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[Important Issues] Quality and Customer Safety

Policy and Basic Approach

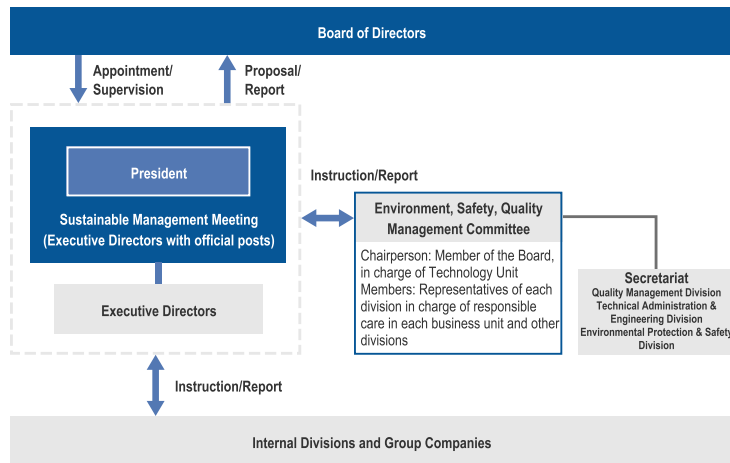
In order to provide safe, secure, high-quality products to society, the Nippon Kayaku Group has established the Declaration on Environment, Health and Safety, and Quality as a fundamental policy based on its corporate vision-the **KAYAKU spirit**-and established a quality assurance management system. Through these, we are working to properly operate our quality management system and rigorously implement quality governance, including the indicator set for key sustainability issues. We also recognize that responsibility for the entire life cycle of all products-from planning, development, and production to disposal and recycling-as well as for resources, energy, and information, etc., is also a key element. Based on this recognition, we are also focusing on raising the quality awareness of our employees.

> [The Declaration on Environment, Health and Safety, and Quality](#)

System

The Nippon Kayaku Group has established an Environment, Safety, Quality Management Committee as an exclusive committee of the Sustainable Management Meeting, chaired by the President, under the direct supervision of the Board of Directors, to oversee quality management.

The committee consists of the quality assurance supervisors of each business division and indirect divisions at the head office. It formulates quality assurance policies, discusses issues and response measures relating to the state of quality activities, and works to strengthen the quality assurance management system of the entire Group through proposals and reporting to the Sustainable Management Meeting.



Acquisition of International Certification

The Nippon Kayaku Group operates businesses through its Mobility & Imaging Business Unit, Fine Chemicals Business Unit, and Life Science Business Unit. To build an appropriate quality management system for various business formats and develop and provide high-quality products and services, we have acquired international standard certifications for quality assurance for each business.

In the Mobility & Imaging Business Unit, the Safety Systems Group, Himeji Plant, and Research & Development Division have obtained the IATF16949 automobile industry international quality management system standard certification, formulated by the International Automotive Task Force (IATF). Overseas Group companies that manufacture automotive safety components have also acquired IATF16949 certification, and are working to provide higher quality products.

In the Fine Chemicals Business Unit, Fukuyama Plant, Asa Plant, Tokyo Plant, head office and R&D Laboratories, and Taiwan Nippon Kayaku began integrated operation of a quality management system in October 2020, and obtained ISO9001 integrated certification in July 2021.

The Life Science Business Unit's Pharmaceuticals Group's Takasaki Plant and Pharmaceutical Research Laboratories have acquired ISO9001 certification and ISO13485 integrated certification, which is a quality management system standard for medical devices and in vitro diagnosis pharmaceuticals. NIPPON KAYAKU FOOD TECHNO, a Group company, obtained the ISO22000 certification for food safety management systems in October 2022. The Agrochemicals Group's Kashima Plant and Agrochemicals Laboratories began integrated operation of a quality management system in March 2021, and obtained ISO9001 integrated certification in August 2021.

> [Business Sites with Quality Management System Certification](#)

Quality Audits

The Nippon Kayaku Group has formed an audit team consisting of Quality Management Division members, who regularly conduct quality audits.

Quality audits is used to confirm that proposals for improving the level of quality assurance and quality management systems are functioning effectively and efficiently at domestic business sites and overseas Group companies. It supports the implementation of quality management and the enhancement of governance for the whole Nippon Kayaku Group.

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Quality and Customer Safety		<ul style="list-style-type: none"> Enhance our quality control and quality assurance systems by continuously improving our quality management system and ensuring thorough quality-related governance Implement quality management, improve production efficiency and reduce process abnormalities through digitalization 	Number of serious complaints by customers*	0	1	<ul style="list-style-type: none"> 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 In terms of educational activities to improve quality assurance and quality, to coincide with the start of KV25, we created a Quality Mandalat that forms the basis for the systematic implementation of various quality-related education
			Number of serious quality process abnormalities in processes*	0	1	

* Losses of 10 million yen or more

Initiatives

Promotion of Quality Assurance and Quality Improvement Activities

In the Nippon Kayaku Group, the Technology Unit, Quality Management Division play a central role in quality assurance and quality improvement activities. To guarantee stable quality, we work to strengthen our technical capabilities for quality management, and are engaged in quality audits, quality education and training, and quality improvement activities with the aim of reducing customer complaints and quality process abnormalities.

In 1948, factory engineers at Nippon Kayaku began to voluntarily consider statistical methods as quality control activities. It was as a result of the active continuation of those activities that they were able to win the Deming Prize in 1963. This spirit of quality improvement has been passed down to this day. Not only in Japan, but also at overseas Group companies, efforts in quality improvement activities led by on-site engineers as the A3 Activities (KAIZEN) Presentation Conference have led to the achievement of various results. The in-house quality education textbook "Quality Management for Everyone"-from around the time of receiving the Deming Prize-has also been brushed up into a modern version, and is being used as one of the Group's education and training materials.

◆ Initiatives in Each Business Unit

In addition to the educational programs provided by the Quality Management Division, each of the Nippon Kayaku Group's business units are implementing various quality assurance activities tailored to each industry and business type.

Mobility & Imaging Business Unit Global Quality Control

The Safety Systems Group supplies automotive safety components to customers around the world, for which it needs to provide and guarantee a consistent standard of quality. The Safety Systems Group has global manufacturing bases, and the Quality Control Department at Himeji Plant-its mother plant-works together with each site as a leader to provide technical support and other support.

The Production Division, Global Quality Assurance Department works to enhance global governance and engages in quality improvement activities toward achieving globally unified quality.



Trainees from Malaysia and members of Himeji Plant's Quality Control Department

Quality Improvement Activities with Suppliers

Continuous quality improvement based on trusting relationships with suppliers is indispensable to promptly provide high-quality products to the market.

In the Safety Systems Business, the Quality Control Department conducts process audits, quality status checks, and quality education such as advice for quality improvement at the stage of selecting new suppliers.

The Nippon Kayaku Group Quality Manual is also sent to all suppliers, and all suppliers submit receipts for their consent to the manual's contents.

The Planning & Purchasing Department conducts regular audits of suppliers depending on the type and importance of procured products. Through regular audits, they check the Nippon Kayaku Group's basic approach to quality assurance and quality management standards, check the quality status of suppliers, and provide advice on quality improvement.

In FY2022, the department conducted regular audits of seven major suppliers (two on-site audits and five document-based audits using check sheets). As a result of these regular audits, there were no cases that led to serious quality problems. With regard to audit findings, we have asked our suppliers to submit a document detailing their process and product audit improvement plan and response measures, and confirm that issues had been rectified.

Continuous communication with suppliers is important in order to maintain and improve quality. We will continue to exchange opinions regularly and work together with our suppliers to maintain and improve quality.

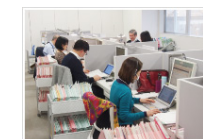
Fine Chemicals Business Unit Initiatives to Prevent Quality Fraud and Data Falsification

The Fine Chemicals Business Unit has established a Quality Assurance Division that is independent from the business unit itself, and has three domestic plants (Fukuyama Plant, Asa Plant, and Tokyo Plant) that support its three businesses (Functional Materials, Color Materials, and Catalysts) and carry out quality control and quality assurance for each product. We are also working to strengthen the business unit's quality assurance system in cooperation with the Quality Management Division, which oversees quality control in each of the Group's business units. As an initiative to prevent quality fraud and data falsification, we have assigned a representative on-site organization of the Quality Assurance Division to each plant to play a role in enhancing governance on site. At the same time, we are working to implement quality patrols and foster a quality-oriented work culture in cooperation with the plant quality control departments. At Fukuyama Plant and Asa Plant, as of 2021, we have already introduced a system that reduces human intervention in product inspection data processing as much as possible, aiming to improve data integrity (LIMS: Laboratory Information Management System = contributing to the prevention of quality fraud such as automatic recording of inspections).

We will continue to pursue improvements and aim for a quality assurance system that is trusted by both customers and society.

Life Science Business Unit Medical Information Service Center and Securing Customer Trust

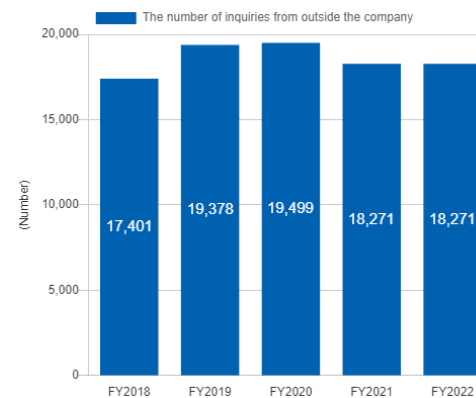
The Medical Information Service Center accepts toll-free calls from patients and medical professionals with various questions relating to our pharmaceuticals and medical devices, such as anti-cancer drugs, treatments for autoimmune diseases and intravascular embolic materials. The number of telephone inquiries received in FY2022 was 18,271. Staff at the Medical Information Service Center work diligently to provide accurate responses to each inquiry to ensure that all of the products supplied by Nippon Kayaku will perform at highest possible level. We also conduct surveys to check whether our responses meet the expectations of customers as part of our continual improvement initiatives.



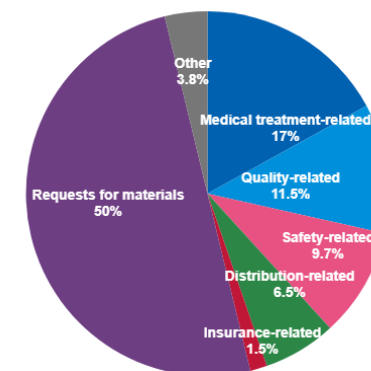
Medical Information Service Center

Additionally, staff work with medical representatives (MRs) that visit medical facilities to ensure they can provide information that is beneficial to patients, while customer requests and opinions are communicated and reported to each relevant department in charge within the Company. The Medical Information Service Center is committed to improving medical care under the slogan, "Provide proper usage information and improve customer satisfaction in all situations."

Change in the Number of Inquiries from Outside the Company



Inquiry Content Type Classification



Information for Patients and their Families

[IBD-INFO \(Japanese\)](#)



[RHEUMATISM RA-RA-RA \(Japanese\)](#)



[Breast Cancer Info Navi \(Japanese\)](#)



TOPICS: Introduction of RPA

In the manufacture and sale of pharmaceuticals, etc., the Pharmaceuticals Business, is required to report information such as drug side effects to the Ministry of Health, Labour and Welfare (MHLW) in accordance with the Pharmaceuticals and Medical Devices Act (the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices.) In recent years, the amount of information has increased significantly, partly due to a remarkable increase in information from overseas. At the same time, information on side effects is required to be reported within a statutory deadline period, and there is a risk that even a single mistake can lead to a delay in reporting. Persons in charge of these business processes, who manually received the collected information, were therefore required to put in a lot of effort to process and confirm the information, because it was not possible to make any mistakes, along with increase in the amount of information to be processed. In order to improve this situation, we have automated the receipt of overseas information by email by introducing RPA*. By entrusting RPA with the processes of determining the date on which information was obtained and actually receiving information, it has become possible to complete this work accurately, in a short period of time. This improvement has also led to improvements in work quality, such as improved work efficiency and acquisition of new skills. Currently, we are considering and implementing automation for various business processes, driving further improvements in quality.



