Human Resources and Creation of a Comfortable Workplace Environment



Member of the Board
Managing Director, In charge of Human Resources Division, Legal Affairs Division, General Affairs Division, Secretarial Division, and Internal Control Management Division

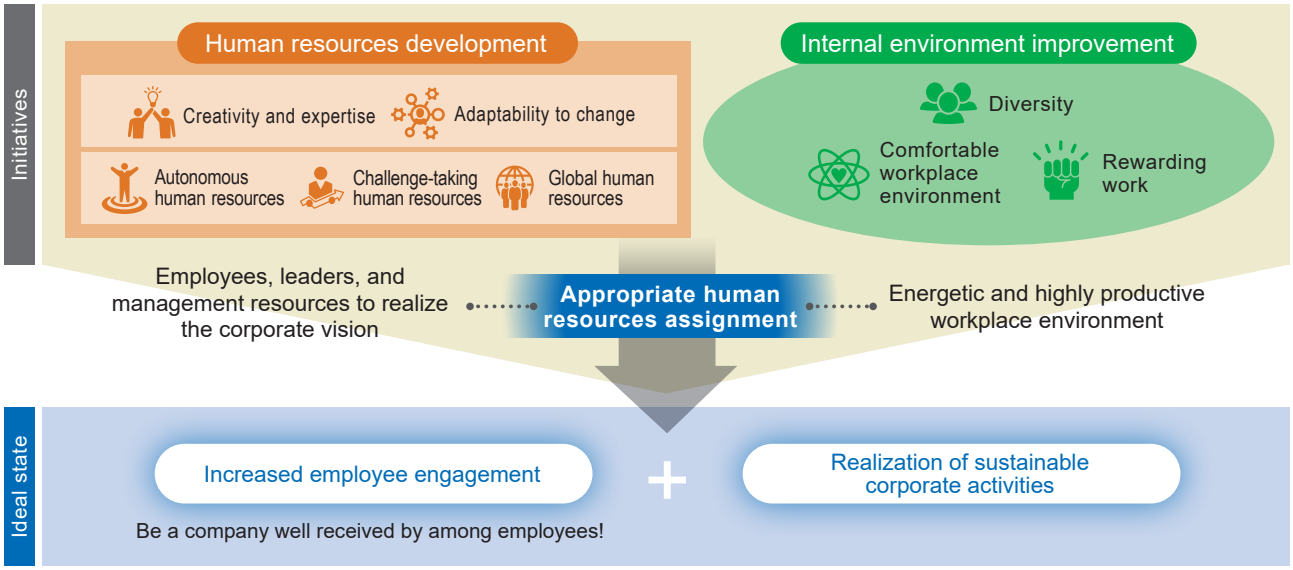
Makoto Takeda

The Nippon Kayaku Group wants to be a corporation where all employees derive a sense of happiness from their work by practicing the **KAYAKU spirit**, its corporate vision. To achieve this, we need to link the dynamism of every employee to the growth of the company and become a good, strong, energetic company. We will strive to expand our human capital by implementing various measures to create an environment where all employees can work with dynamism.

The growth of the Nippon Kayaku Group will only be achieved through the active roles of every employee. By promoting the active roles of our human resources, we aim to transform the group into a “platinum corporation” that is comfortable and rewarding to work at.

Human Resource Utilization Initiatives and Vision of the Nippon Kayaku Group

The Nippon Kayaku Group is committed to improving employee engagement and achieving sustainable corporate activities by appropriately assigning human resources capable of realizing the corporate vision in a highly productive workplace environment.



Human Resource Development Policy

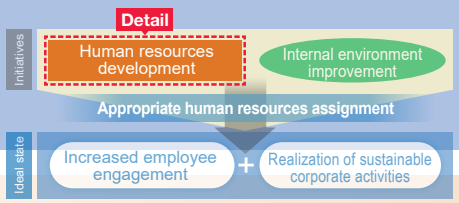
Under our corporate vision, the **KAYAKU spirit**, we aim to create environmental, social, and economic value by engaging in sustainable management, create a sustainable environment and society, and increase our corporate value.

We have established the human resource development policy shown at right to help realize the **KAYAKU spirit**.

To realize our human resource development policy, we have prepared various training programs such as grade/level-based group training and e-learning, and are working to enhance human resource development.

Human Resource Development Policy

- Fostering autonomous human resources who can increase their creativity and expertise, and act autonomously
- Fostering human resources who can boldly attempt new challenges in response to environmental changes without fear of failure
- Fostering human resources who can play active roles with a global perspective



TOPICS 1 Human Resources Development — Education for creativity, expertise, and responsiveness to change

The Nippon Kayaku Group implements many training programs with the aim of developing human resources who have creativity and expertise as well as can respond flexibly to environmental changes.

For example, the Career Presentation for new graduate hires with a university degree or higher who have been with the company for five years provides an opportunity for employees to analyze their own careers and contributions to the company and give presentations to officers. Through the Q&A session, we aim to discover and address new issues and encourage independent action.

The mandatory training for technical and research staff includes Marketing Training for learning basic marketing frameworks and analysis methods and understanding their importance in research and development, as well as Research and Development Staff Development Training for learning and practicing skills to research, study, and propose next-generation research themes. Through these programs, participants can learn how to demonstrate the collective strength of the team based on research in order to efficiently advance research and development.

In addition, the Business Leader Development Course for employees who aspire to be leaders, such as for the promotion of internal projects, and are recommended by their supervisors aims to develop transformational leaders with an entrepreneurial spirit who can take action with a vision of the near future, while learning skills that link core competencies and ideas to the creation of customer value.

We have also prepared a number of other employee training programs based on job type and grade/level with a view to developing outstanding human resources who can carry the next generation.

Click URL
[Key Sustainability Issues] Maintaining and Expanding Employment, Developing Human Resources
https://www.nipponkayaku.co.jp/english/sustainability/social/human-resource/

TOPICS 2 Human Resources Development — Always conscious of 3% cost reduction—A3 activities (KAIZEN)

The term “A3 activities (KAIZEN)” derives from our intention to be always conscious of 3% cost reduction. All employees are working to routinely and actively increase operational efficiency and productivity and engaging in awareness reform activities to firmly instill the values of always being conscious of eliminating difficulty, waste, and inconsistency (referred to as the 3Ms (Muri, Muda, Mura) in Japanese) to reduce cost. Multilateral activities, such as communicating information, conducting campaigns, and holding information exchange meetings, are led by the secretariat.

In November 2023, the 63rd A3 activities (KAIZEN) presentation meeting was held at a venue in Tokyo, with approximately 800 participants from domestic and overseas group companies, who participated on-site or online. A total of 21 cases of various A3 activities from various countries and business locations were shared through active questioning and information exchange, providing clues to each activity.

We will continue to foster a corporate culture that will make strong divisions and a strong companies, by working to make sure that everyone is mindful of A3 through various A3 activities and by having each employee proactively enhance his or her KAIZEN awareness.





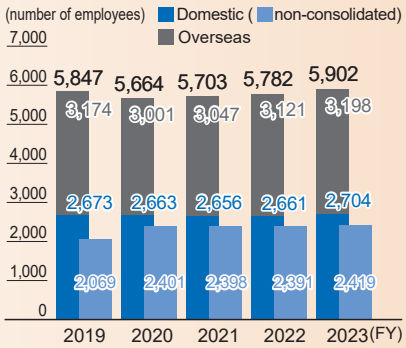
TOPICS 3 Human Resources Development — Strengthening of global human resources

The Nippon Kayaku Group has business locations in a total of 12 countries and regions, and overseas employees constitute the majority. To further the progress of global management in the future, it will be important to develop core human resources that can play active roles overseas.

To strengthen language skills, we are implementing training to raise the level of English conversation skills for young employees who have a strong desire to work overseas. We are also selecting candidates for the next generation of global human resources and providing scenario-based practical English training to strengthen their ability to promote business operations, such as negotiating costs overseas.

Furthermore, for expatriates and seconded staff, we are providing programs to develop skills other than language skills that are important for playing active roles locally, such as fostering a global mindset and acquiring cross-cultural management skills. In addition, we plan to support necessary human resources development measures by making sure locally hired employees of overseas group companies know and understand management policies and conducting surveys to analyze their career intentions.

Number of Domestic/Overseas Employees



In addition to strengthening global human resources by such as combining on-the-job training, location rotation, and multiple overseas assignments, we are also proactive in hiring new graduates who have a strong desire to work overseas.

Human Resources and Creation of a Comfortable Workplace Environment

TOPICS 4 Human Resources Development — Development of next-generation management candidates: Nippon Kayaku Business Academy

The Nippon Kayaku Business Academy (NBA) was initiated in 2000 by Teruo Nakamura, the seventh president of Nippon Kayaku, as a program designed to develop leaders from various divisions into candidates for next-generation management executives, with a focus on mid-career human resources. With the Corporate Planning Division and Human Resources Division serving as the secretariat, trainees are selected from all divisions, including those of overseas group companies, and monthly group training is provided to them over a period of approximately one year.

The program includes lectures by titled executive directors with official posts and outside directors, providing a valuable opportunity for employees to learn about management know-how and philosophy based on experience, as well as the perspectives and leadership of objective experts. In the workshop portion of the program, participants develop business plans for new businesses and new products that leverage the company's strengths and foundational technologies, including their profitability and growth, by backcasting from future social issues, and they aim to reflect these plans in the next Medium-term Business Plan.

In FY2024, as the 14th year of NBA, we will continue to introduce more effective business leader development methods, such as customizing the skills to be acquired to suit each individual's background and aspirations, in addition to the above content.

The program has produced a large number of management executives (most of the current executive directors and higher-ranked officers have participated in NBA), and we plan to continue the program as an effective education program for the development of human resources to be involved in management.



Internal Environment Improvement Policy

We place an emphasis on ensuring diversity, fostering a comfortable and rewarding work culture and increasing employee engagement, so that employees can work with motivation and enthusiasm, while empathizing with the **KAYAKU spirit** and developing a relationship of mutual trust with senior management.

In terms of our personnel system, we have established a "position class (job grade) system" that enables appropriate assignment and treatment irrespective of age, gender, career background, educational background, nationality, etc., and a system based on roles and responsibilities that allows employees to voluntarily take on challenges in promotion to managerial positions.

In human resource development, we encourage the autonomous growth of each employee by supporting employees who want to grow and learn for themselves; and support the formation of diverse careers in line with the wishes of individual employees.

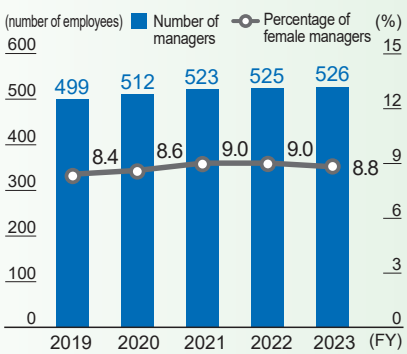
TOPICS 5 Internal Environment Improvement — Diversity, equity, and inclusion

The Nippon Kayaku Group embraces diverse human resources and work styles, creating a workplace in which employees work with real vitality and demonstrate their various abilities to the fullest. We respect diversity in terms of gender, age, nationality, ethnicity, religion, disability, skin color, culture, beliefs, ideologies, political opinions, and sexual orientation, and provide support from the perspective of diversity, equity, and inclusion so that employees can play an active role at various life stages, such as childcare and nursing care. We also promote the utilization of human resources with different backgrounds to incorporate diverse perspectives in our decision-making processes.

The percentage of female managers, a KPI for diversity promotion, was 8.8% in FY2023, while the target for FY2024 is 10.0% or higher. In addition, the percentage of male employees taking childcare leave reached 78.5% in FY2023 as a result of continuous encouragement. Going forward, we will develop an environment in which women have the opportunity to take on the challenge of becoming managers, by implementing cross-industry exchanges and training to promote the active participation of women and continuously reviewing our work system.

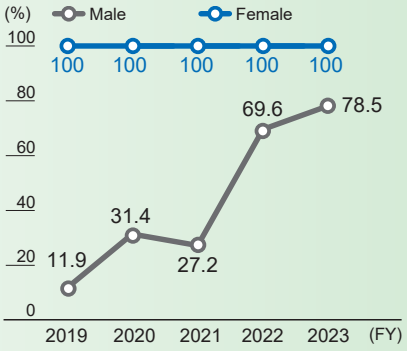
Promotion of Diversity

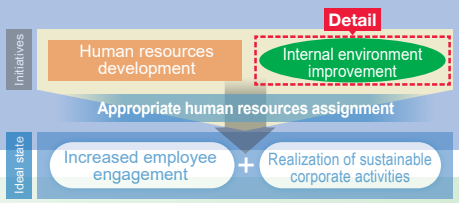
Percentage of female managers



Gender Equality

Percentage of employees taking childcare leave





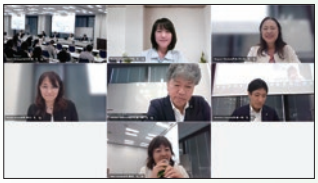
KAYAKU-ZenKatsu Kickoff Event Promotion of Active Roles of All Employees

With the formulation of the third action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, the Nippon Kayaku Group launched the KAYAKU-ZenKatsu* activity to further promote the active roles of all employees as an important issue to be addressed by the entire group. In addition to increasing the percentage of female managers to 10% or higher by the end of 2026, the action plan includes selecting candidates at each business location, conducting systematic human resources development, increasing the percentage of women in the recruitment quota, and expanding the telecommuting system.

In August 2024, a kickoff event KAYAKU-ZenKatsu was held with the active participation of women and childcare leave as the main themes. It was attended by approximately 200 employees, mostly women, from various business locations in Japan. At the event, President Wakumoto was also in attendance, and the general manager of the Human Resources Division made a kickoff declaration, which was followed by an explanation of the current situation and the targets of the action plan. There was also a panel discussion with current female officers, female managers, and male employees taking childcare leave. Through the Q&A session, the panelists presented role models for female managers and conveyed the group's serious efforts to promote the active participation of women.

Starting with the kickoff event, we will further promote the active participation of women, improve the internal environment by enhancing personnel systems and other measures, and foster a comfortable and rewarding work culture.

* The name derives from the concept of promoting the active roles of all employees in the Nippon Kayaku Group, including female employees. ("Zen" means "all" and "Katsu" means "active" in Japanese.)



KAYAKU-ZenKatsu panel discussion

Promotion of Flexible Work Styles

In response to the spread of the COVID-19 in 2020, we implemented a telecommuting system and expanded the scope of application of the staggered work hours system, which has diversified not only work hours but also work locations and environments. The introduction of remote work has also made it possible to hold meetings and business negotiations flexibly according to their purpose. By working flexibly according to individual needs and lifestyles, rather than being restricted to conventional, standard work styles, we have increased productivity.

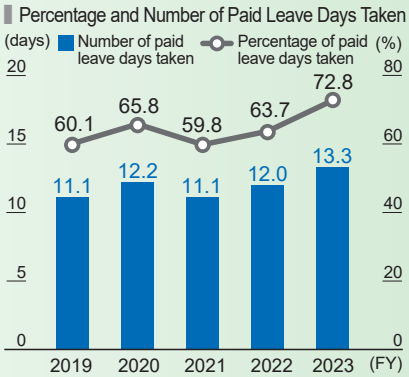
We will continue to promote flexible work styles as appropriate and provide an environment where each employee can perform to the fullest.

Work-life Balance

The percentage of paid leave taken, a KPI for achieving good work-life balance, reached 72.8% in FY2023, compared with the target of 70% or higher. The current issue is that take-up rates for paid leave among managers are low.

To address this issue, we are working on an initiative where each individual creates a plan to take five or more days of paid leave and shares it within the workplace. We also aim to increase take-up rates among managers by making use of internal company bulletins and the intranet to call for periodical promotions of taking paid leave.

We will continue initiatives to enhance work-life balance, as we seek to improve employee productivity and motivation and attract outstanding human resources.



TOPICS 6 Internal Environment Improvement — Reform of position class and management promotion systems

Under the position class (PC) system, the Nippon Kayaku Group clarifies duties and responsibilities, sets goals, and evaluates them in accordance with one's abilities, instead of simply determining positions based on seniority or other attributes. In addition to the usual evaluation, in which the organization's mission is incorporated into the individual's targets, there is also a challenge-based evaluation, in which individuals set their own targets, and a process evaluation, in which the process of work execution is evaluated. In the evaluations, emphasis is placed on dialogue through 1-on-1 meetings with supervisors to ensure that the company's growth is aligned with each employee's personal fulfillment.

We then motivate them to do their jobs, aiming to increase employee engagement. We have a variety of job types within the group, and the Human Resources Division will track and adjust the operational situation to ensure there is no discrepancy between positions and the scope of roles and responsibilities.



Employees to be promoted to managerial positions are judged based on whether they have worked on challenging themes of their own choice in a well-planned manner and produced results appropriately as managers of the group. While it is an effective way to demonstrate creativity, the time taken to screen applications is an issue. To respond to rapid environmental changes in the business field, we will continue to review the system appropriately, such as by implementing a mechanism that will enable the prompt completion of the screening process.

Human Resources and Creation of a Comfortable Workplace Environment

TOPICS 7 Internal Environment Improvement — Initiatives aimed at enhancing psychological safety

At the Nippon Kayaku Group, we believe that a healthy workplace that allows employees to speak to each other and discuss their ideas frankly will ensure psychological safety and enhance organizational productivity. A important issue shared by all directors and employees is to deepen their understanding of power harassment and other forms of harassment and continuously reduce them through ongoing compliance activities, such as group-wide compliance awareness surveys, seminars at each business location, and education through e-learning.

In the compliance education program led by the Internal Control Management Division, all employees learned about “understanding what a workplace with high psychological safety is” in FY2022 and the “individual psychological flexibility necessary to increase psychological safety in the workplace” in FY2023, and the program received a lot of positive feedback.

Ensuring psychological safety is also an important element in our aim to increase employee engagement. We will continue to foster a workplace culture that enables employees to work with peace of mind while having good understanding of internal issues in each workplace and learning practically useful actions through seminars, training, and other opportunities.



Compliance training materials (Japanese)

TOPICS 8 Internal Environment Improvement — Health management

Health Management Competition

Since FY2018, Nippon Kayaku and a section of its group companies have been working on health improvement initiatives by holding the Companywide Health Management Competition. A total of 2,444 employees from across the Nippon Kayaku Group got involved in FY2023, making for a participation rate of 70.0%.

The Companywide Health Management Competition is held in March of each year. Employees track their daily health activities over the period of one month and convert them into points. The scores for each business location and group company are then compiled by the Environmental Safety Division, before being aggregated and analyzed by the Environmental Protection & Safety Division. Among the various matters to be logged are: morning and lunchtime exercise, daily diet, brushing of teeth, sleep, number of paces walked, leisure, and sports activities. Employees can choose to participate individually or in a team.

We will keep going with the Companywide Health Management Competition in order to help employees maintain and improve their health.

Number of Participants and Participation Rate in the Health Management Competition

		Unit	2019	2020	2021	2022	2023
Nippon Kayaku	Participants	Persons	1,349	1,566	1,976	2,105	2,096
	Participation rate	%	49.5	51.4	65.1	69.2	70.1
Group companies	Participants	Persons	280	263	82	317	348
	Participation rate	%	32.5	57.0	32.4	65.0	69.6
Nippon Kayaku Group overall	Participants	Persons	1,629	1,829	2,058	2,422	2,444
	Participation rate	%	45.4	52.1	62.6	68.6	70.0

External Evaluations

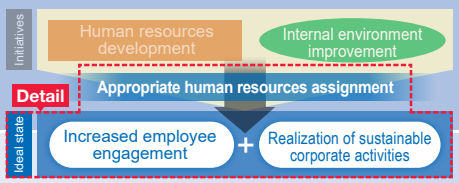
Nippon Kayaku has been evaluated by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as an enterprise that thinks about employee health management from a managerial perspective and tackles the issue strategically. We have therefore been recognized as a 2024 Certified Health & Productivity Management Outstanding Organization in the Large Enterprise Category*.

