

## Sustainable Management

---

Message from the Executive Director in charge of Sustainability.....	11
Sustainable Management.....	12
Important Issues (Materiality) .....	16
Implementing Responsible Care .....	21
Human Resources Management.....	25
Stakeholder Engagement.....	27
Participation in External Initiatives.....	29



## Message from the Executive Director in charge of Sustainability

In April 2022, the Nippon Kayaku Group established its Basic Policy on Sustainable Management. Through a combination of efforts in our businesses activities and initiatives relating to materialities under **KV25**, which combine five key company-wide material issues with supplementary key sustainability issues, we engage in sustainable management to create environmental, social and economic value.

In order to integrate our sustainability efforts with our business activities, we established the Sustainable Management Meeting under the direct supervision of the Board of Directors. The Meeting deliberates and reports on important matters relating to the general sustainability of the company, society, and the environment, together with important matters relating to business activities, and implements sustainable management throughout the Group.

With regard to addressing climate change, which is one of our company-wide material issues, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in 2022, analyzed scenarios in each business unit and disclosed the results in our integrated report and on our sustainability website. By strengthening our efforts to reduce environmental impact and disclose information, we improved our evaluation score in the CDP Climate Change Report from the previous year's B score to an A- score.

With regard to human resource management, in 2023 we established policies on human resource development and improving our internal environment. Based on these policies, we will work to build a human resource development system that encourages the autonomous growth of each employee and supports the creation of diverse careers in line with the wishes of Individual employees; and create an internal environment that ensures diversity and fosters a comfortable and rewarding work culture, where employees can work actively, with enthusiasm and motivation.

With regard to human rights initiatives, in 2022 we established the Nippon Kayaku Group Human Rights Policy, which we have translated into English, Chinese, Spanish, Malay, and Czech, and are working to share with all Group executives and employees. In line with the United Nations Guiding Principles on Business and Human Rights, we will enhance our process for identifying, preventing, mitigating, and correcting adverse impacts on human rights, and fulfill our responsibility of respect for human rights.

Going forward, we will continue to contribute to the creation of a sustainable society through our business activities, practice sustainable management worthy of the trust placed in us by all of our stakeholders, and link this to the improvement of corporate value.



Member of the Board  
Senior Managing Director  
Yoshitsugu Ishida

# Sustainable Management

## Policy and Basic Approach

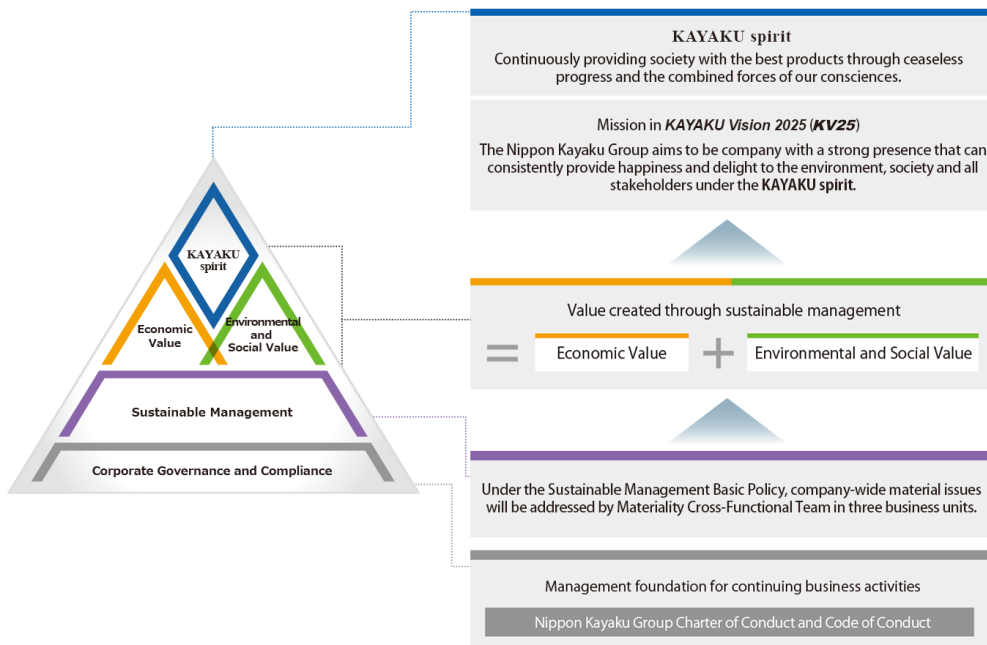
### Basic Policy on Sustainable Management

Under its corporate vision, the **KAYAKU spirit**, the Nippon Kayaku Group will practice sustainable management that responds to the trust placed in it by all of its stakeholders, by ensuring transparency and fairness in management and contributing to the creation of a sustainable environment and society through its business activities.

(**KAYAKU spirit**: Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.)

### The KAYAKU spirit and Sustainable Management

The Nippon Kayaku Group's Corporate Vision is embodied by the **KAYAKU spirit**: "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Under the **KAYAKU spirit**, we aim to create environmental, social and economic value by engaging in sustainable management, create a sustainable society, and increase our corporate value. As a standard of conduct to realize the **KAYAKU spirit**, we have established a Nippon Kayaku Group Charter of Conduct and Code of Conduct. In all of our corporate activities, we respect fundamental human rights, comply with laws and regulations, engage in fair business activities and respond to the trust of all stakeholders.



### ◆ Origin of the KAYAKU spirit

Founded 1916

Company credo established 1962

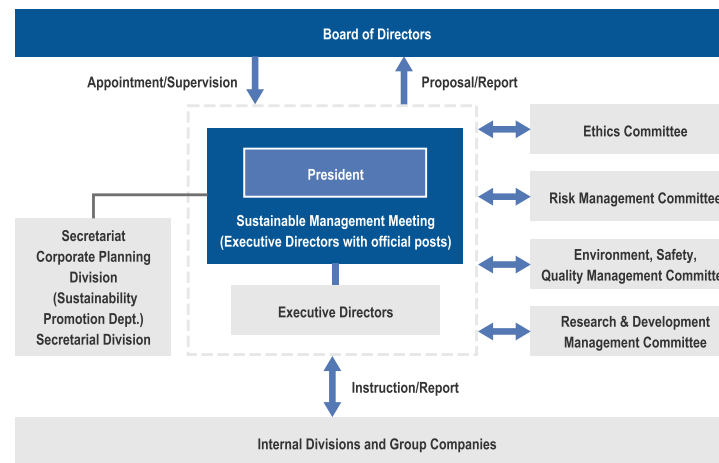
Yasusaburo Hara—our third president, who was involved in the Group's management for many years—established the company credo in 1962, with the desire to convey the important ideas that should be shared by all officers and employees in an easily understandable manner. This is the origin of the **KAYAKU spirit**.



Company credo : The combined forces of our consciences , Ceaseless progress , The best products

### System

The Nippon Kayaku Group has created a Sustainable Management Meeting, chaired by the President under the direct supervision of the Board of Directors 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. Agenda items are approved by the Sustainable Management Meeting before discussion and reporting at 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.



## Medium-term Business Plan and Sustainable Management



### Mission in *KAYAKU Vision 2025 (KV25)*

The Nippon Kayaku Group aims to be a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**.

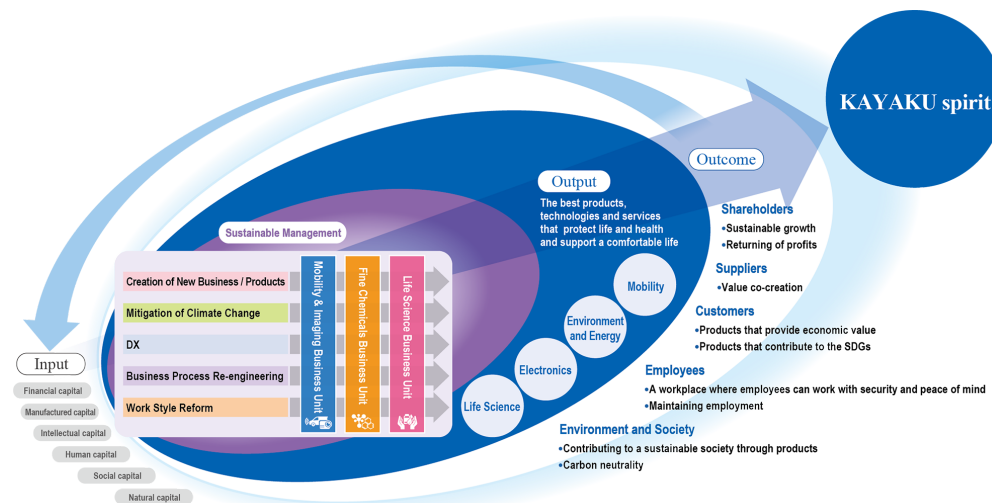
The new Medium-term Business Plan, **KAYAKU Vision 2025 (KV25)**, is positioned as a strategy for implementing sustainable management. Through the activities of our three business units and KV25 Materiality initiatives, we will contribute to the creation of a sustainable society by creating economic, environmental and social value.

