



## Key Themes ("Materiality") and Our Action Plan

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."

Practicing CSR management involves properly ascertaining the Key Themes facing our Group from both an internal and external point of view and formulating a mid-term CSR Action Plan that links to our business activities.

### CSR and Business Strategy

We believe that CSR is integral to managing our Company. To realize the **KAYAKU spirit** and increase the value of the Company, we believe it is necessary to take the dual approach of implementing both a mid-term business plan and initiatives toward a sustainable society and environment, and that we need to integrate these initiatives into our business strategy.

We have the basic management policy which is "The Nippon Kayaku Group engages in CSR management by outlining a mid-term CSR action plan that reflects the trust we receive from all our stakeholders. We continuously implement this mid-term CSR action plan to expand our management resources. This enables us to work towards maximizing our corporate value, achieving sustainable growth, and contributing to a sustainable society and environment."

Under this basic management policy, we ascertain our risks and opportunities by considering the business environment and listening to our stakeholders so that we can identify the Key Themes (CSR materiality) in our business over the medium-term, then we create our Mid-term Business Plan and Mid-term CSR Action Plan that syncs with Mid-term Business Plan. Our CSR activities, which are integral to our business strategy, are highly ethical and place priority on safe operations, strict compliance, and the environment in all of our businesses.

### CSR Key Themes ("Materiality")

In creating our mid-term business plan, **KAYAKU Next Stage**, which began in fiscal 2019, Nippon Kayaku went through the themes that it needs address as it strives to contribute to a sustainable society and to achieve sustainable growth for the Company. This exercise yielded our CSR Key Themes.

#### CSR Key Themes ("Materiality") Identification Process

In formulating our mid-term business plan, **KAYAKU Next Stage**, which kicks off in fiscal 2019, we have organized the themes that we should address and identified the CSR Key Themes (CSR materiality).

#### CSR Key Themes (CSR Materiality) Identification Process

##### ■ [Step 1 Recognition of the Themes]

Make a list of Themes, taking topics from the GRI standards on the items needed by a diversifying society and adding topics from the Nippon Kayaku Group's CSR Action Plan.

### ■ [Step 2 Assign Points from Internal and External Feedback]

#### A. Assignment of points from external assessments

Assign points from external assessments by linking the Themes on the list with assessment criteria for each of the Company's business segments from multiple international assessment organizations that promote responsible investing and SASB※ need criteria for each industry.

#### B. Assignment of points from internal assessments

Survey those responsible for Company's major departments, including its business divisions, to evaluate how much of an impact the Nippon Kayaku Group can have. Set up listening opportunities in the major departments to verify the Themes and rank them by priority. Assign points from the internal assessments by incorporating views on past key Themes addressed in CSR Action Plans.

※ An independent non-profit, SASB develops reporting standards that enable businesses around the world to identify, manage and communicate financially-material, sustainability information to investors.

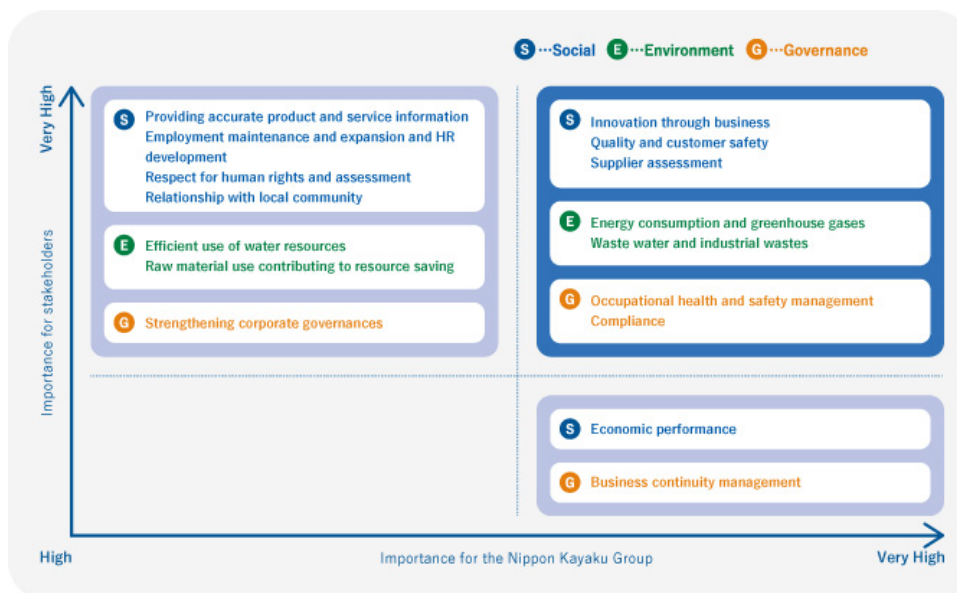
### ■ [Step 3 Materiality mapping]

Make a matrix of the Themes that have been assigned points from the external and internal assessments to create a materiality mapping. Include thresholds in the point-based map so that those Themes with points that meet or exceed the threshold are considered key.

### ■ [Step 4 Validity testing and approval]

Get feedback on the identification process and identification results from experts who specialize in CSR, review the process and results at the CSR Management Committee, which is the Company's decision-making body, and approve them after two sessions of deliberation.

Nippon Kayaku Group's CSR Key Themes ("Materiality")



## Identification and Implementation of Key Themes

Below, we describe the Nippon Kayaku Group's recognition of its identified Key Themes and how we intend to accomplish them by focusing on the most important of these themes.

### Innovation through business

## ■ Why Is This Key?

The world is moving in the direction of a better life for people. Technological progress is not the be-all and end-all. However, achievement of a sustainable society involves not only making the world more convenient, but also such major issues as enabling everyone to live safe and healthy lives, alleviating climate change, and protecting the global environment. Chemical companies need to take responsibility and tackle these issues seriously. At Nippon Kayaku, we believe that we need to acquire the new business opportunities and new technologies that will lead to innovation through continuous progress so that we can solve these wide-ranging, thorny problems and respond to the needs of society. We believe that tackling these Key Themes will enable us to contribute to a sustainable society by giving society the value that it is seeking.

## ■ Nippon Kayaku's Initiatives

The Nippon Kayaku Group's business vision is, "Continuing to provide the best products, technologies, and services that safeguard the life and health of consumers, and support a comfortable life." Since its founding, Nippon Kayaku has been striving to solve social issues as it has grown. In the future as well, we will continue making contributions toward a sustainable society and environment as we alter our three "genes" of explosives, dyes, and pharmaceuticals so that we can keep providing the best products, technologies, and services using the many elemental technologies that we have nurtured over our past century of history. Our endeavors involve honing our elemental technologies, taking advantage of open innovation, and carrying out corporate and other research that will support future growth for realizing a super-smart society and SDGs. This includes distinctive products based on resins, colorants, and catalysts, pharmaceuticals and ancillary products in our cancer-related specialty areas, products for advanced automobile safety components and future mobility technologies, high-quality environmentally friendly agrochemicals for supporting stable agricultural production, and the development of products and creation of businesses in new fields that merge these technologies. To this end, we are working to consolidate our entire corporate foundation in the utilization of advanced IT and the enhancement of our entire work force's skills. Tackling these themes also entails the key themes' [economic performance](#). In view of our initiatives with respect to key environmental issues, such as ["energy use and greenhouse gases," "wastewater and waste," "efficient use of water resources,"](#) and ["use of materials that contribute to resource conservation,"](#) we believe that new technologies and other innovations that will contribute to society are just around the corner.

