

## Highlight

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## Innovation through Business

### Nippon Kayaku Group Products and Technologies for Creating a Sustainable Future

The Nippon Kayaku Group aims to be a company that is essential to the world, by developing high value-added products based on "Global SUKIMA Ideas" which may even come to prominence in niche areas. We contribute to the resolution of social issues by providing the best products, technologies and services for the creation of a sustainable society.

#### Catalysts

##### Development of Catalysts that Contribute to the Realization of a Hydrogen Society

In the Catalysts business, we work on developing catalysts that contribute to the creation of a hydrogen society.

##### ◆ External Environment Factors

The number of large-scale disasters due to extreme weather events has increased, which seems to be caused by global warming derived from ever-increasing amount of carbon dioxide and other greenhouse gasses generated by the consumption of fossil fuels such as petroleum and coal. Under these circumstances, there is a need for the development of new energy sources that do not emit greenhouse gases.

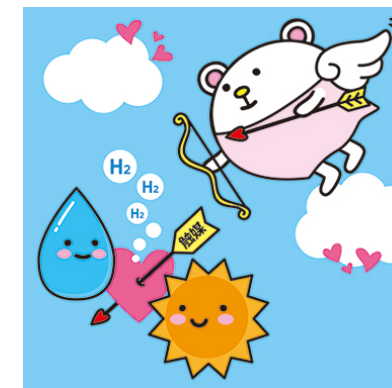
In recent years, hydrogen has been attracting attention as a clean energy source because it does not emit carbon dioxide on combustion. Hydrogen supply is expected to be stable and to be used for various applications such as fuel cells for automobiles and power generators.

##### ◆ Innovation and Novelty

For producing hydrogen using catalysts, we focus on an environment-friendly method that thermochemically decomposes water by concentrating sunlight and solar heat in a reaction field where water vapor and catalysts coexist. This method is characterized by its ability to use renewable energy and to generate cost advantages by employing a three-dimensional reaction field.

In October 2021, taking advantage of our expertise and technology, we developed a catalyst for hydrogen production and provided its prototype to a pilot plant. Together with our partners, we plan to produce hydrogen at this plant, and complete the acquisition of initial data including economic efficiency by the end of FY2022, aiming for practical application around 2025.

Furthermore, discussions are underway for the development of catalysts for hydrogen carriers which enable efficient storage, transport and extraction of hydrogen by significantly reducing its volume. We continue to explore how we make most of our catalyst technology and contribute to the entire hydrogen energy system.



##### ◆ Environmental and Social Value

Hydrogen can make a significant contribution to the fight against global warming as an energy source that does not emit carbon dioxide when combusted. In addition, hydrogen can be produced and procured from a variety of resources, thus contributing to energy diversification and energy security.

##### ◆ Contribution to the SDGs



##### ◆ Relation to *KV25* Materiality

- > [Company-wide material issues: Mitigation of Climate Change](#)
- > [Key sustainability issues: Reducing Energy Consumption and Greenhouse Gas Emissions](#)

## Polatechno Business (MOXTEK)

### Portable X-ray Sources for Border and Airport Security

The Mox140G is a compact, lightweight, portable X-ray source that can operate at a high voltage potential of 140kV. It is ideally configured for portable X-ray backscatter imaging, and is used particularly in the security market, such as for border security and airport security applications.

#### ◆ External Environment Factors

Demand for security screening equipment is increasing due to recent increases in terrorist attacks and illegal immigration, increases in the deployment of security solutions for border and airport security applications, and increases in narcotics smuggling.

#### ◆ Innovation and Novelty

The security market demands solutions that can see through a variety of objects, including backpacks, car seats, tires, and exterior metal panels. Seeing through thick objects or objects made of heavy elements such as iron by X-ray backscattering requires an X-ray source that can emit higher energy X-rays. In order to emit high-energy X-rays, the X-ray source must operate at a high voltage, but using a high-voltage X-ray source tends to make the device larger and more cumbersome. Having a small, lightweight, portable X-ray source can greatly reduce restrictions on the range of locations where inspections can be conducted. The Mox140G has a major advantage in the security market because it is portable in size and weight, yet can operate at a high voltage of 140kV.



Portable X-ray backscatter imaging  
\* Image used courtesy of Viken Detection.

#### ◆ Environmental and Social Value

Use of the Mox140G significantly reduces illegal financing, narcotics and weapons trafficking, and contributes to the eradication of all forms of organized crime, including terrorism.

