



Third-Party Opinion

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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), BERCC (Fellow), Alterna (Principal of CSR study school).

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: Implementing PDCA Reporting for the CSR Action Plan

The overall structure of this year's report is almost the same as last year, and the activities of the Nippon Kayaku Group are reported in order of major stakeholders. But I feel that a more conventional reporting style for the PDCA cycle should be employed presenting how "the Mid-term CSR Action Plan" has been implemented and what are the outcomes as well as issues to be improved. Otherwise, another approach would be to specify the relationship between stakeholders and the action plan. Failure in doing the above will mean the plan stands alone by itself. I look forward to Nippon Kayaku's efforts to address this issue in 2016.

Related to the above, in my last year's third party review I pointed out that the self-evaluation on implementation of the Mid-term CSR Action Plan should include issues and improvements with regard to items with lower scores. This is very important from a PDCA viewpoint and I noticed that in this year's report a new category named "Future response" has been added.

I found that the layout of the online version of the report to be much more concise and easier to understand. However, I did find there was room for improvement in terms of the linkages between the abridged print version (digest) and the online version. For example, there is no mention of "the CSR Procurement Guidebook," which forms the basis of the Company's supply chain management, in the digest version and no link to the online version in the guidebook.

About the Content of the CSR Report: Distinguishing and Integrating the Company's Social Mission and Social Responsibilities

In conjunction with the new mid-term business plan "Take a New Step 2016" that was launched this fiscal year, which marks Nippon Kayaku Group's 100th anniversary, a new "mid-term CSR Action Plan 2016-2018" was also compiled. The new CSR framework is revamped from the past structure and organized into four categories under the slogan of "Safeguarding the life and health of consumers, and supporting a comfortable life" which outlines the strategic directions of the company that will contribute to a sustainable society."

Given that the number of items was reduced from 24 to 17, per my proposed revision and changes last year, the explanation of each should be somewhat more detailed. As for the details of the new Action Plan, I believe that "practicing CSR and realizing CSV" should align with one another, as I advocate, and that the details of this plan provide a valid argument for a chemical company. Given this, I would like to point two future issues to be

addressed.

First, I believe the Company should establish quantitative targets and KPI that serve as progress indicators, which can be started with those items possible. More should be done than simply indicating a direction to work toward with qualitative targets alone, as this will not lead to a sharing of awareness across the entire company. Second, subsidiaries should be sorted according to their location—either in Japan or overseas—so that more realistic targets can be set. Nippon Kayaku has begun raising awareness at overseas group companies based on local conditions and social issues, but it appears to me that the overall plan was created with companies in Japan in mind.

Therefore, I propose more frank and honest dialogue to be held between the Company's management and other internal stakeholders and external experts and NPOs, among other outside stakeholders. This is because Nippon Kayaku has already reached this stage.

Nippon Kayaku has constantly delivered new products required of society through technological innovation as a chemical company closely in tune with changes taking place externally. In other words, Nippon Kayaku has passed down its "technology-centered approach" as part of its corporate DNA. In a globalized world, however, technology alone does not guarantee sustainable growth. As overseas sales nearly account for half of its sales, Nippon Kayaku has been approaching "the second phase of CSR-centered management". I expect the Company to work toward further deepening its CSR-centered management in an effort to safeguard its corporate value and promote creativity and innovation.