

*NOTICE: This is a translation of a document issued in Japanese and is made solely for the convenience of the foreign readers. In case of any discrepancy between the translation and the Japanese original, the latter shall prevail.*

## Corporate Governance Report

Last Update: January 31, 2024

**Nippon Kayaku Co., Ltd.**

Representative: Atsuhiko Wakumoto, President

Contact: Ichio Kohinata

General Manager of Legal Affairs Div.

Securities Code: 4272

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

The corporate governance of Nippon Kayaku Co., Ltd. (“Nippon Kayaku”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

We recognize that fair and timely disclosure of information to all shareholders and investors and ensuring transparency in management by enhancing check functions are important to achieve our corporate vision of the KAYAKU Spirit: “Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.” We are also working to enhance and reinforce corporate governance as an important task in managing operations. We are doing this under the judgment that corporate governance through consensus-based decision-making by a Board of Directors and an Audit & Supervisory Board system is a system that enables our management to function effectively.

#### **[Reasons for Non-compliance with the Principles of Corporate Governance Code]**

We implement all the principles in the Corporate Governance Code.

#### **[Disclosure Based on the Principles of Corporate Governance Code] 【Updated】**

We have compiled our basic approaches and policies to corporate governance into our Corporate Governance Basic Policy. We have disclosed this on our website.

<https://www.nipponkayaku.co.jp/english/company/governance.html>

##### Principle 1-4: Cross-Shareholding

###### (1) Policy on Cross-shareholding

Nippon Kayaku maintains cross-shareholdings to maintain and strengthen our business relationships with business partners from the perspective of increasing the value of our company over the medium to long-term.

Each year we verify the significance of holding cross-shareholdings in individual companies at a Board of Directors meeting. Such decisions are based on the significance of shareholding from the medium to long-term perspective of increasing corporate value. We take market impact into consideration in selling cross-shareholdings in companies we have deemed unnecessary to continue holding

## (2) Standards for Exercising Voting Rights on Cross-shareholdings

When exercising voting rights, we vote to approve resolutions that will increase the value of the shares our company holds from the perspective of increasing the corporate value of the issuing company over the medium to long-term. We vote to oppose resolutions that will harm corporate value. We also engage in dialog with the issuing company regarding the contents of a resolution when necessary.

### Principle 1-7: Related Party Transactions

Nippon Kayaku has specified in the Rules of the Board of Directors that Directors require prior approval of the Board of Directors when engaging in competitive transactions or personal transactions, and must also report the results of such transactions to the Board of Directors. In addition to this process, we also verify at the end of the fiscal year whether Directors and Audit & Supervisory Board Members themselves, or close relatives within two degrees of relationship have engaged in transactions with the Nippon Kayaku Group.

The Rules of the Board of Directors specify that approval of the Board of Directors is required for important transactions with main shareholders and affiliated companies.

### Principle 2-4: Ensuring Internal Diversity Including the Promotion of Women in the Workplace

Supplementary Principle 2-4-1: Ensuring diversity in the recruitment of core Personnel, Human Resource Development Policy and Internal Environmental Improvement Policy

Views and objectives of Nippon Kayaku about ensuring diversity in the recruitment of core personnel, as well as policy for human resource development and internal environmental improvement aimed at ensuring diversity are disclosed on our website and other media.

Please refer to "III Implementation of Measures for Stockholders and Other Stakeholders" in this report for more information on the performance of women, the other country employees and mid-career recruits in promotion to management positions.

Human Resources Management

(Policies for human resource development and internal environment development)

<https://www.nipponkayaku.co.jp/english/sustainability/management/human-management/#h-02-01>

Maintaining and Expanding Employment, Developing Human Resources  
(Our Approach on Diversity, Training Programs etc.)

<https://www.nipponkayaku.co.jp/english/sustainability/social/human-resource/>

### Principle 2-6: Fulfilling the Function of Corporate Pension Asset Owner

Nippon Kayaku has established a system of management and manage terms-based defined benefit corporate pensions based on the laws and regulations governing defined benefit corporate pensions and the terms specified by our company.

- (1) To ensure proper management of pension assets and of conflicts of interest that arise between the defined benefit corporate pension plan beneficiaries and the company, we have established an Asset Management Committee that consists of members selected from our Finance and Accounting Division, Corporate Planning Division, Human Resources Management Division, and the Nippon Kayaku labor union. This committee convenes regularly.
- (2) The committee formulates the basic policy on management of pension assets and the composition of the pension asset portfolio to secure the funds to pay pension benefits over the long-term.
- (3) The Asset Management Committee retains and works together with external consultants to guarantee expertise and regularly revises the basic policy on management of pension assets and the composition of the pension asset portfolio. They also work together on monitoring and evaluating the management results, management policy, management structure, and other relevant aspects of the management firm.

## Principle 3-1: Full Disclosure

### Supplementary Principle 3-1-3: Implementing Sustainability

- (1) Company Objectives (Business Principles, etc.), Business Strategies, Business Plans, Sustainability and Investments in Human Capital and Intellectual Property.

We have disclosed our corporate vision of the KAYAKU Spirit, our Sustainable Management Basic Policy (e.g., business strategies and mid-term business plan), implementing sustainability and Investments in Human Capital and Intellectual Property on our website.

#### Corporate Vision

<https://www.nipponkayaku.co.jp/english/company/vision/kayakuspirit.html>

#### Sustainable Management Basic Policy

<https://www.nipponkayaku.co.jp/english/sustainability/management/spirit/>

#### Business Strategy

<https://www.nipponkayaku.co.jp/english/ir/managementpolicy/strategy.html>

#### Sustainability information

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

#### Human Capital

<https://www.nipponkayaku.co.jp/english/sustainability/management/human-management/#h-02-01>

#### Intellectual Property

<https://www.nipponkayaku.co.jp/english/rd/ip.html>

#### Date Summary

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

#### Disclosure of climate change-related risks and opportunities

In March 2022, Nippon Kayaku agreed with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). We conduct yearly scenario analysis of the business fields believed to present the greatest climate-related risks and opportunities to Nippon Kayaku Group's business activities, management strategy, and financial planning. We disclose the results of the analysis, our goals, and our progress toward these goals on our website.

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

- (2) Basic Views and Guidelines on Corporate Governance

Please refer to "I-1. Basic Views" in this report for our basic views on corporate governance.

- (3) Board Policies and Procedures in Determining the Remuneration of Senior Management and Directors

The Nomination & Remuneration Advisory Committee deliberates the remuneration determination policy and procedures for executive management in response to inquiries from the Board of Directors.

The committee reports its findings to the Board of Directors and then a resolution is made by the Board of Directors. In addition, the policy and procedure for determining remuneration of Directors is described in "II-1. Matters Concerning Organizational Structure, Organizational Operation, etc. [Relating to Director Remuneration] Nature of Disclosure of the Policy for Determining the Amount of Remuneration and the Method for Calculating Remuneration." Please refer to this.

