

Governance

Strengthening Corporate Governance.....

Ensuring Compliance

Risk Management.....

94

99

107

(Key Sustainability Issues)

Strengthening Corporate Governance

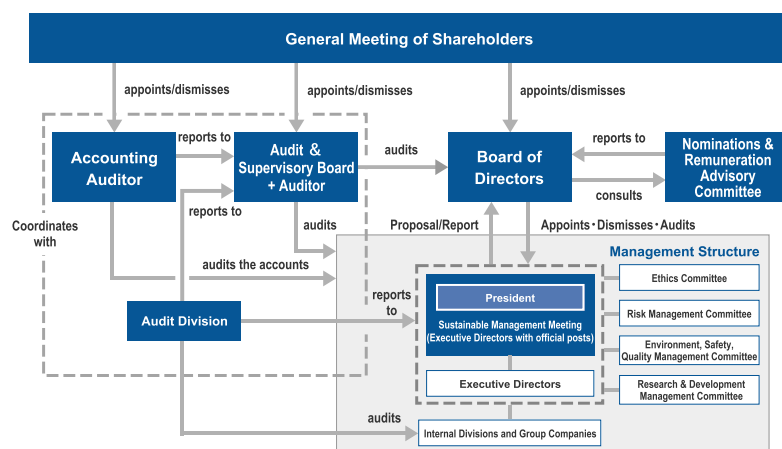
Policy and Basic Approach

The Nippon Kayaku Group recognizes that delivering its corporate vision under the **KAYAKU spirit** requires focus on two important issues: timely and impartial information disclosure to all shareholders and investors, and guaranteed transparent management based on strengthened checking functions. Having judged that management functions can be most effectively demonstrated through decision-making via a Board of Director council system, and corporate governance via an Audit & Supervisory Board system, we will continue to tackle the expansion and reinforcement of corporate governance as a key managerial issue.

➤ [Corporate Governance Basic Policy \[494.9KB\]](#)

➤ [Corporate Governance Report \[1.2MB\]](#)

System



Business Execution System

Nippon Kayaku is a company which has adopted an Audit & Supervisory Board System. Furthermore, in order to rapidly respond to changes in the business environment and achieve flexible business execution, we have introduced an Executive Director System to clarify the separate managerial roles of “decision-making and supervisory functions” and “business execution functions.” By strengthening each of these functions are we carrying out appropriate decision-making and rapid execution of business.

◆ Governance System Chart

Overall system format	A company with a Board of Directors and Auditors (Audit & Supervisory Board)
Number of Board Members (Inside and Outside)	10 (4 of whom are Outside) * 1 female Outside Director
Number of Auditors (Inside and Outside)	5 (3 of whom are Outside)
Chairman of the Board	Chairman*
Board Member terms	1 year
Executive Director System in place?	Yes
Advisory Committee on Board Member appointments	Nomination & Remuneration Advisory Committee
Accounting Auditor	Ernst & Young ShinNihon LLC

* If the Chairman of the Board is absent, the meeting will be chaired according to board member seniority rankings determined beforehand.

➤ [Skills Matrix](#)

◆ Strengthening Corporate Governance: A History

Year	Main Initiatives
2001	1 non-Japanese Board Member appointed (Until Aug 2003)
2005	Executive Director System introduced following business integration reforms Director Retirement Bonus System abolished Performance-related Pay System introduced for Directors
2013	1 Outside Director appointed
2016	2 Outside Directors appointed
2017	Board of Directors' Effectiveness Evaluation Conducted
2020	Nominations & Remuneration Advisory Committee established 1/3 of the Board of Directors comprised of Outside Directors (3 Outside Directors appointed) Corporate Governance Basic Policy established
2021	Director Remuneration System altered Director-centered Restricted Stock Remuneration System introduced 1 female Audit & Supervisory Board Member appointed
2023	1 female Executive Director appointed 4 Outside Directors and 1 female Outside Director 1 Standing female Audit & Supervisory Board Member appointed Introduction of a Restricted Stock Incentive System for employee shareholders
2024	Audit & Supervisory Board' Effectiveness Evaluation Conducted 2 female Executive Directors appointed

Board of Directors

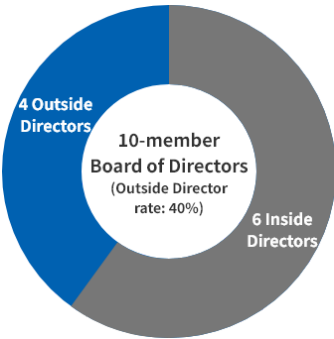
To ensure rapid implementation of management decision-making, we have set the maximum number of Directors at 10, and are working to further strengthen our supervisory functions so that all decisions regarding important operational issues are made based on the rules and policies of the Board of Directors, in accordance with the law and the Articles of Incorporation.

Board of Directors Outline (14 meetings in FY2023)

Meeting Chair	The President	
Number of Board Members	10	Outside Directors now comprise over 1/3 of the Board of Directors.
Meeting frequency	In principle, once a month	We also convene ad hoc Board of Directors meetings according to need.
Term of Board Members	1 year	We limit terms to 1 year in order to clarify the management responsibilities and roles of each Board Member.

Board Member breakdown (As of 2024-06-27)

	Males	Females	Total
Inside	6	0	6
Outside	3	1	4
Total	9	1	10



Top Matters Discussed by the Board in FY2023

Management strategy, business plan, financial strategy, closing-related matters, HR-centered discussions, business unit strategies, strategies and progress checks on key groupwide issues

Audit & Supervisory Board

Our Audit & Supervisory Board consists of five members, three of whom are outside and two of whom are full-time inside, with one of the latter serving as chair. In line with the audit policies, methods, plans, and division of roles determined by this board at the start of every new period does each member join key meetings, including those of the Board of Directors, review important documents, and, through assessing business execution conditions, audit and supervise the performance of Director duties from an independent standpoint. The two full-time members join management meetings and other such meetings of importance, and audit the overall management situation, Board Member performance and Executive Director performance, through conducting site visits, hearings, and reviews of meeting minutes and other key documents for all main divisions, workplaces and group subsidiaries. The non-full-time members sit in on Audit & Supervisory Board meetings to receive the aforementioned audit status reports, accompany full-time members on site visits, and participate, as appropriate, in information-exchange sessions with the Audit Team of the Inside Audit Division and the Inside Control Management Division (in charge of compliance and risk management). In such meetings will these members offer advice and voice necessary opinions.

Audit & Supervisory Board Member breakdown (As of 2024-06-27)

Inside (Full-time)	2
Outside	3



Nominations & Remuneration Advisory Committee

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

Nominations & Remuneration Advisory Committee Outline (6 meetings in FY2023)

Committee Chair	The President	Committee chairman selected based on a vote of the Board of Directors
Number of members	6	4 Outside Directors, 2 Inside Directors

Top Matters Discussed by the Nominations & Remuneration Advisory Committee in FY2023

HR-related regulations, director remuneration, director personnel affairs, human capital management

Executive Directors Meeting

This meeting is chaired by the company president, and is composed of the (up to 30) Executive Directors in charge of operational execution who are appointed by the Board. The meeting sees Executive Directors report on the status of operational execution entrusted to them by the Board and company president, as well as on other necessary items. These meetings are additionally attended, in an observer capacity, by four (4) Outside Directors and five (5) Audit & Supervisory Board Members.

