

Corporate Governance

Based on the Company mission, “Establish a better society through our corporate activities,” the Sanyo Chemical Group will realize sustainable growth toward the future by enhancing both social and economic value in close cooperation with all stakeholders. To this end, we consider the establishment of corporate governance that is trusted by stakeholders to be one of the highest priority management issues.

Corporate governance system

We are a company with an Audit & Supervisory Board. The Company has also introduced the executive officer system, under which executive officers execute business in accordance with the management policy, etc., determined at meetings of the Board of Directors. In this manner, the Company clearly separates the management decision-making and supervisory function from the business execution function.

Directors and the Board of Directors

The term of office of directors is one year. To strengthen the management supervisory functions, four out of the nine company’s directors are outside directors (three of whom are independent directors); moreover, the Chairman of the Board of directors is selected from among the non-executive directors. The Board of Directors holds a meeting, in principle, once a month. It makes decisions on important matters, such as management policy, and supervises the status of business execution by directors and executive officers. In fiscal 2024, 14 meetings of the Board of Directors were held.

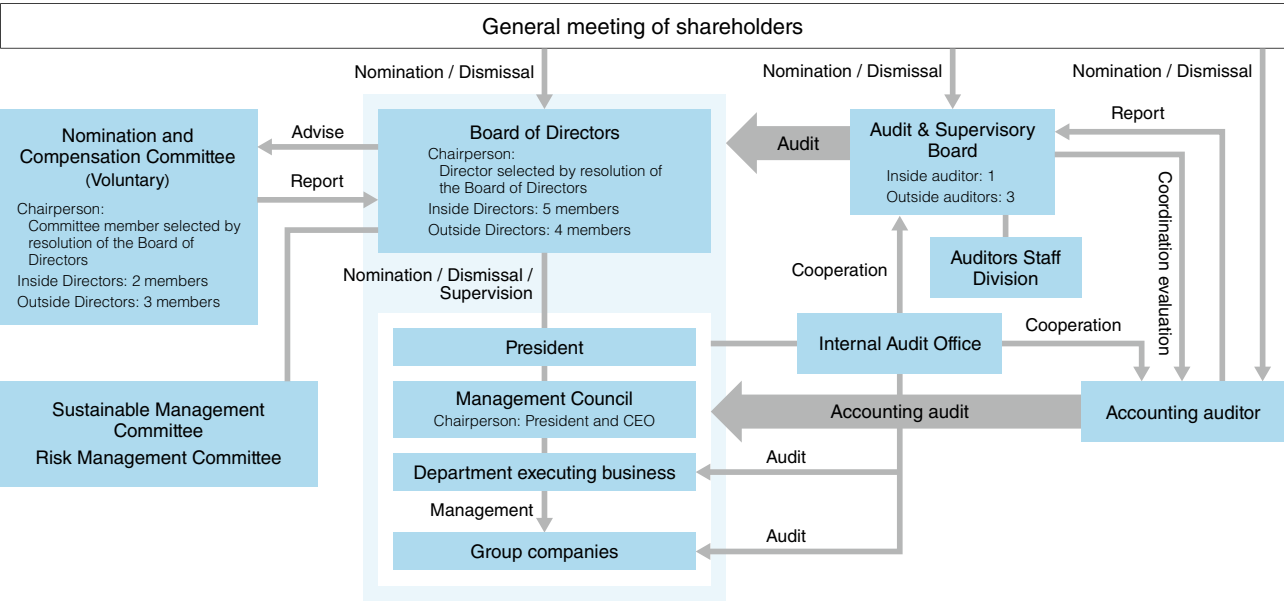
Auditors and the Audit & Supervisory Board

Of four auditors, three are outside auditors. The auditors not only attend Board of Directors’ meetings, Management Council meetings, and other important meetings, but also inspect important approval documents. They thus audit the status of directors’ business execution, capitalizing on the knowledge of inside members who are well versed in the wide range of businesses of the Company, as well as the expertise of outside members with experience relating to financial and accounting affairs or with business management experience. In addition, as an organization under the direct control of the Audit & Supervisory Board, the Company has established the Auditors Staff Division. The Division staff who assist the auditors in their duties are independent of the directors. By establishing this structure, we strive to secure the effectiveness of audits.

Management Council

The Management Council meets once a month, in principle, to make decisions on important matters regarding business execution by executive officers, based on the management policy, etc., determined at meetings of the Board of Directors.

