

Corporate Governance

Policy and Basic Approach

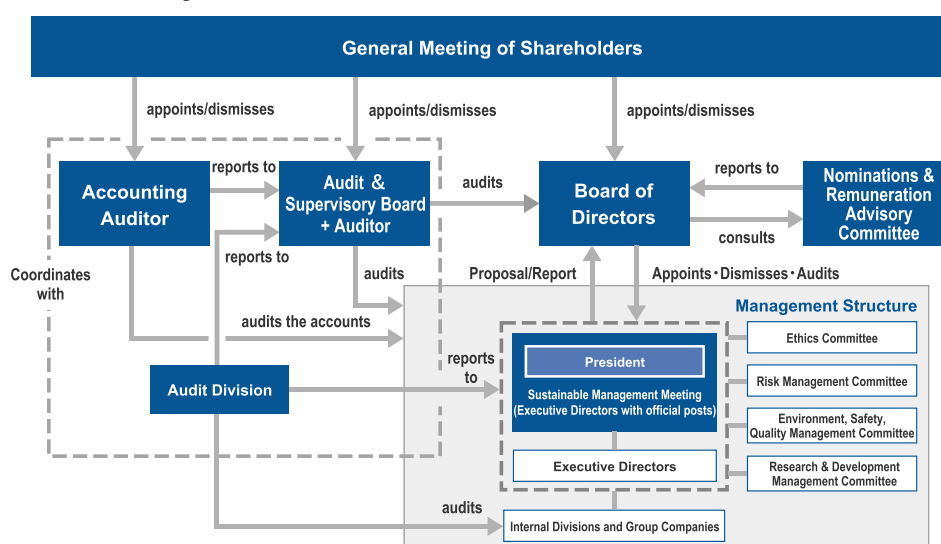
The Nippon Kayaku Group recognizes that delivering its corporate vision under the KAYAKU spirit requires focus on two important issues: timely and impartial information disclosure to all shareholders and investors, and guaranteed transparent management based on strengthened checking functions. Having 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](#) 
- > [Corporate Governance Report](#) 
- > [Independent Directors/Auditors Notification Form](#) 

Targets and Results

- > [Board of Directors Effectiveness Evaluation](#)
- > [FY2025 Sustainability Targets and Results](#)

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 we are carrying out 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 18 Executive Directors (as of June 26, 2026)

Male	Female	Total
17	1	18

◆ Sustainable Management Meeting

➤ [Sustainability Promotion System](#)

◆ List of Committees

- [Ethics Committee](#)
- [Risk Management Committee](#)
- [Environment, Safety and Quality Management Committee](#)
- [Research & Development Management Committee](#)

Number of Meetings Held by Each Committee

➤ [Number of Meetings 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) *1 female Outside Auditor
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)
2025	1 female Senior Director appointed
2026	1 female Outside Audit & Supervisory Board Member 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.

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.

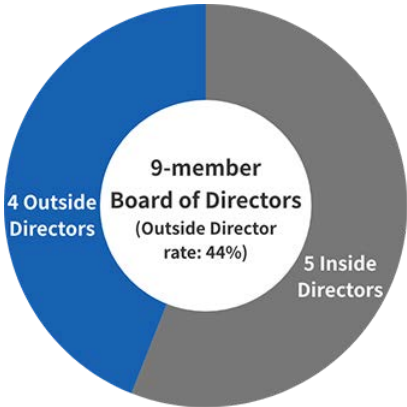
However, Independent Outside Directors shall be elected with management experience at other companies, and Audit & Supervisory Board members shall be elected with sufficient expertise of finance and accounting.

Board of Directors Outline (15 meetings in FY2025)

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 2026-06-26)

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



Top Matters Discussed by the Board in FY2025

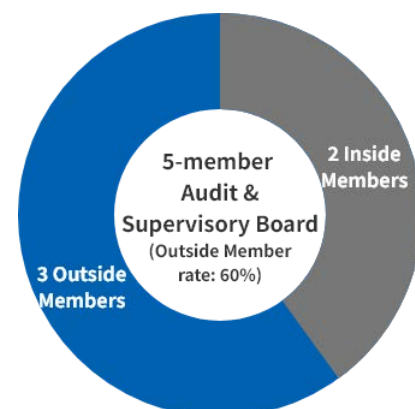
Top matters discussed	Top matters decided and reports discussed
Management Strategy	- The approach to formulating the Long-term Management Plan to commence in FY2026, aimed at raising corporate value - Human resource strategies and key initiatives aimed at delivering on the Long-term Management Plan - The basic strategy and key initiatives for Phase 1 of the Long-term Management Plan
Sustainability	- Results and future roadmap climate-change-related initiatives, including those in response to TCFD recommendations - Issues relating to systematic organization of human capital disclosures and further expansions
Corporate Governance	- The formulation of an Action Plan to enhance effectiveness based on the results of the Board of Directors Effectiveness Evaluation - The delegation of some execution authority to the Sustainable Management Meeting so as to improve Board effectiveness - The report on matters discussed by the Nominations & Remuneration Advisory Committee - Cybersecurity and human capital risks, and the strengthening of our risk management and compliance framework
Business Activities	- Analysis of, and forecasts for, the financial impact of US tariff policies - Advancement of our Pharmaceutical Business Growth Strategy (establishment of joint-venture companies, drug development process optimization) - The launch status of our new business site in India, and exploration of future business opportunities
Stakeholder engagement	Recognition of issues highlighted in dialogue with investors, and incorporation of those issues into management initiatives

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 2026-06-26)

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 (5 meetings in FY2025)

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 FY2025

Key Matters Discussed	Key Decisions and Reports
Nominations (executive personnel and human resources strategy)	- Reassessment of the skills matrix ahead of the introduction of the new executive structure - Revisions to the managerial appointments system aimed at fostering a culture of embracing challenge - Changes in executive and departmental chief personnel to take effect on Apr 1st 2026
Remuneration (remuneration system and incentives)	- Decisions on director and executive bonuses based on business results for FY2024 - Operation of the restricted stock incentive system for the management class - Verifying the appropriateness of the executive remuneration system based on the Remuneration Benchmark Survey - Utilization of non-financial (ESG) indicators for executive performance-related pay
Others	- Exploring institutional reforms to strengthen the corporate governance (transitioning to a committee-based governance structure) - Exploring types of human capital information (strategy, KPIs) to be disclosed in the Annual Securities Report - Sharing feedback obtained from investor dialogue and organizing response measures

Accounting Firm

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.

