


Message from the President

Read an important message from President Masanobu Suzuki.




Fundamental CSR Activities

Learn about the role the KAYAKU spirit plays in our CSR management.

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Special Feature

The Nippon Kayaku Group's Safety and Security Initiatives in the Value Chain


[Special Feature The Nippon Kayaku Group's Safety and Security Initiatives in the Value Chain](#)



Corporate Governance



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CSR Activities Fulfilling Economic Responsibilities

Read about our departments involved in CSR and our R&D initiatives.



Fulfilling Our Responsibility to Society

[Initiatives with Our Customers](#)

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[Initiatives for Society](#)



Fulfilling Our Responsibility to the Environment

[Environment, Health and Safety, and Quality Assurance Management System](#)

[Health and Safety, and Quality \(Assurance\) Initiatives](#)

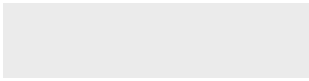


The Nippon Kayaku Group's CSR Commitment

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

Initiatives for Employees

Reducing Our Environmental
Impact



Third-Party Opinion



Message from the President



Executive officers and employees engage in their work knowing that the Nippon Kayaku Group's corporate activities for KAYAKU spirit result in CSR-oriented management

My name is Masanobu Suzuki and I was appointed President of Nippon Kayaku on June 25, 2015. I would like to share a few words with regard to the publication of CSR Report 2015.


At the Nippon Kayaku Group, KAYAKU spirit ("continuously providing society with the best products through ceaseless progress and the combined forces of our consciences") defines our individual goals and serves as our vision for the company. KAYAKU spirit is based on a corporate motto that was first drawn up more than half a century ago. Over the years we have handed down this motto and taken the time to ensure it is fully engrained in every aspect of our organization. The result is that KAYAKU spirit forms the very foundation of the Nippon Kayaku's CSR management. Executive officers and employees engage in their work knowing that the Nippon Kayaku Group's corporate activities for KAYAKU spirit result in CSR-oriented management.

We continually strive to occupy an indispensable presence in society and to fulfill the trust placed in us by stakeholders through our steadfast commitment to safe operations, compliance and environmental consideration, and by pursuing corporate activities under a highly esteemed set of corporate ethics. The Nippon Kayaku Group will celebrate its 100th anniversary in 2016. Currently, we are in the middle of our three-year mid-term business plan called "**Challenge 100A!**" (fiscal 2013 to fiscal 2015) and we believe that CSR management forms the core of all of our business operations.

As our business environment become more global, which has been accompanied by tougher international competition and the borderless nature of our activities, the Nippon Kayaku Group continues to expand internationally and now has diverse operations in nine countries around the world that focus on functional chemicals, automotive safety components, pharmaceuticals and agrochemicals. More than 40% of our workforce is located outside of Japan and the importance of our overseas group companies continues to rise. We recognize that this growth has increased our social responsibilities around the world to a greater degree.

In this year's CSR report, the special feature focuses on initiatives for realizing safety and security, which is one of the most important aspects of our operations as a manufacturer. The report also highlights our initiatives in CSR procurement and workplace diversity. We have increased articles about our overseas group companies and also included non-consolidated group companies within the section called "The Nippon Kayaku Group's CSR Commitment", in order to convey that we are working on CSR management in the entire group. I will ask you to read this digest version of the report as well as the more detailed version posted on our corporate website to understand our CSR activities. In my new capacity as president, I will do my very best to realize the vision of CSR management. I would like to call on the support and cooperation of our stakeholders as we move forward.

President


Masanobu Suzuki



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.

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.

Corporate Governance

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

Compliance

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

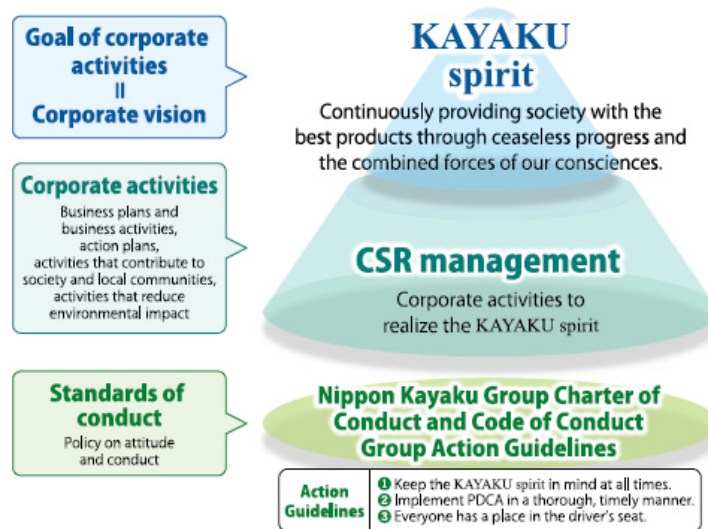


Corporate Vision and CSR Activities

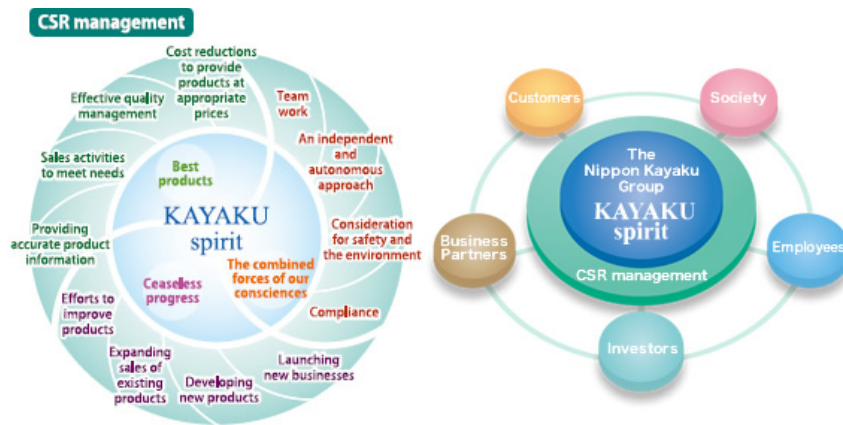
The Nippon Kayaku Group is implementing CSR management that fosters trust among all stakeholders through its focus on the KAYAKU spirit, which calls for "continuously providing society with the best products through ceaseless progress and the combined forces of our consciences."

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 mid-term 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.



Poster board on The KAYAKU spirit

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 Promotion Efforts using the Kayakuma the Bear



Kayakuma the Bear mascot character representing KAYAKU spirit

We have created a mascot character called Kayakuma the Bear in order to make KAYAKU spirit a concept that is more familiar to all Nippon Kayaku Group employees around the world. This character appears in part of the company newsletter that introduces CSR activities and activities for implementing the corporate vision using visual depictions that are easier to understand for all audiences. The mascot has also been incorporated into our daily stationery, clear file folders and even the designs of conference rooms. This ensures employees are always aware of Kayakuma the Bear and in touch with our corporate vision in all aspects of their work. We are currently filing for a trademark for Kayakuma the Bear and plan on widely using it as a symbol of the Nippon Kayaku Group in newspaper ads and novelty items and events, such as factory festivals.



Conference room and employee locker

CSR



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 2014 and Targets for Fiscal 2015

This page contains a self assessment of the fiscal 2014 CSR Action Plan linked to the business activities of the Nippon Kayaku Group and also introduces the CSR Action Plan for fiscal 2015.

Category	No.	Challenge 100A / Mid-term CSR Action Plan	FY 2014 CSR Action Plan	Assessment	FY 2015 CSR Action Plan
Fundamental	1	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	2	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	3	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	4	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
Social Responsibility	5	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	6	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	7	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	8	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	9	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	10	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	11	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	12	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	13	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	14	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
Environmental Responsibility	15	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	16	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	17	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	18	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
Economic Responsibility	19	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	20	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	21	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.
	22	Conduct CSR activities in line with our business activities.	Conduct CSR activities in line with our business activities.	○	Conduct CSR activities in line with our business activities.

CSR Action Plan Results from Fiscal 2014 and Targets for Fiscal 2015 



Adobe Reader is required to view files in PDF format.
 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.

Social Responsibility Core Subjects	Social Responsibility Core Issues	Mid-Term CSR Action Plan for Each Issue	No.	Challenge 2001 / Mid-Term CSR Action Plan
Organizational governance	Decision-making processes and structure	● ● ● ● ● ● ● ●	1	Improve employee awareness of CSR and compliance
	Due diligence	● ● ● ● ● ● ● ●	2	Assess business continuity during the onset of an emergency
	Human rights risk situations	● ● ● ● ● ● ● ●	3	Strictly adhere to regulations on chemical substances
Human rights	Avoidance of complicity	● ● ● ● ● ● ● ●	4	Continue to make societal contributions through research, development, and provision of product information on cancer and cancer-related fields
	Resolving grievances	● ● ● ● ● ● ● ●	5	Thoroughly ensure the education of employees on knowledge and skills related to handling customers
	Discrimination and harassment groups	● ● ● ● ● ● ● ●	6	Continued conducting crisis instruction efforts for safe agrochemical use
	Civil and political rights	● ● ● ● ● ● ● ●	7	Promote CSR procurement in cooperation with suppliers
	Economic, social and cultural rights	● ● ● ● ● ● ● ●	8	Work toward preventative measures against environmental impacts and occupational injuries from major accidents
Labor practices	Fundamental principles and rights at work	● ● ● ● ● ● ● ●	9	Reduce customer complaints and quality process mishaps
	Employment and employment relationships	● ● ● ● ● ● ● ●	10	Communicate with the local community
	Conditions of work and social protection	● ● ● ● ● ● ● ●	11	Provide timely and appropriate disclosures of information to stakeholders
	Social dialogue	● ● ● ● ● ● ● ●	12	Utilize and foster diverse human capital
The environment	Health and safety at work	● ● ● ● ● ● ● ●	13	Link due consideration to employee health and safety, and provide a working environment that allows for a good work-life balance
	Human development and training in the workplace	● ● ● ● ● ● ● ●	14	Prevent human rights and privacy
	Prevention of pollution	● ● ● ● ● ● ● ●	15	Expand our green procurement ratio
	Sustainable economic activities	● ● ● ● ● ● ● ●	16	Achieve mid-term environmental targets with due consideration of the environment
Fair operating practices	Climate change mitigation and adaptation	● ● ● ● ● ● ● ●	17	Improve water treatment technology and respond to environmental regulations
	Protection of the environment, biodiversity and restoration of natural habitats	● ● ● ● ● ● ● ●	18	Strive to be a business with ever lower energy consumption
	Anti-corruption	● ● ● ● ● ● ● ●	19	Assure stable earnings as a sustainable business group
	Responsible political involvement	● ● ● ● ● ● ● ●	20	Launch products that contribute to the environment and to energy conservation
Consumer issues	Age discrimination	● ● ● ● ● ● ● ●	21	Provide high quality pharmaceutical products that reduce economic burden
	Respect for property rights	● ● ● ● ● ● ● ●	22	Roll out low-cost automobile safety devices using our proprietary technologies, to a global market in order to contribute to protecting lives
	Fair marketing, factual and unbiased information and fair contractual practices	● ● ● ● ● ● ● ●	23	Ensure the continued existence of manufacturing plants by handing down Japan's "manufacturing" technology
	Protecting consumers' health and safety	● ● ● ● ● ● ● ●	24	Create and implement sustainable research programs
Community involvement and development	Sustainable consumption	● ● ● ● ● ● ● ●	25	
	Consumer services, support, and complaint and dispute resolution	● ● ● ● ● ● ● ●	26	
	Consumer data protection and privacy	● ● ● ● ● ● ● ●	27	
	Access to essential services	● ● ● ● ● ● ● ●	28	
Community involvement and development	Education and awareness	● ● ● ● ● ● ● ●	29	
	Community involvement	● ● ● ● ● ● ● ●	30	
	Education and culture	● ● ● ● ● ● ● ●	31	
	Employment creation and skills development	● ● ● ● ● ● ● ●	32	
Community involvement and development	Technology development and access	● ● ● ● ● ● ● ●	33	
	Wealth and income creation	● ● ● ● ● ● ● ●	34	
	Health	● ● ● ● ● ● ● ●	35	
	Social investment	● ● ● ● ● ● ● ●	36	

Mid-term CSR Action Plan for ISO 26000 Issues 

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.

Category	No.	Challenge 100A! Mid-Term CSR Action Plan	FY 2014 CSR Action Plan	Assessment	FY 2015 CSR Action Plan
Foundational	1	Improve employee awareness of CSR and compliance	CSR Training: implemented 16 CSR group training sessions for 412 employees Domestic compliance training: 50 sessions with 3,449 participants Overseas compliance training: 11 sessions with 138 participants (employees and managers posted overseas in China and elsewhere) Compliance training at each workplace: every month, distributed training material used for training at each workplace	○	Continue CSR and compliance training including Group companies
	2	Assure business continuity during the event of an emergency	Undertook revisions of the BCP manual. Carried out training in December 2014 for the Safety Systems Group Finished moving data centers to earthquake resistant buildings and finished constructing infrastructure (May 2014) IT Manual writing fell behind schedule, with completion now planned for May 2015	○ ○	Reassess the BCP Manual at each workplace and establish a BCP Manual more conducive to implementation Carry out training based on the IT Manual to secure business continuity during emergencies
Social Responsibility	3	Strictly adhere to regulations on chemical substances	In-house instructional programs related to chemical substance regulations: enhanced basic materials and made updates in line with legal revisions Information disclosure via SDS*: Disclosure carried out in line with each country's GHS adoption schedule	○	Enhance in-house instructional programs related to chemical substance regulations Share information with customers through SDS* ¹ in compliance with each country's standards (continue securely handling GHS adoption in each country)
	4	Continue to make societal contributions through research, development, and provision of product information on cancer and cancer-related fields	Interventional radiology: held presentations across Japan to comply with microsphere usage criteria Polymeric micelle anti-cancer drugs: proceeded as planned with the clinical trial for NK105 Proceeded with further enhancements to the Medical Information Service Center in conjunction with the launch of monoclonal antibody biosimilars	◎ ◎	Proceed with development of polymeric micelle anti-cancer drugs Supply Japan's first monoclonal antibody biosimilar treatments
	5	Thoroughly ensure the education of employees in knowledge and skills related to handling explosives	Held 3 lectures for 16 attendees	○	Implement a rank-based education program taught by the explosives safety maintenance team
	6	Continue conducting onsite instruction efforts for safe agrochemical use	Each representative held briefing sessions as needed in each geographical area Number of major violations or accidents due to incorrect use: 0	○	Continue conducting onsite instruction efforts for safe agrochemical use
	7	Promote CSR procurement in cooperation with suppliers	Completed preparations for implementation from the new fiscal year	○	Use the supplier-targeted website and other tools to begin education for CSR procurement Roll out CSR procurement at Group companies
	8	Work toward preventative measures against environmental impacts and occupational injuries from major accidents	Lost worktime accidents: 1 Non-injury-related accidents: 1 Non-lost worktime accidents: 6 MR accident rate: 12.7%	✕	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 : 2 Serious quality process defects* ² : 2 Through project activities, created a Nippon Kayaku "Why Why" Analysis Manual, which was posted in each plant	✕	Serious complaints: 0, serious quality process defects: 0; Strengthen workplace competence through "Why Why" analysis and roll it out at Group companies
	10	Communicate with the local community	114 families used Asunaro House in 2014 (51% occupancy rate)	○	Continue operating Asunaro House
	11	Provide timely and appropriate disclosure of information to stakeholders	Pink Ribbon Campaign: added Campaigns at two more sites (NK Tokyo & NK Fukuyama), and implemented awareness activities at a total of 8 business sites Plant festivals & local community socials: continued implementation as in previous years Global website: launched English and Chinese websites Investors: linked website and e-mail communication and began sending e-mail related to earnings and releases Published CSR report on time Internal company magazine: printed stories on Company history and former employees leading up to our 100th anniversary in 2016	◎	Website: enhance website content Investors: enhance communication with investors Internal company magazine: create greater NK camaraderie
	12	Utilize and foster diverse human capital	Disseminated Group accounting policies Held training sessions for accounting staff at domestic subsidiaries Achieved the legally mandated 2.0% employment for workers with disabilities (50 workers) Female managers: boosted female manager ratio to 4.7% (from 4.2% last year) Non-Japanese employees: 11 (domestic, non-consolidated) Carried out support training that also included the families of employees posted overseas	○ ○ ○	Carry out preparations for adopting IFRS (International Financial Reporting Standards) Comply with the BEPS ³ action plan, emphasizing transfer pricing Continue working toward each target Publicize our female manager target ratio Continue working toward each target
	13	Give due consideration to employee health and safety, and provide a working environment that allows for a good work-life balance	Mental health training: achieved a near 100% participation in lectures as per the 3-year plan Health check-ups: achieved 100% participation rate Male employees taking childcare leave: 3 (30% of those eligible); 100% utilization by female employees	○ ○	Mental health training: achieve year-1 lecture attendance target of the 3-year plan; Health check-ups: 100% participation Stress check-ups: establish a check-up program Formulate an action plan, and publicize it externally, in line with the basic content of the Act on Advancement of Measures to Support Raising Next-Generation Children
	14	Protect human rights and privacy	Awareness of the whistleblower hotline: explained the system during compliance training and placed new posters inside Company offices Hotline reports: responded appropriately to 11 reports	○	Spread awareness of the whistleblower hotline and respond appropriately to reports
Environmental Responsibility	15	Expand our green procurement ratio	Green purchasing of indirect materials: 7% (a slight reduction from 8% last fiscal year)	△	Continue green purchasing with a target of approximately 8%
	16	Achieve mid-term environmental targets with due consideration of the environment	Chemical substance emission reductions: see p. 21 (of this report) for figures, also disclosed on our Website	○	Reduce emissions of chemical substances: continue working toward achieving Mid-Term Environmental Targets set for FY 2020 (details reported on our website)
	17	Improve waste water treatment technology and respond to environmental regulations	Worked alongside Group companies to improve existing technology, address new themes, and establish technology for removing specified heavy metals	○	Complete current review projects for wastewater treatment technology by the end of FY 2015 and take on new projects thereafter
	18	Strive to be a business with ever lower energy consumption	Energy usage: 98.5% YoY; energy intensity: 103.8% YoY (averaging 98.2% over the mid- to long-term) Implemented energy efficiency checks at plants in order to promote energy saving	○	Continue improving energy efficiency intensity by 1% or more YoY
Economic Responsibility	19	Assure stable earnings as a sustainable business group	Introduced the system to all Group companies and began assessments based on the system at some Group companies Inventory: increased above targets; Unutilized real estate: proceeded to review several parcels	○ △	Spread awareness of the mid- and long-term priority issue system to Group companies, and implement an evaluation system based on it Strive Company-wide to 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: behind schedule for market launch Optical control films: invested in performance tests for use in vehicles	△	Expand sales of Freelux reflective film
	21	Provide high quality pharmaceutical products that reduce economic burdens	Biosimilar: brought first monoclonal antibody biosimilar to be approved in Japan to market in November 2014 Generic anti-cancer drugs: brought three cancer-related formulations to market	◎	Bring generic anti-cancer drugs to market without delay
	22	Roll out low-cost automobile safety devices, using our proprietary technologies, to a global market in order to contribute to protecting lives	Completed installing production facilities at our Malaysia business base and increased and strengthened production facilities at our China and Mexico bases	○	Commence production at our Malaysia base and increase and strengthen production facilities at our China, Mexico, and Czech Republic bases
	23	Ensure the continued existence of manufacturing plants by handing down Japan's "monozukuri" technology	Held a variety of internal presentations as well as meetings of employees in charge of plant-related matters; implemented specialized training for young employees as planned Carried out energy saving training for over 100 employees	◎	Promote internal presentations at all NK companies globally, promote information sharing through presentations, etc., and systematically implement training programs for young employees
	24	Produce and implement sustainable research programs	Introduced our new corporate research program at each R&D division, including Group companies, and selected three research projects from nine proposals	○	Establish connections between the newly created Center for Innovative Research and each R&D division (including Group companies), and continue to generate corporate research themes

The Nippon Kayaku website carries information, including a reference chart, on subject and issues relating to ISO 26000 and social responsibility.

