

## Section 1: General Rules

### 1. Purpose (Principle 3-1 (i))

Nippon Kayaku shall establish a Basic Corporate Governance Policy (hereinafter “the Policy”) to realize sustainable growth and increase the value of the company over the medium- to long-term based on our corporate vision of the KAYAKU Spirit.

KAYAKU Spirit: “Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences”

### 2. Basic Views on Corporate Governance (Principle 3-1 (ii))

Nippon Kayaku shall 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. We shall also work to enhance and reinforce corporate governance as an important task in managing operations. We shall do this 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.

## Section 2: Relationship with Shareholders

### 3. Ensuring the Rights and Equality of Shareholders (Basic Principle 1)

#### (1) Ensuring the Rights of Shareholders (Principle 1-1)

Nippon Kayaku shall aim to ensure the substantial rights of all shareholders and the equality of all shareholders – including minority shareholders and foreign shareholders. To that end, we shall take appropriate measures to allow shareholders to exercise their votes by striving to devise shareholder meeting operation and voting methods and to develop an environment that includes the information disclosure in our basic policy of capital measures.

(i) The Board of Directors shall review the most recent Annual Shareholders Meeting to analyze the causes of proposals that received a considerable number of votes against them every year.

(Supplementary Principle 1-1 (i))

(2) Exercising of Rights at Annual Shareholders Meetings (Principle 1-2 and Supplementary Principle 1-2 (i), (ii), (iii) and (iv))

Nippon Kayaku shall hold an Annual Shareholders Meeting in June every year as one opportunity to communicate with our shareholders. We shall set the date of this meeting to one that is not on a day when many other companies hold their shareholders meetings. This shall be to make it easier for shareholders to attend our Annual Shareholders Meeting. Furthermore, we shall visualize the convocation notice, provide the convocation notice in English on TDnet and our website, and send and electronically disclose the convocation notice at an early stage. The aim of this shall be to convey business reports and agenda items to our shareholders in a way that is even easier to understand and even faster. Moreover, we shall introduce a system to vote electronically using the Internet including an electronic voting platform in addition to allowing voting in writing. With this, we shall develop an environment in which shareholders can vote more easily.

(3) Basic Policy of Capital Measures (Principle 1-3)

Nippon Kayaku shall attach great importance to returning profits to shareholders. We shall set a midterm target for our dividend payout ratio to about 40% of consolidated net income taking into consideration stable and continuous profit return and the level of our internal reserves. Moreover, we shall set and disclose capital productivity indicator targets for return on equity (ROE) in our mid-term management plan while enhancing our corporate value by allocating our internal resources to capital investment and R&D investment in growing businesses.

(4) Policy on Cross-Shareholding (Principle 1-4)

Nippon Kayaku shall check and judge that it is effective for us in the mid-term to engage in cross-shareholdings in business partners upon fully verifying their economic rationality.

(i) Policy on Cross-shareholding (Supplementary Principle 1-4 (i))

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

In the event a cross-shareholder indicates an intention to sell shares in our company, we shall not prevent such a sale.

(ii) Standards for Exercising Voting Rights on Cross-shareholdings (Supplementary Principle 1-4 (ii))

When exercising voting rights, we shall 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 shall vote to oppose resolutions that will harm corporate value. We shall also engage in dialog with the issuing company regarding the contents of a resolution when necessary.

(5) Capital Measures with the Potential to Harm the Interests of Shareholders (Principle 1-6) When implementing a capital measure with the potential to bring about a change or large-scale dilution in the right of control, Nippon Kayaku shall aim to ensure that the interests of existing shareholders are not unduly harmed. To that end, the Board of Directors shall make resolutions upon fully discussing the necessity and rationality of that capital measure. At the same time, we shall provide a clear explanation to shareholders about that capital measure.

Section 3: Appropriate Collaboration with Stakeholders Other Than Shareholders

4. Appropriate Collaboration with Stakeholders Other Than Shareholders (Basic Principle 2)

- (1) Charter of Conduct and Code of Conduct (Principle 2-2 and Supplementary Principle 2-2 (i))  
Nippon Kayaku shall establish the Nippon Kayaku Group Charter of Conduct and Code of Conduct. We shall deploy these to our company and each company in our group. At the same time, we shall give all employees a compliance questionnaire once a year and then report the results of that to the Board of Directors.