#### ◆ Contribution to the SDGs



#### ◆ Relation to **KV25** Materiality

> [Company-wide material issues: Creation of New Business and Products](#)

## Polatechno Business (MOXTEK)

### Environmental Monitoring by XRF (X-ray Fluorescence)

MOXTEK offers high-performance, high-durability X-ray sources, highly durable window materials with high X-ray transmittance, and competitively priced detectors—all key parts of XRF analysis devices.

#### ◆ External Environment Factors

There is growing social interest in safety, such as in the regulation of environmental pollutants (heavy metals, etc.) Devices for use at scrap sorting sites (for the purpose of mineral recycling) and soil testing sites must be easily portable (lightweight) and enable inspections to be completed very rapidly.

#### ◆ Use

Common applications of XRF include the analysis of petroleum and other fuels, plastics, rubber and textiles, pharmaceuticals, food products, cosmetics and body care products, fertilizers, geological materials, mining samples, slag, cement, heat-resistant materials, and glass. XRF is also used for monitoring contaminated solid waste, wastewater, cleaning fluids, pools and filters, as can also be used for sorting materials such as minerals with high speed and accuracy. A selection of detectors is also available depending on the usage environment, ranging from bench-top to handheld types. XRF is widely used at laboratories, various facilities, outdoors, and at various sites in the field.

#### ◆ How XRF (X-ray Fluorescence) Works

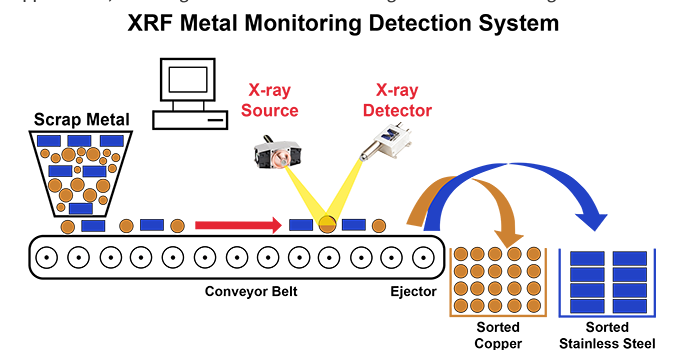
When X-rays are fired at an object, X-rays with energies specific to the elements that make up that object are returned. The X-ray detector analyzes the elemental composition of the object based on the energies of these returned X-rays. This method of elemental analysis can be used for all basic states of matter (solids, liquids and gases), and is one of the techniques used in day-to-day analysis.

#### ◆ Innovation and Novelty

MOXTEK offers high-performance, high-durability X-ray sources, highly durable window materials with high X-ray transmittance, and competitively priced detectors—all key parts of XRF analysis devices. The handheld Magnum (a lightweight, compact X-ray source), window coverings with DuraCoat technology offering superior performance in harsh environments, and customer-friendly XPIN detectors are used in a range of applications, including environmental monitoring and material sorting.



Soil tests



Material sorting

## ◆ Environmental and Social Value

Through rapid elemental analysis, we can analyze the environment in which we live and contribute to a more comfortable and livable global environment. In sorting of materials for recycling, XRF sorts more materials faster. MOXTEK pursues and provides even higher performance parts for an earth-friendly environment.

## ◆ Contribution to the SDGs



## ◆ Relation to *KV25* Materiality

> [Company-wide material issues: Creation of New Business and Products](#)

## Safety Systems Business

### PARASAFE

## ◆ Outline of Products and Services

PARASAFE® ("PARASAFE") is an emergency parachute system for industrial-use drones. When a drone is about to fall due to unforeseen circumstances, the PARASAFE system fires a parachute to slow the drone's speed of descent and reduce the shock of impact upon collision with the ground. The Nippon Kayaku Group is a global supplier of explosives and gas generators for automotive airbags, and PARASAFE uses the same technology as automotive safety components that achieve high reliability. Using PARASAFE enables safe and secure use of drones.

## ◆ Innovation and Novelty

PARASAFE and its use combine know-how cultivated in the pyrotechnics safety and automotive safety components businesses, which Nippon Kayaku has inherited from the time of its founding, and our new specialist technologies.

