

03

Corporate Governance

As a company that protects the health of people around the world, the Eiken Group practices compliance activities to achieve harmony between fair and appropriate management on the one hand and the demands of society on the other. By accurately recognizing, assessing and coping with the risks that can impede the enforcement of management philosophy or the improvement in the corporate value, the Eiken Group fulfills the social responsibility as a company, and implement strengthening and improvement of its corporate governance system.

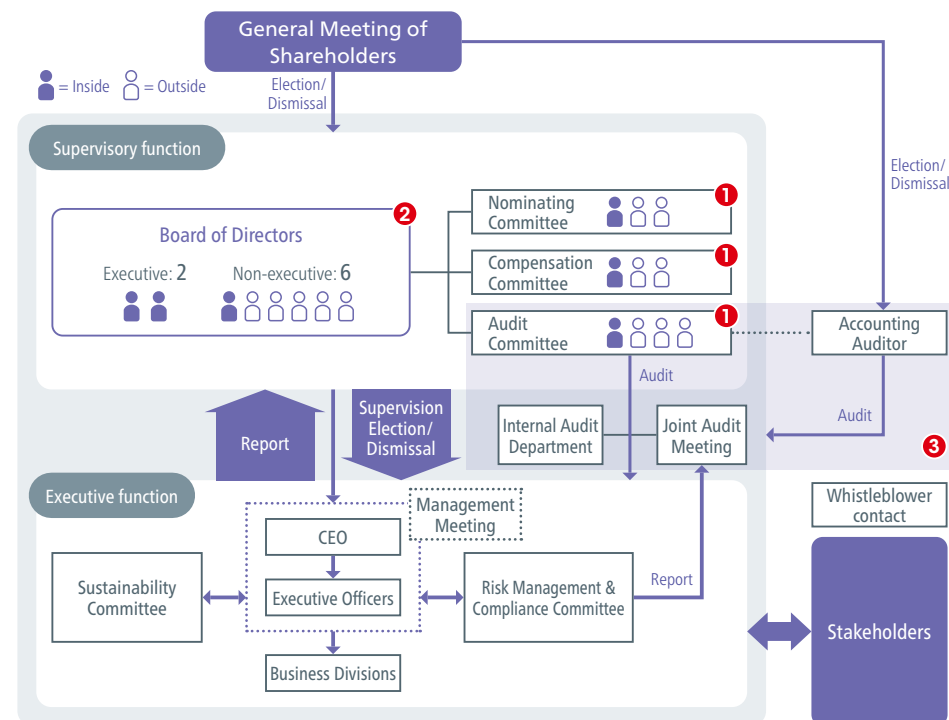


Basic Policy on Corporate Governance

Eiken Chemical recognizes that enhancing corporate governance with a strong focus on the shareholders' perspective is one of its most important management issues, for the purposes of enhancing management soundness, speed and transparency and improving corporate value, and carries out activities to these ends. For this reason, the Company is organized as a "company with nominating and other committees," maintaining separation of the executive and supervisory functions of management. Important matters related to basic management policy are decided through the deliberations of the Board of Directors, while execution of business is conducted swiftly and smoothly based on in-house rules and regulations and through an appropriate chain of instruction and command.

	Roles	Number of meetings (FY ended Mar. 31, 2023)
Board of Directors	Delegates occupational authority within the scope of laws and regulations to the Executive Officers, and focuses on making decisions on important matters related to basic management policies such as the medium-term management plan and management policies, and supervising the status of business execution.	15
Nominating Committee	Determines the content and other matters related to proposals for the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, in light of the standards for nomination and dismissal of Directors.	7
Compensation Committee	Determines policies for the determination of individual compensation for Directors and Executive Officers, as well as individual compensation.	9
Audit Committee	Determines matters related to basic policies and implementation plans for audits and the content and other matters related to proposals for the election and dismissal of the Accounting Auditor and the non-reappointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.	7

Corporate governance structure (as of June 30, 2023)



Point 1
Transparency of management

Transitioned to a company structure with committees (now referred to as company with nominating and other committees) in 2005

- Three committees have been established
- The three committees are chaired by **Outside Directors**
- Separation of supervision and execution

Point 2
Independence of Board of Directors

Outside Directors have accounted for the majority of the Board since 2015

- Five of the eight Directors are independent Outside Directors
- Chaired by a **Director not serving concurrently as an Executive Officer**
- The three committee chairpersons are **Outside Directors**
- **Evaluations of effectiveness are conducted**

Point 3
Effectiveness of audit

- Holds joint audit meetings between the Audit Committee, Internal Audit Department, and various other departments
- The Audit Committee holds periodic reviews with the Accounting Auditor