◎ : target achieved ○ : almost achieved △ : under-going efforts toward improvement ✕ : not achieved

*1 SDS: Safety Data Sheet

*2 Serious customer complaints, serious quality process defects: incidents entailing losses of ¥10,000,000 or more or judged as substantial by the responsible supervisor.

*3 BEPS: Base Erosion and Profit Shifting

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
Human rights	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		4	Continue to make societal contributions through research, development, and provision of product information on cancer and cancer-related fields
	4	Resolving grievances	14	5	Thoroughly ensure the education of employees in knowledge and skills related to handling explosives
	5	Discrimination and vulnerable groups	12 14	6	Continue conducting onsite instruction efforts for safe agrochemical use
	6	Civil and political rights		7	Promote CSR procurement in cooperation with suppliers
	7	Economic, social and cultural rights	13	8	Work toward preventative measures against environmental impacts and occupational injuries from major accidents
	8	Fundamental principles and rights at work	14	9	Reduce customer complaints and quality process mishaps
Labor practices	1	Employment and employment relationships	14	10	Communicate with the local community
	2	Conditions of work and social protection		11	Provide timely and appropriate disclosure of information to stakeholders
	3	Social dialogue		12	Utilize and foster diverse human capital
	4	Health and safety at work	8 13	13	Give due consideration to employee health and safety, and provide a working environment that allows for a good work-life balance
	5	Human development and training in the workplace	12 23	14	Protect human rights and privacy
The environment	1	Prevention of pollution	3 6 8 15 16 17	15	Expand our green procurement ratio
	2	Sustainable resource use	15 16 18 20	16	Achieve mid-term environmental targets with due consideration of the environment
	3	Climate change mitigation and adaptation	16	17	Improve waste water treatment technology and respond to environmental regulations
	4	Protection of the environment, biodiversity and restoration of natural habitats		18	Strive to be a business with ever lower energy consumption
Fair operating practices	1	Anti-corruption	1 4 9	19	Assure stable earnings as a sustainable business group
	2	Responsible political involvement		20	Launch products that contribute to the environment and to energy conservation
	3	Fair competition	1 3 19	21	Provide high quality pharmaceutical products that reduce economic burdens
	4	Promoting social responsibility in the value chain	2 7 15	22	Roll out low-cost automobile safety devices, using our proprietary technologies, to a global market in order to contribute to protecting lives
	5	Respect for property rights		23	Ensure the continued existence of manufacturing plants by handing down Japan's "monozukuri" technology
Consumer issues	1	Fair marketing, factual and unbiased information and fair contractual practices	6 11	24	Create and implement sustainable research programs
	2	Protecting consumers' health and safety	9		
	3	Sustainable consumption	4 5 20 21 22 24		
	4	Consumer service, support, and complaint and dispute resolution			
	5	Consumer data protection and privacy			
	6	Access to essential services			
	7	Education and awareness	6		
Community involvement and development	1	Community involvement	10		
	2	Education and culture			
	3	Employment creation and skills development			
	4	Technology development and access			
	5	Wealth and income creation			
	6	Health			
	7	Social investment			



Special Feature

The Nippon Kayaku Group's Safety and Security Initiatives in the Value Chain



"Pointing and Calling" signage at Nippon Kayaku Tokyo

Reliability and Safety from Manufacture to Use

The Nippon Kayaku Group strives to identify risks, implement measures and carry out safe corporate activities. This is achieved by conducting safety screenings on environmental, health and safety concerns during each stage of the value chain, spanning from new product development and raw materials purchases to product shipment.

Safety screenings utilize HAZOP*1, RAT*2 and other risk analysis methods, together with our own expertise in manufacturing and case studies about past incidents at other companies, as well as discussions and confirmations with in-house experts, to protect workers, ensure safety and be mindful of the environment.

During R&D we work hard to ensure the safety of raw materials, intermediates, products and waste by carrying out safety screenings along each step of development. On occasion product development is stopped if safety cannot be guaranteed.

Even during technology transfers from research lab to factory, safety screenings are carried out to ensure the necessary safety measures are in place for actual production and that safe work methods will be established. Safety screenings are conducted even for products being made at our factories; whenever there is a restart after a prolonged lull in production, changes in raw materials, production methods, or waste treatment processes, or facility improvements and upgrades are made. Safety training is also provided as part of our efforts to eliminate the threat of danger before it even occurs.

*1 HAZOP: Hazard and Operability Studies

*2 RAT: Risk Analysis by the Type of accident

R&D

Safety at research laboratories

The Nippon Kayaku Group sets a company-wide environmental, health and safety policy and targets, and dedicates efforts towards fulfilling each.

Our research laboratories thoroughly implement the following measures to better manage safety.

1. Awareness toward safety is heightened through active daily communication between staff due to the ongoing transient nature of work despite the small size of our laboratories.
2. Scenarios of abnormalities and accidents that may occur when transitioning to the production line are examined during each stage of the research process, from basic research to product development.
3. Chemical substances are managed responsibly while knowledge and experience from the basics to reaction mechanisms are constantly passed down together with technologies.

These initiatives help to prevent accidents everywhere at the Nippon Kayaku Group before they occur and also ensure that users are aware of safety and environmental requirements when using our products.

Number of consecutive days without an occupational injury at our research laboratories (as of March 31, 2015)

Functional Chemicals R&D Laboratories	15,119 days
Pharmaceuticals Research Laboratories	10,897 days
Agrochemicals Laboratories	9,190 days
Safety Systems Development Laboratories	3,408 days

Raw Materials

Working in concert with suppliers

In April 2015, we launched the CSR Procurement page on our corporate website where we publish our Basic Procurement Principles, Basic Procurement Policy, and CSR Procurement Guidebook. This guidebook conveys our philosophy about CSR procurement and purchasing activities to all of our suppliers.

Stakeholders require that a company carry out its business activities fully aware of its responsibilities to society. Our CSR Procurement Guidebook fosters understanding in our CSR philosophy among suppliers and ensures that we work side by side with suppliers in fulfilling our responsibilities to society. We have been following through on our commitment to CSR management and CSR procurement forms an important part of these efforts. We are committed to supplying the best possible products and services by fulfilling CSR with our suppliers based on purchasing activities that comply with all laws and regulations and take into consideration human rights and the environment.



Production

Safe and efficient production

The production of automotive safety parts that use explosives requires the fusion of technologies from two completely different fields, which are production processes that emphasize explosives safety developed over our many years in the business and production processes for automotive parts with an emphasis on speed and efficiency.

The Himeji Plant began researching efficient automotive production methods 15 years ago. However, such methods were only able to be used on part of the production line that did not involve explosives and were not expanded.

Later, the Global Production Meeting launched in 2013 began to examine the issue, providing added momentum to establish an efficient production system that included processes involving explosives. This was also driven by a change in thinking where optimizing the connection between these two processes could help to improve the situation without losing efficiency or downgrading safety.



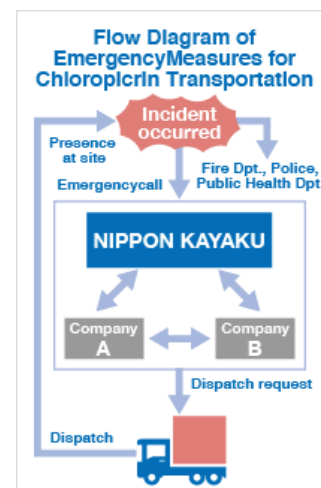
Logistics

Safety measures for the transportation of agricultural chemicals

The soil fumigant chloropicrin is a non-medical deleterious substance irritant with a pungent odor that requires careful handling. We are one of the three chloropicrin manufacturers in Japan and each manufacturer is distributing and transporting chloropicrin with the licensed logistic partners.

In the event of accident and/or natural disasters, it is absolutely necessary and critical to take measures for the safety of those involved as well as preventing the local communities to be kept intact or less affected by the incidents or that the three chloropicrin manufacturers are all prepared for any accidents and/or natural disasters anywhere in Japan through a collaborative communication and safety response team which is on alert to be dispatched in case of emergency.

There is also a collaborative system for emergency among these three companies and the Japan Chloropicrin Manufacturers Association. In the event of an accident during the transport of chloropicrin, this system ensures safety measures are in place, such as notifying the fire department, public health department, and police through an emergency contact network as well as activating and mobilizing the emergency response team to arrive at the site as quickly as possible. In this manner, Nippon Kayaku has been prepared for addressing and managing the dangers of handling and transporting hazardous chemical substances such as chloropicrin.



Initiatives of the Chemical Management Office

Chemical product laws, regulations and standards have been widely adopted in countries and regions around the world since the Globally Harmonized System of Classification and Labeling of Chemicals (GHS *3) was established by the United Nations in 2003. This has required that chemical product manufacturers provide labels and Safety Data Sheets (SDS *4) to customers that contain accurate classification information about the danger of chemicals based on GHS in the local language. The Functional Chemicals Group has introduced an SDS preparation system called MSDgen that features a wealth of translations, regulatory data from each country, and data on the physical properties and dangers of each chemical. This system makes it possible for us to provide labels and SDS in the local language that is compliant with each country and region's regulations. We also regularly manage the history of SDS using a database to ensure that we always provide the most up to date information possible.

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

*4 SDS: Safety Data Sheet

Initiatives of the Medical Information Service Center

The Medical Information Service Center receives toll free calls from patients and medical professionals with various questions relating to our pharmaceuticals and medical devices, such as anti-cancer drugs, treatments for autoimmune diseases and intravascular embolic materials. Staff at the Medical Information Service Center carefully and accurately respond to each inquiry to ensure that all of the products supplied by Nippon Kayaku are of the highest possible quality. We also conduct surveys to check whether our response meets the expectations of the customer as part of our continual improvement initiatives. Additionally, staff work with medical representatives (MRs) that visit medical facilities to ensure they can provide information that is beneficial to patients, while customer requests and opinions are proposed and reported to each relevant department in charge within the company. 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

Role of the Quality Assurance Division in Improving Quality Management Techniques

The Quality Assurance Division provides training with the objective of enhancing quality management techniques and awareness of quality as part of its broader efforts to protect and enhance Nippon Kayaku's brand image. In order to guarantee consistent product quality, daily quality management activities must be carried out without fail, and quality management techniques must be continually improved. For example, simply gathering data from process monitoring and other means alone will not provide the big picture.

This is because conclusions may be wrong if incorrect data collection methods or processes based on a misunderstanding about variations of data are carried out. Additionally, in order to supply products with constant quality, manufacturing departments, standardize work processes, improve control plans, and promote activities that prevent human errors and incidents before they occur.

As part of the division's efforts to develop human resources for implementing these activities it holds a group training program called "Field Data Analysis - Learning Through Experience" at Training Center Hisho. This training teaches participants about statistical thinking through group discussions and problem solving. Employees also take part in various seminars organized by the Union of Japanese Scientists and Engineers.



Safety Training at Kayaku Safety Systems De Mexico (KSM)

The Safety Systems Group manufactures automotive safety components that use explosives at five sites in Europe, the Americas, and Asia (Japan, Czech Republic, China, Mexico, and Malaysia). The ability to continually maintain safety and zero accidents is a precondition for supplying better products to society.

KSM, which is located the furthest away from Japan of these sites, is no exception. It must work on fostering greater awareness toward safety in a similar fashion as other sites including those in Japan.

Starting in November 2013, as part of its safety training KSM has organized safety experiments using actual explosives for not only production floor workers, but all employees, to provide a chance for them to experience the nature of these explosives first hand. These experiments are also used to foster greater awareness about the daily measures being taken to prevent ignition and the spread of fires, as well as minimize damages.

KSM employees have also been trained to carry out these safety experiments on their own because employees from Japan cannot be dispatched on every occasion. Each of Nippon Kayaku's sites around the world is committed to carrying out similar safety training programs to ensure safe operations now and in the future.





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.

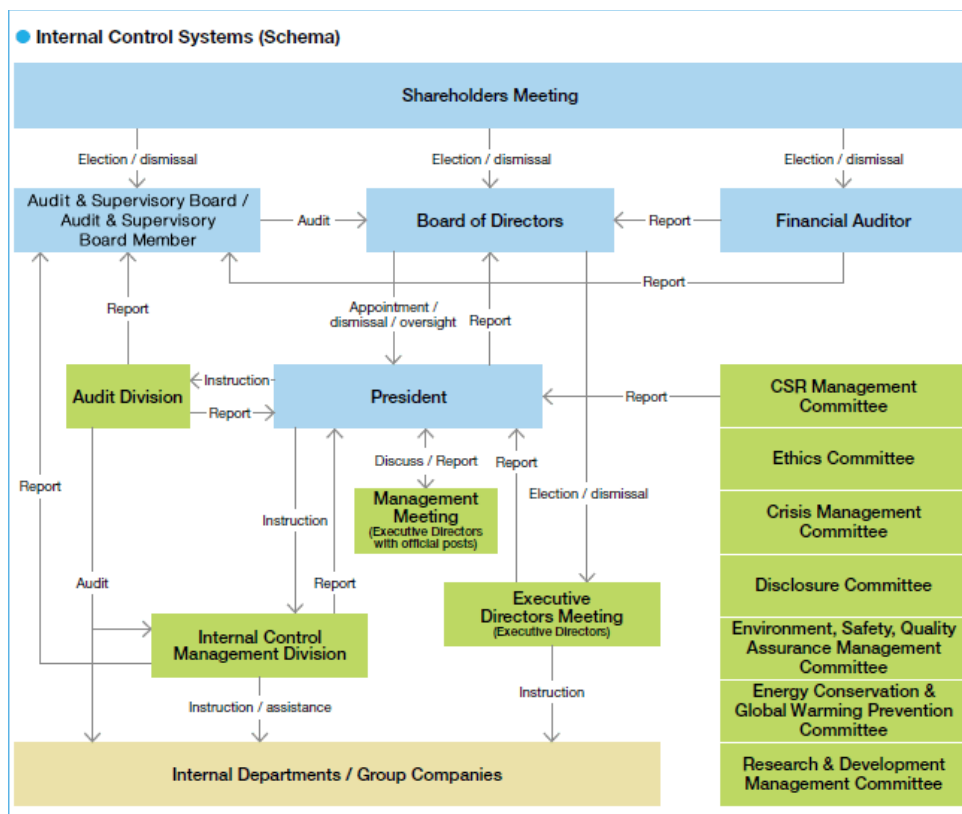
Corporate Governance System

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 an Audit & Supervisory Board that comprises five individuals, including three Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members 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 Audit & Supervisory Board and is directly managed by the president in order to perform internal audit that help prevent improprieties and errors before they happen, improve business operations, and protect company assets. This department performs business audit on all Nippon Kayaku Group companies in accordance with the fiscal year plan.

Audit & Supervisory Board Members attend 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 Audit & Supervisory Board.

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 2014 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.



All executive officers including the president take part in BCP training, which was held for the Functional Chemicals Group in fiscal 2012, for the Pharmaceuticals Group in fiscal 2013, and the Safety Systems Group in fiscal 2014. BCP training in fiscal 2014 was carried out based on a global scenario where Kayaku Safety Systems (Huzhou) Co., Ltd. (KSH) in China suffered damage and suspended operations. This involved the head office, Himeji Plant, and KSH creating a network for communication to adjust production and shipments accordingly. As a result, this network helped the three sites establish a target response proposal while gathering and sharing information. The consulting firm hired to assess this BCP training was impressed with the level of Nippon Kayaku's response during such an emergency. We will continue to conduct BCP training at all of our business divisions going forward to ensure that the BCP manual is actually used and practiced.

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 each 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 2014 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	●	●	●	●	●	●	●	●	—		—
40	Head Office, Kayaku Japan Co., Ltd.	●	●	●			—			●	●	—
	Asa Plant, Kayaku Japan Co., Ltd	●	●	●	●		●	●	●	●	●	—
41	Sanko Kagaku Kogyo Co., Ltd.		●	●	●		—			—		—



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. To promote and foster awareness about compliance, we take specific steps on the frontlines that include training and having each workplace create their own action plan. During this past fiscal year we worked continuously on raising awareness based on evaluation of results of activities carried out throughout the year.

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 at a Group company in China

Compliance Promotion Activities

During October, which is designated Compliance Month, we conducted a compliance survey. Issues concerning the promotion of compliance were identified for each business site and then feedback was provided in the form of a report that includes comments for improvements. Using this, business sites prepared an action plan for the next fiscal year and carried out the PDCA cycle to raise greater awareness. The results of these efforts were later introduced in the company newsletter called Try.

Compliance Training for Nippon Kayaku Group Companies

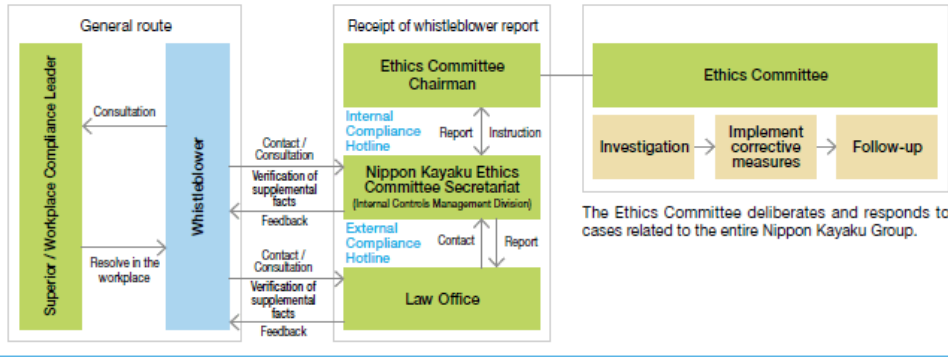
Training during fiscal 2014 focused on information security and was provided to some 2,700 employees across 47 sessions held in Japan. As a new initiative, we produced a DVD recording of the training and distributed it to approximately 550 employees, mainly sales reps, who were unable to take part in the group training sessions.

As for overseas Group companies, rank-based training was carried out on 11 occasions mainly in China. We will continue to work with our Group companies to raise awareness about compliance while paying close attention to customs and cultures of each location.

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.

