



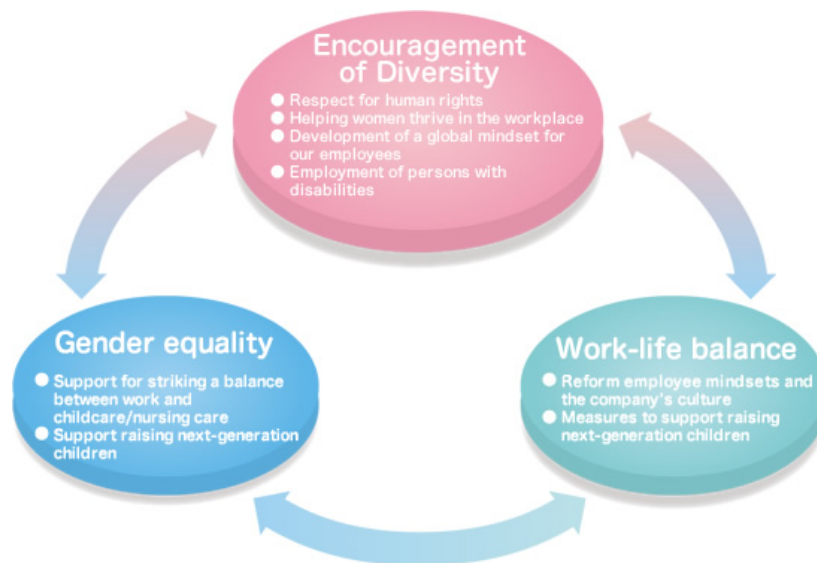
— Initiatives for Employees

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. Our position class system, implemented 20 years ago, 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 respecting human rights, so that we can respond flexibly to the changing business climate.



Approach to Diversity and Inclusion

The Nippon Kayaku Group employs a diverse workforce of people with differing personalities and values. By promoting inclusion, we make it possible

for employees to work together and fully contribute their unique skills and abilities, resulting in a dynamic work environment where everyone is motivated and feels a sense of fulfillment. In turn, this helps management enhance our competitiveness and grow the company steadily.

The promotion of diversity requires to "Gender equality program" and "Work-life balance," which we believe help develop a workplace environment where women as well as a diverse overall workforce can contribute its skills to the fullest.

To promote inclusion, we strive to provide workplace environments that are friendly to a diverse workforce regardless of age, gender, religion, nationality, disability, sexual orientation, gender identity or employment format. Also, we have adopted a position class system as our personnel system in order to evaluate and compensate this diverse workforce fairly.

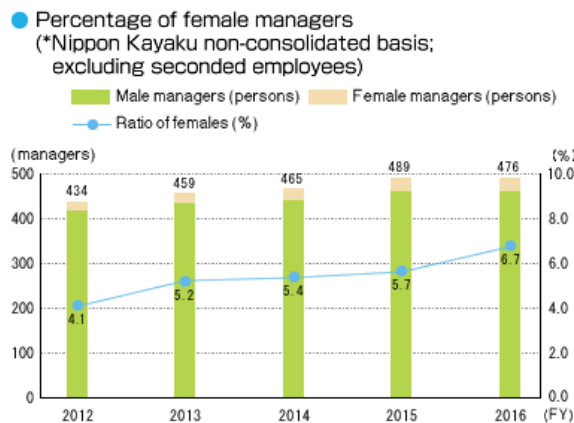
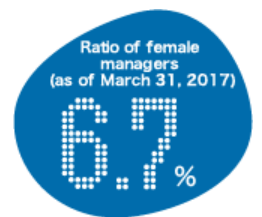
Approach to Diversity and Inclusion



Encouraging Diversity

Nippon Kayaku Group's Personnel System

We have adopted the position class system as our personnel system which enables assignments and compensation not tied to age, gender, career or academic history. This system marks the 18th year. This system focuses evaluations on a person's roles and responsibilities. The same system is also used for managerial employees. Therefore, promotions to the managerial level can be achieved regardless of age, gender, academic history or career. As a result, the number of female managers continues to grow with each passing year.



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 6.7% as of the end of March, 2017 (5.75 in previous year). 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 employs people with disabilities. As of the end of March, 2017, 5.5 people* with disabilities are working with us (2.1% of total employees). 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.

*One part time employee is included.

■ Re-employment of Employees after reaching Mandatory Retirement Age (senior partners)

In April 2006, we launched the Nippon Kayaku Senior Partner Program as a way to rehire employees who reached their mandatory retirement age. This program is intended to provide a place of work after retirement for former employees who are in good mental and physical health, are motivated to continue their career, and who can contribute their past career experiences and know-how. Participants are asked about their requested workplace, work duties and employment format, and since adopting this system we have been able to meet the requests of nearly 100% of participants who are rehired. Most of these participants continue on working until the age of 65. There are 131 reemployed persons working for Nippon Kayaku as of March 31, 2017.

■ Active Role of Female Managers Takasaki Plant Chieko Yahagi

The Takasaki Plant is the only Nippon Kayaku business site to manufacture pharmaceuticals. With KAYAKU spirit at the heart of all actions, the Takasaki Plant manufactures pharmaceuticals according to a rigorous quality control system, knowing full well that these products are very close to human lives.

The Takasaki Plant employs a workforce of around 300 employees. Of these around 75, or one-fourth, are women. Women employees are active in broad range of roles at the Takasaki Plant as their duties vary greatly and they are an important element of the workforce. I belong to the Active Pharmaceutical Ingredient Production Department, a department that is mostly men. All of us work together with equal standing regardless of gender. I am hoping to work on tasks that require greater dexterity and fine motor skills, which build upon the strengths of women.

