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Corporate Governance Report

Last Update: Nov 13, 2024

Nippon Kayaku Co., Ltd.

Atsuhiro Wakumoto, President

Contact: Ichio Kohinata

General Manager of Legal Affairs Div.

Securities code: 4272

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

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

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information

1. Basic Views

In order to realize our KAYAKU spirit corporate vision of "Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences," we recognize the importance of fair and timely disclosure of information to all shareholders and investors, and the delivery of transparent business management through enhanced checking functions. In line with our judgement that consensus-based decision-making by the Board of Directors and corporate governance underpinned by an Audit & Supervisory Board system is best-placed to effectively exercise management functions, we are actively working to enhance and reinforce corporate governance as a key business management issue.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

We implement all principles of the Corporate Governance Code.

Disclosure Based on each Principle of the Corporate Governance Code【Updated】

Our basic approach and policies on corporate governance have been compiled within our "Corporate Governance Basic Policy" document available on our website:
https://www.nipponkayaku.co.jp/english/sustainability/governance/corporate-governance/

Principle 1-4: Cross-Shareholdings

(1) Policy on Cross-shareholdings

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

Each year our Board of Directors verifies the significance of each individual cross-shareholding and, taking market impact into consideration, offloads cross-shareholdings deemed to be no longer necessary.

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

When it comes to exercising voting rights, from the viewpoint of increasing the holding company's medium to long-term corporate value, we vote to approve resolutions that will increase the value of Nippon Kayaku-held shares, and to oppose resolutions that will harm our corporate value. Where necessary, we also engage in dialog with the issuing company regarding the contents of a resolution.

Principle 1-7: Related Party Transactions

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.

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

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

Our approach and objectives towards ensuring diversity in the recruitment of core personnel, as well as our diversity-driven policies for human resource development and internal environment improvement policy are disclosed on our website and other media.

For more details on the female employees, non-Japanese employees and mid-career recruits appointed to management positions, please refer to "III: Implementation of Measures for Stockholders and Other Stakeholders."

Human Resources Management

(Policies for Human Resource Development and Internal Environment Improvement Policy)

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

Maintaining and Expanding Employment, Developing Human Resources

(Our Approach towards Diversity, Training Programs etc.)

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

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

Nippon Kayaku's Terms-Based Defined Benefit Corporate Pension Plan is based on Defined-Benefit Corporate Pension Law and internally-fixed company regulations as follows:

(1) To ensure proper management of both pension assets and conflicts of interest arising between the Defined Benefit Corporate Pension Plan beneficiaries and the company, we have established an Asset Management Committee which regularly convenes and is comprised of members selected from our Finance and Accounting, Corporate Planning and Human Resources Management divisions, and the Nippon Kayaku Labor Union.

(2) This committee formulates our basic policy on pension asset management and pension asset portfolio composition to secure the necessary funds to disburse pension benefits over the long term.

(3) In order to benefit from academic expertise, the Asset Management Committee retains and works with Outside consultants to regularly revise the basic policy on pension asset management and pension asset portfolio composition, as well as monitor and evaluate management results, policies, structures, and other relevant aspects.

Principle 3-1: Full Disclosure

Supplementary Principle 3-1-3: Implementing Sustainability

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

Our KAYAKU spirit corporate vision, Basic Policy on Sustainable Management (business strategies, mid-term business plan, etc.), and Implementation of Sustainability and Investments in Human Capital and Intellectual Property can all be found on our company website.

Corporate Vision

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

Basic Policy on Sustainable Management

After clicking the "Sustainability Management" link below, please further refer to the section on "Policy and Basic Approach."

https://www.nipponkayaku.co.jp/english/sustainability/management

Business Strategy

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

Sustainability Information

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

Human Capital

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

For details on our Human Capital Management initiatives, please click on the link below and refer to "March 2024: Securities Reports, (2) Basic Approach and Initiatives on Sustainability, ②

Human Capital Management Initiatives."

https://www.nipponkayaku.co.jp/ir/library/securities.html (Japanese Only)

Intellectual Property

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

Data Summary

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

Disclosure of Climate Change-related Risks and Opportunities

March 2022 saw Nippon Kayaku agree with the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). We conduct an annual scenario analysis of the business fields believed to present the greatest climate-related risks and opportunities to Nippon Kayaku Group's business activities, management strategy, and financial planning, and report our findings and progress towards achieving our goals on our company website.

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

(2) Basic Approach and Guidelines on Corporate Governance

For our basic approach on corporate governance, please refer to the section: "I-1. Basic Approach."

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

The Nominations & Remuneration Advisory Committee deliberates the policy and procedures for determining executive management remuneration in response to inquiries from the Board of Directors, which also has the final vote on committee recommendations.

For further details on the Policy and Procedures for Determining Remuneration of Directors, please refer to section: "II-1. Matters Concerning Organizational Structure, Organizational Operation, etc. [Relating to Director Remuneration], Disclosures regarding Policy for Determining Remuneration Amounts and Methods for Calculating Remuneration."

(4) Board Policies and Procedures for the Appointment and Dismissal of Senior Management; Nomination of Candidates for Directors and Audit & Supervisory Board Members

The Nominations & Remuneration Advisory Committee deliberates the selection of candidates for, and dismissal of members from, the Board of Directors and Audit & Supervisory Board, and the selection and dismissal of Representative Directors in response to inquiries from the Board of Directors. The Board then votes on the committee's findings.

(5) Explanation of Individual Dismissals and Appointments Based on the above Provision (4)

The reasons for nominations or proposed dismissals relating to Director and Audit & Supervisory Board Member positions are disclosed in Shareholder Meeting reference documents. For the most recent details, please refer to the Notice of the 167th Ordinary General Meeting of Shareholders published on our website.

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

Additionally, information on the reasons for selecting Outside Audit & Supervisory Board Members can be found in section "II 1. Organizational Composition and Operation (Auditor Matters)."

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

Matters to be referred to the Board of Directors are clearly set forth in the Rules of the Board of Directors, based on laws, regulations, Articles of Incorporation, and other rules. We have also set forth the Rules on Duties and Authority, which clearly specify the scope of duties and authority that can be delegated to management personnel. In line with such Rules does the Board decide on management policy, business strategy, various proposals, and other matters of importance to operational execution. It also requests reports on operational execution status to fulfil its supervisory role pertaining to whether operations delegated to management have been properly executed.