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



Given to	All board members and auditors
Answered	Anonymously
Evaluation Items	● Board structure ● Board functions ● Board meetings ● Conversations with shareholders ● Presentation of information to outside board members & auditors ● Honest opinions on the Board

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

Status of Initiatives on Issues extracted from the FY2024 Effectiveness Evaluation

	Issues arising from the FY2024 Effectiveness Evaluation	Initiatives implemented in FY2025
1	Further enhancement of discussions and oversight regarding human capital management initiatives, including the development of a diverse pipeline of core personnel.	The Nominations & Remuneration Advisory Committee discussed initiatives related to human capital management and related disclosure content, and reported on its discussions to the Board of Directors. In addition, the details of these initiatives were disclosed in the Annual Securities Report, on our company website, in the Corporate Governance Report, and in Integrated Report 2025, respectively. Furthermore, at a special meeting of the Board of Directors held in November 2025, the Board discussed the basic policy on human capital and other matters aimed at realizing our desired state in 2035.
2	Strengthening oversight of cybersecurity measures.	The current status of cybersecurity measures and incidents that occurred were reported to the Board of Directors every six months, and the Board discussed the content of those reports.
3	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 of Directors discussed the formulation of the next management plan as appropriate, and the current analysis, basic policy and other matters based on those discussions were compiled into the "New Long-term Management Plan Formulation Policy" which was approved by resolution of the Board of Directors and disclosed at the financial results briefing for the second quarter of the fiscal year ending March 31, 2026. In addition, measures focused on improving the price-to-book ratio (PBR), which had continued to be identified as an issue from the previous fiscal year, were discussed as one of the points at issue in formulating the next management plan.



Evaluation Results, Future Issues and Action Plan

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:

	Future issues	Action Plan
1	Enhancement of discussions regarding the succession plan	The Board of Directors and the Nomination and Compensation Advisory Committee will discuss the disclosure of the succession plan for the President, as well as whether succession plans for Directors other than the President are necessary and, if so, their details.
2	Enhancement of discussions regarding the use of generative AI and its risks	The Directors in charge of operations related to generative AI will report to the Board of Directors on the status of the use of generative AI and the risks anticipated, and the Board of Directors will discuss the content of such report.
3	Review of the criteria for matters to be submitted in order to secure time for discussions on important matters	After organizing the basic approach to the criteria for matters to be submitted for resolution by the Board of Directors, the Company will optimize the number of agenda items through a review of the Board of Directors Regulations and develop an environment in which sufficient deliberation time can be secured for matters of high importance.

The following issues were identified, and at the Board of Directors meeting in March 2026, an action plan to be addressed by the Board of Directors in FY 2026 was formulated and has been steadily implemented since April of the same year. 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 based on whether or not they hold representative authority, their assigned duties, and other factors, and shall be paid as monthly monetary remuneration.

Executive Remuneration Mix

▶ Member of the Board President Representative Director	Base Remuneration 57%		Short-Term Performance-Linked Remuneration 30%	Medium-Term Performance-Linked Stock Remuneration 13%
▶ Executive Director	Base Remuneration 64%		Short-Term Performance-Linked Remuneration 25%	Medium-Term Performance-Linked Stock Remuneration 11%
	Base Remuneration	Short-Term Performance-Linked Remuneration	Medium-Term Performance-Linked Stock Remuneration	
Objective	Compensation for executive duties and responsibilities	Short-Term Incentive	Medium- to Long-Term Incentive	
		Linked to Performance for the Fiscal Year		
Form of Payment	Cash	Cash	Stock	
▶ Outside Director	Base Remuneration 100%			

◆ 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 calculated based on the achievement rate and rate of change against the targets for consolidated net sales and consolidated operating profit set forth in the annual business plan and the target value for return on equity (ROE) set forth in the Mid-term Management Plan, while also taking into account the business results of the departments for which they are responsible and the degree of achievement of mid- to long-term key-issue targets, and shall be paid in cash at a fixed time following the end of each fiscal year. The reasons for selecting these performance targets are that they are considered to be the most appropriate indicators for heightening awareness of short-term business performance improvement mainly with respect to consolidated net sales and consolidated operating profit, while also heightening awareness of the achievement of the Mid-term Management Plan and the practice of our sustainable management by using the achievement rate and rate of change of return on equity (ROE) as targets. 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](#)

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

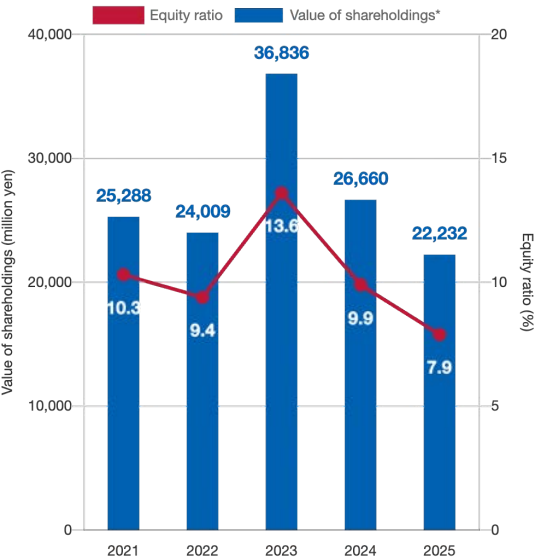
Nippon Kayaku invests in cross-shareholdings from the standpoints of improving medium-to-long-term corporate value, and maintaining and strengthening relationships with our customers.

