

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.

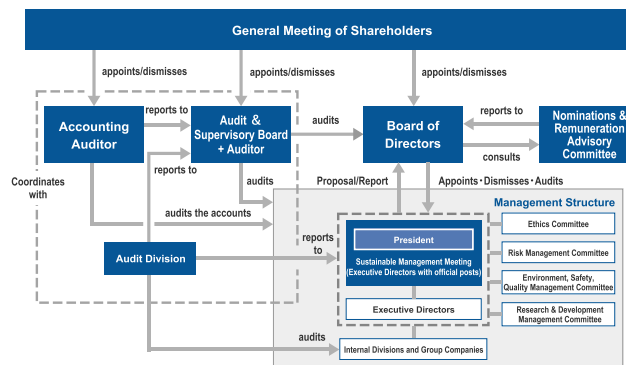
➤ [Corporate Governance Basic Policy \[279.4KB\]](#)

➤ [Corporate Governance Report \[624.0KB\]](#)

Targets and Results

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2024 Initiative-related Topics
					FY2023	FY2024	
Strengthening Corporate Governance		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	- A Board of Directors Effectiveness Evaluation was conducted, the present situation grasped, issues extracted, and an action plan fixed. Improvements are currently ongoing. - Action to Implement Management That Is Conscious of Cost of Capital and Stock Price - An Effectiveness Evaluation of the Audit & Supervisory Board was conducted.
			Number of times internal business audits are performed by the Audit Division	60 times in four years	17	12	

Corporate Governance 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 our appropriate decision-making and rapid execution of business.

◆ 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 25 Executive Directors (as of June 26, 2025)

Male	Female	Total
23	2	25

◆ Sustainable Management Meeting

➤ [Sustainability Promotion System](#)

◆ List of Committees

➤ [Ethics Committee](#)

➤ [Risk Management Committee](#)

Number of Meetings Held by Each Committee

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

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)	9 (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
	1 female Executive Director appointed (2 female Executive Directors in total)

Board of Directors

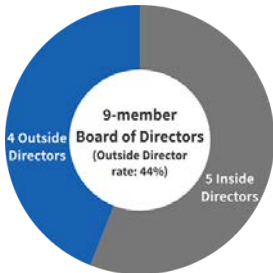
To ensure rapid implementation of management decision-making, we have set the maximum number of Directors at 10, and are working to further strengthen our supervisory functions so that all decisions regarding important operational issues are made based on the rules and policies of the Board of Directors,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

Board of Directors Outline (14 meetings in FY2024)

Meeting Chair	The President	
Number of Board Members	9	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 2025-06-27)

	Males	Females	Total
Inside	5	0	5
Outside	3	1	4
Total	8	1	9



Top Matters Discussed by the Board in FY2024

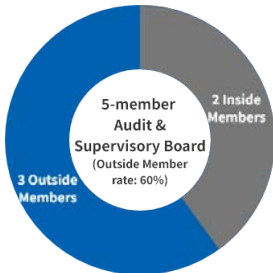
Matters related to management strategy and business planning
Matters related to settlement of accounts and financial strategy
Matters related to human resources and organizational change
Matters related to ESG
Confirmation of business unit strategies and Key Companywide Issue initiatives plus progress reports

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 2025-06-27)

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 (7 meetings in FY2024)

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 FY2024

appointment of the president, our approach to director remuneration, director of personnel affairs, human capital management