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

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

(1) A supplier who sees Nippon Kayaku and important subsidiaries of Nippon Kayaku (hereafter, "the

Nippon Kayaku Group") as a principal customer, or a person who is an executive director, executive officer, or other employee of the parent company or principal subsidiaries of that supplier (hereafter, "executive")

(2) A principal customer of Nippon Kayaku, or someone employed by that customer in an executive capacity

(3) An executive of either a principal financial institution from which the Nippon Kayaku Group borrows, or the parent or a subsidiary of that financial institution

(4) An attorney, certified public accountant (CPA), licensed tax accountant or other consultant who has received funds or other assets exceeding a certain amount, other than officer remuneration, from the Nippon Kayaku Group (or a person affiliated with the corporation, union, or other group benefiting from the assets in question)

(5) A person who has received donations or aid exceeding 10 million yen a year from Nippon Kayaku (or an executive of the corporation, union or other group benefiting from the donation or aid)

(6) A principal shareholder of the Nippon Kayaku Group, or an executive of that shareholder

(7) A company that has accepted directors from the Nippon Kayaku Group, or an executive of the parent company or one of its subsidiaries

(8) A person who has constituted any of (1) through (7) in the past five years

(9) The spouse or close relatives (within two degrees) of a person in an important position constituting any one of (1) through (8)

(10) The spouse or close relatives (within two degrees) of the person when the person is a director, executive officer, or manager of Nippon Kayaku or one of its subsidiaries

(Notes)

1. "Important subsidiaries of Nippon Kayaku" in (1) refers to subsidiaries that comprise 20% or more of any one of Nippon Kayaku's (non-consolidated) sales, total assets, income, or borrowings in the most recent fiscal year.
   "A supplier who sees the Nippon Kayaku Group as a principal customer" refers to "a supplier who, in the most recent fiscal year, has received payment worth 2% or more of that entity's annual consolidated sales from the Nippon Kayaku Group."
2. "A principal customer of Nippon Kayaku" in (2) refers to "a customer who, in the most recent fiscal year, paid Nippon Kayaku an amount worth 2% or more of our annual consolidated sales."
3. "A principal financial institution" in (3) refers to "an entity that, in the most recent fiscal year, has lent an amount equal to 2% or more of Nippon Kayaku's consolidated assets to Nippon Kayaku.
4. "A certain amount" in (4) refers to whichever is the higher of "10 million yen a year" or "2% of the annual sales of an attorney or the corporation, union or other organization to which the attorney belongs."
5. "A principal shareholder" in (6) refers to a shareholder who holds 10% or more of the voting

rights (either directly or indirectly).

6. "A person in an important position" in (9) refers to employees who are directors (excluding Outside directors), executive officers, persons responsible for operational execution, upper-level management (of department manager level or above), as well as attorneys affiliated with a law firm holding a position of partner or higher; CPAs affiliated with an accounting firm holding a position of partner and employee or higher; trustees, directors, auditors, or other officers affiliated with a foundation, incorporated organization, educational corporation or other corporation; and other persons reasonably and objectively judged to be of similar importance.

Principle 4-10-1: Use of Optioned Organizations

Nippon Kayaku runs the Nominations & Remuneration Advisory Committee as an Optional Committee comprised of six Directors. To enhance corporate governance through strengthening the fairness, transparency and objectivity of Director nomination and remuneration procedure, 4 of the committee's 6 Directors are Outside directors.

The committee deliberates, in response to Board of Director inquiries: the selection and dismissal of Directors, Audit & Supervisory Board Members and Representative Directors; the remuneration (e.g. the remuneration structure) of Directors and Audit & Supervisory Board Members; and other matters deemed necessary by the Board, and reports its findings to the Board.

We believe that the majority of independent Outside directors guarantees committee independence.

Principle 4-11: Views on Board of Directors Composition

Supplementary Principle 4-11-1: Identifying skills; Independent Outside Directors with Management Experience at Other Companies.

So that the Board effectively executes its roles and responsibilities, and is able to rapidly decide on management matters, Nippon Kayaku has set the maximum number of Directors at 10. In addition to gathering a certain number of people well-versed in our business and connected issues, we also think it important to ensure diversity in Board member knowledge, experience and skills in order to preserve Board independence and objectivity.

The Nominations and Remuneration Advisory Committee references our management strategy when identifying the skills required of directors, and reports its conclusions to the Board.

For information on independent Outside directors with managerial experience at other companies, please refer to section "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Business Execution, and Oversight in Management."

The Skills Matrix we deploy can be found on our company website:

https://www.nipponkayaku.co.jp/english/company/skillmatrix.html

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

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

Supplementary Principle 4-11-3: Analysis and Evaluation of Overall Board of Directors Effectiveness

Actions for FY 2023 included the speedy provision of explanatory materials concerning the utilization of IT tools to augment Board discussions on management strategy, as well as discussions regarding an improved workplace environment and greater diversification of core human resources and HR development policies.

January 2024 saw Nippon Kayaku conduct a survey of all our Directors and Audit & Supervisory Board Members on Board of Directors effectiveness for FY 2023. The survey asked respondents to self-assess, and provide unreserved opinions on, Board structure, functions and management, as well as information provision to Outside Directors and Outside Audit & Supervisory Board Members. 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, it also identified a need for a deepening of discussion on human capital management following on from the March 2023 Board meeting which fixed for Human Resource Development Policy and Internal Environment Improvement Policy. The Board has therefore redoubled its efforts to tackle issues related to these areas through expanding discussion and oversight functions, delivering more focused measures on business portfolio strategy and PBR improvement, and widening the debate on monitoring. The Board fixed the relevant actions to be taken at the March 2024 meeting and worked on steadily implementing them from April 2024 onwards.

We will make continued efforts to improve Board effectiveness going forward.

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

Nippon Kayaku conducts training for Directors and Audit & Supervisory Board Members when they assume office to educate them on the roles and responsibilities expected of the Directors and Audit & Supervisory Board Members of a listed company, the related laws and regulations, and compliance matters. Even after they assume their posts, we provide self-training and self-education opportunities for officers to acquire knowledge outside of their specialist sectors.

To our Outside Directors and Outside Audit & Supervisory Board Members, we provide sufficient explanation of our business, performance, organization and other company and Group aspects, including opportunities to tour our main business locations.

Principle 5-1: Policy for Constructive Dialog with Shareholders

With a view to achieving sustainable growth and increase the company's medium to long-term value,

Nippon Kayaku promotes constructive dialog with shareholders and investors while presenting them with timely and impartial information.

