[Important Issues] Maintaining and Expanding **Employment, Developing Human Resources**

Policy and Basic Approach -

Message from the Executive Director in Charge

The Nippon Kayaku Group regards maintaining its role as an employer to be one of its social responsibilities. The Group also aims to be useful to society by expanding employment through broader business activities.

The source of the Group's growth lies in the growth of its employees, who are its most important asset. We will pursue human resources development by giving support to employees who are eager to grow and learn. To this end, we have included challenging items in our personnel system to help individual employees develop their skills and expertise while honing their unique attributes. We also provide them with a training-based support system so that they can autonomously transform themselves and grow through their jobs. Through these measures we will continue to support individual employees in developing the careers they want.

> Managing Director and Member of the Board Head of Administration Group Hiroshi Mikami



Human Resource Development

People make a company. The driving force of our manufacturing, through which we provide people around the world with value, is therefore our people. As a company with history of more than one hundred years, we will continue to engage in human resources development toward our second centennial

Training Programs

Various training programs are provided to employees according to their job positions. These comprehensive training programs are conducted so as to develop the next generation of skilled workers who will lead Nippon Kayaku in the future.



Training

Mandatory programs

Governance

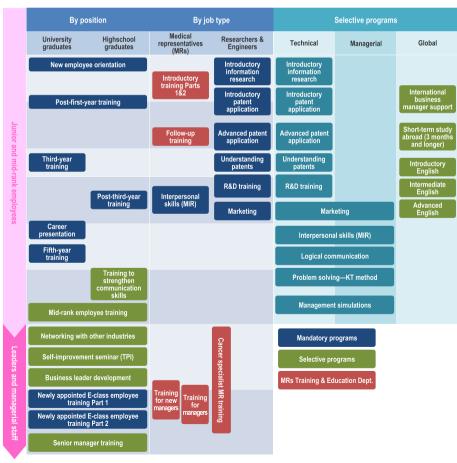
We offer mandatory training programs for new hires, employees who have completed their first and third years at the Company, those in their fifth year of service, and for mid-rank employees in accordance with their job types and positions. Through these programs we help employees take new steps forward by developing practical skills based on a recognition of the changes in their roles and competencies.

Voluntary programs

A wide array of voluntary training programs are also available. These voluntary programs are tailored to specific jobs and personal characteristics. The programs are intended to help trainees work on self-improvement by improving their business skills and troubleshooting abilities.

Selective programs

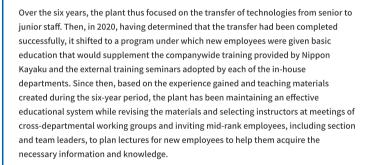
A program providing special leadership and management training is also available for those recommended by their bosses as promising candidates for the next generation of leaders and managers.



Initiatives ———

Fukuyama Plant Basic training unique to the plant

The Fukuyama Plant is a manufacturing base for functional materials and color materials. Back in 2013, the plant was expecting to lose a large number of experienced employees, including Senior Partners (reemployed retirees) and those reaching retirement age, over the coming years. The plant therefore made a plan to employ a large group of new workers, including mid-career hires, regarding the years immediately following 2013 as a critical period in which the technologies, including those to ensure safety, would have to be passed down. To accomplish this without any incidents or serious errors, the plant implemented training in 43 categories of basic skills to develop the required human resources base, giving consideration also to the need to nurture an active culture of passing on technologies from senior to junior staff. Specifically, plant leaders who were serving as chiefs of internal organizations or higher collaborated across their organizations to create teaching materials for the education of junior staff based on detailed examinations made for each of the 43 categories. Then, during the sixyear period from 2014 to 2019, the leaders gave lectures using the created teaching materials with a focus on helping newly hired employees acquire more skills and knowledge.



The plant is thereby promoting the establishment of a culture that encourages new employees to start receiving basic education with a sense of solidarity as members of a unified team and is also adopting DX education for higher operational efficiency. As COVID-19 has been imposing restrictions on collective learning, the plant is making use of e-learning tools while implementing drastic measures to prevent the further spread of the virus.



Joetsu Plant Education on IATF 16949 and the requirements to be met for automotive

products

The ISO/TS 16949 standard for automotive products was revised to IATF 16949 in 2016, and the plant had been requested to conform to the standard by an increasing number of customers, including both existing and potential customers.