Approach to Composition of Board of Directors/Diversity of Skills

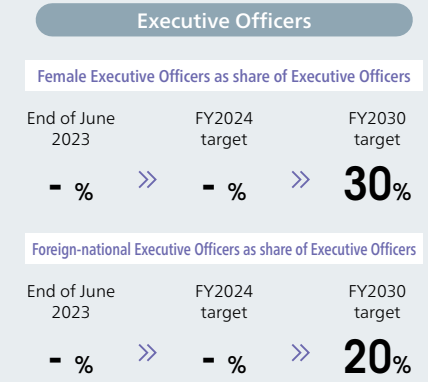
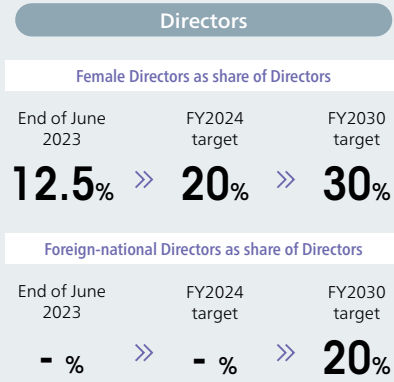
The composition of the Board of Directors of Eiken Chemical is well balanced in terms of knowledge, skills and experience in global business and sustainability, as required to achieve the Company's management policy and management plans based on the management vision. Its members were selected with an emphasis on diversity, including diversity of gender, nationality, professional background and age. Nominees for Inside Director are chosen for their ability to fulfill the roles of deciding important matters of corporate management and supervision of Executive Officers in the execution of their duties. Outside Directors are nominated for highly specialized knowledge, skills and abundance of experience that cannot be obtained from Inside Directors alone. Each Director is expected to leverage his or her capabilities born of experience to maximum effect to decide important matters of basic management policy and supervise the execution of duties. The Board of Directors appoints Executive Officers in consideration of executive-officer selection criteria, following consultation with the Nominating Committee regarding each candidate.



For details of the standards for nomination of Directors, the standards for the independence of Outside Directors, and the reasons for nominating each candidate, please refer to the Annual Securities Report. https://www.eiken.co.jp/uploads/85th_AnnualSecuritiesReport.pdf

Materialities and KPIs

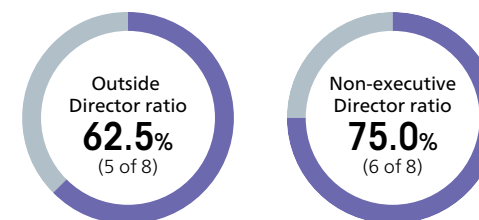
Promoting executive diversity



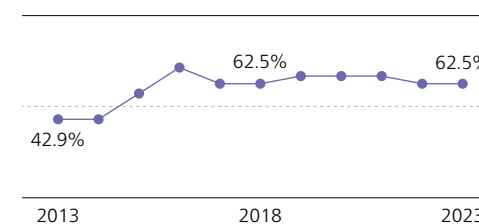
	Committee affiliation	Skill matrix								
		Nominating Committee	Compensation Committee	Audit Committee	Corporate management	Global business	Technology/Innovation	Production/SCM	Finance/Accounting	Law/Risk management
Chairman and Director	Morifumi Wada			○	●	●		●		
Director, President & CEO	Tsugunori Notomi	○	○		●		●			
Director, Senior Vice President and Executive Officer	Hajime Watari				●	●			●	●
Independent Outside Director	Yukiya Hakozaiki	○					●			
Independent Outside Director	Kiyoshi Ishii	Chairperson	○		●		●			
Independent Outside Director	Kiyomi Nakamura			Chairperson						●
Independent Outside Director	Akira Fujiyoshi		Chairperson	○	●		●			●
Independent Outside Director	Naoki Matsutake			○				●		●

*1 The skill matrix indicates the specialization, experience, etc. expected of each Director.
 *2 In addition to providing specialization, experience and so forth, all Directors are expected to manage with focus on sustainability.
 *3 Morifumi Wada does not serve concurrently as Executive Officer.

Composition of the Board of Directors



Change in Outside Director Ratio over Time



*Each data point represents the status at the conclusion of the General Meeting of Shareholders for each year.

Evaluation of the Effectiveness of the Board of Directors

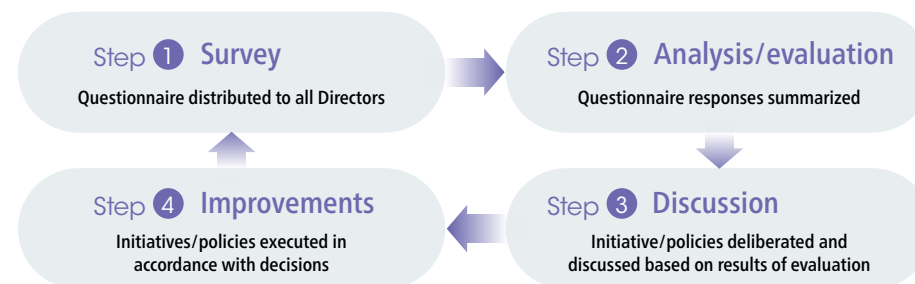
With the aim of obtaining objective confirmation that the Board of Directors is functioning appropriately and being managed effectively, as well as bringing about improvements as required in issues raised, the Company has conducted an analysis and evaluation of the effectiveness of the Board of Directors, an overview of which is presented here.