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 FY2025 reached 7.9% of consolidated net assets, marking a 2.0% drop on FY2024 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

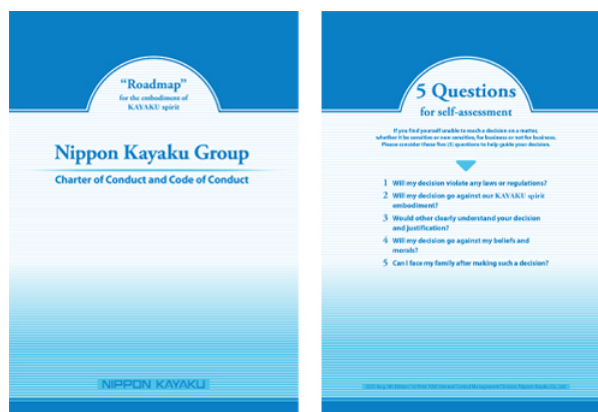
9. The Nippon Kayaku Group will appropriately protect the information it possesses through its business activities and take all possible measures for information management. In addition, we recognize the value of information assets and respect the intellectual property rights of others.

◆ 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.

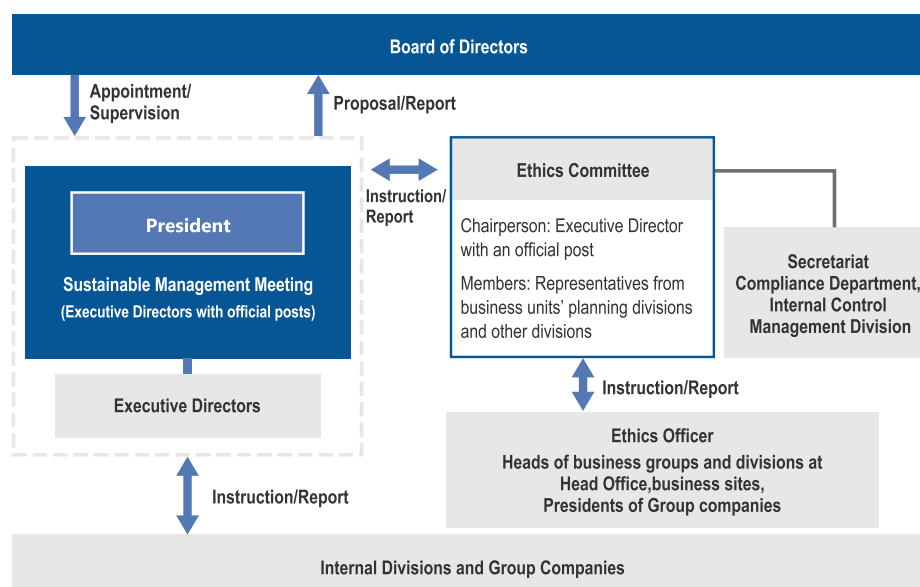
As the standard by which to judge whether our actions align with the aims of the JPMA Code, we have fixed a Nippon Kayaku Code of Practice. Thus are we further clarifying the corporate ethics and compliance awareness campaigns which form the bedrock of our business activities, and promoting respect for 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 does this Audit Division internally audit every division and section of both domestic and overseas Group companies once every four 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

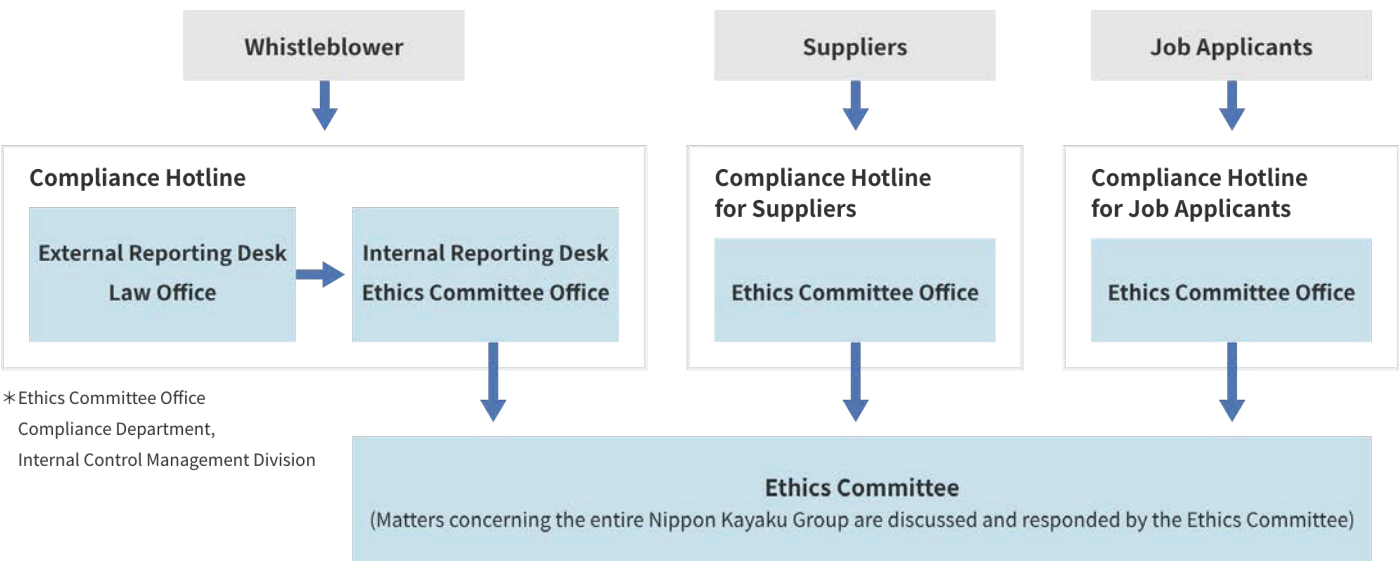
- > [Anti-Corruption \(Targets\)](#)
- > [FY2025 Sustainability Targets and Results](#)

Initiatives

Whistleblowing and Consultation System

At Nippon Kayaku, we have set up a Compliance Hotline to serve as our internal whistleblowing helpdesk, open to all domestic Nippon Kayaku Group executives, employees (including contract and part-time employees), temporary staff, freelancers, and even former employees (for the first year post-departure). We have also established a Compliance Hotline for Suppliers and Compliance Hotline for Job Applicants to handle whistleblowing reports and consultations from the respective parties concerned.