◆ Breakdown of the 26 Executive Directors (as of June 27, 2024)

Male	Female	Total
24	2	26

Sustainable Management Meeting

> [System](#)

List of Committees


> [Ethics Committee](#)

> [Risk Management Committee](#)

◆ Number of Meetings Held by Each Committee

> [Number of Meeting Held by Each Committee](#)

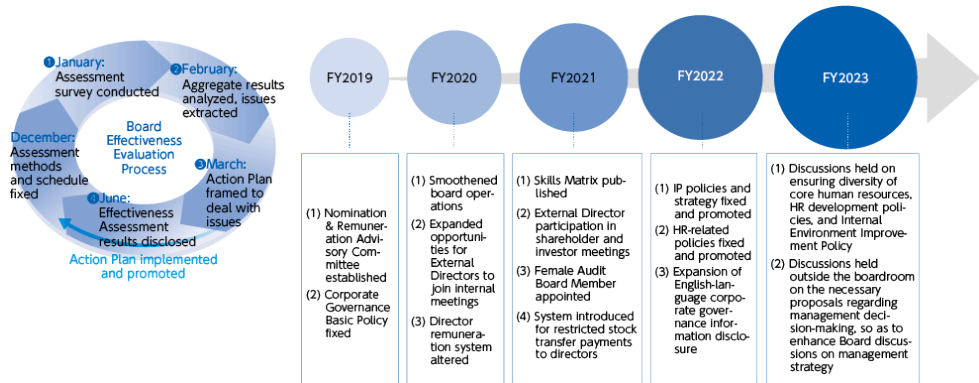
Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
					FY2022	FY2023	
Strengthening Corporate Governance		<ul style="list-style-type: none">Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner	Number of times that the assessment on the effectiveness of the Board of Directors meetings is evaluated	Once per year	1	1	<ul style="list-style-type: none">We have set up a Board of Directors Effectiveness Evaluation Survey, grasped the current situation, extracted relevant issues and devised an action plan as part of current improvement efforts.Female independent outside board member selected.Female Standing auditor selected.Human Resources Development Policy and Inside Environment Preparation Policy established.
			Number of times inside business audits are performed by the Audit Division	60 times in four years	22	17	

Initiatives

Board of Directors Effectiveness Evaluation

Our improvement cycle involves conducting an annual Board of Directors Effectiveness Evaluation to grasp the current state of affairs, extract key issues, and devise a relevant Action Plan.



Initiatives set up in FY2023
(1) Discussions on ensuring diversity in core human resources, HR Development Policy, and Inside Environment Improvement Policy Fixing of HR Development Policy and Inside Environment Improvement Policy
(2) Actions to further improve Board of Directors discussions on management strategy Making proactive use of IT tools to present every Board Member with explanatory materials on proposals in a rapid and appropriate manner
Evaluation Results and Initiatives Going Forward
Our FY2023 analysis and evaluation revealed relative improvements in evaluation scores for the areas targeted in existing Action Plans. Overall, the Board of Directors was confirmed to be effectively fulfilling its roles and responsibilities. However, despite the March 2023 release of the HR Development Policy and Inside Environment Improvement Policy, the evaluation concluded that discussions over human capital management needed to continue, and in greater depth than before.
Action Plan for FY2024
(1) Enhancing discussions and monitoring of human capital policies, including those ensuring the diversity of core human resources, the HR Development Policy, and the Inside Environment Improvement Policy.
(2) Enhancing discussions on measures and monitoring focused on business portfolio strategy and PBR improvement.

Outside Directors Discussion Forum 

Director Remuneration

The 149th Ordinary General Meeting of Shareholders on August 30th 2006 saw Nippon Kayaku determine annual upper limits of director (board member) remuneration at 360 million yen for fixed remuneration and 200 million yen for bonuses. As of the end of that AGM, the Board was comprised of eight members, with zero Outside Directors. The 164th Ordinary AGM of June 25th 2021, meanwhile, saw a 100-million-yen annual limit voted through on Restricted Stock Transfer Monetary Remuneration, applying to the relevant directors and running separately to existing director remuneration arrangements. As of the end of that AGM, the Board was comprised of 9 members, of which three were Outside Directors.

The 149th Ordinary AGM also set annual limits on Audit & Supervisory Board Member remuneration at 90 million yen. There were five Audit & Supervisory Board Members as of the end of that meeting.

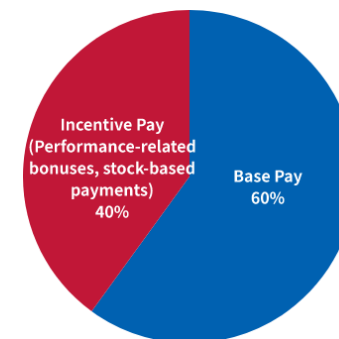
To ensure the appropriateness of matters discussed and transparency in the decision-making process, the Nomination & Remuneration Advisory Committee - the majority of whose members is comprised of independent Outside Directors - deliberates matters relating to the Director remuneration in response to inquiries from the Board of Directors, and reports back to the Board. Such a process enabled the Board Meeting of June 25, 2021 to finalize Nippon Kayaku's policy regarding the individual Director remuneration.

With a view to achieving our **KAYAKU spirit** corporate vision, in addition to sufficiently functioning as an incentive to sustainably improve corporate value and share that value with shareholders, Director remuneration shall also be structured at a competitive level to help us secure excellent personnel. Specifically, Director remuneration pertaining to the execution of business activities shall consist of basic remuneration and incentive remuneration (performance-linked bonuses and stock remuneration). The remuneration of Outside Directors, with their standpoints independent from business execution, shall be limited to basic remuneration in view of their responsibility.

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

◆ Remuneration Structure

The ratio of remuneration by type for Directors involved in executing business shall be roughly 60% for basic remuneration and 40% for incentive remuneration, and shall be determined based on the Director's position, responsibilities and other factors. Regarding decisions on the content of individual remuneration for Directors, the Nominations & Remuneration Advisory Committee will consider a draft from various perspectives, such as consistency with overall policy direction, and report back to the Board. The Board then deliberates the Committee's report and decides the content of individual Director remuneration. Audit & Supervisory Board Member remuneration shall be limited to fixed remuneration in view of their responsibility to monitor the execution Director duties, with the amount to be determined through discussions with those Members within the yearly remuneration limit range.



◆ Performance-related Remuneration

The performance-linked bonuses of individual Directors involved in executing business activities shall be based on the degree of achievement with regards to current financial year targets, the average rate of change of consolidated operating profit over the past three fiscal years, the degree of achievement of Medium-term Business Plan ROE targets, business results of the departments for which they are responsible, and the degree of achievement of mid-to long-term key-issue targets. These bonuses shall be paid in cash at a fixed time following the end of every fiscal year.