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

- (2) Issues Relating to Sustainability (Principle 2-3 and Supplementary Principle 2-3 (i))  
Nippon Kayaku shall tackle issues relating to the environment, society and governance (ESG) and sustainability to enhance our corporate value under the Mid-term CSR Action Plan. We shall do this by setting important indicators (KPI) and quantitative targets for each item. We shall then disclose the content of that on our website.

Integrated Report  
<https://www.nipponkayaku.co.jp/english/ir/library/annual/index.html>  
CSR information  
<https://www.nipponkayaku.co.jp/english/csr/index.html>

- (3) Ensuring Internal Diversity by Initiatives for Achieving SDGs Approach to Diversity & Inclusion in the Workplace(Principle 2-4 and Supplementary Principle2-4(i))  
Nippon Kayaku shall strive to ensure internal diversity by Initiatives for Achieving SDGs Approach to Diversity & Inclusion in the workplace under the Mid-term CSR Action Plan. We shall do this by setting important indicators (KPI) and quantitative targets. We shall then disclose the content of that on our website.

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

- (4) Internal Reporting System (Principle 2-5 and Supplementary Principle 2-5 (i))  
Nippon Kayaku shall set up an external reporting counter in an attorney's office. This counter shall be independent from executive management (executive directors and executive officers) as a mechanism to appropriately deal with inquiries and reports relating to organizational or personal violations of laws/ordinances from employees of our company, our group companies, our subcontractors and business partners providing temporary employee placement. Through this, we will shall aim to detect wrongdoing at an early stage and then correct it. In addition, the Rules of Nippon Kayaku Group Whistleblowing System shall stipulate that information providers shall remain anonymous and that it shall be prohibited from treating them disadvantageously.

- (5) Fulfilling the Function of Corporate Pension Asset Owner (Principle 2-6)  
Nippon Kayaku shall establish and manage as follows a system of management for the defined benefit corporate pensions specified by our company based on the laws/ordinances governing defined benefit corporate pensions and the company pensions regulations established by our company.
- (i) To ensure proper management of pension assets and of conflicts of interest that arise between the defined benefit corporate pension plan beneficiaries and our company, we shall establish 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 shall convene regularly.

- (ii) The committee shall formulate 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.
- (iii) The Asset Management Committee shall retain and work together with external consultants to guarantee expertise and shall regularly revise the basic policy on management of pension assets and the composition of the pension asset portfolio. The committee shall also work together on monitoring and evaluating the management results, management policy, management structure, and other relevant aspects of the management firm.

#### Section 4: Ensuring Appropriate Information Disclosure and Transparency

##### 5. Ensuring Appropriate Information Disclosure and Transparency (Basic Principle 3 and Supplementary Principle 3-1 (i), (ii) and (iii))

Nippon Kayaku shall establish an Information Disclosure Committee to ensure we continue to be trusted by all of our stakeholders and to have a presence needed by society. At the same time, we shall establish a disclosure policy. With this, we shall disclose accurate, easy-to-understand and useful information to shareholders, investors and other stakeholders in a timely, fair and impartial manner. Moreover, we shall disclose information in English as necessary.

###### (1) Full Disclosure (Principle 3-1 (i) to (v))

- (i) Company Objectives (Business Principles, etc.), Business Strategies, Business Plans and Sustainability

Nippon Kayaku shall disclose our corporate vision of the KAYAKU Spirit, Management Policy (e.g., Business Strategy and Mid-term Business Plan) and Implementing sustainability on our website.

Corporate Vision KAYAKU spirit

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

Management Policy (Business Strategy, Mid-term Business Plan, etc.)

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

CSR information

<https://www.nipponkayaku.co.jp/english/csr/index.html>

- (ii) Basic Views and Guidelines on Corporate Governance

Nippon Kayaku shall establish our Basic Views on Corporate Governance in the Policy.

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

We shall determine the remuneration determination policy and procedures for executive management in 6 (2) (ii) and (iii) in Section 5 of the Policy. We shall adopt performance-based bonuses for the remuneration of executive management. Together with this, we shall set their term in office to one year. We shall do this to appropriately reflect the management responsibility of Directors.

