



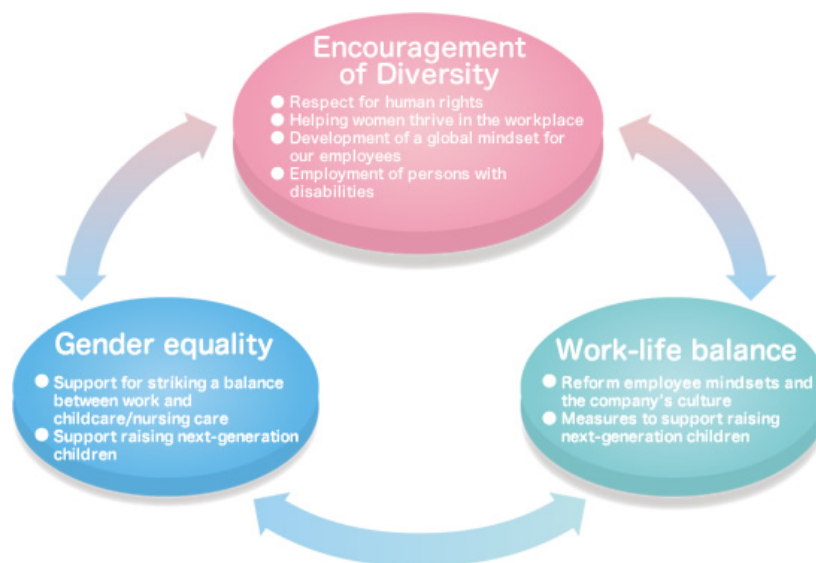
— Initiatives for Employees

A company is nothing without its people. Nippon Kayaku respects the human rights of each and every employee, and strives to offer a workplace environment that offers peace of mind to employees. Our goal is to be a company where employees can grow personally and professionally through work and feel a sense of motivation in what they do.

Message from the Head of Administration Group

In order to realize the KAYAKU spirit, the Nippon Kayaku Group has 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 17th 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 partnerships with schools for the disabled. Meanwhile, our business continues to become more global in nature. In line with this growth, we provide 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.



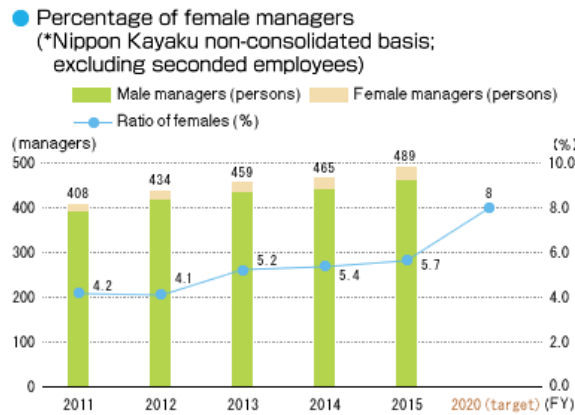
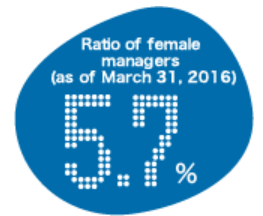
Encouraging Diversity

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 belonging.

Promoting gender equality and work-life balance are essential to this end, and we believe that through such activities, we will be able to maintain a diverse work environment where all of our employees can utilize their talents to the fullest.

We also strive to offer employee-friendly workplaces that accommodate all employees regardless of gender, religion, nationality or disability. For example, when staff hired overseas come to Japan for training we ensure that meals and other accommodations are similar to those they have back home.



Helping women thrive in the workplace

The appointment of female managers is one aspect of the results of our initiatives to encourage diversity in the workplace. The ratio of our female managers increased to 5.7% as of March 31, 2016 (from 5.4% as of March 31, 2015). We will continue with our efforts to encourage the greater involvement of women in the workplace, with a goal to increase the percentage of female managers to 8% by the year 2020.

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, 2016, we employed 62 persons with disabilities, meaning 1.9% 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.

High expectations for female researchers

The Pharmaceutical Research Laboratories conducts basic research on pharmaceuticals while the Pharmaceuticals Development Division carries out development research (clinical trials) as the next step of the pharmaceutical approval process using the outcomes achieved in basic research. Pharmaceuticals whose efficacy is confirmed through clinical trials then move on to national government's review process for approval. Once approved, these pharmaceuticals are finally supplied to patients as Nippon Kayaku's proprietary drugs.