### Basic Strategies of the *KAYAKU Vision 2025*

<b>Implement sustainable management</b>	Provide economic, environmental and social value and contribute to solving social issues by implementing a value creation process
<b>Prioritize allocation of management resources based on our business portfolio</b>	Prioritize the allocation of management resources to products that are expected to grow in our three business units (Mobility & Imaging, Fine Chemicals and Life Science)
<b>Group-wide, cross-functional team addressing important issues (materiality)</b>	Achieve sustainable growth as a group-wide, Materiality Cross-Functional Team (M-CFT) engaging in initiatives relating to materialities (Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering, and Work Style Reform).
<b>Strengthening the management base</b>	<ul style="list-style-type: none"> <li>Ensuring safety</li> <li>Improving the quality of products and services</li> <li>Ensuring compliance</li> <li>Strengthening governance</li> </ul>

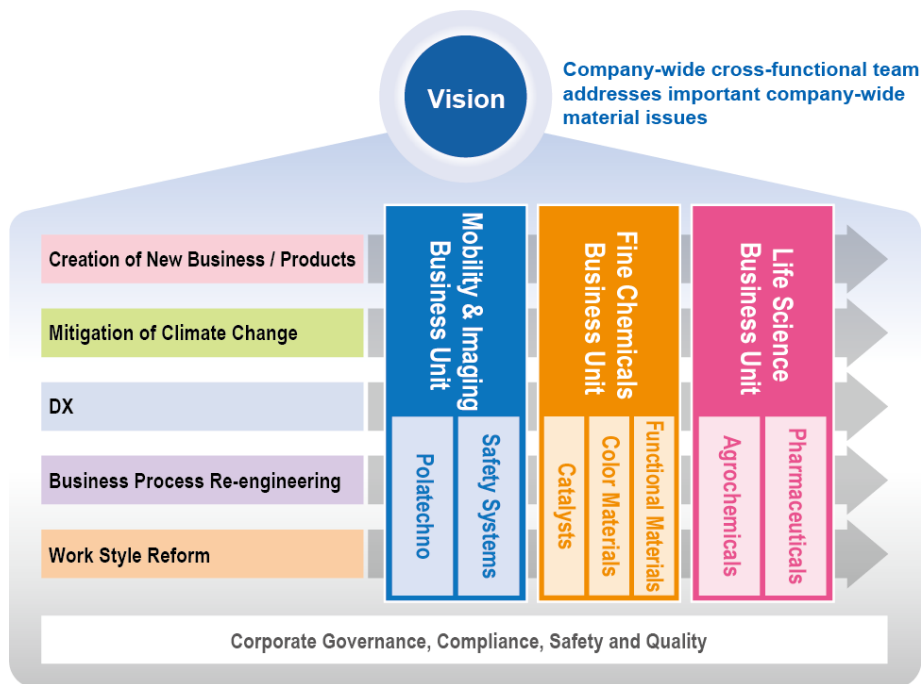
## Nippon Kayaku Group's Value Creation Process

KV25 uses six forms of capital as inputs to implement sustainable management through the integration of the Group's three business units and M-CFT, to provide society with the best products, technologies, and services in four key fields: Mobility, Environment and Energy, Electronics, and Life Science. We aim to increase corporate value continuously by delivering economic, environmental and social value to all stakeholders.



## Important Company-wide Material Issues (Materiality) for Achieving Our Mission

The foundations for all of the Nippon Kayaku Group's business activities are corporate governance, compliance, safety and quality. **KV25** focuses on initiatives in five company-wide material issues: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering, and Work Style Reform, as a group-wide cross-functional project. By integrating the activities of the Group's three business units and the M-CFT, we will create synergy effects and realize our mission for the Nippon Kayaku Group.



## Instilling within the Company

To deepen employees' understanding of our corporate vision and policies on sustainable management and to instill those ideas Companywide, the Nippon Kayaku Group utilizes various opportunities and communication tools, such as the Nippon Kayaku Group Corporate Strategy Meeting and Medium-term Management Strategy Meeting, collective training such as training for new employees and training for newly appointed managers, e-learning, and internal newsletters. In FY2022, to coincide with the start of the new Medium-term Business Plan **KAYAKU Vision 2025**, we prepared an explanatory booklet detailing our corporate vision, sustainable management, the Medium-term Business Plan and the Nippon Kayaku Group Human Rights Policy. We also produced carry cards and noticeboard displays stating the corporate vision and mission of the Nippon Kayaku Group. We engage in awareness raising activities so that employees can always check this information, making decisions and acting in ways that reflect the corporate vision and mission.

The explanatory booklets, carry cards and noticeboard displays have been translated into the six languages of the countries where we maintain manufacturing sites (Japanese, English, Chinese, Spanish, Malay and Czech), and have been distributing to all executives and employees of the Nippon Kayaku Group.

We aim to achieve a sense of unity in group management by sharing our corporate vision and sustainable management policies among Group employees working in manufacturing, development, sales and management in various positions around the world.



Explanatory booklet

### Noticeboard Displays

Japanese

English

Chinese

Spanish

Malay

Czech

List of Awareness Raising Activities and Training Programs

Name of training program	Main themes covered	Main target	FY	Training format	Frequency (Times)	Attendance rate
Sustainability training	Corporate Vision, Basic Policy on Sustainable Management, Corporate value creation process, <b>KVZ5</b> Materiality, ESG evaluation by external organizations, Mitigation of Climate Change, Respecting Human Rights	Executives and employees (including contract employees and part-time employees), temporary employees	2022	e-learning	5	Average of 84%
Sustainability training (formerly CSR training)	Corporate Vision, GRI standards, stakeholders, sustainability, Mitigation of Climate Change, Respecting Human Rights	Executives and employees (including contract employees and part-time employees), temporary employees	2021	e-learning	7	Average of 82%
New employee training*	Sustainable Management of the Nippon Kayaku Group, Mitigation of Climate Change, Respecting Human Rights	New employee	2022	Group training	1	100%
Newly appointed manager training*	Sustainable Management of the Nippon Kayaku Group, Mitigation of Climate Change, Respecting Human Rights	Newly appointed managers	2022	Group training	2	100%

\* Held annually

KAYAKU spirit Promotion Efforts Using Kayakuma the Bear

We have created a mascot character called Kayakuma the Bear, to make **KAYAKU spirit** a concept that is more familiar to all Nippon Kayaku Group employees around the world. This character appears in the section of our internal newsletter where we introduce our sustainability activities and exemplary activities for implementing our corporate vision, using visual depictions that are easy to understand for all audiences. The mascot has also been incorporated into our daily stationery, including memo pads and clear file folders, and even the designs of our conference rooms. This ensures our employees are always aware of Kayakuma the Bear, and in touch with our corporate vision in all aspects of their work. We have filed for a trademark for Kayakuma the Bear and utilize the character widely as a symbol of the Nippon Kayaku Group in newspaper ads and on novelty items at company events such as factory festivals.

> [Kayakuma's Room](#)



Kayakuma the Bear, a mascot character



Conference room and employee locker

The SDGs and the KAYAKU spirit

The SDGs are a set of 17 social, economic and environmental goals to be addressed by various bodies, organizations and entities by FY2030, adopted unanimously by UN member states with the goal of building a sustainable world.

The philosophy of the SDGs is synonymous with the Nippon Kayaku Group's corporate vision of continuously providing society with the best products through ceaseless progress and the combined forces of our consciences, and we believe that corporate activities for the realization of the **KAYAKU spirit** are consistent with the actualization of the SDGs, although the scale and targets are different from those of the United Nations.

The Nippon Kayaku Group's Sustainability Action Plan utilizes the SDG Compass to link each key sustainability issue (materiality) with one or more of the 17 SDGs.

Going forward, the Nippon Kayaku Group will continue working to generate environmental, social and economic value, create a sustainable society, increase its corporate value, and contribute to the achievement of the SDGs.

