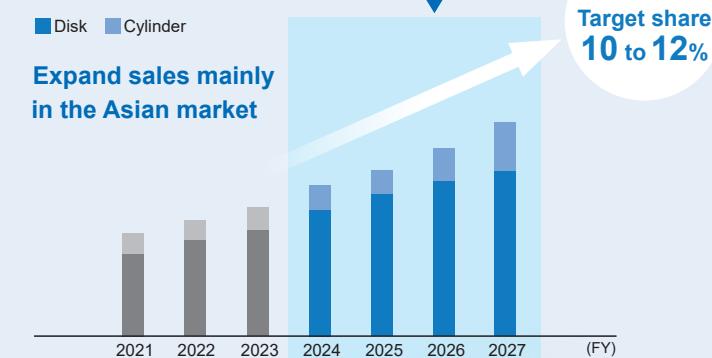
The number of automobiles manufactured and sold worldwide in FY2025 grew slowly, but in conjunction with the tightening of safety standards in different countries, the number of safety components used per vehicle is rising, primarily in developing countries. We will supply automotive safety components to this growth market, leveraging the strengths of our ability to safely handle pyrotechnics and pyrotechnic devices and the trust we have nurtured by steadily supplying these products.

In the automotive safety component external sales market, we have the global top share for squibs and micro gas generators, but our market share for inflators is only around 5 to 7%. We have positioned this as a market with future growth potential. According to preliminary calculations, the scale of this market (including both external sales and internal manufacturing) is approximately 310 billion yen. We plan to increase market share for our products, focusing on expanding sales of cylinder-type inflators, which offer exceptional performance and price due to their lightweight designs. Through our three site supply system, consisting of our Japanese Safety Head Plant, which is our mother plant, and our production sites in China and Malaysia, which will be expanding their supply capabilities in FY2026, we will expand sales, primarily in Asian markets. From 2024 to 2027, we expect our net sales compound annual growth rate (CAGR) to be roughly 9%. Going beyond that, we are aiming for a market share of 10 to 12% by FY2030.



The new cylinder-type inflator (left), which is lighter and has design improvements in structure and processes, and the existing product (right)

Our Sales Growth



Mobility & Imaging Business Unit
Safety Systems Group
General Manager of the Research & Development Division*
Shinya Hasegawa

* Responsible for the development of automotive safety components



Mobility & Imaging Business Unit

Growth Markets

Polatechno Business

Head-Up Display (HUD)
Focus on Sun-Guard Polarizers

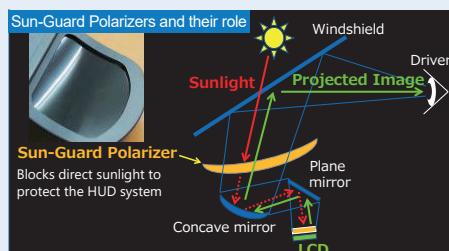
Market Size

20 billion yen
Our estimate for 2030

Advantages

- Optical property
- Durability
- Surface hardness
- Low distortion
- Fire retardancy

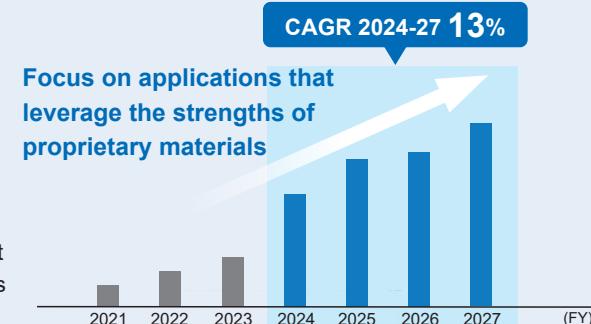
HUDs are devices that project driving-related information, such as speedometer readings, onto the front windshield using an image projection unit contained in the vehicle's dashboard. One of the advantages they offer is that they enable drivers to see information without moving their line of sight away from what is in front of them, unlike when reading a conventional instrument panel. Sun-Guard Polarizers prevent the energy from direct sunlight from negatively impacting the image projection units. Furthermore, by using polarized film, they efficiently cut the amount of sunlight energy that enters the projection unit without decreasing the brightness of the HUD. This significantly curbs the thermal degradation of the HUD.



In recent years, the market for HUDs, in which Sun-Guard Polarizers are likely to be installed, has expanded to roughly 20 billion yen. In conjunction with the expansion of HUD display areas, the openings in the units, through which sunlight can enter, are tending to become larger. The percentage of HUDs which require Sun-Guard polarizers with polarizing functions is expected to grow further.

Our shades, which are made using dye-type polarizing film, stand out for their high durability and low image warping. We will strive to expand sales of these products, targeting China, which is actively installing HUDs in vehicles, and Europe, etc., in which HUDs have been highly evaluated for meeting safety standards. From 2024 to 2027, we forecast a net sales CAGR of roughly 13%.

Our Sales Growth



Mobility & Imaging Business Unit
Polatechno Group
General Manager of the
Polatechno R&D Division*

Koichi Tanaka

* Responsible for the development of optical components such as HUD Sun-Guard Polarizers



TOPICS

Ensuring safety for the future of extensive use of air mobility PARASAFE® Safety Systems Business

Air mobility is expected to be used in various fields, such as agriculture, inspection, and disaster response, in addition to use in urban areas, so the global air mobility market has rapidly expanded. Air mobility devices are diversifying, encompassing everything from compact drones to "flying cars" for transporting people, and the technologies these devices use are evolving. Backed by this market expansion, the Nippon Kayaku Group is selling PARASAFE®, an emergency parachute system for drones for use in industrial applications. When a drone drops from the sky due to unforeseen circumstances, PARASAFE® instantly deploys a parachute with its pyrotechnic igniter, thus protecting safety at ground level while preventing damage to the drone itself and its on-board equipment.

In 2022, Japan's Civil Aeronautics Act was revised to allow Level 4 flight (operation beyond the visual line of sight (BVLOS) over populated areas without pilot action). PARASAFE® is used in drones from ACSL Ltd. (headquartered in Edogawa-ku, Tokyo), which is the first company in Japan to acquire the type certification required for Level 4 flight. We are currently coordinating with multiple drone manufacturers who are aiming to receive type certification.

The Chinese market will be a major target market in the rapid expansion of PARASAFE®. In China, in conjunction with the development of the "low-altitude economy," drones are already being used for purposes such as pesticide spraying and logistics. It is becoming the world's largest market in the safety device segment. The Nippon Kayaku Group is developing the Chinese market through sales and marketing activities by local subsidiary Kayaku Safety Systems (Huzhou) Co., Ltd., leveraging the cost competitiveness achieved through in-house design.

In addition to China, we are also focusing on the markets of Europe, where progress is being made in U-space (low altitude airspace management) under a strict regulatory system, and North America, which requires compliance with safety standards such as ASTM F3322. In the United States, we are coordinating with group company Aero Systems West, Inc. (based in California), using their knowledge regarding design, manufacturing, operation, and training to comply with new systems such as beyond the visual line of sight (BVLOS).



Operating state of PARASAFE® attached to a drone



PARASAFE®

Aero Business Development Division
Marketing Group
Planning Team

Hiroshi Nakamura (left)

Marketing Group
Sales Representative

Shoichi Ashida (middle)

Product Group
Structural Team

Hideki Otsubo (right)



Fine Chemicals Business Unit

We contribute to the realization of a prosperous and comfortable society by providing functional chemicals with added value in the areas of information, communication, digital printing, and basic chemicals using our core technologies in resins, colorants, and catalysts



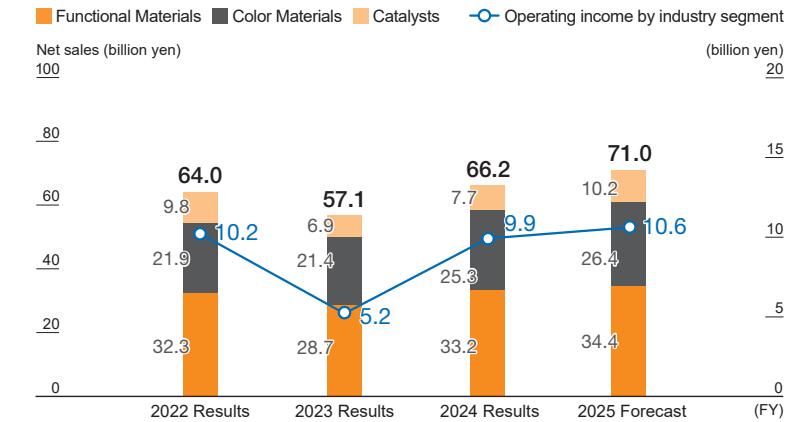
Managing Director In charge of
Fine Chemicals Business Unit
Yoshiki Akatani



Overview for FY2024

All three business groups saw higher sales compared to the previous fiscal year. For the Functional Materials Business, epoxy resins and various product groups trended strongly due to recovery in the semiconductor market, including artificial intelligence (AI) and high-end servers. The Color Materials Business saw a recovery in demand for consumer inkjet colorants with the end of inventory adjustments after the COVID-19 pandemic. Sales of water-based pigment inkjet inks, thermosensitive color developers, and other products also expanded. Regarding the Catalysts Business, while there were several customers pushing back catalyst replacement caused by a sluggish market for acrylic acids and methacrylic acids, we achieved the sales plan due to major customers and the securing of new customers. As a result of the three businesses—Functional Materials, Color Materials, and Catalysts—recovering significantly from the previous fiscal year, the Fine Chemicals Business Unit set a new record with net sales reaching 66.2 billion yen.

Net Sales and Operating Income Trends



Growth Strategy from FY2025 and Beyond

The business groups, Group companies, laboratories, and plants will unite in using our material development and formula design capabilities to develop and launch new products. We will advance medium- to long-term business expansion and profitability improvement.

► Providing products to the growing semiconductor-related market

The Functional Materials Business will supply materials such as epoxy resins for semiconductor encapsulation and substrates to the semiconductor market, for which medium- to long-term growth is expected.

We will also seek growth for the semiconductor manufacturing equipment that is produced by Group company Teikoku Taping System.

► For details, see "Growth Markets" p. 39

► For details, see "TOPICS" p. 40

► Sales expansion of industrial IJ (inkjet inks)

The Color Materials Business will work on the growth of inks for coated paper and development of inks for flexible packaging materials to expand sales of water-based pigment inkjet inks.

► For details, see "Growth Markets" p. 40

We will also expand sales of new products such as environmentally friendly phenol-free thermosensitive color developers and functional colorants for dimming glass.

► Growing the Catalysts Business to a scale of 10 billion yen in annual sales

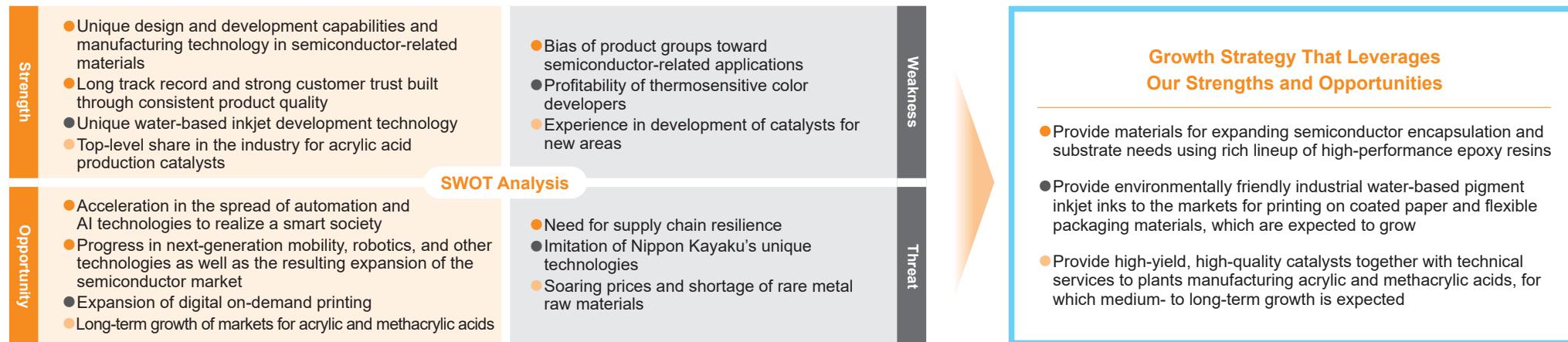
Stable medium- to long-term growth of 3% to 5% each year is expected for both acrylic acids and methacrylic acids. Accordingly, manufacturing plant catalyst demand is also expected to trend strongly. We seek to continue receiving orders from existing customers and gain new customers by providing highly competitive catalyst products with excellent properties—such as high yields—as well as through technical support tailored to our customers' plant operations. Through these initiatives, we will grow the Catalyst Business to a scale of 10 billion yen in annual sales consistently.



Catalyst manufacturing plant at Asa Plant

Fine Chemicals Business Unit

● Functional Materials ● Color Materials ● Catalysts



Growth Markets

Functional Materials Business
Continuous growth of resins for semiconductor encapsulation and substrates

Market Size
110 billion yen Our estimate for 2030

Advantages
● Low dielectric ● High elasticity ● High reliability

- Low dielectric
- High elasticity
- High reliability
- Low CTE
- Low water absorption
- Quality stability
- Fire retardancy

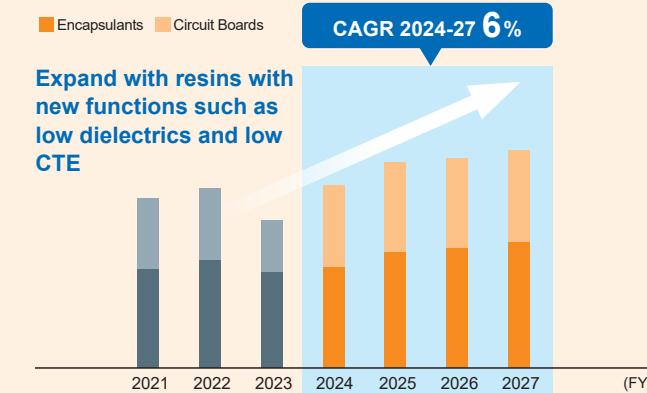
Besides our epoxy resins for use as materials for semiconductor encapsulation, which must have a high degree of electrical reliability, in recent years, demand is growing for package circuit board applications. In addition to the resin properties required for semiconductors, in terms of low dielectric and flame retardance, their high quality and stability, such as the stable elimination of chlorine as an impurity, have made them widely recognized as resins for high-end applications. In FY2018, we started selling maleimide resins, which are characterized by their lower dielectric. We will continue to use our core resin synthesis expertise and modification technology to research and develop new products matching our customers' requirements.

The semiconductor market in 2030 is expected to have grown rapidly to one trillion dollars, double that of 2020. Currently, digitalization is making rapid progress due to the development of 5G communication networks and the spread of telework and social media. The market is expanding due to the increase in demand for semiconductors that form the core of the infrastructure and GPUs used in AI servers. Our epoxy resins and other high-end resins target a market that is thought to reach around 110 billion yen by FY2030. The compound annual growth rate (CAGR) of net sales for our semiconductor resins is expected to be 6% for the period from FY2024 to FY2027. Beyond that, we are targeting a share of around 20% by FY2030.



New epoxy resin manufacturing plant at Asa Plant

Our Sales Growth



Functional Materials Group
General Manager of Technical Department

Masataka Nakanishi (left)

Functional Materials Group
General Manager of Sales Department 1

Katsuhiko Oshimi (right)



Fine Chemicals Business Unit

Growth Markets

Color Materials Business

Toward growth of water-based pigment inkjet inks

Market Size

130 billion yen
Our estimations in 2030

Advantages

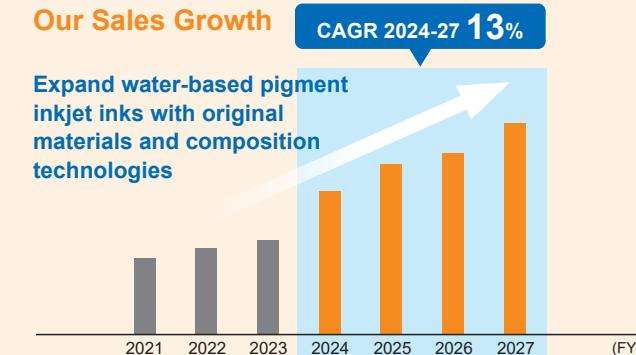
- Low VOC
- Safety
- High precision
- Retention
- High-speed printing
- Discharge performance

The Nippon Kayaku Group is focusing on growing industrial inkjet inks as a growth area of color materials. We have been providing consumer inkjet printer colorants used by households and such. Therefore, we have expertise in developing colorants for inkjets, and we have used this as a strength to focus on the development of industrial inkjet inks in partnership with printer and printhead manufacturers. Among such inks, we specialize in environmentally friendly water-based pigment inks, allowing high-speed printing using our core technology in material design.

In the future, the analog ink market—such as for offset printing—will slowly transition toward on-demand inkjet printing that prints only the required amount. Even if overall printing demand shrinks due to digitalization, we believe there will continue to be need for printing on coated paper such as catalogs as well as printing on food packaging and other flexible packaging materials. The market scale of replacement with water-based pigment inks in FY2030 is expected to be around 130 billion yen, and our target share is 10%.

We expected the CAGR of net sales centered on inks for coated paper currently on the market to grow significantly to around 13% during the period from FY2024 to FY2027. The plan is to meet higher demand in the near future using the expanded facilities established in FY2025 at our Fukuyama Plant.

Our Sales Growth



Fukuyama Plant
(New inkjet ink plant)

Fine Chemicals
Business Unit
Head of Color
Materials Group
Kenichi Eda



TOPICS

Manufacturing Equipment Supporting Progress in Semiconductors

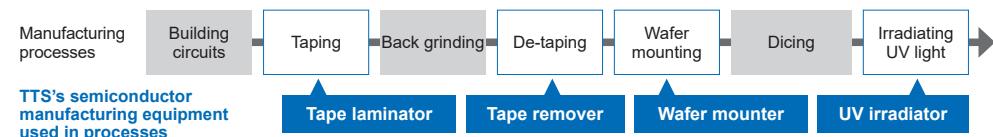
Teikoku Taping System Functional Materials Business

Our Group company Teikoku Taping System (TTS) is achieving steady growth in the area of semiconductor manufacturing equipment centered on its unique technologies in laminating, peeling, and transporting. Its key products include laminators that adhere back grinding tapes to silicon wafers and mounters that position wafers on die attach films, significantly contributing to the automation and efficiency of precise processes. These products are capable of temperature management within $\pm 1^{\circ}\text{C}$ and precise control of pressure and speed, complying with the strict yield standards required by advanced semiconductor manufacturers and supporting the realization of stable manufacturing processes that minimize the need for manual tasks.

The greatest strength of TTS is its system that allows in-house integrated development of both hardware and software. This streamlining drastically improves performance and operability and can provide competitive equipment that can respond in detail to the requirements of each foundry.

The needs for manufacturing equipment have rapidly risen in recent years due to the expansion of the semiconductor market. To respond to such demand, in FY2025, TTS is doubling the production capacity at its production site in Aichi Prefecture's Tokai City and expects this expansion to contribute toward expanding sales within the same fiscal year. As an equipment manufacturer supporting the market with sophisticated technologies amid growth in the semiconductor market, TTS will continue to aim for further growth.

Semiconductor Manufacturing Processes and TTS's Manufacturing Equipment



New plant of Teikoku Taping System

Teikoku Taping System Co., Ltd
Representative Director
and President
Ichiro Tomonaga



Life Science Business Unit

Contribute to a society where people can live with peace of mind by promoting innovation in technologies where we have strengths, improving healthcare through a stable supply of high-quality pharmaceuticals, and providing environmentally friendly agrochemicals



Member of the Board
Senior Managing Director
In charge of Life Science Business Unit,
Head of Pharmaceuticals Group
Hiroshi Shimada



Overview for FY2024

The market during the current Medium-term Business Plan **KV25** trended largely according to plan, and net sales reached 65 billion yen in FY2024, an increase of 1.5 billion yen.

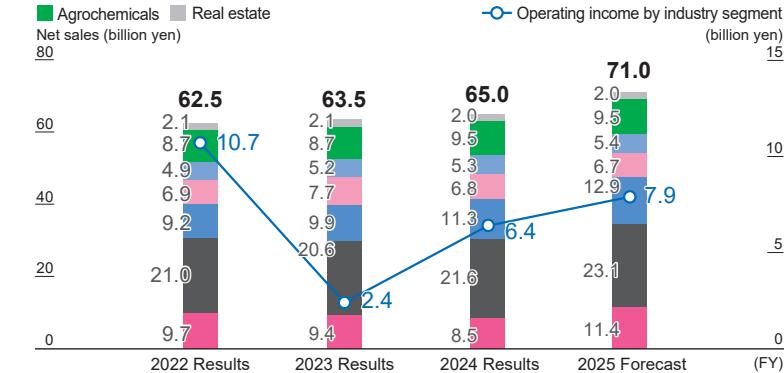
The Pharmaceuticals Business expanded sales centered on generic anti-cancer drugs and biosimilars. The Specialty Chemicals, International & IVD Division and Food Techno (ethanol formulations, food additives, and such) also trended strongly, supporting our performance. For generic drugs, we are recognized for our high quality and stable supply in the area of anti-cancer drugs, trending well for both new and existing products. For biosimilars, both Bevacizumab BS and Adalimumab BS—which were launched in recent years which entered the market as the fourth entrants in their respective categories—grew to secure the top market share.

The Agrochemicals Business trended strongly centered on DIAZINON and the new flometoquin formulation (FINESAVE®), and sales of EVISECT and flometoquin grew significantly overseas.

Net Sales and Operating Income Trends

Pharmaceuticals
■ Anti-cancer drugs for unmet needs, etc.
■ Generic Anti-cancer Drugs
■ Biosimilars
■ Pharmaceutical ingredients, pharmaceuticals for export, diagnostic agents
■ Ethanol formulations, etc.

Agrochemicals
■ Net sales (billion yen)



Growth Strategy from FY2025 and Beyond

The Pharmaceuticals Business and Agrochemicals Business continue to perform stably without being easily affected by the market, and we are using our strengths to advance initiatives for sustainable growth.

Expansion of the pipeline to strengthen business profitability

So far, the Pharmaceuticals Business has achieved growth through a product lineup centered on generic anti-cancer drugs and biosimilars. However, in recent years, our products' unit prices and profit margins are on descending trends amid drug price revisions being made every year. To respond to such environmental changes, we are actively introducing new drugs through licensing and such to improve business profitability. We will also work to expand our pipeline.

▶ For details, see "Growth Markets" ■■■ p. 42

Strengthening Takasaki Plant, which manufactures cancer-related pharmaceuticals

In Japan, consolidation of supply systems, such as through supplying replacements, is underway due to the unstable supply of generic drugs and biosimilars. Amid such circumstances, Nippon Kayaku is enhancing the production and quality management systems at Takasaki Plant to reinforce stable supply and assurance of high quality for cancer-related pharmaceutical drugs.

▶ For details, see "TOPICS" ■■■ p. 43

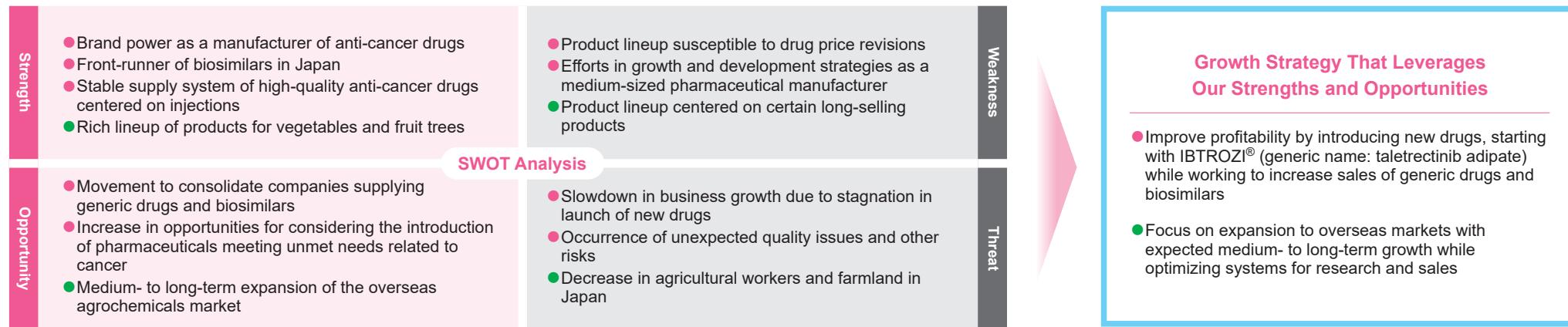
Toward strengthening of the Agrochemicals Business's overseas expansion

Amid the shrinking agrochemical market in Japan, the expansion of overseas sales will become the key to growth for the Agrochemicals Business. We will shift to a system that also looks at overseas markets, including the development of new formulations following flometoquin.

▶ For details, see "TOPICS" ■■■ p. 43

Life Science Business Unit

● Pharmaceuticals ● Agrochemicals



Growth Strategy That Leverages Our Strengths and Opportunities

- Improve profitability by introducing new drugs, starting with IBTROZI® (generic name: taletrectinib adipate) while working to increase sales of generic drugs and biosimilars
- Focus on expansion to overseas markets with expected medium- to long-term growth while optimizing systems for research and sales

Growth Markets

Pharmaceuticals Expansion of pipeline to strengthen earning power

The Nippon Kayaku Group seeks to transition from a product lineup susceptible to drug price revisions, centered on generic drugs and biosimilars, to a composition with a greater share of new drugs that have high earning power. Therefore, we are looking to expand our pipeline by introducing new drugs from venture companies and such in late-stage development with a high possibility of launch.

We entered into an exclusive license agreement Nuvation Bio Inc. to market and distribute taletrectinib in Japan. This is a therapeutic agent candidate for lung cancer and approved as IBTROZI® in September 2025 after undergoing priority review from being designated as an orphan drug. We expect it to contribute to performance from FY2026 and aim to achieve sales in the scale of several billion yen as early as possible.

We are currently conducting tests on Portrazza®, a therapeutic agent for lung cancer that has already been launched as a new drug, to expand its application to unmet needs in esophageal cancer. We are also studying if ALAGLIO®, a photodynamic diagnostic agent for tumor cells, can be used outside of bladder cancer. Furthermore, we are preparing tests for the development of VECanDx™, an in vitro diagnostic reagent for assaying tumors within the bladder using urine.

