

## Social

[Important Issues] Quality and Customer Safety .....	57
[Important Issues] Occupational Health and Safety in the Workplace.....	62
Diversity & Inclusion .....	67
[Important Issues] Maintaining and Expanding Employment, Developing Human Resources.....	69
Health and Productivity Management .....	73
[Important Issues] Environmental and Social Considerations in the Supply Chain .....	75
Contribution to Local Communities .....	77

## [Important Issues] Quality and Customer Safety

### Policy and Basic Approach

The Nippon Kayaku Group has established a basic policy called the Declaration on Environment, Health and Safety, and Quality and has built a quality management system to continually deliver the best products that satisfy customers. We deploy various initiatives for quality across the entire company and work on quality assurance and quality improvement activities to increase customer satisfaction. We have also integrated the quality management systems of our Head Office and production bases for each of the business groups, aiming to prevent customer complaints and process abnormalities by further enhancing our quality improvement activities.

### The Declaration on Environment, Health and Safety, and Quality

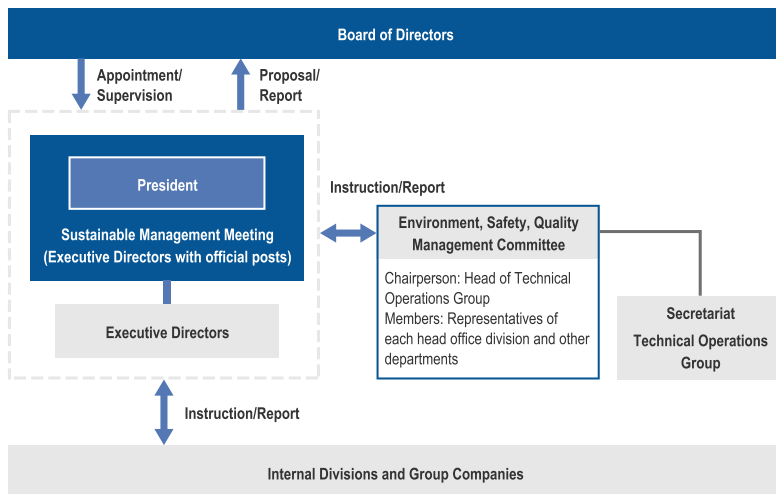
> [The Declaration on Environment, Health and Safety, and Quality](#)

### System

Nippon Kayaku Group has established the "Environment, Safety, Quality Management Committee" as a specialized committee of the Sustainable Management Meeting to oversee quality assurance.

The committee is composed of the heads of the production or quality assurance department of each business group and the administrative departments at Head Office. It deliberates the issues related to the quality assurance policies and the status of quality improvement activities and countermeasures against them, reports the results to the Sustainable Management Meeting and strives to enhance the entire Nippon Kayaku Group's quality improvement activities.

Furthermore, each business group has established its own in-house quality assurance department as a cornerstone organization for the enhancement of its quality assurance system.



### Acquisition of International Certification

The Nippon Kayaku Group has obtained international certification for its quality assurance systems in order to develop high-quality products and services that earn more trust and give more satisfaction to customers.

For the ISO 9001 international standard on quality management systems, we acquired certification for the Fukuyama, Asa, Tokyo and Kashima Plants in 1995. Subsequently, to further increase our customer satisfaction by conducting quality assurance activities in a comprehensive manner for our R&D, manufacturing, sales and service operations, we have acquired integrated ISO 9001 certification for the business groups and R&D department. Furthermore, we are striving to acquire the certification at our Group companies in Japan and abroad and enhancing our global quality assurance system in line with our business processes.

The members of the Functional Chemicals Group, including the Fukuyama, Asa and Tokyo Plants, the Head Office and laboratories, and Taiwan Nippon Kayaku Co., Ltd., started to operate their quality management systems in an integrated manner in October 2020 and acquired integrated ISO 9001 certification in July 2021.

The Pharmaceuticals Group, including the Takasaki Plant and the Pharmaceuticals Research Laboratories, acquired integrated certification for ISO 9001 and ISO 13485 (standard on quality management systems for medical equipment and in-vitro diagnostics) to enhance its quality assurance system. Moreover, the Takasaki Plant acquired a manufacturing license based on the Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs (GMP Ministerial Ordinance) and also acquired relevant certification in the United States and Europe (EU).

The Safety Systems Group, including the Himeji Plant and the Safety Systems Development Laboratories, has obtained certification for the IATF 16949 international standard on quality management systems set by the automobile industry's International Automotive Task Force (IATF). Outside Japan as well as in the country, Nippon Kayaku Group companies have obtained this certification in order to deliver products of even higher quality.

The Agrochemicals Division, including the Kashima Plant and the Agrochemicals Laboratories, started to operate its quality management systems in an integrated manner in March 2021 and obtained integrated ISO 9001 certification in August 2021 to further strengthen its quality assurance system.

## List of the Nippon Kayaku Group's Business Sites with Certified Quality Management Systems

Business site	ISO9001	ISO13485	IATF16949
Fukuyama Plant	●		
Asa Plant	●		
Tokyo Plant	●		
Functional Chemicals Group (excluding the Polatechno Division)	●		
Functional Chemicals R&D Laboratories	●		
Taiwan Nippon Kayaku [Functional Chemicals Business]	●		
Polatechno Division	●		
Joetsu Plant	●		
WUXI POLATECHNO OPTICS	●		
Takasaki Plant	●	●	
Pharmaceuticals Group	●	●	
Pharmaceuticals Research Laboratories	●	●	
Himeji Plant			●
Safety Systems Group			●
Safety Systems Development Laboratories			●
Kashima Plant	●		
Agrochemicals Division	●		
Agrochemicals Laboratories	●		
NIPPON KAYAKU FOOD TECHNO	●		
MOXTEK	●		
Dejima Optical Films	●		
RaySpec	●		
KAYAKU Advanced Materials	●		
KAYAKU CHEMICAL (WUXI)	●		
WUXI ADVANCED KAYAKU CHEMICAL	●		
Kayaku Safety Systems Europe			●
Kayaku Safety Systems (Huzhou)			●
Kayaku Safety Systems de Mexico			●
Kayaku Safety Systems Malaysia			●

### GMP-related Certification

The Takasaki Plant is licensed as a manufacturer under the Ministerial Ordinance on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs (GMP Ministerial Ordinance) and has also obtained relevant certification in the United States and Europe (EU).

#### ◆ GMP Ministerial Ordinance\*-related Certification

Business site	Major countries
Takasaki Plant	Japan, the United States and Europe

\* The GMP Ministerial Ordinance was promulgated by the Ministry of Health and Welfare in 1980 and provides for the management procedures to be followed for the manufacture and supply of high-quality pharmaceuticals and medical equipment.

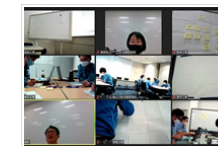
## Promotion of Quality Assurance and Quality Improvement Activities

The Quality Management Division of the Technical Operations Group heads up the Nippon Kayaku Group's quality assurance and quality improvement activities.

We conduct quality assurance activities to enhance and improve employees' quality management skills to ensure stable quality through education and to reduce customer complaints and quality-related process abnormalities.

As a quality improvement activity, we are enhancing quality education by promoting in-house training for managers and practitioners of quality risk management and encouraging them to attend external quality training. To our laboratories we have introduced quality engineering and statistical methods to improve on-site design and development capabilities.

To verify that the Nippon Kayaku Group's quality management system is operating effectively, we conduct quality assessments of business sites in Japan and Group companies, including those outside Japan.



A photo of the "Why-Why Analysis Practical Training" online workshop, which connected all domestic business sites online. Participants learned some "why-why analysis" practice methods, doing exercises on examples from their own workplaces to deepen their understanding of analysis methods.

## Quality Assurance and Quality Improvement Activities at Each Business Site

Each business site of the Nippon Kayaku Group deploys various types of quality assurance activities.

Also, we are building a database of quality process mishaps so that they can be shared across our business sites.

### Quality Assurance Activities

- Quality patrol
- Trend management (visualization)
- Activities to prevent recurrences of quality troubles (why-why analysis, etc.)
- Enhancement of quality management technologies

### Quality Improvement Activities

- Quality risk assessments
- Improvement of design and development capabilities
- Statistical analysis method ("Field Data Analysis—Learning Through Experience")
- Activities to prevent recurrences of quality troubles (why-why analysis, etc.)

## Quality Risk Assessments

Whenever changes are made to a production process, such as an existing worker handing over to a new person or the installation of a new machine (that is, whenever so-called “4M” changes are made), we conduct a quality risk assessment to prevent quality issues before they occur. (The 4M changes means changes to “man,” “machine,” “material” or “method.”)

## Educational Activities for Quality Assurance and Quality Improvement

As educational activities for quality assurance, we offer the “Field Data Analysis - Learning Through Experience” program geared toward researchers and developers for practical training on statistical analysis methods. We also send employees to take part in outside quality training and provide outreach teaching at plants as internal auditor training. Group training could not take place in person at the Hisho Training Center in FY2020 and FY2021 due to the pandemic but with the help of online videoconferencing we were able to connect all domestic business sites to hold training on measures against human error and practical training on “why-why analysis.” Given the advantages of holding the events online without the need for travel or accommodation, many people were able to join, making the training a big success.