Evaluation method

All Directors are requested to fill in the questionnaire by using their name and commenting freely.

Main questionnaire items

- (1) Composition of Board of Directors
- (2) Management of Board of Directors
- (3) Status of monitoring/supervision, etc. of Board of Directors



Overview of FY ended Mar. 31, 2023 evaluation of effectiveness

The following findings show that the Board of Directors is functioning appropriately and is fully effective.

- (1) The proportions of Inside and Outside Directors on the Board of Directors as it is currently constituted are appropriate, and there is a good balance of experience and knowledge.
- (2) Improvements are being made to materials for the Board of Directors and to the content of explanations provided, both of which were raised as issues.
- (3) Standardized information on business execution is now provided sufficiently.

Issues outstanding and future initiatives

In order to increase the effectiveness of discussions, we will provide opportunities to provide information and to deliberate agenda items hitherto insufficient, such as information related to production and research sites to which visits have not been possible as a result of COVID-19, and sustainability management initiatives.

Corporate governance initiatives undertaken in the past

2001-2005

- 2001**
 - Complete revision to the Business Code of Conduct
- 2002**
 - Launch of the whistleblower system
- 2003**
 - Compliance Committee established
- 2005**
 - Transitioned to a company structure with committees (now referred to as company with nominating and other committees)

2006-2010

- 2007**
 - Beginning of performance-based pay (stock options)
- 2009**
 - EIKEN WAY established
 - EIKEN ROAD MAP 2009 established
 - Risk Management & Compliance Committee established

2011-2015

- 2015**
 - Basic policy on corporate governance
 - Standards for the Independence of Outside Directors
 - Outside Directors account for majority of Board of Directors
 - Training/facilities inspections provided to Outside Directors

2016-2020

- 2016**
 - Evaluations of the effectiveness of the Board of Directors begin
- 2018**
 - Standards for Nomination of Directors
 - Global Code of Conduct established
- 2019**
 - EIKEN ROAD MAP 2019 established
- 2020**
 - Initiation of discussions between Outside Directors and Executive Officers

2021-

- 2021**
 - Director skill matrix presented
- 2022**
 - EIKEN ROAD MAP 2030 formulated
 - Sustainability Committee established

Executive Remuneration

Basic policy

Eiken Chemical is organized as a company with nominating and other committees. The Company determines remuneration for Directors and Executive Officers on an individual basis in accordance with the resolutions of the Compensation Committee, a majority of whose members are Outside Directors. To incentivize executives to bolster the Company's business results and contribute to shareholder value, the criteria for determining remuneration are decided in consideration of each executive's responsibilities based on factors such as rank and executive duties, the Company's business results, the management environment and industry norms.

The amount of remuneration, etc. paid to executives of the Company in FY2022 was fully discussed and decided at a meeting of the Compensation Committee held on June 17, 2022.

Specific policies

Remuneration for Directors and Executive Officers up to FY2022 consisted of fixed pay, performance-based pay, and share-based remuneration stock options. In FY2023 the Company will introduce "remuneration through transfer-restricted shares" instead of the previous stock options with the objective of aligning the perspectives of Directors (excluding Outside Directors) and Executive Officers with those of shareholders over the long term, and thus raising the awareness of sustainable increases in shareholder value and corporate value.

The specific details are as follows. For Outside Directors, whose position is independent of business performance, pay is not lined to performance and consists of fixed pay only.

Compensation structure (FY2023 onward)

Type	Type	Those eligible			Payment method	Purpose	Overview	Reflects assessment of individual
		Outside Directors	Directors other than Outside Directors	Executive Officers				
Fixed	Fixed pay	●	●	●	Cash	<ul style="list-style-type: none"> Fixed consideration for duties performed 	<ul style="list-style-type: none"> A certain amount paid monthly in accordance with the rank and details of the duties of each Director or Executive Officer 	No
Variable	Performance-based pay	No	No	●	Cash	<ul style="list-style-type: none"> Incentive to achieve sustainable improvements in business results Encourages specific initiatives aimed at rebuilding the business foundation and achieving sustainability targets 	<ul style="list-style-type: none"> Total amount decided through an evaluation of the extent to which targets for consolidated net sales and operating profit have been achieved for the fiscal year in question, of the extent of year-on-year improvement, and of ROE, which is a focus management indicator for the Company Executive Officers are assessed on the extent to which they achieve individual targets set for their areas of responsibility, with additional evaluation criteria that include the extent to which they achieve strategic targets for sustainable growth that cannot be measured in terms of financial performance figures 	Yes
	Remuneration through transfer-restricted shares	No	●	●	Shares	<ul style="list-style-type: none"> Clarification of the link between remuneration, and business results and shareholder value Improvements in corporate value, sharing of the risk/returns experienced by shareholders 	<ul style="list-style-type: none"> Common shares allotted in accordance with the rank of the individual and details of their duties 	No

