



Compliance

The Nippon Kayaku Group widely recognizes compliance as not only complying with laws and ordinances, but also upholding social norms and responding to the needs of society.

Nippon Kayaku Group Charter of Conduct and Code of Conduct

The Nippon Kayaku Group, believing that compliance holds a position of the utmost importance in its business activities, established the Nippon Kayaku Action Charter and Nippon Kayaku Action Standards in 2000. Later, in 2011, this was amended to the [Nippon Kayaku Group Charter of Conduct and Code of Conduct](#), which follows ISO 26000, the international standard for effectively assessing and addressing social responsibilities.

Nippon Kayaku Group Charter of Conduct

Business operation

1. The Nippon Kayaku Group will pay careful attention to the safety and reliability of its products and services, and provide customers with products and services satisfying their needs.
2. The Nippon Kayaku Group will comply with the words and spirit of relevant laws and regulations, as well as with its internal rules, to conduct fair, transparent and open competition.
3. In conducting overseas business operations, the Nippon Kayaku Group will comply with relevant laws and regulations in Japan and abroad, and respect the culture and customs of each country and region.
4. The Nippon Kayaku Group will appropriately manage and utilize the company assets and seek to improve the efficiency of business operations, so as to achieve a continuous growth.
5. The Nippon Kayaku Group will deal firmly with anti-social forces, and will not yield to unjustified or illegal requests.

Relationship with the society

6. The Nippon Kayaku Group will promote coordination and cooperation with society and contribute to the society as a good corporate citizen.
7. The Nippon Kayaku Group will disclose information concerning on its business operations to customers, local society, employees and business partners, based on objective facts, in an adequate and timely manner.
8. The Nippon Kayaku Group will always give consideration to the impact of its business on the global environment. The Group will aim to achieve environmentally friendly business operation, by not only by compliance with relevant laws and regulations, but also by establishing voluntary standards.

Management of business information

9. The Nippon Kayaku Group will adequately protect any information obtained through its business operations and develop countermeasures safeguarding against information leakages and unauthorized external and internal access.
10. The Nippon Kayaku Group will acknowledge the proprietary nature of information (Intellectual Property) and respect the rights of others.

Relationship between the company and individuals

11. The Nippon Kayaku Group will comply with labor laws and regulations to ensure a safe and comfortable working environment, and will also respect the fundamental human rights and privacy of the individuals.

Relationship between the Code of Conduct and ISO 26000

Relationship between the Code of Conduct and ISO 26000

Nippon Kayaku Group Charter of Conduct	Nippon Kayaku Group Code of Conduct	ISO26000 Core Subjects and Related Issues				
		Human Rights	Labour Practices	The Environment	Fair Operating Practices	Consumer Issues
Business operation	Code of Conduct on business operations					
1. The Nippon Kayaku Group will pay careful attention to the safety and reliability of its products and services, and provide customers with products and services satisfying their needs.	1 Product safety and quality					●
2. The Nippon Kayaku Group will comply with the words and spirit of relevant laws and regulations, as well as with its internal rules to conduct fair, transparent and open competition.	2 Provision of product information					●
3. In conducting overseas business operations, the Nippon Kayaku Group will comply with relevant laws and regulations in Japan and abroad and respect the cultures and customs of each country and region.	3 Fair and impartial trade					●
4. The Nippon Kayaku Group will appropriately manage and utilize the company assets and seek to improve the efficiency of business operations, so as to achieve a continuous growth.	4 Prohibition of excessive gifts and entertainment					●
5. The Nippon Kayaku Group will deal fairly with anti-social forces, and will not yield to unjustified or illegal requests.	5 Priority on ethics	●	●		●	●
	6 Prohibition of pursuit of individual benefits					●
	7 Compliance with local laws and regulations and respect for international norms, cultures and customs	●	●	●	●	●
	8 Adequate protection and efficient utilization of corporate assets					●
	9 Active efforts for operational improvement					●
	10 Exclusion of anti-social forces, criminal and/or other illegitimate sources					●
Relationship with the society	Code of Conduct on the relationship with society					
6. The Nippon Kayaku Group will promote coordination and cooperation with society and contribute to the society as a good corporate citizen.	11 Social action programs					●
7. The Nippon Kayaku Group will disclose information concerning its business operations to customers, local society, employees and business partners, based on objective facts, in an adequate and timely manner.	12 Exchange with local societies					●
8. The Nippon Kayaku Group will always give consideration to the impact of its business on the global environment. The Group will aim to achieve environmentally friendly business operation, by not only in compliance with relevant laws and regulations, but also by establishing voluntary standards.	13 Adequate and timely disclosure of information					●
	14 Thorough crisis management	●				●
	15 Prohibition of insider trading					●
	16 Environmental C			●		
	17 Environmental protection efforts/existence			●		
Management of business information	Code of Conduct for the management of business information					
9. The Nippon Kayaku Group will adequately protect any information obtained through its business operations and develop countermeasures safeguarding against information leakage and unauthorized external and internal access.	18 Protection of business information					●
10. The Nippon Kayaku Group will acknowledge the proprietary nature of information (Intellectual Property) and respect the rights of others.	19 Protection of personal information	●				●
	20 Appropriate use of information system					●
	21 Respect for the rights of other people					●
Relationship between the company and individuals	Code of Conduct on the relationship between the company and individuals					
11. The Nippon Kayaku Group will comply with labor laws and regulations to ensure a safe and comfortable working environment, and will also respect the fundamental human rights and privacy of the individuals.	22 Maintenance of the working environment	●	●			
	23 Prohibition of harassment and abuse of power	●	●			
	24 Respect for human rights and privacy	●	●			