At each of our plants, we utilize quality control (QC) methods such as using management diagrams and carry out quality patrols as part of our daily quality control activities to reduce customer complaints and quality process abnormalities.

## Activities to Prevent Recurrence of Customer Complaints and Quality Process Abnormalities

In order to prevent the reoccurrence of similar customer complaints and quality process abnormalities, we encourage the use of Nippon Kayaku’s “why-why analysis” manual and the execution of the analysis at each of our workplaces. We have also built a database of quality process abnormalities on a companywide basis. In addition, we have published English and Chinese versions of the manual and are promoting “why-why analysis” also at Nippon Kayaku Group companies outside Japan.

### Published the “why-why analysis” manual of the Nippon Kayaku Group

The Quality Management Division analyzed the quality abnormalities that had occurred in the past and found out that there were many similar cases due to a lack of ability to investigate the root cause of problems. We have therefore introduced “why-why analysis” with the aim of accurately understanding the relationship between cause and effect, identifying the underlying root cause and preventing the reoccurrence of similar cases. The first edition of the “why-why analysis” manual was created in Japanese by members selected from each plant, and the manual was subsequently translated into English and Chinese for use by Nippon Kayaku Group companies outside Japan.



### History of our quality improvement activities

Nippon Kayaku’s initiatives for improving quality began with the voluntary introduction of statistical approaches to QC activities by plant engineers in 1948.

After receiving the Deming Prize in 1963, Nippon Kayaku organized its very first In-house QC Circle Conference in 1966 as an opportunity for employees to present the results of their QC activities. Since then, we have expanded the scope of these activities and changed the name of the event, first to the “Small Group Activity Meeting” open to all employees and then to the “Meeting of the Movement for Tomorrow,” inviting participants to make presentations on a wider range of themes, including not only quality improvement but also operational reforms, cost reductions, 5S activities, next-generation development, energy conservation, health and safety improvement, and environmental conservation. Nippon Kayaku Group companies outside Japan also now participate in the Meeting of the Movement for Tomorrow, as the event provides them with an opportunity to present their activities and interact with other Group bases. Since 2014, the QC activities have been revamped into small-group activities that focus not only on improvement but also on human resource development and sustainability.

### Global quality control within the Safety Systems Group

The Safety Systems Group supplies automotive safety components to customers around the world, for which it needs to provide and guarantee a consistent standard of quality. The Safety Systems Group has production facilities worldwide, and the Quality Assurance Division at the Head Office and the Himeji Plant, the mother factory for the Safety Systems Business, provide each of the bases engaged in the business with quality management-related support. The Himeji Plant cooperates with other bases to grasp technological changes occurring in the industry and support them in adapting to those changes.

The Quality Assurance Division leads the bases in conducting quality improvement activities to build a global quality assurance system for the Group and increase and enhance its quality sensitivity.



Technical interns from Malaysia and members of the Himeji Plant's Quality Assurance Department

## Initiatives

### Pharmaceuticals Business

In the Pharmaceuticals Business, we have a website to provide patients and their families with useful information.

#### ◆ Medical Information Service Center and Securing Customer Trust

The Medical Information Service Center accepts toll-free calls from patients and medical professionals with various questions relating to our pharmaceuticals and medical devices, such as anti-cancer drugs, treatments for autoimmune diseases and intravascular embolic materials. Staff at the Medical Information Service Center work diligently to provide accurate responses to each inquiry to ensure that all of the products supplied by Nippon Kayaku will perform at highest possible level. We also conduct surveys to check whether our responses meet the expectations of customers as part of our continual improvement initiatives.



Medical Information Service Center

Additionally, staff work with medical representatives (MRs) that visit medical facilities to ensure they can provide information that is beneficial to patients, while customer requests and opinions are communicated and reported to each relevant department in charge within the Company. The Medical Information Service Center is committed to improving medical care under the slogan, “Provide proper usage information and improve customer satisfaction in all situations.”

#### ◆ Information Website

##### “IBD-INFO”

This is an information site for IBD patients.

IBD stands for inflammatory bowel disease. Generally, IBD refers to ulcerative colitis and Crohn’s disease. The IBD-INFO microsite provides easy-to-understand commentaries from healthcare professionals about the symptoms of ulcerative colitis and Crohn’s disease as well as about testing, diagnosis, treatment and daily care, among other topics.



The microsite features a host of different content about causes and symptoms, treatment methods, daily care, and public subsidies for defraying healthcare costs, so as to provide patients with an extensive resource of need-to-know information. Additionally, articles on the latest IBD treatment and care featuring interviews with specialist physicians are regularly published on the microsite as well.

The goal of this microsite is to broaden patient understanding and empower patients with the correct knowledge so that they will be more motivated during the treatment process.

> [IBD-INFO \(Japanese\)](#)

##### “RHEUMATISM RA-RA-RA”

The microsite “RHEUMATISM RA-RA-RA” was launched in February 2015 to educate people living with rheumatoid arthritis. This site was created with a commitment to serving as a close, everyday partner for people with rheumatoid arthritis by providing them with a place to turn to as a source of support.



The site, which is also compatible with smartphones, offers an easy-to-use platform that is user-friendly, including oversized icons that are easy to touch. The site offers various content covering the topics that patients want to know about, including the causes of rheumatoid arthritis, symptoms and treatment options, along with the medical costs involved and care services.

Additionally, the site provides information about Japan’s high-cost medical care benefit system accessible for the treatment of rheumatoid arthritis and also a medical cost reimbursement calculator. The video collection of exercises for rheumatoid arthritis patients selected by the editorial supervisor, who is a specialist in rheumatology, can be watched at home, allowing patients to try them out at their convenience.

The phrase “Feeling Happy” and the four-leaf clover mark form the logo used by Nippon Kayaku’s immunology business. We hope to play an integral role in patients’ lives, not least by providing them with emotional support. Offering new approaches, we support them in the treatment process and in improving their quality of life, hoping to help each patient live their life while “Feeling Happy”

> [RHEUMATISM RA-RA-RA \(Japanese\)](#)

##### “Breast Cancer Info Navi”

Breast Cancer Info Navi was launched in October 2006 as an informative website for breast cancer patients.

Containing information provided by specialist physicians and pharmacists, this website is designed to share such information with all women, not just breast cancer patients and their families.

The website is designed to help all women live the life they want.

> [Breast Cancer Info Navi \(Japanese\)](#)



## Agrochemicals Business

### ◆ Contributing to Agricultural Production with Our New Insecticide (FINESAVE®)

Launched in June 2018, FINESAVE® is a new type of insecticide that is highly effective in killing thrips, silverleaf whiteflies, rust mites, cabbage moths and other pests that plague leeks, onions, tomatoes, strawberries, white radishes, cabbage and other types of produce.

Because FINESAVE® is a new kind of agent that does minimal harm to useful insects and the natural enemies of these pests, it can be used during the growing season, when the use of agricultural chemicals has traditionally been restricted. We are holding discussions with local instructional organizations regarding crop systems, the use of agrochemicals, etc. so that we can suggest ways to use this product efficiently and effectively while taking maximum advantage of its attributes. We are working hard to ensure that this agent can contribute to actual agricultural production in the future.



### ◆ Initiatives for Improving Crop Quality

For higher-quality crops and the production of safer crops, the Agrochemicals Division is proposing ways to use our existing products Leaf Guard® and Fumon® in combination with our new product FINESAVE®, which went on the market in June 2018 and is effective in killing such pests as thrips, rust mites and cabbage moths.

We are conducting marketing and sales promotion activities in which we propose the use of FINESAVE® and Leaf Guard® (which is effective on a broad range of eggs, larvae and adult insects) on major cabbage and Chinese cabbage pests like cabbage moths, which have thus far been fairly resistant to existing agrochemicals. In the activities, we also propose the use of FINESAVE® and Fumon® (which has the capabilities of a spiracle-blocking agent plus a spreading agent and is safe enough to use over and over until harvest time) on strawberries and the like.

We will continue our untiring efforts to improve the quality of future crops.



> [Website of the Agrochemicals Division \(Japanese\)](#)

## [Important Issues] Occupational Health and Safety in the Workplace

### Policy and Basic Approach

The Nippon Kayaku Group is promoting a range of health and safety activities to achieve zero serious accidents and injuries based on the Group's Responsible Care Policy. In particular, we focus on promoting 30-second patrols and fixed-point observations, regarding them as important Responsible Care items. As its corporate responsibility, the Nippon Kayaku Group is working for zero accidents and injuries and is committed to helping employees maintain their physical and mental health and work with peace of mind. Giving first priority to safety, we will continue to conduct occupational health and safety promotion activities toward the achievement of our medium-term business plan, **KAYAKU Vision 2025 (KV25)**, including activities to ensure the appropriate management of chemical substances and deal with natural disasters.