Evaluation indicators for performance-based pay

Evaluation indicator	FY2021		FY2022	
	Targets	Results	Targets	Results
Consolidated net sales (Million yen)	40,400	42,996	40,000	43,271
Consolidated operating profit (Million yen)	6,370	8,387	4,540	7,457
ROE (%)	11.5	14.3	7.8	12.1

Total amount of remuneration, etc. for FY2022 (based on the compensation structure before changes)

Executive category	Total remuneration (Million yen)	Amount by type of remuneration (Million yen)				Number of executives of each type
		Fixed pay	Performance-based pay	Stock options	Of which non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	26	26	–	–	–	3
Executive Officers	308	115	129	63	63	11
Outside Directors	54	54	–	–	–	6

*1 For the three Executive Officers serving concurrently as Directors, the remuneration amount was categorized into remuneration as Director and remuneration as Executive Officer, before being included in the respective amounts for remuneration.

*2 The amount paid to Executive Officers does not include the portion of employee salary paid to those who work concurrently as employees.

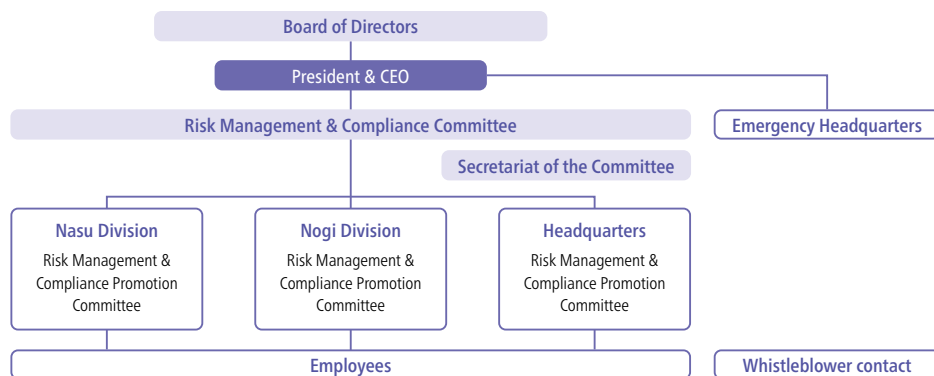
*3 The total amount of non-monetary remuneration for Executive Officers includes ¥63 million in expenses for share-based remuneration stock options.

Compliance/Risk Management

Compliance/risk management structure

The Eiken Group has established a Compliance Policy, Risk Management Policy, and a Eiken Group Global Code of Conduct as a code of behavior based on social norms. A Risk Management & Compliance Committee with members drawn from Executive Officers has been set up, underneath which has been established at each division a Risk Management & Compliance Promotion Committee which promotes compliance activities as well as identifying and managing risks. The Eiken Group has also set up contact points for whistleblower reports to respond to reports from employees and offer advice. In addition, external reports and requests for advice can be sent via the "Contact us" section of the Company's website.

EIKEN CHEMICAL CO., LTD.



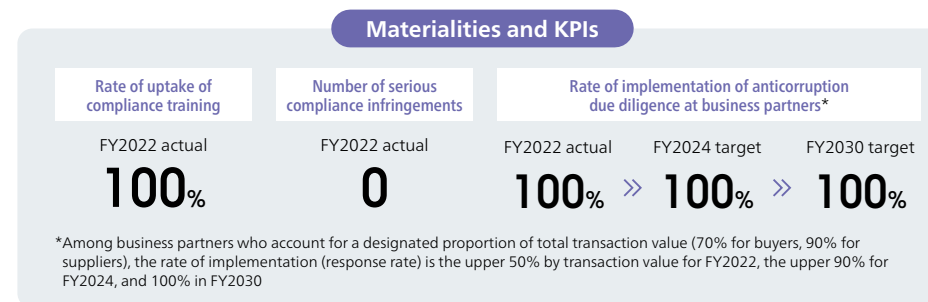
EIKEN CHINA CO., LTD.



For details of other policies related to compliance, please see the Company's website. <https://www.eiken.co.jp/en/sustainability/governance/compliance/>

Basic approach to compliance

Due to our involvement with life and the provision of products and services for protecting the health of people all over the world, the Eiken Group strives to achieve fair and appropriate management and maintain harmony with societal demands through the implementation of compliance activities.