	Stage	Development code (Generic name)	Origin	Characteristics
New Drugs	Under application	Product name: IBTROZI® AB-106/DS-6051b (Taletrectinib)	AnHeart Therapeutics [Nuvation Bio] (US)	<ul style="list-style-type: none"> Disease development: ROS1 fusion-gene positive non-small-cell lung cancer Action mechanism: ROS1 inhibitor Orphan drug designation in November 2024 “Results of subgroup analysis by region and race on the results of Global Phase II study” reported in ASCO2025
	Phase II	Product name: Portrazza® (Necitumumab)	Eli Lilly (US)	<ul style="list-style-type: none"> Indication expansion study Disease development: EGFR gene-amplified unresectable advance or recurrent esophageal carcinoma (the frequency of EGFR gene-amplified esophageal cancer is less than 5%, and the outcomes are poor)
	Under preparation	Product name: Alaglio® (Aminolevulinic acid hydrochloride)	SBI Pharmaceuticals (Japan)	<ul style="list-style-type: none"> Photodynamic diagnostic agent Characteristics: Emission of red light under a blue light source when incorporated into cancer tissue Basic agreement for joint development, and pilot study in progress
Diagnostic reagent	Under preparation	VECanDx™	BioCheetah (Singapore)	<ul style="list-style-type: none"> In Vitro Diagnostic Products Under development in Singapore licensing agreement signed for exclusive development and marketing rights in Japan

Life Science Business Unit

TOPICS 1

Strengthening of Takasaki Plant Becoming a manufacturing site supporting the future of cancer treatment and biopharmaceuticals Pharmaceuticals Business

In October 2024, a new system for co-payment of drugs (selective treatment of existing drugs with new comparable drugs) was introduced in Japan, further promoting the use of generic drugs. Meanwhile, the shortage of new comparable drugs is being prolonged due to raw material supply issues and other factors, and concerns regarding stable supply are becoming a social issue. Amid such circumstances, in the area of cancer treatment, the Nippon Kayaku Group is working on new comparable drugs for which supply has become difficult as well as supplying replacements for pharmaceuticals that have been discontinued. In FY2024, we made progress in consolidating cancer-related generic drugs and biosimilars at Nippon Kayaku, contributing toward expanding sales. For FY2025, we expect to further consolidate the supply of replacements and an accompanying increase in income.

To fulfill our social responsibility of stable pharmaceutical supply, we are planning to enhance the production capacity of our Takasaki Plant by 2030. This initiative includes the formulation and manufacturing of active pharmaceutical ingredients of biopharmaceuticals supplied by Cultivecs Inc., a joint venture with Mitsubishi Gas Chemical Co., Inc. Besides generic drugs, we are also aiming to achieve domestic manufacturing of biopharmaceuticals that currently rely on imports.

We are also focusing on strengthening our quality assurance system to provide high-quality pharmaceuticals. We are constructing an integrated quality assurance building and aim to complete it in FY2026 to improve the efficiency and sophistication of quality assurance operations.

By specializing in manufacturing anti-cancer drugs, we will establish the position of Takasaki Plant as a core manufacturing site for cancer treatment in Japan and contribute to the development of healthcare through the stable supply of high-quality pharmaceuticals.

Goals of Takasaki Plant

Enhancement of manufacturing capabilities for stable supply into the future

Strengthening of quality assurance system toward the provision of high-quality pharmaceuticals

Domestic manufacturing of biopharmaceuticals in addition to generic drugs



Takasaki Plant undertakes production of the Pharmaceutical Business's products



Specializing in manufacturing anti-cancer drugs centered on injections



General Manager of Takasaki Plant
Fumihiro Kamiwata

TOPICS 2

Contributing toward stabilizing global food supply Overseas expansion of agrochemicals Agrochemicals Business

The Agrochemicals Business supplies agrochemicals for vegetables and fruit trees mainly for the domestic market. However, due to the structural issue of a decrease in agricultural workers and farmland, we are starting to see a limit to the growth of the domestic market. Meanwhile, the demand for food continues to rise with the growing global population, and the agrochemicals market—which supports higher agricultural productivity—is expected to expand. Expected to continue growing in the future, the overseas agrochemicals market is a key area for our sales strategy.

This was the situation in which we launched in Japan the formulation FINESAVE®, which uses flometoquin, a new active ingredient that is effective against pests with resistance against existing agrochemicals while having little impact on helpful insects such as honeybees. Since 2020, we have also been focusing on selling flometoquin-based products overseas, and started selling them as Gladius®—an insecticide for cut flowers—to Kenya and other countries that are vibrant in the cultivation of horticultural products. We aim to further expand the countries of sale and applicable crops.

In FY2024, Gladius® and Evisect®—an insecticide for vegetables—contributed toward overseas sales, helping to increase the sales of the Agrochemicals Business. Going forward, we also plan to advance overseas expansion of product groups that we have strengths in, such as our original functional spreaders and spiracle blocking agents. Laboratory staff have started traveling overseas to study agrochemical needs unique to each region and applying the results in development. Together with enhancing our overseas sales system and such, we will work on strengthening the foundation for global expansion.

Two products that contribute to overseas sales

 Gladius® insecticide for overseas markets	Brand of the domestic FINESAVE®* for overseas markets * Formulation that uses flometoquin, a new active ingredient that is effective against pests with resistance against existing agrochemicals
 Evisect®	Insecticide for vegetables and fruit trees with thiocyclam, which acts on the nervous systems of insects, as the active ingredient



Life Science Business Unit
Agrochemicals Group
Overseas sales staff of
Sales Division
Kazuteru Ogawa
(middle)

Chapter

04 Foundation of Global "sukima" ideas

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Research & Development

Promote new business development through open innovation and digital transformation in research



Technology Unit
General Manager of
R&D Planning Division
Dairi Kubo

The Nippon Kayaku Group undertakes research and development, designating four target areas to contribute to the realization of a sustainable society. Besides the initiatives of the business units' laboratories and cross-organizational collaboration, the R&D Planning Division is focusing on the creation of new businesses in the area of the environment and energy as its mission. We are further accelerating open innovation initiatives, which have been strengthened in the past few years, to transcend organizational boundaries and promote the development of new businesses unique to Nippon Kayaku. In addition, we are completing the building of foundation—in terms of software, hardware, and education—for digital transformation (DX) initiatives such as machine learning and data science, and we will be moving to the stage of improving effectiveness.

Research and Development Policies



Increase our corporate value by creating new businesses and products through R&D

The role of the R&D division is to create new businesses and products through R&D activities and increase our corporate value. We want to be an R&D division that can create and increase corporate value.

R&D activities that simultaneously **expand existing core businesses** and **develop new businesses** to continuously increase corporate value

R&D to put "ambidextrous management" into practice

Research and Development Strategies

● R&D to put "ambidextrous management" into practice

● Selection of themes based on marketing

● Active use of open innovation

Four Areas Targeted to Contribute to Realization of a Sustainable Society

Mobility

- Active use of open innovation (partnerships with industry and academia, collaboration and alliance with venture firms, venture capital, business acquisitions, etc.)
- Selection and planning through marketing and IP landscape
- Emergency parachute for drones used in industrial applications
- Safety devices for flying cars
- Optical films for windshields, for head-up displays (HUD)
- Development of AZUL Catalyst*
- Anion exchange membrane used in water electrolysis for green hydrogen production equipment
- Biomass epoxy resins
- Catalysts that contribute to a decarbonized society

Environment and Energy

- * Initiatives of business alliance with AZUL Energy Inc.
- Organic Electronics Materials
- About Biostimulants
- Will also continue to collaborate with the fine chemicals business unit on planning and marketing
- Will also continue to collaborate with the pharmaceuticals group and agrochemicals group on planning and marketing

Electronics

- Organic Electronics Materials
- About Biostimulants
- Will also continue to collaborate with the fine chemicals business unit on planning and marketing
- Will also continue to collaborate with the pharmaceuticals group and agrochemicals group on planning and marketing

Life Science

- About Biostimulants
- Will also continue to collaborate with the fine chemicals business unit on planning and marketing
- Will also continue to collaborate with the pharmaceuticals group and agrochemicals group on planning and marketing

TOPICS 1

Development of anion exchange membrane used in water electrolysis

~ Development of elemental technologies contributing to carbon neutrality ~

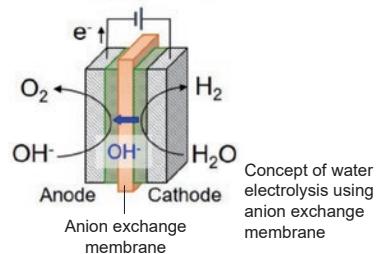
Toward the realization of a carbon-neutral society, there is attention on green hydrogen that is manufactured through water electrolysis using renewable energy without emitting carbon dioxide.

According to the International Energy Agency, the global hydrogen market is expected to grow to an annual scale of several trillion yen by 2030. The Japanese government has also positioned hydrogen as a key energy carrier toward achieving carbon neutrality.

Currently, water electrolysis using proton exchange membranes is the mainstream. Cost is an issue as it requires catalysts that use rare metals such as platinum. In recent years, there is attention on water electrolysis using anion exchange membranes where affordable metal catalysts, such as nickel, are used and efficient production is possible. It is looked upon as a potential next-generation hydrogen production technology.

However, durability was an issue for practical application as anion exchange membranes are used for long periods of time under high temperatures and alkalic conditions. At the Institute of Science Tokyo, an anion exchange membrane with excellent long-term durability was successfully developed using material design based on analyzing the deterioration mechanism. Nippon Kayaku is using our polymer material molecular design and synthesis technology nurtured through functional materials and our Polatechno Business's precision film processing technology to collaborate with the Institute of Science Tokyo and work on the commercialization of anion exchange membranes from the aspects of establishing the process and achieving mass production.

Full-scale market expansion is expected from 2030 onward, and we plan to start providing domestic manufacturers with development samples for demonstration from 2025. Through this initiative, we will achieve affordable green hydrogen production and contribute toward the realization of a hydrogen society and the strengthening of competitiveness of industries in Japan.



Anion exchange membrane fabricated using roll-to-roll processing



Technology Unit
R&D Planning Division,
New Business Development Center
Naoki Yanagibashi

Research & Development

TOPICS 2

Fire-extinguishing component for battery fires

~ Innovative safety measure using pyrotechnic technology ~

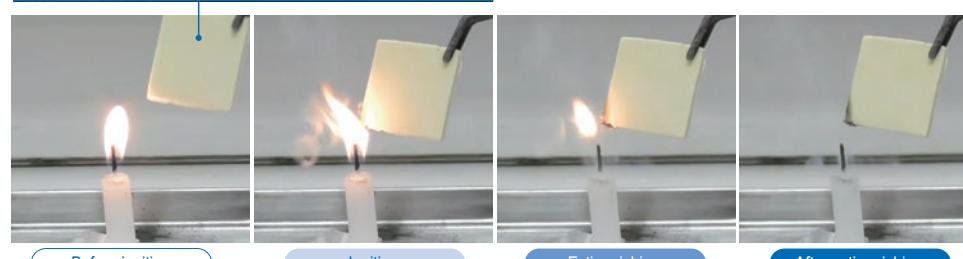
In recent years, there has been a rapid increase in fires from lithium-ion batteries found in smartphones, mobile battery packs, electric-assist bicycles, and such. According to statistics from Tokyo Fire Department, there were approximately 300 cases of fire deemed to be caused by lithium-ion batteries in the five-year period from 2019 to 2023. This growing trend is becoming a severe social issue.

Lithium-ion battery fires are difficult to extinguish using common methods such as cutting off oxygen and spraying water due to reasons including the generation of flammable gases within the battery, combustion at high temperatures above 800°C, and the risk of reignition after extinguishing.

At Nippon Kayaku, we have developed an innovative fire-extinguishing component using the expertise of the Safety Systems Business, such as the handling of pyrotechnics and other reactive substances and extrusion processing technology for manufacturing gas-generating agents. It is a fire-extinguishing component specifically for lithium-ion batteries, automatically reacting with high heat and instantaneously releasing effective fire-extinguishing agents. The negative catalytic effect of the released potassium radicals can quickly extinguish the flames of a lithium-ion battery, minimizing damage by effectively preventing the fire from spreading to other battery cells and peripheral devices.

Amid progress in the full-scale adoption of electric vehicles and mandatory collection of lithium-ion batteries, safe handling and processing techniques will become increasingly important. Significantly improving the safety of lithium-ion batteries, our technology for fire-extinguishing components will be an important solution meeting these social requirements.

Fire-extinguishing component, in sheet form, developed by Nippon Kayaku



The fire can be rapidly extinguished using the negative catalytic effect of potassium radicals by bringing the fire-extinguishing sheet close to the burning object



Technology Unit
R&D Planning Division,
New Business Development Center

Kenichi Inaba

TOPICS 3

Collaborations with iPEACE223 Inc.,

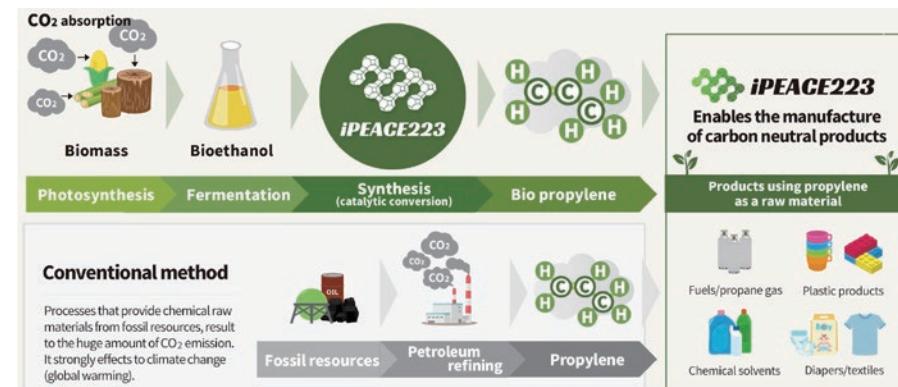
~ Joint research toward producing green propylene that contributes to a carbon-neutral society ~

Toward achieving carbon neutrality by 2050, the world is currently facing the major issue of moving away from dependence on fossil fuels. To address this issue, we saw great potential in the unique zeolite catalyst technology of iPEACE223 Inc. In FY2024, we invested in iPEACE223 and embarked on full-scale joint research and development.

iPEACE223 develops an innovative catalyst and process for high-efficiency, low-cost production of propylene—a raw material for plastics and synthetic fibers—from bioethanol, a fuel additive that is widely used worldwide. This “green propylene” has the potential to significantly contribute to decarbonization across the supply chain as a fuel and as a raw material for acrylic acids and methacrylic acids, which are also part of our business.

The greatest feature of iPEACE223's technology is that it can produce propylene from ethylene in one step with extremely high efficiency using its unique zeolite catalyst. Besides solving the issue of exchange efficiency in existing multi-step production methods, it can limit energy-equivalent CO₂ emissions to about one-third compared to petroleum-based processes.

We are advancing practical application of this innovative technology by combining the innovative catalyst and plant design technologies of iPEACE223 with the catalyst development and industrialization expertise of Nippon Kayaku. We are accelerating development, aiming for catalyst launch in 2030 as well as stable supply. Nippon Kayaku will continue to promote research and development that provides green materials as options for all aspects of life.



Web site of iPEACE223 Inc.
<https://ipeace223.com/en/>



Fine Chemicals R&D Laboratories
Catalyst Group

Kyosuke Gomi (left)

Technology Unit
R&D Planning Division,
New Business Development Center
(stationed at Asa Plant)

Michiharu Arifuku (middle)

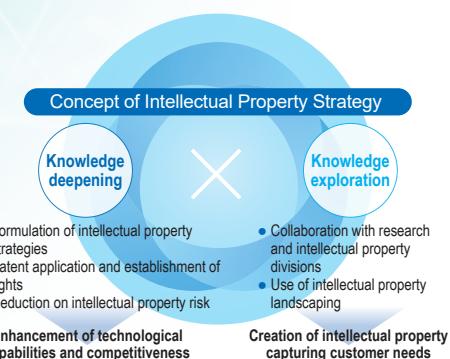
Fine Chemicals R&D Laboratories
Catalyst Group

Shogo Yasuda (right)

Intellectual Property

Contribute to existing businesses and new businesses and products by expanding knowledge in two directions—depth and width

Technology Unit
General Manager of Intellectual Property Division
Asuka Ogasawara



The Nippon Kayaku Group has expanded business by applying core technologies passed down since our establishment. The intellectual property created and used in the process is positioned as a source of corporate value. At the Intellectual Property Division, we promote intellectual property activities in a strategic and practical manner along two axes: depth through knowledge deepening, and width through knowledge exploration.

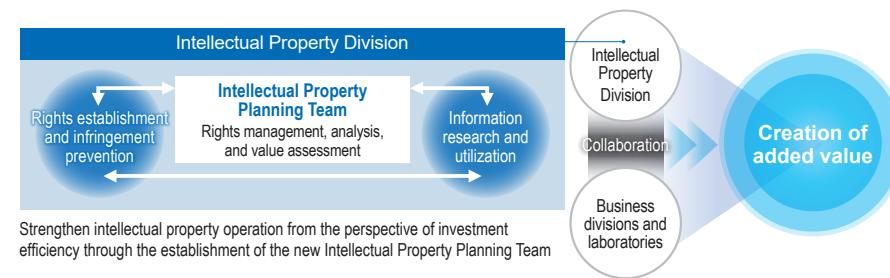
Under knowledge deepening, we formulate intellectual property strategies as well as apply for patents and establishing rights to delve deeper, develop, and optimize existing businesses. At the same time, we strive to enhance the Nippon Kayaku Group's technological capabilities and competitiveness through collaboration with the business divisions aimed at reducing intellectual property risk based on respecting the intellectual property of other companies. Under knowledge exploration, we use intellectual property landscaping to quickly grasp customer needs, promote research and development that leads to new businesses and products, and create intellectual property.

The Intellectual Property Division is studying the active use of artificial intelligence (AI) technologies, which are progressing rapidly in recent years, to advance the sophistication and efficiency of operations. By making full use of AI technologies, we hope to advance the sophistication and efficiency of operations related to intellectual property such as research and specification preparation, leading to further vibrancy in the formulation and implementation of intellectual property strategies, and in patent application and establishment of rights. In addition, we will disclose intellectual property information that is useful for communication with our stakeholders while referencing the Intellectual Property and Intangible Assets Governance Guidelines formulated by the Japanese government.

Responding to the Environment Around Intellectual Property

With volatility and uncertainty increasing more than ever in society, the Nippon Kayaku Group is utilizing the intellectual property and knowledge gained through our intellectual property activities to discern the direction for our businesses. So far, the Intellectual Property Strategy Group (in charge of establishing rights and reducing intellectual property risk) and the Information Strategy Group (in charge of information acquisition, research, and analysis) within the Intellectual Property Division have conducted activities in close collaboration.

Besides these existing groups, in FY2025, a new Intellectual Property Planning Team was established to promote the optimization of investment efficiency in intellectual property. This team promotes the strategic utilization of intangible assets by seeking internal collaboration centered on comprehensive analysis and value assessment of intellectual property. It aims to improve investment efficiency from a company-wide perspective and contribute to the creation and maximization of added value.



Strengths of Intellectual Property Staff

AI technologies are advancing significantly in recent years, and amid their greater use in intellectual property operations, qualities that cannot be fully pursued using AI—in terms of the insight and intuition backed by the experience of intellectual property staff—will become increasingly important in future intellectual property strategies that include the use of intangible assets.

The Nippon Kayaku Group emphasizes the nurturing and skill development of intellectual property staff, implementing proactive initiatives and support. Currently, the Intellectual Property Division has many members with intellectual property-related qualifications, such as patent attorneys, Certified Specialists of Intellectual Property Management, and librarians. Recently, we have also been focusing on obtaining Intellectual Property Analyst qualifications. Many members came from research and development divisions, and we strive to have abundant intellectual property staff with both expertise and practical skills.



Utilizing benchmark analysis to develop new products for the "next step"

After working in production technology at the Fukuyama Plant and experiencing research and development at the Fine Chemicals Business Unit, I am currently involved in formulating intellectual property strategies for our businesses. Based on the experience accumulated in solving issues related to planning and industrialization, I obtained qualification as a Professional Engineer in chemicals and recently obtained the international qualification called Qualified Patent Information Professional (QPIP).

Presently, the Intellectual Property Division is focusing on benchmark analysis as part of strategy formulation. Through analyzing patents of strong competitors, academic papers, media reports, and such from multiple angles, it is possible to grasp the situation in detail, including industry trends, technological issues, and key persons in development, which is useful in creating solutions that we can offer toward addressing market and customer issues. In fact, there are several cases where this initiative has led to decisions on development direction and the formulation of medium- to long-term themes.

Amid the sophistication of analysis and statistics due to progress in AI, I feel that the formulation of intellectual property strategies that benefit businesses can only be achieved by human resources who are familiar with our core technologies and other internal information and history and who can engage in mutually subjective dialogue. I hope to continue contributing toward proposing the next step that will support the company's growth from the perspective of intellectual property utilization.

Intellectual Property Division Information Strategy Group
Kazuteru Shirai



Intellectual Property

Initiatives Contributing to Business Growth and Strengthening of Competitiveness Through Intellectual Property

As part of our intellectual property activities, the Nippon Kayaku Group assigns dedicated intellectual property staff to business divisions to strengthen our intellectual property strategies, which are key assets in management. Business divisions stationed with intellectual property staff collaborate closely with research and development divisions to achieve maximization of invention opportunities and speedy acquisition of rights. We also strengthen intellectual property activities from both aspects of defense—in terms of protecting core technologies—and offense that includes expanding our scope of involvement, and provide information that helps business strategies and research and development through intellectual property landscaping. In addition, we strive to ensure market advantage by acquiring patents, trademarks, designs, expertise, and other intellectual property rights. We also work on reducing the risk of infringing on the rights of others and propose improvements to enhance the effectiveness of intellectual property strategies.

Going forward, we aim to further improve the quality of our intellectual property activities through strengthening our acquisition of multiple intellectual property rights and efficiently utilizing external resources. In intellectual property landscaping, besides patent information, we will visualize the trends of competitors and customers as well as industry and technology trends, among others, from the perspective of Nippon Kayaku. We will also go on to provide information that is useful not only for business but also for management as well as create added value through dialogue and discussions with research and business divisions.

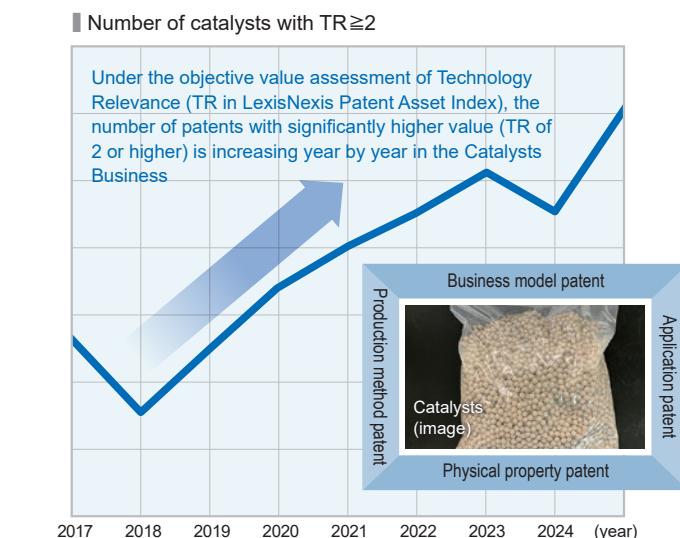
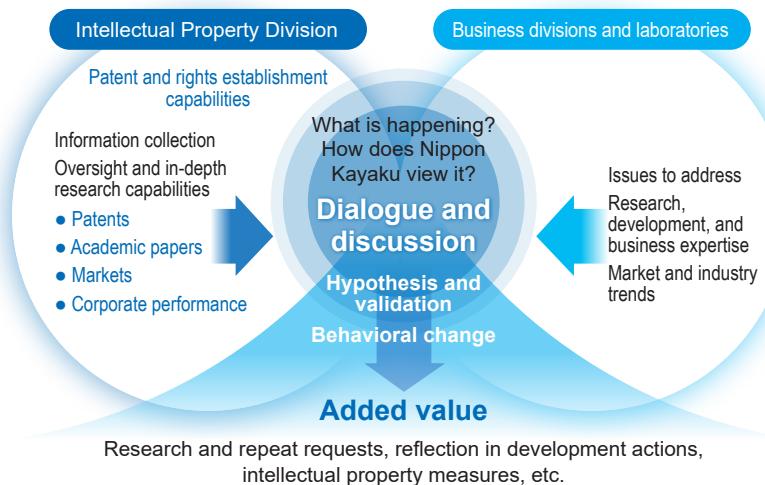
Example of Intellectual Property Activity: Intellectual Property Management in Catalysts Business

In the Catalysts Business, the Intellectual Property Division collaborates closely with the business division and laboratory to formulate intellectual property strategies and optimize portfolios, achieving intellectual property protection from multiple aspects that go beyond catalysts themselves to reach production methods, applications, plant operating methods, and even business models. Such a strategy that protects the entire business makes it possible to undertake business activities that are difficult for other companies to imitate, significantly contributing toward the strengthening of competitiveness.

The effects of this initiative include the refining of application policies; improvement of specialized knowledge by sharing examples of disputes within the industry and non-patent intellectual property (such as expertise, trademarks, and designs); fostering of intellectual property awareness; and raising the level of intellectual property skills. We also conduct regular stocktaking of existing patents and strive to maintain patent groups with a strong deterrent effect, which helps to improve the quality of intellectual property.

As shown in the table on the right, the catalyst-related intellectual property portfolio held by the Nippon Kayaku Group is highly valued even when evaluated objectively, supporting the stable earnings of the Catalysts Business. Centered on catalysts used in the production of acrylic acid and methacrylic acid, the Catalysts Business is achieving steady growth, including net sales that are expected to exceed 10 billion yen in FY2025. In addition, our catalysts—characterized by high yield and high cost performance—are highly evaluated by customers, and we are gaining new customers and expanding their adoption. As an initiative for the future, we are also focusing on developing next-generation catalysts, such as those for producing propylene from bioethanol and catalysts for hydrogen production.

We will contribute to the growth of the Catalysts Business and the creation of new products by providing strong support for existing products and new themes from the aspect of intellectual property.



Human Resources

Continue to implement measures for human resource development and corporate culture improvement to become a “platinum company” that achieves both ease of working and a strong sense of purpose at work

Member of the Board
Managing Director, In charge of Human Resources Division, Legal Affairs Division, General Affairs Division, Secretarial Division, and Internal Control Management Division

Makoto Takeda



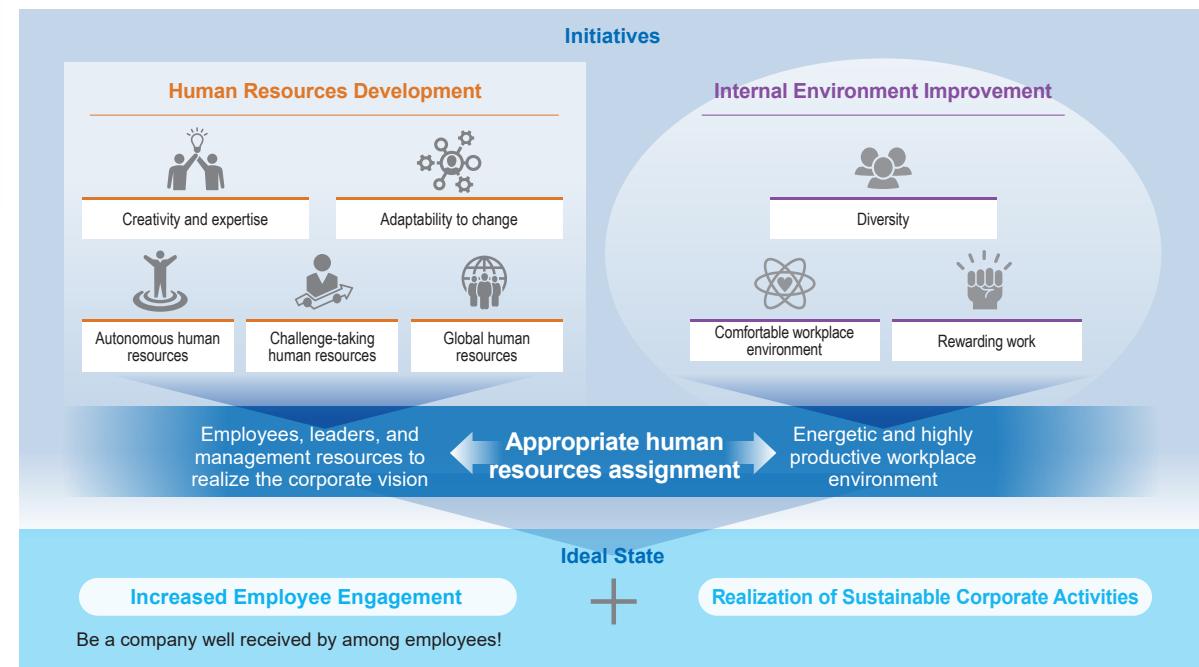
The Nippon Kayaku Group recognizes that human resources are an important form of human capital for enhancing corporate value and realizing a sustainable society. Our employees play key roles in our growth and development, and establishing workplace environments where they can fully apply their abilities is the key to enhancing our corporate competitiveness.