SUSTAINABLE DEVELOPMENT GOALS



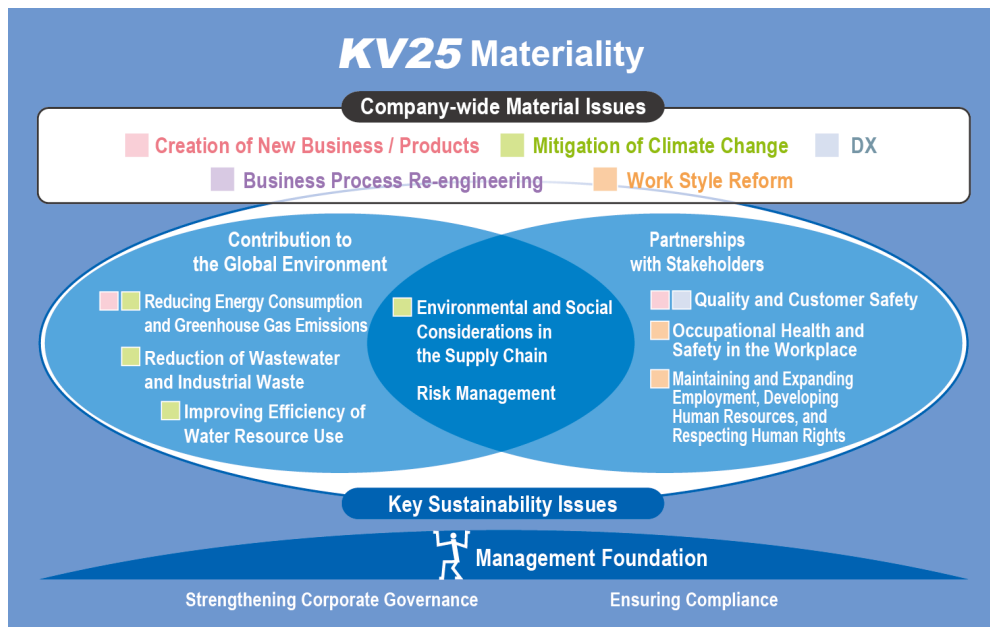
## Important Issues (Materiality)

### KV25 Materiality

In order to realize its mission of being a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**, the Nippon Kayaku Group has analyzed disparities between its goals and the current situation and identified five key company-wide material issues (materiality) to be addressed as priorities: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform.

We have also appropriately identified key themes faced by the Group in implementing sustainable management, from both internal and external perspectives, defined them as key sustainability issues (materiality), and formulated a Sustainability Action Plan linked to our business activities.

**KV25** places top priority on addressing these company-wide material issues and the key sustainability issues that supplement them, to contribute to the creation of a sustainable environment and society based on our Basic Policy on Sustainable Management. **KV25** Materiality is a generic term combining these company-wide material issues and key sustainability issues.



\* The "■" symbol in front of each key sustainability issue indicates that initiatives addressing company-wide material issues also link to initiatives addressing sustainability-related issues.

### Company-wide Material Issues Initiatives

In order to realize its mission, the Nippon Kayaku Group analyzed disparities between its goals and the current situation and identified five key issues that should be prioritized in company-wide cross-organizational projects, as company-wide material issues: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform. Our Materiality Cross-Functional Team (M-CFT), composed of members selected from multiple divisions, is working to instill awareness of initiatives addressing company-wide material issues and speed up the resolution of each issue.

Company-wide material issues	Initiatives
Creation of New Business and Products	Creation of New Business and Products Team will collaborate with our three business units to create new businesses and products in the four fields of Mobility, Environment & Energy, Electronics, and Life Science, transcending the boundaries of existing organizational units and contributing to the realization of our mission.
Mitigation of Climate Change	We will work to prevent global warming—such as the reduction of greenhouse gases emissions—and achieve carbon neutrality, and make united efforts with each plant and research institute to combat climate change risks.
DX	Our current goals are to drive DX (digital transformation) throughout the Group, increase sales through process transformation, and expand our businesses by reducing costs. Specifically, we will work to achieve DX in the areas of (1) IT education and awareness reform, (2) strengthening IT infrastructure through ERP and IT infrastructure restructuring, etc., (3) R&D, production, sales/marketing and management business processes.
Business Process Re-engineering	We will work to improve our asset efficiency and earning power by reviewing our group business management, business operation / control (management) and cost control methods, and by improving work efficiency and productivity through A3 (KAIZEN)* activities aimed at business process improvement—to eliminate all kinds of waste—and cost reduction.
Work Style Reform	We will work to implement workstyle reforms and personnel system reforms to enable every employee to work energetically and increase employee engagement, with the aim of being a good, strong, energetic company.

\* A3 activities (KAIZEN): Awareness reform activities—based on awareness of reducing costs—designed to develop individual and organizational strengths (skills and expertise) and autonomy, to make the Nippon Kayaku Group an energetic company.

## Method for Identifying Key Sustainability Issues

To appropriately grasp issues facing the Nippon Kayaku Group from both internal and external perspectives and respond to the expectations and demands of stakeholders, the Group identified key medium-term CSR issues in 2019.

To coincide with the start of the new Medium-term Business Plan—**KAYAKU Vision 2025**—and the shift from CSR management to sustainable management, in April 2022, we changed the term "key CSR issues" to "key sustainability issues" and reviewed them in order to appropriately respond to the diversification of our business activities and various changes in social issues.

**STEP 1**

Recognition of themes

- We identified themes based on those identified in the GRI Standards on requirements demanded by our diversifying society, with the addition of the Group's previous key sustainability issues (**KAYAKU Next Stage** Medium-term Business Plan Key CSR Issues).

**STEP 2**

Creating point scores from internal and external opinions

- A. Point scores from external assessments  
Industry-specific assessment standards for the Company from multiple international assessment bodies promoting responsible investment and SASB\* industry-specific requirements were linked to key themes and converted into point scores as external evaluations.
- B. Point scores from internal assessments  
The key themes of the Medium-term Business Plan for each internal business division and corporate division were linked to key themes and converted into point scores as internal evaluations.

\* SASB: Sustainability Accounting Standards Board. A US-based non-profit organization that formulates and publishes industry-specific sustainability disclosure standards.

**STEP 3**

Mapping materialities

- The themes "strengthening corporate governance" and "thorough compliance" were identified as the most important issues for corporate survival, while other themes were mapped as materialities based on point-scored internal and external evaluations. Threshold values were added to a point-based map, with themes exceeding those values identified as materialities.

**STEP 4**

Validation and approval

- The methods used for identifying materialities and results obtained were reviewed by the Sustainable Management Committee—one of the Company's decision-making bodies—while at the same time incorporating the opinions of experts in the field of sustainability, and approved after two sessions of discussions.

## Key Sustainability Issues Initiatives and KPIs

The Nippon Kayaku Group has formulated a Sustainability Action Plan linking its business activities with the identified key sustainability issues. We also utilize the SDG Compass to link each materiality with one or more of the 17 SDGs. By implementing initiatives to achieve the KPIs in the Sustainability Action Plan, we will contribute to the achievement of the SDGs and the creation of a sustainable society.

### Key Sustainability Issues

We have classified our key sustainability issues into three categories—most important issues for corporate survival, most important issues, and important issues—and established action plans for each issue.





## Sustainability Action Plan

The Nippon Kayaku Group's Sustainability Action Plan utilizes the SDG Compass to link each key issue (materiality) with one or more of the 17 SDGs. By managing and disclosing the progress of KPIs every year and implementing sustainability activities, the Group aims to create environmental, social and economic value, help to achieve the SDGs (i.e., to create a sustainable society) and increase corporate value.