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

When dialog with shareholders and investors takes place, we work diligently to ensure that information is presented to all parties equally, and periodically report opinions and comments gleaned to executive management.

【Action to Implement a form of Management that is Conscious of Cost of Capital and Stock Price】【Updated date:2024/11/13】

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

Presentation materials for mid-term business plan

https://ssl4.eir-parts.net/doc/4272/ir_material_for_fiscal_ym14/118572/00.pdf

Presentation materials for the consolidated financial results for the fiscal year ended March 31, 2024

https://ssl4.eir-parts.net/doc/4272/ir_material_for_fiscal_ym14/156059/00.pdf

Presentation materials for the consolidated financial results for the second quarter of the fiscal year ended March 31, 2025

https://ssl4.eir-parts.net/doc/4272/ir_material_for_fiscal_ym14/166841/00.pdf

2. Capital Structure

Foreign Shareholding Ratio	More than 30%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	24,826,300	14.97
NORTHERN TRUST CO., (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	13,745,000	8.29
Custody Bank of Japan, Ltd. (Trust account)	12,406,700	7.48
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	6,152,700	3.71
Kayavestor Club	6,139,600	3.70
MUFG Bank, Ltd.	5,090,000	3.07
The Joyo Bank, Ltd. (Standing proxy: The Master Trust Bank of Japan, Ltd.)	5,089,000	3.07
NORTHERN TRUST CO., (AVFC) RE NON TREATY (Standing proxy: Tokyo Branch of Hongkong and Shanghai Banking Corporation Limited)	4,960,700	2.99
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	4,843,482	2.92
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4,190,000	2.53

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	-
Name of Parent Company, if applicable	None

Supplementary Explanation

- An Amendment Report for Possession of Large Volume was submitted by MUFG Bank, Ltd. and its co-owners Mitsubishi UFJ Trust and Banking Corporation and Mitsubishi UFJ Asset Management Co. Ltd., on March 18, 2024, but as we are unable to confirm the actual number of shares owned in this instance, said Amendment Report is not included in the above Status of Major Shareholders.
- An Amendment Report of Possession of Large Volume was submitted by Sumitomo Mitsui Trust Bank Ltd. and its co-owners Sumitomo Mitsui Trust Management Ltd. and Nikko Asset Management Ltd. on March 22, 2024, but as we are unable to confirm the actual number of shares owned in this instance, said Amendment Report is not included in the above Status of Major Shareholders.

3. Corporate Attributes

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

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

-

5. Other Special Circumstances which May have a Material Impact on Corporate Governance

-

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

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*

*Referred to as "Company with *Kansayaku* Board" in the Corporate Governance Code reference translation

Directors

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

Outside Directors' Relationship with Nippon Kayaku (Part 1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yo Ota	Attorney										△	
Yasuyuki Fujishima	From Other company								△			
Seiichi Fusamura	Attorney											
Ikuko Akamatsu	CPA						△					

*Categories for "Relationship with Nippon Kayaku".
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. An executive of Nippon Kayaku or its subsidiaries
b. A non-executive director or executive of Nippon Kayaku's parent company
c. An executive of a fellow subsidiary company of Nippon Kayaku
d. A party whose major client or supplier is Nippon Kayaku, or an executive thereof
e. A major client or supplier of the listed company, or an executive thereof
f. A consultant, accountant or legal professional receiving from Nippon Kayaku a large amount of monetary remuneration or other property (besides remuneration) as a Director/Audit & Supervisory Board Member
g. A major shareholder of Nippon Kayaku (or an executive of said major shareholder if the shareholder is a legal entity)
h. An executive (himself/herself only) of a Nippon Kayaku client or supplier (who does not correspond to any of d, e, or f)
i. An executive (himself/herself only) of a company with which engages in the mutual appointment of Outside Directors/ Audit & Supervisory Board Members with Nippon Kayaku
j. An executive (himself/herself only) of a company or organization that receives a donation from Nippon Kayaku
k. Others

Outside Directors' Relationship with Nippon Kayaku (Part 2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yo Ota	○	Mr. Yo Ota previously served concurrently as a professor at The University of Tokyo, with whom Nippon Kayaku has transactions involving monetary donations and research contracts. However, he resigned his university position in March 2016.	Mr. Yo Ota possesses extensive experience as an attorney, and is very knowledgeable in corporate legal affairs. He has served as an Outside Audit & Supervisory Board Member and is well-versed in the internal business of Nippon Kayaku. He has been elected as an Outside Director on the expectation that he will enhance the supervisory function of the Board of Directors, and have deemed his election as an Outside Director to be appropriate. Furthermore, we have judged him to have no potential conflict with general shareholder interests, and have designated him as an Independent Officer.
Yasuyuki Fujishima	○	Mr. Yasuyuki Fujishima was affiliated with Sojitz Corporation, with whom Nippon Kayaku has business transactions. However, he resigned from his post there in March 2010.	Mr. Yasuyuki Fujishima possesses extensive experience as a manager at a general trading company. We expect him to provide advice on all aspects of Nippon Kayaku management, and have therefore deemed his election as an Outside Director to be appropriate. Furthermore, we have judged him to have no potential conflict with general shareholder interests, and have designated him as an Independent Officer.
Seiichi Fusamura	○		Mr. Seiichi Fusamura can provide general management advice to Nippon Kayaku based on his wealth of experience in judicial organs and the high level of insight he cultivated as a legal expert. We have therefore deemed his election as an Outside Director to be appropriate. Furthermore, he is deemed to have no potential for conflict with general shareholder interests, and has been designated as an Independent Officer.

Ikuko Akamatsu	○	Ms. Ikuko Akamatsu once belonged to Nippon Kayaku's accounting auditor, Ernst & Young ShinNihon LLC, but left her position there in October 2010.	Ms. Ikuko Akamatsu possesses extensive experience and expertise as a Certified Public Accountant and Certified Fraud Examiner, and is expected to provide advice on all aspects of Nippon Kayaku management. She has been elected as an Outside Director based on these competencies. Furthermore, we have deemed her to have no potential conflict with general shareholder interests, and have designated her as an Independent Officer.

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

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chairperson

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

Supplementary Explanation

The Nomination & Remuneration Advisory Committee is comprised of a minimum of three Directors (the majority being independent and from outside the company) selected by the Board of Directors. The aim is to further enhance corporate governance by strengthening the fairness, transparency and objectivity of the procedures relating to Director appointments and remuneration. 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 in response to inquiries from the Board. Committee findings are reported to the Board. This committee was established on June 25, 2020. It is comprised of six members: the President, the Director in charge of the Human Resources Division and Legal Affairs Division, and four Independent and Outside Directors.