Furthermore, in order to expand the applications of its existing and new products (HUDs, SGFs, headlights and others), the plant was increasingly required to meet its customers' requests for IATF 16949-compliant quality management. It was thought, however, that on-site employees might be reluctant to accept the new standard for the existing quality management system. Based on this recognition, as the first step to conform to the new standard, the plant worked to raise awareness of IATF 16949 within the plant and help the related employees deepen their understanding of the need to meet the standard through education on both it and the requirements to be met for automotive products. The target of this education was selected by each department, and as a result of a larger number of employees than expected showing an interest in the education, as many as around 150 employees received the education. For FY2021, the plant planned to provide education on core tools to be used in actual business operations through face-

to-face learning in groups. However, due to the limit imposed on the number of people who could be accommodated in the conference room because of COVID-19, we had to postpone the sessions.

For FY2022, the plant will provide education on the control plan described in 8.5.1.1 of the international standard for the improvement of on-site quality management.

Himeji Plant Education of young employees and quality improvement

The Himeji Plant is the domestic manufacturing base for the Safety Systems Business, in which we handle automotive safety components, and also serves as the mother plant for the bases outside Japan. In line with the global expansion of the business, the plant has been increasing its production, with the number of its employees being the largest among Nippon Kayaku's plants in Japan.



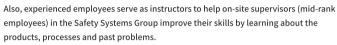
Against this backdrop, the number of young employees has been rapidly increasing through new hiring, and the plant was faced with a need to educate these employees. Accordingly, it built a systematic educational system for young employees and started to implement it in FY2019, aiming to enhance the comprehensive abilities of employees toward improving its product and operational quality. Since FY2018, the plant has also been implementing a quality education system for mid-rank employees and will promote human resource development through these two systems.

In the educational system for young employees, the plant offers not only classroom education but also practical training. For example, under the system, trainees learn about the effectiveness of Kanban production through a simulation using toy blocks. They also learn how to handle dangerous explosives, which are present at the plant. The plant reviews the details and method of the education from time to time to make further improvements ("Kaizen") for the provision of even more effective education.

Himeji Plant Establishment of "DOJO" education

The Safety Systems Group established an education center called the "DOJO" within the Himeji Plant and has been using it as a place for employee education and training since

At the DOJO facilities, safety and quality rules (Do's) and prohibited actions (Don'ts) are indicated in an easy-to-understand manner. Moreover, the facilities are equipped with necessary devices to provide employees with hands-on education on static electricity and others.



The plant also collaborates with the DOJO of the overseas subsidiaries belonging to the Safety Systems Group to improve the level of the entire Group.

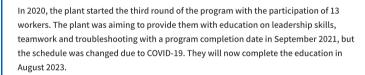


Kayaku Safety Systems de Mexico

Third round of the COE Program

"Change from Operator to Employee (COE)" program

Following the launch of the COE education program at Kayaku Safety Systems de Mexico, four employees completed the first round of the program implemented from 2014 to 2017 and another four finished the second round carried out from 2017 to 2019. COE stands for "Change from Operator to Employee" and the program is intended to provide workers hired as day laborers with an opportunity to become regular employees through education and training, thereby increasing their motivation.







Interpersonal Exchange within the Nippon Kayaku Group

Meeting on Movement for Tomorrow

Each year we hold the Meeting on Movement for Tomorrow, in which participants make companywide presentations on their activities for improving operational efficiency and productivity as well as the achievements made through human resource development and the development of new products.

We cancelled the FY2020 meeting due to the pandemic, and then held again for the first time in two years in FY2021. As it was difficult to hold such a well-attended meeting in person, we held it online instead. With around 350 people participating, we set a new record for the number of attendees.

Participating departments made presentations on their cases, and outstanding presentations were selected for commendation. The presentation meeting, which is intended to show appreciation for the daily activities conducted by employees, helps increase employees' motivation for improvement activities. Moreover, sharing information through the presentations made by multiple business sites often helps participants hit upon new ideas and get tips for solving issues.



Meeting to Exchange Information about KAYAKU spirit Dream and Drive *Activities

At the ninth meeting to exchange information about KAYAKU spirit Dream and Drive (D&D) activities held in 2021, participants (D&D facilitators representing each plant) shared their ideas and concerns in a frank manner for the further promotion of the activities. This meeting has been held on a small scale so that all participants can express their opinions openly and engage in proactive discussions.

In the past it was held as a two-day event, but in FY2021, due to COVID-19, it was held as a one-day online event. At the meeting, six sites introduced how they were fostering D&D activities, with a broad range of themes covered, including higher productivity, higher operational efficiency, cost reduction and energy conservation.

Participants raised a great number of questions and proactively exchanged opinions and information.



* KAYAKU spirit Dream and Drive (D&D) activities: Improvement ("Kaizen") activities conducted by all workplace members, in which they creatively devise measures to solve issues faced at their workplace toward sustainable management