The reasons for selecting these business results indicators are: to heighten awareness of both the need for short-term result improvements with respect to consolidated operating profit, and the need for Medium-term Business Plan targets and sustainable business results to be achieved through our focus on an ROE of 8% or above. Directors involved in executing business activities shall be awarded transfer-restricted stock, with a fixed transfer-restriction period attached, at a certain time every year. The aim is to motivate Directors to contribute to improving mid-to long-term corporate and shareholder value under the wider aim of sharing value with shareholders. Monetary remuneration credits equivalent to the stock remuneration and the number of shares to be awarded shall be determined based on the Director's position and responsibilities, as well as our stock price and other factors.

➤ [Director Remuneration](#)

Cross-shareholdings Policy

◆ Policy on Cross-shareholdings

Nippon Kayaku's shareholding purposes can be divided into two categories: stock investments for net investment purposes, and stocks held for purposes other than net investment. The former refers to investments made in order to derive gains from changes in share value or dividends, while the latter refers to stocks held for other purposes.

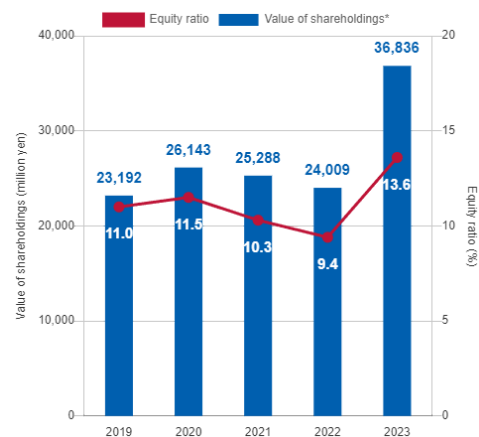
◆ Examination of Shareholding Suitability

Nippon Kayaku invests in cross-shareholdings from the standpoints of improving medium-to-long-term corporate value, and maintaining and strengthening relationships with our customers. Each year sees individual cross-shareholdings examined by the Board of Directors from medium-to-long-term corporate value perspectives. Cross-shareholdings deemed no longer necessary are, with due consideration given to market impact, consequently sold off.

➤ [Securities Report \(The Shareholding Situation\) \(Japanese\)](#) 

◆ Shift in Cross-Shareholdings Policy

As mentioned above, Nippon Kayaku invests in cross-shareholdings from the standpoints of improving medium-to-long-term corporate value, and maintaining and strengthening relationships with our customers. Each year sees individual cross-shareholdings examined by the Board of Directors from medium-to-long-term corporate value perspectives. Cross-shareholdings deemed no longer necessary are, with due consideration given to market impact, consequently sold off. The equity ratio of cross-shareholdings for FY2023 was 13.6%, some 4.2 percentage points up on FY2022.



* Total value of unlisted and not-unlisted stock

(Key Sustainability Issues)

Ensuring Compliance

Policy and Basic Approach

The Nippon Kayaku Group naturally views compliance as a matter of observing laws, internal regulations and industry rules, as is the social norm and as society demands. However, we broaden our interpretation of compliance to include viewing it as a means of continually repaying the trust of our various stakeholders.

Furthermore, by way of a Group code of behavior, we have fixed our Charter of Conduct and Code of Conduct to provide the spirit with which our business activities can help fulfil our social role of contributing to wider society.

We are also working on achieving thorough compliance across our business activities, and further promoting compliance activities under strong top management leadership.

Nippon Kayaku Group Charter of Conduct and Code of Conduct

After underlining compliance as our “top priority for business activities”, we fixed our [Nippon Kayaku Group Charter of Conduct](#) and Code of Conduct in the year 2000. We revised the contents in 2011 in line with ISO26000 (Guidance Regulations on the Social Responsibilities of Organizations), and again in 2020 when resolving to voluntarily implement measures towards achieving a sustainable society.

The Nippon Kayaku Group Charter of Conduct

◆ Business activities

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

◆ Relationship with society

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

◆ Information handling

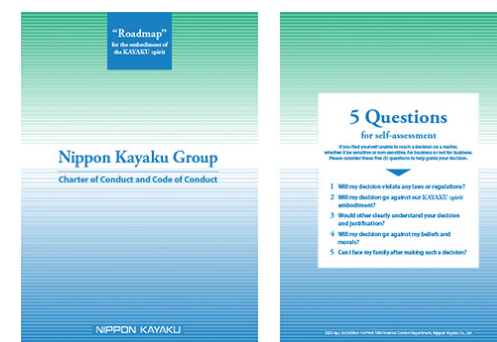
9. The Nippon Kayaku Group will appropriately protect the information it possesses through its business activities and take all possible measures for information management. In addition, we recognize the value of information assets and respect the intellectual property rights of others.

◆ Relationships between the company and individuals

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

◆ Roles of top management and thorough adherence to this charter

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



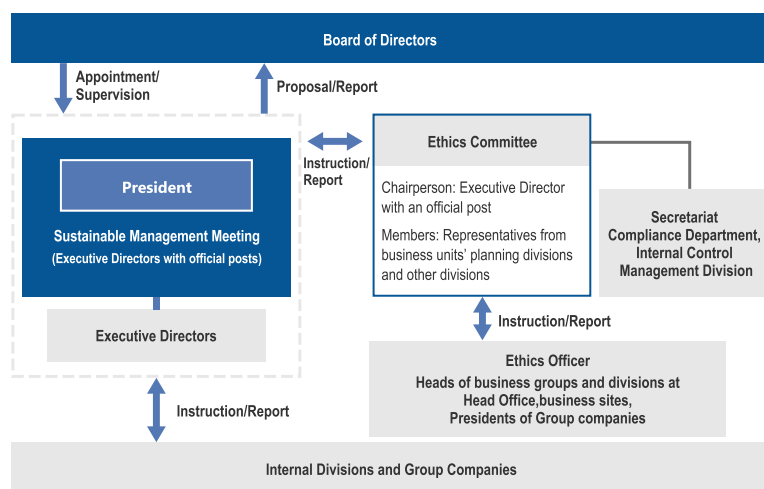
The Nippon Kayaku Group Charter of Conduct and Code of Conduct

System

In order to ensure thorough compliance across the entire Group, we have set up an Ethics Committee as an advisory body to our Sustainable Management Meeting under the guidance and supervision of our Board of Directors. This Committee meets twice a year, and on a further ad hoc basis when necessary.

Led by an Executive Director with an Official Post nominated by our President, the Ethics Committee is comprised of representatives from every business unit's planning department, and from every section of our General Administration Department which is unattached to any business unit. Its remit is to decide on policies and specifics related to ensuring compliance with our Charter of Conduct, Code of Conduct and Basic Anti-Bribery Policy, thereby preventing conflicts of interest and corruption emanating from unreasonably approaching government employees.