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

We shall determine the procedures to select and dismiss executive management in 6 (3) (i) in Section 5 of the Policy.

We shall seek individuals possessing excellent character and insight both within and outside of the company as candidates for Director and Audit & Supervisory Board Member. We shall also consider elements such as the size, balance of knowledge, experience, and skills of the Board of Directors as a whole, with the criteria of performance and management ability in operations overseen for individuals from inside the company and extensive knowledge and experience in the sectors they come from for individuals outside of the company, among other factors.

(v) Explanation of Individual Dismissals and Nominations Based on Provision (iv), Above Nippon Kayaku shall disclose the reasons for proposing candidates for Director and Audit & Supervisory Board Member to the Board of Directors and in the reference materials for the Annual Shareholders Meeting in the event of dismissing a Director or Audit & Supervisory Board Member.

#### Reference Materials for the Shareholders Meeting

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

(2) External Accounting Auditor (Principle 3-2 and Supplementary Principle 3-2 (i) and (ii)) Nippon Kayaku shall appoint an Accounting Auditor. We shall then establish an environment in which the Accounting Auditor conducts audits from a fair and impartial standpoint under the Companies Act and Financial Instruments and Exchange Act.

The Audit & Supervisory Board of Nippon Kayaku shall determine the appropriateness of reappointing the Accounting Auditor every year by conducting an evaluation according to the Policies for determination of dismissal of or refusal to reelect Financial Auditor and the Standards for Evaluation and Selection of Financial Auditor established by the Audit & Supervisory Board.

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

Nippon Kayaku shall formulate a settlement schedule to ensure sufficient audit time for the Accounting Auditor. We shall then ensure that there are sufficient opportunities to exchange information with Directors, Audit & Supervisory Board Members and the internal audit divisions (Audit Division and Internal Control Management Division). In addition, we shall establish a specific response structure in the event the Accounting Auditor discovers wrongdoing or otherwise identifies defects and problems.

### Section 5: Duties of the Board of Directors

#### 6. Duties of the Board of Directors (Basic Principle 4)

Nippon Kayaku shall adopt a structure as a company with an Audit & Supervisory Board under the Companies Act.

##### (1) Roles and Responsibilities of the Board of Directors (1) (Principle 4-1)

(i) The maximum number of members on the Board of Directors shall be 10 to ensure swift management decision-making. Rules of the Board of Directors shall clearly stipulate important matters under laws/ordinances and the Articles of Incorporation relating to business execution as

agenda items for the Board of Directors. Moreover, the scope in which executive management can serve shall be clearly stipulated in Rules for Managerial Authority. The status of business execution for matters determined by the Board of Directors in regards to important matters in management policy, management strategy and business execution shall be reported to the Board of Directors as necessary under Rules of the Board of Directors. This is so that the Board of Directors can supervise whether or not the business operations delegated to executive management are being performed appropriately. (Supplementary Principle 4-1 (i))

- (ii) The Board of Directors and executive management shall disclose to shareholders the progress
  - ① of the Mid-term Business Plan and analysis results in financial results briefings, explanations at the Annual Shareholders Meetings and the Notices of the General Meeting of Shareholders. (Supplementary Principle 4-1 (ii))

#### Mid-term Business Plan

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

- (iii) In the Nippon Kayaku Group, individuals who are deemed qualified as candidates to succeed in management positions shall be provided opportunities to acquire experience in participating in management through upper level management training, experience in multiple divisions, and participation in various management meetings, including the Board of Directors, Management Meeting, Management Strategy Meeting, and Executive Directors Meeting. Candidates to succeed the president and other upper level management shall be chosen from among those individuals based on the business principles and business strategy. (Supplementary Principle 4-1(iii))
- (iv) Board of Directors will tackle sustainability issues through the implementation of CSR Management that is integrated with business strategy, and effectively supervise through the CSR Management Committee the allocation of management resources, including investments in human capital and intellectual property, and the implementation of strategies related to the business portfolio of our business vision of "Safeguard life and health" and "Support a comfortable life", in order to contribute to the sustainable growth of the company. (Supplementary Principle 4-2(ii))