● Nippon Kayaku Group Compliance Hotline

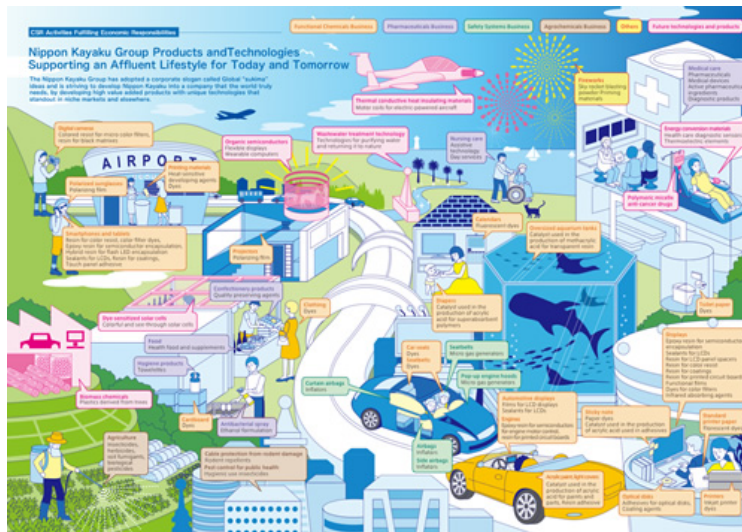




CSR Activities Fulfilling Economic Responsibilities

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

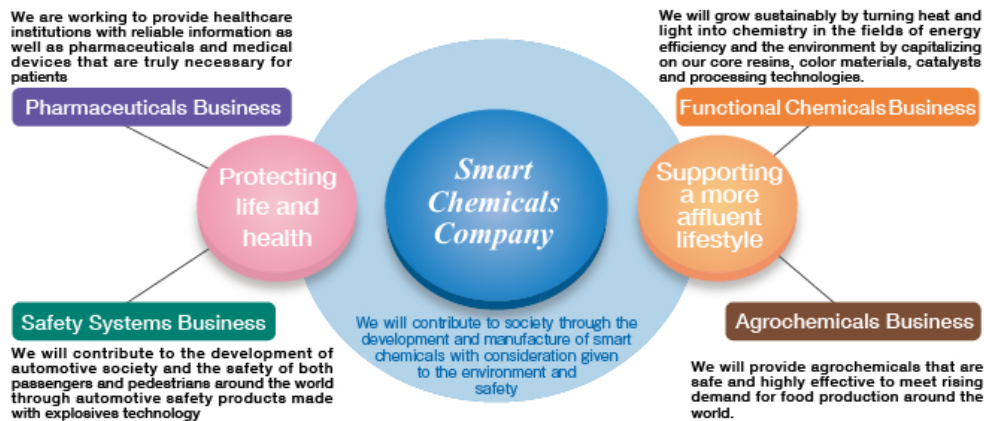
The Nippon Kayaku Group has adopted a corporate slogan called Global "sukima" ideas and is striving to develop Nippon Kayaku into a company that the world truly needs, by developing high value added products with unique technologies that stand out in niche markets and elsewhere.



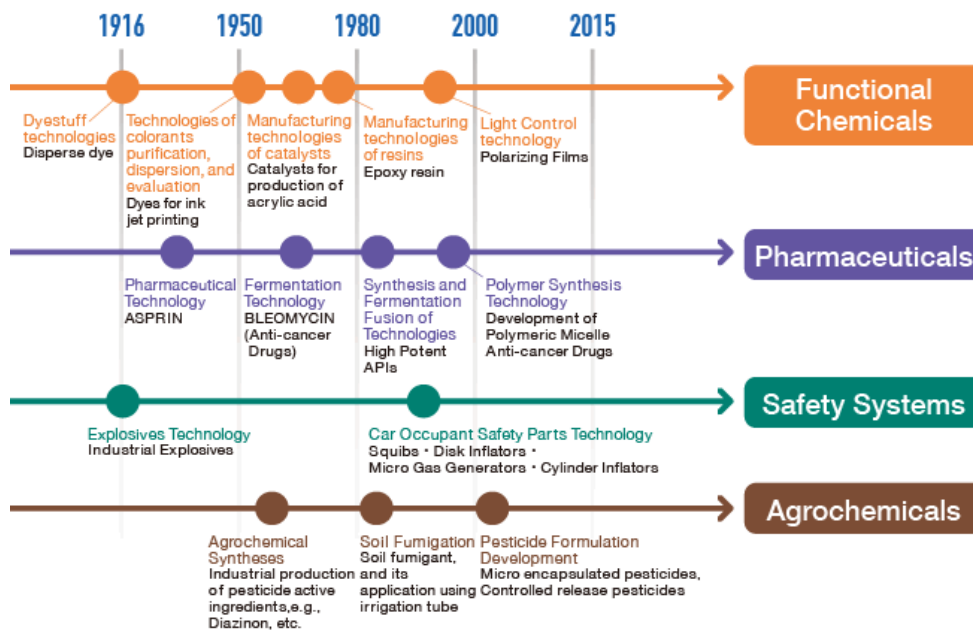
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The Nippon Kayaku Group's Businesses

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.



A Century of History and Technological Innovation



Functional Chemicals Business

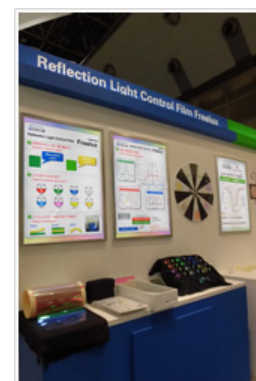
We are working to develop products that can contribute to society by turning heat and light into chemistry in the fields of energy efficiency and the environment

The Functional Chemicals Business is working to develop and supply products that can contribute to society and are people-friendly by turning heat and light into chemistry in the fields of energy efficiency and the environment by capitalizing on our core resins, color materials, catalysts and processing technologies.

In fiscal 2014, we developed Freelix, a specialty long wavelength refractive film. Freelix is able to freely reflect long wavelength light, providing a vivid metallic sheen similar to metallic vapor deposition membrane, despite the fact it is organic. Since it can sharply reflect especially long wavelengths, Freelix is able to cover a wide area from ultraviolet to near-infrared, all while maintaining a high degree of transparency (unpigmented).

Freelix is expected to be used in lens applications to selectively cut ultraviolet, blue light, near-infrared, and other types of light that could potentially be harmful to the eyes. It is also likely that Freelix will be used in automotive and construction material applications as a heat shield.

Functional Chemicals Business



Freelix on display at tiOFT2014

Pharmaceuticals Business

We will contribute to the improvement of patient QOL through our role as a partner to medical professionals

Nippon Kayaku is proactively developing biosimilars that have played an important role in the treatment of cancer and autoimmune diseases.

In 2013, we brought to market Filgrastim BS, Nippon Kayaku's first ever biosimilar. In 2014, we launched Infliximab BS, the first monoclonal antibody biosimilar to be approved in Japan. By offering a wide range of biosimilars, we hope to create a society where people have access to even better and higher quality medicine, anytime, anywhere and for everyone. Nippon Kayaku will continue to contribute to the improvement of patient QOL in its role as a partner to medical professionals.

[Pharmaceuticals Business](#)



MINK Web – an informative site targeting medical professionals developed by Nippon Kayaku

Safety Systems Business

We will provide a stable supply of products made locally as part of our globalization efforts

Automobiles have become an indispensable mode of transportation for people around the world, and this is why worldwide demand for automobiles is expected to continue increasing in the future.

As automobile society grows, there is the growing risk that the number of automobile collisions may become more prevalent than ever before. The active and passive safety technologies used on automobiles continues to make dramatic progress with each passing year and recently consumers have begun selecting their automobiles based not only on the environment, but also safety features.

Nippon Kayaku harnesses its long-standing explosives technologies to manufacture inflators for airbags, which is one element of collision safety protecting passengers, micro gas generators for seat-belt pretensioners, and pop up engine hood devices to protect pedestrians from head injuries at five sites around the world. We are contributing to the safety of automobile passengers around the world by supplying the necessary quantity of products to the areas that require them.

[Safety Systems Business](#)



Air bags inflated using explosives technology

Agrochemicals Business

We will contribute to improving the worldwide food supply through the provision of agrochemicals

The environment surrounding agriculture is becoming more severe with each passing year, marked by food supply issues caused by the rising world population, issues with Japan's food self-sufficiency rate, and increasing crop damage from disease, weeds, and pests due to global warming. Such an environment requires that safe and secure agricultural crops be grown consistently and brought to market in a stable manner.

The Agrochemicals Division offers a variety of agrochemical products created with its innovations and proprietary technologies from unique perspectives. For example, Leaf Guard Water-dispersible Granule, which adopts a granule shape to improve user convenience, or Sukumi Hunter, which is a controlled-release formulation that stops damage to nursery rice plants right after transplantation or during growth after direct seeding from the channeled applesnail for extended periods of time.

In this manner, the Agrochemicals Division is contributing to the stable production and supply of agricultural crops to market by developing and launching new agrochemicals by leveraging its various technologies to develop products closely in tune with the frontlines of agriculture.

[Agrochemicals Business](#)



Left: Sukumi Hunter
Right: Leaf Guard

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.

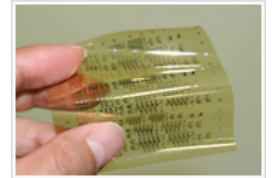
Nippon Kayaku's organic semiconductor materials boast among the best performance in the world. We are also working closely with other leading research institutions in Japan and abroad to accelerate the commercialization of these technologies through our involvement in NEDO's consigned research project,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

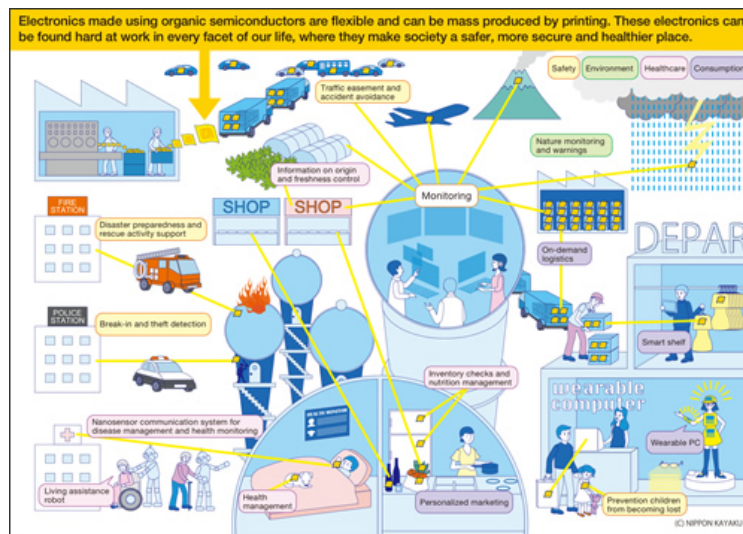
[Learn more about our research laboratories](#)



The world which uses an inorganic semiconductor



The world which uses an organic semiconductor



[View larger image](#)

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.

Globalization of research activities

Following the policy of Nippon Kayaku's global management, the Research and Development Group is in the process of building a global R&D structure inclusive of overseas Group companies. While promoting greater interaction among researchers working for overseas subsidiaries, the Research and Development Group is carrying out the following activities from the perspective of CSR.

Hosting international internship students

Nippon Kayaku participates in the Vulcanus in Japan Program, which provides internship opportunities to international students. This program, which is run by the EU-Japan Centre for Industrial Cooperation, invites trainees from European universities to Nippon Kayaku's laboratories, where they take part in R&D and in-house events. By joining young international researchers, the hope is that the research laboratories of Nippon Kayaku



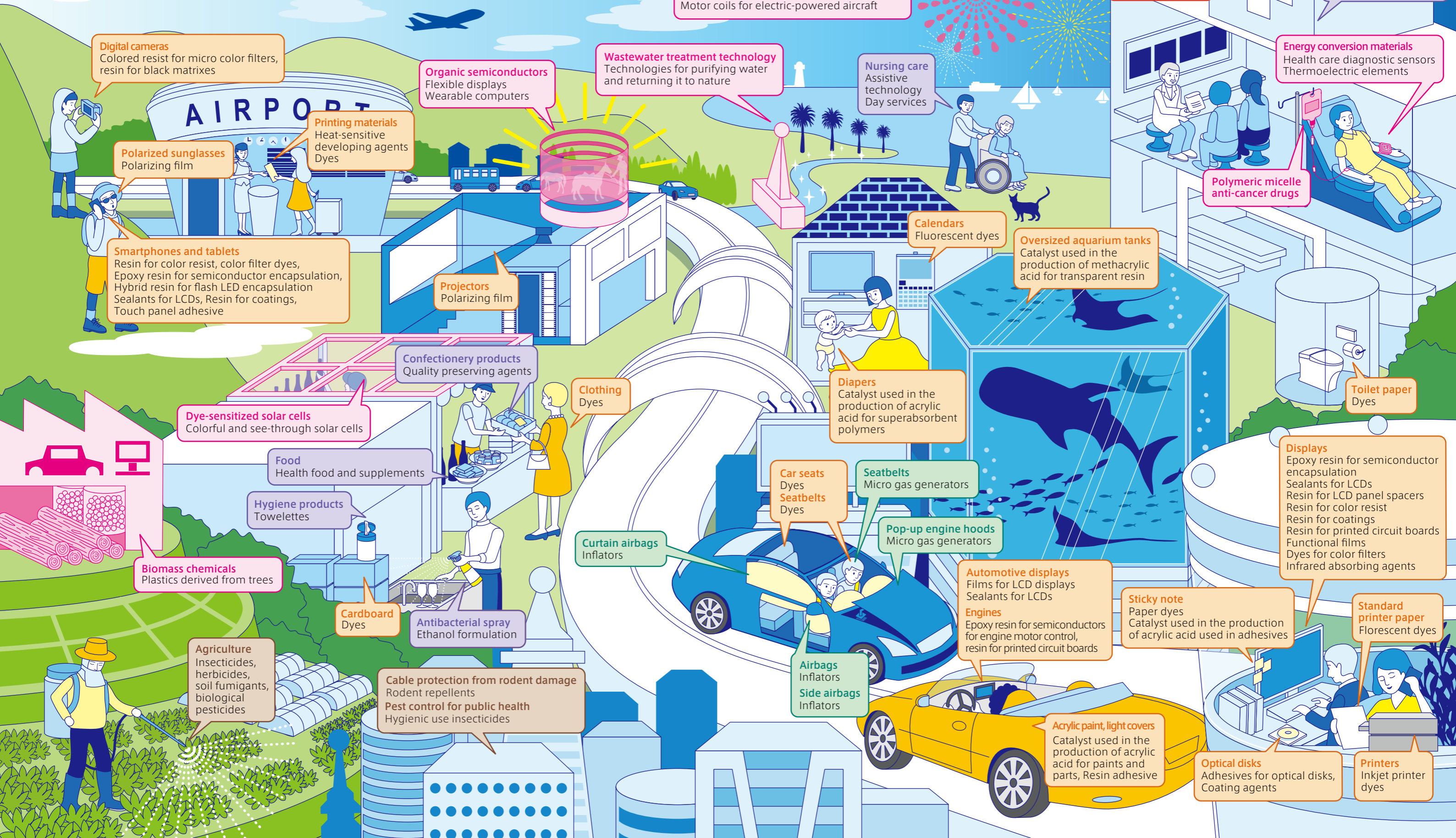
will be invigorated in the process . Through this program, Nippon Kayaku also hopes to contribute to international exchange and the education of international students.

Joint collaboration with overseas research institutes

Nippon Kayaku actively engages in joint research with research institutes located outside of Japan. For example, we are pursuing joint research through a partnership agreement concluded with the Graphene Center at Cambridge University in the UK. This research focuses on graphene-related material that is garnering attention for its potential use in various fields, including energy and sensing. Nippon Kayaku is also conducting joint research with Guilin University of Technology in China on the decolorization of colored effluent discharged during the dye production process using microorganisms. In addition to these examples, Nippon Kayaku is pursuing joint research activities with research institutes outside of Japan and hopes to realize a sustainable society in a broad range of fields such as the development of innovative materials and the establishment of environmental protection technologies.

Nippon Kayaku Group Products and Technologies Supporting an Affluent Lifestyle for Today and Tomorrow

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 stand out in niche markets and elsewhere.



Digital cameras
Colored resist for micro color filters, resin for black matrixes

Polarized sunglasses
Polarizing film

Smartphones and tablets
Resin for color resist, color filter dyes, Epoxy resin for semiconductor encapsulation, Hybrid resin for flash LED encapsulation, Sealants for LCDs, Resin for coatings, Touch panel adhesive

Printing materials
Heat-sensitive developing agents, Dyes

Organic semiconductors
Flexible displays, Wearable computers

Wastewater treatment technology
Technologies for purifying water and returning it to nature

Thermal conductive heat insulating materials
Motor coils for electric-powered aircraft

Nursing care
Assistive technology, Day services

Fireworks
Sky rocket blasting powder, Priming materials

Energy conversion materials
Health care diagnostic sensors, Thermoelectric elements

Polymeric micelle anti-cancer drugs

Medical care
Pharmaceuticals, Medical devices, Active pharmaceutical ingredients, Diagnostic products

Calendars
Fluorescent dyes

Oversized aquarium tanks
Catalyst used in the production of methacrylic acid for transparent resin

Projectors
Polarizing film

Confectionery products
Quality preserving agents

Clothing
Dyes

Dye-sensitized solar cells
Colorful and see-through solar cells

Food
Health food and supplements

Hygiene products
Towelettes

Biomass chemicals
Plastics derived from trees

Cardboard
Dyes

Antibacterial spray
Ethanol formulation

Agriculture
Insecticides, herbicides, soil fumigants, biological pesticides

Cable protection from rodent damage
Rodent repellents, Pest control for public health, Hygienic use insecticides

Diapers
Catalyst used in the production of acrylic acid for superabsorbent polymers

Car seats
Dyes, **Seatbelts**
Dyes

Seatbelts
Micro gas generators

Pop-up engine hoods
Micro gas generators

Curtain airbags
Inflators

Airbags
Inflators, **Side airbags**
Inflators

Automotive displays
Films for LCD displays, Sealants for LCDs, **Engines**
Epoxy resin for semiconductors for engine motor control, resin for printed circuit boards

Sticky note
Paper dyes, Catalyst used in the production of acrylic acid used in adhesives

Standard printer paper
Fluorescent dyes

Displays
Epoxy resin for semiconductor encapsulation, Sealants for LCDs, Resin for LCD panel spacers, Resin for color resist, Resin for coatings, Resin for printed circuit boards, Functional films, Dyes for color filters, Infrared absorbing agents