It must also examine and decide upon responses to matters either arising in consultation or actually occurring, and the relevant recurrence prevention measures. The most important matters discussed by this Committee, including anti-corruption matters, are forwarded to the Sustainable Management Meeting and even the Board of Directors, who provide related feedback.



Initiatives

Policy and Specifics regarding Observance of The Nippon Kayaku Group Charter of Conduct and Code of Conduct

◆ Internal Instillation

So that the entire Group is instilled with awareness of the need for thorough compliance and secure implementation, and that the contents of our Charter of Conduct and Code of Conduct can be checked at any time, we have produced some portable cards imprinted with both the aforementioned as well as our corporate vision. We have also produced a brochure in the six languages spoken by the countries in which we have set up base (Japanese, English, Chinese, Spanish, Malay and Czech). Both the cards and brochures have been distributed to every Group executive and employee.

It is also the case that every October is Nippon Kayaku's "Compliance Month," which sees our Ethics Committee Chairman pen a message aimed at every domestic Group company employee in our internal bulletin. It also sees us conduct a Compliance Consciousness Survey so we can continually monitor the degree of compliance instillation and link to subsequent improvements. Our Compliance Consciousness Survey has been conducted in conjunction with a contracted consultancy firm since FY2015. From the aggregated results and subsequent analysis do we extract the key compliance promotion issues for each company workplace and provide the relevant feedback, including improvement suggestions. That feedback is then referenced by each workplace when it draws up and fixes its Compliance Action Plan for the following financial year, thereby building PDCAs to improve compliance consciousness. Compliance activities for our overseas group companies are implemented in accordance with the relevant country's laws and business customs. In China, for example, all our group company chief executives and persons in-charge of ethics gather each year for an Ethics Managers Meeting. This meeting provides a chance to discuss compliance initiatives, reports of issues, the extraction of problems and issues, and relevant measures to be taken. In addition, legal representatives from our Internal Management Control Division and KSC* provide onsite compliance training to the employees of each group company. Going forward, based on each country's situation, we will deepen the links between each group company and section as we aim for yet more effective and efficient global compliance activities.

* KSC is the abbreviation for Kayaku (Shanghai), our administrative company in China

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
					FY2022	FY2023	
Ensuring Compliance		<ul style="list-style-type: none"> Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations Maintain and enhance an open corporate culture with a high sense of ethics 	Number of serious compliance violations*	0	0	0	<ul style="list-style-type: none"> No serious compliance violations. This financial year's compulsory compliance training on Mental Flexibility delivered to all domestic Group companies. Discussions held and options explored with overseas Group companies yet to install a compliance whistleblowing consultation service.
			Compliance training rate	100%	97%	96%	
			Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	83%	

* Number of serious accidents as judged by the Ethics Committee

◆ Education and Training

The Nippon Kayaku Group delivers education and training on compliance issues to all executives, employees (including contracted and part-time employees) and temp staff. In addition to deciding upon themes for each year, such as the Group Charter of Conduct and Code of Conduct, how to use our internal whistleblowing system, bribery and anti-corruption issues, basic human rights, and harassment, we turn regular meetings at each workplace into workshops and case-study training sessions. FY2023 saw us deliver compliance training on Mental Flexibility, and sustainability training on Bribery and Anti-Corruption Issues.

We also set up harassment prevention training for every executive and employee on an annual basis. The contents are the same for managers and non-managers alike, and involve sharing awareness of harassment definitions, case studies, preventative measures and responses to actual situations, as part of broader initiatives to increase awareness and prevent before the event.

In addition, to boost thorough compliance across the entire group, we provide compliance training for all group company directors to promote the acquisition of necessary knowledge from a managerial perspective.

So that training opportunities and programs can be provided to every employee, we mainly rely on E-learning methods and large group sessions at Group companies.

Training type	Main contents	Mainly aimed at	FY	Training format	No. of times	Take-up rate
Compliance Training (Yearly, Compulsory)	Regarding mental flexibility	Executives, employees, (including contracted and part-time employees), temp staff	2023	E-learning, group session	1	95.9%
Compliance Training (Monthly, Compulsory)	Basic Anti-Bribery Policy, Conflicts of Interest, Insider trading	Executives, employees, (including contracted and part-time employees), temp staff	2023	E-learning	1	81.7%
Compliance Training (Monthly)	<ul style="list-style-type: none"> Harassment Basic human rights A good workplace environment How to use consultation services etc. 	Executives, employees, (including contracted and part-time employees), temp staff	2023	E-learning	6	Average of 71.7%
Risk Management Training	Risk perception and sensitivity	Executives, employees, (including contracted and part-time employees), temp staff	2023	E-learning	1	76.7%
Legal Affairs Training	<ul style="list-style-type: none"> Cookie regulations under the Telecommunications Business Act Third-party submissions; how to make receipt records Personal Information and Personal Identification Information Regarding contracts (2 sessions) 	Executives, employees, (including contracted and part-time employees), temp staff	2023	E-learning	5	Average of 84%
New Hire Training*1	Compliance basics, Charter of Conduct & Code of Conduct, Compliance Hotline etc.	New hires	2023	Group session	2	100%
New Manager Training*1	Charter of Conduct & Code of Conduct, harassment, Compliance Hotline etc.	New managers	2023	Group session	2	100%
Overseas Transfer Training*2	Charter of Conduct & Code of Conduct, Basic Anti-Bribery Policy etc.	Employees transferring overseas	2023	Interview, online	5	100%

*1 Held every year

*2 Pre-departure training set up for employees transferring overseas

◆ Initiatives to Prevent Corruption and Anti-Competitive Practices

The Nippon Kayaku Charter of Conduct and Code of Conduct call for competition law, related laws, the spirit of those laws, and internal company regulations to be observed in all business activities; for competition to be conducted fairly, transparently and freely; and for improper trading practices such as bribes to be banned. Furthermore, so as to clarify our basic approach towards the prevention of bribery, the rules to be observed and their sphere of applicability, we have fixed our Nippon Kayaku Group Basic Anti-Bribery Policy, which is now being diffused and rolled out to all executives and employees.

Nippon Kayaku Group Basic Policy on Anti-Bribery

Established: June 21, 2021
Revised: January 31, 2024

◆ I . Preamble

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

◆ II . Overview

The Nippon Kayaku Group established the Nippon Kayaku Group Charter of Conduct and Code of Conduct to implement sustainable management that is integrated with management strategy while maintaining a high level of ethical standards. This is aimed at realizing the corporate vision **KAYAKU spirit** of "continuing to provide society with the best products through constant progress and the combination of conscience." The Charter of Conduct and Code of Conduct stipulates that; we will "comply with competition laws and other relevant laws and regulations, as well as their spirit and internal regulations, and engage in fair, transparent and free competition in all our business activities; that we will maintain sound relations with politics and the government;" and that we will "comply with relevant laws and regulations in each country and region, and respect international norms, cultures, religions and traditions."