Amid faster diversification in human resources and work styles, it is important to provide workplace environments that respect the diversity of employees and allow all employees to work with peace of mind. By promoting diversity, equity, and inclusion and through employees with diverse backgrounds—such as age, gender, nationality, and career—and perspectives working together and learning from each other, I firmly believe we can give birth to innovation and improve our organization's overall resilience.

Nippon Kayaku wants autonomous human resources who act autonomously, human resources who can boldly attempt new challenges without fear of failure, and global human resources who can play active roles at the global level. Attracting human resources with these characteristics to Nippon Kayaku and developing them will create the driving force to open our future. We see the knowledge, skills, and desire for growth of our approximately 6,000 employees as human capital and actively invest in them. Together with developing human resources in line with our business growth, we aim to be a company that is chosen by everyone amid the changing times.

We will continue to implement measures for human resource development and corporate culture improvement to become a “platinum company” that is comfortable and rewarding to work at, building a corporate system where all employees can work with pride and play active roles.

Human Resource Utilization Initiatives and Vision of the Nippon Kayaku Group



Human Resource Development Policy (Excerpt)

- Fostering autonomous human resources who can increase their creativity and expertise, and act autonomously
- Fostering human resources who can boldly attempt new challenges in response to environmental changes without fear of failure
- Fostering human resources who can play active roles with a global perspective

Human Capital
<https://www.nipponkayaku.co.jp/english/sustainability/social/human-capital/>

Internal Environment Improvement Policy (Excerpt)

- Create environments where employees can work energetically and with job satisfaction and passion
- Increase employee engagement through a diverse, comfortable, and rewarding workplace environment
- Ensure fair assignment and treatment regardless of age, gender, career, educational background, or nationality
- Support employees who want to grow and learn and support the formation of diverse careers

Human Resources

Initiatives Related to Human Resource Development Policy

1 Secure High-quality Human Resources and Strengthen Development

We encourage the autonomous growth of our employees. Through various training programs that emphasize career independence and skill development via self-learning, we support the formation of diverse careers in line with the wishes of individual employees.

 Human Resources Development (Training Structure)

<https://www.nipponkayaku.co.jp/english/sustainability/social/development/#h-04>

We operate the Nippon Kayaku Business Academy (NBA) to enhance management human resources. NBA is a program designed to develop leaders from various divisions into candidates for next-generation management executives, with a focus on mid-career human resources. With the Human Resources Division and Corporate Planning Division serving as the secretariat, trainees are selected from all divisions, including those of overseas group companies, and monthly group training is provided to them over a period of approximately one year.

Interview Participating in the NBA

The Business Systems Promotion Planning Team, to which I belong, has completed a two-year renewal of ERP (integrated core business system). Going forward, we will play an important role in further promoting core operations efficiency and the use of data to support decision-making. Considering this, I participated in the Nippon Kayaku Business Academy (NBA), a program to develop next-generation leaders, as a valuable opportunity to further broaden my role and perspective.

What felt especially fresh in the program was the group work with members from different departments and specialties. Together with members from a variety of backgrounds, including the Research Institute, business divisions, and Group companies, we envisioned society in 2035 and developed a new business proposal by combining it with our company's foundational technologies. We were also given the opportunity to present the plan to the relevant business divisions, and received feedback based on the on-the-ground realities from the front lines of the business, making it a highly practical experience. By hearing perspectives that I would not normally come across in my day-to-day work, I felt my own point of view expand greatly. The lectures delivered by our executives also provided many realizations. Seeing them speak candidly about the hardships of launching businesses and even their own failures made them feel more relatable and also reminded me that today's Nippon Kayaku has been built by the repeated trial and errors of many people. I was also struck by Director Akamatsu's words: "It's better to assume that what've said has hardly been understood." This reaffirmed for me the importance of doing everything possible until the message truly gets through, and it has become an important guiding principle for me in leading a team.

I feel that the diverse colleagues I met through this program, and the multifaceted perspectives I gained, have become irreplaceable to me. Even after returning to my daily work, I want to treasure what I learned here and, through continued dialogue within my team, never forget to view things from a broad perspective.

Information Systems Division
In charge of Business Systems Promotion
Business Systems Planning Team Leader
Akiko Inoue

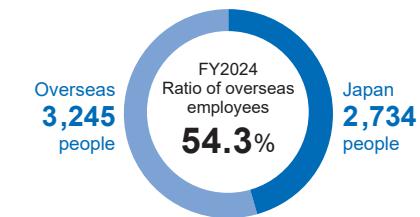


2 Promote Active Roles of Global Human Resources

The Nippon Kayaku Group has business locations in 12 countries and regions around the world, with more overseas employees than those in Japan. Amid such an international environment, it is important to develop human resources who can play active roles on the global stage to smoothly conduct corporate activities.

We have introduced a Global Human Resources Development Program for human resources with a strong desire to work overseas, including young employees and those with experience working overseas. The program strengthens adaptability to international operations through training in conversational English and practical English. We also have a support system for employees on overseas assignments, such as education prior to their assignments and training regarding different cultures and business practices. Furthermore, we implement practical development combining on-the-job training, location rotation, and work experience at several locations. At the same time, we consider the securing of global human resources when hiring new graduates.

In the future, we also plan to support the development of overseas group companies' local employees by encouraging their understanding of management policies and conducting surveys to analyze their career intentions.



3 Appropriate Human Resources Assignment and Fair Evaluation

The Nippon Kayaku Group implements a "position class (job grade) system" to achieve fair assignment and treatment based on job scope, irrespective of age, gender, educational background, or career background. This is a system that clarifies the roles and responsibilities of work and carries out human resource evaluation accordingly.

We also create environments where employees can develop their skills in their own ways through systems such as challenge-based evaluation, in which individuals set their own targets, and process evaluation, in which the process of work execution is evaluated.

Furthermore, we introduced a talent management system in September 2022 to visualize human resource information. It allows us to quickly understand the necessary human resource information and use it for appropriate assignments and human resource measures. This system is also linked to the development of global human resources and supports more effective human resource strategies.

In addition, we support autonomous career development by using our internal recruitment system and transfer request sheet for flexible transfers reflecting employees' wishes and career desires.

Human Resources

Initiatives Related to Internal Environment Improvement

4 Foster Workplace Environments with High Psychological Safety

The Nippon Kayaku Group respects diverse values and seeks to create workplaces where employees can work with peace of mind and demonstrate their abilities. Instead of simply one-way communication from the management, we also listen to feedback from the ground, placing importance on two-way dialogue. We hope to create workplace environments that allow healthy discussions.

We are also strengthening our initiatives to eradicate harassment, such as conducting unconscious bias training to raise awareness and Respect Training to learn about mutual respect. Through such initiatives, we seek to create workplaces where employees can feel psychologically safe and voice their opinions to create an even better corporate culture.

5 Create More Comfortable and Rewarding Workplace Environments

The Nippon Kayaku Group uses systems—such as the telecommuting system and the staggered work hours system—to expand the options for working hours and locations. We seek to enhance work-life balance by implementing flexible work styles matching the lifestyle of each employee. We set the percentage of paid leave taken as an indicator, and work on creating workplace environments conducive to the taking of leave by introducing a system where employees systematically take five days or more of leave.

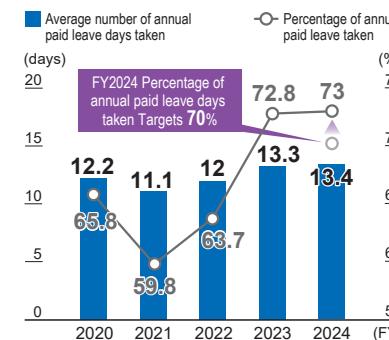
In addition, we started conducting our employee engagement survey in FY2023. By visualizing the strengths and issues company-wide and for each workplace and implementing improvement activities accordingly, we strive to make work more rewarding.

6 Promoting Diversity, Equity, and Inclusion

At the Nippon Kayaku Group, we respect differences in terms of gender, age, nationality, disability, culture, values, and such. We strive to create workplaces where everyone can work with vitality. We also strive to create environments where employees can demonstrate their respective abilities at various life stages, such as childcare and nursing care.

We also promote the utilization of human resources with different backgrounds to incorporate diverse perspectives in our decision-making processes. We have set the percentage of female managers, percentage of male employees taking childcare leave, and percentage of employees with disabilities as indicators of diversity promotion, and work to create comfortable workplace environments for everyone.

Percentage of paid leave days taken



Using the childcare leave system

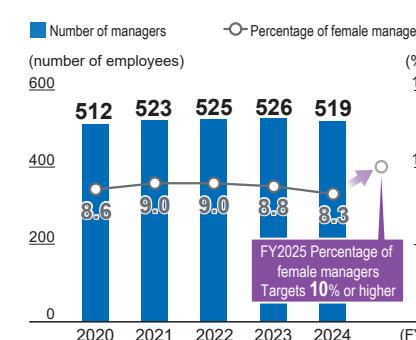
In FY2024, Nippon Kayaku achieved a percentage of male employees taking childcare leave of 100%. With the establishment of a culture that sees male employees taking childcare leave as something usual, I also took approximately three weeks of childcare leave when my second child was born.

I decided to take leave during a very busy period, with a collaborative project with another company—which spans across several divisions centered on the Fine Chemicals Business Unit—reaching its climax and the deliberation period approaching. Honestly, I was worried, but I also had a compelling reason as my family would not be able to function if I did not take leave. Therefore, I carefully considered the balance between work and family and determined the period of leave, and I was able to take childcare leave by working closely with the relevant parties. During leave, besides the Planning & Coordination Division where I belong, I received strong support in work from colleagues at the other divisions involved. With their help, I was able to focus on my family without worries, and after returning to work, the management meeting was also successfully completed. I again felt the strength of Nippon Kayaku's teamwork, where the entire organization supports the life events of its individuals.

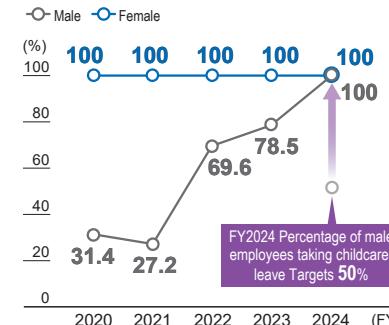
I truly feel glad that I took childcare leave. In particular, the week I spent alone with my older child was the most intimate time we had ever had, and I felt like I had formed a real bond with my son. This experience is an irreplaceable asset to me. Even after my childcare leave, I am using the telecommuting system and such to balance work and childcare.

An issue that became apparent to me because I took childcare leave was that while childcare leave-related systems are making progress, I felt they have also become more complicated. I hope that the procedures for using various systems will be made easier to understand in the future. I look forward to the further establishment of a rewarding and comfortable work environment, where anyone can flexibly choose the period of leave according to their individual circumstances.

Percentage of female managers



Percentage of employees taking childcare leave



Fine Chemicals Business Unit
In charge of Planning and coordination,
Planning & Coordination Division
Tomohiro Obata



Human Resources



Taking on challenges in a managerial position

I am based in Osaka, where I work in sales at the Color Materials Group. Currently, I am involved in expanding sales of inkjet inks and functional colorants and discovering new themes that solve our customers' issues, among others.

At first, I had a vague idea that I would one day reach a managerial position, but I hit the wall of reality giving birth twice and raising children. Balancing work while dealing with my children's nighttime crying and sudden fevers was much harder than I had imagined, and I did not have the spare capacity to think about my career. My turning point came when I was entrusted with a series of activities to get customers to adopt our new product. I stepped forward and accepted the task with a desire to meet my superior's expectations, who told me, "You can do it." It marked the beginning of days in which development, manufacturing, and sales teams worked together as one to engage with customers. Our continued efforts in taking on this challenge bore fruit and the product we were in charge of was successfully adopted, achieving steady growth. Through my experience working on such a major task, I came to think about the responsibilities as a manager and the need to have influence to get people involved.

The progress in our systems and the warm support of those around me supported me in my days of taking on this challenge in a managerial position. The telecommuting system—which allowed me to work from home when my child was sick—and the adoption of online meetings also helped significantly. Above all, I was very encouraged by the support of my colleagues, who promptly took over work during difficult times, as well as the understanding and trust of my superior.

Today, my mission as a sales staff remains the same, but I keenly feel a sense of responsibility to develop our business from a medium- to long-term perspective.

Going forward, I hope to be a source of emotional support for my juniors, just like how I have been supported by many people so far.

Fine Chemicals Business Unit
Sales Division, Color Materials Group

Mayu Kameda



Indicators and Targets

Regarding human capital, we set key performance indicators (KPIs) that we quantitatively monitor. We update our targets yearly and aim to achieve them by strengthening various measures.

Strategy	Indicators	FY2024 Targets	FY2024 Results ^{*1}
Create more comfortable and rewarding workplace environments	Percentage of paid leave days taken	70%	73.0%
	Engagement score	50	48.4
Promote diversity, equity, and inclusion	Percentage of female managers	10%	8.3%
	Percentage of male employees taking childcare leave	50%	100%
	Percentage of employees with disabilities	2.4%	2.11%

*1 Nippon Kayaku alone

Since FY2022, we have been disclosing our gender wage differentials in the Annual Securities Report. We adopt a position class system for our personnel wage system to prevent gender wage gaps. On the other hand, in reality, we have fewer female managers than male managers. One of the reasons for this is that many women fall into the mommy track as they give birth and raise children in their late 20s to 30s. Going forward, we will respond by increasing the number of female managers to narrow the gender wage gap.

Gender wage differentials^{*2}

All workers	Full-time workers	Part-time & fixed-term workers
72.5%	83.1%	71.2%

*2 Calculated based on the stipulations in the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015)

Second Employee Engagement Survey Results

In FY2024, we conducted our second employee engagement survey following the one in FY2023. The survey targeted 2,204 employees^{*3} on a non-consolidated basis. The overall score, calculated as a deviation value, was 48.4, an improvement of 1.3 points from FY2023 but still below the national average.

*3 Including full-time, contracted, and part-time employees as well as senior partners

Indicators	FY2023	FY2024	Target
Response rate	85.9%	83.9%	-
Score	47.1	48.4	50 (national average)

Looking at the results from a company-wide perspective show that we were strong in the areas of "manager support activities" and "workplace unity." Meanwhile, "appropriate recruitment and placement" and "prospects for business growth and business future" trended low, suggesting that we have yet to fully become an organization strong enough to succeed in market competition.

There is room for improvement in our organizational culture and systems toward improving engagement. We will establish action plans in each workplace and conduct improvement activities.

We will continue to promote reforms that allow employees to work with vitality and strive to foster a comfortable and rewarding workplace environment.



Member of the Board
Managing Director,
In charge of Human Resources
Division, Legal Affairs Division,
General Affairs Division,
Secretarial Division and
Internal Control Management
Division

Makoto Takeda

Annual Securities Report (p.26 Initiatives of Human Resource Development Policy) (Japanese)
https://ssl4.eir-parts.net/doc/4272/yuho_pdf/S100W41Y/00.pdf#page=26

05

Chapter

Initiatives for Material Issues

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Environment



Environmental Management

Policy and Basic Approach

Led by the **KAYAKU** spirit and the philosophy of Responsible Care*, we are working to guarantee environmental protection, ensure safety and health, and maintain and improve product quality. To promote these activities throughout our group, we formulated our "Declaration on the Environment, Health, Safety and Quality" and we take action based on our shared principles.

Furthermore, because safety is our first and foremost priority, we have reviewed and revised our Responsible Care Annual Targets, and we are striving to prevent environmental and safety accidents and disasters while complying with laws and regulations, both in Japan and overseas. In addition to the care we take with respect to the environment in our day-to-day business activities, we also are dedicating ourselves to enhancing our environmental management, such as by developing eco-friendly technologies and products, performing lifecycle assessments of our own products, and monitoring environmental incidents, so that we may live up to our social responsibility as a chemicals manufacturer.

■ Our Declaration on the Environment, Health, Safety and Quality
<https://www.nipponkayaku.co.jp/english/sustainability/management/rc/#h-02>

The Nippon Kayaku Group's Responsible Care Policy Excerpt from FY2025 Targets

Targets	Serious accidents and hazards: 0 Serious environmental accidents: 0 Serious traffic accidents: 0
Key Responsible Care Issues	<ul style="list-style-type: none"> Total group Scope 1+2 CO₂ emissions to exceed no more than 104,965 tons (Total group CO₂ emissions to fall at least 20% from FY2019 levels) Domestic zero-emission rates of 1% or less
Promoting Activities Aimed at Achieving Environmental Goals	<ul style="list-style-type: none"> Improved practices for climate-change-related disclosures to external sources <ul style="list-style-type: none"> Clarification of, and the fixing of targets for, expanded TNFD boundaries and the effects of risks and opportunities Clarification of issues through gap analysis in line with CSRD disclosure requirements Appropriate operation of a cloud-based environmental data aggregation system (groupwide) Every business site to aim for a 4.2% annual reduction in Scope 1+2 CO₂ emissions (a groupwide challenge, not a binding target) Bolstering the system for calculating individual product emissions (exploring potential systems) Plastic waste recycling rates of 80% or more; final disposal rates of 1% or less

Environmental Management System Certification Status

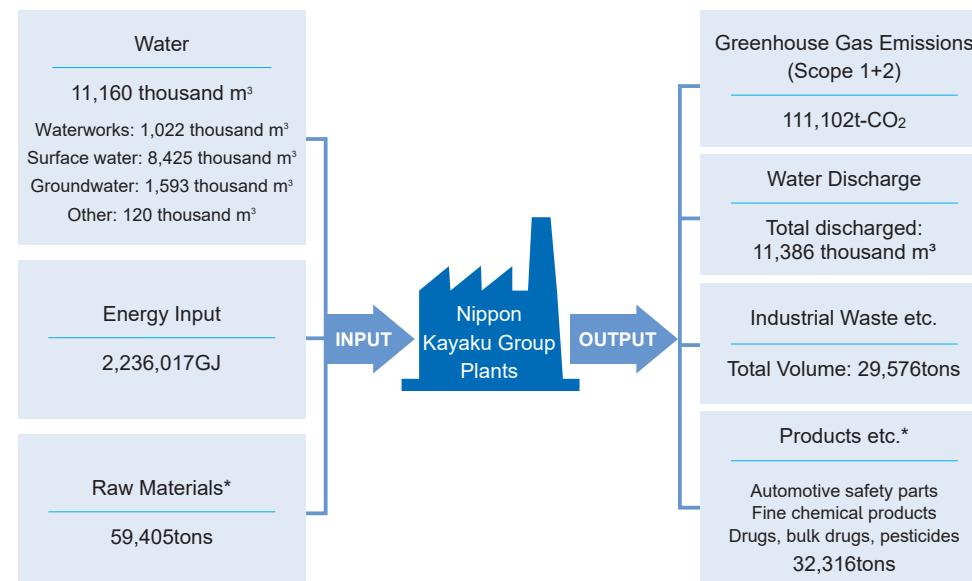
Our current efforts to retain our certification status for ISO14001, the internationally recognized environmental management standard, see us consider the environment during the development and manufacture of products and the provision of services.

Having first gained ISO14001 Certification for Environmental Management Systems in 1998, we have now achieved certification for all seven of our domestic plants and seven overseas group companies. We will continue, going forward, to explore new ISO14001 certification options for group companies, including for those based overseas.

■ Acquisition status of ISO 14001 certification
<https://www.nipponkayaku.co.jp/english/sustainability/other/data/#h-01-08-01>

Material Flow of Business Activities

The material flow of business activities for FY2024 is as described below.



Items listed below without additional notes represent combined domestic and overseas values.

* Nippon Kayaku alone

Environment

Mitigation of Climate Change

Policy and Basic Approach

Endorsing the Japanese government's green growth strategy based on the Paris Agreement, the Nippon Kayaku Group revised its FY2030 Medium-Term Environmental Targets, originally formulated in 2020 under a 2°C warming scenario, to align with a 1.5°C scenario. Looking further into the future, our Group has set as its ultimate goal the achievement of carbon neutrality by FY2050.

Our climate change responses have included thorough energy-saving initiatives and production process optimization, the introduction of low-emission power sources, and the switchover to electricity derived from renewable energy. Consequently, we will not only be able to greatly reduce greenhouse gas emissions but also deliver products that contribute to environmental sustainability. Through supplier engagement, we will aim for decarbonization across the entire value chain.



Information Disclosure Based on TCFD Proposals

Governance

The Nippon Kayaku Group is addressing climate change from a company-wide perspective through the collaboration of the Board of Directors, the Sustainable Management Meeting (Chairperson: President, Representative Director), and the Environment, Safety, Quality Management Committee (Chairperson: Managing Director, In charge of Technology Unit).



This section, "Mitigation of Climate Change," is excerpted from our sustainability site. Click on the following URL for the entire text.

Strategy — Climate-related Risks and Opportunities —

— Climate-related Risks —

Business risks related to climate change are based on Representative Concentration Pathway (RCP) 2.6, 8.5 scenarios by the United Nations Intergovernmental Panel on Climate Change (IPCC), Sustainable Development Scenario (SDS) by the International Energy Agency (IEA), and the Stated Policies Scenario (STEPS) for both the 1.5°C and 4°C scenarios.

■ Risks in Transitioning to a Decarbonized Economy for the 1.5°C Scenario

Category	Major Risks	Period of Risk Emergence ^{*1}	Financial Impact ^{*2}	Major Countermeasures
Policies & Regulations	Increased operating costs from tighter emissions regulations	Short to long term	Medium	<ul style="list-style-type: none"> Implement distributed power sources for each site, such as solar power and high-efficiency cogeneration power generators Reduce material loss by utilizing material flow cost accounting (MFCA) and implement comprehensive energy-saving activities
	Rising price of electricity, LNG, etc.	Short to long term	Medium	<ul style="list-style-type: none"> Encourage suppliers to reduce emissions through engagement activities
	Increased raw material costs from tighter emissions regulations	Short to long term	Large	<ul style="list-style-type: none"> Streamline the emissions calculation method at each site and systemize the LCA calculations
Market & Reputation	Increased costs from disclosure of environmental information, life cycle assessment (LCA) calculations, etc.	Medium to long term	Small	<ul style="list-style-type: none"> Streamline the emissions calculation method at each site and systemize the LCA calculations

■ Physical Risks from the 4°C Scenario

Category	Major Risks	Period of Risk Emergence ^{*1}	Financial Impact ^{*2}	Major Countermeasures
Acute & Chronic Physical Risks	Increased costs from flood damage caused by typhoons, heavy rain, high tides, etc.	Short to long term	Medium	<ul style="list-style-type: none"> Based on the results of flood simulations, quantify financial impact and implement flood countermeasures
	Impact on operations due to water shortage	Medium to long term	Small	<ul style="list-style-type: none"> Strengthen efforts to save water used during production, and consider reusing and recycling water
	Reduced labor productivity due to increased temperatures	Medium to long term	Small	<ul style="list-style-type: none"> Enhance the work environment by improving air-conditioning, promoting the automation of high-temperature work processes, etc.

*1 Short-term: Up to FY2025, Medium-term: Up to FY2030, Long-term: Up to FY2050

*2 Financial impact: Large (2 billion yen or more), Moderate (0.5 to 2 billion yen), Small (0 to 0.5 billion yen)

Environment

— Opportunities for Each Business Field if Moving Toward a Decarbonized Economy in a 1.5°C Target Scenario

We aim to achieve sustainable growth by creating new businesses and products that solve future social issues, such as environment-related products, while promoting measures to address transition and physical risks related to climate change.

* Financial impact: Large (2 billion yen or more), Moderate (0.5 to 2 billion yen), Small (0 to 0.5 billion yen)

Business field	Business Environment		Opportunity		Period of Opportunity Creation	Financial Impact*	
Mobility & Imaging Business Unit	Safety Systems	Tightened regulations against greenhouse gas emissions in various countries & regions	<ul style="list-style-type: none"> Global expansion of demand for mobility/ transport methods that have relatively low emissions Significant restrictions on sales of internal combustion engine vehicles, depending on the region 		<ul style="list-style-type: none"> Rise of EV and automated driving brings increased diversification in smallness of size, lightness of weight, and shape to automotive safety components Expansion of safety devices for unmanned aircraft such as drones 	Short to long term	Large
	Polatechno		<ul style="list-style-type: none"> Expansion of sensors, HUD, and other safety display device components, brought on by the development of EV and automated driving Expansion of polarizing plates that help reduce energy consumption of display devices 		Short to long term	Medium	
Fine Chemicals Business Unit	Functional Materials	<ul style="list-style-type: none"> Advances in social changes, such as growth of smart cities Heightened demand for increased energy efficiency of electronics products Increased demand for storage batteries that are able to handle large output fluctuations in response to expansion of renewable energy Global expansion of demand for mobility/ transport methods that have relatively low emissions 	<ul style="list-style-type: none"> Expansion of semiconductor-related products from growth of smart cities and DX Expansion of functional materials that help reduce energy consumption of display devices Expansion of low-emission materials due to the increased shift toward use of biomass for raw materials Expansion of resin materials that help make mobility frames more lightweight 		Short to long term	Large	
	Color Materials		<ul style="list-style-type: none"> Expansion of ink for digital on-demand printing that enables low-carbon printing Expansion of dyes for dimming glass and film used to control incoming light-rays 		Short to long term	Large	
	Catalysts		<ul style="list-style-type: none"> Expansion of catalysts for producing green energy, such as hydrogen Expansion of catalysts for promoting the use of biomass-derived raw materials 		Medium to long term	Large	
	Pharmaceuticals	<ul style="list-style-type: none"> Direct impact is limited 	<ul style="list-style-type: none"> Reducing greenhouse gas emissions by reviewing packaging formats 		Short to medium term	Small	
	Agrochemicals		<ul style="list-style-type: none"> A certain level of temperature increase is expected even for the 2°C scenario, thus expanding the use of biostimulants that help maintain and improve agricultural productivity Expanded use of existing agrochemicals to deal with new problems with pests 		Medium to long term	Small	

Environment

Risk Management

We have specified "Reducing Energy Consumption and Greenhouse Gas Emissions" as a climate-related key sustainability issue*1.

Our M-CFT Climate Change Response Team has come to play a core role under our governance system*2 comprised of the Board of Directors, the Sustainable Management Meeting, and the Environment, Safety and Quality Management Committee. Established together with the launch of **KV25**, this team both specifies and assesses climate change risks, and implements specific plans to proactively promote energy-saving and green investments.

*1 KV25 Materiality ■■■ p. 26

*2 Information Disclosure on TCFD Recommendations: Governance ■■■ p. 55

TOPICS

Countermeasures for flood risks in the 4°C scenario

We have sites in regions where flooding is likely to occur, such as in the area of Kita Ward, Tokyo*1 where a Class A river flows. For this reason, in our risk and opportunity analysis, we assumed physical risks from once-in-a-century floods in the 4°C scenario and predicted a medium financial impact*2 if flood damage actually occurs. Since this risk can occur over a wide range of periods and has a relatively large financial impact, in FY2023 we began working on more detailed risk quantification in the event of floods and efforts to reduce them.

