

Nippon Kayaku Group
CSR Report
2012 **Digest**



Global "sukima" ideas



Editorial Policy

● Editorial policy for the CSR Report 2012 Digest

This report introduces results and specific examples of the Nippon Kayaku Group's CSR activities during fiscal 2011.

The digest follows the Group's CSR Action Plan (see p. 8–9) in striving to disclose information on CSR activities that will be interesting and easy to understand for all of our stakeholders. The CSR Report Digest focuses on fiscal 2011 CSR activities and Special Features, while our website contains more exhaustive information and details about all of the Group's CSR activities (click on the Corporate Social Responsibility tab).

Please Also Visit Our Corporate Website

We encourage readers to peruse the Nippon Kayaku website, which features the contents of this report as well as detailed information on various environmental data. Readers can also find the latest news releases by the Group, updated regularly.

How to Access Nippon Kayaku CSR Information

- Visit the Nippon Kayaku corporate website



- Click on the "Corporate Social Responsibility" tab located on the top page



<http://www.nipponkayaku.co.jp/english/csr/>
The section titled "Contents in Detail" (p. 22) gives a list of the items available on either the Group website or in this pamphlet.

● Scope of this Report and Applicable Period

Social Activities

Scope: Nippon Kayaku Co., Ltd. and Group companies in so far as they participated in the initiatives.

Period: June 1, 2011 — May 31, 2012 (with one section including information up to August 2012)

Environmental Information

Scope: Nippon Kayaku Co., Ltd.

Period: April 1, 2011 — March 31, 2012

Financial Results

Scope: Nippon Kayaku Co., Ltd. and Group companies (Consolidated subsidiaries: 22; Equity-method affiliates: 3)

Period: June 1, 2011 — May 31, 2012

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Other Tools

In addition to this CSR Report, the Nippon Kayaku Group employs various means of disclosing information to stakeholders, including the Group website, Company Guide, Annual Report, and Shareholders Newsletter. It is the Group's hope that these media provide effective means for understanding Nippon Kayaku and our activities.



Company Guide



Annual Report

About the Front Cover

Title: Hummingbird

Photographer: Akira Miyata, Nippon Kayaku America, Inc.

Location: Sunnyvale, California

Comment from the photographer: "It was particularly challenging to capture an image of this hummingbird because of its tiny body (not even 10 cm) and its sprightly movement."



Message from the President

The Nippon Kayaku Group continues to actively pursue CSR management around the world



A handwritten signature in black ink, appearing to read 'A. Mouri'.

President & Representative Director

The Nippon Kayaku Group's vision for the future is articulated in its corporate motto of the KAYAKU spirit, which refers to the vision of "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Each and every employee and senior executive of the Nippon Kayaku Group strives to realize the KAYAKU spirit in everything they do. This enables us to fulfill our responsibilities to the environment, society and the economy as well as empowers us to take a CSR-centric approach in our management that fosters the trust of every stakeholder.

In June 2010, we established the CSR Management Committee, which consists of all executive officers responsible for each of our business divisions. This organization enables us to gauge all of our business activities from a CSR perspective. We have also established a CSR department within the Corporate Planning Division and continue to implement an inter-organizational CSR project in order to raise awareness across the entire group about CSR management. The CSR activities of each business division are determined by a CSR Action Plan, which ensures that the entire group works as one toward achieving its vision for CSR management.

Today, we have group companies located in eight countries around the world that engage in a wide range of businesses. We recognize that as our business becomes even more global our responsibilities to society become even greater.

Our greatest mission is continuously providing products that help enrich the livelihoods of people around the world. Last year's Great East Japan Earthquake served as an important reminder of just how important it is to assure business continuity during a disaster. As a result, we took steps to improve and strengthen our business continuity plan (BCP). As a permanent fixture of society, we recognize the importance of utilizing our planet's limited resources effectively. This report introduces our activities by highlighting our BCP and our initiatives aimed at becoming a company that consumes less energy.

Similar to last year, this report serves as a digest that provides a concise summary of the Nippon Kayaku Group's CSR activities. More detailed data and articles on the group can also be found on our website. Through this report and our website, I sincerely hope that readers will be able to gain a deeper insight into our CSR activities as well as feel motivated to assist us in our efforts as we move forward.

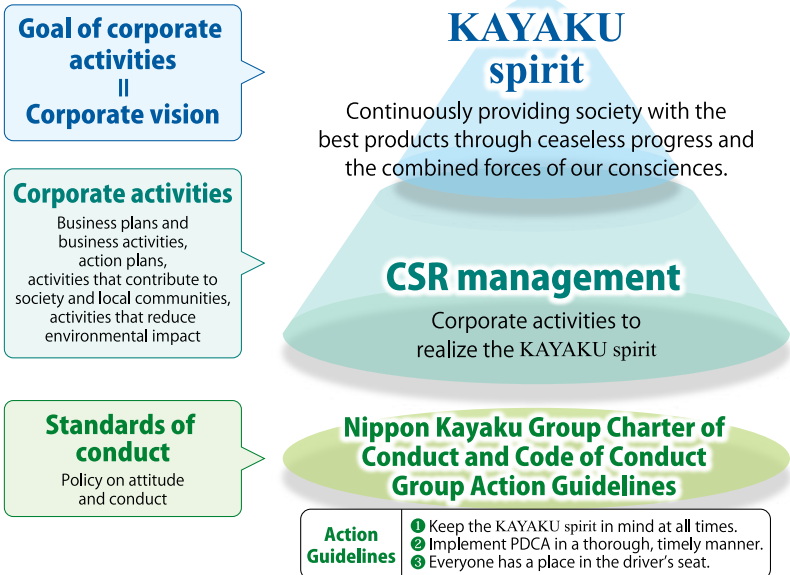
Corporate Vision and CSR Activities

Nippon Kayaku is implementing CSR management that fosters trust among all stakeholders through its focus on the KAYAKU spirit, or “continuously providing society with the best products through ceaseless progress and the combined forces of our consciences.”

KAYAKU spirit and CSR management

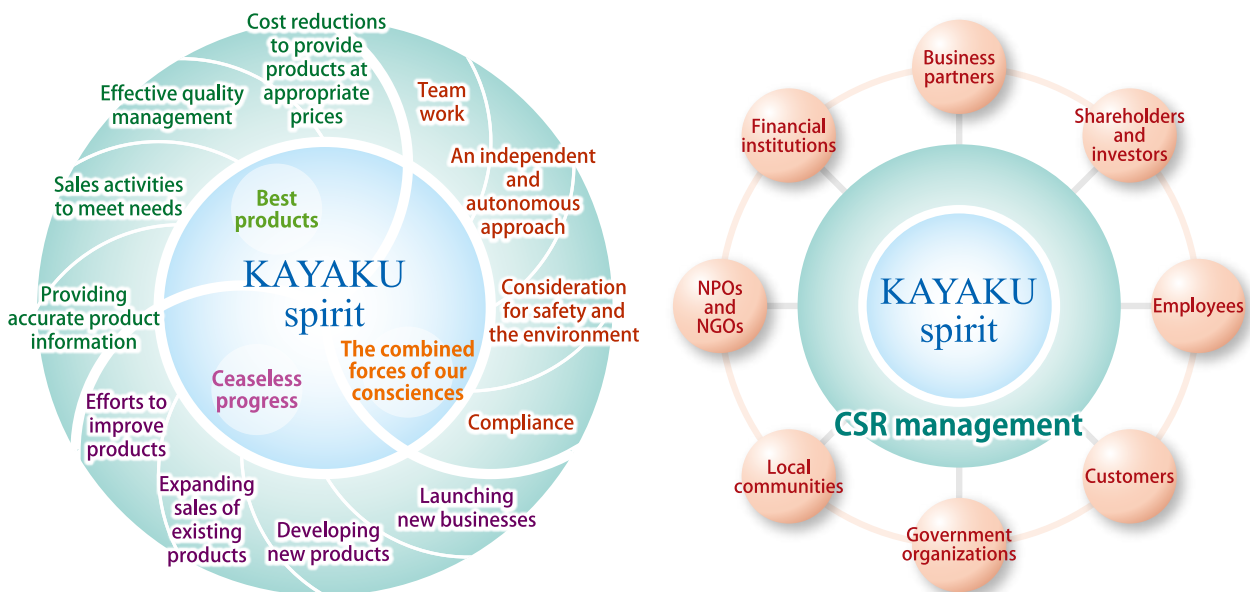
We engage in a wide range of businesses in locations around the world, but one constant is our shared approach to fulfilling Kayaku spirit as part of our global vision. We have defined Kayaku spirit in our management philosophy and company rules as well as made it thoroughly known to all of our executives and employees. This encourages action and unity in our efforts to achieve our goals. By engaging in corporate activities that realize the vision outlined in the KAYAKU spirit, we will fulfill our economic, social and environmental responsibilities as well as attain CSR management that fosters trust with each and every one of our stakeholders, from shareholders, customers and partners to employees and the local community.

● Corporate Vision of the Nippon Kayaku Group



CSR management is positioned as a key corporate activity for achieving the vision outlined in the KAYAKU spirit

CSR management



All of our business activities are grounded in the vision embodied by the KAYAKU spirit. We will foster trust among all of our stakeholders through CSR management that aspires to fulfill this Kayaku spirit.

Initiatives to achieve CSR management

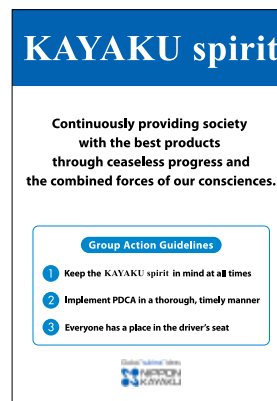
In June 2010, Nippon Kayaku established the CSR Management Committee chaired by its President. This committee, whose members consist of executive officers in charge of each of our business divisions, ensures that we have a structure that can monitor all of our business activities from a CSR perspective.

Beginning in 2009, we launched an organization-wide internal project aimed for strengthening our CSR promotion structure that has enabled us to promote company-wide initiatives.

We also hold dozens of CSR and compliance training sessions throughout the year in order to spread our corporate vision and CSR-focused mindsets to all of our employees. These themes are incorporated particularly into our training programs given to new hires, mid-career hires and managerial employees.

In fiscal 2011, we began an article series in each edition of our internal newsletter that covers specific case studies that embody the KAYAKU spirit. In addition, we distributed a pamphlet and portable card—both localized into six languages—that provide

commentary on our corporate vision to employees at Group companies. We also created corporate vision boards localized into six languages that illustrate KAYAKU spirit and Nippon Kayaku Group Action Guidelines. Today these boards are displayed in the offices of all of our Group companies.



▲Corporate vision board



● Displaying the corporate vision board at Nippon Kayaku Group companies



▲Kayaku Safety Systems de Mexico, S.A. de C.V.



▲Nippon Kayaku Korea Co., Ltd.



▲Wuxi Advanced Kayaku Chemical Co., Ltd.

Initiatives at Kayaku Safety Systems (Huzhou) Co., Ltd.

Kayaku Safety Systems (Huzhou) Co., Ltd. was the first Group company to create a Chinese language version of KAYAKU spirit. As part of its efforts to raise awareness, the company displays the corporate vision board in its office, assembly line, GG line, warehouse and cafeteria. A briefing was also given on the board to mid-level employees at a managerial meeting. However, it found that Chinese employees had a difficult time comprehending the corporate vision board. This is why the company decided to focus on explaining details in meetings and training sessions held in each department as well as on the job in order for employees to first understand the basic essence of the vision.

For example, employees are taught about complying with laws on dangerous substances, how to respond to danger during various work processes, appropriate procurement practices, and protection of confidential corporate and personal information. This ensures that they will be able to identify in advance and strictly respond to any compliance violations.