Relationship between the Code of Conduct and ISO 26000

Raising Awareness about Compliance

The Nippon Kayaku Group provides training and calls on each workplace to establish an action plan in order to instill and foster greater awareness of compliance among its employees. In turn, specific compliance related activities are carried out at each workplace. The results of these activities carried out throughout each fiscal year are evaluated and then utilized in continuous efforts to educate employees about the importance of compliance.

Compliance Month and Compliance Survey

Every October, which is designated Compliance Month, we conduct a compliance survey. Issues concerning the promotion of compliance are identified for each business site, and feedback is provided in the form of a report that includes comments for improvements. Each business site incorporates this information into their action plans for the following fiscal year to continue raising awareness of compliance. In fiscal 2015, we entered into a new contract with a survey analysis firm, and also shared objective feedback with each workplace, such as comparisons with other companies and improvement proposals, with requests for improvements to be made.

Compliance Training for Nippon Kayaku Group Companies

Organized by the Internal Control Management Division, compliance training in Japan consists of fiscal year training sessions which focus on a specific theme determined for each year, along with study sessions held during regular meetings at each workplace, and training sessions based on actual case studies.

The theme of training for fiscal 2017 was "Training on the Prevention of Workplace Harassment: Maternity Harassment, Nursing Care Harassment and LGBT Harassment." This theme was selected because of the promulgation of the revised Equal Employment Opportunity Act and the revised Child Care and Family Care Leave Act in January 2017, which was followed by revisions to related company rules.

Initially, the aforementioned training was held at liaison meetings of ethics managers from Group companies in Japan and each business site and led by Ms. Itoh of Cuore C Cube., Ltd. to broaden understanding among ethics managers. Thereafter, ethics managers returned to their workplaces where they shared feedback about the training session.

In order to provide training opportunities and programs to all employees, in addition to group training and recording training sessions on DVD and distributing these to employees who could not attend, starting in fiscal 2017, training was also provided via e-Learning for the first time at Nippon Kayaku and certain subsidiaries. As a result, compliance training was provided to a total of 3,576 employees, which included e-Learning given to 1,973 employees, eight group training sessions for 825 employees, DVD-based training for 778 employees.

Raising Awareness at Overseas Group Companies

Close to half of the Nippon Kayaku Group's sales originate from overseas group companies, while our workforce overseas already outnumbers that in Japan. We have a large number of group companies in China that employ close to 1,000 people. For this reason, we find it important to ensure thorough understanding of KAYAKU spirit and compliance. In fiscal 2017, we held the first-ever ethics manager conference with ethics managers and the presidents of group companies in China. During the meeting, discussions took place on compliance initiatives at each company, issues, and future approaches, among other topics.