This is testament to our vast number of initiatives on maintaining and improving employee health, including preserving a 100% take-up rate of periodical health checks, the introduction of stress checks and mental health training. We also attribute the recognition to our series of policies including extracting health improvement issues to be tackled, coming up with relevant initiatives to improve health check results, introducing passive smoking measures, and setting up health-themed events for all employees.

Nippon Kayaku views employee health improvement as essential to increasing corporate prosperity and stakeholder satisfaction, and will therefore continue proactively engaging in health management activities.

* The category for large-scale enterprises and medical corporations within the Certified Health & Productivity Management Outstanding Organizations Recognition Program created in 2016 by the Ministry of Economy, Trade and Industry





Appropriate Human Resources Assignment

Appropriate Human Resources Assignment (Talent Management, Internal Recruitment System, Transfer Request Sheet)

Along with human resources development and workplace environment improvement, the Nippon Kayaku Group aims to visualize human resources information to enable the timely and appropriate assignment of human resources.

The talent management system, which has been in place since September 2022, has become widely known, and most employees have registered their data. This system has enabled easy and quick access to necessary information on human resources, such as job history, work interests, qualifications, experience, skills, and knowledge, and is expanding its application to human resources-related activities as appropriate. For example, there are an increasing number of cases where the career vision described by the individual is used as a reference when deciding personnel transfers. We believe that centralized management of personnel information will enable smooth linkage with strengthening the development of global human resources and improving workplace environment.

In addition, to respond quickly to changes in the business environment, we are using the internal recruitment system, which matches departments in need of personnel with employees who have the willingness and skills to play an active role in that department, and the transfer request sheet, which allows employees to express their desire to transfer to an appropriate position or department where they can utilize their own skills and career to further their growth, activating the mobility of human resources within the group.

We will continue to promote the appropriate assignment of human resources to ensure productive and sustainable corporate activities, as well as aim to increase employee engagement within the group.



Employee Engagement Survey

First Employee Engagement Survey Results

In FY2023, the Nippon Kayaku Group conducted its first engagement survey of approximately 2,000 employees of Nippon Kayaku on a non-consolidated basis. The survey questions comprehensively included both “BIRD’S VIEW” (engagement factors desired from the company) and “INSECT’S VIEW” (engagement factors desired from supervisors and workplaces). The aggregation results showed that the deviation score for employee engagement status was **47.1**, slightly lower than the national average of **50**. We will continue conducting the survey with the aim of increasing employee engagement.



Member of the Board
Managing Director,
In charge of Human Resources Division
Makoto Takeda

Commitment to Increasing Employee Engagement Based on the Survey Results

From a group-wide perspective, items related to a comfortable workplace environment and items related to support from supervisors and a sense of unity in the workplace were cited as strengths, indicating that relationships within the workplace are relatively good, and many organizations are comfortable places to work. On the other hand, the survey also revealed that items related to the group-wide openness and the future of the business were cited as weaknesses, indicating that there is a sense that the organizations have not yet become strong enough to compete in the product market.

We take these survey results seriously, and by, firstly, getting management to show their commitment to enacting change, we will work together to improve the organization and become a **company well received** by employees.

Respect for Human Rights

Human rights are essential to the pursuit of happiness and plentiful lives for everyone, hence protecting fundamental human rights must be absolutely prioritized.

As we develop our business activities on a global scale, we view respect for human rights, in line with international human rights norms, as the foundation of sustainable management. We have therefore explicitly stated this respect for human rights in the Nippon Kayaku Group Charter of Conduct and Code of Conduct, as well as in the Nippon Kayaku Group Human Rights Policy, and promoted relevant initiatives.

Nippon Kayaku Group Charter of Conduct and Code of Conduct

The Nippon Kayaku Group Charter of Conduct and Code of Conduct*1 was established in reference to international standards*2 as a guide to realize the **KAYAKU spirit** corporate vision. In those, "Respect for Human Rights" has been clearly stated and translated into the six languages in which the Nippon Kayaku Group has bases, and all executives and employees of the Nippon Kayaku Group are informed that it is applicable to them.

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

*2 ISO 26000 (Guidance on social responsibility)
OECD: Guidelines for Multinational Enterprises
ILO: Declaration on Fundamental Principles and Rights at Work

Participating in the United Nations Global Compact

The Nippon Kayaku Group signed the United Nations Global Compact (UNGC), which is sponsored by the United Nations, and was registered as a participating company in September 2021. We will observe the Ten Principles in the four areas of Human Rights, Environment, Labour, and Anti-Corruption and aim to achieve targets set under the Sustainable Development Goals through business activities.

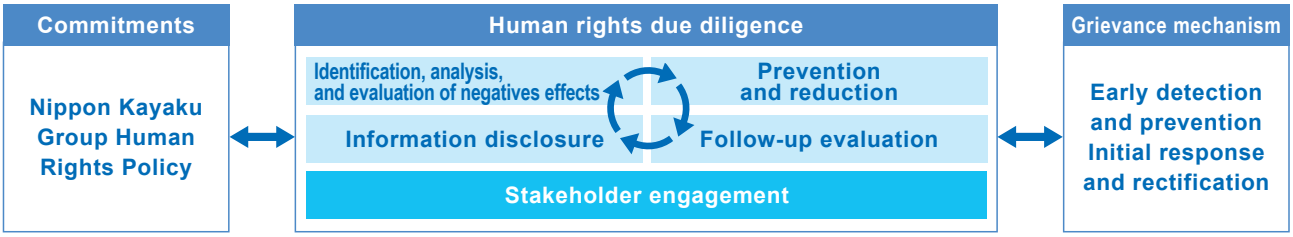
Revision of the Nippon Kayaku Group Human Rights Policy

February 2024 saw us rethink our Human Rights Policy initially fixed in 2022, and enact revisions following Board approval, including additional items on appropriate working hours and fair and impartial remuneration. With human rights being internationally spotlighted as a major social issue, the importance of respecting them continues to rise. In response to such changing human rights environments around all our corporate activities, we have altered our Policy so it reflects the need to further strengthen our human rights initiatives.

Click URL **Nippon Kayaku Group Human Rights Policy**
https://www.nipponkayaku.co.jp/sustainability/pdf/social/human-rights/human-rights-policy-en.pdf

Human Rights Due Diligence

In line with its Human Rights Policy, the Nippon Kayaku Group perceives respect for human rights as a Key Sustainability Issue and has set up a related Action Plan. By administering and disclosing the status of progress on an annual basis, we are taking a group-wide approach towards constructing and promoting a due diligence process. Starting in FY2021, we have conducted human rights assessment surveys of our primary and secondary suppliers. In FY2022, we held two workshops for all executives and managers of relevant departments aimed at developing understanding of "Business and Human Rights." And FY2023 saw us conduct an internal survey which enabled us to grasp both the evident and latent human rights-related risks as perceived by employees, and thereby identify the priority themes for stemming related negative effects. We thus plan to strengthen our measures through reflecting stakeholder opinions while periodically reviewing our human rights risk assessments and the risks requiring priority measures.



Extraction of the Human Rights Risks

Based on the "Survey Research on Business and Human Rights" by the Human Rights Bureau of the Ministry of Justice we conducted an internal survey of our Complaints Board, which includes both company and union members. The survey saw us quiz Nippon Kayaku Group employees on both the evident and latent human rights-related risks as perceived by employees, then assign levels relating to "likelihood of occurrence" and "degree of seriousness"—the higher the levels assigned, the higher the levels of risk.

Our survey results were then used by our Corporate Planning Division's Sustainability Promotion Department, who serves as our Human Rights Due Diligence Office, to compile a Human Rights Risk Map, and confirm likelihood of occurrence, degrees of seriousness, and low-to-moderate risks. Among all those, the human rights risks requiring priority measures were identified by the Sustainable Management Meeting as: **(1) Power harassment, (2) Excessive overtime and long working hours, and (3) Right to privacy**.

Enactment of Measures to Prevent, Reduce, and Correct Risks Requiring Priority Measures

For the risks requiring priority measures identified by Nippon Kayaku Group employees through the impact assessments of human rights-related risks, we have implemented the preventive, reduction, and corrective measures listed on the right to forestall any negative effects on human rights.

Human Rights Risks Requiring Priority Measures Identified by Nippon Kayaku Group Employees	Preventive, Reduction, and Corrective Measures to Forestall Negative Effects
Power harassment	• Instillation of the Nippon Kayaku Group Charter of Conduct and Code of Conduct and Nippon Kayaku Group Human Rights Policy • Compliance consciousness survey • Education and training
Excessive overtime and long working hours	• Optimization of working hours and reduction of long working hours
Right to privacy	• Information security initiatives • Instillation of the Nippon Kayaku Group Privacy Policy and Personal Information Protection Policy • Education and training

TOPIC Education and training in FY2023

The Nippon Kayaku Group offers yearly human rights issue training to all executives, employees (including contracted and part-time employees) and temp staff, in order to achieve shared awareness of the importance of respecting the human rights of all corporate activity stakeholders. The contents of such sessions are based on human rights policies, harassment prevention, revisions to the law, and compliance consciousness survey results.

Our training program for FY2023 marked the establishment of our Nippon Kayaku Group Human Rights Policy, and consisted of e-learning modules on the context to the Policy, explanations of Policy specifics, and human rights due diligence. Furthermore, to coincide with the launch of our **KAYAKU Vision 2025** Medium-term Business Plan did we compile a brochure which included explanations of our Group Human Rights Policy, and translate it into the languages of the six countries in which we have production bases (Japanese, English, China, Spanish, Malay and Czech). We are currently distributing the brochure to all group executives and employees as part of efforts to raise policy awareness.

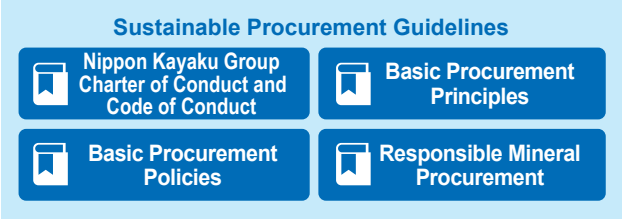
Establishment of Reporting and Consultation Service

So as to uncover legal and human rights violations at early stages, take preventative measures, and increase management transparency and fairness, the Nippon Kayaku Group has established both a Compliance Hotline and a Compliance Hotline for Suppliers.

Both forms of consultation service guarantee confidentiality and anonymity, meaning that no report or consultation will result in blowback against the whistleblower.

Supply Chain Management

Our efforts towards realizing a sustainable society have seen us establish guidelines for each of the Nippon Kayaku Group Charter of Conduct and Code of Conduct, the Basic Procurement Principles, the Basic Procurement Policies, and the Responsible Mineral Procurement Policy, and compile them into a Sustainable Procurement Guidebook, promoting sustainable procurement with all suppliers across the entire supply chain, spanning research and development, raw material procurement, manufacturing, sales, and distribution. FY2024 has seen us provide every new supplier (raw materials manufacturer) with a copy of our Sustainable Procurement Guidebook, and collect sustainable procurement surveys filled out by each supplier to check the status of their initiatives.

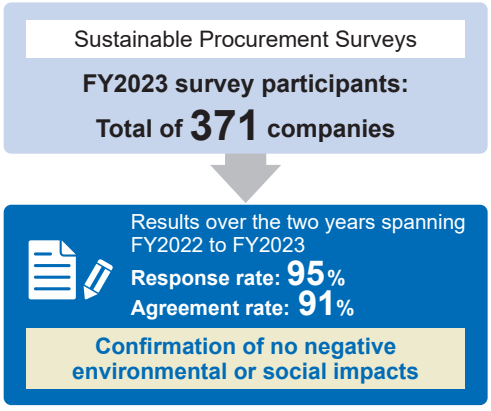


Initiatives

Major Activities	Activity Details	Assessment Frequency
Sustainable Procurement Survey	Sending Sustainable Procurement Surveys to domestic suppliers (specifically, suppliers in the top 90% of our raw materials purchases and new suppliers) to confirm the status of their initiatives for the Nippon Kayaku Group Sustainable Procurement Guidebook.	• As appropriate, for existing suppliers inside Japan • Whenever a new domestic supplier registers
Supplier Audit	Conducting paper or field audits of supplier manufacturing bases (quality-centered supplier audits)	Yearly
BCP Procurement	• Working towards gathering information on supply chain hazards and accidents, and sharing such information on internal company databases • Strengthening moves towards multiple procurement	• As appropriate, whenever hazards or accidents occur • Quarterly status confirmations
Responsible Mineral Procurement	Conducting surveys on applicable minerals (gold, tantalum, tungsten, tin, cobalt, natural mica) using CMRT and EMRT provided by RMI	Whenever a new supplier registers, or as needed and appropriate
Financial Evaluation	Assessing new suppliers' finances based on information provided by external credit agencies	Whenever a new supplier registers

Sustainable Procurement Surveys

Nippon Kayaku has conducted sustainable procurement surveys for all new and existing suppliers. FY2023 saw us survey the suppliers who made up the top 90% of our raw materials purchases in FY2021, as well as new suppliers who registered in FY2022 and FY2023, a total of 371 companies. As a result, we gained the consenting agreement of 338 companies (91%) over the two years spanning FY2022 and FY2023. The survey also enabled us to confirm that 353 company respondents (95%) were not causing negative environmental or social impacts with respect to human rights and worker safety and health. The future will see us continue our joint efforts with suppliers to aim for a sustainable society across the entire supply chain.



Supplier Audit

The Nippon Kayaku Group conducts annual audits of suppliers with the aim of promoting and properly achieving sustainable procurement. These audits see the managers of Nippon Kayaku plants check and assess their suppliers against various management criteria with respect to plant facilities, processes, health and safety, production and more. We conducted 101 supplier audits in FY2023 (and, as of June 2024, are still awaiting document responses from four of them). In some cases, as a result of confirmations and findings in audits, we provided feedback to the suppliers in question and requested them to make improvements, but no serious violations were found.

Our Fine Chemicals Business Unit is referring to the RBA Code of Conduct when confirming the status of supplier initiatives in the five key areas: Labor (Human Rights), Safety & Health, Environment, Ethics and Management Systems. FY2023 saw 71 supplier companies undergo such audits (on-site for 16 companies, online for 1 company, and via document submission for 54 companies – with 4 companies yet to respond as of June 30 2024).

Initiatives in Each Business Unit

Mobility & Imaging Business Unit Purchasing Briefing Sessions

The Safety Systems Group holds a yearly Purchasing Briefing Session for its suppliers.

Within the automotive industry supply chain, the Nippon Kayaku Group must, in tandem with its suppliers, rapidly respond to an external environment filled with dizzying changes in domestic and international affairs, raw material market prices, and exchange rate fluctuations, all while ensuring that customers suffer no delays and that high-quality low-cost products continue to be supplied. Our Purchasing Briefing Sessions see us cover the group's expected results, the business plan for the next financial year, production system status, development plans, medium-to-long-term visions, product quality policies and purchasing policies, with the aim of providing information which suppliers can feed into their own business plans. These sessions also allow us to hand out Outstanding Partner Company Awards to suppliers who are model examples in quality, cost and respecting of deadlines.

We will work to ensure that future briefing sessions continue to serve as valuable information-sharing outlets for the group and its suppliers and that beneficial information continues to be presented.



Fine Chemicals Business Unit Response to an RBA Audit

The Responsible Business Alliance (RBA) is a corporate alliance which promotes social responsibility within the global supply chain. The RBA Code of Conduct lays down the necessary standards for certifying that companies are providing safe supply chain working conditions, treating workers with dignity and respect, and showing consideration for the environment in their business activities.

January 2022 saw our Fukuyama Plant undergo a third-party RBA audit (Validated Assessment Program (VAP) audit). The plant was recognized for its appropriate management in the five survey areas of Labor, Safety & Health, Environment, Ethics and Management Systems, and duly gained a Silver Certification. The audit findings have been earnestly addressed in line with the Corrective Action Plans (CAP), all of which were approved in January 2023.

Going forward, we will ensure that RBA audit standards are maintained by performing yearly internal audits, the most recent of which in October 2023 confirmed these standards are indeed being met.

Participation in Initiatives

UN Global Compact: Supply Chain Subcommittee

Since 2022, the Nippon Kayaku Group has sat on the Supply Chain Subcommittee of the UN Global Compact. The knowledge and information gained from such meetings has been shared with our internal purchasing managers and used to update the survey questions we ask of suppliers.

Partnership-building Declaration

Nippon Kayaku has signed up to the Paving Our Future Partnership-Building Promotion Meeting, which counts among its members: the Chair of the Japan Federation of Economic Organizations, the Head of the Japan Chamber of Commerce and Industry, the Chair of the Pension Fund Association, and related ministers from the Cabinet Office, the Ministry of Economy, Trade and Industry, the Ministry of Labor, the Ministry of Agriculture, Forestry and Fisheries, and the Ministry of Land, Infrastructure, Transport and Tourism. We released our own Partnership-building Declaration in 2023.

This Declaration constitutes a vow to build fresh partnerships through links and prosperous coexistence with all suppliers and value-creating business operators within our supply chain.

Participation in this Declaration will help us build the sustainable relations which allow us to prosperously coexist with suppliers.

Click URL **[Key Sustainability Issues] Environmental and Social Considerations in the Supply Chain**
https://www.nipponkayaku.co.jp/english/sustainability/social/supply-chain/

Quality Management

The Nippon Kayaku Group aims to strengthen its Quality Management System (QMS) to prevent the occurrence of abnormalities in the products and production processes and complaints by customers as much as possible and to be able to respond strictly in the event of such occurrences. To achieve this, we believe it is important not only to have necessary procedures and appropriate equipment in place but also to promote daily communication with an awareness of quality management so that each employee involved in production and quality notices casual changes and thinks about inferences and the prevention of events linked to quality risks. The Quality Management Division of the Technology Unit, a head office organization, and the quality departments established in each business group are focusing on quality management—the former from a company-wide perspective and the latter from specialized perspectives.



Key Areas for Promoting Company-wide Quality Management in FY2023

1 Promotion of visualization for quality improvement
— Sharing company-wide quality targets and targets for each business unit

We set the number of serious complaints by customers and the number of serious/quality process abnormalities as company-wide quality targets for FY2023, and the number of complaints by customers, the number of quality abnormalities, and the amount of losses as targets for each business unit.

Owing to successful daily quality improvement initiatives throughout the entire Nippon Kayaku Group, the company-wide quality targets were achieved with zero cases in each item.

The targets for each business unit were set in accordance with each plant's form of business and customer requests, and the target achievement results were shared throughout the group. We reviewed improvement methods for unachieved items and used them to set targets for the next fiscal year.

Quality Targets (Non-consolidated)			Results		
Items		Targets	2021	2022	2023
1	Number of serious complaints by customers	0	0	1	0
2	Number of serious/ quality process abnormalities	0	2	1	0

2 Response to issues and requirements in view of changes in the business environment
— Steadily responding to the establishment of increased production facilities, etc.

We are developing facilities at the Asa Plant and Fukuyama Plant respectively to increase the production of epoxy resins and industrial inkjet ink materials in the Fine Chemicals Business Unit, which is expected to expand in the future. Production at the new facilities will require the recertification of quality by customers as part of the 4M change* in production. The Quality Management Division and the business unit are sharing information on various changes and working to ensure that the recertification can be completed smoothly without missing any important points.

* A change in one or more of the four Ms in the production of a product: Man (workers involved in production), Machine (production equipment), Method (production method such as manufacturing conditions), and Material (raw materials, intermediates, etc.)


New facility AK-11 for epoxy resin production (Asa Plant)


New facility A-I-1 for industrial inkjet ink production (Fukuyama Plant)

3 Strengthening of quality assurance system
— Aiming to improve the promotion of essential quality management

Measures to combat human error, one of the causes of quality/process abnormalities, are extremely important. No matter how highly automated a process may appear, the possibility of human error cannot be eliminated as long as even a small portion of human judgment and work is involved. The Nippon Kayaku Group is working to eliminate human error by investigating products and processes prone to human error as well as specific operations and backgrounds that lead to errors at each production site from many perspectives, including the objective perspectives of other divisions, as well as the perspectives of on-site personnel, continuously improving its ability to promote quality management.