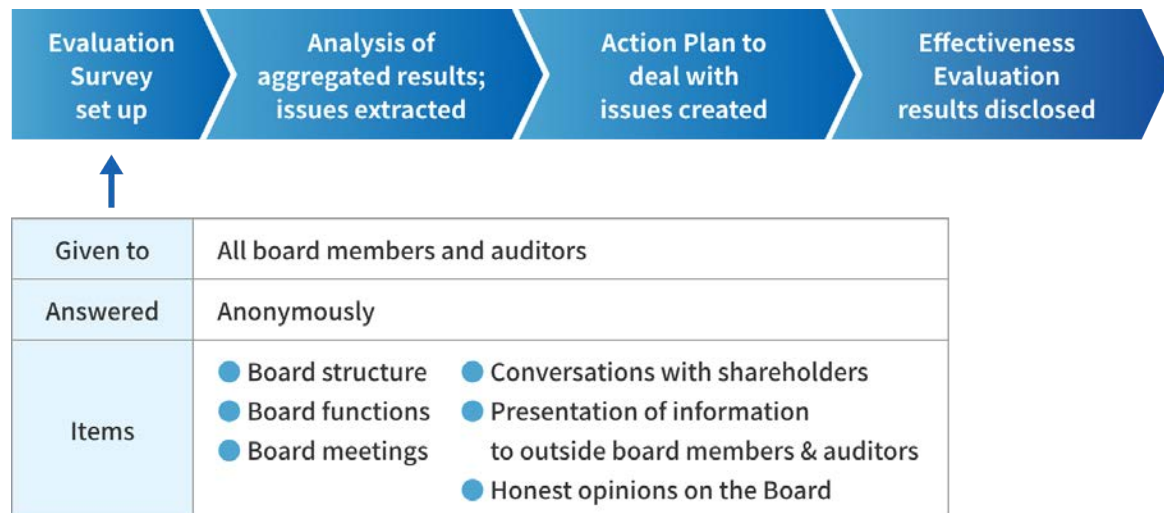
For our financial audits, we have an auditing contract with Ernst & Young ShinNihon LLC. EY conducts accounting audits based on the Companies Act and the Financial Instruments and Exchange Act, as well as internal control report audits.

[Remuneration for Certified Public Accountants](#)

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.

Board of Directors Effectiveness Evaluation



*Questions take the form of 1-5 evaluation, essay-style and open-answer

Issues arising from the practical evaluation of FY2023
① Discussion on ensuring the diversity of core human resources, human resource development policy, internal environment preparation policy, and human capital policies; readiness of oversight
② Incompleteness of discussion on business portfolio strategy and focused measures for improving PBR and monitoring
Initiatives enacted in FY2024
① Discussion on ensuring the diversity of core human resources, human resource development policy and internal environment preparation policy Disclosure of initiatives related to human capital management, along with the implementation of various measures based on such disclosures, including the use of a talent management system and the execution of employee engagement surveys.
② Measures to increase the quality of management strategy discussions within Board Meetings Discussions among Board members on topics such as business portfolio strategy and capital policy, followed by the disclosure of related analyses and company initiatives through various disclosure channels.
Evaluation Results and Issues Going Forward
The Board's analysis and evaluation of survey results revealed relative improvements in survey scores stemming from the various improvements achieved through our action plans. Overall, the analysis confirmed that our Board of Directors is effectively fulfilling its roles and responsibilities. However, from the perspective of further enhancing the effectiveness of the Board of Directors, the following issues have been identified: ① Utilization of the skills matrix in the selection of Board Members and the formulation of succession plans, as well as enhancing discussions related to succession planning. ② Further enhancement of discussions and oversight regarding human capital management initiatives, including the development of a diverse pipeline of core personnel. ③ Strengthening oversight of cybersecurity measures. ④ Ongoing discussions and enhanced oversight on management strategies, the company's future vision, and initiatives focused on improving the price-to-book ratio (PBR). The Board fixed the relevant actions to be taken at the March 2025 meeting and is working on steadily implementing them from April 2025 onwards. We will make continued efforts to improve Board effectiveness going forward.
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 Nominations & Remuneration Advisory Committee - the majority of whose members is comprised of independent Outside Directors - deliberates matters relating to 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.

Furthermore, at the Board meeting convened on March 28th 2025, it was decided to change the contents of the policy concerned based on a report submitted by the Nominations & Remuneration Advisory Committee. The altered contents are as follows.

The amount of basic remuneration for Directors involved in executing business activities shall be determined, whether s/he has authority of representation or not, shall be decided based on their job responsibilities and shall be distributed in the form of a monthly pecuniary award.

◆ 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.

he 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.