#### (2) Roles and Responsibilities of the Board of Directors (2) (Principle 4-2)

- (i) Nippon Kayaku shall introduce an executive director system to ensure our ability to quickly address changes in the business environment and flexible execution of operations. We shall clearly separate 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.
- (ii) The Nomination & Remuneration Advisory Committee with independent Outside Directors comprising the majority of its members shall deliberate the remuneration of executive management in response to inquiries from the Board of Directors. The committee shall make a report on this to the Board of Directors. The Board of Directors shall then determine the remuneration of executive management with a resolution. This is to ensure the validity of the remuneration and transparency in the determination process. (Supplementary Principle 4-2 (i))

The remuneration of Audit & Supervisory Board Members shall be limited to basic 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 total amount of remuneration approved at the General Meeting of Shareholders.

(iii) 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.

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. The President may determine the amount of performance-linked bonuses for individuals within the range of the amount limit of the resolution at the General Meeting of Shareholders upon being delegated with this task by the Board of Directors.

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.

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

### (3) Roles and Responsibilities of the Board of Directors (3) (Principle 1-7 and Principle 4-3)

Nippon Kayaku shall enact a basic policy to build a system to ensure proper operation in the Board of Directors. The aim of this shall be to maintain and secure the internal control structure. We shall maintain a structure to develop internal regulations and to establish the necessary organizations under the policy. In addition, in the event a Director wishes to make a competitive transaction or self-transaction, that shall require the approval of the Board of Directors in advance. The results of that shall be reported to the Board of Directors.

(i) The Nomination & Remuneration Advisory Committee shall deliberate on the selection and dismissal of executive management and the selection and dismissal of representative directors in response to inquiries from the Board of Directors. The committee shall report its findings to the Board of Directors and then a resolution shall be made by the Board of Directors. (Supplementary Principle 4-3 (i), (ii) and (iii))

- (ii) Nippon Kayaku shall establish Internal Control Management Division and Audit Division, which are the internal audit section under the direct control of the president and establish Ethics Committee and Risk Management Committee with Internal Control Management Division as the Secretariat as an Enterprise Risk Management system.

Ethics Committee and Risk Management Committee shall be held regularly. Board of Directors shall receive periodic reports from the Directors, who are the chairs of each committee, and shall conduct the establishment of a system for internal control systems and the evaluation of internal controls. Audit Division and Internal Control Management Division shall regularly share information with Audit & Supervisory Board Members and accurately provide necessary information. (Principle 4-3(iv) and Supplementary Principle 4-13(iii))

(4) Roles and Responsibilities of the Audit & Supervisory Board and Its Members (Principle 4-4)

The Audit & Supervisory Board and its members shall make appropriate judgments from an independent and objective standpoint based on fiduciary duty to shareholders with consent pertaining to the audits on the performance of duties by Directors, and the selection, dismissal and remuneration of the Audit & Supervisory Board Members and the Accounting Auditor.

- (i) The Audit & Supervisory Board of Nippon Kayaku shall consist of five members (of these, two shall be full-time auditors and three shall be Outside Audit & Supervisory Board Members). In principle, a full-time auditor shall serve as the Chair of the Audit & Supervisory Board.

Each Audit & Supervisory Board Member shall monitor and supervise the performance of duties by Directors from an independent standpoint. They shall do this by attending meetings of the Board of Directors and other important meetings, by inspecting important documents, and by auditing the situation of business execution based on the audit policies, audit methods, audit plans and the division of duties of each Audit & Supervisory Board Member established by the Audit & Supervisory Board at the start of the term.

The full-time auditors shall attend important meetings, visit the major departments, offices and group companies, conduct interviews, and inspect records of proceedings and other important documents. Through this, they shall audit the management situation and the execution of business by Directors and Operating Officers. The Outside Audit & Supervisory Board Members shall give necessary opinions. This shall include advice by accompanying site visits and appropriately participating in meetings to exchange information with internal audit divisions (Audit Division and Internal Control Management Division) in addition to attending meetings of the Audit & Supervisory Board to receive reports on the status of these audits. (Supplementary Principle 4-4 (i))

(5) Fiduciary Duty of Directors and Audit & Supervisory Board Members (Principle 4-5)

The Audit & Supervisory Board shall exchange opinions with the Representative Directors on a periodic basis in regards to the issues that should be addressed by the company, the situation concerning the development of the environment for audits by Audit & Supervisory Board Members, and important issues in the audits. The board shall then make requests that they deem necessary. With this, it shall strive to deepen mutual understanding. In addition, the Audit & Supervisory Board



shall explain the audit policies, audit plans and audit situation results to the Representative Directors and Board of Directors as appropriate.