In addition, the Quality Management Division plays a central role in strengthening relationships with and the thorough management of suppliers and manufacturing contractors, enhancing the skills of internal auditors, and continuing quality education for employees, thereby improving our ability to promote essential quality management.



TOPICS 1 Mobility & Imaging Business Unit — Quality improvement activities conducted with suppliers

To rapidly deliver high-quality products to market, continuous quality improvement activities based on relationships of mutual trust with suppliers is essential.

Implementation of quality education

In the Safety Systems Group, the quality control department gets involved from the initial supplier selection stage, conducting process audits, confirming quality situations, and offering education sessions to provide advice on quality improvement.

Approval of quality manual content / implementation of regular audits

Nippon Kayaku Group Quality Manuals are distributed to all suppliers, who must sign a form confirming their acceptance of manual stipulations.

The Planning & Coordination Division and the Purchasing Division conduct regular audits of suppliers according to the type and importance of materials purchased. During regular audits, we confirm the Nippon Kayaku Group's basic approach to quality assurance and quality management standards, check the quality status of suppliers, and provide advice on how to improve quality.

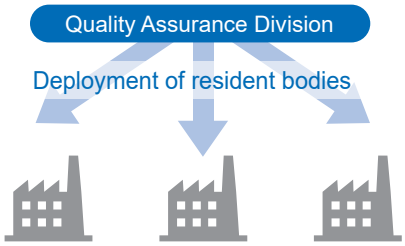
Regular Audits in FY2023	
Survey Participants	major 9 suppliers (on-site audits for 5 and documentary audits with check sheets for 4)
Results	● There were no cases leading to serious problems. ● Where points of issue arose, the suppliers in question were made to submit a Process and Product Audit Improvement Plan with Relevant Measures Form, and we confirmed whether those remedial measures were enacted.

TOPICS 2 Fine Chemicals Business Unit — Initiatives to prevent quality fraud and data falsification

Our Fine Chemicals Business Unit has set up an independent Quality Assurance Division to carry out quality management and quality assurance work on each product produced by the three domestic plants (Fukuyama, Asa and Tokyo) which support the three business groups of Functional Materials, Color Materials and Catalysts. The Quality Assurance Division also links up with the quality coordinating body for all business units, the Quality Management Division, to work on strengthening divisional quality assurance systems.

As an initiative to tackle quality fraud and data falsification, we have deployed resident bodies of Quality Assurance Division to each plant to help deliver reinforced governance on the ground and link up with each plant's quality management department to promote quality patrols and the fostering of quality cultures. At our Fukuyama and Asa plants, we have introduced the LIMS (the Laboratory Information Management System which helps prevent quality falsification through automatic recording of inspection results etc.) to reduce human interventions in the processing of product inspection data wherever possible and aim for improving data integrity.

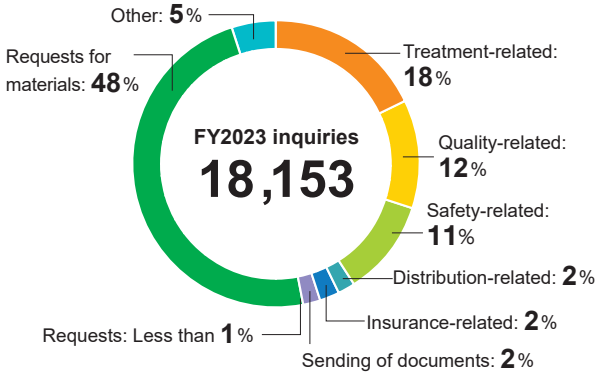
Moving forward, we will continue to pursue the relevant improvements as we aim for quality assurance systems that is trusted by customers and wider society.



TOPICS 3 Life Science Business Unit — Responses to inquiries from patients and medical professionals

Our Medical Information Service Center has a toll free number for fielding all kinds of inquiries from patients and medical professionals on Nippon Kayaku pharmaceutical drugs and medical devices, including anti-cancer drugs, autoimmune disorder drugs, and endovascular embolization materials. The center handled 18,153 inquiries in FY2023, and with the aim of providing better products for our customers, the center's staff members endeavor to handle each inquiry with speed, accuracy, and politeness. We also strive for daily service improvements through surveying our customers on whether our Center's answers have met their expectations.

In addition to linking up with our pharmaceutical information officers visiting medical institutions to provide information that will be helpful to patients, the Center also relays the requests and opinions of customers to relevant internal departments along with its own suggestions. Under its slogan of "All for the promotion of proper use of pharmaceuticals and improvement of customer satisfaction", the Medical Information Service Center is contributing towards yet better medical care.



Contributing to Local Communities

With business sites positioned all over the world, the Nippon Kayaku Group plays an active role as a member of multiple local communities. As a good citizen-company wherever we are, we aim to coexist with surrounding regions by effectively utilizing our resources and valuing communication with local people. We are also deploying our technologies and products on CSR activities such as next-generation development support and disaster recovery support, thereby contributing to healthy and sustainable local community development.

Formulation of Action Plan for Next-generation Development Support Measures

Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, the Nippon Kayaku Group is promoting various initiatives, including improving its internal work environment and formulating an action plan for the next-generation development support measures, which includes goals for supporting the active role and development of children and young people in local communities.

Next-generation Development Support Measures: Action Plan 4 (Only community-related themes selected)

Target 4: Initiatives for local communities regarding next-generation development support measures

Details of specific initiatives

1. Welcoming local children for tours of company facilities
2. Setting up a young person's internship program
3. Exploring the possibility of Children's Observation Days

FY2023 progress report

1. Each year sees us invite local citizens to interactive events at certain business sites.
2. We have also set up, at certain business sites, internship programs aimed at junior high school students.
3. Certain business sites have already set up such open days.

Creation of a Society Where People Can Lead Healthy and Affluent Lives

TOPICS 1 Asunaro House: Facility for terminally-ill children and their families

Under the motto of "Helping terminally-ill children and their families," 1998 saw Nippon Kayaku mark the 80th anniversary of its foundation with the opening of Asunaro House, an accommodation facility for children undergoing hospital treatment and the family members who accompany them. The facility, which we operate ourselves, is in Saitama City, Saitama Prefecture. Asunaro House aims to be a reassuring place to stay for children undergoing either outpatient or inpatient treatment for cancer and other incurable diseases, and their accompanying family members. It welcomed 203 families and a total of 2,522 people in 2023 alone.

Nippon Kayaku and affiliated companies periodically send volunteers from among employees and retired employees to clean the premises and cut the grass. While protecting the privacy of families who use Asunaro House, we are working to make the facility a place where families can interact, and which helps alleviate some of the mental and financial burdens of sick children and their families.

2,522
Total annual* users
203 families annually
* January–December 2023



Employee volunteers at Asunaro House

Next-Generation Development Support

TOPICS 2 Head Office Support for lessons at kudan secondary school

As it used to be headquartered in Tokyo's Kudanshita district, Nippon Kayaku has been helping Kudan Secondary School with its general studies program on "Understanding Local Area." We are currently continuing this support as part of our local community contributions.

A class on advertising was given by members of our public relations department, who produce advertisements, and the students shared ideas and deepened discussions in their groups on "how" to effectively communicate "what" and "to whom" in advertising. They gave an interim report one month later and a final report using a PowerPoint presentation one month after that. We will continue this initiative to assist students in their learning in the future.



"Understanding Local Area" education in FY2023

TOPICS 3 Research Lab

Exhibition at the “Summer Holiday Science Experiments for Kids 2023” staged by the Yume Kagaku 21 Committee (chemistry makes our dreams come true)

During two days in August 2023, Nippon Kayaku exhibited at the Yume Kagaku 21* Committee-sponsored science experiment event for elementary school kids: “Summer Holiday Science Experiments for Kids 2023.” This event was held at the Science Museum at Takeshiba, Tokyo, and over 200 children took part in our exhibition program.

We conducted a handicraft activity using the photocurable resin known as acrylic resin, and the completion of our totally one-off key ring was marked by cheers of delight from the children present.



* A campaign jointly set-up by The Chemical Society of Japan, The Society of Chemical Engineers, Japan, and the Japan Association for Chemical Innovation, aimed at promoting understanding of scientific enlightenment and the science industry’s contribution to society

TOPICS 4 Asa Plant

Activities for the local community: a university open day

September 2023 saw Sanyo-Onoda City University hold an Open Day event. For the purpose of introducing our local business and getting children more interested in chemistry, we elected to set up a chemical experiment booth.

We wanted the children to enjoy chemistry visually, so we chose this experiment that consisted of placing the anthocyanin found in red cabbages into various solutions to see how its color changed. We received an enthusiastic response from the children present.



Initiatives in the Local Community

TOPICS 5 Takasaki Plant

Digging for sweet potatoes

October 2023 saw us dig for sweet potatoes just outside our company dorm on a fine autumn day with children from Iwahana Nursery and Konan Kindergarten.

The preschoolers dug into the earth with their own bare hands and, when uncovering potatoes the size of their own faces, smilingly exclaimed: “I got a big one!” The smile-filled activity was also a source of pleasure for our staff members present. Once digging had finished, we loaded many harvested potatoes to the nursery and kindergarten with the help of Gunnan Sangyo.



TOPICS 6 Kayaku Safety Systems Europe (KSE)

Charity activities

Every year sees KSE throw its energy into charity activities as it offers support to local nonprofit organizations, self-defense fire brigades, children’s sports teams, the elderly, and underprivileged persons. 2023 saw KSE lend support to the construction of a foodbank warehouse facility in the environs of its head office. Foodbanks are institutions which gather large volumes of discarded food approaching its expiry date and redistribute them, along with sanitary items, to people in need (for example, the homeless, single mothers, and refugees, etc.)

The past nine years have also seen KSE engaged in Pink Ribbon Activities, training its focus on breast cancer prevention, gradually raising awareness of the issue. In addition to our long-term links with a non-profit organization that brings together local medical students and Vsetin-area cancer patients, we have also forged links with the Czech Republic’s biggest public health insurance provider.

KSE is involved in charity activities related to donations of blood and plasma. It was specially commended by the Mayor of Vsetin for its charitable donations and support for non-profit groups in 2023.





Corporate Governance

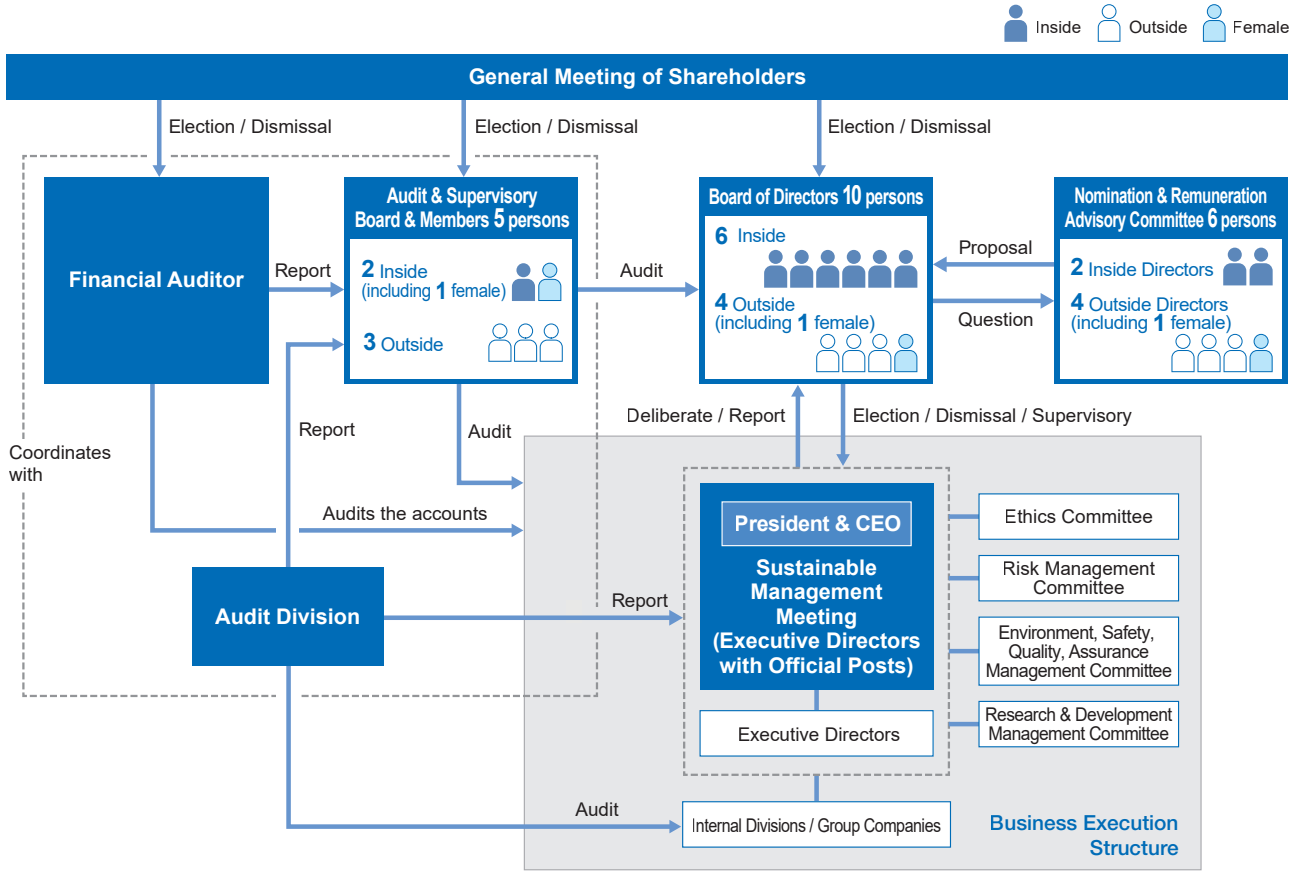
Policy and Basic Approach

The Nippon Kayaku Group recognizes that, under its Basic Policy on Corporate Governance, delivering timely and fair information disclosure to all shareholders and investors, as well as ensuring management transparency through enhanced oversight mechanisms, are critical issues. Furthermore, we have judged that management functions can be most effectively demonstrated through decision-making via a Board of Directors council system and corporate governance via an Audit & Supervisory Board system. Currently, our Corporate Governance Report explicitly states that all principles of the Corporate Governance Code are being implemented. In the future, we will continue to tackle the expansion and reinforcement of corporate governance as a key managerial issue.

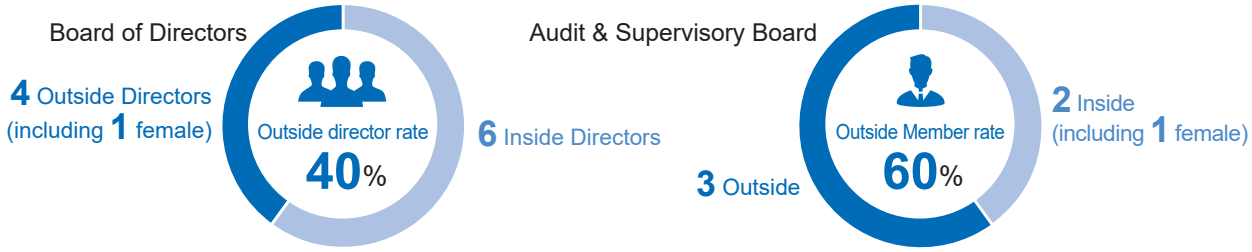
Click URL **[Key Sustainability Issues] Strengthening Corporate Governance**
https://www.nipponkayaku.co.jp/english/sustainability/governance/corporate-governance/

Corporate Governance System

Nippon Kayaku is a company with an Audit & Supervisory Board. Furthermore, in order to rapidly respond to changes in the business environment and achieve flexible business execution, we have introduced an Executive Director System. We have clarified the separate managerial roles of “decision-making and supervisory functions” centered on the Board of Directors and “business execution functions” centered on the Sustainable Management Meeting strengthening each of these functions to ensure appropriate decision-making and rapid execution of business.



Composition of the Board of Directors and Audit & Supervisory Board



Board of Directors

FY2023
14th meeting
(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.

Nomination & Remuneration Advisory Committee

FY2023
6th meeting

The Nomination & Remuneration Advisory Committee is comprised of at least three(3) Directors (with the majority of these being those who are independent and from outside of the company) selected by the Board of Directors. The aim of this is to further enhance corporate governance by strengthening the fairness, transparency and objectivity of the procedures relating to the nomination and remuneration of Directors. This committee deliberates the selection and dismissal of Directors and Audit & Supervisory Board Members, the selection and dismissal of Representative Directors, the remuneration (e.g., the remuneration structure) of Directors and Audit & Supervisory Board Members, and other matters deemed necessary by the Board of Directors in response to inquiries from the Board of Directors. The committee then reports its findings to the Board of Directors.

Sustainable Management Meeting

FY2023
47th meeting
(weekly)

We have established a Sustainable Management Meeting, chaired by the President, to implement sustainability initiatives throughout the group. In principle, Sustainable Management Meetings are held on a weekly basis to discuss and report on all matters relating to the sustainability of the corporate group, society, and the environment. Important agenda items are approved by the Sustainable Management Meeting before presenting and reporting at the Board of Directors meetings.

Under the umbrella of the Sustainable Management Meeting, we have established four subcommittees: the Ethics Committee, the Risk Management Committee, the Environment, Safety, Quality Management Committee, and the Research & Development Management Committee. The committees hold meetings on a regular basis and discuss and report to the Sustainable Management Meeting to ensure the transparency and fairness of management.

Directors Meeting

FY2023
4th meeting
(quarterly)

The Directors Meeting is composed of Executive Officers (up to thirty (30)) who are responsible for the execution of operations, and are appointed by the Board of Directors. Chaired by the company president, the meeting serves as a platform for reporting on the status of operational execution entrusted to them by the Board of Directors and the company president, as well as on other necessary matters. In addition, four (4) Outside Directors and five (5) Audit & Supervisory Board Members attend these meetings as observers.

Management Strategy Meeting

FY2023
2th meeting

The Nippon Kayaku Group business policies and business strategies decided by the Board of Directors, as well as other important items related to general management are communicated at this meeting to management personnel to ensure that everyone in the group is well informed. The meeting is held twice a year, in May (medium-term management strategies meeting) and November (group business management meeting), where executives from Group companies gather either at a venue or online to unify the will of the entire Group through presentations and exchanges of opinions on management issues, business promotion, topics, etc. and ensure Group governance.

Corporate Governance

Assessment on the Effectiveness of the Board of Directors

As part of the PDCA process for improving effectiveness, each year, we conduct a questionnaire to evaluate the effectiveness of the Board of Directors, identify current conditions and issues, and formulate action plans to implement a cycle of improvement.