Audit and Supervisory Board Member*

*Referred to as "*kansayaku*" in Corporate Governance Code reference translation

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

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Division

Audit & Supervisory Board Members have been working to facilitate better communications, gather information and improve audit effectiveness and efficiency through various practices such as exchanging information with the Audit Division every three months.

They also hold twice-yearly meetings on J-SOX audit evaluations with the J-SOX department of the Audit Division (one of which in the presence of Accounting Auditors). They also cooperate with those in charge of compliance and risk management at the Internal Control Management Division, holding regular information exchange meetings every three months.

Audit & Supervisory Board Members receive audit plans formulated by the Accounting Auditors at the beginning of the period; work to ensure communication of intent with Accounting Auditors through opinion exchange during the period; and make themselves present for inventory at the end of the period, among other things. They also receive reports on, and explanations of, quarterly reviews and financial statement audit results from the Accounting Auditors at the end of the fiscal year.

Accounting Auditors and the J-SOX Department of the Audit Division work closely together and regularly exchange information.

As described above, the Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Division cooperate to improve auditing effectiveness and efficiency.

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

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

Name	Attributes			Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k	l	m
Ichiro Wakasa	From another company										△			
Atsushi Iwasaki	CPA								△					
Kyoichi Toriyama	Academic													

*Categories for "Relationship with Nippon Kayaku".
(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

a. An executive of Nippon Kayaku or its subsidiaries
b. A non-executive director or accounting advisor of Nippon Kayaku or its subsidiaries
c. A non-executive director or executive of the parent company of Nippon Kayaku
d. An Audit & Supervisory Board Member of the parent company of Nippon Kayaku
e. An executive of a fellow subsidiary company of Nippon Kayaku
f. A party whose major client or supplier is Nippon Kayaku, or an executive thereof
g. A major client or supplier of Nippon Kayaku, or an executive thereof
h. A consultant, accountant or legal professional who receives a large amount of monetary remuneration or other property from Nippon Kayaku (besides remuneration) as an Audit & Supervisory Board Member
i. A major shareholder of Nippon Kayaku (or executive thereof if the shareholder is a legal entity)
j. An executive of a client or supplier of Nippon Kayaku (not corresponding to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
k. An executive of a company which engages in the mutual appointment of Outside Directors/Audit & Supervisory Board Members with Nippon Kayaku (the Audit & Supervisory Board Member himself/herself only)
l. An executive of a company or organization that receives a donation from Nippon Kayaku (the Audit & Supervisory Board Member himself/herself only)
m. Others

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

Name	Designation as Independent Audit and Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons for Appointment
Ichiro Wakasa	○	Mr. Ichiro Wakasa served as a director of Meiji Yasuda Life Insurance Company, which is in business (e.g. money lending) with Nippon Kayaku. However, he resigned this position in July 2014. Meiji Yasuda loans accounted for around 6% of Nippon Kayaku's total outstanding loans as of March 31, 2024.	Mr. Ichiro Wakasa's experience as a manager at a life insurance company has equipped him with a thorough knowledge of business management practices. He has hence been deemed appropriately experienced for election as an Outside Audit & Supervisory Board Member. We have also determined he has no potential for conflict with the interests of shareholders and have therefore designated him as an Independent Officer.

Atsushi Iwasaki	○	Mr. Atsushi Iwasaki once belonged to Nippon Kayaku's accounting auditor, Ernst & Young ShinNihon LLC, but left his position there in August 2005.	Mr. Atsushi Iwasaki's experience as a CPA has equipped him with considerable experience, academic knowledge and deep insights into the world of accounting, upon which Nippon Kayaku would like to draw and has thus elected him as an Outside Audit & Supervisory Board Member. He has also been deemed to have no potential conflict with the interests of general shareholders and has therefore been designated as an Independent Officer.
Kyoichi Toriyama	○		Mr. Kyoichi Toriyama has amassed immense knowledge, experience and sharp insights into both company and commercial law as a graduate school professor. He also has a thorough knowledge of corporate legal affairs which we believe will prove useful in our audit and supervisory system. He has therefore been deemed an appropriate choice for an Outside Audit & Supervisory Board Member and has been elected to this position. We have also determined that he has no potential conflict with the interests of shareholders and have designated him as an Independent Officer.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	7

Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members
None

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Performance-linked Remuneration and Others

Supplementary Explanation for Applicable Items

August 2005 saw Nippon Kayaku replace the officer retirement bonus system, which was strongly linked to years of service, with a new system linking bonuses to consolidated business performance. The aims were to clarify director responsibilities vis-à-vis results, and to improve transparency and fairness. Meanwhile, June 2021 saw the introduction of our transfer-restricted stock remuneration system, which allocates our common shares subject to a certain transfer restriction period and other provisions, such as free buyback options for Nippon Kayaku. The system of Director remuneration (excluding Outside Directors) consists of a monthly wage, a bonus linked to consolidated business performance, and the restricted stock compensation plan.

Persons Eligible for Stock Options	None

Supplementary Explanation for Applicable Items
None

Director Remuneration

Status of Disclosure of Individual Director's Remuneration	Disclosure for Selected Directors

Supplementary Explanation for Applicable Items

The total remuneration for our 12 Directors stands at 389 million yen for the fiscal year ended March 2024. This includes a provision for director retirement benefits during that period. Additionally, the total amount of performance-linked bonuses calculated this fiscal year for the previous one comes to 2 million yen. Director remuneration amounts are disclosed in our Business Report and Annual Securities Report, both of which are posted on our website: https://www.nipponkayaku.co.jp/english/. Directors receiving remuneration and bonuses totaling 100 million yen or more are listed separately in the Annual Securities Report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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

With a view to achieving our KAYAKU spirit corporate vision, in addition to sufficiently functioning as an incentive to sustainably improve corporate value and share that value with shareholders, Director remuneration shall also be structured at a competitive level to help us secure excellent personnel. Specifically, Direction 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.

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

Members within the yearly remuneration limit range.

Support System for Outside Directors (and/or Outside Audit and Supervisory Board Members)

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

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

Status of Persons who have Resigned a Position as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Masanobu Suzuki	Consultant	Providing advice born from his extensive experience and knowledge at the request of the company	Part-time, compensated	June 25, 2019	One year

Number of Persons Holding Advisory Positions (*Sodanyaku*, *Komon*, etc.) After Retiring as Representative Director and President, etc.	1

Other Related Matters

・Consultants are appointed by Board of Directors resolution.