Furthermore, the Nippon Kayaku Group considers the establishment and strengthening of anti-bribery systems both domestically and overseas to be an important issue to be addressed by the Group as a whole as we continue to expand our business globally year by year.

◆ III. Declaration

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

◆ IV. Compliance items

1. Prohibition of Bribery of Public Officials, etc.

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

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

2. Payment to agents, etc.

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

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

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

4. Entertainment and gift-giving

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

5. Donation activity

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

6. Control of Records

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

◆ Requests to business partners

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

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

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

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

Internal Audits

In line with our basic policy on internal system structure, the Nippon Kayaku Group has set up an Audit Division, under the direct supervision of the President, to contribute towards strengthened corporate governance in the form of anti-corruption stances, prevention of unfair or erroneous practices, business operational reform, and asset safeguarding. Based on the annual audit plan approved by the Sustainable Management Meeting does this Audit Division internally audit every division and section of both domestic and overseas Group companies once every three years. Such internal audits involve assessing the systems for business, operational, financial and legal management, as well as observation of ethical standards and anti-corruption measures. Audit results are not only promptly shared with the President, auditors, and the Audit & Supervisory Board, but periodically reported to the Board of Directors via our internal database.

High Ethical Standards and Transparency in our Medical Business

Pharmaceutical companies are demanded to constantly ensure high ethical standards and transparency; build relationships of mutual trust with external stakeholders such as medical, dental and pharmaceutical researchers, medical professionals, wholesalers and patient groups; and work towards optimal and ethical medical care from the patient's standpoint.

As the standard by which to judge whether our actions align with the aims of the JPMA Code, we have fixed a Nippon Kayaku Code of Practice. Thus are we further clarifying the corporate ethics and compliance awareness campaigns which form the bedrock of our business activities, and promoting respect for those key areas in the conduct of business and from a high ethical standpoint.

➤ [Conducting Compliance Duties based on Nippon Kayaku's Code of Practice](#)

Initiatives in Overseas Group Companies

The Nippon Kayaku Group's risk management approach involves identifying risks in each workplace, including overseas companies, on an annual basis, exploring response measures and conducting periodical reviews. For details, please see: "[\(Key Sustainability Issues\) Risk Management – Preventative Measures.](#)"

For Group companies located in countries with high risks of corruption, we have prepared some Anti-Bribery Regulations to aid our comprehensive anti-corruption approach. These regulations serve as a set of standards and rules for gift-giving and hospitality, and are based on each relevant country's laws and business customs. We periodically confirm the state of compliance through conducting internal audits. Our anti-corruption education and training programs include explanations of the Nippon Kayaku Charter of Conduct and Code of Conduct, and the prohibition of conflicts of interest and insider trading.

Based on each country's situation, the future will see us deepen links between each group company and section, and strive to deliver global compliance activities which are yet more effective and efficient.

Rooting out Supplier Corruption

All newly-registered suppliers, and those with the biggest trading amounts for the current year, are subjected to the Nippon Kayaku Sustainable Procurement Survey. The Survey contains questions related to preventing corruption and forms part of our effort to combat corrupt practices by getting our suppliers to demonstrate proper compliance.

Furthermore, in order to ensure thorough compliance across the supply chain, we request that any subcontractor, agent, consultant, wholesaler, and any other intermediary who may come into contact with government employees, receives, upon their first commissioned job or whenever their contract is renewed, an explanation of the Nippon Kayaku Group's Basic Anti-Bribery Policy, and signs a contract pledging to honor it as well as related anti-corruption laws and regulations.

➤ [\(Key Sustainability Issues\) Environmental and Social Considerations in the Supply Chain](#)

Whistleblowing Consultations and Actual Matters Arising: Reponses and Recurrence Prevention

◆ Internal Whistleblowing System

With the installation of its Internal Whistleblowing System and the setting up of its Compliance Hotline, Nippon Kayaku is working on prevention and early detection of unfair practices, and relevant corrective measures.

Our Compliance Hotline is available to all domestic Nippon Kayaku Group executives, employees (including contracted and part-time employees), temp staff and retired employees (up to a year after they have left). Overseas Group companies, meanwhile, have set up their own internal whistleblowing systems.

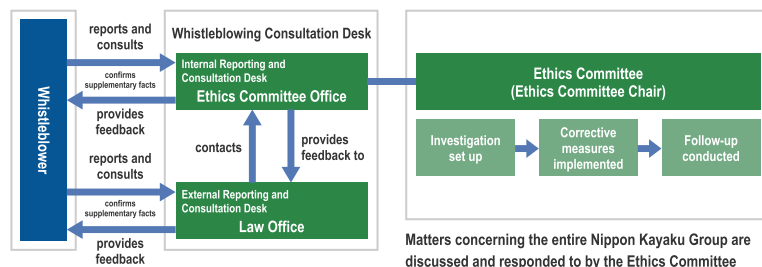
Whistleblowing reports may pertain to malpractice, such as law violations, unjust practices, violations of internal regulations such as the Group Charter of Conduct and Code of Conduct, and actions contravening corporate morals. They may also pertain to human rights violations, harassment, bribery, unfair trading, and more generic corrupt practices. When it comes to malpractice, or the risk of malpractice occurring in Nippon Kayaku Business, we are ready to accept a whistleblowing report or consultation at any time.

Our Compliance Hotline, meanwhile, runs to both our Ethics Committee Office (the Internal Control Management Division's Compliance Manager) and an external law firm, and allows whistleblowers to choose anonymity or otherwise when reporting or consulting. Reports may be made via telephone, email, document or interview, with email and document submissions accepted 24/7. Any report or consultation accepted by the Compliance Hotline reception desk will be examined by the Ethics Committee Office, which will then decide on whether to investigate the facts. If, during any investigation, evidence of malpractice becomes clear, the Ethics Committee Office will promptly devise measures for corrective response and recurrence prevention, and subsequently notify the whistleblower of the investigation results.

Our Internal Whistleblowing System guarantees both confidentiality and anonymity, and our Regulations on Handling Internal Whistleblowing Reports specifically state that the whistleblower shall not receive any kind of negative treatment as a consequence of reporting or consulting.

We are raising awareness of our whistleblowing system and Compliance Hotline through group sessions, E-learning, internal portal site announcements, workplace posters, and the distribution of portable cards.

Flow of Reporting and Consulting



Contents of Reports and Consultations made over the Last Five Years

FY2023 saw a total of 27 reports and consultations made, with the facts of every one investigated and corrective measures deployed where necessary. Of those 27, none were of sufficiently critical nature to impact business operations. Through internal company training will we continue to promote awareness of our Internal Whistleblowing System, and encourage employees to use it as we strive towards prevention, early detection and containment of malpractice and misconduct.

Contents of Complaints and Consultations	Covering	Unit	2019	2020	2021	2022	2023
Harrasment (power harrasment, sexual harrasment, etc.)	non-consolidated	cases	8	6	2	7	16
Violations of company rules or manners	non-consolidated	cases	2	0	0	2	3
Work or labor-related	non-consolidated	cases	1	1	1	3	5
Others	non-consolidated	cases	0	0	1	4	3
Total	non-consolidated	cases	11	7	4	16	27

◆ Our Compliance Hotline for Suppliers

The Nippon Kayaku Group has set up a Compliance Hotline for Suppliers for matters related to law violations. We ask that suppliers confirm Points 1 to 5 below before reporting or consulting via Point Number 6.