* RPA (Robotic Process Automation): Automation of business processes by robots.

Quality Education for Suppliers

The Agrochemicals Group maintains and improves the quality of its contract manufactured products by conducting regular audits and close dialog with domestic and overseas manufacturing contractors. Audits are conducted in collaboration with our Quality Assurance and Technical Departments, as well as the Research Department as needed. We conduct surveys based on manufacturing contractor questionnaires regarding compliance with laws and regulations, quality assurance systems, quality control and manufacturing processes, etc. After identifying items with low self-evaluation scores in advance, we then attempt to confirm them on-site wherever possible. In the case of manufacturing contractors that have had abnormalities or nonconformities in the past, we confirm that sufficient measures have been taken to prevent the recurrence of such abnormalities, and take steps to prevent similar abnormalities from occurring in the future by applying the same measures with regard to other manufacturing contractors. If an audit finds that the efforts for improvement are insufficient, a request for improvement is issued, requesting that corrective measures are taken promptly. We will continue striving to improve the quality of our products and customer satisfaction, support the supply of food to consumers, and contribute to the development of sustainable agriculture.

Quality Education and Training Activities

In order to clarify the issues required for quality assurance and quality improvement activities, the Quality Management Division organizes quality education focused around the **KAYAKU spirit**-our corporate vision-as the center of our Quality Mandalat, and systematically implements quality education in line with this concept.

The Quality Mandalat is further subdivided into eight other sections, and the knowledge and skills necessary to solve the issues of A through H in the table and realize the ideal vision are defined accordingly. In quality education in accordance with this, in order to enable R&D and factory personnel in each business field to take classes efficiently and effectively, we have devised various training methods using both online and offline approaches in addition to group training, training utilizing a web conferencing system which does not involve the movement of participants, and a hybrid method in which instructors are dispatched to each business site and lectures are streamed simultaneously to multiple business sites. After education and training, we conduct questionnaire-based surveys and gain feedback on the quality and quantity of course content, which also leads to further improvement.

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

A Stable supply	B Driving digitalization	C Good communication
D Increasing quality awareness	KAYAKU spirit	E Continuous improvement
F Rational management of facilities and equipment / components	G Rational implementation of process design and process control	H Rational risk control

Quality Mandalat

Sample of the Training Content

- Field Data Analysis -Fun Hands-On Learning School-
- Internal quality auditor training
- "Why? Why? Analysis" training
- Human error response measure training

We also provide quality education for all executives and employees through e-learning based on the in-house quality education textbook, Quality Control for Everyone. The attendance rate has remained high, with an average attendance rate of 97% for FY2019 through FY2022. Each and every Group employee is working hard every day to improve quality awareness.

Attendance of Common Education for All Executives and Employees (in Japan)

Name of training program	Main themes covered	Main target	Training period	Training format	Number of sessions	Average attendance rate
Quality control for everyone	Basic knowledge of quality control, quality standards and inspection standards, response measures when problems occur, etc.	All executives and employees	2019-2022	e-Learning	20 times	97%

Quality Improvement Activities

The Nippon Kayaku Group has adopted a method called "Why? Why? Analysis," with the aim of investigating the causes of quality process abnormalities and customer complaints, effectively preventing repeat occurrences by working together as a united workplace, and formulating appropriate response measures. In 2014, in order to make more active use of Why? Why? Analysis, we formed promotion teams from each plant and created a Why? Why? Analysis Manual, which we are prevailing to each workplace. So far, we have repeatedly revised the manual and created foreign language versions so that it can be distributed to overseas Group companies, and are conducting training sessions which are useful in revitalizing improvement activities in workplaces both in Japan and overseas.



[Important Issues] Occupational Health and Safety in the Workplace, Health and Productivity Management

Policy and Basic Approach

The Nippon Kayaku Group is promoting a range of health and safety activities to allow employees to work healthfully and safely and maximum their capabilities based on the Group's Responsible Care Policy.

Under the vision of zero serious accidents/casualties, we are implementing activities, bolstering 30-second patrols and promoting fixed-point observation which were chosen as key issues of Responsible Care. As its corporate responsibility, the Nippon Kayaku Group is working for zero accidents and injuries and securing the safety and security of its employees.

In addition, the physical and mental health of employees leads to the vitality and improved productivity of the organization. They are indispensable in the improvement of the satisfaction of stakeholders. We are implementing not only measures to prevent exposure to the chemical substances that we handle at work but also mental healthcare and lifestyle modification activities, etc.

Giving first priority to safety, the Nippon Kayaku Group will continue to conduct occupational health and health enhancement activities toward the achievement of our Medium-term Business Plan, **KAYAKU Vision 2025 (KV25)**.

➤ [The Declaration on Environment, Health and Safety, and Quality](#)

Responsible Care in the Nippon Kayaku Group

Nippon Kayaku Group Annual Responsible Care Policy

(Items related to Occupational Health and Safety and Health and Productivity Management)

◆ Targets

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

◆ 1. Key issues in Responsible Care

- Bolstering 30-second patrols and implementing fixed-point observation

◆ 2. Initiatives aimed at achieving zero accidents and disasters

- Diagnostic methods with an emphasis on risk assessments
- Fixed-point observations tailored to the characteristics of each business location
- 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

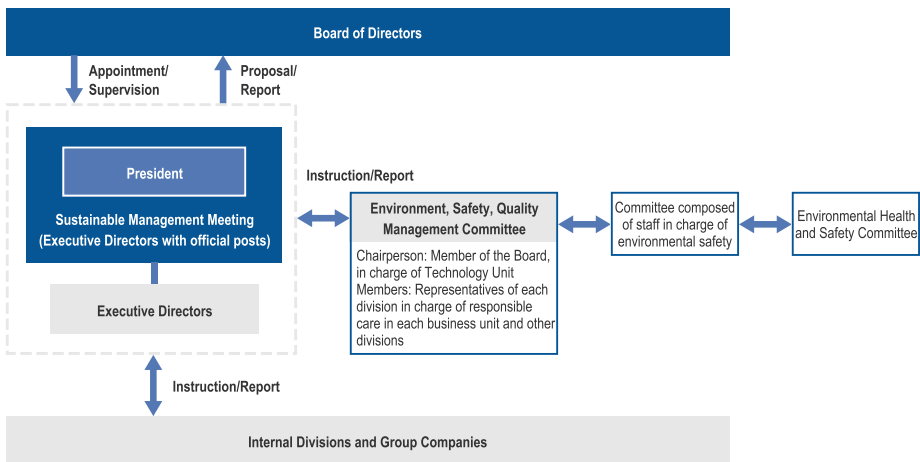
System

Based on "The Declaration on Environment, Health and Safety, and Quality", the Nippon Kayaku Group has established the "Environment, Safety, and Quality Management Committee," chaired by the executive director in charge of technology unit. Representatives of groups and related divisions also participate in the Environment, Safety, Quality Management Committee to discuss the formulation of the Responsible Care Policy and plan, the improvement of the occupational health and safety environment in the workplace, health enhancement activities, fire and disaster control, the creation of a comfortable workplace, etc. Key issues related to the occupational health and safety and the health and productivity management discussed by the Environment, Safety, Quality Management Committee are proposed and reported to the Board of Directors after approval at a Sustainable Management Meeting.

In association with the Environment, Safety, Quality Management Committee, we have a "Environment and Safety staff member committee". The committee is chaired by the Director of Environmental Protection & Safety Division. It is managed by the Environmental Protection & Safety Division. It is an administrative body which shares information and problems regarding the occupational health and safety management and health enhancement activities of the Nippon Kayaku Group and its sites and group companies and discusses key issues and problems of the entire Nippon Kayaku Group to achieve improvements for the Group, in cooperation with the Environment and Safety Department and the staff in charge of environmental safety at Nippon Kayaku's sites and Group companies.

The Environment, Health and Safety Committee of each site/group company meets once a month. They are joint labor and management organizations. At meetings of the Environment, Health and Safety Committees, both labor and management discuss the issues and problems at each site and the planning of solutions for the formation of a consensus.

In addition, Nippon Kayaku and the Nippon Kayaku Health Insurance Society have established the Collaborative Health Association, aiming to effectively and efficiently support the health maintenance and development of the employees and their families while collaborating and cooperating with each other, and the association exchange, reports, reviews, etc. information regarding health enhancement.



Group Companies that Have Acquired ISO45001 Certification

The Nippon Kayaku Group's consolidated subsidiary, Kayaku Safety Systems (Huzhou) Co., Ltd. has acquired ISO45001 certification, an international standard for occupational health and safety management systems. The certified rate in the applicable organizations in FY2022 is 5%. Please note that sites that have not acquired the certification also have an occupational health and safety management system on the same level as the ISO45001 standard.

Sites that Have Acquired the ISO45001 Occupational Health and Safety Management System Certification

Site	Acquisition date	Registered auditor	Certification No.
Kayaku Safety Systems (Huzhou)	January 2023	NQA	132021
Coverage*			5%

* Percentage of manufacturing facilities possessed by us and our consolidated subsidiaries that have acquired ISO45001 certification

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Occupational Health and Safety in the Workplace	 	<ul style="list-style-type: none"> Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm 	Number of serious accidents*	0	0	<ul style="list-style-type: none"> 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 Continuously obtaining Health & Productivity Management Outstanding Organizations certification Promoted activities to maintain and advance employee health to maintain certification Mental health training ended in the third year of the three-year plan The percentage of employees undergoing health checks was maintained at 100%
			Acquisition of certifications under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category)	(Non-consolidated) Acquired certification for 2023 Certified Health & Productivity Management Organization Recognition Program (Large Enterprise category)		
			Percentage of employees who take mental health training	(Non-consolidated) 100%	(Non-consolidated) 100%	
			Percentage of employees receiving regular health checkups	(Non-consolidated) 100%	(Non-consolidated) 100%	

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

Initiatives

Occupational Health and Safety

◆ Occupational Accidents

In FY2022, there were no serious accidents, including fatal occupational accidents, at Nippon Kayaku or its domestic or overseas group companies or subcontracting companies. The frequency and severity of the accidents requiring time off work at Nippon Kayaku (non-consolidated) and the subcontracting companies of Nippon Kayaku (non-consolidated) are both 0. In FY2022, there were no violations of laws, rules, norms, etc. related to occupational health and safety.

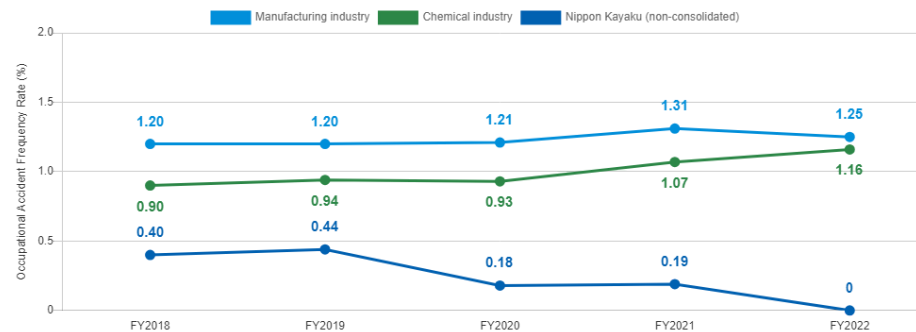
Number of Occupational Accidents

Indicators	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of fatal industrial accidents and serious accidents	Non-consolidated	Cases	0	0	0	0	0
	Non-consolidated, subcontracting companies	Persons	0	0	0	0	0
Number of industrial fatalities	Non-consolidated, subcontracting companies	Persons	0	0	0	0	0
	Domestic Group companies	Persons	0	0	0	1	0
	Domestic group companies and subcontracting companies	Persons	0	0	0	0	0
	Overseas group companies	Persons	1	0	0	0	0
	Overseas group companies and subcontracting companies	Persons	0	0	0	0	0
	Frequency rate of accidents requiring time off work	Non-consolidated	*1	0.43 (2 cases)	0.4 (2 cases)	0.18 (1 case)	0.19 (1 case)
	Non-consolidated, subcontracting companies	*1	4.47 (1 case)	0	0	0	0
Severity rate of accidents requiring time off work	Non-consolidated	*2	0.012	0.031	0	0	0
Number of violations of regulations and norms regarding occupational health and safety	Non-consolidated	Cases	0	0	0	0	0

*1 Number of industrial injuries per million cumulative actual working hours

*2 Cumulative number of lost working days for reasons of industrial injuries per thousand cumulative actual working hours

Occupational Accident Frequency Rates



◆ Audits

➤ [Responsible Care Audits](#)

◆ Occupational Health and Safety Initiatives for Achieving the Goals of Responsible Care

The results of the occupational health and safety initiatives for the FY2022 Responsible Care vision of the Nippon Kayaku Group are as follows.