・Renewal of a consultant's term is decided by Board of Directors resolution.

・Consultants provide advice at the request of the company, and are not responsible for corporate management, duty execution, or supervision.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

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

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

- Board of Directors Meeting (convening monthly)

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. In the 167th fiscal year, discussions have focused mainly on management strategies, business plans, financial strategies, financial closing-related and personnel-related matters, as well as strategies for business units and initiatives, and progress on company-wide material issues.

As of the date of submission, the Board of Directors is comprised of 10 Directors, of which four are from outside of the company. Atsuhiro Wakumoto, President and Representative Director, serves as the chair of the Board. The other members are: Yoshitsugu Ishida, Shigeyuki Kawamura, Hiroshi Shimada, Shinji Inoue, Makoto Takeda, Yo Ota (Outside Director), Yasuyuki Fujishima (Outside Director), Seiichi Fusamura (Outside Director) and Ikuko Akamatsu (Outside Director). Board meetings are additionally attended by five (5) Audit & Supervisory Board Members and one (1) Executive Director with an official post who does not concurrently serve as a Director and who attends these meetings in an observer capacity. The attendance record for the 167th Business Year was as follows:

100% (14 out of 14 meetings) for Directors Atsuhiro Wakumoto, Tomoo Shibuya, Yoshitsugu Ishida, Masatomi Akezuma and Yasuyuki Fujishima.

100% (11 out of 11 meetings) for Yoshimi Inoue, Shigeyuki Kawamura and Ikuko Akamatsu

100% (3 out of 3 meetings) for Hiroshi Mikami and Kazuto Koizumi

92% (13 out of 14 meetings) for Yo Ota

85% (12 out of 14 meetings) for Seiichi Fusamura

In addition, the attendance record of Audit & Supervisory Board Members was as follows:

100% (14 out of 14 meetings) for Megumi Machida, Katsuji Higashi, Yasuhiro Osaki and Ichiro Wakasa

100% (11 out of 11 meetings) for Yoichiro Wada

100% (3 out of 3 meetings) for Akihiro Kojima

- 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.

- Sustainable Management Meeting (convening weekly)

  This meeting group discusses and receives reports concerning important items related to management and operations, with final decisions taken by the Executive President. As of the date of submission, the Sustainable Management Meeting is comprised of seven (7) executive officers. Executive President Atsuhiro Wakumoto serves as meeting chair. The other members are: Yoshitsugu Ishida, Shigeyuki Kawamura, Hiroshi Shimada, Shinji Inoue, Makoto Takeda and Yasuhito Kato. These meetings are additionally attended, in an observer capacity, by Standing Audit & Supervisory Board Member Megumi Machida.

- Executive Directors Meeting (convening quarterly)

  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. As of the date of submission, the Executive Directors Meeting is comprised of 26 Executive Directors. Executive President Atsuhiro Wakumoto serves as chair. The other members are: Yoshitsugu Ishida, Shigeyuki Kawamura, Hiroshi Shimada, Shinji Inoue, Makoto Takeda, Yasuhito Kato, Tsutomu Kawamura, Kenichiro Yoshioka, Takumi Fujita, Hideyuki Yuya, Yoshinori Kato, Tadayuki Kiyoyanagi, Seiichiro Kodama, Yoshiki Akatani, Yuko Nagai, Atsurou Inubushi, Shigeru Maeda, Shigehide Kagaya, Masako Aono, Tsuyoshi Kuboyama, Atsuya Saimoto, Kazuhiko Ishii, Hajime Suetsugu, Shuichi Kobayashi and Shinya Ikeda. These meetings are additionally attended, in an observer capacity, by four (4) Outside Directors and five (5) Audit & Supervisory Board Members.

- Management Strategy Meeting (convening biannually)

  This meeting sees Nippon Kayaku Group's basic policies and business strategies as decided by the Board, as well as other important matters related to general management, communicated to executive management to ensure that everyone in the company is kept well-informed.

- Audit & Supervisory Board Meeting (convening monthly)

  The Audit & Supervisory Board monitors and supervises the execution of Director duties from an independent perspective based on the Rules of the Audit & Supervisory Board. As of the date of submission, the Audit & Supervisory Board is comprised of five (5) Audit & Supervisory Board Members, of which three come from outside of the company. Standing Audit & Supervisory Board Member Megumi Machida serves as the chair. The other members are: Yoichiro Wada, Ichiro Wakasa (Outside Audit & Supervisory Board Member), Atsushi Iwasaki (Outside Audit & Supervisory Board Member) and Kyoichi Toriyama (Outside Audit & Supervisory Board Member).

- The following committees (which maintain internal controls) have been established as one part of the corporate governance system. Committee meetings are held regularly, and also ad hoc when necessary.

(1) Ethics Committee (convening biannually)

This committee consists of a chair, nominated by the president, who is an executive director in charge of specific operations; the various head office business units, and representatives from each division. It determines the compliance policies and concrete measures to be taken vis-à-vis the Nippon Kayaku Group Charter of Conduct and Code of Conduct, and also investigates and determines how matters for discussion and incidents should be handled, and how recurrences should be prevented.

(2) Risk Management Committee (convening biannually)

This committee consists of chair, appointed by the president, who is an executive director in charge of specific operations, the various head office business units, and representatives from each division. It oversees the configuration of a risk management system for preventing risks that could cause substantial damage to Nippon Kayaku Group corporate management and business activities, responds to emergencies, and carries out crisis management and damage recovery initiatives after a situation has been resolved.

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

achieve systematic and efficient operational management.

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

As part of strengthening corporate governance through, for example, preventing improper acts and errors, improve business efficiency and protect our assets, Nippon Kayaku has, in accordance with our core policy of building an internal organizational control system, established an Audit Division that reports directly to the president. This Division has conducted business audits of all departments and organizations, including Japanese and overseas group companies, in accordance with annual auditing plans.

In addition to reporting each audit outcome to Representative Directors and Audit & Supervisory Board Members, the Audit Division makes periodical reports to the Board of Directors using the internal database. In some cases, it is necessary for Audit & Supervisory Board Members or the Audit & Supervisory Board as a whole to directly report the results of such Audit Division briefings to the Board of Directors. Seven (7) Audit Division staff are currently responsible for internal audits.

Audit & Supervisory Board Members attend important meetings, including those of the Board, scrutinize important documents, and conduct audits of operational execution status. They also take other steps to monitor and supervise Director duty performance from an independent standpoint based on the audit policy, audit plans, and the distribution of audit operations fixed by the Audit & Supervisory Board.