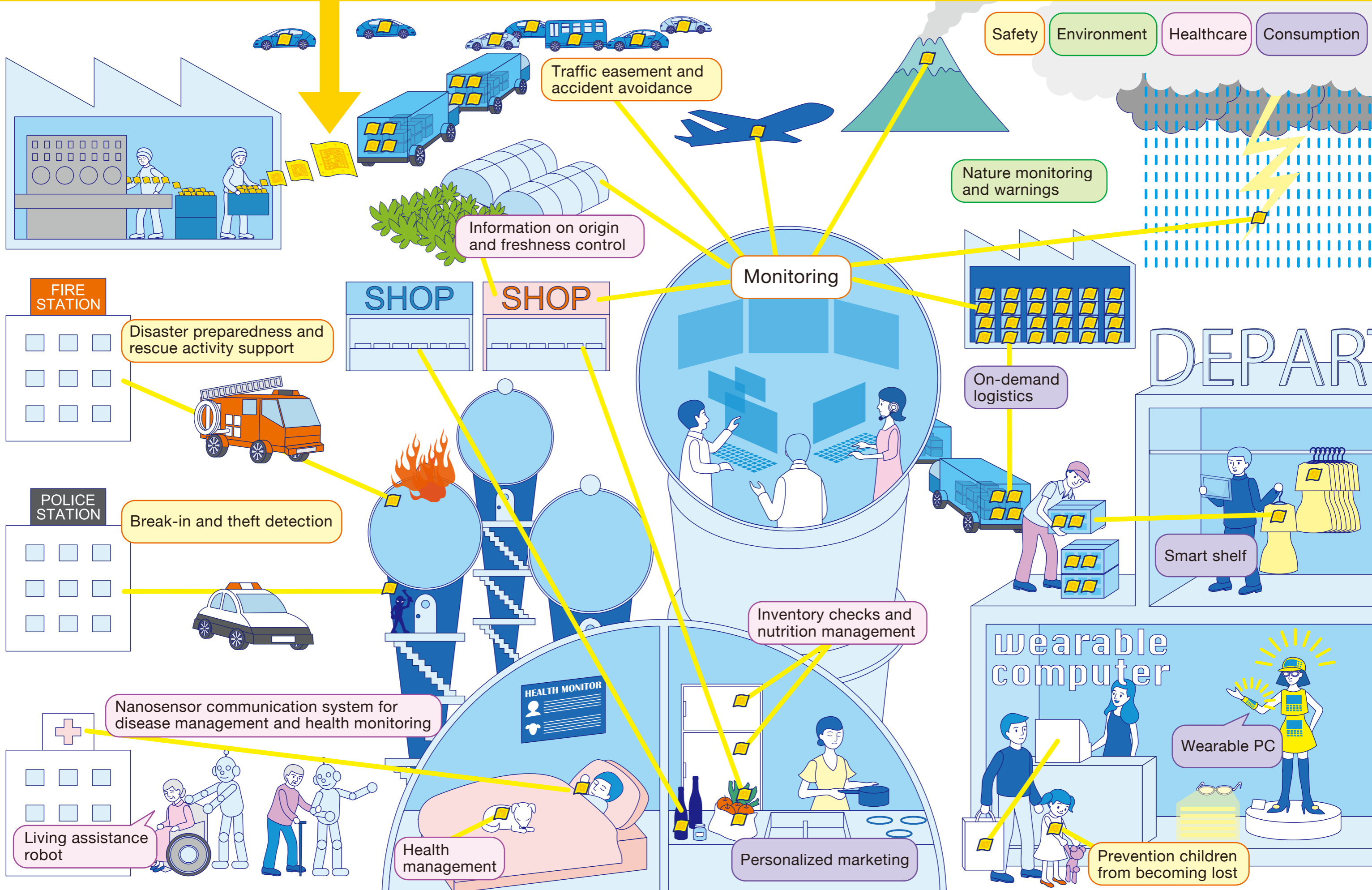
Printers
Inkjet printer dyes

Optical disks
Adhesives for optical disks, Coating agents

Acrylic paint, light covers
Catalyst used in the production of acrylic acid for paints and parts, Resin adhesive

Toilet paper
Dyes

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.





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 Our Business Partners and Investors

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

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 Employees

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





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 receives toll free calls from patients and medical professionals with various questions relating to our pharmaceuticals and medical devices, such as anti-cancer drugs, treatments for autoimmune diseases and intravascular embolic materials. Staff at the Medical Information Service Center carefully and accurately respond to each inquiry to ensure that all of the products supplied by Nippon Kayaku are of the highest possible quality. We also conduct surveys to check whether our response meets the expectations of the customer as part of our continual improvement initiatives. Additionally, staff work with medical representatives (MRs) that visit medical facilities to ensure they can provide information that is beneficial to patients, while customer requests and opinions are proposed and reported to each relevant department in charge within the company. 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 February 2015 Nippon Kayaku held the 4th 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 dyeing technologies, which resulted in active discussions with regard to global business expansion.



Diazinon Granules 5 formulated with applicable crops in mind

Half a century has passed since the Agrochemicals Business began marketing one of our mainstay products, Diazinon 5% Granules. On this milestone, we changed the product packaging from the conventional paper bag to a laminated bag. This makes the packaging more visible and it makes it easier to see the directions of use by crop and insect pest combinations. In addition, this new design and material reinforces the bag's impermeability.

Going forward, we will continue to work hard toward making Diazinon Granule products more familiar to all users because of their broad range of applications for crops as well as soil pests and other insects.



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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's philosophy toward [CSR can be found in its CSR Procurement Guidebook](#), which contains our Basic Procurement Principles, Basic Procurement Policy, and Nippon Kayaku CSR Procurement Guidelines.

Purchasing activities form one aspect of our efforts to achieve KAYAKU spirit through the provision of products and services that are truly beneficial to society. Our basic procurement principles explicitly state that this is only possible by pursuing sustainable development mutually with our suppliers.

Basic Procurement Policy widely stipulates that the Purchasing Division will carry out its business operations with transparency and by following not only various laws and regulations, but also social norms as well. Needless to say, we must also pay close attention to our impact on the environment. The Basic Procurement Policy represents the guiding principles by which the Purchasing Division carries out its duties.

Guidelines spell out specific actions following each theme that includes compliance, human rights and labor, health and safety, the environment, quality and product safety, information security, BCP, information disclosure and social contributions. We understand that suppliers carry out a variety of different initiatives of their own. Our goal is to practice CSR procurement while respecting the thoughts and initiatives of each individual supplier. For more details about our procurement activities, please visit our corporate website.



Holding purchasing briefings

The Safety Systems Group organizes purchasing briefings once every year for its most frequently used partners that supply raw materials. This briefing includes presentations about the Safety Systems Group's earnings forecast for the current fiscal year, business plan for subsequent fiscal years, status of the production system, development plan, and future business vision. The purpose is to provide information useful to the business planning of partner companies.

All of the Safety Systems Group's partner companies form an integral part of the automotive industry supply chain, which requires a continuous supply of high quality, low cost products that are delivered on time, while responding promptly to the constantly changing conditions domestically and internationally, raw materials prices and foreign exchange volatility. We strive to provide useful information to our partner companies to every extent possible to facilitate the sharing of important information.

Every year more than 100 people from around 80 companies attend the purchasing briefing, where they are able to exchange information with other divisions of Nippon Kayaku. The number of overseas partner companies that participates continues to increase with each passing year in line with the globalization of the Safety Systems Group's operations.



Purchasing briefing

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.



— 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.

Launch of Informational Microsite "RHEUMATISM RA · RA · RA"

The microsite "RHEUMATISM RA · RA · RA" was launched in February 2015 to educate people living with Rheumatoid arthritis. This site was created with a commitment to serve as a close, everyday partner to people with Rheumatoid arthritis by providing emotional support.

The site, which is also compatible with smartphones, offers an easy to use platform that is people friendly, including oversized icons that are easy to touch. The site offers various contents covering the topics that patients want to know about, including the causes of Rheumatoid arthritis, symptoms, and treatment options, not to mention medical costs involved, care services and a hospital search function.



Additionally, the site provides information about Japan's high cost medical care benefit system accessible for the treatment of Rheumatoid arthritis and also a medical cost reimbursement calculator. The video collection of exercises for Rheumatoid arthritis patients selected by the editorial supervisor, who is a specialist in rheumatology, can be watched at home where patients can also try them out when they have the time and energy.

The phrase "Feeling Happy" and the four leaf clover mark form the logo used by Nippon Kayaku's immunology business. Like a four leaf clover, we hope to play an integral role in patient's lives and provide emotional support. New perspectives play an important role in the treatment process and for making life more enjoyable. This ensures that each and every patient is indeed "Feeling Happy."

[RHEUMATISM RA RA RA](#) 

The Pink Ribbon Campaign

Pink Ribbon campaign were launched by Nippon Kayaku in 2004 to convey the importance of early detection, early diagnosis and early treatment of breast cancer. Fiscal 2014 marked the eleventh year of these activities.

Campaign 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, Nippon Kayaku Tokyo, 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 campaign character

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.



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. and attended the committee.

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.

INDET SAFETY SYSTEMS a.s. (ISS) Sponsoring a Children's Bicycle Race for Traffic Safety

Cycling is one of Europe's most popular sporting events. Even in the Czech Republic, on weekends and national holidays you will often see families enjoying a bicycle ride together on dedicated bicycle paths as well as adults

enjoying an exhilarating ride on full-fledged road bikes. Recently, in Japan bicycle manners have become a topic addressed in the news media, but in Europe generally most bike riders obey the traffic rules, such as using hand signals to show when they will turn left or right.

In the Czech Republic, an organization called the BESIP (road safety department in Czech) within the Ministry of Transport works with police to organize bicycle safety competitions in order for participants to learn the correct transportation rules for cyclists. These events involve four youth from each school between the ages of 10 and 16 (two boys and two girls) who compete against one another in terms of their knowledge of road signage, riding techniques, and first aid. Winners from local competitions take part in the national meet, while winners of the national meet go on to participate in the European championships.

As a manufacturer of automotive safety products, ISS has been sponsoring the competition in Zlin Region where it is located since 2013 in order to foster greater understanding of traffic rules among youth so they can enjoy safer, more enjoyable riding experiences.



■ ■ ■ Kayaku Safety Systems (Huzhou) Co., Ltd. ■ ■ ■ Donating Fans to Geriatric Facilities

Kayaku Safety Systems (Huzhou) Co., Ltd. (KSH) donated 72 fans to a local social welfare center in June 2014 as part of its community contribution activities aimed at further strengthening ties with stakeholders. This welfare center is the equivalent of an assisted living facility in Japan. After hearing it lacked not only air conditioning, but fans as well, KSH decided to make this donation so that the elderly people living there could spend a more comfortable summer.



Heping, where KSH is located, has a population of around 50,000 and is the equivalent of a town in Japan. About half of all KSH's employees reside here in Heping. KSH continually receives support from the town's government, police, and fire department for its business development, safety measures and environmental compliance. Through the expansion of its business, KSH is considered by the town to be an important company and for this reason KSH recognizes the growing importance of its CSR activities as well as its presence and responsibility.

■ ■ ■ Supporting Foothill Elementary School's Science, Technology, Engineering, Mathematics (STEM) ■ ■ ■ Program

Moxtek, Inc. is a worldwide leader in the design, development and manufacture inorganic polarizing plates used in projectors. It is also a leader in the manufacture of parts used in hand-held x-ray analysis machines. Moxtek's broad range of technologies is being utilized in a number of products.



In 2014, Moxtek participated in the STEM program of Foothill Elementary School in Utah by dispatching instructors. This STEM program is a volunteer extracurricular program for students that teaches them about science (S), technology (T), engineering (E) and mathematics (M). Moxtek's many talented scientists and engineers help the company to support this program continually.



After receiving highly positive feedback in 2013, Moxtek decided to dispatch instructors to the school once every month for the foreseeable future. Moxtek has come up with innovative classroom materials in concert with teachers to ensure classes are fun and spark students' interest in science and math.

The photographs here show classes in session. Moxtek engineers are teaching the students about nuclear physics and noble gas. Moxtek's goal is to become a company closely rooted in the local community by proactively supporting youth learning and extracurricular activities.

■ ■ ■ Learning about Work at Local Companies

As part of its Mid-term CSR Action Plan called **Challenge 100A!**, Nippon Kayaku Tokyo actively holds a plant festival and plant tours as part of its engagement efforts with the local community.

In fiscal 2014, based on a request from the nearby community learning center in Shinden, Adachi Ward, Nippon Kayaku Tokyo organized a seminar and plant tour with the goal of deepening the local community's understanding about its own roots by learning about the work that takes place at a local company. A total of about 20 people including elementary school students and their parents attended the event.



The seminar incorporated experiments so participants could learn about the type of colors that can be created through chemical reactions using a beaker to showcase Nippon Kayaku Tokyo's color synthesis technologies. Another experiment used an electron microscope to blow up the image of a photograph printed by an inkjet printer to enable participants to see with their own eyes that the vivid image was actually produced from small

colored dots. The seminar contained rather complex subject matter, but the experience helped to make Nippon Kayaku and chemistry more familiar to participants. After touring the inside of the plant, participants were given the chance to ride in the Tokyo Plant's famous "river ferry," which was well received because of its rarity.



As a chemical plant located in downtown Tokyo, Nippon Kayaku Tokyo is committed to fostering understanding in its environmental protection initiatives and safety efforts as well as to expanding its engagement with the local community.

Involvement in Summer Vacation Children's Chemistry Experiment Show 2014

The Nippon Kayaku Group took part in the Summer Vacation Children's Chemistry Experiment Show 2014* for elementary and junior high school students held at the Japan Science Museum (Kudanshita, Tokyo) on August 2 and 3, 2014. Experiments performed by the Nippon Kayaku Group during the show focused on the theme, "Science of Light and enzymes — Let's create glittering stained glass"



This year's experiments were about creating stained glass using polarizing plate and decomposing stand using iodo – starch reaction with enzymes. As many as 217 children took part in the event over the two days it was held, listening intently to the presentations by Nippon Kayaku Group employees and actively taking part in experiments.



This engagement forms part of our commitment to actively teach children about the interesting nature of chemistry and in the process develop the future leaders of the industry.

*Summer Vacation Children's Chemistry Experiment Show: An event organized by the Dream Chemistry 21 Committee of the Japan Chemical Industry Association to educate children and the general public on the wonders of and contributions chemistry has made to society.

An experiment during the event.

Fukuyama Plant – Once-every-two-years Networking Event

The Fukuyama Plant (Nippon Kayaku Fukuyama) holds the fun-filled Shining Fukuyama Festival every other year on April 29 for its employees, their families, retirees, partner companies and people from the local community. The 7th Shining Fukuyama Festival was held on Tuesday, April 29, 2014 and attracted some 1,909 participants.



The festival got underway at 10:00am and the first stage performances included standup comedy by young performers from Yoshimoto Hiroshima, the Ressha Sentai ToQger live show, a taiko drum performance by the group Hanatsuzumi, the FCU48 show courtesy of the dance club at Fukuyama City University, and singing by Junko Hashida of the Street Performers Association.

There were 15 food stalls including the ever-popular seafood tempura and everyone's favorite of yakisoba, which were a popular draw of eventgoers. The kid's corner was busy all day with children and their parents thanks to its fluffy animal cycles and figurine catcher. The children's science experiment show "Let's Create a Kaleidoscope," the first of its kind for this event, was a huge hit as it was booked solid from immediately after the reception table opened.



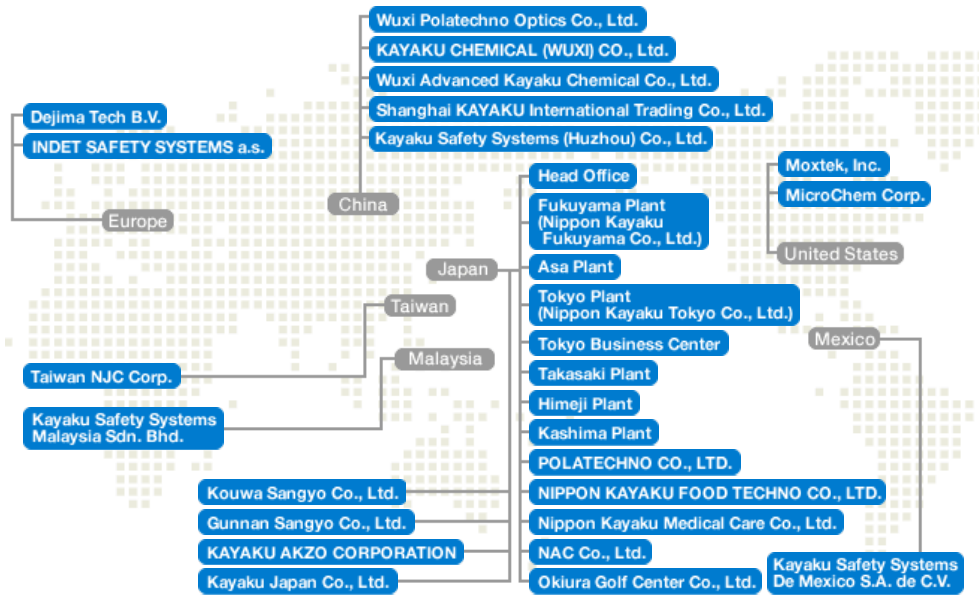
In addition, proceeds from a bazaar organized with employees' unwanted articles were donated to the Social Welfare Council. The raffle, which is the highlight of the festival every year, saw its first prize of a travel voucher won by a kid. Nippon Kayaku Tokyo employees are already planning next year's festival and thinking of ways to make the experience more enjoyable for all.

