

N.E. CHEMCAT is working to build a transparent and sound governance system and strengthening internal controls in order to increase stakeholder trust and enhance corporate value. We have also positioned compliance as our top priority in corporate activities.

Governance System

To conduct transparent and sound corporate management, we need to establish corporate governance that is in line with the true state of the company. The company has put in place a general shareholders' meeting, a board of directors, corporate auditors, and accounting auditor to ensure appropriate corporate governance.

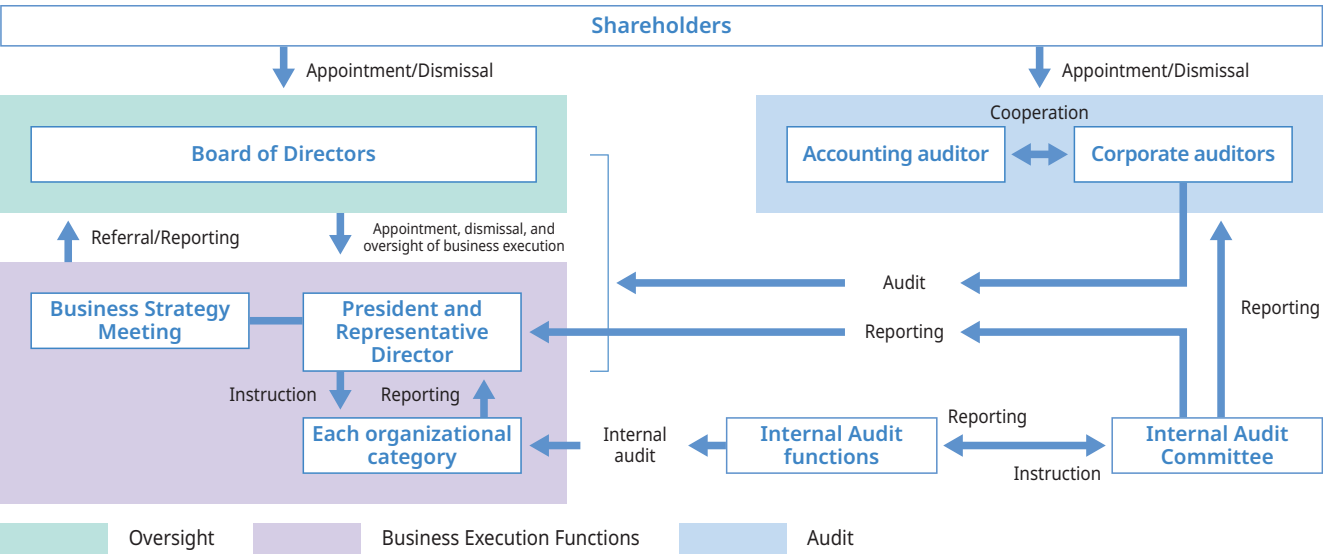
Activities of the Board of Directors and Corporate Auditors

In accordance with the Companies Act and internal regulations, we held eight board of directors' meetings (three of which were held in writing) in FY2022 to discuss important matters and report on the state of business execution. Corporate auditors also attended the general shareholders meeting, the board of directors' meetings, and other important meetings to monitor and verify whether resolutions and reports have been made in accordance with laws, the Articles of Incorporation, and internal regulations, and whether appropriate business judgment was exercised in making decisions.

Overview of Directors and Corporate Auditors

Number of directors	6
Number of corporate auditors	3
Number of board of directors' meetings held	8
Number of corporate auditors liaison meetings held	7

Corporate Governance System Chart



Internal Controls

The company has formulated the Policy on Internal Controls as an effort to establish a system necessary to ensure the appropriateness of business operations as stipulated in the Companies Act. Based on this policy, the company has established a system for appropriate operational controls in terms of business processes, risk management, and compliance.

The company also conducts internal audits on business processes and compliance. Regarding internal audits, the Internal Audit Committee reviews and evaluates the status of the system's development and operation in terms of the appropriateness of the company's important business processes and compliance status.