Generally, the ratio of female managers on the production line is said to be low, and the Takasaki Plant is no exception. Many women here hesitate to become managers even though they have all of the qualities of being a great leader. Aiming to become a manager by itself does not embody the spirit of empowering women in the workplace, but by offering this as one option, I believe women's roles will greatly expand. I hope to become a pioneering role model as a female manager at the Takasaki Plant and hope that more women will follow in my footsteps.

■ Development of Global Human Resources

As one of our efforts to promote diversity, we provide employees in Japan as well as at our overseas group companies with opportunities to thrive in a global environment. We also strive to develop our employees' language abilities by offering study-abroad programs, short-term intensive English programs and company-wide TOEIC test. Moreover, we provide employees assigned overseas as expatriates with training programs on various subjects including cross-culture training. In addition to the training programs, we will keep making efforts to develop global talent by means of promoting personal interactions between business units in Japan and overseas group companies and also enhancing our support to experience various cultures and business environments.



Section Manager Technical Section
Active Pharmaceutical ingredients
Production Department

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. For female employees, percentage of childcare leave use was 125% from April 1, 2016 to March 31, 2017. 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.

Also, starting this fiscal year, in response to childcare and nursing care needs, employees are now allowed to take half-day leave as part of nursing care leave for adults or children.

*Nursing care for a spouse, relative within the second degree, and uncles or aunts: employees permitted to take up to 10 days in half-day increments

*Nursing care for a child: employees permitted to take in half-day increments (up to 10 days)

●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

With regards to compliance and mental health, the Nippon Kayaku Group strives to properly ascertain employee work hours and conditions, to take action where needed, and to manage working time properly by cooperation between employees and management. Additionally, from the perspective of enhancing work-life balance, starting last fiscal year we have reduced the total working hours by 7.5 hours and implemented work-style innovations to change the way employees think in an effort to increase productivity and create added value. We will now look to further reduce overtime hours and increase the percentage of paid leave taken.

● Work-life balance (Nippon Kayaku non-consolidated basis)			
	FY2014	FY2015	FY2016
Total working hours	1852.25	1844.75	1844.75
Overtime hours *Average monthly hours per employee	12.8	12.4	12.3
Number of paid leave days taken	9.9	10.6	11.5
Ratio of paid leave days taken	55.1%	58.6%	62.7%
Employees taking childcare leave (males)	1	0	4
Employees taking childcare leave (females)	16	20	23

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. Training programs are also conducted for mid-level employees in accordance to their job types and positions and matching their job work performance. We support our employees to make new steps forward to develop practical skills based on the changes of their roles and competences.



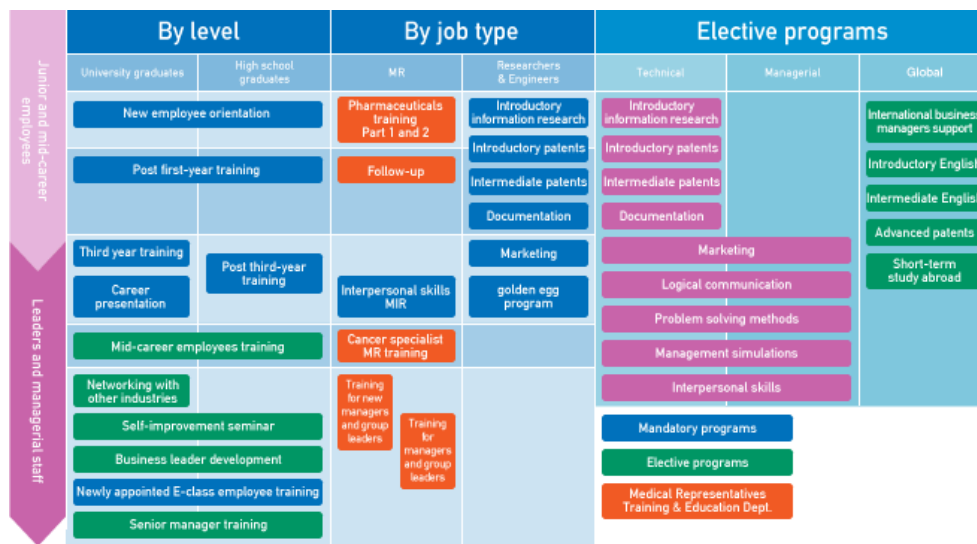
Training programs

■ 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 and business skills of the employees.

■ Selective Program

A program providing special leadership and management training is also available for the next generation promising candidates who are recommended by the superiors.



Launched a High School Program

KSM launched the KSM high school program in August 2016 in order to raise the bar of its employees.

Any employee who has worked for KSM for over a year and has not had any unauthorized absences can take part in the KSM high school program. Local high school teachers serve as instructors and teach students every Sunday over a 10-month period. In addition to one's own efforts, the support of all employees is also essential for these employees to earn their high school equivalency diploma.

The first class of 28 students are expected to receive their high school equivalency diploma in July 2017. KSM will continue to assist so that all of its employees can obtain their high school equivalency diploma.



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.

We will now work to obtain Platinum Kurumin certification as quickly as possible.



Kurumin logo

Company-wide Research Presentation Conference

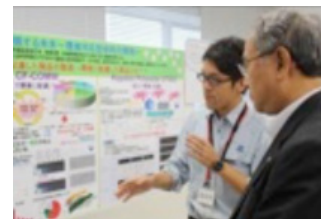
The annual Company-wide Research Presentation Conference brings together researchers from the Research & Development Group engaged in R&D at four laboratories in Japan as well as officials from the head office including the President for oral and poster presentations of research outcomes. The event also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

In fiscal 2016, we organized oral presentations and postal displays on the theme of "Realizing our future, with What?" so as to explain how our technologies are derived, what kind of future these technologies will bring to us, and which technologies are needed to realize this future.

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.