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Quality and customer safety

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## Quality and customer safety

## ■ Why Is This Key?

Society is increasingly demanding quality and safety of products and services. Nippon Kayaku offers a wide range of products that includes functional chemicals, pharmaceuticals, automobile safety components, and agrochemicals, and it is incumbent upon us that all of our products be of appropriate quality. We are fully aware that any problems with quality defects will have an impact on our customers as well as on our entire supply chain. We believe that consistent product quality, improved safety and reliability, and technical services and information that facilitate proper use are linked to the enhancement of customer satisfaction.

## ■ Nippon Kayaku's Initiatives

Based on the spirit of Responsible Care,<sup>※</sup> the Nippon Kayaku Group has formulated The Declaration on Environment, Health and Safety, and Quality in order to maintain and enhance its environmental protection, health and safety, and quality assurance practices, and we are implementing this declaration through organized companywide activities. We have set up a Quality Management Division that is in charge of quality management across our businesses as well as quality management systems that address the specifics of each business, and we are implementing these initiatives on a global scale that incorporates all our group companies. We are working to improve quality by curbing quality process abnormalities using techniques ranging from education to actual practice. Examples of this include quality assurance initiatives for strengthening our technological prowess in quality assurance so as to ensure consistent product quality, quality risk assessments to prevent the occurrence of quality issues, the creation and usage of our "Why Why Analysis Manual" that beefing up our efforts to prevent the recurrence of customer complaints and to curb quality process abnormalities, and training to enhance our design and development capabilities by having our researchers start using statistical techniques and quality engineering. In that these topics are related to the key theme, ["provision of appropriate information on products and services,"](#) we are striving to provide technical data and the most recent academic information so that our customers will be able to use products that are safe. Providing our customers with the best products means that we will need to eliminate processing abnormalities and important customers' complaints by tackling this issue head on, and this will result in improving the Group's presence.

<sup>※</sup> Responsible Care: An initiative whereby 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 to production, sales, consumption, and disposal of the

chemical substances.

Supplier assessment

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## Supplier assessment

### ■ Why Is This Key?

Many crucial issues are involved in procuring the raw materials for our products, including consideration of workers' human rights and meticulous health and safety management, creation of a better work environment, and measures to conserve resources and prevent global warming. The company must practice these not only within its Group but also with respect to its entire supply chain. The Nippon Kayaku Group believes it is our social responsibility to implement this key theme conscientiously as we maintain sustainable procurement practices, and we strive to become a company that customers seek out.

### ■ Nippon Kayaku's Initiatives

In our quest to bring about a sustainable society, the Nippon Kayaku Group is aiming toward mutually sustainable development with its suppliers, for "they are important business partners who help us produce products of the best quality." We have produced a CSR Procurement Guidebook that is based on the Nippon Kayaku Group Charter of Conduct, Basic Procurement Principles, and Basic Procurement Policy, and we are working to get all of our suppliers on board with our procurement practices. In addition to educating our suppliers about our CSR Procurement Policy through briefings, daily contact, and business negotiations, we are also conducting ongoing field assessments of our business partners.

Implementation of this theme is closely related to another key theme, that of **maintaining business continuity**, and we as a Group need to tackle these two themes simultaneously. Procurement risk entails supply risk as well as the risk that social issues will not be dealt with appropriately. With the recognition that both of these constitute key themes, we are striving to strengthen our ties with all of our business partners in order to provide the best products so that we will comply with our CSR Procurement Policy when we purchase our raw materials.

Energy consumption and greenhouse gases / Waste water and industrial wastes / Efficient use of water resources / Raw material use contributing to resource saving [read more](#) ▼

## Energy consumption and greenhouse gases / Waste water and industrial wastes / Efficient use of water resources / Raw material use contributing to resource saving

### ■ Why Are These Key?

All of these key themes are environmental in nature. Chemicals are manufactured from fossil fuels through various processes. During these manufacturing processes, the electricity and thermal energy consumed during the heating and cooling stages release greenhouse gases into the atmosphere, water is used during cleaning processes, and chemicals are emitted into the air, water, and soil. Thus, the Nippon Kayaku Group's business activities could have an impact on the global environment. In addition, as automobiles spread throughout the world and the automobile usage ramps up in the emerging countries, demand for automotive safety components that incorporate the explosives that we produce will be not just for safety considerations but also for reducing the burden on the global environment with their minimal size and weight. These initiatives to reduce the burden on the global environment have become more urgent in recent years. We believe that attaining a sustainable society requires us to make ceaseless progress toward minimizing the adverse impact of product life cycles on the global environment, reducing strain on the environment, and managing chemical substances appropriately.

### ■ Nippon Kayaku's Initiatives

To confront these key themes head on, we have delved deeply into their particulars to identify the key environmental themes (materiality). Specifically, based on the proposals of the TCFD<sup>※1</sup>, we solicited the views of experts as well as input from our production divisions and R&D divisions to help us elicit the risks and opportunities involved in climate change, then conducted an impact analysis to identify the environmental key themes. (For information on environmental key themes (materiality), see the section on our environmental initiatives.)

Responsible Care is the starting point for our business activities as a chemical company. We are improving our management of chemical substances and providing appropriate information that will assist in keeping our employees and customers safe and protect the global environment. We are also attempting to simplify our production processes, use energy more appropriately, and take other steps to broaden our scope of assessment.

We are currently using the MFCA method※2 in our assessments so that we can contribute to a sustainable global environment and facilitate our corporate business continuity.

In addition, the water used in heating, cooling, and product purification, which is essential in manufacturing our products, can have an impact on our business if the volume or quality of usable water changes, so each of our domestic and overseas group production sites is assessing the risks in its geographical areas and taking countermeasures.

With respect to the reduction of greenhouse gas emissions, the environmental burden could be reduced by converting to low-carbon materials in the production process, installing energy-efficient equipment, reducing energy usage in the production process, and switching to renewable energy sources. We are now in the process of formulating our environmental goals for 2030 and considering the best ways to accomplish them.

※1 The TCFD (Task Force on Climate-related Financial Disclosures) was established in 2016 by the Financial Standards Board, an international organization for financial system stability.

※2 MFCA (Material Flow Cost Accounting) is a method for analyzing overall cost performance by looking at resource and energy losses during the production process and regarding the materials costs, processing costs, equipment depreciation costs that comprise these losses as “negative product costs.”

Occupational health and safety management / Compliance

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## Occupational health and safety management / Compliance

### ■ Why Is This Key?

Operational safety is basic to everything in the manufacturing industry. Every company in the Nippon Kayaku Group practices safety initiatives in a common recognition of “safety above everything else,” and we believe that we are responsible to all of our stakeholders for preventing accidents and disasters from happening. This is also the most important consideration for employees who work for the Nippon Kayaku Group. In addition, both our domestic operations and overseas affiliates are responsible for complying with local laws and regulations, so we believe that each employee must rigorously follow compliance procedures and that fair business dealings are indispensable to the company’s survival and the fulfillment of its social responsibilities. Other key themes that constitute the foundation of all our business activities include “strengthening corporate governance,” “maintaining and expanding employment and development of human resources,” “respect for human rights and assessment,” and “local communities,” and it is our belief that we will not be able to survive as a corporation unless we deal with these key themes in an appropriate manner. All of these themes are part of “building a strong corporate base capable of supporting growth,” which is one of the key themes of our mid-term business plan, *KAYAKU Next Stage*, indicating our recognition that sound initiatives are essential.