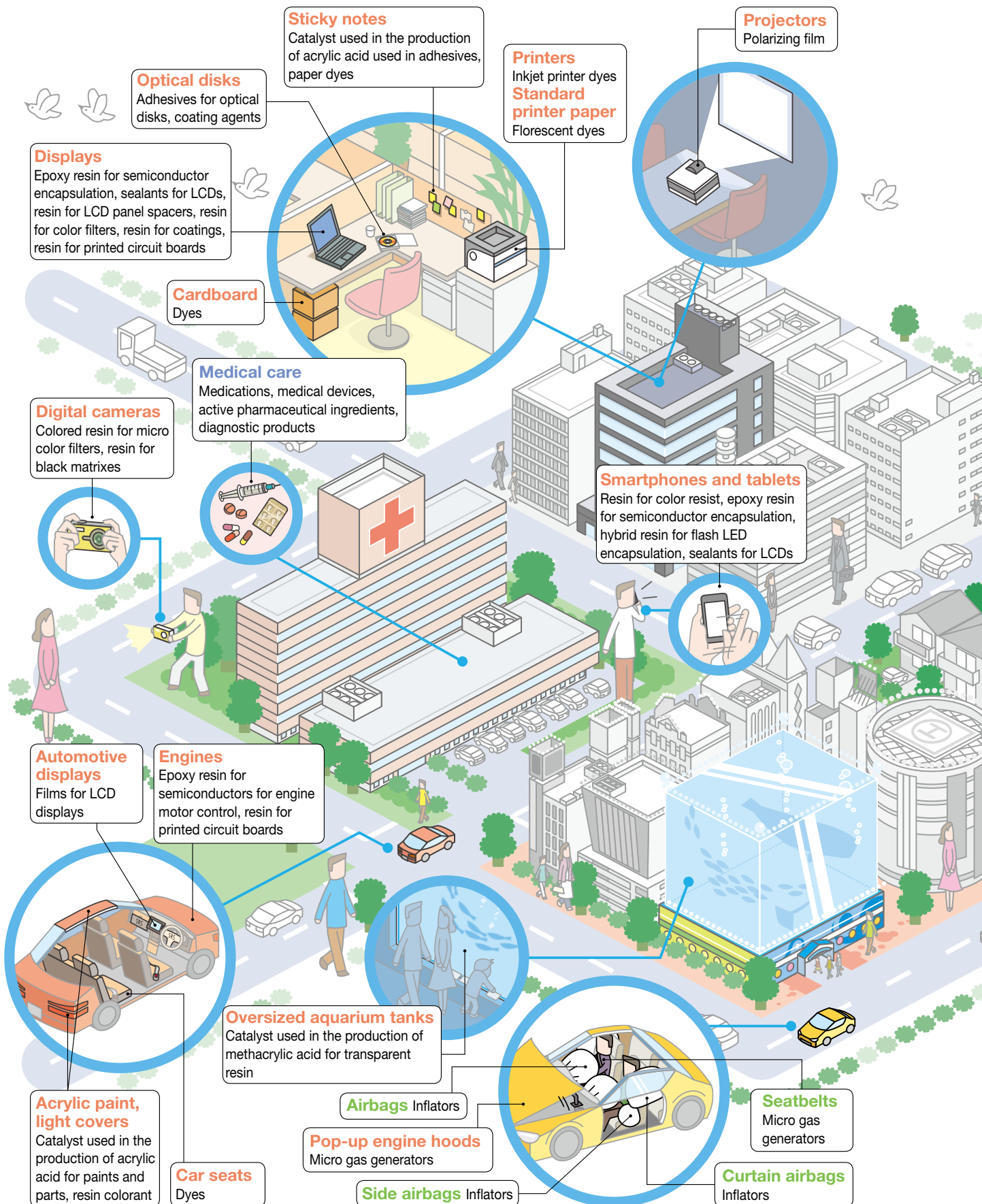


▲Fostering awareness in daily operations by displaying the board on the assembly line and in the records room.

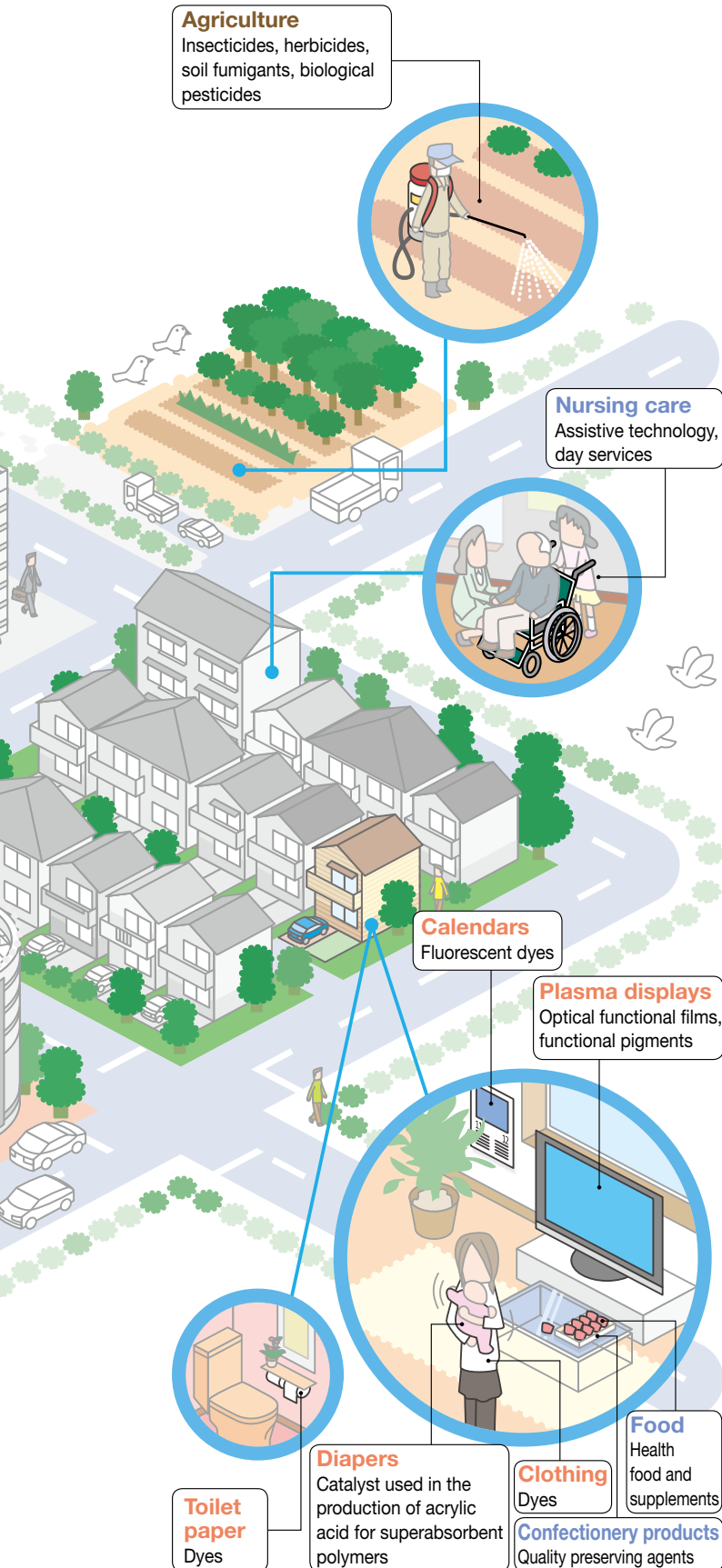
Going forward, the company plans to share which case study applies to which part of the Nippon Kayaku Group Action Guidelines on KAYAKU spirit. This will foster greater awareness and empower employees to naturally follow the guidelines in their everyday work processes.

Giving Back to Society through Global "sukima" ideas

Nippon Kayaku Group Businesses



The Nippon Kayaku Group adopted a corporate slogan called Global “sukima” ideas. We are striving to develop Nippon Kayaku into a company that the world truly needs, by accumulating unique technologies that stand out in niche markets and elsewhere. Here, we introduce four of our core businesses to show readers some of the ways in which our products are used on a daily basis.



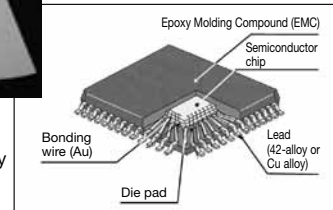
Functional Chemicals Business

Nippon Kayaku Group’s technology is being used in the semiconductors and other components of electrical products such as cell phones, smartphones, PCs, etc. In addition, efforts are being dedicated to developing next-generation environmentally friendly products and products related to energy efficiency.

● Thermal conductive bonding sheet



◀ KTM Series — high thermo resistant curable resin with high thermo conductivity.

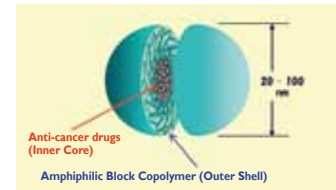


▶ Semiconductor packages that employ eco-friendly epoxy molding compound.

Pharmaceuticals Business

In a fusion of the small molecule synthesis technology of pharmaceuticals and the polymeric technology of resins, Nippon Kayaku Group’s technology is also being used in the formulation of a polymeric micelle anti-cancer drug that is currently under development.

● Polymeric micelle anti-cancer drug (under development)



Safety Systems Business

Nippon Kayaku Group’s technology is also used in automobile safety components that are deployed during an accident. These components are found in airbags to protect passengers from an unexpected traffic accident, seatbelt pre-tensioners, and pop-up engine hoods designed to lessen the impact of a collision with a pedestrian.

● Airbags that operate using proprietary Nippon Kayaku technologies



Agrochemicals Business

Agrochemicals work to protect crops from pests and weeds, as well as to lighten the labor involved in agriculture. Nippon Kayaku Group’s technology is being put to use in these agrochemicals that assist in growing our food.

● Nereistoxin pesticides

▶ Leaf Guard — effective against major insects on Welsh onions and cabbage.