Items	Target	Result	Evaluation
- Serious accidents / casualties	Zero	Zero	○
- Serious traffic accidents	Zero	Zero	○
1. Key issues in Responsible Care	Bolstering 30-second patrols and implementing fixed-point observation	We checked the situation of each site by Internal Audit (environmental health and safety diagnosis) and confirmed that, overall, they are promoting the initiatives.	○~△
2. Initiatives aimed at achieving zero accidents and disasters	Diagnostic methods with an emphasis on risk assessments	Implemented at Joetsu Plant, Kashima Plant, Himeji Plant, Fukuyama Plant, Asa Plant, Takasaki Plant and NIPPONKAYAKU FOOD TECHNO CO., LTD.	○
	Fixed-point observations tailored to the characteristics of each business location	A problem was found in the flow of the fixed-point observations according to some non-standard operation reports.	△
	Inspections and optimization of measures against heat stroke	The heat stroke countermeasure meetings, etc. were held in June to share and laterally share measures. *There was one heat-related illness accident that occurred.	○~△
3. Improvement of occupational health and safety in the workplace	Optimization of Responsible Care progress tables and visualization of activity status	We reviewed the Responsible Care progress tables at the beginning of the fiscal year and used them for the Internal Audit (environmental health and safety diagnosis).	○
	Compliance with changes in national chemical substance management policies (voluntary management through the RA of chemical substances)	We obtained information from the Japan Chemical Industry Association, etc. as required and organized issues and measures.	○
	Training and enhancement of disaster information communication systems	We implemented training using a safety confirmation system and emergency IP wireless devices	○

Evaluation criteria: ○ Achieved, ○~△ Mostly achieved

◆ Education and Training

The Nippon Kayaku Group provides health and safety training by position and rank based on the laws and regulations and the Responsible Care yearly plan. The health and safety training of the Nippon Kayaku Group covers a wide range of subjects, including acceptance training at move-in for new employees and employees who have been transferred at each site, pre-work safety training for employees who have been transferred between workplaces, safety training for new managers, training for forepeople implemented at each plant, training on chemical substances and their handling using chemical substance risk assessments, etc., and training on the basics of chemicals and laws and regulations.

Training is provided either online (e-learning or external lectures) or offline (group training and on-site on the job training). By efficiently and effectively implementing training, we aim to improve employees' awareness of health and safety.

Main Safety Training in FY2022

Name of training program	Main themes covered	Main target	FY	Training format	Frequency (times)	Number of attendees
New employee training*	Basic safety management rules	New employee	2022	Group training	1	46
Newly appointed manager training*	<ul style="list-style-type: none"> Safety management focusing on the obligation to protect safety at the workplace What the managers should know in the Nippon Kayaku Responsible Care activities The Nippon Kayaku Group's environment and climate change initiatives 	Newly appointed managers	2022	Group training	2	57

* Held annually

◆ Initiatives for Occupational Health and Safety in Cooperation with the Labor Union

> [Comfortable Workplace Environment \(Labor-Management Relations\)](#)

Health and Productivity Management

◆ Health Initiatives for the Responsible Care Vision

The results of the health initiatives for the FY2022 Responsible Care vision within the Nippon Kayaku Group are as follows.

Item	Target	Result	Evaluation
3. Improvement of occupational health and safety in the workplace	Compliance with changes in national chemical substance management policies (voluntary management through the RA of chemical substances)	Compliance with changes in national chemical substance management policies (voluntary management through the RA of chemical substances)	○
	Identifying and following up on high-stress workplaces through stress checks and organizational analysis	Implementing stress check and organization analysis according to the yearly plan	○
	Establishing a management system by creating a database of health check results (due to commence operation this fiscal year)	System construction is completed	△
	Continuously obtaining Health & Productivity Management Outstanding Organizations certification	2023 Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category) A future task is to implement a PDCA cycle using analyses of the health checkup results	○

* Evaluation criteria: ○ Achieved, △ Partially not achieved

◆ Physical Health

The Nippon Kayaku Group requires all employees to undergo regular health checkups as the basis for its health and productivity management. Employees receive advice and instructions from the industrial physician depending upon the results. Moreover, for employees who work with specified chemical substances, we offer opportunities for special health checkups. We also have a database of information about the hazardousness of chemical substances handled by us, based on which we carry out risk assessments to prevent incidents and avoid damage to employees' health. In addition, at each business site, we are promoting THP* for employees' mental and physical health, aiming to help employees review their lifestyle habits and promote their health in a continuous and planned manner in order to lead even healthier lives. We also hold events such as a physical fitness test, a health management competition, a walking rally and hiking events for employees.

* THP stands for Total Health promotion Plan for the execution of a PDCA cycle that includes the formulation of a health promotion plan, health testing, health instructions, health promotion based on the instructions, and the improvement of lifestyle habits and revitalization of the workplace.

Percentage of Employees Receiving Regular Health Checkups

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of employees receiving regular health checkups*	Non-consolidated	%	100	100	100	100	100

* Excluding employees on temporary leave

◆ Mental Health

To both improve operational productivity and create added value, it is absolutely necessary to have a working environment where employees can work actively and maintain their physical and mental health.

In 2005, Nippon Kayaku announced its Declaration to Introduce a Mental Healthcare System under the name of the president, and has thoroughly instructed its managers on the declaration. For mental healthcare, it is important for all employees to continue to acquire accurate information and for the Company to be able to identify those who may be struggling with mental illness at work in order to help them at an early stage. We are therefore focusing on implementing health promotion measures by giving priority to the prevention of mental illness.

We started to provide mental health training in FY2005 by inviting speakers from an EAP* provider to give lectures. Since FY2006, we have been implementing a three-year plan for all employees to receive the training. Although we canceled group training due to COVID-19 and instead provided an e-learning seminar on self-care to all employees to help them deal with the changes in their environment caused by the COVID-19 pandemic and other factors in FY2020 and FY2021, we provided group training in a face-to-face lecture paying careful attention to prevent the spread of the infection.

For those who take leave due to mental illness, we offer a reinstatement program to support their smooth return to work and prevent a relapse based on collaboration between their managers and the industrial physician and counsellor in charge.

We launched the mandatory stress check program to be implemented on an annual basis in FY2015 in line with the Industrial Safety and Health Act, and over 97% of the employees participate in the check program every year (97.9% of employees took the stress check in FY2022). The results of the stress check are used to understand the stress conditions of individuals and understand and follow-up on high-stress workplaces by analyzing each organization as well.

* EAP: Employee Assistance Program

Mental Health-related Data

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of employees undergoing a stress check*	Non-consolidated	%	97.5	97.3	97.2	98.1	97.9
Percentage of employees with high stress levels	Non-consolidated	%	10.0	9.6	9.5	10.6	10.0
Amount invested in mental health-related initiatives	Non-consolidated	Million yen	10.0	10.8	11.0	13.0	12.6

* Excluding employees on temporary leave

◆ Measures for Sites without Statutory Industrial Physicians

For health management at our business sites where the appointment of an industrial physician was not required by law*, employees at these sites were unable to be interviewed by industrial physicians after undergoing their statutory health checkups or the screening for adult-onset diseases provided by Nippon Kayaku's health insurance association. In FY2013, we began to conduct examinations for these business sites and decided to send industrial physicians from the Head Office to interview employees at the sites as required.

In FY2014, industrial physicians from the Head Office began to visit these sites across Japan once a year according to a predefined schedule. We also make use of an online conference system for the interviews.

* Business sites where the appointment of an industrial physician is not required by law: As provided for in Article 13 of the Industrial Safety and Health Act and in Article 5 of the Order for Enforcement of Industrial Safety and Health Act, sites with less than 50 employees are not required to appoint an industrial physician.



◆ Health Management Competition Held

Nippon Kayaku and some group companies have held a companywide health management competition since FY2018 to implement health enhancement promotion activities for employees. In FY2022, 2,422 people participated in it across the entire Nippon Kayaku Group (participation rate: 68.6%).

The companywide health management competition is implemented in March every year. The employees record their daily health activities for a month, which are then scored and summarized by the Environment and Safety Department of each site and group company. After that, the results are tallied and analyzed at Environmental Protection & Safety Division. The initiative's themes cover a wide range of activities, including exercise in the morning and at noon, a regular diet, tooth brushing, sleeping, number of steps taken as well as leisure and sports. Not only individuals but also teams are recruited to participate in the initiative.

We will continue to support the employees to maintain and improve their health through the companywide health management competition.

Health Management Competition Participants and Participation Rate

		Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Nippon Kayaku	Participants	Persons	937	1,349	1,566	1,976	2,105
	Participation rate	%	34.8	49.5	51.4	65.1	69.2
Group companies	Participants	Persons	9	280	263	82	317
	Participation rate	%	6.6	32.5	57.0	32.4	65.0
Entire Nippon Kayaku group	Participants	Persons	946	1,629	1,829	2,058	2,422
	Participation rate	%	33.4	45.4	52.1	62.6	68.6

◆ External Recognition

Nippon Kayaku has been recognized by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi as a company that views employee health management from a business perspective and strategically works to improve it and acquired certifications under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category).*

To maintain and enhance employees' health, Nippon Kayaku has been pursuing a number of initiatives. For example, we are keeping the percentage of employees who undergo regular health check-ups at 100% and providing stress check and mental health training. We received the certification in recognition of our having extracted issues from the initiatives for health enhancement and taken many measures to address them within a wide range, such as initiatives for improving health checkup results, countermeasures against exposure to environmental tobacco smoke, and health development events for all employees, while considering COVID-19 pandemic countermeasures.

Nippon Kayaku considers the enhancement of employee health as necessary for the prosperity for the company and the improvement of stakeholders' satisfaction and it will continue to actively work on health and productivity management.



* Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category): Certified organizations in the large enterprise category targeting on large-scale enterprises and medical corporations in the certification program "Certified Health & Productivity Management Outstanding Organizations Recognition Program" established by the Ministry of Economy, Trade and Industry in 2016.

Comfortable Workplace Environment

Policy and Basic Approach

> [Internal Environment Improvement Policy](#)

System

Ensuring Compliance to Labor Standards

Nippon Kayaku includes items related to labor conditions such as wages/bonus remuneration, working hours and holidays, occupational health and safety, welfare facilities and systems and service in the required training when new employees are hired by the company. These items related to labor conditions are always available on the internal intranet, etc., allowing employees to view them at any time. In addition, the people in charge of personnel labor, etc. meet regularly to share information and enable the training of employees conducted via a person in charge of personnel at each site. Through these initiatives, we are thoroughly increasing employees' awareness of labor standards.

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Occupational Health and Safety in the Workplace	 	<ul style="list-style-type: none"> Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm 	Percentage of paid leave taken	(Non-consolidated) 70% or higher	(Non-consolidated) 63.7%	<ul style="list-style-type: none"> 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 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	-	

Initiatives

Promoting a Healthy Work-life Balance

Nippon Kayaku is working to promote next-generation workers and further women's empowerment and the introduction of various systems and measures with the goals of enabling employees to balance their job with childcare and nursing care, improving the productivity of individuals, maximizing their capabilities, and realizing workplaces filled with motivated employees. We have also established the Anniversary Leave System with a vision for continuing to improve paid leave with the goal of enriching employees' work-life balance and we are committed to the creation of a work environment that makes it easy to take paid leave.