- (4) Board Policies and Procedures for the Appointment and Dismissal of Senior Management and Nomination of Candidates for Director and Audit & Supervisory Board Member

The Nomination & Remuneration Advisory Committee deliberates the selection of candidates for Directors and Audit & Supervisory Board Members, the dismissal of Directors and Audit & Supervisory Board Members, and the selection and dismissal of Representative Directors in response to inquiries from the Board of Directors. The committee reports its findings to the Board of Directors and then a resolution is made by the Board of Directors.

(5) Explanation of Individual Dismissals and Nominations Based on Provision (4), above

The reasons for nominating candidates for Director and Audit & Supervisory Board Member positions or for proposing dismissal of a Director or Audit & Supervisory Board Member at the Shareholders Meeting are disclosed in the reference materials for the Shareholders Meeting. Please refer to the Notice of the 166th General Meeting of Shareholders published on our website for the details of that.

<https://www.nipponkayaku.co.jp/english/ir/stock/meeting.html>

In addition, we have published the reasons for selecting the Outside Audit & Supervisory Board Members in “II 1. Organizational Composition and Operation. [Director Remuneration]” in this report, so please refer to that.

Supplementary Principle 4-1-1: Scope of Delegation to Management Personnel

Matters to be referred to the Board of Directors are clearly set forth in the Rules of the Board of Directors, based on laws and regulations, the Articles of Incorporation, and other rules. Nippon Kayaku has also set forth the Rules on Duties and Authority, which clearly specify the scope of duties and authority that can be delegated to management personnel. The Board of Directors decides management policy, business strategy, and proposals, and other matters important to operational execution, and also requests reports to the Board of Directors on the status of operational execution to supervise whether the operations delegated to management have been executed properly.

Principle 4-9: Independence Standards and Qualification for Independent Directors

Nippon Kayaku has set for the following independence standards of outside officers (Outside Directors and Outside Audit & Supervisory Board Members). The outside officer concerned is judged to be independent of the company if he or she does not constitute any of the following:

- (1) A supplier who sees Nippon Kayaku and important subsidiaries of Nippon Kayaku (hereafter, “the Nippon Kayaku Group”) as a main customer, or a person who is an executive director, executive officer, or other employee of the parent company or main subsidiaries of that supplier (hereafter, “executive”)
- (2) A main customer of Nippon Kayaku or an executive at that customer
- (3) An executive at a main financial institution from which the company borrows or the parent or a subsidiary of that financial institution
- (4) An attorney, certified public accountant (CPA), licensed tax accountant or other consultant who has received funds or other assets exceeding a certain amount, other than officer remuneration, from the Nippon Kayaku Group (the person affiliated with the group when the entity receiving the assets is a corporation, association, or other group)
- (5) A person who has received donations or aid exceeding 10 million yen a year from Nippon Kayaku (an executive of the group when the entity receiving the donation or aid is a corporation, association, or other group)
- (6) A main shareholder of the Nippon Kayaku Group or an executive of that shareholder
- (7) A company that has accepted directors from the Nippon Kayaku Group or an executive of the parent company or a subsidiary of that company
- (8) A person who constituted (1) through (7), above, in the past five years
- (9) The spouse or close relatives within two degrees of relationship of that person when the person who constitutes (1) through (8), above, is a person in an important position
- (10) The spouse or close relatives within two degrees of relationship of the person when the person is a director, executive officer, or manager of Nippon Kayaku or a subsidiary of Nippon Kayaku

(Notes)

1. “Important subsidiaries of Nippon Kayaku” in (1) refer to subsidiaries that comprise 20% or more of any one of Nippon Kayaku’s (non-consolidated) sales, total assets, income, or borrowings in the most recent fiscal year.  
“A supplier who sees the Nippon Kayaku Group as a main customer” refers to a “supplier who received payment of 2% or more of that entity’s annual consolidated sales for the most recent fiscal year from the Nippon Kayaku Group.”
2. “A main customer of Nippon Kayaku” in (2) refers to “a customer who paid Nippon Kayaku 2% or more of Nippon Kayaku’s annual consolidated sales for the most recent fiscal year.”
3. “Main financial institution” in (3) refers to “an entity that lends an amount equaling 2% or more of Nippon Kayaku’s consolidated assets for the most recent fiscal year to Nippon Kayaku
4. “A certain amount” in (4) refers to whichever is higher of “10 million yen a year” or “2% of the annual sales of an attorney or the corporation, association or other organization to which the attorney belongs.”
5. “Main shareholder” in (6) refers to a shareholder who holds 10% or more of the voting rights (including both direct and indirect ownership).
6. “A person in an important position” in (9) refers to employees who are directors (excluding outside directors), executive officers, persons responsible for operational execution, or upper level management of department manager or above, as well as attorneys affiliated with the law firm who have a position of partner or greater; CPAs affiliated with the accounting firm who have a position of partner and employee or higher; trustees, directors, auditors, or other officers affiliated with a foundation, incorporated organization, educational corporation or other corporation; and other persons reasonably and objectively judged to be of similar importance.

Principle 4-10-1: Use of optioned organizations

Nippon Kayaku establishes Nomination & Remuneration Advisory Committee as Optional Committees. The Nomination & Remuneration Advisory Committee is comprised of six Directors (including four outside 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.

As this committee consist of more than half of the independence outside directors, we think independence of the committee can be guaranteed.

Principle 4-11: Views on the Composition of the Board of Directors

Supplementary Principle 4-11-1: Identifying the skills, Independent outside directors with management experience at other companies.

Nippon Kayaku has set the maximum number of Directors at 10 to achieve effective execution of roles and responsibilities and facilitate rapid decision-making in management by the Board of Directors. In addition to requiring a certain number of people who are well-versed in the business of our company and its issues, we also think it important to ensure diversity in the knowledge, experience, and skills of Board of Directors members in order to ensure the independence and objectivity of the Board of Directors.

In the Nomination and Remuneration Advisory Committee, we identify the skills of directors that we need in light of our management strategy and report to Board of Directors.

Please refer to "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report for information on independent outside directors with management experience at other companies.

We have disclosed the Skills Matrix on our website  
<https://www.nipponkayaku.co.jp/english/company/governance.html>

#### Supplementary Principle 4-11-2: Status of Concurrent Postings of Directors and Audit & Supervisory Board Members

Nippon Kayaku discloses the status of concurrent positions that Directors and Audit & Supervisory Board Members hold as officers in other listed companies in business reports, reference documents for the Shareholders Meeting, and securities reports on an annual basis.

#### Supplementary Principle 4-11-3: Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

In January 2023, Nippon Kayaku has conducted a survey of all our Directors and Audit & Supervisory Board Members on the effectiveness of the Board of Directors for the fiscal year 2022. In this survey, self-assessment on the Board of Directors' structure, functions and management as well as information provision to our Outside Directors and Outside Audit & Supervisory Board Members, and unreserved opinion regarding the Board of Directors were provided so that the Board of Directors has analyzed and evaluated the result of the survey. In this analysis and evaluation, we found relative improvements in the evaluation results, which are attributed to various improvements that we have achieved in our action plans.