### ■ Nippon Kayaku’s Initiatives

In 2000, the Nippon Kayaku Group formulated the Nippon Kayaku Group Charter of Conduct and Code of Conduct as guideposts for our behavior, and these have been revised in response to the demands of the times, so that they are shared by all of our employees. The social responsibilities that corporations are expected to bear have become increasingly diverse and complex in recent years, now encompassing such areas as climate change and other environmental issues, relations with the supply chain regarding child labor and other labor issues, participation in society as a good corporate citizen, and respect for human rights. At Nippon Kayaku, it is essential for us to share a common awareness, as diverse employees of various nationalities, religions, native languages, and cultural backgrounds are helping us run many of our businesses. With this in mind, we amended the Nippon Kayaku Group Charter of Conduct and Code of Conduct in fiscal 2019 to add human rights, crisis management, local communities, and dialog, as new factors.

All the key themes that form the base of our corporate initiatives are synonymous with corporate initiatives that understand and respect the amended Nippon Kayaku Group Charter of Conduct and Code of Conduct. We are striving to take responsibility as the Nippon Kayaku Group and educate our employees so that everyone has a shared awareness in approaching these themes.

## Mid-term CSR Action plan 2019-2021

Based on the materialities that we identified, we have formulated our Mid-term CSR Action Plan 2019-2021, which sets forth specific initiatives and goals. The themes and goals of the Mid-term CSR Action Plan have been integrated with the medium- and long-term key themes set by each corporate division in order to flesh out the major themes of our mid-term business plan, *KAYAKU Next Stage*. The medium- and long-term key themes are linked with the more specific organizational goals of the entire Nippon Kayaku Group, as well as with the performance goals of each individual employee. Therefore, the Mid-term CSR Action Plan is being put into practice by all of our employees as part of our business strategy.

# KAYAKU Next Stage



KAYAKU Next Stage Mid-term CSR Action Plan 2019-2021					
ISS	IS	Important CSR issues	Mid-term CSR Action Plan 2019-2021	Key Indicators (KPI)	FY2021 Targets
Highest Priority Issues	1	Innovation through business	<ul style="list-style-type: none"> <li>Business divisions will work as one team on pursuing R&amp;D with an eye on exit to market, and create new products and businesses in core businesses and areas of synergy.</li> <li>Invest management resources in medium and long-term R&amp;D themes while enhancing core technologies and meeting the future needs of society.</li> </ul>	Amount invested in R&D over three years	(Consolidated) 100 billion over 3 years
	2	Quality and customer safety	<ul style="list-style-type: none"> <li>Make ongoing improvements to the quality management system and work to strengthen local management capabilities, and create a stronger quality management and quality assurance system.</li> <li>Pursue quality management, improve the level of production technology and expertise, and work to reduce flaws in the process.</li> </ul>	Number of serious complaints by customers <sup>1)</sup>	(Consolidated) 0 complaints
	3	Business partner assessment	<ul style="list-style-type: none"> <li>Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Procurement Guidelines.</li> </ul>	Number of serious flaws in processes <sup>2)</sup>	(Consolidated) 0 incidents
	4	Energy use and greenhouse gases Wastewater and waste Efficient use of water resources Use of materials that contribute to resource conservation	<ul style="list-style-type: none"> <li>Pursue activities to save energy and combat global warming. Achieve the environmental targets for FY2020 and formulate targets for FY2021.</li> <li>Work to integrate ISO 14001 company-wide and advance environmental management that addresses both the risks and opportunities of environmental problems.</li> </ul>	Mid-term environmental targets - Amount of CO2 emitted from energy sources - VOC emissions volume - COD emissions volume - Volume of waste generated - Recycling rate - Zero emissions rate Company-wide integration of ISO 14001 Formulation of 2030 environmental targets	FY2020 Target (Non-consolidated) 79,500 tons or less 42 tons or less 150 tons or less 23,500 tons or less 85% or higher 3% or lower Integration Formulation
	5	Occupational health and safety in the workplace	<ul style="list-style-type: none"> <li>Strictly follow basic rules on health and safety and improve equipment and work procedures to build a strong foundation for safe operations.</li> <li>Promote health management and provide a workplace environment that enables employees to work with enthusiasm and achieve work-life balance.</li> </ul>	Number of serious accidents <sup>3)</sup> White 500 certification Percentage of employees taking paid leave Percentage of employees who take mental health training Percentage of employees who undergo regular health check-ups	(Consolidated) 0 incidents Maintain certification 70% 100% <sup>4)</sup> 100%
	6	Compliance	<ul style="list-style-type: none"> <li>Exercise strict compliance, which is a basic principle upon which we conduct corporate activities, and operate the business in a fair manner.</li> <li>Establish a basic policy on preventing corruption, and maintain and strengthen an open and honest corporate culture with high ethical values.</li> </ul>	Number of serious compliance violations <sup>5)</sup> Formulation of a basic policy on preventing corruption Coverage ratio of companies implementing compliance training	(Consolidated) 0 incidents Formulation (Domestic) 100%
Important Issues	7	Provision of appropriate information on products and services	<ul style="list-style-type: none"> <li>Increase the presence of the Nippon Kayaku Group by complying with regulations in each business and providing appropriate information and technical services to customers.</li> </ul>	Regularly conducting customer satisfaction surveys	(Non-consolidated) Implementation
	8	Maintaining and expanding employment and development of human resources	<ul style="list-style-type: none"> <li>Promote diversity and inclusion by hiring diverse human resources and effective human resource allocation and exchanges.</li> <li>Pass down and strengthen technical capabilities in monokanuri (manufacturing) and achieve globalization in human resources through ongoing human resource development.</li> </ul>	Percentage of female managers Percentage of people with disabilities employed Amount invested in education and training per employee	(Non-consolidated) 8% <sup>6)</sup> (Non-consolidated) 2.3% (Non-consolidated) Note results only
	9	Respect for human rights and assessment	<ul style="list-style-type: none"> <li>Operate businesses in a manner that considers the human rights of employees and all people involved in the supply chain.</li> </ul>	Number of training sessions held on human rights	(Non-consolidated) Once a year or more
	10	Local communities	<ul style="list-style-type: none"> <li>Actively communicate with local communities where our businesses are located and strive to co-exist and prosper together with them as a company rooted in the local community.</li> </ul>	Total number of informal community gatherings Expenditures on social contributions <sup>7)</sup>	(Consolidated) Note results only (Non-consolidated) Note results only
	11	Economic performance	<ul style="list-style-type: none"> <li>Generate stable profits and return profits to society while reinvesting profits as management capital to achieve sustainable growth and enhance corporate value.</li> </ul>	ROE Amount of tax paid Capital investments over three years	(Consolidated) 8% (Consolidated) 95.6 billion (Consolidated) 150.0 billion over three years
	12	Strengthening corporate governance	<ul style="list-style-type: none"> <li>Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner.</li> </ul>	Number of times that the effectiveness of Board of Directors meetings is evaluated Number of times internal business audits are performed by the Audit Division	(Non-consolidated) Once a year (Consolidated) 45 times over three years
	13	Ensuring business continuity	<ul style="list-style-type: none"> <li>Ensure business continuity by responding to the many different risks associated with our businesses, maintaining the production structure, securing the appropriate materials, and strengthening disaster response measures.</li> </ul>	Implementation rate for the top five risk control activities Number of times BCP drills are conducted	(Consolidated) 100% (Consolidated) Once a year or more

①Environment ②Social ③Governance  
 1) Losses of 10 million yen or higher  
 2) Accidents resulting in loss of work for three or more people simultaneously or accidents resulting in death  
 3) Cumulative amount over the three-year period from 2018 to 2020  
 4) Number of incidents deemed serious by the Ethics Committee in the Management Committee  
 5) Target for the end of FY2020  
 6) Excludes for subsidiaries, Associate House activity expenses, plant facilities, and other local events

# Achievements of the Mid-term CSR Action Plan in Fiscal 2019

Below is a summary of the progress made in our Mid-term CSR Action Plan 2019-2021 in its initial year of 2019.