- Available to
Executives and employees who, in the course of business, are involved in trading with domestic Nippon Kayaku Group companies
- Focusing on
Law violations or unethical acts committed by executives and staff of domestic Nippon Kayaku Group companies, or the discovery of readiness to commit such acts
- Reports and consultations accepted by
The Ethics Committee Office (Internal Control Management Division), Nippon Kayaku Co., Ltd.
- Requests regarding reports and consultations
All whistleblowers should state their name, workplace and department. Whistleblowers unable to give their name can make reports and consultation requests anonymously, but this may impede the establishment of facts and the wider investigation, as well as render it impossible to report back on investigation results and recurrence prevention measures taken.
- Protection of whistleblowers and consultation-seekers
All users of our Compliance Hotline for Suppliers will have their personal information strictly handled in line with our [Policy for Protection of Personal Information](#). Such information will only be used as necessary in the conduct of the investigation. Furthermore, whistleblowers will not receive any blowback for the act of having made a report or requested a consultation.
- To contact us
Reports and consultation requests should be made to the [Compliance Hotline for Suppliers](#).

Numbers of Reports and Consultations

Our Compliance Hotline for Suppliers has been in place since FY2021, during which it received no enquiries. That was also the case in FY2023, while FY2022 saw just the one enquiry, which was duly investigated and had the necessary corrective measures deployed. The case was not of sufficiently critical nature to impact business operations. We will continue to earnestly take on board the comments of our suppliers, and seek to improve the fairness and transparency of our trading activities.

Number of Whistleblowing Complaints and Consultations from Suppliers

Whistleblowing	Covering	Unit	2019	2020	2021	2022	2023
Whistleblowing complaints and consultations from suppliers	non-consolidated	cases	-	-	0	1	0

Data

Employees punished, fined or dismissed for causing Anti-Corruption Policy violations

Indicators	Covering	Unit	2019	2020	2021	2022	2023
Number of violations of anti-corruption-related policies	non-consolidated	cases	0	0	0	0	0
Employee punishments and dismissals	non-consolidated	cases	0	0	0	0	0
Corruption-related fines issued	non-consolidated	yen	0	0	0	0	0
Applications of corruption-related penalties	non-consolidated	cases	0	0	0	0	0

Political Donations

Indicators	Covering	Unit	2019	2020	2021	2022	2023
Political donations	non-consolidated	10,000 yen	118	113	104	106	89

Conducting Compliance Duties based on Nippon Kayaku’s Code of Practice

Fixing the Nippon Kayaku Code of Practice

The demands placed on pharmaceutical companies include guaranteeing constantly high ethical standards and transparency in the conduct of business; building two-way relationships of trust with external stakeholders such as researchers and medical professionals in the fields of medicine, dentistry and pharmacology, wholesalers and vendors, and patient groups; and working towards delivering optimal medical care through taking decisions ethically and from the standpoint of the patient.

2013 saw the Japan Pharmaceutical Manufacturers Association (hereafter: JPMA) fix its own Code of Practice in line with the aims of the IFPMA Code of Practice, covering all interactions held by member company executives and employees with researchers, medical professionals and patient groups.

As a standard against which to judge whether our own actions comply with the aims of this JPMA Code, we have fixed our [Nippon Kayaku Code of Practice](#) 📄. We will duly respect this Code from a high ethical standpoint while promoting our corporate activities, ensuring greater transparency on the dissemination of compliance information and the corporate ethics which form the backbone of our business activities.

Enforcing responsible provision of drug information and responsible marketing

◆ Our basic approach to ethical marketing activities

We voluntarily observe the Regulations for Enforcement of the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices, antitrust laws and related legislation, Presentation Activity Guidelines on Marketing Information for Prescription Drugs, the JPMA Code of Practice, and the Fair Competition Code for the Manufacture and Sale of Prescription Drugs. We have also fixed our [Nippon Kayaku Pharmaceuticals Group Promotion Code for Prescription Drugs](#) 📄 to ensure we present, gather and convey medical information via appropriate processes and in an accurate and prompt manner, and also promote the appropriate use of pharmaceutical drugs.

Nippon Kayaku’s Promotion Code has been drawn up as a set of internal company regulations which derive from the JPMA Code of Practice (in turn based on the IFPMA Code of Practice) and the Fair Marketing Activity Guidelines fixed to aid compliance with related laws and regulations.

◆ System and Initiatives

We have also set up a Medical Information Supervision Department which has gained independence from both our Marketing & Sales and Medical Affairs divisions. This particular department is tasked with integrating all the ethical standards and information presentation guidelines pertinent to the medical work conducted across the entire company and group companies. It also conducts audit coaching, monitoring, and education and training activities related to the presentation of marketing information, so as to enable smoother management and administration overall.

In charge of training	Targeted at	Frequency	Covering
Medical Information Supervision Department	Pharmaceuticals Marketing Division	12 times a year	Nippon Kayaku Code of Compliance; Marketing Information Presentation Activity Guidelines; Fair Competition Code
Medical Information Supervision Department	Pharmaceuticals Marketing Division	Once a year	Types of internal company regulations (Self-checks and voluntary inspections)
Medical Information Supervision Department	Pharmaceuticals Group	Once a year	Nippon Kayaku Code of Compliance

Furthermore, our Marketing & Sales and Medical Affairs divisions and Medical Information Supervision Department are all audited annually by our Audit & Supervisory Board. The latter has been placed under the direct charge of the President, and, in line with internal auditing regulations, accepts no orders or directions from the various bodies it is tasked with auditing. It is therefore free to focus on scrutinizing and evaluating its subjects from the perspectives of legality and rationality, and uses the results to advise and make suggestions on information presentation, relevant improvements and increased rationality.

Specific Compliance-related Initiatives

Drug Information Presentation Activities and the Ensuring of Transparency

Progress in the fields of medicine, pharmaceuticals and medical technology, and improvements in public health, are built upon our interactions with researchers and medical professionals, and our collaborations with bodies such as patient groups. That being the case, we must fulfil our duty of accountability when it comes to showing that these interactions and collaborations are indeed ethical and sincere. To that end have we fixed our Transparency Guidelines for Corporate Activities and Relations with Medical Institutions, as well as our Transparency Guidelines for Corporate Activities and Relations with Patient Groups. These serve as our own internal guidelines, based on which we upload annual information on corporate activity transparency to our company website.