◆ Action Plan on Measures to Support Raising Next-generation Children (plan period: April 1, 2022 to March 31, 2025)

- > [Action plan \(4th: FY2022 to FY2024\) \(Japanese\)](#)
- > [Status of progress \(FY2022\) \(Japanese\)](#)

◆ Various Systems for Promoting a Healthy Work-life Balance

Name of system	Details
Flextime	Introduced at the head office and some research laboratories.
Childcare leave	Can be taken until the child is two years old when certain requirements are satisfied.
Childcare support leave	Both men and women can take a special paid 10-day childcare leave.
Child nursing care leave	Employees can take a 10-day (five days for medical checkups and immunization) paid leave to care for their children who are preschool age and younger. It is possible to take this leave in half-day leaves.
Anniversary leave	A maximum of three days of paid leave can be taken annually for the birthdays of the employees and their relatives living together and their children's entrance ceremonies, commencement ceremonies and class observation days.
Caregiving leave	Up to a year of leave can be taken for each family member.
Short working hour system	When caring for children in the sixth grade of elementary school or younger, the predefined working hours can be shortened by up to two hours in increments of 30 minutes. When providing nursing care to family members, the work hours can be shortened up to three hours in increments of 30 minutes.
Working from home	Introduced at the head office, research laboratories and pharmaceutical sales positions.
Staggered work hours	With the start and closing times are predefined at a site and the predefined working hours for a day considered as standards, employees can move their start time forward or backward up to two hours in increments of 30 minutes.
Annual paid leave	It is also recommended to take incentive leave several times a year and three continuous days of leave in summer.
Half-day paid leave	Up to 30 half-days of leave can be taken annually.
Planned annual paid leave	Leave during the consecutive holidays in May that is set at the headquarters offices according to the labor-management agreement (about one to three days).
Annual paid leave in hourly increments	Up to three days (24 hours) of annual paid leave annually usable in hourly increments is currently in trial operation.
Special paid leave	Up to 60 days of annual paid leave that will expire can be saved and taken for specified reasons including non-workplace injuries or diseases affecting employees or their families, childcare and nursing care, child nursing care, volunteer activities, marrow donor activities and active-life-leave at an employee's 10th, 20th and 30th year at the company.

Paid Leave

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Average number of days of annual paid leave taken in a year	Non-consolidated	Days	11.3	11.1	12.2	11.1	12.0
Annual paid leave acquisition rate	Non-consolidated	%	61.1	60.1	65.8	59.8	63.7

Childcare

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Started maternity leave*1	Non-consolidated	Persons	8	13	13	11	22
Started childcare leave*1	Male	Persons	3	5	11	9	27
	Female	Persons	8	13	13	11	22
Percentage of employees taking childcare leave*2	Male	%	7.0	11.9	31.4	27.2	69.6
	Female	%	100	100	100	100	100
Percentage of employees who returned to work after maternity and childcare leave	Male	%	100	100	100	100	100
	Female	%	100	100	100	100	100
Retention rate after maternity and childcare leave	Male	%	100	100	100	100	100
	Female	%	100	100	100	100	100
Number of employees with shortened working hours to care for children	Male	Persons	2	2	0	1	2
	Female	Persons	26	31	43	42	48

*1 Excluding the employees who took leave spanning multiple fiscal years

*2 The percentage in 2022 was calculated using the method in Percentage of employees taking childcare leave or leave for childcare purposes (Paragraph 4, Item 2, Article 71)

Nursing Care

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees taking caregiving leave	Non-consolidated	Persons	1	1	0	0	0
Number of users of the caregiving leave system	Non-consolidated	Persons	1	1	1	0	2

◆ Appropriate Working Hours

Nippon Kayaku is working on establishing an appropriate understanding of working hours and preventing long working hours. More specifically, we have established a Working Hours Management Committee consisting of labor and management to investigate the actual working hours management situation and ask each site to submit a report on the related measures and their implementation status twice a year to check the details of the management of working hours.

In addition, the committee provides training to management supervisors and people in charge of personnel labor and holds study meetings hosted by both labor and management.

Furthermore, it is implementing a range of initiatives that go beyond compliance with laws and regulations such as the appropriate implementation of entrance/exit management, objective record management and overtime work management that also targets management supervisors.

Work Hours

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Annual work hours per employee	Non-consolidated	Hours	1,919	1,911	1,885	1,911	1,875
Monthly average overtime hours	Non-consolidated	Hours	13.3	12.7	11.3	12.7	13.6

Wage Management

Nippon Kayaku established a rule clearly stating its intolerance of discrimination based on differences in gender, age, nationality, race, religion, disability, place of origin, ancestry, creed, political views, marital status, employment status or other differences in the Nippon Kayaku Group Human Rights Policy. Also through our personnel wage system, we apply a uniform remuneration system that does not discriminate based on gender. We are also paying appropriate wages in compliance with laws and regulations regarding floor wages, overtime wages and equal pay for equal work.

Salary

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Average annual salary	Male	Non-consolidated Thousand yen	7,862	7,526	7,423	7,683	8,003
	Female	Non-consolidated Thousand yen	6,155	6,119	6,133	6,366	6,707
	Overall	Non-consolidated Thousand yen	7,577	7,307	7,224	7,477	7,801

Labor-management Relations

Nippon Kayaku Co., Ltd. and Nippon Kayaku labor union have been maintaining sound relations based on mutual trust between management and labor since the conclusion of a new labor agreement in 1998. Because Nippon Kayaku has a union shop system, with the exception of certain managerial and contract employees, all employees are members of the labor union.

The company's policy regarding their discussions is to be candid while disclosing as much information as possible and sincerely respond to them. Also, the Central-Management-Labor Liaison Committee meets three times a year, at which time the executive team directly communicates the company's management policies and health and safety policies, etc. with the labor union. A central management roundtable is held monthly to deepen mutual understanding, share information about the status of the company and discuss how to solve problems.

Also, we are making efforts to promptly communicate the details and outcome of these labor-management discussions to employees at each division.

At the same time, with respect to issues faced by individual sites, we hold yearly Site-Management-Labor Liaison Committee and monthly business site management roundtables to obtain a shared recognition through discussions and opinion exchanges and to bring about a labor environment where employees can work in comfort.

Record of the Management-Labor Liaison Committee Meetings Held

Conference name	Details	Number of meetings held in FY2022	Attendees
Central-management-labor Liaison Committee	The company's officers explain the company's business policies, business strategies, and environment, health and safety policies, etc. to the members of the labor union and discuss issues to solve problems.	3	Company: executives, managers of related divisions, Human Resources Division Labor union: Group executives, all heads of branch offices
Site-management-labor Liaison Committee	The company explains the policies and business plan, etc. of the sites to the labor union and discusses issues to solve problems.	Once	Company: Executive teams of the sites (Plant Manager, General Manager of Corporate Controlling Department, General Manager of Manufacturing Department, General Manager of Engineering Department, etc.) Labor union: Executive committee members of branch offices
Central Management Roundtable	The company explains items related to its business plan, new businesses, management status, and statuses of production, sales, and research, and improvement of production technologies, staff plan, etc. to the executives of the labor union.	12	Company: Officer in charge of Human Resources Division, Human Resources Division Labor union: Executives of the sectors
Business Site Management Roundtable	The company explains items related to its business plan, new businesses, management status, and statuses of production, sales, and research, and improvement of production technologies, staff plan, etc. to the executives of the labor union.	12	Company: Executive teams of the sites (Plant Manager, General Manager of Corporate Controlling Department, General Manager of Manufacturing Department, General Manager of Engineering Department, etc.) Labor union: Executive committee members of branch offices
Workstyle Advisory Committee	We exchange opinions about the management of working hours, support for raising next-generation children, women's empowerment, employment of older people, welfare facilities and systems, various leave systems, personnel system, human resource education, childcare and nursing care and discuss issues to solve problems	7	Three people from the company, three people from the labor union

◆ Initiatives for Occupational Health and Safety in Cooperation with the Labor Union

As part of our internal audits, we conduct environmental, safety and health audits of each Nippon Kayaku business site and some group companies based on an annual plan. In principle, the headquarters of the labor union and the labor union branches of the sites and group companies that participate in the audits participate in the environment, safety and health audits.

In the environment, health and safety audits, an audit team mainly consisting of the Environmental Protection & Safety Division people in charge of environmental safety, and the labor union check the progress against the Responsible Care Policy and Plan and activity results through meetings, documents or on-site patrols. The labor union also points out problems from their perspective, and labor and management work together to improve health and safety.

In FY2022, we implemented the environment, health and safety audits on site while paying careful attention to measures to prevent COVID-19 infections. We focused on checking the progress of Responsible Care activities using the Responsible Care progress checklist, potential dangers/risks to prevent the recurrence of past accidents based on investigations into their causes, and the status of the implementation of risk assessments in production processes.

We will continue to work on them with a high regard for the dialogue between labor and management, aiming to establish a working environment where employees can work in comfort in a good mental and physical health.

Welfare and Benefits Systems

Nippon Kayaku has introduced the following welfare and benefits systems to support lives of its employees.

Welfare and benefits systems	Details
Social insurance	Health insurance, employee pension schemes, care insurance, employment insurance and worker's accident insurance
Asset formation	Employees' savings scheme, employee shareholding association, restricted stocks incentive system
Human resources development	Overseas study program
Self-development	Assistance for obtaining qualifications
Pension	Defined-benefit corporate pension scheme
Housing	Dormitories and rented company housing
Childcare and nursing care	Leave systems, aid for buying nursery items and caregiving-related costs
Other	Cafeteria plan

Freedom of Association

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Number of employees who have joined the union^{*1}	Non-consolidated ^{*3}	Persons	1,762	1,871	1,753	1,695	1,687
Percentage of employees that are union members^{*2}	Non-consolidated ^{*3}	%	100	100	100	100	100

*1 Number of people as of March 31 of each fiscal year

*2 Number of union members/qualified people (except managerial employees and people specified in the agreement)

*3 Including some affiliated companies

[Important Issues] Maintaining and Expanding Employment, Developing Human Resources

Policy and Basic Approach

> [Human Resource Development Policy](#)

Our Approach on Diversity

In our approach, having a work climate that embraces diversity and different opinions and ideas is important for us to become a company capable of providing happiness and delight, under our **KAYAKU spirit** corporate vision. The Company accepts and respects everyone for their gender, age, nationality, race, religion, disability, ethnicity, skin color, culture, philosophy, creed, political views, sexual orientation and other attributes and places importance on the diversity of organizations. Also, the Company seeks to ensure diversity by giving all employees equal opportunities in terms of recruitment, promotion, treatment, education and other matters. Through these efforts, the Company secures human resources from many different backgrounds, encourages the acceptance of people's differences and facilitates uninhibited discussion to create a good and rewarding work climate and to enable employees to be more engaged.

System

In pursuit of the **KAYAKU spirit**, Nippon Kayaku has introduced and institutionalized a personnel system to ensure employees are assigned and treated without regard to differences in age, gender or academic background so that all employees, agents of the Company's activities, can be proud to fulfill their roles and responsibilities. Creating opportunities for diverse human resources to maximize their capabilities is necessary for a company to retain its competitive advantage. To this end, it is very important to ensure the diversity of the managerial-level people who are a company's core human resources supporting the executives. We have introduced a system to allow anyone, including women and employees hired mid-career, to voluntarily seek promotion to a managerial-level position. We will keep up the efforts to ensure that our core human resources are diverse.

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for Initiatives
Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	 	<ul style="list-style-type: none"> Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development. 	Percentage of female employees in management posts*	(Non-consolidated) 10% or higher	(Non-consolidated) 9.0%	<ul style="list-style-type: none"> 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 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
			Percentage of employees with disabilities	(Non-consolidated) Achieve legal minimum employment rate	(Non-consolidated) 1.98%	
			Amount invested in education and training per employee	(Non-consolidated) Disclose results	(Non-consolidated) ¥83,002 / person	
			Training hours per employee	(Non-consolidated) Disclose results	(Non-consolidated) 14.9 hours	

* Targets for the end of FY2024

Initiatives

Training System

People make a company. The driving force of our manufacturing, through which we provide people around the world with value, is therefore our people. Having celebrated our 100th anniversary, we are working to develop human resources who will lead Nippon Kayaku in the next 100 years.