CSR Action Plan

CSR Activities		Action Plan	FY 2011 Targets
Foundational CSR Activities		Assure business continuity	<ul style="list-style-type: none"> Complete company-wide business continuity rules and a business continuity manual for major business units Address infrastructure/facility issues (communication methods and electricity procurement during a natural disaster)
		Promote our corporate vision and CSR	<ul style="list-style-type: none"> Continue with training sessions and enhance content Combine and follow through with corporate vision- and CSR-related projects Continue with promotional activities through meetings and internal company magazine
		Promote compliance	<ul style="list-style-type: none"> Hold 65 compliance training sessions for 2,300 employees Enhance compliance survey (revise questions; achieve 95% or better return rate)
		Resolve business issues proactively	<ul style="list-style-type: none"> Register 110 or more themes for creative group activities
Social Responsibility CSR Activities	Customers	Gain trust	<ul style="list-style-type: none"> Set transparency guidelines for product promotion Establish methods for disclosing cost data
			<ul style="list-style-type: none"> Continue conducting onsite instruction efforts for safe agrochemical use
	Society	Contribute to the health of society	<ul style="list-style-type: none"> Continue Pink Ribbon activities Set up an internal Pink Ribbon website Distribute Pink Ribbon awareness products to all employees Promote Pink Ribbon awareness through a video on the Company website
		Implement local area exchange activities	<ul style="list-style-type: none"> Continue managing and operating Asunaro House Review facilities and equipment (A/C, kitchen area, etc.) and operations (staff) to ensure the highest usability Factory festival visitors: 10,000 Enthusiastically promote public lectures and open house tours
	Employees	Provide a safe workplace environment	<ul style="list-style-type: none"> Confirm earthquake resistance status of all business locations nation-wide and relocate any that do not meet prescribed standards Have zero major accidents, zero lost worktime accidents, and 1 or less non-injury-related accidents (5 or less non-lost worktime accidents) Achieve a work-related vehicle accident rate of 3% or less Continue implementing instruction by employing safety instruction check sheets, etc.
		Work-life balance	<ul style="list-style-type: none"> Expand half-day paid-leave system (e.g., the number of times employees take part; bringing re-hired employees into the system)
		Create a healthy workplace	<ul style="list-style-type: none"> Mental health training: achieve 100% participation in lectures as per the 3-year plan Health check-ups: continue 100% participation rate High workload employees: achieve 100% participation rate in consultations
		Create a workplace with diversity	<ul style="list-style-type: none"> Improve hiring rate for workers with disabilities Promote diversity
		Create an employee-friendly workplace	<ul style="list-style-type: none"> Improve usage rate through greater recognition of the Next Generation Childcare Support program
		Respect human rights	<ul style="list-style-type: none"> Implement training on rankism/abuse of authority Continue to respond professionally to reports to the whistleblower hotline
		Share information internally	<ul style="list-style-type: none"> Internal company magazine: review measures to increase readership Use the Intranet and other avenues to disperse information and share news within the Company
Environmental Responsibility CSR Activities	Customers	Expand green procurement	<ul style="list-style-type: none"> Review aggregate accounting results and set targets
	Society	Strictly adhere to regulations on chemical substances	<ul style="list-style-type: none"> Proceed with early adoption and stable use of the updated GHS version for our MSDS authoring system Establish rules for constructing and managing an RC system with MSDgen and R3 Review communication tools for further enhancing green procurement within our supply chain
		Reduce environmental impacts of overseas production bases	<ul style="list-style-type: none"> Implement measures to remove pigments from waste water while reducing COD At Zhaoyuan Advanced Chemical Co., Ltd. (China), install waste water electrolysis equipment with Japanese proprietary water treatment technology Test waste water samples to verify the effectiveness of a similar treatment method at Wuxi Advanced Kayaku Chemical Co., Ltd. (China)
		Reduce emissions of chemical substances	<ul style="list-style-type: none"> Set new Mid-Term Environmental Targets out to FY 2020 VOC emissions: reduce annual aggregate emissions of all organic chemical compounds released into the atmosphere to 45 t or less (applicable not only to those compounds stipulated by government or Japan Chemical Industry Association regulations) COD emissions: newly add this target category and keep emissions to 180 t or less annually
		Minimize production of wastes	<ul style="list-style-type: none"> Set new Mid-Term Environmental Targets out to FY 2020 Total waste produced: 30,000 t or less Total landfill waste produced: 3% or lower zero emission rate Improve recycling rate: 70% or better
		Prevention of global warming	<ul style="list-style-type: none"> Set new Mid-Term Environmental Targets out to FY 2020 Achieve a 15% or greater reduction (over FY 1990 levels) of energy-derived CO₂ emissions, including business office divisions
		Reduce exhaust emissions	<ul style="list-style-type: none"> Achieve a 100% low-emission vehicle adoption rate for medical representatives, except in colder climate areas
Financial Responsibility CSR Activities	Customers	Develop products that benefit patients	<ul style="list-style-type: none"> Begin phase III trial of polymeric micelle anti-cancer drug NK105 and start phase I trial for NK012 in another indication Biosimilar antibody drugs: implement phase I/II comparative clinical trials Embolitic microsphere products: complete clinical trials and submit New Device Approval
		Increase number of environmentally friendly products	<ul style="list-style-type: none"> Functional chemical products: achieve a 2% year-on-year increase in net sales of ecofriendly semiconductor encapsulation materials Automotive safety parts: continue with development aimed at inflator weight reduction in line with our mid-term plan Agrochemicals: take steps to begin agrochemical application of our physical pest control agent under development
		Enhance information disclosure practices	<ul style="list-style-type: none"> Restructure and upgrade the cancer-specialist MR system Respond promptly to questions from medical institutions by introducing new information devices
		Provide the best products to customers	<ul style="list-style-type: none"> Achieve zero high-level (those of ¥10,000,000 or more) customer complaints Achieve zero high level (those of ¥10,000,000 or more) quality process mishaps
		Develop products gentle on the users	—
		Shareholders	Boost information dissemination and continue information disclosure

This table lists the Nippon Kayaku Group's CSR Action Plan as it relates to the Group's activities. Also included are self-assessments of those activities. Plans are in place next fiscal year to formulate a Mid-term CSR Action Plan synchronized with the Group's Three-Year Mid-term Business Plan.

FY 2011 Results	Assessment	FY 2012 Targets
<ul style="list-style-type: none"> Formulated 4 company-wide or division-specific procedures related to the BCP and a total of 6 procedures dedicated to emergency resumption of head office functions New infrastructure (procured satellite phones and began regular transmission tests) 	○	<ul style="list-style-type: none"> Enhance BCP procedures and manual Implement instruction and training
<ul style="list-style-type: none"> Implemented 13 CSR educational training sessions Displayed the Corporate Vision bulletin board at all Nippon Kayaku Group companies and business offices Continued carrying out promotional activities through meetings and our internal company magazine 	○	<ul style="list-style-type: none"> Continue with training sessions and enhance content Manage organization of CSR-related projects in a trans-divisional fashion Continue promotional activities through meetings and the internal company magazine
<ul style="list-style-type: none"> Implemented compliance training (82 sessions with 2,870 participants) Conducted compliance survey (revised questions; 97.3 % return rate) 	○	<ul style="list-style-type: none"> Implement compliance training in pharmaceutical sales offices (not covered in FY 2011) as part of compliance training for all employees Further update the compliance survey (enhance question and answer choices)
<ul style="list-style-type: none"> Registered 96 themes for creative group activities 	△	<ul style="list-style-type: none"> Register 110 or more themes for creative group activities
<ul style="list-style-type: none"> Formulated a Guide for Transparency between Nippon Kayaku and Health Care Institutions Refined our expense processing system, adding new aggregate accounting and disclosure features 	◎	<ul style="list-style-type: none"> Confirm cumulative statistics for each category disclosed Implement practice simulation in preparation for disclosure
<ul style="list-style-type: none"> For safe use of agrochemicals, conducted onsite instruction; increased the number of instruction briefings over last year 	○	<ul style="list-style-type: none"> Continue conducting onsite instruction efforts for safe agrochemical use
<ul style="list-style-type: none"> Employees wore Pink Ribbon badges; Pink Ribbon Campaign awareness products distributed outside the company; Pink Ribbon bumper stickers made available Brought on line an internal Pink Ribbon website (received 3,000 views) Distributed campaign awareness products to all employees, including Group companies Promoted efforts through videos displayed on the Nippon Kayaku website 	○	<ul style="list-style-type: none"> Continue Pink Ribbon activities Expand distribution of campaign awareness products company-wide (3 additional business offices) Continue internal Pink Ribbon website
<ul style="list-style-type: none"> 133 families used Asunaro House in the 2011 calendar year Re-equipped all guest rooms with new AC units 	○	<ul style="list-style-type: none"> Continue managing and operating Asunaro House Review management practices in order to make the House as user-friendly as possible
<ul style="list-style-type: none"> Factory festivals: 6 events; 9,900 visitors Public lectures and open house tours: 7 events 	○	<ul style="list-style-type: none"> Factory festival visitors: 10,000 Enthusiastically promote public lectures and open house tours
<ul style="list-style-type: none"> Finished relocating business locations that did not meet earthquake resistance standards (2 branches, 6 sales offices) 	◎	<ul style="list-style-type: none"> Expand disaster preparation measures at each business location
<ul style="list-style-type: none"> 0 major accidents; 1 lost worktime accident; 0 non-injury-related accidents 0.55 non-lost worktime accident rate (3 accidents) 	○	<ul style="list-style-type: none"> Have zero major accidents, zero lost worktime accidents, and zero non-injury-related accidents; a non-lost worktime accident rate of 1 (5 accidents) or lower
<ul style="list-style-type: none"> Work-related vehicle accident rate: 10.5%; 42 accidents 	△	<ul style="list-style-type: none"> Achieve a vehicle accident rate of 4% or lower during work tasks or commuting by pharmaceutical MRs
<ul style="list-style-type: none"> Held regular monthly explosive handling instruction carried out by the explosives safety maintenance team targeting all non-office workers 	○	<ul style="list-style-type: none"> With an aim to raise the level of safety, continue implementing explosives safety instruction through the education program in place to promulgate safety awareness
<ul style="list-style-type: none"> Offered the half-day paid leave system to our 'senior partners' Increased, from 24 to 30, the number of times the half-day paid leave system can be utilized Increased the number of paid leaves days utilized per employee 	○	<ul style="list-style-type: none"> Raise the utilization rate of paid leave days Implement well-designed programs for staggered work schedules and no-overtime days
<ul style="list-style-type: none"> Mental health training: completed the 3rd year of a 3-year plan encompassing all employees Health check-ups: 100% participation rate High-workload employees: 100% received consultations with an occupational physician 	○	<ul style="list-style-type: none"> Mental health training: achieve 100% participation in lectures as per a newly commenced 3-year plan Health check-ups: continue 100% participation rate High workload employees: achieve 100% participation rate in consultations
<ul style="list-style-type: none"> Began collaboration with a special school for the disabled in order to hire workers with disabilities Achieved a near 100% re-hiring rate for retirees who elected to stay on after retirement age 	○	<ul style="list-style-type: none"> Actively continue hiring workers with disabilities
<ul style="list-style-type: none"> Formulated third Next Generation Childcare Support program plan Met qualification standards to carry the Kurumin mark Held a children's visitation tour of Company facilities (Tokyo business office and Head Office) 	○	<ul style="list-style-type: none"> Use a working committee for the Act on Advancement of Measures to Support Raising Next-Generation Children to increase awareness inside the workplace of related programs and possible work environment improvements
<ul style="list-style-type: none"> Implemented training on power harassment as part of compliance training seminars Responded appropriately to 10 reports to the whistleblower hotline 	○	<ul style="list-style-type: none"> Post whistleblower hotline Q&A entries in the internal company magazine and work to spread understanding of the hotline Respond appropriately to future reports to the whistleblower hotline
<ul style="list-style-type: none"> Internal company magazine: reviewed content and redesigned layout to improve its appeal 	○	<ul style="list-style-type: none"> Communicate information and share internal company news using the internal company magazine and Intranet
<ul style="list-style-type: none"> Results from 'green procurement' through the indirect materials purchasing system (FY 2011): ¥24 million of materials purchased; 5% purchasing rate 	○	<ul style="list-style-type: none"> Implement aggregate accounting for quantities of raw materials and indirect materials acquired through green procurement
<ul style="list-style-type: none"> Upgraded MSDgen (the MSDS document issuing system) and promoted automation of sorting products into GHS categories Employed a Chemical Substances Management System and submitted notifications for general chemical substances, etc. as per the Chemical Substances Control Law Participated in the OR2IS Project for the REACH supply chain information transfer system, and introduced the system in-house 	○	<ul style="list-style-type: none"> Spearheaded by the newly formed Chemical Management Office, enhance instructional programs related to chemical substance regulations and promote chemical substance compliance from the bottom up Advance the effective use of MSDgen and respond swiftly to issuing and revising MSDSs for products on the market and products under development Further encourage suppliers and users to share REACH importer information by using OR2IS within the supply chain
<ul style="list-style-type: none"> Zhaoyuan Advanced Chemical Co., Ltd. (China): installed electrolysis equipment from Japanese manufacturers and are currently monitoring the conditions of waste water treatment Wuxi Advanced Kayaku Chemical Co., Ltd (China): testing of waste water samples put on hold due to the time required for waste water treatment at Zhaoyuan Advanced Chemical Co. Process steps allocated to allow for monitoring of waste water treatment necessitated by new products 	△	<ul style="list-style-type: none"> Continue to further implement measures to remove pigments from waste water while reducing COD Zhaoyuan Advanced Chemical Co., Ltd. (China): commence operation of waste water electrolysis equipment Wuxi Advanced Kayaku Chemical Co., Ltd (China): expand scale of activated sludge treatment equipment and prepare for the introduction of new products
<ul style="list-style-type: none"> VOC emission: 92 t (13% YoY reduction); substances subject to government reporting requirements: 22 t; substances subject to JCIA reporting requirements: 18 t COD emissions: 123 t (23% YoY reduction) 	○	<ul style="list-style-type: none"> Mid-term environmental targets out to FY 2020 VOC emissions: reduce annual aggregate emissions of all organic chemical compounds released into the atmosphere to 45 t or less (applicable not only to those compounds stipulated by government or JCIA regulations) COD emissions: hold to 180 t or less annually
<ul style="list-style-type: none"> Total waste produced: 22,298 t (15% YoY reduction) Total landfill waste produced: 13% zero emission rate (1% increase YoY) Recycling rate: 63.5% (1.4% YoY increase) 	○	<ul style="list-style-type: none"> Mid-term environmental targets out to FY 2020 Total waste produced: 30,000 t or less Total landfill waste produced: 3% or lower zero emission rate Improve recycling rate: 70% or better
<ul style="list-style-type: none"> Energy-derived CO₂ emissions: 21.2% reduction over FY 1990 levels (75,800 t emitted) 	◎	<ul style="list-style-type: none"> Mid-term environmental targets out to FY 2020 Achieve a 15% or greater reduction (over FY 1990 levels) of energy-derived CO₂ emissions, including business office divisions
<ul style="list-style-type: none"> Low-emission vehicle adoption rate for MRs (except in colder climate areas): 100% 	○	<ul style="list-style-type: none"> This goal has been achieved, so no future additions are necessary
<ul style="list-style-type: none"> Decision made on the start of phase III trials for NK105; started phase I trial for NK012 in another indication Biosimilar antibody drugs: completed registration for phase I/II comparative clinical trials Embolitic microsphere products: completed clinical trials and applied for approval 	◎	<ul style="list-style-type: none"> NK105: start phase III trial; NK012: complete phase I and plan phase II design Biosimilar antibody drugs: prepare for application and plan phase I/II comparative clinical trials Embolitic microsphere products: follow up on New Device Approval
<ul style="list-style-type: none"> Sales of epoxy resin declined due to the weakness in the semiconductor market, and proportionate sales of ecofriendly epoxy resins fell slightly Currently developing mass market versions of the above ecofriendly epoxy resin and a curing agent 	△	<ul style="list-style-type: none"> Functional chemical products: achieve a 2% year-on-year increase in net sales of ecofriendly semiconductor encapsulation materials
<ul style="list-style-type: none"> Automotive safety parts: proceeded with weight reduction to increase fuel efficiency and lessen environmental impacts; development progressed according to plans 	○	<ul style="list-style-type: none"> Automotive safety parts: set targets for weight reduction for each part and continue moving forward with development
<ul style="list-style-type: none"> Reviewed physical pest control agent (spiracle-blocking agent); currently undertaking steps to register it as an agrochemical 	○	<ul style="list-style-type: none"> Review new agrochemicals that use food additives for ingredients
<ul style="list-style-type: none"> Restructured the cancer-specialist MR system and started a new training system Responded promptly to queries from medical institutions through the introduction of new (tablet) information devices 	○	<ul style="list-style-type: none"> Use the new cancer-specialist MR system and boost the level of MR competency Establish a framework for promptly responding to drug side effect issues using the new information devices
<ul style="list-style-type: none"> High-level (those of ¥10,000,000 or more) customer complaints: 2 High-level (those of ¥10,000,000 or more) quality process mishaps: 1 	△	<ul style="list-style-type: none"> High-level (those of ¥10,000,000 or more) customer complaints: zero High-level (those of ¥10,000,000 or more) quality process mishaps: zero
<ul style="list-style-type: none"> — 	—	<ul style="list-style-type: none"> Contribute to enhancing technology for further safeguarding vehicle passengers and pedestrians through the development of gas projection devices for use in pop-up engine hoods and seat lifting mechanisms
<ul style="list-style-type: none"> Held bi-annual financial results briefings with institutional investors Responded to 179 requests for IR interviews Updated information displayed on our website 17 times 	○	<ul style="list-style-type: none"> Continue holding appropriate financial results briefings, responding to interview requests, and disclosing information to further earn the confidence of shareholders