### The Declaration on Environment, Health and Safety, and Quality

> [The Declaration on Environment, Health and Safety, and Quality](#)

### Responsible Care in the Nippon Kayaku Group

#### Nippon Kayaku Group Responsible Care Policy (Items related to occupational health and safety)

##### ◆ < Targets >

- Serious accidents / disasters: zero
- Serious environmental accidents / disasters: zero
- Serious traffic accidents: zero

##### ◆ 1. Key issues in Responsible Care

- Bolstering 30-second patrols and implementing fixed-point observation

##### ◆ 2. Initiatives aimed at achieving zero accidents and disasters

- Diagnostic methods with an emphasis on risk assessments
- Fixed-point observations tailored to the characteristics of each business location
- Inspections and optimization of measures against heat stroke

##### ◆ 3. Improvement of occupational health and safety in the workplace

- Optimization of RC progress tables and visualization of activity status
- Compliance with changes in national chemical substance management policies (voluntary management through risk assessments of chemical substances)
- Training and enhancement of disaster information communication systems

## Safety Performance

### 1. Safety Performance

The following table shows the safety performance of Nippon Kayaku's business sites and all Group companies inside and outside Japan for FY 2021.

As in FY 2020, the Nippon Kayaku Group experienced no serious accidents in FY 2021. There was one lost-time accident within the Group in FY 2021, while there were two such accidents in FY 2020. The number thus decreased year on year. We also had two non-lost-time accidents (minor injuries) in FY 2021, which was down by three from the five recorded in FY 2020. We had no non-injury accidents in FY 2021.

As for automobile accidents involving our medical representatives (MRs) during their working hours (including commuting time)\*, we recorded no serious accidents in FY 2021, as in FY 2020. Although the total number of automobile accidents amounted to 19—larger than the six that occurred in FY 2020—it was nearly half that of the number recorded in FY 2019 (34 accidents), before the outbreak of COVID-19.

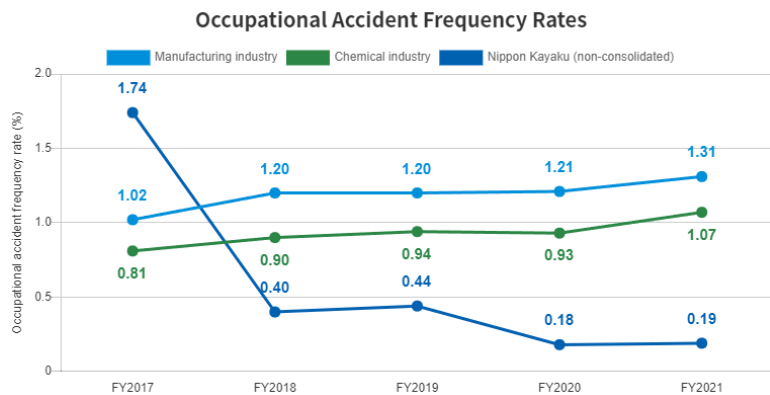
\* The number of automobile accidents involving MRs who were using company-owned vehicles belonging to the Pharmaceuticals Group

#### ◆ FY2021 Safety Performance

Item	FY2020			FY2021		
	Non-consolidated	Group	Total	Non-consolidated	Group	Total
(1) Serious accidents and injuries	0	0	0	0	0	0
(2) Environmental accidents	0	0	0	0	0	0
(3) Lost-time accidents	1	1	2	1	0	1
(4) Non-lost-time accidents (minor injuries)	3	2	5	2	0	2
(5) Non-injury accidents	1	0	1	0	0	0
(6) Automobile accidents involving MRs during working hours (incl. commuting)	Serious accidents	0		0		
	Personal injuries	0		1		
	Property damage	4		11		
	Self-inflicted	2		7		
	Total	6		19		

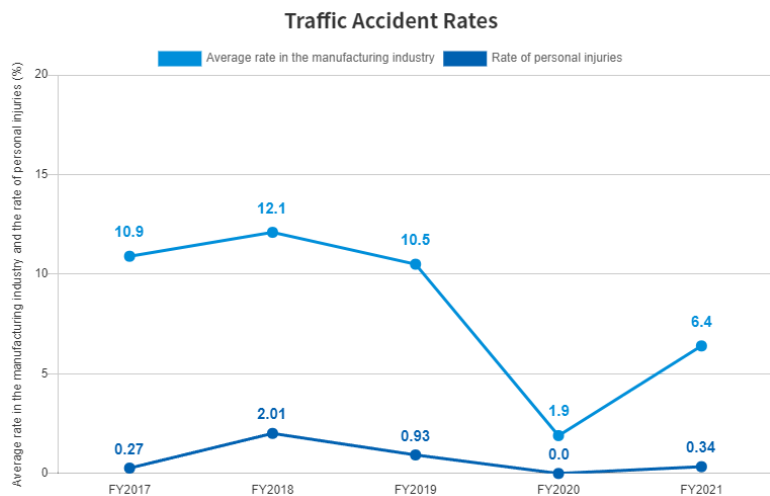
## 2. Graph Comparison of the Occupational Accident Frequency Rates

In FY 2017, Nippon Kayaku recorded an abrupt increase in its occupational accident frequency rate, which far exceeded the average rates of the manufacturing industry and the chemical industry. In response, we carefully examined the causes of the accidents and found out that non-regular work was involved in many of them. We have therefore included in our safety activities 30-second workplace patrol activities and fixed-point observations since FY 2018, with an eye to identifying unsafe behaviors and preventing non-regular work from leading to accidents or injuries. As a result, since FY 2018, Nippon Kayaku has been maintaining a low occupational accident frequency rate relative to the manufacturing industry and the chemical industry. For FY 2021, the rate came to 0.19.



## 3. Efforts to Prevent Traffic Accidents

The traffic accident rate of our MRs was 10.5% (34 cases) in FY 2019, decreasing to 1.9% (six cases) in FY 2020, partly because of the restrictions imposed on our activities due to COVID-19. For FY 2021, the rate increased again to 6.4% (19 cases) but is still lower than the rate that we recorded in FY 2019, before the outbreak of the pandemic. We will continue to work to bring the rate down.



## Health and Safety Activities at Each Business Site

We define health and safety targets and are undertaking a wide range of health and safety activities at each of our business sites.

### Details of the activities

- Risk Assessment
- 5S Activity\*<sup>1</sup>
- Hiyari-hatto Activity (Near-Miss incidents)
- KYT Activity
- TPM Activity\*<sup>2</sup>

\*1 5S Activity: 5S stands for sort, set, shine, standardize and sustain.

\*2 Total Productive Maintenance (TPM) Activity: Conducted to maintain equipment and facilities in good working order to ensure safety and maintain productivity

#### ◆ 1. Risk Assessment

Each of our business sites performs safety reviews for new processes and facilities and whenever changes are made to existing processes and facilities. Moreover, we make risk assessments to prevent injuries and environmental accidents at each of our business sites. We also analyze risk factors in chemical reactions based on HAZOP\*.

\* Hazard and Operability Study (HAZOP): Safety evaluation methodology used at chemical plants to exhaustively identify potential risks posed by chemical reactions for safety evaluation

#### ◆ 2. Elimination of Shortcuts and Omissions

Accidents that have occurred within the Nippon Kayaku Group in recent years have tended to result from shortcuts or omissions. Accordingly, the Nippon Kayaku Group is working to share awareness across different workplaces by distributing workflow checklists to help eliminate shortcuts and omissions and requiring all employees to make a safety declaration, as well as displaying this safety declaration clearly in each workplace. The safety declaration is intended to help prevent not only occupational accidents but also traffic accidents.

#### ◆ 3. Traffic Safety Initiatives

Many Nippon Kayaku Group employees commute to and from work by car and also drive a car for sales activities. We perform safe driving reviews using a camera-equipped drive recorder as well as using the driving aptitude test approved by the National Police Agency\*. From now on, we will further enhance the education of new employees in practical skills to reduce traffic accidents involving our employees.

\* Driving aptitude test approved by the National Police Agency: A written exam to check the examinee's aptitude for driving based on the person's answers to seven questions covering 11 items, including decision-making ability, impulse control and mental stability.



#### ◆ 4. Deployment of AEDs

We have installed automated external defibrillators (AEDs) at our Head Office, plants and other business sites. We hold first-aid training as necessary and also provide employees with external training to deal with sudden heart attacks.



AED drill

#### ◆ 5. Fire Response

Each of the Nippon Kayaku Group's business sites has a fire truck, fire hydrant and fire extinguisher for chemical substances in preparation against potential fire hazards. In addition to conducting firefighting drills on-site, employees also participate in local firefighting competitions, in which they have achieved good results.



Firefighting drill

> [Related article](#)

#### ◆ 6. Measures against Natural Disasters

As a precaution against earthquakes and other natural disasters, we have compiled an Employee's Handbook of Disaster (Earthquake) Prevention at each business site and distributed copies to each employee. The handbook contains instructions on the emergency response to be followed in case of an earthquake, how to communicate and confirm each other's safety, and how to reach home when public transportation services are unavailable.

In the event of a disaster, such as an earthquake, the safety of employees is confirmed through our emailing-based safety reporting and communication system. For example, if an earthquake with seismic intensity of 6 or stronger occurs in Japan, the disaster response headquarters will instruct the system to send employees a safety confirmation email to which they can easily reply to facilitate data collection by the Company.

## Initiatives

### Kashima Plant Improving operator skills through the forklift certification program

There was a time when there were frequent occurrences of near misses involving forklifts at the Kashima Plant. The following initiatives were undertaken to prevent such incidents by improving the skills of forklift operators.