Corporate governance structure



Committees

Nomination and Compensation Committee

Chair: Committee member selected by resolution of the Board of Directors
Frequency of meetings: Eight times (FY2024)
Role: As an advisory body to the Board of Directors, the Committee, the majority of whose members are outside directors, reports to the Board of Directors on the nomination and compensation of directors and makes recommendations on matters related to strengthening the functions of the Board of Directors without consultation from the Board of Directors.

Sustainable Management Committee

Chair: Executive officer in Charge of Sustainability
Frequency of meetings: Three times (FY2024)
Role: As an organization linked to the Management Council, the Committee aims to increase both economic and social value by identifying material issues (materiality) that should be prioritized in the environmental, social, and governance fields, deliberating on company-wide measures to address these issues, and rolling them out to relevant departments.

Risk Management Committee

Chair: Executive officer in Charge of General Affairs
Frequency of meetings: – (established in April 2025)
Role: As an organization linked to the Management Council, the Committee considers the Group’s basic policies on risk management and compliance, identifies significant risks, deliberates on countermeasures, and oversees the implementation of the countermeasures.

Composition of each committee

	Shirai	Higuchi	Harada	Susaki	Oku	Nishimura	Obata	Sano	Tominaga
Nomination and Compensation Committee	◎	○			○		○	○	
Sustainable Management Committee		○	○	◎	○	○			
Risk Management Committee		○	○	○	○	◎			

(Note) ◎ Chair ○ Member

Reason for selection as Outside Director

Name	Independent Director	Reason for selection
Aya Shirai	○	We have designated Ms. Aya Shirai as an independent director since she meets the company’s independence standards and is therefore deemed to have no conflict of interest with our general shareholders. She has a wealth of experience gained through administrative activities from her many years of involvement in municipal administration. In addition, she has experience and achievements from having been involved in corporate management as an outside director of other listed companies. She also shares our philosophy on promoting diversity and actively provides advice on our efforts to promote it. Since June 2024, she has served as Chairman of the Board of Directors and has worked to further stimulate discussions at the Board of Directors meetings and strengthen the board’s supervisory and decision-making functions. She was selected as an outside director because she is expected to contribute to the continuous enhancement of our corporate value by offering useful findings and opinions from an independent standpoint based on her experience and knowledge.
Hideaki Obata	○	We have designated Mr. Hideaki Obata as an independent director since he meets the company’s independence standards and is therefore deemed to have no conflict of interest with our general shareholders. In addition to extensive practical experience in administrative departments mainly in HR and general affairs, he has many years of experience and a track record in the management of companies with broad business domains. He was selected as an outside director because he is expected to strengthen the supervisory function of the Board of Directors and contribute to the continuous enhancement of our corporate value by offering useful findings and opinions from an independent standpoint based on his experience and knowledge.
Yumi Sano	○	We have designated Ms. Yumi Sano as an independent director since she meets the company’s independence standards and is therefore deemed to have no conflict of interest with our general shareholders. She has a wealth of practical experience in promoting diversity and developing human resources in a listed company and a public interest corporation. In addition, she has experience and achievements from having been involved in corporate management as an outside director of another listed company. She was selected as an outside director because she is expected to contribute to the continuous enhancement of our corporate value by offering useful findings and opinions from an independent standpoint based on her experience and knowledge.
Hiroshi Tominaga		He has many years of experience in overseas business at Toyota Tsusho Corporation, including involvement in the company’s management as a person responsible for business execution, and has extensive experience, particularly in the area of corporate strategy. He was selected as an outside director because he is expected to contribute to the continuous enhancement of our corporate value by offering useful findings and opinions on all aspects of our business activities based on his knowledge and experience.

Diversity of the Board of Directors

The Company selects candidates for its Board of Directors by comprehensively considering each member’s personality and other aptitudes, in order to form a Board of Directors with a good overall balance of knowledge, experience, and ability to effectively perform its roles and responsibilities. It should also ensure it maintains an appropriate size and diversity, including in terms of gender, internationality, professional experience, and age. To enhance our corporate value in the medium to long term in keeping with the basic philosophy described below, the Nomination and Compensation Committee held discussions on the skill items required for the Company’s Board of Directors, and decided on the following eight items: corporate management; compliance and risk management; understanding of diversity and sustainability; international business; R&D, production, and new business development; sales and marketing; human resource development and training; and finance and accounting. These skill items will be reviewed and revised, if necessary, in the light of the business environment and social circumstances.

Basic philosophy

- Contribute to society through fulfillment of the Company mission: “Establish a better society through our corporate activities”
- Steadfastly maintain a stable management base and proactively develop new businesses while leveraging the strength of our existing businesses
- Realize a WakuWaku company that respects diversity and where all employees enjoy high job satisfaction

As of the end of June 2025, the Board of Directors consists of nine directors with knowledge in line with these skill items (including three independent outside directors, two of whom are female) and four auditors (three of whom are independent outside auditors). Independent outside directors include members who have management experience at other companies.