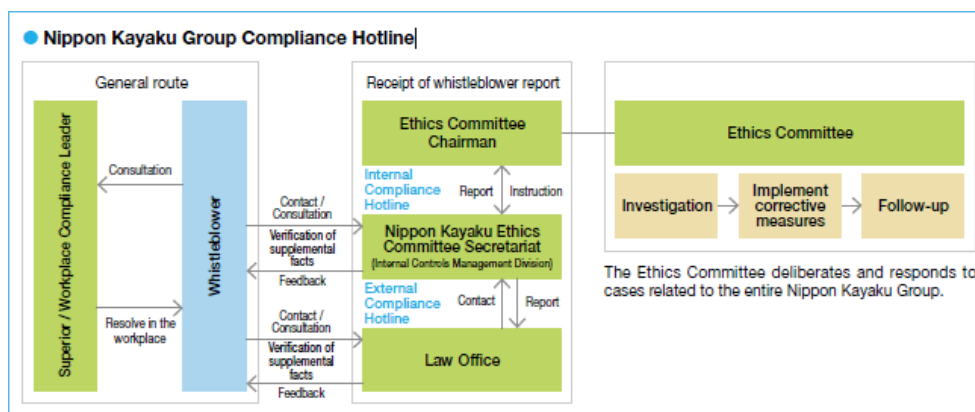
The person in charge of legal affairs from Kayaku (Shanghai) Co., Ltd. and the Internal Control Management Division worked together to organize compliance training for local employees at six group companies on 10 occasions. A survey was also conducted of the 380 participants, with feedback set to be used for future training sessions.



Going forward, we will continue efforts to make global compliance activities more effective and efficient by deepening collaboration among different departments, taking into account the current situation in each country.

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.



Number and nature of reports over the previous three years

Nature of reports	2015	2016	2017
Acts that damage the work environment (power harassment/sexual harassment, etc.)	7	7	2
Violations of company rules or etiquette	1	1	1
Others	0	0	0

Risk Management System

Identifying and controlling various risks represents an important element of corporate governance. The Nippon Kayaku Group works to mitigate risks following the Risk Management Action Plan approved by the Risk Management Committee.

Activities Promoting Risk Management

The Nippon Kayaku Group is carrying out TOP5 Risk Control Activities as part of its Risk Management Action Plan.

TOP5 Risk Control Activities cover all subsidiaries of the Nippon Kayaku Group that are in turn broken down into more than 70 individual groups. Each group works on identifying their inherent risks, of which the five most critical items are selected and defined as "TOP5 risks." At the start of the year, each group formulates countermeasures for their TOP5 risks, the results of which are compiled by the staff in charge of risk management at fiscal year end for analysis and trend mapping. The collected data is reported to the Risk Management Committee, which continuously examines the data for risks present for the company as a whole, to make sure small risks are not being overlooked, and to see if risk management is being carried out effectively, for utilization in management-level decision making.

Information Security Initiatives

We established the Information Security Subcommittee under the Risk Management Committee as an organization for helping to reinforce information security of the entire company with the goal of managing and monitoring company-wide information security during normal times and preventing risks such as information leakages before they happen. Based on the Corporate Information Management Regulations covering the entire company, persons in charge of corporate information appointed by each workplace draft regulations for their own respective workplaces and also work to raise the awareness of each and every employee about information security through ongoing information security training.

In fiscal 2017, we had all employees carry out an information security self-check. We hope to identify issues at the individual level, and then use this information for future improvement plans.

Risk Management Training

The Nippon Kayaku Group implements the Plan, Check, Do, Action (PDCA) cycle continuously so that it can minimize risks and raise awareness of risk. As part of these efforts, we conduct risk management training for all employees. Also, a separate risk management training session is organized for new hires, newly appointed managers, and Japanese expatriate employees being assigned overseas.

Risk Management System

We have established a "Risk Management Manual" and "BCP Manual" in preparation for risks that could have a serious impact on corporate activities. These manuals also form part of our risk management system.

The first version of the Risk Management Manual was established in fiscal 2000 so that various risks surrounding the Nippon Kayaku Group's business operations could be managed and addressed in a proper manner. The second revised version of this manual was published in fiscal 2010, followed by the third version in fiscal 2015, which contains major changes, including the defined risk events and the relevant departments in charge.

Members of the headquarters for disaster countermeasures of Agrochemical Business, including mainly heads of business divisions, were able to create a shipment and production plan for fulfilling customer needs during the training, while working not only with the head office, but the Kashima Plant as well.