Improving operator skills through the forklift certification program

#### (1) Initiatives for improving skills

All forklift operators were required to take a practical skills short course led by an outside instructor covering the "basics of forklift operations" and "approaches to operator skills and educational guidelines."

#### (2) Introduction of operator certification program

Only those who pass the certification exam are allowed to operate forklifts (certification lasts for six months).

#### (3) Environmental improvements

A permanent training course was set up so that operators can practice and take practical exams at any time.

#### (4) Analysis of driver techniques

An omnidirectional driving recorder was installed on all forklifts to analyze operator conditions and habits using video footage.

Practical exam conducted in the training course

These initiatives have helped to drastically reduce the number of near misses involving forklifts. The Kashima Plant will continue to use this certification program in order to prevent accidents before they occur.

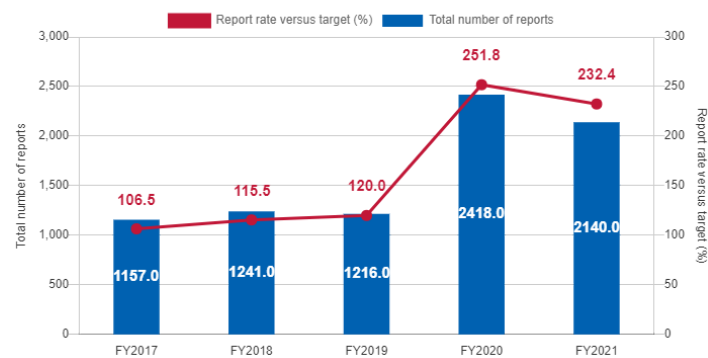
### Joetsu Plant Safety education based on the use of a caught-in hazard simulator

Until 2017, the Joetsu Plant had minor work-related injuries including getting caught in roll machines almost every year. When analyzing the causes of the accidents, we found that 70% of them took place at the manufacturing department and nearly 80% of them occurred among new employees who had been with the Company for less than three years. In response, we improved our education system with the aim of eradicating such work-related injuries and have provided leaders of the manufacturing department with training to enhance their safety-related skills. We have also strengthened safety training for employees who are in their first three years at the Company to prevent the types of incidents that they tend to be involved in as they get used to their jobs. Specifically, the safety training is provided to employees in their first, second and third year at the Company with a focus on “5S/Awareness,” “KYT” and “Hiyari-hatto (near-miss incidents),” respectively. In this safety training lead by internal instructors, we utilize the simulation machine introduced in fiscal 2012 to provide hands-on experience of a “caught-in-machine” accident and teach trainees how to prevent this by using the photocell sensor, emergency stop button, and rope switch activator and proximity sensor functions. We also focus on the “Hiyari-hatto” activities with the aim of preventing work-related injuries by enhancing employees’ “improvement of awareness” and “mutual attention.” The target is to get employees to submit three or more “Hiyari-hatto” reports per year per person. In our manufacturing department, the activities are particularly strongly promoted.



Although work-related injuries occurred almost every year up to 2017, due to the activities mentioned above, there have been no such injuries since 2018, and the number of consecutive days of zero lost-time accidents has reached 1,670 (as of March 31, 2022). We will continue to execute a PDCA cycle to foster a corporate culture with a high level of safety awareness as the basis for our corporate activities.

Hiyari-hatto reports submitted by Joetsu Plant employees, and the report rate versus the target



## Labor Union/Labor-management Relations

On June 1, 1998, Nippon Kayaku Co., Ltd. and the Nippon Kayaku labor union entered into a labor agreement “based on good faith and trust, in order to acknowledge the social significance and responsibilities of industry and labor, to mutually respect each other’s rights based on the spirit of the labor laws, and to establish stable and peaceful relations between labor and management.” Since then, this agreement has been renewed eight times in accordance with its purpose, so that today we maintain sound relations based on mutual trust between management and labor. Because Nippon Kayaku has a union shop system, with the exception of certain managerial and contract employees, all employees are members of the labor union. Nippon Kayaku and the labor union engage in active discussions, and the Company’s policy regarding these discussions is to be candid while disclosing as much information as possible. Also, the Central-Management-Labor Liaison Committee meets three times a year, at which time the executive team communicates the Company’s management policies as soon as the annual business plan, medium-term business plan and health and safety policy are finalized. A central management roundtable is held monthly to deepen mutual understanding, share information about the status of the Company and discuss how to solve problems. Also, we are making efforts to promptly communicate the outcome of these labor-management discussions to employees throughout the Company.

The labor agreement clearly states stipulations concerning discussions and negotiations. If there are major business-related changes that may have a profound impact on employees, employees and the employee representative are notified in advance. For example, notification of transfers requiring a change in residence are generally made at least one month in advance. Depending on the particulars, notifications and discussions occur even further in advance.

At the same time, with respect to issues faced by individual sites, we hold monthly business site management roundtables to obtain a shared recognition through discussions and opinion exchanges and to bring about a labor environment where employees can work in comfort.

## Environment, Health and Safety Review

The Environment, Health and Safety Review is conducted at Nippon Kayaku’s business sites and certain Group companies based on the annual plan. This review process also involves the labor union of Nippon Kayaku, including its headquarters and branches located at the respective sites and Group companies.

During the review, regarding the Responsible Care policies and plans of the business sites and Group companies, the level of progress is checked, and the results of their Responsible Care activities are examined through meetings, documents and on-site audits. The labor union is also given an opportunity to point out issues for the improvement of the safety and health level of the entire company.

In FY 2021, however, to prevent the further spread of COVID-19, there were no physical inspections conducted at any of the targeted business sites or Group companies. Instead, a documentation inspection was conducted using a Responsible Care progress confirmation table compiled by the Environmental Protection & Safety Division. Also, the sites and Group companies were evaluated regarding how they had assessed the risks posed by their equipment, facilities and manufacturing processes.

## Environment-, Health- and Safety-related Initiatives Implemented Jointly with the Labor Union

The Nippon Kayaku labor union conducts health and safety training titled the Level-Up Seminar (Health & Safety), which is co-hosted by the Company. The labor union puts safety at the top of its action policy and holds this training annually over two days. On the first day, participants attend a third-party specialist organization to take part in hands-on safety training about actual dangers, including getting caught in machinery and hanging from a safety harness, as well as why they need to follow the predefined rules. On the second day, members of the Environmental Protection & Safety Division lead lectures entitled “About learning safety measures from past accidents of Nippon Kayaku” and “How to strengthen safety awareness.” Also, the labor union holds a lecture called “Labor union safety initiatives” to explain the importance of a labor union tackling safety issues. After the lectures, a group discussion is held to allow participants to pick up and share valuable health and safety lessons and issues from each business site and each local branch of the union. In the discussion, they also focus on thinking about how to utilize and develop on the lessons learned and improve health and safety awareness at their own workplaces. Although the training was cancelled again in FY 2021 due to the pandemic, we plan to continue this initiative going forward.

In FY 2021, due to the restrictions imposed on people’s movement by the pandemic, the labor union conducted environmental, health and safety activities by using an online meeting system.

In addition to holding online seminars for mental healthcare, the labor union held lectures on Nippon Kayaku’s environmental activities and efforts to eliminate harassment by inviting employees of the Company to give talks.

Labor and management will continue to collaborate toward developing workplaces where employees can work safely and in good mental and physical health.

## Diversity & Inclusion

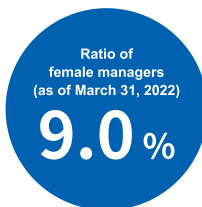
### Promoting Diversity & Inclusion

#### The Nippon Kayaku Group's Personnel System

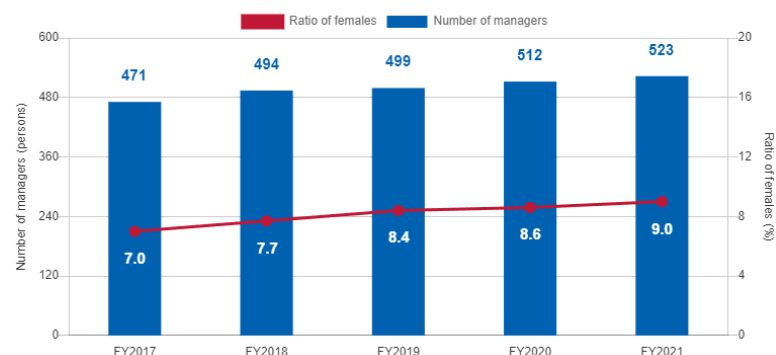
We have adopted a merit-based human resources system whereby employees can obtain job assignments and compensation that are not linked to their age, gender, career background or educational background, and are improving it in response to the demands of society. This system, which is based on individual roles and responsibilities, is also offered to management-class employees. Therefore, promotions to the managerial level can be achieved regardless of age, gender, academic history or career. As a result, the number of female managers continues to grow with each passing year.

#### Empowerment of Women

Proactive appointment of women to managerial positions is one aspect of the results of our initiatives to encourage diversity in the workplace. The ratio of our female managers increased to 9.0% as of the end of March 2022 (8.6% in previous year). The following target is to achieve 10% by the end of FY 2024. We will continue with our efforts to encourage the greater involvement of women in the workplace.