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	Tokyo Fire Department Akabane Fire Station

	4. Use of rooftop as a lookout	
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



Examples of Community Engagement by Nippon Kayaku

Business site	Category	Details
Head Office	Education	Participation in children's chemistry experiment show
		Hosting of workshops for students in Tokyo
	Head office tours	Company tours for employees and their families
	Awareness raising activities	Pink Ribbon activities
	Assistance	Assistance provided to AgriFuture Japan (development of farm operators)
	Donations	Japan Association of Corporate Executive IPPO IPPO NIPPON: 8th donation for earthquake reconstruction assistance
		Japan Science Foundation: 50th anniversary program for the Japan Science Museum and 55th anniversary program for the Japan Science Foundation
		Japan Society for the Promotion of Science: Nobel Prize Dialogue Tokyo 2015 and International Biology Olympiad
		Scout Association of Japan: 23rd World Scout Jamboree
		Tokyo Metropolitan Government Joint Fundraising: FY2014 Akaihane Joint Fundraising
		Yamaguchi University: Fund raising for the university's 200th anniversary
		Japanese Red Cross Society: FY2014 Japanese Red Cross Society activity fund
		Japan Anti-tuberculosis Association: Double-barred cross seal fundraising
International Year of Crystallography Japan Initiative: Fundraising for commemorative lecture about the International Year of Crystallography Japan Initiative		
Japan Medical Safety Joint Initiative: Japan medical safety joint initiative		
Guidelines on Transparency in Relationships between Nippon Kayaku and Medical Institutions		
Guidelines on Transparency in Relationships between Nippon Kayaku and Patients		
Festivals	Hosting of the Shining Fukuyama Festival	
	Sponsorship of the Fukuyama Rose Festival and summer festivals in the Fukuyama, Akebono, Shingai and Minoshima school districts	
	Sponsorship of cultural festivals in the Akebono, Shingai and Minoshima school districts	
	Sponsorship of the Fukuyama Fureai and Welfare Festival	

	Awareness raising activities	Pink Ribbon activities
	Competitions	Hosting of tennis tournament
	Opening facilities to the public	Soccer field, baseball field, and tennis court, etc.
	Cleanups	Holds cleanup activities around the plant
Asa Plant	Festivals	Hosts the Wasshoi! Kayaku Festival (co-sponsored by Kowa Sangyo, KAYAKU AKZO, and Kayaku Japan)
	Awareness raising activities	Pink Ribbon activities
	Competitions	Organizes a city youth volleyball tournament
	Discussions	Holds community roundtable talks (together with KAYAKU AKZO for neighborhood associations surrounding the Kawahigashi Plant)
	Opening facilities to the public	Gymnasium
	Cleanups	Picks up trash along the Asa River (together with the Asa Branch of the labor union)
Tokyo Plant (Nippon Kayaku Tokyo Co., Ltd.)	Festivals	Hosts the Satsuki Festival
		Hosts a mochi-making festival
	Lectures open to the public	Public lectures for elementary school students (dyes and dyeing technologies)
	Plant tours	Hosts plant tours
	Awareness raising activities	Pink Ribbon activities
	Opening facilities to the public	Opens parking lot (for community baseball league games)
	Cleanups	Holds cleanup activities in and around the plant
Tokyo Business Center	Education	Holds summer break lectures for elementary school students
	Festivals	Hosts a spring festival
		Participates in the Kumano Shrine Festival
		Hosts a mochi-making festival
	Discussions	Hosts briefings for leaders of Shimo 3 and 4 neighborhood associations
	Opening facilities to the public	Provides area for Akabane Fire Department training exercises
	Traffic safety	Provides traffic safety instructions at Kita-hondori Street during the nationwide traffic safety campaign (Tokyo Business District Traffic Safety Promotion Committee)
	Donations	Donates proceeds from certain cafeteria items to those in need
		Support for the reconstruction of Eastern Japan
		Helps provide vaccines to children around the world through PET bottle recycling
Cleanups	Holds cleanup activities around the Tokyo Business Center	
	Holds the Cleanup Campaign (Akabane Station to Arakawa River)	
Takasaki Plant	Festivals	Hosts a fureai festival
		Participates in the Iwahana Kosodate Kanzeon Festival
		Hosts a summer dance performance (together with Iwahana Town)
	Events	Sweet potato planting and harvesting with children from Iwahana Daycare
	Plant tours	Plant tours and practical learning for community elementary, junior high and high school students
	Discussions	Roundtable discussions with community leaders
	Opening facilities to the public (only for Iwahana Town)	Opens facilities to the public (baseball field, gymnasium, tennis court, and plaza in front of Ten Shrine)
	Donations	Takasaki Festival (sponsors fireworks display)
Iwahana Kosodate Kanzeon Festival (sponsors fireworks display)		
Himeji Plant	Festivals	Summer fireworks festival (weather permitted)

	Opening facilities to the public	Opens its parking lot (for local sports festivals of elementary and junior high schools)
	Cleanups	Holds cleanup activities around the plant
Kashima Plant	Tours	Company tours for employees and their families
	Discussions	Hosts roundtable talks with Hasaki District Administration members
	Traffic safety	Organizes illegal parking patrols within the Hasaki District Industrial Park
	Cleanups	Holds cleanup activities together with the Agrochemicals Laboratories
		Participates in cleanup activities within the Hasaki District Industrial Park

Examples of Community Engagement by Group Companies

Business site	Category	Details
POLATECHNO CO., LTD.	Education	Provides polarizing plate materials to the Japan Science Museum
	Donations	Donates used computers to a facility for the physically disabled
	Cleanups	Holds cleanup activities around the plant
Moxtek, Inc.	Education	Assists with STEM education at Foothill Elementary School
		Supports involvement in the First Lego League (organized by the University of Utah)
	Assistance	Participates in homeless assistance program run by the Community Action Services and Food Bank
	Donations	Supports extracurricular programs at Mountain View High School
		Supports extracurricular programs (LaCrosse) at Lone Peak High School
		Supports extracurricular programs (Fun Run) at Foothill Elementary School
		Supports the Timpanagos Story Telling Festival
Supports the Slim Town program at Lehi Recreation Center		
Wuxi Polatechno Optics Co., Ltd.	Donations	Donates to a government run fund for poverty-stricken people in need
Dejima Tech B.V.	Participation in competitions	Supports employee participation in a community marathon
	Donations	Uses UNICEF postcards to send New Year's greetings
KAYAKU CHEMICAL (WUXI) CO., Ltd.	Donations	Donates to a government run fund for poverty-stricken people in need
MicroChem Corp.	Donations	Donates to Toys for Tots
	Donations	Donates to fight hunger
Wuxi Advanced Kayaku Chemical Co., Ltd.	Donations	Donates to a government run fund for poverty-stricken people in need
Shanghai KAYAKU International Trading Co., Ltd.	Volunteering	Volunteers for the Shanghai Cherry Blossom Festival organized by the Consulate
		Volunteers in the Japanese cultural class called the Power of Picture Books organized by the Consulate
NIPPON KAYAKU FOOD TECHNO CO., LTD.	Festivals	Co-hosts the Takasaki Plant Fureai Festival
		Sponsors and participates in the Iwahana Kosodate Kanzeon Festival
		Hosts and sponsors a summer dance performance (together with Iwahana Town)
Nippon Kayaku Medical Care Co., Ltd.	Community	Raises awareness about detection and symptoms of dementia
	Community/Nursing care providers	Promotes nursing care insurance (Kagurazaka Café)
NAC Co., Ltd.	Traffic safety	Provides traffic safety instructions at Kita-hondori Street during traffic safety week
	Cleanups	Holds cleanup activities around the Tokyo Business Center and Nippon Kayaku Tokyo
Taiwan NJC Corp.	Workshops	Participates in the Japan Chamber of Commerce and Industry's Pharmaceuticals Subcommittee
	Lectures/Events	Participates in events organized by the Japan Chamber of Commerce and Industry
	Committee activities	Participates in the Japan Chamber of Commerce and Industry's Intellectual Property Committee
INDET SAFETY SYSTEMS a.s.	Employees and their families	Family events
	Donations	Donates to kindergartens/elementary schools for the physically challenged

		Donates to groups supporting the physically challenged
		Donates to facilities that hire the physically disabled
		Donates to orphanages
		Donates to youth rehab facilities (alcoholism, etc.)
		Donates to assisted living facilities
		Donates to schools with explosives departments
	Donations	Donates beds to hospitals
		Donates tatami to karate and aikido schools
	Sponsors	Sponsors a karate tournament
		Sponsors a bicycle safety class
	Sponsors breast cancer organizations	
Kayaku Safety Systems (Huzhou) Co., Ltd.	Donations	Donates fans to assisted living facilities
	Tours	Plant tours for employees and their families
Kayaku Safety Systems De Mexico S.A. de C.V.	Employees and their families	Family day
		Supports schools
	Donations	Donates to Cervantino International Music Festival
	Donations	Donates kitchen articles
		Donates for Christmas (clothing, blankets, and toys, etc.)
Kayaku Safety Systems Malaysia Sdn. Bhd.	Donations	Donates washing machines to orphanages
Okiura Golf Center Co., Ltd.	Events	Spring and autumn Okiura Golf Tournament
		Okiura Women's Golf Tournament
	Volunteering	Provides recycled cardboard boxes to social welfare company Joy Joy Work free of charge
	Sponsorship	Mizuno Open Golf
Kouwa Sangyo Co., Ltd.	Festivals	Hosts the Wasshoi! Kayaku Festival (co-sponsored by the Asa Plant)
Gunnan Sangyo Co., Ltd.	Festivals	Fureai Festival (sponsors with the Takasaki Plant)
	Donations	Iwahana Kosodate Kanzeon Festival (sponsors fireworks display)
	Events	Sweet potato planting and harvesting with children from Iwahana Daycare (jointly with the Takasaki Plant)
KAYAKU AKZO CORPORATION	Discussions	Hosts community roundtable talks (together with Asa Plant)
	Festivals	Hosts the Wasshoi! Kayaku Festival (co-sponsored by the NK Asa Plant)
	Donations	Donates articles to Koyo Elementary School
Kayaku Japan Co., Ltd.	Education	Dispatches instructors to universities and Tokuyama College
		Dispatches instructors registered with the Japan Explosives Safety Association
		Dispatches instructors for outreach programs at Minamikata and Nobeoka Minami junior high schools
	Festivals	HEPCO Summer Festival (co-sponsored with Hokkaido Electric Power Company)
		Sugawa Shrine Festival (assistance)
		Hosts the Wasshoi! Kayaku Festival (co-sponsored by the NK Asa Plant)
	Events	Zyounai Ekiden Marathon (hosts nearby youth sports groups together with the NK Asa Plant)
	Donating blood	Hosts blood donation truck (together with the NK Asa Plant)
	Opening facilities to the public	Opens its row of cherry trees to the public
	Plant tours	Plant tours for colleges, government offices, teacher groups (training), local clubs, and Group companies
	Cleanups	Holds trash pickup activities along the Asa River (together with the Asa Branch of the labor union)
Holds cleanup activities around the Tokai Plant, Nagahama Coast and Hamakawa area		



— 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.

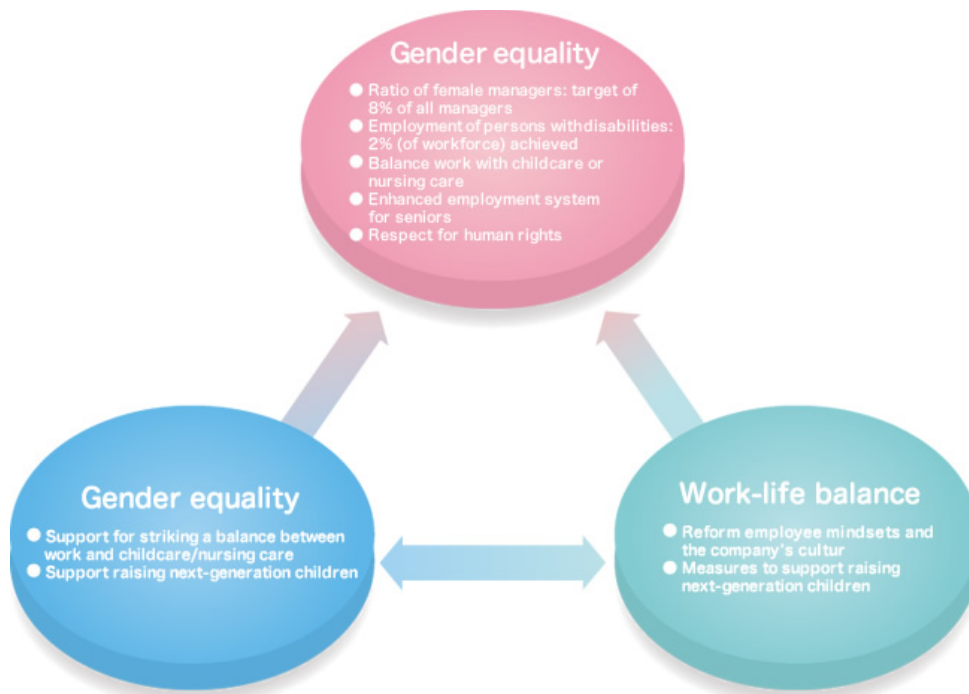
Message from the Head of Administration Group

For the Nippon Kayaku Group to realize the KAYAKU spirit, we have developed a number of innovative systems and programs so that all employees can fulfill their individual responsibilities and roles with a sense of pride and self-confidence as key implementers of this vision. We are already in the 16th year of our position class system, which makes it possible to deploy and compensate human resources without focus placed on age, gender or academic history. The number of females promoted to manager positions also continues to increase with each passing year thanks to our appointment system that encourages a self-starter spirit and desire to take on challenges, and does not consider gender. Moreover, we are actively promoting diversity. This includes the re-hiring of nearly 100% of our employees who reach mandatory retirement age since the start of our senior partner program and supporting the employment of persons with disabilities through a tie-up with schools for the disabled. Meanwhile, our business continues to become more global in nature. In line with this growth, we providing pre-departure and post completion training for expatriate employees and systemically carry out training for locally hired staff.

Moving forward, we will continue to develop systems with new, innovative thinking, unbound by conventional approaches or practices, so that we can respond flexibly to the changing business climate.



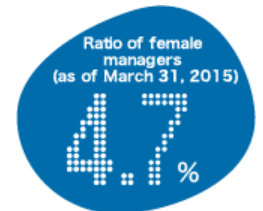
Osamu Hirao
Head of Administration
Group



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 half percentage point from 4.2% last year to 4.7% as of March 31, 2015. Going forward, we will continue to actively promote the more 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, 2015, we employed 50 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.

The Success of Female MRs

Nippon Kayaku has been involved in the fight against cancer through anti-cancer drugs since 1969. Today, Nippon Kayaku carries the largest number of anti-cancer drugs in all of Japan. Our MRs* play a key role in providing information to medical institutions on the safety and effectiveness of these products. It is important for MRs to have in-depth knowledge about medicine, pharmacology and products as well as a sense of mission toward society in delivering products that directly affect human life. Within our MR team, we have appointed females to the position of cancer-specialist MR, which demands an even higher level of specialist knowledge. For this reason, I believe the MR position represents an excellent opportunity for women to succeed in the workplace.

As the Manager of the Medical Representative Training & Education Office, I devote my daily efforts to improving the capabilities of our MRs and developing them into the best possible partner for medical professionals. Training, of course, is provided to all MRs equally regardless of gender. This is because we have a strong desire to not only have female MRs succeed with our top clients, but also become future leaders. Creating female-friendly workplaces and ensuring the success of females in the workplace are an integral part of diversity and also instrumental to getting the most out of our organization's capabilities, I believe.



Ms. Masako Aono
 Manager
 Medical Representative Training &
 Education Office
 Pharmaceuticals Marketing Division
 Pharmaceuticals Group

* MR stands for Medical Representative

Global Human Resources Playing an Active Role

Looking back at the past 10+ years I spent working for NK's daughter company ISS in the Czech Republic, I realize how NK's CSR oriented management naturally incorporates elements of true respect to each country's culture, customs and human rights while striving to contribute to the progress of the local society.

As soon as I started working at our headquarters, I felt relieved and honored to be able to work in a company that places such value onto the active promotion of diversity and open mindedness. It certainly is an important thing to have a work-friendly environment, but in order to fully bring out one's real strengths, the family stranded in a foreign country must be well supported. By support, I mean providing conditions for enjoying a full, joyful life with as much integration into the Japanese society and culture as possible.

As part of the company's future evolvement, it is inevitable that NK will hire more foreign employees, and bring in more trainees from overseas at our headquarters and other workplaces. Through daily interactions in the same office or shop floor, working together towards achieving the same goal, we have much to gain and nothing to lose from such experiences. While the name of our company spells Japan (Nippon) in it, the NK Group is now truly a full-fledged member of the global society, and I am indeed happy to be a part of and work here.



Mr. Pavel Jaroscak
Planning & Coordination Division
Safety Systems Group

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 2014. 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.

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.

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.

Measures to Support Raising Next-Generation Children

We organized a tour of our head office for children of employee so that they could see firsthand where there mother or father or both, work.

The Tokyo Business Center, Kashima Plant, Asa Plant, Kayaku Japan's Asa Plant, and Kayaku Safety Systems (Huzhou) also organized similar company tours.





■ Kayaku Safety Systems (Huzhou) – Company Tour for the Families of Employees

Kayaku Safety Systems (Huzhou) (KSH) organized a factory tour for the families of employees in order to deepen their understanding about its workplace environment as well as the nature of the work performed and products made there. A total of 27 people representing 16 families attended the event, during which they toured the inflator/MGG assembly line, product and parts warehouse, R&D building, and administrative building. Everyone was very impressed with cleanliness of the plant and office and commented on how great a workplace environment it was.



KSH is located in Huicheling village in Heping town surrounded by tea fields and mountains, quite some distance from the nearest arterial road. The company is 30km from downtown Huzhou in Changxing County and 6km from the heart of Heping. Most people will never have the chance to see the plant and family members of employees, too, do not normally see its products firsthand.

Family is very important in China and there is a tradition for the family to work together to mutually raise children and take care of the house. Going forward, KSH plans on holding similar plant tours for employee family members to educate them about KSH and help them understand the type of work employees are involved in.

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

We submitted our Action Plan for Measures to support the Development of the Next Generation action plan (from April 1, 2015 to March 31, 2018) to the Tokyo Labor Bureau for approval on March 31, 2015.



Kurumin logo

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

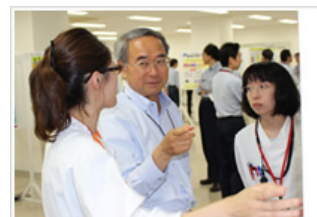
Starting in April 2006, we launched the Nippon Kayaku Senior Partner System to rehire employees that reached the mandatory retirement age to comply with changes made to the Act for Stabilization of Employment of Older Persons. This system is intended for retired employees that are both mentally and physically 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 2014, nearly all of the retired employees requesting rehiring were able to rejoin the company up to the age of 65 thanks to this system.

Company-wide Research Presentation Conference

Nippon Kayaku organizes the Company-wide Research Presentation Conference where researchers from the Research and Development Group gather to present their work. Each year the program is improved and this past year it comprised lectures from external experts, poster presentations, verbal presentations, commendations for patents that contributed to business or technological development, and a networking session. Nippon Kayaku possess a large number of leading technologies and expertise developed over the years, and by providing a venue for sharing results, researchers are able to gain perspective on their own work from various angles as well as gain hints about finding and solving issues through the advice of others.



Each year, the executive committee, which is staffed by personnel selected from research laboratories, thinks up a common concept and following this concept it creates and presents posters for each group and team. Posters that are concise and easy to understand are the most popular and typically invite active discussions from various perspectives. Young researchers, in particular, not only use the conference to network with people from other departments, but also to interact with the president and various other senior executives in an effort to promote themselves and their work. This conference helps to improve work efficiency and leads to innovation creation and the development of the future leaders of the company.



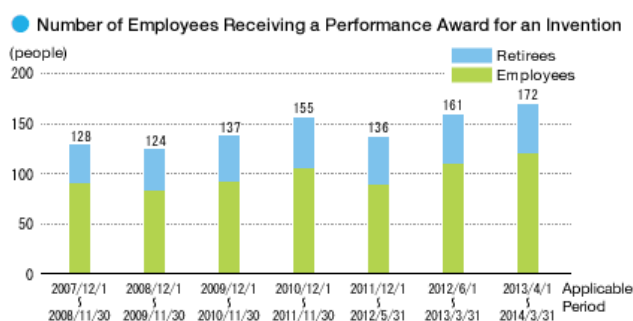
Commendation Program for New Inventions

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

1. Performance Award Program

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

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



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.



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.

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.

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.



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

1. 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.
2. We will bear responsibility for the quality of our products, and will strive to develop and improve products that satisfy our customers.
3. 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.
5. 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.
6. We will actively work to develop environmental protection technologies, as well as applications for such technologies.
7. We will make efforts to deepen communication about our operations and products among communities and government authorities to assure that proper understanding is achieved.

June 25, 2015

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

The Nippon Kayaku Group has grown on the back of chemical technologies and today it develops and manufactures a truly broad range of products. To satisfy the needs of the market, we harness our long-standing technologies and the latest knowledge each and every day to provide stable supplies of high quality products.

We recognize that safety requires the awareness of individual workers and the continual enhancement of supporting systems. In order to establish a stable operating structure for the generational change of manufacturing workers and the globalization of our production sites, we are focusing a great deal of efforts on education, training and follow up.

Environmental measures such as CO₂ mitigation, increased recycling, and lower waste emissions are necessary not only for regulatory compliance, but also for maintaining the future continuity of our business operations. We are currently working hard to find the best mix, technologically speaking, for our production processes and scale.

Going forward, we will continue constantly enhance quality and carry out Responsible Care activities in order to gain the satisfaction of all stakeholders.