Main initiatives for compliance activities (FY2022 actual)

	Month implemented	Details	Scope
Education and training			
Compliance program	May	Global Code of Conduct (human rights) Whistleblower system	All employees
	July	Pharmaceutical regulations (compliance with laws and regulations/domestic applications, etc.)	All employees/ Relevant departments
	August	knowledge of overseas legal systems/contracts	Relevant departments
	October	Fair competition rules	Relevant departments
	November	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	Relevant departments
	December	Harassment prevention	All employees
	January	Information management	All employees
General	As required	Training for newly joined employees/mid-career hires	Newly joined employees
	April-June	Regular checking of regulations	Department responsible
Other			
Raising awareness/ disseminating	Monthly	Issuing of "Compliance Newsletter"	
	April	Issuing of materials, etc. to explain compliance policy	
Monitoring/surveying	August	Employee satisfaction surveys	All employees
	November	Compliance awareness surveys	All employees

Compliance/Risk Management

Basic approach to risk management

By accurately recognizing, assessing and coping with the risks that can impede the enforcement of management philosophy or the improvement in the corporate value, the Eiken Group fulfills the social responsibility as a company, and implement strengthening and improvement of its corporate governance system.

 For details of other policies related to risk management, please see the Company's website.
https://www.eiken.co.jp/en/sustainability/governance/risk_management/

Materialities and KPIs

Number of BCP (Business Continuity Plan) training sessions

FY2022 actual* FY2024 target FY2030 target

1 >> **1** >> **2**

*Division power failure response training

Number of information security management training sessions

FY2022 actual* FY2024 target FY2030 target

5 >> **3** >> **4**

*Information management training sessions, 2 targeted email attack training sessions, and 2 safety confirmation system training sessions

Main business risks that could affect financial position or operating results

Item	Hypothetical risks	Response
Overseas operations	<ul style="list-style-type: none"> Delays in regulatory approval or delays, interruptions, or suspensions of colorectal cancer screening programs caused by changes in the economy and business conditions of countries or regions, pandemics, geopolitical risks, and other factors Delays in recovering investments in EIKEN CHINA CO., LTD., which is the overseas consolidated subsidiary of the Company, due to changes in the market environment and delays in the progress of the business, etc. 	In addition to gathering and analyzing information about the global market (primarily through the Overseas Planning and Sales Office) in order to plan, draft proposals, and promote business in such a way as to reflect the trends in various countries, the Eiken Group works to strengthen its global expansion through such measures as selection of appropriate sales agents. EIKEN CHINA CO., LTD. plays the central role in the Chinese business, and with support from Eiken's Chinese Business Division it works to plan, draft proposals for, and promote the business in order to improve operating results.
New businesses, products, and technologies	<ul style="list-style-type: none"> Delays in recovering investments and loss of opportunities for commercialization caused by delays or interruptions to research and development Weak sales resulting from mismatches, etc. caused by changing market trends 	The Eiken Group seeks to strengthen its planning and development of new businesses, products, and technologies based on medical needs and from a medium- to long-term perspective. To this end it has established strategies to address changes in the business environment in the EIKEN ROAD MAP 2030 and the Medium-Term Management Plan, and is strategically promoting new products and technologies, the progress of which is managed by the Management Meeting, the Board of Directors, and other entities.
Medical systems and pharmaceutical regulations, etc.	<ul style="list-style-type: none"> Impact on product prices and on the ways in which products are used, caused by changes in the medical systems and pharmaceutical regulations in various countries 	The Eiken Group sells its products in accordance with the pharmaceutical regulations, etc. of each country or region, makes efforts to quickly identify trends in the respective medical systems and pharmaceutical regulations, and seeks to respond appropriately and in a timely manner.
Stable supply of products	<ul style="list-style-type: none"> Damage to the plants or facilities of the Eiken Group or its suppliers caused by natural disasters such as a large-scale earthquake, wind or water damage, or major accidents such as fire Long-term suspension of operations caused by pandemics or geopolitical risks 	In addition to securing safe inventories of products in order to avoid such risks, the Eiken Group takes other measures such as procuring from multiple sources, in addition to which it has drawn up business continuity plans and works continuously to improve its ability to respond to such situations. The Company has also obtained certification as an Organization Contributing to National Resilience (Resilience Certification) from the Cabinet Secretariat National Resilience Promotion Office.
IT systems	<ul style="list-style-type: none"> Delays in responding to information technology innovation System failures/communication failures caused by accidents, etc. Failures or information leaks, etc. caused by computer viruses 	The Eiken Group has introduced various IT systems to enhance operational efficiency, and is working to improve its business processes. In addition to putting appropriate cyber security countermeasures in place, it has introduced measures to prevent leaks of information caused by carelessness through the implementation of a variety of educational and training programs, such as drills for responding to targeted email attacks.

