



Risk Management

Identifying and controlling various risks is an important element of corporate governance. The Nippon Kayaku Group has a standing Risk Management Committee headed by an executive director who is appointed by the President. In normal times, this committee takes steps to prevent risks that could inflict serious damage on the management of the Company or its business activities or that could downgrade the Company's social reputation, while in times of crisis, it configures and manages our crisis management system, ranging from the first response to post-crisis damage repair efforts. The Risk Management Committee meets regularly (twice a year), as well as on an extraordinary basis when deemed necessary. In addition to its efforts to reduce risk in accordance with the Risk Management Action Plan, which was approved by the Risk Management Committee, it regularly holds a Risk Information Liaison Meeting to check on and monitor the status of each department's efforts to deal with risk events that have taken place.

Activities Promoting Risk Management

The Nippon Kayaku Group carries out Business Risk Control Activities and TOP5 Risk Control Activities as part of its Risk Management Action Plan.

Business Risk Control Activities are activities targeting risks that may affect business strategy and management at the nine (business) headquarters that form the basis of the business and management of the Nippon Kayaku Group. Risks are identified within each (business) headquarters, and countermeasures are examined and implemented. We will confirm whether the countermeasures have been implemented or not at the end of the fiscal year.

TOP5 Risk Control Activities cover activities at the Nippon Kayaku Group's domestic and overseas factories, research institutes, Group companies, pharmaceutical branches and sales offices. The "TOP5 risks" are those identified as the five most critical risks that may affect our business operations across these business sites. We will consider and implement countermeasures against the identified risks, and confirm the results at the end of the fiscal year.

Business Risk Control Activities are risk management activities that factor in the possibility of Company-wide risks that may affect management across the whole Company, whereas TOP5 Risk Control Activities take a bottom-up risk management approach aimed at reliably reducing key risks unique to each business site. These activities give a continual understanding of the trends and analysis of the risks present so that they can be used for management decisions, enabling the Risk Management Committee to evaluate the risk management process.

Information Security Initiatives

In accordance with the Code of Conduct for the Management of Business Information, which is set forth in the Nippon Kayaku Group Charter of Conduct and Code of Conduct, we aim to protect corporate information on a daily basis and are continuously pursuing information security initiatives. In addition, we have established the Information Security Subcommittee under the Risk Management Committee, which is working to reinforce information security throughout the Company by controlling and monitoring companywide information security on an ongoing basis and devising programs to prevent data leaks and the illegal acquisition of the Company's data by third parties. Based on our Corporate Information Management Regulations, which cover the entire company, persons appointed to be in charge of corporate information at each business site draft the regulations for their respective workplaces and also work to raise each and every employee's awareness about information security by conducting annual information security self-checks and periodic information security training sessions for all employees.

Initiatives taken in fiscal 2020 were meant to enlighten our employees through training in the communications and response procedures to be taken in the event of an information security incident, so that we can prevent tardy responses or response oversights. In fiscal 2020, there were no cases of infringement of customer privacy or of customer data being lost that resulted in a petition for redress of a grievance.

Risk Management Training

The Nippon Kayaku Group implements the Plan, Do, Check, Act (PDCA) cycle continuously so that it can minimize and raise awareness of risks. 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.

The first version of the Risk Management Manual was created in FY 2000, so that various risks surrounding the Nippon Kayaku Group's business operations could be managed and addressed in a proper manner.

The Risk Management Manual has been through several revisions due to various situations faced since then, currently being version 4.1 which was updated in FY 2019.

The Nippon Kayaku Group's Business Continuity Plan Initiatives

We have conducted business continuity plan (BCP) training at the head office since FY 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.