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.

[FY 2017 Nippon Kayaku Group Disaster Prevention Training Activities Summary sheet](#) 

■ Preparing BCP Manuals

Nippon Kayaku Group has launched a cross-organizational BCP project, under which all business divisions and plants in Japan have established their BCP Manuals, based on the premise that after a contingency, the business must be recovered within the given time objective.. In addition, Nippon Kayaku Group has begun preparing BCP manuals at overseas group companies in order to respond to global risks. In fiscal 2016, two Chinese subsidiaries established BCP manuals and put them into practice.

■ BCP Training

Ongoing training is critical to implementing the established BCP Manual promptly. We hold BCP training every year, which involves the president as well as all executive officers.

In fiscal 2017, we conducted a simulation of business restoration behavior at the occurrence of a large-scale earthquake, for Pharmaceuticals Group, Takasaki Plant, and Osaka Pharmaceutical Office.

Going forward, we will continue to carry out BCP training based on a wide variety of scenarios.



■ Takasaki Plant's Fire and Disaster Prevention Activities

Since the Great Hanshin-Awaji Earthquake, reinforcing the ability to deal with large-scale disasters has become an important issue. Given this, the Fire Services Act was partially revised and the disaster prevention management system was newly established in accordance with the current fire prevention management system.

The size of the Takasaki Plant necessitates disaster prevention management, so in addition to the conventional fire fighting training (held annually), the plant now holds a new training drill with the scenario of a major earthquake. Thus, the comprehensive fire prevention drill is held as part of the plant's fire prevention management during the spring and in the autumn the plant holds comprehensive disaster prevention training using the scenario of a major earthquake (seismic intensity of 6 upper) as part of its disaster prevention management.



All employees participate in both trainings in which the head office and each district are separated into teams to conduct evacuation, rescue, communications (using satellite phones), and protection measures.

The Takasaki Plant is surrounded by rivers and forests, which also exposes it to the risk of wild fires. With this in mind, the plant's firefighting brigade conducts fire training drills at the same time as those mentioned above. On the day of the drills, all participants take part earnestly and the nearby fire chief visits to assess the drill every year. These activities make the drill quite beneficial to all involved.



Also, fire training using actual fire extinguishers is held every year as part of the safety training for new hires and AED training is held as part of Safety Week in October.

Furthermore, following the Great East Japan Earthquake, we have systematically established provisions of food rations (1,000 meals), drinking water and fuel (diesel and gasoline) as part of our emergency response. These provisions are continually maintained for use in emergencies.

Disaster Prevention Training at Kayaku Safety Systems de Mexico (KSM)

KSM conducts disaster prevention training so that it can prepare for workplace accidents and respond appropriately during an emergency situation.



The disaster prevention training is designed to comply with Mexican laws and regulations and focuses on risks that could occur at the site.

KSM's plant has a high risk of fire, so training focuses mainly on fire prevention trainings. Details such as causes of fires, preventive measures and contact network during emergencies are explained on a monthly basis. Employees are taught what to do in the case they find an issue that could cause a fire as well as who to contact and how to respond to an evacuation warning.



KSM has an emergency response brigade that comprises 40 employees representing each department. Training for this emergency response brigade takes place at an offsite institution certified by the government, while the lecturer is an outside expert in the field. This training involves not only knowledge-based learning concerning theoretical fire prevention, but also field training that includes exercises for safe fire extinguishing activities, first aid, rescue and responses to leakages of hazardous substances.



For example, training on the use of fire extinguishers and fire hydrants uses actual kerosene and other flammables to train with an open flame. First aid training covers emergency scenarios with potential injuries that occur inside a plant, such as burns, cuts, as well as breathing difficulty and suffocation. Rescue training practices the rescue of people, including those with injuries, even in difficult to reach places and locations with low visibility. Furthermore, training on leakages of hazardous substances was held onsite at our own facilities and mainly involved the collection of leaked substances and decontamination methods for the polluted site.



2017 Evacuation Training and Chemical Spill Training at Kayaku Safety Systems Malaysia Sdn. Bhd. (KMY)

KMY held evacuation and chemical spill training on April 27, 2017. This training was designed to be compliant with the laws and regulations of Malaysia's fire departments and focused in particular on risks that could potentially occur during normal everyday work.