Furthermore, at the Board of Directors Meeting convened on March 28th 2025, it was decided, based on a report submitted by the Nominations & Remuneration Advisory Committee, to change the contents of the policy concerned as follows.

The performance-linked incentive bonus for each individual Director involved in executing business activities shall be distributed in monetary form at a fixed time after each financial year has ended, and be chiefly based on consolidated sales and consolidated profits as determined in that financial year's business plan, and the degree to which the Medium-term Business Plan's ROE target of 8% or above has been met, or the rate of increase or decrease therein. The final calculation will also take account of the business results for the department headed by said Director, and the degree to which medium-to-long-term targets for key issues have been met. The rationale for selecting these business targets for use in the calculation is that whereas consolidated sales and consolidated profits mainly increase awareness of improving short-term business results, ROE of 8% or above and the rate of increase or decrease heighten awareness of achieving the Medium-term Business Plan and implementing the company's sustainable management practices. It was decided that, taken together, these targets constitute the optimum performance index.

➤ [Director Remuneration](#)

Conflicts of Interest

Nippon Kayaku has specified in the Rules of the Board of Directors that any Director engaging in competitive or personal transactions must receive prior Board approval and report the results of such transactions to the Board. In addition to the aforementioned, we also verify at the end of the fiscal year whether either Directors and Audit & Supervisory Board Members themselves or their close relatives (to within two degrees) have engaged in transactions with the Nippon Kayaku Group. The Rules of the Board of Directors specify that Board approval is required for important transactions with principal shareholders and affiliated companies.

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.

We have pressed ahead with further reassessments of our cross-shareholding purposes and investment efficiency, and are working towards a target of reducing our cross-shareholdings to 6% or less of consolidated net assets by March 2029.

◆ Examination of Shareholding Suitability

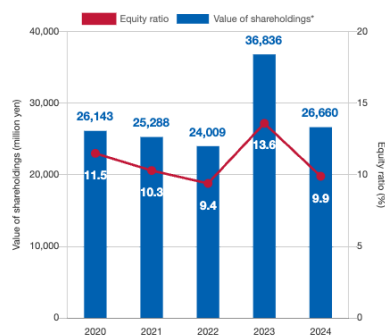
Nippon Kayaku invests in cross-shareholdings from the standpoints of improving medium-to-long-term corporate value, and maintaining and strengthening relationships with our customers. Each year sees individual cross-shareholdings examined by the Board of Directors from medium-to-long-term corporate value 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.

Our cross-shareholding balance for FY2024 reached 9.9% of consolidated net assets, marking a 3.7% drop on FY2023 due to, among other things, our pressing ahead with sales of cross-shareholdings. We will work on accelerating such sales to as to guarantee meeting our next target.



* Total value of unlisted and not-unlisted stock

Related Data

[➤ ESG Aggregate Data\(Governance\)](#)

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 inappropriate 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

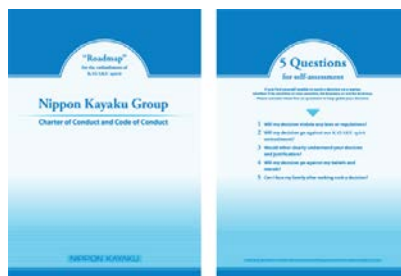
9. The Nippon Kayaku Group will appropriately protect the information it possesses through its business activities and take all possible measures for information management. In addition, we recognize the value of information assets and respect the intellectual property rights of others.

◆ 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

◆ High Ethical Standards and Transparency in our Medical Business

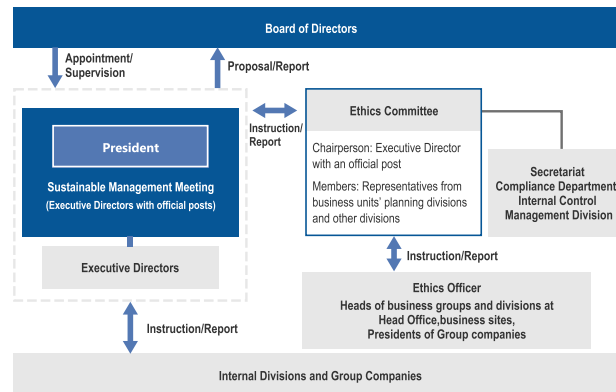
Pharmaceutical companies are demanded to constantly ensure high ethical standards and transparency; build relationships of mutual trust with external stakeholders such as medical, dental and pharmaceutical researchers, medical professionals, wholesalers and patient groups; and work towards optimal and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

➤ [Responsible Marketing and Access to Medical Care](#)

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.