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

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

1) Names of CPAs who have performed financial audit duties, along with the audit firm which employs them:
   - CPAs performing audits (Number of continuous audit years)
     Atsushi Kasuga (2 year)
     Mikio Shimizu (2 year)
   - Audit firm employing the above CPAs:
     Ernst & Young ShinNihon LLC
2) Composition of support personnel assisting with financial audit duties: 11 CPAs, 10 people who have passed the accountant examination, and 22 others
3) Nature of the Limited Liability Agreement concluded with Nippon Kayaku by non-executive Directors and Audit & Supervisory Board Members (set forth in Article 427, Paragraph 1 of the Companies Act)

(Summary)

The liability of non-executive Directors and Audit & Supervisory Board Members for damages incurred

by Nippon Kayaku as a result of negligence in their duties is limited to the amount specified in Article 425, Paragraph 1 of the Companies Act, provided that those duties were performed in good faith and did not involve gross negligence.

3. Reasons for Adoption of Current Corporate Governance System

Nippon Kayaku has adopted the system described in Provision 2, above, in the belief that a corporate governance set-up modeled on consensus-based decision-making by a Board of Directors under an audit and supervisory system enables our management structures to function more effectively.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Meeting of Shareholders	Sent on June 4, 2024 (The Shareholders Meeting was held on June 26, 2024). The Convocation Notice was posted on the websites of the Tokyo Stock Exchange and Nippon Kayaku seven days prior (dated May 28, 2024).
Scheduling of the General Meeting of Shareholders on a Non-Peak Day	Held on June 26, 2024.
Electronic Exercise of Voting Rights	We have adopted an electromagnetic means for the exercise of voting rights since the Annual Shareholders Meeting in 2007.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	We have also been part of Investor Communications Japan (ICJ)'s platform for the electronic exercise of institutional investor voting rights since our Annual Shareholders Meeting in 2007.
Provision of Notice (or Summary of Notice) of the General Meeting of Shareholders in English	The Convocation Notice (in the narrow sense) and supporting documentation are posted on our website.
Other	Both the Convocation Notice and Notice of Resolution are posted on our website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	For further information on our disclosure policy, please refer to our website: https://www.nipponkayaku.co.jp/english/ir/disclosure.html	
Regular Investor Briefings held for Analysts and Institutional Investors	Briefings are held on a quarterly basis, with those for the 167th fiscal year held after financial results were announced. Conference call briefings for the first and third quarters were held on July 31, 2023, and January 31, 2024. For the second and fourth quarters, briefings were held in a combined meeting-conference call format on November 8, 2023 and May 14, 2024. Briefings for the second and fourth quarters were led by our president and Finance and Accounting Director, while	Held

	those for the first and third quarters were conducted by our Corporate Strategy Director. The briefings in question explained the content of financial statements and business conditions for the current period, as well as business forecasts for coming period.	
Online Disclosure of IR Information	Nippon Kayaku discloses IR information on its website: (https://www.nipponkayaku.co.jp/english/). Information requiring timely disclosure, and documentation used in briefings on the annual securities report, quarterly reports, and business conditions may also be found here.	
Establishment of Department and/or Placement of a Manager in Charge of IR	We have established the Corporate Communications Division as our division in charge of investor relations, under the leadership of Vice President Yoshitsugu Ishida. Our contact for IR matters is Masaki Igawa (Tel.: 03-6731-5237).	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Our CSR activities towards fulfilling our environmental, social and economic responsibilities are compiled in the Nippon Kayaku Group CSR Report. Since 2011, we have produced a digest of this report in pamphlet form; posted environmental data and examples of Group activities undertaken in our website's "Sustainability Information" section, and have produced the report in both Japanese and English. (https://www.nipponkayaku.co.jp/english/). We also merged our CSR Management Committee into our Sustainable Management Meeting in June 2022.
Other	The 164th Ordinary General Meeting of Shareholders of June 2021 saw Nippon Kayaku elect a female Audit & Supervisory Board Member, while the 166th Meeting of June 2023 saw the election of a female Independent Outside Director (as a Member of the Board of Directors). The company also elected another female Director on April 1st 2023 and a female executive manager on April 1st 2024. Meanwhile, a female Standing Auditor was selected at the Audit & Supervisory Board Meeting of June 2023. We have established a mechanism in our company for employees meeting certain conditions to accept the challenge of promotion to management positions upon the recommendation of a superior, regardless of gender, nationality or career. The number of women accepting this challenge is increasing year on year, and we expect the number of women in managerial positions to rise. Of the total number of management positions as of March 31st 2023, female employees accounted for 8.7%, other-country employees made up 0. 2%, and mid-career employees comprised 35.6% (all on a non-consolidated basis). By the end of FY 2024, we are aiming for a female manager ratio of 10%, a non-Japanese manager ratio of 0.6%, and a mid-career manager ratio of 38%. Furthermore, we aim for our FY 2024 Audit Plan to reflect the results of our FY 2023 effectiveness evaluation survey given to all Outside Audit & Supervisory Board members.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

1) System to ensure that directors and employees execute their duties properly in accordance with laws, regulations and Articles of Incorporation

(1) We have established the Nippon Kayaku Group Charter of Conduct and Code of Conduct, with which Directors and employees shall conduct themselves in strict compliance.

(2) We have set up an Ethics Committee which determines both policy on observance of laws, regulations, and internal rules; how violations of laws, regulations, and internal rules should be handled; and how to prevent violations from recurring.

(3) We have established the Rules of the Ethics Committee, and continue to revise these as appropriate.

(4) We have designated the Compliance Department of the Internal Control Management Division as our department in charge of compliance, formulating and implementing compliance action plans, and handling administrative tasks and coordination related to Ethics Committee management.

(5) The department in charge of compliance shall conduct regular compliance training for directors and employees, and heighten awareness of, and respect for, compliance.

(6) The Audit Division has been established as our internal audit division, working together with the department in charge of compliance to audit the status of compliance with laws, regulations, and other rules.

(7) A compliance hotline has been established and shall be operated as a means for employees to directly report information on possible violations of laws, regulations, and internal company rules.

(8) Actions that violate laws, regulations, and internal company rules shall be handled according to the Rules of Employment and Disciplinary Rules.

(9) The Sustainable Management Meeting shall configure the system for disclosure.