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Most important issues for corporate survival	Ensuring Compliance		<ul style="list-style-type: none"> <li>Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations</li> <li>Maintain and enhance an open corporate culture with a high sense of ethics</li> </ul>	Number of serious compliance violations <sup>*1</sup>	0	0	<ul style="list-style-type: none"> <li>No significant compliance violations</li> <li>Compliance training incorporates the theme of psychological safety in the workplace and was conducted at all Group companies in Japan</li> <li>As a result of checking all Group companies for the presence of internal reporting services, external reporting services and the establishment of regulations, we determined that reporting services had not been established at three overseas Group companies</li> </ul>
				Compliance training rate	100%	97%	
				Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	
Strengthening Corporate Governance			<ul style="list-style-type: none"> <li>Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner</li> </ul>	Number of times that the effectiveness of the Board of Directors meetings is evaluated	Once per year	Once	<ul style="list-style-type: none"> <li>Conducted a questionnaire about assessment on the effectiveness of the Board of Directors, ascertained the current situation, identified issues, and formulated measures under an action plan. Improvements underway.</li> <li>Enhanced timely disclosure information, Corporate Governance Report and disclosure of Company's Articles of Incorporation in English</li> <li>Promoted adoption of DX in management of the Board of Directors</li> <li>Appointed one independent Outside Audit &amp; Supervisory Board Member</li> <li>Promoted formulation of intellectual property policy and strategy for intellectual properties (responding to the revised Corporate Governance Code)</li> <li>Promoted disclosure policies for human resource development and enhancing the internal work environment (responding to the revised Corporate Governance Code)</li> </ul>
					Number of times internal business audits are performed by the Audit Division	60 times in four years	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Most important issues	Quality and Customer Safety		<ul style="list-style-type: none"> <li>Enhance our quality control and quality assurance systems by continuously improving our quality management system and ensuring thorough quality-related governance</li> <li>Implement quality management, improve production efficiency and reduce process abnormalities through digitalization</li> </ul>	Number of serious complaints by customers <sup>*2</sup>	0	1	<ul style="list-style-type: none"> <li>In FY2020 and FY2021 web conferencing systems and similar solutions were used for most activities including quality audits, quality education and training, and quality improvement activities due to the COVID-19 pandemic, but practical activities have now resumed</li> <li>In terms of educational activities to improve quality assurance and quality, to coincide with the start of <b>KV25</b>, we created a Quality Mandatlat that forms the basis for the systematic implementation of various quality-related education</li> </ul>
					Number of serious quality process abnormalities in processes <sup>*2</sup>	0	
Most important issues	Environmental and Social Considerations in the Supply Chain	   	<ul style="list-style-type: none"> <li>Practice supply chain management with consideration for environmental and social aspects, based on the Sustainable Procurement Guidelines</li> </ul>	Response rate for confirmation of consent to Sustainable Procurement Guidelines	(Non-consolidated) 90%	(Non-consolidated) 99%	<ul style="list-style-type: none"> <li>Sent questionnaires based on the details of sustainable procurement guidelines to roughly 300 companies ranked the highest in terms of purchase amounts, collected responses from 229 of them and statements confirming agreement from 226</li> <li>As no suppliers with human rights or environmental issues were identified based on the details of the sustainable procurement questionnaires that were retrieved, no requests to formulate improvement plans were issued. The details of responses will be checked at the suppliers we plan to audit in FY2023.</li> </ul>
					Formulation and implementation of improvement plans using questionnaires to suppliers	(Non-consolidated) Disclose progress	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Most important issues	Reducing Energy Consumption and Greenhouse Gas Emissions  Reduction of Wastewater and Industrial Waste  Improving Efficiency of Water Resource Use	    	<ul style="list-style-type: none"> <li>Implement energy-saving and global warming countermeasures and achieve FY2030 environmental targets</li> <li>Identify issues and clarify strategies for achieving carbon neutrality by FY2050</li> </ul>	Greenhouse gas emissions (Scope 1+2)	(Targets to be achieved by FY2030) 88,324 tons or less (32.5% reduction or higher compared with FY2019) (Targets to be achieved by FY2022) 119,252 tons or less	108,107 tons	<ul style="list-style-type: none"> <li>Introduction of MFCA and the solar power PPA model were promoted as a part of efforts to reduce greenhouse gas emissions</li> <li>Total waste produced declined by 3.3% compared with FY2021</li> <li>The recycling of waste that was traditionally disposed of in landfill was further promoted, with the recycling rate improving to 85.0%, and the zero emission rate improving down to 0.8%.</li> <li>Development Status of Environmentally Friendly Products and Technologies [Safety Systems Business] Development of reduced weight cylinder type inflator / green propellant MGG [Polatechno Business] Improved production process, promoted reduced waste generation and emissions treatment energy through product design improvements [Functional materials] In the area of thermosetting resins for CFRP, we introduced customers to development products with potential for rollout</li> </ul>
				VOC emissions	(Non-consolidated) Disclose results	(Non-consolidated) 38.7 tons	Developed industrial ink jet (for coated paper, flexible packaging and textile printing) Released and expanded sales of heat-sensitive non-phenol developer
				COD emissions	(Non-consolidated) Disclose results	(Non-consolidated) 171.8 tons	Accelerated development of PLA (biodegradable) textile dye [Catalysts] Promoted joint development of catalyst for hydrogen production
				Total waste output	(Non-consolidated) Disclose results	(Non-consolidated) 27,621 tons	Conversion of Asa Plant's petroleum-based boiler to LPG underway
				Recycling rate	(Non-consolidated) 80% or higher	(Non-consolidated) 85.0%	Developed catalyst that helps reduce raw material usage and improve target material yield utilizing materials informatics technologies
				Zero emission rate	(Non-consolidated) 1% or less	(Non-consolidated) 0.8%	
				Goal setting in line with SBT and consideration and implementation of specific measures	Disclose progress	Earned A- CDP (climate change) score Implemented improvements to accuracy of Scope 3 emission calculations	
				Disclosure in line with TCFD recommendations	Disclose progress	Information Disclosed	
				Develop products and technologies with consideration for environmental issues	Disclose progress	Listed in Topics	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Important issues	Occupational Health and Safety in the Workplace	 	<ul style="list-style-type: none"> <li>Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures</li> <li>Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm</li> </ul>	Number of serious accidents <sup>3</sup>	0	0	<ul style="list-style-type: none"> <li>No accidents requiring time off work occurred on a non-consolidated basis at Nippon Kayaku, including Group companies and affiliates within Nippon Kayaku business premises</li> <li>Continuously obtaining Health &amp; Productivity Management Outstanding Organizations certification. Promoted activities to maintain and advance employee health to maintain certification</li> <li>We failed to reach the target percentage of employees taking paid leave, but as previously, we continued to implement awareness raising activities via the Company intranet, had human resources and labor personnel call on employees to take paid leave at each workplace, set days on which employees are recommended to take paid leave, and implemented other measures</li> </ul>
				Acquisition of certifications under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category)	(Non-consolidated) Continued certification	(Non-consolidated) Certification for 2023 Certified Health & Productivity Management Organization Recognition Program (Large Enterprise category)	
				Percentage of paid leave taken	(Non-consolidated) 70% or higher	(Non-consolidated) 63.7%	Mental health training ended in the third year of the three-year plan
				Percentage of employees who take mental health training	(Non-consolidated) 100%	(Non-consolidated) 100%	The percentage of employees undergoing health checks was maintained at 100%
				Percentage of employees receiving regular health checkups	(Non-consolidated) 100%	(Non-consolidated) 100%	We started conducting engagement surveys and conducting interviews with companies that conduct surveys to determine the level of health & productivity management. Full-scale adoption is planned for the following fiscal year.
				Ascertaining and improving employee satisfaction through questionnaire surveys	(Non-consolidated) Disclose progress	-	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Important issues	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	   	<ul style="list-style-type: none"> <li>Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges</li> <li>Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development</li> <li>Engage in business operations that pay care and consideration to the human rights of employees and all other people involved in the supply chain</li> </ul>	Percentage of female employees in management posts <sup>*4</sup>	(Non-consolidated) 10% or higher	(Non-consolidated) 9.0%	<ul style="list-style-type: none"> <li>Lectures on self-directed career development delivered by female managers for human resources and labor personnel. Lectures delivered by female industrial physicians regarding the advancement of health specific for women. Considered holding training sessions for female employees</li> <li>Continued collaboration with special support schools as an initiative to employ people with disabilities. Collected information about companies engaged in advanced initiatives to expand the job areas and increase employment of people with disabilities through tours and sessions to exchange opinions</li> <li>Conducted e-learning-based training regarding the Nippon Kayaku Group Human Rights Policy and Human Rights Due Diligence System</li> <li>Senior management conducted workshop to identify and evaluate human rights risks. Detected to reconsider methods for risk identification and evaluation.</li> </ul>
				Percentage of employees with disabilities	(Non-consolidated) Achieve legal minimum employment rate	(Non-consolidated) 1.98%	
Important issues	Risk Management		<ul style="list-style-type: none"> <li>Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the proper procurement of raw materials, and strengthening measures against disasters</li> </ul>	Amount invested in education and training per employee	(Non-consolidated) Disclose results	(Non-consolidated) ¥83,002 / person	<ul style="list-style-type: none"> <li>Implemented Top 5 risk control activities at each factory of Nippon Kayaku (non-consolidated) and all Group companies (trends include increasing risks such as rising geopolitical risks, sharply rising raw material prices, and disruptions to the supply of raw materials)</li> <li>Conducted interviews regarding points considered to be important for the top 5 risks at two domestic factories and four overseas Group companies</li> <li>Domestic Group companies continued to use an emergency communication system introduced in FY2021 as a BCP drill in preparation for the occurrence of earthquakes</li> <li>BCP drills were conducted under local consulting and guidance of Chinese Group companies</li> </ul>
				Training hours per employee	(Non-consolidated) Disclose results	(Non-consolidated) 14.9 hours	
				Number of training sessions held on human rights	Once or more per year	Once	
				Human rights due diligence: human rights impact assessment rate	(Non-consolidated) FY2022: 100% (Consolidated) FY2025: 100%	(Non-consolidated) Incomplete	
				Implementation rate of risk control activities for business, etc., and top five risk control activities	100%	100%	
				Number of BCP drills conducted	Once or more per year	2 times	

\*1 Number of serious accidents as judged by the Ethics Committee

\*2 Losses of 10 million yen or more

\*3 Accidents involving three or more people requiring time off work, or resulting in fatalities

\*4 Targets for the end of FY2024

## Risks and Opportunities for Key Sustainability Issues

The Nippon Kayaku Group recognizes risks and opportunities relating to its identified key sustainability issues. By reducing risks and incorporating opportunities that lead to new business growth, we aim to help create a sustainable society and further increase corporate value.