Whistleblowing and Consultation (Hotline System Diagram)



◆ 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 can be used by all domestic Nippon Kayaku Group executives, employees (including contract and part-time employees), temporary staff, freelancers, and even former employees (for the first year post-departure). Overseas group companies, meanwhile, make use of their individual internal whistleblowing systems. The Compliance Hotline is constantly open for whistleblowing reports and consultations pertaining to contraventions of laws, unjust practices, harassment, bribery, unjust trading, other corrupt practices, and general actions running counter to corporate morals that arise in the course of Nippon Kayaku Group work. This also includes contraventions of the internal regulations such as those laid down in the Charter of Conduct and Code of Conduct. Should an unjust practice occur, or seem likely to occur, all consultations are welcome.

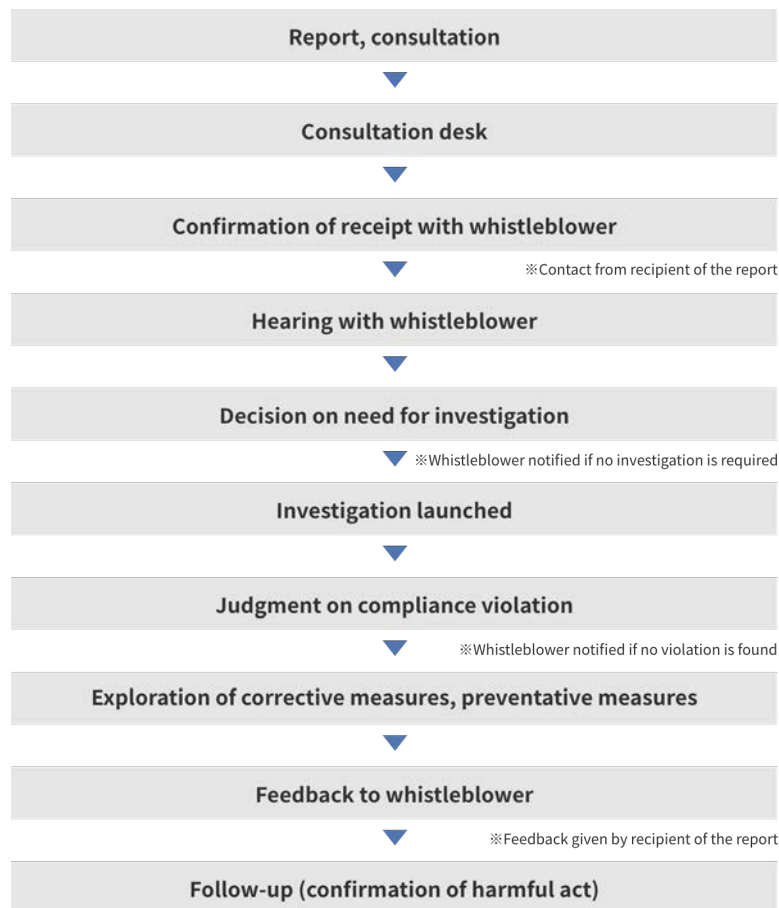
Our Compliance Hotline, meanwhile, runs to both our Ethics Committee Office (the Internal Control Management Division's Compliance Manager) and an external law firm, and allows whistleblowers to choose anonymity or otherwise when reporting or consulting. Reports may be made via telephone, email, document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

Whistleblowing Process



Contents of Reports and Consultations made over the Last Five Years

FY2025 saw a total of 13 reports (non-consolidated: 10; group companies: 3) and consultations made, with the facts of every one investigated and corrective measures deployed where necessary. Of those 13, 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	Scope	Unit	2021	2022	2023	2024	2025
Harassment (power harassment, sexual harassment, etc.)	non-consolidated	cases	2	7	16	8	6
	Group companies	cases	-	-	-	5	1
Violations of company rules or manners	non-consolidated	cases	0	2	3	6	2
	Group companies	cases	-	-	-	3	1
Work or labor-related	non-consolidated	cases	1	3	5	3	0
	Group companies	cases	-	-	-	0	0
Others	non-consolidated	cases	1	4	3	0	2
	Group companies	cases	-	-	-	0	1
Total	non-consolidated	cases	4	16	27	25	13

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.

1. Available to

Executives and employees who, in the course of business, are involved in trading with domestic Nippon Kayaku Group companies

2. 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

3. Reports and consultations accepted by

The Ethics Committee Office (Internal Control Management Division), Nippon Kayaku Co., Ltd.

4. 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

5. 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

6. To contact us

Reports and consultation requests should be made through the [Compliance Hotline for Suppliers](#)

Our Compliance Hotline for Job Applications

The Nippon Kayaku Group has set up a Compliance Hotline for Job Applicants for matters related to harassment during the recruitment process. This hotline (to be found in Point 4 below) should be contacted by applicants who have either experienced harassment from a Nippon Kayaku employee, or fear such harassment forthcoming, during the recruitment process.