An analysis*3 of the possibility of flood damage at 17 of the group's production sites in the event of a flood of a certain scale or greater*4 revealed that four sites are at high risk. In addition, in the 4°C scenario, some sites may have an increase in flood area and depth due to the overall rise in water levels caused by global warming.

Based on the results of these analyses, we investigated the impact of damage to annual sales and assets held by each site in the current climate, the 1.5°C scenario, and the 4°C scenario*5. We found that although some sites will not be suffering financial damage in any scenario, as global warming becomes more severe, such as in the 4°C scenario, the financial impact will increase from at least several billion to 10 billion yen per year. To reduce these financial impacts, we plan to continue working on flood risk reduction in FY2024 and onward by preparing a roadmap that includes a survey of actual conditions at sites, the setting damage control targets, the formulation of specific countermeasures, and implementation timing.

Four Sites at High Risk of Flooding

Tokyo Research Administration Office Area	Including Fine Chemicals R&D Laboratories, Pharmaceutical Research Laboratories, Tokyo Plant (color materials manufacturing) (Kita Ward and Adachi Ward, Tokyo)
Two sites at Asa Plant	Functional materials and catalyst manufacturing; two sites in the Kawahigashi and Kawanishi areas (Sanyo-onoda City, Yamaguchi Prefecture)
Wuxi area	Three companies that manufacture functional materials, color materials, and Polatechno products respectively (Wuxi, Jiangsu Province, China)

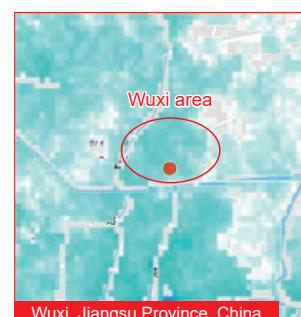
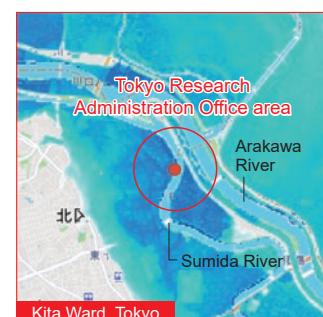
*1 Tokyo Research Administration Office, Fine Chemicals R&D Laboratories, and Pharmaceutical Research Laboratories are located in Kita Ward, Tokyo, and Tokyo Plant is located in Adachi Ward, Tokyo.

*2 Medium financial impact: Impact on operating income of 500 million to two billion yen per year; relatively large impact among the Nippon Kayaku Group's climate change risks

*3 Using Gaia Vision's proprietary high-precision flood simulation system "Climate Vision"

*4 Analysis of 10-year (large-scale floods that have a probability of occurring approximately once every 10 years), 100-year, and 1,000-year floods; generally, the scale of damage is 1,000-year flood > 100-year flood > 10-year flood.

*5 Domestic calculations are based on the damage rate data provided in the Ministry of Land, Infrastructure, Transport and Tourism's 2020 document "Manual for Economic Evaluation of Flood Control Investment," while overseas calculations are based on the damage rate by flood depth provided in the technical report "Global flood depth-damage functions" published by the European Commission's Joint Research Centre in 2017.



Flood depth

Simulation results of the flood depth of a 1,000-year flood in the 4°C scenario according to "Climate Vision"**3 (Left: Tokyo Research Administration Office, right: Wuxi area)

* Science Based Targets: Greenhouse gas emission reduction targets set by companies, consistent with the Paris Climate Agreement

Environment

Metrics and Targets

The Nippon Kayaku Group has set the target of shaving at least 46% off FY2019 Scope 1+2 greenhouse gas emission levels by FY2030. To achieve this goal, we will first aim to reduce greenhouse gas emissions by 3% each year during the **KV25** period. Reaching Scope 1+2 carbon neutrality by FY2050, meanwhile, involves conducting preliminary investigations on switching to green energy sources such as hydrogen and ammonia. Moreover, in order to set future reduction targets that also include Scope 3, we have implemented improvements to our Scope 3 calculation and aggregation method with a view to calculating the emissions (carbon footprint) of each individual product. We are also making concerted efforts to link up with suppliers and reduce the environmental burden across the entire supply chain.

TOPICS

Aggregation of CO₂ emissions data throughout the supply chain

In a report published in 2021, the United Nations Intergovernmental Panel on Climate Change (IPCC) sounded the alarm on the frequency and intensity of heat waves, torrential rains, and events caused by global warming judged to be the result of human activities. We must reduce greenhouse gases substantially by acting in cooperation with the chemical industry, which has prospered while using fossil fuels, in order to mitigate global warming and achieve carbon neutrality. The Nippon Kayaku Group calculates CO₂ emissions in our supply chain (Scope 3) in order to ascertain the total volume of greenhouse gas emissions generated in corporate activities and formulate a plan for reducing emissions in the entire supply chain.

From FY2021, we have improved the accuracy of calculations by using more appropriate emissions base units and improved efficiency and reduced the amount of labor involved by automating part of the aggregation work. We also implemented independent verification* of aggregation results. In FY2022, the accuracy of the tabulation of Category 5 "Waste generated in operations" was improved, resulting in even more precise tabulation method. In FY2023, specific initiatives to reduce emissions included switching to low emission factor electricity and utilizing non-fossil certificates in overseas sites such as China. In addition, reduced operation at domestic plants due to the recession in epoxy resins for semiconductors and other factors also contributed to a temporary decrease in emissions. From FY2024 onwards, we introduced a gas cogeneration system at the Takasaki Plant and began utilizing the electricity it generates across multiple sites.

Going forward, we will continue to deepen internal and external discussions to set targets that look beyond our Group and encompass the entire supply chain in the future.

Scope 1: Direct emission of CO₂ from emission source that the business owns or manages (emissions from fuel use, manufacturing process, etc.)

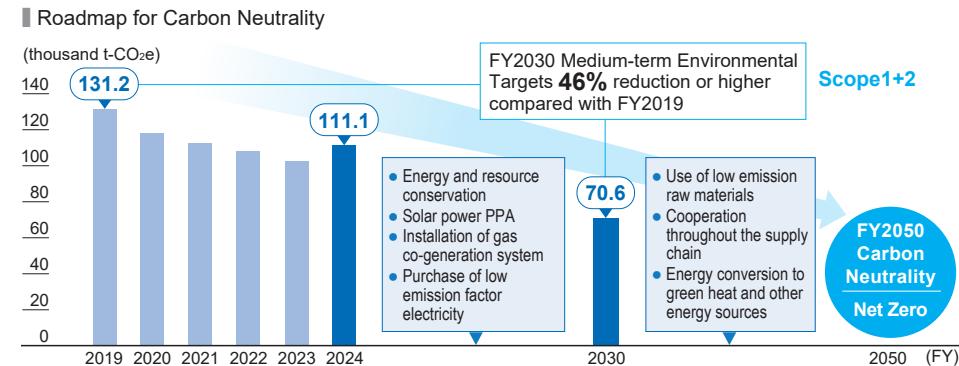
Scope 2: Indirect emission from the use of electricity, heat, and steam supplied by another company (use of purchased electricity, etc.)

Scope 3: Indirect emissions outside of Scope 2 (procurement of raw materials, employees' commute, business trips, waste treatment consignment, use of products, disposal, etc.)

* Calculation results for FY2021 onward were independently verified by Sustainability Accounting Co., Ltd.

Independent Third-Party Inspection Reports

https://www.nipponkayaku.co.jp/sustainability/pdf/library/warranty-report/warranty_report_2024_en.pdf



Category	Emissions (thousand tons-CO ₂ / year)				
	2020	2021	2022	2023	2024
1 Purchased products and services	237.3	294.5	275	241.8	259.6
2 Capital goods	42.9	26.8	29.6	33.4	55.9
3 Fuels and energy related activities not included in Scope 1 and 2	21.2	22.3	21.0	20.5	22.7
4 Transportation and distribution (upstream)	17.6	22.3	19.7	16.6	18.0
5 Waste generated in operations	28.8	31.8	16.2	10.8	14.7
6 Business travel	0.8	0.8	0.8	0.8	0.8
7 Employee commuting	2.4	2.4	2.4	2.4	2.5
8 Leased assets (upstream)	Not calculated as included in Scope 1 and 2				
9 Transportation and distribution (downstream)	1.0	1.6	1.5	1.2	1.4
10/11 Processing / use of sold products	-	-	-	-	-
12 End-of-life treatment of sold products	23.2	26.4	23.0	17.6	17.3
13 Leased asset (downstream)	0.4	0.4	0.4	0.4	0.4
14/15 Franchise / investment	-	-	-	-	-
Scope 3 total	375.6	429.3	389.6	345.0	393.3
Scope 1	35.6	37.8	35.6	30.2	32.5
Scope 2	82.6	74.8	72.7	72.5	78.6
Total of Scopes 1+2+3	493.8	541.9	497.9	447.7	504.4

Calculation method: As a rule, the amount of CO₂ emitted is calculated based on the General Guidelines on Supply Chain GHG Emission Accounting issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, and the emission coefficient listed by the IDEA Research Laboratory at the National Institute of Advanced Industrial Science and Technology's Research Institute of Science for Safety and Sustainability

Environment

Natural Capital and Biodiversity

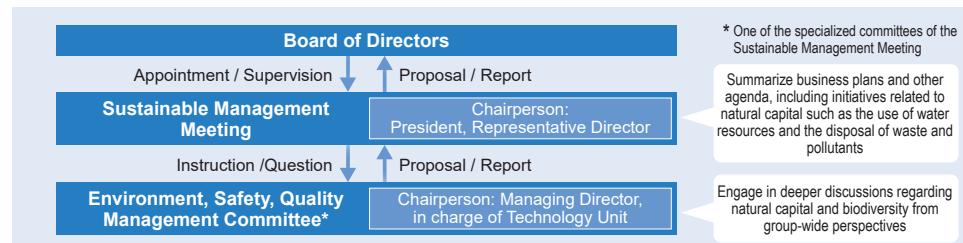
Policy and Basic Approach

In addition to climate change, recent years have seen the decline of ecosystem services brought on by losses of natural capital and biodiversity gain increasing focus as a cause of serious harm to business activities. The Nippon Kayaku Group supports that line of thinking and, based on the framework provided by the Taskforce on Nature-related Financial Disclosures (TNFD), is identifying and evaluating how our business depends on natural capital and what kinds of impacts upon nature that brings. We are also continually analyzing and examining the nature-related risks and business opportunities that potentially stem from the above.

Information Disclosure Based on TNFD Proposals

Governance

As with the Mitigation of Climate Change, we are promoting group-wide initiatives related to natural capital through the collaboration of the Board of Directors, the Sustainable Management Meeting, and the Environment, Safety, Quality Management Committee.



[Policies and Initiatives on Consideration for Natural Capital] (excerpt)

- To promote initiatives related to nature, we have formulated and raised awareness of the Nippon Kayaku Group Human Rights Policy, which is based on international human rights norms, and we place great importance on respecting human rights in the local communities where we do business.
- We require all suppliers (business partners) to observe our human rights policies and, out of consideration for the safety and health of local residents, also conduct human rights impact assessments which include anti-pollution and water stress elements.
- We have additionally fixed a Sustainable Mineral Procurement Policy to govern our purchases of mineral resources. Avoiding raw material purchases from conflict zones and high-risk regions allows us to also avoid complicity in human rights violations, environmental destruction and dishonest practices.

Strategies

The Nippon Kayaku Group have utilized the LEAP approach recommended in the TNFD framework to implement our risk and opportunity assessments for natural capital and biodiversity.

In FY2024, our analysis focused on two of our Group's three business units: the Safety Systems Business (automobile safety parts) within the Mobility & Imaging Business Unit, and the Fine Chemicals Business Unit.

Our analysis focused on both the product manufacturing sites and main supplier bases of the business concerned, thereby allowing us to identify risks and opportunities across the entire business process.

Locate Identification of Regions Requiring Attention

As our relationship with nature means that we greatly depend on the environments around our business bases, we studied these environments from three standpoints: "Key Biodiversity Areas," "Regions with high ecosystem integrity" and "High Water-Risk Areas."

List of Regions Posing Risks to Directly-operated Business Bases

Related Units	Business base name	Important regions for biological diversity	Regions with a risk of reduced ecosystem integrity	Regions with high physical risks
Safety Systems Business	Safety Head Plant (Himeji City, Hyogo Prefecture)	Located in a Designated Conservation Area in which biological diversity takes on high importance	-	-
	Kayaku Safety Systems (Huzhou) Co., Ltd. (KSH)	-	-	Located in a high water stress region
	Kayaku Safety Systems de Mexico, S.A. de C.V. (KSM)	-	-	
Fine Chemicals Business Unit	Asa Plant (Sanyo-Onoda City, Yamaguchi Prefecture)	-	-	Located in a high flood-risk region
	Tokyo Plant (Adachi-ku, Tokyo)	-	-	
	KAYAKU CHEMICAL (WUXI) CO., LTD. (KCW)	-	-	
	WUXI ADVANCED KAYAKU CHEMICAL CO., LTD. (WAC)	-	-	

As shown in the table, the results of our study helped us identify that, of the Nippon Kayaku Group's operation bases, the Safety Head Plant (Himeji City, Hyogo Prefecture) is located in a region of importance to protecting biodiversity, while KSH (China) and KSM (Mexico) are situated in high water-stress regions. Furthermore, for the four sites with flood risks, we have investigated the impacts of these risks in detail through scenario analyses in order to make TCFD disclosures.

For all of the sites we analyzed, we found that some degree of modification had resulted from the actions of societal activity, but we did not confirm any sites with risks of reduced integrity.

We have also analyzed the sites of our 20 biggest suppliers by volume.

Environment

Evaluate Identification and Assessment of Dependency and Effects

For our assessment of how our Group's business activities depend and impact upon natural capital, we made use of ENCORE* to construct a heat map of every step of the manufacturing process from the upstream stage. The analysis results can be found in the table below.

* ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) was co-developed by organizations such as the Natural Capital Finance Alliance and the UN Environment Program World Conservation Monitoring Centre. It is a tool which helps us visualize the types of natural capital on which the business sector and industrial activities depend, and the concomitant effects.

Results of the ENCORE Dependency Item Assessment

Activity			Dependency											
			Service supplied	Adjustment and maintenance services										
Business	Value chain step	Business activity		Water supply	Climate matters for the region as a whole	Rain pattern adjustments	Regional climate matters	Air purification	Soil and sediment preservation	Purification for solid waste	Water purification	Water current adjustments	Flood controls	Storm relief
Across all business areas	Upstream	Drilling for crude oil and natural gas	M	H	-	L	VL	L	L	VL	M	H	L	M
		Manufacture of refined oil products	L	VL	-	L	VL	M	L	H	M	M	M	L
		Manufacture of plastic products	L	VL	VL	L	VL	L	L	M	M	M	M	L
	Minerals	Mining of ferrous and non-ferrous metals	H	H	VH	L	VL	M	L	VH	H	H	M	M
		Manufacture of Type 1 steel, precious metals, non-ferrous metals	H	VL	M	L	M	L	L	M	H	M	M	-
		Manufacturing business for other metal products, metal processing service activities	M	VL	-	L	-	L	M	M	M	M	M	L
		Manufacture of electrical parts and circuit boards	M	VL	VL	L	VL	L	L	M	M	M	M	L
Safety Systems Business	Operations	Automobile parts manufacturing	L	VL	VL	L	VL	M	L	M	M	M	M	L
Fine Chemicals Business Unit	Operations	Chemical manufacturing	M	VL	VL	L	VL	M	M	M	M	M	M	L

Results for the ENCORE Effect Item Assessment

Activity			Effect										
			Input					Output					
Business	Value chain step	Business activity	Land area used	Freshwater area used	Seafloor area used	Water use	Non-bioresource use	GHG emissions	Air pollutant emissions	Soil and water pollutant emissions	Emissions of soil and water-polluting nutrient salt	Solid waste	Interference (noise pollution, light etc.)
Across all business areas	Upstream	Drilling for crude oil and natural gas	L	VH	VH	M	-	H	H	VH	-	M	VH
		Manufacture of refined oil products	L	-	-	L	-	M	H	VH	-	M	VH
		Manufacture of plastic products	L	-	-	L	-	M	M	VH	-	M	M
	Minerals	Mining of ferrous and non-ferrous metals	M	VH	VH	M	H	M	H	VH	-	VH	VH
		Manufacture of Type 1 steel, precious metals, non-ferrous metals	L	-	-	M	-	H	H	VH	M	M	VH
		Manufacturing business for other metal products, metal processing service activities	L	-	-	M	-	L	L	VH	-	L	M
		Manufacture of electrical parts and circuit boards	L	-	-	L	-	VL	L	H	-	L	M
Safety Systems Business	Operations	Automobile parts manufacturing	L	-	-	L	-	VL	L	M	-	L	M
Fine Chemicals Business Unit	Operations	Chemical manufacturing	L	-	-	M	-	M	M	VH	-	M	VH

For both the Safety Systems Business and the Fine Chemicals Business Unit, from the perspective of impact on the risks of natural disasters such as floods, the soil and river environments around production sites were found to be moderately dependent on regional soil and sediment preservation.

As it was also indicated that traces of pollutants could be present in wastewater produced from manufacturing activities, these sites have been assessed as moderately dependent on underwater microorganisms and their water purifying actions.

* About Dependency/Effect.
VH: Very High, H: High, M: Medium, L: Low, VL: Very Low

For the Fine Chemicals Business Unit, in particular, water use, which is essential for production activities; and soil and water pollutant emissions, solid waste, noise, etc., which can be generated by production activities, were found to have a moderate or greater risk of impact on nature. The inputs and outputs of these business activities are already being monitored through the use of environmental indicators, and they are being kept within the bounds of the regulations and standards of the areas where operations are performed. The results indicated that the overall impact of pollutant emissions and noise could present major risks to the environment, so we believe that it is important to stay aware of the state of management of these areas, primarily focusing on suppliers in regions requiring attention.

Environment

Assessment Identification and Evaluation of Risks and Opportunities

Our consideration of nature-related risks and opportunities was based on the Regions Requiring Attention analyzed in our Locate and Evaluate phases, as well as the dependency and effect relationships. We also made use of environmental data from business sites to identify both risks and opportunities posed by nature to our business, and, conversely, the impact our business has on nature.

Risk Chart

Category	Main risks to business activities	Impact on nature	When the risk will emerge	Financial impact	Chief measures
Policy, legal and regulatory	Increased costs of responding to strengthened emissions regulations for air, water and soil pollutant, and operational restrictions	Improved local environments through strengthened emissions regulations on air, water and soil pollutants	Medium to long-term	Moderate	<ul style="list-style-type: none"> Emissions status for every pollutant measured and disclosed Combustion facilities renewed at high VOC-producing plants; emissions reductions confirmed Waste water treatment equipment renewed Zero emissions into soil of PRTR listed substances
	Raw material price increases stemming from strengthened emissions regulations for air, water and soil pollutants		Medium to long-term	Moderate	<ul style="list-style-type: none"> Engaging our suppliers with the aim of promoting sustainable procurement
	Increased costs of responding to strengthened regulations on waste emissions	Fewer hazardous substances emitted through reduction of waste	Medium to long-term	Moderate	<ul style="list-style-type: none"> Tracking implemented in pursuit of newly-fixed 1% or less zero-emissions targets Waste volume measurements per-sales-unit completed for high-waste-producing business sites
Market	Raw material price increases due to demand concentrating around eco-friendly materials	Loss of existing ecosystems due to excess felling of biomass materials and human land reclamations	Medium to long-term	Large	<ul style="list-style-type: none"> Engaging our suppliers with the aim of promoting sustainable procurement
Reputational	Worsening ESG evaluations and reputation from non-eco-friendly operations including raw material purchases, leading to blacklisting by customers	An improved environment through heightened importance of environmental considerations	Medium to long-term	Moderate	<ul style="list-style-type: none"> Zero use of restricted chemical substances inside Japan and in certain overseas countries Taking steps to ensure zero procurement of raw materials containing chemical substances appearing in a survey based on Green Procurement Regulations
Acute physical risks	Suspended operations and repair costs incurred at certain business sites due to flooding of nearby rivers and landslides caused by typhoons and heavy rain etc.	Collapse of ecosystems in surrounding regions, including rivers; soil deterioration	Short to long-term	Moderate	<ul style="list-style-type: none"> Quantification of financial impacts, and firming up of flood measures based on flood simulation results
Chronic physical risks	Operational restrictions or suspensions due to water shortages	Declining river levels and groundwater shortages will cause the balance of river and neighboring ecosystems to collapse, triggering biodiversity loss	Medium to long-term	Moderate	<ul style="list-style-type: none"> Strengthening of water-saving measures during the production process; examination of water reuse and recycling methods Water intake efficiency with respect to sales ascertained through water intake measurements Measures to reduce water use and introduce water storage tanks at water-stress-risk business bases have commenced

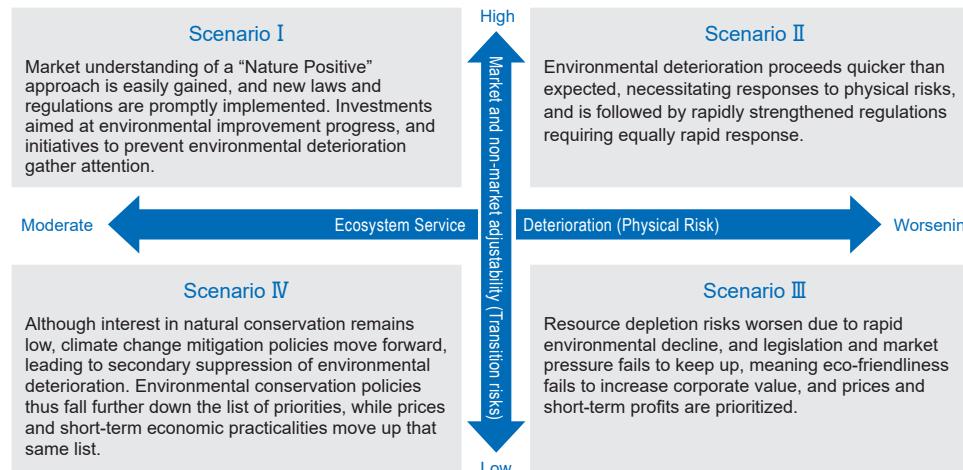
Opportunities Chart

Category	Main opportunities for business activities	Impact on nature	When the risk will emerge	Financial impact	Chief measures
Resource efficiency	Production cost savings due to more efficient use of water resources	Water resources in the rivers and ground will be conserved, in turn preserving the ecosystems of rivers and surrounding areas	Short to long-term	Small	<ul style="list-style-type: none"> Water use reduction measures implemented at every plant Specific targets under examination
	Cost savings due to waste recycling and reuse	Fewer hazardous waste emissions due to sustainable reuse of resources	Short to long-term	Small	<ul style="list-style-type: none"> Measures for recovery of heavily-used solvents generally implemented Investigating and exploring the merits of other solvent recoveries
Products, services and market	Expanded demand for products that contribute towards reducing environmental burdens across their entire life cycle	Improved environment due to reduced environmental burdens	Medium to long-term	Large	<ul style="list-style-type: none"> Looking at switching over from petroleum-derived to biomass-derived organic materials Aiming for development of lighter products which use fewer resources and reduce environmental burdens at the point of use
Reputational	Increased corporate value from improved ESG evaluations and reputation due to natural conservation activities during the conduct of business	Improved environment due to promotion of eco-friendly activities	Medium to long-term	Moderate	<ul style="list-style-type: none"> Proactive disclosure of environmental information Examination of environmentally-related goals

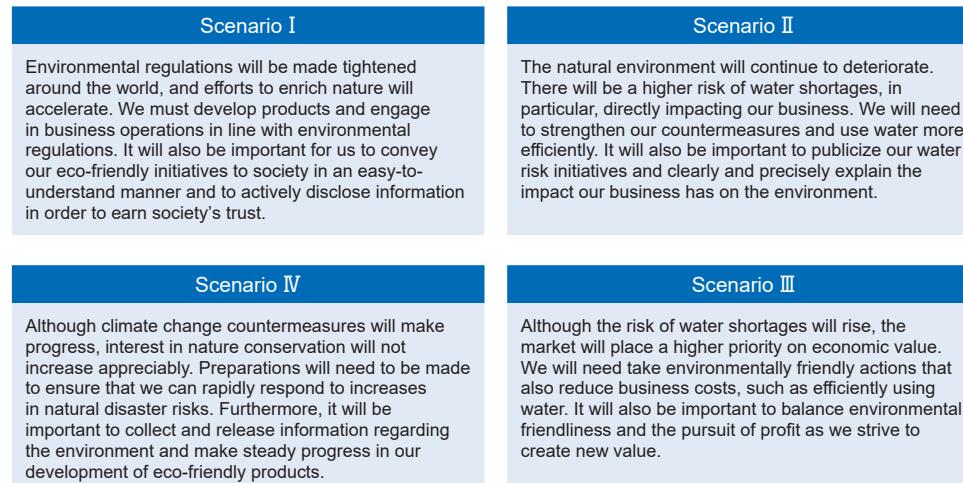
Environment

Scenario Analysis

Identified risks and opportunities were analyzed and considered through four future potential scenarios based on the guidance on scenario analysis provided by the TNFD.



Based on these four scenarios, each business site's interactions with nature and environmental data, and the policy directions of regions and national governments, the strategies demanded of the Nippon Kayaku Group can be organized as follows.



Through our analyses, we determined that securing water resources and using water in a highly efficient manner to deal with water risks, such as risks related to water depletion or wastewater management, is a high priority task, as is developing products that contribute to nature conservation.

Of those, we place special importance on dealing with water risks. We have calculated water resource reliance based on water intake per unit of sales and we have designated regions with high levels of water resource reliance as "materiality regions*".

* Materiality regions are regions that require attention due to high levels of risk related to natural capital and that are important to our business

Materiality Regions for Directly-operated Business Bases

Related business	Business base name
Nippon Kayaku Fukuyama Plant (domestic production site for color materials, etc.)	
Fine Chemicals Business Unit WUXI ADVANCED KAYAKU CHEMICAL CO., LTD. (WAC) (Chinese production site for color materials)	

Going forward, with the focus on the above business bases and those with high levels of water stress, we will examine the setting of targets for water use amounts and efficiency, and promote relevant initiatives.

Initiatives performed by August 2025

- Assessment of water stress standards at each global site
- Initiatives aimed at reducing water use (Fukuyama Plant, Mexico site)
- Installation of facilities that use rainwater (Czech Republic site)
- Collaboration in climate change risk investigation by CDP information disclosure program, A- score on water security report



From FY2025 onward, we will also conduct similar evaluations in our Polatechno business and our Life Science business unit. We will also conduct investigations of the mining sites involved in the procurement of raw materials for the entire Group and we will aim to build a due diligence structure that covers the entire value chain.

 Please refer to our sustainability site for information regarding Management of Risks and Impacts and Metrics and Targets. <https://www.nipponkayaku.co.jp/english/sustainability/environment/biodiversity/#h-02-03>

This section, "Natural Capital and Biodiversity," is excerpted from our sustainability site. Click on the following URL for the entire text.