## KAYAKU Next Stage

### Achievements of the Mid-term CSR Action Plan in 2019

ESG	No.	Reported CSR Issues	Mid-term CSR Action Plan 2019-2021	Key Indicators (KPI)	FY2019 Targets	FY2019 Progress	Topics on FY2019 Initiatives	Legal SDGs
High-priority Issues	1	Innovation through business	<ul style="list-style-type: none"> <li>Business division will work as one team on pursuing R&amp;D with an eye on cost reduction, and create new products and businesses in cost reduction and areas of strength.</li> <li>Research management, improve the level of production technology and expertise, and work to reduce time in the process.</li> </ul>	Amount invested in R&D over three years	Completed: Above target 3 years	Completed: 91% (2019)	<ul style="list-style-type: none"> <li>Worked on various initiatives involving new products and businesses in all the Company's divisions.</li> <li>Started mass production of the new intermediate resin for SS (non-commissioned).</li> <li>Expanded on LCD and other display business.</li> <li>Continued to be active in digital and commercial printing by developing innovative digital printing concepts.</li> <li>Continued to explore for additional initiatives for breast cancer treatment regimen in our collaborative drug (Tadagra) business, which is a human and ECPI (excitatory) antibody.</li> <li>Completed development of our new initiatives that went on the market in FY 2019.</li> <li>Started progress developing smart early devices, with an eye to their commercialization.</li> <li>Worked on strengthening our new initiatives (FRESAVER), expanding its applications and expanding its network.</li> <li>Continued research for next generation development that combines to focus and extreme technologies.</li> <li>Organized a company-wide research symposium and other events for our business groups and research laboratories to discuss technology.</li> <li>Started steps to use various types of IT production, quality management, and related property.</li> </ul>	
	2	Quality and customer safety	<ul style="list-style-type: none"> <li>Review ongoing improvements in the quality management system and work to strengthen local management capabilities, and create a change quality management and world's assurance system.</li> <li>Enhance quality management, improve the level of production technology and expertise, and work to reduce time in the process.</li> </ul>	Number of service complaints by customer Number of service issues in process	Completed: 3 companies	Completed: 1 company	<ul style="list-style-type: none"> <li>Reviewed and identified to our overseas Group companies our "Why-Why Analysis Method," which seeks to find the real causes of processing abnormalities and the root and fundamental causes thereof.</li> <li>Worked on our training program on the practical fundamentals of statistical analysis and quality management and enhancing offerings of product quality.</li> </ul>	
	3	Business partner assessment	<ul style="list-style-type: none"> <li>Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Procurement Guidelines.</li> </ul>	Number of times assessment with business partners was performed	Non-commissioned: 78 companies	Non-commissioned: 78 companies	<ul style="list-style-type: none"> <li>Reviewed the supplier list.</li> <li>Worked on the following 100 CSR responses to a CSR questionnaire sent to 374 of our business partners.</li> <li>Continued to conduct initiatives to improve environmental impact issues including the indicators of harassment, discrimination, forced labor, inappropriate work hours or overtime, or other job-related or welfare-related.</li> </ul>	
	4	Energy use and greenhouse gases/Wastewater and waste/Efficient use of water resources/Use of materials that contribute to resource conservation	<ul style="list-style-type: none"> <li>Enhance activities to save energy and combat global warming. Achieve our environmental targets for FY2020 and formulate targets for FY2025.</li> <li>Work to integrate ISO 14001 compliance into our advanced environmental management that addresses both the risks and opportunities of various material problems.</li> </ul>	Medium environmental targets Amount of CO2 emitted from energy activities -CO2 emissions volume -Volume of waste generated -Recycling rate -Dry-mass waste rate Comprehensive integration of ISO 14001 Formulation of 2025 environmental targets	FY2020 Target 79,000 tons or less (Non-commissioned) 42 tons or less (Non-commissioned) 166 tons or less (Non-commissioned) 23,000 tons or less (Non-commissioned) 80% or higher (Non-commissioned) 2% or more (Non-commissioned) 30% or higher (Under review)	68,000 tons (Non-commissioned) 38.8 tons (Non-commissioned) 142 tons (Non-commissioned) 23,000 tons (Non-commissioned) 84.2% (Non-commissioned) 3.0% (Non-commissioned) Under review	<ul style="list-style-type: none"> <li>Worked to accomplish FY 2019 medium environmental goals, with the exception of dry-mass waste.</li> <li>Reviewed current training programs by conducting regular sessions with our business partners.</li> <li>Continued to work on initiatives to improve our environmental impact issues including CO2 emissions reduction with certain change. These will be completed by FY 2020.</li> <li>Continuing comprehensive activities of ISO14001, organized a video whereby our business groups and plants conducted a reviewing the ISO14001 Compliance Policy and programs to share directly through.</li> </ul>	
Important	5	Occupational health and safety in the workplace	<ul style="list-style-type: none"> <li>Strictly follow basic rules on health and safety and improve equipment and work procedures to build a strong foundation for safe operations.</li> <li>Enhance health management and provide a workplace environment that enables employees to work with enthusiasm and achieve work-life balance.</li> </ul>	Number of service accidents ① While ISO certification Percentage of employees taking paid leave Percentage of employees who take mental health training Percentage of employees who undergo regular health check-ups	Completed: 4 accidents Non-commissioned: 80% or higher 70% (Non-commissioned) 100%-4 (Non-commissioned) 100% (Non-commissioned)	Non-commissioned: 0 accidents Completed: 80% or higher 81.7% (Non-commissioned) 100% (Non-commissioned)	<ul style="list-style-type: none"> <li>Continued to work on an expanding enterprise engaging in efforts to improve health and productivity management under the 2020 Certified Health &amp; Productivity Management (Sustaining) Organization Recognition Program (a long-term initiative), although we did not receive the ISO recognition in FY 2019, we continue our efforts to promote health management.</li> <li>Expanded monthly activities at the Nippon Kayaku parent company over 12.7 hours.</li> </ul>	
	6	Compliance	<ul style="list-style-type: none"> <li>Conduct ethical activities, which is a basic principle upon which we conduct corporate activities, and operate the business in a fair manner.</li> <li>Establish a basic policy on compliance, conduct, anti-harassment and strengthen an open and honest corporate culture with high ethical values.</li> </ul>	Number of service non-compliance incidents Formulation of a basic policy on compliance (conduct) Conducting 100% of compliance training Compliance training	Completed: 0 non-compliance incidents Completed: 100% (Domestic) 100% (Domestic)	Completed: 0 non-compliance incidents Completed: 100% (Domestic) 100% (Domestic)	<ul style="list-style-type: none"> <li>Enhanced information for formulating a Basic Policy on Compliance (Production and Service) in preparation of other companies.</li> <li>Reviewed the Nippon Kayaku Group Charter of Conduct and Code of Conduct.</li> <li>Added employee code-of-conduct training and other compliance training for business Group companies.</li> <li>Added training sessions on anger management at all of our domestic Group companies.</li> </ul>	
	7	Provision of appropriate information on products and services	<ul style="list-style-type: none"> <li>Enhance the provision of the Nippon Kayaku Group by complying with regulations in each business and providing appropriate information and technical services to customers.</li> </ul>	Regularly conducting customer satisfaction surveys	Non-commissioned: Implementation	Completed: Implementation	<ul style="list-style-type: none"> <li>Administered a customer satisfaction survey for some Nippon Kayaku Group companies including those of our overseas Group companies. The survey results will be reported in the future.</li> </ul>	
	8	Maintaining and expanding employment and development of human resources	<ul style="list-style-type: none"> <li>Enhance diversity and inclusion by using diverse human resources and effective human resource allocation and utilization.</li> <li>Focus on and strengthen technical capabilities in innovation, production and service capabilities in human resources through ongoing human resource development.</li> </ul>	Percentage of female managers Percentage of people with disability employees Amount invested in education and training per employee	Non-commissioned: 41.6% Non-commissioned: 2.3% Non-commissioned: Not available only	Non-commissioned: 44.4% Non-commissioned: 1.87% Non-commissioned: 170,000 / person	<ul style="list-style-type: none"> <li>Advanced our goal of having women in 8.4% of our management positions and our goal of 10%.</li> <li>Offered language learning assistance and foreign-language study abroad programs, including through overseas staff and business trips.</li> <li>Set new look men's dress code.</li> <li>Continued an expert consultation on work hours with the labor union, which is conducting programs on performance management and problem-solving measures at each business site, continued an expert consultation on work practices with the labor union.</li> </ul>	
Important	9	Respect for human rights and assessment	<ul style="list-style-type: none"> <li>Operate businesses in a manner that considers the human rights of employees and of people involved in the supply chain.</li> </ul>	Number of training sessions held on human rights	Non-commissioned: Once a year or more	Non-commissioned: 2 times	<ul style="list-style-type: none"> <li>Worked on training sessions on human rights in association with our commitment of the Nippon Kayaku Group Charter of Conduct and Code of Conduct.</li> </ul>	
	10	Local communities	<ul style="list-style-type: none"> <li>Actively communicate with local communities where our businesses are located and strive to cooperate and prosper together with them as a company rooted in the local community.</li> </ul>	Total number of informal community gatherings Expenditure on social contribution*10	Completed: 17 informal community gatherings Non-commissioned: Not available only	Completed: 17 times Completed: 1029 million	<ul style="list-style-type: none"> <li>Maintained constant communication between our place of business and local communities through such efforts as open houses at our facilities, start-up campaigns, and social gatherings.</li> <li>As part of our established CSR, made actual visits to local primary schools and DVA, part in the donation support work. Conducted a business location Chemistry Education Show 2019.</li> <li>Appointed a part-time staff as an initiative for getting healthy through sports.</li> </ul>	
	11	Economic performance	<ul style="list-style-type: none"> <li>Maximize stable profits and return profits to society while maintaining profits as management capital to ensure sustainable growth and enhance corporate value.</li> </ul>	ROIC Amount of total paid Capital Investments over three years	Completed: 67% (2019) Completed: 41.8 billion (2019) Completed: 170 billion over three years	Completed: 67% (2019) Completed: 40.5 billion (2019) Completed: 174 billion	<ul style="list-style-type: none"> <li>Advanced sales of 170 billion yen and operating income of 17.6 billion yen returned profit to shareholders as dividends.</li> <li>Advanced business operations and made returns. ROIC reached 66.1% in the past profit.</li> <li>Added a dividend plan of regular dividends for our future growth.</li> </ul>	
	12	Strengthening corporate governance	<ul style="list-style-type: none"> <li>Strengthen corporate governance of the entire group and manage in a highly transparent and social manner.</li> </ul>	Number of times that the effectiveness of Board of Directors meetings included Number of times that business audits are performed by the Audit Division	Non-commissioned: Once a year Completed: 45 times over three years	Non-commissioned: Once Completed: 13 times	<ul style="list-style-type: none"> <li>Conducted an internal survey to assess the effectiveness of our Board of Directors, created an action plan responding to the situations and issues that had been identified, and our internal control.</li> <li>Continued financial control reporting systems (SAR) for the Group companies that address the review of their internal controls, to produce areas identified.</li> <li>Continued our procedure for appointment and dismissal of officers and our guidelines for submitting officers' compensation in our Securities Report.</li> <li>Continued our Basic Policy on Corporate Governance, which will be announced in FY 2020.</li> <li>Continued our risk and security training sessions on such topics as cyber matters, information security, and security support control.</li> </ul>	
13	Ensuring business continuity	<ul style="list-style-type: none"> <li>Ensure business continuity by responding to the many different risks associated with our businesses, maintaining the production structure, securing the production resources, and strengthening disaster recovery measures.</li> </ul>	Implementation rate for the top 100 risks control activities Number of times BCP drills are conducted	Completed: 100% Completed: Once a year or more	Completed: 100% Completed: Once	<ul style="list-style-type: none"> <li>Conducted Top 5 Risk Control Initiatives at all of our business divisions, including BCP, and disaster drills.</li> <li>Continued BCP training drills for our overseas Group companies at Corning Medipharm for Division Companies and at other Corning Group (Japan).</li> <li>Worked with the major contractors, established the disaster recovery plan for Disaster Countermeasures headed by our president, which is being put into practice with the employees' deep understanding of the business continuity activities.</li> </ul>		