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, this Audit Division internally audits 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.

Targets and Results

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2024 Initiative-related Topics
					FY2023	FY2024	
Ensuring Compliance		Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations	Number of serious compliance violations*	0	0	0	- Zero serious compliance violations. - FY2024's mandatory compliance training took the theme of "Workplace Communication," and was delivered to all domestic group companies.
			Compliance training take-up rate	100%	96%	97.7%	
		Maintain and enhance an open corporate culture with a high sense of ethics	Percentage of group companies with compliance / whistleblower hotlines	100%	83%	100%	We spoke to overseas group companies without a Compliance Whistleblower Hotline and ensured such hotlines were set up. We aim to expand hotline use through increasing awareness and training in FY2025.

* Number of matters judged extremely important by the Ethics Committee

Initiatives

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.

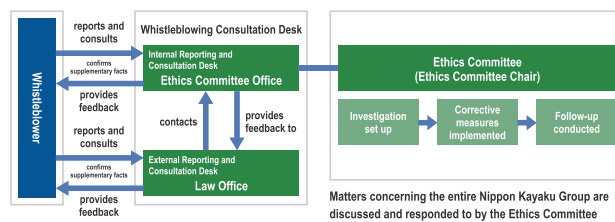
Our Compliance Hotline, meanwhile, runs to both our Ethics Committee Office (the Internal Control Management Division's Compliance Manager) and an external law firm, and allows whistleblowers to choose anonymity or otherwise when reporting or consulting. Reports may be made via telephone, email, document 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

FY2024 saw a total of 25 reports (non-consolidated: 17; group companies: 8) and consultations made, with the facts of every one investigated and corrective measures deployed where necessary. Of those 25, 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	2020	2021	2022	2023	2024
Harrassment (power harrassment, sexual harrassment, etc.)	non-consolidated	cases	6	2	7	16	8
	Group companies	cases	-	-	-	-	5
Violations of company rules or manners	non-consolidated	cases	0	0	2	3	6
	Group companies	cases	-	-	-	-	3
Work or labor-related	non-consolidated	cases	1	1	3	5	3
	Group companies	cases	-	-	-	-	0
Others	non-consolidated	cases	0	1	4	3	0
	Group companies	cases	-	-	-	-	0
Total	non-consolidated	cases	7	4	16	27	25

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. FY2024 saw four reports and enquiries received. 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	2020	2021	2022	2023	2024
Whistleblowing complaints and consultations from suppliers	non-consolidated	cases	-	0	1	0	4

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.

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

Education and Training

The Nippon Kayaku Group conducts annual e-learning courses on its Charter of Conduct and Code of Conduct for all directors, employees (including contract and part-time employees) and temp staff. The program takes place every year as part of compliance training, and is based on the latest situations and case studies pertaining to the Charter of Conduct and Code of Conduct, and related themes, such as anti-bribery and anti-corruption, basic human rights, harassment, and how to use our internal whistleblowing system. We also use regular meetings at each workplace as opportunities to deliver case-study-based training and form study groups.