Takao Onuki
Head of Technical
Operations Group

Environment, Health and Safety at the Nippon Kayaku Group

The every Nippon Kayaku Group company hereby commits to "Prioritize Safety Above All" in our efforts. And we agreed not only complying with related environmental and safety laws in Japan and preventing environmental and safety accidents, but also complying with related environmental and safety laws in Overseas and preventing environmental and safety accidents in all Nippon Kayaku Group companies. Furthermore we ensured they can carry out activities together under the Declaration on Health, Safety, Environmental Protection and Quality, with the ultimate goal of realizing the KAYAKU spirit.

Thereby in fiscal 2014, we carried out efforts under the Nippon Kayaku Group's first ever integrated policy on the environment, health and safety. In fiscal 2015, we will continue with these efforts and confirm progress as well as a name for the Group-wide policy that reflects the spirit of Responsible Care.

Nippon Kayaku Group Responsible Care (EH&S) Policy Statement for FY 2015

The Nippon Kayaku Group hereby commits to "Prioritize Safety Above All" in our efforts as we work in accordance with our Responsible Care Philosophy, and the Fundamental Polices stated in "The Declaration on Health, Safety, Environmental Protection and Quality.

① Promoting "Zero Accidents, Zero Injuries"

We shall proactively seek to prevent accidents and injuries through Risk Assessments, KYT/KYK* and the development of EH&S activities utilizing the best practices of each country and each of our Group Companies.

*KYT/KYK: Danger Prediction Training/Activities

② Becoming an Eco-Friendly Company

We shall do our part to prevent global warming and reducing our environmental burden, by working towards specific goals suited to each country and each of our Group Companies.

③ Comprehensive Chemical Management

By utilizing SDS and responding to GHS, we shall properly understand the risks and hazards associated with each material we manage and thus actively promote Responsible Chemical Management.

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 2015, we will continue to promote 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 "Field 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. And this team made out "Why-Why Analysis Manual (Nippon Kayaku version)", we carried out "Why-Why Analysis" using this manual at each workplace. Also, we were 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)

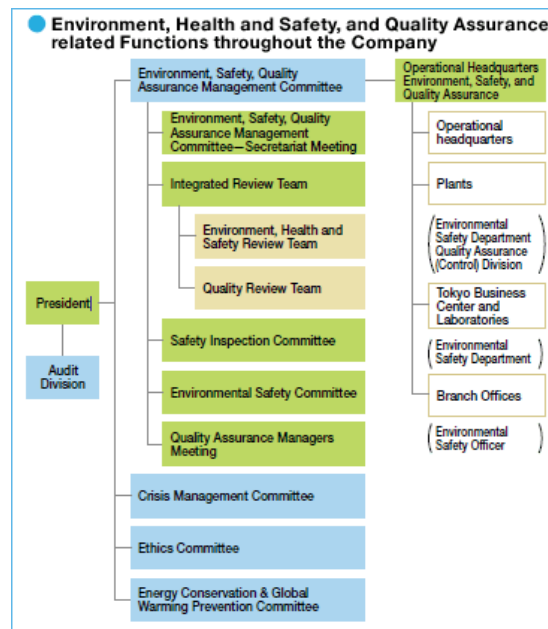


Training on quality

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 and certain Group companies including five 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.

Our overseas Group companies involved in the auto industry are working on obtaining ISO/TS 16949 certification, which adds requirements common to the auto industry to those of ISO 9001. The Takasaki Plant has obtained manufacturing approval under the Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs (GMP ordinance) and has obtained accreditation from the United States and Europe (EU).

Quality Assurance Management / Environment Management System Certified Workplaces

Workplace	● ISO9001	ISO14001
	■ ISO / TS16949*2	
Fukuyama Plant	● June 1995	April 1999
Asa Plant	● Jan. 1995	Sept. 1998
Tokyo Plant	● June 1995	Dec. 1998
Takasaki Plant	● July 2003	Jan. 2000
Himeji Plant	● Sept. 2007	Jan. 2001
Kashima Plant	● Dec. 1995	March 1999
Functional Chemicals Group	● Jan. 2001	—
Pharmaceuticals Group	● Sept. 2003	—
Safety Systems Group	● Sept. 2007	—
Agrochemicals Division	● Sept. 2003	—
POLATECHNO CO., LTD.	● Jan. 1999	Aug. 2002
NIPPON KAYAKU FOOD TECHNO CO., LTD.	● Nov. 2003	—
KAYAKU CHEMICAL (WUXI) CO., LTD.	● March 2005	Aug. 2006
MicroChem Corp.	● April 2002	—
Wuxi Advanced Kayaku Chemical Co., Ltd.	● April 2007	July 2007
Zhaoyuan Advanced Chemical Co., Ltd.	● March 2005	—
INDET SAFETY SYSTEMS a.s.	■ March 2002	Dec. 2002
Kayaku Safety Systems (Huzhou) Co., Ltd.	■ March 2015	—
Kayaku Safety Systems de Mexico, S.A. de C.V.	● Sept. 2010	—
MOXTEK, Inc.	● July, 2012	—

GMP*3 Approval Status	Workplace	Main governments
	Takasaki Plant	

*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.

Kayaku Safety Systems (Huzhou) Co., Ltd. Obtained ISO 9001/TS 16949 Certification in Quality Management for the Auto Industry

Kayaku Safety Systems (Huzhou) Co., Ltd. (KSH) is a Nippon Kayaku Group company established in China in 2006 to manufacture automotive safety components.

In May 2014, KSH obtained TS 16949 certification in order to satisfy customer requirements and further stability quality based on the recognition that it manufactures products that directly affect the lives of people. TS 16949 is a quality management system standard for the automotive industry that fulfills the global procurement standards of for automotive components found in ISO 9001.

KSH launched in-house workshops on the system beginning in 2011 mandatory for all employees. After the two-year preparation period, education was initiated by a screening body starting in May 2013 where 32 employees became accredited as in-house screeners. The first audit carried out in December 2013 and the final audit was completed in March 2014. Later in May 2014, KSH was notified that it had successfully obtained certification. The audits included findings and instructions, while the final audit was extremely rigorous as it was carried out over a three-day period. In the end, the goal was achieved thanks to the strong conviction and dedication toward obtaining TS certification displayed by all KSH employees.

As a result, after building the foundation for global competitiveness, KSH now finds itself at the starting line as a manufacturing company specializing in automotive safety components. Moving forward, KSH will work toward the goal of becoming a better company and stronger company by obtaining ISO 14001 certification (environmental management systems) and OHSAS 18001 certification (occupational health and safety management systems).



ISO9001-TS16949



ISO audit in progress

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.



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 at all of its sites and certain Group companies including five overseas plants.

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 2014 there were a total of two no-lost worktime accidents, one lost worktime accidents and one non-in jury workplace accident.

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 2014 there were total numbers of six no-lost worktime accidents, one lost worktime accident and one workplace accident with no injury.

In terms of traffic safety, there were 49 traffic accidents involving company-owned vehicles or employees during the commute, representing the accident rate of 12.7% which increase by 0.9% compared to fiscal 2013. And the number of traffic accidents continues to remain above the level seen in fiscal 2010 and before. 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.

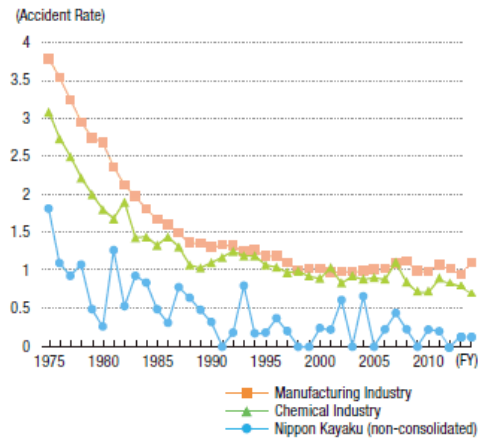
We are also working to share safety awareness across different workplaces by distributing work flow checklists to help eliminate shortcuts or omissions, having employees issue a safety declaration to prevent shortcuts and omissions, as well as displaying this safety declaration clearly in each workplace.

Further in 2014(calendar year) our Group companies including overseas plants there were total numbers of eight no-lost worktime accidents, ten lost worktime accidents and eight workplace accidents with no injury.

● Fiscal 2014 Safety Targets and Performance

Items	Target	Actual
Major Injury / Accidents	0	0
Serious environmental accidents	0	0
Lost worktime accidents	0	1 case
Accidents not accompanied by lost worktime	Rate of lost worktime accidents ¹ of under 1	1.19
	Less than 5 cases	6 cases
Work and commute-related automobile collisions	Less than 4%	12.7 %
	Less than 15 cases	49 cases
Non-injury workplace accidents	0	1 case

● Rate of Lost Worktime Accidents



*1 Frequency rate of lost worktime accidents: It expressed in terms of numbers of deaths & injuries in industrial accidents per 1 million work-hours in the aggregate.

Initiatives to Enhance Quality Assurance Functions

In order to guarantee stable quality, we must carry out daily quality control activities with certainty and continually improve quality control techniques. In our plants we utilize quality control methods such as control charts, conduct quality patrols, carry out QYT* activities, carefully manage changes and modifications, and implement various improvement activities. We also provide various training opportunities to employees in order to improve and promote the use of quality control techniques.

If a problem or deficiency is found at a plant, conventionally we have worked to identify the cause through Why-Why analysis or 4M analysis, but in fiscal 2014 we promoted the greater use of Why-Why analysis in the workplace in order to bolster the capabilities of each workplace. We set up a Why-Why analysis promotion team comprising members from six of our plants located in Japan to create our own unique Why-Why analysis manual. Why-Why analysis is now being carried out at workplaces using this manual.

* QYT: Quality hazard detection training

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	Quality Assurance Activities
<ul style="list-style-type: none"> ◦ Risk Assessment ◦ 5S Activity*2 ◦ Hiyari Hatto Activity ◦ KYT Activity ◦ TPM Activity*3 	<ul style="list-style-type: none"> ◦ Quality Risk Assessment ◦ Quality Patrol ◦ Trend Management (Visualization) ◦ Campaign to Prevent the Reoccurrence of Quality Problem ◦ 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 we implements "Risk Assessments" in order to prevent business sites accidents, injuries, environmental accidents, complaints and quality issues. 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.

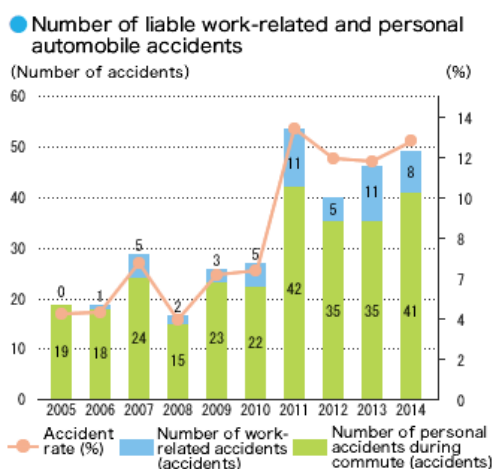
4. Traffic Safety Initiatives

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. And for new MR (Medical Representatives) we perform safe driving leading using "Kuruma-i" *6 which immediately sends E-mail to their superior officer when he drove dangerously, and using the driving aptitude test approved by the National Police Agency *7. Our ratio of liable accidents is half of the average for the Japan Pharmaceutical Manufacturers Association. In fiscal 2014, this accident rate of 12.7% which increase by 0.9% compared to fiscal 2013. And the number of traffic accidents continues to remain above the level seen in 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 Kuruma-i: A system that uses sensors positioned throughout the vehicle to measure acceleration and local (GPS) to detect sudden acceleration, sudden breaking, and sudden turns and immediately notify the driver's supervisor by email.

*7 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.



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

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.

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 four occasions – in fiscal 2005, between fiscal 2006 and 2008, between fiscal 2009 and 2011 and between fiscal 2012 and 2014. We formulated a new three-year plan in fiscal 2015 and employees are planning to take part in this 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.

In addition, about the obligation of the "Stress Check System" of Occupational Safety and Health Act, which is scheduled to implement on December 1, 2015, we have readied in order to establish the "Stress Check System"

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.

Wuxi Advanced Kayaku Chemical Co., Ltd. Recognized with an award of excellence from a panel for the sharing of knowledge about preventing occupational illnesses

Wuxi Advanced Kayaku Chemical Co., Ltd. (WAC) is located in Wuxi, China and manufactures and markets dyes. In January 2015, WAC received an excellence award from a nationwide panel on the prevention of occupational illnesses organized by the State Administration of Work Safety and All-China Federation of Trade Unions. Of the 102,293 organizations employing some 8 million workers nationwide, this panel selected just 350 organizations, with most of these being the labor and safety departments of regional governments. WAC was one of two organizations in Wuxi to win the award and the only private sector company.

The panel's screening was carried out based on a review of the reports of implementation status of important aspects of occupational illness prevention designated by the government as well as the nature of employee responses received in writing and over the Internet with regard to questions prepared by the government for testing their understanding of occupational illness prevention.

WAC's activities involve identifying and reporting occupational illness risk factors on a daily basis, reporting on the actual conditions of environmental measurements, bolstering prevention through the rationalization of equipment, reporting to employees about each individual danger found, and reinforcing management of irritants. WAC also provides employees with health checkups. These efforts were viewed highly by the panel.

WAC is committed to continuing with its improvement activities, under the ultimate goal of becoming a company that is more environmentally considerate and employee-friendly.



Receiving the excellence award from the Panel Committee

Lectures on health check-ups at KAYAKU CHEMICAL (WUXI) Co. Ltd.

KAYAKU CHEMICAL (WUXI) CO., LTD. (KCW) in China manufactures and markets synthetic resins and also researches and develops technology services.

KCW, as part of "employee health month," under the broader theme of environmental and safety month, organized physical examinations for all employees. Until this year, employees were simply given a physical exam, but starting in fiscal 2014 KCW asked specialist physicians from the medical institution that administered the health exams to visit the office again after the results of the exams were released. Employees were briefed on each item from the physical exam by specialist physicians who also sat down and explained the results of the testing to employees. Afterwards, specialist physicians were available to answer employee questions and provide advice. This enabled KCW to encourage employees to make improvements in their daily lives and focus on health issues as well. These efforts will be continued in the future.



From JCIA (Japan Chemical Industry Association) Pharmaceutical Research Laboratories honored with Safety Award First Prize Asa Plant honored with Responsible Care Award

On May 29, 2014, the Japan Chemical Industry Association held an awards ceremony at its annual meeting where Nippon Kayaku's Pharmaceutical Research Laboratories was honored with Safety Award First Prize. Later, the Pharmaceutical Research Laboratories participated in a safety symposium held on June 23 where it presented its best practices and it also took part in a related panel discussion. The Pharmaceutical Research Laboratories was selected for this honor because of its top-down approach to safety awareness where clear instructions are given from the director to team leads and each team thinks up its own safety measures. Additionally, other reasons included its many ongoing safety activities as well as its approaches to unique laboratory oriented activities, such as training on related laws and standardized approaches to laboratory testing, safety measures for technology transfers, and operation of a database on test reagents.

During the same awards ceremony, the Asa Plant was recognized with Responsible Care Award for Effort (RC Award *8). The Asa Plant was selected for this honor because of its safety and disaster preparedness measures, including activities to detect safety-related issues as well as its systems in place to prevent flood damage and monitor for foul odors.



*8 The RC Award is presented to individuals or groups that contribute to the promotion and enhancement of Responsible Care activities.

Kashima Plant Organized lecture at the Ibaraki Prefecture Industry Health and Safety Conference

On October 3, 2014, the Nippon Kayaku Kashima Plant presented a special lecture on its health and safety activities at the fiscal 2014 Ibaraki Prefecture Industry Health and Safety Conference. The Kashima Plant has never had an injury-related accident since it first began operations back in 1982, representing a span of more than 11,500 days. In fiscal 2011, the plant was honored with an excellence award from the Minister of Health, Labour and Welfare for its daily commitment to health and safety activities. During this lecture, staff from the plant talked about its approach to "safety first" in plant operations that seamlessly combines new safety activities with its long-standing safety culture passed down since its opening.



Environment, Health and Safety Checks and Quality Checks Established by the Nippon Kayaku Group and its Labor Union

The Nippon Kayaku Group has carried out environment, health, safety and quality (integrated) checks at each of

its workplaces, business sites, and certain Group companies according to an annual schedule. These checks also involve member of Nippon Kayaku's labor union who take part in each check.

The checks for the environment, health and safety policy, targets, plans and activity results of sites and Group companies are ascertained through meetings, documents and frontline tours. Issues are also identified from labor union's perspective in an effort to improve the overall level of environment, health and safety measures. In this manner, activities have been carried out together with the labor union based on mutual understanding. By having labor union representatives take part in checks, they are able to actively support initiatives for safety and the workplace environment of employees.



Initiatives for Health and Safety with the Labor Union

Nippon Kayaku's labor union conducts health and safety training every year called the level up seminar in which participants are solicited from each labor union branch. In fiscal 2014, the training included a hands-on safety experience outdoors and lectures titled "learning safety measures from past accidents" and "strengthening one's ability to take notice of things" sponsored by the Environmental Protection & Safety Division. Efforts were also made to raise safety awareness by sharing information about the health and safety measures of each branch (workplace) and by holding group discussions.



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 2015, we will continue to comply with Europe's REACH*9 and CLP*10, and continue to positively promote the response to the new chemicals legislation and legal reform around the world.

*9 Registration, Evaluation, Authorization and Restriction of Chemicals (REACH): An EU regulation for registering, evaluating, approving and restricting chemical substances.

*10 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 ^{*11}, companies are now required to provide SDS ^{*12} 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.

^{*11} GHS: Globally Harmonized System of Classification and Labeling of Chemicals

^{*12} SDS: Safety Data Sheet.



Sample GHS-compliant label

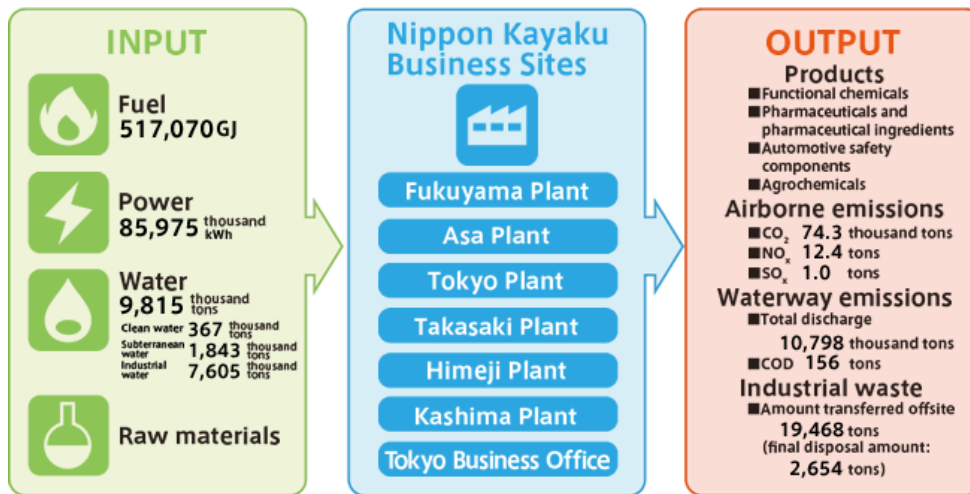


Reducing Our Environmental Impact

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.

Overview of business activities and environmental impacts



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 2014 was the fourth year of this plan.