	Key sustainability issues	Risks	Opportunities
Most important issues for corporate survival	Ensuring Compliance	<ul style="list-style-type: none"> <li>Loss of social credibility due to compliance violations</li> <li>Damage to corporate value</li> <li>Sluggish business activities</li> </ul>	Earning the trust of stakeholders
	Strengthening Corporate Governance	Stagnation of business activities	<ul style="list-style-type: none"> <li>Earning the trust of stakeholders</li> <li>Improvement of social credibility</li> </ul>
Most important issues	Quality and Customer Safety	<ul style="list-style-type: none"> <li>Customer disaffection due to quality nonconformities</li> <li>Loss of social credibility due to violations of laws and regulations governing aspects such as quality control and labeling</li> </ul>	Earning the trust of customers by supplying high-quality products
	Environmental and Social Considerations in the Supply Chain	Adverse effects on corporate activities due to illegal acts or compliance violations by suppliers	<ul style="list-style-type: none"> <li>Creation of a sustainable society</li> <li>Increased long-term competitiveness</li> </ul>
	Reducing Energy Consumption and Greenhouse Gas Emissions	<p>[Transition risks]</p> <ul style="list-style-type: none"> <li>Increased operating costs due to the impact of tougher emissions regulations</li> <li>Price increases for electric power and LPG, etc.</li> <li>Rise in raw material prices due to the impact of tougher emissions regulations</li> <li>Increase in costs for environmental disclosures and LCA calculations, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Growth of semiconductor-related materials and materials that contribute to achieving lower power consumption, due to the shift to smart cities and the growth of DX</li> <li>Growth of materials for next-generation storage cells / batteries</li> <li>Growth of plastic / resin-type materials that contribute to the weight reduction of vehicle / mobility frames</li> <li>Growth of optical materials for reducing the weight of EVs and sensor materials for use in autonomous driving technologies</li> </ul>
	Reduction of Wastewater and Industrial Waste	<p>[Physical risks]</p> <ul style="list-style-type: none"> <li>Increase in costs due to flood damage caused by typhoons, heavy rain, high tides / storm surges, etc.</li> <li>Impact of water shortages on operations</li> <li>Decline in labor productivity due to rising temperatures</li> </ul>	<ul style="list-style-type: none"> <li>Growth of bio-stimulants which contribute to maintaining and improving agricultural productivity, and expanding applications for existing agrochemicals in tackling pests which become new problems as a result of the expected rise in temperatures</li> </ul>
Important issues	Improving Efficiency of Water Resource Use		
	Occupational Health and Safety in the Workplace	<ul style="list-style-type: none"> <li>Loss of social credibility due to accidents and scandals</li> <li>Decline in labor productivity and outflow of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Fostering a safety culture</li> <li>Improving employee work-engagement</li> </ul>
	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	<ul style="list-style-type: none"> <li>Standardization of thinking and loss of new business opportunities due to bias in human resource attributes and skills</li> <li>Loss of social credibility due to human rights violations</li> </ul>	<ul style="list-style-type: none"> <li>Fostering a corporate culture that generates new ideas through diversification of values</li> <li>Contributing to the creation of a sustainable society and increasing long-term competitiveness</li> </ul>
	Risk Management	Increase in management-related risks	Ensuring business continuity in emergencies

## Implementing Responsible Care

### Message from the Executive Director in charge

The Nippon Kayaku Group provides society with the best products, technologies and services that bring happiness to people's lives, with consideration for the environment, safety and quality throughout the product lifecycle, from the procurement of raw materials to production, distribution, use, and disposal.

In our business activities, we endeavor to identify and reduce risks and prevent accidents and disasters, and safeguard the safety and health of every employee, based on philosophy that safety takes precedence over all else. In addition to conducting systematic employee education and training, we anticipate potential hazards relating to daily work tasks and chemical agents, and take proactive measures to ensure worker safety.

By operating an integrated quality management system in which our head office and factories work together, we work to continuously strengthen our daily quality improvement activities to prevent customer complaints and process abnormalities and improve customer satisfaction. In terms of environmental initiatives, in April 2022, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and are working to reduce greenhouse gas emissions with a view to achieving carbon neutrality by 2050. Looking ahead, we will contribute to the creation of a sustainable society with the aim of improving economic, environmental and social value through our business activities while appropriately grasping and analyzing climate change-related risks.



Member of the Board  
Senior Managing Director  
In Charge of Technology Unit  
Yoshimi Inoue

## Policy and Basic Approach

### The Declaration on Environment, Health and Safety, and Quality

The Nippon Kayaku Group, under the spirit of its corporate vision and Responsible Care\*, has formulated The Declaration on Environment, Health and Safety, and Quality, in order to maintain and enhance its environmental protection, health and safety and quality assurance practices. We are also implementing this declaration using organized activities.

#### The Declaration on Environment, Health and Safety, and Quality

Enacted November 7, 1995

Amended May 22, 2017

The Nippon Kayaku Group, under its corporate vision of "KAYAKU spirit," which calls for continuously providing society with the best products through ceaseless progress and the combined forces of our consciences, we will contribute to the realization of a sustainable society that safeguards the life and health of customers, and supports a comfortable life.

#### ◆ Fundamental policies

1. We will strive to maintain and improve the environment, people's health and safety across the entire product lifecycle, from R&D to production, distribution, sales, recycling, and disposal.
2. We will strive to conserve the environment by introducing and developing technologies that are useful toward reducing waste, carrying out the appropriate disposal of waste, conserving resources, conserving energy, and implementing global warming prevention measures.
3. We will actively provide business partners with information needed for the safe usage and handling of our products and for conserving the environment.
4. We will enhance the quality of not only products, but operating processes as well, and also work to enhance customer satisfaction.
5. We will heighten employee knowledge and skills through education and training and achieve our goal of zero pollution, zero disasters, zero accidents and enhanced quality.
6. We will disclose information so that stakeholders correctly understand our business activities and also strive to engage in dialogue with local communities and government authorities.

June 25, 2019

Nippon Kayaku Co., Ltd.

President and Representative Director

\* Responsible Care: A voluntary activity under which companies that manufacture or handle chemical substances actively take measures considerate of the environment, safety and health across all processes from the development of chemical substances to their production, sale, consumption and disposal. The initiative began in Canada in 1985 and has now spread to encompass various countries around the world including Japan.

## Our Responsible Care Policy

All Nippon Kayaku Group companies share a common mindset in efforts to prioritize safety above all and seek to prevent environmental and safety-related accidents and disasters, including compliance with laws and regulations not only domestically but also overseas. All Group employees engage in Responsible Care activities in line with the Declaration on Environment, Health and Safety, and Quality, working toward the realization of the **KAYAKU spirit**.

The Nippon Kayaku Group Annual Responsible Care Policy was created based on policies to be continued from FY2019 onwards, with a focus on safety and health activities with a key emphasis on identifying unsafe behaviors through 30-second patrols and fixed-point observations; the implementation of environment, health and safety audit with a key emphasis on risk assessments; and targets aimed at decarbonization, to achieve the environmental targets of the Medium-term Business Plan by FY2030. The policy is checked yearly, including with domestic Group companies. The main themes added to the FY2023 policy related to Japan's Industrial Safety and Health Act and the handling of partial revisions to its regulations. Going forward, the Group will continue to conduct Responsible Care activities based on this policy.

### Nippon Kayaku Group Annual Responsible Care Policy

#### ◆ < Targets >

- Serious accidents / disasters: zero
- Serious environmental accidents / disasters: zero
- Serious traffic accidents: zero

#### ◆ 1. Key issues in Responsible Care

- Companywide total Scope 1 + Scope 2 CO<sub>2</sub> emissions of 115,386t or less (common across the Group) (Companywide CO<sub>2</sub> emission reduction rate: at least 12% compared with FY2019 levels)
- Domestic Zero emission rate: 1% or lower
- Bolstering 30-second patrols and implementing fixed-point observation

#### ◆ 2. Initiatives aimed at achieving zero accidents and disasters

- Audit methods with an emphasis on risk assessments
- Fixed-point observations tailored to the characteristics of each business site
- Strengthening measures to prevent heat stroke

#### ◆ 3. Improvement of occupational health and safety in the workplace

- Appropriate response to the revised Industrial Safety and Health Act
- Identifying and following up on high-stress workplaces through stress checks and organizational analysis
- Appropriate operation of a health checkup results database
- Maintaining Health & Productivity Management Outstanding Organization Recognition Program

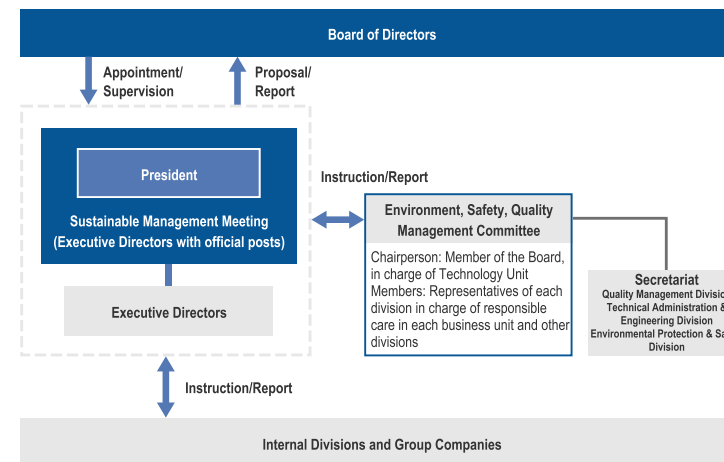
#### ◆ 4. Activities to achieve environmental targets

- Enhancing external disclosure of climate-related information
- Strengthening of measures to reduce Scope 3 emissions (expanded requests for disclosure of emissions from raw materials, improved ton-kilometer accuracy, revisions to waste generation calculation methods)
- Strengthened promotion of MFCA (expansion of applicable business sites)
- Proper operation of cloud-based environmental data aggregation system (common across the Group)
- 3% annual reduction of Scope 1 + 2 CO<sub>2</sub> emissions at each business site (challenging target) (common across the Group)
- Establishment of methods to calculate product-derived emissions
- Development of plastic waste reduction targets and implementation of measures

## System

The Nippon Kayaku Group has established the Environment, Safety, Quality Management Committee as an exclusive committee of the Sustainable Management Meeting, chaired by the President. The committee oversees the Nippon Kayaku Group's Responsible Care activities. The Environment, Safety, Quality Management Committee is representatives from divisions tasked with Responsible Care in each business unit and representatives from each general administrative division not belonging to a business unit. The committee deliberates over the implementation status of activities based on the Responsible Care Policy, issues with the activities, progress responding to those issues, draft policies for the following fiscal year, and draft policies and measures for solving issues related to climate change. The committee then reports and makes recommendations to the Sustainable Management Meeting.