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
Compliance Training (Yearly, Compulsory)	Communication in the workplace	Executives, employees, (including contracted and part-time employees), temp staff	2024	E-learning, group session	1
Sustainability Training (Mandatory)	Basic Anti-Bribery and Anti-Corruption Policy; bans on provision and receipt of excess entertainment; actions banned under the ethical regulations for government employees	Executives, employees, (including contracted and part-time employees), temp staff	2024	E-learning	1
Compliance Training	Training delivered on Nippon Kayaku Group Charter of Conduct and Code of Conduct, and related themes - Harassment - fundamental Human Rights - Labor relations etc	Executives, employees, (including contracted and part-time employees), temp staff	2024	E-learning	6
Risk Management Training	Biases which can affect judgment	Executives, employees, (including contracted and part-time employees), temp staff	2024	E-learning	1
New Hire Training ^{*1}	Nippon Kayaku Group Compliance	New hires	2024	Group session	1
New Manager Training ^{*1}	Nippon Kayaku Group Compliance	New managers	2024	Group session	2
Overseas Transfer Training ^{*2}	Charter of Conduct and Code of Conduct, Basic Anti-Bribery Policy etc.	Employees transferring overseas	2024	Interview, online	11

*1 Held every year

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

Our Compliance Consciousness Survey

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 PDCA's to improve compliance consciousness.

Anti-Corruption

Policy and Basic Approach

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 intermediaries

Payment shall not be made if the Nippon Kayaku Group becomes aware that payments to contractors, agents, consultants, wholesalers, and other intermediaries to wholesalers to whom the businesses are outsourced, and a portion thereof, are diverted to improper approaches to public officials, etc., or that there is a possibility thereof.

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. The Nippon Kayaku Group requests to conclude a contract that includes provisions to understand this Basic Policy and to comply with relevant laws and regulations, including the prevention of bribery, at the time of new use or renewal of the contract with intermediate manufacturers such as contractors, agents, consultants and wholesalers who may come into contact with public officials. 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.

System

➤ [Compliance\(System\)](#)

Internal Audits

➤ [Compliance\(Internal Audits\)](#)

Initiatives

Risk Evaluation

For its annual risk assessment, the Nippon Kayaku Group identifies risks at all its business sites (including those of overseas group companies), examines response measures, and sets up periodical reviews. (For details, please see: [Risk Assessment > Preventative Measures Against Risk](#)).

For our Group companies in countries with high corruption risks, we have fixed Anti-Bribery and Anti-Corruption regulations as part of our comprehensive anti-corruption approach. These regulations basically set the rules for provision and receipt of entertainment and gifts which conform to the laws and business customs of the countries concerned. Compliance is periodically checked via internal audit. Going forward, based on each country's individual situation, we will continue to strengthen links between each group company and department in our quest to deliver yet more effective and efficient global compliance activities.

Internal Whistleblowing System

➤ [Compliance \(Internal Whistleblowing System\)](#)

Education and Training

Our education and training contents are based on the Nippon Kayaku Group Charter of Conduct and Code of Conduct, and include matters such as conflicts of interests, outlawing of insider trading, and anti-corruption. Our overseas group companies receive onsite education and training sessions from the Internal Control Management Division once a year.

➤ [Compliance \(Education and Training\)](#)

Preventing Corruption for suppliers

Nippon Kayaku subjects its domestic suppliers to a 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.

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

Responsible Political Involvement

Our Nippon Kayaku Group Charter of Conduct and Code of Conduct call for the building of healthy relations with politics and administrative bodies, and forbid bribery and other dishonest practices. Donations to political groups are made in compliance with the Political Funds Control Act, the Public Officers Election Act, and other related legislation. Internal company processes must be followed, and requests must be submitted in advance for final decision.

Related data

➤ [ESG Aggregate Data \(Anti-Corruption\)](#)

Risk Management

Policy and Basic Approach

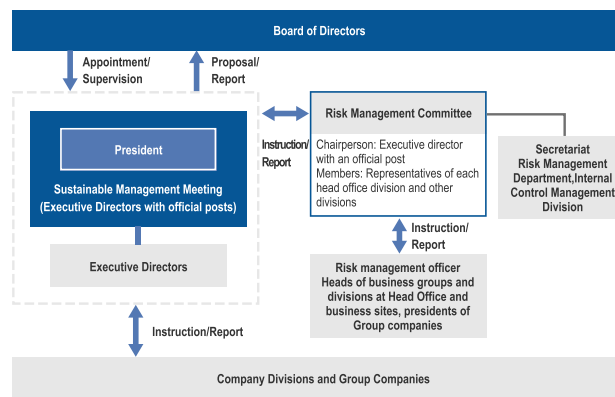
In a time when the surrounding business environment changes from day to day, leading to increased complications and uncertainty, we are facing a multitude of risks. By maintaining its production system, ensuring suitable access to natural resources, and strengthening disaster prevention measures in order 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.