 Natural Capital and Biodiversity <https://www.nipponkayaku.co.jp/english/sustainability/environment/biodiversity/>

DX

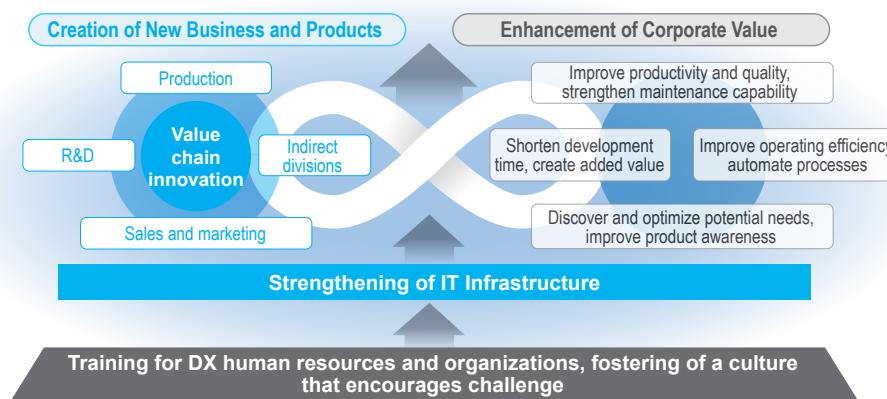


Policy and Basic Approach

We have positioned DX as a company-wide material issue for the NIPPON KAYAKU Group. Under the Medium-term Business Plan (KV25), the DX Promotion Team, anchored by the Information Systems Division, is steadily advancing the development of a strong foundation for DX across the organization.

As a result, we have begun to see steady progress across the organization, including improvements in each employee's literacy, the development of IT and network infrastructure, and DX initiatives in manufacturing and R&D, where speed is essential to remain competitive. We will promote DX throughout our entire value chain, including indirect divisions, sales, and marketing, and we will efficiently create new businesses and products, using them to increase our corporate value.

DX Initiatives and Vision of the Nippon Kayaku Group



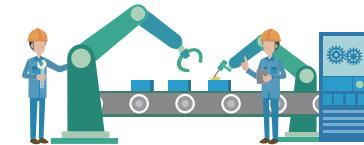
Progress in Our Main Three DX Themes

1 Strengthening of IT Infrastructure / Cybersecurity

We have made progress with our preparation and establishment of a company-wide IT environment that enables secure and speedy communication and striven to strengthen our cyber security measures. We have also completed the initial migration to our next core operations system (ERP).

2 Production DX

We have made advances with the conversion of seven production sites in Japan into smart factories, we have developed factory scientists, who drive the digitalization of manufacturing sites, and we have worked to create a community of such factory scientists.



3 R&D DX

Based on the three major R&D DX initiatives of accumulating digital data, utilizing digital data, and providing education to improve literacy and skills, we have utilized digital tools such as machine learning that assist in conducting efficient R&D and we have striven to promote the use of easy-to-use data analysis tools that can be used throughout the entire company.

TOPICS

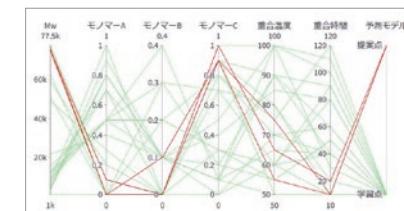
DX everyone can participate in - The birth of the easy-to-use KUMA data analysis support tool

As a result of research DX efforts, there have been more and more cases of digital tools being deployed and verified. However, we often hear that the complex functions offered by existing tools are difficult to understand, and the tools present a high barrier to entry to beginners.

That's why Nippon Kayaku developed **KUMA**^{*}, a data analysis support tool with the aim of making it easy for anyone to try out. **KUMA** is an intranet tool that works in the browser and requires neither special preparations nor the submission of usage applications. **KUMA** offers functions for visualizing data in graph form and for performing basic statistical analysis, such as identifying correlated parameters, easily and without the need for specialized knowledge. It is limited to basic functions, so it works fast. This means that even for researchers who are already using full-fledged machine learning and statistical analysis for applications, it can serve as another useful tool for applications it is better suited for.

KUMA has proven popular since it was made available, and we've received requests for function additions. We plan to continue updating it on a regular basis to make it an even easier-to-use internal application software.

* An easy-to-use in-house application server that is operated via a web interface. It offers a select set of functions such as statistical processing functions that are frequently used within the company.



Examples of KUMA's statistical analysis output

KUMA's developers:
the Research Strategy Group,
R&D Planning Division,
Technology Unit
Masayoshi Kaneko (left)
Fumio Kurihara (middle)
Yamato Osaki (right)



Respect for Human Rights



Policy and Basic Approach

As the Nippon Kayaku Group expands its business globally, we recognize that respect for human rights based on international norms forms the foundation of our sustainable management. Respect for human rights is stipulated in both our "Nippon Kayaku Group Charter of Conduct and Code of Conduct" and "Nippon Kayaku Group Human Rights Policy", which have guided our initiatives to date.

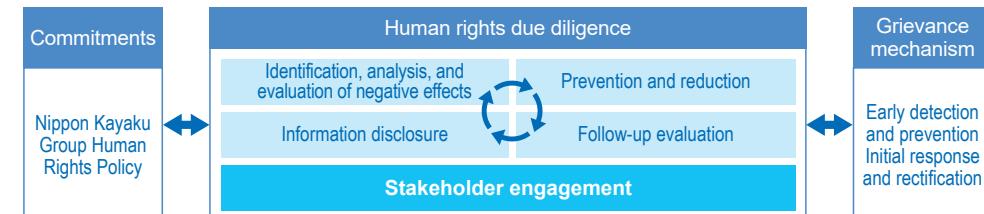
Through our business activities, we strive not only to avoid committing human rights violations ourselves, but also to prevent any actions that may indirectly contribute to such violations across our supply chain and business relationships. By deepening our understanding of how corporate activities impact human rights, and by enhancing each employee's awareness and embedding it into daily practice, we aim to remain a company trusted by society and to contribute to the realization of a sustainable society.

Going forward, as a signatory to the UN Global Compact, we will continue to support the Ten Principles of the UN Global Compact and advance initiatives to promote respect for human rights for all people involved in the Nippon Kayaku Group's business activities.

Human Rights Due Diligence

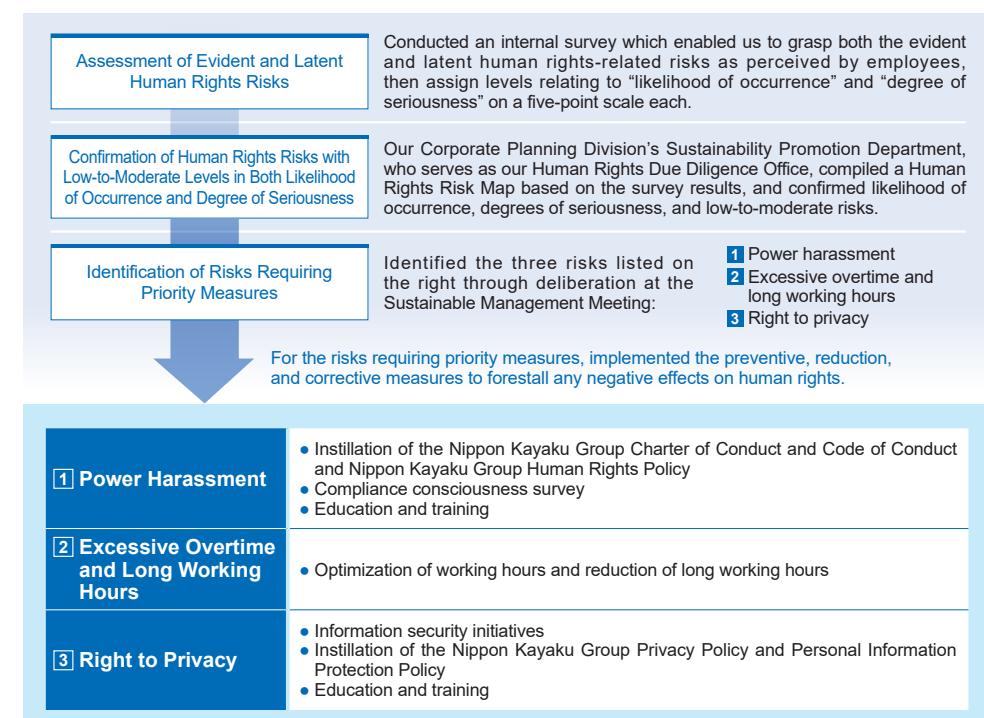
In line with its Human Rights Policy, the Nippon Kayaku Group perceives respect for human rights as one of its key sustainability issues and has set up a related Action Plan. By administering and disclosing the status of progress on an annual basis, we are taking a group-wide approach towards constructing and promoting a due diligence process.

2021	Conducted human rights assessment surveys of our primary and secondary suppliers.
2022	Held two workshops for all executives and managers of relevant departments aimed at developing understanding of "Business and Human Rights."
2023	Conducted an internal survey which enabled us to grasp both the evident and latent human rights-related risks as perceived by employees, and thereby identify the priority themes for stemming related negative effects.
<p>Plan to strengthen our measures through reflecting stakeholder opinions while periodically reviewing our human rights risk assessments and the risks requiring priority measures.</p>	



Extraction of Human Rights Risks

Based on the "Survey Research on Business and Human Rights" by the Human Rights Bureau of the Ministry of Justice we conducted an internal survey of our Complaints Board, which includes both company and union members, and identified human rights risks.



Environmental and Social Considerations in the Supply Chain



Policy and Basic Approach

Our efforts towards realizing a sustainable society have seen us establish guidelines for each of the Nippon Kayaku Group Charter of Conduct and Code of Conduct, the Basic Procurement Principles, the Basic Procurement Policies, and the Responsible Mineral Procurement Policy, and compile them into a Sustainable Procurement Guidebook, promoting sustainable procurement with all suppliers across the entire supply chain, spanning research and development, raw material procurement, manufacturing, sales, and distribution.



Sustainable Procurement Guidelines

Nippon Kayaku Group Charter of Conduct and Code of Conduct

Basic Procurement Principles

Basic Procurement Policies

Responsible Mineral Procurement

Sustainable Procurement Surveys

Nippon Kayaku has conducted sustainable procurement surveys for all new and existing suppliers. In FY2024, we surveyed major domestic suppliers with a track record of raw materials purchases in FY2023 (530 companies) as well as new suppliers who registered in FY2024 (23 companies), using a sustainable procurement survey aligned with the contents of our Sustainable Procurement Guidebook. As a result, we gained the consenting agreement of 502 companies (91%). The survey also enabled us to confirm that 507 company respondents (92%) were not causing negative environmental or social impacts with respect to human rights and worker safety and health. The future will see us continue our joint efforts with suppliers to aim for a sustainable society across the entire supply chain.

Sustainable Procurement Surveys

FY2024 survey participants:
Total of **553** companies

FY2024 result
Response rate: **92%**
Agreement rate: **91%**

Confirmation of no negative environmental or social impacts

Initiatives		
Major activities	Activity details	Assessment frequency
Sustainable Procurement Survey	Sending Sustainable Procurement Surveys to domestic suppliers (specifically, suppliers in the top 90% of our raw materials purchases and new suppliers) to confirm the status of their initiatives for the Nippon Kayaku Group Sustainable Procurement Guidebook	Whenever a new supplier registers Also set up according to need
Supplier Audit	Conducting paper or field audits of supplier manufacturing bases (quality-centered supplier audits)	Yearly
BCP Procurement	<ul style="list-style-type: none"> Working towards gathering information on supply chain hazards and accidents, and sharing such information on internal company databases Strengthening moves towards multiple procurement 	<ul style="list-style-type: none"> As appropriate, whenever hazards or accidents occur Quarterly status confirmations
Responsible Mineral Procurement	Conducting surveys on applicable minerals (gold, tantalum, tungsten, tin, cobalt, natural mica) using CMRT and EMRT provided by RMI	Whenever a new supplier registers Also set up according to need
Financial Evaluation	Assessing new suppliers' finances based on information provided by external credit agencies	Whenever a new supplier registers

Initiatives in Each Business Unit

Purchasing Briefing Sessions Mobility & Imaging Business Unit

The Safety Systems Group holds a yearly Purchasing Briefing Session for its suppliers.

Within the automotive industry supply chain, the Nippon Kayaku Group must, in tandem with its suppliers, rapidly respond to an external environment filled with dizzying changes in domestic and international affairs, raw material market prices, and exchange rate fluctuations, all while ensuring that customers suffer no delays and that high-quality low-cost products continue to be supplied. Our Purchasing Briefing Sessions see us cover the group's expected results, the business plan for the next financial year, production system status, development plans, medium-to-long-term visions, product quality policies and purchasing policies, with the aim of providing information which suppliers can feed into their own business plans. These sessions also allow us to hand out Outstanding Partner Company Awards to suppliers who are model examples in quality, cost and respecting of deadlines.

We will work to ensure that future briefing sessions continue to serve as valuable information-sharing outlets for the group and its suppliers and that beneficial information continues to be presented.



Quality Management



Policy and Basic Approach

The Quality Management System (QMS) requires not only necessary procedures and appropriate equipment in place but also that each employee involved in production and quality notices casual "changes" and thinks about inferences and the prevention of events linked to "quality risks."

The TQM Promotion Group (under the Technology Unit's Production Technology), a head office organization, from a company-wide perspective, and the quality departments established in each business from specialized perspectives, are focusing on quality management based on ethics and a sense of responsibility.

Company-wide Quality Targets and Results

Each year, we set the number of serious complaints by customers* and the number of serious process abnormalities* as company-wide quality targets. Unfortunately, in FY2024, one serious quality process abnormality occurred. We have performed a thorough analysis of the cause of this issue and will strive to prevent reoccurrences. We will also carry out measures focused on improving quality for the group as a whole.

* Losses of 10 million yen or more

Quality targets (non-consolidated)		Results			
Items	Targets	FY2021	FY2022	FY2023	FY2024
1 Number of serious complaints by customers	0	0	1	0	0
2 Number of serious quality process abnormalities in processes	0	2	1	0	1

TOPICS 1 Mobility & Imaging Business Unit

Quality improvement activities conducted with suppliers

In the Safety Systems Group, the Quality & Safety Division gets involved from the initial supplier selection stage, conducting process audits, confirming quality situations, and offering education sessions to provide advice on quality improvement. Nippon Kayaku Group Quality Manuals are also distributed to all suppliers, who must sign a form confirming their acceptance of manual stipulations. In addition, the Purchasing Division conducts regular audits of suppliers according to the type and importance of materials purchased. These audits involve reinforcing the Nippon Kayaku Group's basic approach to quality assurance, confirming quality management standards and the supplier's quality situation, and offering advice on

quality improvement.

FY2024 saw a total of 25 such supplier audits conducted (21 onsite and 4 by document submissions only), with the emergence of zero cases connected to serious quality issues. Where points of issue arose, the suppliers in question were made to submit a Process and Product Audit Improvement Plan with Relevant Measures Form, and we are currently confirming whether those remedial measures are in fact being enacted. We will continue to hold consultations on problems and concerns as part of wider opinion exchanges, and work in tandem with our suppliers to maintain and improve quality.

Quality Improvement Activities Conducted with Suppliers

<https://www.nipponkayaku.co.jp/english/sustainability/social/quality/#h-04-04>

TOPICS 2 Fine Chemicals Business Unit

Initiatives to prevent quality fraud and data falsification

Our Fine Chemicals Business Unit has set up an independent Quality Assurance Division to carry out quality management and quality assurance work on each product produced by the three domestic plants (Fukuyama, Asa and Tokyo plants) which support the three business groups of Functional Materials, Color Materials and Catalysts. It is also coordinating with the head office TQM Group to strengthen divisional quality assurance systems.

As an initiative to tackle quality fraud and data falsification, we have deployed resident bodies of Quality Assurance Division to each plant to help deliver reinforced governance on the ground and link up with each plant's quality management department to promote quality patrols and the fostering of quality cultures. At our Fukuyama and Asa plants, we have introduced the LIMS (the Laboratory Information Management System which helps prevent quality falsification through automatic recording of inspection results etc.) to reduce human interventions in the processing of product inspection data wherever possible and aim for improving data integrity.

Quality and Customer Safety

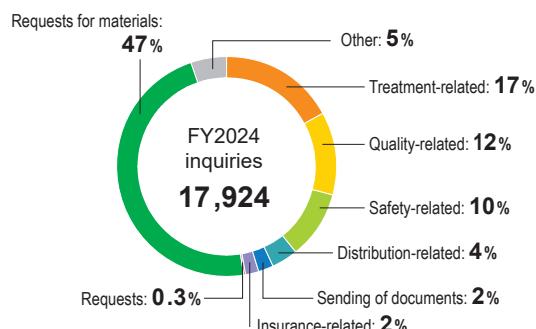
<https://www.nipponkayaku.co.jp/english/sustainability/social/quality/>



TOPICS 3 Life Science Business Unit

Responses to inquiries from patients and medical professionals

Our Medical Information Service Center has a toll free number for fielding all kinds of inquiries from patients and medical professionals on Nippon Kayaku pharmaceutical drugs including anti-cancer drugs. The center handled 17,924 inquiries in FY2024. With the aim of providing better products for our customers, the center's staff members endeavor to handle each inquiry with speed, accuracy, and politeness.



Chapter

06

Management Foundation to Support Sustainable Growth

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Corporate Governance

Policy and Basic Approach

The Nippon Kayaku Group recognizes that, under its Basic Policy on Corporate Governance, delivering timely and fair information disclosure to all shareholders and investors, as well as ensuring management transparency through enhanced oversight mechanisms, are critical issues.

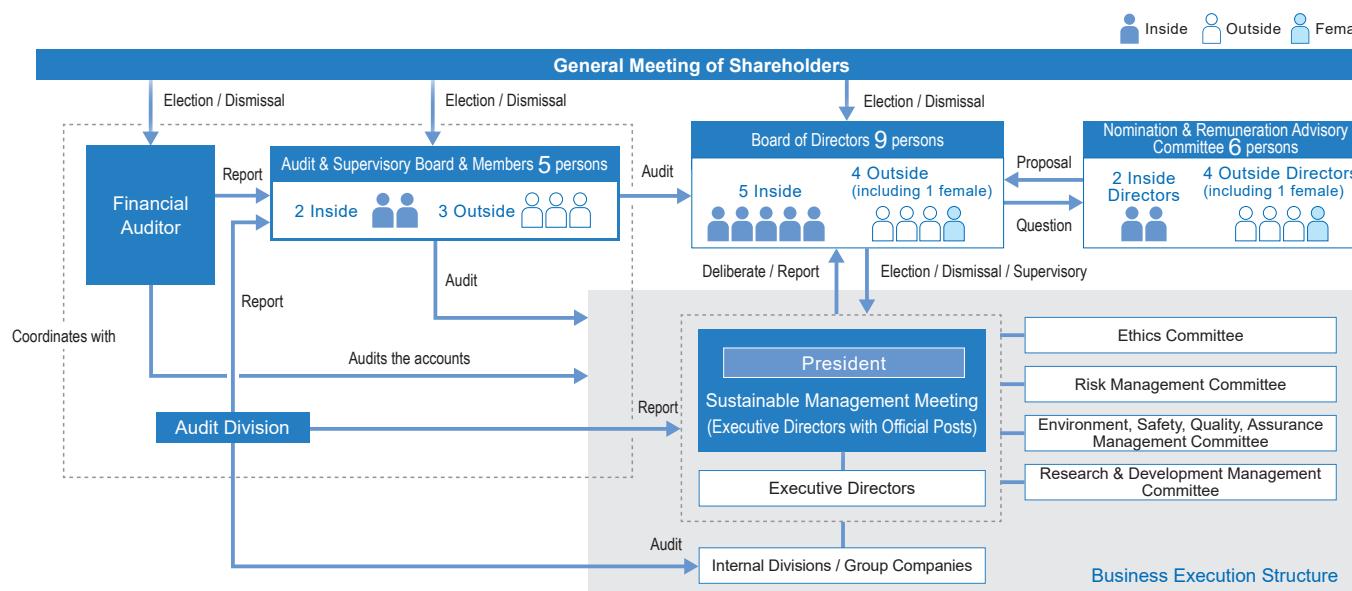
Furthermore, we have judged that management functions can be most effectively demonstrated through decision-making via a Board of Directors council system and corporate governance via an Audit & Supervisory Board system. Currently, our Corporate Governance Report explicitly states that all principles of the Corporate Governance Code are being implemented. In the future, we will continue to tackle the expansion and reinforcement of corporate governance as a key managerial issue.

Corporate Governance

<https://www.nipponkayaku.co.jp/english/sustainability/governance/corporate-governance/>

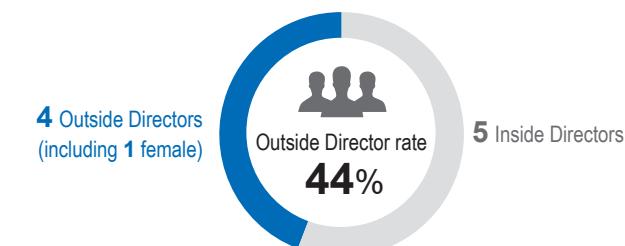
Corporate Governance System

Nippon Kayaku is a company with an Audit & Supervisory Board. Furthermore, in order to rapidly respond to changes in the business environment and achieve flexible business execution, we have introduced an Executive Director System. We have clarified the separate managerial roles of "decision-making and supervisory functions" centered on the Board of Directors and "business execution functions" centered on the Sustainable Management Meeting strengthening each of these functions to ensure appropriate decision-making and rapid execution of business.

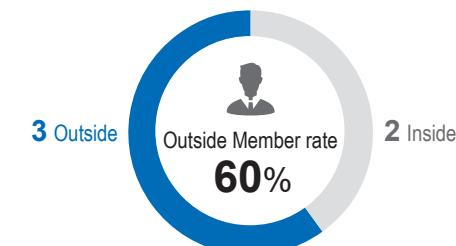


Composition of the Board of Directors and Audit & Supervisory Board

Board of Directors



Audit & Supervisory Board



Corporate Governance

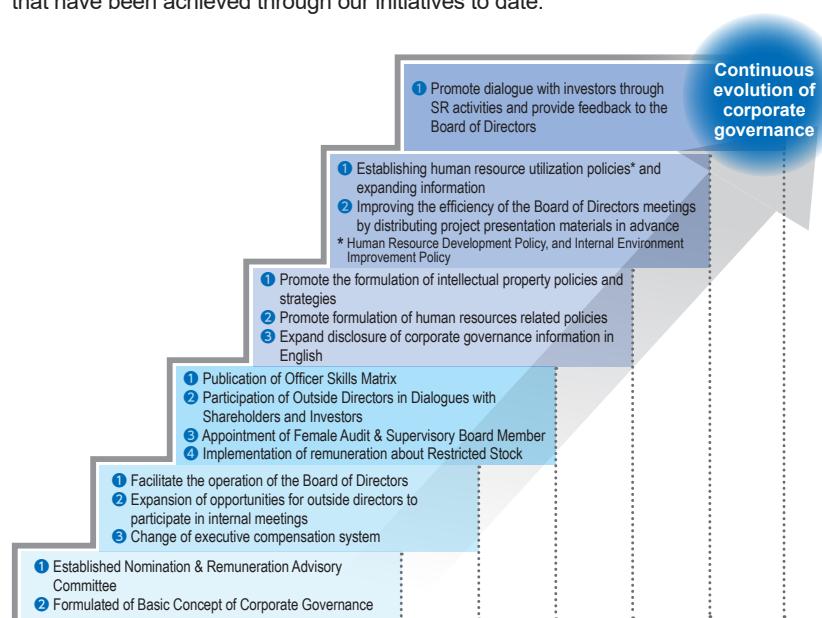
Board of Directors

To ensure rapid implementation of management decision-making, we have set the maximum number of Directors at 10, and are working to further strengthen our supervisory functions so that all decisions regarding important operational issues are made based on the rules and policies of the Board of Directors, in accordance with the law and the Articles of Incorporation. In the 168th fiscal year, discussions have focused mainly on management strategies, business plans, financial strategies, financial closing-related and personnel-related matters, as well as strategies for business units and initiatives, and progress on company-wide material issues.

FY2024
14 meetings
(Once a month in principle, including extraordinary sessions)

Matters Achieved to Date Through Assessment of the Effectiveness of the Board of Directors

Every year, using each director's self-assessment as a reference, the Nippon Kayaku Group analyzes and evaluates the effectiveness of the Board of Directors as a whole and strives to improve it. The following is a list of matters that have been achieved through our initiatives to date.



FY2019 FY2020 FY2021 FY2022 FY2023 FY2024

Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee is comprised of at least three(3) Directors (with the majority of these being those who are independent and from outside of the company) selected by the Board of Directors. The aim of this is to further enhance corporate governance by strengthening the fairness, transparency and objectivity of the procedures relating to the nomination and remuneration of Directors. This committee deliberates the selection and dismissal of Directors and Audit & Supervisory Board Members, the selection and dismissal of Representative Directors, the remuneration (e.g., the remuneration structure) of Directors and Audit & Supervisory Board Members, and other matters deemed necessary by the Board of Directors in response to inquiries from the Board of Directors. The committee then reports its findings to the Board of Directors.

FY2024
7 meetings

Sustainable Management Meeting

We have established a Sustainable Management Meeting, chaired by the President, to implement sustainability initiatives throughout the group. In principle, Sustainable Management Meetings are held on a weekly basis to discuss and report on all matters relating to the sustainability of the corporate group, society, and the environment. Important agenda items are approved by the Sustainable Management Meeting before presenting and reporting at the Board of Directors meetings.

FY2024
47 meetings
(Weekly)

Under the umbrella of the Sustainable Management Meeting, we have established four subcommittees: the Ethics Committee, the Risk Management Committee, the Environment, Safety, Quality Management Committee, and the Research & Development Management Committee. The committees hold meetings on a regular basis and as necessary, and they discuss and report to the Sustainable Management Meeting to ensure the transparency and fairness of management.

Executive Directors Meeting

The Executive Directors Meeting is composed of Executive Officers (up to thirty (30)) who are responsible for the execution of operations, and are appointed by the Board of Directors. Chaired by the company President, the meeting serves as a platform for reporting on the status of operational execution entrusted to them by the Board of Directors and the company President, as well as on other necessary matters. In addition, four (4) Outside Directors and five (5) Audit & Supervisory Board Members attend these meetings as observers.

FY2024
4 meetings
(Quarterly)

Management Strategy Meeting

The Nippon Kayaku Group business policies and business strategies decided by the Board of Directors, as well as other important items related to general management are communicated at this meeting to management personnel to ensure that everyone in the group is well informed. The meeting is held twice a year, in May (medium-term management strategies meeting) and November (group business management meeting), where executives from Group companies gather either at a venue or online to unify the will of the entire Group through presentations and exchanges of opinions on management issues, business promotion, topics, etc. and ensure Group governance.

