

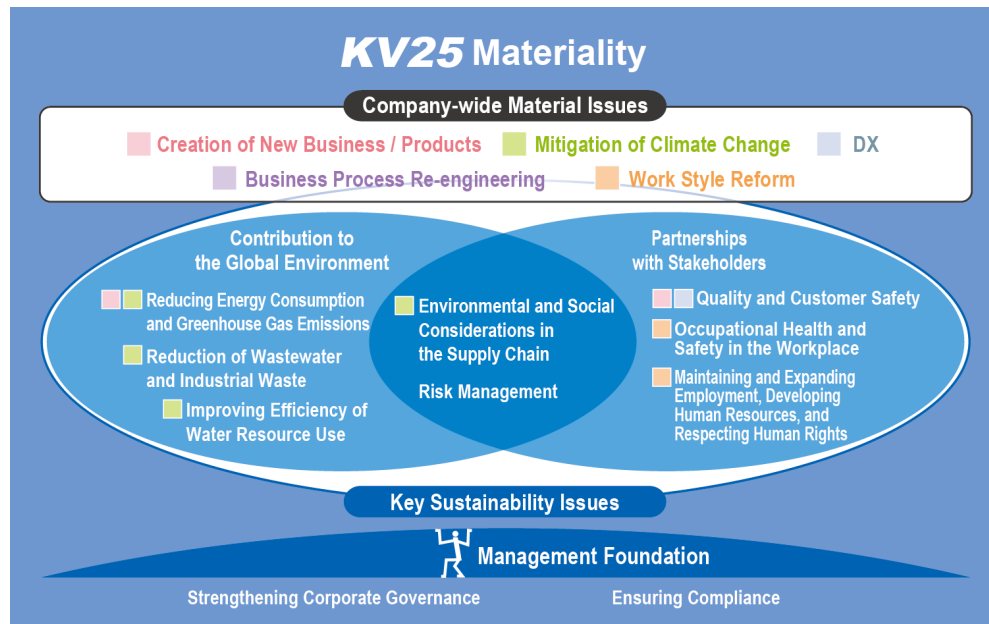
Important Issues (Materiality)

KV25 Materiality

In order to realize its mission of being a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**, the Nippon Kayaku Group has analyzed disparities between its goals and the current situation and identified five key company-wide material issues (materiality) to be addressed as priorities: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform.

We have also appropriately identified key themes faced by the Group in implementing sustainable management, from both internal and external perspectives, defined them as key sustainability issues (materiality), and formulated a Sustainability Action Plan linked to our business activities.

KV25 places top priority on addressing these company-wide material issues and the key sustainability issues that supplement them, to contribute to the creation of a sustainable environment and society based on our Basic Policy on Sustainable Management. KV25 Materiality is a generic term combining these company-wide material issues and key sustainability issues.



* The "■" symbol in front of each key sustainability issue indicates that initiatives addressing company-wide material issues also link to initiatives addressing sustainability-related issues.

Company-wide Material Issues Initiatives

In order to realize its mission, the Nippon Kayaku Group analyzed disparities between its goals and the current situation and identified five key issues that should be prioritized in company-wide cross-organizational projects, as company-wide material issues: Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform. Our Materiality Cross-Functional Team (M-CFT), composed of members selected from multiple divisions, is working to instill awareness of initiatives addressing company-wide material issues and speed up the resolution of each issue.

Company-wide Material Issues	Initiatives
Creation of New Business and Products	Creation of New Business and Products Team will collaborate with our four businesses to create new businesses and products in the four fields of Mobility, Environment & Energy, Electronics, and Life Science, transcending the boundaries of existing organizational units and contributing to the realization of our mission.
Mitigation of Climate Change	We will work to prevent global warming—such as the reduction of greenhouse gases emissions—and achieve carbon neutrality, and make united efforts with each plant and research institute to combat climate change risks.
DX	Our current goals are to drive DX (digital transformation) throughout the Group, increase sales through process transformation, and expand our businesses by reducing costs. Specifically, we will work to achieve DX in the areas of (1) IT education and awareness reform, (2) strengthening IT infrastructure through ERP and IT infrastructure restructuring, etc., (3) R&D, production, sales/marketing and management business processes.
Business Process Re-engineering	We will work to improve our asset efficiency and earning power by reviewing our group business management, business operation / control (management) and cost control methods, and by improving work efficiency and productivity through A3 (KAIZEN)* activities aimed at business process improvement—to eliminate all kinds of waste—and cost reduction.
Workstyle reform	We will work to implement workstyle reforms and personnel system reforms to enable every employee to work energetically and increase employee engagement, with the aim of being a good, strong, energetic company.