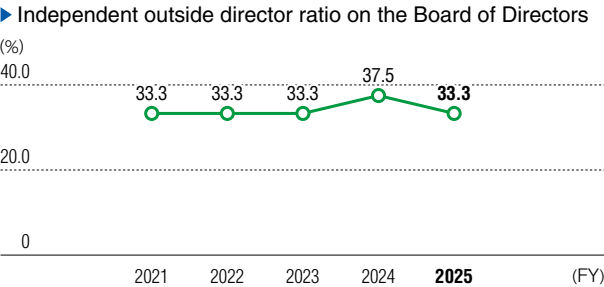
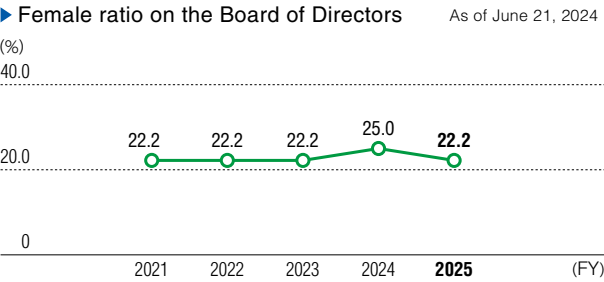
Skills matrix

Name	Position	Skills									
		Outside	Independent	Corporate management	Compliance and risk management	Understanding of diversity and sustainability	International business	R&D, production, and new business development	Sales and marketing	Human resources development and training	Finance and accounting
Aya Shirai	Outside Director	●	●	●	●	●				●	
Akinori Higuchi	Representative Director, President and CEO			●	●	●	●	●	●	●	
Masahiro Harada	Representative Director				●	●		●	●		
Hiroyuki Susaki	Director				●	●	●		●		
Yoshiyuki Oku	Director				●	●	●			●	●
Kenichi Nishimura	Director				●	●	●				●
Hideaki Obata	Outside Director	●	●	●	●	●	●	●		●	
Yumi Sano	Outside Director	●	●		●	●				●	
Hiroshi Tominaga	Outside Director	●		●	●	●	●		●		●
Hirokazu Kurome	Outside Audit & Supervisory Board Member	●	●	●	●	●	●	●			
Sho Takeuchi	Audit & Supervisory Board Member				●	●	●		●		
Yusuke Nakano	Outside Audit & Supervisory Board Member	●	●	●	●	●					●
Shuichi Kawatari	Outside Audit & Supervisory Board Member	●	●	●	●	●	●		●		

How to address the diversity on the Board of directors

In 2022, the Sanyo Chemical Group identified our material issues. To address one of these issues, “Challenge-oriented and transparent management,” it has set out the following indicators for board diversity.

- Raise the female ratio to 30% or more
 - Ratio of independent outside directors: 1/3 or more of the Board of Directors



Compensation and incentives for directors

Basic policy on compensation for directors

- Secure excellent human resources to improve corporate performance
- Design a compensation level and system that are commensurate with job responsibilities

Process for determining the compensation level and system

The appropriateness of the compensation level and system is verified by the Nomination and Compensation Committee, the majority of whose members are outside directors. The basic policy for determining compensation for directors is deliberated and determined by the Board of Directors.

Overview of types of compensation, etc.,

The compensation for directors consists of basic compensation, bonuses, and stock-based compensation.

Compensation type	Overview
Basic compensation	The basic compensation is based on the roles and responsibilities of each director, and is determined by taking into account the status of financial results over the medium to long term and for the relevant fiscal year, as well as levels at other companies. It is paid on a monthly basis.
Bonuses	To raise awareness of improving business performance, the base amount is calculated based on the financial results of the relevant fiscal year, with consolidated ordinary profit used as an indicator of the company's profitability. Allocation to each director is then determined based on their roles and responsibilities as well as their evaluation.
Stock-based compensation	Points are granted depending on the position, etc., based on the Share Delivery Regulations. In principle, the shares of the Company are delivered depending on the number of points when directors retire.

Although the ratio of basic compensation, bonuses, and stock-based compensation to the total compensation for each director has not been determined, the compensation level and system are regularly verified by the Nomination and Compensation Committee, the majority of whose members are outside directors, so that they can function as incentives to improve business performance.