Targets and Results

Key sustainability issues	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2024 Initiative-related Topics
				FY2023	FY2024	
Risk Management	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%	- Top Five Risk Control Activities conducted at seven domestic factories and all group companies. (The lack of outstanding human resources emerged as an increasing risk-trend) - Certain domestic and overseas business sites picked up for hearings related to their Top Five Risks - BCP drill conducted at several sites within the Fine Chemicals Business Unit, based on a Kanto-region-epicentered earthquake scenario - BCP drills conducted at Chinese group companies
		Number of BCP drills conducted	Once or more per year	3	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.

Our “Top Five Risk Control Activities” cover all plants, research labs and business sites inside Japan, as well as domestic and overseas group companies. Each business site extracts its five key risks from its own perspective and explores possible response measures.

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.

◆ Business Risks

When it comes to risks that can potentially affect our business activities, the Nippon Kayaku Group looks at the risks facing each business unit and section as specified in our “Business Unit Risk Control Activities,” and extracts potential risks based on business-specific, business-environment and geopolitical considerations. We view business strategy, natural disasters, climate change response and compliance as the areas of principal risk to business continuity, business sustainability and increasing corporate value, and are therefore working on response measures vis-à-vis the 13 items listed in the chart below. In emergency situations, we set up a Crisis Management Committee and build a structure which enables our Group to effect prompt and appropriate response. (See [here](#) for further details on our emergency response and crisis management system).

Key Companywide Risks for FY2024		
Risk Type	No.	Risk Category
Risks affecting management strategy	1	Procurement of raw materials
	2	Product quality
	3	Changes in business environment
	4	Occurrence of accidents
	5	R&D
	6	Changes in regulations and policy
	7	Changes in tariffs; exchange rate movements
	8	Intellectual property
	9	Information leaks
	10	Cessation of computer systems
Risks associated with natural disasters and climate change response	11	Natural disasters
	12	Climate change response
Compliance risks	13	Compliance and law violations etc.

➤ [For details, please see the Business Risk Section in our Securities Report. \(Japanese\)](#)

◆ 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.

Having recognized the above, we have disclosed information based on the risks and opportunities surrounding our Key Sustainability Issues, and TCFD and TNFD 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](#)

➤ [Information Disclosure based on TNFD 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 anticipation of the most critical risks posed to our business activities, we have fixed our Crisis Management Regulations and are currently preparing our Crisis Management System. We are also using our Detailed Crisis Management Regulations to work on building an emergency response structure which allows for more accurate responses based on the preventative measures outlined in various response manuals.

◆ Business Continuity Plan (BCP)

Preparation of BCP Manuals

By way of preparing for natural disasters and outbreaks of infectious disease, our Group is drawing up its own BCP Basic Manual. This serves as the base for each domestic and overseas business site, plant and group company to fix its own individual BCP manual and periodically revise the contents to boost effectiveness.

BCP Drills

As part of our efforts to confirm the effectiveness and workability of its BCP manuals, as well as heighten employee awareness, the Nippon Kayaku Group stages BCP drills both domestically and overseas to ensure that damage is minimized, business can continue, and operations can be promptly restored when emergency situations occur. Inside Japan, the director in charge of the business unit serves as the Crisis Management Chief and conducts an annual BCP drill. FY2024 saw the Fine Chemicals Business Unit conduct a blind scenario-style BCP drill under the auspices of the president and Crisis Management Committee Chair. The drill simulated an earthquake in the Kanto region, and saw the relevant departments of head office, research labs and plants link up to gather and share various information on situations pertaining to damage, disaster and customers. We were able to confirm that the Crisis Management Chief made prompt and appropriate calls, that instructions were carried out, and that the Business Continuity Plan is effective.