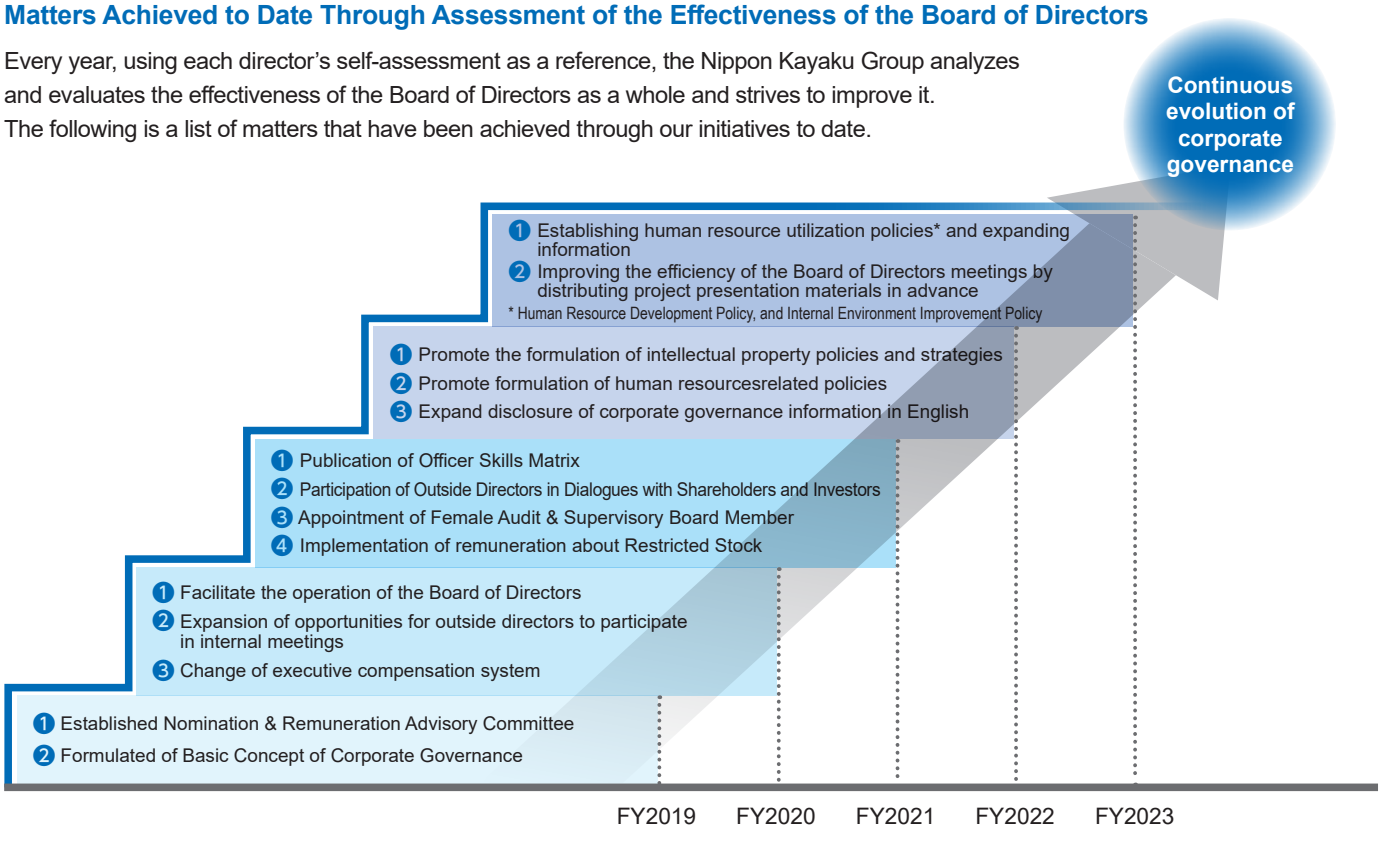
Board Effectiveness Assessment Process

Held annually from FY2017

STEP 1	December	**Determine assessment method**	Examine the content of the survey for the Board of Directors, set the scope of the survey, and conduct discussions related to other assessment methods
STEP 2	January	**Conduct assessment survey**	Conduct survey for all Directors and Audit & Supervisory Board Members (15 in total for FY2023) to identify opinions and challenges related to the effectiveness of the Board of Directors
STEP 3	February	**Analyze survey results, identify challenges**	Discuss analysis based on results at the Sustainable Management Meeting, resolve analysis at the Board of Directors meeting, and identify challenges
STEP 4	March	**Formulate action plans for challenges**	Discussions are held at Sustainable Management Meeting before action plans are resolved at the Board of Directors meetings
STEP 5	March to April of the following year	**Implement and promote action plans**	Implement plans with roles assigned to Directors, Board of Directors Secretariat, Executive Directors, related departments, etc.
STEP 6	June of following year	**Public announcement of results of the assessment of the effectiveness of the Board of Directors**	Publish a summary of the results in the Corporate Governance Report, followed by supplementary notes as necessary on the website and in the Integrated Report

Matters Achieved to Date Through Assessment of the Effectiveness of the Board of Directors

Every year, using each director's self-assessment as a reference, the Nippon Kayaku Group analyzes and evaluates the effectiveness of the Board of Directors as a whole and strives to improve it.
The following is a list of matters that have been achieved through our initiatives to date.



Content of the FY2023 Assessment Survey of the Effectiveness of the Board of Directors

Content	Details
Scope	15 people in total, including all Directors and Audit & Supervisory Board Members
Assessment format	In the online survey, participants are asked to rate each item on a five-point scale (5: Strongly agree, 4: Agree, 3: Neutral, 2: Disagree, 1: Strongly disagree) and freely write their opinions.
Assessment items	**1 Composition of the Board of Directors** Diversity and skills required of Directors **2 Operation and support system of the Board of Directors** Promotion of sufficient discussion, securing of time, essential improvement of effectiveness, etc. **3 Content of discussions at the Board of Directors** Whether necessary and timely discussions* are being held **4 Monitoring function of the Board of Directors** Whether monitoring, such as that of management and company-wide project promotion and of the entire Group, are functioning appropriately **5 Others** Constructive dialogue with shareholders and the status of expected roles of Outside Directors, etc. * Management strategies that contribute to enhancing corporate value, company-wide risk management, development of corporate governance (succession plans, executive compensation, expected roles of Outside Directors, human resource utilization), etc.

Issues of Assessment and Future Initiatives

Assessment period	Issues	Results or action plans
FY2023 (2022/12 – 2023/11)	Utilization of human capital **Discussions on ensuring diversity in the recruitment of Core Personnel, Human Resource Development Policy, and Internal Environment Improvement Policy** ● Work on the development of human-capital-related policies requested by the TSE and organize the various existing mechanisms for ensuring diversity and the content of public announcements regarding human resources	Results: Development of policies, etc. and public announcement of results ● Establish Human Resource Development Policy and Internal Environment Improvement Policy (March 2023) and publicly announce them through the Annual Securities Report and Corporate Governance Report ● Introduce a talent management system to visualize internal human resources ● Expand human-resource-related data and information to be published on the website and in the Integrated Report
	More effective discussions **To enhance the effectiveness of discussions on management strategies, consider responses to proposals necessary for business execution outside the Board of Directors meetings** ● For the above purposes, we distribute materials and accept questions in advance up to four days before the Board of Directors meetings, but measures still need to be taken for situations where it is difficult to understand the discussion content and projects where details need to be known.	Results: Development of support structure to improve effectiveness ● Utilize the cloud to share Board of Directors meeting materials in advance and add new PowerPoint materials to deepen understanding ● Provide opportunities for Outside Directors to participate in important company meetings and events so that the Board of Directors meetings can function as a forum for sharing and discussion execution issues
FY2024 (2023/12 – 2024/11)	Utilization of human capital **Enhance discussions and monitoring of human-capital-related policies, including ensuring diversity in the recruitment of Core Personnel, Human Resource Development Policy, and Internal Environment Improvement Policy** ● Deepen the Board of Directors meeting discussions on future necessary measures in line with the established policies and conduct appropriate monitoring ● Work on improving employee engagement, etc. by utilizing the system introduced and clarify human capital strategies with a sense of unity by linking them to existing human-resource-related information	Action plans: Explore and implement human capital management ● Deepen discussions at the Nomination and Remuneration Advisory Committee to consider more appropriate human-capital-related public announcement content based on human-capital-related measures, etc. implemented to date ● Publicly announce and explain medium- and long-term human capital strategies, roadmaps, etc. through various media
	Discussions on measures to increase corporate value **Enhance discussions on measures and monitoring focused on business portfolio strategy and PBR improvement** ● Organize issues and measures to respond to the TSE's request for "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" and announce them as the company's action plan and policy	Action plans: Clarify corporate value enhancement story ● At the Board of Directors meetings, discuss a rational corporate value enhancement story, including the review of the business portfolio strategy in light of the June 2023 business unit reorganization and the elimination of the PBR below 1, and promote the public announcement of the results of those discussions

Corporate Governance

Directors, Audit & Supervisory Board Members, and Executive Directors (As of March 31, 2024)

Directors



Member of the Board President
Representative Director
Atsuhiro Wakumoto
Date of Birth March 15, 1957
Attendance at Board of Directors meetings: **14/14 (100%)**
Number of the company's shares held: **76,555**
Tenure as Director: **8 years**

1979 Joined the Company
2008 General Manager of Global Business Division, Safety Systems Group
2010 General Manager of Marketing Division, Safety Systems Group
2012 Director
2016 Member of the Board
2018 Member of the Board, Head of Safety Systems Group
2019 President, Representative Director (current)



Member of the Board
Representative Executive Vice President
Yoshitsugu Ishida
Date of Birth September 8, 1958
Attendance at Board of Directors meetings: **14/14 (100%)**
Number of the company's shares held: **58,505**
Tenure as Director: **5 years**

1981 Joined the Company
2010 General Manager of Planning & Coordination Division, Safety Systems Group
2016 Director
2018 General Manager of Strategic Planning Division, Safety Systems Group
2019 Member of the Board, Head of Safety Systems Group
2021 Member of the Board, Head of Financial Group, Head of Information Systems Division (In charge of Safety Systems Group)
2021 Member of the Board, Head of Financial Group
2023 Member of the Board, In charge of Corporate Planning Division, Corporate Communications Division, Finance & Accounting Division, and Information Systems Division
2024 Representative Executive Vice President, In charge of Corporate Planning Division, Corporate Communications Division, Finance & Accounting Division, Information Systems Division, and Purchasing Division (current)



Member of the Board
Managing Director
Shigeyuki Kawamura
Date of Birth June 30, 1963
Attendance at Board of Directors meetings: **11/11 (100%)**
Number of the company's shares held: **16,037**
Tenure as Director: **1 year**

1987 Joined the Company
2016 Chairman & General Manager of Kayaku Safety Systems (Huzhou) Co., Ltd.
2020 Director
2021 Deputy Director, General Manager of Strategic Planning Division, Safety Systems Group
2021 Senior Director
Head of Safety Systems Group
2022 Managing Director
2023 Member of the Board, In charge of Mobility & Imaging Business Unit, Head of Safety Systems Group (current)



Member of the Board
Managing Director
Hiroshi Shimada
Date of Birth June 4, 1965
Number of the company's shares held: **16,022**
Tenure as Director: **–**

1989 Joined the Company
2018 President, Representative Director of NIPPONKAYAKU FOOD TECHNO CO.,LTD.
2020 General Manager of Specialty Chemicals, International & IVD Division, Pharmaceuticals Group
2021 Executive Director, General Manager of Planning & Coordination Division, Pharmaceuticals Group
2023 Managing Director, In charge of Life Science Business Unit, Head of Pharmaceuticals Group
2024 Member of the Board, In charge of Life Science Business Unit, Head of Pharmaceuticals Group (current)



Member of the Board
Managing Director
Shinji Inoue
Date of Birth February 6, 1966
Number of the company's shares held: **27,249**
Tenure as Director: **–**

1988 Joined the Company
2011 Chairman & General Manager of Shanghai KAYAKU International Trading Co., Ltd.
2018 General Manager of Color Materials Division, Functional Chemicals Group
2020 Executive Director
2023 Head of Functional Materials Group, Fine Chemicals Business Unit
2024 Member of the Board Managing Director, In charge of Fine Chemicals Business Unit (current)



Member of the Board
Managing Director
Makoto Takeda
Date of Birth July 17, 1964
Number of the company's shares held: **8,402**
Tenure as Director: **–**

1988 Joined the Company
2013 General Manager of Secretarial Division, Strategic Corporate Planning Group
2020 General Manager of Human Resources Management Division, Administration Group
2021 General Manager of General Affairs & Human Resources Division, Administration Group
2022 Executive Director
2023 Senior Director, General Manager of Human Resources Division
2024 Member of the Board, Managing Director, In charge of Human Resources Division, Legal Affairs Division, General Affairs Division, Secretarial Division, Internal Control Management Division (current)



Outside Director
Yo Ota
Date of Birth October 3, 1967
Attendance at Board of Directors meetings: **13/14 (92%)**
Number of the company's shares held: **0**
Tenure as Director: **8 years**

1993 Registered lawyer. Joined Nishimura Tokiwa Law office
2001 Registered lawyer in New York State, USA
2004 Outside Audit & Supervisory Board Member of the Company
2005 Outside Director, Denki Kogyo Co., Ltd.
2007 Partner of Nishimura & Asahi Law Office (Gaikokuho Kyodo Jigyo) (current)
2016 Member of the Board, Outside Director (current)
2017 Outside Audit & Supervisory Board , Ricoh Co.,Ltd. (current)



Outside Director
Yasuyuki Fujishima
Date of Birth March 25, 1947
Attendance at Board of Directors meetings: **14/14 (100%)**
Number of the company's shares held: **7,000**
Tenure as Director: **8 years**

1969 Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)
1997 Representative of the Economic Planning Agency to the Policy Board of Bank of Japan
1998 Japan Ambassador Extraordinary and Plenipotentiary to Panama, Ministry of Foreign Affairs
2002 Outside Director, Wacom Co., Ltd.
2005 Representative Director and Senior Managing Executive Officer, Sojitz Corp.
2008 Executive Vice President, Sojitz Corp.
2010 President & Representative Director, Mutual Service Aid Guarantee Corporation
2016 Member of the Board, Outside Director (current)
2017 President & Representative Director, Ceremonial Occasions Research Institute, Inc.
2018 Director, Human Resources Development & Employment Organization (current)



Outside Director
Seiichi Fusamura
Date of Birth March 18, 1947
Attendance at Board of Directors meetings: **12/14 (85%)**
Number of the company's shares held: **0**
Tenure as Director: **4 years**

1971 Assistant judge of Kyoto District Court
1998 General Manager of Judicial Research Department, Ministry of Justice
2001 Director-General of the Civil Affairs Bureau, Ministry of Justice
2006 Chief of Saitama District Court
2009 Chief of Sendai High Court
2011 Chief of Nagoya High Court
2012 Outside Audit & Supervisory Board, Nippon Paper Industries Co., Ltd. Lawyer registration
2013 Chairman of Public Security Examination Commission
Chairman of Tokyo Metropolitan Labor Relations Commission
2016 Outside Audit & Supervisory Board, The Bank of Yokohama,Ltd.
2020 Outside Audit & Supervisory Board, Concordia Financial Group, Ltd. (current)
Member of the Board, Outside Director (current)



Outside Director
Ikuko Akamatsu
Date of Birth February 27, 1968
Attendance at Board of Directors meetings: **11/11 (100%)**
Number of the company's shares held: **0**
Tenure as Director: **1 year**

1995 Joined Showa Ota & Co. (presently Ernst & Young ShinNihon LLC) (Left in October 2010)
1997 Registered as Certified Public Accountant
2008 Registered as Certified Fraud Examiner
2010 Chief Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
2019 Senior Researcher, Management Training and Consulting Division, Institute of Management, SANNO University
Board Director, The Japanese Institute of Certified Public Accountants (current)
2020 Outside Director of CAWACHI LIMITED
Outside Audit & Supervisory Board Member of Toyo Seikan Group Holdings, Ltd. (current)
2022 Outside Director of Mitsubishi UFJ Securities Holdings Co.,Ltd. (current)
2023 Member of the Board, Outside Director (current)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Megumi Machida
Date of Birth March 26, 1961
Attendance at Board of Directors meetings: **14/14 (100%)**
Attendance at Audit & Supervisory Board meetings: **12/12 (100%)**
Number of the company's shares held: **7,500**
Tenure as Audit & Supervisory Board Member: **3 years**

1985 Joined the Company
2015 Manager of Development Management Department, Pharmaceuticals Group
2018 Manager of R&D Management Department, Pharmaceuticals Group
2020 General Manager of Regional Administration Division, Administration Group
General Manager of Tokyo Research Administration Office
2021 Audit & Supervisory Board Member (current)



Full-time Audit & Supervisory Board Member
Yoichiro Wada
Date of Birth February 18, 1962
Attendance at Board of Directors meetings: **11/11 (100%)**
Attendance at Audit & Supervisory Board meetings: **10/10 (100%)**
Number of the company's shares held: **17,800**
Tenure as Audit & Supervisory Board Member: **1 year**

1984 Joined the Company
2017 Managing Director of Kayaku Safety Systems Malaysia Sdn.Bhd.
2019 General Manager of Purchasing Division, Administration Group
2022 General Manager of Audit Division
2023 Audit & Supervisory Board Member (current)



Outside Audit & Supervisory Board Member
Ichiro Wakasa
Date of Birth January 1, 1955
Attendance at Board of Directors meetings: **14/14 (100%)**
Attendance at Audit & Supervisory Board meetings: **12/12 (100%)**
Number of the company's shares held: **0**
Tenure as Audit & Supervisory Board Member: **2 years**

1977 Joined Meiji Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
2014 Member of the Board and Deputy President of Meiji Yasuda Life Insurance Company
2018 Outside Director of The Hyakugo Bank,Ltd.
2021 Representative Director and Chairman of Meiji Yasuda System Technology Company Limited
2022 Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member
Atsushi Iwasaki
Date of Birth January 9, 1959
Number of the company's shares held: **0**
Tenure as Audit & Supervisory Board Member: **–**

1990 Joined Century Audit Corporation (currently Ernst & Young ShinNihon LLC) (Left in August 2005)
1991 Registered as Certified Public Accountant
1997 Registered as Real Estate Appraiser
2005 Director of Iwasaki Certified Public Accountant Office (current)
2013 Outside Director, ISEKI & CO., Ltd. (current)
2015 Outside Audit & Supervisory Board Member of NH Foods Ltd.
2016 Outside Audit & Supervisory Board Member of Olympus Corporation
2019 Outside Director of NH Foods Ltd. Outside Director of Olympus Corporation
2024 Audit & Supervisory Board Member of the Company (current)



Outside Audit & Supervisory Board Member
Kyoichi Toriyama
Date of Birth May 15, 1958
Number of the company's shares held: **0**
Tenure as Audit & Supervisory Board Member: **–**

1988 Assistant Professor, School of Law, Waseda University
1993 Professor, School of Law, Waseda University
2004 Professor, Waseda Law School, Waseda University
2024 Audit & Supervisory Board Member of the Company (current)

Corporate Governance

Officer Skills Matrix

Name	Position	Gender	Corporate Management	International Experience	Finance, Accounting, Tax	Legal Compliance
 Atsuhiro Wakumoto	Member of the Board President, Representative Director	male	◎	◎		
 Yoshitsugu Ishida	Member of the Board Representative Executive Vice President	male	○	◎	◎	
 Shigeyuki Kawamura	Member of the Board Managing Director	male	○	◎		
 Hiroshi Shimada	Member of the Board Managing Director	male	○	○		
 Shinji Inoue	Member of the Board Managing Director	male	○	◎		
 Makoto Takeda	Member of the Board Managing Director	male	○			
 Yo Ota	Outside Director	male		○	○	◎
 Yasuyuki Fujishima	Outside Director	male	○	◎		
 Seiichi Fusamura	Outside Director	male				◎
 Ikuko Akamatsu	Outside Director	female	◎		◎	○
 Megumi Machida	Standing Audit & Supervisory Board Member	female				
 Yoichiro Wada	Full-time Audit & Supervisory Board Member	male	○	◎		
 Ichiro Wakasa	Outside Audit & Supervisory Board Member	male	◎			
 Atsushi Iwasaki	Outside Audit & Supervisory Board Member	male	◎		◎	
 Kyoichi Toriyama	Outside Audit & Supervisory Board Member	male		◎		◎

* Skills possessed based on each person's expertise, knowledge, experience, and abilities are indicated with ○, and skills with more than three years of practical experience are indicated with ◎.

