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Read an important message from President Akira Mandai.



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Special Feature – Initiatives of the Clean Eco Technology Project



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Environment, Health and Safety, and Quality Assurance Management System

Health and Safety, and Quality (Assurance) Initiatives



The Nippon Kayaku Group's CSR Commitment

This section presents the unified CSR commitment of all consolidated group companies.



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HOME # CSR # Message from the President



Message from the President



The Nippon Kayaku Group's CSR management embodies corporate activities that aim to realize the KAYAKU spirit as well as a focus on achieving the growth scenarios from the mid-term business plan

The Nippon Kayaku Group will celebrate its 100th anniversary in 2016. Currently, we are in the middle of implementing a three-year mid-term business plan called " *Challenge 100A!*" that runs through the end of fiscal 2015 and will guide us to our 100th anniversary. The mid-term business plan identifies the following three growth scenarios: (1) early marketing and expansion of new products currently under development; (2) acquiring new customers by expanding the sales channels and applications of existing businesses; and (3) growing our businesses globally. The entire Nippon Kayaku Group is working collectively to achieve these scenarios, and at the same time CSR management continues to stand at the core of our business.

The Nippon Kayaku Group's vision for the future is articulated in the KAYAKU spirit, which refers to the corporate vision of "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Each and every member of the Nippon Kayaku Group shares and applies the KAYAKU spirit in our united efforts to reach our goals. This vision is based upon our corporate motto created more than 50 years ago and lives on today in the actions of individual employees and corporate organizations. It is indeed an important asset that has been handed down over several generations of employees. Corporate activities that aspire to realize the KAYAKU spirit enables us to take a CSR-centric approach in our management that fosters the trust of every stakeholder. In recent years, chemical companies have been responsible for an increasing number of accidents, and so we have renewed our commitment to place particular emphasis on safe operations, compliance, and environmental consideration in all of our business activities, while carrying out corporate management according to a set of highly esteemed corporate ethics.

The Nippon Kayaku Group today has operations in nine countries around the world and for this reason our social responsibilities are expanding around the globe. We face a host of challenges, but together the Nippon Kayaku Group will work as one to carry out initiatives that help us fulfill our corporate social responsibility. The Nippon Kayaku Group CSR Report 2014 highlights our global efforts against wastewater, our Group companies' commitment to CSR, and unified efforts for the environment that encompass the entire Nippon Kayaku Group. I ask that readers take a look at the digest version of this report as well as the more detailed information found on our website to gain a deeper insight into our CSR activities and also assist us in our efforts as we move forward.

President

Akira Mandai



HOME # CSR # Fundamental CSR Activities



Fundamental CSR Activities

The Nippon Kayaku Group is implementing CSR management that fosters trust among all stakeholders through its focus on the KAYAKU spirit.

Corporate Vision and CSR Activities

The KAYAKU spirit is considered as a common philosophy guiding the entire Nippon Kayaku Group globally and, with this in mind, we are carrying out various initiatives aimed at realizing CSR management.

Corporate Governance

We have established an autonomous governance system that ensures management transparency.

CSR Action Plan

Our Mid-term CSR Action Plan is made known to all employees and executive officers who together carry out integrated initiatives to enhance awareness about CSR management.

Compliance

We are strengthening compliance initiatives around the world under the goal of becoming a company trusted by society.



HOME # CSR # Fundamental CSR Activities # Corporate Vision and CSR Activities



Corporate Vision and CSR Activities

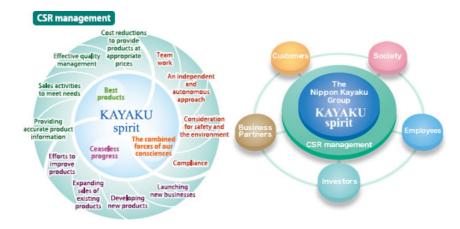
The Nippon Kayaku Group is implementing CSR management that fosters trust among all stakeholders through its focus on the KAYAKU spirit, which calls for "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences."

The KAYAKU spirit and CSR Management

The KAYAKU spirit, or "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences," stands as the Nippon Kayaku Group's corporate vision. The KAYAKU spirit is based on the corporate motto created more than half a century ago and it has stood at the root of our CSR management ever since. We will be able to achieve our vision for CSR management that earns the trust of all stakeholders by engaging in corporate activities that realize the KAYAKU spirit.



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



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

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 structure that can monitor all of our business activities from a CSR perspective. Additionally, we have formulated a midterm CSR action plan linked to our mid-term business plan to integrate our business strategy and CSR activities. This plan has been released to the public and we are currently carrying out the PDCA cycle for its implementation.

We hold dozens of CSR and compliance training sessions throughout the year in order to educate all Nippon Kayaku Group employees about CSR management and to ensure that executive management and the heads of business sites spread awareness of CSR to achieve an integrated approach to reaching our goals. We launched an organization-wide internal project to promote company-wide CSR initiatives. In addition, we have launched a trial program where the excellent initiatives of group companies are shared across the entire Nippon Kayaku Group.



Mid-term CSR Action Plan and Corporate Image

We have compiled a Mid-term CSR Action Plan for the period of the Mid-term Business Plan " *Challenge 100A!* " to clarify the relationship between our approach to CSR management and the Mid-term Business Plan. In addition, we have created a new corporate image as "Smart Chemicals Company". This means that we will strive to develop smart products that are considerate of the environment and management the company in a smart manner.



KAYAKU spirit training



David Gutierrez / sabel Cedillo Ayala

Raising Awareness About the KAYAKU spirit at KSM Implementation of Corporate Vision KAYAKU spirit

Since KSM*1 was founded in 2007, we have respected Japanese and Mexican culture and at the same time we have defined our own culture, incorporating the best of both. In 2011, we received information in English about the KAYAKU spirit, our corporate vision, from Nippon Kayaku, and then had it translated into Spanish.

We started to implement the KAYAKU spirit, putting into practice techniques where employees could not only listen, but rather participate actively in the process. These activities have included: showing videos during monthly training about related topics and interactive games to reinforce understanding. Once the employees understood, we decided to go to the next level by carrying the KAYAKU spirit to teamwork, generating commitment between all departments.

From 2013, we decided that the KAYAKU spirit should be extended to families of employees and society, through activities such as family events as well as donations of wheelchairs, toys, and clothing to support the community.

Today, we have a monthly training plan for the KAYAKU spirit. In the case of new personnel, we explain about this topic during the orientation process. Also, we have generated more media communication. Definitely, a key point for the implementation process has been our people, including their commitment with the company and with our products. Another key point has been the support of the senior management and managers.

We have seen the benefits that the KAYAKU spirit brings, such as a better work environment, low turnover and low absenteeism, and a shared commitment. We recognize that the KAYAKU spirit is not just a vision or concept, but rather a lifestyle.

*1 [KSM] Kayaku Safety Systems de Mexico, S.A. de C.V.
Producer and seller of automobile safety components located in Monterrey, Mexico

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HOME # CSR # Fundamental CSR Activities # CSR Action Plan



CSR Action Plan

The Nippon Kayaku Group practices CSR management by realizing the KAYAKU spirit, which calls for "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." The following section provides a closer look at the CSR Action Plan and how it is linked to our business activities.

CSR Action Plan Results from Fiscal 2013 and Targets for Fiscal 2014

This page contains a self assessment of the fiscal 2013 CSR Action Plan linked to the business activities of the Nippon Kayaku Group and also introduces the CSR Action Plan for fiscal 2014.



CSR Action Plan Results from Fiscal 2013 and Targets for Fiscal 2014



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If you do not have Adobe Reader, click on the icon on the left and start downloading.

Mid-term CSR Action Plan

In April 2013, the Nippon Kayaku Group commenced its new three-year Mid-term Business Plan " *Challenge 100A!*" that runs until its 100th anniversary in the year 2016. In conjunction with this, we also drafted an Mid-term CSR Action Plan that runs parallel to *Challenge 100A!*. Going forward, we will take steps to ensure all executives and employees understand the Mid-term CSR Action Plan to raise awareness toward CSR management and promote inclusive efforts involving all employees.



CSR Action Plan Results from Fiscal 2013 and Targets for Fiscal 2014

MID-TERM CSR ACTION PLAN

In April 2013, the Nippon Kayaku Group commenced its new three-year Mid-term Business Plan " *Challenge 1004!*" that runs until its 100th anniversary in the year 2016. In conjunction with this, we also drafted an Mid-term CSR Action Plan that runs parallel to *Challenge 1004!*. Going forward, we will take steps to ensure all executives and employees understand the Mid-term CSR Action Plan to raise awareness toward CSR management and promote inclusive efforts involving all employees.

Category	No.	Challenge 100A! Mid-Term CSR Action Plan	FY 2013 CSR Action Plan	Assessment	FY 2014 CSR Action Plan			
	1	Improve employee awareness of CSR and compliance	Implemented compliance training: 50 sessions including Group companies; CSR training: 13 sessions Conducted compliance survey and collected feedback	0	CSR and compliance training including Group companies			
Foundational		Assure business continuity during the event of an	Formulated an Overseas Risk Management Manual; implemented BCP training	0	Maintain BCP Manual, addressing risks other than natural disasters, and implement training			
	2	emergency	Built out infrastructure	0	Assure reduced disaster risks to IT systems and measures for a prompt recovery response (to be completed in FY 2014)			
	3	Strictly adhere to regulations on chemical substances	Made basic educational material available on chemical laws and ordinances, and implemented relevant training Made basic introductory material available on GHS, and implemented relevant training	0	Enhance in-house instructional programs related to chemical substance regulations Share information with customers through SDS* in compliance with each country's standards			
		Continue to make societal contributions through	Embolic microsphere products: brought 2 formulations to market Polymeric micelle anti-cancer drugs: proceeded with joint international trials	0	Provide low-invasive treatments in the embolic product field and proceed with development of polymeric micelle anti-cancer drugs			
	4	research, development, and provision of product information on cancer and cancer-related fields	Along with adding 5 new products, we increased training and continued strengthening the support framework	©	Work toward safety management and quality improvement by further enhancing the Medical Information Service Center			
	5	Thoroughly ensure the education of employees in knowledge and skills related to handling explosives	Held 5 lectures for 36 attendees	0	Implement a rank-based education program taught by the explosives safety maintenance team			
	6	Continue conducting onsite instruction efforts for safe agrochemical use	Carried out visits to sales outlets (on an average of 471 visits per year per sales representative)	0	Hold briefing sessions for farmers on safe and appropriate agrochemical use			
	7	Promote CSR procurement in cooperation with suppliers	Prepared a purchasing philosophy, basic purchasing policy, and guidelines for CSR procurement	0	Begin CSR procurement in cooperation with suppliers			
	8	Work toward preventative measures against environmental impacts and occupational injuries from major accidents	Major accidents: 0 cases, lost worktime accidents: 2 cases, non-injury-related accidents: 1 case, non-lost worktime accidents: 3 cases Vehicle accident rate during work tasks or commuting by pharmaceutical MRs: 11.5%	Δ	Have zero major accidents, zero lost worktime accidents, zero non-injury-related accidents, and 5 or fewer non-lost worktime accidents Vehicle accident rate during work tasks or commuting by pharmaceutical MRs: 4% or lower			
	9	Reduce customer complaints and quality process mishaps	Serious customer complaints: 2, serious quality process accidents: 1	×	Serious complaints: 0, serious quality process accidents: 0; strengthen recurrence prevention by rolling out "why why" analysis at work sites			
		·	132 families used Asunaro House in 2013 (64% occupancy rate)	0	Support children with intractable diseases, and their families, by operating Asunaro House			
Social Responsibility	10	Communicate with the local community	Pink Ribbon activities: implemented at 7 business sites; renewed Nyugan Info Navi Plant festivals: 5 events, approx. 8,000 visitors; local community socials: held at 4 business sites Implemented cleanup activities: 6 business sites; public lectures: 4 business sites	0	Carry out Pink Ribbon activities, plant festivals, and local community socials, local cleanups, and publi lectures with the local community			
	11	Provide timely and appropriate disclosure of information to stakeholders	Remade the Nippon Kayaku (Japanese) website		Enhance our website in order to make it more globally oriented Enhance communication with investors and enhance the internal company magazine, coming up on it 100th anniversary			
			Supported adoption of an ERP system at our Chinese subsidiaries; held a global accounting conference Formulated Group accounting policies	0	Promote earlier disclosure of financial results and prepare for compliance with IFRS (International Financial Reporting Standards)			
	12	Utilize and foster diverse human capital	Achieved the legally mandated 2.0% employment for workers with disabilities; boosted female manager ratio to 4.2% Achieved a near 100% re-hiring rate for retirees who elected to stay on after retirement age	0	Continue hiring workers with physical and mental disabilities; increase the number of female managers by supporting childcare and workers' return from childcare leave Work to pass down technology by utilizing the expertise of older workers Promote the appointment of non-Japanese workers, promote personnel exchange/transfer targeting non-Japanese workers, roll out globalization training, dispatch young employees overseas, and enhance support training for workers while they are posted overseas			
			Began training and development of employees who are Chinese nationals; began a short-term language study abroad program Strengthened our program for training employees before transferring them overseas	0	Implement systematic education and training for overseas staff Enhance and expand lifestyle support measures for employees posted overseas			
	13	Give due consideration to employee health and safety, and provide a working environment that	Mental health training: lectures held as per the 3-year plan; participation in health check-ups: 100%	0	Mental health training: 100% lecture attendance as per the 3-year plan; 100% participation in health check-u			
	13	allows for a good work-life balance	Raised the utilization rate of paid leave days: 54.7% last FY> 59.0% current FY	0	Improve usage rate and recognition of the Next Generation Childcare Support program			
	14	Protect human rights and privacy	Responded appropriately to 10 reports to the whistleblower hotline Implemented compliance training for all employees, focusing on the topic of preventing power harassment	0	Spread awareness of the whistleblower hotline and respond appropriately to reports			
	15	Expand our green procurement ratio	Green purchasing of indirect materials: 8% (up 2% YoY) Green purchasing of raw materials: 20%	0	Continue promoting the indirect materials purchasing system			
Environmental	16	Achieve mid-term environmental targets with due consideration of the environment	Chemical substance emission reductions: see p. 22 (of this report) for figures, also disclosed on our website	0	Reduce emissions of chemical substances: work toward achieving Mid-Term Environmental Targets set for FY 2020 (details reported on our website)			
Responsibility	17	Improve waste water treatment technology and respond to environmental regulations New technology for wastewater treatment: undergoing review; patent application cu examination for 1 design		0	Develop treatment technology ahead of toughening regulations, and establish low-cost treatment technology			
	18	Strive to be a business with ever lower energy consumption	Energy efficiency intensity: reduced 4.0% YoY		Promote energy conservation following Energy Conservation Master Plans at each business site			
	19	Assure stable earnings as a sustainable business	Introduced mid- and long-term priority issue system to Group companies Held first Group Company Environmental Safety Promotion Conference	0	Spread awareness of the mid- and long-term priority issue system to Group companies, and implement an evaluation system based on it			
		group	Inventory: slightly above targets; efforts devoted to organization by project to allow reductions Low-cost purchasing: achieved targets	Δ	Optimize inventories and systematically sell off unused real estate			
	20	Launch products that contribute to the environment and to energy conservation	Thermal conductive adhesive sheets: set plans for adoption Insulating films: began working on samples with European car makers	Δ	Bring new high performance thermal conductive adhesive sheets and optical control films to market Raise customer satisfaction by improving our quality assurance system			
Economic	21	Provide high quality pharmaceutical products that reduce economic burdens	Launched Filgrastim, Nippon Kayaku's first biosimilar Brought two generic anti-cancer drugs to market	0	Bring biosimilar products to market as quickly as possible; bring generic anti-cancer drugs to market without delay			
Responsibility	22	Roll out low-cost automobile safety devices, using our proprietary technologies, to a global market in order to contribute to protecting lives	Established a business base in Malaysia Increased and strengthened production facilities for our Mexico business base	0	Complete preparations for production at our base in Malaysia Increase and strengthen production facilities at our China and Mexico bases			
	23	Ensure the continued existence of manufacturing plants by handing down Japan's "monozukuri" technology Shared technology information through presentations and awards for excellent technology Focusing on young employees, implemented specialized training in production technology		0	Promote company-wide presentation gatherings related to "monozukuri;" promote in-house education and joint sharing of information			
	24	Produce and implement sustainable research programs	Worked on preparations for our corporate research program commencing next FY	0	Effectively leverage the new program and generate new research themes			
e Nippon Kayaku v	website c	carries information, including a reference chart, on subjec	t and issues relating to ISO 26000 and social responsibility.	(