- 1. Consultations accepted by
The Ethics Committee Office (Internal Control Management Division), Nippon Kayaku Co., Ltd.
- 2. Requests regarding consultations
We do accept anonymous consultations. However, we ask that you please provide your name where possible as that will help us smoothly proceed with establishment of facts and investigations, and enable us to directly report to you any findings and recurrence prevention measures. Should you request anonymity, please write in the name column: "Name withheld by request."
- 3. Protection of consultation-seekers
All users of our Compliance Hotline for Job Applicants 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, the act of having made a report of requested a consultation will have no effect on the outcome of the whistleblower's job application
- 4. Consultation Method
Consultations should be made through our [Compliance Hotline for Job Applicants](#)

Numbers of Reports and Consultations

Our Compliance Hotline for Suppliers has been in place since FY2021, during which it received no enquiries. FY2025 saw four reports and enquiries received.

Number of Whistleblowing Complaints and Consultations from Suppliers

Whistleblowing	Scope	Unit	2021	2022	2023	2024	2025
Whistleblowing complaints and consultations from suppliers	non-consolidated	cases	0	1	0	4	0

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, together with each company's person in-charge, 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.

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.

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 Program	Main contents	Target Audience	FY	Delivery Method	Frequency
Compliance Training (Yearly, Compulsory)	From "I conveyed" to "properly conveying" How misunderstandings stem from thinking you have conveyed the situation	Executives, employees, (including contracted and part-time employees), temp staff	2025	e-learning, group session	1
Sustainability Training (Mandatory)	Nippon Kayaku Group Basic Policy on Anti-Bribery; 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	2025	e-learning	1
Compliance Training	Training set up for The Nippon Kayaku Group Charter of Conduct and Code of Conduct, and related themes; workplace environment (prevention of backbiting); harassment (overbearing relationships), approach towards compliance, basic human rights (delivering on practical considerations), introduction to the law (What is the Proper Transactions Law?), prevention of rule violations etc.	Executives, employees, (including contracted and part-time employees), temp staff	2025	e-learning	6
Risk Management Training	Wouldn't you be deceived? "Basic Measures against Cyberattacks"	Executives, employees, (including contracted and part-time employees), temp staff	2025	e-learning	1
New Hire Training*1	Nippon Kayaku Group Compliance	New hires	2025	Group session	1
New Manager Training*1	Nippon Kayaku Group Compliance	New managers	2025	Group session	2
Overseas Transfer Training*2	Nippon Kayaku Group Charter of Conduct and Code of Conduct, Nippon Kayaku Group Basic Policy on Anti-Bribery etc.	Employees transferring overseas	2025	Interview, online	18

*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.

◆ 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\(Internal Audits\)](#)

Targets and Results

Indicator	FY2028 Target	FY2035 Target	Scope
Number of Employee Disciplinary Actions, Dismissals, Fines and Penalties Related to Anti-Corruption Policy Violations	0 cases	0 cases	Consolidated
Number of Significant Compliance Violations reported through the Compliance Hotline by Business Partners	0 cases	0 cases	Consolidated
Training take-up rate	100%	100%	Consolidated
Corrective Action Completion Rate for Internal Audit Findings	100%	100%	Consolidated

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

Education and training are based on the contents of the Nippon Kayaku Group Charter of Conduct and Code of Conduct, with sessions on the outlawing of conflicts of interest, insider trading and anti-corruption being held once a year. Furthermore, 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\(Anti-Corruption\)](#)

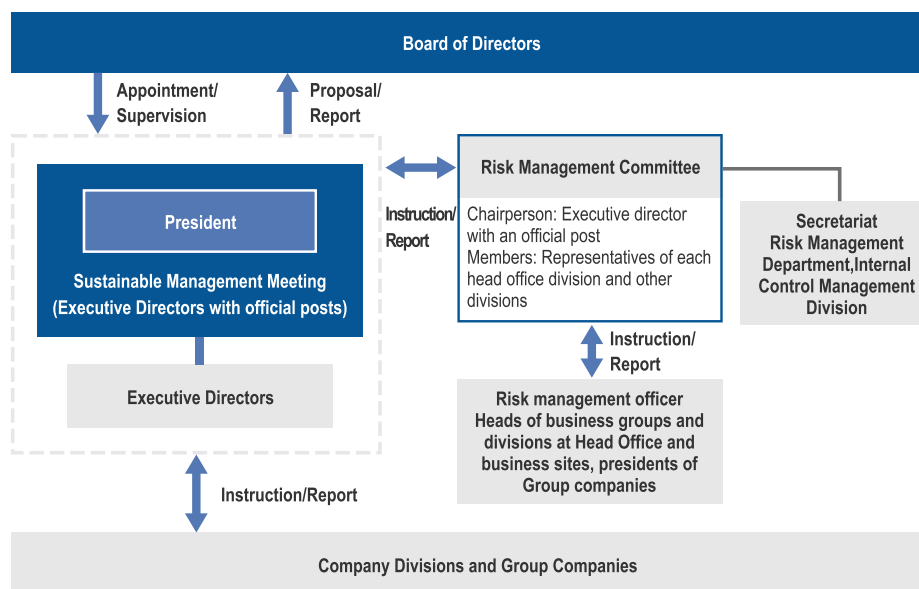
Risk Management

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 raw materials and strengthening disaster prevention measures in order to secure business continuity, the Nippon Kayaku Group prevents various business-related risks from materializing and minimizes their impact. 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 Manuals 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 the Board of Directors, who then provide relevant feedback.



Targets and Results

Indicator	FY2028 Target	FY2035 Target	Scope
Risk Assessment Completion Rate	100%	100%	Consolidated
Risk Response Plan Development Rate	100%	100%	Consolidated
Number of Cases with a Risk Response Implementation Rate Below 80%	Fewer than 10	0	Consolidated
Corrective Action Completion Rate for Internal Audit Findings	100%	100%	Consolidated
Risk Management Process Compliance Rate	100%	100%	Consolidated
Risk Management Training take-up rate	100%	100%	Consolidated

➤ [FY2025 Sustainability Targets and Results](#)

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.

