

Special Feature2 The Nippon Kayaku Group's Business Continuity Plan Initiatives

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.

Changes to Our Business Continuity Plan

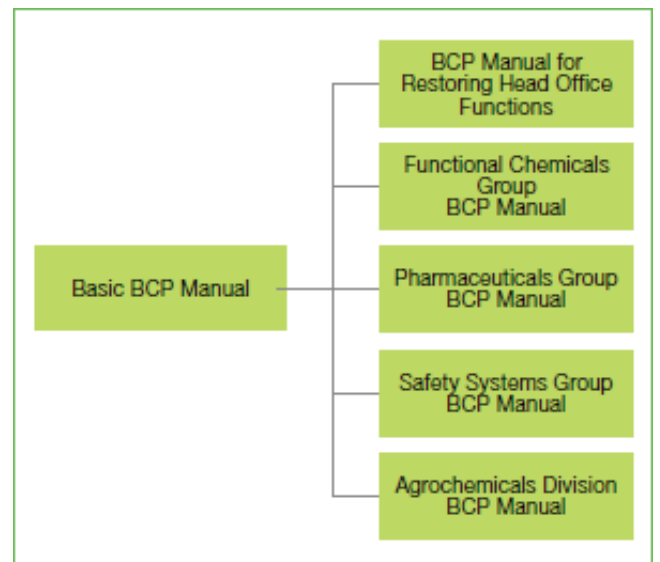
The Nippon Kayaku Group in Japan has formulated a Risk Management Manual and Natural Disaster Response Rules that define responses for safeguarding the company's assets and employees' lives during the occurrence of a natural disaster or outbreak of a new influenza virus. The Risk Management Manual was 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 interorganizational 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

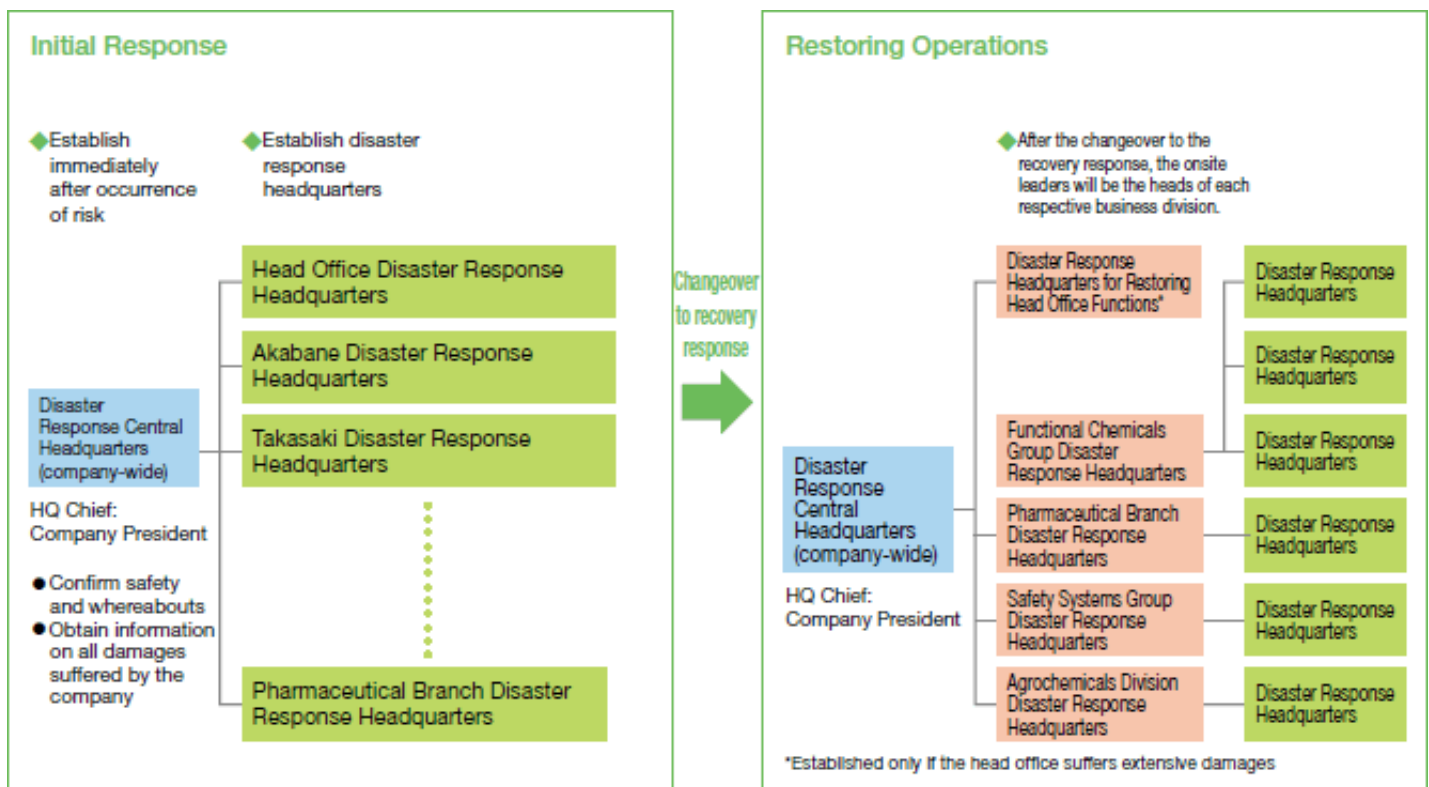
Manual for Restoring Head Office Functions and BCP manuals for each of our four business divisions. These six manuals include additional content not found in the Risk Management Manual and make it possible to restore organizational and functional activities in the event of an emergency. In addition to 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.



Basic BCP Manual



The Nippon Kayaku Group's Disaster Preparedness Drills in Fiscal 2011

The Nippon Kayaku Group regularly conducts disaster preparedness drills, which are led by each of its subsidiaries. Our group companies located outside of Japan organize drills as needed based on conditions in each particularly country.



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

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.



Emergency generator

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.

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)