Mid-Term CSR Action Plan for ISO 26000 Issues

Social Responsibility Core Subjects		Social Responsibility Core Issues	Mid-Term CSR Action Plan for Each Issues	No.	Challenge 100A! Mid-Term CSR Action Plan
Organizational governance 1		Decision-making processes and structure	1 2 8 11 19 23 24	1	Improve employee awareness of CSR and compliance
	1	Due diligence		2	Assure business continuity during the event of an emergency
	2	Human rights risk situations		3	Strictly adhere to regulations on chemical substances
	3	Avoidance of complicity			
Human rights	4	Resolving grievances	14	4	Continue to make societal contributions through research, development, and provision of product information on cancer and cancer-related fields
ŭ	5	Discrimination and vulnerable groups	12 14		Thoroughly ensure the education of employees in knowledge and skills related to
	6	Civil and political rights		5	handling explosives
	7	Economic, social and cultural rights	13	6	Continue conducting onsite instruction efforts for safe agrochemical use
	8	Fundamental principles and rights at work	14	7	Promote CSR procurement in cooperation with suppliers
	1	Employment and employment relationships	14		Work toward preventative measures against environmental impacts and
	2	Conditions of work and social protection		8	occupational injuries from major accidents
Labor practices	3	Social dialogue		9	Reduce customer complaints and quality process mishaps
	4	Health and safety at work	8 13	10	Communicate with the local community
	5	Human development and training in the workplace	12 23		
	1	Prevention of pollution		W	Provide timely and appropriate disclosure of information to stakeholders
The environment	2	Sustainable resource use	15 16 18 20	12	Utilize and foster diverse human capital
	4	Climate change mitigation and adaptation Protection of the environment, biodiversity and restoration of natural habitats		13	Give due consideration to employee health and safety, and provide a working environment that allows for a good work-life balance
	1	Anti-corruption			
	2	Responsible political involvement		14	Protect human rights and privacy
Fair operating practices	3	Fair competition		15	Expand our green procurement ratio
Tan operating practices	4	Promoting social responsibility in the value chain	2 7 6	16	Achieve mid-term environmental targets with due consideration of the
	5	Respect for property rights			environment
	1	Fair marketing, factual and unbiased information and fair contractual practices	6 11	17	Improve waste water treatment technology and respond to environmental regulations
	2	Protecting consumers' health and safety	9	18	Strive to be a business with ever lower energy consumption
	3	Sustainable consumption	4 5 20 21 22 24		
Consumer issues	4	Consumer service, support, and complaint and dispute resolution		19	Assure stable earnings as a sustainable business group
	5	Consumer data protection and privacy		20	Launch products that contribute to the environment and to energy conservation
	6	Access to essential services		21	Provide high quality pharmaceutical products that reduce economic
	7	Education and awareness	6		burdens
	1	Community involvement	10	22	Roll out low-cost automobile safety devices, using our proprietary technologies, to a global market in order to contribute to protecting lives
	2	Education and culture			
	3	Employment creation and skills development		23	Ensure the continued existence of manufacturing plants by handing down Japan's "monozukuri" technology
Community involvement and development	4	Technology development and access		24	Create and implement sustainable research programs
	5	Wealth and income creation			,
	6	Health			
	7	Social investment			



HOME # CSR # Special Feature



Special Feature Initiatives of the Clean Eco Technology Project



Establishing Wastewater Treatment Technologies in Advance of Environmental Regulations and Developing Engineers

Given the stricter environmental regulations and demands from society in recent years, this project was launched on October 12, 2012 with the goal of improving the Nippon Kayaku Group's wastewater treatment technologies and developing engineers, in order to operate safe and secure chemical plants that are also environmentally friendly and address future concerns before they happen.

This project was named the Clean Eco Technology (CET) Project with the hope of fulfilling the expectations of new business development and the realization of future dreams. Persons in charge from each business site have been selected to assist in implementing the project.

Project Background

The environment surrounding our business continues to grow stricter with each passing day. In particular, outside of Japan there are already many high hurdles to sustaining existing businesses and pursuing new business ventures.

Specifically, these include the following:

1. Stricter wastewater emission regulations (both in Japan and other countries);

- 2. Restrictions on the location of plants with large environmental impacts (chemical plants can only be constructed in special zones in China, etc.);
- 3. Conventional chemical plants that use large amounts of water and produce large amounts of wastewater are nearly impossible to build today in India or ASEAN:
- 4. Wastewater and waste matter treatment costs in Japan are on the rise and are expected to continue increasing in the future; and
- 5. The Nippon Kayaku Group has not focused sufficient attention on developing wastewater treatment engineers and technology succession.

End Goal of Wastewater Treatment Technologies

The CET Project envisions the establishment of wastewater treatment technologies to be as follows:

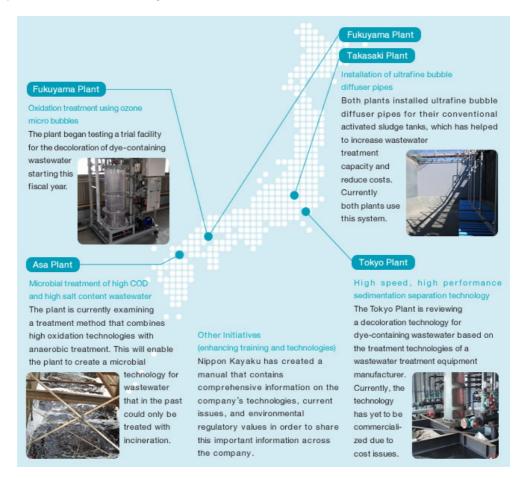
- Minimize the occurrence of plant wastewater where possible. When wastewater must be discharged, establish technologies that make discharged wastewater clean enough to see fish swimming below the surface.
- Promote initiatives to achieve zero emissions of wastewater to make it possible to construct plants in areas without plentiful access to water. Additionally, ensure that plants can operate in a stable manner even under strict environmental regulations.
- · Be the first among peers to develop excellent treatment technologies and utilize these technologies in the development of core businesses.

Action Plan

- 1. Develop and commercialize cutting edge wastewater treatment
- 2. Established advanced decoloration technologies
- 3. Accelerate the speed of reviews for resolving current issues by making changes to organizations and structures
- 4. Achieve stable plant operations by improving the skill level of engineers

Current Themes Underway (Main Treatment Methods)

Nippon Kayaku carries out joint research with universities at all of its business sites in Japan. Additionally, there are also themes where we conduct joint research with other companies engaged in the water treatment business or equipment manufacturing, among other sectors. This demonstrates the diverse range of partners involved in the CET Project.



Glossary

Chemical Oxygen Demand (COD): One type of indicator for measuring water quality, COD indicates the amount of oxygen needed to oxidize a substance in water.

Colored wastewater: Wastewater that has a high concentration of color from the manufacturing of pigments. Provides a strong sense of pollution

because even extremely low concentrations of color can be seen by the naked eye.

Anaerobic treatment: A method of wastewater treatment that uses an anaerobic state with low oxygen levels to separate pollutants using anaerobic microorganisms that are active in such conditions, breaking the pollutants down into mainly methane and carbon dioxide.

Ultrafine bubble diffuser pipes: Oxygen transfer efficiency is high when aeration is used to treat wastewater with microorganisms in aerobic conditions with ultrafine bubble diffuser pipes, making it possible to reduce the amount of air sent through the system, resulting in greater energy efficiency.

Ozone micro bubble treatment: A treatment method that creates micro bubbles using ozone, injecting them into the wastewater to oxidize and breakdown substances efficiently at low concentration levels.

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HOME # CSR # Corporate Governance



Corporate Governance

The Nippon Kayaku Group Corporate Governance and Internal Control System

Fundamental Approach to Corporate Governance

To gain the trust of society, the Nippon Kayaku Group recognizes the vital importance of preserving business transparency through greater checks and balances and of timely, impartial information disclosure to investors and shareholders. To that end, we have put in place an autonomous corporate governance system.

Corporate Governance System

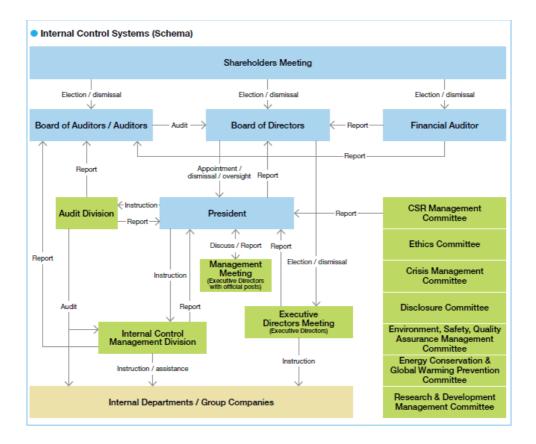
Through decision-making by the council system of our Board of Directors and the corporate auditor system, the Nippon Kayaku Group believes that its system of corporate governance effectively supports management functions.

Starting in August 2005, Nippon Kayaku clearly distinguishes management decision making and auditing from business execution, enabling each of these functions to be reinforced, whereby ensuring that appropriate decision making and punctual business execution take place. To further clarify management accountability and responsibility for business execution, the term of board of directors and executive officers has been set at one year. In addition, an outside director has been appointed since June 2013. This heightens management transparency and helps to further strengthen the company's corporate governance system.

Nippon Kayaku has a board of corporate auditors that comprises five individuals, including three outside corporate auditors. Corporate auditors attend board of director meetings and other important company deliberations and through information sharing with the Internal Audit Department they are able to oversee and monitor directors' execution of duties from a neutral and independent stance.

Summary of Internal Control Systems 📾





Internal Control System and Corporate Auditor Audits

The Internal Audit Department has been established separate from the board of corporate auditors and directly managed by the president in order to perform internal audits that help prevent improprieties and errors before they happen, improve business operations, and protect company assets. This department performs business audits on all Nippon Kayaku Group companies in accordance with the fiscal year plan.

Audits performed by each corporate auditor attends board of director meetings and other important company deliberations and performs business execution audits to oversee and monitor directors' execution of duties from an independent perspective in accordance with the audit policy, audit plan, and assignment of duties decided by the board of corporate auditors.

Risk Management System

The Nippon Kayaku Group performs comprehensive risk management activities in order to prevent the occurrence of risk and minimize losses if risk does occur.

We have built up our risk management system around the Risk Management Manual compiled in the year 2000 and the Crisis Management Committee Rules and Regulations formulated in 2004.

In addition to our system that notifies senior management promptly about the occurrence of risks, we have also designated a department to be in charge of each factor requiring risk management as part of our efforts to avoid and prevent individual risk factors as well as take remedial measures.

Individual risk factors being addressed on the department-level include natural disaster risk such as earthquakes, environmental destruction risk, environmental pollution risk, accident (production / logistics)-related risk, product-related risk, loss of credibility risk, risk of crimes against the company, risk of crimes against senior management, employees and their families, risk related to expatriate workers and foreign business travel, litigation risk, personnel and labor-related risk, patent litigation risk, and infectious disease risk, among others.

Activities Promoting Risk Management

The Nippon Kayaku Group has a designated department in charge of risk management that each year develops a Risk Management Action Plan, which in turn is approved by the Crisis Management Committee, as part of the company's efforts to raise risk awareness, promptly report risk to senior management and engage in risk reduction activities.

The Nippon Kayaku Group's Business Continuity Plan Initiatives

We have conducted business continuity plan (BCP) training at the head office since fiscal 2012, utilizing the lessons learned from the Great East Japan

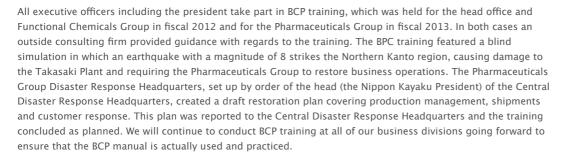
Earthquake and tsunami that struck Japan on March 11, 2011. This section takes a closer look at our BCP initiatives.

Fiscal 2013 Disaster Preparedness Training Survey



BCP Training

In fiscal 2011, we drafted a BCP manual and launched a company-wide BCP project led by the Internal Control Promotion Department and involving all other company divisions. The BCP manual calls for each business division to set up its own response headquarters and for the establishment of a system to focus resources for the restoration of important business operations defined in advance in order to quickly restore operations within the targeted timeframe. Each workplace has also been allocated a satellite phone, design modifications made to information systems, and strategic inventory set up and managed from the perspective of business continuity planning. At the same time, we recognize that employee training is a key to quickly implementing the BCP.







Summary of each Meeting

Board of Directors Meeting (Held Monthly)

To ensure prompt decision-making, the Board is limited to 10 members. Decisions related to important business matters are made through the stipulations of the Board of Directors in conformity with relevant laws and our articles of incorporation. Operational oversight functions also are being strengthened.

Management Meeting (Held Weekly)

The Management Meeting deliberates important matters related to management and business affairs and receives reports from business divisions. The President, as the chairman, makes decisions after thorough deliberation among the Management Meeting members.

Executive Directors Meeting(Held Quarterly)

The Executive Directors Meeting is chaired by the President, and attended by all Executive Directors (up to 25) appointed by the Board of Directors. Executive Directors report on the status of the businesses they have been entrusted with from the Board of Directors and the President as well as other necessary matters.

Management Strategy Meeting(Held Semi-Annually)

Important management matters at the Board Meeting such as basic policy of our group and management strategy are distributed to management personnel through the Management Strategy Meeting to ensure thorough understanding and awareness.

Board of Auditors Meeting(Held Monthly)

The Board of Auditors consists of five auditors (three external). The members monitor and oversee the duties of Directors from an independent position based on the stipulations of the Board of Auditors..

In addition, the Company clarifies authority and responsibility by management position, segregation of duties and company organization structure, setting rules that stipulate duties and powers. This promotes organized and efficient operations and establishes a framework of accountability.

Establishment of Various Committees

CSR Management Committee

Decides CSR action policy and mid-term action plan as well as confirms the validity of the measures based on KAYAKU spirit and CSR philosophy to undertake corporate social responsibility sustainably.

Ethics Committee

Works to formulate policies and measures for compliance and implementation of the Charter of Business Conduct and Code of Business Conduct and to evaluate companywide compliance.

Risk Management Committee

Develops and maintains a risk management structure for risk preventive measure, damage control and damage remediation over the full range of management issues.

Disclosure Committee

Scrutinizing important managerial information of the company and maintains and improves the structure for timely and proper external disclosure.

Environment, Safety, and Quality Assurance Management Committee

Presents its fiscal year policies on environment, safety, and quality assurance matters. Assesses results, and devises plans for improvement.

Energy Conservation and Global Warming Prevention Committee

Makes mid- and long-term plans, confirms earch activity and discusses measures to problems based on the policy about energy conservation and global warming prevention.

These results are disclosed to inside and outside the company.

Research & Development Management Committee

Develops company-wide research and development policies and strategies. A forum to report, discuss and make decisions on important research and development matters.

FY 2013 Disaster Prevention Training Survey

- *1 Notification, evacuation, fire fighting, and other training in cooperation with the Fire Departments overseeing Comprehensive Disaster Prevention Exercises
- *2 Training in placing the monthly satellite phone calls, starting June 2012, required by the Satellite Phone Training section of the BCP

	Business site/ Company name	Comprehensive disaster prevention training	Notification training	Early stage fire-fighting training: fire extinguishers, fire hydrant and firefighting	Earthquake simulation training	Evacuation training	Leakage training	Patient transportation and first aid training	AED training	Sandbag training; simulated smoke inhalation training	Lectures, presentations, study sessions	Satellite phone training
1	Head Office, NIPPON KAYAKU CO., LTD.		•		•		_	•	•	_	•	•
2	Fukuyama Plant/ NIPPONKAYAKU FUKUYAMA CO., LTD.	•	•	•	•	•	•	•	•	•	•	•
3	Asa Plant	•	•	•	•		•	•	•	•	•	•
4	Tokyo Plant/ NIPPON KAYAKU TOKYO CO., LTD.	•	•	•	•	•	•	•	•	•		•
5	Takasaki Plant	•	•	•	•	•	•	•	•	•	•	•
6	Himeji Plant	•	•	•	•	•	•	•		•	•	•
7	Kashima Plant		•	•	•	•	•	•	•		•	•
8	Tokyo business CENTER/ Tokyo business district	•	•	•	•	•	_	•	•	•	•	_
9	POLATECHNO CO., LTD.	•	•		•		•					_
10	MOXTEC, INC.			•		•	_		•		•	_
11	WUXI POLATECHNO OPTICS CO., LTD.		•	•		•	•				•	_
12	Dejima Tech B.V.			•		•	_	•	•	_	•	_
13	POLATECHNO (HONG KONG) CO., LIMITED			•						_		_
14	NIKKA FINE TECHNO CO., LTD.			•	•		_			_	•	_
15	Nippon Kayaku Korea Co., Ltd.					•				_		
16	NIPPON KAYAKU AMERICA, INC.					•	_			_		_
17	Euro Nippon Kayaku GmbH		•							_		_
18	KAYAKU CHEMICAL (WUXI) CO., LTD.	•	•	•		•		•			•	_
19	MicroChem Corp.			•		•	_		•	_	•	_
20	Wuxi Advanced Kayaku Chemical Co., Ltd.	•		•		•	•	•			•	_
21	Zhaoyuan Advanced Chemical Co., Ltd.			•				•			•	_
22	Shanghai KAYAKU International Trading Co., Ltd.						_			_	•	_
23	NIPPON KAYAKU FOOD TECHNO CO., LTD.	•	•	•	•	•		•				_
24	Tumor Diagnosis Support Co., Ltd.					•	_			_		_
25	Nippon Kayaku Medical Care Co., Ltd.	•	•	•	•	•	_	•		_	•	_
26	NAC Co., Ltd.	•	•	•	•	•		•			•	_
27	Taiwan Nippon Kayaku Co., Ltd.					•	_			_		_
28	INDET SAFETY SYSTEMS a.s.		•	•		•	_	•		_	•	_
29	Kayaku Safety Systems (Huzhou) Co., Ltd.			•		•	_			_		_
30	Kayaku Safety Systems de Mexico, S.A. de C.V.			•		•	_	•		_	•	_
	Kayaku Safety Systems Malaysia Sdn.Bhd.										•	
31	Nishiminato Driving School Corporation	•	•	•			_			_		_
33	Wako Toshi Kaihatsu Co., Ltd.		•		•		_	•	•	_	•	
34	NIKOS CO., LTD.		•		•		_	•	•	_		
35	JHMS Co., Ltd.					•	_			_		_
36	Okiura Golf Center Co., Ltd.		•		•		_			_	•	_
37	Kouwa Sangyo Co., Ltd.	•	•	•	•		•	•	•	•	•	
38	Gunnan Sangyo Co., Ltd.	•	•	•	•	•		•	•	•	•	
39	Head Office, KAYAKU AKZO CORPORATION Asa Plant, KAYAKU	•	•	•	•	•	_			_		_
	AKZO CORPORATION Head Office,	-	•	•	•	•	•	•	•	_		_
40	Kayaku Japan Co., Ltd.	•	•	•						•	•	
	Asa Plant, Kayaku Japan Co., Ltd	•	•	•	•		•	•	•	•	•	_
41	Sanko Kagaku Kogyo Co., Ltd.		•	•	•		_			_		_



HOME # CSR # Compliance



Compliance

Raising Awareness about Compliance

The Nippon Kayaku Group believes that compliance holds a position of the utmost importance in its business activities. In June 2011, the Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct were drawn up. Personnel responsible for and in charge of ethics matters are appointed at each business location of domestic Group companies. These personnel work to promote compliance in close cooperation with the Ethics Committee. Overseas Group companies met with leaders to move forward in a similar fashion based on the situation in their home country.