With this analysis, we have confirmed that the Board of Directors is totally working effectively by fulfilling its role and responsibilities. However, as we have also recognized that there are some open issues that the Board of Directors is supposed to resolve, such as ensuring diversity in the core members of the Board of Directors, discussions on policies for human resource development and internal environment development which are carried forward from the last fiscal year, and actions to enhance discussions on management strategies to set agendas necessary for business decisions to be made by the Board of Directors, we have compiled a new action plan for the Board of Directors in the fiscal year 2023 at the Board of Directors meeting held on March 2023 and steadily implemented the action plan since April 2023.

We will also continue efforts to improve the effectiveness of the Board of Directors in the future.

#### Supplementary Principle 4-14-2: Policy on Training Directors and Audit & Supervisory Board Members

Nippon Kayaku conducts training for Directors and Audit & Supervisory Board Members when they assume office to educate them on the roles and responsibilities expected of Directors and Audit & Supervisory Board Members of a listed company, related laws and regulations, and compliance. We also provide opportunities that enable the officers themselves to engage in training or continuing education to acquire knowledge in areas other than the sectors they have learned through operations after assuming office.

We provide sufficient explanation of our business, performance, organization and other aspects to Outside Directors and Outside Audit & Supervisory Board Members, and provide opportunities for them to tour main business locations.

#### Principle 5-1: Policy for Constructive Dialog with Shareholders

Nippon Kayaku promotes constructive dialog with shareholders and investors while also disclosing information to shareholders and investors in a timely and fair manner. We are aiming to achieve sustainable growth and increase the value of the company over the medium to long-term by doing so.

We have appointed an officer in charge of IR as the chief person responsible for all dialog with shareholders and investors. The Public Relations & Investor Relations Division, which is the division in charge, communicates with the relevant internal divisions, and works to engage in dialog with shareholders and investors by holding regular briefings on financial results and other means.

We also work diligently to manage information so that it is not provided only to some people when engaging in dialog with shareholders and investors, and report the opinions and comments gleaned from such dialog to executive management on a regular basis

**【Action to Implement Management that is Conscious of Cost of Capital and Stock Price】**

Based on the basic strategies of our mid-term business plan, KAYAKU Vision 2025, we are addressing five key company-wide material issues (materiality), strengthening profitability, improving capital efficiency and contributing to a sustainable society, aiming to realize management that is conscious of cost of capital and stock price. For more details, please refer to the link below.

Presentation materials for mid-term business plan

[https://ssl4.eir-parts.net/doc/4272/ir\\_material\\_for\\_fiscal\\_ym14/118572/00.pdf](https://ssl4.eir-parts.net/doc/4272/ir_material_for_fiscal_ym14/118572/00.pdf)

Presentation materials for the consolidated financial results for the third quarter of the fiscal year ending March 31, 2024

[https://ssl4.eir-parts.net/doc/4272/ir\\_material\\_for\\_fiscal\\_ym14/148906/00.pdf](https://ssl4.eir-parts.net/doc/4272/ir_material_for_fiscal_ym14/148906/00.pdf)

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
----------------------------	---------------

### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	22,733,500	13.33
NORTHERN TRUST CO., (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	14,209,400	8.33
Custody Bank of Japan, Ltd. (Trust account)	11,763,900	6.89
Kayavestor Club	6,188,100	3.62
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	5,991,400	3.51
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	5,150,000	3.02
MUFG Bank, Ltd.	5,090,000	2.98
The Joyo Bank, Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	5,089,000	2.98
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	4,843,482	2.84
NORTHERN TRUST CO., (AVFC) RE NON TREATY (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	4,595,927	2.69

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

### Supplementary Explanation

- Report of Possession of Large Volume was submitted by MUFG Bank, Ltd. and its co-owners of Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd., Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and MU Investments Co., Ltd. on September 20, 2022. However, we were not able to confirm the actual number of shares they own. Therefore, this is not included in the above status of major shareholders.
- Report of Possession of Large Volume was submitted by MUFG Bank, Ltd. and its co-owners of Mitsubishi UFJ Trust and Banking Corporation, Mitsubishi UFJ Kokusai Asset Management Co., Ltd. on April 17, 2023. However, we were not able to confirm the actual number of shares they own. Therefore, this is not included in the above status of major shareholders.



### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (Consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

-

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	10
Outside Director Election Status	Elected
Number of Outside Directors	4
Number of Independent Directors	4

#### Outside Director's Relationship with Nippon Kayaku (Part 1)

Name	Attribute	Relationship with Nippon Kayaku*											
		a	b	c	d	e	f	g	h	i	j	k	
Yo Ota	Attorney											△	
Yasuyuki Fujishima	From another company									△			
Seiichi Fusamura	Attorney												
Ikuko Akamatsu	CPA							△					

\* Categories for "Relationship with Nippon Kayaku"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of Nippon Kayaku or its subsidiaries
- Non-executive director or executive of the parent company of Nippon Kayaku
- Executive of a fellow subsidiary company of Nippon Kayaku
- A party whose major client or supplier is Nippon Kayaku or an executive thereof
- Major client or supplier of the listed company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Nippon Kayaku besides remuneration as a Director/Audit & Supervisory Board Member
- Major shareholder of Nippon Kayaku (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of Nippon Kayaku (which does not correspond to any of d, e, or f) (The director himself/herself only)
- Executive of a company, between which and Nippon Kayaku outside directors/ Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from Nippon Kayaku (the director himself/herself only)
- Others

Outside Director's Relationship with Nippon Kayaku (Part 2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Yo Ota	○	Mr. Yo Ota previously served concurrently as a professor at The University of Tokyo, with which Nippon Kayaku has transactions involving monetary donations and research contracts. However, he resigned his position at the university in March 2016.	Mr. Yo Ota possesses extensive knowledge and experience as an attorney, and is very knowledgeable in corporate legal affairs. He has served as an Outside Audit & Supervisory Board Member and is well-versed in the internal business of Nippon Kayaku. He has been elected as an Outside Director because we expect that he will enhance the supervisory function in the Board of Directors and have judged his election as an Outside Director to be appropriate. Furthermore, we have judged him to pose no potential for conflict with general shareholder interests, and have designated him as an Independent Officer.
Yasuyuki Fujishima	○	Mr. Yasuyuki Fujishima was affiliated with Sojitz Corporation, with which Nippon Kayaku transacts business. However, he resigned from Sojitz Corporation in March 2010.	Mr. Yasuyuki Fujishima possesses extensive knowledge and experience as a manager at a general trading company. We expect to him to provide advice on all aspects of management of Nippon Kayaku, and have therefore judged his election as an Outside Director to be appropriate. Furthermore, we have judged him to pose no potential for conflict with general shareholder interests, and have designated him as an Independent Officer.
Seiichi Fusamura	○		Mr. Seiichi Fusamura can provide advice on the management in general of Nippon Kayaku based on his wealth of experience in judicial organs and his high level of insight cultivated as a legal expert. Therefore, we have judged his election as an Outside Director to be appropriate. Furthermore, we have judged him to pose no potential for conflict with general shareholder interests, and have designated him as an Independent Officer.
Ikuko Akamatsu	○	Ms. Ikuko Akamatsu was affiliated with Ernst & Young ShinNihon LLC, which is the financial auditor for Nippon Kayaku, but he resigned his position in October 2010.	Ms. Ikuko Akamatsu possesses extensive experiences and expertise as a Certified Public Accountant and Certified Fraud Examiner, and we're expecting her to provide advice on all aspects of management of Nippon Kayaku, we have elected her as an Outside Director in light of and judging from her competence. Furthermore, we have judged her to pose no potential for conflict with general shareholder interests, and have designated her as an Independent Officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
---	-------------