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

		Target value	Fiscal 2014 results	
Reducing Our Chemical Substance Footprint	VOC* ¹ Emissions	Under 45 tons	49.2 tons	Reduced by 9.7% compared to fiscal 2013.
	COD* ² Emissions	Under 180 tons	155.9 tons	Increased 53.7% compared to fiscal 2013. This was caused at the Fukuyama plant high COD load product have been manufactured.
Prevention of Global Warming	Energy Derived CO ₂ Emission* ³ (Production Divisions+ Operation Divisions)	More than 3.8% reduction	74,300 tons	Reduced by 2.2% compared to fiscal 2013. This represents 10.0% reduction compared to fiscal 2005.
Reduction of Waste	Total Waste Produced	Under 30,000 tons	21,830 tons	Reduced by 5.9% compared to fiscal 2013.
	Recycling Rate	More than 70%	73.5%	Increased by 1.8% compared to fiscal 2013. This was caused by increase in emissions to waste processors with high recycling rate, following fiscal 2012.
	Zero Emission Rate* ⁴	Under 3%	12.2%	It became the same ratio as fiscal 2013, which has significantly deviated from the target value. This was caused by the cleanup of waste liquid sludge at the Fukuyama plant, following fiscal 2012.

*¹VOC: 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.

*²COD: Chemical Oxygen Demand. An indication of the amount of oxygen needed to oxidize a subject compound under a predetermined condition using oxidizing agents.

*³Energy-derived CO₂ emissions: Fiscal 2005 has been set as the benchmark (82,600 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 and odor pollution as well as stopping global warming and reducing waste.

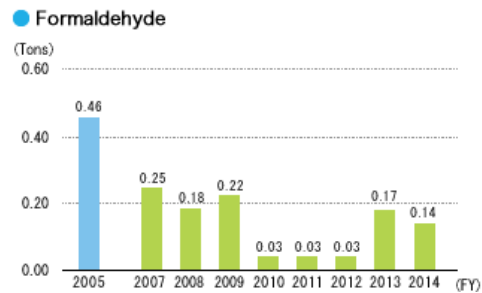
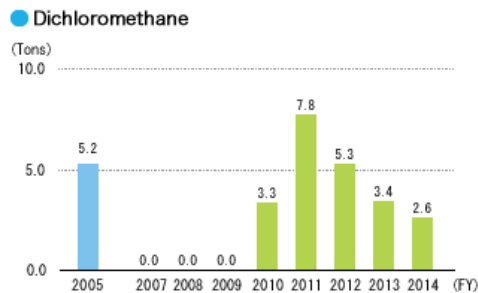
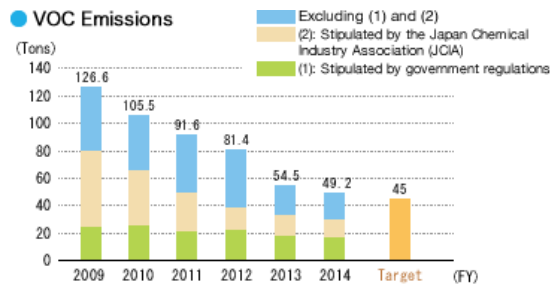
Preventing Air Pollution

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.

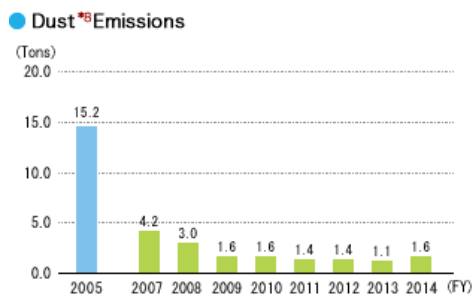
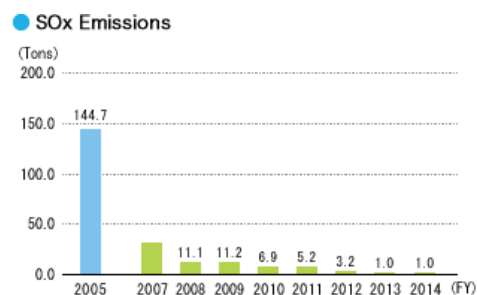
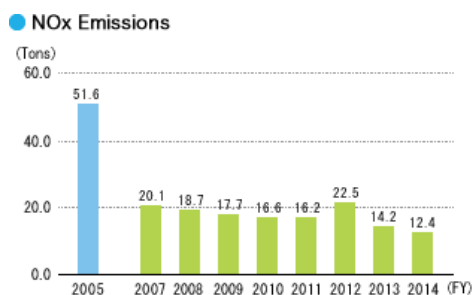
As for our VOC emissions reduction efforts, our new medium-term environmental targets established in fiscal 2011 expand the scope of data compilation to include all chemical substances discharged into the atmosphere. The new scope includes chemical substances that are produced through reactions as well 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 substances after 1995, but stopped the use of benzene in 1995. Emissions of chloroform and ethylene oxide have been cut to zero since fiscal 2007. About dichloromethane emissions there were few times of 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 2014 as well. As a result, since fiscal 2008, we maintain to reduce SOx emissions about, we made further reductions. The Nippon Kayaku Group will continue to make efforts. 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.

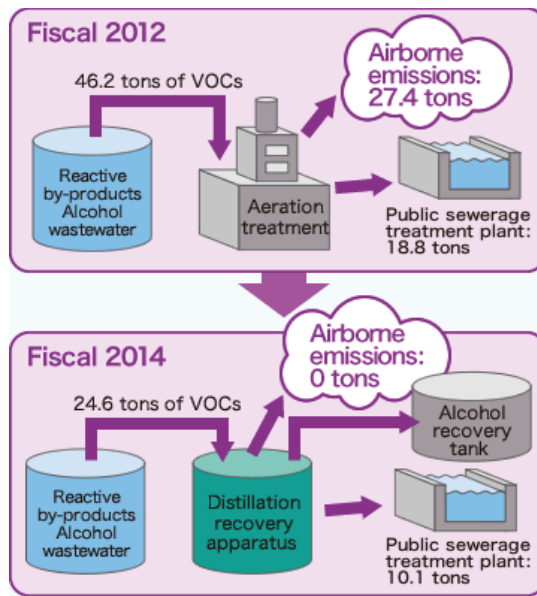
*8 Dust: Dust mainly refers to fine particulate soot found in dust smoke produced when burning fossil fuels. In addition to a major cause of air pollution, humans can contract pneumoconiosis or other harmful health conditions when breathing dust in high concentrations.

Initiatives to Reduce VOCs at the Kashima Plant

The Kashima Plant released alcohol produced in large quantities from the agricultural 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.

In fiscal 2012 we released 27.4 tons into the atmosphere. As a result of the above-mentioned, we completely eliminated our emissions of alcohol gas into the atmosphere since fiscal 2013.

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

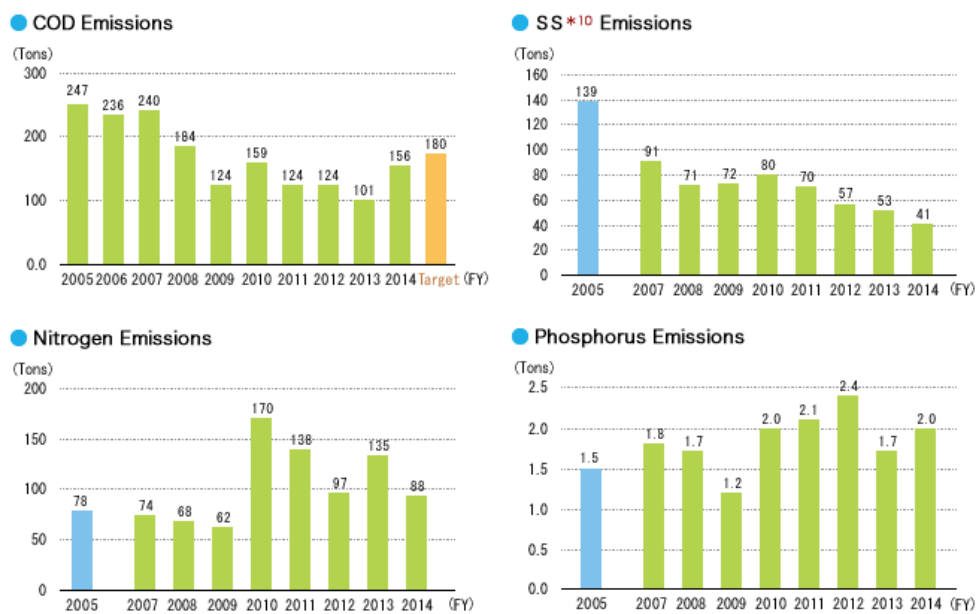
The Nippon Kayaku Group has set voluntary wastewater discharge control standards that are tougher than requirements laid out in national laws and local ordinances.

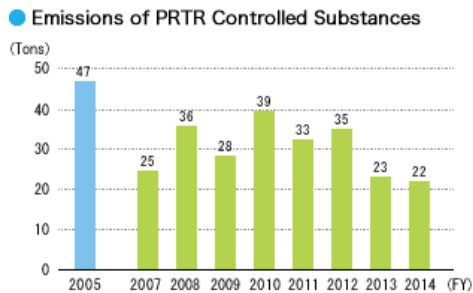
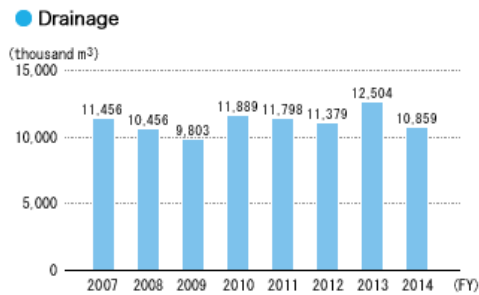
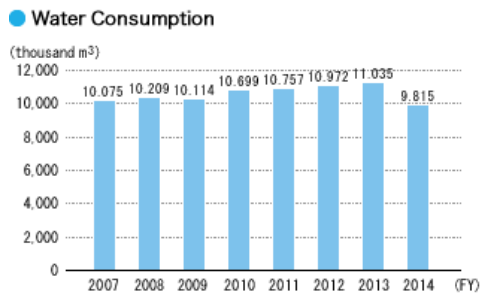
And The Nippon Kayaku Group produces color material-related products including dyes and ink jet printer ink, among others. Our Tokyo and Fukuyama plants, where color material-related products are manufactured, fully decolorize colored wastewater before it is discharged.

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 2014, the amount was 156 tons, which increased by 53.7% compared to fiscal 2013. This was caused at the Fukuyama plant high COD load product have been manufactured.

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 2014, our emissions of PRTR controlled substances totaled 21.8 tons, which marked about 6% reduction from 23.3 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 10.2 tons in fiscal 2014. This was about 47% 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.

At Wuxi Advanced Kayaku Chemical co.,Ltd. since 2013 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

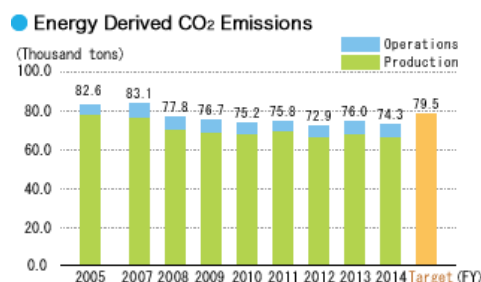
This process has started to yield positive results and current measures have helped to reduce COD emissions to an expected 45 tons per year. This initiative has also helped to reduce the amount of chemicals needed for wastewater treatment and reduce personnel.

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. In fiscal 2013, total energy usage declined, but as the conversion coefficient for CO₂ emissions revision, CO₂ emissions were temporarily worsening, in fiscal 2014, CO₂ emissions were 74,300tons which reduced by 2.2% compared to fiscal 2013.

As part of its efforts to help reduce CO₂ emissions from homes, the Nippon Kayaku Group has established the program to encourage employees to conserve energy at home called "My Home is Currently Conserving Electricity", which focuses exclusively on electricity usage.



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 2005 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 2014](#) 

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 2014 we improved our specific energy consumption by 1.8% against our mid-long term average and total energy usage was down 1.5% 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.

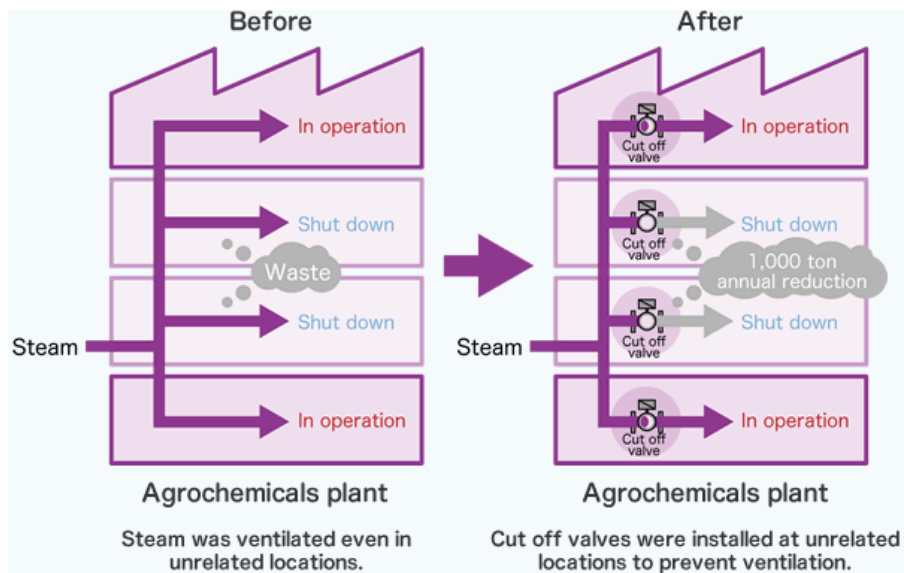
Initiatives to Reduce Steam Usage at the Kashima Plant

The Kashima Plant is a synthesis plant that mainly produces agrochemicals using synthesis technologies. Therefore, the plant requires a huge amount of energy to power these processes. However, Nippon Kayaku is working, through its CSR activities, to aim to reduce energy consumption, and for this reason the Kashima Plant was asked to find ways to reduce its energy consumption.

As one solution, starting in 2012 the plant began working on ways to reduce its use of steam, which accounts for a large amount of its energy sources. The plant focused on the fact that the steam pipeline traversing the site and plant ventilated steam regardless if the plant was operating or shut down (waste), so it installed several cut off valves. By opening and closing these valves in line with operational status, the plant was able to reduce its use of steam.

As a result, the Kashima Plant successfully reduced its annual steam usage by 1,000 tons, where before it had used between 5,000 and 6,000 tons each year.

Going forward, the Kashima Plant will continue to implement CSR activities to fulfill its environmental responsibilities as a plant that uses less energy.



Introduction of a Photovoltaic System at the Himeji Plant

The electricity situation for the Himeji Plant has changed a great deal since before the Great East Japan Earthquake as follows.

1. Electricity supply shortages are forecast every year for the Kansai Electric Power Company service area during the summer months because of lost capacity from the shutdown of nuclear power plants, and so customers have been asked to reduce their electricity usage during peak times

2. The minimum necessary electricity needed to contact customers and other related stakeholders during a major disaster is required as part of its BCP measures

The Himeji Plant began operating a power generation system combining a photovoltaic system and lithium ion batteries in April 2014 to satisfy the following three conditions.

1. Use of a system that can reduce the plant's electricity usage during time of peak demand in non-emergency situations
2. A system that can operate even when external lifelines are cut off
3. A system that can ensure the minimum operations of indirect and sales departments in case of a blackout from a major disaster

The capacity of each component of the system is as follows.

Photovoltaic system: 54kW generating capacity

Lithium ion batteries: Output of 30kVa

After putting the system into operation, the Himeji Plant has been able to reduce its use of electricity by up to 50kW during peak demand times in the summer. Additionally, the Himeji Plant was forced to initiate an emergency shutdown due to a nearby accident in December 2014. The photovoltaic system and lithium ion batteries operated as normal and supported the operations of indirect and sales departments. In the future, the Himeji Plant will increase the number of solar panels and take further steps for its BCP and energy saving activities.

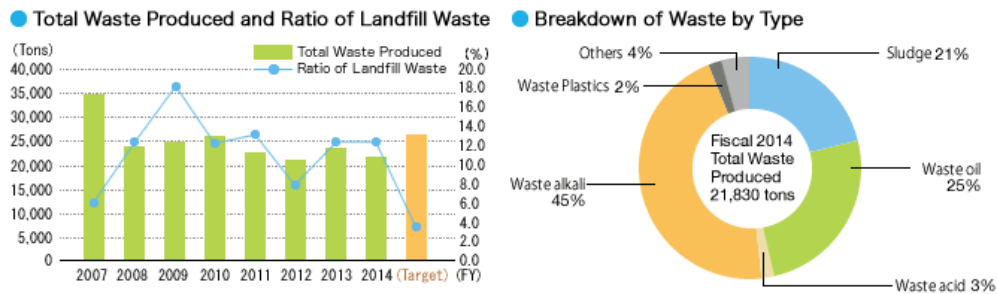
Rolling Out Eco-friendly Sales Vehicles

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 2014, the Nippon Kayaku Group produced 21,830 tons of waste, which represents 5.9% reduce compared to fiscal 2013. Landfill waste in fiscal 2014 amounted to 2,654 tons, or a zero emissions rate of 12.2%, the same ratio as in fiscal 2013. It was caused by the cleanup of waste liquid sludge same as in 2013. Going forward, we will continue with activities aimed at increasing our recycling rate and achieving zero emission.





Noise and odor Prevention

We conduct our business with a conscious effort toward minimizing noise and odor pollution in the areas surrounding our factories. We regularly measure noise levels around our factories, making every effort to be a positive members of the local community or odor-monitor-system. 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 and other hazardous chemicals.

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.