(10) To ensure the reliability of Nippon Kayaku's financial reporting, we have established the J-Sox Department in the Internal Control Management Division and regularly evaluate the management and operation of our system. The results of these evaluations are reported to the company's Representative Directors.

2) System for retention and management of information relating to execution of Director duties

(1) Retention and management of information relating to the execution of Director duties shall adhere to the Rules on Corporate Information Management and other internal rules.

(2) Directors and Audit & Supervisory Board Members may, as necessary, view documents and other information relating to the execution of Director duties.

3) Rules and other systems pertaining to loss risk management

(1) A Risk Management Committee has been established to configure a risk management system and formulate plans for responses to emergencies and prevention of recurrences.

(2) The Rules of the Risk Management Committee and Risk Management rules etc. have been established, and shall henceforth be revised on a regular basis.

(3) A Risk Management Department of the Internal Control Management Division has been established

as the division in charge of risk management, handling administrative tasks and coordination of matters relating to the management of the Risk Management Committee.

(4) The Risk Management Department shall ascertain company-wide risks, establish a division responsible for each risk, and formulate concrete responses. This department shall also promptly designate the division responsible whenever a new risk emerges.

(5) The Risk Management Department shall conduct regular education and training on risk management.

(6) An Audit Division has been established to conduct audits relating to risk management.

4) System to ensure Directors execute duties efficiently

(1) In addition to formulating business plans and clarifying goals to be achieved, we shall convene the Board of Directors each month (and on an ad hoc basis when required) to decide on important management and operational execution matters specified in the Rules of the Board of Directors.

(2) We have separated management decision-making and supervisory functions from operational execution functions, and shall adopt an executive director system to strengthen the functions of each.

(3) The Sustainable Management Meeting shall regularly discuss important matters concerning management and operational execution specified in the Rules of the Sustainable Management Meeting.

(4) The operational organization and division of duties have been fixed based on the Rules on Work Duties and Authority which specify not only the person responsible but the scope of that person's duties, responsibilities and authority.

5) System to ensure proper operation of the Nippon Kayaku Group (which consists of Nippon Kayaku, its parent company and subsidiaries)

(1) Each subsidiary shall formulate a Charter of Conduct and a Code of Conduct, and subsequently comply with these. Nippon Kayaku shall receive reports from each subsidiary on the status regarding formulation of, and compliance with, these Codes.

(2) We have set forth Rules on Group Management, and subsidiaries shall discuss important business matters with Nippon Kayaku.

(3) Divisions responsible for supervising subsidiaries shall be specified based on the Rules on Group Management, and shall both offer advice and cooperate on the management of the relevant subsidiary business.

(4) Each subsidiary shall regularly report to Nippon Kayaku on the status of its operational execution, financial situation, and other matters.

(5) A risk management system shall be set up and maintained in each subsidiary.

(6) A compliance hotline shall be established and operated as a means for subsidiary employees to directly report information on acts or other matters pertaining to the suspected violation of laws and regulations.

6) Matters concerning situations in which an Audit & Supervisory Board Member has requested the assignment of an employee to assist with duties, the independence of that employee from directors, and

guaranteeing the effectiveness of instructions given to the employee by the Audit and Supervisory Board Member

(1) Audit & Supervisory Board Members may request resources necessary to the performance of their duties from the Audit Division.

(2) Employees receiving the above-noted requests from an Audit & Supervisory Board Member via the Audit Division shall not accept orders from directors and superiors in regard to such requests.

(3) The company shall discuss the transfer of employees who either assist, or should assist, with the duties of Audit & Supervisory Board Members with the board member concerned.

7) System for directors and employees to report to Audit & Supervisory Board Members, and other reports made to Audit & Supervisory Board Members

(1) Audit & Supervisory Board Members may attend Sustainable Management Meetings, Management Strategy Meetings, and others of importance, at which they may state their opinions.

(2) Directors and employees shall report to Audit & Supervisory Board Members via the hotline or other means in circumstances where the company stands to incur a substantial loss or has the potential to do so, when directors and employees have discovered an illegal or fraudulent act, or regarding the occurrence of some other event specified as reportable by Audit & Supervisory Board Members.

(3) Individuals making a report to an Audit & Supervisory Board Member as detailed above shall not be subjected to discriminatory treatment as a consequence.

(4) The Audit Division shall report the results of internal audits to Audit & Supervisory Board Members.

8) System for ensuring that other audits conducted by Audit & Supervisory Board Members are conducted effectively

(1) The company shall strive to establish an environment for Audit and Supervisory Board Member audits that enables directors and employees to promptly provide said Members with corporate information.

(2) Audit & Supervisory Board Members shall meet regularly with Representative Directors to exchange opinions and strive to work together with the Audit Division.

(3) The company shall ensure that Audit & Supervisory Board Members have the opportunity to consult with experts on matters requiring a high degree of legal and accounting expertise.

(4) The company shall assume the expenses related to the duties of Audit & Supervisory Board Members, based on invoices submitted by said Members.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The company has declared that: “Nippon Kayaku has a strict attitude towards antisocial forces and organizations, and shall not consider any unreasonable or illegal demands” in the Nippon Kayaku Group Charter of Conduct posted on our company website. We have also designated the Legal Affairs Division as the division in charge of the relevant responses. This division shall strive to routinely gather information from the

local community, law enforcement, and other relevant organizations, and shall configure a structure enabling of a swift response in concert with law enforcement, legal counsel, and other external specialist organizations whenever an incident occurs.