Status of the Establishment of Optional Committees, Composition of Members and Attributes of the Chair

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Advisory Committee	Nomination & Remuneration Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
External Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The Nomination & Remuneration Advisory Committee is comprised of at least three 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.

This committee was established on June 25, 2020. Currently, it is comprised of six members: the President, the Director in charge of Human Resources Division and Legal Affairs Division, and four Independent an Outside Directors.

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, the financial auditor, and the Internal Audit Division

The Audit & Supervisory Board Members has been working to facilitate better communications, gather information and improve the effectiveness and efficiency of audits through practices such as exchanging information with the Audit Division once every three months.

They have been also holding meetings on J-SOX audit evaluations twice a year with the J-SOX department of the Audit Division. In addition, they and those who are in charge of compliance and risk management of the Internal Control Management Division have been holding regular information exchange meetings once every three months and cooperate with each other.

The Audit & Supervisory Board Members receive the audit plans formulated by the financial auditors at the beginning of the period; work to ensure communication of intent with the financial auditors by exchanging opinions during the period, being present for inventory at the end of the period, and other means; and receive reports on and explanations of quarterly reviews and the results of the audit of financial statements at the end of the fiscal year from the financial auditors.

The Audit & Supervisory Board Members receive the audit reports produced for each audit performed by the Audit Division, which is the internal audit division, based on the audit plans for the fiscal year. Accounting auditors and the J-SOX department of the Audit Division has been regularly exchanging information and working closely. As described above, the Audit & Supervisory Board Members, the Accounting Auditors and the Internal Auditing Division cooperate with each other to improve the effectiveness and efficiency of audits.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with Nippon Kayaku (Part 1)

Name	Attribute	Relationship with Nippon Kayaku*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Katsuji Higashi	CPA								△					
Yasuhiro Osaki	Academic													
Ichiro Wakasa	From another company										△			

\* Categories for "Relationship with Nippon Kayaku"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of Nippon Kayaku or its subsidiaries

b. Non-executive director or accounting advisor of Nippon Kayaku or its subsidiaries

c. Non-executive director or executive of the parent company of Nippon Kayaku

d. Audit & Supervisory Board Member of the parent company of Nippon Kayaku

e. Executive of a fellow subsidiary company of Nippon Kayaku

f. A party whose major client or supplier is Nippon Kayaku or an executive thereof

g. Major client or supplier of Nippon Kayaku or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from Nippon Kayaku besides remuneration as an Audit & Supervisory Board Member

i. Major shareholder of Nippon Kayaku (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of Nippon Kayaku (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company which engages in the mutual appointment of Outside Directors/Audit & Supervisory Board Members with Nippon Kayaku (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from Nippon Kayaku (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with Nippon Kayaku (Part 2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Katsuji Higashi	○	Mr. Katsuji Higashi was affiliated with Ernst & Young ShinNihon LLC, which is the financial auditor for Nippon Kayaku, but he resigned his position in August 2014.	We elected Mr. Katsuji Higashi because we believe that the insight, expert knowledge, and experience he has developed as a Certified Public Accountant will prove useful in the audit and supervisory system of Nippon Kayaku and make him an appropriate choice for Outside Audit & Supervisory Board Member. Also we have determined that he poses no risk of conflict with the interests of general shareholders and have designated him as an Independent Officer.
Yasuhiro Osaki	○		Mr. Yasuhiro Osaki possesses insight and expert knowledge and experience as a university professor. He also has a thorough knowledge of corporate legal affairs which we believe will prove useful in our audit and supervisory system. We have therefore judged him appropriate as an Outside Audit & Supervisory Board Member and have elected him to this position. We have also determined that he poses no risk of conflict with the interests of shareholders and have designated him as an Independent Officer.
Ichiro Wakasa	○	Mr. Ichiro Wakasa served as a director at Meiji Yasuda Life Insurance Company, which is in business (e.g., money borrowing) with Nippon Kayaku. However, he resigned his position in July 2014. Loans from the company accounted for around 6% of total loans outstanding for Nippon Kayaku as of March 31, 2023.	Mr. Ichiro Wakasa's experience as a manager at a life insurance company has given him thorough knowledge of business management and we have therefore elected him as an Outside Audit & Supervisory Board Member because we believe that his experience is appropriate. We have also determined that he poses no risk of conflict with the interests of shareholders and have designated him as an Independent Officer.

**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	7
---	---

Matters relating to Independent Directors/Audit & Supervisory Board Members

None

## [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration, Other
----------------------------------	--

Supplementary Explanation

Nippon Kayaku eliminated the officer retirement bonus system, which was heavily based on years of service, and adopted a system linking bonuses to consolidated business performance in August 2005 in order to clarify the responsibility of directors for results and improve fairness and transparency. We introduced a transfer restricted stock remuneration system in June 2021. This is a remuneration system that allocates our common shares with a certain transfer restriction period and provisions such as the grounds for free acquisition by us. The system of remuneration for Directors consists of a monthly wage a bonus linked to consolidated business performance and Restricted stock compensation plan. (Excluding outside directors)

Recipients of Stock Options	None
-----------------------------	------

Supplementary Explanation

None

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors
--	--------------------

Supplementary Explanation

The total remuneration for Directors of 410 million yen for 9 Directors in fiscal year ended March 2023. This includes a provision for directors' retirement benefits during the period. In addition to this, the amount of the reversal of provision for performance-linked bonuses recorded as expenses in the previous fiscal year is 13 million yen.

The amount of remuneration for Directors is disclosed in the Business Report and in the Annual Securities Report, which are posted on our website at: <https://www.nipponkayaku.co.jp/english/>. Directors receiving remuneration and bonuses totaling 100 million yen or more are listed separately in the Annual Securities Report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
--	-------------

## Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Nomination & Remuneration Advisory Committee with independent Outside Directors comprising the majority of its members shall deliberate matters relating to the remuneration of the Directors in response to inquiries from the Board of Directors. The committee shall make a report on this to the Board of Directors. At the Board of Directors held on June 25, 2021, Nippon Kayaku established the decision policy regarding the individual remuneration of Directors. This is to ensure the validity of those matters and transparency in the determination process.