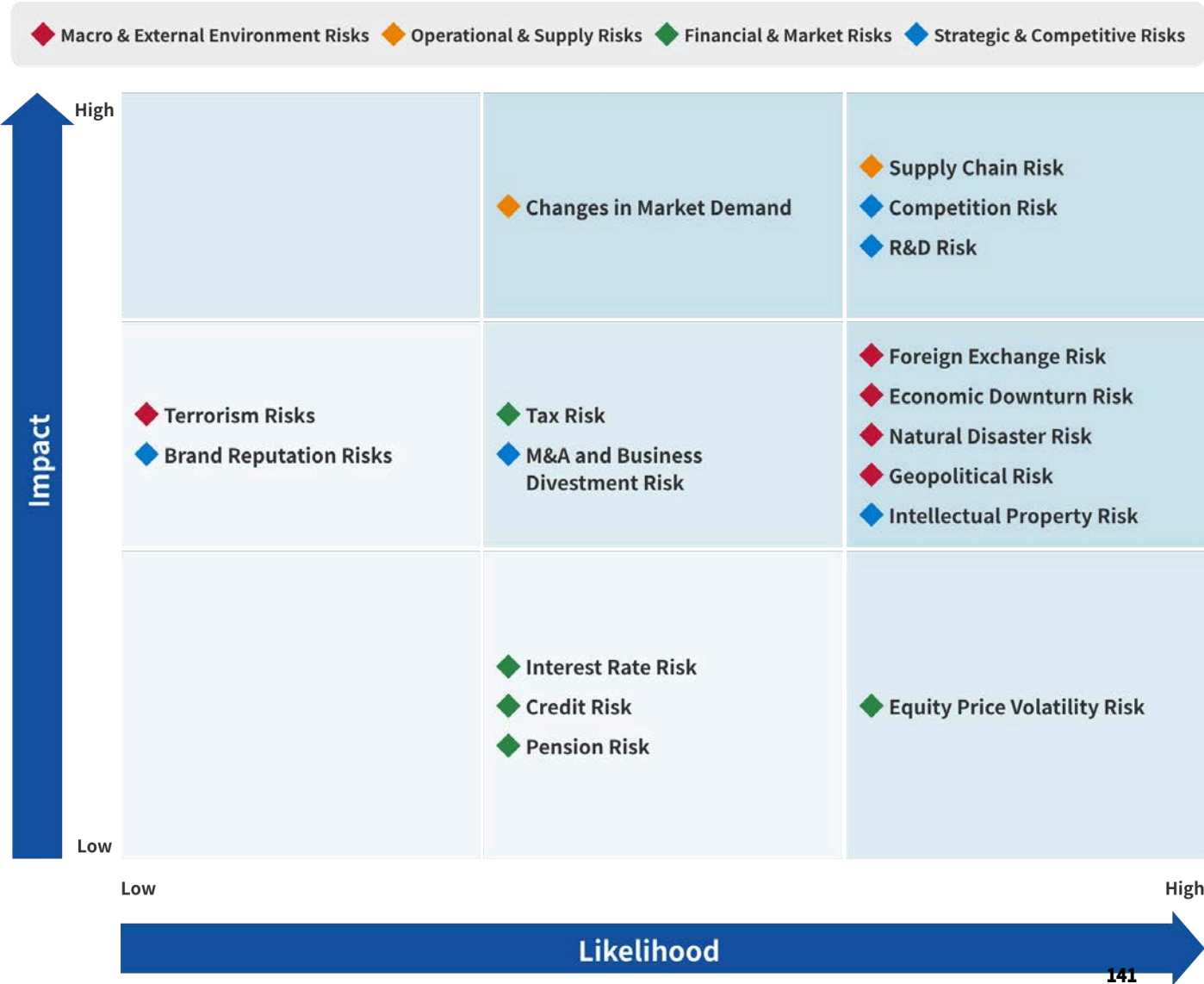
Business Unit Risk Control Activities cover our three business units, our R&D Department, and our Head Office Administration Department. They involve extracting the risks most impactful to each business unit and department from a managerial perspective, and examining ways to deal with them.

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

The principal risks identified by management as having a potentially major impact on the consolidated group financial situation, management results and cash flow are listed below. Each risk has been evaluated against an effect and frequency scale of three sizes (large, medium, small). The risks noted here do not serve as a comprehensive list; there remains the possibility for risks not noted below to have future impact upon Group business, business results and financial situation. We have established a Crisis Management Committee to respond to emergencies, and are constructing a system which enables a rapid and appropriate Group response. (For more on our emergency situation responses and the composition and administration of our Crisis Management System, please see [here](#)).



Principal Risk	Nature of Risk	Response Policy	Impact	Likelihood
Supply Chain Risk	Creation of supply uncertainties due to delays in procurement of raw materials, disruption to distribution, over-dependence on specific suppliers.	Guarantee stable supplies through diversification of suppliers, inventory optimization, and strengthened supplier risk assessments.	High	High
Competition Risk	Decreased profits due to price competition with domestic and overseas competitors, as well as intensification of technology races.	Establish competitive advantage through development of differentiated products, strengthened cost competitiveness, and better business selection and focus.	High	High
R&D Risk	R&D investments do not deliver hoped-for returns, perhaps causing delays in market entry.	Heighten development efficiency through better selection and focus on development themes, thorough stage-gate management, and promotion of external linkages.	High	High
Changes in Market Demand	Reduced competitiveness of existing products and consequent reduced demand through technological innovation and changing customer needs.	Maintain and improve product competitiveness through boosting development based on latent customer needs, with priority investments in environmental and high-functional material fields.	High	Medium
Foreign Exchange Risk	Business results influenced by exchange rate market changes which affect yen conversion rates for overseas sales and imported raw material costs.	Limit such effects through price and cost management, and the natural hedge that comes with currency diversification and promotion of overseas site production.	Medium	High
Economic Downturn Risk	Possibility of decreased sales and worsening profits stemming from reduced demand due to changes in the world economy and specific markets (automobiles, semiconductors etc.)	Improved resilience in the face of economic changes through business portfolio diversification, resource allocation to growth areas and optimization of cost structure.	Medium	High
Natural Disaster Risk	Possible effects on customer supply and profits stemming from supply cut-offs and suspension of production site operations due to earthquakes, fires, accidents etc.	Map out a minimization of effects through more advanced BCP, construction of a multi-production site system, enhanced safety equipment and periodical drills.	Medium	High
Geopolitical Risk	Restrictions on product imports and exports, and raw material purchases, due to international conflicts, trade regulations and economic sanctions.	Limit risks through greater dispersion of suppliers and customers, reassessment of inventory strategies, and better monitoring of each country's regulations.	Medium	High
Intellectual Property Risk	Possibility of decreased competitive advantage through patent infringements, lawsuits, and technological leakage.	Reduce risks through enhanced portfolio diversification, thorough investigation of other companies' patents, and more sophisticated management of confidential information.	Medium	High