FY2024
2 meetings

Corporate Governance

Directors, Audit & Supervisory Board Members, and Executive Directors (As of October 31, 2025)

Directors



Member of the Board
President, Representative Director
Shigeyuki Kawamura
Date of Birth June 30, 1963
Attendance at Board of Directors meetings*: 14/14 (100%)
Number of the company's shares held: 21,886
Tenure as Director: 2 years



Member of the Board
Senior Managing Director
Hiroshi Shimada
Date of Birth June 4, 1965
Attendance at Board of Directors meetings*: 11/11 (100%)
Number of the company's shares held: 22,885
Tenure as Director: 1 year



Member of the Board
Managing Director
Shinji Inoue
Date of Birth February 6, 1966
Attendance at Board of Directors meetings*: 11/11 (100%)
Number of the company's shares held: 35,635
Tenure as Director: 1 year



Member of the Board
Managing Director
Makoto Takeda
Date of Birth July 17, 1964
Attendance at Board of Directors meetings*: 11/11 (100%)
Number of the company's shares held: 14,250
Tenure as Director: 1 year



Member of the Board
Managing Director
Yasuhito Kato
Date of Birth March 3, 1965
Number of the company's shares held: 16,631
Tenure as Director: -



Outside Director
Yasuyuki Fujishima
Date of Birth March 25, 1947
Attendance at Board of Directors meetings*: 13/14 (92%)
Number of the company's shares held: 9,000
Tenure as Director: 9 years



Outside Director
Seiichi Fusamura
Date of Birth March 18, 1947
Attendance at Board of Directors meetings*: 13/14 (92%)
Number of the company's shares held: 0
Tenure as Director: 5 years



Outside Director
Ikuko Akamatsu
Date of Birth February 27, 1968
Attendance at Board of Directors meetings*: 14/14 (100%)
Number of the company's shares held: 0
Tenure as Director: 2 years



Outside Director
Mitsuhiro Tsubakimoto
Date of Birth October 15, 1959
Number of the company's shares held: 0
Tenure as Director: -

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Nagafumi Saito
Date of Birth September 25, 1965
Number of the company's shares held: 4,137
Tenure as Audit & Supervisory Board Member: -



Full-time Audit & Supervisory Board Member
Yoichiro Wada
Date of Birth February 18, 1962
Attendance at Board of Directors meetings*: 14/14 (100%)
Attendance at Audit & Supervisory Board meetings*: 12/12 (100%)
Number of the company's shares held: 0
Tenure as Audit & Supervisory Board Member: 2 years



Outside Audit & Supervisory Board Member
Ichiro Wakasa
Date of Birth January 1, 1955
Attendance at Board of Directors meetings*: 14/14 (100%)
Attendance at Audit & Supervisory Board meetings*: 12/12 (100%)
Number of the company's shares held: 0
Tenure as Audit & Supervisory Board Member: 3 years



Outside Audit & Supervisory Board Member
Atsushi Iwasaki
Date of Birth January 9, 1959
Attendance at Board of Directors meetings*: 11/11 (100%)
Attendance at Audit & Supervisory Board meetings*: 10/10 (100%)
Number of the company's shares held: 0
Tenure as Audit & Supervisory Board Member: 1 year



Outside Audit & Supervisory Board Member
Kyoichi Toriyama
Date of Birth May 15, 1958
Attendance at Board of Directors meetings*: 10/11 (90%)
Attendance at Audit & Supervisory Board meetings*: 10/10 (100%)
Number of the company's shares held: 0
Tenure as Audit & Supervisory Board Member: 1 year

* Status for FY2024.

Corporate Governance

Officer Skills Matrix

The Nomination and Remuneration Advisory Committee specifies skills considered universally necessary and skills necessary for M-CFT activities that form the cornerstones of **KV25** for directors and Audit & Supervisory Board Members. These are disclosed in the form of a Skills Matrix, which is reported to the Board of Directors. In response to requests from the Board of Directors issued when necessary, such as when prompted by changes to the business portfolio, materialities, or the skills of individuals, the Nomination and Remuneration Advisory Committee deliberates the skills required of executives and the abilities of individual executives, reports its conclusions to the Board of Directors, and revises the Skills Matrix.

Name	Position	Corporate Management	International Experience	Finance, Accounting, Tax	Legal Compliance	Risk Management	Business Strategy & Marketing	Personnel Labor Affairs & Human Resources Development	Research & Development	Manufacturing Quality Management	ESG Sustainability	IT-DX (Digital Transformation)	Nomination & Remuneration Advisory Committee member
Shigeyuki Kawamura	Member of the Board President & Representative Director	○	○		○	○	○			○			■
Hiroshi Shimada	Member of the Board Senior Managing Director	○	○			○	○					○	
Shinji Inoue	Member of the Board Managing Director	○	○			○	○				○		
Makoto Takeda	Member of the Board Managing Director	○			○			○			○		■
Yasuhito Kato	Member of the Board Managing Director	○	○				○		○	○	○	○	
Yasuyuki Fujishima	Member of the Board Outside Director	○	○				○					○	■
Seiichi Fusamura	Member of the Board Outside Director				○			○					■
Ikuko Akamatsu	Member of the Board Outside Director	○		○	○						○		■
Mitsuhiko Tsubakimoto	Member of the Board Outside Director	○	○				○				○		■
Nagafumi Saito	Standing Audit & Supervisory Board Member	○	○						○	○			
Yoichiro Wada	Full-time Audit & Supervisory Board Member	○	○					○					
Ichiro Wakasa	Outside Audit & Supervisory Board Member	○				○		○			○		
Atsushi Iwasaki	Outside Audit & Supervisory Board Member	○		○		○					○		
Kyoichi Toriyama	Outside Audit & Supervisory Board Member		○		○						○		

* Skills possessed based on each person's expertise, knowledge, experience, and abilities are indicated with ○, and skills with more than three years of practical experience are indicated with ○.

Content of Skills

Universally necessary core skills—qualities that are fundamental to ensuring the effectiveness of the monitoring and decision-making functions of corporate management		Number of relevant officers (number of Board Members)	Specialized skills necessary for the promotion of company-wide material issues—skills necessary for M-CFT* activities that form the cornerstones of KV25		Number of relevant officers (number of Board Members)
 Corporate Management	Practical experience and expertise in management necessary to promote the medium- to long-term growth of the company	12 (8)	 Personnel Labor Affairs & Human Resources Development	Expertise and practical experience in personnel labor affairs and human resources development related to creating a workplace environment that is both comfortable and rewarding, and training and promoting human resources that are close linked to increasing corporate value	4 (2)
 International Experience	Overseas business experience and management experience in a global company or business	9 (6)	 Research & Development	Knowledge and practical experience related to research and development necessary for proposing themes compatible with corporate strategies through technology exploration and application, market research, external collaboration, etc., as well as for business model creation and project management	2 (1)
 Finance, Accounting, Tax	Expertise related to finance, accounting, and taxation to enhance corporate value and practical management experience in developing such policies and strategies	2 (1)	 ESG Sustainability	Knowledge and practical experience necessary for promoting corporate activities related to the environment, society, and governance in order to realize a sustainable society, as well as dialogue and quality communication with each stakeholder	8 (5)
 Legal Compliance	Expertise and practical experience in legal and compliance matters necessary for understanding and complying with laws and regulations when expanding globally and establishing a new business, as well as auditing and monitoring corporate activities to minimize legal risks in corporate activities	5 (4)	 IT-DX (Digital Transformation)	Expertise in promoting DX, including the knowledge necessary for strengthening the corporate IT infrastructure, training DX human resources and organizations, and fostering a challenge-oriented culture that embraces new tools and mechanisms	3 (3)
 Risk Management	Expertise necessary for corporate risk management, including identification and assessment of potential risks in corporate activities, measures to monitor and minimize those risks, etc.	5 (3)			
 Business Strategy & Marketing	Comprehensive business knowledge and practical experience of business planning based on the market, competitors, and the company's strengths, resource management, promotion, supply chain management, etc.	6 (6)			
 Manufacturing Quality Management	Knowledge and practical experience related to comprehensive manufacturing and quality management, including establishing effective production processes, reducing costs, maximizing production capacity, formulating and improving quality standards, increasing customer satisfaction, etc.	3 (2)			

* M-CFT (Materiality Cross-Functional Team)
Project teams to promote company-wide material issues to focus on during the Medium-term Business Plan (KV25) period ■ p. 26

Corporate Governance

Topics of Discussion at the Board of Directors Meetings

The themes presented, discussed, and resolved at the Board of Directors meetings held in FY2024 are listed below. The Board of Directors actively discussed a wide range of management-related issues from corporate and business strategies to sustainability, including the financial management of global group companies.

Aggregation of themes presented, discussed, and resolved at the Board of Directors meetings held in FY2024		
Financial policy	23	Executive personnel changes, etc.
<ul style="list-style-type: none"> Of these, 15 involved fund management, including subsidiaries, affiliated companies, and joint ventures. Others included financial-related matters such as the sale of idle assets, review of cross-shareholdings, fundraising, etc. 		<ul style="list-style-type: none"> Remuneration, appointment, division of duties, etc. of Directors, Audit & Supervisory Board Members, and Executive Directors
Corporate/business strategies	10	Matters Related to Capital Investments
<ul style="list-style-type: none"> Matters related to the Nippon Kayaku Group's corporate/business strategies, including business and financial plans for the current fiscal year, the introduction of new drugs that will contribute to the growth of the pharmaceutical business, the provision of funding for the Creation of New Business and Products, etc. 		<ul style="list-style-type: none"> Discussions and resolutions related to capital investment such as investment in increased production in growth fields
Promotion of corporate governance	2	Sustainability, etc.
<ul style="list-style-type: none"> Promotion of corporate governance for healthy and transparent management, including revisions to the executive remuneration regulations, assessment of the effectiveness of the Board of Directors, etc. 		<ul style="list-style-type: none"> Matters related to sustainability activities aimed at the realization of a sustainable society, such as revisions to medium-term environmental targets
Financial results and business reports	6	Others

TOPICS

Initiatives to deepen Board of Directors' understanding and discussion of business execution

In addition to discussions and resolutions based on the Board of Directors regulations, we regularly provide opportunities to explain the status of each business and company-wide material issues as an initiative to deepen the understanding of Directors, including Outside Directors, regarding the Nippon Kayaku Group's business execution. This initiative began in 2022 and was implemented as a report item within the Board of Directors until September 2023. Since October 2023, based on the content of previous reports, the Board of Directors have been discussing the concept of the Nippon Kayaku Group's long-term portfolio, etc. and deepening discussions on issues, how to address them, and how to explain them to shareholders, investors, and other stakeholders in a way that is highly convincing.

Topics of Deliberations and Discussions by the Nomination and Remuneration Advisory Committee

In FY2024, discussions have focused mainly on the appointment of the new Representative Director, the framework of remuneration for executives, executive personnel affairs, and human capital management. It also served as a space for deliberations regarding the following matters.

- The appointment not only of Directors but also core personnel who could become future candidates for executive offices
- The function of meetings as opportunities to gather ideas regarding management issues based on the expertise of Outside Directors

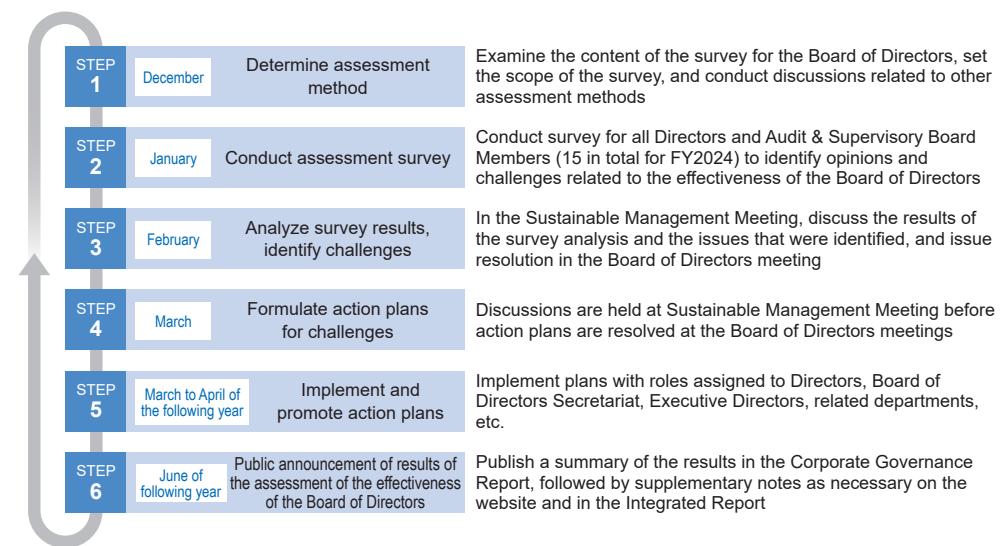
[Planned Future Deliberation Topics]

- An executive compensation system that enables the company to share values more aligned with stakeholders, such as through the introduction of non-financial KPIs (new topic)
- Developing and utilizing personnel who can support the Group's sustainability management now and in the future (ongoing topic)

Assessment on the Effectiveness of the Board of Directors

As part of the PDCA process for improving effectiveness, each year, we conduct a questionnaire to evaluate the effectiveness of the Board of Directors, identify current conditions and issues, and formulate action plans to implement a cycle of improvement.

Board Effectiveness Assessment Process (Held annually from FY2017)



Corporate Governance

Content of the FY2024 Assessment Survey of the Effectiveness of the Board of Directors

Content	Details	Content	Details
Scope	15 people in total, including all Directors and Audit & Supervisory Board Members	Assessment items	1 Composition of the Board of Directors 2 Discussions by the Board of Directors 3 Monitoring function of the Board of Directors 4 Activities of the Nomination and Remuneration Advisory Committee 5 Others
Assessment format	The online survey consists of quantitative and qualitative assessments and free-text		Diversity and skills required of Directors Whether necessary and timely discussions are being held Whether monitoring, such as monitoring of management and company-wide project promotion and of the Group as a whole, is functioning appropriately Whether there are sufficient discussions regarding nomination, succession plans, the remuneration system, etc. Dialogue with shareholders, support systems, overall summary

Issues of Assessment and Future Initiatives

Assessment period	Issues	Action plan and results based on the action plan
FY2024 2023/12 → 2024/11	Utilization of human capital <ul style="list-style-type: none"> Enhance discussions and monitoring of human capital-related measures, including the Human Resource Development Policy and the Internal Environment Improvement Policy, in order to ensure the diversity of Core Personnel Work on improving employee engagement, etc. and clarify consistent human capital strategies by linking them to existing human resource-related information 	Results Promote human capital management and disclose measures <ul style="list-style-type: none"> The Nomination and Remuneration Advisory Committee engaged in thorough deliberations and received reports regarding the disclosure of human capital-related management measures and their contents. The contents of these measures were disclosed in our Annual Securities Report, on our website, in our Corporate Governance Report, and in our Integrated Report Based on the disclosed measures, we conducted studies regarding the utilization of our talent management system, employee engagement, and more
	Discussions on measures to increase corporate value <ul style="list-style-type: none"> Enhance discussions on measures and monitoring focused on business portfolio strategy and PBR improvement Organize issues and measures to respond to the TSE's request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" and announce them as the company's action plan and policy 	Results Enrich disclosures regarding our corporate value enhancement story <ul style="list-style-type: none"> We formulated business portfolio strategies, capital policies, and the like. Analyses of these strategies and policies, and the contents of these measures, were disclosed in our financial results presentation materials, on our website, in our Corporate Governance Report, and in our Integrated Report. We also exchanged opinions with investors through 1-on-1 meetings and the like and engaged in deeper discussions
FY2025 2024/12 → 2025/11	Utilization of human capital <ul style="list-style-type: none"> Further enhance discussions and oversight regarding human capital management initiatives in order to develop a diverse pipeline of core personnel, etc. Work on improving employee engagement, etc. and clarify consistent human capital strategies by linking them to existing human resource-related information 	Action plans Explore and implement human capital management <ul style="list-style-type: none"> Deepen discussions by the Nomination and Remuneration Advisory Committee and receive proposals in order to closely consider more appropriate human capital-related public announcement contents based on the human capital-related measures, etc. that have been implemented to date Expand the disclosure content related to human capital in the Company's website, Annual Securities Report, Corporate Governance Report, and Integrated Report
	Strengthening of cyber security <ul style="list-style-type: none"> Deepen discussions in order to strengthen cyber security based on the regular reports from the Information Risk Management Subcommittee regarding information security risks 	Action plans Revitalize cyber security management and supervision <ul style="list-style-type: none"> In addition to reports on risk management activities, receive periodic reports from the Information Risk Management Subcommittee concerning the current state of cyber security measures, incidents that have occurred, etc., and engage in deeper discussions regarding the contents of these reports
	Discussions on measures to increase corporate value <ul style="list-style-type: none"> Enrich discussions regarding measures for addressing management issues, such as formulating a long-term vision or creating a PBR improvement story, and enhance supervision of these measures For PBR improvement in particular, enrich indicator monitoring and discussions regarding active control 	Results Cyber security training <ul style="list-style-type: none"> Executives underwent cyber security training
		Action plans Clarify corporate value enhancement story <ul style="list-style-type: none"> Deepen discussions regarding management strategies and long-term vision that will form the foundation of the next-generation medium-term management plan Continue discussions regarding the Group's capital policies, including PBR improvement, and update the contents of disclosures regarding policies and implementation

Corporate Governance

Remuneration to Directors and Audit & Supervisory Board Members

Matters Relating to the Determination Policy on the Content of Individual Remuneration, etc., for Directors

To ensure the transparency and fairness of the process used to make decisions regarding remuneration for Directors, Nippon Kayaku's policy regarding the content of remuneration for individual Directors was formulated in the Board of Directors meeting conducted on June 25, 2021. This policy was defined based on deliberations and reporting by the Nomination and Remuneration Advisory Committee, which was created in response to inquiries by the Board of Directors, and the majority of whose members are independent Outside Directors.

With a view to achieving our **KAYAKU spirit** corporate vision, the basic policy states that Director remuneration shall sufficiently function as an incentive to sustainably improve corporate value and share that value with shareholders. Furthermore, it shall also maintain competitive levels of remuneration to help us secure excellent personnel.

The remuneration system is as follows.

Executive Directors	In addition to basic remuneration, Executive Directors will also receive incentive remuneration, including performance-linked bonuses and stock remuneration.
Non-Executive Directors (Outside Directors)	Given the positions of Outside Directors, who are independent from business execution, their remuneration is limited to basic remuneration.
Audit & Supervisory Board Members	Remuneration for Audit & Supervisory Board Members is fixed remuneration only, in consideration of their responsibility to audit the execution of Members of the Board. The amount of remuneration for each Audit & Supervisory Board Member is determined through discussions among Audit & Supervisory Board Members within the annual remuneration limit.

Changes to the Content of Performance-based Remuneration

At the Board of Directors meeting held on March 28, 2025, a resolution was passed to revise the policy on performance-based remuneration, based on the proposal of the Nominations & Remuneration Advisory Committee. Following these changes, performance-linked bonuses for individual Executive directors are calculated based on the degree of achievement and rate of change relative to the targets set in the annual business plan—namely, consolidated net sales and consolidated operating profit—as well as the target of 8% or higher return on equity (ROE) as stipulated in the medium-term business plan. In addition, the performance of the departments under their supervision and the achievement level of medium- to long-term priority issue targets are also considered. These bonuses are paid in cash at a specified time after the end of each fiscal year. These business results indicators were selected because they were deemed the most appropriate way to encourage a greater focus on short-term revenue improvements, to realize our Medium-term Business Plan by achieving ROE targets, and to engage in sustainable management.

■ Remuneration Structure for a Member of the Board Managing Director

Type of remuneration	Overview	
	The amount shall be determined according to the total standard amount for their duties and rights to represent. This amount shall be paid in the form of monetary remuneration on a monthly basis. Up to 360 million yen per year	
Incentive Remuneration 40%	Performance linked bonus	The amount shall be calculated based on the business results of the department the person is in charge of and their degree of achievement of priority issue targets. The standards for determining this shall be the degree of achievement of the person's consolidated net sales target, consolidated operating income target, and return on equity (ROE) target of 8% or higher set in the annual business plan, and the amounts of change in the above. Up to 200 million yen per year
	Stock remuneration	Stock remuneration with transfer restriction periods shall be awarded based on the person's position and responsibilities, the share price, etc. Up to 100 million yen per year

* Remuneration for Outside Directors shall consist only of basic remuneration. Remuneration for Audit & Supervisory Board Members shall consist only of fixed remuneration (up to 90 million yen per year).

Remuneration Decisions

In making remuneration decisions, the Nominations & Remuneration Advisory Committee considers drafts from various perspectives, such as consistency with the determination policy, and reports back to the Board of Directors. The Board of Directors then decides on the content of individual Director remuneration based on these reports.

At the Board of Directors meeting held on May 22, 2025, the Board of Directors resolved to delegate the decision of the performance-linked bonuses for Directors for the current fiscal year to the Representative Director. This is because the Representative Director is in a position to holistically evaluate the Group's overall business results and the contributions of each individual Director.

The status of the resolutions regarding remuneration at General Meetings of Shareholders are as indicated below.

149th Ordinary General Meeting of Shareholders, held on August 30, 2006	Resolved that the maximum amount of fixed remuneration for Directors shall be 360 million yen per year, the maximum amount of bonus remuneration for Directors shall be 200 million yen per year, and the maximum remuneration for Audit & Supervisory Board Members shall be 90 million yen per year
164th Ordinary General Meeting of Shareholders, held on June 25, 2021	At the 164th Ordinary General Meeting of Shareholders, it was resolved that in addition to the previous remuneration, the maximum total amount of monetary remuneration credits related to restricted stock remuneration shall be 100 million yen per year

■ Executive Remuneration for FY2024

Executive officer category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc., by type of remuneration			Number of eligible officers
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Member of the Board (excluding outside members)	419	226	142	50	9
Audit & Supervisory Board Member (excluding outside members)	46	46	-	-	2
Outside member	75	75	-	-	9

Dialogue with the Capital Market Including Shareholders and Investors

Policy and Basic Approach

The Nippon Kayaku Group has established a Corporate Communications Division to carry out investor relations (IR) activities. This division coordinates with related departments and is enhancing its initiatives with a strong focus on dialogue with shareholders and investors, both in Japan and overseas. We disclose appropriate information regarding management policies, business strategies, and sustainability in a timely fashion, and we strive to promote a deeper understanding of our Company through constructive dialogue and to build long-term relationships of trust, with the aim of sustainably increasing our corporate value.

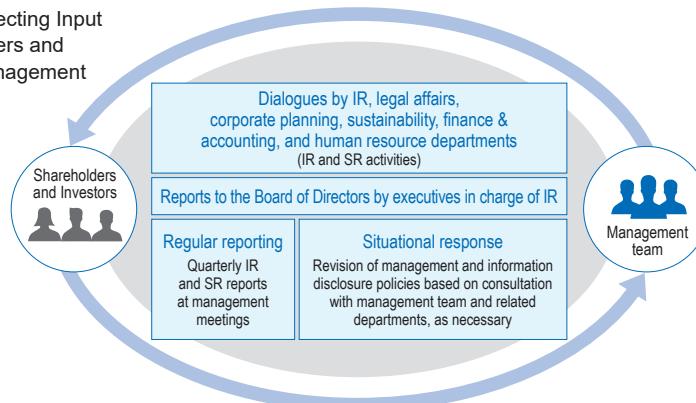
We also believe that it is important to share the opinions and concerns of shareholders and investors, gathered through these dialogues, with our management team and the heads of related departments, and to reflect them in our management decisions. Furthermore, we carry out continuous measures to prevent insider trading to protect all of our shareholders and investors from risk and to help create a healthy stock market.

■ Disclosure Policy
<https://www.nipponkayaku.co.jp/english/ir/disclosure.html>

Main Dialogues in FY2023 and FY2024

Dialogue formats and events	Results in FY2023 (sessions)		Results in FY2024 (sessions)	
	Total	Total	Participation by executives	Participation by executives
One-on-one meetings with securities companies and institutional investors	89	129	17	
One-on-one meetings with Japanese securities companies and institutional investors (total number of companies)	66	93	2	
One-on-one meetings with overseas institutional investors	17	25	4	
SR meetings (held starting in FY2024)	-	11	11	
Financial results presentations, events for investors, and small meetings	6	5	5	

System for Reflecting Input from Shareholders and Investors in Management



Contents of Main Dialogues with Shareholders and Investors

Statuses and strategies of individual businesses	<ul style="list-style-type: none"> Details regarding core technologies, competitive strengths, and niche strategies Strategies for expanding growth drivers Forecasts for product-related markets, such as EV and AI markets Impact of drug price revisions on the pharmaceuticals business, status of pipeline
Financial strategies and shareholder returns	<ul style="list-style-type: none"> Approach to medium-term cash allocation The Group's perception of its B/S status and the direction to be taken in controlling it Contents of ROIC management promotion efforts Dividend payout ratio and total return ratio targets Status of efforts to reduce cross-shareholdings
Sustainability	<ul style="list-style-type: none"> Measures, plans, and portfolio for effectively utilizing and developing human resources Employee engagement reviews and KPIs Business and human rights initiatives Status of measures related to Mitigation of Climate Change, such as implementation of TCFD recommendations
Corporate Governance	<ul style="list-style-type: none"> Independence and diversity of the members of the Board of Directors Contents of discussions by the Board of Directors and the Nomination and Remuneration Advisory Committee Methods of determining remuneration for executives More appropriate institutional design for the Board of Directors
Medium-term Business Plan and long-term vision	<ul style="list-style-type: none"> Evaluation of progress toward the Medium-term Business Plan Measure for improving profitability over the medium and long term Business portfolio and best owner strategy Method of formulating business forecasts Company measures and policies for improving PBR Approach to next Medium-term Business Plan and future long-term vision

Examples of Improvements Made Using Input from Shareholders and Investors

Strengthened initiatives focused on dialogue	<ul style="list-style-type: none"> Increased opportunities for executives and Outside Directors to participate in one-on-one meetings Held events at business sites for investors and analysts (events held at Fine Chemicals R&D Laboratories in FY2024) Increased number of meetings between securities analysts and institutional investors
Enriched disclosure materials such as financial results presentation materials	<ul style="list-style-type: none"> Began issuing transcripts of financial results briefings (in both Japanese and English) Issuing disclosure updates on Action to Implement Management that is Conscious of Cost of Capital and Stock Price (as a general rule, twice per year) Disclosed analysis of changes in operating income Disclosed ROIC for individual business units Enriched and improved contents of Integrated Report
Implemented requests and proposals from investors and shareholders	<ul style="list-style-type: none"> Clarified equity ratio target (disclosed that target is 60%) Announced commitment to achieving ROE target of 8% (declared that total return ratio would be 100% or higher until this ROE target is reached) Clarified dividend policy (declared that we would continue our policy of progressive dividends) Visually presented capital investments/depreciation and amortization on a per-segment basis (disclosed plans, results, and forecasts) Expanded quantitative explanations of growth potential of core products (disclosed information such as market information, target share, sales CAGR, etc., for inflators, HUD Sun-Guard Polarizers, epoxy resin, and industrial inkjet ink)

Outside Directors Roundtable



After the end of the fourth year of the **KAYAKU Vision 2025 (KV25)** FY2022-2025 Medium-term Business Plan, and the appointment of our new President, Shigeyuki Kawamura, our four Outside Directors engaged in an exchange of opinions on the matters discussed at the FY2024 Board of Directors meetings and the issues facing the Nippon Kayaku Group.

Member of the Board Outside Director

**Yasuyuki
Fujishima**

Member of the Board Outside Director

**Seiichi
Fusamura**

Member of the Board Outside Director

**Ikuko
Akamatsu**

Member of the Board Outside Director

**Mitsuhiro
Tsubakimoto**

The Appointment of the New President

Moderator: Thank you for your time today. At the Ordinary Annual General Meeting of Shareholders held in June 2025, it was decided that Atsuhiko Wakumoto would step down as President and the position would be taken by Shigeyuki Kawamura. Could you discuss what led to this change of President and the contents of the deliberations by the Nomination and Remuneration Advisory Committee?

