



— Third-Party Opinion

Masahiko Kawamura

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Profile

After completing his master's degree from the Faculty of Engineering of Kyushu University in 1976, Mr. Kawamura joined Mitsubishi 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 authored *The Perfect Guide to CSR Management*, and coauthored various other books including *An Introduction to Environmental Management*, *SRI and New Companies/Financial Institutions*, *Carbon Disclosure*, and *New Trends in Integrated Reporting*, among others.



About the CSR Reporting: Blossoming of CSR Management

After reading this year's abridged print version (digest), I felt that it conveyed the sense that the Nippon Kayaku Group's CSR management is blossoming and that the company has a strong desire to expand globally. In reaching the milestone of its 100th anniversary next fiscal year, Nippon Kayaku has shown that it is the final stages of completing its basic framework for CSR management. The dedication and passion toward this is evident from the president's message at the beginning of the report.

The overall composition of the report is nearly the same as last year, but this year's special feature focuses on the company's safety and security efforts in the value chain, which elucidates the company's stance quite clearly. This is because the important points of the company's initiatives based on the characteristics of its business operations are presented in a simple and concise manner.

The company's three-year mid-term business plan ("Challenge 100A!") and its linked Mid-term CSR Action Plan both conclude at the end of this fiscal year. As a self assessment, the report notes that overall targets have been achieved. However, there is no mention about the type of procedures or criteria employed in this assessment. Clarification about the issues and improvements should be given for items which received a triangle symbol or x for their assessment. Not everything is managed with numerical targets, so I believe the report can use some innovations in terms of objectivity and transparency.

About the Content of the CSR Report: Building a CSR System Adaptable for a Global Era

The origin of Nippon Kayaku's CSR management is its corporate vision KAYAKU spirit ("continuously providing society with the best products through ceaseless progress and the combined forces of our consciences"). Put in reverse, corporate activities that seek to accomplish KAYAKU spirit represent CSR management. In the message from the president, President Suzuki noted the company's "steadfast commitment to safety, regulatory compliance and the environment, and by pursuing corporate activities under a highly esteemed set of corporate ethics."

Each of these actions is indispensable as CSR, but they are the results of thinking cultivated in Japan, making them inadequate for the company's global growth and expansion. While the company has recently begun initiatives on CSR procurement and employee diversity with an international view, these do not necessarily align with internationally agreed upon concepts on human rights and labor.

As a result, I recommend that Nippon Kayaku revises and restructures its Mid-term CSR Action Plan. This plan comprises the four fields of

foundational, social responsibility, environmental responsibility, and economic responsibility as well as 24 items. Since corporate social responsibilities and corporate social mission vary, a new CSR system that distinguishes both from one another is necessary.

The former means "a company has responsibility for the impacts of its decision making and business activities on the environment and society" based on the definition of ISO 26000. This involves fixing and making improvements to these negative impacts. On the other hand, the latter is equivalent to creating shared value, or CSV, and means solving social issues using the strengths of the company. For example, this includes item four under social responsibility (Continue to make societal contributions through research, development, and provision of product information on cancer and cancer-related field), item 20 under economic responsibility (Launch products that contribute to the environment and to energy conservation), and item 21 of economic responsibility (Provide high quality pharmaceutical products that reduce economic burdens)

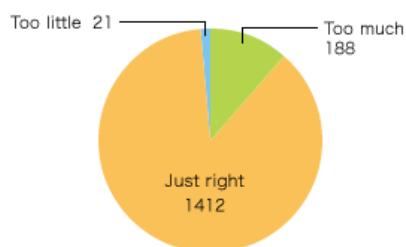
There is a phrase in Japanese called "fueki ryuko," which can be translated "continuity and change." This means change what needs to be changed and leave what needs to be left alone. By continually redefining itself based on the changing times, a company can achieve sustainable growth. Nippon Kayaku is entering the second phase of its CSR management as it advances its global expansion and it has already built the system for addressing this phase. This is why I have strong expectations for the company to tackle bold value creation initiatives to mark the next 100 years of its history.

Reader Survey Results for the 2014 CSR Report

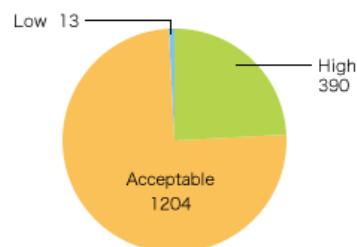
(Responses: 1636)

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

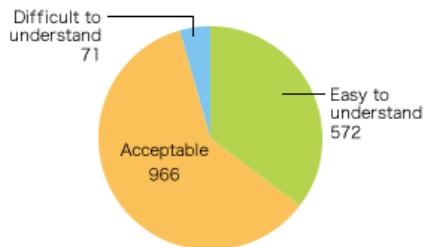
● Amount of information



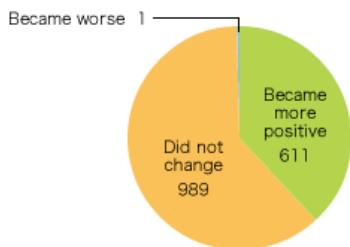
● Quality of information



● Ease of understanding

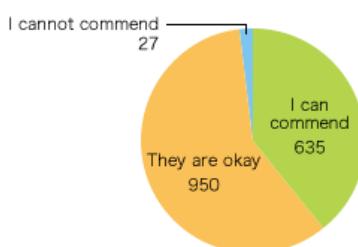


● Image of the Nippon Kayaku Group



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

● Evaluation

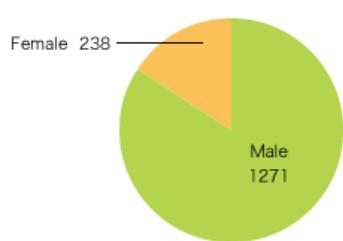


● Top 10 Areas of Interest from this Report

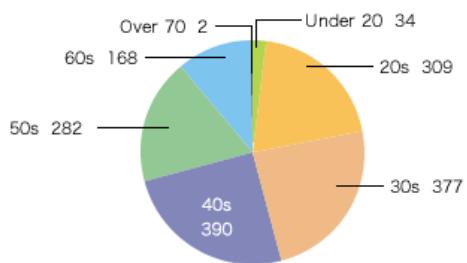
1	Current Nippon Kayaku Group Products and Future Technologies and Products Supporting an Affluent Lifestyle	748
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Q. About yourself

● Gender



● Age



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