\*10: Losses of 10 million yen or higher  
 \*11: Accidents resulting in three or more days of work for three or more people simultaneously or accidents resulting in death  
 \*12: Cumulative amount over the three-year period from 2018 to 2020  
 \*13: Number of incidents deemed serious by the Ethics Committee or the Risk Management Committee  
 \*14: Target for the end of FY2020  
 \*15: Expenses for disaster, disaster recovery, disaster recovery, plant facilities, and other related events.

## > Achievements of the Mid-term CSR Action Plan in Fiscal 2019

## Mid-term CSR Action Plan 2019-2021 for ISO26000 Core Subjects

The Nippon Kayaku Group has created a table of correspondence between the 37 Core Issues of ISO26000 and our each item of Mid-term CSR Action Plan 2019-2021.



KAYAKU Next Stage  
Mid-term CSR Action Plan 2019-2021 for ISO26000 Core Subjects

ESG	Material CSR Issues	Mid-term CSR Action Plan (2019-2021)	ISO26000 Core Subjects and Related Issues																
			Organizational governance	Human rights	Consumer issues	Environment	Society	Human resources	Product quality	Customer satisfaction	Supplier relations	Community involvement	Stakeholder engagement	Transparency	Accountability	Leadership	Compliance	Reporting	
High-priority issues	1	Knowledge through business	Business activities off-site in our base operations (B2B) will be carried out to ensure compliance with applicable laws and regulations in each business and group of company. In addition, we will continue to improve our compliance system and strengthen our compliance culture through training for all employees.																
	2	Quality and customer value	Make ongoing improvements in the quality management system and work to strengthen our management system. In addition, we will continue to improve our quality management system and work to reduce risks in the process.																
	3	Business partner assessment	Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Management Guidelines.																
	4	Energy use and greenhouse gas emissions and waste	Further activities to save energy and control global warming. Reduce the environmental impact by FY2020 and increase output by FY2025.																
	5	Occupational health and safety in the workplace	Strictly follow basic rules on health and safety and improve treatment and work conditions to build a strong foundation for safe operations.																
Important issues	6	Respect for human rights and treatment	Specify fundamental rights in a charter that considers the human rights of employees and all people involved in the supply chain.																
	7	Local communities	Actively communicate with local communities where our businesses are located and strive to create and promote together with them as a business rooted in the local community.																
	8	Economic performance	Improve stable profits and return on equity to society while strengthening profits on management (ROE) to achieve sustainable growth and enhance corporate value.																
	9	Strengthening business governance	Strengthen business governance of the entire group and improve its integrity through internal control.																
	10	Seeking business continuity	Review business continuity for responding to the major risks that are associated with our business, strengthening the production structure, ensuring the operational continuity and strengthening business resilience.																

