

## 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.

### Training programs

Various training programs are provided to employees according to their jobs positions. These comprehensive training programs are conducted so as to develop the skilled workforce that will lead Nippon Kayaku in the next generation.

#### Mandatory programs

In order to systematically develop the skills of the employees, training is imparted to the employees start immediately upon their joining the company. This is followed by mandatory programs after durations of one year and three years. Mandatory programs are also conducted as key employees are promoted to certain jobs and positions because of their improved work performance.

#### Voluntary programs

A wide array of voluntary training programs is also available. These voluntary programs are tailored to specific employee characteristics and jobs. They facilitate self-improvement and boost the job-related problem-solving abilities of the employees.

#### Selective program

A program providing special leadership and management training is also available for promising candidates who are recommended by the superiors.



Training programs

### Explosives Safety Maintenance Activities

The Safety Systems Group manufactures a host of automotive safety equipment that includes air bag inflators, micro gas generators and squibs that ignite this equipment. All of these products contain explosives that need to be handled in a cautious and careful manner.

The Safety Systems Group began offering the Explosives Safety Management Techniques lecture in 2009 for its employees. The key to ensuring the safety of explosives is taking measures to control sources of flames (explosions), to monitor for ignition (boosters) and minimize potential damages. Explosives safety management techniques need to be known by all Safety Systems Group employees and to that end regular lectures are held to raise awareness and increase knowledge of everyone.

The next step for employees of the Safety Systems Group that have demonstrated general knowledge of explosives safety management techniques is safety training on the handling of explosives provided by rank (manager, deputy manager, assistant manager, floor managers and employees) provided on the manufacturing floor where safety management is especially important. This is because we believe it is important for employees from each rank to use their own words to help educate and develop the next rank of employees. Improved safety awareness of employees in the Safety Systems Group forms an integral part of explosives safety management techniques.



### Expanding Work-Life Balance Programs

We are making efforts to reduce overtime work, expand in-house programs, and encourage use of these programs in order to enhance our employees' work-life balance. As part of our Next Generation Childcare Support Program, we have introduced staggered work hour schedules and a program to support employees receiving fertility treatments. Through these programs, an employee caring for a child can shift their work start time, while an employee receiving fertility treatments can take a leave of absence or special paid holidays. A large percentage of our eligible employees take childcare leave, but going forward we intend to encourage more employees to take full advantage of our work-life balance programs.

#### 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

## The Nippon Kayaku Senior Partner System

Starting in April 2006, we launched the Nippon Kayaku Senior Partner System to rehire employees that reached the mandatory retirement age to comply with changes made to the Act for Stabilization of Employment of Older Persons. This system is intended for retired employees that are both mentally and physically healthy, have a desire to work, and can assume the roles and responsibilities of their job tasks. The goal is rehire retired employees with the ability to share their career experience and expertise for the betterment of the company. In fiscal 2011, nearly all of the retired employees requesting rehiring were able to rejoin the company up to the age of 65 thanks to this system.

## Mental Health Initiatives

Mental healthcare at Nippon Kayaku is important for the early detection and prevention of mental health issues because it empowers all employees with the correct awareness and knowledge. Mental healthcare initiatives are implemented continuously targeting all employees with a focus first and foremost on efforts that prevent mental health problems from arising.

In fiscal 2005, we organized our first training session for all employees led by a lecturer from an outside EAP\*1. From fiscal 2006, we established one cour for every three-year period and began holding several dozen training sessions across our sites in Japan to ensure all employees could continuously receive this training at least once per cour. By fiscal 2011 two cours worth of training sessions had been completed, and the third cour was started from fiscal 2012. Training for managers focuses on the signs and specific actions that need to be taken for early detection, while training for general employees centers on improving the ability to cope with stress. Employees that have participated in the training have commented that they were able to obtain the correct knowledge and recognize that awareness is the key to prevention. Training sessions have also motivated employees to seek help from a counselor whenever necessary, which has increased the number of times employees have talked with a counselor. We believe these efforts are steadily helping to prevent mental health issues before they arise.

We have also created the Return to Work Program for employees that were forced to take a leave of absence due to a mental health issue. In this manner, workplace supervisors (the



Mental health training session



company), industrial physicians, and EAP form a trinity of measures for ensuring employees can return to work smoothly with a focus on preventing relapses.