The evacuation training was jointly organized by the Safety, Health and Environment Department and the emergency response team (ERT) and involved ensuring that all employees can reach a predetermined location following the emergency evacuation route during an emergency situation.

The chemical spill training involved the person in charge at the department that caused the spill making a report to ERT members. In turn, they also had to carry out prompt and appropriate cleanup. In addition, it is the ERT's responsibility to provide set up spill controls and personal protection equipment so as to ensure that chemicals being handled can be obtained easily.



The training also fulfilled the goal of educating ERT members about the KMY command system and fostering understanding about their individual roles and responsibilities. It was also confirmed that all fire fighting facilities are in place and ready for use in an emergency and KMY's fire fighting, support, and first aid teams along with production staff are standing by and ready to assist during an emergency.





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Relationship between the Code of Conduct and ISO 26000

Nippon Kayaku Group Charter of Conduct	Nippon Kayaku Group Code of Conduct		ISO26000 Core Subjects and Related Issues					
			Human rights	Labor practices	The environment	Fair operating practices	Consumer issues	Community involvement and development
■ Business operation	Code of Conduct on business operations							
<p>1. The Nippon Kayaku Group will pay careful attention to the safety and reliability of its products and services, and provide customers with products and services satisfying their needs.</p> <p>2. The Nippon Kayaku Group will comply with the words and spirit of relevant laws and regulations, as well as with its internal rules, to conduct fair, transparent and open competition.</p> <p>3. In conducting overseas business operations, the Nippon Kayaku Group will comply with relevant laws and regulations in Japan and abroad, and respect the culture and customs of each country and region.</p> <p>4. The Nippon Kayaku Group will appropriately manage and utilize the company assets and seek to improve the efficiency of business operations, so as to achieve a continuous growth.</p> <p>5. The Nippon Kayaku Group will deal firmly with anti-social forces, and will not yield to unjustified or illegal requests.</p>	1	Product safety and quality					●	
	2	Provision of product information					●	
	3	Fair and impartial trade				●	●	
	4	Prohibition of excessive gifts and entertainment				●		
	5	Priority on ethics	●	●		●	●	●
	6	Prohibition of pursuit of individual benefits				●		●
	7	Compliance with local laws and regulations and respect for international norms, cultures and customs	●	●	●	●	●	●
	8	Adequate protection and efficient utilization of corporate assets.				●		
	9	Active efforts for operational improvement		●	●	●		
	10	Exclusion of anti-social forces, criminal and/or other illegitimate sources				●		
■ Relationship with the society	Code of Conduct on the relationship with society							
<p>6. The Nippon Kayaku Group will promote coordination and cooperation with society and contribute to the society as a good corporate citizen.</p> <p>7. The Nippon Kayaku Group will disclose information concerning on its business operations to customers, local society, employees and business partners, based on objective facts, in an adequate and timely manner.</p> <p>8. The Nippon Kayaku Group will always give consideration to the impact of its business on the global environment. The Group will aim to achieve environmentally friendly business operation, by not only by compliance with relevant laws and regulations, but also by establishing voluntary standards.</p>	11	Social action programs						●
	12	Exchange with local societies						●
	13	Adequate and timely disclosure of information				●	●	●
	14	Thorough crisis management		●		●	●	●
	15	Prohibition of insider trading				●		
	16	Environmental C			●			
	17	Environmental protection effortsoexistence			●			
■ Management of business information	Code of Conduct for the management of business information							
<p>9. The Nippon Kayaku Group will adequately protect any information obtained through its business operations and develop countermeasures safe-guarding against information leakages and unauthorized external and internal access.</p> <p>10. The Nippon Kayaku Group will acknowledge the proprietary nature of information (Intellectual Property) and respect the rights of others.</p>	18	Protection of business information				●		
	19	Protection of personal information	●			●	●	
	20	Appropriate use of information system				●		
	21	Respect for the rights of other people				●		
■ Relationship between the company and individuals	Code of Conduct on the relationship between the company and individuals							
<p>11. The Nippon Kayaku Group will comply with labor laws and regulations to ensure a safe and comfortable working environment, and will also respect the fundamental human rights and privacy of the individuals.</p>	22	Maintenance of the working environment	●	●				
	23	Prohibition of harassment and abuse of power	●	●				
	24	Respect for human rights and privacy	●	●				