Some one-third of the employees working for the Pharmaceutical Research Laboratories and Pharmaceuticals Development Division to conduct pharmaceuticals research and development are female. There are many places for female researchers to thrive at Nippon Kayaku, and a number of female researchers present their research outcomes at academic societies in Japan and overseas. They also fulfill their duty as line managers with a number of other employees on their team. The research and development of pharmaceuticals is a very meaningful job because it involves making society a better place by supplying even better pharmaceuticals to patients who need them.



Pharmaceuticals Group
Pharmaceuticals Development Division
General Manager of Clinical Development
Management Department
Ms. Megumi Machida

The Act of Promotion of Women's Participation and Advancement in the Workplace took effect on April 1, 2016, meaning the time is now for companies to more actively employ women in the workplace. The greater involvement of women represents one aspect of diversity, and the more active role of female researchers will help maximize the abilities of each organization and make the Nippon Kayaku Group a better and stronger company.

Development of global human resources

As part of our diversity promotion efforts, we are working to develop not only Nippon Kayaku Group employees in Japan, but also those hired locally in other countries to develop a more global mindset to have success in international business. Foreign language training includes Overseas Language School Programs, while theme-based training includes English Intensive Courses and Training Programs for Overseas Posting. Also, support is provided to employees taking TOEIC or learning languages on their own. In addition to training, we partake in active personnel exchanges between overseas group companies and sites in Japan, with a strong support system in place for employees to experience various cultures and business environments. Going forward, we will continue to foster global mindsets in our employees through these training and development programs.

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. More than 100% of eligible female employees take childcare leave, as the percentage taking childcare leave stood at 127% for the period from April 1, 2015 to March 31, 2016. Moving forward, we will seek to develop a workplace culture that encourages male employees to participate in childcare.

Special Paid Leave Program

The Special Paid Leave Program enables employees to set aside annual paid leave that will expire if not taken within a two year period and use it for nursing care obligations, training, volunteer work, infertility treatments, or to donate bone marrow. No complicated procedures are required to use this program, as employees simply have to apply by providing supporting proof for their activity. In addition, even after using the program once, employees can continue to accumulate paid leave to the maximum number of days for employees' convenience.

●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 must improve productivity and create greater added value. The Nippon Kayaku Group has various formats of employment including an employment system for older employees and contract employees. We also offer a wide range of training programs that help employees to achieve greater work-life balance.

●Work-life balance (Nippon Kayaku non-consolidated basis)			
	FY2013	FY2014	FY2015
Total working hours	1852.25	1852.25	1844.75
Overtime hours *Average monthly hours per employee	12.6	12.8	12.4
Number of paid leave days taken	10.5	9.9	10.6
Ratio of paid leave days taken	58.3%	55.1%	58.6%
Employees taking childcare leave (males)	3	1	0
Employees taking childcare leave (females)	6	16	20

Initiatives at Kayaku Safety Systems (Huzhou) Co., Ltd. Introduction of Office Automation (OA) System

KSH is a subsidiary of the Nippon Kayaku Group established in China in 2006 in order to manufacture automotive safety components. With the goal of improving its information systems, in fiscal 2015 KSH formulated a plan for an Office Automation (OA) system and began operating this system on December 1, 2015.

Until now, all application related work involved paper vouchers, but there were many cases of these vouchers not being delivered, lost or falsified, which inhibited day to day operations. In April 2014, a QC team was formed with eight members representing each department. This team worked on ways to make application related work paperless, analyzing and assessing company-wide operational flows to simplify and streamline work, to reduce paper usage and to help mitigate environmental impacts.

The most critical step proved to be the introduction of the OA system. KSH developed a customized OA system tailored to its own needs with the assistance of a vendor. It then distributed user IDs for all employees and changed to a system where all applications and approval work flow is done via computer. For example, this includes applications for the company seal, purchasing, overtime, paid leave, business travel, meeting rooms, visitors, company vehicles, expense accounting, and money transfers, among others.