Executives (Directors, Executive Officers) (As of June 27, 2023)

Director



Member of the Audit Committee

Morifumi Wada

Chairman and Director

1978 Joined the Company
2006 Executive Officer of the Company
2007 General Manager, Nogi Plant, and General Manager, Togane Plant, Production Division of the Company
2011 Vice President and Executive Officer of the Company
2012 General Manager, Sales Division of the Company
2014 President and CEO of the Company
2021 Chairman and CEO of the Company
2022 Chairman and Director of the Company (to present)
2023 Outside Director of ORGANO CORPORATION (to present)



Member of the Compensation Committee, Member of the Nominating Committee

Tsugunori Notomi

Director, President & CEO

1981 Joined the Company
2009 General Manager, Biochemical Research Laboratory, R&D Division of the Company
2018 General Manager, R&D Division of the Company
2020 General Manager, R&D Division, and General Manager, Production Division of the Company
2021 President & CEO of the Company (to present)



Hajime Watari

Director, Senior Vice President and Executive Officer

1985 Joined the Company
2013 General Manager, Strategic Planning & Business Development Department, Corporate Strategy Office of the Company
2014 General Manager, Overseas Sales Office, Sales Division of the Company
2015 Executive Officer of the Company
2016 General Manager, Global Sales & Business Development Division of the Company
2020 General Manager, Business Management Division, and General Manager, Global Business Division of the Company
2021 Vice President and Executive Officer of the Company
2022 Senior Vice President and Executive Officer of the Company (to present)



Outside Independent Member of the Compensation Committee, Member of the Nominating Committee

Yukiya Hakozaiki

Director

1983 Japan Self Defense Forces Fuji Hospital
1987 Medical Director Gastroenterological Medicine, Japan Self Defense Forces Central Hospital
1997 Section Chief, Research and Examination Department, General Manager, Endoscope Office, Japan Self Defense Forces Central Hospital
2000 Director, First Section, Department of Internal Medicine and Chief of Health Care Center, JSDF Hanshin Hospital
2004 Medical officer, Overseas and Directing Department, JGSDF Western Army
2006 Head, Internal Medicine, First Section, Self Defense Forces Central Hospital (Medical treatment secretary)
2014 Retired
2015 Outside Director of the Company (to present)
2017 Visiting Professor, Tokyo Metropolitan University (to present)
2021 Advisor, Medical corporation Reiju medock General Examination Clinic

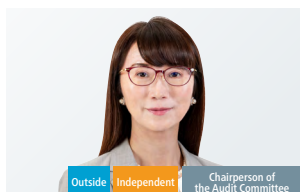


Outside Independent Chairperson of the Nominating Committee, Member of the Compensation Committee

Kiyoshi Ishii

Director

1977 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)
2005 Associate Director, Division Director, Defense System Business Division, Aero Engine & Space Business Headquarters, Ishikawajima-Harima Heavy Industries, Co., Ltd.
2007 Executive Officer, Vice President, Aero Engine & Space Business Headquarters, and Division Director, Defense System Business Division, Ishikawajima-Harima Heavy Industries Co., Ltd.
2008 Senior Managing Director, Ai Eichi Ai AEROSPACE Co., Ltd. (currently IHI AEROSPACE Co., Ltd.)
2012 Chairman, IHI AEROSPACE Co., Ltd. (part-time) President, and Chief Executive Officer, MEISEI ELECTRIC CO., LTD.
2019 Outside Director of the Company (to present)
2020 Outside Director, Kyowa Seiki Co., Ltd. (to present)



Outside Independent Chairperson of the Audit Committee

Kiyomi Nakamura

Director

1998 Registered as attorney-at-law
Joined Takao Ono Law Office (currently ONO SOGO LEGAL PROFESSION CORPORATION)
2008 Partner, Akitoshi Ishimoto Law Office
2019 Outside Director of the Company (to present)
2020 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (to present)
2022 Partner, HORIZON LAW OFFICE (to present)



Outside Independent Chairperson of the Compensation Committee, Member of the Audit Committee

Akira Fujiyoshi

Director

1976 Joined Eisai Co., Ltd. (R&D)
1988 Seconded to Eisai America, Inc., U.S. subsidiary of Eisai Co., Ltd.
1997 Seconded to Eisai Research Institute of Boston Inc., U.S. subsidiary of Eisai Co., Ltd.
2000 General Manager, Planning Group, Research and Development Planning Department of Eisai Co., Ltd.
2003 General Manager, IR Group, Public Relations Department of Eisai Co., Ltd.
2006 Corporate Officer in charge of Corporate Communications and IR of Eisai Co., Ltd.
2009 Director, Member of the Audit Committee of Eisai Co., Ltd.
2014 Adviser of Eisai Co., Ltd.
2017 Independent Director, SEMBA CORPORATION
2019 External Auditor & Supervisor, Heartseed Inc. (to present)
2020 Outside Director of the Company (to present)