Activities Related to the Production, Proofing and Presentation of Drug Information Materials

As information materials are an extremely important method of conveying information on the appropriate use of prescription drugs, we must ensure their contents are scientifically-grounded and produced accurately, impartially and objectively. To achieve that end has Nippon Kayaku fixed its material examination procedures based on the Regulations for the Enforcement of the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices (hereafter: laws on pharmaceuticals and medical devices etc.); the Presentation Activity Guidelines on Marketing Information for Prescription Drugs; the JPMA Code of Practice; and the Key Points on the Production of Outline Information on Prescription Drug Products. These are used by our screening committee comprised of various academics, including our internal medical doctors, to appropriately judge our materials. So that our presentations of marketing information do not deviate from the above-mentioned Presentation Activity Guidelines, we have set up an internal monitoring system to audit and offer appropriate guidance.

Offering Continuous Education and Training to Employees

An understanding of the Nippon Kayaku Code of Practice is necessary for us to continue our corporate activities from a high ethical standpoint. We therefore support activities aimed at promoting understanding of the JPMA Code, establishing specific items of focus pertaining to the corporate activities of each division and workplace targeted for optimization, and periodically offering workplace-based education and training to all executives and staff.

Nippon Kayaku Code of Practice: The Role of the Code Compliance Committee

Our Medical Division's Code Compliance Committee (hereafter: this committee) has been set up to devise ways of promoting Medical Division compliance, and to establish Nippon Kayaku's internal systems for observing the industry's voluntary standards as laid down in: the laws on pharmaceuticals and medical devices; antitrust laws and related regulations; guidelines such as those pertaining to Presentation Activities on Marketing Information for Prescription Drugs; the Fair Competition Code for the Manufacture and Sale of Prescription Drugs; and the JPMA Code of Practice.

In order to promote Medical Division compliance does this committee aim to use the Nippon Kayaku Code of Practice to fix, revise, disseminate and instill knowledge of the necessary internal operating regulations and manuals pertaining to observation of related laws, regulations and voluntary standards during interactions with stakeholders.

In cases where serious code violations occur in matters related to medical laws and regulations, or presentation activities for prescription drug marketing information, this committee will respond to the circumstances, then explore and decide upon recurrence prevention measures. This committee will also fulfil the above functions in cases where a violation of either transparency guidelines or compliance guidelines is confirmed.

Handling Activities Outside Japan

In instances where we present information to healthcare professionals overseas, invite Japan-based healthcare professionals to a lecture or conference overseas, or have an overseas subsidiary operating in a given country via a licensing or agency agreement, we continue to respect the Nippon Kayaku Code of Conduct and, in addition to local laws and regulations, observe any code that country's pharmaceutical federation may have. In cases where no such code exists, we revert to following the IFPMA Code of Practice.

Expanding Access to Medical Care

Our Approach to Improving Access to Drugs

Nippon Kayaku's medical business is aiming to "develop excellent pharmaceuticals and medical devices that provide new diagnostic and treatment opportunities, and stable supply of Biosimilars and generic drugs, contributing to people's health." Our quest to widen access to pharmaceutical drugs involves the following initiatives:

- Appropriately providing medical institutions with data on product quality, efficacy and safety
- Reducing the drug cost burden on patients and improving access to biopharmaceutical treatments through stably supplying high-quality and economically-efficient drugs
- Promoting appropriate use of generics and biosimilars brought to market through initiatives to eradicate discrepancies with previous products concerning "efficacy and effects" and "uses and dosages", and using their preparation form to obtain afresh "efficacy and effects" and "uses and dosages."

(Key Sustainability Issues)

Risk Management

Policy and Basic Approach

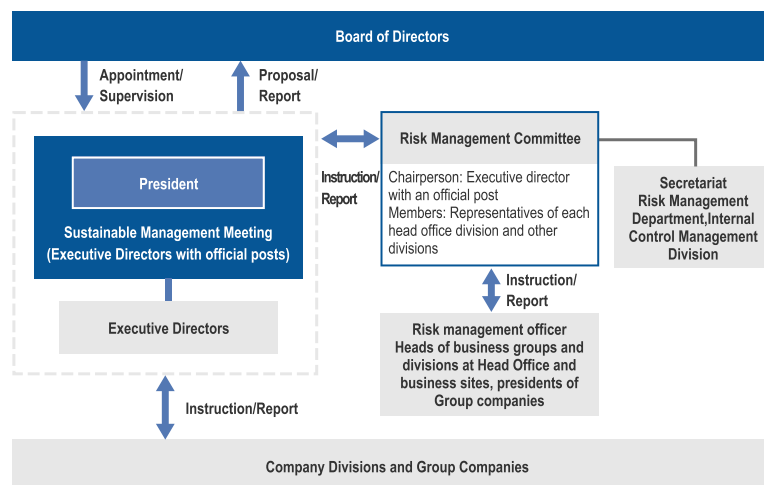
In a time when the surrounding business environment changes from day to day, leading to increased complications and uncertainty, we are facing a multitude of risks. By maintaining its production system, ensuring suitable access to natural resources, and strengthening disaster prevention measures in order to secure business continuity, the Nippon Kayaku Group is taking preventative measures against risks before they surface, and putting plans in place to mitigate their effects.

In order to “restore business operations within a specified timeframe” in times of disaster or emergency, we are not only promoting the establishment of a BCP Manual for our head office and all business units, but also the preparation of BCP Manuals for every overseas workplace.

System

In order to take preventative measures against risks before they appear, thereby minimizing their effects, we have set up a Crisis Management Committee to serve as an advisory body to the Sustainable Management Meeting. This committee convenes twice a year, and on an ad hoc basis when required.

The committee, chaired by an Executive Director with an official post nominated by the President, consists of representatives from each business unit’s planning department and every section of our General Administration Department, which is unattached to any particular business unit. It is tasked with constructing and administering a crisis management system designed to take preventative measures against the most damaging risks to corporate management and business activities, and to respond to emergencies and conduct damage recovery activities once normal service has been resumed. The most important matters discussed by this committee are reported to the Sustainable Management Meeting and even the Board of Directors, who then provide relevant feedback.



Indicators

Key sustainability issues	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
				FY2022	FY2023	
Risk Management	<ul style="list-style-type: none"> Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the proper procurement of raw materials, and strengthening measures against disasters 	Implementation rate of risk control activities for business, etc., and top five risk control activities	100%	100%	100%	<ul style="list-style-type: none"> "Risk Controls for the Top 5 Risks" activities conducted at Nippon Kayaku plants and all Group companies (based on trends of soaring raw material prices and increased supply disruption risks) Hearings conducted at domestic and overseas plants on the Top 5 Risks. BCP drills set up based on an earthquake scenario in the Kashima district, and a snow-damage scenario in the Joetsu region. BCP drills set up at China-based Group companies.
		Number of BCP drills conducted	Once or more per year	2	3	

Initiatives

Risk Prevention

◆ “Business Unit Risk Control Activities” and “Top Five Risk Control Activities”

In order to identify significant risks and enact the requisite controls, the Nippon Kayaku Group undertakes the following “Business Unit Risk Control Activities” and “Top Five Risk Control Activities” on an annual basis.

Business Unit Risk Control Activities cover our three business units, our R&D Department, and our Head Office Administration Department. They involve extracting the risks most impactful to each business unit and department from a managerial perspective, and examining ways to deal with them.