In China, meanwhile, KAYAKU CHEMICAL (WUXI) staged a BCP drill based around a scenario which saw damage caused by a plant fire. Meanwhile, WUXI ADVANCED KAYAKU CHEMICAL and Shanghai KAYAKU International Trading teamed up to hold a drill based around a typhoon-damage scenario. The issues and matters of concern confirmed during both drills have been fed into future drills, as well as BCP manual updates and improvements. In addition, with the aim of heightening employee awareness of business continuity, a study session was held on initial response to emergencies using the safety equipment at WUXI POLATECHNO OPTICS, KAYAKU CHEMICAL (WUXI), WUXI ADVANCED KAYAKU CHEMICAL and Kayaku Safety Systems (Huzhou). Going forward, we shall continue to conduct BCP drills around various assumed scenarios in order to enhance our crisis response abilities.

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, with cyberattacks and unauthorized access incidents increasing by the year and becoming ever more sophisticated, cyber risks are increasing. We view the business continuity risks associated with information leaks and computer system shutdown as management issues. Hence, to retain the trust placed in us by society at large- including our customers, suppliers, investors, employees and other stakeholders- we have fixed our Nippon Kayaku Group Information Security Countermeasure Policy and "The Information Security Responsibilities We Bear" Declaration based on our Group [Charter of Conduct and Code of Conduct](#). In such ways are we taking continuous, daily steps to improve information security awareness and literacy, and protect business information.

The Information Security Responsibilities We Bear

As a business trusted by society, and in pursuit of realizing the type of Nippon Kayaku we want, we shall promote appropriate information management.

People

In order to promote appropriate information management, we will work on improving the information security awareness and literacy of each and every employee.

Society

We will resolutely confront cyber attacks, take responsible actions vis-à-vis society, and disclose information both appropriately and promptly.

Risks

We shall appropriately evaluate the risks to our information assets, systematically devise measures, and work to maintain a risk-responsive system.

Technology

We should respond to evermore sophisticated cyber attacks by continuously working on appropriate technical measures to help guard our important business information.

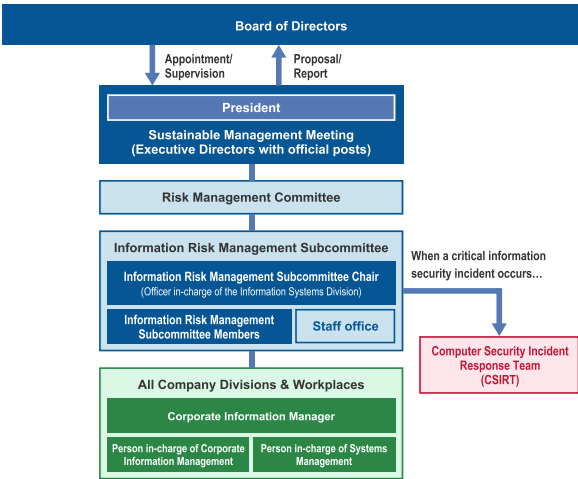
*The Information Security Responsibilities We Bear (Published in Japanese, English and Chinese)

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)

Targets and Results

FY2024 Targets	FY2024 Results
Prevent critical security incidents within the Nippon Kayaku Group	No incidents
Explain how the company will extract information assets with a major influence on business survival, and carry out risk assessments and related measures	Each department and business unit has extracted critical information assets, and has conducted physical and system risk assessments pertaining to storage conditions. An explanation on relevant measures is planned to be given by FY2025.
FY2025 Targets	
Create a BCP manual with detailed rules for information system management in the event of a cyber attack, and conduct a relevant drill	

Initiatives

Information security measures

Classification of measures	Details
(1) Organizational measures	- Information security system maintenance - Periodic reviews of information system-related regulations
(2) Personal & legal measures	- 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	- 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	- 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	Chiefly aimed at	FY	Delivery style	Times	Take-up rate
Management class training	- The importance of information security to management - Social responsibility	Directors	2024	Seminar	3	Ave: 88%
Information Security: The Basics	Understanding the 3 elements of information security (confidentiality, integrity and availability)	Employees	2024	Video	1	—
Security when using IT tools	- Information system security: basic knowledge, measures, attitudes - Incident response	- Directors, employees (including contract and part-time employees), temp staff - Persons outside the company who are borrowing a PC connected to our company network	2024	E-learning Distribution of materials; group seminar	1	84%

◆ Number of Critical Security Incident Cases

The numbers of cases occurring within the Nippon Kayaku Group over the past two years can be seen in the table below.