ESG	Material CSR Issues	Mid-term CSR Action Plan (2019-2021)	ISO26000 Core Subjects and Related Issues																
			Anti-corruption	Fair operating practices	Consumer issues	Environment	Society	Human resources	Product quality	Customer satisfaction	Supplier relations	Community involvement	Stakeholder engagement	Transparency	Accountability	Leadership	Compliance	Reporting	
High-priority issues	1	Knowledge through business	Business activities off-site in our base operations (B2B) will be carried out to ensure compliance with applicable laws and regulations in each business and group of company. In addition, we will continue to improve our compliance system and strengthen our compliance culture through training for all employees.																
	2	Quality and customer value	Make ongoing improvements in the quality management system and work to strengthen our management system. In addition, we will continue to improve our quality management system and work to reduce risks in the process.																
	3	Business partner assessment	Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Management Guidelines.																
	4	Energy use and greenhouse gas emissions and waste	Further activities to save energy and control global warming. Reduce the environmental impact by FY2020 and increase output by FY2025.																
	5	Occupational health and safety in the workplace	Strictly follow basic rules on health and safety and improve treatment and work conditions to build a strong foundation for safe operations.																
Important issues	6	Respect for human rights and treatment	Specify fundamental rights in a charter that considers the human rights of employees and all people involved in the supply chain.																
	7	Local communities	Actively communicate with local communities where our businesses are located and strive to create and promote together with them as a business rooted in the local community.																
	8	Economic performance	Improve stable profits and return on equity to society while strengthening profits on management (ROE) to achieve sustainable growth and enhance corporate value.																
	9	Strengthening business governance	Strengthen business governance of the entire group and improve its integrity through internal control.																
	10	Seeking business continuity	Review business continuity for responding to the major risks that are associated with our business, strengthening the production structure, ensuring the operational continuity and strengthening business resilience.																














> Mid-term CSR Action Plan 2019-2021 for ISO26000 Core Subjects



KAYAKU Next Stage Mid-term CSR Action Plan 2019-2021						
	ESG	No	Important CSR Issues	Mid-term CSR Action Plan 2019-2021	Key Indicators (KPI)	FY2021 Targets
Highest Priority Issues	S	1	Innovation through business	<ul style="list-style-type: none"> <li>●Business divisions will work as one team on pursuing R&amp;D with an eye on exit to market, and create new products and businesses in core businesses and areas of synergy.</li> <li>●Invest management resources in medium and long-term R&amp;D themes while enhancing core technologies and meeting the future needs of society.</li> </ul>	Amount invested in R&D over three years	(Consolidated) ¥40 billion over 3 years
		2	Quality and customer safety	<ul style="list-style-type: none"> <li>●Make ongoing improvements to the quality management system and work to strengthen local management capabilities, and create a stronger quality management and quality assurance system.</li> <li>●Pursue quality management, improve the level of production technology and expertise, and work to reduce flaws in the process.</li> </ul>	Number of serious complaints by customers※1	(Consolidated) 0 complaints
					Number of serious flaws in processes※1	(Consolidated) 0 incidents
	3	Business partner assessment	<ul style="list-style-type: none"> <li>●Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Procurement Guidelines.</li> </ul>	Number of times assessments of main business partners are performed	(Non-consolidated) 50 times/year	
	E	4	Energy use and greenhouse gases Wastewater and waste Efficient use of water resources Use of materials that contribute to resource conservation	<ul style="list-style-type: none"> <li>●Pursue activities to save energy and combat global warming. Achieve the environmental targets for FY2020 and formulate targets for FY2030.</li> <li>●Work to integrate ISO 14001 company-wide and advance environmental management that addresses both the risks and opportunities of environmental problems.</li> </ul>	Mid-term environmental targets <ul style="list-style-type: none"> <li>• Amount of CO2 emitted from energy sources</li> </ul>	FY2020 Target (Non-consolidated) 79,500 tons or less
					• VOC emissions volume	(Non-consolidated) 42 tons or less
					• COD emissions volume	(Non-consolidated) 150 tons or less
					• Volume of waste generated	(Non-consolidated) 23,500 tons or less
					• Recycling rate	(Non-consolidated) 80% or higher
					• Zero emissions rate	(Non-consolidated) 3% or lower
					Company-wide integration of ISO 14001	Integration
					Formulation of 2030 environmental targets	Formulation
	G	5	Occupational health and safety in the workplace	<ul style="list-style-type: none"> <li>●Strictly follow basic rules on health and safety and improve equipment and work procedures to build a strong foundation for safe operations.</li> <li>●Promote health management and provide a workplace environment that enables employees to work with enthusiasm and achieve work-life balance.</li> </ul>	Number of serious accidents※2	(Consolidated) 0 incidents
White 500 certification					(Non-consolidated) Maintain certification	
Percentage of employees taking paid leave					(Non-consolidated) 70%	
Percentage of employees who take mental health training					(Non-consolidated) 100%※3	
Percentage of employees who undergo regular health check-ups		(Non-consolidated) 100%				
6		Compliance	<ul style="list-style-type: none"> <li>●Exercise strict compliance, which is a basic principle upon which we conduct corporate activities, and operate the business in a fair manner.</li> <li>●Establish a basic policy on preventing corruption, and maintain and strengthen an open and honest corporate culture with high ethical values.</li> </ul>	Number of serious compliance violations※4	(Consolidated) 0 incidents	
	Formulation of a basic policy on preventing corruption			Formulation		
Important Issues	S	7	Provision of appropriate information on products and services	<ul style="list-style-type: none"> <li>●Increase the presence of the Nippon Kayaku Group by complying with regulations in each business and providing appropriate information and technical services to customers.</li> </ul>	Regularly conducting customer satisfaction surveys	(Non-consolidated) Implementation
		8	Maintaining and expanding employment and development of human resources	<ul style="list-style-type: none"> <li>●Promote diversity and inclusion by hiring diverse human resources and effective human resource allocation and exchanges.</li> <li>●Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development.</li> </ul>	Percentage of female managers	(Non-consolidated) 8%※5
					Percentage of people with disabilities employed	(Non-consolidated) 2.3%
	Amount invested in education and training per employee				(Non-consolidated) Note results only	
	9	Respect for human rights and assessment	<ul style="list-style-type: none"> <li>●Operate businesses in a manner that considers the human rights of employees and all people involved in the supply chain.</li> </ul>	Number of training sessions held on human rights	(Non-consolidated) Once a year or more	
	10	Local communities	<ul style="list-style-type: none"> <li>●Actively communicate with local communities where our businesses are located and strive to co-exist and prosper together with them as a company rooted in the local community.</li> </ul>	Total number of informal community gatherings	(Consolidated) Note results only	
				Expenditures on social contributions※6	(Non-consolidated) Note results only	
	11	Economic performance	<ul style="list-style-type: none"> <li>●Generate stable profits and return profits to society while reinvesting profits as management capital to achieve sustainable growth and enhance corporate value.</li> </ul>	ROE	(Consolidated) 8%	
				Amount of tax paid	(Consolidated) ¥5.6 billion	
				Capital investments over three years	(Consolidated) ¥50.0 billion over three years	
G	12	Strengthening corporate governance	<ul style="list-style-type: none"> <li>●Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner.</li> </ul>	Number of times that the effectiveness of Board of Directors meetings is evaluated	(Non-consolidated) Once a year	
				Number of times internal business audits are performed by the Audit Division	(Consolidated) 45 times over three years	
	13	Ensuring business continuity	<ul style="list-style-type: none"> <li>●Ensure business continuity by responding to the many different risks associated with our businesses, maintaining the production structure, securing the appropriate materials, and strengthening disaster response measures.</li> </ul>	Implementation rate for the top five risk control activities	(Consolidated) 100%	
						(E)Environment (S)Social (G)Governance ※1: Losses of 10 million yen or higher ※2: Accidents resulting in time off work for three or more people simultaneously or accidents resulting in death ※3: Cumulative amount over the three year period from 2018 to 2020 ※4: Number of incidents deemed serious by the Ethics Committee or the Risk Management Committee ※5: Target for the end of FY2020 ※6: Expenses for donations, Asunaro House activity expenses, plant festivals, and other local events