Fujishima: The Nomination and Remuneration Advisory Committee, which was established in FY2019, began as an organization which provided consultation functions in advance of the deliberations regarding the introduction of the legally mandated committee system. It was positioned as a committee whose approach and methods would be considered during the course of the Committee's actual operations.

When the time actually came to select a new President, deliberations began with the Nomination and Remuneration Advisory Committee, but the Committee did not immediately settle on a candidate. Instead, it engaged in multiple rounds of deliberations, and through this process it was proposed that Mr. Kawamura become the next President, following President Wakumoto. Mr. Kawamura had extensive field experience through his work in the Pharmaceuticals business and the Safety Systems business. He had been deeply involved in business operations, such as the launch of overseas sites in countries such as China. He had demonstrated that he could take a cool and collected approach to dealing with difficult issues and he had a track record of showing leadership and pulling together the organization. Based on these qualities and multifaceted deliberations by the Outside Directors, everyone agreed that Shigeyuki Kawamura was someone into whose hands we could entrust the Group.

Fusamura: As for the timing of the change of Presidents, FY2025 is the final year of the current Medium-term Business Plan, so some opined that Mr. Wakumoto should remain the President until the end of the plan term. However, there were others who said that now was actually the best timing, as it would enable the new President, who would be responsible for the actual implementation of the next Medium-term Business Plan, the newly defined long-term vision, and the like, to be involved in their formulation from the ground up. Ultimately, it was decided that this was the right time to make the change.

What's more, then-President Wakumoto made efforts to enable us to understand the candidates' qualities. For example, in discussions that Outside Directors could engage in, such as meetings of the Board of Directors, he made recommendations to them that they express their opinions from a medium- and long-term perspective with respect to the departments they managed, to aid in deliberating regarding his successor. This stance was extremely helpful in our making this decision.

Akamatsu: When I toured the Safety Head Plant in Himeji, I had the opportunity to do so with Mr. Kawamura, so I was able to get a close look at his character and how he conducted himself in the field. Due in part to that background, when former President Wakumoto recommended Mr. Kawamura to be his successor, he clearly verbalized his reasoning, and his arguments were very convincing.

For us Outside Directors, information regarding internal personnel affairs is inevitably limited. In a sense, you could say that we're in the same positions as outside investors. Precisely because of that, it's extremely important that we be provided with clear explanations of the Group's personnel decisions and intentions. These explanations were major factors in our understanding, becoming convinced of, and trusting this decision.

Because of this background, I have high expectations for the new President, Mr. Kawamura. I'm really looking forward to seeing how he leads the Group's management.

Tsubakimoto: My name is Mitsuhiro Tsubakimoto, and I've been an Outside Director in the Group since June 2025. Outside Directors are being called on to perform an expanding range of roles, and I feel like going forward, when it comes to consultation regarding the selection of

Outside Directors Roundtable



Director Tsubakimoto

a President, we'll be seeing an increase in opportunities to be involved in diverse areas because of the outside perspectives we can provide. I also plan to maintain my independence and neutrality, deeply studying and communicating what I think is right while also reflecting societal trends.

With respect to the new President, Mr. Kawamura, I've had two discussions with him so far, and what struck me about him is how closely he listens to people. I found his manner extremely impressive, and I feel he embodies the qualities expected of a leader in this new era, so I have high expectations for him.

FY2025 was an unusual year, in that two of the representative directors (the President and the vice President) changed in the same year. I also have some concerns that this may cause unease, both among those inside the company and those outside it. It is precisely because of this situation that those involved, including us Outside Directors, must demonstrate leadership, coming together as one to support the management of the company.

Active Roles of Human Resources: The Core Personnel that Support the Company

Moderator: President Kawamura's message in Integrated Report 2025 talked about how essential to the sustainable growth of the company it is to place exceptional leaders at every level of the company and in each of its organizations. Could you share any opinions or advice as Outside Directors on furthering the development of leaders that will serve as the core personnel of the company?

Akamatsu: I strongly agree with President Kawamura on the importance of developing leaders. I think it's important to develop exceptional leaders from the ground up, but at the same time, I also feel that it's vital to identify "diamonds in the rough" that are already demonstrating leadership in our worksites and to build them up as leaders.

Looking at our development and sales sites, I've been impressed at the site of employees with a sparkle in their eye who talk about how much they love the research they're doing or how proud they are of one of our products. It reaffirms for me how much pride and passion for ones work are the sources of our competitive power. I feel like these people have the qualities it takes to be leaders.

I served as an instructor at the Nippon Kayaku Business Academy (NBA), and one thing that stood out to me was how the participants in the program would engage in lively discussion and strive to create new value. I hope that by using in-house media and the like to actively introduce these members, who can serve as role models for the next generation of employees, we will stimulate the motivation and drive for growth among junior employees that will follow them.

Fujishima: As Ms. Akamatsu said, the passionate people we have working in our business sites are our company's assets. I believe the key in having these people play active roles as leaders is that we management personnel and senior employees pass on our experience to them.

As an instructor in the NBA, I also talked about my own experiences, from failures I encountered when I was working in sales to new challenges I had taken on. The feedback I received from program participants included comments like "I learned more from your discussion of the process involved in taking on new challenges than I have from hearing success stories" or "I'd like to follow the example you set with the different challenges you took on when you were young." I was very glad to see that my own experiences could help transform the behavior of our next generation of human resources.

I used to be a member of the Ministry of Foreign Affairs, and ambassadors and staff members would share with us raw episodes of decisions they'd made in the field, things you wouldn't learn about from a textbook. Those, more than anything else, served as "living lessons" for junior members. I think that we can accelerate our development of leaders by sharing the actual processes and ideals involved in taking on new challenges, not just their results, be they successes or failures.

Tsubakimoto: What Director Fujishima said about passing on experience really resonated with me. In particular, I believe that sharing failures has tremendous potential for leadership development.

A while back, a company asked me to share all the stories of my failures when I was an employee. I bit the bullet and frankly talked about all kinds of failure, from little mistakes I made as a new employee to a major failure involving an over-10 billion yen project. This led to many employees feeling a greater sense of closeness with me, realizing that I made mistakes too. It helped foster a feeling of psychological safety, that it was okay to make mistakes.

When leaders openly talk about their own failures, it sends a powerful message that helps encourage junior employees to take on challenges. Having a culture which sees failures as precious opportunities for learning within the organization, instead of a taboo, creates fertile ground for the development of leaders who produce innovation. I think an important element of leadership development in the future will be not just developing people's ability to set a trajectory for success, but also developing their resilience—their ability to bounce back from failure.

Fusamura: What you've all said is very interesting. I also think that it is vital to create an environment in which leaders can live up to their full potential.

Modern leaders need to demonstrate "servant leadership." It means leading by serving—supporting, empowering, and working alongside employees to help



Director Fusamura

Outside Directors Roundtable

them grow and tackle challenges together. When I was working in the government, as well, the sight of a supervisor taking the lead in tackling a difficult issue fostered a greater sense of unity throughout the organization. Seeing a leader giving something their all, as an issue that affected them directly, drew out the independence of other members.

At the same time, unlike the management approaches of yesteryear, leaders have the difficult role of steering the way to ensure that results are produced while also protecting the wellbeing of employees. Because of this, leading selection and concentration at the workplace level is more important than ever. I believe the new roles of a modern leader are to redefine teams' missions, identify which operations should be focused on through discussions with members, and lead the optimization of operations.

Active Roles of Human Resources: Promoting Diversity

Moderator: One of our goals is to increase the percentage of female managers to 10% or higher from the current number, in the 8% range. With respect to Work Style Reform, in FY2024, we reached our goal of raising the ratio of eligible male employees taking childcare leave to 100%. We've also kicked off our KAYAKU Zenkatsu events, which promote the active roles of all employees, including female employees. We're making diligent efforts to promote diversity, and our enthusiasm is evident. Given this, could you please share your own opinions on the measures we're carrying out?

Akamatsu: I felt that the KAYAKU Zenkatsu kick-off event held last summer was a highly significant initiative. With respect to the active participation of women, in particular, it's important that we not just create systems but that we provide opportunities for people, which can tend to become isolated within their own workplaces, to establish connections with those in other workplaces. In workplaces with few women, I've heard of situations where after returning to work they're actually treated with too much care, which results in a decline in motivation. If there were places that were conducive to free and easy discussion, where they could share their concerns, it would help

alleviate the psychological burden. The event introduced women managers who could serve as role models. Much of the content of the event was highly practical, and I think the participants were highly engaged. These kinds of initiatives are very valuable not only for achieving objectives but for creating an optimistic atmosphere—an atmosphere of "if you try, you can succeed." Partly because we're a member of the manufacturing industry, I think it's important to set targets that are based on actual conditions within the company and to keep demonstrating, both inside and outside the company, that we are steadily working towards those targets.



Director Akamatsu

Tsubakimoto: Based on my own past experience, I feel it's vital to continuously carry out initiatives that create an environment in which women can thrive. Transforming mentalities takes time, but change can be achieved through ongoing dialog. In terms of concrete initiatives, one effective approach has been to intentionally create operational fields that are welcoming to women and that contribute to their career development. For example, we have developed the department that handles the raw materials used in disposable diapers into a business in which women play a driving role. In one of the overseas sites of this business segment, the majority of the managers of the roughly 50-person site are women. This, combined with the local cultural background, has resulted in leadership by women naturally taking root. I think it's important to diligently work hard, from the directions of both human resource systems and corporate culture, to establish an environment in which women can actively thrive.

Fujishima: When it comes to diversity, the hiring of non-Japanese employees is a vital theme to address. We have many overseas sites, but I don't feel that we've sufficiently established a system for developing exceptional personnel hired overseas and promoting them as management candidates for positions in the Japanese head office. This is a huge missed opportunity. If we are to be a truly global company, we must clearly demonstrate career paths through which anyone, regardless of nationality, can work to become a member of management. Instead of just hiring for people to work at the field level, we must be strongly motivated, as a company, to working hard to develop non-Japanese personnel as management resources, and we must establish a system for doing so. For field sites and the head office to tackle this issue together, I'd like for us to make global human resource strategies a part of our next management plan. I look forward to President Kawamura applying his overseas experience to his leadership.

Fusamura: As my colleagues have said, diversity, such as diversity of gender and nationality, is vital to the sustainable growth of the company. I also think that generational diversity is important. An urgent task that faces us is creating an environment in which the younger generation of employees, who will be responsible for our company's future, can live up to their full potentials. For example, we could have mechanisms through which the innovative ideas of younger employees could be actively utilized in our business strategies, deciding the direction to be taken by our company. Junior employees could freely provide their thoughts regarding the future of the company, and management personnel could learn about the values of the new, modern era. Creating greater opportunities for bidirectional dialogue, across generation lines, could fuse the experience-based knowledge of veterans with the sensibilities of young employees, helping promote innovation. Building a corporate culture in which all of our human resources, including women and non-Japanese employees, want to take on new challenges,



Director Fujishima

Outside Directors Roundtable

and powerfully publicizing that corporate culture, would be investing in our future.

Constructive Dialog with Shareholders and Investors

Moderator: To sustainably increase our corporate value, Nippon Kayaku places great value on constructive dialogue with shareholders and investors. As part of that, we actively have you Outside Directors engage in dialog with institutional investors. Could you share your impressions from these dialogues and your frank opinions, including recommendations regarding our future IR activities?

Fujishima: In my dialogues with institutional investors, there has been an increase in investors making pointed observations, based on concrete data, regarding improvements to capital efficiency with a focus on Return On Invested Capital (ROIC) or on enhancing shareholder returns. In particular, some investors have gone so far as to suggest selling off businesses which appear to have low profitability levels. We Outside Directors listen closely to this feedback. In Board of Directors meetings, we engage in discussions about how much we should focus on balancing medium- and long-term corporate value improvement, not just pursuing short-term profit. We look at both the speed demanded by investors and the management continuity we have developed through the years to arrive at policies that are convincing for all stakeholders. I feel that this constructive dialogue also provides us with opportunities to closely reexamine the approach to be taken by the company.

Fusamura: Needless to say, our investors rigorously evaluate our returns and efficiency based on numbers and logic. For a conglomerate like us, in particular, it is easy for investors to compare individual businesses with each other using shared indicators such as profitability and capital efficiency. However, at the same time, the business that we do also has social significance, which can't be measured through pure profit alone, and it plants seeds for the future. But if we allow these to simply be "points of self-satisfaction within the company," they don't contribute to dialogue. It is essential that we explain to investors the importance, significance, and future potential of these businesses. We need to do so using passion and logic, striving to give our investors a better understanding and to convince them. I think it's important that we build a solid system through which we can improve our efficiency and confidently explain the essential value of our businesses.

Akamatsu: When I became an Outside Director, as well, I remember wondering where the primary focus of the company was, given its diverse businesses. I understand why the investors also find this difficult to understand.

In some of the opportunities I've had to talk directly with institutional investors, they have made some pointed criticisms, but at the ends of these discussions we always part ways with a handshake, and I can tell how sincerely they're thinking about the future. These discussions have made me realize, again, that they simply want to increase the value of our company as shareholders, and, of course, they have different timelines and perspectives than us in the

management team.

What's more, these dialogues have made me keenly aware that we need to more precisely and passionately communicate, in words, the traditions we've protected as a company that's been in operation for a century and the value each of our businesses provides to society. I'm happy that our investors are so interested in us. I see this interest as a positive, and I believe that our investors are calling on us to strategically convey what we think and to work to foster a deeper level of understanding. Our diligent and humble company culture is a wonderful thing, but going forward, we may need to add to that skillfulness at conveying our unique way of thinking in a way that shareholders find convincing.

Tsubakimoto: As you all have mentioned, at the heart of dialogue is clarifying the solid foundation of our company. On top of that, you need to maintain objectivity when explaining this to investors. For example, you can't simply argue that "this business has future potential." Your arguments will be much more convincing if you can use benchmarks in your explanations, like "these are the results being achieved by another company in this same business segment. For these reasons, we'll be able to reach the higher level within two years." It's also important to share the need for dialog with investors with the whole company, not just other members of management. Ideally, you should be sharing the struggles of the corporate department, the vision of management, and the like, throughout the entire field, so that each and every person can explain, in their own words, why they're doing the business that they are. I've seen examples of companies being quick to pull out of business segments because they're just focused on immediate profits. This puts an end to new business efforts before they have a chance to hit their stride. I believe that defining your business core and then thoroughly communicating it, both inside and outside the company, contributes to true corporate value creation.

Moderator: Thank you all for taking part in this roundtable. We've covered diverse themes, from promoting diversity to how to engage in dialogue with shareholders and investors, and you've provided invaluable insights rich with suggestions for the future. We'll think carefully about what you've said here today and leverage it in our future company management as we strive to create greater corporate value. Thank you for taking time out of your busy schedules to join us today.



On-site and online roundtable conducted in July 2025

Risk Management

Policy and Basic Approach

The business environment is growing increasingly complex and uncertain. In this environment, the Nippon Kayaku Group is striving to maintain the continuity of its business by maintaining its production system, stably procuring raw materials, strengthening its disaster countermeasures, and other activities with the aims of preventing diverse risks from manifesting themselves and minimizing the impact if they do occur. To restore our business within a predetermined target time in the event of an emergency such as a disaster, the Head Office and each business division and plant have established their own business continuity plan (BCP) manuals and are deploying them to our overseas business sites. Our Risk Management Committee was created to serve as an advisory body to the Sustainable Management Meeting and the core of our risk management system. This committee meets twice a year, and on an ad hoc basis when required. The committee, chaired by an Executive Director with an official post designated by the President, consists of representatives from each business unit's planning department and our General Administration Department. It is tasked with constructing and administering a risk management system designed to take preventive measures against major risks, to respond to emergencies, and to restore business. Important agenda items are reported at management meetings and Board of Directors meetings.



Preventing Risks and Minimizing Impact



Business Risks (Summary)

In FY2024, we revised the "Foreign exchange volatility" risk category from FY2023, changing it into the "Changes in tariffs; exchange rate movements" risk category given the uncertainty that has manifested

itself with respect to tariffs, especially US tariffs. For each item, we have comprehensively indicated the concrete risks faced by each business and our countermeasures.

Classification	Number	Risk category
Risks affecting management strategy	1	Procurement of raw materials
	2	Product quality
	3	Changes in business environment
	4	Occurrence of accidents
	5	R&D
	6	Changes in regulations and policy
	7	Changes in tariffs; exchange rate movements
	8	Intellectual property
	9	Information leaks
	10	Cessation of computer systems
Risks associated with natural disasters and climate change response	11	Natural disasters
	12	Climate change response
Compliance risks	13	Compliance and legal violations

For details of business risks, see pages 30-36 of Annual Securities Report (Japanese) submitted in June 2025.

For details, please see the Business Risk Section in our Securities Report. (Japanese)
https://ssl4.eir-parts.net/doc/4272/yoho_pdf/S100W41Y/00.pdf#page=30

Continuation of BCP Drills

At the Nippon Kayaku Group, the Internal Control Management Division takes the lead in promoting global risk management activities targeted at the key themes of establishing a BCP structure and training and drills in overseas Group companies. As part of these activities, we conduct a BCP drill every year by selecting one or more locations from among domestic and overseas Group companies.

BCP Drill at a Group Company in China (November 2024)

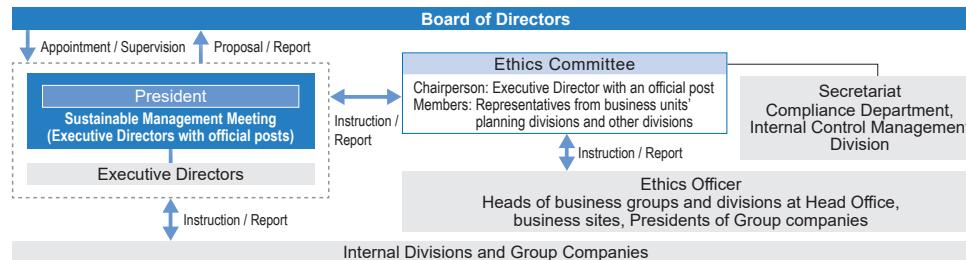
KAYAKU CHEMICAL (WUXI) CO., LTD. (KCW), which produces functional materials for the Fine Chemicals Business Unit in Wuxi, Jiangsu Province, China, conducted a response drill that covered everything from initial response to restoration in the event of an explosion and fire in its plant. Core employees had attended a workshop-based initial response seminar in advance. Through the drill, which included business continuity and rapid recovery following the disaster, they deepened their understanding of the BCP.



Compliance

Policy and Basic Approach

The Nippon Kayaku Group views compliance in a broad sense, considering it to mean not only abiding by laws, regulations, and internal rules, but also responding to social norms and the demands of society and earning the trust of 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. With the leadership of our top management, we are strengthening our company-wide initiatives to firmly ensure compliance. We have established an Ethics Committee to serve as an advisory body to the Sustainable Management Meeting and support our Group-wide compliance system. This committee meets twice a year, and on an ad hoc basis when required. The committee, chaired by an Executive Director with an official post designated by the President, consists of representatives from each business unit's planning department and our General Administration Department. It is tasked with making decisions on policies pertaining to compliance with the Charter of Conduct and discussing how to respond to reported matters and incidents and how to prevent them from reoccurring. Important agenda items are reported at management meetings and Board of Directors meetings.



Indicators

Ensuring compliance has been identified as one of its key sustainability issues, and we are implementing initiatives with the following key performance indicators.

Indicators (KPI)	FY2025 Targets	Results		FY2024 Topics for initiatives
		FY2023	FY2024	
Number of serious compliance violations*	0	0	0	<ul style="list-style-type: none"> There were no significant compliance violations. FY2024's mandatory compliance training took the theme of "Workplace Communication," and was delivered to all domestic group companies.
Compliance training rate	100%	96%	97.7%	
Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	100%	<ul style="list-style-type: none"> We spoke to overseas group companies without a Compliance Whistleblower Hotline and ensured such hotlines were set up.

* Number of matters judged extremely important by the Ethics Committee

Specific Initiatives

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 explanations of the Charter of Conduct and the Code of Conduct is distributed to all employees of domestic companies of the Nippon Kayaku Group.



Various compliance initiatives

The Nippon Kayaku Group continuously conducts compliance training for all executives, employees, and temp staff on topics such as the Charter of Conduct, bribery and corruption prevention, human rights, and harassment. We seek to ensure thorough compliance by all employees through e-learning and group training. In addition, we provide compliance training for newly appointed directors to promote greater understanding from a managerial perspective.

Nippon Kayaku is working to prevent and rapidly address unfair practices by establishing an internal whistleblowing system, the Compliance Hotline, for Group companies, both in Japan and overseas. In FY2024, the Compliance Hotline received 25 reports and consultations, verified their contents, and took corrective action. We have also defined a basic policy on fair competition and the prevention of corruption, and we have made all employees in Japan and overseas aware of this policy.

Compliance
<https://www.nipponkayaku.co.jp/english/sustainability/governance/compliance/>

Information Security

Policy and Basic Approach

We are promoting digital transformation (DX) in order to make working practices more efficient, improve productivity and diversify working styles. However, we are doing this against a backdrop of heightening cybersecurity risks, with cyberattacks and unauthorized access incidents growing year by year and with increasing levels and sophistication of deceptive tactics. The Nippon Kayaku Group perceives risks related to business continuity due to information leaks and computer system shutdown as a management issue, and in order to repay the trust of society as a whole, including customers, suppliers, investors, employees, and various other stakeholders, protects business information daily, and sets up information security initiatives continually, based on its Charter of Conduct and Code of Conduct.

 Nippon Kayaku Group Charter of Conduct and Code of Conduct
<https://www.nipponkayaku.co.jp/english/company/vision/conduct.html>

 Information Security
<https://www.nipponkayaku.co.jp/english/sustainability/governance/information-security/>

System

In order to minimize information security risks (a key element of crisis management), we have set up an Information Risk Management Subcommittee with the aim of constantly maintaining risk-proof conditions, continually reviewing responses based on changing situations, and diffusing and integrating best practice throughout company operations. This subcommittee meets, in principle, twice a year, but on a further ad hoc basis if necessary. It is chaired by the officer in charge of Information Systems, and comprises representatives of every business unit's planning department plus representatives from general administrative departments unattached to any particular business unit. It also coordinates with the Corporate Information Managers, persons in charge of corporate information management, and systems management assigned to every company division and business site.

The important matters among the topics discussed by this subcommittee are forwarded to the Sustainable Management Meeting and even the Board of Directors, who provide relevant feedback.

Furthermore, to deal with security incidents that could either heavily damage management and business operations or lose us the trust of our business partners and suppliers, such as cyberattacks and unauthorized access to confidential information, we have set up a Computer Security Incident Response Team (CSIRT) as our core policy unit under the leadership of the Information Risk Management Subcommittee Chair. Depending on the assumed extent of damage, the President or the Chair of the Crisis Management Committee may also step in to lead CSIRT. CSIRT works on limiting the spread of damage, and once containment activities are over, on restoration of operations and recurrence prevention measures.



Initiatives

Acquisition of TISAX Certification

The Nippon Kayaku Group has acquired the Trusted Information Security Assessment Exchange (TISAX) certification, an information security screening standard for the global automotive industry supply chain established mainly by the German Automobile Industry Association at three overseas business sites of the Safety Systems Group.

Business site	Certification secured	Registered for inspection with	Certification number
Kayaku Safety Systems Europe	January 2023	DNV	SW215F
Kayaku Safety Systems de Mexico	January 2023	TUV NORD DE MEXICO	S6485M
Kayaku Safety Systems Malaysia	May 2024	ENX ASSOCIATION	S5LX79

Education and Training

At the Nippon Kayaku Group, all executives, employees (including contracted and part-time employees) and temporary staff are made fully aware of information security rules, and receive regular information security training as well as drills on dealing with malicious emails.

Training title	Main contents	Mainly aimed at	FY	Delivery style	Times	Take-up rate
Management class training	<ul style="list-style-type: none"> The importance of information security to management Social responsibility 	Directors	2024	Seminar	3	Ave: 88%
Information Security: The Basics	Understanding the 3 elements of information security (confidentiality, integrity and availability)	Employees	2024	Video	1	-
Security when using IT tools	<ul style="list-style-type: none"> Information System Security: basic knowledge, measures, attitudes Incident response 	<ul style="list-style-type: none"> Directors, employees (including contracted and part-time employees), temp staff Persons outside the company who are borrowing a PC connected to our company network 	2024	E-learning, distribution of materials, group session	1	84%

Data Section

Data Section

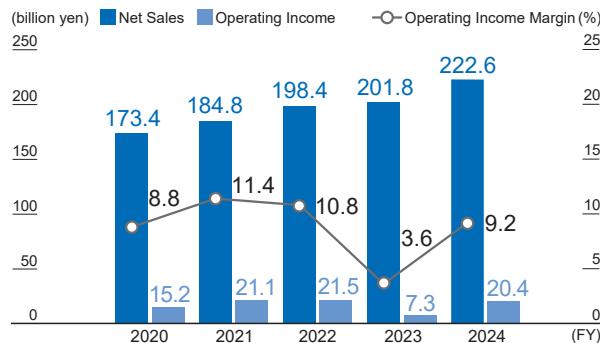
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Financial and Non-Financial Highlights

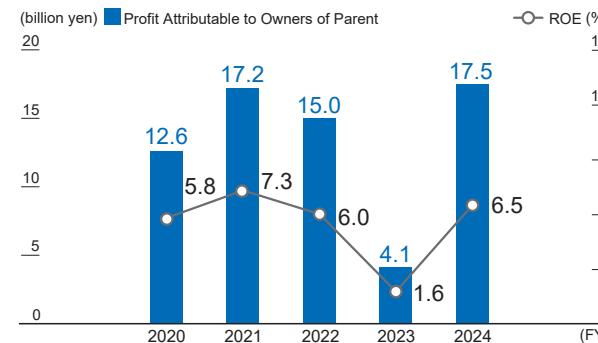
Financial Highlights

Net Sales / Operating Income / Operating Income Margin



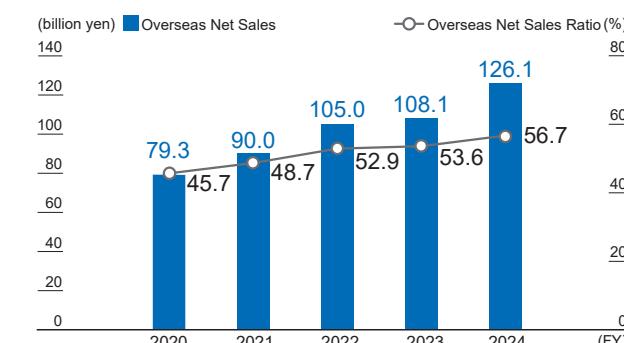
Net sales have been on an increasing trend, reaching a record high of 222.6 billion yen in FY2024. On the other hand, while operating income margin had declined in FY2023 due to the allocation of unplanned license introduction costs in the Life Science Business Unit and a decrease in operating income impacted by market conditions in the Fine Chemicals Business Unit, in FY2024, it recovered to 9.2% due to increases in income in each business unit.

Profit Attributable to Owners of Parent / ROE (Return on Equity)



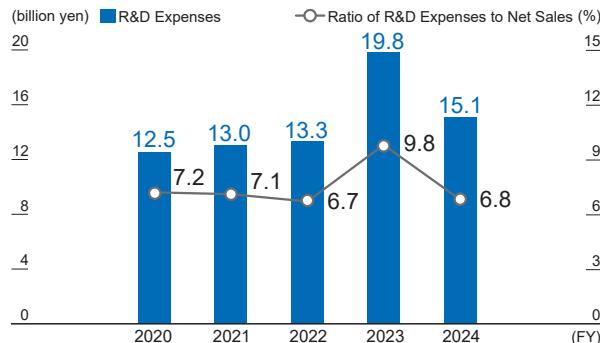
Profit attributable to owners of parent and ROE, which had fallen in 2023 in conjunction with the decrease in operating income, recovered to 6.5% in FY2024 as a result of increased operating income. We will continue our initiatives based on profitability improvement and capital policy to reach our target of 8%.