◆ Training Programs

Various training programs are provided to employees according to their job positions. These comprehensive training programs are conducted so as to develop the next generation of skilled workers who will lead Nippon Kayaku in the future.



Training

◆ Mandatory Programs

We offer mandatory training programs for new hires, employees who have completed their first and third years at the Company, those in their fifth year of service, and for mid-rank employees in accordance with their job types and positions. Through these programs we help employees take new steps forward by developing practical skills based on a recognition of the changes in their roles and competencies.

Optional Programs

A wide array of voluntary training programs are also available. These voluntary programs are tailored to specific jobs and personal characteristics. The programs are intended to help trainees work on self-improvement by improving their business skills and troubleshooting abilities.

Next-generation Manager Development Programs

With the goal of developing managers for the next generation, the program selects manager and senior executive candidates to lead future generations.

Education System Chart



List of Training Programs Organized by the Human Resources Division (FY2022)

Mandatory Programs

Name	Details	Days	Number of attendees
New employee orientation	Introductory training for new graduate recruits Learn about internal rules, an outline of the business and business skills	10	46
Post-first-year training	Review problems and formulate an action plan for the employees to improve their business execution skills and autonomously pursue their careers	3	65
Third-year training	Formulate a career development plan for employees to improve their business execution skills and, as the core of an organization, continue to produce good results	3	64
Career presentation	Employees make a presentation about their career after joining the Company and engage in a lively discussion with colleagues including people who joined the Company the same year that they did	2	25
Fifth-year training	Employees learn how to become more independent and influential and make it work in their development of their careers in the future	2	27
Training to strengthen communication skills	Enhance communication skills which are necessary for mid-level employees to proactively proceed with work within an organization	3	14
Mid-rank employee training	Employees recognize the importance of independently working on their roles and changing as a mid-level employee and make it work in their career development in the future	4	53
Personnel training for employees who joined through year-round recruitment	Introductory training for mid-career recruits Learn about our internal rules and business outline	1	57

Optional Programs

Name	Details	Days	Number of attendees
Interpersonal skill seminar	Acquire skills to adapt your communication to the person you are talking with	2	15
Problem solving training	Learn the reasonable thinking process necessary for making proper judgment and solving problems	3	20
Marketing training	Learn the framework of marketing and analysis methods	2	18
Logical communication training	Improve information communication skills through logical thinking	2	17
Management simulations training	Understand management indices and learn the process of company management	3	10

Next-generation Manager Development Programs

Name	Details	Days	Number of attendees
Business leader development course	Cultivating entrepreneurial and innovative leaders who act while looking toward the near future	3	15
Newly appointed manager training: Part 1	Introduction training for newly appointed managers Learning their roles and required abilities and knowledge	2	35
Newly appointed manager training: Part 2	Introduction training for newly appointed managers Learning management communications	2	46
Nippon Kayaku Business Academy (implemented biennially)*	For next-generation management employee candidates Formulating management strategies with insight into the future through strategy and scenario planning, learning the skills required for corporate management, and fostering the minds of corporate managers	10	-
Senior manager candidates (implemented biennially)*	For future high-level manager candidates Learning leadership and business management skills, increasing management literacy, etc.	4	-

* Not held in FY2022

Human Resources Development

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Training hours per full-time employee	Non-consolidated	Hours	-	-	14	13	15
Total training hours	Non-consolidated	Hours	-	-	29,156	27,092	31,045
Amount of investment in education and training per full-time employee	Non-consolidated	Yen	87,195	76,122	35,706	66,606	83,002

Personnel Evaluation System

The basis of Nippon Kayaku's personnel evaluation system is the performance evaluation. For performance evaluations, all employees are assigned to a specific job in the beginning of a fiscal year in accordance with their roles and responsibilities. As they perform the job, they talk with superiors to decide their goals for the fiscal year and work to achieve the goals within a one-year period. Biannually, employees talk with their superiors about the degree of achievement of their goals during the fiscal year. Every time we enter a new fiscal year, employees meet with their supervisor to review their performance in the previous one-year period, determine their evaluation and set their vision for the coming fiscal year. The evaluation of an employee is reflected in their bonus remuneration.

Employee evaluations, excluding managerial-level employees, are divided into three categories: performance evaluation, challenge evaluation and process evaluation. Challenge evaluation involves the evaluation of the achievement of independently set goals while process evaluation evaluates the process of achieving the goals.

Enable the Company's growth to lead to individual growth, thereby aligning the Company's growth with each employee's self-fulfillment and evaluate processes as well as the achievement of goals. By doing so, the Company aims to increase employees' motivation to work and to enhance employee engagement.

Career Support

To facilitate the flexible adaptation to the dramatic changes in the business environment, Nippon Kayaku has introduced an in-house recruiting system with the goal of improving employee performance by putting the right people in the right positions through the matching of workplaces in need of more people with employees who are willing and skilled enough to work there.

Creating opportunities for motivated employees to take on challenges makes the employees more autonomous in their career pursuit and leads to the support of employees' careers and their greater engagement with work.

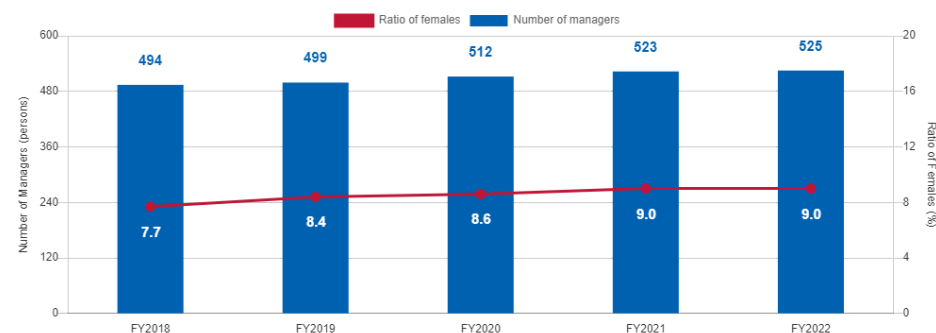
Supporting the Empowerment of Diverse Human Resources

◆ Promoting the Empowerment of Women

Proactive appointment of women to managerial positions is one aspect of the results of our initiatives to encourage diversity in the workplace. The ratio of our female managers increased to 9.0% as of the end of March 2023 (9.0% in previous year). The following target is to achieve 10% by the end of FY 2024. We will continue with our efforts to encourage the greater involvement of women in the workplace.



Percentage of Female Managers (*Nippon Kayaku non-consolidated basis; excluding seconded employees)



◆ Supporting Employees with Disabilities

Nippon Kayaku employs people with disabilities. As of the end of March 2023, 45 people with disabilities are working with us (1.98% of total employees). Since our society calls for the active employment of people with disabilities, the Company will continue to be committed to developing an environment that enables employees with disabilities to have job satisfaction, energetically demonstrate their capabilities and become involved in a greater scope of work, beyond the Company retaining a high employment rate above the legal minimum through efforts such as continuing the employment of people with intellectual impairments in cooperation with special support schools.

Percentage of Employees with Disabilities

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Percentage of employees with disabilities	Non-consolidated	%	1.82	1.97	1.90	1.99	1.98
(Legal minimum employment rate)		%	2.2	2.2	2.2	2.3	2.3

◆ Supporting Post-retirement Re-employed Workers (Senior Partners)

Since April 2006, we have been implementing the Nippon Kayaku Senior Partner System to provide retirees who are physically and mentally healthy and eager to continue working with an opportunity to demonstrate the expertise and know-how that they have accumulated over the course of their career after reaching the age of retirement. We ask applicants to the system about where they want to work, in what jobs and in what employment format, and almost 100% of applicants are reemployed in accordance with their preferences, with most of them continuing to work for the Company until they reach the age of 65.

Rehiring of Retired Employees

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Rehiring of retired employees	Non-consolidated	Persons	42	61	42	22	29
Rehiring rate of retired employees	Non-consolidated	%	82.3	89.7	95.4	84.6	85.2

◆ Exchange of Global Human Resources

As one of the policy to promote diversity, we are working to build the environment all of staff belong to Nippon Kayaku Group be able to lead an active career in globalizing world. As a part of its global human resource development program, the Company seeks to develop human resources with global perspectives by helping them improve their linguistic skills and increase their adaptability to different cultures. Example initiatives in this program include training programs, overseas language learning programs and others opportunities designed to improve young employees' linguistic skills and strengthen mid-level employees' skills in global business development. In addition to the training programs, we will keep making efforts to develop global talent by means of promoting personal interactions between our bases in Japan and overseas Group companies and enhancing our support to allow employees to experience various cultures and business environments.

◆ Initiatives at Each Business Site

Mobility & Imaging Business Unit

Visit by KMY Trainees

On January 9, 2023, four trainees from Kayaku Safety Systems Malaysia Sdn. Bhd. (KMY) visited our Himeji Plant. They spent two weeks at the Facility Department and five weeks at the Manufacturing Department acquiring skills. Currently, our cylinder-type inflators are manufactured at the Himeji Plant. We will make a capital investment in, and technological transfer to, a manufacturing hub in Malaysia and will establish a global supply system to include markets with potential demand in our targets. We put a lot of effort into human resource development and the trainees' visit was meaningful.



Establishment of "DOJO" Education

Since FY2018, the Safety Systems Group has educated and trained employees at the training hall inside the Himeji Plant.

At the DOJO facilities, safety and quality rules (Do's) and prohibited actions (Don'ts) are indicated in an easy-to-understand manner. Moreover, the facilities are equipped with necessary devices to provide employees with hands-on education on static electricity and others.

Also, experienced employees serve as instructors to help on-site supervisors (mid-rank employees) in the Members of the Group improve their skills by learning about the products, processes and past problems. The plant also collaborates with the DOJO of the overseas subsidiaries belonging to the Safety Systems Group to improve the level of the entire Group.



Third Round of the COE Program

"Change from Operator to Employee (COE)" Program

Following the launch of the COE education program at Kayaku Safety Systems de Mexico, four employees completed the first round of the program implemented from 2014 to 2017 and another four finished the second round carried out from 2017 to 2019.

COE is a program for educating and training operators (daily paid employees) and developing them into full-time (monthly paid) employees and is aimed at motivating operators, decrease the turnover rate and develop employees who will contribute to the Company for many years.



Having started in 2020, the third round was initially scheduled to be completed in September 2021. Despite a schedule change due to the COVID-19 pandemic, the eleven participants are learning about leaderships skills, teamwork and troubleshooting and will complete the education program in August 2023.



Data

> [Employees](#)

[Important Issues] Respect for Human Rights

Message from the Executive Director in charge

Human rights are essential for the pursuit of happiness and prosperity of life for all, and we believe that fundamental human rights should be protected with the highest priority. The Nippon Kayaku Group aims to bring happiness and delight to everyone involved with it. In conducting its business activities around the globe, the Group believes that consideration for human rights in accordance with international standards is the foundation of sustainable management. The Group has clearly listed respect for human rights in its Charter of Conduct and Code of Conduct, and engages in initiatives to ensure respect for human rights. In 2021 we signed the United Nations Global Compact (UNGC) and declared our participation in it. In 2022 we established the Nippon Kayaku Group Human Rights Policy with the aim of further promoting initiatives to ensure respect human rights throughout the Group. Going forward, we will continue to fulfill our responsibilities to respect human rights in all of our corporate activities.



Tomoo Shibuya
Member of the Board
Representative Executive Vice President

Policy and Basic Approach

Nippon Kayaku Group Human Rights Policy

The Nippon Kayaku Group recognizes its responsibility to protect the human rights of all people affected by its business activities.

To that end, the Nippon Kayaku Group hereby establishes the Nippon Kayaku Group Human Rights Policy (the "Policy") based on the United Nations Guiding Principles on Business and Human Rights, with the purpose of promoting initiatives to ensure respect for human rights throughout the Group.

The Nippon Kayaku Group aims to meet the expectations of its stakeholders and contribute to society through its business operations as part of its corporate vision, the **KAYAKU spirit**. As a standard of conduct to realize the **KAYAKU spirit**, the Nippon Kayaku Group has established a Nippon Kayaku Group Charter of Conduct, Code of Conduct, and Group Action Guidelines. In all of its corporate activities, the Group respects fundamental human rights, complies with laws and regulations, engages in fair business activities and responds to the trust of all stakeholders with the aim of providing happiness and delight.

