

[Important Issues] Risk Management

Policy and Basic Approach

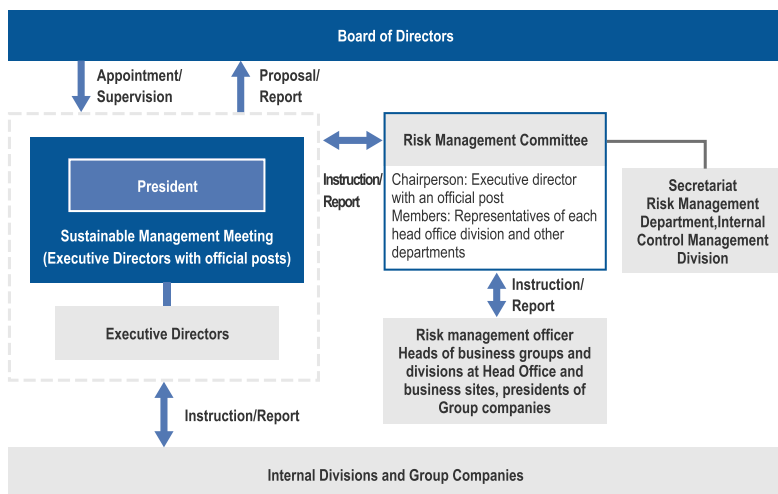
The Nippon Kayaku Group's risk management policy is to address various risks related to its business and secure business continuity by maintaining the production system, procuring appropriate raw materials and strengthening measures against disasters.

To restore our business within a predetermined target time in the event of an emergency such as a disaster, the Head Office and each business division and plant have established their own business continuity plan (BCP) manuals and our overseas business sites are also preparing their own versions of the manuals.

System

Risk Management Committee (twice a year)

The Nippon Kayaku Group has in place a Risk Management Committee chaired by an executive director with an official post appointed by the president and comprised of representatives from each group and division at the Head Office. The committee configures and manages a risk management system to prevent risks that could inflict serious damage on the Nippon Kayaku Group's corporate management and business activities, respond to emergencies and recover from any damage inflicted by a crisis when it comes to an end.



Securing Business Continuity

Risk Control Activities by Business Groups/Divisions and Top Five Risk Control Activities

As part of its risk management initiatives, Risk Control Activities by Business Groups/Divisions and Top Five Risk Control Activities are carried out at the Nippon Kayaku Group.

The former activities involve identifying risks that may exert a significant impact on our business activities from a business management viewpoint at each of the nine business groups and divisions, discussing and implementing countermeasures and conducting a review at the end of March every year.

The latter activities are conducted at plants and laboratories, pharmaceutical branches and sales offices, and Group companies worldwide. Each of the business sites identifies the five most critical risks that might affect their own business operations, discusses and implements measures against them and conducts reviews.

From these two perspectives, we exhaustively grasp and analyze risk trends, hold discussions at the Risk Management Committee and use the outcomes to make management decisions.



Initiatives

Information Security Initiatives

Using the code of conduct for information handling set forth in the Nippon Kayaku Group Charter of Conduct and Code of Conduct, we strive to protect corporate information as part of our daily operations and continuously pursue information security initiatives. We strengthen information security throughout the Company by controlling and monitoring information security across the board on an ongoing basis and devising programs to prevent data leaks and illegal data acquisition by third parties. Based on our Corporate Information Management Regulations, our companywide rule, corporate information managers appointed at each business site draft their own versions of regulations for their respective workplaces. In addition, we work to raise each and every employee's awareness about information security by organizing periodic information security training sessions for all employees and conducting annual information security self-checks.

In FY2021, as in the preceding fiscal year, we worked to clarify the communication and response procedures to be taken in the event of an information security incident, and to enlighten all our employees through training. There were no cases falling under specific complaints concerning customer privacy violation or the loss of customer data in FY2021.

Risk Management Training

The Nippon Kayaku Group implements the Plan, Do, Check and Act (PDCA) cycle continuously so that it can minimize and raise awareness of risks. As part of these efforts, we conduct risk management training for all employees. Also, a separate risk management training session is organized for new hires, newly appointed managers and Japanese expatriate employees being assigned overseas.

Risk Management System

We have established our Risk Management Regulations and BCP Manuals, among others, in preparation for risks that could have a serious impact on corporate activities in an effort to enhance our risk management system.

The Risk Management Regulations were set forth in FY2022 by modifying the Risk Management Manual, which was formulated in FY2000 with the aim of appropriately managing and addressing all kinds of risks surrounding the Nippon Kayaku Group.

Business Continuity Plan (BCP)

Preparing BCP Manuals

Under its policy of restoring business within a predetermined target time, the Nippon Kayaku Group has launched a cross-organizational BCP project, whereby all of our domestic business divisions and plants have compiled BCP Manuals. In addition, the Group is preparing BCP Manuals at overseas business sites in order to respond to global risks.

BCP Training

Ongoing BCP training is critical for organizations to take prompt action in accordance with the BCP Manual. We annually hold BCP training, which is attended by all directors including the president.

In FY2021, we conducted an action simulation training on business continuity at the Pharmaceuticals Group, on the presumption that an earthquake had struck North Kanto. Furthermore, we also implemented a simulation training at our Chinese plant, which involved taking immediate action in a fire and engaging in the ensuing restoration.

We will be holding more BCP drills based on various scenarios.

Fire and Disaster Prevention Training



To be prepared for emergencies, all the business sites and Group companies of the Nippon Kayaku Group hold regular fire drills, disaster drills, BCP drills and emergency communication drills. In FY2021, some business sites carried out simplified group drills on paper in light of the COVID-19 pandemic.