The Environmental Protection & Safety Division implements environment, health and safety audit at Nippon Kayaku business locations and Group companies as an organizational activity, and reports the results of those activities to the Environment, Safety, Quality Management Committee.



## Responsible Care Audits

### ◆ Basic Approach

Based on annual plans, Responsible Care audits are conducted for each Nippon Kayaku business location and some Group companies in the form of "environment, health and safety audit". Environment, health and safety audit are an initiative to check that business activities are being conducted properly with adequate consideration being given to the environment, safety and health, and to encourage improvements to any identified issues.

Environment, health and safety audit involve checks based on themes including Responsible Care, environmental conservation, security and disaster prevention, logistics safety, biodiversity, occupational safety, compliance, enhancement of health management, and the control of chemical substances. By providing advice and suggestions for improvements, we endeavor to prevent compliance violations, misconduct and mistakes while maintaining and improving the environment, health and safety. These activities fulfill the function of helping to build, maintain and improve the internal control systems of Nippon Kayaku and Group companies.

## ◆ Management System

### Environment, Health and Safety Audit Team

The team is made up of the general manager of the Environmental Protection & Safety Division (team leader), members of the Environmental Protection & Safety Division (audit and secretariat) and the headquarters of the labor union.

### Audit Items

- Progress of Responsible Care activities based on a Responsible Care progress checklist
- Implementation status of risk assessments for work processes and equipment with high hazard risks
- Status of action taken to deal with accidents that have occurred in the past, and the effects of recurrence prevention measures
- Site patrols (30-second patrols and fixed-point observations)
- Status of chemical substance storage and management
- Environment, health and safety system and status of compliance with related laws and regulations
- Other necessary matters related to Responsible Care

### Targets

- Each business location of Nippon Kayaku (7 plants, 3 research facilities, 2 offices and 3 other sites)
- Domestic Group companies (3 companies within Nippon Kayaku business locations, 1 company outside Nippon Kayaku business locations)
- Overseas (China) Group companies (3 companies)

### Frequency

Audit activities are implemented at a frequency of once every one or two years, determined based on the scale of the business location assessed, and the assessment results in the previous fiscal year. Follow-up audits may also be conducted based on the details of audit results and the status thereafter (no follow-up audits were conducted in FY2022).

### Reporting of Audit Results

Audit results are provided as feedback based on the following classifications

- Positive points: excellent initiatives that will serve as a reference for other business locations and Group companies
- Issues: Items involving risks that could lead to accidents, environmental incidents or compliance violations
- Items of concern: Items that require improvement through health and safety, environmental conservation or compliance initiatives
- Suggestions: Points that if implementations could further improve environmental, health or safety efforts, even if there are currently no issues

The audit results are reported to business locations and Group companies that underwent assessment, related operating departments, the Environment, Safety, Quality Management Committee, and the Audit Division. In response to the results, the business locations or Group companies that were assessed employ the PDCA cycle to systematically implement improvements to the problem areas identified.

## ◆ Targets and Results

### Environment, Health and Safety Audit Results (number of sites assessed)

Assessed business locations and group companies		FY2022
Plants		7
Research facilities		2
Offices		2
Domestic group companies	Inside business locations	3
	Outside business locations	1
Overseas group companies*		3
<b>Total</b>		<b>16</b>

\* For overseas group companies, web conferencing systems are used to only go through Responsible Care progress checklists.

### FY2022 Audit Results (number of issues identified across all 16 assessed sites)

Identification category	Responsible Care progress checklist	Risk assessment, etc.
Positive points	28	20
Issues	2	3
Items of concern	26	40
Suggestions	8	8

## Initiatives

### Disclosure of Results of Legal Violations

The Nippon Kayaku Group endeavors to prevent violations of environmental laws, environmental accidents and similar incidents from taking place, and has put in place systems to take prompt action should any such incidents occur. In FY2022, there were no accidents or violation of laws or regulations that had a material impact on the environment or accidents or violations of regulations related to water quality and quantity across the Nippon Kayaku Group as a whole. In addition, the Group was not subject to any fines, penalties, or other sanctions.

### Number of Environmental Violations and Accidents

	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Cases of non-compliance with environmental laws and regulations	Consolidated	Cases	0	0	0	0	0
Number of major environmental accidents	Consolidated	Cases	0	0	0	0	0
Violations of laws and regulations, fines related to major environmental accidents and costs of penalties	Consolidated	Yen	0	0	0	0	0

## Management of Chemical Substances

### ◆ Response to Laws, Regulations and Various Standards

Working on its sustainable management system, Nippon Kayaku formulates matters to be implemented regarding chemical substance control and specific action plans based on them through the Environment, Safety, Quality Management Committee, and pursues initiatives in accordance with those plans.

#### Response to Laws and Regulations on Chemicals in Japan

When releasing a new product on the market, it is necessary to make filings, registrations, volume notifications and conduct other procedure in accordance with the regulations of each country. In Japan, we respond by filing applications for new chemical substances under the Chemical Substance Control Act<sup>\*1</sup> and the Industrial Safety and Health Act<sup>\*2</sup>, and by submitting quantity notifications under the Chemical Substance Control Act. Additionally, in response to the revised PRTR Act<sup>\*3</sup> that went into effect in 2023 and the revised Industrial Safety and Health Act that will take effect in 2024, we will enhance systems for the appropriate management of released quantities and the self-directed control of chemical substances.

With the ongoing establishment and revision of chemical substance control legislation around the world, we deal with the laws and regulations of other countries and regions including Europe, the United States and Asia in addition to Japan by making use of databases for searching domestic and overseas laws and regulations while obtaining information about regulatory trends and amendments in a timely fashion in order to implement an appropriate response to laws and other requirements.

\*1 Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.

\*2 Industrial Safety and Health Act

\*3 Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

#### Response to GHS and Providing of SDS for All Products

Due to the adoption of GHS<sup>\*</sup> in various countries, it has become necessary to publish SDS that comply with local laws and regulations in the local languages of the countries concerned, and to affix compliance product labeling. In terms of the efforts we have taken, in Japan we have responding appropriately to JIS revisions made in 2019 by making changes to our SDS and product labelling and acting in accordance with the revisions.

The Fine Chemicals Business Unit operates an SDS generation system (3E generate) that incorporates an extensive range of translations along with data on physical properties and toxicity, and uses it to issue SDS that comply with local laws and regulations, and to ensure products have GHS labeling.

\* GHS: Globally Harmonized System of Classification and Labeling of Chemicals

#### Responding to Overseas Laws and Regulations Concerning Exported Chemicals

In the EU, REACH regulations<sup>\*</sup> went into effect in June 2007. All chemical substances (including chemical substances contained in chemical products), whether existing or new, which are manufactured or imported into the EU in the amount of one ton or more annually, are required to be registered with data on safety testing and other information. Since the regulations went into effect, various countries have strengthened their regulations concerning the registration of chemical substances. We check these regulatory trends as they arise and ensure that we respond to them without omission.

In the Fine Chemicals Business Unit, the Chemical Management Dept. of Quality Assurance Division oversees and supports the control of chemical substances including (1) handling chemical substance registration systems in Japan and overseas, (2) monitoring trends in legislation concerning chemical substances in various countries, formulating response measures, disseminating the information among relevant departments and providing instructions on action to take, and (3) managing product SDS issuance and product labeling.