Content of Skills

Universally necessary core skills — qualities that are fundamental to ensuring the effectiveness of the monitoring and decision-making functions of corporate management		Number of relevant officers (number of Board Members)
Corporate Management	Practical experience and expertise in management necessary to promote the medium- to long-term growth of the company	11 (8)
International Experience	Overseas business experience and management experience in a global company or business	9 (7)
Finance, Accounting, Tax	Expertise related to finance, accounting, and taxation to enhance corporate value and practical management experience in developing such policies and strategies	4 (3)
Legal Compliance	Expertise and practical experience in legal and compliance matters necessary for understanding and complying with laws and regulations when expanding globally and establishing a new business, as well as auditing and monitoring corporate activities to minimize legal risks in corporate activities	4 (3)
Risk Management	Expertise necessary for corporate risk management, including identification and assessment of potential risks in corporate activities, measures to monitor and minimize those risks, etc.	2 (0)
Business Strategy Marketing	Comprehensive business knowledge and practical experience of business planning based on the market, competitors, and the company's strengths, resource management, promotion, supply chain management, etc.	6 (6)
Manufacturing Quality Management	Knowledge and practical experience related to comprehensive manufacturing and quality management, including establishing effective production processes, reducing costs, maximizing production capacity, formulating and improving quality standards, increasing customer satisfaction, etc.	1 (0)

Risk Management	Business Strategy Marketing	Personnel Labor Affairs Human Resources Development	Research & Development	Manufacturing Quality Management	ESG Sustainability	IT･DX (Digital Transformation)	Nomination & Remuneration Advisory Committee member
	◎				○		■
	◎					◎	
	◎						
	◎						
	◎						
		◎					■
					○	○	■
	○					○	■
		○					■
					○		■
		○	◎	◎			
		○					
◎		○			○		
◎					○		
					○		

Specialized skills necessary for the promotion of company-wide material issues — skills necessary for M-CFT* activities that form the cornerstones of ***KV25***		Number of relevant officers (number of Board Members)
Personnel Labor Affairs Human Resources Development	Expertise and practical experience in personnel labor affairs and human resources development related to creating a workplace environment that is both comfortable and rewarding, and training and promoting human resources that are close linked to increasing corporate value	5 (2)
Research & Development	Knowledge and practical experience related to research and development necessary for proposing themes compatible with corporate strategies through technology exploration and application, market research, external collaboration, etc., as well as for business model creation and project management	1 (0)
ESG Sustainability	Knowledge and practical experience necessary for promoting corporate activities related to the environment, society, and governance in order to realize a sustainable society, as well as dialogue and quality communication with each stakeholder	6 (3)
IT･DX (Digital Transformation)	Expertise in promoting DX, including the knowledge necessary for strengthening the corporate IT infrastructure, training DX human resources and organizations, and fostering a challenge-oriented culture that embraces new tools and mechanisms	3 (3)

* M-CFT (Materiality Cross-Functional Team)
Project teams to promote company-wide material issues to focus on during the Medium-term Business Plan (**KV25**) period p.35

Corporate Governance

Topics of Discussion at the Board of Directors Meetings

The themes presented, discussed, and resolved at the Board of Directors meetings held in FY2023 are listed on the right. The Board of Directors actively discussed a wide range of management-related issues from corporate and business strategies to sustainability, including the financial management of global group companies.

Aggregation of themes presented, discussed, and resolved at the Board of Directors meetings held in FY2023

Financial policy 28

- Of these, 19 involved fund management, including subsidiaries, affiliated companies, and joint ventures.
- Others included financial-related matters such as the sale of idle assets, review of cross-shareholdings, fundraising, etc.

Executive personnel changes, etc. 20

- Remuneration, appointment, division of duties, etc. of Directors, Audit & Supervisory Board Members, and Executive Directors

Corporate/business strategies 11

- Matters related to the Nippon Kayaku Group's corporate/business strategies, including business and financial plans for the current fiscal year, reorganization into the three business units implemented in June 2023, the introduction of new drugs that will contribute to the growth of the pharmaceutical business, etc.

Capital investments, etc. 5

- Discussions and resolutions related to capital investment such as investment in increased production in growth fields

Promotion of corporate governance 5

- Promotion of corporate governance for healthy and transparent management, including the introduction of an incentive-based restricted stock compensation system for executive remuneration, assessment of the effectiveness of the Board of Directors, etc.

Sustainability, etc. 5

- Matters related to sustainability activities aimed at the realization of a sustainable society, such as revisions to the Nippon Kayaku Group Human Rights Policy, applications for the Tax System(s) to Promote Investment Toward Carbon Neutrality, and revisions to the Declaration on the Environment, Health, Safety and Quality

Financial results and business reports 5

Others 3

TOPICS 1 Initiatives to deepen Board of Directors' understanding and discussion of business execution

In addition to discussions and resolutions based on the Board of Directors regulations, we regularly provide opportunities to explain the status of each business and company-wide material issues as an initiative to deepen the understanding of Directors, including Outside Directors, regarding the Nippon Kayaku Group's business execution. This initiative began in 2022 and was implemented as a report item within the Board of Directors until September 2023. Since October 2023, based on the content of previous reports, the Board of Directors have been discussing the concept of the Nippon Kayaku Group's long-term portfolio, etc. and deepening discussions on issues, how to address them, and how to explain them to shareholders, investors, and other stakeholders in a way that is highly convincing.

TOPICS 2 Assessment of the effectiveness of the Audit & Supervisory Board

At the end of each fiscal year, Nippon Kayaku's Audit & Supervisory Board prepares a "Confirmation Document of Audit & Supervisory Duties" for each Audit & Supervisory Board Member to review their activities. Furthermore, at the end of FY2023, we conducted a new survey on the effectiveness of the Audit & Supervisory Board.

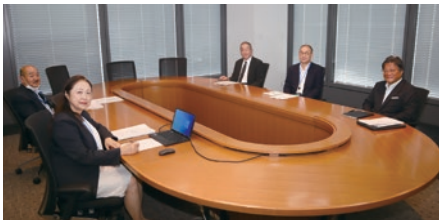
Based on the assessment results, it was determined that the effectiveness of the Audit & Supervisory Board in FY2023 has been basically ensured.

While the assessment results showed that the Audit & Supervisory Board is sufficiently fulfilling its functions as required by the Corporate Governance Code, some issues were identified. We will reflect the issues identified in the

Content	Details
Implementation period	April 1 to April 15, 2024
Scope	Five Audit & Supervisory Board Members
Assessment format	In the online survey, participants are asked to rate each item on a five-point scale (5: Strongly agree, 4: Agree, 3: Neutral, 2: Disagree, 1: Strongly disagree).
Assessment items	Based on the Audit & Supervisory Board's audit standards, 39 items have been set regarding the composition, functions, and operation of the Audit & Supervisory Board, the monitoring system for the function of the Board of Directors, the establishment and operation of the internal control system, the effectiveness of the corporate group, etc.

assessment in the audit activities for the current fiscal year. For example, in terms of the effectiveness of the corporate group, we plan to continue holding the Group Company Audit & Supervisory Liaison Meeting this year, which was held in FY2023 as one of the measures to strengthen group governance.

We plan to continue the assessment of the effectiveness of the Audit & Supervisory Board. We will improve the implementation method, including the assessment items and format, as necessary, and will strive to improve the effectiveness of the Audit & Supervisory Board by appropriately formulating plans to address the issues identified in the assessment and reevaluating the execution status of those plans to ensure they lead to improvements.



Remuneration to Directors and Audit & Supervisory Board Members

Matters Relating to the Determination Policy on the Content of Individual Remuneration, etc., for Directors

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 (hereinafter referred to as the determination policy).

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.

Remuneration Structure for a Member of the Board Managing Director

Type of remuneration	Overview	
Base Remuneration	The amount shall be determined according to the total standard amount for each objective element, such as their duties and rights to represent. This amount shall be paid in the form of monetary remuneration on a monthly basis.	
Incentive Remuneration	Performance-linked bonus	The amount of the bonus of a Member of the Board & Managing Director is calculated based on the degree of achievement of consolidated operating incoming target and ROE set at the beginning of the fiscal year, the performance of the division in charge, and the degree of achievement of the medium- to long-term priority issue targets. This amount shall be paid as monetary remuneration at a specific time after the fiscal year ends.
	Stock remuneration	● A Member of the Board & Managing Director 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 medium- 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.

* Outside Directors receive only base remuneration.

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 the determination policy, and report back to the Board of Directors. The Board of Directors then deliberates the Committee's report and decides the content of individual Director remuneration.

Remuneration for Audit & Supervisory Board Members is fixed remuneration only, in consideration of their responsibility to audit the execution of Members of the Board, and the amount of remuneration for each Audit & Supervisory Board Member is determined through discussions among Audit & Supervisory Board Members within the annual remuneration limit.

Guideline for Composition of "Members of the Board & Managing Directors" Remuneration



Corporate Governance

Matters Relating to Resolutions at the General Meeting of Shareholders Regarding Remuneration for Directors and Audit & Supervisory Board Members

The 149th Ordinary Annual General Meeting of Shareholders on August 30, 2006 saw Nippon Kayaku determine annual upper limits of Director (Board Member) remuneration at 360 million yen for fixed remuneration and 200 million for bonuses. As of the end of that Ordinary 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 Ordinary 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.

Matters Relating to the Delegation of Determination on the Content of Individual Remuneration, etc., for Directors

Regarding decisions on the content of individual remuneration for Directors, based on the aforementioned determination policy, the Board of Directors deliberates the Nomination & Remuneration Advisory Committee's report and decides the content of individual Director remuneration.

However, with regard to performance-linked bonuses, the Board of Directors meeting held on May 21, 2024, saw the Board of Directors delegate the decision of the specific details of the individual remuneration amounts for Directors to Representative Director Atsuhiro Wakumoto for the current fiscal year. The reason for this delegation is that the Representative Director is best suited to assess each Director while overseeing the company's performance as a whole.

Total Amount of Remuneration, etc., by Executive Officer Category, Total Amount of Remuneration, etc., by Type of Remuneration, and Number of Eligible Officers

Executive officer category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc., by type of remuneration			Number of eligible officers
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Member of the Board (excluding outside members)	349	232	62	54	8
Audit & Supervisory Board Member (excluding outside members)	45	45	–	–	3
Outside member	71	71	–	–	7

Note 1 Performance-linked bonuses are paid to Directors and include a provision for director retirement benefits during that period.
2 The total amount of performance-linked bonuses calculated this fiscal year for the previous one comes to two million yen.
3 Stock remuneration is paid to Directors as non-monetary remuneration, etc. The details of the stock remuneration and the issuance status are as described in "Matters relating to the policy for determining the content of remuneration, etc. for each individual Director" on P.108.

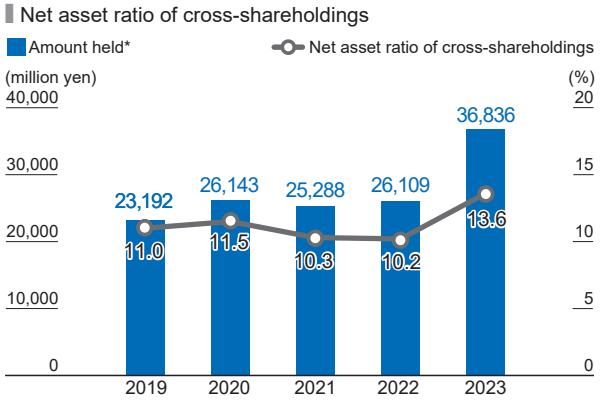
Total Consolidated Remuneration, etc., for Each Officer

This information is not listed because there are no individuals whose total consolidated remuneration, etc. exceeds 100 million yen.

Trends in Cross-shareholdings

The Nippon Kayaku Group engages in cross-shareholdings for the purpose of maintaining and strengthening de facto relationships with its business partners from the perspective of enhancing corporate value over the medium to long term. Every year, the Board of Directors reviews individual cross-shareholdings from the perspective of improving corporate value over the medium to long term, and sells those deemed no longer needed while taking the impact on the market into consideration.

The net asset ratio of cross-shareholdings at the end of FY2023 was 13.6%, an increase of 4.2 percentage points from the end of FY2022.



* Total value of unlisted and non-unlisted shares

Outside Directors Roundtable

After the end of the second year of the **KAYAKU Vision 2025** (**KV25**) FY2022-2025 Medium-term Business Plan, our three Outside Directors engaged in an exchange of opinions on the matters discussed at the FY2023 Board of Directors meetings and the issues facing the Nippon Kayaku Group.



Yo Ota
Member of the Board
Outside Director
Partner of Nishimura Asahi Law office (Gaikokuho Kyodo Jigyo)
Outside Audit & Supervisory Board, Ricoh Co., Ltd.



Yasuyuki Fujishima
Member of the Board
Outside Director
Director, Human Resources Development & Employment Organization



Ikuko Akamatsu
Member of the Board
Outside Director
Board Director, The Japanese Institute of Certified Public Accountants
Outside Audit & Supervisory Board Member of Toyo Seikan Group Holdings, Ltd.
Outside Director of Mitsubishi UFJ Securities Holdings Co.,Ltd.

Diversity of Board of Directors

Moderator:
Thank you for your time today. I would like to hear your honest thoughts and opinions on the matters discussed at the FY2023 Board of Directors meetings and the Nomination and Remuneration Advisory Committee, as well as any issues you think are facing the Nippon Kayaku Group.

Director Fujishima
The Nippon Kayaku Group has a history of over 100 years, and as stated in our Corporate Vision, we place great importance on “the combined forces of our consciences.” Our tradition of ensuring compliance and never making mistakes gives us a sense of security in terms of defensive governance. With regard to the “comply or explain” approach to the Corporate Governance Code, we are now able to fully comply with all practices in the Corporate Governance Report.

Director Ota
I feel that we have accelerated our efforts on governance reform over the past several years. At the same time, as we are expected to increase our essential corporate value such as through efforts to improve the effectiveness of the Board of Directors, we need to deepen our discussions even further.

Director Akamatsu
I have only been on the Board of Directors for a short period of one year, but I sensed a traditional and—in a positive sense—well-organized atmosphere. However, if we can take a step further to break out of our shells and exchange frank opinions with each other, I think there will be room for deeper discussions.

Director Fujishima
That’s right. If we are traditional and therefore too cautious, we may not be able to move swiftly and meet the demands of society. First, let’s take this roundtable discussion one step further.

Looking at the composition of the Board of Directors, we welcomed our first female director, Director Akamatsu, in FY2023, and the percentage of Outside Directors has increased to 40%, improving diversity.

Director Akamatsu
In the Board of Directors, which is the highest decision-making body in the company, it is very important to be able to discuss various viewpoints based on experience and skills, as well as gender diversity, to improve effectiveness. Since women are still a minority on our Board of Directors, I think it is also important keep the flow of diversity moving by, for example, adding another woman to the Board of Directors next time to deepen gender diversity, followed by another person with different experience and skills. I would also like to deepen my understanding of our company and offer my thoughts from a woman’s standpoint, as well as participate in discussions to increase corporate value from management and financial accounting perspectives.

Corporate Governance

Director Ota
The issues that companies face in aiming for sustainable growth are becoming more sophisticated every year, and the information required by society is becoming more extensive and detailed. To appropriately address these matters, the Board of Directors needs to have a more diverse range of perspectives.

Improvement of management indicators ROE and ROIC in the Medium-term Business Plan (*KV25*)

Moderator:
The management issues that the group shares with shareholders and investors include improving the operating income margin and realizing management with high capital efficiency. For this reason, in the current Medium-term Business Plan (**KV25**), we have incorporated ROE and ROIC as management indicators, in addition to net sales and operating income. We also aim to improve PBR, which is currently less than 1. Please give us your advice on how to achieve these goals.


Director Fujishima

Director Fujishima
Until around 2016, ROE remained above 8%, the minimum target set by the Professor Ito's Report, but it has been stagnant for some time due to factors in each of the businesses. ROIC, which promotes management by division, is also currently below the company-wide target of 10%. However, the group's business environment is expected to recover from FY2024, mainly in semiconductors, which had deteriorated in FY2023. We would like to use this external environment as a tailwind, turning it into an opportunity to improve figures in conjunction with the promotion of our financial policy.

Director Ota
As a measure to strengthen the company-wide awareness of improvement, ROE was linked to the calculation of performance-linked remuneration for senior management, and ROIC was linked to the calculation of employee bonuses. The establishment of a "rational story for increasing corporate value" has also been raised as a key area for improving effectiveness in FY2024, and the Board of Directors intends to deepen discussions that will lead to specific measures.

Director Akamatsu
Due in part to the changes in the business environment, the gap between the actual results and the target has now widened. At the financial results briefing in May 2024, we explained that in addition to strengthening earning power, we will strive to make improvements in conjunction with efforts to improve capital efficiency, including treasury share acquisitions and cancellations. Shareholders and investors will be paying close attention to the progress of these efforts going forward.

Director Ota
To achieve capital efficiency in the short to medium term, it is important to concentrate and secure resources. Like leading companies in ROIC management, we would like to see the company clarify the situation by utilizing an ROIC tree and implement improvements tailored to its business type, such as reducing inventories, accounts receivable, and cash and equivalents.

In addition, in relation to aiming for a PBR of 1 or above, stock prices are only as good as the recognition they receive from the market evaluating them. I think it is also necessary to make efforts to enhance the market's evaluation of corporate value by effectively utilizing intangible assets, such as strengthening our intellectual property strategy and corporate branding, including easy-to-understand company explanations and advertisements.

Business portfolio strategy

Moderator:
As an explanation for switching to a medium-term profitable structure, we have announced our business portfolio strategy, which is characterized by "technology integration and niche strategies" and consists of diversified product groups. In response to the statement that we will fully consider revitalizing unprofitable product groups, shareholders and investors have expressed that it is difficult to understand our selection and concentration and that they would like to see the withdrawal criteria. Please give us your advice and opinions regarding how to explain and improve this.

Director Ota
In the past, when one segment performed poorly, other segments covered for it by building stable net sales. In our over 100 years of history, we can see from the company's track record that it has never gone into the red. You could say that our portfolio is resilient to volatility, but at the same time, companies are not only expected to have stability but also sustainable growth. From the standpoint of shareholders and investors, we expect companies that are involved in multiple businesses to achieve even greater synergy among their segments.


Director Ota

Director Akamatsu

The phrase which has been translated in Japanese to mean “selection and concentration” is based on a maxim of Jack Welch, the legendary CEO of General Electric (GE). Even though it is expressed as “focus” in the original text, the phrase has been widely recognized as a mistranslation. In fact, of the approximately 1,000 businesses GE was engaged in at the time, only about 70 were eliminated. Welch’s recommendation was to focus on businesses that were expected to grow rather than narrow down the number of businesses.

I believe that this portfolio itself will be valuable to our Group, and it will be important for us to be able to explain to our shareholders and investors the rationale for our focus on these three business units and our growth story.

Director Fujishima

That’s right. However, if it is mutually acknowledged that the company is too multifaceted, organization and integration are also necessary. Finding the right balance can be difficult, but at the trading company I worked for, for example, the management team and corporate planning division always played a central role in deciding which new and old business units to focus on. In our company as well, in addition to the business divisions, I think it is necessary for the management team and Corporate Planning Division to work together daily to discuss the product groups to focus on and the decision criteria for revitalization and withdrawal.

Business synergies and the creation of new research and development themes

Moderator:

The keyword “synergy” has been mentioned, and the three business units reorganized in FY2023 aim to demonstrate synergies between the business units to which they belong. In addition, the Technology Unit has been created to promote “technology integration and niche strategies” throughout the company. Please give us your expectations and opinions regarding the new structure.

Director Ota

I am concerned that there are currently not many large-scale themes in research and development. Until a few years ago, we were working on innovative themes that are useful to society and ambitious, such as solar cells utilizing the characteristics of dyes (dye-sensitized solar cells) and drug delivery system formulations (polymer micelle formulations). Unfortunately, these themes were discontinued for various reasons, but I remember that all the researchers involved in the promotion of these themes at the time were working on them with passion and high hopes. If our strength lies in “technology integration and niche strategies,” I think it may be necessary to settle down and work on research and development themes in challenge-oriented business units we have not explored before. I would like to see the synergies between business units be demonstrated in the creation of new themes, and I believe that the resulting product groups created will lead to the strengthening of our business portfolio and the activation of the company as whole.

Director Fujishima

We need to consciously continue to create products that deliver added value to demonstrate the strengths of our group. In the current Medium-term Business Plan (**KV25**), we are targeting four fields for research and development: “Mobility,” “Environment and Energy,” “Electronics,” and “Life Science,” which are related to our existing businesses. In addition to the development of PARASAFE, drone safety devices in the “Mobility” field, specific development themes have emerged in the “Environment and Energy” field, including an anion exchange membrane used in water electrolysis and catalysts for synthesizing propylene derivatives from bio-based materials. These activities of the Technology Unit, which promotes company-wide research and development, are very important, and I have high expectations for them.

Director Akamatsu

We have been working on a variety of collaborations with external parties during the **KV25** period. Meanwhile, I think we can also expand the culture of working on challenge-oriented themes from within the company.