► Compensation for directors

Classification of Directors	Total amount of compensation, etc. (million yen)	Total amount by type of compensation, etc. (million yen)			Number of applicable Directors (number of persons)
		Basic compensation	Bonuses (Performance-linked compensation)	Stock-based compensation (Non-monetary compensation)	
Directors (excluding Outside Directors)	223	124	46	51	7
Audit & Supervisory Board Members (excluding Audit & Supervisory Board Members)	27	21	5	—	2
Outside Directors	34	34	—	—	3
Outside Audit & Supervisory Board Members	49	43	6	—	3

(Notes) 1. The number of applicable directors and auditor and the total amount of compensation, etc., include those of two directors and one auditor who retired during the period.
2. The amount indicated in the field of stock-based compensation is the amount transferred for the period regarding the provisions for the stock-based compensation during the fiscal year related to the stock-based compensation system.

Training for directors and auditors

For inside and full-time directors and auditors, we explain our Articles of Incorporation, Board of Directors Regulations, and other internal rules at the time of their inauguration. For outside directors and full-time outside auditors, we facilitate their understanding of our businesses by conducting tours of our factories and other business sites. In FY2024, we invited an external lecturer to give a lecture on risk management, crisis management response, and other topics.

Major meeting bodies and discussion topics

The major meeting bodies related to corporate governance and the major discussion topics are as follows:

Board of Directors

- Formulation and revision of the Medium-Term Management Plan and the Comprehensive Plan
- Policy on operating major businesses
- Matters regarding investment and financing
- Confirmation of the results of the effectiveness evaluation of the Board of Directors
- Matters on which to seek advice from the Nomination and Compensation Committee
- Approval of financial statements and related documents
- Matters regarding procedures for the general meeting of shareholders
- Resolutions on conflict-of-interest transactions, directors' liability insurance, etc., appointment and dismissal of important employees, and matters related to compensation for directors based on the Companies Act

Nomination and Compensation Committee

- Policy on the composition of the Board of Directors
- Policy and standards on the appointment and dismissal of directors
- Directors' compensation system and level
- Succession planning and implementation

Sustainable Management Committee

- Basic Policy on Sustainability
- Response to the TCFD recommendations
- Human capital management activities
- Human rights initiatives
- Review of external disclosure documents related to sustainability

Risk Management Committee

- Basic policy on risk management
- Identification of significant risks
- Monitoring of risk response status
- Results of the evaluation of internal control activities related to financial reports
- Measures to raise awareness of compliance
- Results of the use of whistleblowing contact points, etc.

Effectiveness evaluation of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors once a year. In FY2024, we conducted an anonymous questionnaire survey of all directors, including outside directors, and all auditors, and evaluated the effectiveness of the Board of Directors based on the results.

FY2024 questionnaire survey on the Board of Directors

- Target:** All directors including outside directors (eight people) and all auditors (four people)
- Timing:** March 2025
- Method:** Conducted anonymously using a third-party system to ensure objectivity
- Content:** Answer each question in the following major categories on a 5-point scale or in free text
- ① Structure, composition, and operation of the Board of Directors
 - ② Discussions at Board of Directors' meetings
 - ③ Monitoring function of the Board of Directors
 - ④ Performance of directors
 - ⑤ Training for directors and auditors
 - ⑥ Dialogue with shareholders
 - ⑦ Efforts made by each director
 - ⑧ Operation of the Nomination and Compensation Committee

The results were reported to the Board of Directors' meeting held in May 2025, and were discussed and analyzed based on the results of a 5-point evaluation and free comments to evaluate the effectiveness of the Board of Directors.

Overview of the effectiveness evaluation

The previous year's evaluation results indicated that in order to further enhance the effectiveness of the Board of Directors, it is necessary to improve some issues and to enhance support from the Secretariat. In this regard, the Board of Directors was evaluated as having made some improvements. Through the survey, it was also evaluated that the effectiveness of the Board of Directors was generally ensured.

Future issues

To further enhance the effectiveness of the Board of Directors, we recognize the need to enhance discussions on initiatives to sustainably increase corporate value into the future, such as promoting human resources strategies and taking measures to realize management with a focus on capital costs and stock prices. Also recognizing the need to further improve the support system provided by the Secretariat, such as by improving training for directors, we will tackle these issues sincerely.

Succession plan (plan to foster successors)

To realize our Vision 2030, we have established the personnel requirements that should be met by our Representative Director, President and CEO (the ideal image of the President). In light of these personnel requirements, we systematically provide training to equip successor candidates with the necessary qualities and capabilities, and the Nomination and Compensation Committee regularly reviews its progress, ensuring transparency in the selection process.