(6) Supervision and Execution of Management (Principle 4-6)

Nippon Kayaku shall select multiple Directors (including Outside Directors) who do not concurrently serve as Operating Officers to independently and objectively supervise the management. The aim of this shall be to improve management transparency and strengthen the corporate governance structure.

(7) Roles and Responsibilities of Independent Directors (Principle 4-7)

Independent Directors shall supervise the management of Nippon Kayaku. They shall do this by attending important meetings (e.g., meetings of the Board of Directors) and giving their opinions as appropriate. They shall also achieve this by attending Mid-term Corporate Strategy Meetings, Nippon Kayaku Group Corporate Strategy Meetings and Executive Directors Meetings.

(8) Selection and Cooperation of Independent Directors (Principle 4-8 and Supplementary Principle 4-8 (i) and (ii))

Nippon Kayaku shall select a sufficient number of Independent Directors taking into account business operation in accordance with the Independence Standards of Outside Directors described in the attachment.

Independent Directors shall attend meetings to exchange information with the Representative Directors and Audit & Supervisory Board Members. At these meetings, they shall exchange information and share awareness from an independent and objective standpoint. In this way, they shall cooperate with executive management and Audit & Supervisory Board Members.

(9) Independence Standards and Qualification for Independent Directors (Principle 4-9) Nippon Kayaku shall stipulate the Independence Standards of Outside Officers described in the attachment to ensure the independence of Independent Directors.

(10) Use of Optional Approach (Principle 4-10 and Supplementary Principle 4-10 (i))

Nippon Kayaku shall establish a Nomination & Remuneration Advisory Committee as an advisory body to the Board of Directors. The aim of this shall be to enhance corporate governance by ensuring the fairness, transparency and objectivity of procedures relating to the nomination and remuneration of Directors and Audit & Supervisory Board Members. The Nomination & Remuneration Advisory Committee shall deliberate the following matters in response to inquiries from the Board of Directors based on the Rules of Nomination & Remuneration Advisory Committee. The committee shall report its findings to the Board of Directors

- (i) Matters relating to the selection and dismissal of Directors and Audit & Supervisory Board Members
- (ii) Matters relating to the selection and dismissal of Representative Directors
- (iii) Matters relating to the remuneration (e.g., remuneration structure) of Directors and Audit & Supervisory Board Members
- (iv) Other matters deemed necessary by the Board of Directors

The Nomination & Remuneration Advisory Committee shall consist of at least three Directors selected by the Board of Directors. More than half of its members shall be Independent Directors.

(11) Prerequisites for Ensuring the Effectiveness of Board of Directors and Audit & Supervisory Board Meetings (Principle 4-11 and Supplementary Principle 4-11(i))

Nippon Kayaku shall recognize that ensuring diversity of Board of Directors and obtaining a broad range of opinions on management will result in stronger supervisory and decision-making functions for Board of Directors. In our process for selecting Directors, we shall elect based on the company's policy of selecting candidates without regard to gender, nationality, career and age.

However, Independent Outside Directors shall be elected with management experience at other companies, and Audit & Supervisory Board members shall be elected with sufficient expertise of finance and accounting.

The Board of Directors shall conduct investigations to analyze and evaluate the effectiveness of this.

(i) Nippon Kayaku shall set the maximum number of Directors at 10 to achieve effective execution of roles and responsibilities and to facilitate rapid decision-making in management by the Board of Directors. In addition to requiring a certain number of people who are wellversed in the business of our company and its issues, we shall also ensure diversity in the knowledge, experience, and skills of Board of Directors members to ensure the independence and objectivity of the Board of Directors and make the Skills Matrix and disclosed it.