Director Akamatsu

When I visited the Himeji Plant where PARASAFE, which is promoted company-wide, is manufactured, the person in charge were very enthusiastic in explaining the project to me. I was impressed by the way they spoke so excitedly, and I could strongly sense that they were working on something with great ambitions in mind. I felt that by closely exchanging information within the company with such passionate people at the center, the enthusiasm for new businesses and new products will spread. I would like us to steadily create ambitious themes to follow PARASAFE.

Diversity in relation to the utilization of human resources

Moderator:

Now, I would like to move on to the topic of sustainability. In particular, our group is currently focusing on the promotion of human capital management. There are a variety of initiatives in place, including activities from the past, which may give off a vague impression. I would like to hear the opinions from Director Akamatsu, who has a wealth of knowledge about diversity, including the active participation of women.

Corporate Governance

Director Akamatsu
When promoting the active participation of women as a company, it is first necessary to make efforts to increase the number of new employees, including new graduates and mid-career hires. It is also important to develop policies and systems for training them. Women are inevitably greatly affected by life events, so if we can provide thorough support, I believe this will eventually lead to an increase in the proportion of female executives and managers.

Moderator:
What is your impression of our company's female employees?

Director Akamatsu
When I was invited as a lecturer for the Nippon Kayaku Business Academy training program for next-generation management candidates, I had the opportunity to meet some of our female employees. They were more proactive than I had expected, and we had lively and positive discussions. I had the impression that they were the next generation of businesswomen with great potential. It is important to value and support these individuals.

Moderator:
Can you provide an example of this support?

Director Akamatsu
When women are in the minority, it is difficult for them to see what paths and opportunities are available and find them on their own. Therefore, if the company can present a variety of role models to women from an early stage, they can continue working with peace of mind.

In addition, as career goals and working styles are becoming increasingly diverse, it is important to respond flexibly to the work preferences not only of women, but of each individual employee. Since establishing our human resources development and work style environment policies in FY2023, we have initiated many new human resources measures, including promoting the active participation of women in our company. I look forward to further developments in the future.

Moderator:
Director Fujishima, as the Director of the Human Resources Development & Employment Organization, what are your thoughts on the diversity of our company?

Director Fujishima
It is said that accepting highly educated foreign human resources and promoting diversity in race and nationality can drastically change a company's structure and lead to the development of an open-minded and challenge-oriented culture. It is also believed to be useful in understanding local business practices and market development in our company's global expansion. However, diversity is not fulfilled with the hiring of one person. As with the promotion of the active participation of women, diversity can be said to have taken root only when there is continuous employment and follow-up and role models for core human resources, including management, can be provided. Our company is also strengthening measures to utilize overseas talent, but perhaps we should accelerate them further.

Director Ota
As both of you have said, diversity in gender, race, and nationality is very important for generating diverse and active opinions within the company. For a company to survive in future society, it is necessary to further promote the active participation of women, and we can expect global human resources to play a major role in the expansion of the safety systems business in the Chinese and ASEAN markets.

I have heard that in China and Korea, hiring new graduates is difficult and there are people who want to work for Japanese companies, so if the company is willing, there are employment opportunities available. However, it is important to note that essential diversity cannot be achieved unless the company has a culture that fully accepts it. Although our company places great emphasis on tradition, I hope that everyone will consciously cultivate a mindset of acceptance.

Moderator:
Thank you for your advice regarding human resource utilization.

We learned a lot from the many informative opinions on management and information disclosure throughout the discussion.

Thank you all very much for joining us today.



Message from the Outside Director



I am writing this message as I was unable to participate in the roundtable this year.

Since I became a Director of the Nippon Kayaku Group in 2020, I have had the privilege of participating in discussions at Board of Directors meetings and the Nomination and Remuneration Advisory Committee for the past four years. Thanks to the efforts of the secretariat, it seems the reports on each agenda item are always well prepared and the materials well documented. The members express their opinions freely, and there is a good atmosphere.

The utilization of human capital, which has been continuously discussed by the Nomination and Remuneration Advisory Committee since FY2023, is an extremely important issue, with particular focus on the training of managers who will support our company in the future. Currently, there is a demand for leaders who can firmly understand the company's targets and maximize the potential of their members and teams while ensuring psychological safety that enables individuals to work with a peace of mind. However, nowadays, there is a general tendency for people to not necessarily aspire to become leaders who take on such heavy responsibilities. In FY2024, we will present a new image of a manager who is rewarded and commensurate with their responsibilities. We will also deepen discussions on treatment that encourages employees to aspire to this role, as well as systems that will enable them to take on challenges quickly.

Corporate governance is becoming increasingly important as companies face the issues of the future. While proactively incorporating the good points of other institutions and companies, we would like to promote a balanced approach with a sense of urgency, not by applying standards mechanically, but by keeping a close eye on actual conditions and external feedback.

Roles Expected of Outside Directors

Yo Ota	With extensive experience and knowledge as a lawyer, Yo Ota is currently serving as Outside Audit & Supervisory Board Member of the company and is well versed in the company's internal affairs. To further enhance his supervisory function in the Board of Directors, he has been selected as a candidate for Outside Director once again. As he is familiar with corporate law and has ample insight into corporate governance, he is expected to play a role in contributing to the strengthening of the company's corporate governance system.
Yasuyuki Fujishima	With a wealth of experience and knowledge as the manager of a general trading company, Yasuyuki Fujishima has been selected as a candidate for Outside Director once again so that he can continue to provide advice on the overall management of the company. He is expected to play a role in supervising management from an objective standpoint based on his management experience at other companies.
Seiichi Fusamura	Although Seiichi Fusamura has no experience of being directly involved in corporate management, he has been selected as a candidate for Outside Director once again so that he can continue to offer advice on the overall management of the company based on his extensive experience in judicial institutions and his high-level insight cultivated as a legal expert. He is expected to play a role in supervising management from an objective standpoint independent of senior management.
Ikuko Akamatsu	Although Ikuko Akamatsu has no experience of being directly involved in corporate management, she has extensive experience and knowledge as a certified public accountant and certified fraud examiner. She has been selected as a candidate for Outside Director once again so that she can continue to offer advice on the overall management of the company. She is expected to provide appropriate advice and play a role in supervising management from an objective standpoint independent of senior management.

Compliance

Policy and Basic Approach

The Nippon Kayaku Group views compliance in a broad sense, considering it to mean not only abiding by laws and regulations, internal rules and rules of the industry, but also responding to social norms and the demands of society and continuing to earn the trust of diverse stakeholders.

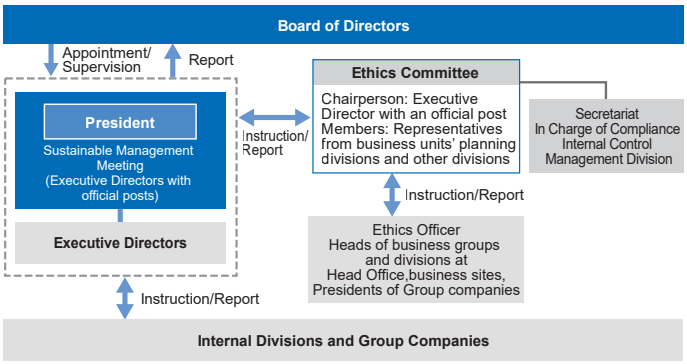
As our group-wide standards of conduct, we established the Nippon Kayaku Group Charter of Conduct and Code of Conduct. We conduct business activities based on the spirit of these standards to fulfill our social responsibilities and contribute to society.

The Nippon Kayaku Group firmly ensures compliance in its business activities, and will further promote its compliance activities under the strong leadership of its top management.

Systems

The Nippon Kayaku Group has established an “Ethics Committee” to ensure compliance, which meets twice a year (or whenever necessary).

An Executive Director with an official post appointed by the president serves as the chairperson of the committee, which is comprised of representatives from each group and division at the Head Office. The committee makes decisions on policies and concrete measures pertaining to compliance with the Nippon Kayaku Group Charter of Conduct and Code of Conduct, and discusses and determines how to respond to reported matters and incidents, along with measures to prevent recurrence.



Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Topics for initiatives
					FY2022	FY2023	
Ensuring Compliance	16	• Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations • Maintain and enhance an open corporate culture with a high sense of ethics	Number of serious compliance violations*	0	0	0	• There were no significant compliance violations. • This fiscal year’s compulsory compliance training on Mental Flexibility has been delivered to all domestic group companies. • Discussions were held and options were explored with overseas group companies that are yet to establish compliance/ whistleblowing hotlines.
			Compliance training rate	100%	97%	96%	
			Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	83%	

* Number of serious accidents as judged by the Ethics Committee

Specific Initiatives

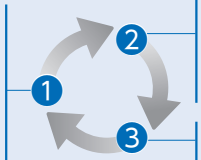
Instilling within the Company

To raise awareness about thorough compliance and ensure it is practiced throughout the corporate group, the Nippon Kayaku Group has created a portable card displaying its corporate vision, Charter of Conduct and Code of Conduct in six different languages (Japanese, English, Chinese, Spanish, Malay and Czech) spoken by all of the countries where we have manufacturing hubs. The card is distributed to all executives and employees of the Nippon Kayaku Group so that they can refer to Nippon Kayaku Group Charter of Conduct and Code of Conduct whenever necessary. Also, a pamphlet with easy-to-understand explanation of the Charter of Conduct and the Code of Conduct is distributed to all employees of domestic companies of the Nippon Kayaku Group.

Internal Dissemination

Continuous monitoring and improvement of compliance penetration

"Compliance Promotion Month" every October ～Message from the Ethics Committee Chairman to all group employees



Compliance Awareness Survey ～Implementation, tabulation, analysis, problem identification, and feedback to each workplace

Compliance action plans developed for each workplace

Overseas group company initiatives (case study in China)

- Conduct global compliance activities in cooperation within the group in accordance with the laws and business practices of each country.
- Every year, a meeting is held between the general manager and ethics officers to promote compliance at group companies.
- Internal Control Management Division and KSC* legal staff cooperate to conduct compliance training for local employees.

* KSC: Kayaku (Shanghai) Co.,Ltd. in China

Education and Training

Compliance education and training

We deliver education and training on compliance issues to all executives, employees (including contract employees and part-time employees), and temporary employees. In addition to deciding upon themes for each year, such as the Nippon Kayaku Group Charter of Conduct and Code of Conduct, how to use our internal whistleblowing system, bribery and anti-corruption issues, fundamental human rights, and harassment, we turn regular meetings at each workplace into workshops and case-study training sessions. FY2023 saw us deliver training on Psychological Safety in the Workplace and sustainability training on Bribery and Anti-corruption Issues.

In addition, to ensure thorough compliance across the entire group, we provide compliance training for newly appointed directors for Nippon Kayaku Group companies to promote the acquisition of necessary knowledge from a managerial perspective.

To provide training opportunities and programs for all employees, Nippon Kayaku conducted training mainly through e-learning programs, while group companies focused on group training.

Harassment prevention

We conduct annual training for all officers and employees to share awareness of harassment definitions, case studies, preventative measures, and responses to actual situations, as part of initiatives to increase awareness and prevent incidents from occurring.

Whistleblower System

With the establishment of its internal whistleblowing system and Compliance Hotline, Nippon Kayaku is working on prevention and early detection of unfair practices and relevant corrective measures.

Our Compliance Hotline is available to all domestic Nippon Kayaku Group executives, employees (including contract employees and part-time employees), temporary employees, retired employees (within one year of resignation), and suppliers. Overseas group companies, meanwhile, have set up their own internal whistleblowing systems.

Results for FY2023

The number of reports and consultations was 27. We verified the facts and conducted investigations for the reports and consultations received and took corrective measures as necessary. There were no serious cases that could affect our business operations.



We will continue to promote awareness of the internal whistleblowing system through internal training and further encourage its use, thereby preventing misconduct and ensuring early detection and corrective action.

Prevention of Anti-corruption and Anti-competitive Behavior

The Nippon Kayaku Group Charter of Conduct and Code of Conduct uphold that fair, transparent, and free competition should be conducted in all business activities in compliance with both the letter and spirit of relevant laws and regulations, including competition laws, as well as internal rules. In addition, they prohibit bribery and other misconduct in relation to our business transactions.

Furthermore, to clarify our basic approach to the prevention of bribery, the scope of application, and rules to abide by, we have established the Nippon Kayaku Group Basic Policy on Anti-Bribery, which is widely embraced and practiced by all of our officers and employees, including group companies in Japan and overseas.

Click URL **Nippon Kayaku Group Basic Policy on Anti-Bribery**
https://www.nipponkayaku.co.jp/english/sustainability/governance/compliance/#h-04-01-03

Risk Management

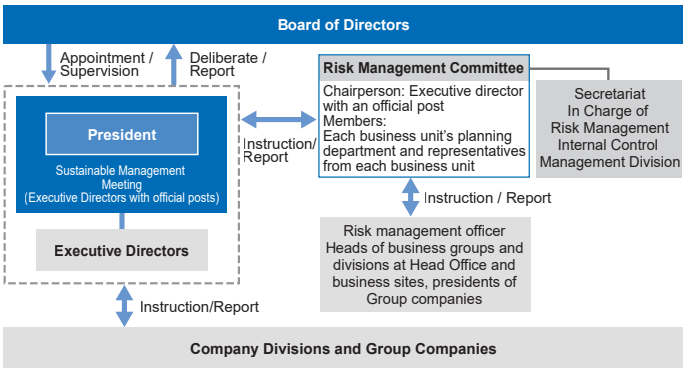
Policy and Basic Approach

The Nippon Kayaku Group's risk management policy is to address various risks related to its business and secure business continuity by maintaining the production system, procuring appropriate raw materials and strengthening measures against disasters.

To restore our business within a predetermined target time in the event of an emergency such as a disaster, the Head Office and each business division and plant have established their own business continuity plan (BCP) manuals and our overseas business sites are also preparing their own versions of the manuals.

System

In order to take preventive measures against risks before they appear, thereby minimizing their impact, 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 preventive 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.

Preventing Risks and Minimizing Impact

Risk control activities for business units
Three business units, Technology Unit, and General Administrative Department of the head office

Top five risk control activities
Plants and research labs, medical branches, business offices, and group companies including overseas subsidiaries

Identify risks with a major impact on business activities from a business operations perspective and consider ways to respond

Report to the Internal Control Management Division, which serves as the office for the Crisis Management Committee

Identify five risks that are particularly important from an on-the-ground perspective within each business site and consider ways to respond

Report to the Sustainable Management Meeting and the Board of Directors twice a year

Construct and administer a crisis management system for damage recovery activities once normal service has been resumed

Keep abreast of and analyze risk trends

Prevent risks and minimize impact

Crisis Management Committee discusses and makes final decisions on major risks and responses

Respond to emergencies

Click URL

Risk management indicators and results
https://www.nipponkayaku.co.jp/english/sustainability/governance/riskmanagement/#h-03

TOPIC **Continuation of BCP drills**

At the Nippon Kayaku Group, the Internal Control Management Division takes the lead in promoting global risk management activities targeted at the key themes of establishing a BCP structure and training and drills in overseas Group companies. As part of these activities, we conduct a BCP drill every year by selecting one or more locations from among domestic and overseas Group companies. In addition to ensuring employee safety and preventing secondary damage by continuing to conduct the drills, we will further develop a BCP system that focuses on business continuity, including the continuation and early recovery of production, sales, and other operations after a disaster.

BCP drill of the Agrochemicals business (December 2023)



The Agrochemicals business at the head office collaborated with the Kashima Plant, which is responsible for agrochemicals production, to conduct an initial response drill in the event that the Kashima area is hit by an earthquake of the same magnitude as the Great East Japan Earthquake. During the drill, some issues were found in preparation for times of peace, such as informing employees of the use of information sharing tools in emergencies. However, the participants were able to act appropriately without delay, promptly declaring a state of emergency, setting up an on-site response headquarters, and having the headquarters collect information and disseminate the situation throughout the plant.

BCP drill at the Joetsu Plant (December 2023)



At the Joetsu Plant, which is responsible for polarizer production in the Polatechno business, a BCP drill was conducted to prepare for the possibility of heavy snowfall in the Joetsu region, which can occur often. The on-site staff worked autonomously in a workshop-style drill and set up a central response headquarters for heavy snowfall within the plant. They carried out a simulation of the day of and the day after the issuance of a heavy snowfall forecast and practiced everything from confirming the safety of employees to readjusting production plans so that business activities would be restored.

BCP drill at a group company in China (February 2023)



Kayaku Safety Systems (Huzhou) Co., Ltd. (KSH), which produces automotive safety components for the Safety Systems business in Huzhou City, Zhejiang Province, China, conducted an initial response drill to simulate a major typhoon disaster. Participants were so proactive that there was no end to their suggestions for respond methods, and the drill was successfully carried out up to the restoration of business operations in accordance with the BCP manual that was prepared.

Business Risks (Summary)

Compared to FY2022, in FY2023 we added the “Risks related to procurement of raw materials” in light of the supply chain issues that emerged. In addition, “Risks related to IT” have been elaborated into two categories, “Risks related to information leaks” and “Risks related to computer system shutdowns,” considering the severity of impact should such risks occur. In general, we have described other risks and measures for each business as specifically as possible.

For details of business risks, see pages 23-28 of Annual Securities Report (Japanese) submitted in June 2024.