Additionally, 62 departments and business sites were asked to prepare an original Compliance Action Plan for their organization, based on which specific activities were carried out on the front lines. The Nippon Kayaku Group stands firmly committed to pursuing these activities and initiatives together as one.

Training Led by Compliance Promotion Officers

Compliance Training for Nippon Kayaku Group Companies

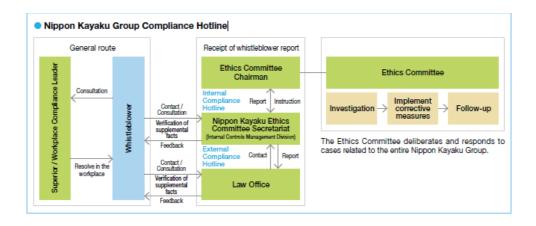
We hold training sessions every year to foster a corporate culture that emphasizes compliance. In fiscal 2013, we conducted training with a focus on power harassment geared toward ordinary employees as well as for new hires and newly appointed managers, and these sessions were held on 50 total occasions at domestic business sites. Going forward, we will seek to step up collaboration with overseas Group companies and help raise awareness about compliance while being considerate of the local culture and customs.

Compliance Promotion Activities

October has been designated Compliance Promotion Month and in conjunction with this, training sessions are held for each business site, while all Nippon Kayaku Group employees in Japan are asked to complete a compliance survey. In fiscal 2013, a total of 3,965 responses were received from Nippon Kayaku Group company employees for the compliance survey, resulting in a response ratio of 99.7%. For this year's survey, new questions on information were added to check the status of employee awareness. The status and workplace issues concerning the promotion of compliance and status of legal compliance are analyzed for each business department and then feedback is provided to business departments in the form of a report that includes comments for improvements. Based on this, business sites formulated their action plan for the next fiscal year and are using the PDCA cycle to improve awareness. All of these efforts were later introduced in the company newsletter called Try.

The Nippon Kayaku Group's whistle-blower system

We have set up whistle-blower hotlines for employees both inside and outside the company. Through these hotlines we strive to quickly remedy situations and also prevent violations of laws, company rules and our code of business conduct before they occur.



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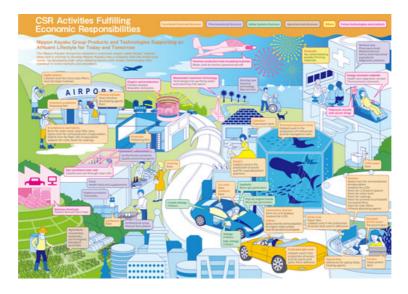
HOME # CSR # CSR Activities Fulfilling Economic Responsibilities



CSR Activities Fulfilling Economic Responsibilities

Current Nippon Kayaku Group Products and Future Technologies and Products Supporting an Affluent Lifestyle

The Nippon Kayaku Group has adopted a corporate slogan called Global "sukima" ideas and is striving to develop Nippon Kayaku into a company that the world truly needs, by developing high value added products with unique technologies that standout in niche markets and elsewhere.



View larger image

The Nippon Kayaku Group's Businesses

This section will take a closer look at the 4 core businesses of the Nippon Kayaku Group as well as products that it developed with unique technologies that contribute to the betterment of society.

Functional Chemicals Business Pharmaceuticals Business

Safety Systems Business

Agrochemicals Busines:

Research and Development

Functional Chemicals Business

Developed the KSP series lamination technology for touch sensor panel and LCD module

Nippon Kayaku developed the KSP series of solvent-free acrylic adhesives that greatly improve product yield *1 in the touch sensor panel and LCD module panel lamination process for tablet devices.

The KSP series are acrylic adhesives that are cured by irradiation with to ultraviolet (UV) light. During the lamination process, KSP series adhesive is coated on a touch sensor panel with proper thickness, then is precured by irradiation with UV light until it partially hardens. This makes it re-lamination possible simply by peeling off the touch sensor panel and LCD module if there are bubbles or dust particles. Only perfect laminated pieces are cured completely by irradiation with UV light again.

The KSP series enhances yield by approximately 30%*2 compared to conventional processes and greatly reduces waste material caused by defective products, whereby helping to conserve precious resources. The KSP series is also environmentally and people friendly because it is completely solvent free.

Functional Chemicals Business

- *1 Yield: Refers to the percentage of production volume (quantity) compared to the expected production volume based on the amount of raw materials (materials) input.
- *2 Approximately 30% improved compared to conventional processes: In-house comparison

Adhesive for tablet devices

Pharmaceuticals Business

Specialty, Biosimilar & Generic Plus IVR Pharma

Nippon Kayaku was among the first to commercialize biosimilars that play an important role in the treatment of cancer and rheumatoid arthritis after focusing all of its efforts on the field. These biosimilars are helping patients and their families as well as healthcare practitioners.

By providing an extensive lineup of biosimilars, Nippon Kayaku is helping to ensure that all of society can have equal access to sound, high quality medical treatment options anytime and anywhere.

In 2010, Nippon Kayaku entered the Interventional Radiology (IVR)* field as the third pillar of its Pharmaceuticals Business, and in fiscal 2013 we had a lineup of three products. In this manner, Nippon Kayaku is making contributions to society as a whole by delivering IVR treatments that reduce the physical burden of patients and particularly those battling cancer.



MINK Web - Nippon Kayaku's informative website for healthcare professionals.

Pharmaceuticals Business

*IVR: IVR is a method of treating illness with a narrow catheter or needle inserted inside the body that is manipulated while monitoring X-ray, ultrasound, or CT images.

Safety Systems Business

Safety Components Manufacturer under NCAP

Safety technologies used in automobiles are evolving at a rapid pace. In recent years, together with environmental performance, safety performance has become a major deciding factor behind the selection and purchase of an automobile.

Automotive safety technologies comprise preventive safety technologies to avoid accidents before they occur, and collision safety technologies that lessen the impact during a car accident.

Several elements are necessary for collision safety technologies that protect passengers in the event of an accident. The most important of these are the vehicle's airbags and seatbelts.



Air bags inflated using explosives technology

Given this environment, Nippon Kayaku has leveraged its long-standing explosives technologies to develop, manufacture and market a host of different products for the world, including airbag inflators, seatbelt pre-tensioners, and micro gas generators for pop-up engine hoods. These are protecting the lives of automobile passengers around the world.

Safety Systems Business

Agrochemicals Business



In 2014 diazinon, one of the core products in our Agrochemicals Business, will celebrate its 50th anniversary since first being registered as a pesticide. Over the past five decades diazinon granules have been used to protect a wide range of agricultural crops from insects as the formulation of choice among farmers, gaining widespread and deeply rooted support from the agricultural community. To mark this occasion Nippon Kayaku has launched a commemorative campaign to express its thanks for customers' patronage over the years and to expand sales further.

Currently, our lineup of diazinon products include the mainstay 5% granules as well as 3% granules, 10% granules, emulsions, wettable powder, micro capsules, and emulsion formulations. This lineup has been expanded over the years to ensure diazinon can be used in a broad range of applications.

The key to the creation of new products in the Agrochemical Business has more to do with just history. This success has been made possible by long-standing pest control technologies and formulation technologies passed down as the spirit of learning from the past have been combined with the creative thinking of the recent youth movement at the Agrochemicals Research Institute.

Nippon Kayaku's technologies are hard at work in pesticides meant to protect crops from disease, pests and weeds, while reducing the labor of farmers and helping improve

Agrochemicals Business

*1 Diazinon granules: Kayaku Diazinon Granules 3 was registered as a pesticide by Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) on May 4, 1964 (Registration No. 6193). Today, the product name has been changed to Diazinon Granules 3 (MAFF Registration No. 7288).



Air bags inflated using explosives technology

Research and Development

Researching the Needs of Tomorrow: R&D for Organic Semiconductor Materials

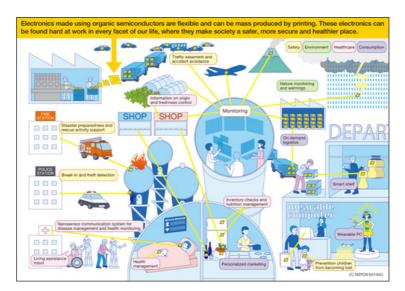
Electronics have drastically improved living standards since the 20th century. Today, electronics occupy an indispensable presence in many of the products we use every day, including computers, smartphones and medical equipment. One of the core components of these electronics are inorganic semiconductors.

Nippon Kayaku is researching and developing organic semiconductors as an alternative to inorganic semiconductors. Organic semiconductors can be used in a host of different products (products that bring our live new and greater convenience) because they make it possible to make electronics softer. In addition, organic semiconductors can be printed, making the semiconductor manufacturing process more environmentally friendly and use less energy. Organic semiconductor materials are garnering much attention from academia and industry alike as a material that represents the key to the future of electronics.

Nippon Kayaku's organic semiconductor materials boast among the best performance in the world. We are also working closely with other leading research institutions in Japan and abroad to accelerate the commercialization of these technologies through our involvement in NEDO's consigned research project, the Japan Advanced Printed Electronics Technology Research Association (JAPERA).

Going forward, Nippon Kayaku will seek to research new themes that capture the needs of tomorrow and to systematically develop businesses in the segment in order to make sustainable contributions to society.







The world which uses an inorganic semiconductor



The world which uses an organic semiconductor



Involvement in the NEDO Biomass Project

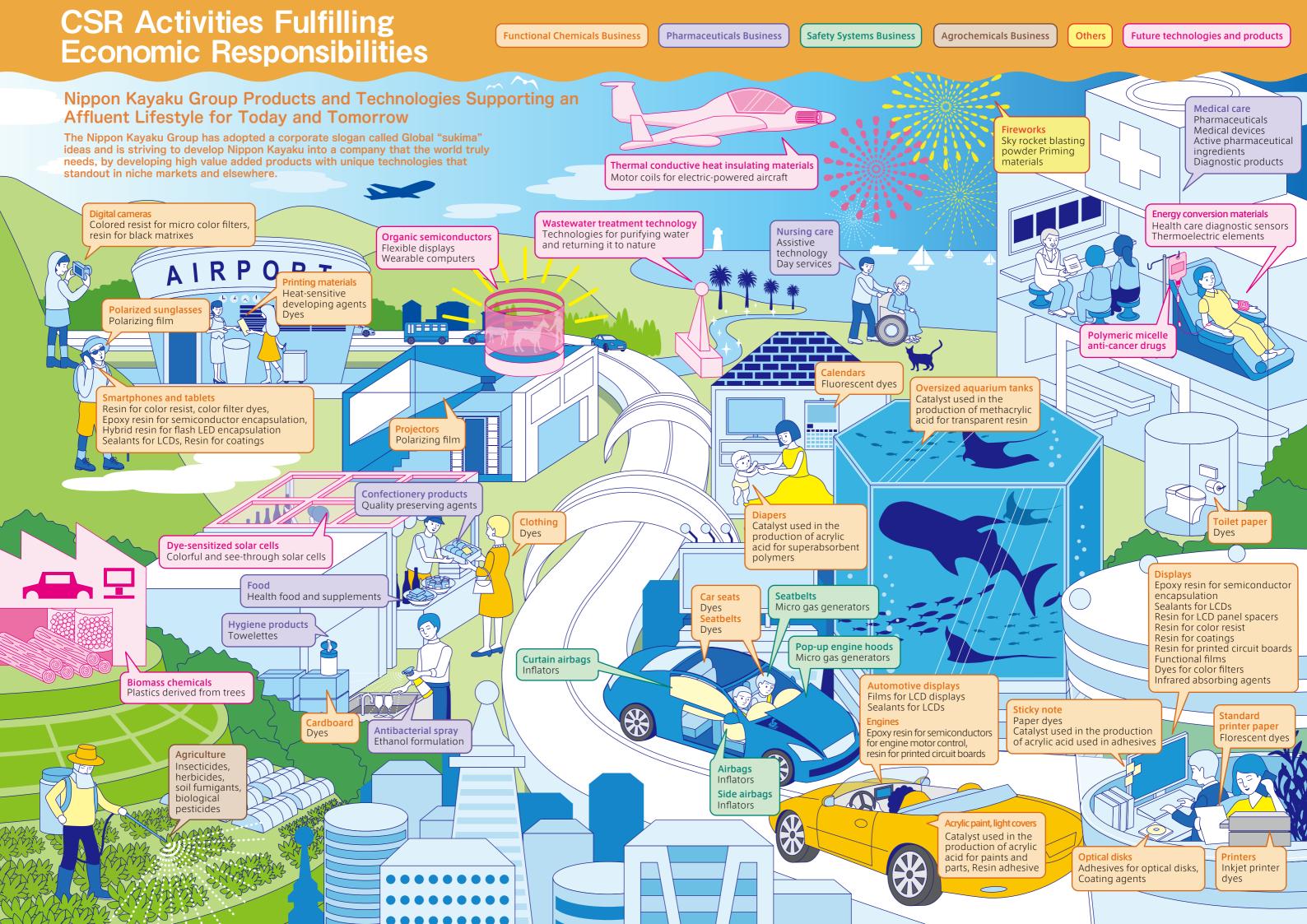
A majority of the chemicals produced in Japan are made from raw materials derived from crude oil and today some 23% of the country's total oil consumption is used as a raw material for chemicals. This means the chemical industry uses a large amount of Japan's oil resources. With worldwide consumption of oil continuing to increase, to overcome the challenges of rising oil prices, depletion risk, and global warming caused by CO2 emissions, society will need to shift to various non-oil-derived raw materials in the future. Non-edible biomass is one such material.

The New Energy and Industrial Technology Development Organization (NEDO) launched the Development of Manufacturing Processes for Chemical Products Derived from Non-edible Plants with the goal of building an integrated, high cost competitive manufacturing process spanning from non-edible biomass to final chemical product and shifting consumption toward non-edible biomass raw materials.

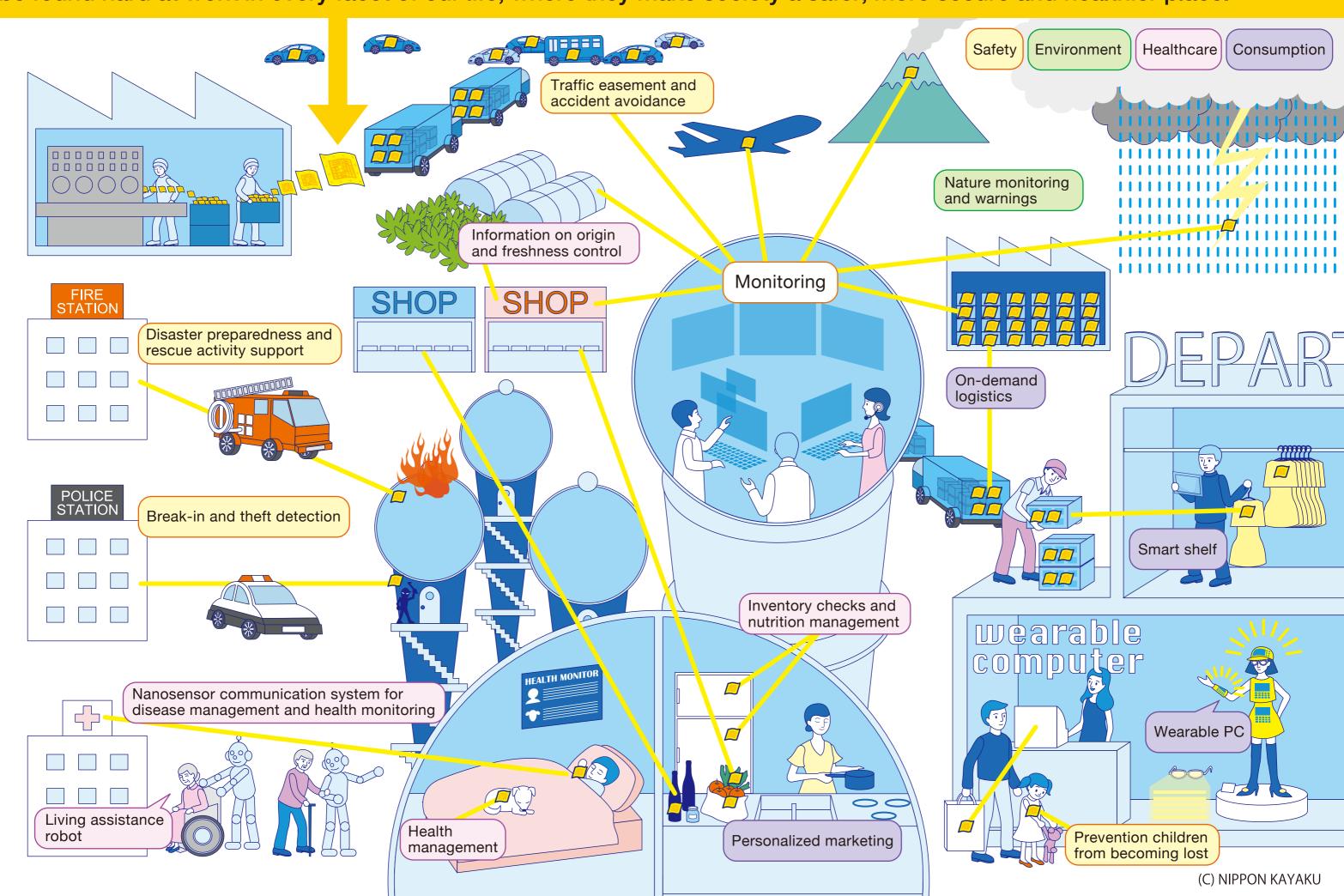
Nippon Kayaku's joint proposal with other companies and research institutions was adopted for the project and research began in September 2013.