The Top Five Risk Control Activities, meanwhile, cover our factories and research labs, medical branches, business offices, and group companies including overseas subsidiaries. They involve extracting the particularly impactful risks from an on-the-ground perspective within each business site, and exploring ways to respond.

Risks and response measures identified for each business unit and site are reported to the Internal Control Management Division, which serves as the office for the Crisis Management Committee. The Internal Control Management Division comprehensively grasps and analyzes risk trends, passes on its findings to the Crisis Management Committee for discussion and final decision on the major risks and responses, then makes twice-yearly reports on initiatives and progress updates to the Sustainable Management Meeting and Board of Directors.

◆ Responses to ESG Risks

The Nippon Kayaku Group believes in the necessity of appropriately grasping the risks and opportunities associated with sustainable management, and linking the acts of reducing those risks and gaining new business opportunities to further business growth.

FY2022 saw us disclose the risks and opportunities related to our Key Sustainability Issues as well as information based on the TCFD proposals. By working towards resolving environmental and social issues through our business activities we are aiming to achieve a sustainable society and additional corporate value.

In order to continue our appropriate responses to the diversification of business activities and changing social and environmental issues, we will periodically review these risks and opportunities, and work towards disclosing information of substantial quantity and quality.

➤ [Key Sustainability Issues: Risks and Opportunities](#)

➤ [Information Disclosure based on TCFD Proposals](#)

◆ Education and Training

As part of our PDCA Cycle activities designed to plan for greater risk awareness and minimization, we provide risk management training to all our executives, employees (including contracted and part-time employees), and temp staff. We also implement separate risk management education and training for new hires, new managers, and employees transferring overseas.

➤ [Education and Training](#)

Responses to Emergencies, and the Structure and Administration of our Crisis Management System

◆ Crisis Management System Preparation

In preparation for risks with the potential to significantly damage business activities, we have drawn up Crisis Management Regulations and a BCP Manual as part of our overall Crisis Management System.

The Crisis Management Regulations fixed in 2022 are an update on our Crisis Management Manual of 2000, and are designed to help precisely manage and respond to the various risks surrounding Nippon Kayaku Group business.

◆ Business Continuity Plan (BCP)

Preparation of BCP Manuals

To help achieve our policy of “restoring business operations within a specified period” following disasters or emergencies, we launched a companywide BCP Project which involved establishing a BCP Manual for every domestic business division and factory. We are also moving ahead with preparations for a BCP Manual for our overseas group companies to help the overall Nippon Kayaku Group respond to global-level risks.

BCP Drills

We believe it is crucial for us to continuously undergo BCP drills so we can swiftly get organization functioning again once a business continuity risk occurs. Our President, Executives and Audit Board members undergo such drills on an annual basis. FY2023 saw us launch a BCP drill built around a Great North Eastern Earthquake-style scenario and focusing on a coordinated initial response between Headquarters and the Kashima region. Such a drill allowed the President, Crisis Management Committee and participants from our Agrochemicals Business the chance to gather, aggregate and share information to take immediate and appropriate decisions, and thereby confirm the effectiveness of our Business Continuity Plan. Any observations or matters that arise during such drills are confirmed in detail and consequently fed into the next BCP drill.

Kayaku Safety Systems (Huzhou), meanwhile, underwent a drill based on a typhoon approaching and then passing through the area, causing damage along the way. Issues and points of concern confirmed during this drill will be fed into future drills, and have also triggered improvement actions such as rewrites of BCP Manual text. Furthermore, WUXI POLATECHNO OPTICS, KAYAKU CHEMICAL (WUXI) and WUXI ADVANCED KAYAKU CHEMICAL all held BCP Seminars with the aim of raising employee awareness of business continuity issues.

Going forward, we will continue to stage BCP drills based on a number of different scenarios.

Information Security

◆ Policy and Basic Approach

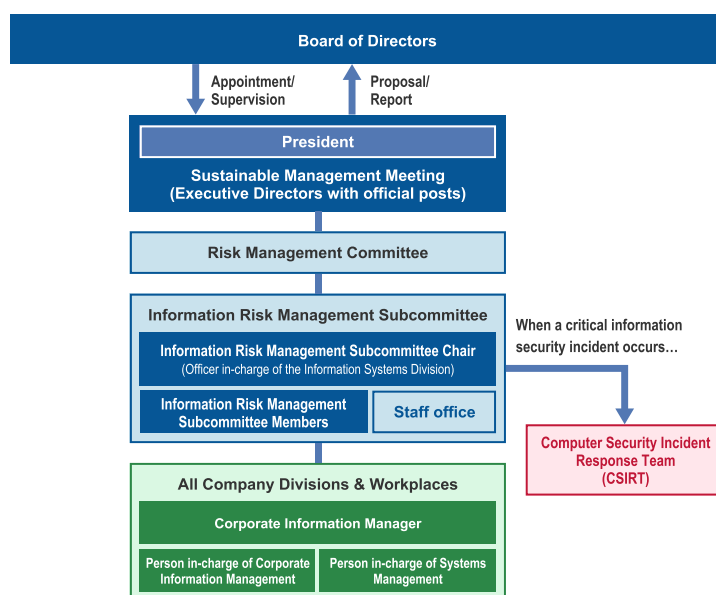
We are promoting Digital Transformation (DX) in order to make working practices more efficient, improve productivity and diversify working styles. However, we are doing this against a backdrop of heightening cybersecurity risks, with cyberattacks and unauthorized access incidents growing by the year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

◆ System

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

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

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



International Certificates Gained

- [Business Sites Certified by the Trusted Information Security Assessment Exchange \(TISAX\), \(concerned with the global automotive industry supply chain\)](#)

◆ Initiatives

Information security measures

Classification of measures	Details
(1) Organizational measures	<ul style="list-style-type: none"> Information security system maintenance Periodic reviews of information system-related regulations Implementing mail audits
(2) Personal & legal measures	<ul style="list-style-type: none"> Information system security and IT literacy education, incident response drills, setting up educational activities Concluding confidentiality contracts with external service providers Duty of confidentiality enforcement for hires and retirees
(3) Physical measures	<ul style="list-style-type: none"> Access management for facilities, buildings and areas etc. Management of PCs and external storage devices taken outside of company premises Taking key confidential information outside of company premises; locking management, access management
(4) Technical measures	<ul style="list-style-type: none"> Measures against information device malware; hard disk encryption Unauthorized outside access; detection structure for data alteration attacks

Education and Training

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

Training title	Main contents	Mainly aimed at	FY	Training format	No. of times	Take-up rate
Information System Security Training	<ul style="list-style-type: none"> Information System Security: basic knowledge, response methods, preparedness Incident response 	<ul style="list-style-type: none"> Executives, employees (including contracted and part-time employees), temp staff Persons outside the company involved in loaning PCs connected to the Nippon Kayaku network 	2023	E-learning Distribution of materials, group session	2	Average of 89%