In addition to the financial effect perspective, our Group also identifies risks and opportunities from the standpoints of significance to the environment and society. Significant risks in non-financial fields have been organized systematically as part of our materiality reassessment, with their contents and related policy responses “[Key Sustainability Issues \(Materiality\)](#)”.

◆ 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.

➤ [Impacts, Risks and Opportunities for the Environment and Society](#)

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

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

◆ Education and Training

As part of our continuous PDCA cycle activities aimed at enhancing risk awareness and minimizing risks, 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 Manuals 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. FY2025 saw our BCP drill focus on a Life Science Business Unit scenario in the presence of our president and Crisis Management Committee. The drill, based on the premise of an earthquake in the Kanto region, was conducted along the lines of our manual, and saw employees associated with head office, plants and external warehouses coordinate to collate and share various information on the disaster itself and damage situations. The drill enabled us to verify the effectiveness of our BCP by observing the speedy and appropriate decision-making of the Task Force Chief and the implementation of his instructions. Among our overseas business sites, Kayaku Safety Systems (Huzhou) Co. and Kayaku Safety Systems Malaysia Sdn. Bhd. were able to reconfirm their communication systems via workshops themed upon crisis scenarios such as initial disaster response systems, storm and flood damage, and equipment damage. Going forward, we will continue to hold BCP seminars and drills based on various scenarios as we work towards improving our crisis response capacity.

Information Security

Policy and Basic Approach

The Nippon Kayaku Group is promoting Digital Transformation (DX) to improve operational efficiency and productivity and to support diverse working styles. However, cyberattacks and unauthorized access are becoming increasingly frequent, sophisticated, and advanced, resulting in growing cyber risks. We regard the risks to business continuity arising from information leakage and computer system disruptions as key management challenges. To earn and maintain the trust of society as a whole, including our customers, business partners, investors, employees, and other stakeholders, we have established the Nippon Kayaku Group Information Security Policy and The Information Security Responsibilities We Bear*, based on the Nippon Kayaku Group [Charter of Conduct and Code of Conduct](#). We continuously incorporate information security into our day-to-day operations to protect corporate information and improve information security awareness and literacy.

Nippon Kayaku Group Information Security Policy

The Nippon Kayaku Group recognizes the information it possesses in the conduct of corporate activities as a key management resource, views information security initiatives as a key management issue, and has determined the following policy approach towards maintaining and improving a system capable of safeguarding its information assets appropriately, continually and across the organization.

◆ Safeguarding our information assets

The Nippon Kayaku Group shall appropriately protect its information assets from threats to their value (in terms of confidentiality, integrity and availability).

◆ Sharing our information assets

The Nippon Kayaku Group shall observe the laws and policies determined by each country, contractual obligations and other social norms when sharing necessary information in the conduct of business and effectively utilizing such information.

◆ Preparation of regulations

The Nippon Kayaku Group shall, in line with the stipulations of its Charter of Conduct and Code of Conduct, both prepare and uphold regulations and standards concerned with the management of the information assets in its possession.

◆ Constructing our system

The Nippon Kayaku Group shall, in order to protect and appropriately manage all information assets in its possession, formulate a system which bears necessary responsibility for information security, and deploy, to each group company and organization, information security managers and security-specialist personnel with the relevant expertise and technical knowledge.

◆ Securing resources

The Nippon Kayaku Group shall view its policy approach to information security as part of its overall management approach, and ensure the necessary staff and budgets are suitably allocated for technical and physical measures.

◆ Risk assessments

The Nippon Kayaku Group shall visualize and assess the hypothetical risks of information leakage and business suspension due to cyberattacks, and continually implement relevant measures which extend to the supply chain.

◆ Responses to critical incidents

The Nippon Kayaku Group shall, in instances of critical information asset incidents, respond promptly to minimize the damage caused, and, based on root cause analyses, formulate recurrence prevention measures.

◆ Implementation of education and training

The Nippon Kayaku Group shall, with respect to every related party in its employ, promote increased information security literacy by periodically and continuously delivering education and training scenarios based on critical information asset incidents.

◆ Continuous initiatives

The Nippon Kayaku Group shall periodically assess and review this policy as it continually enacts information security initiatives.

Jun 26th 2025

Member of the Board Managing Director

Chair of the Information Risk Management Subcommittee



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

To minimize information security risks, which are a key element of crisis management, and to maintain an appropriate level of security, continuously review countermeasures in response to changing circumstances, and oversee company-wide implementation and awareness, we have established the Information Risk Management Subcommittee.

This subcommittee meets, in principle, twice a year, and additionally as 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 each company division and workplace.

Important matters discussed by the Subcommittee are reported to the Sustainable Management Meeting and the Board of Directors, which provide feedback as appropriate.

Furthermore, to deal with security incidents that could cause significant damage to the Company's management or business operations, materially affect its relationships with affiliated companies, business partners, and other customers, or result in a loss of trust, such as cyberattacks and unauthorized access to confidential information, we activate a Computer Security Incident Response Team (CSIRT) to centrally coordinate the response under the leadership of the Information Risk Management Subcommittee Chair. Depending on the anticipated severity of the impact, the President or the Chair of the Risk Management Committee may serve as the CSIRT Leader. The CSIRT works promptly to limit the spread of damage. Once containment has been completed, it focuses on recovery and measures to prevent recurrence.