* A3 activities (KAIZEN): Awareness reform activities—based on awareness of reducing costs—designed to develop individual and organizational strengths (skills and expertise) and autonomy, to make the Nippon Kayaku Group an energetic company.

Method for Identifying Key Sustainability Issues

To appropriately grasp issues facing the Nippon Kayaku Group from both internal and external perspectives and respond to the expectations and demands of stakeholders, starting in 2019 the Group has identified key CSR issues for its Medium-term Business Plan by incorporating various external perspectives, formulating a 2019-2021 Medium-term Business Plan CSR Action Plan and implementing related activities.

To coincide with the start of the new Medium-term Business Plan—**KAYAKU Vision 2025**—and the shift from CSR management to sustainable management, in April 2022, we changed the term "key CSR issues" to "key sustainability issues" and reviewed them in order to appropriately respond to the diversification of our business activities and various changes in social issues.

STEP 1

Recognition of themes

- We identified themes based on those identified in the GRI Standards on requirements demanded by our diversifying society, with the addition of the Group's previous key sustainability issues (KAYAKU Next Stage Medium-term Business Plan Key CSR Issues).

STEP 2

Creating point scores from internal and external opinions

- A. Point scores from external assessments
Industry-specific assessment standards for the Company from multiple international assessment bodies promoting responsible investment and SASB* industry-specific requirements were linked to key themes and converted into point scores as external evaluations.
- B. Point scores from internal assessments
The key themes of the Medium-term Business Plan for each internal business division and corporate division were linked to key themes and converted into point scores as internal evaluations.

* SASB: Sustainability Accounting Standards Board. A US-based non-profit organization that formulates and publishes industry-specific sustainability disclosure standards.

STEP 3

Mapping materialities

- The themes "strengthening corporate governance" and "thorough compliance" were identified as the most important issues for corporate survival, while other themes were mapped as materialities based on point-scored internal and external evaluations. Threshold values were added to a point-based map, with themes exceeding those values identified as materialities.

STEP 4

Validation and approval

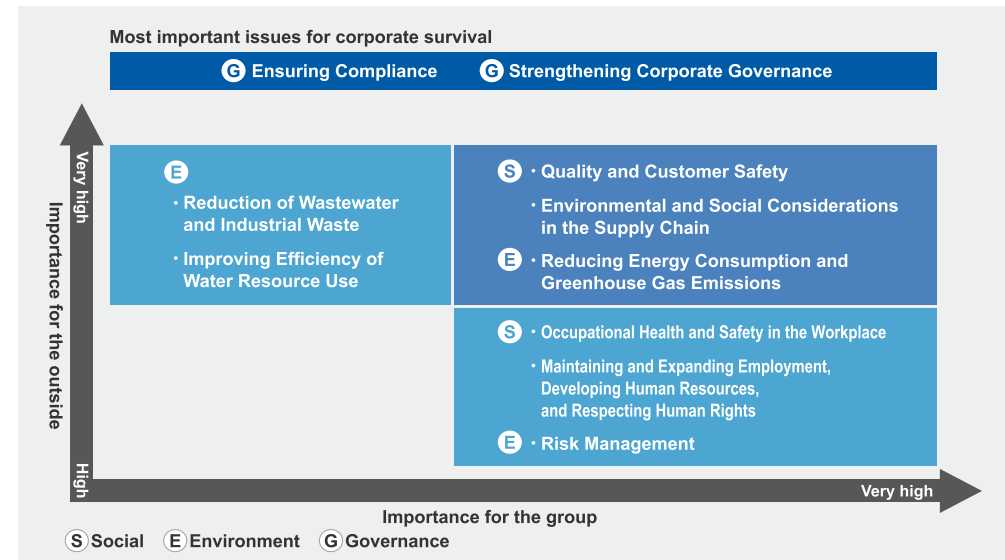
- The methods used for identifying materialities and results obtained were reviewed by the Sustainable Management Committee—one of the Company's decision-making bodies—while at the same time incorporating the opinions of experts in the field of sustainability, and approved after two sessions of discussions.