◎ target achieved ○ almost achieved △ under-going efforts toward improvement

Utilizing the lessons learned from Japan's major earthquake and tsunami that struck in March 2011, Nippon Kayaku took measures to reduce its use of energy and revised its business continuity plan in fiscal 2011.

Special Feature
1

Reducing Our Consumption of Energy

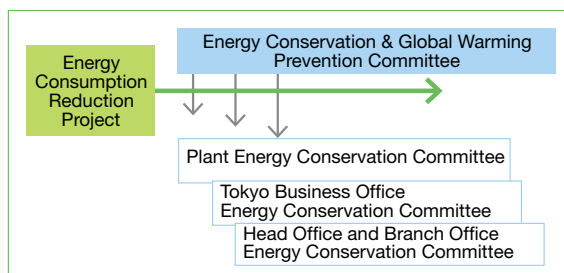
Aspiring to Become a Company that Can Better Tolerate Energy Risk

Nippon Kayaku has been actively involved in energy conservation and the prevention of global warming at each of its business sites since prior to the revision of Japan's Act on the Rational Use of Energy (below, Energy Conservation Act).

Since this law was revised in fiscal 2008, we have taken company-wide steps to reduce our use of energy, which has included setting up a committee chaired by the president to address energy conservation and global warming measures. Starting in fiscal 2011, we established the mid- to long-term environmental target of achieving a 15% reduction in greenhouse gas emissions compared to 1990 levels by fiscal 2020, and initiated even greater efforts to reduce greenhouse gas emissions from energy sources.

However, following the energy supply shortages that occurred after the Great East Japan Earthquake, we stepped up these activities as part of our stated commitment to become a company that uses less energy in order to endure an energy crisis. In conjunction with this, we reduced our use of purchased electricity and revised our core power

system in order to avoid the impact of electricity supply shortages from power companies as well as to ensure that we are a company that can better tolerate energy risk and continually produce our products in a stable manner.



Why are we aiming to reduce energy consumption?

- To improve our ability to endure energy crises and supply products in a stable manner
- To promote global warming prevention measures
- To fulfill our environmental policy
- To reduce costs, improve profitability, and enhance price competitiveness
- To stably supply products and foster trust among stakeholders

Examining Ways to Reduce Energy Consumption Using Five Themes

① Change power systems to build a stronger foundation for energy conservation

We will change over facilities at our plants and business sites to accommodate electricity supply shortages and will install back-up generators and secondary power sources where needed. This will enable us to achieve stable production and continually implement energy conservation measures.

② Promote existing energy conservation and global warming prevention themes

We will prepare plans based on the Energy Conservation Act and implement actions under existing themes ahead of schedule. We will strive to realize further reductions in order to improve our specific energy consumption by 1%.

③ Achieve ideal vision for plants

We are preparing master plans on energy conservation and global warming prevention measures for each of our plants to demonstrate our stance toward reducing future energy usage at each of our sites aimed at our environmental target set for 2020. We will also revise and update these plans on a regular basis.

④ Fundamentally reduce the energy we use

In order to achieve significant reductions in energy usage, we will need to fundamentally change the way we manufacture products to fundamentally reduce our consumption of energy by modifying reaction processes and developing manufacturing processes that result in less waste by-products.

As advanced preparation for this, we plan to make a clear distinction between fixed energy consumption regardless of production volume and fluctuating energy consumption directly related to production volume.

Currently, the Tokyo Plant is analyzing energy consumption trends. These results will be shared with other plants going forward.

⑤ Develop new products that are energy efficient and have less of an impact on the environment

We have initiated a review on systems that evaluate energy usage during the product development stage in order to develop new products that use less energy and create manufacturing methods that result in fewer greenhouse gas emissions.

Currently, we are aiming to raise awareness toward energy conservation among our researchers in order to estimate and assess energy consumption in our manufacturing processes when performing scale-up assessments.

Initiatives and Results in Fiscal 2011

Nippon Kayaku's energy usage in fiscal 2011 (April 1, 2011 to March 31, 2012) totaled 35,943 kl on a crude oil equivalent basis, which was 94.7% of the total seen in fiscal 2010. As a result, we were able to achieve a 21.2% reduction in greenhouse gas emissions compared to fiscal 1990. Going forward, we forecast that energy usage and emissions will rise as a result of increases in production volume, but we will nevertheless strive to reach our targets.

Our specific energy consumption also improved, as the figure for fiscal 2011 was 94.9% that of fiscal 2010.

In fiscal 2011, we decided to switch boiler fuel used at our Asa Plant (Kawahigashi Plant) from Heavy Fuel Oil A to LNG*¹. Changes are currently being made at the plant for this transition, with work scheduled for completion in January 2013.

In addition, the Takasaki Plant will install a gas co-generation system (CGS)*² in fiscal 2012, with work slated for completion in June 2013.

*1 LNG: liquefied natural gas

*2 CGS: Co-generation system that produces electricity using gas as well as collects and reuses resulting heat emissions

Energy Conservation Activity Led by Employees of Nippon Kayaku Group Companies – My Family's Environmental Impact Budget

Fiscal 2011 marked the fifth year of the My Family's Environmental Impact Budget program, which was launched in order to help employees uncover energy waste in their daily lives and to foster greater awareness toward energy conservation.

The results of these environmental impact budgets are presented below.

Summary of Results for the My Family's Environmental Impact Budget Program

(unit: kg)

	Implementation	Period	Participating households	Average CO ₂ emissions per Nippon Kayaku Group employee household		Average CO ₂ emissions per household in Japan
				Overall	1-month average	1-month average * ³
1 st Program	March 2009 to May 2009	3 months	517 households	1,453	484	387* ⁴
2 nd Program	October 2009 to December 2009	3 months	267 households	1,735	574	
3 rd Program	January 2010 to March 2010	3 months	268 households	1,490	497	
4 th Program	April 2010 to March 2011	1 year	191 households	6,836	570	380* ⁵
5 th Program	April 2011 to March 2012	1 year	177 households	6,148	512	Yet to be released * ⁶

*³ Source: Greenhouse Gas Inventory Office (Japan Center for Climate Change Actions: <http://www.jccca.org/>)

*⁴ CO₂ emissions resulting from heat, light oil and waste were subtracted from publicly disclosed data, with average CO₂ emissions calculated using the fraction 1/4.

*⁵ CO₂ emissions resulting from heat, light oil and waste were subtracted from publicly disclosed data, with average CO₂ emissions calculated using the fraction 1/12.

*⁶ Data had yet to be released as of August 2012.

Fiscal 2011 Energy Usage Breakdown per Participating Household

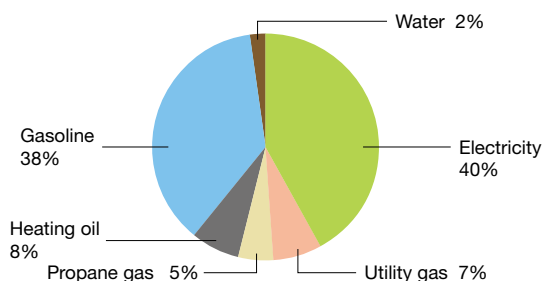
The fifth program saw a total of 177 Nippon Kayaku Group employee households participate. Results showed that employees had around 50% more CO₂ emissions per household compared to the average CO₂ emissions per household in Japan for fiscal 2010. This is because many of our employees drive to work, which resulted in a much larger use of gasoline when compared to ordinary households in Japan.

Degree of Energy Conservation at Nippon Kayaku Group Employee Households

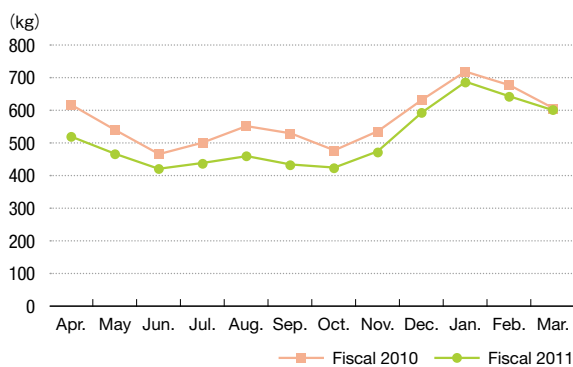
We calculated the Nippon Kayaku Group's overall degree of energy conservation by comparing the results of the fourth and fifth My Family's Environmental Impact Budget held in fiscal 2010 and fiscal 2011 respectively.

There was a 10% reduction in CO₂ emissions in participating households in fiscal 2011 compared to fiscal 2010, which indicates we are making progress in our homes. A colder than usual winter and more households increasing their use of heating oil, while reducing their use of electric heaters to curb energy use, can be cited as reasons for the increase in heating oil consumption seen in fiscal 2011.