Percentage of Female Managers (\*Nippon Kayaku non-consolidated basis; excluding seconded employees)



### Employment of Persons with Disabilities

Nippon Kayaku employs people with disabilities. As of the end of March 2022, 49 people with disabilities are working with us (1.99% of total employees). Society demands that we move faster in hiring persons with disabilities and so we will foster collaboration with special needs schools to continue to hire people with intellectual disabilities. We will make more efforts to increase our rate of employment of people with disabilities beyond the statutory employment rate, while working to provide employees with disabilities with workplaces where they can feel satisfaction and demonstrate their respective abilities to the fullest.

Indicator	Scope	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Percentage of employees with disabilities	Non-consolidated	%	2.08	1.82	1.97	1.90	1.99

### Reemployment of Retirees as "Senior Partners"

Since April 2006, we have been implementing the Nippon Kayaku Senior Partner System to provide retirees who are physically and mentally healthy and eager to continue working with an opportunity to demonstrate the expertise and know-how that they have accumulated over the course of their career after reaching the age of retirement. We ask applicants to the system about where they want to work, in what jobs and in what employment format, and almost 100% of applicants are reemployed in accordance with their preferences, with most of them continuing to work for the Company until they reach the age of 65. As of the end of March 2022, we have 106 Senior Partners.

Indicator	Scope	Unit	FY2017	FY2018	FY2019	FY2020	FY2021
Rehiring of retired employees	Non-consolidated	Persons	116	139	153	157	142
Rehiring rate of retired employees	Non-consolidated	%	60.9	62.7	70.5	84.1	57.6

### Exchange of Global Human Resources

As one of the policy to promote diversity, we are working to build the environment all of staff belong to Nippon Kayaku Group be able to lead an active career in globalizing world. Aiming to develop language skills, we provide study-abroad programs, short-term intensive English programs and companywide TOEIC testing. Moreover, we provide employees assigned overseas as expatriates with training programs on various subjects including cross-culture training. In addition to the training programs, we will keep making efforts to develop global talent by means of promoting personal interactions between our bases in Japan and overseas Group companies and enhancing our support to allow employees to experience various cultures and business environments.

### Hosting Interns from Overseas

Although we have been unable to do so recently due to COVID-19, Nippon Kayaku has been accepting internship students not only from Japan but also from universities overseas. The interns conduct various activities, mainly related to R&D, at Nippon Kayaku's laboratories to learn about the corporate world and local culture of Japan. Company employees, meanwhile, can get new inspiration from working with the young researchers. We will continue to accept internship students in order to globalize our corporate culture and contribute to Japan's international exchange of human resources.



## Improvement of the Workplace Environment and Systems

The Nippon Kayaku Group is expanding in-house programs for gender equality and encouraging their utilization. In terms of our Next Generation Childcare Support measures, we have rolled out various programs that exceed legal requirements, beginning with our childcare leave program. For FY 2021, the percentage of qualified female employees who took childcare leave was 100% (11 employees), but for male employees, it was 27.2% (9 employees). The percentage of those who returned to their workplaces after taking childcare leave was 100% for both men and women. Going forward, we will seek to develop a workplace culture that encourages male employees to participate more in childcare.

### Enhancement of the Special Paid Leave System

The Special Paid Leave System is a system whereby employees, in accordance with the Labor Standards Act, accrue special annual paid leave days that expire after two years and can be used for such purposes as caring for a family member, providing nursing care for a child, participating in training, volunteering, getting fertility treatments or donating bone marrow. No complicated procedures are required to use this program, as employees can simply apply by providing supporting proof of their activity. In addition, even after using the program once, employees can continue to accumulate paid leave to the maximum number of days allowed.

#### ◆ Special Paid Leave System

Applicable Uses	No. of Days Allowed
To receive treatment for an injury or illness that requires at least 4 consecutive days of care / To receive outpatient services for rehabilitation or aftercare (within the stated period indicated on the physician-issued medical certificate)	Up to 60 days
To provide nursing care to an immediate family member, aunt or uncle	60 days
To participate in a training program or volunteer activities	30 days
Leave in conjunction with the use of active points from the Nippon Kayaku Cafeteria Plan	5 days
To take leave in order to receive a vaccination or medical exam for a child of preschool age	5 days
To receive fertility treatments	60 days
To allocate additional days to childcare leave	10 days
To provide nursing care for a child of preschool age	10 days

## Work-life Balance

Giving priority to employees' health and from the perspectives of compliance and mental health, the Nippon Kayaku Group has implemented measures, such as establishing a special labor-management committee, to appropriately check the work hours of individual employees and take actions as needed for the enhanced management of working hours. Additionally, for a better work-life balance, we aim to increase the rate of paid leave days taken by employees. To this end, we have established a new anniversary paid leave system and taken other measures to encourage employees to take paid leave.

To reduce overtime work, we need to change our workplace culture and change the way employees think (work-style reform). To meet this requirement, we are promoting discussions through the special labor-management committee and provide managers with relevant education at each of our sites. Furthermore, in order to improve our operational productivity and create more value through work-style reforms, we are making steady efforts to provide employees with greater job satisfaction, rather than just reducing their overtime work.

Indicator	Scope	Unit	FY2017	FY2018	FY2019	FY2020	FY2021	
Total annual working hours per employee	Non-consolidated	Hours	1,833	1,919	1,911	1,885	1,911	
Average overtime per month (union members)	Non-consolidated	Hours	12.8	13.3	12.7	11.3	12.7	
Rate of annual paid leave days taken	Non-consolidated	%	59.2	61.1	60.1	65.8	59.8	
Employees who started maternity leave*	Non-consolidated	Persons	5	8	13	13	11	
Employees who started parental leave*	Male	Non-consolidated	Persons	1	3	5	11	9
	Female	Non-consolidated	Persons	5	8	13	13	11
Reinstatement rate after taking maternity or childcare leave	Male	Non-consolidated	%	100	100	100	100	100
	Female	Non-consolidated	%	100	100	100	100	100
Return to work rate after taking maternity/parental leave	Male	Non-consolidated	%	100	100	100	100	100
	Female	Non-consolidated	%	100	100	100	100	100
Employees working shorter hours for childcare	Male	Non-consolidated	Persons	1	2	2	0	1
	Female	Non-consolidated	Persons	23	26	31	43	42

\* Excluding those who have been taking leave since the previous fiscal year

## Formulation of a General Employers Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children

We have formulated a General Employers Action Plan (for the period from April 1, 2022 to March 31, 2025) based on the Act on Advancement of Measures to Support Raising Next-Generation Children and submitted it to the Tokyo Labor Bureau.



Kurumin mark

# [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

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.

	By position		By job type		Selective programs			
	University graduates	Highschool graduates	Medical representatives (MRs)	Researchers & Engineers	Technical	Managerial	Global	
Junior and mid-rank employees	New employee orientation		Introductory training Parts 1&2	Introductory information research	Introductory information research			
	Post-first-year training			Introductory patent application	Introductory patent application		International business manager support	
			Follow-up training	Advanced patent application	Advanced patent application		Short-term study abroad (3 months and longer)	
	Third-year training			Understanding patents	Understanding patents		Introductory English	
			Interpersonal skills (MR)	R&D training	R&D training		Intermediate English	
	Post-third-year training			Marketing	Marketing		Advanced English	
	Career presentation				Interpersonal skills (MR)			
	Fifth-year training				Logical communication			
			Training to strengthen communication skills		Problem solving—KT method			
	Mid-rank employee training				Management simulations			
Leaders and managerial staff	Networking with other industries						Mandatory programs	
	Self-improvement seminar (TPI)						Selective programs	
	Business leader development						MRs Training & Education Dept.	
	Newly appointed E-class employee training Part 1		Training for new managers	Training for managers	Cancer specialist MR training			
	Newly appointed E-class employee training Part 2							
Senior manager training								

## 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 six-year 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.



Over the six years, the plant thus focused on the transfer of technologies from senior to junior staff. Then, in 2020, having determined that the transfer had been completed successfully, it shifted to a program under which new employees were given basic education that would supplement the companywide training provided by Nippon Kayaku and the external training seminars adopted by each of the in-house departments. Since then, based on the experience gained and teaching materials created during the six-year period, the plant has been maintaining an effective educational system while revising the materials and selecting instructors at meetings of cross-departmental working groups and inviting mid-rank employees, including section and team leaders, to plan lectures for new employees to help them acquire the necessary information 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 FY2018.

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.

Also, experienced employees serve as instructors to help on-site supervisors (mid-rank employees) in the Safety Systems Group improve their skills by learning about the products, processes and past problems.

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.

In 2020, the plant started the third round of the program with the participation of 13 workers. The plant was aiming to provide them with education on leadership skills, teamwork and troubleshooting with a program completion date in September 2021, but the schedule was changed due to COVID-19. They will now complete the education in August 2023.