Key Sustainability Issues Initiatives and KPIs

The Nippon Kayaku Group has formulated a Sustainability Action Plan linking its business activities with the identified key sustainability issues. We also utilize the SDG Compass to link each materiality with one or more of the 17 SDGs. By implementing initiatives to achieve the KPIs in the Sustainability Action Plan, we will contribute to the achievement of the SDGs and the creation of a sustainable society.

Key Sustainability Issues

We have classified our key sustainability issues into three categories—most important issues for corporate survival, most important issues, and important issues—and established action plans for each issue.



Sustainability Action Plan

The Nippon Kayaku Group's Sustainability Action Plan utilizes the SDG Compass to link each key issue (materiality) with one or more of the 17 SDGs. By managing and disclosing the progress of KPIs every year and implementing sustainability activities, the Group aims to create environmental, social and economic value, help to achieve the SDGs (i.e., to create a sustainable society) and increase corporate value.

	Key sustainability issues	Corresponding SDGs	Action Plans	Indicators (KPI)	FY2025 targets	
Most important issues for corporate survival	Ensuring Compliance		<ul style="list-style-type: none"> Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations Maintain and enhance an open corporate culture with a high sense of ethics 	Number of serious compliance violations* ¹	0	
				Compliance training rate	100%	
	Strengthening Corporate Governance		<ul style="list-style-type: none"> Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner 	Number of times that the effectiveness of Board of Directors meetings is evaluated	Once per year	
				Number of times internal business audits are performed by the Audit Division	60 times in four years	
Most important issues	Quality and Customer Safety		<ul style="list-style-type: none"> Enhance our quality control and quality assurance systems by continuously improving our quality management system and ensuring thorough quality-related governance Implement quality management, improve production efficiency and reduce process abnormalities through digitalization 	Number of serious complaints by customers* ²	0	
				Number of serious flaws in processes* ²	0	
	Environmental and Social Considerations in the Supply Chain		 	<ul style="list-style-type: none"> Practice supply chain management with consideration for environmental and social aspects, based on the Sustainable Procurement Guidelines 	Response rate for confirmation of consent to Sustainable Procurement Guidelines	(Non-consolidated) 90%
					Formulation and implementation of improvement plans using questionnaires to suppliers	(Non-consolidated) Disclose progress

	Key sustainability issues	Corresponding SDGs	Action Plans	Indicators (KPI)	FY2025 targets
Most important issues	Reducing Energy Consumption and Greenhouse Gas Emissions Reduction of Wastewater and Industrial Waste Improving Efficiency of Water Resource Use	 	<ul style="list-style-type: none"> Implement energy-saving and global warming countermeasures and achieve FY2030 environmental targets Identify issues and clarify strategies for achieving carbon neutrality by FY2050 	Greenhouse gas emissions (Scope 1+2)	(Targets to be achieved by FY2030) 87,132 tons or less (32.5% reduction or higher compared with FY2019)
				VOC emissions	(Non-consolidated) Disclose results
				COD emissions	(Non-consolidated) Disclose results
				Total waste output	(Non-consolidated) Disclose results
				Recycling rate	(Non-consolidated) 80% or higher
				Zero emission rate	(Non-consolidated) 1% or less
				Goal setting in line with SBT and consideration and implementation of specific measures	Disclose progress
				Disclosure in line with TCFD recommendations	Disclose progress
				Develop products and technologies with consideration for environmental issues	Disclose progress
Important issues	Occupational Health and Safety in the Workplace	 	<ul style="list-style-type: none"> Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm 	Number of serious accidents* ³	0
				Acquisition of certifications under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category)	(Non-consolidated) Continued certification
				Percentage of paid leave taken	(Non-consolidated) 70% or higher
				Percentage of employees who take mental health training	(Non-consolidated) 100%
				Percentage of employees receiving regular health checkups	(Non-consolidated) 100%
				Ascertaining and improving employee satisfaction through questionnaire surveys	(Non-consolidated) Disclose progress