\* Registration, Evaluation, Authorisation and Restriction of Chemicals

### Measures to Mitigate Risks in the Manufacturing and Handling of Chemical Substances

Against the backdrop of newly introduced requirements to conduct risk assessments at business locations that involve the manufacturing or handling of chemical substances due to the revised Industrial Safety and Health Act that went into effect in 2016, for new or changed operations involving the handling of substances subject to mandatory risk assessments and hazardous substances, Nippon Kayaku implements risks assessments using a database developed in-house and engages in risk mitigation measures when safety reviews are carried out. For the expansion of substances requiring risk assessments due to the revised Industrial Safety and Health Act that will go into effect in 2024, we will make improvements to our database and conduct risk assessments that comply with the provisions of the revised law, implementing centralized management to enable Companywide risk management.

We will post GHS pictorial labels in locations where chemical substances are handled so that workers recognize the hazards of chemical substances they could be exposed to.



We make sure that workers recognize the hazards of the chemical substances to which they could be exposed.

### Training

Nippon Kayaku has created tiered training programs for each plant, and has made improvements to the content of its training on chemical laws and regulations including the so-called three SDS laws, namely the PRTR Act, Industrial Safety and Health Act and Poisonous and Deleterious Substances Control Act, with the aim of improving safety awareness.

### Industry and International Initiatives

The Nippon Kayaku Group is a member of the Japan Chemical Industry Association and has supported LRI activities since 1999. We contribute through the partial funding of research costs and also attend committee meetings.

LRI stands for the Long-range Research Initiative, and is an endeavor promoted through cooperation between the chemical industries of Japan, the United States and Europe (Japan Chemical Industry Association, American Chemistry Council and European Chemical Industry Council). It is one of the voluntary activities of the International Council of Chemical Associations (ICCA), and supports long-term research into the effects of chemical substances on human health and the environment, with a focus on endocrine disruption, neurotoxicity, chemical carcinogenesis, immunotoxicity and the refinement of risk assessments.

> [LRI](#)

## Responsible Care Index

> [Environmental Management](#)

> [\[Important Issues\] Reducing Energy Consumption and Greenhouse Gas Emissions](#)

> [Prevention of Air Pollution](#)

> [\[Important Issues\] Reduction of Wastewater and Industrial Waste](#)

> [\[Important Issues\] Improving Efficiency of Water Resource Use](#)

> [Biodiversity](#)

> [Environmental Accounting](#)

> [\[Important Issues\] Quality and Customer Safety](#)

> [\[Important Issues\] Occupational Health and Safety in the Workplace, Health and Productivity Management](#)

## Human Resources Management

### Message from the Executive Director in charge

In the **KV25** Materiality section of our Nippon Kayaku Group Medium-term Business Plan, **KAYAKU Vision 2025**, we are working on Work Style Reform as a company-wide material issue, and Maintaining and Expanding Employment and Developing Human Resources as key sustainability issues. We recognize that people are an important driving force for corporate value improvement and creating a sustainable society.

In March 2023, we established our Human Resource Development Policy and Internal Environment Improvement Policy. The purpose of these policies is to reaffirm the Nippon Kayaku Group's philosophy with regard to people, which has been passed down for many years, and to encourage many excellent human resources from outside the Group to participate in our company.

Under this philosophy, we will work to create an organizational culture and work environment where employees with various values respect each other, work with enthusiasm, demonstrate their various abilities, and play active roles.



Senior Director  
General Manager of Human Resources Division  
Makoto Takeda

### Policy and Basic Approach

#### 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 following human resource development policy to help realize the **KAYAKU spirit**.

- 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

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

#### 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.

### Indicators

#### Action Plan on Measures to Support Raising Next-generation Children

In accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, Nippon Kayaku has formulated the following action plan and is pursuing a number of initiatives to develop an employment environment in which employees can balance work and childcare responsibilities, and foster a comfortable work environment, including for employees who are not raising children.

Details of the action plan have also been shared with the labor union and disclosed externally, as well as disseminated among all employees on the Company intranet.

#### Action Plan on Measures to Support Raising Next-generation Children (Part 4)

Nippon Kayaku has formulated the following action plan to establish a comfortable workplace environment that allows employees to display their potential and achieve a balance between work, private life, raising children and other commitments.

##### ◆ 1. Period of the plan

April 1, 2022 to March 31, 2025 (three years)

##### ◆ 2. Details of the plan

#### Target 1: Develop an in-house environment that enables employees who are raising children to balance their work life and home life

[Details of specific initiatives]

- Increase the percentage of eligible male employees taking childcare leave to at least 30%
- Increase the percentage of eligible male employees taking childcare leave including leave for childcare purposes to at least 50%
- Support employees who are expecting the birth of a child in balancing pregnancy, childbirth and childcare with work and in returning to the workplace through individual interviews and other measures
- Provide the supervisors of employees who are expecting the birth of a child with guidance on procedures to consider and basic knowledge
- Continue to hold meetings of a dedicated committee made up of members of labor and management to implement new measures and consider the details of plans

#### Target 2: Develop support systems for employees during pregnancy and after childbirth

[Details of specific initiatives]

- Establish consultation services
- Set up a dedicated page on the Human Resources Division intranet site to provide the information that is necessary before and after childbirth
- Provide training and education on childcare and related matters for managers and supervisors
- Consider introducing a model workplace commendation system
- Share articles where employees talk about going on maternity leave and their experiences before and after childbirth in the company newsletter



**Target 3: Revising working styles, developing diverse working conditions that contribute to a healthy work-life balance and creating a comfortable work environment**

[Details of specific initiatives]

- Strive to reduce overtime work
- Institute no-overtime days
- Set days on which employees are encouraged to take paid leave
- Encourage employees to take anniversary leave as part of promoting the use of paid leave

**Target 4: Initiatives for local communities regarding measures to support raising next-generation children**

[Details of specific initiatives]

- Accept children from the local community for company tours
- Run internships for young people
- Consider holding bring-your-child-to-work days

Status of Progress (FY2022) (Japanese) 

## Initiatives

- > [\[Important Issues\] Occupational Health and Safety in the Workplace, Health and Productivity Management](#)
- > [Comfortable Workplace Environment](#)
- > [\[Important Issues\] Maintaining and Expanding Employment, Developing Human Resources](#)
- > [\[Important Issues\] Respect for Human Rights](#)

# Stakeholder Engagement

## Policy and Basic Approach

The Nippon Kayaku Group aims to be a company that can respond to the trust of all its stakeholders—including employees, customers, suppliers, shareholders and investors, and local communities—and provide happiness and delight. We value dialogue with stakeholders and use a variety of opportunities and communication tools to continuously and appropriately disclose information and engage in two-way communication to improve our business activities. Looking ahead, in addition to meeting the expectations and demands of our stakeholders, we will continue to fulfill our responsibilities to society through our business activities.

> [Multi-Stakeholder Policy \(Japanese\)](#)

## Stakeholders of the Nippon Kayaku Group



Stakeholders	Overview of the initiative	Methods of communication
Employees	<p>We believe that the central players in all corporate activities are people: human resources. We respect the human rights of each and every employee and strive to create a workplace environment where employees can work with security and peace of mind. We aim to be a company where employees can feel their own growth and workplace motivation (job satisfaction) through work.</p>	<ul style="list-style-type: none"> <li>Talent management system</li> <li><a href="#">Training to improve employee engagement</a> * Fostering a rewarding and comfortable working environment using the above</li> <li><a href="#">Compliance awareness surveys</a>, mental health checks</li> <li>Internal newsletters</li> <li><a href="#">Compliance Hotline</a></li> <li><a href="#">Discussions with labor unions</a></li> </ul>
Customers	<p>We strive to gain the trust and satisfaction of our customers by pursuing high quality and providing the best products, technologies and services with care and consideration for both social and environmental issues.</p> <ul style="list-style-type: none"> <li>Automotive module manufacturers and users of optical films / materials</li> <li>Users of resins, colorants, and catalysts</li> <li>Healthcare professionals and patients</li> <li>Agrochemical manufacturers, wholesalers and retailers, agricultural cooperatives</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of needs through sales activities</li> <li>Improvement of products and services</li> <li>Plant / factory tours</li> <li><a href="#">Provision of information via our websites</a></li> <li><a href="#">Safety guidance on agrochemicals and suggestions on pest control methods</a></li> </ul>
Suppliers	<p>Together with our suppliers, we promote sustainable procurement in all aspects of the supply chain, from research and development to the procurement of raw materials, manufacturing, sales, and logistics, with consideration for respect for human rights and various other issues including environmental conservation, industrial health and safety, legal compliance and fair transactions.</p>	<ul style="list-style-type: none"> <li>Visits, online meetings / interviews, exchanges of information through day-to-day business negotiations, etc.</li> <li><a href="#">Sustainable procurement questionnaire</a></li> <li><a href="#">Purchasing briefings</a></li> </ul>
Shareholders and investors	<p>We have established a Disclosure Policy and are working to ensure that shareholders and investors can appropriately understand the Company's business situation and various initiatives—by disclosing information in a timely, fair and impartial manner.</p>	<ul style="list-style-type: none"> <li><a href="#">Financial results briefing</a></li> <li><a href="#">General meetings of shareholders</a></li> <li><a href="#">Telephone conferences</a></li> <li>One-on-one meetings</li> <li>Provision of information via <a href="#">websites</a> and <a href="#">integrated reports</a></li> </ul>
Local communities	<p>We have established business locations around the world and act as a member of each local community. In addition to social contribution activities, we contribute to the sound, sustainable development of local communities such as by actively supporting the development of the next generation and exchanging information with local governments.</p>	<ul style="list-style-type: none"> <li><a href="#">Social contribution activities (plant festivals, cleaning activities)</a></li> <li><a href="#">Plant tours</a></li> <li><a href="#">Support for development of the next generation</a></li> <li><a href="#">Exchange of information with local governments</a></li> </ul>

## Coordination with Local Communities

The Nippon Kayaku Group has concluded various agreements with the local governments and local communities where its business sites are located. We comply with various agreements concerning the environment, pursue initiatives to reduce our environmental impact, and contribute to safety and security in local communities.