The remuneration of Directors shall function sufficiently as an incentive to sustainably improve corporate value and to share value with shareholders toward the realization of the KAYAKU spirit that serves as our corporate vision. At the same time, it shall be a remuneration structure at a competitive level from the perspective of securing excellent personnel. Specifically, the remuneration of Directors involved in executing business activities shall consist of basic remuneration and incentive remuneration (performance-linked bonuses and stock remuneration). The remuneration of Outside Directors with a standpoint independent from business execution shall be limited to basic remuneration in view of their responsibility.

The amount of the basic remuneration of Directors involved in executing business activities shall be determined according to the total amount of the standard amount for each objective element such as whether they have the right to representation and their duties. This shall be paid as monetary remuneration on a monthly basis.

The performance-linked bonuses of individual Directors involved in executing business activities shall be based on the degree of achievement of the targets for consolidated operating income and return on equity (ROE) set at the start of the fiscal year. These bonuses shall then be calculated taking into account the business results of the departments they are responsible for and the degree of achievement of mid-to long-term key issue targets. The bonuses shall be paid in cash at a certain time after the end of every fiscal year.

Directors involved in executing business activities shall be awarded transfer restricted stock with a certain transfer restriction period at a certain time every year. This shall be done to motivate those Directors to contribute to improving mid-to long-term corporate value and shareholder value under the aim of sharing value with shareholders. The monetary remuneration credits equivalent to the stock remuneration to be awarded and the number of shares to be awarded shall be determined based on position, responsibilities, stock price and other factors.

The ratio of remuneration by type for Directors involved in executing business shall roughly be 60% for basic remuneration and 40% for incentive remuneration. This shall be determined based on position, responsibilities and other factors.

Regarding decision the content of individual remuneration for Directors, The Nomination & Remuneration Advisory Committee will consider the draft from various perspectives, such as consistency with the decision policy and report to the Board of Directors. The board of directors deliberates on the report of The Nomination & Remuneration Advisory Committee and decides the content of individual remuneration for directors.

The remuneration of Audit & Supervisory Board Members shall be limited to fixed remuneration in view of their responsibility to monitor the execution of the duties of Directors. The amount of remuneration for individual Audit & Supervisory Board Members shall be determined through discussions with those members within the range of the limit amount of remuneration a year.



**[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]**

Outside Directors attend Board of Directors meetings and other important meetings, state their opinions when appropriate, and are responsible for oversight over the management of Nippon Kayaku through attendance of management strategy meetings and discussions held with Audit & Supervisory Board Members and the Representative Directors.

Outside Audit & Supervisory Board Members attend Board of Directors meetings and other important meetings, state their opinions when appropriate, and attend management strategy meetings and discussions with the Representative Directors, enabling them to develop a grasp of and understand the management policies of Nippon Kayaku and all aspects of management. The full-time auditor also gives summary explanations of the content of the Sustainable Management Meeting, the results from audits conducted, and other matters to Outside Audit & Supervisory Board Members as needed.

[Status of Persons Who Have Resigned a Position as President and Representative Director, etc.]

Names of Consultants and Advisors Who Previously Served as President and Representative Director, etc.

Name	Position & Title	Nature of Responsibilities	Form and Conditions of Employment (Full-time, Part-time, Compensation, etc.)	Resignation Date	Term
Masanobu Suzuki	Consultant	Provides advice based on his extensive experience and knowledge at the request of the company	Part-time, compensated	June 25, 2019	One year

Total number of consultants and advisors who previously served as president and representative director, etc.

1

Other Matters

- Consultants are appointed by resolution of the Board of Directors.
- Renewal of a consultant’s term is decided by resolution of the Board of Directors.
- Consultants provide advice at the request of the company, and are not responsible for corporate management, execution of duties, or supervision.

## 2. Matters on functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### 1) Business Management Systems for Decision-making, Execution, and Supervision in Business

Nippon Kayaku has introduced an executive director system to ensure our ability to quickly address changes in the business environment and flexible execution of operations. We have clearly separated our management decision-making and supervisory functions from our operational execution functions, strengthening each of them to ensure correct decision-making and rapid operational execution.

- Board of Directors Meeting (convenes monthly)

To rapidly carry out management decision-making, we set the maximum number of Directors at 10, and are working to further strengthen our supervisory functions so that all decisions regarding important issues in our operations are made based on the rules and policies of the Board of Directors, in accordance with laws and the Articles of Incorporation. In the 166th fiscal year, discussions have taken place mainly on management strategies, business plans, financial strategies, financial closing-related matters, and personnel-related matters, as well as strategies for business areas and initiatives and progress on company-wide important issues.

As of the date of submission, the Board of Directors is comprised of 10 Directors, of which four are from outside of the company. With Atsuhiko Wakumoto, President and Representative Director, serving as the chair, the other members are Tomoo Shibuya, Yoshimi Inoue, Yoshitsugu Ishida, Masatomi Akezuma, Shigeyuki Kawamura, Yo Ota (Outside Director), Yasuyuki Fujishima (Outside Director), Seiichi Fusamura (Outside Director) and Ikuko Akamatsu (Outside Director). In addition, five (5) Audit & Supervisory Board Members attend these meetings and three (3) Executive Director with Official posts who do not concurrently serve as Directors attend these meetings as an observer.

The attendance record for the 166th Business Year was as follows: 100% (14 of 14 meetings) for Directors Atsuhiko Wakumoto, Tomoo Shibuya, Hiroshi Mikami, Yoshitsugu Ishida, Kazuto Koizumi, Masatomi Akezuma, Yasuyuki Fujishima, and Seiichi Fusamura, 85% (12 of 14 meetings) Yo Ota.

In addition, the attendance record of Audit & Supervisory Board Members was as follows: Akihiro Kojima, Megumi Machida, and Katsuji Higashi, 100% (14 of 14 meetings), Ichiro Wakasa, 100% (11 of 11 meetings), Yasuhiro Osaki, 71% (10 of 14 meeting) , Toshihiko Yamashita, 100% (3 of 3 meetings).

- Nomination & Remuneration Advisory Committee

The Nomination & Remuneration Advisory Committee is comprised of at least three 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.

- Sustainable Management Meeting (convenes weekly)

This meeting discusses and receives reports concerning important items related to management and operations. After full discussion by the Sustainable Management Meeting members, these items are decided by the Executive President, who is the meeting chairman. As of the date of submission, the Sustainable Management Meeting is comprised of nine (9) executive officers. With Atsuhiko Wakumoto, Executive President, serving as the chair, the other members are Tomoo Shibuya, Yoshimi Inoue, Yoshitsugu Ishida, Masatomi Akezuma, Shigeyuki Kawamura, Hiroshi Shimada, Shinji Inoue and Makoto Takeda. In addition, Megumi Machida, Standing Audit & Supervisory Board Member, attends these meetings as an observer.