	Key sustainability issues	Corresponding SDGs	Action Plans	Indicators (KPI)	FY2025 targets
Important issues	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	 	<ul style="list-style-type: none"> Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development Engage in business operations that pay care and consideration to the human rights of employees and all other people involved in the supply chain 	Percentage of female employees in management posts ^{*4} Percentage of employees with disabilities Amount invested in education and training per employee Training hours per employee Number of training sessions held on human rights Human rights due diligence: human rights impact assessment rate	(Non-consolidated) 10% or higher (Non-consolidated) Achieve legal minimum employment rate (Non-consolidated) Disclose results (Non-consolidated) Disclose results Once or more per year (Non-consolidated) FY2022: 100% (Consolidated) FY2025: 100%
	Risk Management		<ul style="list-style-type: none"> Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the proper procurement of raw materials, and strengthening measures against disasters 	Implementation rate of risk control activities for business, etc., and top five risk control activities Number of BCP drills conducted	100% Once or more per year

*1 Number of serious accidents as judged by the Ethics Committee

*2 Losses of 10 million yen or more

*3 Accidents involving three or more people requiring time off work, or resulting in fatalities

*4 Targets for the end of FY2024

Results of the 2019-2021 Medium-term Business Plan CSR Action Plan

Please see below for the results of the 2019-2021 CSR Action Plan for the previous Medium-term Business Plan (KAYAKU Next Stage).

[▶ Results of the 2019-2021 Medium-term Business Plan CSR Action Plan](#)

Risks and Opportunities for Key Sustainability Issues

The Nippon Kayaku Group recognizes risks and opportunities relating to its identified key sustainability issues. By reducing risks and incorporating opportunities that lead to new business growth, we aim to help create a sustainable society and further increase corporate value.

	Key sustainability issues	Risks	Opportunities
Most important issues for corporate survival	Ensuring Compliance	Loss of social credibility due to compliance violations Damage to corporate value Sluggish business activities	Earning the trust of stakeholders
	Strengthening Corporate Governance	Stagnation of business activities	Earning the trust of stakeholders Improvement of social credibility
Most important issues	Quality and Customer Safety	Customer disaffection due to quality nonconformities Loss of social credibility due to violations of laws and regulations governing aspects such as quality control and labeling	Earning the trust of customers by supplying high-quality products
	Consideration for the Environment and Society in the Supply Chain	Adverse effects on corporate activities due to illegal acts or compliance violations by suppliers	Creation of a sustainable society Increased long-term competitiveness
	Reducing Energy Consumption and Greenhouse Gas Emissions	[Transition risks] <ul style="list-style-type: none"> Increased operating costs due to the impact of tougher emissions regulations Price increases for electric power and LPG, etc. Rise in raw material prices due to the impact of tougher emissions regulations Increase in costs for environmental disclosures and LCA calculations, etc. 	<ul style="list-style-type: none"> Growth of semiconductor-related materials and materials that contribute to achieving lower power consumption, due to the shift to smart cities and the growth of DX Growth of materials for next-generation storage cells / batteries Growth of plastic / resin-type materials that contribute to the weight reduction of vehicle / mobility frames
	Reduction of Wastewater and Industrial Waste	[Physical risks] <ul style="list-style-type: none"> Increase in costs due to flood damage caused by typhoons, heavy rain, high tides / storm surges, etc. Impact of water shortages on operations Decline in labor productivity due to rising temperatures 	<ul style="list-style-type: none"> Growth of optical materials for reducing the weight of EVs and sensor materials for use in autonomous driving technologies Growth of bio-stimulants which contribute to maintaining and improving agricultural productivity, and expanding applications for existing agrochemicals in tackling pests which become new problems as a result of the expected rise in temperatures
Important issues	Occupational Health and Safety in the Workplace	Loss of social credibility due to accidents and scandals Decline in labor productivity and outflow of human resources	Fostering a safety culture Improving employee work-engagement
	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	Standardization of thinking and loss of new business opportunities due to bias in human resource attributes and skills Loss of social credibility due to human rights violations	Fostering a corporate culture that generates new ideas through diversification of values Contributing to the creation of a sustainable society and increasing long-term competitiveness
	Risk Management	Increase in management-related risks	Ensuring business continuity in emergencies

Results of KAYAKU Next Stage Key CSR Issues (Materiality) Initiatives

Innovation through Business	Quality and Customer Safety	Business Partner Assessment	Energy Consumption and Greenhouse Gas
Wastewater and Waste	Efficient Use of Water Resources	Use of Materials that Contribute to Resource Conservation	Occupational Health and Safety in the Workplace
Compliance	Provision of Appropriate Information on Products and Services	Maintaining and Expanding Employment and Development of Human Resources	Respect for Human Rights and Assessment
Local Communities	Economic Performance	Strengthening Corporate Governance	Ensuring Business Continuity