Environmental Protection Costs

(Millions of yen)

Category		Investment	Total	Main Activities	
Cost Incurred in the Workplace	Pollution Prevention Cost	Air Pollution Prevention	74.0	104.6	Replaced waste fluid incinerator, reinforced VOC countermeasures, shifted heating medium furnace to gas-fired unit
		Water Pollution Prevention	49.0	216.8	Replaced bio-decolorization tower and waste water treatment facilities Replaced pumps, piping and flow meters
		Underground seepage prevention	54.8	30.1	Switched to aboveground waste liquid storage tank, lined pit underground water supply pit, made improvements to drainage channel
		Noise and Vibration Prevention	0.0	0.0	Installed silencer on isolation tower
		Other		238.1	Disposal costs of facilities and pollution charges
Global Environment Cost	Global Warming Prevention and Energy Conservation	288.6	19.3	Replaced HVAC, switched transformers to top runner, installed brine chiller unit	
Resource Recycling Cost	Waste treatment	20.5	147.9	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	
	Sewage Processing Cost	-	83.8	Sewerage treatment costs	
Management Activity Cost	System Maintenance and Operation	-	122.2	Internal auditor development cost and ISO14001 renewal costs	
	Environmental Stress Monitoring	-	46.6	Analysis costs and outsourcing costs	
	Information Disclosure	-	9.1	Outsourcing costs for preparing information disclosure documents on the environment	
	Education, Training and Other	-	105.0	Workplace training, etc.	
R&D Cost			419.7	Environmentally friendly R&D costs and wastewater treatment technology development costs	
Social Activity Cost		-	8.8	Plant tours, community event sponsorship, responsible care, ICCA special committee, LRI research meeting costs	
Environmental Damage Cost		-	0.0		
Total		491.4	2,024.9		

● Return from Environmental Protection Initiatives

(Millions of yen)

Sources of Return		Cost Reduction Return	Main Activities	
Workplace	Pollution Prevention Return	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
		Pollution Load Levy Reduction	0.2	
	Global Environment Return	Noise and Vibration Prevention	0.0	Reduced onsite noise by changing the direction of the exhaust fan
		Global Warming Prevention and Energy Conservation	71.5	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	2.0
	Sale of Recycled Resources		8.9	Collected metals, sold paper products outside the group, and sold plastics outside the group
Other	1.4		Made changes to in-house recycling and the waste processing provider	
Up- / Down-Stream	Container Recycling	0.0	Reused plastic drums	
Others		0.0		
Total		84.0		

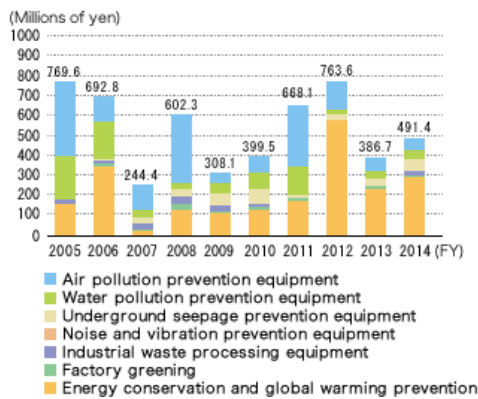
- Scope: Nippon Kayaku (non-consolidated)
- Capital expenditure: Compilation of capital appropriated for orders in fiscal 2014 to March 2014
- Management cost: Any cost increase resulting from change in fuel type or change in waste processing method that are deemed appropriate from an environmental perspective 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

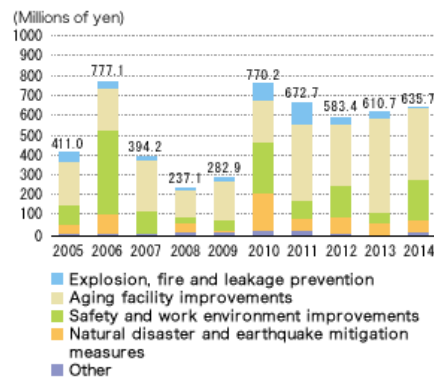
The Nippon Kayaku Group makes well planned and continual investments in environment, safety and health related projects. In fiscal 2014, investments related to the environment totaled 491.4 million yen, marking 27% decrease compared to fiscal 2013. Energy conservation and global warming prevention accounted for 57% of the total.

Investments related to health and safety totaled 635.7 million yen in fiscal 2014, which is up 4.0% compared to fiscal 2013. Investments in measures to address aging facilities accounted for 57% of the total.

● Environment Related Capital Investments



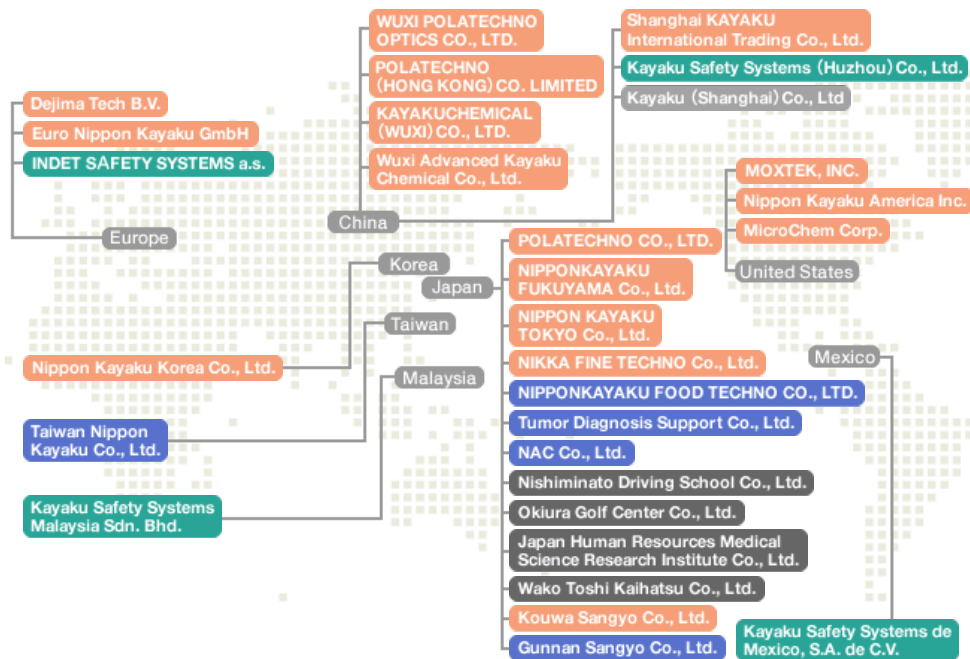
● Safety and Health Related Investments





The Nippon Kayaku Group's CSR Commitment

The Nippon Kayaku Group has business operations in nine countries around the world, comprising 19 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 Hiromi Morita, POLATECHNO CO., LTD

POLATECHNO Co., Ltd. operates a line of businesses based on the key words "controlling light." The products we make using this technology focus on the concepts of energy efficiency and eco friendliness from the manufacturing stage. These products also make the lives of the customers who use them more convenient and comfortable. As a company that controls light, we will continue to supply a lineup of products that meet the needs of society in terms of energy efficiency and eco friendliness, while also contributing to society.



Japan Functional Chemicals Group

Representative Director & President Kunio Ujita, NIPPONKAYAKU FUKUYAMA Co., Ltd.

We will promote the environment, safety, quality and compliance through our production activities, while also contributing to the development of local communities. As part of our initiatives to support regional revitalization, we provide access to our sports facilities (baseball field, soccer field, and tennis court), support the summer festival and rose festival held in Fukuyama City, and get involved in fire prevention, disaster preparedness and occupational health and safety activities in



the community for everyone's comfort and peace of mind. We have 99 years of history behind us and we are working hard to co-exist with society by promoting CSR activities that expand even beyond our business operations in an effort to have more people recognize our value as a company now and in the future.

Japan Functional Chemicals Group

Representative Director & President Tetsuo Saitou, 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 and achieve sustainable growth by carrying out CSR management that fulfills the expectations and trust of all stakeholders.



Japan Pharmaceuticals Group

Representative Director & President Chitoshi Mochizuki, 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 Pharmaceuticals Business

Representative Director & President Koichi Ono, Tumor Diagnosis Support Co., Ltd.

The TD in TD Support stands for tumor diagnosis. We support the diagnosis of pathological tissue found in mammary glands. Today, breast cancer has the highest prevalence rate of any cancer in females. However, breast cancer is believed to be an extremely difficult type of cancer to diagnose accurately with pathological tissue. Without the right diagnosis, a patient will not be able to receive the most effective treatment. As part of the Nippon Kayaku Group's commitment to CSR management, TD Support is working day in and day out to contribute to an environment where breast cancer patients can receive treatment with the best possible outcome.



Japan Pharmaceuticals Business

Representative Director & President Mineaki Okada, NAC Co.,Ltd.

NAC Co., Ltd. is helping to establish chemotherapy methods and develop new compounds and new preparations through the provision of high quality data by means of its experience as a contract provider in biological concentration measurement testing and standard quality testing for pharmaceuticals. Also, by supplying superior quality pathological tissue samples, we are contributing to the accurate diagnosis of breast cancer. At the same time, we are striving to contribute to society through tax payments and providing seniors with opportunities as well as gaining the trust and reliability of the local community in our region through safety measures, greenery and environmental protection within the Nippon Kayaku Toyo Business District.



Japan Other Businesses

Representative Director & President Tadashi Yonemori, Nishiminato Driving School Co.,Ltd.

Nishiminato Driving School is celebrating its 30th anniversary this year, and our greatest emphasis is to help train safe and considerate drivers who will contribute to automotive society. We also host outreach programs at local elementary and high schools on traffic safety, and also organize presentations on traffic safety for seniors and companies. We actively



fulfill our role as a hub for community transportation safety education. Going forward, we will strive to become a positive company that continually contributes to society as a comprehensive base of traffic safety learning that has earned support and empathy from the community.

Japan Other Businesses

Representative Director & President Ujita Kunio, Okiura Golf Center Co., Ltd.

Okiura Golf Center is a driving range that first opened 29 years ago in order to make full use of idle land. We have 72 positions to hit from as well as a putter, approach and bunker practice area and restaurant. Our customers span from children to seniors and they visit us to enjoy a golf practice experience. We are the only sports related business within the Nippon Kayaku Group and we hope to reach out to the local community through golf and practice CSR management by planting natural grass and trees and carrying out eco friendly management practices.



Japan Other Businesses

Representative Director & President Naoki Shiota, JHMS Co.,Ltd.

Japan Human Resources Medical Science Research Institute Co., Ltd. has a mission to contribute to society as a company providing comprehensive business support solutions to the healthcare and other fields. Our business lines span a wide range of pharmaceutical support businesses for medical devices, including video productions, human resources development, training, worker dispatch, worker recruiting, and medical statistics. We also abide by related laws and regulations and we hope to continually meet the needs of our customers, despite our small scale operations.



Japan Other Businesses

Representative Director & President Seiki Fukunaga, 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. 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 pediatric cancer, intractable diseases or who require bone marrow transplants and are being treated at specialist institutions. 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 Kazuki Uchida, Kouwa Sangyo Co., Ltd.

Kouwa Sangyo mainly carries out manufacturing work at the Asa Plant. Our important health and safety initiatives include providing opportunities for employees to experience dangers and threats to their safety firsthand using apparatuses. We also offer emergency first-aid and AED training as well as support the local volunteer firefighting brigade to instill employees with the knowledge and techniques needed to quickly respond in an emergency. The Wasshoi! Kayaku Festival co-sponsored with the Asa Plant every November has become an integral event for the local community. Moving forward, we will aim to contribute to the community through the corporate activities of each and every employee.



Japan Pharmaceuticals Business

Representative Director & President Katuya Harada, Gunnan Sangyo Co., Ltd.

Gunnan Sangyo is responsible for the security of the Takasaki Plant, Nippon Kayaku's only plant making pharmaceuticals, building cleaning, landscaping and greenery, as well as property management for Hisho, which is a training center used to develop the human resources of the Nippon Kayaku Group. We are working to carry out CSR activities by providing a more comfortable environment for local residents and the people that work at Takasaki Plant and the training center.



United States Functional Chemicals Group

CEO & President Shigeyuki Kawamura, MOXTEK, Inc.

Moxtek's CSR activities are closely rooted in the local community. These include our involvement in a homeless assistance program, support for the LEGO Robotics Tournaments in support of area universities, and our sponsorship of extracurricular activities at the elementary, junior high and high school levels. We are working hard to fulfill our commitment to be a company closely rooted in the local community by actively supporting the learning of youth and extracurricular activities in particular.



United States Functional Chemicals Group • Safety Systems Group

Representative Director & President Go Mizutani, NIPPON KAYAKU AMERICA, INC.

Nippon Kayaku America sells and promotes functional chemical products and automotive safety components to customers in North America and also provides technical support. We are located in California, which has some of the most rigorous environmental regulations and worker protection measures of any state in the United States. We comply fully with these rigorous laws and market chemical products that are safe and eco friendly. We also promote products that contribute to the environment and energy efficiency and constantly work to propose even safer automotive safety components to customers. Moving forward, we will continue to proactively engage in CSR activities with the goal of practicing KAYAKU spirit to its fullest.



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 and to creating economic value for the community, environment, and 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 Teruhisa Inoue, Wuxi Polatechno Optics Co., Ltd

Kayaku Chemical (Wuxi) was established in 2003 in Wuxi, Jiangsu Province as a plant responsible for the post processes of POLATECHNO CO., LTD. Until now, we have promoted CSR activities through our chip processing business for automotive polarizing films and LCD projector components, but we recognize that it has become more important than ever to carry out CSR closely rooted in the community, including environmental improvement and social contributions. This fiscal year we are working to enhance our benefits programs in order to create an environment where employees can work safely with peace of mind. Ultimately, our goal is to become a company that can fulfill its responsibilities to all stakeholders.



China Functional Chemicals Group
General Manager Teruo Uchida, POLATECHNO (HONG KONG) CO., LIMITED

POLATECHNO (HONG KONG) is an important sales company that accounts for more than 70% of the POLATECHNO Group's sales. Our direct customers include Chinese LCD manufacturers and Japanese project manufacturers, but our end products are widely used around the world in final products for automobile, LCD projectors, electricity and water meters, medical devices, and home electronics. These products include products indispensable to our daily lives and many more are associated with energy efficiency, safety and health. We are committed to contributing to society, albeit indirectly, through the sales and marketing activities for our products.



China Functional Chemicals Group
General Manager Kazuyuki Murata, KAYAKU CHEMICAL (WUXI) CO., LTD.

China is faced with many environmental issues and other problems associated with its rapid economic growth, which has heightened the challenging nature of the business environment here. CSR management has become more important in terms of continually growing our business in this environment. We find it extremely important for each and every one of our employees to take action based on our corporate principles and behavioral standards in order to practice CSR management for the realization of KAYAKU spirit. We will continue to contribute to society by continually supplying products of the highest quality, in the wider sense, demanded by customers, through actions based on individual ethical values, instead of what others are doing, while respecting the local culture, history and business practices.



China Functional Chemicals Group
General Manager Yoshinori Kato, Wuxi Advanced Kayaku Chemical Co., Ltd.

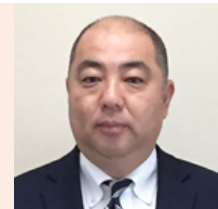
China's President Xi Jinping has called for a shift from the country's focus on GDP to setting and achieving indicators for worker's income and environmental protection. As a result, China's environmental regulations are becoming more rigorous and thoroughly implemented, which has caused issues in the raw materials supply chain of certain chemicals companies, such as operating restrictions or forced shutdowns for raw materials manufacturers.

Wuxi Advanced Kayaku Chemical has introduced a new biological effluent treatment system this fiscal year as part of its further response to tighter regulation. We are also strengthening our relationships with raw materials manufacturers to ensure the stable supply of our products, which is considered an important CSR issue.



China Functional Chemicals Group
General Manager Hiroshi Shichijo, 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 fiscal 2014, Kayaku Safety Systems (Huzhou) obtained TS 16949 certification. This indicates that we have established a foundation for competing internationally as a manufacturer of automotive safety components. In an effort to solidify relationships with our stakeholders, in May we held a sports competition organized by the labor union for all employees, and in June we donated 72 fans to a welfare facility in Heping Town and participated in blood drive activities as well. In March 2015, we hosted a plant tours for the families of employees. This shows that we are steadily practicing KAYAKU spirit and making progress with specific measures for realizing the corporate vision of Kayaku Safety Systems (Huzhou). In 2015, we will engage in efforts more strategically and seek to enhance the corporate value, with activities mainly led by the Compliance Committee.



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, we partnered with the Internal Control Promotion Department to promote improved compliance awareness and risk management practices in China. As a specific example, we collaborated with a law office specializing in compliance, with the KSC Legal Department taking the lead in providing compliance training to Chinese employees. Additionally, with regards to risk management, we share information with affiliates and subsidiaries in close coordination with the Japanese consulate in Shanghai and JETRO.



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.

In 2014, INDET SAFETY SYSTEMS a.s. celebrated its 15th anniversary and through commemorative events we worked to broaden employee understanding about CSR. In addition, we continue to deepen relationships with local communities through our activities at hospitals, schools, and welfare facilities. The automotive industry continues to globalize and today more than ever we must supply parts of the highest possible quality. Our promise to stakeholders is to supply great products around the world and in the process help to protect human life from traffic accidents.



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. On January 1, 2015, South Korea enacted a new law and regulation on chemicals called K-REACH as well as a separate law on chemical substance controls. NKK will steadfastly comply with this new regulation and law on chemicals.



Taiwan Pharmaceuticals Group • Functional Chemicals Group

General Manager Jiro Hanada, Taiwan Nippon Kayaku Co., Ltd.

Taiwan Nippon Kayaku markets products from the Pharmaceuticals Group and Functional Chemicals Group and also carries out market research. 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) is a young company that is only eight years old, but we continue to grow everyday as each and every employee works to fulfill KAYAKU spirit. 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. In 2015, we finally initiate the shipment of mass produced products. Because we are a young company, our workforce is also youthful as well as pliable and sensible. We constantly share the message of KAYAKU spirit within the company to raise employee morale. With safety of paramount importance, we supply only the highest quality products knowing that these products can directly affect the lives of our customers and have helped to reduce the number of automobile accident fatalities in the community. We are also mindful of the environment and constantly work to generate added value for the community, while improving quality of life and economic activity.





Third-Party Opinion

Masahiko Kawamura

Senior Researcher and Director of ESG Research for the 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 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 in 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)

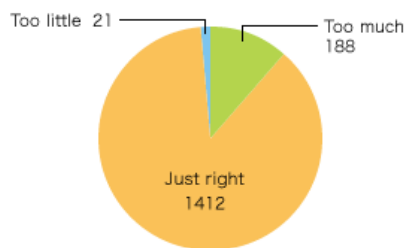
There is a phrase in Japanese called "fueki ryuko," which can be translated "continuity and change." This means change what needs to be changed and leave what needs to be left alone. By continually redefining itself based on the changing times, a company can achieve sustainable growth. Nippon Kayaku 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

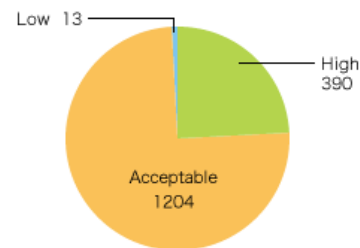
(Responses: 1636)

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

Amount of information



Quality of information



Ease of understanding

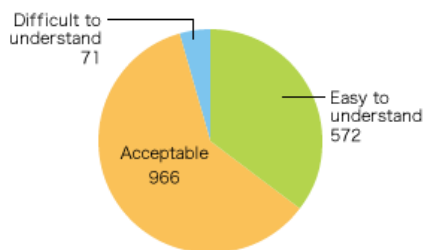
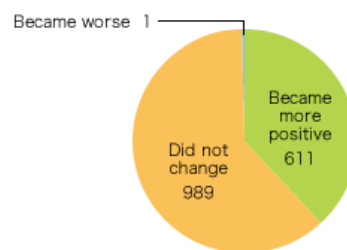
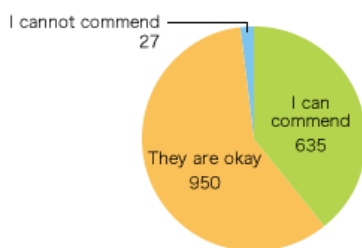


Image of the Nippon Kayaku Group



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

Evaluation

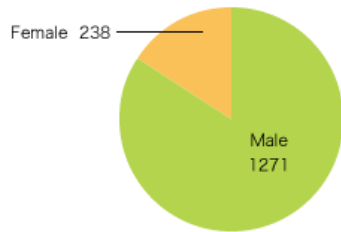


Top 10 Areas of Interest from this Report

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