- Executive Directors Meeting (convenes quarterly)

This meeting is chaired by the company president, and is composed of the Executive Directors (up to 25) who are in charge of the execution of operations, and who are appointed by the Board of Directors. At the meeting, Executive Directors report on the status of operational execution that are entrusted to them by the Board of Directors and the company president, as well as on other necessary items. As of the date of submission, the Executive Directors Meeting is comprised of 20 Executive Directors. With Atsuhiko Wakumoto, Executive President, serving as the chair, the other members are Tomoo Shibuya, Yoshimi Inoue, Yoshitsugu Ishida, Masatomi Akezuma, Shigeyuki Kawamura, Hiroshi Shimada, Shinji Inoue, Makoto Takeda, Tsutomu Kawamura, Kenichiro Yoshioka, Takumi Fujita, Yasuhito Kato, Hideyuki Yuya, Yoshinori Kato, Tadayuki Kiyoyanagi, Seiichiro Kodama, Yoshiki Akatani, Yuko Nagai and Atsurou Inubushi. In addition, four (4) Outside Directors and five (5) Audit & Supervisory Board Members attend these meetings as an observer.

- Management Strategy Meeting (convenes biannually)

The basic policies and business strategies of the Nippon Kayaku Group decided by the Board of Directors as well as other important matters related to general management are communicated to executive management at this meeting to ensure that everyone in the company is well-informed.

- Audit & Supervisory Board Meeting (convenes monthly)

The Audit & Supervisory Board monitors and supervises the execution of duties of the Directors from an independent perspective based on the Rules of the Audit & Supervisory Board. As of the date of submission, the Audit & Supervisory Board is comprised of five Audit & Supervisory Board Members, of which three come from outside of the company. With Megumi Machida, Standing Audit & Supervisory Board Member, serving as the chair, the other members are Yoichiro Wada, Katsuji Higashi (Outside Audit & Supervisory Board Member), Yasuhiro Osaki (Outside Audit & Supervisory Board Member) and Ichiro Wakasa (Outside Audit & Supervisory Board Member).

- The following committees have been established as one part of the corporate governance system. Committee meetings are held regularly and as needed. These committees maintain internal controls.

(1) Ethics Committee (convenes biannually)

This committee consists of a committee chair who is an executive director in charge of specific operations nominated by the president, the various business unit in the head office, and representatives from each division. The Ethics Committee determines the policies and concrete measures to take in regard to compliance with the Nippon Kayaku Group Charter of Conduct and Code of Conduct. The committee also investigates and determines how events requiring consultation and incidents that have occurred should be handled and how to prevent recurrence.

(2) Risk Management Committee (convenes biannually)

This committee consists of a committee chair who is an executive director in charge of specific operations, the various business unit in the head office, and representatives from each division. The committee chair is appointed by the president. This committee oversees the configuration of a risk management system for preventing risks that could cause substantial damage to corporate management and business activities of the Nippon Kayaku Group, responds when an emergency occurs, and manages work on damage recovery after the situation has been resolved.

▪ In addition to the above, we have set forth the Rules on Work Duties and Authority, clearly specifying the operational organization, division of duties, and the authority and responsibilities of management and supervisory positions, and have firmly established a system of accountability while also working to achieve systematic, efficient management of operations.

2) Status of Internal Audits, Audits by the Audit & Supervisory Board Members, and Audits by the Financial Auditor

Nippon Kayaku has established an Audit Division in accordance with the basic policy of building an internal control system as an organization that reports directly to the president to contribute to strengthening our corporate governance including prevention of improper acts and errors, improvement of business efficiency and asset protection, and the Audit Division has been conducting business audits of all departments and organizations, including Japanese and overseas group companies, in accordance with the annual auditing plans that has been approved at the Sustainable Management Meeting. The Audit Division has promptly reported the outcome of such audits to the Representative Directors, Audit & Supervisory Board Members and Audit & Supervisory Board. The Audit Division of responsible for internal audits is currently staffed by eight (8) persons.

The Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, scrutinize important documents, and conduct audits of the status of operational execution, and take other steps to monitor and supervise the performance of Directors' duties from an independent standpoint, based on the audit policy, audit plan, and distribution of audit operations decided by the Audit & Supervisory Board.

Nippon Kayaku has chosen Ernst & Young ShinNihon LLC as our Financial Auditor, and has established an environment for financial audits to be conducted in a fair and unbiased manner, based on the Companies Act and the Financial Instruments & Exchange Act.

The names of the CPAs who performed financial audit duties and the composition of supporting personnel who assisted in audit operations are as follows:

- 1) Names of CPAs who performed financial audit duties and the name of the audit firm with which they are affiliated
  - Names of CPAs who performed the audit (Number of continuous audit years)  
Atsushi Kasuga (1 years)  
Mikio Shimizu (1 years)
  - Name of audit firm they are affiliated with  
Ernst & Young ShinNihon LLC
- 2) Composition of support personnel who assisted with financial audit duties: 8 CPAs, 10 people who have passed the accountant examination and 17 others
- 3) Nature of the Limited Liability Agreement that non-executive Directors and Audit & Supervisory Board Members have concluded with Nippon Kayaku (agreement set forth in Article 427, Paragraph 1 of the Companies Act)

(Summary)

The liability of non-executive Directors and Audit & Supervisory Board Members for damages incurred by Nippon Kayaku as a result of negligence in their duties is limited to the amount specified in Article 425, Paragraph 1 of the Companies Act, provided that those duties were performed in good faith and did not involve gross negligence.

### **3. Reasons for Adoption of Current Corporate Governance System**

Nippon Kayaku has adopted the system described in Provision 2, above, because we believe that our management functions more effectively owing to the implementation of a corporate governance system that consists of consensus-based decision-making by a board of directors and an audit and supervisory board system.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Sent on June 6, 2023 (The Shareholders Meeting was held on June 28, 2023). The convocation notice was posted on the websites of the Tokyo Stock Exchange and Nippon Kayaku seven days before, as May 30, 2023, it was mailed.
Scheduling AGMs Avoiding the Peak Day	Held on June 28, 2023.
Allowing Electronic Exercise of Voting Rights	We have been using electromagnetic means for the exercise of voting rights since the Annual Shareholders Meeting in 2007.
Participation in Electronic Voting Platform	We have participated in the Investor Communications Japan (ICJ) platform for the electronic exercise of voting rights by institutional investors operated by ICJ since our annual Shareholders Meeting in 2007.
Providing Convocation Notice in English	The convocation notice (in the narrow sense) and supporting documentation are posted on our website.
Other	The convocation notice and notice of resolution are posted on our website.