Innovation through Business

Medium-term CSR Action Plan 2019-2021

- Business divisions will work as one team on pursuing R&D with an eye on exit to market, and create new products and businesses in core businesses and areas of synergy.
- Invest management resources in medium and long-term R&D themes while enhancing core technologies and meeting the future needs of society.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Amount invested in R&D over three years	(Consolidated) ¥40 billion over 3 years	(Consolidated) ¥13 billion in FY2021 ¥36.5 billion (FY2019-FY2021)	<ul style="list-style-type: none"> • Decided to invest in Taiwan lab to expand resists for MEMS next-generation telecommunications and roll out semiconductor cleaners • Made progress in the development of inkjet ink for flexible packaging (film) (scheduled for launch in fiscal 2023) • Completed factory trial production of catalyst for the manufacture of completely green hydrogen using solar (heat) Sent prototype / sample to Australia for testing at a 500kW plant • Successful launch of NASA's James Webb Space Telescope equipped with an inorganic polarizer made by MOXTEK, contributing to space exploration • Started research on biotechnology and polymer technologies with partners in academia, etc. • Released new generic anti-cancer drug pemetrexed intravenous solution in liquid form enabling room temperature storage • Commercialized and launched parachute safety devices for drones • Expanded innovative agrochemical formulation themes, engaged in specific creation of new compounds and research outside the agrochemical field

Quality and Customer Safety

Medium-term CSR Action Plan 2019-2021

- 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.
- Pursue quality management, improve the level of production technology and expertise, and work to reduce flaws in the process.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of serious complaints by customers ^{*1}	(Consolidated) 0 complaints	(Consolidated) 0 complaints	<ul style="list-style-type: none"> • No serious complaints by customers • Functional Chemicals Group—which includes Fukuyama Plant, Asa Plant, Tokyo Plant, head office and research center, and Taiwan Nippon Kayaku—worked on integrated operation of QMS, and obtained ISO9001 integrated certification in July 2021
Number of serious flaws in processes ^{*1}	(Consolidated) 0 complaints	(Consolidated) 3 incidents	<ul style="list-style-type: none"> • Agrochemicals Group—which includes Kashima Plant and Agrochemicals Laboratories—worked on integrated operation of QMS, and obtained ISO9001 integrated certification in August 2021

*1 Losses of 10 million yen or more

Business Partner Assessment

Medium-term CSR Action Plan 2019-2021

- Practice supply chain management with consideration for environmental and social aspects, based on the CSR Procurement Guidelines

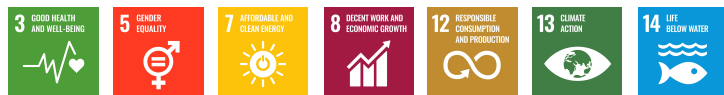


Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of times assessments of main business partners are performed	(Non-consolidated) 50 times/year	(Non-consolidated) 7 times	<ul style="list-style-type: none"> • Following on from FY2020, on-site audits were not possible in many cases due to the impact of the COVID-19 pandemic, and the number of cases of shifting to web-based audits or written audits increased

Energy Consumption and Greenhouse Gas Wastewater and Waste Efficient Use of Water Resources Use of Materials that Contribute to Resource Conservation