(Supplementary Principle 4-11 (i))

(ii) Nippon Kayaku shall disclose 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 Annual Shareholders Meeting and securities reports on an annual basis. (Supplementary Principle 4-11 (ii))

(iii) Nippon Kayaku shall distribute an evaluation questionnaire on the effectiveness of the Board of Directors to all Directors and Audit & Supervisory Board Members every fiscal year. These questionnaires shall include a self-assessment from the perspectives of the Board of Director's structure, functions, management, and information provision to Outside Directors and Outside Audit & Supervisory Board Members, as well as open responses regarding the Board of Directors. We shall then analyze and evaluate the content of that. However, in the event it is recognized that there are further challenges for the Board of Directors, we shall formulate an action plan to be addressed by the Board of Directors in the next fiscal year. (Supplementary Principle 4-11 (iii))

(12) Stimulation of Deliberations by the Board of Directors (Supplementary Principle 4-12 (i) to (v))

The Board of Directors shall ensure the handling of the following with respect to operation of meetings to stimulate deliberations.

- (i) In principle, materials for a meeting of the Board of Directors shall be distributed five days in advance of the date of that meeting to allow Directors to consider the agenda in advance.
- (ii) In addition to handouts, visual materials shall be projected in the venue of the meeting to give easy-to-understand explanations.
- (iii) The annual schedule for meetings of the Board of Directors shall be formulated in the previous fiscal year.
- (iv) In principle, ordinary meetings of the Board of Directors shall be held once a month.

Extraordinary meetings of the Board of Directors shall be held as necessary. (v)

There shall be no limit on the deliberation time.

(13) Information Acquisition and Support Structure (Principle 4-13)

- (i) In the event Directors and Audit & Supervisory Board Members deem it necessary in relation to the performance of their own duties, they shall request the provision of additional information such as by asking questions as appropriate at meetings of the Board of Directors and the Audit & Supervisory Board. Moreover, they shall appropriately acquire information by obtaining the advice of experts from outside the company at the expense of the company. Furthermore, Audit & Supervisory Board Members shall exercise their authority appropriately based on laws/ordinances to acquire information. (Supplementary Principle 4-13 (i) and (ii))

(14) Training of Directors and Audit & Supervisory Board Members (Supplementary Principle 4-14 (i) and (ii)) and other aspects to Outside Directors and Outside Audit & Supervisory Board

Members,

and provide opportunities for them to tour main business locations.

## Section 6: Dialog with Shareholders

### 7. Dialog with Shareholders

(1) Policy for Constructive Dialog with Shareholders (Principle 5-1 and Supplementary Principle 5-1(i))

Nippon Kayaku shall disclose information to shareholders and investors in a timely and fair manner to promote constructive dialog with shareholders. At the same time, we shall promote constructive dialog with shareholders and investors. We shall aim to achieve sustainable growth and to increase the value of the company over the medium- to long-term by doing so.

- (i) Nippon Kayaku shall appoint 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, shall communicate with the relevant internal divisions, and work to engage in dialog with shareholders and investors by holding regular briefings on financial results and other means. In addition, Executive Management and Board of Directors or Audit & Supervisory Board Members, including Outside Directors, will consider a system for interviews with shareholders and investors as necessary.
- (ii) The Public Relations & Investor Relations Division shall work diligently to manage information so that it is not provided only to some people when engaging in dialog with shareholders and investors, and shall report the opinions and comments gleaned from such dialog to executive management on a regular basis.
- (iii) Nippon Kayaku shall investigate the shareholder structure with an external organization at any time as necessary to understand the current state of shareholders.

(2) Formulation and Announcement of Business Strategies and Business Plans (Principle 5-2 and Supplementary Principle 5-2(i))

Nippon Kayaku shall manage performance using capital costs. We shall then provide a disclosure and explanations to those outside the company for both the planning and results in regards to capital

investment R&D expenses and Human Capital. Moreover, we shall clarify the course of direction for each of our businesses and the challenges we need to tackle at financial results briefings for investors in regards to business portfolio reviews.

#### Section 7: Other

##### 8. Enactment, Amendment and Abolition

The Policy shall be enacted, amended and abolished with a resolution by the Board of Directors.

##### History

Enacted on March 31, 2020

Implemented on April 1, 2020

Amended on June 25, 2020

Amended on July 30, 2021

Amended on November 24, 2021

## Attachment

### Overview of the Independence Standards of Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members)

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. “A 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 a corporation, association or other organization to which the attorney belongs."
5. "A 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 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.