#### 2. IR Activities

	Supplementary Explanations	Explanation by
Formulation & Disclosure of the Disclosure Policy	Please refer to our corporate website for further information on our disclosure policy: <a href="https://www.nipponkayaku.co.jp/english/ir/disclosure.html">https://www.nipponkayaku.co.jp/english/ir/disclosure.html</a>	
Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held quarterly. Briefings for 166th fiscal year were held in after financial results were announced; briefings in a conference call format were also held on July 29, 2022, and January 31, 2023, for the first, third quarters. Briefings with a combination of a meeting format with a conference call format were held on November 9, 2022, May 13, 2022 for the second, fourth quarters. The president and the director in charge of finance and accounting conducted the briefing for the second and the fourth quarter, and the director in charge of corporate strategy conducted the briefings for the first and third quarters. They explained the content of the financial statements and business conditions for the current period and the business forecasts for next period.	Yes
Posting of IR Materials on Website	Nippon Kayaku discloses IR information on our website ( <a href="https://www.nipponkayaku.co.jp/english/">https://www.nipponkayaku.co.jp/english/</a> ). Information requiring timely disclosure, and documentation used in briefings on the annual securities report, quarterly reports, and business conditions are posted on our website.	

Establishment of Department and/or Manager in Charge of IR	We have established the Corporate Communications Division as the division in charge of investor relations. The Director in charge of this division is Yoshitsugu Ishida, Senior Managing Director. The contact for IR matters is Noriko Kiyoyanagi (Tel.: 03-6731-5237).	
--	--	--

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	<p>Nippon Kayaku Group CSR Report to reflect our reporting on CSR activities that fulfill our environmental responsibilities, social and economic responsibilities as well.</p> <p>Since 2011, we have produced a digest of this in pamphlet form, have posted environmental data and examples of activities undertaken by our group under “Sustainability Information” on our website, and have produced the report in both Japanese and English (<a href="https://www.nipponkayaku.co.jp/english/">https://www.nipponkayaku.co.jp/english/</a>).</p> <p>We merged the CSR Management Committee into the Sustainable Management Meeting in June 2022.</p>
Other	<p>Nippon Kayaku has elected one female Audit &amp; Supervisory Board Member at the 164th Ordinary General Meeting of Shareholders held in June 2021 and also elected another female Independent Outside Director (Member of the Board of Director) at the 166th Ordinary General Meeting of Shareholders held in June 2023.</p> <p>Furthermore, the company has also elected another female Director on April 1, 2023 and also elected another female Standing Auditor at the Audit &amp; Supervisory Board Meeting held in June 2023.</p> <p>We have established a mechanism in our company for employees who have met certain conditions to accept the challenge of promotion to management positions upon recommendation of a superior, without regard to gender, nationality and career. The number of women accepting the challenge of promotion to management positions is increasing year after year, and we expect the percentage of women in managerial positions to rise steadily.</p> <p>As of March 31, 2023, female employees accounted for 9.0%, the other country employees accounted for 0.2% and mid-career employees accounted for 34.2% of the management positions (both on a non-consolidated basis).</p> <p>By the end of the fiscal year 2024, we are aiming for a female manager ratio of 10%, a non-Japanese manager ratio of 0.6% and a mid-career manager ratio of 38%.</p>

## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development

- 1) System to ensure that directors and employees execute their duties properly in accordance with the laws and regulations and the Articles of Incorporation
  - (1) We have established the Nippon Kayaku Group Charter of Conduct and Code of Conduct. Directors and employees shall conduct themselves in strict compliance with these.
  - (2) We have established an Ethics Committee. This committee determines the policy on observance of laws, regulations, and internal rules, and also investigates and determines how violations of laws, regulations, and internal rules should be handled, and how to prevent violations from recurring.
  - (3) We have enacted the Rules of the Ethics Committee, and revise these as appropriate.
  - (4) We have designated the Compliance Department in the Internal Control Management Division as the department in charge of compliance. This department shall formulate and implement compliance action plans, and handle administrative tasks and coordination related to management of the Ethics Committee.
  - (5) The department in charge of compliance shall conduct compliance training for directors and employees on a regular basis, and heighten awareness of and respect for compliance.
  - (6) The Audit Division has been established as the internal audit division. This division shall work together with the department in charge of compliance to audit the status of compliance with laws, regulations, and other rules.
  - (7) A compliance hotline has been established and shall be operated as a means for employees to directly report information on acts suspected of violating laws, regulations, and internal company rules.
  - (8) Acts that violate laws, regulations, and internal company rules shall be handled according to the Rules of Employment and the Disciplinary Rules.
  - (9) Sustainable Management Meeting shall configure the system for disclosure.
  - (10) We established the J-Sox Department in the Internal Control Management Division to ensure the reliability of Nippon Kayaku's financial reporting. We also regularly evaluate the management and operation of our system to ensure the reliability of our financial reporting. The results of these evaluations are reported to the company's representative directors.
- 2) System for the retention and management of information relating to the execution of duties by directors
  - (1) Retention and management of information relating to the execution of duties by directors shall adhere to the Rules on Corporate Information Management and other internal rules.
  - (2) Directors and Audit & Supervisory Board Members may view documents and other information relating to the execution of duties by directors as needed.
- 3) Rules and other systems pertaining to management of loss risk
  - (1) A Risk Management Committee has been established. This committee shall configure a system for risk management, and shall formulate plans for response during emergencies and plans to prevent recurrence.
  - (2) Rules of a Risk Management Committee and rules etc. of a Risk Management have been enacted, and these shall be revised on a regular basis.



- (3) A Risk Management Department in the Internal Control Management Division has been established as the division in charge of risk management. This department shall handle administrative tasks and coordination of matters relating to management of the Risk Management Committee.
  - (4) The Risk Management Department shall ascertain company-wide risks, establish a division responsible for each risk, and formulate the concrete response. This department shall also promptly designate the division responsible when a new risk emerges.
  - (5) The Risk Management Department shall conduct regular education and training on risk management.
  - (6) An Audit Division has been established. This division shall conduct audits relating to risk management.
- 4) System to ensure that directors execute their duties efficiently
- (1) We will formulate business plans and clarify the goals to be achieved and shall convene the Board of Directors monthly, and as needed, to make decisions on important matters concerning management and operational execution specified in the Rules of the Board of Directors.
  - (2) We have separated management decision-making and supervisory functions from operational execution functions, and shall adopt an executive director system to strengthen the functioning of each of these.
  - (3) The Sustainable Management Meeting shall discuss important matters concerning management and operational execution specified in the Rules of the Sustainable Management Meeting on a regular basis.
  - (4) The operational organization and division of duties have been set forth based on the Rules on Work Duties and Authority. These specify the person responsible as well as the scope of that person's duties, and responsibilities and authority.
- 5) System to ensure proper operation in the Nippon Kayaku Group, which consists of Nippon Kayaku, and its parent company and subsidiaries
- (1) Each subsidiary shall formulate a Charter of Conduct and a Code of Conduct, and comply with these. Nippon Kayaku shall receive reports from each subsidiary on the status of formulation of and compliance with these codes.
  - (2) We have set forth Rules on Group Management and subsidiaries shall discuss important business matters with Nippon Kayaku.
  - (3) Divisions responsible for supervising subsidiaries shall be specified, based on the Rules on Group Management. These supervisory divisions shall offer advice and cooperate on management of the subsidiary's business.
  - (4) Each subsidiary shall report on the status of operational execution, financial status, and other matters to Nippon Kayaku on a regular basis.
  - (5) A risk management system shall be set up and maintained in each subsidiary.
  - (6) A compliance hotline shall be established and operated as a means for employees of the subsidiary to report information on acts or other matters suspected of violating laws and regulations directly.
- 6) Matters concerning situations in which an Audit & Supervisory Board Member has requested assignment of an employee to assist with duties, the independence of that employee from directors, and securing the effectiveness of instructions given to the employee by the Audit and Supervisory Board Member
- (1) Audit and Supervisory Board Members may request things necessary to the performance of their duties from the Audit Division.