◆ 1. Basic policy on human rights

This Policy is a promise that the Nippon Kayaku Group will respect human rights, in order to earn the trust of all stakeholders based on its corporate vision, the **KAYAKU spirit**. The Nippon Kayaku Group will support and respect international norms relating to human rights, including the United Nations International Bill of Human Rights (Universal Declaration of Human Rights (UDHR), International Covenant on Civil and Political Rights (ICCPR), and International Covenant on Economic, Social and Cultural Rights (ICESCR)) which provides for the fundamental human rights of all people, and the International Labour Organization (ILO) Fundamental Principles and Rights at Work, which provides for fundamental rights at work. As a signatory to the United Nations Global Compact (UNGC), the Nippon Kayaku Group also supports and respect the ten principles of the UNGC.

◆ 2. Respect for human rights through business activities

The Nippon Kayaku Group will not tolerate discrimination or harassment based on differences in gender, age, nationality, race, religion, disability, place of origin, ancestry, creed, political views, marital status, employment status or other differences. The Nippon Kayaku Group will not tolerate child labor, forced labor or unfair low-wage labor.

◆ 3. Scope of application

This Policy applies to all officers and employees of the Nippon Kayaku Group. The Nippon Kayaku Group requires all business partners involved with its business activities, products and services to comply with this Policy.

◆ 4. Responsibility to respect human rights

The Nippon Kayaku Group recognizes that it cannot completely eliminate the possibility of adverse impacts on human rights in its business activities. The Nippon Kayaku Group will fulfill its responsibility to respect human rights and build a responsible supply chain by not infringing on the human rights of those affected by its business activities and by taking appropriate measures to correct any adverse impact on human rights in its business activities.

◆ 5. Human rights due diligence

The Nippon Kayaku Group will establish a system to ensure human rights due diligence, identify adverse impacts of the Group on human rights in society, and strive to prevent and mitigate such impacts.

◆ 6. Dialogue and consultation

In implementing this Policy, the Nippon Kayaku Group will utilize independent expertise on human rights from external experts and engage in sincere dialogue and consultation with stakeholders.

◆ 7. Education and training

The Nippon Kayaku Group will provide appropriate education and training to ensure that this policy is incorporated and effectively implemented in all of its business activities.

◆ 8. Access to remedy

If it is found that the Nippon Kayaku Group's business activities have caused an adverse impact on human rights, or if involvement through business partners is discovered or suspected, the Company will conduct an appropriate investigation and, if necessary, work to remedy the situation through dialogue based on international standards and appropriate procedures.

◆ 9. Person responsible

The Nippon Kayaku Group shall clearly specify an officer in charge of the implementation of this policy and supervise the state of its implementation.

◆ 10. Information disclosure

The Nippon Kayaku Group will disclose the progress and results of its efforts to respect human rights on its website, and by other means.

◆ 11. Applicable laws and regulations

The Nippon Kayaku Group will comply with the laws and regulations of each country or region in which it conducts its business activities. In the event of any conflict between the laws and regulations of individual countries and internationally recognized human rights, the Group will pursue ways to respect international human rights policies to the fullest possible extent.

This policy is adopted by the Company's Board of Directors and signed by its President and Representative Director.

Established April 1, 2022
Nippon Kayaku Co., Ltd.
President and Representative Director

System

The Nippon Kayaku Group established the Ethics Committee as a specialized committee under the Sustainable Management Meeting with the goal of ensuring human rights and compliance throughout the Group. The Committee meets twice a year and as necessary. The Ethics Committee is chaired by an Executive Director with an official post nominated by the President, and consists of representatives from the business units' planning divisions and general administrative divisions that do not belong to a business unit. In addition to determining policies and measures relating to compliance with the Nippon Kayaku Group Charter of Conduct and Code of Conduct, the Committee also consults with people, handles incidents, discusses and makes decisions regarding recurrence prevention measures. Important topics discussed by the Ethics Committee are reported to the Sustainable Management Meeting and the Board of Directors for feedback.

A human rights due diligence system is being established based on the Nippon Kayaku Group Human Rights Policy, by coordination with relevant departments under the responsibility of the chair of the Ethics Committee, and with the Sustainability Promotion Department of the Corporate Planning Division as the administrative office. Agenda items relating to human rights are approved by the Sustainable Management Meeting before submission for discussion and reporting at Board of Directors meetings.

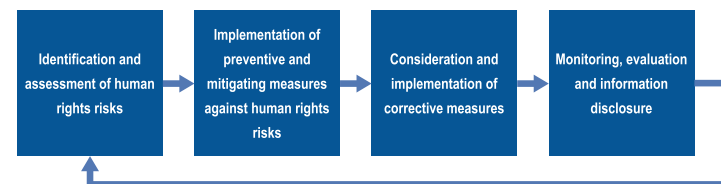
Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	 	<ul style="list-style-type: none"> Engage in business operations that pay care and consideration to the human rights of employees and all other people involved in the supply chain 	Number of training sessions held on human rights	One or more per year	Once	<ul style="list-style-type: none"> Conducted e-learning-based training regarding the Nippon Kayaku Group Human Rights Policy and Human Rights Due Diligence System Senior management conducted workshop to identify and evaluate human rights risks. Decided to reconsider methods for risk identification and evaluation.
			Human rights due diligence Human rights impact assessment rate	(Non-consolidated) Conducted by FY2022 (Consolidated) 100% by FY2025	(Non-consolidated) Incomplete	

Initiatives

Human Rights Due Diligence

In accordance with the Nippon Kayaku Group Human Rights Policy, the Group has formulated an action plan for human rights as one of its key sustainability issues. By managing and disclosing progress every year, we will establish a human rights due diligence process and implement activities throughout the Group. Since FY2021, we have been conducting human rights impact assessment surveys of primary and secondary suppliers. In FY2022, we held two workshops for all executives and heads of related divisions to deepen their understanding of business and human rights. From FY2023 onward, we will gradually expand the scope of these surveys to each domestic business site and Group company both in Japan and overseas, and evaluate risks, make improvements and take corrective measures.



Compliance Awareness Survey

The Nippon Kayaku Group (in Japan) has designated October as Compliance Promotion Month and conducts compliance awareness surveys in October every year. We concluded an agreement with a consulting firm in FY2015 to conduct compliance awareness surveys. Problems in different workplaces related to the encouragement of compliance are identified from the aggregated data and the analysis of the results of the compliance awareness surveys. Improvement proposals and other feedback are then provided to the workplaces. Referring to this feedback, our colleagues in different workplaces formulate compliance action plans for the following year and implement the PDCA cycle to raise awareness. The results of compliance awareness surveys in FY2022 did not identify any serious human rights problems.

> [\[Important Issues\] Ensuring Compliance \(Instilling within the Company\)](#)

Freedom of Association and Collective Bargaining Rights

> [Comfortable Workplace Environment \(Labor-Management Relations\)](#)

Religion

The Nippon Kayaku Group operates globally and has employees who are of different nationalities and diverse religious and cultural backgrounds. When employees come from overseas to participate in group-wide meetings or educational and training sessions, we ask them about their requests and prepare prayer rooms and meals in consideration of their religions.

The Himeji Plant is visited by employees from an Islamic cultural background who come to Japan to participate in skills training. The Himeji Plant has a prayer room and a space for Muslims to purify themselves before saying prayers. The cafeteria has a halal menu.

Consideration for Human Rights in Sustainable Procurement

In order to encourage initiatives to respect human rights throughout the supply chain, the Nippon Kayaku Group has established Sustainable Procurement Guidebook based on the Nippon Kayaku Group Charter of Conduct and Code of Conduct, Basic Procurement Principles and Basic Procurement Policies, and is distributing them to its suppliers. The Group collects letters confirming suppliers' consent to the Sustainable Procurement Guidelines and conducts sustainable procurement surveys. The results of the sustainable procurement surveys conducted in and before FY2022 did not identify any serious human rights problems. The Group will continue working with suppliers to promote sustainable procurement.

> [\[Important Issues\] Environmental and Social Considerations in the Supply Chain](#)

Education and Training

The Nippon Kayaku Group conducts annual training on human rights, to share its awareness of the importance of respecting the human rights of all stakeholders involved in business activities with all executives and employees (including contract employees and part-time employees) and temporary employees. In determining the content of training, we refer to the Human Rights Policy, harassment prevention guidelines, revisions to laws and regulations, and the results of compliance awareness surveys.

As a part of training in FY2022, the Group conducted e-learning-based training regarding the background behind the establishment of the Nippon Kayaku Group Human Rights Policy, explanations for each part of the human rights policy and the human rights due diligence process.

To coincide with the start of the new Medium-term Business Plan **KAYAKU Vision 2025**, we also prepared a booklet that includes an explanation of the Nippon Kayaku Group Human Rights Policy and distributed it in six languages (Japanese, English, Chinese, Spanish, Malay and Czech) that are spoken in countries where we have production bases to all executives and employees of the Nippon Kayaku Group to make the human rights policy known to them.

Name of training program	Main themes covered	Main target	FY	Training format	Number of sessions	Attendance rate
Business and human rights	Human rights issues, specific human rights that companies should respect, the scope of the specific human rights that companies should respect and the human rights initiatives required of companies	Executives and employees (including contract employees and part-time employees), temporary employees	2021	e-Learning	Once	83%
Nippon Kayaku group human rights policy	The background behind the establishment of the human rights policy, explanations for each part of the human rights policy and the human rights due diligence process	Executives and employees (including contract employees and part-time employees), temporary employees	2022	e-Learning	Once	84%

Involvement in Initiatives

Since 2022, the Nippon Kayaku Group has been participating in the Human Rights Due Diligence Subcommittee and the Human Rights Education Subcommittee of Global Compact Network Japan. The Group will increase its knowledge of human rights by going to lectures taught by experts and exchange information with other companies by participating in group work sessions about different topics and industries. The Group will use this knowledge in its initiatives to enhance respect for human rights.

Establishment of a Whistleblowing and Consultation Hotline

The Nippon Kayaku Group has established a Compliance Hotline and a Compliance Hotline for Suppliers, with the aims of detecting and preventing legal violations and ethical violations at an early stage (including responses to human rights issues) and enhancing the transparency and fairness of management.

The Compliance Hotline is open to all domestic Nippon Kayaku Group officers, employees and retirees (within one year after retirement). When making a report or consultation, users can choose to contact either the Ethics Committee administration office (Compliance Department, Internal Control Management Division) or an external law firm.

The Compliance Hotline for Suppliers is open to all executives and employees of suppliers who have dealings with the domestic Nippon Kayaku Group. The point of contact for reports and consultations is the Ethics Committee administration office (Compliance Department, Internal Control Management Division).

Both of these hotlines function as systems that ensure confidentiality and anonymity, and whistleblowers will not suffer disadvantageous treatment as a result of reporting or consulting.

> [Whistleblower System](#)

> [Compliance Hotline for Suppliers](#)

[Important Issues]

Environmental and Social Considerations in the Supply Chain

Policy and Basic Approach

The Nippon Kayaku Group has formulated its Basic Procurement Principles and Basic Procurement Policies so that its purchasing activities will be consistent with sustainable management. We will work for the creation of a sustainable society in cooperation with all our suppliers.

Basic Procurement Principles

In order to realize the **KAYAKU spirit**, Nippon Kayaku Group will pursue mutual and sustainable growth with suppliers based on the understanding they are important suppliers who help us produce products of the best quality. We will strive to conduct procurement transactions that are fair, honest, impartial, and in accordance with relevant laws, social norms, and our Basic Procurement Policies.

Basic Procurement Policies

◆ Compliance with relevant laws, social norms, and the Nippon Kayaku Group Charter of Conduct

1. We will comply with all relevant laws and regulations when conducting procurement operations.
2. We will judge the propriety of procurement activities based on Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct and Group Action Guidelines.