When conducting internal audits, the company cooperates with external organizations as appropriate, and reports the existence of deficiencies and their causes to the Internal Audit Committee. If deficiencies are found, an issue log is released, and the General Manager of the Corporate Administration Dept. investigates and confirms the implementation of improvements in a timely manner and releases the summarized report to the Internal Audit Committee.

Compliance

We believe that compliance must be addressed to fulfill our required social responsibilities and achieve sustainable growth. Based on this belief, the company has established the Corporate Guiding Principle and the Code of Conduct to show its commitment to rigorous compliance as a company, and to clarify the items that must be observed by employees, which they must put into practice in their daily work. In FY2022, there were two incidents involving compliance violations. Each incident was handled appropriately, according to internal rules. To prevent recurrence, we are also making everyone in the company aware of these incidents and are posting educational activities on the intranet.

Internal Reporting System

The company has established an internal reporting system to promptly collect information on any violation of laws or regulations and to respond to that information as quickly as possible. The division in charge investigates reports and determines whether the report content qualifies as a legal violation or violation of other rules. It then reports the results to the Representative Directors and full-time auditor for determination of the appropriate steps to take. One report was made through the internal reporting system in FY2022. We continue to inform everyone about the role of the internal reporting system and how to use it, along with the importance of compliance, and promote use of the system.

**Internal Reporting Contact**  
General Manager of the Corporate Administration Dept.

**External Reporting Contacts**  
An affiliated law firm

In-House Training

We conduct compliance training company-wide, focusing on the importance of compliance, the company's compliance system, and the prevention of harassment. In FY2022, the company regularly published the Compliance Newsletter to raise awareness about harassment, safety and environmental laws and regulations, and the internal reporting system.

**Corporate Guiding Principle**

**Basic attitude towards business activities**  
We conduct active R&D based on a long-term perspective, establish systems to supply safe and quality products consistently, develop existing businesses and create new businesses in order to resolve social issues.

**Environmental initiatives**  
We position the preservation of global environment as an important mission, and provide products that help resolve environmental issues, as well as take actions to reduce environmental impact throughout our corporate activities.

**Enforce safety**  
We make sure that safety is given first priority throughout the company. We allocate management resources necessary to ensure safety, and strive to create an accident-free, disaster-free environment by enforcing training upon all persons engaged in our corporate business activities.

**Quality improvement**  
We provide the quality that is satisfactory to our customers, engage the entire company in the quality control systems and conduct continuous quality improvement activities to gain customer trust.

**Relationship with stakeholders**  
We value the dialogues with all stakeholders around us, and aim to be trusted as member of society through achieving accountability and appropriate information disclosure.

**Compliance, internal controls**  
We enforce legal compliance, provide appropriate internal training, and take rigorous attitude against illegal and violating acts, as well as establish an internal controls system with emphasis on the management risks associated with our business activities.

**Vibrant working environment**  
We respect the human rights of our employees and encourage open exchange of opinions and proactive challenges, and create a cheerful working environment that will enable employees to express their characters and diverse human resources to reach their potential.

N.E. CHEMCAT promotes risk management under the supervision of top management so that it can respond appropriately and promptly to increasingly diverse and complex risks.

### Human Rights Policy

The company has established a human rights policy that respects the Universal Declaration of Human Rights and other international norms and prohibits all forms of workplace discrimination. The policy also clearly states that we will cooperate with relevant parties and not be complicit in any human rights violations, even indirectly.

#### Human Rights Policy

- 1) We will respect the Universal Declaration of Human Rights and other international norms, comply with laws and regulations, and promote initiatives towards respecting human rights.
- 2) We will not allow discrimination, harassment, or other acts of human rights abuse in the workplace. We will respect the diversity of our employees and will foster a lively workplace environment.
- 3) We will encourage supply chain partners and other stakeholders to take the initiative on respecting human rights, and will not take part in any human rights violations.
- 4) We will identify the adverse human rights impacts in our business activities and strive to prevent and mitigate such impacts, and to address such impacts when they occur.
- 5) We will carry out awareness-raising activities for officers and employees to embed the Policy throughout the Company.

### Harassment Prevention

The company will in no way tolerate any violation of human rights, including discrimination, harassment, or any other forms of harassment in the workplace for any reason. In FY2022, there were four incidents of harassment that led to disciplinary action. When someone reports harassment, we first take sufficient steps to protect the privacy of the reporter, the perpetrator, and others involved, and then swiftly and accurately verify the facts. The necessary measures are then promptly implemented after the facts have been verified.