# Achievements of the Mid-term CSR Action Plan in 2019

ESG	No	Important CSR Issues	Mid-term CSR Action Plan 2019-2021	Key Indicators (KPI)	FY2021 Targets	FY2019 Progress	Topics on FY2019 initiatives	target SDGs	
S	1	Innovation through business	<ul style="list-style-type: none"> <li>Business divisions will work as one team on pursuing R&amp;D with an eye on exit to market, and create new products and businesses in core businesses and areas of synergy.</li> <li>Invest management resources in medium and long-term R&amp;D themes while enhancing core technologies and meeting the future needs of society.</li> </ul>	Amount invested in R&D over three years	(Consolidated) 40 billion over 3 years	(Consolidated) ¥11.1 billion	<ul style="list-style-type: none"> <li>Worked on various initiatives involving new products and businesses in all the Company's divisions</li> <li>Started mass production of the new maleamide resin for 5G telecommunications</li> <li>Acquired an LCD and chip cleaning business</li> <li>Contributed to the fields of digital and conventional printing by developing industrial-use digital printing colorants</li> <li>Obtained approval for an additional indication for breast cancer treatment regimen B for our anti-cancer drug Trastuzumab BS</li> <li>Launched the anti-cancer drug PORTRAZZA® Injection, which is a human anti-EGFR monoclonal antibody</li> <li>Expanded sales of our new inflators that went on the market in FY 2018</li> <li>Made progress developing drone safety devices, with an eye to their commercialization</li> <li>Worked on disseminating our new insecticide FINESAVE®, expanding its applications, and registering it overseas</li> <li>Promoted research for next-generation development that combines in-house and external technologies</li> <li>Organized a company-wide research symposium and other events for our business groups and research laboratories to discuss technology</li> <li>Studied ways to use various types of IT in production, quality management, R&amp;D, and intellectual property</li> </ul>		
	2	Quality and customer safety	<ul style="list-style-type: none"> <li>Make ongoing improvements to the quality management system and work to strengthen local management capabilities, and create a stronger quality management and quality assurance system.</li> <li>Pursue quality management, improve the level of production technology and expertise, and work to reduce flaws in the process.</li> </ul>	<ul style="list-style-type: none"> <li>Number of serious complaints by customers※1</li> <li>Number of serious flaws in processes※1</li> </ul>	(Consolidated) 0 complaints	(Non-consolidated) 0 incidents	<ul style="list-style-type: none"> <li>Revised and distributed to our overseas Group companies our "Why Why Analysis Manual," which seeks to find the real causes of processing abnormalities and the like and fundamentally resolve them</li> <li>Beefed up our training program on the practical fundamentals of statistical analysis and quality management and e-learning offerings of product quality education</li> </ul>		
	3	Business partner assessment	<ul style="list-style-type: none"> <li>Implement supply chain management that takes environmental and social aspects into consideration, based on the CSR Procurement Guidelines.</li> </ul>	Number of times assessments of main business partners are performed	(Non-consolidated) 50 times/year	(Non-consolidated) 74 companies	<ul style="list-style-type: none"> <li>Implemented the scheduled audits</li> <li>Verified the following from 318 responses to a CSR questionnaire sent to 910 of our business partners</li> <li>Environmental protection initiatives: no negative environmental impact</li> <li>Social initiatives: No instances of harassment, discrimination, forced labor, inappropriate work hours or wages, or other anti-social or adverse behavior</li> </ul>		
E	4	Energy use and greenhouse gases Wastewater and waste Efficient use of water resources Use of materials that contribute to resource conservation	<ul style="list-style-type: none"> <li>Pursue activities to save energy and combat global warming. Achieve the environmental targets for FY2020 and formulate targets for FY2030.</li> <li>Work to integrate ISO 14001 company-wide and advance environmental management that addresses both the risks and opportunities of environmental problems.</li> </ul>	<ul style="list-style-type: none"> <li>Mid-term environmental targets</li> <li>Amount of CO2 emitted from energy sources</li> <li>VOC emissions volume</li> <li>COD emissions volume</li> <li>Volume of waste generated</li> <li>Recycling rate</li> <li>Zero emissions rate</li> <li>Company-wide integration of ISO 14001</li> <li>Formulation of 2030 environmental targets</li> </ul>	<ul style="list-style-type: none"> <li>FY2020 Target</li> <li>79,500 tons or less (Non-consolidated)</li> <li>42 tons or less (Non-consolidated)</li> <li>150 tons or less (Non-consolidated)</li> <li>23,500 tons or less (Non-consolidated)</li> <li>80% or higher (Non-consolidated)</li> <li>3% or lower (Non-consolidated)</li> <li>Formulation</li> </ul>	<ul style="list-style-type: none"> <li>(Non-consolidated) 69,300 tons</li> <li>(Non-consolidated) 28.6 tons</li> <li>(Non-consolidated) 145.2 tons</li> <li>(Non-consolidated) 23,204 tons</li> <li>(Non-consolidated) 84.4%</li> <li>(Non-consolidated) 3.6%</li> <li>Under review</li> </ul>	<ul style="list-style-type: none"> <li>Expect to accomplish FY 2020 mid-term environmental goals, with the exception of zero emission levels</li> <li>Worked toward attaining zero emissions by continuing negotiations with industrial waste disposal contractors so that we can switch from disposing of our industrial waste in land fill to recycling it</li> <li>Worked on setting our environmental goals for 2030, which will focus on reducing CO2 emissions correlated with climate change; these will be announced in FY 2020</li> <li>Considering companywide adoption of ISO14001; organized a setup whereby our business groups and plants collaborate in implementing the Responsible Care Policy and programs to stem climate change</li> </ul>		
G	5	Occupational health and safety in the workplace	<ul style="list-style-type: none"> <li>Strictly follow basic rules on health and safety and improve equipment and work procedures to build a strong foundation for safe operations.</li> <li>Promote health management and provide a workplace environment that enables employees to work with enthusiasm and achieve work-life balance.</li> </ul>	<ul style="list-style-type: none"> <li>Number of serious accidents※2</li> <li>White 500 certification</li> <li>Percentage of employees taking paid leave</li> <li>Percentage of employees who take mental health training</li> <li>Percentage of employees who undergo regular health check-ups</li> </ul>	(Consolidated) 0 incidents	(Non-consolidated) 0 incidents	<ul style="list-style-type: none"> <li>Recognized as a Certified Health and Productivity Management Organization under the Large Enterprise Category (Non-consolidated)</li> <li>70% (Non-consolidated)</li> <li>100%※3 (Non-consolidated)</li> <li>100% (Non-consolidated)</li> </ul>	<ul style="list-style-type: none"> <li>Gained recognition as an outstanding enterprise engaging in efforts to advance health and productivity management under the 2020 Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program's large enterprise category; although we did not receive White 500 recognition in FY 2019, we continue our efforts to promote health management</li> <li>Average monthly overtime at the Nippon Kayaku parent company was 12.7 hours</li> </ul>	