Nippon Kayaku's role in this project will be to leverage its core resin synthesis and assessment technologies to develop a process for manufacturing thermally-cured epoxy resin from lignin, a type of unused non-edible biomass.

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Electronics made using organic semiconductors are flexible and can be mass produced by printing. These electronics can be found hard at work in every facet of our life, where they make society a safer, more secure and healthier place.





HOME # CSR # Fulfilling Our Responsibility to Society



Fulfilling Our Responsibility to Society

The Nippon Kayaku Group continually carries out CSR activities that foster trust among all of its stakeholders, including customers, business partners, employees, shareholders, society and local communities.

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.

Initiatives with Society

The Nippon Kayaku Group dynamically communicates with local communities with the goal of becoming a company closely rooted in the community.

Initiatives with Our Business Partners and Investors

The Nippon Kayaku Group proactively communicates with its suppliers, medical institutions, and investors.

Initiatives with Our Employees

The Nippon Kayaku Group provides workplaces where employees can contribute to society through their achievements and work comfortably with peace of mind.



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HOME # CSR # Fulfilling Our Responsibility to Society # Initiatives with Our Customers



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.

Medical Information Service Center and Securing Customer Trust

The Medical Information Service Center handles a variety of different inquiries on our pharmaceutical products and medical devices from physicians, pharmacists, distributors, patients and the general public.

To ensure that pharmaceuticals and medical devices supplied by Nippon Kayaku are of the highest possible quality, the Medical Information Service Center carefully and accurately responds to each and every inquiry under the motto of conveying the right information on proper usage. Surveys are given to healthcare practitioners to check whether our response meets customer expectations and the results of these surveys are used to make modifications and improvements. The Medical Information Service Center works closely with medical representatives (MRs) that visit healthcare facilities to deliver information that benefits patients. It also reports feedback and requests from customers to individual departments in charge internally.

The Medical Information Service Center is committed to improving medical care under the slogan "provide proper usage information and improve customer satisfaction in all situations."





Medical Information Service Center

Dyeing Workshop

In January 2014 Nippon Kayaku held the 3rd Dyeing Workshop in Tokyo for people from the dyeing industry. This year's workshop featured a presentation by the person in charge of market development and sales with the Color Chemicals Division that discussed dyeing methods using pigments, basic knowledge of colors, proposals for solutions to working level issues, and the latest trends and impacts from various laws and regulations affecting the industry. The purpose of the workshop is to educate participants on dyeing, broaden networks within the industry, share common issues and discuss solutions to these issues. In recent years, there has been very strong interest internationally in Japan's newest dying technologies, which resulted in active discussions with regard to global business expansion.





HOME & CSR & Fulfilling Our Responsibility to Society & Initiatives with Our Business Partners and Investors



Initiatives with Our Business Partners and Investors

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.

Initiatives for CSR Procurement

Nippon Kayaku is currently in the process of creating standards on CSR procurement. The purpose of these standards is to convey specifics about our approach to CSR to our suppliers in order for them to practice a similar form of CSR management as Nippon Kayaku. CSR procurement at the Nippon Kayaku Group is based on the following philosophy. Several years have passed since we adopted CSR management. As the next step, we would like to share our values with and encourage our suppliers to practice CSR management because we believe this will enable us to further fulfill our responsibilities to society. Nippon Kayaku's CSR procurement standards will comprise each of our responsibilities to society, including safety, quality, the environment, human rights and labor, compliance, information disclosures, and purchasing ethics, among others. Our hope is that the philosophy from our CSR procurement standards will reach not only our currently suppliers, but also potential suppliers as well. Given our diverse portfolio of businesses, we believe that the number of suppliers applicable for our CSR procurement standards will be considerable.



Communicating with Investors

Earnings Presentations

We host earnings presentations for institutional investors and securities analysts in Japan following the announcements of our interim and fiscal year-end results.. Nippon Kayaku's entire executive team, including the president, attends these presentations where we provide more information on our financial results, earnings forecast and future management strategy and actions. Additionally, we also hold teleconferences in the first and third quarters.



Earnings Presentations

One-on-one Meetings

We also organize one-on-one meetings in Japan with institutional investors and securities analysts.

Open House Tours at Plants

Nippon Kayaku organizes open house tours of its plants and R&D briefings for institutional investors and securities analysts every year to broaden understanding about its business activities.



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HOME # CSR # Fulfilling Our Responsibility to Society # Initiatives for Society



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.

The Pink Ribbon Campaign

Pink Ribbon activities were launched by Nippon Kayaku in 2004 to convey the importance of early detection, early diagnosis and early treatment of breast cancer. Fiscal 2013 marked the tenth year of these activities.

Activities include running a breast cancer awareness website, employees wearing Pink Ribbon Badges and handing out items that help raise awareness such as bumper stickers. Normally these items were handed out at the railway station nearest to our corporate head office, but in fiscal 2013 we handed items out at the railway stations closest to all of our business sites in Japan (Nippon Kayaku Fukuyama, Asa Plant, Takasaki Plant, Himeji Plant, and the Tokyo), where we also lobbied passersby about the importance of breast cancer screenings.





Kayami – the Nippon Kayaku Pink Ribbon activities character



Pink Ribbon activities website

Revamped Breast Cancer Info Navi

Breast Cancer Info Navi began in 2006 as an informative website for breast cancer patients and in October 2013 the site was completely revamped during Pink Ribbon Month.

There are a number of breast cancer websites on the Internet and so during the revamping process Nippon Kayaku considered how it could provide a unique touch the new website. We decided to focus on a more specialized website that provides information from specialist physicians and pharmacists to not only breast cancer patients and their families but all women.

The redesigned website was also linked with the Nippon Kayaku Group's Pink Ribbon activities, including contents related to the Pink Ribbon campaign's mascot Kayami. Breast Cancer Info Navi is a breast cancer website intended to help all women live a more vibrant and successful life.



Breast Cancer Info Navi (Japanese)

Asunaro House - Supporting Families of Children with Intractable Diseases

The Nippon Kayaku Group, as part of the commemorative projects marking its 80th anniversary and under the motto of "Let's assist children with intractable diseases and their families," owns and operates Asunaro House, an extended–stay facility for caregivers in Saitama City, Saitama Prefecture. This facility safeguards users' privacy and provides parents with a child fighting an illness an opportunity to meet others like themselves, which helps to alleviate the mental burden placed on parents.





Providing Support for LRI Activities

The Long-range Research Initiative (LRI) is a joint initiative of the chemical industries of Japan, the United States and Europe. Part of the voluntary activities of International Council of Chemical Associations (ICCA), LRI supports long-term research into the effects of chemicals on human health and the environment, with focus on endocrine disrupting effects, neurotoxicity, chemical carcinogenesis, immunotoxicity and elaborating risk factors.

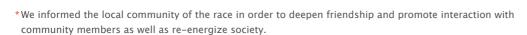
Nippon Kayaku has actively backed LRI from its start in 1999 by offering financial support for LRI activities.

LRI 📙

Onsite Ekiden Event

As part of its sports promotion activities, the Asa Plant holds the Onsite Ekiden long-distance relay race every year in March to promote a healthier mind and body as well as friendship through sports.

Fiscal 2013 marks the 50th time the race has been held since it began back in 1965*. A total of 59 teams (5 runners per team) entered this year and all completed the course safely.





Located in Vsetin and Jablunka of the Czech Republic, Indet Safety Systems a.s. (ISS) manufactures and sells gas generating devices and ignition element assemblies used for automotive safety components. ISS, recognizing that improvements in regional medical care will benefit not only employees but also the local community, donated one ICU bed to Vsetin Hospital, the largest hospital in the area, in fiscal 2007. In fiscal 2013, the company donated another 4 ICU beds to the hospital. This means that all five of the ICU beds at Vsetin Hospital are beds donated by ISS. On occasion of the most recent donation, the company thought up other ways it would work together with the local community, and eventually decided to team up with an elementary school in Jablunka to hold a flower drawing contest. The children were encouraged to draw flowers to inspire hospitalized persons and awards were given out. The winning drawings were displayed on the wall of the ICU, which greatly lightens the atmosphere in the hospital rooms.





Community Engagement

The Nippon Kayaku Group strives to foster understanding in its business activities among local residents through plant festivals, opening its sites to the public, cleanup activities and round-table talks.

Going forward, we will organize various platforms to proactively engage with the local residents as part of our goal of becoming a company that is closely rooted in the local community.

Nippon Kayaku's Agreements with Local Authorities

	Business Site	Agreement	Other Parties		
	Fukuyama Plant	Agreement on environmental pollution control	Hiroshima Prefecture and Fukuyama City		
Asa Plant		Agreement on water pollution control	Yamaguchi Prefectural Fisheries Cooperative		

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

Community Engagement through Plant Festivals and Other Events

Business Site	Туре	Details	When
Fukuyama Plant	Festival	Shining Fukuyama Festival	Every other April
(Nippon Kayaku Fukuyama)		Sponsor of Fukuyama Rose Festival and Fukuyama Summer Festival	May and August
	Event	Tennis Tournament	November
	Facilities opened	Soccer and baseball fields and tennis courts, etc.	Throughout the year
	Cleanup	Cleanup activities around the plant	Spring and autumn
Asa Plant	Festival	Wasshoi! Kayaku Festival (held jointly with Kowa Sangyo, Kayaku Akzo and Kayaku Japan)	November
	Event	Sponsor of municipal youth volleyball tournament	May
	Roundtable talk	Community roundtable talk (held jointly with Kayaku Akzo for residents' associations around the Asa Plant)	June
	Facilities opened	Gymnasium	As needed
	Cleanup	Roadside trash pickup along the Asakawa River (held jointly with the Asa Branch of the labor union)	October
Tokyo Plant	Festival	Satsuki Festival	May
(Nippon Kayaku Tokyo)		Rice-cake-making event	December
	Public lecture	Public lecture for elementary school students (dyes and dye coloring technologies)	As needed
	Plant tour	Plant tour	As needed
	Facilities opened	Parking lot opened for little league games during the season	April to October
	Cleanup	Cleanup activities at the factory and surrounding area	Every Wednesday
Tokyo Business Office	Festival	Spring festival	May
		Participation in the Kumano Shrine Festival	Every other September
		Rice-cake-making event	December
	Public lecture	Public lecture for elementary school students during summer vacation	August
	Roundtable talk	Briefing for leaders of the Shimo 3-chome and Shimo 4-chome residents' associations	May
	Facilities opened	Site provided for Akabane Fire Station training exercises	As needed
	Traffic safety	Traffic safety guidance provided on National Route 122 in conjunction with a nationwide traffic safety campaign (Tokyo Business District Traffic Safety Promotion Committee)	Spring and autumn

	Donation	Special donation menu added to normal lunch menu (part of proceeds donated)	Throughout the year
		Aid for the earthquake and tsunami reconstruction effort	May
		Providing vaccinations to children around the world through PET bottles	Throughout the year
	Cleanup	Cleanup activities held around the Tokyo Business Office	Daily
		Cleanup Campaign (Akabane Station - Arakawa River)	October
Takasaki Plant	Festival	Fureai Festival	2nd Sunday of May
		Participation in the Iwahana Kosodate Kanzeon Taisai Festival	August
		Summer Bon Dance Festival (jointly sponsored with Iwahanamachi)	August
	Plant tour	Plant tours and hands-on learning activities for local elementary school, junior high school, and high school students	As needed
	Roundtable talk	Plant tour and roundtable talk for local leaders	February
	Facilities opened	Parking lot rented out (for events at nearby park)	April
		Potato digging with local kindergarten students	October
		Facilities opened (baseball field, gymnasium and tennis court)	As needed
Himeji Plant	Festival	Summer fireworks display	August
	Facilities opened	Parking lot opened (for sports festivals held by local elementary school and junior high school)	September
	Cleanup	Cleanup activities around the plant	April and October
Kashima Plant	Roundtable talk	Roundtable talk with administrative representatives of Hasaki District	June
	Cleanup	Cleanup activities held with the Agrochemicals Laboratories	Every month
		Participation in cleanup activities inside the Hasaki District Industrial Park	June and November
Moxtek	Assistance with extracurricular activities	Extracurricular activities for elementary school students (explanation of engineering)	Regularly (bi-monthly)
	Organization of donations	Organization of donated items for the Community Action Services & Food Bank	December

Extracurricular Classes for Science, Technology, Engineering and Math at Foothill Elementary School

Author: Josh Wong, Product Manager, X- Ray, Moxtek

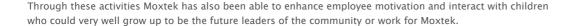
Company: Moxtek

Address: 452 W. 1260 N., Orem, UT 84057, USA

Moxtek is a global leader in the design, development and manufacture of inorganic polarizing plates used on projectors. We are also a leader in the manufacture of parts used in compact x-ray analysis machines. Moxtek's wide range of technologies is used extensively in our products. These technologies include the latest optical systems, hazardous materials screening, recycling and extractive technology.

In October 2013, I learned that my child's elementary school teacher, Ms. Kayla Walker, was considering offering an extracurricular class. The class was part of a volunteer program to encourage children to be more interested in science, technology, engineering and math. Ms. Walker, who most often set up extracurricular classes for high school students, felt that organizing similar classes for younger students would be even more effective. Since Moxtek is involved with science, technology, engineering and math, we have a number of specialists in each of these fields. Additionally, I found out many of our employees want to give back to the local community and I felt that Moxtek offered a unique vantage point to teach students from Foothill Elementary School about science.

As a result, we discussed the matter with Foothill Elementary School and decided that we would provide assistance for the extracurricular classes. We consulted with Ms.Walker about focusing on topics related to the students' daily lives and also incorporating lots of experiments, in order to capture the interest of the children. Classes have been held once a month since December 2013 and the experience has been very positive for both the students and adults alike. The teachers have expressed their appreciation to Moxtek, saying that this program would not have been possible without our help. I also feel like the children are developing a greater interest in science.





Josh Wong



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HOME # CSR # Fulfilling Our Responsibility to Society # Initiatives for Employees



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.

Message from the Head of Administration Group

For the Nippon Kayaku Group to continually practice the KAYAKU spirit we will need to always maintain our existential value afforded to use by society. The basis for this will be continually supplying products and services that are useful to society while maintaining and improving safety, security and compliance, which will earn us the trust and respect of all stakeholders. Without this trust we will not be able to realize the goals set out for *Challenge 100A!*, our three-year midterm business plan.

It would be no exaggeration to say that the many rules, systems and measures established internally at each of the Nippon Kayaku Group's subsidiaries serve as means to securing this trust. Moving forward, we will continue to develop our group management system with the goal of securing a high degree of trust from all stakeholders.



Osamu Hirao Head of Administration Group



Encouraging Diversity

The Nippon Kayaku Group respects diversity and continually takes steps to enhance the competitiveness of the entire Group by providing workplaces where employees can maximize their talents, thrive professionally, and feel a strong sense of motivation and place.

One indicator for measuring the progress of these efforts is the extent to which female employees are contributing their skills and abilities to the workplace. Encouraging gender equality and work-life balance is essential to this end. We believe that the results of which will be the proper encouragement of diversity where not only female employees but our entire diverse pool of human resources can leverage their talents to the fullest. In other words, through this cycle we will be able to enhance our competitiveness as a good company and a strong company.



Helping women thrive in the workplace

The appointment of female managers represents the results of our initiatives to encourage diversity in the workplace. The ratio of female managers increased a full percentage point from 3.2% last year to 4.2% as of March 31, 2014. Going forward, we will continue to actively promote the move active role of women in the workplace.

Employment of persons with disabilities

Nippon Kayaku is also committed to employing persons with disabilities based on its emphasis on diversity. As of March 31, 2014, we employed 48 persons with disabilities, meaning 2.0% of our total workforce has a disability. Society demands that we move swifter in hiring persons with disabilities and so in the future we will strengthen our efforts and continue to actively hire persons with intellectual disabilities wherever possible.

Expanding Programs for Gender Equality

The Nippon Kayaku Group is expanding in-house programs for gender equality and encouraging their utilization. In terms of our Next Generation Childcare Support measures, we have rolled out various programs that exceed legal requirements, beginning with our childcare leave program. The number of eligible female employees taking childcare leave exceeds 100% (Number of eligible female employees who took childcare leave / Number of female employees that had a baby x 100), and the number of male employees taking childcare leave increased to three in fiscal 2013. Moving forward, we will seek to develop a workplace culture that encourages male employees to participate in childcare.