Fiscal 2011 Energy Usage Breakdown per Participating Household



Fiscal 2011 CO₂ Emissions per Participating Household



Fiscal 2010 vs. Fiscal 2011

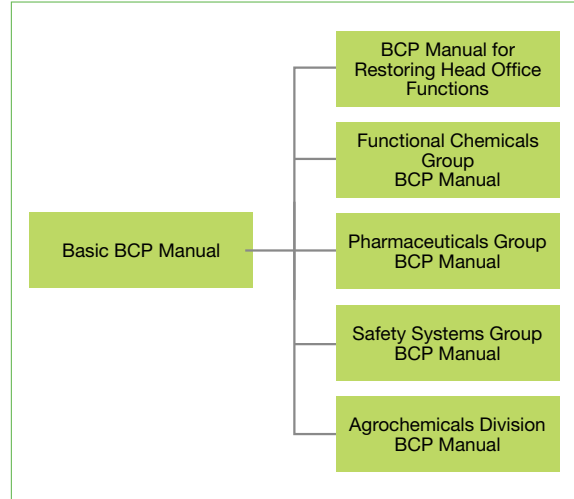
Electricity	Utility gas	Propane gas
15% reduction	31% reduction	21% reduction
Heating oil	Gasoline	Water
14% increase	0% reduction	25% reduction
CO₂ emissions 10% reduction		

The Nippon Kayaku Group's Business Continuity Plan Initiatives

Changes to Our Business Continuity Plan

The Nippon Kayaku Group in Japan has formulated a Risk Management Manual and Natural Disaster Response Rules that define responses for safeguarding the company's assets and employees' lives during the occurrence of a natural disaster or outbreak of a new influenza virus. The Risk Management Manual was used to immediately establish a Disaster Response Central Headquarters in the wake of the Great East Japan Earthquake. Through this organization, we were able to swiftly confirm the safety of our employees as well as check and report on damages suffered in the earthquake and tsunami. At the same time, this disaster also taught us the importance of establishing new disaster response measures and determining more detailed recovery protocols in advance, in order to ensure that normal operations can be quickly restored following the occurrence of a major emergency.

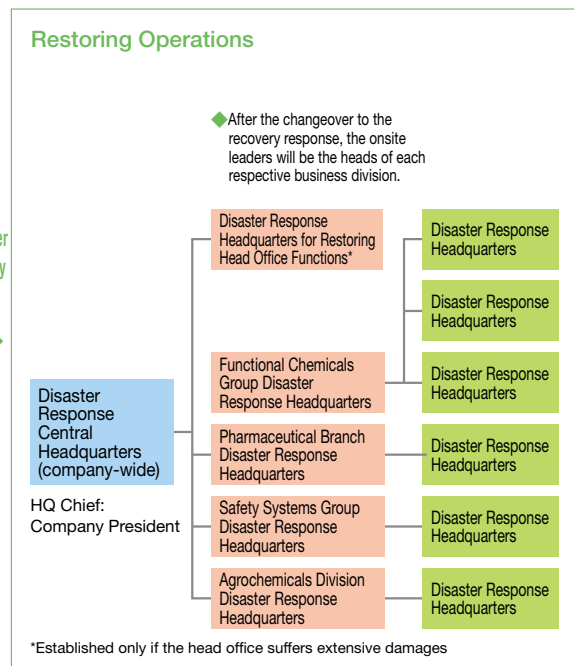
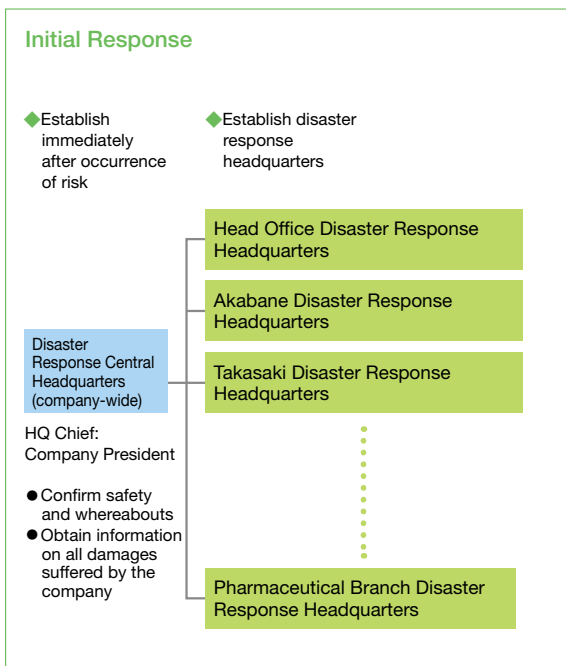
As a result, in fiscal 2011 we launched an inter-organizational business continuity plan (BCP) project led by the Internal Control Management Division. This project also involved every business division as well as outside consultants. Participants helped to craft a Basic BCP Manual, BCP Manual for Restoring Head Office Functions and BCP manuals for each of our four business divisions. These six manuals include additional content not found in the Risk Management Manual and make it possible to restore organizational and functional activities in the event of an emergency. In addition to the purpose of reducing damages and enhancing preparedness, they also define emergency response headquarters to be established for each business division in order to restore operations using the most ideal format and stipulate that operations be restored within the given target time frame (i.e., RTO: Recovery Time Objective). Furthermore, the core operations of each business division are specified,



with rules dictating that resources be concentrated to restore these operations first.

Several disaster measures were also started as a result of these changes. For example, satellite phones have been installed and communication drills held to assure prompt communication during an emergency. We have also designed our information systems to mitigate damages from a disaster and to ensure they can be immediately restored after an emergency. Moreover, in addition to our management of inventory for business purposes, we have formulated and manage a separate strategic inventory from a BCP standpoint.

We recognize the important roll employee training plays in our ability to execute this new BCP promptly. As such, we will continue to train all employees in this regard.



Tsunami Drill—Kashima Plant

Rather than the earthquake itself, the ensuing tsunami is what caused the most damage following the Great East Japan Earthquake that struck on March 11, 2011. The Kashima district of Ibaraki Prefecture also suffered damage primarily along its coastal industrial belt. Fortunately, the tsunami did not reach the Hasaki district where our Kashima Plant is located. Nevertheless, following this disaster the Kashima Plant examined ways to secure a tsunami evacuation site that is available at anytime to help safeguard the lives of its employees as well as the people in the surrounding community.

The Kashima Plant is located at an elevation of 9 meters and about 1.8 km from the coast. There is no high ground in the area, and as such, it is vital to secure a safe location ahead of time for evacuation within 10 minutes of a tsunami warning being issued. As a result, the top floor of the Agro No. 1 Plant, which is highest point onsite, was designated as the evacuation location for employees and local community members.

The Kashima Plant's evacuation drill held on March 11, 2012, which envisioned a tsunami higher than 15 meters, saw employees evacuate to the top floor of the Agro No. 1 Plant. The results of this drill showed that all employees can evacuate safely within five minutes of a tsunami warning being issued.

Additionally, emergency supplies of food, water and blankets are stored on the top floor of the plant, while an emergency transceiver has been provided as a mode of communication.

Going forward, the Kashima Plant will continue to hold a tsunami evacuation drill every March 11 as part of its Earthquake Preparedness Day. These drills will help it to pass on the important lessons learned from last year's earthquake and tsunami disaster.



▲Gathering on the top floor of Agro No. 1 Plant for roll call

Assuring an Uninterrupted Supply of Products—Takasaki Plant

Following the Great East Japan Earthquake on March 11, 2011, electricity supply shortages occurred in the areas served by the Tokyo Electric Power Company (TEPCO), rolling blackouts were initiated, and users were asked to reduce electricity usage by 15% during peak hours.

Blackouts and electricity shortages wreaked havoc on society and the daily lives of everyone in Japan, and production at factories was no exception. Located within the service area of TEPCO, the Takasaki Plant, which manufactures pharmaceuticals, needed to sustain its operations in order to provide an uninterrupted supply of its products. As a result, the plant obtained emergency generators from affiliates and from lease companies immediately following the nuclear accident at the Fukushima Daiichi Nuclear Plant to prepare for the rolling blackouts. Furthermore, it modified its production plan, changed employee shifts and operated on holidays in order to assure that an uninterrupted supply of its important pharmaceutical products were manufactured and supplied to the market.



▲Emergency generator

Disaster Measures in Place at Sites Across Japan

Following the Great East Japan Earthquake that struck in March 2011, water stations were set up at all 55 of our sales office nationwide in Japan with three days' supply of water for all of the employees at each site.

Additionally, a disaster kit has been placed in all of the company's sales vehicles used by MRs to assure that they have access to food and water in the event of a disaster during their sales activities. Going forward, we plan to store more food at each of our pharmaceutical branches for employees' well-being during an emergency and to ensure that the office can continue with its operations.



▲Disaster kit placed in sales vehicles (left) and water reserves at each site (right)

Corporate Governance

As a company entrusted with the support and high expectations of society, the Nippon Kayaku Group has put in place an autonomous corporate governance system that recognizes the vital importance of preserving business transparency and of timely, impartial information disclosure to our investors and shareholders.

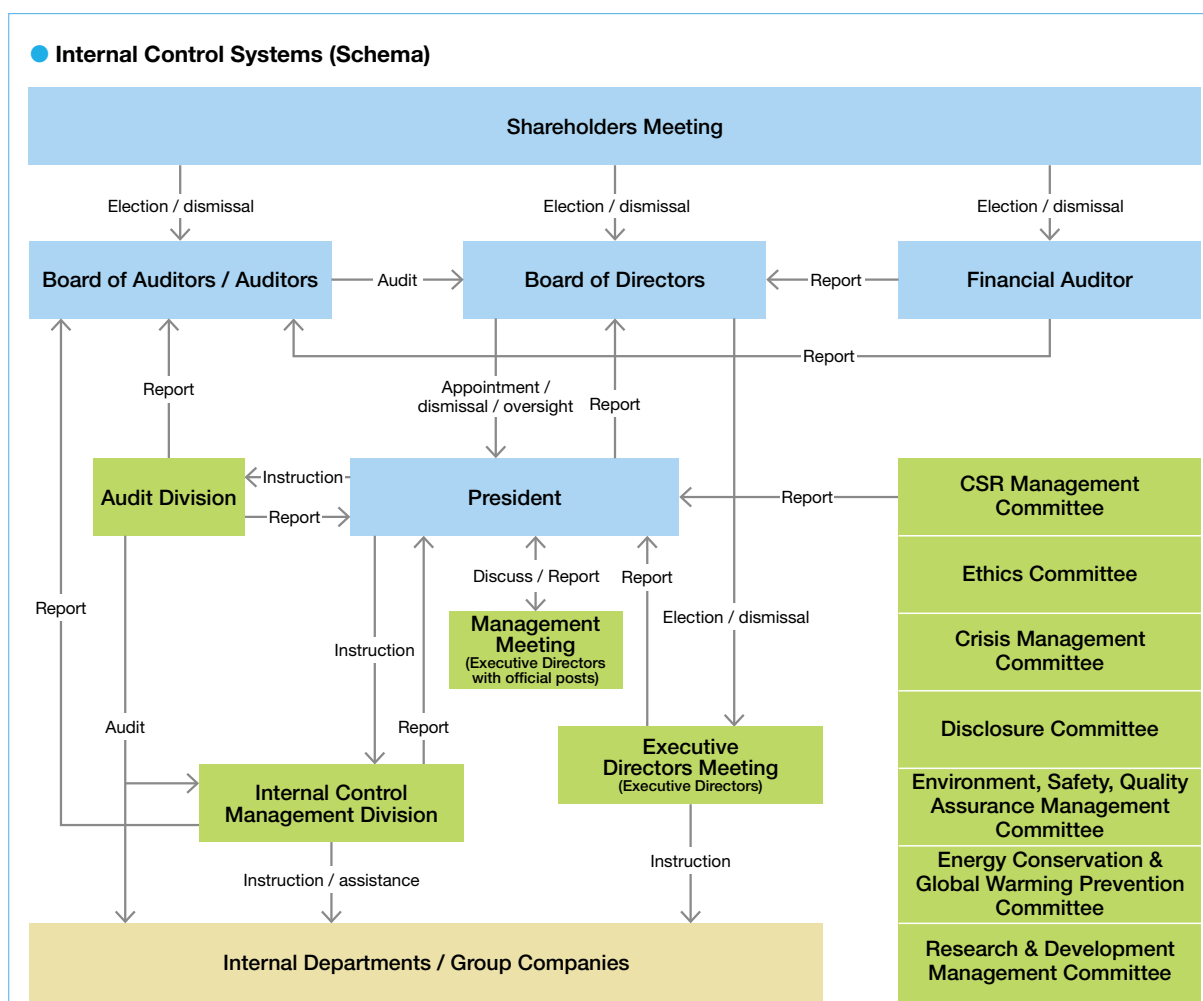
The Nippon Kayaku Group Corporate Governance and Internal Control System

Through group decision-making and auditor oversight measures effected by the council system of our Board of Directors, the Nippon Kayaku Group believes that its system of corporate governance effectively supports management functions. Moreover, the Group has introduced an Executive Directors System for prompt responses to changes in the business and for flexible execution of operations. This approach distinctly separates the functions of business execution from oversight and decision making, strengthening both and enabling each function to ensure effective decision-making and agile operations.