1. Pyrotechnics safety: industrial explosives are excellent materials that generate constant energy, instantaneously and reliably. However, one wrong step in handling these explosives can lead to a major accident or disaster. Having been involved with explosive products for many years since our founding, our thorough knowledge of their properties and safe handling is a major advantage for Nippon Kayaku.
2. Development capability for high-performance parts: Our advantage lies not only in our ability to develop materials, but also safety components combining high performance with reliability and durability. We make all parts ourselves, leveraging know-how cultivated through the development of automotive safety components, such as material component shape design, simulations of movement during operation, and prototype construction and evaluation.
3. Sensing programming technology: A device called ATS (Autonomous Triggering System) is required to detect dangerous drops in altitude and activate safety components. We are also working to deliver an ATS that is optimal for PARASAFE operation, such as selecting necessary sensors from drone flight data and simulations, and developing operating programs for safety components.



### ◆ External Environment Factors

- Looking ahead, industrial drones are expected to play an active role in various applications such as logistics, inspection, measurement and surveying, and disaster relief operations to create a more convenient society. In Japan, we plan to take a step toward practical application by FY2022 with the enactment of Level 4 legislation for unmanned aerial vehicles (flight outside of visual sight, without assistance, in populated areas).
- Industrial drones are expected to achieve rapid widespread use in the future, and the overall market scale for airframes, peripheral devices, and services for logistics and inspection applications which are the key target markets for PARASAFE is expected to reach 250 billion yen by 2025.
- As a new initiative, the development of flying cars is also underway as the next advancement in air mobility through the application of drone technologies, and the exploration of new social concepts shifting from logistics and inspection applications to transporting people has begun.

As described above, the scope of business relating to aerial drones is rapidly increasing.

At the same time, ensuring safety is the most important factor, and it is necessary to take appropriate measures.

### ◆ Environmental Value

- When a drone falls during flight at sea, in some cases it may lead to marine pollution due to the scattering of materials being transported, or gasoline from hybrid drones themselves. Even in such cases, marine pollution can be prevented through the use of PARASAFE.
- When a drone falls while flying in the mountains, in some cases it may lead to forest fires due to ignition caused by fallen equipment, etc. Even in such cases, forest fires can be prevented through the use of PARASAFE.
- By utilizing PARASAFE when a drone falls, damage to the drone body can be reduced, so the generation of waste can also be reduced.
- By encouraging the adoption of drones equipped with PARASAFE in society, the use of clean energy will increase because CO<sub>2</sub>-emitting vehicles currently used for logistics and transportation will be replaced with energy-saving drones and other aircraft.

### ◆ Social Value

The practical application of drones will make it possible to finish various tasks efficiently in a short period of time, and it is expected that this will contribute to increasing convenience in society. But no matter how high the reliability of flight may become, the risks in the unlikely event of a fall (crash) cannot be underestimated.

- In the event of accidents in drone-related businesses, installing PARASAFE on drones will help to reduce collision damage not only to the drones themselves but also to people, buildings, automobiles, etc., on the ground, and to reduce credit and credibility risks such as compensation for damages and criminal penalties.
- Encouraging the adoption of drones equipped with PARASAFE in society will be useful for a stable supply of daily necessities and pharmaceuticals to depopulated areas.
- Encouraging the adoption of drones equipped with PARASAFE in society will also enable response in areas where it is difficult for humans to conduct inspections in person, which will help to improve safety and reduce costs.

### ◆ Contribution to the SDGs



### ◆ Relation to *KV25* Materiality

- > [Company-wide material issues: Mitigation of Climate Change](#)
- > [Key sustainability issues: Reducing Energy Consumption and Greenhouse Gas Emissions](#)
- > [PARASAFE product information](#)



## Business of Nippon Kayaku Group

### Functional Chemicals Business

#### ◆ Vision

Contributing to enriched lifestyles and a sustainable society by providing valuable products utilizing our technologies

#### ◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality
<b>Functional Materials</b>		
Semiconductor market to grow to 100 trillion yen by 2030	<ul style="list-style-type: none"> <li>Synergies in semiconductor-related products</li> <li>Design of functional molecules</li> </ul>	Providing important and unique materials <ul style="list-style-type: none"> <li>Expansion in semiconductor-related business areas such as substrates, encapsulants, cleaners, and manufacturing equipment</li> <li>Development and launch of resins for use in next-generation communications equipment (low-dielectric materials)</li> <li>Expansion of epoxy resin production capacity</li> </ul>
<b>Color Materials</b>		
<ul style="list-style-type: none"> <li>Expansion of the digital printing market</li> <li>Expansion of the sensing market</li> <li>Expansion of the dimming glass market</li> </ul>	<ul style="list-style-type: none"> <li>Extensive colorant technologies covering a wide span of fields from traditional dyes to functional colorants</li> <li>Precision organic synthesis</li> </ul>	Contribution to digitalization and resource conservation with our inkjet colorants and functional colorants <ul style="list-style-type: none"> <li>Expansion of industrial inkjet inks, improvement of production systems</li> <li>Mass production and expansion of imaging sensor materials</li> <li>Mass production and expansion of dichroic colorants</li> </ul>
<b>Catalysts</b>		
Acrylic acid and methacrylic acid markets continue to grow by 5 to 6%	Optimal customization of catalyst composition and technical services	Providing catalysts with high-yield to contribute to CO <sub>2</sub> reduction and affluent lives <ul style="list-style-type: none"> <li>Improvement of catalysts for higher yields of acrylic acid and methacrylic acid</li> <li>Secure repeat orders and development of new customers</li> <li>Development of catalysts contributing to a carbon-neutral society</li> </ul>
<b>Polatechno</b>		
<ul style="list-style-type: none"> <li>Evolution and expansion of automotive display functions</li> <li>Growing demand for recycling rare metals</li> </ul>	<ul style="list-style-type: none"> <li>Optical and electromagnetic wave control technologies and microfabrication technologies</li> <li>Proprietary high-durability dye synthesis technologies for polarizers</li> </ul>	Light-controlling products made from proprietary materials contributing to the realization of a Super Smart Society <ul style="list-style-type: none"> <li>Expansion of new applications for X-ray analysis device parts / materials and inorganic polarizers</li> <li>Expansion of new in-car applications of highly durable polarizers such as parts / materials for HUDs</li> </ul>

## Pharmaceuticals Business

#### ◆ Vision

Developing excellent pharmaceuticals and medical devices that provide new diagnostic and treatment opportunities  
Stable supply of Biosimilars and generic drugs, contributing to people's health

#### ◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality
<ul style="list-style-type: none"> <li>Pharmaceutical industry vision (quality and stable supply, manufacturing and sales, bio-pharmaceuticals, domestic manufacturing and development, encouraging use)</li> <li>Expansion of the CDMO market</li> <li>Annual drug price revisions</li> </ul>	<ul style="list-style-type: none"> <li>Consistent business operation from R&amp;D to manufacturing, sales, quality assurance, pharmacovigilance and post marketing surveillance</li> <li>Top domestic anti-cancer drugs lineup and specialized MR</li> <li>Manufacturing technology for highly pharmacologically active substances</li> </ul>	<b>New drug</b>
		<ul style="list-style-type: none"> <li>Increasing share for ALAGLIO® in TURBT*</li> <li>Expansion of DARVIAS® scheduled to be launched in FY2022</li> <li>Maximizing value through drug fostering and evolution</li> </ul>
		<b>Biosimilars</b>
		<ul style="list-style-type: none"> <li>Measures to promote biosimilars through the revision of medical fees</li> <li>Expansion of lineup through introduction of new biosimilars</li> </ul>
		<b>Generic anti-cancer drugs</b>
		<b>Working toward the vision for FY2030</b>
		Enhancement of pipeline <ul style="list-style-type: none"> <li>Development of new drugs in collaboration with external organizations</li> <li>Introduction of new drugs and medical devices</li> </ul>

\* TURBT: Transurethral Resection of Bladder Tumor (surgery to remove bladder tumors using an endoscope and excision loop)

## Safety Systems Business

### ◆ Vision

Provide safety solutions to people around the world with products that support changing mobility technologies, and become a global brand that contributes to society

### ◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality											
<ul style="list-style-type: none"> <li>Global automobile production will recover from the impact of the COVID-19 pandemic, while the impact of semiconductor shortages continues in the short term</li> <li>The installation rate of safety components is increasing, primarily in emerging countries</li> <li>Growing new demand due to EVs, etc.</li> <li>Expansion of applications such as drone transportation, etc., and demands for safety assurances</li> </ul>	<ul style="list-style-type: none"> <li>Technology and inherited expertise to handle explosives safely</li> <li>Industry top-level market share in automotive safety components</li> <li>Global expansion of locations</li> </ul>	Inflators	<ul style="list-style-type: none"> <li>Expansion of production bases for cylinder-type inflators (Japan, China, Malaysia)</li> <li>Expand of sales to customers in China and South Korea</li> <li>Developing next-generation inflators</li> </ul>	Micro gas generators / squibs / pyrotechnic products			<ul style="list-style-type: none"> <li>Securing next-generation module projects from customers</li> <li>Securing increased volume projects, such as for rear seats</li> <li>Expansion of applications such as pedestrian protection and electric current shut-off</li> <li>Consideration of new pyro device applications</li> </ul>			Drone safety components			<ul style="list-style-type: none"> <li>Expansion of sales of PARASAFE® for 25kg drones launched in 2021</li> <li>Development and early market launch of PARASAFE® for 15kg drones</li> <li>Development of safety parts for flying cars and large drones</li> </ul>
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## Agrochemicals and Other Businesses

### ◆ Vision

Support the food supply, and contribute to the development of sustainable agriculture by continuing to provide excellent eco-friendly agrochemicals and related technologies and services

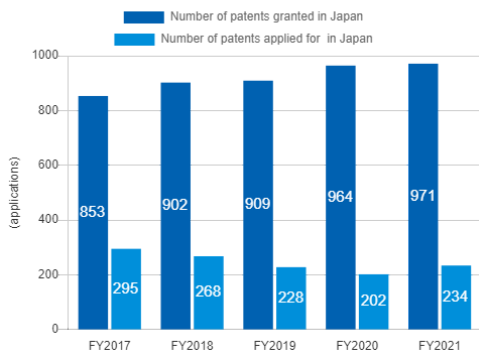
### ◆ Contribution to the SDGs



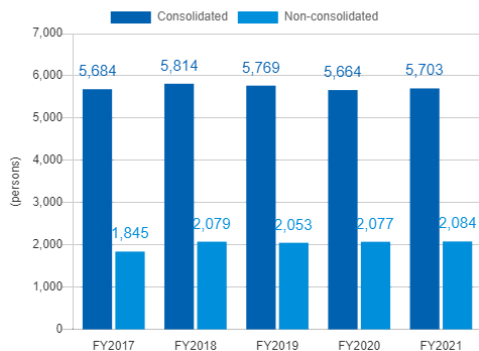
External environment	Nippon Kayaku's strengths	Materiality											
<ul style="list-style-type: none"> <li>Domestic crop protection market remains at the current level, overseas crop protection market is growing due to increased demand for food</li> <li>Introduction of a pesticide re-evaluation system has raised the bar for obtaining and maintaining domestic agrochemical business registration</li> <li>Strategy "MeaDRI" (Sustainable Food Systems) promotes innovation that enables the reduction of agrochemicals (risk conversion) Smart agriculture, development of new low-risk agrochemicals, development of new control technologies and products</li> </ul>	<ul style="list-style-type: none"> <li>Insecticides and soil fumigants in the vegetable and fruit tree domain</li> <li>Formulation know-how (innovative formulations)</li> <li>Operating activities combining technical services and information provision</li> <li>Manufacturing technologies (from raw ingredients to product formulation)</li> </ul>	Japan	<ul style="list-style-type: none"> <li>Flometoquin formulations (FINESAVE®), expansion of FUMON®</li> <li>Expansion of sales by expanding the scope of agrochemical registration</li> <li>Expanding sales of TELONE™, Asahi D-D</li> <li>Response to the agrochemical re-evaluation system for DIAZINON® and other agrochemicals</li> <li>Expansion of contracted manufacturing</li> </ul>	Overseas			<ul style="list-style-type: none"> <li>Rebuilding the EVISECT® business by restructuring the supply chain</li> <li>Registering and expanding sales of Flometoquin preparations</li> </ul>			Working toward the vision for FY2030			<ul style="list-style-type: none"> <li>Development of new innovative formulations</li> <li>Development and introduction of biostimulants</li> <li>Development of new insecticides</li> </ul>
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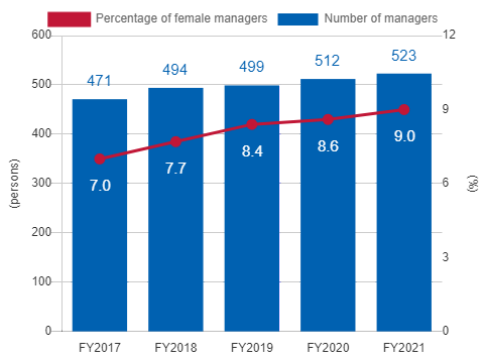
Number of patents granted / Number of patents applied for