Outside Independent Member of the Audit Committee

Naoki Matsutake

Director

1987 Registered as Certified Public Accountant
1993 Representative Director, Kazu Corporation Co., Ltd. (to present)
2003 Corporate Auditor, BP Castrol K.K.
2016 Outside Director (Audit and Supervisory Committee Member), BP Castrol K.K. (to present)
2023 Outside Director of the Company (to present)

Executive Officer

President & CEO

Tsugunori Notomi

Senior Vice President and Executive Officer

Hajime Watari

General Manager, Business Management Division

Vice President and Executive Officer

Naomichi Harada

General Manager, Sales Division

Hidetoshi Kanda

General Manager, R&D Division and General Manager, Fundamental Research Laboratory, R&D Division

Executive Officer

Shinya Sadamoto

General Manager, President's Office

Michitoshi Doi

General Manager, Production Division and General Manager, Production Management Office

Tetsuya Takahashi

General Manager, Sales Promotion Office, Sales Division

Yasuyoshi Mori

General Manager, Overseas Planning and Sales Office and General Manager, Chinese Business Division, Sales Division

Yuji Segawa

General Manager, Marketing Office, Sales Division

Hiroyasu Furuhashi

General Manager, Nogi Plant, Production Division and General Manager, Quality Assurance Office

Messages from Outside Directors

Chairperson of the Nominating Committee



As we work to achieve the EIKEN ROAD MAP 2030, we are making every effort to enhance corporate governance, which is the foundation of sustainable growth.

Kiyoshi Ishii

Chairperson of the Nominating Committee

Roles and views of the committee

The Nominating Committee consists of two Outside Directors and one Inside Director, for a total of three members, with Outside Director Kiyoshi Ishii serving as Chairperson. The Nominating Committee determines the content of proposals for the election and dismissal of Directors to be submitted to the General Meeting of Shareholders, based on the Standards for Nomination of Directors.

Outside Directors who are independent from business execution account for the majority of all Directors, and it is important to continue selecting appropriate Outside Directors going forward. When selecting candidates for Outside Director, we consider which individuals to select to ensure that the composition of Directors is balanced by taking neutrality and independence

fully into account, and by creating a skill matrix so that the Board of Directors can perform its supervisory function with access to diverse perspectives. With regard to the election or dismissal of the Chief Executive Officer, candidates are considered in advance by the Nominating Committee, and the results are put on the agenda of the Board of Directors. The provision of supervision and advice in selecting and developing a successor to the Chief Executive Officer has also been designated as an important mission of the Nominating Committee going forward. Through the activities described above, the Nominating Committee will strive to enhance corporate governance, which is the foundation of the sustainable growth of the Company.

Activities and outcomes in FY2022, and prospects and aspirations going forward

The Nominating Committee met seven times in FY2022, and the main outcomes of its activities were as follows.

The committee simulated the future appointment and retirement of Outside Directors, and based on the results, the committee partially revised the internal rules regarding the retirement age and term of office of Outside Directors, from the viewpoint of continuity of the Board of Directors and securing human resources. After confirming that there are no issues with the independence and neutrality of the candidate for new Outside Director and four candidates for reelection as Outside Directors for FY ending Mar. 31, 2024, and that they are well-balanced in terms of the skill matrix, the committee decided eight candidates for the Board of Directors, including the reelection of three Inside Directors. In addition to putting a candidate for Chief Executive Officer on the agenda of the Board of Directors, we exchanged opinions with the Board of Directors and the Chief Executive Officer regarding the selection and training of successor candidates for Chief Executive Officer.

With the objective of achieving further growth, the Company announced the EIKEN ROAD MAP 2030 in April 2022. Ultimately, it is people who will turn this plan into reality. We recognize that the most important element in achieving growth is the nurturing not only of a future Chief Executive Officer but also of a top management team that can drive this plan forward. However, due to the Company's past recruitment practices the composition by age is skewed, and I believe it will be important to discover personnel for management from among the mid-level and younger employee groups, which are relatively large. Also, as we have been focusing on nurturing highly specialized talents, I feel that there continue to be few educational opportunities for management personnel. Taking these issues into account, the Nominating Committee will actively supervise and offer advice on the development of the top management team through the use of educational activities, systematic rotation, and other measures.

Messages from Outside Directors

Chairperson of the Audit Committee



In order to enhance corporate value and justify the trust of society, we will forge ahead with audits to achieve even more robust governance.