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

Work-life Balance

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 to increase the number of paid leave days taken by employees from the standpoint of improving work-life balance. (The percentage of paid leave taken increased 4.3% compared to fiscal 2012)

Participation in mental health training %

To accomplish this, we will need to change the way employees think about time management, with the ultimate goal of improving operational productivity and generating added value.

Mental Health Initiatives

To balance improvements in operational productivity with the creation of added value, employees need to have

workplaces where they can thrive and also be in good mental and physical health.

The President of Nippon Kayaku issued a Mental Health Declaration in 2005 and since then we have provided thorough guidance to managers on the subject. Mental health care requires that all employees have the correct knowledge and understanding to ensure they can prevent or detect mental health issues at an early stage. We focus the greatest efforts on mental health issue prevention. After rolling out our mental health care program, we invited a speaker from our contract EAP to lead a mental health care training program mandatory for all employees to take part in at least once that was set up on three occasions – in fiscal 2005, between fiscal 2006 and 2008 and between fiscal 2009 and 2011. We formulated a new three–year plan in fiscal 2012 and employees are currently taking part in related training.

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

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.



Training programs

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.

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.

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

Commendation Program for New Inventions

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.



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. 72 employees received the remuneration for fiscal 2011, 58 for fiscal 2012 and 51 for fiscal 2013.

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, in fiscal 2012 and another in fiscal 2013. 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.



HOME # CSR # Fulfilling Our Responsibility to the Environment



Fulfilling Our Responsibility to the Environment

The Nippon Kayaku Group prioritizes the environment, safety and quality in all aspects of its management and is working collectively together to reduce its impacts on the environment.

Environment, Health and Safety, and Quality Assurance Management System

We carry out organized activities to maintain and improve our environmental protection, health, safety and quality assurance efforts.

Initiatives for Reducing Environmental Impacts

We are working to reduce our impacts on the environment through various measures aimed at achieving our mid-term environmental targets for 2020.

Health and Safety, and Quality Assurance Initiatives

We carry out various safety screenings and quality assessments to prevent accidents, occupational injuries and environmental accidents before they happen.



HOME & CSR & Fulfilling Our Responsibility to the Environment & Environment, Health and Safety, and Quality Assurance Management System



Environment, Health and Safety, and Quality Assurance Management System

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.

Declaration on Environment, Health and Safety, 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.

The Declaration on Health, Safety, Environmental Protection and Quality

Enacted November 7, 1995 Amended September 1, 2010

We will exert efforts as part of our unwavering commitment to contribute to humanity by creating products and technologies that protect and enhance people's health, life and comfort.

Our activities will not threaten the health and safety of people or property, nor be harmful to the environment.

Under our corporate motto of "KAYAKU spirit", which calls for providing society with the best possible products that meet customers' needs, by means of endless innovation and real cooperation, based on our high-esteemed ethics, we will conduct ourselves according to the following fundamental policies.

Fundamental Policies

- We will be cognizant of the entire product lifecycle—from research and development, through production and sales to disposal—by evaluating effects on health, safety and the environment.
- We will bear responsibility for the quality of our products, and will strive to develop and improve products that satisfy our customers.
- We will increase our awareness toward the preservation of health, safety, environmental protection and quality of our products, and will endeavor to achieve the goals of no pollution, no accidents and no unsafe products.
- 4. We will provide necessary information about how to use and handle our products safely.
- We will continue to promote the conservation of physical and energy resources as well as global warming countermeasures in order to contribute to the protection of the environment.
- We will actively work to develop environmental protection technologies, as well as applications for such technologies.
- We will make efforts to deepen communication about our operations and products among communities and government authorities to assure that proper understanding is achieved.

President & Representative Director Nippon Kayaku Co.,Ltd. *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.

Message from the Head of Technical Operations Group

We have just begun our business plan geared toward achieving Challenge100A! and even more ambitious goals in the future. We have also made steady progress since 2001 toward reaching our mid-term environmental targets thanks to our unwavering commitment and dedicated efforts. However, the revisions made to the greenhouse gas emissions benchmark year under COP19 have resulted in very challenging targets for the Nippon Kayaku Group. Today, we need to further accelerate our current efforts toward becoming a company that consumes less energy. At the same time, we must study the causes of recent accidents at chemical plants in Japan and strive to improve our front lines capabilities in terms of the environment, safety, quality, production and technologies. This will be the key to Nippon Kayaku's sustainable growth. Therefore, our goal will be to continually enhance our front lines capabilities, which includes our knowledge and awareness.



Seiki Fukunaga Head of Technical Operations Group

Environment, Health and Safety, and Quality Assurance Initiatives

The Nippon Kayaku Group has made efforts to prevent accidents and injuries before they occur, achieve its environmental targets, respond in advance to natural disasters, develop and improve wastewater treatment technologies, carry out energy conservation activities, and promote employee health in order to strengthen its safety, health and environmental measures. In particular, over the past several years chemical companies in Japan have been involved in a number of serious accidents and, therefore, we have gone to great lengths to prevent accidents from ever occurring by using the Japan Chemical Industry Association's Guidelines on Prevention of Accident Disaster to identify latent risks to our operations.

In fiscal 2014, we are promoting efforts in existing group-wide environmental, safety and health issues, establishing systemized safety learning curriculum, and carrying out uniform safety training across the entire company. Additionally, we continue to make efforts to prevent accidents and injuries from ever occurring by flushing out latent risks in our operations, including non-regular work. This has enabled us to further improve the environmental, safety and health initiatives being carried out by the Nippon Kayaku Group.

In terms of quality, we are working on enhancing quality management technologies as well as reducing customer complaints and quality process mishaps.

Quality training focuses on practical applications for statistical analysis in the data analysis training course and also includes dispatching employees to outside lectures as well as onsite training at our plants covering internal audit procedures and other matters. In addition, we spread the world about quality improvement methods by publishing a collection of quality improvement examples.

We have continually carried out "why why" analysis to reinforce our recurrence prevention measures for customer complaints and quality process mishaps. In fiscal 2014, we set up the Why Why Analysis Promotion Team to step up our efforts. Also, we are promoting activities that encourage improvement through understanding the issues facing our business sites.





Training on the 5S methodology (Sort, Systematize, Shine, Standardize and Self-Discipline)



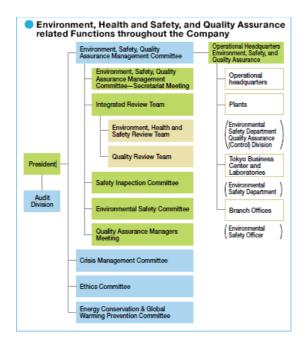
Training on quality

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

The Nippon Kayaku Group takes part in organized activities at all of its sites including four overseas plants to ensure employees are aware of the environment, health and safety, and quality assurance as well as to maintain and improve quality assurance. These activities revolve around the Environment, Health and Safety, and Quality Assurance Management Committee, which is led by the President of Nippon Kayaku.

Structure of Environment, Health and Safety, and Quality Assurance related Functions throughout the Company 📾





Management Structure at Our Business Sites

Each of our business sites has a committee on health and safety or the environment, health and safety headed by the head of that particular site. In addition, as a subordinate body, each business site also has a committee for promoting health and safety that consists of members representing each of the site's workplaces. Matters discussed by the Health and Safety Committee or the Environment, Health and Safety Committee are shared with all employees at roundtable meetings organized by the Health and Safety Promotion Committee. Conversely, matters discussed at roundtable meetings and by the Health and Safety Promotion Committee are communicated back to the Health and Safety Committee or the Environment, Health and Safety Committee as employee feedback.

Each business site's quality assurance (management) department leads Quality (Assurance) Committee meetings on a regular basis to check raw materials handled at each business site, examine customer complaints or quality issues concerning products made at that particular site, and deliberate on how to eliminate such complaints and quality issues. The committee also debates quality issues pertaining to new products, modified products and existing products to ensure that quality is constantly improved.



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 and ISO14001 certification in order to provide and develop eco-friendly products and services of superior quality.

We started acquiring ISO14001 environmental management system certification in 1998. Since then all six of our plants have obtained certification, while other Group companies, including those outside of Japan, are in the process of obtaining this certification.

We began acquiring ISO9001 quality assurance system certification starting with our plants in 1995 and later expanded this scope to include business divisions, R&D departments, and Group companies outside of Japan.

Quality Assurance Management / Environment Management System Certified Workplaces

Wor	rkplace		●ISO9001 ■ISO / TS16949*2	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 Chem	nicals Group		Jan. 2001	_			
Pharmaceuticals	Group		 Sept. 2003 	_			
Safety Systems	Group		 Sept. 2007 	_			
Agrochemicals D	Division		 Sept. 2003 	_			
POLATECHNO C	CO., LTD.		Jan. 1999	Aug. 2002			
NIPPON KAYAKU FO	OOD TECHNO CO.,	● Nov. 2003 —					
KAYAKU CHEMIC	AL (WUXI) CO., I	LTD.	 March 2005 Aug. 2006 				
MicroChem Corp	D.		● April 2002 —				
Wuxi Advanced Kay	yaku Chemical Co.	, Ltd.	 April 2007 July 200 				
Zhaoyuan Advance	ed Chemical Co.,	Ltd.	● March 2005 —				
INDET SAFETY S	SYSTEMS a.s.		March 2002	Dec. 2002			
Kayaku Safety Syst	ems (Huzhou) Co.	, Ltd.	June 2010	_			
Kayaku Safety S S.A. de C.V.	ystems de Mex	● Sept. 2010	-				
MOXTEK, Inc.		● July, 2012 —					
● GMP*3	Workplace		ents				
Approval Status	Takasaki Plant	Japan, USA, Europe, Canada, Brazil					

^{*2} 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.

^{*3} 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.

Overview of Environment, Health and Safety and Quality Organizations

Environment, Safety, Quality Assurance Management Committee

The Environment, Safety, Quality Assurance Management Committee is a company-wide committee led by the President of Nippon Kayaku and comprised of executive officers responsible for business divisions, general managers of business divisions, and the General Manager of the Technical Operations Group. The committee formulates annual policy for the environment, health and safety and quality assurance, assesses the results and recommends improvements.

Environment, Safety, Quality Assurance Management Committee – Secretariat Meeting

The secretariat is comprised of general managers from the technical departments of each business division and from related departments of the head office. The secretariat deliberates fiscal year policy proposals and implementation status and reports back to the Environment, Safety, Quality Assurance Management Committee. It also reviews material matters related to the environment, health and safety, and quality assurance.

Central Integrated Reviews

An integrated review is a combination of the conventional environment and health and safety review and the quality review, which had been implemented independently targeting business sites and group companies. The Integrated Review Team is led by the General Manager of the Technical Operations Group, and is comprised of the Environment, Health and Safety Review Team, led by the General Manager of the Environmental Protection & Safety Division and the Quality Review Team, which is headed by General Manager of the Quality Assurance Division. The same review as before is being performed on the head office, business sites and group companies that received environment and health and safety reviews or quality reviews. The head office, divisions, business sites and group companies for which issues were identified during the review process are required to create and execute an improvement implementation plan. The results of central integrated reviews are reported to the Environment, Safety, Quality Assurance Management Committee.

Safety Screenings

Safety screenings are conducted when developing and manufacturing new products, designing new facilities and equipment, replacing facilities, changing raw materials, and outsourcing production. Risk and other assessments are also performed to prevent problems before they occur.

Environmental Safety Committee

The Environmental Safety Committee comprises environmental safety managers or representatives from the Environmental Safety Department of each business site and group company selected by the General Manager of the Environmental Protection & Safety Division. The committee debates material matters and problems associated with the implementation of environmental protection and safety activities.

Quality Assurance Managers Meeting

The Quality Assurance Managers Meeting comprises quality assurance managers from the head office, business sites and group companies selected by the General Manager of the Quality Assurance Division. The meeting deliberates the implementation status of quality assurance and quality control activities.



HOME # CSR # Fulfilling Our Responsibility to the Environment # Health and Safety, and Quality Assurance Initiatives



Health and Safety, 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.

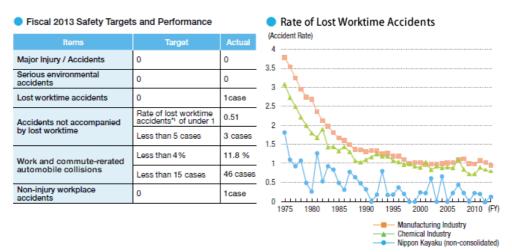
We have also created a database of troubles we have experienced in terms of our environmental, safety, and quality assurance initiatives that is used across all of our business sites. Central integrated environment, health and safety reviews and central integrated quality reviews are conducted on our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

Health and Safety Initiatives and Results

The Nippon Kayaku Group takes a systematic approach to eliminating accidents and injuries at its business sites. As a result of our efforts, in fiscal 2013 there were a total of three no-lost worktime accidents and two lost worktime accidents.

In terms of traffic safety, there were 46 traffic accidents involving company-owned vehicles or employees during the commute, representing an accident rate of 11.8% which represents a small decline year on year. However, the number of traffic accidents continues to remain above the level seen in fiscal 2010. As a result, we will continue with safe driving reviews 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.



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

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 internal audits. 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 business sites. In fiscal 2013 we carried out activities to reinforce quality assurance at the Kashima Plant.

Occupational Health and Safety as well as Quality Assurance Initiatives

1. Safety and Quality Assurance Activities at Work Sites

We are undertaking a wide range of safety and quality assurance activities. We are also compiling databases on environmental, safety, and quality issues to be used across our business sites.

Safety Activities Risk Assessment 5 S Activity*2 Hiyari Hatto Activity KYT Activity TPM Activity*3 Quality Assurance Activities Quality Risk Assessment Quality Patrol Trend Management (Visualization) Campaign to Prevent the Reoccurrence of Quality Proble Quality Technology Training

- *2 5S Activity: An acronym of five Japanese words phonetically starting with the letter "S".
- *3 Total Productive Maintenance (TPM): Activities that maintain equipment and facilities in good working order to ensure safety and maintain productivity.

2. Conducting Safety Assessments (Risk assessment, understanding potential risk factors)

Each of our business sites performs safety reviews for new processes and facilities and whenever changes are made to existing processes and facilities and implements risk assessments in order to prevent business sites accidents and injuries as well as environmental accidents. Risk factors in chemical reactions are analyzed primarily based on HAZOP.*4

*4 HAZOP: Hazard and Operability Study. A safety evaluation methodology used at chemical plants. Potential hazards associated with chemical reactions can be comprehensively extracted for evaluation.

3. Elimination of Shortcuts and Omissions

Accidents that have occurred within the Nippon Kayaku Group in recent years have tended to result from shortcuts or omissions. As a result, the Nippon Kayaku Group is 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.

4. Traffic Safety Initiatives

Many Nippon Kayaku Group employees drive a car as part of their work duties or to commute to work. We perform safe driving reviews using a camera-equipped drive recorder *5 as well as assure safer driving habits by combining these reviews with a driving aptitude test approved by the National Police Agency *6. Our ratio of liable accidents is half of the average for the Japan Pharmaceutical Manufacturers Association. In fiscal 2013, this number was 11.8%, marking a slight decrease compared to the previous year, but it still remains somewhat elevated compare to fiscal 2010 and before. We will continue with our safe driving reviews and work toward reducing the number of traffic accidents.

- *5 Camera-equipped drive recorder: A recorder that can analyze bad driving habits, such as sudden acceleration, sudden braking, and sudden turns using sensors for front/back and right/left acceleration, gyrocompass and GPS system.
- *6 Driving aptitude test approved by the National Police Agency: An exam that measures the aptitude of driving based on seven written questions covering 11 topics, including decision making skills, ability to prevent collisions, and mental stability test.

Number of liable work-related and personal automobile accidents (Number of accidents) (%) Number of accidents) (%) Number of accidents) (%) Number of work-related and personal automobile accidents (%) Number of work-related accidents (accidents) (%) Number of work-related accidents (accidents) (%)

5. Promoting Health Management

Our employees undergo regular health checkups as well as special physical examinations because chemical substances are regularly handled on the job. Employees meet with an industrial physician following their regular health checkup to receive guidance and instructions on their health management and awareness. We also manage a database of information on the hazardous properties of chemical substances and utilize this information to prevent work related illnesses.

6. Deployment of AEDs

Driving aptitude test approved by the National Police Agency: A driving aptitude test that measures driving ability based on responses to seven questions covering 11 items including situational awareness, collision prevention ability, and mental stability, among others.

Responding to Accidents and Disasters

1. Fire response

Each business location is equipped with a fire truck, fire hydrant, and fire extinguisher for chemical substances in preparation for potential fire hazards. In addition to holding on-site training, employees also participate in local fire fighting competitions at which they have achieved strong results.

2. Natural disaster response

As a precaution for earthquakes and other natural disasters at each workplace, we have compiled and distribute the Employee's Handbook of Disaster (Earthquake) Prevention to each and every employee. This handbook contains instructions on emergency response when an earthquake occurs, how to make contact and confirm one's safety, and alternative methods to reach home when public transportation is unavailable.

Employee safety during a disaster is monitored by a safety reporting and communication system that uses email. As an earthquake strikes, the disaster response headquarters will send out an instruction by email to all employees. Employees can reply to the email by a simple touch of a button, which allows data to be collected. This system will be used to confirm employee safety during an earthquake of a seismic intensity of 6 or higher in Japan.