	6	Compliance	<ul style="list-style-type: none"> <li>Exercise strict compliance, which is a basic principle upon which we conduct corporate activities, and operate the business in a fair manner.</li> <li>Establish a basic policy on preventing corruption, and maintain and strengthen an open and honest corporate culture with high ethical values.</li> </ul>	<ul style="list-style-type: none"> <li>Number of serious compliance violations※4</li> <li>Formulation of a basic policy on preventing corruption</li> <li>Coverage ratio of companies implementing compliance training</li> </ul>	(Consolidated) 0 incidents	(Consolidated) 0 incidents	<ul style="list-style-type: none"> <li>Gathered information for formulating a Basic Policy on Corruption Prevention and verified the state of implementation at other companies</li> <li>Amended the Nippon Kayaku Group Charter of Conduct and Code of Conduct</li> <li>3,468 employees took e-learning training and other compliance training for domestic Group companies</li> <li>Held training sessions on anger management at all of our domestic Group companies</li> </ul>		
S	7	Provision of appropriate information on products and services	<ul style="list-style-type: none"> <li>Increase the presence of the Nippon Kayaku Group by complying with regulations in each business and providing appropriate information and technical services to customers.</li> </ul>	Regularly conducting customer satisfaction surveys	(Non-consolidated) Implementation	(Consolidated) Implementation	<ul style="list-style-type: none"> <li>Administered a customer satisfaction survey for some Nippon Kayaku Group customers, including those of our overseas Group companies; the survey sample will be expanded in the future</li> </ul>		
	8	Maintaining and expanding employment and development of human resources	<ul style="list-style-type: none"> <li>Promote diversity and inclusion by hiring diverse human resources and effective human resource allocation and exchanges.</li> <li>Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development.</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of female managers</li> <li>Percentage of people with disabilities employed</li> <li>Amount invested in education and training per employee</li> </ul>	<ul style="list-style-type: none"> <li>(Non-consolidated) 8%※5</li> <li>(Non-consolidated) 2.3%</li> <li>(Non-consolidated) Note results only</li> </ul>	<ul style="list-style-type: none"> <li>(Non-consolidated) 8.4%</li> <li>(Non-consolidated) 1.97%</li> <li>(Non-consolidated) ¥76,000 / person</li> </ul>	<ul style="list-style-type: none"> <li>Achieved our goal of having women in 8.4% of our management positions one year ahead of time</li> <li>Offered language learning assistance and foreign-language study abroad programs, accepted foreign contract employees and technical interns</li> <li>22 men took men's childcare leave</li> <li>Convened an expert committee on work hours with the labor union, which is considering programs on performance management and problem-solving measures at each business site; convened an expert committee on work practices with the labor union</li> </ul>		
	9	Respect for human rights and assessment	<ul style="list-style-type: none"> <li>Operate businesses in a manner that considers the human rights of employees and all people involved in the supply chain.</li> </ul>	Number of training sessions held on human rights	(Non-consolidated) Once a year or more	(Non-consolidated) 2 times	<ul style="list-style-type: none"> <li>Held two training sessions on human rights in association with our amendment of the Nippon Kayaku Group Charter of Conduct and Code of Conduct</li> </ul>		
	10	Local communities	<ul style="list-style-type: none"> <li>Actively communicate with local communities where our businesses are located and strive to co-exist and prosper together with them as a company rooted in the local community.</li> </ul>	<ul style="list-style-type: none"> <li>Total number of informal community gatherings</li> <li>Expenditures on social contributions※6</li> </ul>	(Consolidated) Note results only	(Consolidated) 27 times	<ul style="list-style-type: none"> <li>Maintained constant communication between our place of business and local communities through such efforts as open houses at our facilities, clean-up campaigns, and social gatherings</li> <li>As part of our educational CSR, made school visits to local primary schools and took part in the classroom experiment event, Children's Summer Vacation Chemistry Experiment Show 2019</li> <li>Supported ping pong's T League as an initiative for getting healthy through sports</li> </ul>		
	11	Economic performance	<ul style="list-style-type: none"> <li>Generate stable profits and return profits to society while reinvesting profits as management capital to achieve sustainable growth and enhance corporate value.</li> </ul>	<ul style="list-style-type: none"> <li>ROE</li> <li>Amount of tax paid</li> <li>Capital investments over three years</li> </ul>	<ul style="list-style-type: none"> <li>(Consolidated) 8%</li> <li>(Consolidated) ¥5.6 billion</li> <li>(Consolidated) ¥50.0 billion over three years</li> </ul>	<ul style="list-style-type: none"> <li>(Consolidated) 6.0%</li> <li>(Consolidated) ¥6.1 billion</li> <li>(Consolidated) ¥14.6 billion</li> </ul>	<ul style="list-style-type: none"> <li>Achieved sales of 175.1 billion yen and operating income of 17.5 billion yen; returned profit to shareholders as dividends</li> <li>Although share buybacks improved our capital efficiency, ROE declined due to lower profit</li> <li>Made 14.6 billion yen of capital investments for our future growth</li> </ul>		
G	12	Strengthening corporate governance	<ul style="list-style-type: none"> <li>Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner.</li> </ul>	<ul style="list-style-type: none"> <li>Number of times that the effectiveness of Board of Directors meetings is evaluated</li> <li>Number of times internal business audits are performed by the Audit Division</li> </ul>	(Non-consolidated) Once a year	(Consolidated) 13 times	<ul style="list-style-type: none"> <li>Conducted an internal survey to assess the effectiveness of our Board of Directors, created an action plan incorporating the situations and issues that we identified, and are now implementing improvements</li> <li>Evaluated the internal control reporting systems (J-SOX) for nine Group companies that underwent reviews of their internal controls; no problem areas detected</li> <li>Disclosed our procedures for appointment and dismissal of officers and our guidelines for determining officers' compensation in our Securities Report</li> <li>Formulated our Basic Policy on Corporate Governance, which will be announced in FY 2020</li> <li>Conducted group and e-learning training sessions on such topics as legal matters, information security, and security export control</li> </ul>		
	13	Ensuring business continuity	<ul style="list-style-type: none"> <li>Ensure business continuity by responding to the many different risks associated with our businesses, maintaining the production structure, securing the appropriate materials, and strengthening disaster response measures.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation rate for the top five risk control activities</li> <li>Number of times BCP drills are conducted</li> </ul>	(Consolidated) 100%	(Consolidated) 100%	<ul style="list-style-type: none"> <li>Conducted Top 5 Risk Control initiatives at all of our business divisions, domestic affiliates, and overseas affiliates</li> <li>Conducted BCP training drills for our overseas Group companies at Central Headquarters for Disaster Countermeasures and at Kayaku Chemical (Wuxi)</li> <li>To deal with the novel coronavirus, established the Central Headquarters for Disaster Countermeasures headed by our president, which is putting priority on making sure our employees stay safe ahead of its business continuity initiatives</li> </ul>		

Highest Priority Issues

Important

(E)Environment (S)Social (G)Governance

※1: Losses of 10 million yen or higher  
 ※2: Accidents resulting in time off work for three or more people simultaneously or accidents resulting in death  
 ※3: Cumulative amount over the three year period from 2018 to 2020  
 ※4: Number of incidents deemed serious by the Ethics Committee or the Risk Management Committee  
 ※5: Target for the end of FY2020  
 ※6: Expenses for donations, Asunaro House activity expenses, plant festivals, and other local events