V. Other

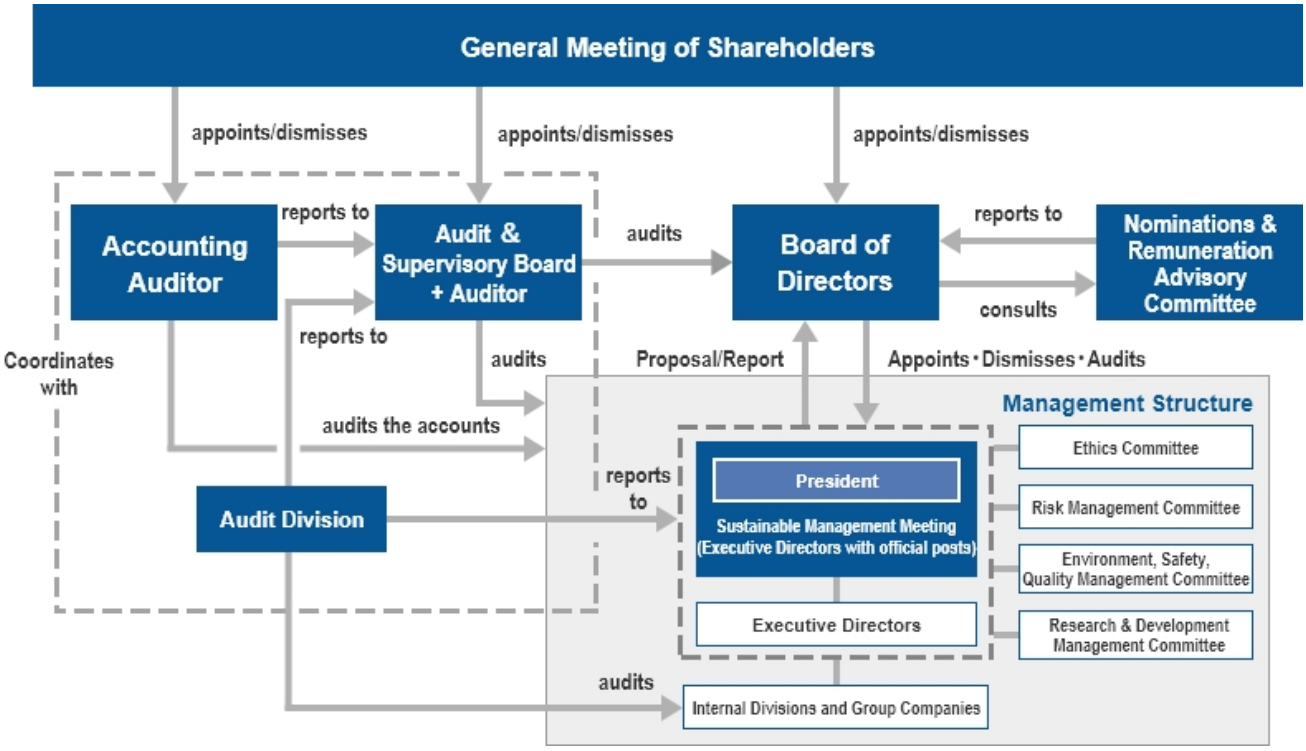
1. Adoption of Anti-Takeover Measures

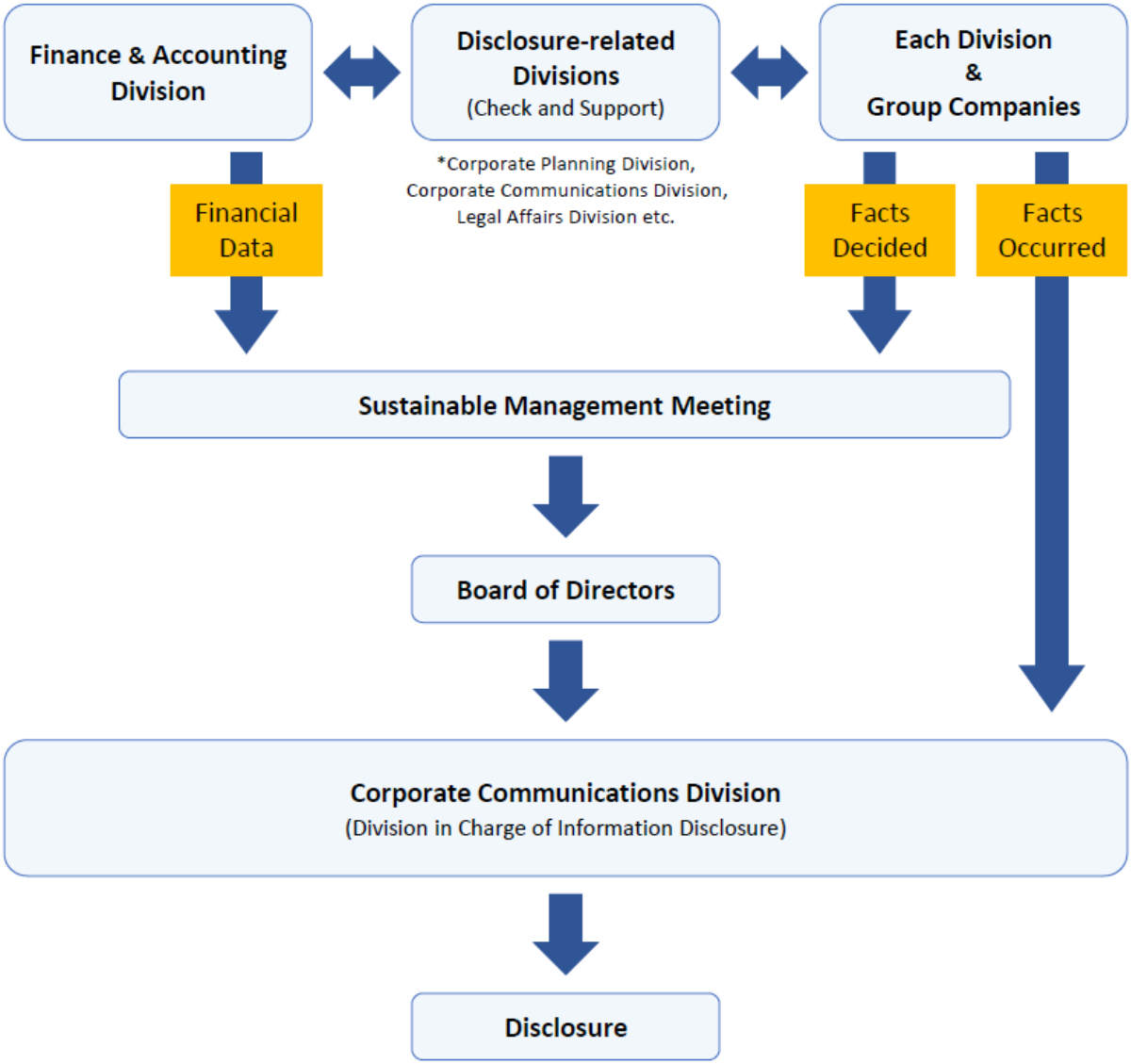
Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation for Applicable Items
None

2. Other Matters Concerning the Corporate Governance System【Updated】

None




Finance & Accounting Division
Disclosure-related Divisions
(Check and Support)
Each Division & Group Companies
*Corporate Planning Division, Corporate Communications Division, Legal Affairs Division etc.
Financial Data
Facts Decided
Facts Occurred
Sustainable Management Meeting
Board of Directors
Corporate Communications Division
(Division in Charge of Information Disclosure)
Disclosure

END