Management of Chemical Substances

With countries around the world moving to tighten the management of chemical substances, we have seen a growing importance in complying with chemical related laws both in Japan and abroad and being able to aptly respond to customer requirements for chemical substances contained in our products.

The Functional Chemicals Group established the Chemical Management Office, which collects the latest information on laws and regulations around the world, instructs related departments with their response and provides training on general chemical substance related laws. Through these efforts, the Chemical Management Office is striving to maintain and improve compliance as it relates to chemical substances.

A representative of the Chemical Management Office has been assigned to the Functional Chemicals R&D Laboratories to closely monitor product safety and compliance with legal requirements from the development stage.

In fiscal 2014, we will continue to comply with Europe's REACH*7 and CLP regulations*8 as well as with new legislation and legal revisions being made in China, South Korea and other parts of Asia.

^{*}Fiscal 2012 represents 10 months of data due to a change in the fiscal term.

- *7 Registration, Evaluation, Authorization and Restriction of Chemicals (REACH): An EU regulation for registering, evaluating, approving and restricting chemical substances.
- *8 Regulation on Classification, Labeling and Packaging of substances and mixtures (CLP): An EU regulation on the classification, labeling and packaging of chemical substances based on GHS.

GHS Compliance

With each country implementing GHS*9, companies are now required to provide SDS*10 compliant with local laws and regulations that are written in the local language. The Functional Chemicals Group has instituted an SDS compilation system (MSDgen) that contains a large database of bilingual documents as well as data on the laws of various countries and data on the properties and toxicity of chemicals. This system enables it to create SDS that are fully compliant with local laws and regulations. The 2013 system update complies with the US version of GHS, which complements its prior compliance with GHS in Japan, Europe and Asia.

The Functional Chemicals Group manages and uses a database of SDS and SDS history to ensure that it always provides the most up to date information on GHS compliance.

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

*10 SDS: Safety Data Sheet.



Sample GHS-compliant label



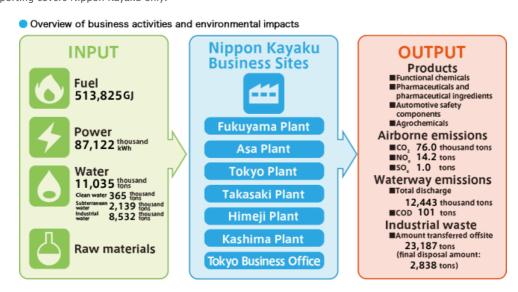
HOME # CSR # Fulfilling Our Responsibility to the Environment # Reducing Our Environmental Impact



Reducing Our Environmental Impact

Energy and Material Balance

We are currently implementing initiatives that will help us achieve our mid-term environmental targets for fiscal 2020. The scope of the reporting covers Nippon Kayaku only.



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 2013 was the third year of this plan.

Mid-term Corporate Master Plan for the Environment (FY 2011 - FY 2020)

		Target value	Fiscal 2013 results	
Reducing Our Chemical	VOC* ¹ Emissions	Under 45 tons	54.5 tons	Reduced by 33.0% compared to fiscal 2012.
Substance Footprint COD*2Fmissions		Under 180 tons	101.4 tons	Reduced by 18.2% compared to fiscal 2012.
Prevention of Global Warming	Energy Derived CO2 Emission*3 (Production Divisions+ Operation Divisions)	More than 15% reduction	76,000 tons	CO ₂ emissions increased 4.2% compared to fiscal 2012, but this increase was caused by revisions to the conversion coefficient for CO ₂ emissions. (Total energy usage declined about 2%.) This represents a 21.0% reduction compared to fiscal 1990.
	Total Waste Produced	Under 30,000 tons	23,187 tons	Increased by 13.5% compared to fiscal 2012, but this was caused by the cleanup of waste liquid sludge at certain spots of the Fukuyama Plant and an increase at caused by a rise in construction waste at the Takasaki Plant.
Reduction of Waste	Recycling Rate	More than 70%	71.7%	Increased by 9.9% compared to fiscal 2012. This was caused by an increase in emissions to waste processors with a high recycling rate.
	Zero Emission Rate*4	Under 3%	12.2%	Increased by 4.3% compared to fiscal 2012, but this was caused by the cleanup of waste liquid sludge at certain spots of the Fukuyama Plant and an increase at caused by a rise in construction waste at the Takasaki Plant.

- *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 under a predetermined condition using oxidizing agents.
- *3 Energy-derived CO2 emissions: Fiscal 1990 has been set as the benchmark (96,200 tons)
- *4Zero emission rate: The amount of internal and external landfill waste produced as a percentage of total waste produced.

Results of Our Efforts to Reduce Environmental Impacts

As part of its effort to reduce environmental impacts, Nippon Kayaku focuses on preventing air, water and noise pollution as well as stopping global warming and reducing waste.

Preventing Air Pollution	Preventing Water Pollution	Preventing Global Warming	Waste Reduction
Noise Prevention	Environmental Accounting	Preventing Air Pollution	

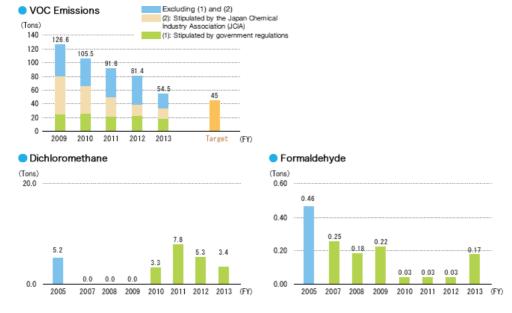
To help prevent air pollution, we carefully manage substances subject to Japan's

Air Pollution Control Act, hazardous substances released into the air and other air pollutants.

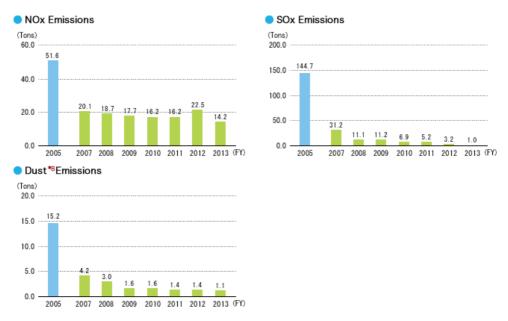
As for our VOC emissions reduction efforts, our new medium-term environmental targets established in fiscal 2011 expand the scope of data compilation to include all chemical substances discharged into the atmosphere. The new scope includes chemical substances that are produced through reactions as well as the chemical substances conventionally subject to government ordinances and the Japan Chemical Industry Association voluntary standards. The target for VOCs is to reduce emissions into the atmosphere to less than 45 tons by fiscal 2020. The Nippon Kayaku Group stands committed to making the self-initiated efforts needed to achieve this target.

Under the initiative of the Japan Chemical Industry Association, the industry is taking action to voluntarily manage and reduce emissions of 12 control substances*5 that are deemed to be harmful air pollutants. Of these 12 control substances, we used five after 1995, but stopped the use of benzene in 1995. Emissions of chloroform and ethylene oxide have been cut to zero since fiscal 2007. Dichloromethane emissions had been zero since fiscal 2007, but have risen slightly since fiscal 2010 because of their minor use in products. Formaldehyde emissions continue to occur, albeit in small amounts, because of its use in products and in sterilization and fumigation. Going forward we will focus particularly on reducing the use and emissions of dichloromethane and formaldehyde through production process improvements and other means.

Air pollutants sulfur oxide (SOx)*6 and nitrogen oxide (NOx)*7 are emitted during boiler operations. To date, the Nippon Kayaku Group has gradually shifted the fuel for its boilers from Bunker C heavy oil with high sulfur content to other lower sulfur content fuels such as Bunker A, in addition to LPG and natural gas, which are sulfur free. We continued this transition in fiscal 2013 as well. As a result, since fiscal 2008, we have successfully made significant reductions in our SOx emissions, and in fiscal 2013 we made further reductions. The Nippon Kayaku Group has aggressively reduced its air pollutant emissions and will now strive to properly maintain air pollution prevention equipment, carry out regular inspections and upkeep, and reduce overall emission of air pollutants into the atmosphere.



*5 12 control substances subject to voluntary controls: acrylonitrile, acetaldehyde, vinyl chloride monomer, chloroform, 1,2-dichloroethane, dichloromethane, tetrachloroethylene, trichloroethylene, 1,3-butadiene, benzene, formaldehyde, and ethylene oxide.



- *6 SOx (sulfur oxide): SOx is emitted when fossil fuels that contain sulfur are burned. SOx reacts with water in the atmosphere to form sulfuric acid and sulfurous acid, which are causes of air pollution and acid rain.
- *7 NOx (nitrogen oxide): NOx is produced when burned chemical substances react to nitrogen in the air and when fuels and chemical substances that contain nitrogen compounds such as coal are burned. Not only is it a major cause of air pollution including photochemical smog and acid rain, but NOx also has a harmful effect on the human respiratory system. In addition, NOx is also known to include the greenhouse gas dinitrogen monoxide.
- *8 Dust: Dust mainly refers to fine particulate soot found in dust smoke produced when burning fossil fuels. In addition to a major cause of air pollution, humans can contract pneumoconiosis or other harmful health conditions when breathing dust in high concentrations.

Environment, Health and Safety at the Nippon Kayaku Group

An environmental, health and safety meeting was convened with the top leadership of every Nippon Kayaku Group company for the first time in order to discuss the Nippon Kayaku Group's policy on the environment, health and safety. During the meeting, all participants agreed that safety should be prioritized over all else and in addition to complying with related environmental and safety laws in Japan and preventing environmental and safety accidents, participants agreed that overseas subsidiaries must also comply with laws and make efforts to prevent environmental or safety accidents from every happening. The policy below was confirmed to ensure all Nippon Kayaku Group companies can carry out activities together under the Declaration on Health, Safety, Environmental Protection and Quality, with the ultimate goal of realizing the KAYAKU spirit.

Nippon Kayaku Group Companies: EH&S Policy Statement for FY2014

The Nippon Kayaku Group Companies shall carry out the fundamental policies stated in the "The Declaration on Health, Safety, Environmental Protection and Quality" using a proactive "Safety First" approach.

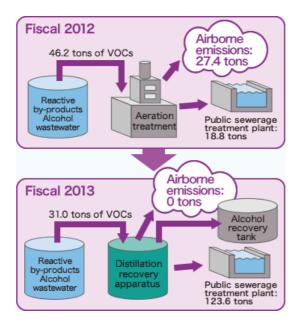
- Group companies will drive EH&S
 performance to the target "Zero Accident and
 Injury" using proactive safety programs
 based on risk-assessments and fail-safe
 strategies that eliminate or reduce the risk of
 accidents, injuries or environmental release.
- Group companies will establish mid-term environmental risk reduction targets based on analysis of the environmental data reported by each Group company.

Initiatives to Reduce VOCs at the Kashima Plant

The Kashima Plant released alcohol produced in large quantities from the agrichemical manufacturing processes into the air, but in order to become an eco-friendlier plant, it decided to launch an initiative to examine ways to recover alcohol produced during the manufacturing process based on theme reducing the amount of VOCs released into the air. Specifically, existing facilities were switched for use as alcohol distillation recovery apparatuses, which involves transforming alcohol in a gaseous state into a liquid for recovery in a tank. This method greatly reduces the amount of alcohol released into the air.

As a result, we completely eliminated our emissions of alcohol gas into the atmosphere, compared to fiscal 2012 when a total of some 27.4 tons were released.

We stand firmly committed to actively helping improve the environment with the goal of reduced impacts on the environment in the future.



Preventing Water Pollution

The Nippon Kayaku Group has set voluntary wastewater discharge control standards that are tougher than requirements laid out in national laws and local ordinances.

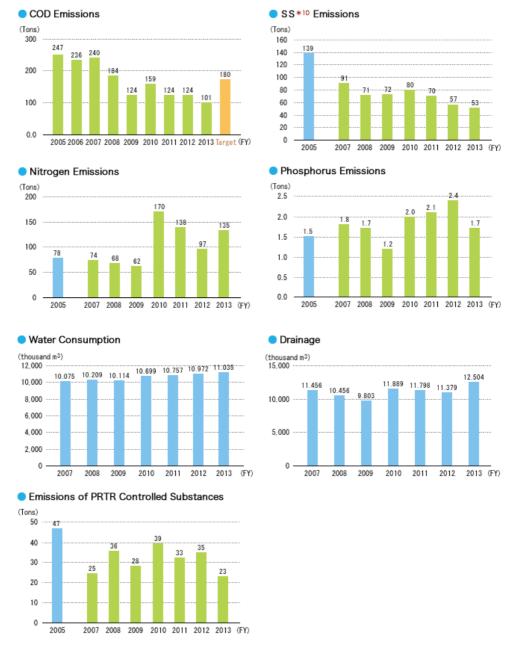
The Nippon Kayaku Group has made efforts to reduce its COD emissions by employing activated sludge treatment equipment at plants with high levels of COD emissions. In fiscal 2013, the amount was 101 tons, which marks an 18% increase year on year.

The Nippon Kayaku Group produces color material-related products including dyes and ink jet printer ink, among others. Our Tokyo and Fukuyama plants, where color material-related products are manufactured, fully decolorize colored wastewater before it is discharged.

PRTR*9 Initiatives

Since 1995, the Nippon Kayaku Group has participated in the Japan Chemical Industry Association led initiative to reduce compounds identified in the PRTR regulation, working to reduce its emissions of PRTR controlled compounds into the environment. In fiscal 2013, our emissions of PRTR controlled substances totaled 23 tons, which marked a 33% decrease from 35 tons in the previous year. Although toluene continues to represent the

largest source of PRTR controlled emissions, toluene emissions decreased from 17.4 tons in fiscal 2010 to 9.5 tons in fiscal 2013. This was 41% of all emissions of compounds identified in the PRTR regulation.



*9 PRTR: Pollutant Release and Transfer Register. The PRTR regulation is designed to prevent occurrences of environmental safety incidents by encouraging businesses to improve their own chemical substance management.

*10 SS: Suspended Solids. SS is a water-quality indicator generally referring to insoluble substances of 2 mm or less in diameter suspended in water. The organic matter and metal originating in particulate-like mineral, animals-and-plants plankton and its corpse, a sewer, factory effluent, etc. are contained. The increase in SS worsens transparency, and influences underwater photosynthesis by preventing light penetration.

Initiatives in China to Reduce COD Emissions

Wuxi Advanced Kayaku Chemical Co., Ltd. was established in Wuxi, China in 1996 in order to manufacture synthetic dyes for paper and textiles.

Since last spring there has been a sharp increase in the production of dyes with extremely large COD emissions. Therefore, in addition to increasing the capacity of our wastewater treatment facilities, we made fundamental changes to the manufacturing process to cut back on COD emissions. First we identify the pollutant causing COD in wastewater and then we analyze the mechanisms behind its occurrence. We are trying to eliminate such COD emissions through every step possible, including the use of synthetic compounds and examine synthesis requirements that do not pose any problems to quality.



Wuxi Advanced Kayaku Chemical's wastewater treatment facility

This process has started to yield positive results and current measures have helped to reduce COD emissions to an expected 45 tons per year. This initiative has also helped to reduce the amount of chemicals needed for wastewater treatment and reduce personnel.

We will continue with similar efforts moving forward with the goal of becoming a company with a high efficiency

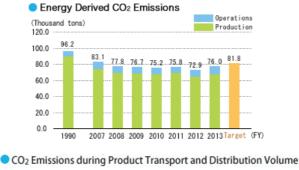
production system.

Preventing Global Warming

Each of our business sites has implemented various energy conservation activities that have helped to reduce our total energy consumption annually. This, in turn, has reduced our energy derived CO2 emissions as well, with such emissions totaling 76.0 thousand tons in fiscal 2013, which can be broken down into 68.7 thousand tons from production divisions and 7.3 thousand tons from operating divisions. Overall emissions increased 4.2% over fiscal 2012. Although the amount of oil converted energy decreased, the coefficient for electricity, which represents about 60% of our energy usage, worsened due to the ongoing effects from the shutdown of Japan's nuclear power plants.

Nippon Kayaku has instituted a third-party logistics system (3PL) as part of its distribution reforms started in fiscal 2003. Today, we are working closely with our 3PL provider to change the modes in which our products are transported. We also began collecting data on CO2 emissions emitted during product transport in April 2009. This modal shift will enable us to continue to reduce our energy consumption as well as CO2 emissions.

As part of its efforts to help reduce CO2 emissions from homes, the Nippon Kayaku Group has established two programs to encourage employees to conserve energy at home called My Family's Environmental Impact Budget and My Home is Currently Conserving Electricity, which focuses exclusively on electricity usage.



	CO ₂ Emissions (tons)	Distribution Volume (1,000 tkm)
Fiscal 2012	3,090	16,809
Fiscal 2013	2,980	16,100

• Ton-kilometer: weight (tons) x transport distance (kilometers)

Aiming to be a Company that uses Less Energy

Nippon Kayaku established the Energy Conservation & Global Warming Prevention Committee led by the president to roll out company-wide initiatives to help it achieve the provisional mid- to long-term environmental target of reducing greenhouse gas emissions 15% compared to 1990 by fiscal 2020. As part of this effort, we are working diligently to further reduce energy-derived greenhouse gas emissions.

Furthermore, the power supply problems caused by the Great East Japan Earthquake that struck on March 11, 2011 have inspired us to promote a company-wide project with the goal of becoming a company that uses less energy and can withstand power supply instability. This project was recently concluded after a specific framework for initiative was developed. The next step of this process will be to promote activities as part of the efforts of the Energy Conservation & Global Warming Prevention Committee.