This marks the first time that one of Nippon Kayaku's subsidiaries in China introduced an OA system. For KSH, this involved not only simplifying and streamlining operations, but also transforming the way the company works. In fiscal 2016, KSH plans to further advance the functions of this system and introduce a database system and payroll system.



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.

Kayaku Safety Systems (Huzhou) Co., Ltd. 2nd Family Tour

In March 2016, KSH hosted the 2nd Family Tour event. A total of 34 families and 54 individuals took part, touring the factory production lines, workplaces and R&D building, as well as employee facilities such as the cafeteria and changing rooms. The program was tailored so that participants could familiarize themselves and learn more about KSH's workplaces, nature of work and products. The 1st Family Tour event held last year received rave reviews, so this year there was a larger than expected turnout. Participants included not only family members, but the parents of employees as well.

There were many comments and questions at the meet-and-greet session to conclude the tour. These included the following:

"I was impressed with how well managed a Japanese company is. The standardized operations were also impressive."

"The production lines and offices were all very neat, tidy, and clean."

"The automated and semi-automated production lines were very efficient."

"I felt like all employees worked with a high degree of accountability."

"There are many employee benefits, making the company very employee-friendly."

KSH manufactures inflators and MGG, the most critical components of air bags and seatbelts, which keep passengers safe. This is why it is very important to have an employee-friendly workplace environment to ensure the highest possible standards of safety and quality.

The Family Tour represents an event that connects KSH employees and their families together. KSH plans on holding this event annually going forward.



Tokyo Business District Children's Tour

The Tokyo Business District hosts an annual tour for elementary school students of employees during their summer vacation.

In addition to teaching the children about what their parents do and where they work, children get to learn and experience how adults get paid for their work.

Specifically, this program entails the exchange of business cards with employees, making copies or shredding documents, and planting flowers, among other tasks, which differ each year.

The children receive pay for their work, which is then exchanged for keepsakes.

In addition, children get to ride a ferry on the Sumida River, take part in a walk rally onsite and eat lunch with family members at the cafeteria. After the program ends, the mother or father is encouraged to take afternoon paid leave so that they can all go home as a family. This program has become quite popular and attracts large numbers of participants every year.



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 27, 2015.



Kurumin logo

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. The purpose of this program is for retired employees who are physically and mentally healthy, still motivated to work, and can be placed in charge of roles and responsibilities to fully contribute their career experiences and know-how even after mandatory retirement.

Company-wide Research Presentation Conference

The annual Company-wide Research Presentation Conference brings together researchers from the Research & Development Group engaged in R&D at four laboratories in Japan as well as officials from the head office including the President for oral and poster presentations of research outcomes. The event also features oral presentations and awards for patented inventions that greatly contribute to the company's businesses or technological development.

Nippon Kayaku highly values opportunities for management and researchers to directly engage one another to share research outcomes in a multifaceted manner and to enable researchers to promote themselves. Researchers are also able to create company-wide networks among themselves, while being asked questions and given advice after their oral presentations and poster presentations. This allows for the linkage and fusion of the many excellent technologies developed by Nippon Kayaku over the years, and contributes to problem solving and the creation of innovation.



Encouraging the Creation of Intellectual Properties

Nippon Kayaku develops its businesses and contributes to society by producing useful products through the creation and utilization of intellectual properties. To encourage the creation of intellectual properties, we have established several programs to reward employee inventions, with both monetary awards and commendations presented annually.

1. Performance Award Program and Invention 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.

Researchers receive a certain percentage of the sales and licensing fees for each business year and retired employees, too, are eligible for such payments.

Employees responsible for inventions or patents that contribute particularly to society and sales are eligible to receive a lump sum payment, which incentivises the creation of intellectual properties.



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 serves to complement the previously mentioned Performance Award Program, and the fact that employees are eligible to receive payments based on sales for patents not yet registered makes for a very advanced program in the corporate world.

3. In-house Commendation for Excellent Technologies

At the Company-wide Research Presentation Conference held every year in July, a commendation ceremony is

held for employee inventions that have been patented or are patent pending during which time talented inventors are presented with monetary prizes and awards. These awards include the R&D Director's Award, presented at the recommendation of each laboratory head, Patent Pending Award, for inventors with many patents pending, and the Best Invention Award, recognizing highly advanced technological innovations. Recipients of the Best Invention Award are asked to present a lecture.