The Internal Control Management Division, consisting of the Compliance Department, the Risk Management Department, and the J-SOX Department, is in charge of overseeing the internal

controls of the entire Nippon Kayaku Group, including financial affairs, and maintaining and improving our internal control system.

The Compliance Department formulates a compliance action plan for each business location and implements that plan in step with Group companies. The Risk Management Department is tasked with assessing departments responsible for developing a specific action plan for each risk factor. Whenever new risk factors are identified, a relevant department will be promptly assigned to address such factors. The J-SOX Department works to ensure that a structure is in place to facilitate reliable financial reporting and assesses the design and application of this structure, reporting findings to the President.



Compliance

The Nippon Kayaku Group believes that compliance (the strict observation of laws, internal regulations, and also corporate ethics) holds a position of the utmost importance in our business activities. The diagram on this page details our compliance management implementation.

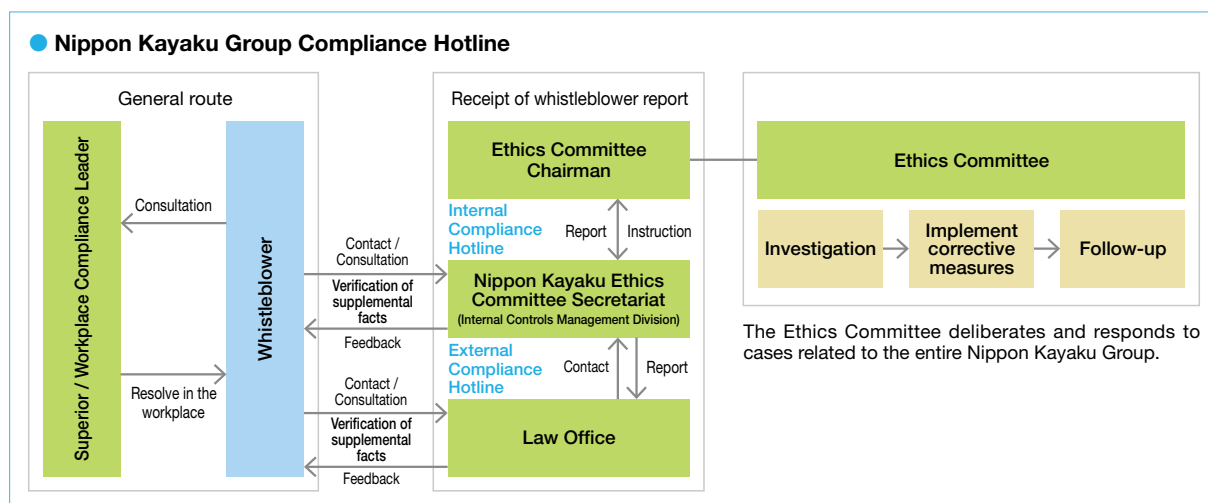
Compliance Management System and its Promotion

In June 2011 the Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct were put in place.

These two policies are steadfastly advanced by the personnel responsible for and in charge of ethics matters at each business location of domestic Group companies. These personnel work to promote compliance in close cooperation with an Ethics Committee. October has been designated Compliance Promotion Month to raise awareness of compliance issues among all executives and employees. In conjunction with Compliance Promotion Month, all Nippon Kayaku Group employees in Japan are asked to complete a compliance survey (which includes questions on

CSR). Overall results of this survey are published in the internal company magazine. The results are also aggregated for the entire Group, emerging trends are highlighted prominently, and feedback is given on analysis of Group strengths and weaknesses evidenced by each trend. This analysis is used as a reference when drafting the next fiscal year's Compliance Action Plan, and the PDCA cycle is employed to improve compliance awareness.

An Internal Compliance Hotline and External Compliance Hotline have been set up to respond to compliance issues occurring in the course of our business activities and as a means to prevent violations as well as ensure compliance best practices.



Certified as a 'type 1 business entity' by Jiangsu Province

—Wuxi Advanced Kayaku Chemical Co., Ltd.

In August 2011, Wuxi Advanced Kayaku Chemical Co., Ltd. (WAC) was assessed by the Jiangsu Import/Export Inspection and Quarantine Branch Office as performing appropriate business operations and earned the designation of a 'type 1 import/export business entity.' As of May 2012, 40 businesses have earned this designation within Wuxi city and WAC is the first chemical manufacturer to do so. With this certification, WAC is no longer subject to on-site inspections before a shipment for export leaves its facilities. The process has been expedited through inspection of shipping/application documents only and the time required has been reduced from seven days to just two.

WAC also received, in 2010, an evaluation from the customs authority that named it a 'type A firm.' With this and the above designation, the inspection process at the Customs Office can now be expedited and logistics costs reduced during import and export, enabling more systemic shipping practices. Going forward, the goal is to further emphasize compliance and to ensure that this mindset is reflected in each and every employee's actions.

We are extremely pleased to have earned this certification and see this as the fruit of the long-term efforts of WAC employees. However, receiving the certification is not the final step in the process, but rather a checkpoint along the way. We will continue to endeavor to work ardently so that we can maintain this certification in the future.

Mei Li, Manager

▼Manager Mei Li, pictured in front row, right side



Fulfilling Our Responsibility to Society

Initiatives with Our Customers

The Nippon Kayaku Group continually strives to develop sound products and services that are both safe and reliable in order to provide the best possible solutions to its customers around the world.

From Green Procurement to CSR Procurement

Nippon Kayaku is aggressively working to reduce the environmental impact from its procurement activities.

Our green procurement activities involving raw materials and other goods now enable us to select relevant items, tally results for each item and business, as well as set targets. Moving forward, we will continue to work with our partners to ensure that the entire supply chain is able to reduce its impact on the environment.

Our electronic purchasing system for indirect materials enables us to display green labeled products as well as products compliant with Japan's Law on Promoting Green Purchasing in our electronic

catalogue. It also makes it possible to search only for target products from among indirect materials to be purchased. We are committed to promoting the use of this electronic purchasing system and to further increasing our ratio of green procurement going forward.

We also recognize the importance that practicing CSR throughout the entire supply chain plays in our broader promotion of CSR. As a result, Nippon Kayaku will examine the promotion of CSR procurement together with its suppliers by setting specific CSR procurement standards going forward.

Developing Products that Promote Energy Conservation and Moving into the Photovoltaic Power Generation Market

Nippon Kayaku displayed a dye-sensitized solar cell (DSC) at the PV Japan 2011 trade show held at Makuhari Messe outside Tokyo in December 2011 in order to conduct market research.

This DSC is an all new type of solar cell that consists of many organic materials, unlike the current mainstream silicon-type cell, while it boasts a high power generation performance for indoor light. DSC can also be customized in terms of color tone and transparency to meet the needs of specific applications.

PV Japan, a trade show for photovoltaic technologies in the spotlight today, is attended by large numbers of visitors from various sectors. As such, we recognized the event would offer a great platform to discuss our DSC and differentiate it from existing products.

Nippon Kayaku is currently moving forward with the development of unique DSC-related products that combine its highly competitive dye and resin technologies with its long-researched DSC modularization technologies. In particular, we have been developing cutting-edge sensitized dye, the key material that largely determines performance,

to help improve photovoltaic power generation performance. We are also partnering with companies and universities that possess technologies for manufacturing modules related to the various elements used in DSC. By actively engaging in the photovoltaic power generation market through the development of new cell-related products, we hope to further revolutionize technologies aimed at achieving greater energy conservation as well as those aimed at playing a lead role in the development of a renewable energy-based society.

Moving forward, we will continue to solicit information and feedback from visitors to various trade shows, such as PV Japan, which will help align our development with the needs of international markets



▶ Dye-sensitized solar cell

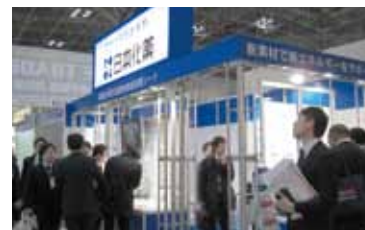
Heat Release Sheet Displayed as a Product that Promotes Energy Conservation

Nippon Kayaku's Functional Chemicals Group displayed and introduced the KTM series thermal conductive bonding sheet at the Internecon 2012 trade show, held at Tokyo Big Sight in January 2012, as a product that promotes energy conservation.

The semiconductor sector has seen a further acceleration in demand for high speed and high integration production. As a result, the question of how best to manage the large amount of heat involved in these processes has become more important than ever.

Many visitors to the trade show demonstrated a strong interest in our products that help promote energy conservation, which made the event an important opportunity to hear feedback directly

from our customers. Moving forward, we plan to participate in even more trade shows as part of our commitment to help society develop by creating products that meet the needs of our customers in the areas of the environment and energy conservation.



▶ Exhibition booth

Initiatives for Society

With operations located around the world, the Nippon Kayaku Group stands committed to actively communicating with the local communities in which it operates because they represent one of its most important stakeholders.

Ambulance Donated to the Municipality of Salinas Victoria

— Kayaku Safety Systems de Mexico, S.A. de C.V.

Kayaku Safety Systems de Mexico, S.A. de C.V. (KSM) is located in the municipality of Salinas Victoria outside Monterrey in Northern Mexico. As an overseas subsidiary of Nippon Kayaku's Safety Systems Group, KSM has been manufacturing micro gas generators for vehicle seatbelts since 2009.

During the meeting with city officials to receive approval for the construction of KSM's factory, the company learned that the municipality needed to replace its aging ambulance but could not secure the budget for this outlay. As a result, KSM decided to donate an ambulance to the municipality as part of its contributions to the local community. The ambulance

was donated in November 2011 at a presentation ceremony attended by the Mayor of Salinas Victoria.



▲ Ambulance donated by KSM and the presentation ceremony

Initiatives for Japan's Aging Society — Nippon Kayaku Medical Care Co., Ltd.

Nippon Kayaku Medical Care Co., Ltd. is a provider of nursing care services that was established in April 2003. Today, the company operates four daytime nursing care service centers in Tokyo's Shinjuku Ward, with monthly users totaling about 2,000 seniors. Because it was founded by Nippon Kayaku, a manufacturer of pharmaceuticals, the company's service programs that seek to improve motor skills and mouth function were developed in a tie-up with research institutions affiliated with a university and other organizations.

Since the start of its long-term care insurance system, Japan has been in need of high-quality, efficient nursing care services. For service providers, this means the development of more leaders capable of managing outlets has fast become an important task facing the sector.

In fiscal 2009, the Japanese Consumers' Cooperative Union, Kawajuku Educational Institution Group, and Nippon Kayaku Medical Care were

selected to participate in a research program for improving employment management of care workers run by Japan's Ministry of Health, Labour and Welfare called *Improving the Skills of Onsite Managers and Promoting Career Advancement*. As part of the program, the three companies created human resource development programs for managers in the sector. Later, Nippon Kayaku Medical Care's *Manager Development Program* became highly sought after by care service providers located across Japan. To date, more than 6,000 managers of care centers have taken part in this program, illustrating that the company has achieved strong results in the development of human resources working in the field. Nippon Kayaku Medical Care believes its mission is to focus on its core business of daytime care services as well as to offer this program to managers of care centers in every corner of Japan to help improve and evolve their management abilities.