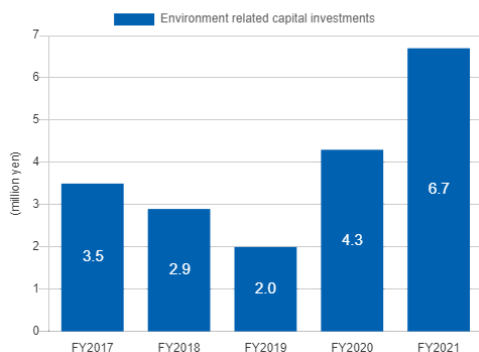
Consolidated and non-consolidated numbers of employees



Number of managers/Percentage of female managers

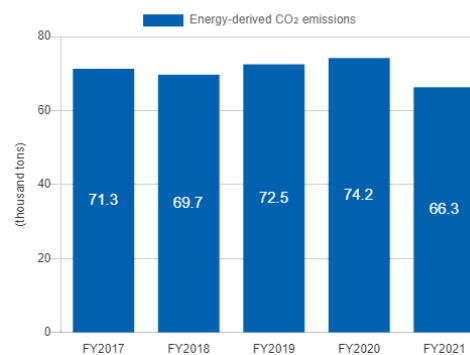


Environment related capital investments



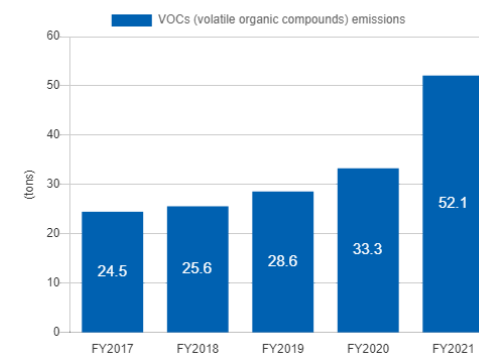
\* Nippon Kayaku non-consolidated basis; excluding seconded employees

Energy-derived CO<sub>2</sub> emissions



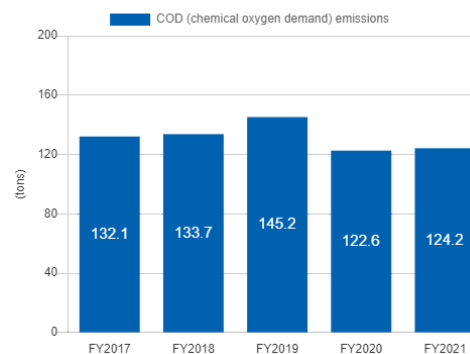
\* FY2020 target value: reduction of 3.8% or more (79,500 tons or less)

VOCs (volatile organic compounds) emissions



\* FY2020 target value: 42 tons or less

COD (chemical oxygen demand) emissions



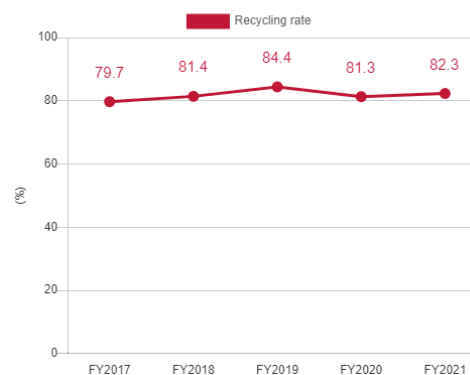
\* FY2020 target value: 150 tons or less

Total waste output



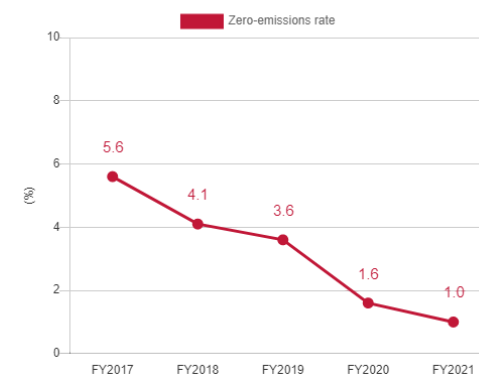
\* FY2020 target value: 23,500 tons or less

Recycling rate



\* FY2020 target value: 80% or higher

Zero-emissions rate



\* FY2020 target value: 3.0% or less