Agrochemicals Business Reporting drill

Our Agrochemicals Business handles such substances as Kayaku Chloropicrin, Dojo Picrin and Chlopic Flow, which have chloropicrin as their active ingredient and are used for fumigating soil when cultivating vegetables to protect them from diseases and insect pests.

In November 2020, we conducted an emergency response dispatch and reporting drill based on the assumption that a truck loaded with Dojo Picrin had overturned on an expressway, resulting in its containers falling off and causing a spill of the substance. While liaising with our partner companies and business sites, the drill participants checked the accident site, sent faxes and arranged for emergency vehicles, and an emergency dispatch team loaded equipment onto the emergency vehicles. All involved engaged earnestly in the true-to-life simulation.



Reporting drill

Takasaki Plant Fire and disaster management activities

Since the Great Hanshin-Awaji Earthquake, increasing capacity to respond to large-scale earthquakes has become an important issue. Given this, the Fire Service Act was partially revised, and the Disaster Prevention Management System was newly established in accordance with the current Fire Prevention Management System. The size of the Takasaki Plant necessitates disaster prevention management, so in addition to the conventional firefighting drill held annually, the plant now holds a drill to prepare for a major earthquake. The plant thus holds a comprehensive fire prevention drill in the spring, and in the fall holds a comprehensive disaster prevention training session based on the scenario of a major earthquake with a seismic intensity of upper 6. All employees participate in both training sessions, in which they are divided into a main team and regional teams, engaging in training for evacuation/guidance, rescue/first aid, communications using satellite phones, liaison, and protection measures.

The Takasaki Plant is surrounded by rivers and forests, which also exposes it to the risk of wild fires. With this in mind, the plant's firefighting brigade conducts fire extinguishing drills, using its own fire truck, along with the drills above. All participants take the drills seriously. With the nearby fire chief visiting to assess and comment on the drill every year, the activities are truly beneficial to all involved.

Furthermore, we offer fire drills using actual fire extinguishers as part of our safety education for new hires, and life-saving training using AEDs during Safety Week in October each year.

Furthermore, following the Great East Japan Earthquake, we have systematically maintained stocks of emergency food (1,000 meals), drinking water and fuel (diesel and gasoline) in preparation for an emergency.



◆ Disaster drill at the Nippon Kayaku Group

/: Unrealized due to lease limitations

-: Not applicable

*: [Comprehensive disaster prevention training] Liaising with competent fire station; training for reporting, evacuation, firefighting, etc.

☎: In possession of IP wireless transceiver

| Business site / Company name | Comprehensive disaster prevention training* | Early-stage firefighting training using extinguishers and hydrants; firefighting training | Reporting drill; evacuation drill; satellite phone drill | Earthquake/flood simulation training | First-aid training; AED training | Lectures or study sessions | Spillage response training; sandbag placement training |
|--|---|---|--|--------------------------------------|----------------------------------|----------------------------|--|
| Head Office, Nippon Kayaku | ● | ● | ●☎ | ● | ● | ● | - |
| Fukuyama Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Asa Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Tokyo Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Joetsu Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Takasaki Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Himeji Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Kashima Plant | ● | ● | ●☎ | ● | ● | ● | ● |
| Tokyo R&D Administration Office | ● | ● | ●☎ | ● | ● | ● | - |
| MOXTEK, INC. | × | ● | ● | × | × | ● | - |
| WUXI POLATECHNO OPTICS | ● | ● | ● | ● | - | ● | ● |
| Dejima Optical Films | × | ● | ● | × | ● | ● | - |
| NIKKA FINE TECHNO | - | ● | / | ● | - | ● | - |
| Nippon Kayaku Korea | - | / | ● | / | / | ● | - |
| NIPPON KAYAKU AMERICA | - | / | ● | / | ● | ● | - |
| Euro Nippon Kayaku | - | - | ● | - | - | × | - |
| KAYAKU CHEMICAL (WUXI) | ● | ● | ● | × | ● | ● | × |
| KAYAKU Advanced Materials | ● | ● | ● | - | ● | ● | ● |
| WUXI ADVANCED KAYAKU CHEMICAL | ● | ● | ● | ● | ● | ● | ● |
| Shanghai KAYAKU International Trading | - | ● | ● | - | - | ● | - |
| NIPPON KAYAKU FOOD TECHNO | ● | ● | ● | ● | ● | × | - |
| Tumor Diagnosis Support | - | / | ● | / | / | × | - |
| Taiwan Nippon Kayaku | ● | ● | ● | - | ● | ● | - |
| Kayaku Safety Systems Europe | ● | ● | ● | - | ● | ● | ● |
| Kayaku Safety Systems (Huzhou) | ● | ● | ● | - | ● | ● | ● |
| Kayaku Safety Systems de Mexico | ● | ● | ● | - | ● | ● | ● |
| Kayaku Safety Systems Malaysia | ● | ● | ● | - | ● | ● | ● |
| Nishiminato Driving School Corporation | / | ● | ● | × | × | × | - |
| Okiura Golf Center | - | ● | ● | × | ● | × | - |
| Kayaku (Shanghai) | - | ● | ● | - | - | ● | - |
| Japan Human Resources Medical Science Research Institute | ● | ● | ● | ● | ● | ● | - |
| Wako Toshi Kaihatsu | ● | ● | ● | ● | ● | ● | - |
| Kowa Sangyo | ● | ● | ● | ● | ● | ● | ● |
| Gunnan Sangyo | ● | ● | ● | ● | ● | ● | ● |
| Kayaku Japan (Head Office) | ● | ● | ● | ● | ● | ● | - |
| Kayaku Japan (Asa Plant) | ● | ● | ● | ● | ● | ● | ● |