	Number	Risk category	Risk Details	Countermeasures
Risks related to management strategy	1	Raw materials procurement	• Difficulty acquiring key raw materials and bottleneck raw materials due to price hikes and supply chain disruptions attributed to geopolitical risks, etc.	• Purchases from multiple suppliers and strategic stockholding of non-substitutable products • Monitoring quality and management conditions through supplier audits, etc. • Promptly collecting and sharing information on extreme weather, accidents, and exchange rate fluctuations
	2	Product quality	• Product recalls, compensation for damages, and loss of social credibility, etc. resulting from poor quality (especially for products in the Pharmaceuticals, Agrochemicals, and Safety Systems businesses with high levels of quality)	• Sharing of appropriate quality assurance systems in each business unit at company-wide meetings with quality representatives • Appropriate and rigorous operations of IATF16949 at the Safety Systems business • Reinforcement of compliance with laws, regulations, and guidelines and thorough implementation of supplier audits and production management in the Pharmaceuticals business
	3	Changes in the business environment	• Impact of geopolitical and international situations on product sales of customers in relevant countries, etc. • Safety Systems business: restrictions on the transportation of explosives • Polatechno business: intensification of competition for displays and impact of China’s promotion of domestic production • Fine Chemicals Business Unit: major impact from the recession in the semiconductors market, delays in the development of new technologies and new products, and groundbreaking technological innovations by other companies	• Strengthening of marketing and development of research and technological based on trends • Appropriate inventory management based on market conditions • Safety Systems business: promotion of local procurement at five global sites • Polatechno business: local sales and information collection by Chinese sales companies • Fine Chemicals Business Unit: Continued exploration and research and development of medium- to long-term themes, utilization of raw materials in China, and market expansion

Risk Management

	Number	Risk category	Risk Details	Countermeasures
Risks related to management strategy	4	Accident occurrence	• Damage to surrounding areas, shutdown, etc. resulting from accidents at production locations • Safety Systems business: occurrence of accidents caused by explosives • Occurrence of plant accidents, chemical substance leaks, quality abnormalities • Product leaks due to logistics accidents	• Enhancement of environmental, safety, and quality training at plants • Identification of all potentially unsafe areas and taking countermeasures through safety assessments, safety diagnoses, etc. • Safety Systems business: development of explosive engineers and improving the safety technology level • Implementation of thorough risk assessments, reporting drills, and BCP drills
	5	Research and development	• Delays in the development of new products and discontinuation of research and development themes • Safety Systems business: delays in responding to EVs and cost reductions • Fine Chemicals Business Unit: delays in participation in new products for rapidly advancing information and telecommunications technology • Pharmaceuticals business: major negative impact on drug price revisions due to constant delays in new product launches	• Reinforcement of research and development resources • Safety Systems business: theme progress management through monthly development meetings, etc. • Fine Chemicals Business Unit: operation of a dedicated department for planning of medium-to long-term themes • Pharmaceuticals business: promotion of alliance activities for systematic development management and pipeline fulfillment
	6	Changes in regulations / policies	• Suspension and delay of product shipments due to the occurrence of violations of laws and regulations • Safety Systems business: changes in regulations on explosives and hazardous materials in various countries • Fine Chemicals Business Unit: Extension of time required for procedures due to major changes in regulations on hazardous materials and chemical substances, etc. • Pharmaceuticals business: impact on sales due to policy changes related to pharmaceuticals for medical use	• Safety Systems business: promotion of local production and procurement of explosives production • Fine Chemicals Business Unit: compliance with laws and regulations by keeping abreast of laws and regulations in each country, providing appropriate information, etc. • Pharmaceuticals business: negotiations with pharmaceutical wholesalers to reduce market price declines and ensuring transparency in the provision of sales information based on business records of medical representatives, etc.
	7	Foreign exchange volatility	• Occurrence of foreign exchange losses on overseas transactions that account for more than 50% of sales • Impact of exchange rates on the results of overseas consolidated subsidiaries that are converted to yen in the consolidated financial statements	• Balancing of receivables and payables denominated in foreign currencies and utilization of forward exchange contracts as necessary
	8	Intellectual properties	• Negative impacts of IPR infringement disputes such as suspension of development and incurrence of damages	• Real-time research and monitoring using patent information database • Taking countermeasures such as invalidating patent applications of concern and preventing establishment of rights • Responding appropriately to infringements of our rights by involving lawyers, etc. as necessary
	9	Information leakages	• Information leakages due to powerful cyber attacks • Loss of PCs, etc. while on the move due to the establishment of telecommuting	• Reinforcement of security due to the installation of firewalls, etc. • Acquisition and utilization of cyber security information on a daily basis • Promotion of information security management for employees and thorough management of loaned PCs
	10	Shutdown of computer systems	• Temporary unavailability of the computer system causing stagnation in purchasing, production, shipping, and financial closing operations • Data leakage, business interruption, and occurrence of liability for damage, etc. caused by unauthorized use or misuse of confidential data by hackers or computer viruses	• Establishing countermeasures for computer systems and developing a cyber security system • Duplexing and virtualizing data and evacuating data to remote locations • Installing anti-virus software, firewalls, etc. • Enhancing information security training
Risks related to natural disasters and mitigation climate change	11	Natural disasters	• Impact on product supply due to shutdown of business sites and disruption of logistics, etc. caused by earthquakes, typhoons, etc. • Polatechno business: Shutdown of the Joetsu Plant due to heavy snowfall in the winter • Fine Chemicals Business Unit: flood damage at the Asa Plant, Tokyo Plant, and research laboratories, which are at high risk of flooding, etc.	• Formulation of BCP manuals, etc. and implementation of BCP drills in preparation for natural disasters • Ensuring of appropriate safety inventory and promotion of multiple purchases • Safety Systems business: establishment of supply and storage systems from five global sites • Fine Chemicals Business Unit: systematic implementation of outsourcing manufacturing to multiple production sites and earthquake resistance measures • Efficient operation of distribution centers in East and West Japan and development of a stable supply system in the Pharmaceuticals business
	12	Mitigation of climate change	• Shrinking of profits due to higher costs associated with the introduction of the carbon tax and reinforced obligations to reduce CO_2 • Loss of credibility and damage to image caused by delays in tackling climate change • Shutdown of plants due to occurrence of floods, droughts, etc. caused by global warming	• Keeping abreast of the most recent international trends in climate change • Reduction of greenhouse gas emissions through thorough energy and resource conservation and the introduction of solar power generation, etc. • Appropriate information disclosure on the status of responses to various climate-change-related disclosure platforms • Development and promotion of appropriate measures against floods based on simulation results
Risks related to compliance	13	Legal violations and other issues / Compliance	• Restriction of business activities and increase in costs due to new or revised laws and regulations, etc. in each country • Occurrence of lawsuits, disputes, etc. • Occurrence of internal fraud or harassment due to urgent delivery deadlines, pressure to meet targets, etc. • Occurrence of violations of laws and regulations, including those of subcontractors	• Periodic confirmation of official gazettes, etc., dissemination of information within the company and to Group companies, and cooperation with representatives of Group companies in various countries • Prevention of disputes and prompt sharing of information on the filing and status of important lawsuits • Contracts with corporate lawyers and consulting firms • Enrollment in appropriate product liability insurance and corporate officers' liability insurance to cover risks • Establishment of Ethics Committee to prevent compliance violations • Establishment of a compliance hotline (whistleblowing hotline)

Information Security

Policy and Basic Approach

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

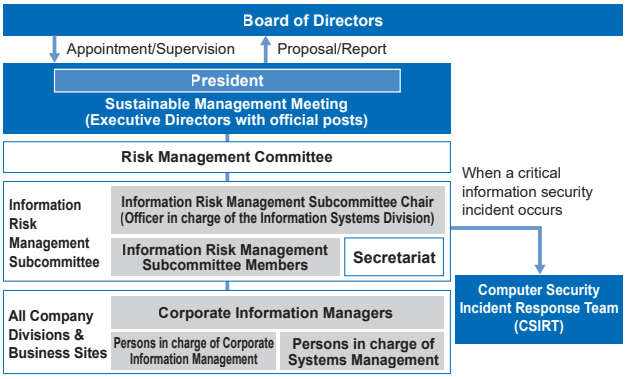
Click URL **Nippon Kayaku Group Charter of Conduct and Code of Conduct**
https://www.nipponkayaku.co.jp/english/company/vision/conduct.html

System

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

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

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



Initiatives

Acquisition of TISAX Certification

The Nippon Kayaku Group has acquired the Trusted Information Security Assessment Exchange (TISAX) certification, an information security screening standard for the global automotive industry supply chain established mainly by the German Automobile Industry Association at two overseas business sites of the Safety Systems Group.

Business site	Certification secured	Registered for inspection with	Certification number
Kayaku Safety Systems Europe	January 2023	DNV	SW215F
Kayaku Safety Systems de Mexico	January 2023	TUV NORD DE MEXICO	S6485M

Education and Training

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

Training title	Main contents	Mainly aimed at	FY	Training format	No. of times	Take-up rate
Information System Security Training	• Information System Security: basic knowledge, response methods, preparedness • Incident response	• Executives, employees (including contracted and part-time employees), temp staff • Persons outside the company who are loaned PCs connected to the Nippon Kayaku network	2023	E-learning, distribution of materials, group session	2	Average of 89%

Chapter

4

Data Section



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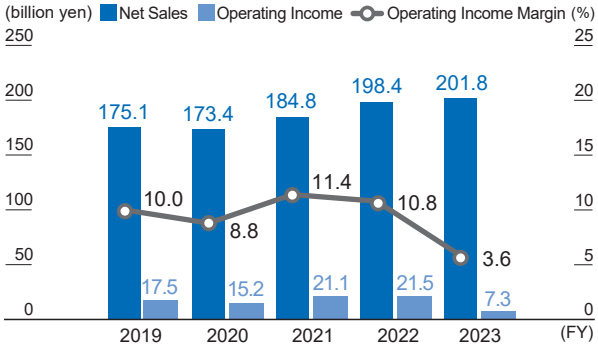
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Financial and Non-Financial Highlights

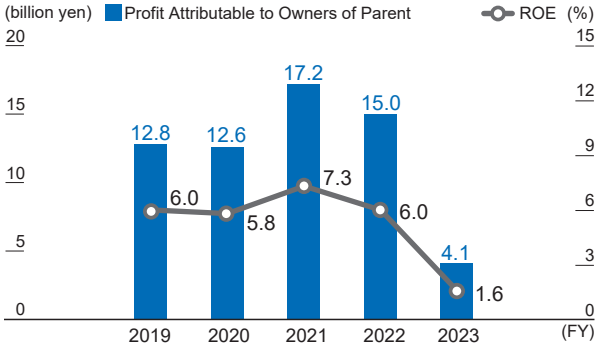
Financial Highlights

Net Sales / Operating Income / Operating Income Margin



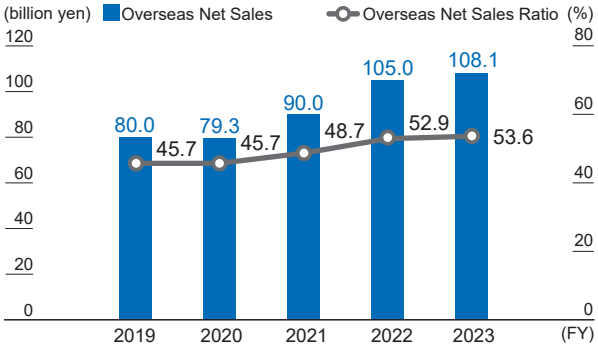
Net sales have been on an increasing trend, reaching a record high of 201.8 billion yen in FY2023. On the other hand, the operating income margin, which had been on a declining trend in recent years, has declined due to the allocation of unplanned license introduction costs in the Life Science Business Unit and a decrease in operating income impacted by market conditions in the Fine Chemicals Business Unit.

Profit Attributable to Owners of Parent / ROE (Return on Equity)



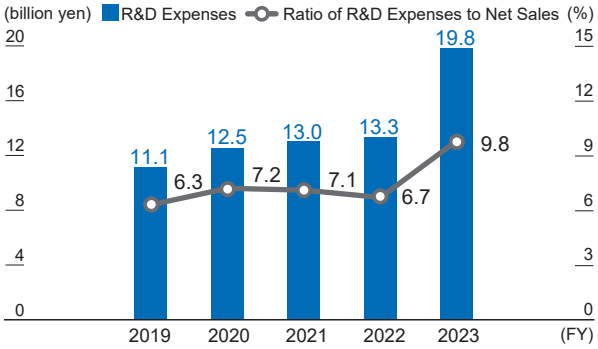
Profit attributable to owners of parent and ROE, which had been on a declining trend in recent years, reversed their upward trend in FY2021, following the trend of operating income, but declined along with net income, and ROE for FY2023 fell to 1.6% partly due to special factors in operating income.

Overseas Net Sales / Overseas Net Sales Ratio



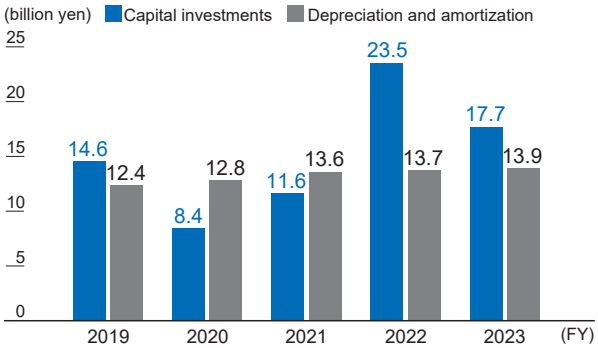
We have promoted product development overseas, mainly in the Mobility & Imaging Business Unit and Fine Chemicals Business Unit, with overseas sales of 108.1 billion yen and an overseas sales ratio of 53.6% in FY2023.

R&D Expenses / Ratio of R&D Expenses to Net Sales



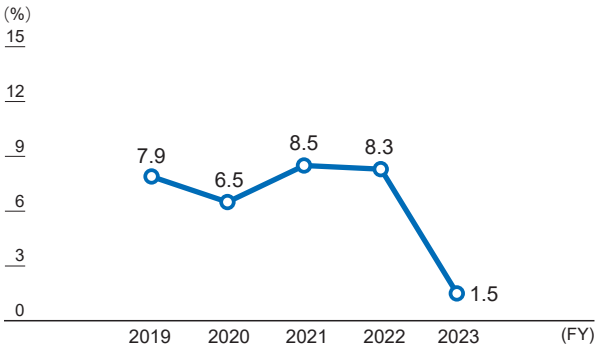
Company-wide R&D expenses during the Medium-term Business Plan (**KAYAKU Vision 2025**) for FY2022–2025 will total 65.0 billion yen. The ratio of R&D expenses to net sales is trending at around 6% or more and was 9.8% in FY2023 after accounting for the introduction costs of the Pharmaceuticals business.

Capital Investments / Depreciation and Amortization



To aggressively implement investments for future growth, company-wide capital investments during the **KAYAKU Vision 2025** Medium-term Business Plan for FY2022–2025 will total 91.0 billion yen. In FY2023, capital investments was 17.7 billion yen and depreciation and amortization was 13.9 billion yen.

ROIC

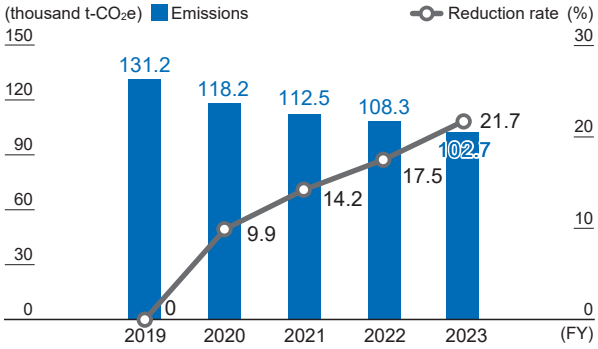


Company-wide ROIC was 1.5% in FY2023, impacted by the decrease in profit. We will continue to promote divisional management with an awareness of the efficiency of invested capital, aiming to achieve the company-wide ROIC target of 10% or more.

* Calculated as profit before income taxes divided by invested capital.

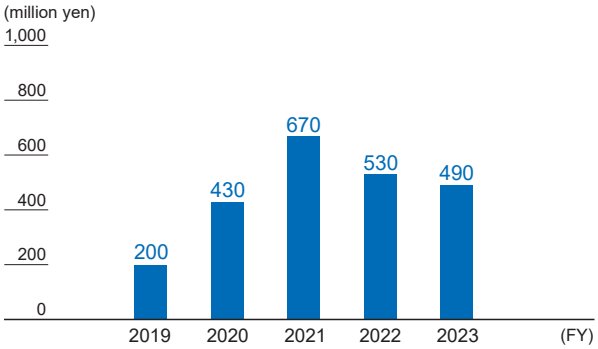
Non-Financial Highlights

Greenhouse Gas Emissions (Scope 1+2)



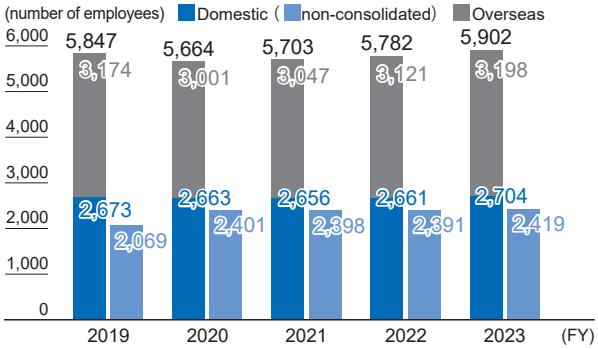
The amount of GHGs (Scope 1+2), an indicator for our FY2030 Medium-term Environmental Targets (reduction of 46% by FY2030 compared to FY2019), has been decreasing year by year. In FY2023, we achieved a reduction of up to 21.7%.

Environment Related Capital Investments



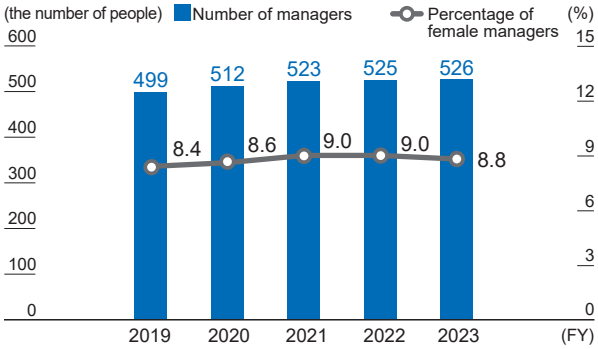
We have been systematically and continuously investing in environment-related facilities, and in FY2023, we allocated 490 million yen. Investment related to energy conservation and global warming prevention accounted for about 87%.

Number of Domestic and Overseas Employees



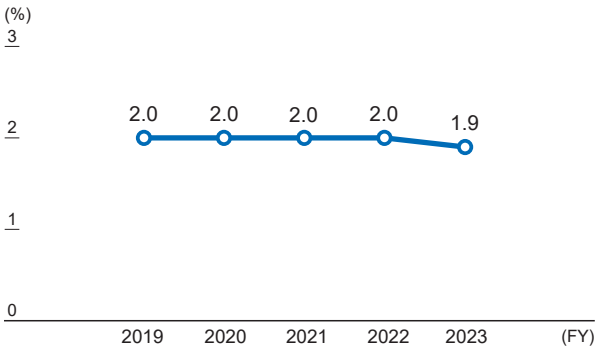
As a result of the global expansion of manufacturing and sales bases, the 27 group companies including Nippon Kayaku Co., Ltd. (non-consolidated) have a total of 5,902 employees. Twenty overseas group companies have a total of 3,198 employees, more than half of the total workforce.

Number of Managers / Percentage of Female Managers



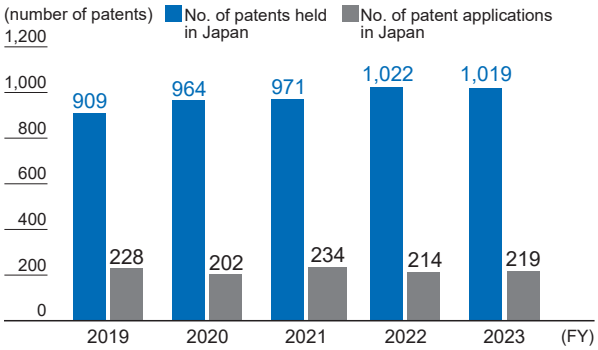
We are striving to increase the ratio of female managers, which was 8.8% in FY2023, toward the FY2025 target of 10% or more in the **KAYAKU Vision 2025** Sustainability Action Plan. We will promote measures to improve the ratio through “KAYAKU ZenKatsu,” an activity to promote the active roles of human resources throughout the company, including female employees.

Percentage of Employees with Disabilities



Although the employment rate of employees with disabilities has been maintained at a certain level, it is just short of the legally mandated 2.3% in FY2023. We will make further efforts to create and expand opportunities for people with disabilities to work and play active roles.

Number of Patents Held / Patent Applications



We are working together with business groups and R&D departments to draw up intellectual property strategies for future business development. We are promoting the dispatch of Intellectual Property Division staff to R&D departments to strengthen the discovery of inventions and are also working to build composite intellectual property that includes trademarks.