◆ Open-door policy, fairness, impartiality, and transparency in business transactions

3. We will conduct procurement-related business transactions in a fair, impartial, and transparent manner, and follow an open-door policy with respect to businesses at home and abroad.
4. In order to ensure transparency in all our procurement activities, we will undertake due procedures based on written documentation or electronic purchasing systems in accordance with the procurement operations standards.

◆ Partnerships with our business partners

5. We will build partnerships with suppliers based on mutual understanding and trust, and pursue mutual sustainable growth.

◆ Protection of information

6. We will protect supplier-related information obtained in the course of our operations, and strive to prevent any information leakage.

◆ Concern for the environment

7. We will promote the procurement of eco-friendly goods and materials.

◆ Basic criteria for selecting suppliers

8. When selecting goods and materials, we will give due consideration to economic factors such as quality, price, and date of delivery. We will also consider other factors such as the supplier's operating foundations, technological competitiveness, and stability of supply.
9. When selecting suppliers, we will give due consideration to their commitment to realization of a sustainable society, including their observance of relevant laws and regulations, respect for human rights, concern for the working environment, disaster preparedness and safety measures, efforts toward environmental conservation, and other efforts designed to fulfill their Sustainable.
10. In addition to the above, we will give due consideration to whether or not the potential supplier has a risk management system such as BCP (Business Continuity Plan).

System

Following the instructions of the Sustainable Management Meeting, Nippon Kayaku promotes sustainable purchasing activities in accordance with the Basic Procurement Policies. As the driving force behind Nippon Kayaku's sustainable procurement, the head office's Purchasing Division works with the procurement divisions of plants and sites and strengthens initiatives.

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	FY2022 Results	FY2022 Topics for initiatives
Environmental and Social Considerations in the Supply Chain		<ul style="list-style-type: none"> Practice supply chain management with consideration for environmental and social aspects, based on the Sustainable Procurement Guidelines 	Response rate for confirmation of consent to Sustainable Procurement Guidelines	(Non-consolidated) 90% or higher	(Non-consolidated) 99%	<ul style="list-style-type: none"> 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
			Formulation and implementation of improvement plans using questionnaires to suppliers	(Non-consolidated) Disclose progress	-	<ul style="list-style-type: none"> 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.

Initiatives

Promotion of Sustainable Procurement

The Nippon Kayaku Group published the Sustainable Procurement Guidebook, which includes Nippon Kayaku Group Charter of Conduct and Code of Conduct, Basic Procurement Principles and Basic Procurement Policy, and is working to obtain the support of all our suppliers for sustainable procurement toward the creation of a sustainable society.

In line with the Guidebook, we are promoting sustainable procurement activities with all our suppliers across the supply chain, including those that we work with for R&D, the procurement of raw materials, manufacturing, sales, and logistics, while respecting human rights and giving consideration to environmental protection, occupational health and safety, legal compliance and fair business practices.

Our efforts to obtain our suppliers' understanding of our Sustainable Procurement Policy include briefings, daily communications and business meetings, and we also request each of them to sign an agreement stating that they will comply with the Sustainable Procurement Guidebook.

We will continue to fulfill our social responsibilities across the entire supply chain for the realization of a sustainable society, thereby gaining the confidence and admiration of our customers.

[Sustainable Procurement Guidebook](#)

List of Activities

Main activities	Activities	Frequency of evaluation
Sustainable procurement questionnaire	Self-evaluate compliance with the Nippon Kayaku Group's Sustainable Procurement Guidebook	Once per year
Audit of suppliers	Visit suppliers' manufacturing hubs and audit the suppliers with a focus on quality.	Once per year
BCP procurement	<ul style="list-style-type: none"> Seek to obtain information about the occurrence of injuries and accidents in supply chains. Use an internal database to share the information obtained. Strengthen initiatives for purchasing from multiple suppliers. 	<ul style="list-style-type: none"> Conducted whenever necessary, for example, in the event of an injury or accident. Review procurement activities on a quarterly basis.
Responsible procurement of minerals	Use the CMRT and EMRT provided by RMI to conduct research into relevant minerals (gold, tantalum, tungsten, tin, cobalt, natural mica).	Conducted when a new supplier is registered or on an as-needed basis.
Financial evaluation	Evaluate new suppliers' financial situation based on information from outside credit research institutions.	When a new supplier is registered

◆ Conducting Sustainable Procurement Questionnaire Surveys

Nippon Kayaku conducts sustainable procurement questionnaire surveys of new and existing suppliers to keep up to date on their efforts from environmental and social perspectives. In FY2022, we conducted a questionnaire survey with 300 suppliers with which we had a certain amount of or greater transaction for raw materials in line with Sustainable Procurement Guidebook. As a result, we confirmed that none of the 231 respondents had a socially negative impact on the environment, human rights, occupational safety and health or other matters.

From FY2022, a consent box has been added to the questionnaire so that suppliers can express their consent by checking the box. Working with suppliers, we will continue to pursue a sustainable society throughout the supply chain.

Major Items in Sustainable Procurement Questionnaires

Evaluation items	Details
Human rights and labor	Prohibition of forced labor, prohibition of child labor, proper management of work hours, proper payment of wages, humane treatment, non-discrimination and non-harassment, freedom of association
Health and safety	Occupational safety, emergency preparedness, prevention of occupational injury and illness, industrial hygiene, consideration for physically demanding work, machine safeguarding, provision of sanitation equipment, food, and housing, health and safety communication
Environment	Environmental permits and reporting, efficient use of resources and waste management, prevention of contamination and reduction of resources, management of hazardous substances, management and reduction of solid waste, pre-emission air treatment, materials restrictions, water management, reduction of energy consumption and greenhouse gas emissions
Ethics	Business integrity, no improper advantage, disclosure of accurate information, respect for intellectual property rights, fair business, advertising and competition, protection of identity and non-retaliation, responsible sourcing of minerals, privacy protection
Management system	Company commitment, management accountability and responsibility, legal and customer requirements, proper import and export control, risk assessment and risk management, improvement objectives, training, communication, worker feedback and participation, handling of worker complaints, audits and assessments, collective action process, documentation, creation and maintenance of records, supplier responsibility
Quality and product safety	Ensuring product safety, quality management, provision of accurate information on products and services
Information security	Defense against cyberattack, protection of personal information, prevention of leakage of confidential information
BCP	Formulating a business continuity plan

◆ Audit of Suppliers

Nippon Kayaku audits suppliers every year with the goal of promoting and ensuring the thorough implementation of sustainable procurement practices. Representatives from Nippon Kayaku's plants check a wide range of items such as facility management, process management, hygiene management and production management of suppliers' plants and conduct evaluations. In FY2022, 152 suppliers were audited. We reviewed findings from the audits and, in some cases, provided feedback to suppliers and requested improvements. However, no serious violations by any of the suppliers were identified.

The Fine Chemicals Business Unit checks suppliers' efforts in terms of labor (human rights), health and safety, environment, ethics and management system in compliance with RBA Code of Conduct. In FY2022, 81 suppliers were audited. (18 suppliers audited on site, four were audited via the Internet and 59 underwent document-based auditing)

◆ Initiatives for Procurement Based on Business Continuity Planning (BCP)

Nippon Kayaku is constantly working to obtain up-to-date information on disasters and accidents that have taken place in its supply chain. When we receive such information, we share it across the board by immediately entering it into our in-house database. We also promptly compile a list of the raw materials produced by the affected countries of origin and manufacturers and check the impact on our procurement and inventories, the status regarding resumption of operations at the afflicted manufacturing facilities, and the impact of the incident on our production. We have diversified our procurement sources for many items in line with our BCP and are working to further strengthen these efforts so that we will be able to deal with any contingencies.

◆ Initiatives in Each Business Unit

Mobility & Imaging Business Unit

Annual Purchasing Conference

The Safety Systems Group annually organizes a purchasing briefing session for the suppliers we usually work with.

In cooperation with its suppliers, the Nippon Kayaku Group must continue to provide high-quality, low-cost products without causing deliveries to customers to be delayed throughout the supply chains of the automotive industry while quickly adapting to the rapidly changing domestic and international environment, the market prices of raw materials, the fluctuation of exchange rates and other external environmental conditions. The goals of the purchasing briefing session are to explain the Nippon Kayaku Group's performance forecasts, business plan for the next year and following years, the status of our production structure at the time of the briefing, our development plan, medium and long-term vision, quality policy and purchasing policy to aid suppliers in their formulation of their business plans.

Furthermore, the suppliers that are good examples in terms of quality, cost and meeting deadlines are recognized as "excellent partners."

To fulfill the demand generated by society for the achievement of a sustainable society in cooperation with our suppliers, the purchasing briefing session shares the Group's understanding of environmental and social issues and explains its policies and initiatives regarding sustainability issues.

We will continue to strive to provide beneficial information so that the purchasing briefing sessions are valuable opportunities for the Nippon Kayaku Group and its suppliers to exchange information.



Fine Chemicals Business Unit

RBA Audit Actions

The RBA (Responsible Business Alliance) is a coalition of businesses that promote corporate social responsibility throughout global supply chains. The RBA Code of Conduct specifies the standards necessary for guaranteeing that labor conditions in the supply chains are safe, that workers are treated with respect and dignity and that our business activities are environmentally friendly.

The Fukuyama Plant received an RBA third-party audit (VAP auditing) in January 2022. The plant was shown to be properly managing itself in terms of the audit items including labor, safety and health, environment, ethics and management systems, and it acquired silver certification. As a result of the implementation of initiatives for sincere improvement in accordance with corrective action plans (CAPs), all of them were approved in January 2023.

An internal audit will be held once a year to maintain the RBA audit standards. The internal audit conducted in January 2023 showed that the plant continues to satisfy the RBA audit criteria.

Educating Procurement Representatives

Nippon Kayaku provides representatives who have been newly assigned to a Purchasing Division with introductory training to enable them to sufficiently understand the Basic Procurement Principles, Basic Procurement Policies and Sustainable Procurement Guidelines in relation to our procurement activities.

To ensure healthy supply chain management practices, we have focused on the education and training of Purchasing Division representatives on the issues of sustainable procurement, our efforts regarding conflict minerals and other issues.

We also provide support in other forms such as the buying of books to acquire purchasing-related qualifications at the Company's own expense to encourage representatives to acquire more knowledge. We encourage the acquisition of Certified Procurement Professional (CPP) and Certified Professional in Supply Management (CPSM) qualifications.

Involvement in Initiatives

◆ UN Global Compact Supply Chain Subcommittee

Since 2022, the Nippon Kayaku Group has been involved in the supply chain subcommittee of UN Global Compact Network Japan. The knowledge obtained by the supply chain subcommittee is shared by the people in the Company involved in procurement and is utilized in purposes such as review of questionnaire items for use in supplier surveys.

◆ Declaration of Partnership Building

Nippon Kayaku announced the Declaration of Partnership Building based on its support for the goals of the Council on Promoting Partnership Building which consists of the chairperson of the Keidanren, the chairperson of the Japan Chamber of Commerce and Industry, the president of Japanese Trade Union Confederation and the ministers of the Cabinet Office, Ministry of Economy, Trade and Industry, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries and Ministry of Land, Infrastructure, Transport and Tourism.

The goal of the Declaration of Partnership Building is to express our determination to build new partnerships through cooperation and the pursuit of co-existence and co-prosperity with our suppliers in supply chains and business operators in pursuit of value creation.

We will build sustainable relationships to facilitate co-existence and co-prosperity with suppliers through our participation in the Declaration of Partnership Building.

> [Nippon Kayaku's Declaration of Partnership Building \(Japanese\)](#) 

Compliance Hotline for Suppliers

The Nippon Kayaku Group has established a Compliance Hotline for Suppliers to collect information about actions such as the violation of laws.

The Compliance Hotline for Suppliers is available to all executives and employees of the suppliers of the companies of the Nippon Kayaku Group in Japan. The point of contact for reports and consultations is the Ethics Committee administration office (Compliance Department, Internal Control Management Division).

It functions as a system that ensures confidentiality and anonymity, and whistleblowers will not be treated disadvantageously due to their reporting to or consulting the hotline.

> [Compliance Hotline for Suppliers](#)

Contribution to Local Communities

The Nippon Kayaku Group has 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.