## 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

# Health and Productivity Management

## Policy and Basic Approach

In 2017, the Nippon Kayaku Group revised its declaration on the environment, safety and health and released it anew as The Declaration on Environment, Health and Safety, and Quality. The mental and physical health of employees is essential to revitalizing the organization and increasing productivity and customer satisfaction. Based on this recognition, we are conducting activities focusing on employees' mental healthcare and lifestyle habits as well as those aimed at preventing exposure to chemical substances in daily business operations.

### Nippon Kayaku Group Responsible Care Policy (Health-related items)

#### ◆ < Target >

- Serious accidents / disasters: zero

#### ◆ 3. Improvement of occupational health and safety in the workplace

- Compliance with changes in national chemical substance management policies (voluntary management through risk assessments of chemical substances)
- Identifying and following up on high-stress workplaces through stress checks and organizational analysis
- Establishing a management system by creating a database of health check results (due to commence operation this fiscal year)
- Continuously obtaining Health & Productivity Management Outstanding Organizations certification

## The Declaration on Environment, Health and Safety, and Quality

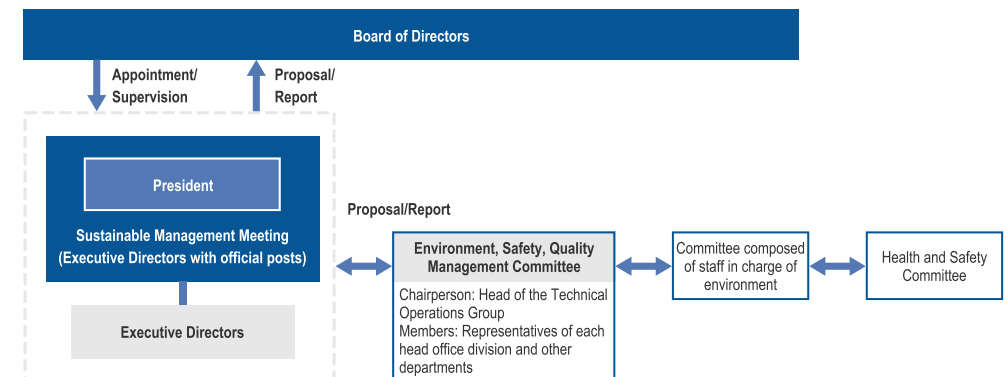
> [The Declaration on Environment, Health and Safety, and Quality](#)

## System

Under the Nippon Kayaku Group's health and productivity management system, we have a committee that is chaired by the head of the Environmental Protection & Safety Division and is composed of staff in charge of environmental safety at Nippon Kayaku's sites and Group companies. This committee reports on the Responsible Care activities conducted by the entire company, each business site and each Group company and shares relevant information to discuss problems and important issues. Also, the Health and Safety Committee established at each business site and Group company holds meetings to check the on-site status of occupational health and safety activities and discuss identified problems.

Moreover, Nippon Kayaku and Nippon Kayaku Health Insurance Society for the health maintenance of employees and their families in an effective and efficient manner through the liaison meeting held for that purpose, where information is exchanged and reports and deliberations are made for health promotion.

## Health and Productivity Management System



## Promotion of Health and Productivity Management

### Promotion of Health and Productivity Management

The Nippon Kayaku Group requires all employees to undergo regular health checkups as the basis for its health and productivity management. Employees receive advice and instructions from the industrial physician depending upon the results.

Moreover, for employees who work with specified chemical substances, we offer opportunities for special health checkups. We also have a database of information about the hazardousness of chemical substances handled by us, based on which we carry out risk assessments to prevent incidents and avoid damage to employees' health. In addition, at each business site, we are promoting THP\* for employees' mental and physical health, aiming to help employees review their lifestyle habits and promote their health in a continuous and planned manner in order to lead even healthier lives. We also hold events such as a physical fitness test, a health management competition, a walking rally and hiking events for employees.

\* THP stands for Total Health promotion Plan for the execution of a PDCA cycle that includes the formulation of a health promotion plan, health testing, health instructions, health promotion based on the instructions, and the improvement of lifestyle habits and revitalization of the workplace.

### Initiatives for Mental Health

In order to improve operational efficiency and create greater value, it is crucial that employees be provided with workplaces where they can work with satisfaction and in good mental and physical health.

Nippon Kayaku made a declaration to introduce a mental healthcare system in the name of the president in 2005 and has since been providing managers with necessary instructions. For mental healthcare, it is important for all employees to continue to acquire accurate information and for the Company to be able to identify those who may be struggling with mental illness at work in order to help them at an early stage. We are therefore focusing on implementing health promotion measures by giving priority to the prevention of mental illness.

Specifically, we started to provide mental health training in FY2005 by inviting speakers from an EAP\* provider to give lectures. Since FY2006, we have been implementing a three-year plan for all employees to receive the training. In FY2021, as in FY2020, we canceled group training due to COVID-19 and instead provided an e-learning seminar on self-care to help employees deal with the changes in their environment caused by the pandemic and other factors.

For those who take leave due to mental illness, we offer a reinstatement program to support their smooth return to work and prevent a relapse based on collaboration between their managers (company) and the industrial physician and counsellor in charge. As for the mandatory stress check program launched in December 2015 in line with the Industrial Safety and Health Act, we have been implementing necessary measures on an annual basis.

\* EAP: Employee Assistance Program

## Health Initiatives Implemented at Each Business Site

### Measures for Sites without Statutory Industrial Physicians

For health management at our business sites where the appointment of an industrial physician was not required by law\*, employees at these sites were unable to be interviewed by industrial physicians after undergoing their statutory health checkups or the screening for adult-onset diseases provided by Nippon Kayaku's health insurance association. In FY2013, we began to conduct examinations for these business sites and decided to send industrial physicians from the Head Office to interview employees at the sites as required.

In FY2014, industrial physicians from the Head Office began to visit these sites across Japan once a year according to a predefined schedule. We also make use of an online conference system for the interviews.

\* Business sites where the appointment of an industrial physician is not required by law: As provided for in Article 13 of the Industrial Safety and Health Act and in Article 5 of the Order for Enforcement of Industrial Safety and Health Act, sites with less than 50 employees are not required to appoint an industrial physician.



## [Important Issues]

# Environmental and Social Considerations in the Supply Chain

## Policy and Basic Approach

The Nippon Kayaku Group has formulated its Basic Procurement Principles and Basic Procurement Policy so that its purchasing activities will be consistent with sustainable management. We will work for the creation of a sustainable society in cooperation with all our suppliers.

## Initiatives for Sustainable Procurement

The Nippon Kayaku Group is working with every member of its supply chain to bring about a sustainable society. To this end, we are conducting procurement activities while giving due consideration to human rights, protection of the environment, occupational health and safety, compliance with laws and regulations, and fair business practices. We have formulated our Basic Procurement Principles and Basic Procurement Policy, and in line with these guidelines have been engaging in procurement activities that are appropriate for sustainable management.

## Basic Procurement Principles

In order to realize the **KAYAKU spirit**, Nippon Kayaku Group will pursue mutual and sustainable growth with suppliers based on the understanding they are important business partners who help us produce products of the best quality. We will strive to conduct procurement transactions that are fair, honest, impartial, and in accordance with relevant laws, social norms, and our Basic Procurement Policies.

### Basic Procurement Policies

#### ◆ Compliance with Relevant Laws, Social Norms, and the Nippon Kayaku Group Charter of Conduct

1. We will comply with all relevant laws and regulations when conducting procurement operations.
2. We will judge the propriety of procurement activities based on Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct and Group Action Guidelines.

#### ◆ Open-door Policy, Fairness, Impartiality, and Transparency in Business Transactions

3. We will conduct procurement-related business transactions in a fair, impartial, and transparent manner, and follow an open-door policy with respect to businesses at home and abroad.
4. In order to ensure transparency in all our procurement activities, we will undertake due procedures based on written documentation or electronic purchasing systems in accordance with the procurement operations standards.

#### ◆ Partnerships with Our Business Partners

5. We will build partnerships with suppliers based on mutual understanding and trust, and pursue mutual sustainable growth.

#### ◆ Protection of Information

6. We will protect supplier-related information obtained in the course of our operations, and strive to prevent any information leakage.

#### ◆ Concern for the Environment

7. We will promote the procurement of eco-friendly goods and materials.

#### ◆ Basic Criteria for Selecting Suppliers

8. When selecting goods and materials, we will give due consideration to economic factors such as quality, price, and date of delivery. We will also consider other factors such as the supplier's operating foundations, technological competitiveness, and stability of supply.
9. When selecting suppliers, we will give due consideration to their commitment to realization of a sustainable society, including their observance of relevant laws and regulations, respect for human rights, concern for the working environment, disaster preparedness and safety measures, efforts toward environmental conservation, and other efforts designed to fulfill their Sustainable.
10. In addition to the above, we will give due consideration to whether or not the potential supplier has a risk management system such as BCP (Business Continuity Plan).

## Promotion of Sustainable Procurement

The Nippon Kayaku Group published the Sustainable Procurement Guidebook, which includes the Nippon Kayaku Group Charter of Conduct, Basic Procurement Principles and Basic Procurement Policy, and is working to obtain the support of all our suppliers for sustainable procurement toward the creation of a sustainable society.

In line with the Guidebook, we are promoting sustainable procurement activities with all our suppliers across the supply chain, including those that we work with for R&D, the procurement of raw materials, manufacturing, sales, and logistics, while respecting human rights and giving consideration to environmental protection, occupational health and safety, legal compliance and fair business practices.