To prevent harassment in the workplace, we have established internal and external contacts for consultation and reporting and a system for handling the process from receiving a report to the response. We make everyone in the company aware of this system, in addition to conducting training on harassment.

### Internal audit

N.E. CHEMCAT conducts internal audits based on the internal audit rules to help ensure appropriate, efficient audits of its business.

In FY2022, we audited compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontractor Payment Delay Prevention Act).

### Risk Management

We believe that identifying and strengthening our response to management risks not only fulfills our corporate responsibility but also leads to our sustainable growth, and we are working to strengthen our risk management system.

The risk management policy stipulates that the company shall establish a high-precision crisis management system. The policy also stipulates that in the event of an emergency, we should prioritize respect for human life and seek rapid recovery.

#### Risk Management Policy

- 1) Ensure the safety of company employees and preserve company resources.
- 2) Conduct risk management to continuously improve risk response capabilities.
- 3) Develop risk sensitivity and share risk-related information.
- 4) In the event of an emergency, prioritize respect for human life, responding promptly and quickly restoring operations.
- 5) Maintain a high-precision crisis management system with the aims of not only quickly restoring operations in the case of an emergency, but also contributing to society and enhancing our corporate image.

### Risk Management System

The company has established the Risk Management Committee, chaired by the president, as a body that oversees risk management.

The Risk Management Committee is responsible for identifying and assessing various management risks and implementing risk mitigation measures, as well as planning and conducting disaster prevention-related education and training.

We have established and maintain a disaster response system that makes it possible to ensure the physical safety of people and protect lives, prevent and/or mitigate the expansion of corporate and stakeholder losses, and rapidly restore important business and business operations.

In the event of a serious disaster that could disrupt business continuity, the officer in charge of crisis management has the discretion to activate a crisis response headquarters and mount a company-wide response when a crisis occurs.

### Business Continuity Management (BCM)

N.E. CHEMCAT has formulated a business continuity plan (BCP) for earthquakes, wind and water damage, infectious diseases, and other envisioned events.

We also take action to improve the crisis management system and response measures by operating the PDCA cycle to enhance our ability to respond when a crisis occurs.

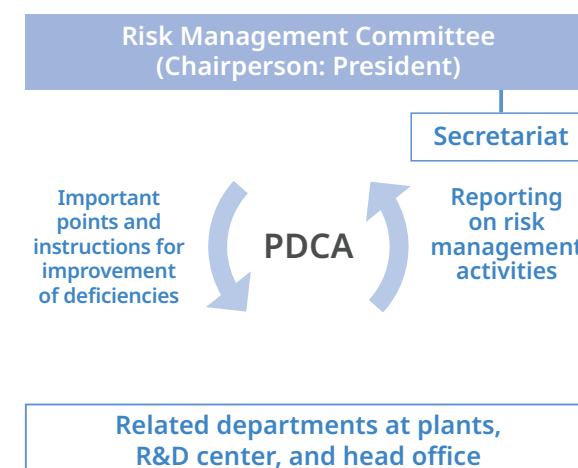
### Disaster Prevention Training and Drills

We conduct various kinds of training and drills for all employees as part of our business continuity management. Once a year, we conduct training and drills for all employees on disaster prevention measures during normal times and response procedures during emergencies.

Safety verification drills	Response drills for all employees using the safety verification and response system	Twice a year
Comprehensive disaster drills (Numazu and Tsukuba)	Training for evacuation, roll call, reporting, firefighting, and inspection based on the assumption of a large-scale earthquake, fire, chemical leak, and injuries (we also assumed a tsunami for the Numazu Plant)	Once per year for each type of work
Self-defense firefighting drills (Head office)	Drills for evacuation, fire extinguishing, and reporting in case of a fire	Twice a year
BCP training and drills	Training and drills on internal information sharing, determining the response, and response procedures to maintain and quickly restore continuity of important operations in the event of a disaster	Once a year

### Risk Management System

During normal times



During a crisis