Study on Energy Conservation Activities from Fiscal 2013



Themes of Initiatives

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

The Takasaki Plant installed and began operating a CGS* in June 2013 that can produce about one-third of its electricity needs from Tokyo Electric Power Company.

We completed the review process for emergency back-up generators at our other plants.

In addition, we changed electricity suppliers at certain business sites, excluding plants, to achieve a stable power supply unaffected by the operating situation of Japan's nuclear power plants.

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

2. Promote existing energy conservation and global warming prevention theme

In fiscal 2013 we improved our specific energy consumption by 4.0% compared to fiscal 2012 and total energy usage was down 2.0% year on year thanks to our promotion of these energy conservation themes.

3. Create energy conservation master plan to achieve ideal vision for plants

We are preparing mater plans to reduce energy usage with an eye on the future vision for our plants. Going forward, we will periodically revise these plans as part of our ongoing efforts to reduce our specific energy consumption and greenhouse gas emissions.

4. Formulate new energy conservation themes based on a statistical analysis of energy usage at our plants

We performed a statistical analysis on plants that have completed the collection of necessary data and verified the main factors behind their use of energy in order to begin a review into ways that we can reduce this energy usage. As for plants still collecting this data, we will perform a statistical analysis as soon as it becomes available and work to narrow the scope of this theme.

5. Devise evaluation method for energy usage at the time of research and development when developing new environmentally friendly products

We have created a system during the initial research and development stage where researchers perform energy usage evaluations on the manufacturing process under development. Although this system is still in its infancy, the fact that researchers are performing these evaluations has raised their awareness of energy conservation, which is expected to have positive effects on the development of energy efficient production processes.

Initiatives of Wuxi Polatechno Optics Co., Ltd.

Wuxi Polatechno Optics Co., Ltd. (WPLC) was established in Wuxi, China in 2003 to assemble components for LCD projectors made by Polatechno Co., Ltd. Starting in 2010 Polatechno carried huge capital investments and relocated its production and today WPLC is responsible for a majority of the fabrication necessary for LCD project parts and the fabrication of polarized film chips for use in automobiles. However, the increase in production led to a large increase in electricity and materials usage. In 2012, WPLC set up the Energy Saving Committee and under this organization the company has worked diligently to conserve energy and resources. Energy conservation activities have included changing the layout of the clean room, modifying the interior temperature settings, and conserving electricity by adjusting surrounding street light. Resource conservation activities have included deploying staff in an optimal manner, improving work efficiency by cross–training workers, reducing deficiencies through production process changes, and reducing the use of paper. Moving forward, all of WPLC's workers will collectively work together to make continual improvements so that the company is more environmentally friendly and socially responsible.

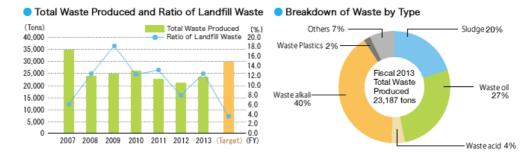


Rolling Out Eco-friendly Sales Vehicles

Information on efficacy and safety is essential to ensuring that patients use our pharmaceutical products correctly. Nippon Kayaku stations medical representatives (MR) throughout Japan in order to gather and provide information on our proprietary pharmaceuticals by visiting medical institutions in person. All of the 327 company–owned sales vehicles used by these MR in their daily visits were recently switched over to eco–friendly hybrid vehicles, with the exception of colder weather areas requiring all–wheel drive.

Waste Reduction

In fiscal 2013, the Nippon Kayaku Group produced 23,200 tons of waste, which represents a 13.5% increase compared to fiscal 2012. Landfill waste in fiscal 2013 amounted to 2,838 tons, or a zero emissions rate of 12.2%, marking a 4.3% drop compared to fiscal 2012. Going forward, we will continue with activities aimed at increasing our recycling rate and achieving zero emission.



Noise Prevention

We conduct our business with a conscious effort toward minimizing noise pollution in the areas surrounding our factories. We regularly measure noise levels around our factories, making every effort to be a positive member of the local community. As such, any feedback or requests that we receive from local residents at company–sponsored events such as community round–tables are treated with the utmost priority. We also conduct regular work environment measurements in the factory to protect our employees from excessive noise.

Environmental Accounting

Nippon Kayaku has tracked and shared all cost data associated with its environmental protection initiatives since fiscal 2000. Also, from fiscal 2003, we began calculating the returns from our environmental protection initiatives. Calculation of environmental costs and returns are made according to Environmental Accounting Guidelines (2005 Version) published by the Ministry of the Environment of Japan, and Environmental Accounting Guidelines for Chemical Companies published by the Japan Chemical Industry Association.

(Millions of yen)							
	Category		Investment		Main Activities		
		Air Pollution Prevention	84.2	111.8	Replaced waste fluid incinerator, reinforced VOC countermeasures, shifted heating medium furnace to gas-fired unit		
	Pollution Prevention	Water Pollution Prevention	36.0	204.9	Replaced bio-decolorization tower and waste water treatment facilities Replaced pumps, piping and flow meters		
	Cost	Underground seepage prevention	34.2	22.7	Switched to aboveground waste liquid storage tank, lined pit underground water supply pit, made improvements to drainage channel		
Cost Incurred in the Workplace		Noise and Vibration Prevention	0.0	0.0	Installed silencer on isolation tower		
		Other		267.7	Disposal costs of facilities and pollution charges		
	Global Environment Cost	Global Warming Prevention and Energy Conservation	221.0	14.7	Replaced HVAC, switched transformers to top runner, installed brine chiller unit		
	Resource Recycling Cost	Waste treatment	0.0	567.5	In-house processing costs and processing outsourcing costs		
Up- / Down- Stream Cost	Container Recycling Outsourcing		-	0.4	Outsourcing costs for repackaging products and cleaned and recycled product containers		
Stream Cost	Sewage Processing Cost		-	45.0	Sewerage treatment costs		
	System Maintenance and Operation		-	129.9	Internal auditor development cost and ISO14001 renewal costs		
	Environmental Stress Monitoring		-	44.5	Analysis costs and outsourcing costs		
Management Activity Cost	Information Disclosure		-	9.5	Outsourcing costs for preparing information disclosure documents on the environment		
	Education, Training and Other		-	53.7	Workplace training, etc.		
	Greening		11.3	181.4	Added plants and improved some greenery along the roadway		
R&D Cost				440.2	Environmentally friendly R&D costs and wastewater treatment technology development costs		
Social Activity Cost			-	7.0	Plant tours, community event sponsorship, responsible care, ICCA special committee, LRI research meeting costs		
Environmental Damage Cost			_	0.0			
Total			386.7	2,101.1			

Return from Environmental Protection Initiatives

(Millions of yen)

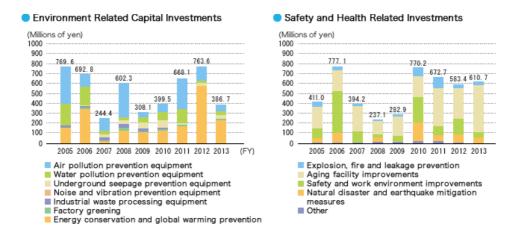
	Sources of Return	1	Cost Reduction Return	Main Activities
	Pollution Prevention	Air Pollution Prevention	0.0	Boilers and deodorizing furnace fuel was switched to LNG, reducing VOC emissions
		Water Pollution Prevention	0.0	Reduced the amount of color pollution from the treatment of each item
	Return	Pollution Load Levy Reduction	0.3	
		Noise and Vibration Prevention	0.0	Reduced onsite noise by changing the direction of the exhaust fan
Workplace	Global Environment Return	Global Warming Prevention and Energy Conservation	131.2	Installed a gas cogeneration system, upgraded to the latest high-efficiency boiler, reduced the amount of heat lost from steam
	Resource recycling return	Reduction of Waste	9.0	Recycled waste oil as an auxiliary fuel
		Sale of Recycled Resources	13.4	Collected metals, sold paper products outside the group, and sold plastics outside the group
		Other	44.9	Made changes to in-house recycling and the waste processing provider
Up- / Down- Stream Container Recycling			83.6	Reused plastic drums
Others			0.0	
Total			282.4	

- Scope: Nippon Kayaku (non-consolidated)
- Capital expenditure: Compilation of capital appropriated for orders in fiscal 2012 (June 2012 to May 2013)
- Management cost: Any cost increase resulting from change in fuel type or change in waste processing method that are deemed appropriate from an environmental perspective are recorded under this category each year for a period of five years from the date the change is first administered.
- From a financial accounting standpoint, earnings realized from environmental protection initiatives are recorded in the fiscal year in which such earnings are realized.
- Earnings such as expense reduction and environmental impact reduction that are not considered from a financial accounting standpoint are reported for five years from the date it is first realized.

Investments Related to the Environment, Health and Safety

The Nippon Kayaku Group makes well planned and continual investments in environment, safety and health related projects. In fiscal 2013, investments related to the environment totaled 386.7 million yen, marking a 49% decrease compared to fiscal 2012. This sharp decrease in investments was attributed to fiscal 2011 measures for preventing air pollution and fiscal 2012 measures for energy conservation and global warming prevention running their course, respectively. Energy conservation and global warming prevention accounted for 57% of the total.

Investments related to health and safety totaled 610.7 million yen in fiscal 2013, which is up 5.0% compared to fiscal 2012 Investments in measures to address aging facilities accounted for 79% of the total.



FY 2013 Energy Efficiency Survey

*High-load machinery: refrigerators/freezers, blowers, air compressors, steam boilers

	Business site/Company name	"Green curtains" (bitter gourd plants)	Adjustments to work styles	Management of thermostat settings	Electricity /water saving and conservation awareness	Thined out fluorescent lighting; LEDs, etc.	Controlled operation of high-load machinery*	Limits on refrigerator use, etc.	Heat barrier film/paint,water dispersement	Surveys, etc. of efficiency measure efficacy
1	Head Office, NIPPON KAYAKU CO., LTD.		_	•	•	•	_	•	_	•
2	Fukuyama Plant/ NIPPONKAYAKU FUKUYAMA CO., LTD.	•	•	•	•	•	•	•	•	•
3	Asa Plant	•	_	•	•	•	•	•	•	•
4	Tokyo Plant/ NIPPON KAYAKU TOKYO CO., LTD.	•	_	•	•	•	•	•	•	•
5	Takasaki Plant	•	_	•	•	•	•		•	_
6	Himeji Plant	•	•	•	•	•	•		•	•
7	Kashima Plant	•	_	•	•	•	•			•
8	Tokyo business CENTER/ Tokyo business district	•	_	•	•	•	•		•	•
9	POLATECHNO CO., LTD.		_	•	•	•	•			•
10	MOXTEC, INC.		_			•	_			
11	WUXI POLATECHNO OPTICS CO., LTD.		_	•	•	•	_			•
12	Dejima Tech B.V.		_	•	•	•	_			
13	POLATECHNO (HONG KONG) CO., LIMITED		_	•	•		_		•	•
14	NIKKA FINE TECHNO CO., LTD.		_	•	•		_			
15	Nippon Kayaku Korea Co., Ltd.		_	•			_			
16	Euro Nippon Kayaku GmbH		_	•	•		_			
17	KAYAKU CHEMICAL (WUXI) CO., LTD.		_	•	•					
18	MicroChem Corp.		_	•	•		•			
19	Wuxi Advanced Kayaku Chemical Co., Ltd.		•		•	•	•		•	
20	Zhaoyuan Advanced Chemical Co., Ltd.		•	•	•	•	•		•	•
21	NIPPON KAYAKU FOOD TECHNO CO., LTD.	•	_	•			_			
22	Tumor Diagnosis Support Co., Ltd.	•	_		•	•	_		•	
23	Nippon Kayaku Medical Care Co., Ltd.	•	_	•	•	•	_			
24	NAC Co., Ltd.		_	•	•		_			
25	Taiwan Nippon Kayaku Co., Ltd.		_	•			_			
26	INDET SAFETY SYSTEMS a.s.		_	•	•		_			
27	Kayaku Safety Systems (Huzhou) Co., Ltd.		_	•	•	•	_		•	•
20										
28	Kayaku Safety Systems de Mexico, S.A. de C.V.			•		•			•	•
29	Nishiminato Driving School Corporation		_	•	•	•	_		•	•
30	Kayaky (Shanghai) Co., Ltd.		_	•	•		_			•
31	Wako Toshi Kaihatsu Co., Ltd.		_	•	•	•	_		•	•
32	NIKOS CO., LTD.		_	•	•	•	_			
33	JHMS Co., Ltd.		_			•	_			
34	Okiura Golf Center Co., Ltd.		<u> </u>	•	•	•	_			•
35	Kouwa Sangyo Co., Ltd.	•	_	•	•	•	_	•	•	•
36	Gunnan Sangyo Co., Ltd. Head Office, KAYAKU	•	_	•		•	_	_	•	_
	AKZO CORPORATION Asa Plant, KAYAKU									
38	AKZO CORPORATION		-	•	•	•	_			
39	Head Office, Kayaku Japan Co., Ltd.		_	•	•	•	_			
40	Asa Plant, Kayaku Japan Co., Ltd	•	_	•	•	•	_	•	•	•
41	Sanko Kagaku Kogyo Co., Ltd.	•	_	•	•	•	_			

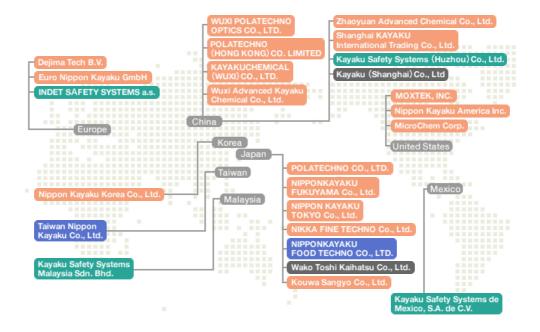


HOME # CSR # The Nippon Kayaku Group's CSR Commitment



The Nippon Kayaku Group's CSR Commitment

The Nippon Kayaku Group has business operations in nine countries around the world, comprising 20 subsidiaries in Japan and 20 subsidiaries overseas. This section presents the unified CSR commitment of all consolidated group companies.



Japan Functional Chemicals Group
Representative Director & President Makoto Ando, POLATECHNO CO., LTD.

Polatechno operates a line of businesses under the key words controlling light. We are committed to the safety of end consumers and contributing to more energy efficient and comfortable lifestyles from the use of products by customers and their products made possible by our lineup of light controlling equipment. In the process, this will also enable us to strive to realize a more eco-friendly environment. The greatest issue surrounding our CSR is continually supplying products that are essential to everyday life.



Japan Functional Chemicals Group
Representative Director & President Kunio Ujita, NIPPONKAYAKU FUKUYAMA Co., Ltd.

NIPPONKAYAKU FUKUYAMA's CSR activities focus on co-existence and co-prosperity with the local community. Our plant has been a fixture in the local community since it was established in 1916 and today we continue to actively support occupational safety and health, fire fighting, human rights, environmental protection, as well as festivals and events for the revitalization of the local community. Pigment materials for industrial ink jet printers, one of the products we manufacture, feature a lower impact on the environment because they result in less waste liquid during the dyeing



Japan Functional Chemicals Group
Representative Director & President Kiyoshi Kurino, NIPPON KAYAKU TOKYO Co., Ltd.

At Nippon Kayaku Tokyo, we use 3C&SQE as a keyword in our approach to corporate management. This acronym stands for compliance, community, cost savings, safety, quality and ecology. With this in mind, we contribute to society through the production of dyes for ink jet printers.



We engage the local community through the Satsuki Festival (May), rice cake-making event (December), plant tours, and internships. As a plant located in a densely populated urban area, our volunteer firefighting activities help protect the plant and also form part of disaster assistance agreements we have signed with local community associations. We also have AED onsite for the benefit of workers and the surrounding community.

Japan Functional Chemicals Group • Safety Systems Group
Representative Director & President Hideaki Hattori, NIKKA FINE TECHNO Co., Ltd.

NIKKA FINE TECHNO is the only Nippon Kayaku Group company in Japan that serves as a trading company. Our core business focuses on the domains of Nippon Kayaku and its group companies, and leveraging our broad product lines and technical support capabilities, our employees carry out business activities fully compliant with relevant laws and fully aware of the company's code of conduct. We will realize the KAYAKU spirit by carrying out CSR management that fulfills the expectations and trust of all stakeholders.



Japan Pharmaceuticals Group

Representative Director & President Shigetaka Kitano, NIPPONKAYAKU FOOD TECHNO CO., LTD.

Nippon Kayaku Food Techno's plant, research laboratory and head office are located in Takasaki City, Gunma Prefecture. With a workforce of 110 employees, we manufacture deoxidizers for food freshness pouches that we sell to food companies through our six sales offices. As a member of the Nippon Kayaku Group, we are fulfilling customer and societal expectations by achieving the KAYAKU spirit of "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences." Our Workplace Environment Improvement Committee focuses on delivering an employee–friendly work environment, and we aspire to achieve co–existence with the local community.



Japan Other Businesses

Representative Director & President Nobuyuki Yamanaka, Wako Toshi Kaihatsu Co., Ltd.

Wako Toshi Kaihatsu engages in the real estate lease business. We own land and a six-story building located in front of Wakoshi Station in Saitama Prefecture, which is leased to retailer Itoyokado's Wako store. In April 2014 we concluded a new long-term lease agreement with the company after the previous 20-year lease agreement expired. We also lease two company housing buildings and one employee dormitory to Nippon Kayaku as well as the building used for Asunaro House, a facility for supporting families of children with intractable diseases. Our facilities, including Asunaro House, are used by a large number of people, and this is why we strive to continually update and upgrade each to ensure user safety and comfort.