Our efforts to obtain our suppliers' understanding of our Sustainable Procurement Policy include briefings, daily communications and business meetings, and we also request each of them to sign an agreement stating that they will comply with the Sustainable Procurement Guidebook.

We will continue to fulfill our social responsibilities across the entire supply chain for the realization of a sustainable society, thereby gaining the respect and admiration of our customers.

> [Sustainable Procurement Guidebook](#)

## Environmental and Social Assessment of Our Suppliers

In FY 2021, we conducted a questionnaire survey of top about 300 suppliers by purchase amounts. These 300 consisted of our primary suppliers and secondary suppliers from whom we had purchased materials in amounts during the past one year. In the questionnaire, we asked a total of 52 questions about human rights, health and safety, the environment, ethics, management systems, quality and product safety, information security, and BCP items in line with the Sustainable Procurement Guidebook, and 274 suppliers replied. For the respondents, we confirmed through their answers that they were causing no negative environmental or social impacts. We plan to continue doing this survey toward creating a sustainable society in cooperation with our suppliers.

## Initiatives for Procurement Based on Business Continuity Planning (BCP)

Nippon Kayaku is constantly working to obtain up-to-date information on disasters and accidents that have taken place in its supply chain. When we receive such information, we share it across the board by immediately entering it into our in-house database. We also promptly compile a list of the raw materials produced by the affected countries of origin and manufacturers and check the impact on our procurement and inventories, the status regarding resumption of operations at the afflicted manufacturing facilities, and the impact of the incident on our production. We have diversified our procurement sources for many items in line with our BCP and are working to further strengthen these efforts so that we will be able to deal with any contingencies.

## Initiatives to Ensure Transparency Regarding Nippon Kayaku's Relationships with Medical Facilities and Others

### Initiatives to Ensure Transparency Regarding Nippon Kayaku's Relationships with Patient Groups

Nippon Kayaku has built relations of trust with researchers, medical practitioners, patient groups and other parties to contribute to promoting people's health through the provision of pharmaceuticals and other products. Supported by these relationships, we conduct basic research into medicine and pharmacology, engage in clinical development, offer and collect information after the manufacture and marketing of our products and implement safety measures. With regard to the cost of fostering drug discovery and the proper use of pharmaceuticals, we conclude agreements with medical facilities and others and pay compensation as appropriate. We also comply with the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices and other laws as well as with the voluntary norms set by the industry, such as the Japan Pharmaceutical Manufacturers Association (JPMA) Charter of Corporate Behavior, Code of Practice, Promotion Code for Prescription Drugs and Fair Competition Code. Although we conduct our business activities in compliance with these rules, because we are in a position to make donations and pay compensation to them, we are aware that there may be some appearance that we are exerting an influence over the decisions made by medical practitioners.

Based on the recognition that industries that support human life, including the pharmaceutical industry, need to conduct business activities with a high degree of ethics and transparency, Nippon Kayaku set guidelines on the disclosure of information about the provision of funds to medical facilities and patient groups, including information about payments made to such organizations.

> [Initiatives to Ensure Transparency regarding Nippon Kayaku's Relationships with Medical Facilities and Others \(Japanese\)](#)

> [Initiatives to Ensure Transparency regarding Nippon Kayaku's Relationships with Patient Groups \(Japanese\)](#)

## Initiatives

### Safety Systems Group

#### Annual Purchasing Conference

The Safety Systems Group organizes its Annual Purchasing Conference for key suppliers. At the conference, we share information about our earnings forecast for the current fiscal year, the business plan for subsequent fiscal years, the status of our production system, our development plan and medium- to long-term business vision, our procurement policy, and measures for the environment. We do this with an eye to providing suppliers with information that they can refer to when making their own business plans.

Suppliers to the automobile industry, including Nippon Kayaku, need to provide customers with high-quality but low-cost products by predefined deadlines, while making prompt responses to changes in the domestic and international situations, including changes in the materials market and the foreign exchange market. We are striving to provide our own suppliers with useful information through the Annual Purchasing Conference.

At the conference, we also commend suppliers who made exemplary responses to us in terms of quality, cost and deadlines as our outstanding partner companies.



Annual Purchasing Conference held in FY 2019

## Contribution to Local Communities

### Creating a Society Where People Can Lead Healthy and Affluent Lives

#### Asunaro House for Children with Intractable Diseases and Their Families

The Nippon Kayaku Group, as part of commemorative projects marking its 80th anniversary and under the motto of “Let’s assist children with intractable diseases and their families,” owns and operates Asunaro House. Located near central Saitama City, Saitama Prefecture, this extended-stay facility accommodates children undergoing hospitalization and treatment of illnesses and their accompanying family members.

With 10 private rooms of about 18 square meters that are able to accommodate two adults and a child, along with a large dining room and kitchen, the facility serves as a comfortable “home away from home.”

Current and former employees of Nippon Kayaku and its affiliates regularly perform volunteer cleaning and yard work at Asunaro House so that families can enjoy a pleasant stay.

Our goal is to offer a facility that provides opportunities for the families of sick children to find comfort in one another and helps alleviate the mental and financial burden on these families while safeguarding their privacy.

2,395 people

Total number of users per year \*

159 families used the facility annually

\* Jan. to Dec. 2021



Current and former employees volunteering to perform cleaning, yard work and others

#### Message

Since its founding 24 years ago, Asunaro House has hosted a total of 73,416 people and 3,799 families.

From all across Japan, more and more families are coming to us to receive expert and advanced treatments at nearby medical institutions offering pediatric care, including Saitama Children’s Medical Center, Saitama City Hospital and Yamato Acupuncture Clinic.

The number of families staying has been decreasing due to the outbreak of the COVID-19 pandemic in 2020, but we continue to host families daily while enacting measures to prevent the spread of infection.

Since accepting the position of House Manager in 2017, I’ve sought to give the premises a sense of seasonality through decorations and to incorporate new things I have learned through information exchanges with similar facilities nationwide, to make Asunaro House a home for those who stay here.

We will continue to make efforts every day to make this a “home away from home” where children battling intractable illness and their families can stay in safety, ease and comfort.

We cherish every “thank you” that we hear from children who leave the hospital and head back to their real homes with their families.

Yamaji, House Manager



#### Providing Support for LRI Activities

The Long-range Research Initiative (LRI) is a joint initiative of the chemical industries of Japan, the United States and Europe (specifically, the Japan Chemical Industry Association, the American Chemistry Council and the European Chemical Industry Council). As part of the voluntary activities of the International Council of Chemical Associations (ICCA), the LRI supports long-term research into the effects of chemicals on human health and the environment, with a focus on endocrine disrupting effects, neurotoxicity, chemical carcinogenesis, immunotoxicity and elaborating risk factors.

The Nippon Kayaku Group has actively supported the LRI since its launch in 1999 by offering financial support for LRI activities and attending meetings of the committee.

> [LRI](#)

## Sports Promotion

The Nippon Kayaku Group works to support sports activities and holds in-house health promotion events. We will continue to advance a variety of social contribution activities to realize our Corporate Philosophy of safeguarding life and health and supporting comfortable lives.

### ◆ T.League Official Sponsor

We endorse and support the T.League philosophy of enriching lives through the world of table tennis.

Along with our support for the league, we will work to fulfill Nippon Kayaku's Corporate Philosophy of safeguarding life and health and supporting comfortable lives.



> [T.League official website](#)

### ◆ V League: Gold Partner, Wolfdogs Nagoya

Volleyball is a sport that connects players through play. We endorse and support the activities of Wolfdogs Nagoya, a team that upholds the idea of bringing people together.



> [Wolfdogs Nagoya official website \(Japanese\)](#)

### ◆ Participation in the Scrum Japan Program as a supporter

We serve as a supporter of Scrum Japan, a program launched by the Japan Rugby Football Union to carry out rugby-based activities to nurture and educate the children and adolescents who will one day shape our future.

Endorsing the program's aims, we will participate as a supporting member and provide support as a part of our social contribution activities.



> [Scrum Japan Program official website \(Japanese\)](#)

### Nippon Kayaku Head Office

## Certified as a 2021 Tokyo Metropolitan Government Sports Promotion Company

Nippon Kayaku was certified by the Bureau of Olympic and Paralympic Games Tokyo 2020 Preparation as a 2021 Tokyo Metropolitan Government Sports Promotion Company. Under the certification system for this program, the Tokyo Metropolitan Government recognizes companies that demonstrate outstanding efforts in promoting employees' sports activities and social contribution activities in the field of sports.

Nippon Kayaku will continue to engage in health promotion events and actively work to improve our employees' health.



> [Tokyo Metropolitan Government Sports Promotion Company Certification System](#)

## Supporting the Development of the Next Generation

### Initiatives to Develop the Next Generation of Leaders

To help raise the next generation of leaders, the Nippon Kayaku Group takes the following four approaches to teach children about the wonders of chemistry: outreach classes, learning collaboration, site visits and the organization of events.

In FY2021, due to the COVID-19 pandemic, we cancelled or postponed the planned events, or switched to holding them online.