Kiyomi Nakamura

Chairperson of the Audit Committee

Roles and views of the committee

The Audit Committee consists of three Outside Directors (one of which is a holder of a Certified Public Accountant qualification) and one Inside Director, for a total of four members. The committee determines matters related to basic policy and execution plans for audits, as well as the content of proposals and other matters related to the election or dismissal of the Accounting Auditor, or the non-reappointment of the Accounting Auditor, for submission to the General Meeting of Shareholders. In order to ensure the proper conduct of the operations by the Eiken Group, which is formed of the Company and its subsidiary, the Audit Committee also supervises the

internal control systems of each company and responds to related issues as appropriate. Members of the Audit Committee attend important meetings such as those of the Board of Directors in order to maintain an understanding of the state of business execution, and express their opinions as necessary. In addition, at Joint Audit Meetings (held four times in FY2022), it received reports from various departments to ensure the effectiveness of auditing. In order to assist in the duties of the Audit Committee, the Audit Committee Secretariat has been established, the work of which is performed by three individuals from the Internal Audit Department.

Activities and outcomes in FY2022, and prospects and aspirations going forward

The Audit Committee met seven times in FY2022. We confirmed that governance and risk management are functioning properly by receiving regular reports from the Business Management Division, Production Division, quality control departments, and other departments in accordance with the Joint Audit Meeting Rules, as well as through quarterly opinion exchanges with the Chief Executive Officer and information exchange with the Accounting Auditor.

In addition to verifying the economic rationale for important investment projects with the Internal Audit Department, which serves as the secretariat to the Audit Committee, we audited the development and operation of internal control systems, and conducted business audits. The Audit Committee also investigated and analyzed risks surrounding the business environment, shared information with executive departments and the Board of Directors, and endeavored to strengthen governance by confirming a system to respond immediately to the emergence of risks.

Going forward, the Audit Committee will continue to work in cooperation with the Internal Audit Department and the Accounting Auditor to further increase the effectiveness of audits and to improve the audit system, thus justifying the trust placed in us by society, and enhancing corporate value. Committee members will also continue to attend important meetings and express opinions as required, in order to maintain their understanding of the status of business execution, as well as ensuring the effectiveness of audits by receiving reports from various divisions at Joint Audit Meetings, and continuing to forge ahead with audits to achieve even more robust governance.

In order to advocate more vigorous governance as the Eiken Group seeks to move forward with global management, we believe we should strengthen the system from a global perspective, conducting audits that involve closer cooperation and enhanced information sharing between the Audit Committee and overseas divisions.

Messages from Outside Directors

Chairperson of the Compensation Committee



The committee will continuously work on improvements aimed at achieving the management framework “EIKEN ROAD MAP 2030” and the Medium-Term Management Plan.

Akira Fujiyoshi

Chairperson of the Compensation Committee

Roles and views of the committee

The Compensation Committee consists of two Outside Directors and one Inside Director, for a total of three members, with an Outside Director serving as Chairperson. The committee determines policies for remuneration of Directors and Executive Officers, as well as individual remuneration.

The committee decides Executive Officer remuneration, with the focus to incentivize them to bolster the Company's business results and further improvement to shareholder value, in consideration of each executive's level and responsibilities, the Company's business results, the management environment and social standards. The current remuneration structure for Executive Officers consists of fixed pay, performance-based pay, and stock options, while Outside Directors receive only fixed pay. The business environment in which the Company operates has become increasingly difficult due to the transformation of social activities resulting from the spread of COVID-19, and

the human resources that will be the driving force to overcome these challenges and achieve continuous growth are becoming increasingly important. The committee recognizes that there is a constant need to develop candidates for the next generation of Executive Officers and to make the executive remuneration structure attractive among competitive human resources market.

From FY2023 onward, the committee will make continuous improvements in remuneration structure to make it more competitive and to encourage Executives' proactive efforts in changing Company's business by fair evaluation of their achievements. The Company has been engaging with sustainability management more closely since FY2021. We will also consider appropriately reflecting in remuneration the results of activities aimed at achieving sustainability management targets.

Activities and outcomes in FY2022, and prospects and aspirations going forward

In FY2022, the Compensation Committee met nine times and focused on two key themes.

a Changing from stock options to restricted stock

The committee has been continuously investigating better remuneration structures for aligning Executive Officers' perspective with that of shareholders on raising share price and corporate value other than under the stock option plan, and has resolved to replace the stock options with restricted stock. The change is in effect from FY2023.

b Improvements to setting objectives of Executive Officers and evaluation process

The committee believe that the objectives set by the Executive Officers should not be limited to those to be achieved in a

single fiscal year, but should be objectives for the realization of the management framework “EIKEN ROAD MAP 2030” and the achievement of the Medium-Term Management Plan. Therefore, the committee decided to clarify medium- and long-term objectives, predominantly focused on necessary reform in operation, that should be addressed by Executive Officers. With regard to evaluations, the committee has put in place a process for determining performance-based pay, whereby evaluations by the Board of Directors will be conducted in addition to self-assessments by Executive Officers. The final assessment is made by the Compensation Committee. The revisions are intended to raise the motivation of Executive Officers to work toward medium- to long-term reforms and to provide rewards based on the results of their efforts.