Medium-term CSR Action Plan 2019-2021

- Pursue activities to save energy and combat global warming. Achieve the environmental targets for FY2020 and formulate targets for FY2030.
- Work to integrate ISO 14001 company-wide and advance environmental management that addresses both the risks and opportunities of environmental problems.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Medium-term Corporate Master Plan for the Environment • Amount of CO ₂ emitted from energy sources	Targets to be achieved by FY2020 • (Non-consolidated) 79,500 tons or less	(Non-consolidated) 64,700 tons	<ul style="list-style-type: none"> • The scope of the new targets for Medium-term Corporate Master Plan for the Environment up to FY2030 was expanded from Nippon Kayaku (non-consolidated) to include group companies both in Japan and overseas, and the target was set at reducing greenhouse gas emissions (Scope 1+2) by 32.5% compared to FY2019. In FY2021 we planned to reduce emissions to 122,300 tons or less, and achieved the target with emissions of 112,400 tons • Support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations • Figures for total waste produced will include emissions for the Joetsu Plant (2,000 tons) in Nippon Kayaku (non-consolidated) as of FY2021. Emissions at other plants increased by 3,200 tons due to increased production volume • With the group-wide promotion of recycling, the recycling rate has increased from 81.3% in FY2020 to 82.3%, and the zero emission rate has improved from 1.6% in FY2020 to 1.0%
• VOC emissions	• (Non-consolidated) 42.0 tons or less	(Non-consolidated) 52.1 tons	
• COD emissions	• (Non-consolidated) 150.0 tons or less	(Non-consolidated) 124.2 tons	
• Total waste output	• (Non-consolidated) 23,500 tons or less	(Non-consolidated) 28,400 tons	
• Recycling rate	• (Non-consolidated) 80% or higher	(Non-consolidated) 82.3%	
• Zero emission rate	• (Non-consolidated) 3% or lower	(Non-consolidated) 1.0%	
Company-wide integration of ISO 14001	Integration	Pending	

Occupational Health and Safety in the Workplace

Medium-term CSR Action Plan 2019-2021

- Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures
- Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of serious accidents* ²	(Consolidated) 0 complaints	(Consolidated) 0 complaints	<ul style="list-style-type: none"> • Acquired certification for 2021 Certified Health and Productivity Management Organization (Large Corporate Division) • Introduced telecommuting system on a trial basis and reviewed staggered working hours system regulations • Collective mental health training was postponed due to the impact of the COVID-19 pandemic, with e-learning training implemented as an alternative
White 500 certification	(Non-consolidated) Maintain certification	(Non-consolidated) Acquired certification for 2021 Certified Health and Productivity Management Organization (Large Corporate Division)	
Percentage of paid leave taken	(Non-consolidated) 70%	(Non-consolidated) 59.8%	
Percentage of employees who take mental health training	(Non-consolidated) 100%* ³	Postponed collective training	
Percentage of employees receiving regular health checkups	(Non-consolidated) 100%	(Non-consolidated) 100%	

*2 Accidents resulting in time off work for three or more people simultaneously or accidents resulting in death

*3 Cumulative value for three years (FY2018-FY2020)

Compliance

Medium-term CSR Action Plan 2019-2021

- Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations.
- Establish a basic policy on preventing corruption, and maintain and strengthen an open and honest corporate culture with high ethical values.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of serious compliance violations*4	(Consolidated) 0 complaints	(Consolidated) 0 complaints	<ul style="list-style-type: none"> • No significant compliance violations • Nippon Kayaku Group Basic Policy on Combating Bribery established in June 2021, information distributed and policy rolled out at both domestic and overseas companies • Conducted training for all domestic group companies under the theme(s) of revision of regulations for handling of internal whistleblowing and establishment of the Nippon Kayaku Group Basic Policy on Combating Bribery
Formulation of a basic policy on preventing corruption	Formulation	Formulated	
Coverage ratio of companies implementing compliance training	(Domestic)100%	(Domestic)100%	

*4 Number of incidents deemed serious by the Ethics Committee or the Risk Management Committee

Provision of Appropriate Information on Products and Services

Medium-term CSR Action Plan 2019-2021

- Increase the presence of the Nippon Kayaku Group by complying with regulations in each business and providing appropriate information and technical services to customers.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Regularly conducting customer satisfaction surveys	(Non-consolidated) Implementation	(Consolidated) Implementation	<ul style="list-style-type: none"> • In our Functional Chemicals Business, we provided customers with SDS and product labels that conform to national standards, and provided information on chemical substances and appropriate handling information to ensure the safe use of our products. In addition, we responded to various customer requests for surveys and provided appropriate survey results and information. We will review customer feedback, reflect it in our plans for the next fiscal year, and work toward continuous improvement. • In our Safety Systems Business, we set items contributing to customer satisfaction as business plans, quality policies, and targets based on responses to customer satisfaction surveys, and confirmed that they are maintained. • In our Agrochemicals Business, we have established a system for collecting harmful insects, evaluating effectiveness, and providing feedback to guidance agencies. We confirm the results of internal and external tests to verify the effectiveness of agrochemicals and check that they are reflected in local control guidelines.