Involvement in the Wakachiai (Sharing) Civic Charity Fair in Remembrance of 3.11

— Nishiminato Driving School

On Sunday, June 10, 2012, the first Wakachiai (Sharing) Civic Charity Fair in Remembrance of 3.11 was held in the Kokurakita Ward of Kitakyushu City at Nippon Kayaku Group company Nishiminato Driving School, which is a member of the fair's executive committee that consists of companies and organizations from the city.

The day of the fair featured a variety of events and performances. These included the collection of donations to help serve people in need for a decade after the Great East Japan Earthquake as well as panel displays and lectures on the earthquake and tsunami. There were also booths selling specialty items and gourmet food items from the Tohoku region, food vendors selling local specialty meals, a charity raffle and a Kokura Gion Taiko drum

performance. More than 3,000 people attended, making the event quite a success. The executive committee plans to make the fair an annual event going forward.

Donations provided at the fair will be used to benefit children orphaned by the earthquake and tsunami.



▶ Lecture by a journalist that covered the Great East Japan Earthquake

Initiatives for Employees

A company is nothing without its people. The Nippon Kayaku Group is committed to creating safe and secure workplaces where its employees can thrive and feel a greater sense of motivation by helping benefit society through their jobs. Our goal is to provide a wide range of systems and programs for our employees that fully take into account the changes taking place today.

Better Managing Employee Work Hours

The Nippon Kayaku Group strives to properly ascertain employee work hours and conditions, to take action where needed, and to foster an environment where employees and management work together, in order to follow compliance best practices and safeguard employees' mental health. We are also working to reduce employees' overtime hours from the standpoint of improving work-life balance. In fiscal 2011, we were able to reduce overtime hours by about four hours per employee compared to fiscal 2009. Going forward, we are committed to further enhancing the workplace environment for our employees by creating added value, improving operational productivity and changing the way employees work.

Special Paid Leave Program

We are actively supporting the work-life balance needs of our employees. Part of this support can be found in the Special Paid Leave Program where under certain circumstances employees can take paid leave that has been carried over from previous years. Typically this carried-over paid leave expires after two years.

Taking this special paid leave does not require any cumbersome application process; rather, employees simply have to provide either a medical certificate from their physician or some other document that verifies they require leave. In addition, even after taking part in the program once, employees can continue to accumulate paid leave to use in the future as part of this program.

● Special Paid Leave Program

Applicable Uses	No. of Days Allowed
To receive treatment of an injury or illness that requires at least 4 consecutive days of care To receive outpatient services for rehabilitation or aftercare (within the stated period on the physician-issued medical certificate)	Up to 60 days
To provide nursing care to an immediate family member, aunt or uncle	45 days
To participate in a training program or volunteer activities	30 days
Leave in conjunction with the use of active points from the Nippon Kayaku Cafeteria Plan	5 days
To take leave in order to receive a vaccination or medical exam for a child of preschool age	5 days
To receive fertility treatments	60 days
To allocate additional days to childcare leave	10 days
To allocate additional days to leave for providing care to a sick child	10 days

Offering a Greater Selection of Development Programs for Employees

As part of our efforts to supporting the development of the next generation, we offer and have established various programs including a staggered work hour schedule for employees caring for a child or parent and a shortened work hour schedule for employees' childcare needs. We are also taking measures to encourage more employees to use these programs.

Nippon Kayaku Senior Partner Program

Beginning in April 2006 we launched the Nippon Kayaku Senior Partner Program—a program to rehire employees after mandatory retirement—to accommodate changes made to Japan's Act for the Stabilization of Employment of Older Persons. This program rehires retired employees that are physically and mentally healthy, are motivated to work, and can

fulfill their duties and responsibilities, in order to take full advantage of their long-standing professional experience and expertise. In fiscal 2011, nearly 100% of the retired employees requesting to be rehired participated in this program, which allows them to work until the age of 65.

General Business Operator Action Program under the Act for Measures to Support the Development of the Next Generation

On March 30, 2012, we submitted our third action plan, prepared on March 22, 2012 for the period from April 1, 2012 to March 31, 2015, to the Tokyo Labor Bureau for approval.



◀ Kurumin logo

Fulfilling Our Responsibility to the Environment

We prioritize health, safety and environmental matters in our management of the company as well as strive to reduce our impact on the environment through the reduction of environmental emissions across the entire Nippon Kayaku Group. To learn more visit: <http://www.nipponkayaku.co.jp/csr/2012/environment/>

Environmental, Health, Safety and Quality Assurance Management System

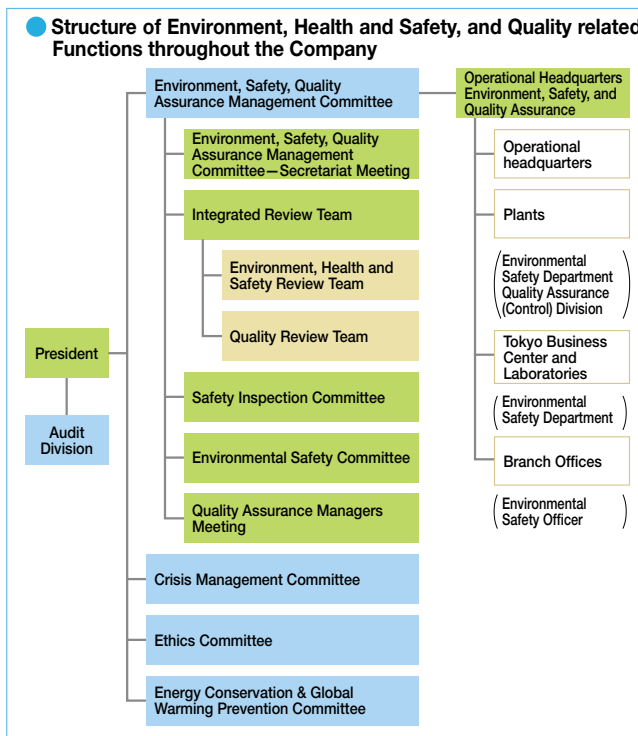
Declaration on Health, Safety, Environmental Protection and Quality

The Nippon Kayaku Group, under the spirit of its CSR philosophy and Responsible Care,*1 has formulated the Declaration on Health, Safety, Environmental Protection and Quality, in order to maintain and enhance its environmental protection, health and safety and quality assurance practices. We are also implementing this declaration using organized activities.

*1 Responsible Care: A voluntary initiative under which companies that manufacture or handle chemical substances actively work on ensuring an operation that is aware of the environment, safety and health throughout its entire value-chain; from product development through production, sales, consumption, and disposal of chemical substances. The initiative began in Canada in 1985, and has now spread to encompass activities at companies in over 50 countries around the world.

Company-wide System for Managing Health, Safety, Environmental Protection and Quality Assurance

The Nippon Kayaku Group takes part in organized activities to ensure employees' health and safety and environmental protection as well as to maintain and improve quality assurance. These activities revolve around the Environment, Safety, Quality Assurance Management Committee, which is led by the President of Nippon Kayaku.



Certification of Quality Assurance System and Environmental Management System as well as GMP Authorization Status

The Nippon Kayaku Group has moved forward with acquiring ISO9001*2 and ISO14001*3 certification in order to provide and develop eco-friendly products and services of superior quality. We began acquiring ISO9001 quality assurance system certification starting with our plants in 1995 and later expanded this scope to include business divisions and R&D departments. We started acquiring ISO14001 environmental management system certification in 1998, and since then all six of our plants as well as manufacturing-related Group companies have obtained this certification as well.

*2 ISO9001: An international standard issued by the ISO (International Organization for Standardization) for quality assurance systems covering everything from design and manufacturing to quality inspection and after-sales service.

*3 ISO14001: An international standard issued by the ISO (International Organization for Standardization) for environmental management systems covering organizational activities, products, and services.

*4 ISO / TS16949: A world standard that was developed jointly by members of the IATF (International Automotive Task Force) to provide high quality products to automobile users around the world.

*5 GMP: A Japanese standard issued by the Ministry of Health and Welfare as a ministerial ordinance in 1980. Stipulates production control and compliance standards to ensure supply of high quality pharmaceutical and medical products.

Quality Assurance Management / Environment Management System Certified Workplaces

Workplace	● ISO9001 ■ ISO / TS16949*4	ISO14001
Fukuyama Plant	● June 1995	April 1999
Asa Plant	● Jan. 1995	Sept. 1998
Tokyo Plant	● June 1995	Dec. 1998
Takasaki Plant	● July 2003	Jan. 2000
Himeji Plant	● Sept. 2007	Jan. 2001
Kashima Plant	● Dec. 1995	March 1999
Functional Chemicals Group	● Jan. 2001	—
Pharmaceuticals Group	● Sept. 2003	—
Safety Systems Group	● Sept. 2007	—
Agrochemicals Division	● Sept. 2003	—
POLATECHNO CO., LTD.	● Jan. 1999	Aug. 2002
NIPPON KAYAKU FOOD TECHNO CO., LTD.	● Nov. 2003	—
KAYAKU CHEMICAL (WUXI) CO., LTD.	● March 2005	Aug. 2006
MicroChem Corp.	● April 2002	—
Wuxi Advanced Kayaku Chemical Co., Ltd.	● April 2007	July 2007
Zhaoyuan Advanced Chemical Co., Ltd.	● March 2005	—
INDET SAFETY SYSTEMS a.s.	■ March 2002	Dec. 2002
Kayaku Safety Systems (Huzhou) Co., Ltd.	● June 2010	—
Kayaku Safety Systems de Mexico, S.A. de C.V.	● Sept. 2010	—

● GMP*5 Approval Status

Workplace	Main governments
Takasaki Plant	Japan, USA, Europe, Canada, Brazil

Health, Safety, Environmental Protection and Quality Assurance Initiatives

The Nippon Kayaku Group engages in a wide range of health, safety, and quality assurance activities.

We conduct a safety screening whenever we institute new work flows or changing facilities and existing work flows, in order to prevent accidents, injuries or environmental accidents from happening. As part of our efforts, we also conduct risk assessments to ascertain inherent risk factors.

We have also created a database of troubles we have experienced in terms of our environmental protection, safety and quality assurance initiatives that is used across all of our workplaces. Central integrated reviews (environment, health and safety/quality reviews) are conducted on our workplaces and certain Group companies.

Initiatives to Enhance Quality Assurance Functions

In order to promote training on and the percolation of quality management technologies, we send employees to participate in external lectures, hold group training sessions on statistical calculation methods, and conduct onsite presentations at our plants on the seven tools of quality control and other themes. Additionally, we publish a compilation of quality improvement case studies and seek to encourage greater use of statistics to improve quality, such as the experimental design method.

We also hold practical training programs that promote actual operational improvements or reform based on the challenges faced by individual workplaces. In fiscal 2011, this training program was held at the Fukuyama Plant under the theme “Fukuyama Plant—Good Manufacturing Practices”.

Health and Safety Initiatives and Results

The Nippon Kayaku Group takes a systematic approach to eliminating accidents and injuries in the workplace. As a result of our efforts, in fiscal 2011 there were a total of only three no-lost worktime accidents and one lost worktime accident.

In terms of traffic safety, there were 42 traffic accidents involving company-owned vehicles, representing an increase of 20 compared to last fiscal year. As a result, we will continue with safe driving reviews of our MRs using a camera-equipped drive recorder as well as assure safer driving habits by combining these reviews with a driving aptitude test approved by the National Police Agency.

We are also working to share safety awareness across different workplaces by distributing work flow checklists to help eliminate shortcuts or omissions, having employees issue a safety declaration to prevent shortcuts and omissions, as well as displaying this safety declaration clearly in each workplace.

● Safety and Quality Assurance Activities

Safety Activities	Quality Assurance Activities
<ul style="list-style-type: none"> ◦ Risk Assessment ◦ 5S Activity*1 ◦ Hiyari Hatto Activity*2 ◦ KYT Activity ◦ TPM Activity*3 	<ul style="list-style-type: none"> ◦ Quality Risk Assessment ◦ Quality Patrol ◦ Trend Management (Visualization) ◦ Campaign to Prevent the Reoccurrence of Quality Problems ◦ Quality Technology Training

*1 5S Activity: An acronym of five Japanese words phonetically starting with the letter “S”.