Japan Functional Chemicals Group
Representative Director & President Hiroshi Kaneko, Kouwa Sangyo Co., Ltd.

Kowa Sangyo, following Nippon Kayaku's Declaration on Health, Safety, Environmental Protection and Quality, provides opportunities for its employees to experience dangers and threats to their safety firsthand using apparatuses created in house as part of its safety development training to teach the correct detection and early reaction to threats. We also offer emergency first-aid training to instill employees with the knowledge and techniques needed to quickly respond and administer first-aid to bystanders in an emergency. Additionally, around 20 of our employees belong to the local volunteer fire fighting brigade, and based on their love for the community embodied by the saying, "protect your own community," these volunteers take part in disaster preparedness activities and disaster reduction activities throughout the year. Moving forward, we stand committed to continually carrying out these types of CSR activities that are beneficial to the local community.



United States Functional Chemicals Group
CEO & President Shigeyuki Kawamura, MOXTEK, Inc.

Moxtek's CSR activities are defined by the KAYAKU spirit. We strive to ensure this spirit is alive and well in all our employees at all times. Moxtek excels at R&D, making the daily mission of our corporate activities to supply high

performance products to customers in a responsible manner. Moxtek retains a large number of expert engineers and we arrange opportunities for these engineers to share their experiences with local elementary school students. This initiative forms part of our commitment to be a company closely rooted in the local community.



United States Functional Chemicals Group • Safety Systems Group
Representative Director & President Akira Miyata, NIPPON KAYAKU AMERICA, INC.

Nippon Kayaku America sells chemical products manufactured by Nippon Kayaku in the United States. We have outsourced warehouse operations to an external provider, but constantly check and provide guidance to this company to ensure the safe import, storage and transport of these chemicals. We have also established a 24-hour emergency response system to ensure accidents involving even non-hazardous chemicals, if they were to occur, are addressed immediately. As the sales company of a manufacturer, and as an expert in the products we carry, we are striving to fulfill our responsibilities to society.



United States Functional Chemicals Group
President & CEO Jeremiah J. Cole Jr., MicroChem Corp.

MicroChem is committed to its corporate responsibilities for the welfare of our employees, community, environment, and to economic value for our stakeholders. We are dedicated to helping our customers succeed through our innovative products and technologies. In addition, we ensure that our business success is in line with MicroChem's high ethical principles and societal expectations.



China Functional Chemicals Group
General Manager Tsutomu Nakazawa, Wuxi Polatechno Optics Co., Ltd

WUXI POLATECHNO OPTICS (WPLC) is the post-processing plant of Polatechno located in Wuxi, China. Last year we celebrated our 10th anniversary. We mainly process parts for LCD projectors and fabricate chips for polarizing film used in automotive applications. We plan on increasing our workforce (generate employment opportunities) due to a rise in production and we also employ a large number of female workers, so we maintain a strong commitment to provide a workplace environment that is safe and secure for women. As part of our CSR activities and social contributions to date, we have promoted blood donations and environmental initiatives, and now we are refocusing attention on community-focused CSR activities to become an appealing company that is recognized by society for its involvement in the community.



China Functional Chemicals Group
General Manager Masahide Iesaka, POLATECHNO (HONG KONG) CO., LIMITED

Hong Kong consumes large amounts of electricity due to its geographic location in a tropical climate with prolonged periods of high temperatures and high humidity. The Government of Hong Kong has issued a recommended room temperature of 25.5 degrees Celsius, but there are a rising number of locations that set the indoor temperature to between 20 and 22 degrees Celsius during the summer time. Polatechno (Hong Kong) carefully manages the health of its employees and strives to reduce its electricity consumption by setting the indoor temperature to 25 degrees Celsius if the temperature rises above 24 degrees Celsius at its office.



Hong Kong has a very small land area and so garbage has become a major concern. We are currently moving forward with initiatives to reduce our waste emissions by recycling more so that we can become a company that is more closely rooted in the local community.

China Functional Chemicals Group
General Manager Masatomi Akezuma KAYAKU CHEMICAL (WUXI) CO., LTD.

Kayaku Chemical (Wuxi) recognizes the important role that continuing as a going concern and developing sustainably in Wuxi will have on safeguarding employment and its ability to create employee–friendly workplaces. With health a top priority, we constantly revise items used on regular health check–ups for employees to help maintain their health through early detection and early treatment. We also select designated hospitals and review check–up items (required and optional). In this manner, we are taking steps to strengthen our fundamental CSR. Additionally, this year we began offering various types of training programs for employee development with the assistance of the Technical Administration & Engineering Division and Human Resources Management Division from the head office as well as Kayaku (Shanghai) Co., Ltd.



To gain trust in the China market we need to pursue stable supplies, stable quality and cost performance. This process emphasizes the entire value chain, spanning from quality audits of raw materials manufacturers to systematic follow-ups and requests made to logistics companies.

China Functional Chemicals Group

General Manager Yoshinori Kato, Wuxi Advanced Kayaku Chemical Co., Ltd.

This year China's Premier Li Keqiang declared war on pollution. As a result, environmental regulations are expected to be tightened across China in the coming years. Wuxi Advanced Kayaku Chemical has carried out various environmental measures since it commenced operations and has ensured full compliance with environmental laws and regulations. However, we now require additional environmental measures to address increasing production volume and the roll out of new businesses. We will aspire to secure a stable supply system by reinforcing our management of suppliers through green procurement based on the proper environmental measures.



China Functional Chemicals Group

General Manager Katsumi Hirotsu, Zhaoyuan Advanced Chemical Co., Ltd.

Zhaoyuan Advanced Chemical, established in China's Shandong Province in 1995, manufactures fluorescent dyes for paper and yellow pigments. We display KAYAKU spirit boards in meeting rooms, reception areas and the cafeteria, and regularly hold reciting sessions where the published edition of the KAYAKU spirit is read aloud. Since our founding, we have carried out 5S activities, an acronym of five Japanese words phonetically starting with the letter "S," (sort, straighten, shine, standardize, sustain) to ensure four key areas of safety (safe operations, environmental safety, the safety of customer trust, and the safety of employee health). Safe operations, compliance with environmental regulations and cost savings are handled with teamwork and through CSR management.



China Functional Chemicals Group

General Manager Shinji Inoue, Shanghai KAYAKU International Trading Co., Ltd.

Shanghai KAYAKU International Trading (SKT) sells dyes, ink for industrial ink jet printers and heat-sensitive developing agents to the China and ASEAN markets. Environmental and energy conservation issues in these regions will only grow importance moving forward. In particular, environmental consideration and energy efficiency are very important issues facing customers who dye textiles. We are actively rolling out dyes that take about half the normal time to complete, which contributes to our customers' production efficiency, energy conservation and reduction in wastewater.



China Safety Systems Group

General Manager Takanori Makiuchi, Kayaku Safety Systems (Huzhou) Co., Ltd.

In 2013, Kayaku Safety Systems (Huzhou) created a five-point corporate vision and three company-centric targets. In fiscal 2014, our focus areas are enhancing training to ensure quality and improve productivity and thorough compliance through proper responses to laws. Each and every day our activities will focus on these aspects. Specifically, we plan to establish a compliance committee for ethical behavior and legal compliance, to develop a monitoring camera system for security, to obtain TS16949 certification for customer satisfaction, to carry out QC activities for safe, healthy and fair workplaces, and to provide English language training as part of our human resource development efforts.



China Other Businesses

General Manager Koichi Taniguchi, Kayaku (Shanghai) Co., Ltd

The role of Kayaku (Shanghai) is to (1) provide excellent services to group companies in China and contribute to their growth, (2) practice CSR management, and (3) unify group companies in China. As part of our CSR activities in April this year we began a training program for expatriate employees working at group companies in China in order to maximize the skills required in China. With further business expansion in China an urgent task, this represents our first attempt to develop globally-minded resources required by the company. At the same time, we have also launched a skill building training program for Chinese employees based on rank. We plan on actively offering this program to fulfill the need for greater localization in the future.



The Netherlands Functional Chemicals Group Managing Director Henk Kalsbeek, Dejima Tech B.V.

Dejima aims to conduct its business in a socially responsible and ethical manner, to contribute to the community in which it operates and to respect the needs of employees, shareholders, customers, suppliers, regulators and other stakeholders. Dejima is committed to maintain a healthy and safe working environment that ensures tolerance, respect and dignity for all its employees. Dejima is committed to providing equal opportunity in all aspects of employment and will not engage in



or tolerate unlawful workplace conduct, including discrimination, intimidation, or harassment. Dejima recognizes that pollution prevention, biodiversity and resource conservation are key to a sustainable environment, and will effectively integrate these concepts into its business decision–making. All its employees are responsible and accountable for contributing to a safe working environment, for fostering safe working attitudes, and for operating in an environmentally responsible manner.

Europe Functional Chemicals Group
Representative Director & President Yasuyuki Kitayama, Euro Nippon Kayaku GmbH

In Germany, there is a labor court that exclusively handles labor issues and companies are required to carry out business activities following CSR management and give consideration to their employees. In this regard, people are very aware of CSR in Germany. At Euro Nippon Kayaku we use printed versions of the KAYAKU spirit to broaden understanding of CSR management, and to ensure employees safety and create healthy workplaces, we strive to prevent all accidents and injuries during the commute and make sure employees take all their paid leave. Moving forward, we are committed to actively carrying out CSR activities in consideration of the local community.



Europe Safety Systems Group
President Susumu Tokutake, INDET SAFETY SYSTEMS a.s.

INDET SAFETY SYSTEMS a.s. (ISS) recently celebrated its 15th anniversary as an overseas affiliate of the Safety Systems Group. The Czech Republic was once a member of the Communist Bloc, and therefore, not many people are familiar with the word CSR. This is why we had to start by educating our people about the concept of CSR. In recent years, our employees have gained a solid understanding of CSR and with that our CSR activities have grown more dynamic and we are making solid progress each day toward the realization of CSR management. As with other regions, Vsetín City, where our company is located, faces many social issues, including healthcare concerns with the advancement of an aging society and depopulation caused by people moving to major urban areas. With regards to healthcare, we will continue to strengthen our relationships with local hospitals and provide support. With the globalization of the auto industry, our high quality automotive safety components are used in countries around the world, protecting people from traffic accidents, which represents our promise to stakeholders.



South Korea Functional Chemicals Group
Representative Director & President Masahiro Hirano, Nippon Kayaku Korea Co., Ltd.

Nippon Kayaku Korea (NKK) imports Nippon Kayaku's functional materials to sell to customers in South Korea. Functional materials are chemical substances, so prior approval must be received for their import to South Korea based on the country's chemical related laws and regulations. NKK will continue to thoroughly manage the chemical substances it imports to South Korea in full compliance with these laws and regulations. South Korea plans on enacting a new law and regulation on chemicals called K-REACH. NKK will thoroughly comply with this new regulation on chemicals as well.



Taiwan Pharmaceuticals Group • Functional Chemicals Group General Manager Jiro Hanada, Taiwan Nippon Kayaku Co., Ltd.

Currently, Taiwan Nippon Kayaku is carrying out daily activities to realize the KAYAKU spirit. Our commitments include: (1) correctly understanding customer needs and striving to improve quality of daily work, conveying these practices to related departments; (2) contributing to cultural and economic exchange by actively participating and supporting activities and events of the Interchange Association Japan and the Taiwan Chamber of Commerce; and (3) displaying corporate vision boards primarily inside to constantly raise awareness of the KAYAKU spirit and carrying a card at all times that contains our corporate vision. Moving forward, we will continue to proactively carry out CSR activities for the benefit of the local community.



Mexico Safety Systems Group Representative Director & President Yoshitsugu Kawata, Kayaku Safety Systems de Mexico, S.A. de C.V.

Kayaku Safety Systems de Mexico (KSM) manufactures and sells automotive safety components. KSM is a relatively young company first established in 2007. We carry out activities with the goal of becoming a company recognized in the local community for its four missions. These include: (1) listening to and understanding the voice of customers; (2) constantly and continually striving to improve products; (3) create an expansive culture inside the company with accountability and pride, and (4) fulfilling responsibilities as an organization and a member of society.



Malaysia Safety Systems Group

Representative Director & President Shinji Ichikawa, Kayaku Safety Systems Malaysia Sdn. Bhd.

Kayaku Safety Systems Malaysia is a young company established in Malaysia in December 2012 to manufacture and sell automotive safety components. Currently, we are constructing a plant and each one of our employees is working hard together to meet the goal of commencing mass production in 2015. Being a new company, we hired our workforce from scratch. The first order of business was to familiarize our new employees with the KAYAKU spirit. With the environment and safety our number one concern, we aim at helping to reduce the number of fatal car accidents in the community through our high quality products and also helping to grow the local economy through job creation and improved living



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HOME # CSR # Third-Party Opinion



Third-Party Opinion

Masahiko Kawamura Senior Research Fellow. NLI Research Institute

Profile

After completing his master's degree from the Faculty of Engineering of Kyushu University in 1976, Mr. Kawamura joined Mitsui Ocean Development & Engineering Co., Ltd. (MODEC). In 1988, he joined NLI Research Institute, where today he belongs to the Insurance Research Department. Mr. Kawamura specializes in environmental management, CSR, and environmental business practices. He is a Vice Chairman of the Sustainable Management Forum of Japan (SMF). Mr. Kawamura has co–authored various books including An Introduction to Environmental Management, SRI and New Companies/Financial Institutions, and Carbon Disclosure, and has a forthcoming publication called Japan's CSR at a Crossroads, among others.



About the CSR Reporting: Composition Demonstrating Motivation for Global CSR Management

This year's printed edition (digest version) I feel demonstrates the Nippon Kayaku Group's global commitment to CSR management heading toward its 100th anniversary in 2016. The report includes not only a message from the President of Nippon Kayaku at the beginning, but also messages from the heads of eight consolidated group companies from around the world. Strictly speaking, however, currently the Nippon Kayaku Group is in the stage of aligning its direction globally and going forward I hope it will focus on addressing CSR issues that reflect the social issues of each respective country where it operates.

The Mid-Term CSR Action Plan (Fiscal 2013 to Fiscal 2015) is positioned as the core component of the report and the 24 items covering the four CSR activity domains of foundational, financial, social, and environmental are specific and easy to understand. I also commend the fact that the results from the previous fiscal year and targets for the next fiscal year provide quantitative performance data. However, my impression was that information focused predominantly on Japan and so the next action plan should incorporate a broader and more global perspective.

Nippon Kayaku is currently examining internally the roll out of key performance indicators (KPI) that is has been proposing for some time now, and I strongly encourage the company to disclose its findings both internally and externally. This represents one mark for its CSR management in the run up to its 100th anniversary.

About the Content of the CSR Report: Further Broadening of Global CSR Management

Nippon Kayaku's website contains a comparison table of ISO26000 and the 24 items from its action plan that is organized according to the core subjects and issues. This makes it possible to understand the differences with international standards, but some type of explanation was needed with regard to the meaning of the empty spaces. I recommend that the company reconsider the deficiencies and excess or the validity of the 24 items based on the Related Actions and Expectations section of ISO26000.

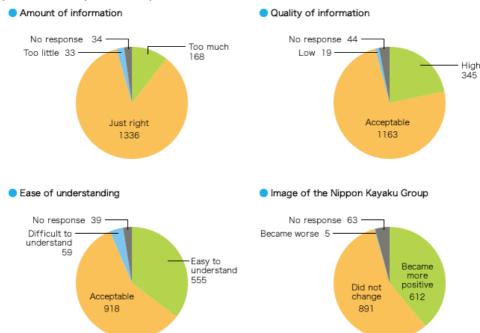
The Nippon Kayaku Group cites compliances as a foundation for its CSR activities. There is no room to debate that compliance is the foundation for the foundation of CSR, but compliance can also become a risk factor overseas. In other words, with regards to human rights, employment, and labor issues, regulations may not be sufficient even if there are laws or they may not even be laws. In such cases, decisions must be made based on international rules and norms that are called "soft law". Nippon Kayaku is currently in the process of drawing up guidelines on CSR procurement, and I hope these are completed at an early stage based on the company's wonderful initiatives.

The Nippon Kayaku Group is a multinational corporation with 25 consolidated subsidiaries and business operations in nine countries around the world. Last year, my report noted that the company's second phase of CSR management is beginning and I believe initiatives are making steady and certain progress. I expect these initiatives to be expanded going forward while also keeping in mind the true definition of CSR, which is responsibility of the company for the impacts of its decisions and activities on society and the environment.

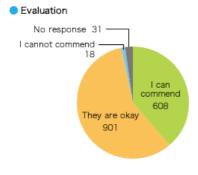
Reader Survey Results for the 2013 CSR Report

(Responses: 1571)

Q. What was your impression of this year's CSR report?



Q. How would you evaluate the Nippon Kayaku Group's CSR activities?



Top 10 Areas of Interest from this Report

1	Current Nippon Kayaku Group Products and Future Technologies and Products Supporting an Affluent Lifestyle
2	The Nippon Kayaku Group's Businesses
3	Initiatives for Society
4	Initiatives for Employees
5	Initiatives with Our Customers
6	Approach to CSR Management
7	Message from the President
8	Mid-Term Action Plan
9	Special Feature - Presentations for a Better Tomorro
10	Environment, Health and Safety, and Quality Assurance Management

Q. About yourself