### Nippon Kayaku’s Agreements with Local Entities



Business site	Agreement	Local entity
Himeji Plant	Memorandum on effluent control	Himeji City
Fukuyama Plant	Agreement on environmental pollution control	Hiroshima Prefecture and Fukuyama City
Asa Plant	Agreement on water pollution control	Yamaguchi Prefectural Fisheries Cooperative
	Agreement on environmental protection	Sanyo-Onoda City
Tokyo Plant	Green agreement	Adachi City
	Agreement on establishing Colored Effluent Issue Council	Tokyo Metropolitan Bureau of Sewerage No. 2 Control Office
	Agreement on mutual disaster relief support in case of an earthquake	Shinden Neighborhood Association and Shinden 1-chome Residents' Association in Adachi City
	Agreement to provide the general public with access to a small water pump storage facility	Senju Fire Department
Takasaki Plant	Agreement on assistance from voluntary firefighting brigade	Regional fire departments including that of Takasaki City
Kashima Plant	Agreement on environmental pollution control	Ibaraki Prefecture, Kashima City, Kamisu City
Tokyo R&D Administration Office	Provision of firefighting facilities 1. Provision of water for firefighting 2. Deployment of a boat for rescues 3. Firefighting group cooperation site 4. Use of rooftop as a lookout	Tokyo Fire Department Akabane Fire Station

## Participation in External Initiatives

The Nippon Kayaku Group believes that it is important not only to comply with international norms but also to cooperate with various organizations and other companies. As such, we actively participate in domestic and overseas initiatives and promote activities aimed at realizing a sustainable society.

### External Initiatives We Participate in

Name	Timing / period of participation	Scope	Relationship with corporate philosophy and background to approval
 <p>United Nations Global Compact</p>	2021	Whole group	<p>Based on the <b>KAYAKU spirit</b>—the Nippon Kayaku Group's Corporate Vision—we are working to create environmental, social and economic value by engaging in sustainable management, create a sustainable society, and increase our corporate value.</p> <p>By incorporating the ten principles of the United Nations Global Compact, in the four fields of Human Rights, Labour, Environment and Anti-Corruption into daily operations and strategies, we expect each company to proactively engage in sustainability promotion activities. As a responsible company, the Nippon Kayaku Group supports the ten principles and works to resolve social issues in order to contribute to the sound globalization and the creation of a sustainable society.</p> <p>We have also joined Global Compact Network Japan (GCNJ), which is Japan's local network of the UN Global Compact, and conduct activities as a GCNJ member company. In theme-specific subcommittee activities in which GCNJ member companies and organizations play a central role, we discuss and exchange information regarding sustainability approaches and initiatives. In FY2022, we took part in the following 14 subcommittees.</p> <ul style="list-style-type: none"> <li>• ESG subcommittee</li> <li>• Environmental management subcommittee</li> <li>• Kansai subcommittee</li> <li>• Supply chain subcommittee</li> <li>• CSV subcommittee</li> <li>• GC internal awareness raising research subcommittee</li> <li>• Human rights education subcommittee</li> <li>• Human rights due diligence subcommittee</li> <li>• Anti-corruption subcommittee</li> <li>• Disaster risk reduction (DRR) subcommittee</li> <li>• SDGs subcommittee</li> <li>• Reporting research subcommittee</li> <li>• WEPs subcommittee</li> <li>• Circular economy subcommittee</li> </ul>

Name	Timing / period of participation	Scope	Relationship with corporate philosophy and background to approval
 <p>TCFD</p>	2022	Whole group	<p>The Nippon Kayaku Group has set forth a basic sustainable management policy in its Medium-term Business Plan <b>KAYAKU Vision 2025 (KV25)</b>, starting as of FY2022. By pursuing the creation of environmental, social and economic value in responding to climate change, the Group will work to help create a sustainable society and further increase its corporate value. The social impact of responses to climate change is significant, and the Nippon Kayaku Group considers it to be an important issue.</p> <p>In March 2022, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), To communicate well with a wide range of stakeholders, we actively disclose information on Governance, Strategy, Risk Management, and Metrics and Targets—based on the TCFD recommendations framework.</p> <p>This approach is consistent with the Nippon Kayaku Group's Basic Policy on Sustainable Management. Going forward, we will accelerate our efforts to reduce greenhouse gases emissions and build a recycling-oriented society, in line with the TCFD recommendations.</p>
 <p>Responsible Care Global Charter</p>	2008	Japan	<p>The Nippon Kayaku Group signed the Responsible Care Global Charter in 2008, and also signed the revised Global Charter in 2014.</p> <p>As a Group, we handle numerous chemical substances and develop, manufacture, and sell a large number of chemical products. We will continue to engage proactively in Responsible Care activities in order to realize the <b>KAYAKU spirit</b>—the Nippon Kayaku Group's Corporate Vision—of continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.</p>

### Main Membership Qualifications

Name	Time of enrollment	Membership qualifications	Activities
KEIDANREN (Japan Business Federation)	1946	Permanent secretary	<p>The Nippon Kayaku Group endorses and participates in KEIDANREN's purpose of contributing to the autonomous development of the Japanese economy and the improvement of people's lives.</p> <p>We also participate in the Board of permanent secretaries, the Administrative Reform Promotion Committee, the Social Security Committee, and the Diversity Promotion Committee.</p> <p>We contribute to the construction of a sustainable society and economy by expanding diverse interactive relationships that transcend the boundaries of specific industries, and by making wide use of the knowledge and experience of the economic community.</p>
Japan Chemical Industry Association	1948	Auditor General Steering Committee	<p>Yasusaburo Hara, the third president of Nippon Kayaku, served as the first chairperson of the Japan Chemical Industry Association for over 14 years, from its founding in 1948.</p> <p>Yasusaburo Hara laid the foundation for the post-war reconstruction of the chemical industry and paved the way for the introduction and development of the petrochemical industry, which would play a key role in Japan's period of rapid post-war economic growth.</p> <p>We carry on the will of Yasusaburo Hara by contributing to the further development and improvement of the chemical industry.</p>

Name	Time of enrollment	Membership qualifications	Activities
Japan Dyestuff and Industrial Chemicals Association (JDICA)	1948	Trustee	Yasusaburo Hara, the third president of Nippon Kayaku, served as the first chairperson of Japan Dyestuff and Industrial Chemicals Association (JDICA) for 33 years, starting in 1948. We carry on the will of Yasusaburo Hara by contributing to formulation, promotion, investigation and research into policies on safety, the environment, internationalization and business support in the chemical industry.
Japan Pharmaceutical Manufacturers Association (JPMA)	1968	Council member	The Nippon Kayaku Group endorses and participates in JPMA's aim of contributing to the improvement of the health and medical care of people in Japan and around the world through the development of innovative and highly useful pharmaceuticals, and the sound development of the pharmaceutical industry. As a drug discovery-type pharmaceutical company, we contribute to the sound development of the pharmaceutical industry through the creation and implementation of visions for code compliance, distribution optimization, promotion, clinical evaluation, PMS, quality, pharmaceutical regulatory affairs, and R&D.
Japan Biosimilar Association	2016	Trustee company Chairman	The Japan Biosimilar Association was launched in April 2016 by four companies involved in the biosimilars businesses, with the aim of spreading and promoting biosimilars. Nippon Kayaku participates actively as one of the founding members. Through the Japan Biosimilars Association, we contribute to controlling medical expenses by making recommendations and exchanging information with stakeholders, including government, and to improving treatment access for patients who are hesitant to use bio-pharmaceuticals for economic reasons.
The Pharmaceutical Manufacturers' Association of Tokyo	1948	Trustee	The Pharmaceutical Manufacturers' Association of Tokyo is made up of all manner of pharmaceutical manufacturers and manufacturers of new drugs, generics and OTCs, etc. As a pharmaceutical company in eastern Japan, we contribute to the improvement of medical care through the review and exchange of information on regulatory affairs, intellectual property, drug safety, and education and training.
Japan Investor Relations Association	1993	Council member	Nippon Kayaku participates in the collection of information and the creation of a network among IR representatives, with the aim of improving the quality of IR activities. We strive to achieve better communication with shareholders and investors and to improve credibility in financial and capital markets.