\*1 EAP: Employee Assistance Program

## 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

## 30th Nippon Kayaku Research & Development Conference

The 30th Nippon Kayaku Research & Development Conference was held in July 2012. This is a major event for reporting Nippon Kayaku's R&D achievements and it has become a "Ba" (organic ground for knowledge creation) for technology fusion through presentations of cutting edge technologies. The Nippon Kayaku Research & Development Conference comprised three parts, a presentation session, a poster session and a commendation ceremony for patent applications. At the presentation session, researchers of each laboratory made presentations about R&D topics important to corporate strategy. Following the presentations there was active discussions on business strategy and technological development. The poster session was started in 2007 to develop mutual understanding among employees working in the Tokyo area and is co-sponsored by the labor union. Today, the event focuses on research and development, with all research laboratories now taking part. This year researchers were also able to network with one another in front of the posters, which featured easy-to-understand explanations and actual displays. Patent application commendations are given out to workplaces with the most applications, patent applications that quickly contributed to the company's business performance, and patent applications for excellent technologies. Commendations were given out to more than 40 workplaces and patents.



The communication that researchers take across department lines leads to a fusion of various core technologies and encourages new product development unique to Nippon Kayaku. We hope that the Nippon Kayaku Research & Development Conference will continue to serve as a "Ba."

## Commendation Program for New Inventions

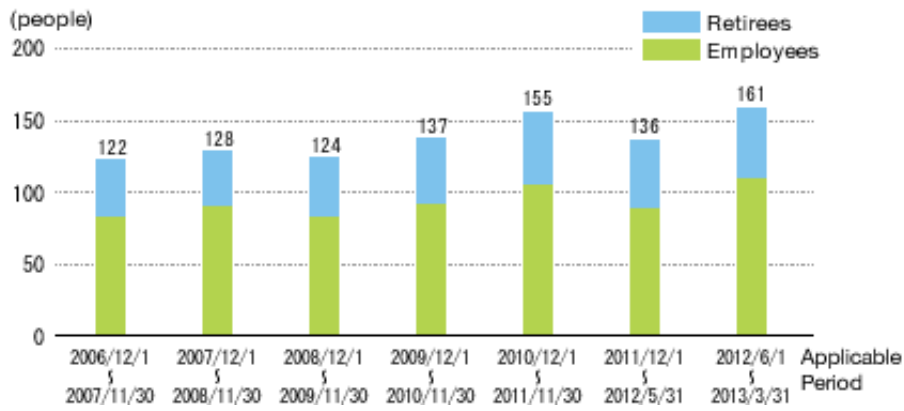
Nippon Kayaku has established several programs to commend and award employees for their inventions at work. These programs not only commend and award employees, but enable us to encourage our employees to come up with new and effective products that will benefit society as a whole. Our annual commendations are outlined below.

### 1. Performance Award Program

Our performance award program provides remuneration to employee patents that have contributed to sales. This program was initiated under the company's rule on the handling of employee inventions first prepared in 1963. This rule was created based on the provision of Japan's Patent Act and hence has been changed over the years with each modification to this law.

The figure below shows the number of employees that received a performance award over the past five years. Retirees are also eligible for a performance award, with between about 40 and 50 receiving recognition in any given year.

● Number of Employees Receiving a Performance Award for an Invention



2. Early Performance Contributions

Even for patents pending, if an invention has already made contributions to the performance of the Nippon Kayaku Group, the employee can receive remuneration known as an early performance contribution. This particular program was initiated in 2005 to properly recognize product inventions with a comparatively shorter lifecycle. This program, which is also intended to complement the performance award program from above, represents a truly progressive system in terms of providing remuneration for sales from a produce with a patent pending. 67 employees received the remuneration for fiscal 2010, 72 for fiscal 2011 and 58 for fiscal 2012.

3. In-house Commendation for Excellent Technologies

This program seeks to commend patent applications for products for which technical innovations are being made at a fast pace over a one-year period. One invention received this commendation in fiscal 2011 and another in fiscal 2012. Employees recognized with an award are asked to give a lecture at an award ceremony. Other annual commendations include best workplace and highest performance expectation, among others.