## Outreach Classes

Based on our own educational program, we develop outreach classes in line with elementary schools' guidelines and hold the classes at schools around our plants and research facilities.

### ◆ Outreach class: “Discovering the body! Mechanisms of the body and its relationship to medicine”

In this class, we provide a curriculum to teach students the following four concepts through experimentation, developed based on “Constitutions of the Human Body and Functions” as a science subject related to the pharmaceutical business.

1. How are nutrients absorbed into the bloodstream after being digested; how do they circulate throughout the body?
2. How do medicinal ingredients become absorbed into the bloodstream from the small intestine; how do they circulate throughout the body?
3. The close relationship between the efficacy of medicines and the body's mechanisms.
4. The efforts being made by pharmaceutical companies to devise various measures and develop products

### Takasaki Plant Class for sixth-graders at Takasaki Iwahana Elementary School

An outreach class was hosted for sixth-graders at Takasaki Municipal Iwahana Elementary School in June 2019.

Employees from the Takasaki Plant with highly specialized knowledge acted as the teacher and teaching assistants.

Although somewhat out of their comfort zone, they strived to bond with the students so as to promote a clear understanding and share their advice. We will continue to hold outreach classes like this one in order to instill an interest in chemistry among schoolchildren, hoping that they will go on to be productive members of society.



Class held in FY 2019

### Tokyo R&D Administration Office Class for sixth-graders at Kita City's Nadeshiko Elementary School

An outreach class was hosted for sixth-graders at Kita City's Nadeshiko Elementary School in July 2019.

Researchers from the Pharmaceuticals Research Laboratories and Functional Chemicals R&D Laboratories served as the teacher and teaching assistants. The students were captivated by the experiments performed and gave them their undivided attention. The outreach class experience was also appreciated by teachers at the school. Through this event, students were encouraged to learn more about chemistry as well as to understand more about Nippon Kayaku.

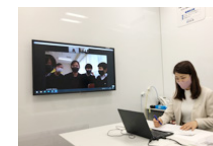


Class held in FY 2019

## Learning Collaboration

### Nippon Kayaku Head Office Collaborating on learning with Kudan Secondary School in Chiyoda City

Nippon Kayaku collaborates with Kudan Secondary School, located in the Company's previous head office area in Chiyoda City, Tokyo, to help children learn about the local area in the school's comprehensive learning classes. We have continued to do this as a local contribution activity even after relocating our headquarters to the Marunouchi area in 2014. Every year, we invite students to Nippon Kayaku for an introduction to the Company, a lesson on advertisement production, an explanation of an assignment, a company tour and other activities, with students presenting us with their completed assignment at a later date.



Assignment: “Think about an advertisement unique to Nippon Kayaku that would attract people's interest!”

This year, due to COVID-19, we held the event using a teleconferencing system. One of our employees who has created advertisements as a member of the public relations team gave a class on ads, discussing “what, how and to whom” an ad should communicate to be effective. Students put forth ideas and deepened their discussion in groups. They delivered an interim report one month later, then a final report using PowerPoint a month after that.

We will continue this effort as an aid to students' learning.

## Site Visits

### Himeji Plant Initiatives to cultivate the next generation

We invited sixth-graders from a nearby elementary school for a workshop to create fizzy tablets that resemble the gas-forming agents produced at our Himeji Plant.

The children also watched a video on the importance of airbags and the combustion of gunpowder, and experienced component and product quality inspections at our “DOJO” facility for in-house hands-on education.

We will continue to devise measures to communicate the fascination of science and the fun of creating things.



Workshop held in FY 2018



## Events

### Asa Plant Science Expo hosted by the City of Sanyo-Onoda “Using Chromatography to Make Round Fans” event for elementary and junior high school students

The Asa Plant participates in the annual Science Expo hosted by the City of Sanyo-Onoda. Under this year’s theme, “Let’s Play with Color,” we performed chromatography experiments and provided students with a chance to experience the world’s only round fan making event.

Children were able to get a sense of the wonders of science as we explained how to use color separation when making the fans.



Event for children held in FY 2019

### Tokyo R&D Administration Office Held class for elementary school children during summer vacation

A summertime class for elementary school students between grades three and six was held at Nadeshiko Elementary School in Kita City, Tokyo in August 2019.

Members of our Tokyo R&D Administration Office and our other research laboratories collaborated in holding experiments using acrylic resins, which are photosetting resins. The children were excited to see the liquid acrylic resin become solid when exposed to light. Going forward, the office will continue to host events such as this for students to engage their interest in chemistry while learning more about Nippon Kayaku.

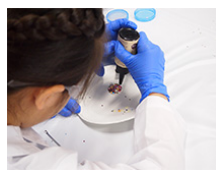


Class held in FY 2019

### Tokyo R&D Administration Office and Head Office Hosted by the Japan Chemical Industry Association (JCIA) The Summer Children’s Science Experiment Show: Experience-based Classroom

Nippon Kayaku participated in the Summer Children’s Science Experiment Show for elementary school students held for two days on August 3 and 4, 2019, at the Science Museum (Kudanshita, Tokyo). More than 200 children took part in the event.

With the theme, “A Shiny Key Holder Made of Resin: The Riddle of a Strange Liquid That Hardens in the Light,” participants made objects using photosetting acrylic resin. This was the first time we chose photosetting resin as the theme for the Summer Children’s Science Experiment Show. Participating children had fun and cheered when they finished making unique key holders using shiny beads along with a decal of Kayakuma the Bear.



Class held in FY 2019

### Kayaku Safety Systems de Mexico, S.A. de C.V. Educational support program

As part of its sustainability promotion activities, Kayaku Safety Systems de Mexico (KSM) holds an annual competition for its employees’ children with an eye to supporting their education. This program is intended to help motivate the children to greater learning. In the recent competition, each participating child drew a picture of Nippon Kayaku’s mascot, Kayakuma the Bear, guided by such themes as “commitment,” “teamwork” and “consideration to the environment and safety,” which are values upheld by KSM. Then, at the end of the event, each of the children was given a “scholastic kit” consisting of an official KSM backpack, useful school supplies and souvenirs.

KSM is thus supporting its employees’ children in their studies to promote their academic development and future careers.



## Initiatives in Local Communities

The Nippon Kayaku Group strives to foster understanding of its business activities in local communities through festivals and open houses at its plants and facilities, educational programs, donations and other forms of support, blood drives, the Pink Ribbon campaign, clean-up campaigns and roundtable discussions.

Going forward, we will organize various platforms to proactively make exchanges and communicate with local people to be a company that is deeply rooted in the local community.

## Nippon Kayaku's Agreements with Local Entities

Business Site	Agreement	Local Entity
Fukuyama Plant	Agreement on environmental pollution control	Hiroshima Prefecture and Fukuyama City
Asa Plant	Agreement on water pollution control	Yamaguchi Prefectural Fisheries Cooperative
	Agreement on environmental protection	Sanyo-Onoda City
Tokyo Plant	Green agreement	Adachi City
	Agreement on establishing Colored Effluent Issue Council	Tokyo Metropolitan Bureau of Sewerage No. 2 Control Office
	Agreement on mutual disaster relief support in case of an earthquake	Shinden Neighborhood Association and Shinden 1-chome Residents' Association in Adachi City
	Agreement to provide the general public with access to a small water pump storage facility	Senju Fire Department
Tokyo R&D Administration Office	Provision of firefighting facilities 1. Provision of water for firefighting 2. Deployment of a boat for rescues 3. Firefighting group cooperation site 4. Use of rooftop as a lookout	Tokyo Fire Department Akabane Fire Station
Takasaki Plant	Agreement on assistance from voluntary firefighting brigade	Regional fire departments including that of Takasaki City
Himeji Plant	Memorandum on effluent control	Himeji City
Kashima Plant	Agreement on environmental pollution control	Ibaraki Prefecture, Kashima City, Kamisu City

### Asa Plant Ganbaro ASA! "Fireworks for hope"

Wanting to lift the spirits of spectators and give them a bit more hope for tomorrow, the plant organized a fireworks event again this year, as in the previous year, to express our gratitude to locals for their support and to medical practitioners for their efforts to stem the pandemic. With the support of local people, we were able to use a space in the Kaji port area of Sanyo-Onoda City to launch the fireworks. We also livestreamed the event for the first time on our official YouTube channel so that more people could view the 15-minute fireworks display. We were able to deliver a bit of cheer in the face of the pandemic, with spectators at the site applauding the colorful fireworks as they lit up the night sky. We would like to thank everyone who contributed to the event.



### Tokyo Plant Granted a prize from each of the TFD Fire Chief and the president of the Tokyo Disaster Prevention & Emergency Medical Service Association

In November 2021, the Tokyo Plant received two prizes, one from the Tokyo Fire Department (TFD) Fire Chief and one from the president of the Tokyo Disaster Prevention & Emergency Medical Service Association.

The plant was granted the prizes in recognition of its long-term cooperation with the Senju Fire Department. The Tokyo Plant is one of only a few chemical plants that still exist in Tokyo and it has been fostering collaboration with the local fire department by holding a comprehensive disaster control drill every year and participating in the meetings held by the Senju Fire Department to review voluntary firefighting training.

The plant will continue its operation while giving first priority to safety.