Overseas Net Sales / Overseas Net Sales Ratio



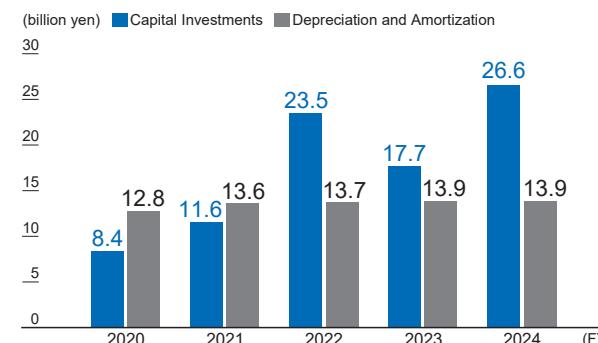
We have promoted product development overseas, mainly in the Mobility & Imaging Business Unit and Fine Chemicals Business Unit, with overseas sales of 126.1 billion yen and an overseas sales ratio of 56.7% in FY2024.

R&D Expenses / Ratio of R&D Expenses to Net Sales



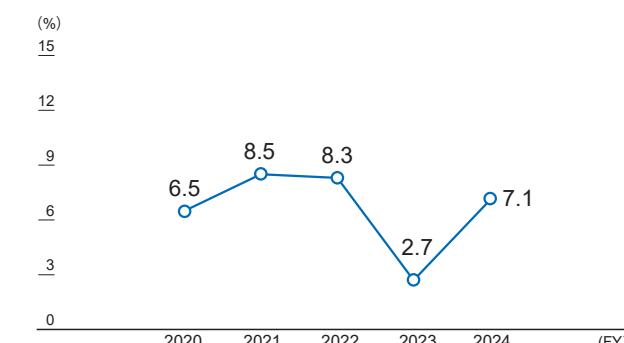
Company-wide R&D expenses under the Medium-term Business Plan (KAYAKU Vision 2025) for FY2022–2025 are planned to total 65.0 billion yen. The ratio of R&D expenses to net sales was 9.8% in FY2023 after accounting for the introduction costs of the Pharmaceuticals business, and is currently trending at around 7%.

Capital Investments / Depreciation and Amortization



To aggressively implement investments for future growth, company-wide capital investments during the KAYAKU Vision 2025 Medium-term Business Plan for FY2022–2025 will total 91.0 billion yen. In FY2024, capital investments were 26.6 billion yen and depreciation and amortization were 13.9 billion yen.

ROIC

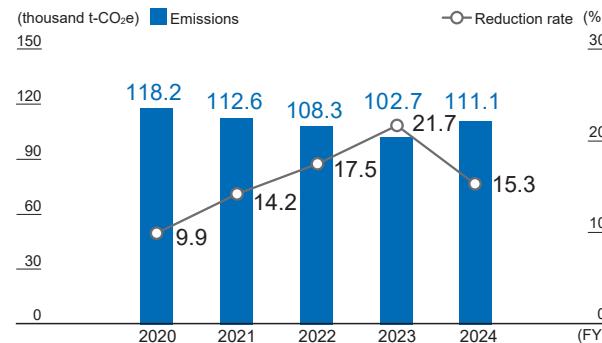


Company-wide ROIC was 2.7% in FY2023, impacted by the decrease in profit, but rose to 7.1% in FY2024 as a result of promoting divisional management with an awareness of the efficiency of invested capital. We will continue to work to achieve our target of 10%.

Financial and Non-Financial Highlights

Non-Financial Highlights

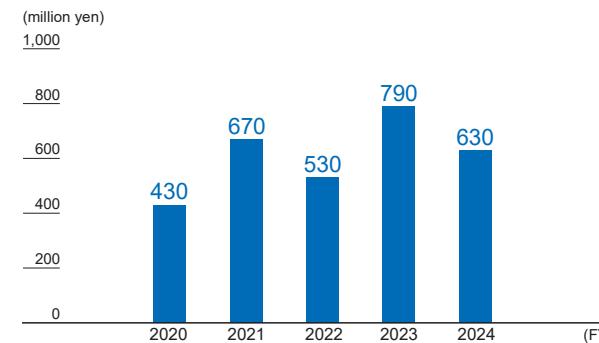
Greenhouse Gas Emissions (Scope 1+2)



The Scope 1+2 emissions, an indicator for the medium-term environmental target of a 46% reduction by FY2030 compared to FY2019, have been trending downward year by year. In FY2024, the market recovery drove an increase in production which caused a temporary rise in emissions volume. In FY2025, we expect to see a return to reductions in emissions as a result of the operation of the gas co-generation system in the Takasaki Plant.

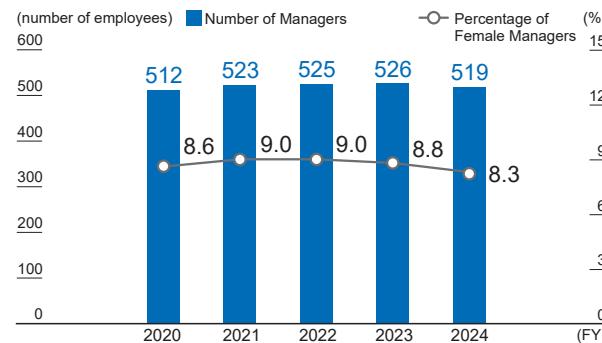
* Percentage reduction in comparison to the 131,223 t-CO2e in FY2019

Environment Related Capital Investments



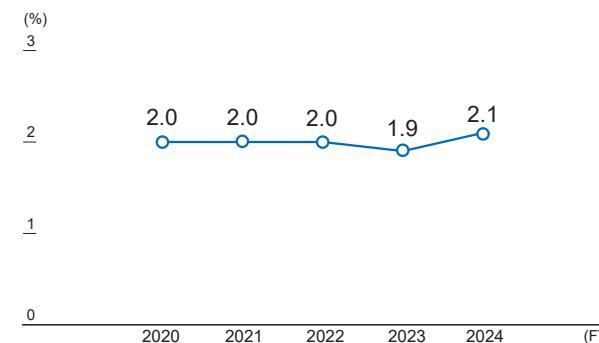
We have been systematically and continuously investing in environment-related facilities, and in FY2024, we allocated 630 million yen. Investment related to energy conservation and global warming prevention accounted for about 51%.

Number of Managers / Percentage of Female Managers



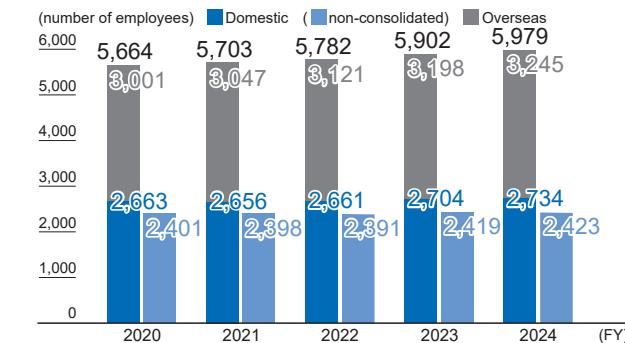
We are striving to increase the ratio of female managers, which was 8.3% in FY2024, toward the FY2025 target of 10% in the **KAYAKU Vision 2025** Sustainability Action Plan. We will continue to promote the hiring of women and the appointment of women to managerial positions throughout the company while providing support for women seeking managerial roles and offering leadership training programs for prospective female leaders.

Percentage of Employees with Disabilities



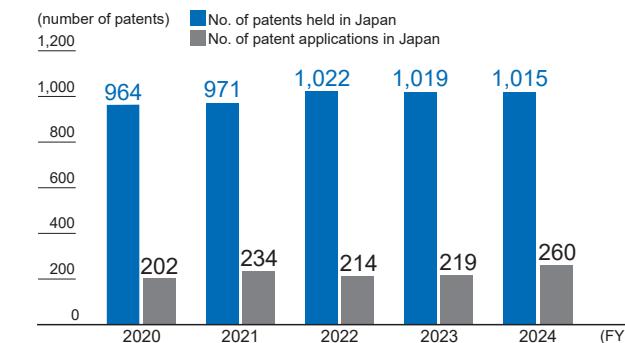
Although the employment rate of employees with disabilities has been maintained at a certain level, it fell slightly short of the legally mandated 2.3% in FY2024. Going forward, we will further strengthen efforts to create and expand employment and active participation opportunities for people with disabilities.

Number of Domestic and Overseas Employees



As a result of the global expansion of manufacturing and sales bases, the 27 group companies including Nippon Kayaku Co., Ltd. (non consolidated) have a total of 5,979 employees. Twenty overseas group companies have a total of 3,245 employees, more than half of the total workforce.

Number of Patents Held / Patent Applications



We are working together with related internal departments to strategically acquire intellectual property rights that will support our business. We will continue to make greater use of intangible assets, such as by acquiring composite intellectual property, and secure long-term competitiveness.

11-Year Summary of Consolidated Financial Data

FY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Results for the year (millions of yen)											
Net sales	¥ 161,861	¥ 162,922	¥ 159,117	¥ 167,888	¥ 172,639	¥ 175,123	¥ 173,381	¥ 184,805	¥ 198,380	¥ 201,791	¥ 222,584
Cost of sales	94,664	96,653	95,253	102,475	109,461	117,059	117,067	120,837	131,627	140,490	151,102
Selling, general and administrative expenses	44,890	44,570	44,213	42,791	43,238	40,587	41,124	42,916	45,247	53,964	51,080
Operating income	22,301	21,713	19,646	22,615	19,939	17,485	15,194	21,050	21,505	7,337	20,401
Profit before income taxes	23,972	25,148	22,397	22,061	21,283	18,141	17,523	23,700	20,972	7,205	22,007
Profit attributable to owners of parent	15,653	17,291	15,635	15,488	14,851	12,815	12,574	17,181	14,984	4,113	17,508
Amounts per share (yen)											
Profit attributable to owners of parent	¥ 86.38	¥ 96.09	¥ 90.23	¥ 89.45	¥ 85.77	¥ 74.25	¥ 73.62	¥ 101.70	¥ 89.36	¥ 24.80	¥ 107.17
Cash dividend applicable to the year	25.00	30.00	30.00	30.00	30.00	30.00	30.00	40.00	45.00	45.00	60.00
Net assets	1,030.16	1,075.56	1,120.73	1,203.23	1,247.75	1,225.71	1,332.06	1,459.06	1,532.35	1,625.18	1,673.24
Year-end financial position (millions of yen)											
Current assets	¥ 141,282	¥ 151,170	¥ 153,602	¥ 157,814	¥ 161,958	¥ 153,102	¥ 156,852	¥ 175,843	¥ 186,037	¥ 203,146	¥ 206,794
Current liabilities	38,915	39,740	41,321	42,746	41,412	38,800	37,491	45,760	39,049	59,815	55,606
Working capital	102,367	111,430	112,281	115,068	120,546	114,302	119,361	130,083	146,988	143,331	151,188
Property, plant and equipment	81,576	81,040	80,230	83,228	87,246	85,960	88,980	89,060	89,259	98,638	109,317
Total assets	265,126	272,679	272,791	285,600	293,571	278,496	294,535	315,459	322,858	363,173	373,708
Total net assets	199,680	200,492	205,866	220,619	229,043	210,019	228,273	246,425	255,027	270,548	268,520
Year-end statistics											
Number of shares outstanding (thousands)	182,503	182,503	182,503	182,503	182,503	177,503	177,503	170,503	170,503	170,503	165,003
Dividend payout ratio (%)	28.9	31.2	33.2	33.6	35.0	40.4	40.7	39.3	50.4	181.4	56.0
Number of round-lot shareholders	9,257	10,815	8,629	13,048	12,437	12,090	13,748	13,051	16,684	17,173	20,458

11-Year Summary of Consolidated Financial Data

FY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Financial ratios											
Current ratio (times)	3.6	3.8	3.7	3.7	3.9	3.9	4.2	3.8	4.8	3.4	3.7
Equity ratio (%)	70.4	69.3	71.1	72.9	73.6	75.2	77.2	77.8	78.7	74.2	71.6
ROE (%)	8.9	9.2	8.2	7.7	7.0	6.0	5.8	7.3	6.0	1.6	6.5
ROA (%)	6.1	6.4	5.7	5.5	5.1	4.5	4.4	5.6	4.7	1.2	4.8
Sales by business segment (millions of yen)											
Mobility & Imaging Business Unit	¥ 55,919	¥ 59,514	¥ 59,651	¥ 65,133	¥ 68,114	¥ 64,579	¥ 57,492	¥ 63,808	¥ 71,869	¥ 81,201	¥ 91,376
Safety Systems Business	30,485	35,342	38,782	43,937	47,218	46,990	41,997	46,112	54,220	63,522	71,158
Polatechno Business	—	—	—	—	—	—	15,495	17,696	17,648	17,678	20,217
Polatechno Group	25,434	24,172	20,869	21,196	20,896	17,589	—	—	—	—	—
Fine Chemicals Business Unit	48,123	44,617	43,159	46,467	48,791	53,950	56,968	59,453	64,047	57,072	66,206
Functional Materials Business	18,559	18,398	18,914	19,794	20,217	21,073	23,759	31,068	32,301	28,724	33,222
Color Materials Business	—	21,229	20,057	21,023	22,168	26,118	22,323	22,402	21,900	21,383	25,290
Digital Printing Materials Business	12,130	—	—	—	—	—	—	—	—	—	—
Color Chemicals Business	9,909	—	—	—	—	—	—	—	—	—	—
Catalysts Business	7,525	4,990	4,188	5,650	6,406	6,759	10,886	5,983	9,844	6,855	7,693
Life Science Business Unit	57,816	58,791	56,304	56,285	55,731	56,591	58,917	61,538	62,463	63,518	65,001
Pharmaceuticals Business	48,932	50,200	47,648	47,485	46,231	47,774	50,441	52,083	51,711	52,765	53,488
Agrochemicals Business	6,696	6,519	6,572	6,735	7,460	6,820	6,444	7,404	8,701	8,705	9,478
Other	2,188	2,072	2,084	2,065	2,040	1,997	2,032	2,051	2,050	2,047	2,035
Divisional operating income by business segment (millions of yen)											
Mobility & Imaging Business Unit	¥ 11,947	¥ 11,677	¥ 11,049	¥ 10,877	¥ 10,593	¥ 7,917	¥ 4,674	¥ 7,740	¥ 8,215	¥ 8,028	¥ 13,311
Fine Chemicals Business Unit	5,342	4,236	5,821	7,591	7,292	7,603	8,008	10,107	10,221	5,183	9,899
Life Science Business Unit	11,358	12,122	9,599	10,743	8,631	8,565	9,264	10,486	10,668	2,410	6,354

Year Summary of Consolidated Non-Financial Data

FY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Environment											
Greenhouse gas emissions reduction rate (Scope 1 + 2) (% vs. FY2019)	–	–	–	–	–	0.0	9.9	14.2	17.5	21.7	15.3
Environmentally-related capital investments (billion yen)	4.9	2.4	3.2	3.5	2.9	2.0	4.3	6.7	5.3	4.9	6.2
Social											
Number of employees (consolidated, persons)	5,165	5,188	5,517	5,684	5,814	5,847	5,664	5,703	5,782	5,902	5,979
Number of overseas employees (persons)	2,442	2,465	2,808	2,994	3,122	3,174	3,001	3,047	3,121	3,198	3,245
Employee Engagement Survey Score (deviation score in comparison to industry average of 50, measured since FY2023)	–	–	–	–	–	–	–	–	–	47.1	48.4
Percentage of managers that are women (non-consolidated, %)	5.4	5.7	6.7	7.0	7.7	8.4	8.6	9.0	9.0	8.8	8.3
Childcare Leave System take-up rate (Male, %)	2.5	0	7.4	9.3	7.0	11.9	31.4	27.2	69.6	78.5	100
Childcare Leave System take-up rate (Female, %)	100	100	100	100	100	100	100	100	100	100	100
Annual Paid Leave take-up rate (%)	55.1	58.6	62.7	59.2	61.1	60.1	65.8	59.8	63.7	72.8	85.7
Rates of disabled employees (non-consolidated, %)	2.0	1.9	2.1	2.1	1.8	2.0	2.0	2.0	2.0	1.9	2.1
Number of patents held (in Japan)	928	883	877	853	902	909	964	971	1,022	1,019	1,015
Governance											
Outside Director Percentage (%) (cases)	11	11	20	22	22	33	30	33	33	40	40
Female Director Percentage (%)	0	0	0	0	0	0	0	0	0	10	10

For detailed non-financial data, please see the ESG Aggregate Data on our website.

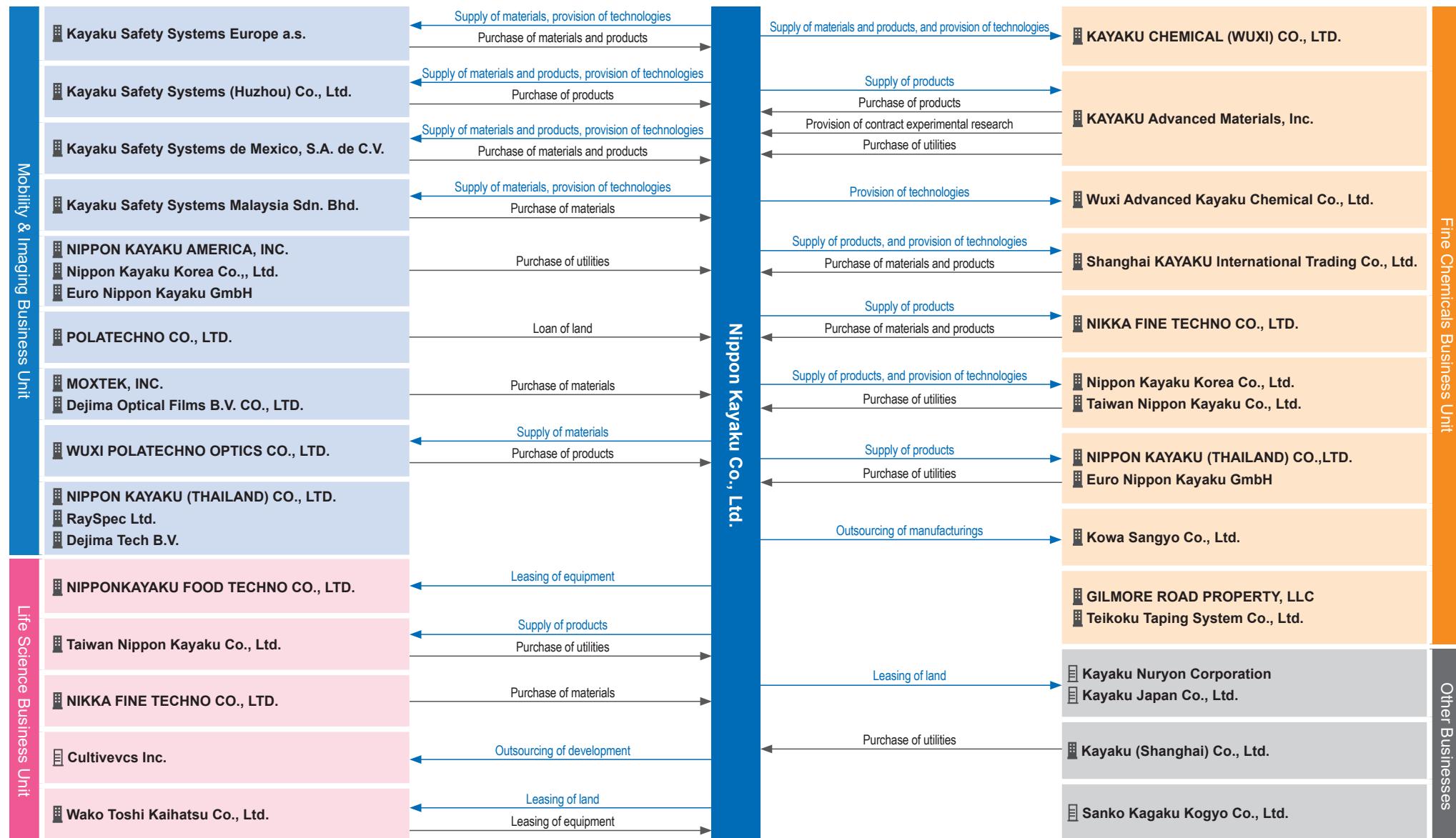
■ ESG Aggregate Data

<https://www.nipponkayaku.co.jp/english/sustainability/support/data/>

Nippon Kayaku Group Status

The Nippon Kayaku Group consists of Nippon Kayaku Co., Ltd., 36 subsidiaries, and 10 affiliated companies. An overview of the positioning of each company in relation to the business is described below.

Group Company Diagram (As of March 31, 2025)



Company Overview / Investor Information

Company Overview

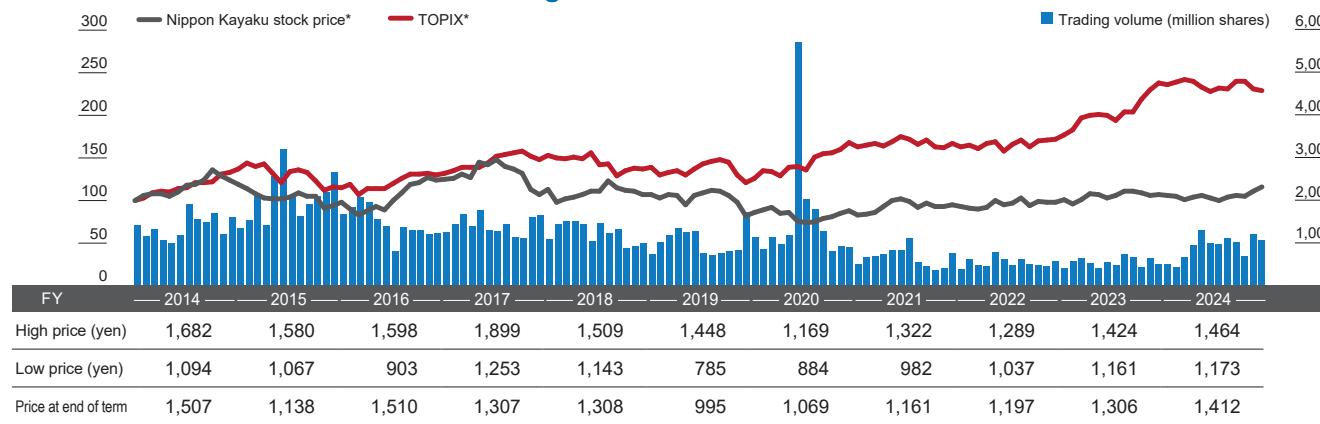
Business Name	Nippon Kayaku Co., Ltd.
Representative	Shigeyuki Kawamura, President
Foundation	June 5, 1916
Head Office Address	Meiji Yasuda Seimei Bldg., 1-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Number of Employees (as of March 31, 2025)	2,423 (non-consolidated), 5,979 (consolidated)
Banks of Accounts	Bank of MUFG Bank, Joyo Bank, Development Bank of Japan, The Norinchukin Bank

Major Shareholders (As of March 31, 2025)

Shareholders	Number of shares held (unit: thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,299	14.57
Custody Bank of Japan, Ltd. (Trust Account)	10,175	6.36
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	9,563	5.98
Kayavestor Club	5,856	3.66
MUFG Bank, Ltd.	5,090	3.18
The Joyo Bank, Ltd.	5,089	3.18
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,891	3.06
Meiji Yasuda Life Insurance Company	4,843	3.03
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	3,746	2.34
Chugai Sangyo Corporation	3,440	2.15

Notes: Nippon Kayaku owns 5,111,403 treasury shares, but is not included among the shareholders listed above. Note that the shareholder ratio is calculated using the total number of shares, excluding treasury stock.

11-Year Trend in Stock Price and Trading Volume



* The stock prices of Nippon Kayaku and TOPIX have been indexed to facilitate comparison, with the closing price from April 2014 set at 100.

Investor Information (As of March 31, 2025)

FY	April 1 to March 31
Annual Shareholders Meeting	Normally held in June
Record Date	<ul style="list-style-type: none"> Voting rights at the Annual Shareholders Meeting: March 31 Year-end dividend: March 31 Second-quarter dividend: September 30

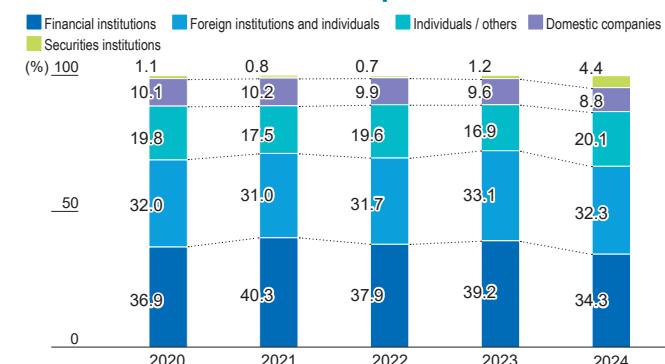
Stock Exchange Listing	Prime Market of the Tokyo Stock Exchange
Number of Common Stock	<ul style="list-style-type: none"> Authorized: 700,000,000 Issued: 165,003,570
Paid-in Capital:	¥14,932,922,842
Number of Shareholders:	27,178

Total shareholder return (TSR)

	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Total shareholder return (TSR) (%)	–	110.5	123.7	131.9	147.3	164.0
TOPIX total return index (%)	–	142.1	145.0	153.4	216.8	213.4
Highest stock price (yen)	1,448	1,169	1,322	1,289	1,424	1,464
Lowest stock price (yen)	785	884	982	1,037	1,161	1,173
Closing stock price for period (yen)	995	1,069	1,161	1,197	1,306	1,412
Annual dividend (yen)	30	30	40	45	45	60

* Total shareholder return (TSR) is the value at the end of each period from FY2019 onward if the investment had been made at the closing price for FY2019

Trend in Shareholder Composition



* Ratios are calculated based on the number of shares outstanding, excluding treasury shares.

Investor Relations
<https://www.nipponkayaku.co.jp/english/ir/>

Contact Nippon Kayaku Group IR activities administrative office
[Corporate Communications Division]
TEL: 03-6731-5237 E-mail: prir@nipponkayaku.co.jp

Global "sukima" ideas



Head Office: Meiji Yasuda Seimei Bldg., 1-1, Marunouchi 2-chome,

Chiyoda-ku, Tokyo 100-0005, Japan

<https://www.nipponkayaku.co.jp/english/>



Our Corporate Symbol:

This corporate symbol expresses the company policies of the Nippon Kayaku Group.

The space at the center represents the cosmos, world, and expanses of the Earth. The two soaring ellipses represent creativity and courage and the two circles are the confidence between Nippon Kayaku, which aspires to extraterrestrial space, and the public.



The paper version of the Nippon Kayaku Group Integrated Report 2025 is produced using environmentally friendly digital inkjet printing. For details, please refer to "Toward growth of water-based pigment inkjet inks" under the Fine Chemicals Business Unit on page 40 of this report.

I'm Kayakuma, the mascot character that's working to raise awareness of **KAYAKU spirit**, our corporate vision!