◆ Education and Training

The Nippon Kayaku Group communicates its information security rules to all executives, employees, including contract and part-time employees, and temporary staff, and regularly provides information security training and phishing email response exercises.

Training Program	Main Contents	Target Audience	FY	Delivery style	Frequency
Executive Cybersecurity Training	- Cybersecurity as a business management issue - Case studies of cyberattack incidents - Impact of cyberattacks on our company - Executive awareness and responsibilities	Executives	2025	Seminar	1
Information Security Awareness Training	- Distribution of the comic-style guide "IT and Security: Your First Step" - Overview of the "10 Major Information Security Threats 2025"	Executives, employees, and external parties using company IT tools	2025	e-Learning, distribution of materials, group training	1
Phishing Email Awareness Training	- Characteristics of phishing emails - Appropriate response when a phishing email is received	Executives, employees, and external parties using company IT tools	2025	e-Learning	1
Phishing Email Simulation Exercise	Conducting phishing email simulation exercises	Executives, employees, and external parties using company IT tools	2025	Exercise	4
Cybersecurity Incident Response Exercise	Scenario-based incident response exercise in accordance with the Information Risk Management Regulations (CSIRT Manual)	CSIRT and Information Risk Management Subcommittee members	2025	Exercise	1

◆ Number of Major Information Security Incidents

The number of major information security incidents that occurred within the Nippon Kayaku Group over the past three years is shown below.

Indicators	Scope	Unit	2021	2022	2023	2024	2025
Number of Major Information Security Incidents *	consolidated	cases	-	-	0	0	0

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

Protecting Personal Information

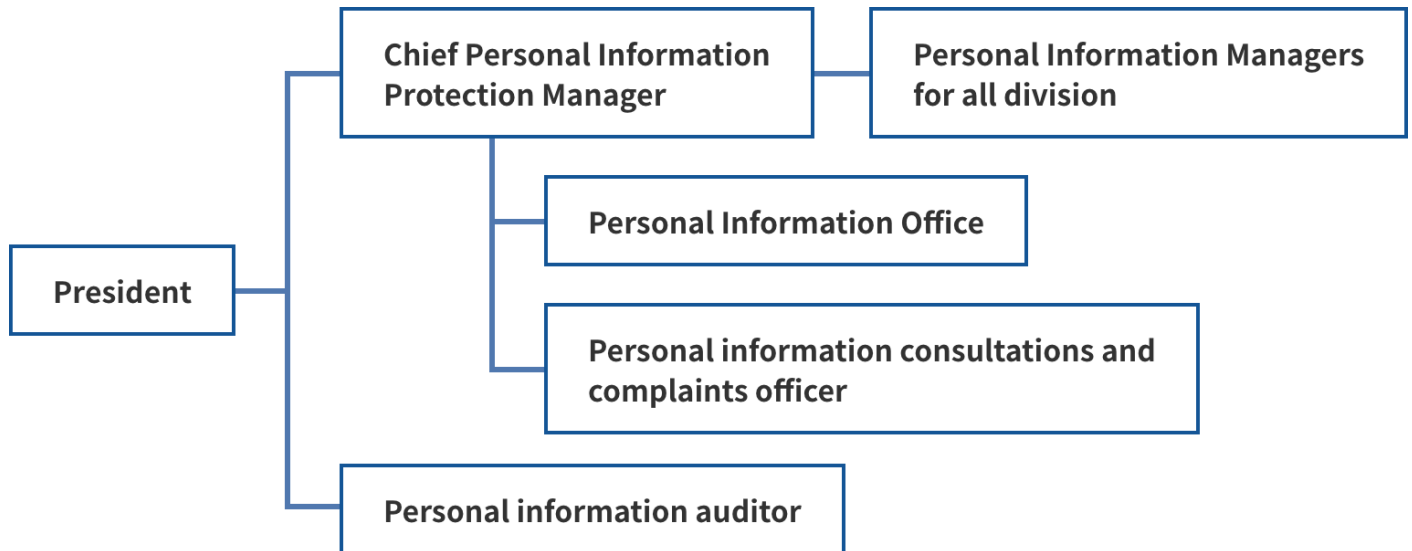
The Nippon Kayaku Group recognizes the importance of personal information and complies with the Act on the Protection of Personal Information and other applicable laws and regulations concerning the personal information it handles. We consider the protection of personal information to be a social responsibility and are committed to ensuring its proper management and protection.

We have also established our [Personal Information Protection Policy](#) for external stakeholders, with purposes of use, security control measures and contact details for consultations and complaints all published on our website so that the information is readily accessible to the public.

◆ Personal Information Protection Management System

We have established the Personal Information Management Regulations and, under the supervision of the Chief Personal Information Protection Officer, appointed Personal Information Managers in each department. Personal information handled in the workplace is classified according to its level of importance on an ongoing basis and registered in a management database.

We also provide training to all personnel three times a year, conduct an annual inventory of personal information, and perform an annual audit. Through these activities, we raise awareness of personal information protection and enhance the effectiveness of our protection measures.



◆ Education and Training on Protecting Personal Information

Training Program	Main Content	Target Audience	FY	Delivery Method	Frequency	Completion Rate
Legal training	• Overview of security controls (organizational, human, physical, and technical) • Understanding the external environment • Q&A on security controls	Executives, employees (including contract and part-time employees), and temporary staff	2025	e-Learning, Group Training	3	Ave: 84.8%

◆ Response to Personal Information Breaches

In the event of a personal information breach, we will respond in accordance with our Information Leakage Incident Response Procedures.

◆ Personal Information Breach Incidents

As of March 31, 2026, no personal information breach incidents had occurred.