Indicators	Covering	Unit	2020	2021	2022	2023	2024
Number of Critical Security Incident cases*	consolidated	cases	-	-	-	0	0

* Levels of security incident criticality are determined by our Information Risk Management Subcommittee.

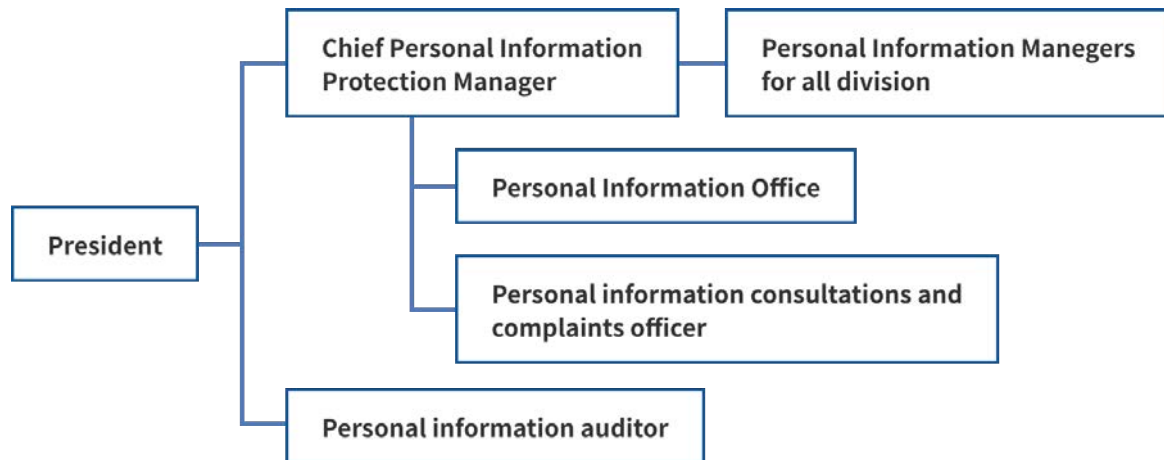
Protecting Personal Information

The Nippon Kayaku group recognizes the importance of personal information and observes all laws related to personal information, and all concomitant laws, pertaining to the personal information it handles. We view it as a social responsibility to be thorough in our efforts to preserve personal information.

We have also fixed our [Personal Information Protection Policy](#) for persons outside the company, with use purposes, safety management measure and contact details for consultations and complaints all published on our homepage to be freely confirmed by members of the public.

◆ Personal Information Protection Management System

We have fixed our Personal Information Management Regulations, under which a Personal Information Manager is dispatched to every division under the auspices of the Chief Personal Information Protection Manager. Personal information handled by each workplace is constantly subject to importance classifications, while database entries are thoroughly maintained. We also deliver periodical training to all employees (three times a year) on personal information inventories (once a year) and audits (once a year), so as to heighten internal awareness and effectiveness of personal information protection.



◆ Education and Training on Protecting Personal Information

Training Title	Main Contents	Chiefly Aimed at	FY	Delivery style	Times	Take-up rate
Legal training	- Defining personal information; near-miss case studies - Acquisition, use, storage and management of personal information - Presentation of personal information; responding to requests for disclosure of stored personal information	Directors, employees (including contract and part-time employees), temp staff	2024	E-learning; Group seminar	3	Ave: 97.2%

◆ Incidents and Emergency Responses concerning Personal Information Leaks

In the unlikely event that a leakage of personal information occurs, we will respond in line with our Information Leakage Incident Response Process Details.

◆ Situation regarding Personal Information Leaks

As of March 31st 2025, we have registered zero cases of personal information being leaked.