Action Plan on Measures to Support Raising Next-Generation Children

Action Plan on Measures to Support Raising Next-Generation Children (Part 4) (Only community-related themes selected)

◆ 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

> [Action plan \(4th: FY2022 to FY2024\) \(Japanese\)](#)

> [Status of progress \(FY2022\) \(Japanese\)](#)

Creating a Society Where People Can Lead Healthy and Affluent Lives

Asunaro House for Children with Intractable Diseases and Their Families

The Nippon Kayaku Group, as part of commemorative projects marking its 80th anniversary and under the motto of “Let’s assist children with intractable diseases and their families,” owns and operates Asunaro House. Located near central Saitama City, Saitama Prefecture, this extended-stay facility accommodates children undergoing hospitalization and treatment of illnesses and their accompanying family members.

With 10 private rooms of about 18 square meters that are able to accommodate two adults and a child, along with a large dining room and kitchen, the facility serves as a comfortable “home away from home.” We renovated and reopened two rooms in January 2023, which pleased many users.

Current and former employees of Nippon Kayaku and its affiliates regularly perform volunteer cleaning and yard work at Asunaro House so that families can enjoy a pleasant stay.

Our goal is to offer a facility that provides opportunities for the families of sick children to find comfort in one another and helps alleviate the mental and financial burden on these families while safeguarding their privacy.



Current and former employees volunteering to perform cleaning, yard work and others

Message

Since its founding 25 years ago, Asunaro House has hosted a total of 74,829 people and 3,912 families.

From all across Japan, more and more families are coming to us to receive expert and advanced treatments at nearby medical institutions offering pediatric care, including Saitama Children’s Medical Center, Saitama City Hospital and Yamato Acupuncture Clinic.

Although the number of family users decreased due to the COVID-19 pandemic, it has been gradually recovering since this spring. We will continue to take infection control measures to accept more families.

Since accepting the position of House Manager in 2017, I’ve sought to give the premises a sense of seasonality through decorations and to incorporate new things I have learned through information exchanges with similar facilities nationwide, to make Asunaro House a home for those who stay here.

We will continue to make efforts every day to make this a “home away from home” where children battling intractable illness and their families can stay in safety, ease and comfort.

We cherish every “thank you” that we hear from children who leave the hospital and head back to their real homes with their families.

Yamaji, House Manager



Sports Promotion

The Nippon Kayaku Group works to support sports activities and holds in-house health promotion events.

We will continue to advance a variety of social contribution activities to realize our Corporate Philosophy of safeguarding life and health and supporting comfortable lives.

◆ T.League Official Partner

We endorse and support the T.League philosophy of enriching lives through the world of table tennis. Along with our support for the league, we will work to fulfill Nippon Kayaku’s Corporate Philosophy of safeguarding life and health and supporting comfortable lives.

> [T.League official website](#)



◆ V League: Gold Partner, Wolfdogs Nagoya

Volleyball is a sport that connects players through play. We endorse and support the activities of Wolfdogs Nagoya, a team that upholds the idea of bringing people together.

➤ [Wolfdogs Nagoya official website \(Japanese\)](#) 



◆ Participation in the Scrum Japan Program as a supporter

We serve as a supporter of Scrum Japan, a program launched by the Japan Rugby Football Union to carry out rugby-based activities to nurture and educate the children and adolescents who will one day shape our future.

Endorsing the program's aims, we will participate as a supporting member and provide support as a part of our social contribution activities.

➤ [Scrum Japan Program official website \(Japanese\)](#) 



◆ Initiatives at Each Business Site

Nippon Kayaku Head Office

Certified as a 2022 Tokyo Metropolitan Government Sports Promotion Company

Nippon Kayaku was certified by the Bureau of Olympic and Paralympic Games Tokyo 2020 Preparation as a 2022 Tokyo Metropolitan Government Sports Promotion Company. Under the certification system for this program, the Tokyo Metropolitan Government recognizes companies that demonstrate outstanding efforts in promoting employees' sports activities and social contribution activities in the field of sports.

Nippon Kayaku will continue to engage in health promotion events and actively work to improve our employees' health.

➤ [Tokyo Metropolitan Government Sports Promotion Company certification system](#) 



Supporting the Development of the Next Generation

Initiatives to Develop the Next Generation of Leaders

To encourage children to see the fun of chemistry, the Nippon Kayaku Group supports the nurturing of the next generation of society's leaders. In FY2020 and FY2021, events were cancelled, postponed or only held online in consideration of the COVID-19 pandemic. In FY2022, we held the following events while taking infection control measures.

◆ Initiatives at Each Business Site

Nippon Kayaku Head Office

Collaborating on Learning with KUDAN Secondary School

Nippon Kayaku collaborates with Kudan Secondary School, located in the Company's previous head office area in Chiyoda City, Tokyo, to help children learn about the local area in the school's comprehensive learning classes. We have continued to do this as a local contribution activity even after relocating our headquarters to the Marunouchi area in 2014. Every year, we invite students to Nippon Kayaku for an introduction to the Company, a lesson on advertisement production, an explanation of an assignment, a company tour and other activities, with students presenting us with their completed assignment at a later date.

Assignment: Create an advertisement that interests many people and communicates characteristics of Nippon Kayaku!

In FY2022, it was held as an in-person event for the first time in a long time because it had been held online for a couple of years to control infection during the COVID-19 pandemic. One of our employees who has created advertisements as a member of the public relations team gave a class on ads, discussing "what, how and to whom" an ad should communicate to be effective. Students put forth ideas and deepened their discussion in groups. They delivered an interim report one month later, then a final report using PowerPoint a month after that.

We will continue this effort as an aid to students' learning.



R&D Laboratories

Video of Our Experiment Released on the Yume Kagaku-21 Committee's Kodomo Kagaku Channel

Nippon Kayaku released the "The Wonder of Colors! Let's Experiment at Home!" video of an experiment on the Kodomo Kagaku Channel, a YouTube channel operated by the Yume Kagaku-21* Committee. We cooperate with Kodomo Kagaku Channel, identifying with the goal of the Kodomo Kagaku Channel project: release chemistry-related videos to inspire the curiosity and interest of the children who are the future.

Young employees from the research divisions played a major role in the production of the experiment video, which was created through experimentation to conveying the fascination of chemistry more clearly.



[Overview of the experiment video]

Title: The Wonder of Colors! Let's Experiment at Home!

Experiment details: Neutralization reaction using bath bombs, and chromatography using the three primary colors and felt-tip markers

➤ [\[Chemical experiment No. 07\] The wonder of colors! Let's experiment at home. \(Courtesy of: Nippon Kayaku Co., Ltd.\) — YouTube](#) 

* Campaign implemented by the Chemical Society of Japan, the Society of Chemical Engineers, Japan, the Japan Association for Chemical Innovation, and the Japan Chemical Industry Association to advocate for chemistry and promote people's understanding of the chemical industry's contribution to society.

Joetsu Plant

Joetsu Science Museum Holds the Young People's Science Festival and a Workshop Making Kaleidoscopes Using Polarizers

Joetsu Plant opened a booth at the Young People's Science Festival in Joetsu, Niigata and the Science Festival in Myoko, Niigata so that elementary school children and other young people can increase their familiarity with science through crafts.

At their booth, they conducted an experiment making kaleidoscopes using the polarizing films manufactured at Joetsu Plant. The young participants made kaleidoscopes by decorating them as they liked with the help of their parents.

Completing their kaleidoscopes, the children were very happy, saying "Beautiful!" "Wonderful!" and, "I want to make it again at home!" This made the staff forget their fatigue due to repeating the explanation of the experiment dozens of times during the day. The staff looked forward to see how the children would react when looking through their kaleidoscope.

We will continue to develop many experiments to carry out community-based social contribution activities.



Asa Plant

Science Expo Hosted by the City of Sanyo-Onoda

As a representative of local businesses, the Asa Plant set up a booth to enable people to experience a scientific experiment during Sanyo-Onoda City University's open house. They conducted an experiment together with many children to learn the secrets of artificial salmon roe that burst open.

The event was held successfully with the help of volunteers, having resumed after a three-year suspension due to the COVID-19 pandemic. We will be happy if the event increases children's interest in chemistry.



Asa Plant

Workplace Visit before Job Application

On August 2, 2022, the Asa Plant invited ten high school students on summer vacation to visit the Asa Plant before applying for jobs.

The staff provided an outline of the plant and explained the products manufactured there using the corporate introduction brochure. The students saw how products were actually manufactured at the plant. The students seem to be surprised by the production equipment and interested in the kinds of products that are made. They enjoyed visiting the administrative area, too, possibly because of the August heat. The students imagined what it would be like for them to work there, experiencing the atmosphere of the workplace. They proactively asked questions and wrote down answers, which was impressive.



Initiatives in Local Communities

The Nippon Kayaku Group is working to enable local communities to gain an understanding of the details of the Group's businesses by holding plant festivals, opening facilities to the public, carrying out educational activities, support people and organizations through donations and sponsorships, donating blood, conducting cleaning activities and holding convivial gatherings.

We will provide many different exchange opportunities, actively communicate with local communities and engage in the energization and development of communities through business.

[> Nippon Kayaku's Agreements with Local Entities](#)

◆ Initiatives at Each Business Site

Asa Plant

Nippon Kayaku Presents Fireworks of Hope

On July 22, 2022, the Asa Plant put on a fireworks display with 300 fireworks at the Kaji Fishing Port in Sanyo-Onoda to express its gratitude to locals for their continuing support. This year, they live-streamed the firework display on YouTube, using a drone to video the display. Both the fireworks display and its live-streaming were successful, as the weather was good. The spectators shouted for joy every time a large colorful firework exploded. Through the fireworks, we energized the community members and made them smile. The YouTube viewers must have enjoyed the powerful video of the fireworks shot using a drone. Watch the video on YouTube if you haven't seen it yet. The event was an opportunity to let many people know about us as a video promoting the Asa Plant was played before the fireworks display.

We would like to continue activities that make local communities happy as local contribution activities.



Takasaki Plant
Harvesting Sweet Potatoes

Takasaki Plant invited students from Iwahana Nursery to the sweet potato fields in front of the company housing facility to harvest sweet potatoes on November 4, 2022, a cool and sunny autumn day. The children got very excited about sweet potatoes that had grown large. They fully enjoyed picking the sweet potatoes. "I got a big sweet potato!" said one student, and other students applauded loudly and smiled. They really lifted our spirits. After picking the sweet potatoes, Gunnan Sangyo helped us remove the roots and soil from the sweet potatoes and deliver the harvested sweet potatoes to the nursery by truck.



Kayaku Safety Systems Europe a.s.
Reaching Peaks for Charity

In Vsetin, where Kayaku Safety Systems Europe a.s. (hereinafter "KSE") is based, the local cycling association has run a cycling project for ten years envisioning the summiting of at least 20 mountains by bicycle. KSE encourages employees to participate in the project so that the association can achieve its vision. Participants tried to summit mountains of differing in degree of difficulty in the eight months from April to November 2022. KSE participates in this cycling project and plans its own charity activities. In the planned activity in 2022, KSE's employees donated CZK 100 every time they summited a mountain by bicycle or on foot, and KSE purchased electric bicycles specially designed for children with disabilities.



KAYAKU Advanced Materials, Inc.
Volunteering at the Giving Factory

KAYAKU Advanced Materials, Inc. (hereinafter referred to as "KAM") joined volunteering at the Cradle to Crayons Giving Factory. Cradle to Crayons engages in the volunteer activities to provide essentials for living, including essentials for the home, for schools and for play, to homeless or deprived children up to 12 years of age free of charge by participating in and involvement in local communities.

In November 2022, 20 KAM employees participated in volunteer activities, breaking into teams and inspecting, sorting and packing donations. Cradle to Crayons takes charge of the delivery of donations to children.



Data

Social Contribution Activities

Indicator	Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Social contribution activity expenditures	Non-consolidated	Million yen	179	254	146	154	149
Proportion of total donation money	Non-consolidated	Million yen	144	222	114	123	120
Proportion of other social contribution expenditures	Non-consolidated	Million yen	34	31	32	31	29