*2 Hiyari Hatto Activity: Activities that are not accidents but may lead to accidents if left unattended.

*3 TPM Activity: Total Productive Maintenance Activity. Activities that help maintain production and ensure safety by means of regular maintenance of equipment and machinery.

● Fiscal 2011 Safety Targets and Performance

Items	Target	Actual
Major Injury / Accidents	0	0
Serious environmental accidents	0	0
Lost worktime accidents	0	1
Accidents not accompanied by lost worktime	Rate of lost worktime accidents*4 of under 1	0.56
	Less than 5 cases	3
Work-related automobile collisions	Less than 3%	10.5 %
	Less than 12 cases	42
Non-injury workplace accidents	0	0

*4 Rate of lost worktime accidents: The number of lost worktime accidents that occur in every 1 million work hours.

Kashima Plant Receives Award from the Minister of Health, Labour and Welfare

On October 5, 2011, Nippon Kayaku’s Kashima Plant was presented with a Fiscal 2011 Excellence Award from Japan’s Minister of Health, Labour and Welfare. This award is given to business sites that are recognized among their peers in Japan for excellence in health and safety initiatives. Nippon Kayaku’s Kashima Plant was one of six business sites in Japan to receive this honor.

This award recognizes the Kashima Plant for its daily safety activities and for achieving 10,000 consecutive operating days without a workplace accident since opening on December 1, 1982. We

are committed to promoting an even stronger safety-first mentality at our plants by combining the Kashima Plant’s culture of safety with new safety activities.

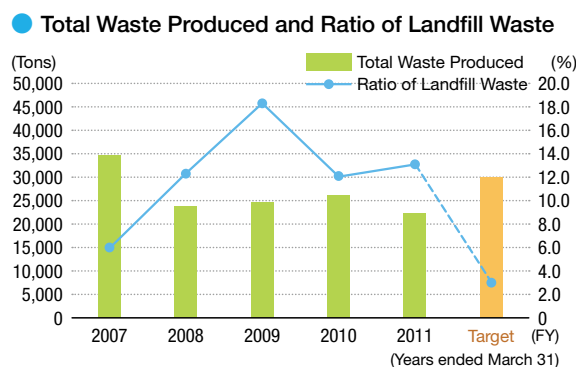
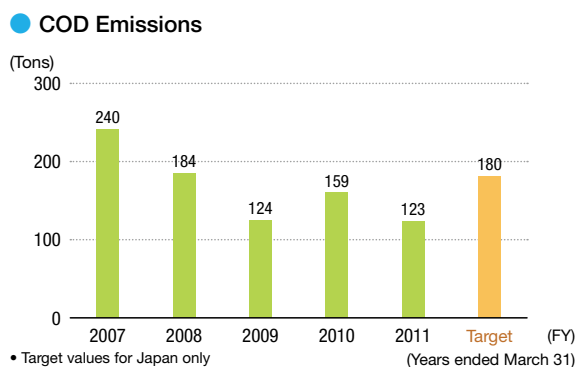
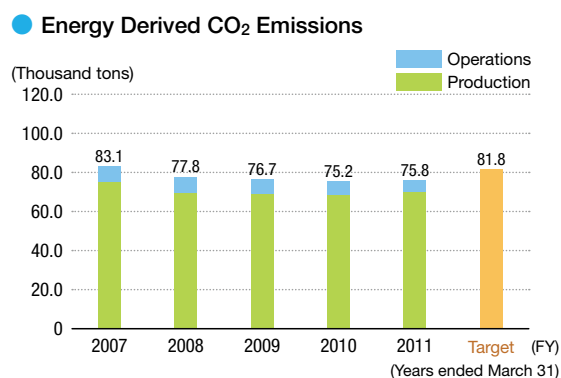
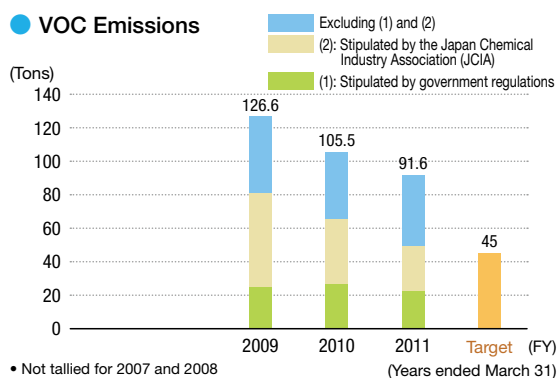


▶ Award presentation ceremony

Reducing Our Environmental Impact

Results of the Mid-term Corporate Plan for the Environment

Nippon Kayaku has established a mid-term corporate plan for the environment for the period running from fiscal 2011 to fiscal 2020 that consists of six items covering three areas. Fiscal 2011 was the first year of this plan.



● Mid-term Corporate Master Plan for the Environment

Area	Item (FY 2011 – FY 2020)	Target value	FY 2011	Details
Reducing Our Chemical Substance Footprint	VOC* ¹ Emissions	Under 45 tons	92 tons	Reduced by 13% compared to fiscal 2010
	COD* ² Emissions	Under 180 tons	123 tons	Reduced by 23% compared to fiscal 2010
Prevention of Global Warming	Energy Derived CO ₂ Emission* ³ (Production Divisions+ Operation Divisions)	More than 15% reduction	75,800 tons	CO ₂ emissions increased by 0.8% compared to fiscal 2010, but have been reduced by 21.2% compared to fiscal 1990.
Reduction of Waste	Total Waste Produced	Under 30,000 tons	22,298 tons	Reduced by 15% compared to fiscal 2010
	Recycling Rate	More than 70%	63.5%	Increased by 1.4% compared to fiscal 2010
	Zero Emission Rate* ⁴	Under 3%	13.1%	We continue to strive to reduce the amount of waste we dispose of in landfills. In fiscal 2011, the Kashima Plant achieved zero net waste emissions.

*1 VOC: Volatile Organic Compounds (VOCs). This tally includes all chemical substances emitted into the atmosphere, including those derived from reactions involving chemical substances not subject to reporting regulations.

*2 COD: Chemical Oxygen Demand. An indication of the amount of oxygen needed to oxidize a subject compound by oxidizing subject compounds under a predetermined condition using oxidizing agents, then measuring the amount of oxidizing agents used in the process. A high COD level means that the water contains a large amount of organic chemical substances that consume oxygen. With lower oxygen content, the water cannot sustain biological life, which stops the natural purification process, leading to a muddied and odorous water environment.

*3 Fiscal 1990 has been set as the benchmark (96,200 tons)

*4 Zero emission rate: The amount of internal and external landfill waste produced as a percentage of total waste produced.

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Group Overview (as of May 31, 2012)

Europe

Dejima Tech B.V.
Dejima Optical Films B.V.
Euro Nippon Kayaku GmbH
INDET SAFETY SYSTEMS a.s.

China

Wuxi Polatechno Optics Co., Ltd.
Polatechno (Hong Kong) Co., Ltd.
SHANGHAI NIKKA FINE TECHNO CO., LTD.
Wuxi Advanced Kayaku Chemical Co., Ltd.
KAYAKU CHEMICAL (WUXI) CO., LTD.
Zhaoyuan Advanced Chemical Co., Ltd.
Shanghai KAYAKU International Trading Co., Ltd.
Kayaku Safety Systems (Huzhou) Co., Ltd.
Kayaku (Shanghai) Co., Ltd.*

Korea

Nippon Kayaku Korea Co., Ltd.

Taiwan

Taiwan Nippon Kayaku Co., Ltd.

Japan

POLATECHNO CO., LTD.
NIPPONKAYAKU FUKUYAMA CO., LTD.
NIPPON KAYAKU TOKYO CO., LTD.
NIKKA FINE TECHNO CO., LTD.
NIPPON KAYAKU FOOD TECHNO CO., LTD.
Tumor Diagnosis Support Co., Ltd.
Nippon Kayaku MedicalCare Co., Ltd.
NAC Co., Ltd.
Nishiminato Driving School Co., Ltd.
YMK service Co., Ltd.
Wako Toshi Kaihatsu Co., Ltd.
NIKOS CO., LTD.
JHMS Co., Ltd.
Okiura Golf Center Co., Ltd.
Kouwa Sangyo Co., Ltd.
Gunnan Sangyo Co., Ltd.

Affiliates (equity method)

KAYAKU AKZO CORPORATION
Kayaku Japan Co., Ltd.
Sanko Kagaku Kogyo Co., Ltd.

U.S.A.

MicroChem Corp.
Moxtek, Inc.
NIPPON KAYAKU AMERICA, INC.

Mexico

Kayaku Safety Systems de Mexico, S.A. de C.V.

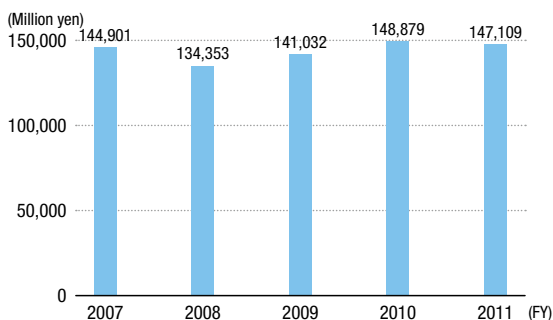
* Kayaku (Shanghai) Co., Ltd. was established on December 1, 2011.

Company Profile

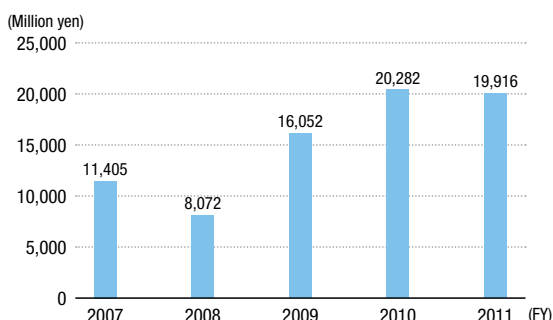
Company Name: NIPPON KAYAKU Co., Ltd.
Founded: June 5, 1916
Capital: 14,932 million yen
Head Office Address: Tokyo Fujimi Bldg.,
11-2, Fujimi 1-Chome,
Chiyoda-ku, Tokyo 102-8172
Telephone: 81-3-3237-5111
Number of Employees: Non-consolidated: 1,871
Consolidated: 4,583
Group Companies: Consolidated subsidiaries: 35
Affiliates (equity method): 3
Fiscal Year-end: May 31*

* As per the decision made at the August 30, 2012 Shareholders' Meeting, the end of the fiscal year has been changed to March 31.

Sales (Consolidated)



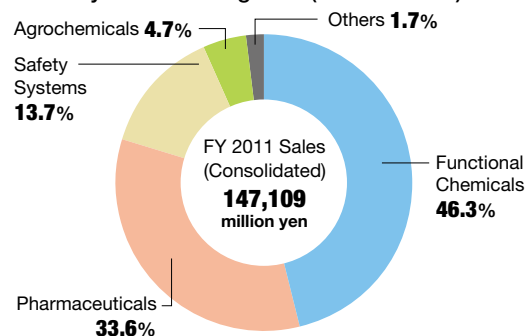
Ordinary Income (Consolidated)



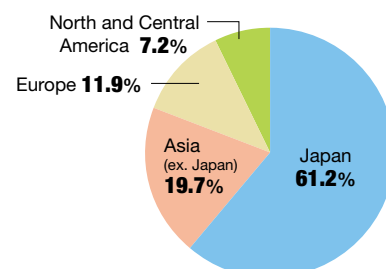
Principal Businesses

Functional Chemicals: Functional materials, electronic materials, catalysts, color chemicals
Pharmaceuticals: Ethical drugs, medical materials, pharmaceutical ingredients and intermediates, diagnostic products, food, food quality preservation agents, nursing care
Safety Systems: Automotive safety components
Others: Agrochemicals, real estate leasing

Sales by Business Segment (Consolidated)



Employee Percentage by Region



Notes:

- Number of employees refers to personnel employed, and does not include temporary workers.
- Concerns the entity of Nippon Kayaku and its 21 consolidated subsidiaries in fiscal 2011.



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Chiyoda-ku, Tokyo
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<http://www.nipponkayaku.co.jp/english/>