Preparing BCP Manuals

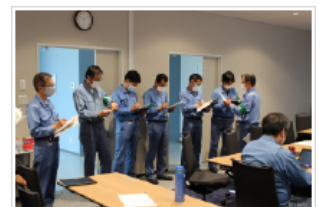
The Nippon Kayaku Group has launched a cross-organizational BCP project whereby all of our domestic business groups and plants have compiled BCP Manuals based on our policy of restoring business within a given time frame. In addition, the Nippon Kayaku Group has begun preparing BCP manuals at overseas group companies in order to respond to global risks. In FY 2018, four Chinese subsidiaries established BCP manuals and put them into practice.

BCP Training

Ongoing BCP training is critical to putting the plans established in the BCP Manual into action promptly. We hold BCP training every year, attended by executive officers, including the president.

In fiscal 2020, we conducted a simulation of first response and follow-up response in an earthquake drill at the Fukuyama Plant and the Color Materials Division of the Functional Chemicals Group. In addition, the Agrochemicals Division conducted a simulation for a scenario where a manufacturing contractor suffered damaged from a typhoon.

Going forward, we will be holding more BCP drills based on various scenarios.



Fire and Disaster Prevention Activities



To be prepared for emergencies, all of the Nippon Kayaku Group's business sites and Group companies hold regular fire drills, disaster drills, BCP drills, and emergency communication drills. In fiscal 2020, some business establishments carried out more simplified group drills on paper in light of the COVID-19 Pandemic.

[> FY 2020 Nippon Kayaku Group Disaster Prevention Training Activities Summary sheet](#) 

Takasaki Plant Fire and Disaster Prevention Activities

Since the Great Hanshin-Awaji Earthquake, increasing the ability to respond to 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.

Now, the plant holds a comprehensive fire prevention drill as part of fire prevention management during the spring, and a comprehensive disaster prevention training using the scenario of a major earthquake (seismic intensity of 6 upper) as part of its disaster prevention management in the fall each year.

All employees participate in both trainings, in which they assigned to teams with their designated roles, and practice 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 extinguishing drills at the same time as those mentioned above, using the plant's own fire truck. 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 training quite beneficial to all involved.

Also, fire drills using actual fire extinguishers are conducted as part of the annual safety training for new hires, and AED training is offered during Safety Week in October each year.

Furthermore, following the Great East Japan Earthquake, we have stocked up provisions of food rations (1,000 meals), drinking water and fuel (diesel and gasoline) in preparation for any emergency in the future.



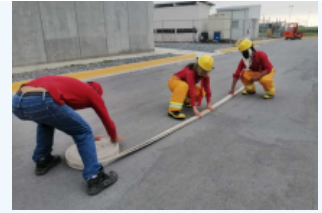
Kayaku Safety Systems de Mexico, S.A. de C.V. (KSM) Disaster Prevention Training

Due to the products it handles and the environment around the factory, KSM is considered at high risk of fire. As such, disaster prevention measures are being taken on a daily basis to

prepare for the risk of fire.

At present, KSM has 205 fire extinguishers and 29 fire hydrants.

Disaster prevention drills were scaled down in 2020 due to the COVID-19 Pandemic. Nine employees participated in the disaster prevention drills which involved drills on putting out fires using fire extinguishers.



Kayaku Safety Systems Malaysia Sdn. Bhd. (KMY) Evacuation Training

KMY held its annual evacuation training on March 9, 2020. This training was designed to be compliant with local fire safety requirements. The purpose of this training is to help all KMY staff understand emergency response procedures in case of an emergency during normal everyday work. On the day, supervisors also checked to see if there were any problems with the procedures.

The evacuation training was jointly organized by the Safety, Health and Environment Department and the emergency response team (ERT). The training began with ERT members simulating a fire alarm in the security guard building. Upon hearing the alarm, all KMY staff immediately left the office and headed to an emergency shelter near the security guard building.

All KMY staff, as well as cafeteria workers and other external contractors congregated at the emergency shelter. Leaders counted the number of people present and reported to the ERT members on duty. All of KMY's staff cooperated very well and the training finished smoothly without any problems.