Maintaining and Expanding Employment and Development of Human Resources

Medium-term CSR Action Plan 2019-2021

- Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges
- Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Percentage of female employees in management posts	(Non-consolidated) 8%*5	(Non-consolidated) 9.0%	<ul style="list-style-type: none"> The target for percentage of female managers is set at 10% for FY2024. In FY2021 the percentage was 9.0%, a year-on-year increase of 0.4% Continued collaboration with special support schools as an initiative to employ people with disabilities In addition to the existing job and rank-based training system, programs for developing human resources who can play active roles globally are being reviewed as a key company-wide theme
Percentage of employees with disabilities	(Non-consolidated) 2.3%	(Non-consolidated) 1.99%	
Amount invested in education and training per employee	(Non-consolidated) Note results only	(Non-consolidated) ¥57,000 / person	

*5 Target for the end of FY2020

Respect for Human Rights and Assessment

Medium-term CSR Action Plan 2019-2021

- Operate businesses in a manner that considers the human rights of employees and all people involved in the supply chain.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of training sessions held on human rights	(Non-consolidated) Once a year or more	(Non-consolidated) Twice	<ul style="list-style-type: none"> Conducted training on the themes of human rights and portrait / publicity rights Nippon Kayaku Group Human Rights Policy adopted by the Board of Directors (established April 1, 2022)

Local Communities

Medium-term CSR Action Plan 2019-2021

- 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.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Total number of informal community gatherings	(Consolidated) Publish results	(Consolidated) 26 times	<ul style="list-style-type: none"> Regional meetings were affected by the COVID-19 pandemic, and many business sites canceled meetings for the second consecutive year following on from FY2020, although meetings resumed at some business sites during the period when the pandemic calmed down. Due to the impact of the COVID-19 pandemic and the cancellation of many events as in 2020, expenditures on social contributions remained at a similar level
Expenditures on social contributions*6	(Non-consolidated) Note results only	(Non-consolidated) ¥154 million	

*6 Expenses for donations, Asunaro House activity expenses, plant festivals, and other local events

Economic Performance

Medium-term CSR Action Plan 2019-2021

- Generate stable profits and return profits to society while reinvesting profits efficiently as management capital to achieve sustainable growth and enhance corporate value.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
ROE	(Consolidated) 8%	(Consolidated) 7.3%	<ul style="list-style-type: none"> Despite the impact of global semiconductor shortages and other factors, the Company posted record sales, and profit increased 36.6% year-on-year to ¥17.1 billion In order to reduce capital equity, we repurchased 2 million treasury shares (¥3 billion) and cancelled 7 million treasury shares (¥8.1 billion)
Amount of tax paid	(Consolidated) ¥5.6 billion	(Consolidated) ¥4.0 billion	
Capital investments over three years	(Consolidated) ¥50.0 billion over three years	(Consolidated) ¥11.6 billion in FY2021	

Strengthening Corporate Governance

Medium-term CSR Action Plan 2019-2021

- Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner.



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Number of times that the effectiveness of Board of Directors meetings is evaluated	(Non-consolidated) Once a year	(Non-consolidated) Once	<ul style="list-style-type: none"> Appointment a female Audit & Supervisory Board Member Introduced restricted stock compensation and reviewed officers' compensation system Amended Basic Policy on Corporate Governance in response to revisions to the Corporate Governance Code Created and disclosed a skills matrix Third party organization assessed the effectiveness of the Board of Directors
Number of times internal business audits are performed by the Audit Division	(Consolidated) 45 times over three years	(Consolidated) 18 times in FY2021	

Ensuring Business Continuity

Medium-term CSR Action Plan 2019-2021

- Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the appropriateness of raw materials, and strengthening measures against disasters



Indicators (KPI)	FY2021 targets	FY2021 results	Topics for FY2021 initiatives
Implementation rate for the top five risk control activities	(Consolidated) 100%	(Consolidated) 100%	<ul style="list-style-type: none"> Departments of Nippon Kayaku (non-consolidated) and all Group companies both in Japan and overseas implemented top five risk control activities Domestic Group companies used a newly introduced emergency communication system, as a BCP drill in preparation for the occurrence of earthquakes Overseas, BCP drills conducted at Group companies in China were verified and instruction given using a web conferencing system Introduced telecommuting system on a trial basis, reviewed staggered working hours system regulations and encouraged the use of web conferencing systems as measures against the COVID-19 pandemic
Number of BCP drills conducted	(Consolidated) Once a year or more	(Consolidated) Twice	