FY2017 Nippon Kayaku Group Disaster Prevention Training Activity Summary Sheet

☒ : Unrealized due to lease limitations — : Non-applicable

* : Notification, evacuation, fire fighting, and other training in cooperation with the Fire Departments overseeing Comprehensive Disaster Prevention Exercises

☎ : 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, evacuation training	Early stage fire-fighting training ; Use of fire extinguishers and fire hydrants, firefighting skills Satellite phone training	Earthquake simulation training	First-Aid training, AED training	Lectures, study sessions	Leakage Response training, Sandbag training
Head Office, NIPPON KAYAKU CO., LTD.	●	●	● ☎	●	●	●	—
Fukuyama Plant/ NIPPONKAYAKU FUKUYAMA CO., LTD.	●	●	● ☎	●	●	●	●
Asa Plant	●	●	● ☎	●	●	●	●
Tokyo Plant/ NIPPON KAYAKU TOKYO CO., LTD.	●	●	● ☎	●	●	●	●
Takasaki Plant	●	●	● ☎	●	●	●	●
Himeji Plant	●	●	● ☎	●	●	●	●
Kashima Plant	●	●	● ☎	●	●	●	●
Tokyo business CENTER/ Tokyo R&D Administration office	●	●	● ☎	●	●	●	—
POLATECHNO CO., LTD.	●	●	●	●	●	●	●
MOXTEC, INC.	×	●	●	×	×	●	—
WUXI POLATECHNO OPTICS CO., LTD.	●	●	●	—	—	●	—
Dejima Tech B.V.	×	●	●	×	●	●	—
POLATECHNO (HONG KONG) CO., LIMITED	—	●	×	×	×	×	—
NIKKA FINE TECHNO CO., LTD.	—	●		●	—	●	—
Nippon Kayaku Korea Co., Ltd.	—		●			×	—
NIPPON KAYAKU AMERICA, INC.	—		●		●	●	—
Euro Nippon Kayaku GmbH	—	—	●	—	—	×	—
KAYAKU CHEMICAL (WUXI) CO., LTD.	●	●	●	●	●	●	×
MicroChem Corp.	●	●	●	—	●	●	●
Wuxi Advanced Kayaku Chemical Co., Ltd.	●	●	●	●	●	●	●
Shanghai KAYAKU International Trading Co., Ltd.	—	●	●	—	—	●	—
NIPPON KAYAKU FOOD TECHNO CO., LTD.	●	●	●	●	●	×	—
Tumor Diagnosis Support Co., Ltd.			●			×	—
NAC Co., Ltd.	●	●	●	●	●	●	—
Taiwan Nippon Kayaku Co., Ltd.	●	●	●	—	●	●	—
Kayaku Safety Systems Europe a.s.	●	●	●	—	●	●	●
Kayaku Safety Systems (Huzhou) Co., Ltd.	●	●	●	—	●	●	●
Kayaku Safety Systems de Mexico, S.A. de C.V.	●	●	●	—	●	●	—
Kayaku Safety Systems Malaysia Sdn.Bhd.	—	●	●	—	●	●	●
Nishiminato Driving School Corporation		●	●	×	×	×	—
Okiura Golf Center Co., Ltd.	—	●	●	×	●	×	—
Kayaku (Shanghai) Co., Ltd.	—	●	●	—	—	—	●
JHMS Co., Ltd.	—	●	●	●	●	—	—
Wako Toshi Kaihatsu Co., Ltd.	●	●	●	●	●	●	—
Kouwa Sangyo Co., Ltd.	●	●	●	●	●	●	●
Gunnan Sangyo Co., Ltd.	●	●	●	●	●	●	●
Head Office, Kayaku Japan Co., Ltd.	●	●	●	●	●	●	—
Asa Plant, Kayaku Japan Co., Ltd	●	●	●	●	●	●	●
Sanko Kagaku Kogyo Co., Ltd.	×	●	●	●	×	●	—
Head Office, KAYAKU AKZO CORPORATION	●	●	●	●	×	×	—
Asa Plant, KAYAKU AKZO CORPORATION	●	●	●	●	●	×	●