- (2) Employees who have received the requests noted above from an Audit & Supervisory Board Member via the Audit Division may not accept orders from directors and superiors in regard to such requests.
  - (3) The company shall discuss transfer of employees who assist with or should assist with duties of Audit & Supervisory Board Members with the board member concerned.
- 7) System for directors and employees to report to Audit & Supervisory Board Members and system for other reports to Audit & Supervisory Board Members
  - (1) Audit & Supervisory Board Members may attend the Sustainable Management Meetings, Management Strategy Meetings, and other important meetings and may state their opinions.
  - (2) Directors and employees shall report to Audit & Supervisory Board Members via the hotline or other means when circumstances that will cause the company to incur a substantial loss or has the potential to do so arise, when directors and employees have discovered an illegal or fraudulent act, or when some other event specified as reportable by Audit & Supervisory Board Members occurs.
  - (3) Individuals who have made a report to an Audit & Supervisory Board Member as detailed above shall not be subjected to disadvantageous treatment for making such reports.
  - (4) The Audit Division shall report the results of internal audits to the Audit & Supervisory Board Members.
8. System for ensuring that other audits by Audit & Supervisory Board Members are conducted effectively
  - (1) The company shall strive to establish an environment for audits by Audit and Supervisory Board Members that will enable directors and employees to provide Audit & Supervisory Board Members with corporate information without delay when they make such a request.
  - (2) Audit & Supervisory Board Members shall meet regularly with representative directors to exchange opinions and shall strive to work together with the Audit Division.
  - (3) The company shall ensure that Audit & Supervisory Board Members have the opportunity to consult with experts on matters requiring a high degree of legal and accounting expertise.
  - (4) The company shall assume the expenses related to the duties of Audit & Supervisory Board Members, based on invoices from Audit & Supervisory Board Members.

## 2. Basic Views on Eliminating Anti-Social Forces

The company has declared that “Nippon Kayaku has a stringent attitude against antisocial forces and organizations, and does not consider unreasonable and illegal demands” in the Nippon Kayaku Group Charter Code of Conduct, and this Nippon Kayaku Group Charter of Conduct is posted on our company website. We have also designated the Legal Affairs Division as the division in charge of response. This division will strive to routinely gather information from the local community, law enforcement, and other relevant organizations and shall configure a structure that will enable swift response in concert with law enforcement, legal counsel, and other external specialist organizations when an incident occurs.

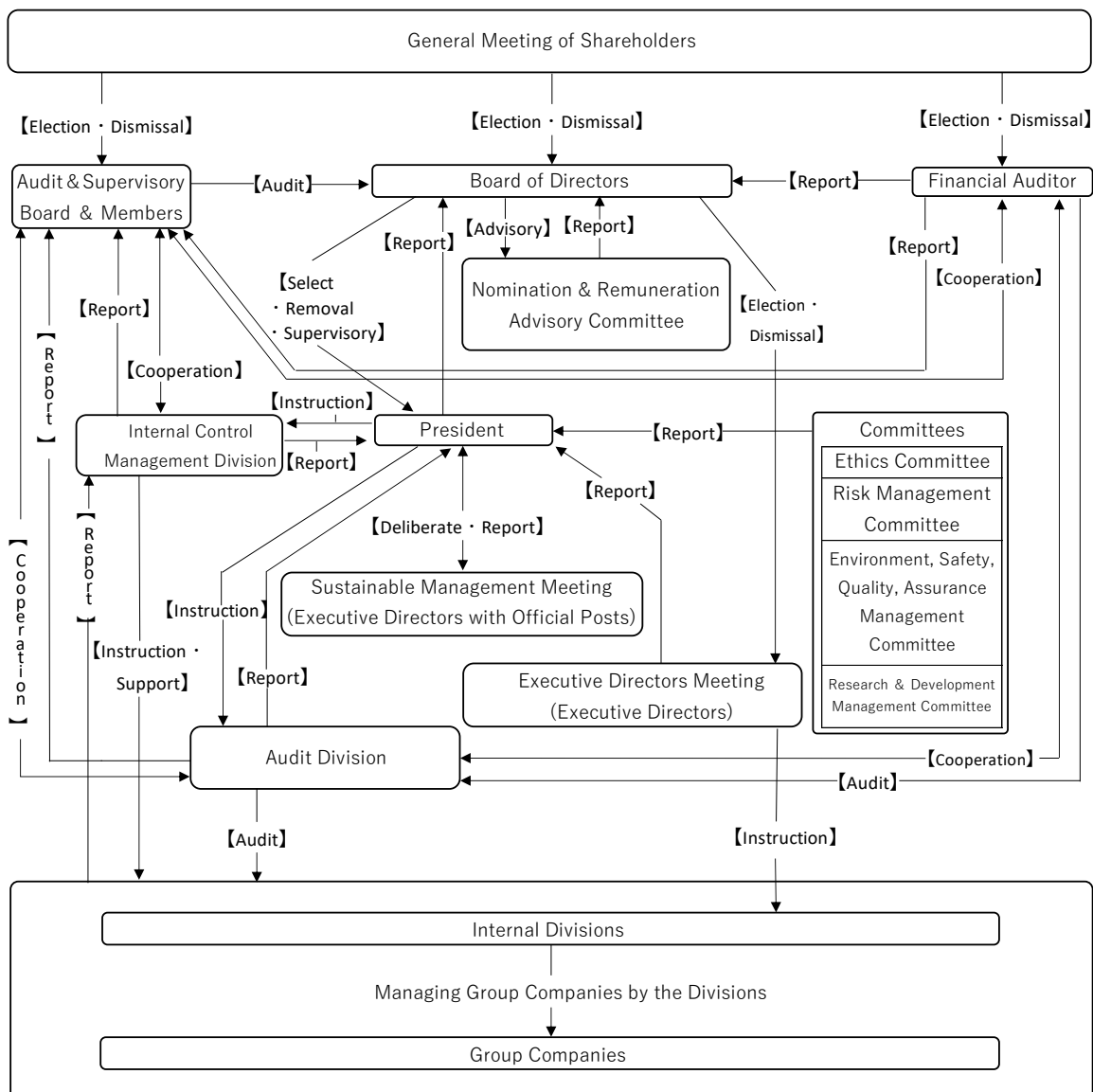
## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
None	

### 2. Other Matters Concerning to Corporate Governance System

None
------



Flow of Information requiring Timely Disclosure

