

Corporate Governance

⑤-1 Sustainability committee

Under the supervision of the Managing Executive Officer, the Sustainability Committee promotes initiatives related to sustainability, including those designed to provide value to all stakeholders and address climate change and the circular economy.

⑤-2 Company-Wide RC committee

The Company-Wide RC Committee is chaired by the President, promotes responsible care activities as they relate to the environment and safety, and works to maintain and improve levels of compliance with laws and regulations, environmental conservation, safety and disaster prevention, occupational health and safety, product safety, and logistics safety.

⑤-3 NBCP (Nippon Chemical Industrial Business Continuity Plan) steering committee

The NBCP Steering Committee is chaired by the Executive Officer in charge of the Production Engineering Division and promotes continuous improvements to policies, plans, and drills as they relate to emerged and potential crises.

⑤-4 Ethics committee

Chaired by the Executive Officer in charge of the Administration Division, the Ethics Committee endeavors to thoroughly disseminate the code of conduct to be observed by employees as they engage in their daily corporate activities and regularly checks the status of compliance in an effort to make continuous improvements.

⑥ Nomination & remuneration committee

The voluntary Nomination & Remuneration Committee has been established in order to reinforce the Board of Director's oversight functions and enhance the system of corporate governance by ensuring the transparency and objectivity of the process of assessing and determining matters related to the nomination and remuneration of Directors and Executive Officers in positions of responsibility.

This Committee consists of at least three members who are Directors, the majority of whom are selected from among independent Outside Directors.

The Chairperson is selected from among members who are independent Outside Directors.

As a rule, this Committee convenes at least once a year and shall deliberate on and report to the Board of Directors on the following matters that are consulted by the Board of Directors:

- Matters related to the composition of the Board of Directors
- Matters related to the election and dismissal of Directors and Executive Officers
- Matters related to the selection and dismissal of Representative Directors
- Matters related to criteria for determining the independence of Outside Directors
- Matters related to succession planning
- Matters related to the policy and procedures for determining the remuneration of Directors and Executive Officers
- Matters related to the contents of the remuneration of Directors and Executive Officers
- Agenda items to be submitted to a general meeting of shareholders (concerning an election, dismissal, or remuneration)

The internal regulations of the Company stipulate that the Nomination & Remuneration Committee shall consist of at least three members, the majority of whom shall consist of independent Outside Directors from the standpoint of ensuring the independence thereof. The Nomination & Remuneration Committee presently consists of one Representative Director and three independent Outside Directors, such that the majority of its members are independent Outside Directors.

Contact Points for Internal Reporting

The Company has set up contact points for internal reporting and consultation in the Operational Audit Office and outside the Company in order to prevent violations of the law and misconduct before they become serious matters and ascertain and correct issues as quickly as possible. In operating an internal reporting (whistleblowing) system, the Company has enacted regulations governing the internal reporting system and established and been developing the system, including protection of whistleblowers.

Officer Remuneration

The Company's basic policy and procedures concerning the remuneration of Officers are as follows:

① Basic policy

The basic policy on the individual remuneration for Directors exclusive of Directors who are members of the Company's Audit and Supervisory Committee is to set a level of remuneration that is commensurate with the responsibilities and abilities of a Director of the Company who is contributing to the realization of sustainable improvements in corporate value and to set a reasonable level of and system for remuneration that allows it to function as an incentive for improving performance. Specifically, fixed remuneration in cash, performance-linked remuneration, and share-based remuneration shall be paid. On the other hand, only fixed remuneration in cash shall be paid to Directors who are members of the Audit and Supervisory Committee. As variable remuneration such as performance-linked remuneration is not appropriate for members of the Audit and Supervisory Committee, who are independent from the execution of other operations, performance-linked remuneration shall not be paid to members of the Audit and Supervisory Committee.

② Policy on the determination of the fixed amount of remuneration for each individual, the timing of the granting thereof, and the conditions applicable thereto

The fixed remuneration for a Director shall be determined based on a base salary table that has been produced by taking into account the responsibilities and roles of the Director according to his or her position with reference made to remuneration data for other companies in the same industry as obtained from a third-party organization and paid monthly accordingly.

③ Policy on the determination of the contents of performance metrics for performance-linked remuneration, the amounts thereof, the calculation method applicable thereto, the timing of the granting thereof, and the conditions applicable thereto

The performance-linked remuneration for Directors, excluding Directors who are members of the Audit and Supervisory Committee, shall be determined based on operating profit and other management metrics considered important by the Company and paid monthly after the end of the given fiscal year each year.

④ Policy on the determination of the contents and amount of share-based remuneration, the calculation method applicable thereto, the timing of the granting thereof, and the conditions applicable thereto

In order to share value with shareholders and motivate Officers to contribute to the enhancement of corporate value and shareholder value over the medium to long term, transfer-restricted shares shall be granted at certain times each year to Directors exclusive of Directors who are members of the Audit and Supervisory Committee, with the term of the transfer restrictions applicable thereto extending to the date on which the recipient thereof resigns as a Director of the Company. The number of shares granted shall be determined based on the position and responsibility of the recipient.

⑤ Policy on the determination of the ratios of the amount of fixed remuneration, amount of performance-linked remuneration, and amount of share-based remuneration to the amount of remuneration for each individual Director

The amount of fixed remuneration, performance-linked remuneration, and share-based remuneration as a percentage of the amount of remuneration for Directors, excluding Directors who are members of the Audit and Supervisory Committee, shall generally be 50% to 90% for fixed remuneration, 0% to 40% for performance-linked remuneration, and 10% for share-based remuneration, depending on business performance.

⑥ Matters concerning procedures for determining remuneration for each individual Director

The contents of remuneration for each individual Director shall be determined by the Representative Director as delegated through the adoption of a resolution of the Board of Directors in accordance with the deliberation and reporting of the Nomination & Remuneration Committee, the majority of whose members shall consist of independent Outside Directors, on a draft version thereof, as formulated by the Representative Director together with the Officer in charge, subject to a maximum amount.

FY2024 Effectiveness Evaluation

① Outline of the process by which the effectiveness of the Board of Directors is evaluated

The Company administered a self-evaluation questionnaire to all Directors. This questionnaire was conducted based on knowledge shared with us by an outside consultant for the purpose of ascertaining whether or not Directors were aware of any issues concerning the composition or operations of the Board of Directors, agenda items submitted to the Board of Directors, and other matters. The Board of Directors discussed its effectiveness based on the results of an analysis of the responses received as performed by the outside consultant.

② Outline of the results of analyzing and evaluating the effectiveness of the Board of Directors

To address requests from Outside Directors in the previous fiscal year regarding the enhancement of information provision and opportunities for discussion, the Company made plans to review the content of information provided as well as discussion opportunities. However, several measures have not yet been implemented, and the Company will continue to work toward the enhancement of these items. In addition, it was also confirmed that it is necessary to further increase opportunities for discussion in order to deepen deliberations on important management strategies. To this end, the Company will hold off-site meetings and increase the number of deliberations to promote information sharing among officers, and to hold more in-depth discussions.

③ Future response

The Company's Board of Directors will endeavor to further improve its effectiveness by investigating identified issues. We will continue to share issues on the basis of evaluations of the effectiveness of the Board of Directors in order to enhance its effectiveness.