11-Year Summary of Consolidated Financial Data

Fiscal year	2023	2022	2021	2020
Results for the year (millions of yen)				
Net sales	**¥ 201,791**	¥ 198,380	¥ 184,805	¥ 173,381
Cost of sales	**140,490**	131,627	120,837	117,067
Selling, general and administrative expenses	**53,964**	45,247	42,916	41,124
Operating income	**7,337**	21,505	21,050	15,194
Profit before income taxes	**7,205**	20,972	23,700	17,523
Profit attributable to owners of parent	**4,113**	14,984	17,181	12,574
Amounts per share (yen)				
Profit attributable to owners of parent	**¥ 24.80**	¥ 89.36	¥ 101.70	¥ 73.62
Cash dividend applicable to the year	**45.00**	45.00	40.00	30.00
Net assets	**1,625.18**	1,532.35	1,459.06	1,332.06
Year-end financial position (millions of yen)				
Current assets	**¥ 203,146**	¥ 186,037	¥ 175,843	¥ 156,852
Current liabilities	**59,815**	39,049	45,760	37,491
Working capital	**143,331**	146,988	130,083	119,361
Property, plant and equipment	**98,638**	89,259	89,060	88,980
Total assets	**363,173**	322,858	315,459	294,535
Total net assets	**270,548**	255,027	246,425	228,273
Year-end statistics				
Number of shares outstanding (thousands)	**170,503**	170,503	170,503	177,503
Dividend payout ratio (%)	**181.4**	50.4	39.3	40.7
Number of round-lot shareholders	**17,173**	16,684	13,051	13,748
Number of employees	**5,902**	5,782	5,703	5,664
Financial ratios				
Current ratio (times)	**3.4**	4.8	3.8	4.2
Equity ratio (%)	**74.2**	78.7	77.8	77.2
ROE (%)	**1.6**	6.0	7.3	5.8
ROA (%)	**1.2**	4.7	5.6	4.4
Sales by business segment (millions of yen)				
Mobility & Imaging Business Unit	**¥ 81,201**	¥ 71,869	¥ 63,808	¥ 57,492
Safety Systems Business	**63,522**	54,220	46,112	41,997
Polatechno Business	**17,678**	17,648	17,696	15,495
Polatechno Group	**–**	–	–	–
Fine Chemicals Business Unit	**57,072**	64,047	59,453	56,968
Functional Materials Business	**28,724**	32,301	31,068	23,759
Color Materials Business	**21,383**	21,900	22,402	22,323
Digital Printing Materials Business	**–**	–	–	–
Color Chemicals Business	**–**	–	–	–
Catalysts Business	**6,855**	9,844	5,983	10,886
Electronic Material Business	**–**	–	–	–
Life Science Business Unit	**63,518**	62,463	61,538	58,917
Pharmaceuticals Business	**52,765**	51,711	52,083	50,441
Agrochemicals Business	**8,705**	8,701	7,404	6,444
Other	**2,047**	2,050	2,051	2,032
Divisional operating income by business segment (millions of yen)				
Mobility & Imaging Business Unit	**¥ 8,028**	¥ 8,215	¥ 7,740	¥ 4,674
Fine Chemicals Business Unit	**5,183**	10,221	10,107	8,008
Life Science Business Unit	**2,410**	10,668	10,486	9,264

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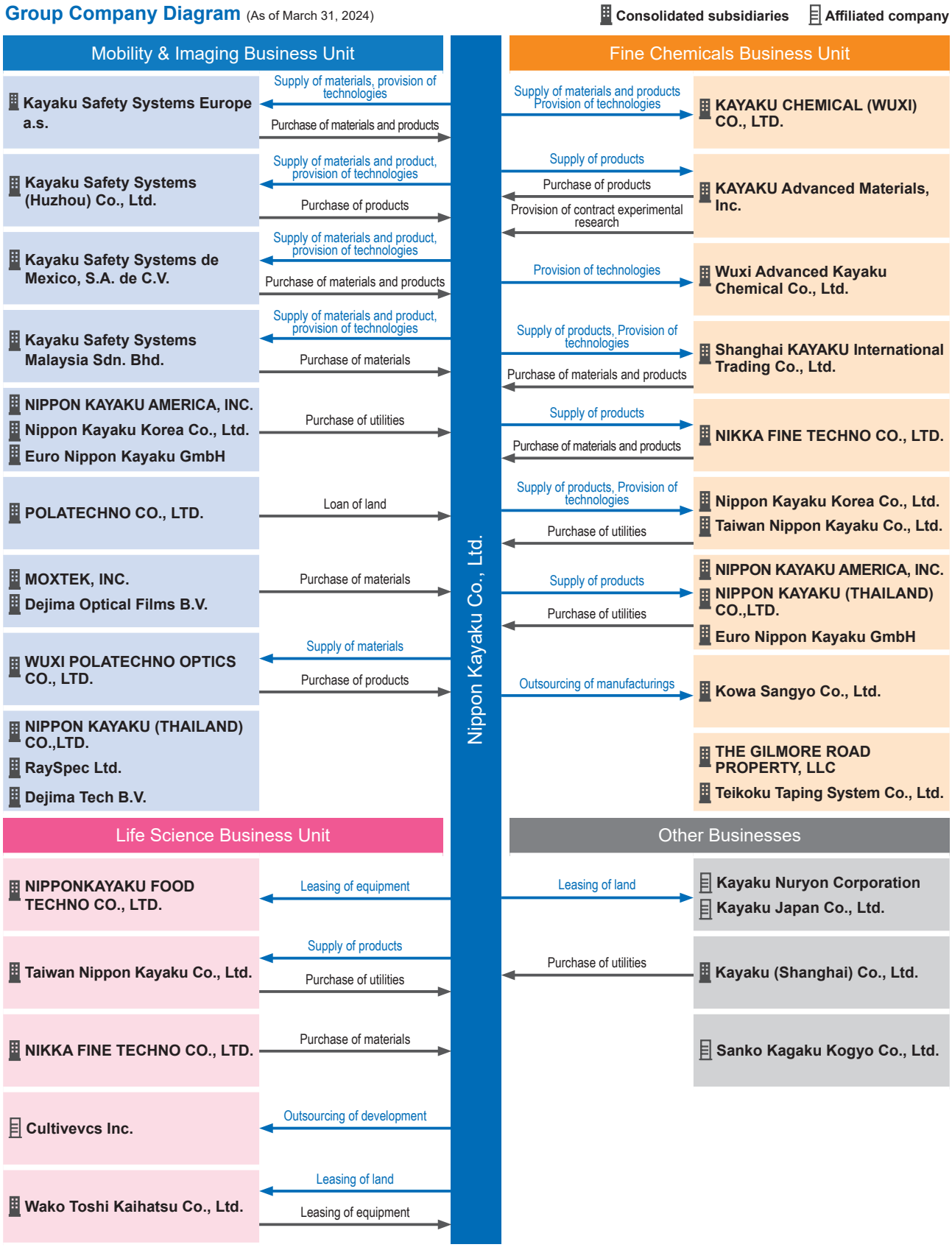
11-Year Summary of Consolidated Financial Data
https://www.nipponkayaku.co.jp/english/ir/finance/summary.html

2019	2018	2017	2016	2015	2014	2013
¥ 175,123	¥ 172,639	¥ 167,888	¥ 159,117	¥ 162,922	¥ 161,861	¥ 160,080
117,059	109,461	102,475	95,253	96,653	94,664	90,645
40,587	43,238	42,791	44,213	44,570	44,890	45,332
17,485	19,939	22,615	19,646	21,713	22,301	24,090
18,141	21,283	22,061	22,397	25,148	23,972	25,388
12,815	14,851	15,488	15,635	17,291	15,653	16,718
¥ 74.25	¥ 85.77	¥ 89.45	¥ 90.23	¥ 96.09	¥ 86.38	¥ 92.25
30.00	30.00	30.00	30.00	30.00	25.00	25.00
1,225.71	1,247.75	1,203.23	1,120.73	1,075.56	1,030.16	918.35
¥ 153,102	¥ 161,958	¥ 157,814	¥ 153,602	¥ 151,170	¥ 141,282	¥ 141,843
38,800	41,412	42,746	41,321	39,740	38,915	41,271
114,302	120,546	115,068	112,281	111,430	102,367	100,572
85,960	87,246	83,228	80,230	81,040	81,576	75,166
278,496	293,571	285,600	272,791	272,679	265,126	247,592
210,019	229,043	220,619	205,866	200,492	199,680	177,935
177,503	182,503	182,503	182,503	182,503	182,503	182,503
40.4	35.0	33.6	33.2	31.2	28.9	27.1
12,090	12,437	13,048	8,629	10,815	9,257	10,174
5,847	5,814	5,684	5,517	5,188	5,165	4,794
3.9	3.9	3.7	3.7	3.8	3.6	3.4
75.2	73.6	72.9	71.1	69.3	70.4	67.2
6.0	7.0	7.7	8.2	9.2	8.9	10.6
4.5	5.1	5.5	5.7	6.4	6.1	7.1
¥ 64,579	¥ 68,114	¥ 65,133	¥ 59,651	¥ 59,514	¥ 55,919	¥ 51,982
46,990	47,218	43,937	38,782	35,342	30,485	27,086
–	–	–	–	–	–	–
17,589	20,896	21,196	20,869	24,172	25,434	24,896
53,950	48,791	46,467	43,159	44,617	48,123	48,714
21,073	20,217	19,794	18,914	18,398	18,559	18,378
26,118	22,168	21,023	20,057	21,229	–	–
–	–	–	–	–	12,130	12,090
–	–	–	–	–	9,909	9,536
6,759	6,406	5,650	4,188	4,990	7,525	8,710
–	–	–	–	–	–	–
56,591	55,731	56,285	56,304	58,791	57,816	59,383
47,774	46,231	47,485	47,648	50,200	48,932	50,898
6,820	7,460	6,735	6,572	6,519	6,696	6,245
1,997	2,040	2,065	2,084	2,072	2,188	2,240
¥ 7,917	¥ 10,593	¥ 10,877	¥ 11,049	¥ 11,677	¥ 11,947	¥ 10,492
7,603	7,292	7,591	5,821	4,236	5,342	7,431
8,565	8,631	10,743	9,599	12,122	11,358	11,910

Nippon Kayaku Group Status

The Nippon Kayaku Group is comprised of Nippon Kayaku Co., Ltd., 36 subsidiaries, and 11 affiliated companies. An overview of the positioning of each company in relation to the business is described below.

Group Company Diagram (As of March 31, 2024)



Company Overview / Investor Information

Company Overview

Business Name	Nippon Kayaku Co., Ltd.
Representative	Atsuhiro Wakumoto, President
Foundation	June 5, 1916
Head Office Address	Meiji Yasuda Seimei Bldg., 1-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-0005, Japan
Number of Employees (as of March 31, 2024)	2,419 (non-consolidated), 5,902 (consolidated)
Banks of Accounts	Bank of Tokyo-Mitsubishi UFJ, Joyo Bank, Development Bank of Japan, The Norinchukin Bank

Investor Information (As of March 31, 2024)

Fiscal Year	April 1 to March 31
Annual Shareholders Meeting	Normally held in June in Tokyo
Record Date	Voting rights at the Annual Shareholders Meeting: March 31 Year-end dividend: March 31 Second-quarter dividend: September 30
Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Number of Common Stock	Authorized: 700,000,000 Issued: 170,503,570
Paid-in Capital:	¥14,932,922,842
Number of Shareholders:	20,970

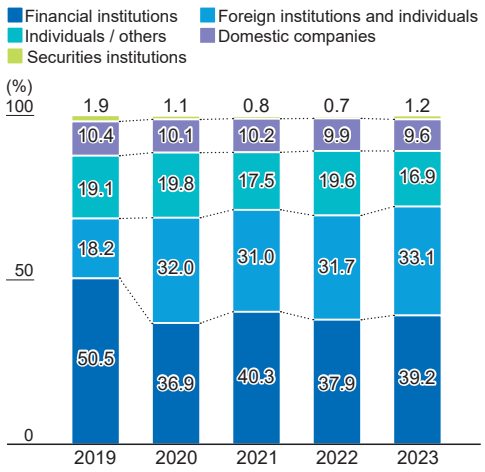
Major Shareholders (As of March 31, 2024)

Shareholders	Number of shares held (unit: thousand)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	24,826	14.97
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	13,745	8.29
Custody Bank of Japan, Ltd. (Trust Account)	12,406	7.48
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	6,152	3.71
Kayavestor Club	6,139	3.7
MUFG Bank, Ltd.	5,090	3.07
The Joyo Bank, Ltd.	5,089	3.07
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	4,960	2.99
Meiji Yasuda Life Insurance Company	4,843	2.92
National Mutual Insurance Federation of Agricultural Cooperatives	4,190	2.53

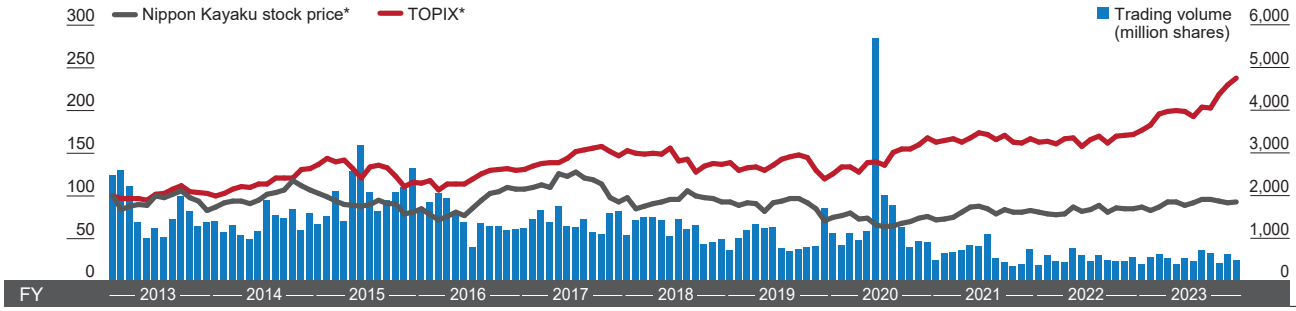
Notes: Nippon Kayaku owns 4,632,785 in treasury shares , but is not included among the shareholders listed above.
Note that the shareholder ratio is calculated using the total number of shares, excluding treasury stock.

Trend in Ratio to Shareholders*

* Ratio of number of shares held excluding treasury shares



11-Year Trend in Stock Price and Trading Volume



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
High price (yen)	1,513	1,682	1,580	1,598	1,899	1,509	1,448	1,169	1,322	1,289	1,424
Low price (yen)	1,042	1,094	1,067	903	1,253	1,143	785	884	982	1,037	1,161
Price at end of term	1,163	1,507	1,138	1,510	1,307	1,308	995	1,069	1,161	1,197	1,306

* The stock prices of Nippon Kayaku and TOPIX have been indexed to facilitate comparison, with the closing data from April 2013 set at 100.

Click URL

Nippon Kayaku discloses financial results, press releases, and other information to shareholders and investors. This information can be found under Investor Relations tab on our corporate website.
IR information: https://www.nipponkayaku.co.jp/english/ir/

Communication with Shareholders and Institutional Investors

Contact for Nippon Kayaku Group IR activities administrative office
Corporate Communications Division
TEL 03-6731-5237
E-mail prir@nipponkayaku.co.jp

The Nippon Kayaku Group holds financial results briefings, one-on-one meetings, IR social gatherings, plant briefings, and other events through the year. These are held to promote constructive dialog between shareholders and institutional investors, and Nippon Kayaku directors and executive directors with official posts.

The Corporate Communications Division is the contact for investor relations (IR), and communicates directly with shareholders and institutional investors through one-on-one meetings and other means to help them increase their understanding of industry conditions, management policy, and ESG.

Nippon Kayaku Group Product Keywords 2024

Mobility & Imaging Business Unit

Airbag inflators

Gas generators are used in airbags to increase the safety of passengers in automobiles. When an automobile collides, a sensor detects the impact, and squibs (igniters) stored in the inflators activate to ignite the gas generating agent, causing the airbag to inflate with the gas generated. In addition to disc-shaped inflators for airbags (ones for driver and passenger seats), we offer a lineup of cylinder-type inflators for side and knee airbags, and we produce, sell, and ship from five global locations.

Sun-Guard Film for HUDs

Sun-Guard Films are components that protect the projection device for head-up displays (HUDs) installed in automobiles from energy that causes deterioration, such as heat and light from outside light (especially sunlight). By placing a Sun-Guard Film made from polarizing film in the path of light from the windshield to the projection device, outside light is effectively blocked and the projected light of the image is allowed to pass through with high transmittance, enabling a clear and vivid display. We are aiming for expansion mainly in China and Europe.

Fine Chemicals Business Unit

Epoxy resins for semiconductors

Epoxy resins for semiconductors are high-purity epoxy resins with very low content of organic and inorganic chlorine and are used especially in the electronics field, where a high degree of electrical reliability is required. They are used for semiconductor package encapsulation to provide highly reliable protection and are also applied as substrate materials for AI and communication servers, where high heat resistance and low water absorption are required. We are preparing to increase production to ensure a stable supply to the semiconductor market, the size of which is expected to be double the 2020 level by 2030.

Industrial inkjet inks

On-demand digital printing using industrial inkjet printers, which is suitable for printing small quantities of a large variety of materials and printing at a medium scale, is expected to become widespread as an alternative to conventional offset printing, which is suitable for large-volume printing. The Nippon Kayaku Group's industrial inkjet inks can achieve high-speed and high-quality printing on coated paper, a medium with poor absorbency, while using environmentally friendly water-based pigment inks. We are also developing inks for non-absorbent media such as film, which is more difficult to print on than coated paper, and customer recognition is expanding.

Catalysts for the production of acrylic acid and methacrylic acid

The catalyst business of the Nippon Kayaku Group sells catalysts for the production of acrylic acid, a raw material for the high water absorption resin used in disposable diapers, etc. and methacrylic acid, a raw material for light guide plates and glass substitute transparent resins used in displays. We are developing our catalyst sales business by using our strengths in performance, in which we achieve unmatched high yields in gas-phase oxidation reactions that synthesize acrolein from propylene and then into acrylic acid, as well as our technical service capabilities for customers who actually use our catalysts.

Life Science Business Unit

Unmet needs: anti-cancer drugs

In the area of anti-cancer drugs, which is our strength, we are focusing on the development of drug candidates to address unmet medical needs (medical needs for diseases for which there is still no effective treatment) so that we can transition to a business model that includes new drugs in addition to generic drugs and biosimilars. The current development pipeline includes two drugs, Buparlisib (indication: recurrent/metastatic head and neck cancer) and Taletrectinib (indication: ROS1-positive non-small cell lung cancer), which are being developed for launch by March 2026.

Insecticides / soil fumigants

We sell insecticides such as DIAZINON® and soil fumigants such as Double Stopper® in Japan, as well as overseas in Europe, Asia, Africa, and Central and South America, mainly for the vegetable and fruit tree pest control fields. In addition to launching formulations based on our know-how in formulation, we are contributing to sustainable agriculture through the research and development of new medicinal ingredients.

Independent Assurance Statement

In order to enhance the reliability of the information contained in the Integrated Report 2024, the Nippon Kayaku Group has received assurance from an independent third party, Sustainability Accounting Firm, Inc. for the calculation of greenhouse gas emissions and its results.

SUSA
Sustainability Accounting Co.,Ltd.

Independent Assurance Statement

September 18, 2024

Mr. Atsuhiro Wakumoto
President
Nippon Kayaku Co., Ltd.

1. Purpose

We, Sustainability Accounting Co., Ltd., have been engaged by Nippon Kayaku Co., Ltd., ("the Company") to provide limited assurance on the Company's following data of domestic and overseas Group companies during the fiscal year 2023, 2.08 million GJ of energy consumption, 30.2 kt-CO_2 for Scope 1, 72.5 kt-CO_2 for Scope 2 (market-based) and 346 kt-CO_2 for Scope 3 (categories 1, 2, 3, 4, 5, 6, 7, 9, 12, 13), 10.4 million m^3 of water intake, and 22.1 kt of waste generated (collectively, "the Environmental performance data"). The purpose of this process is to express our conclusion on whether the Environmental performance data were calculated in accordance with the Company's standards. The Company's management is responsible for calculating the Environmental performance data. Our responsibility is to independently carry out a limited assurance engagement and to express our assurance conclusion.

2. Procedures Performed

We conducted our assurance engagement in accordance with International Standard on Assurance Engagement 3000 (ISAE 3000) and International Standard on Assurance Engagement 3410 (ISAE 3410). The key procedures we carried out included:

- Interviewing the Company's responsible personnel to understand the Company's standards
- Reviewing the Company's standards
- Performing cross-checks on a sample basis and performing a recalculation to determine whether the Environmental performance data were calculated in accordance with the Company's standards.

3. Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Environmental performance data have not been calculated in all material respects in accordance with the Company's standards.

We have no conflict of interest relationships with the Company.

Takashi Fukushima
Representative Director
Sustainability Accounting Co., Ltd.

Global "sukima" ideas

NIPPON KAYAKU

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Our Corporate Symbol:
This corporate symbol expresses the company policies of the Nippon Kayaku Group.
The space at the center represents the cosmos, world, and expanses of the Earth.
The two soaring ellipses represent creativity and courage and the two circles are the confidence between Nippon Kayaku, which aspires to extraterrestrial space, and the public.

Digital Printing

The paper version of the Nippon Kayaku Group Integrated Report 2024 is produced using environmentally friendly digital inkjet printing.
For details, please refer to “Focusing on growth areas - Expansion of industrial inkjet inks and dyes” under Topics in the Fine Chemicals Business Unit on page 60 of this report.