

Sustainability in the Nippon Kayaku Group

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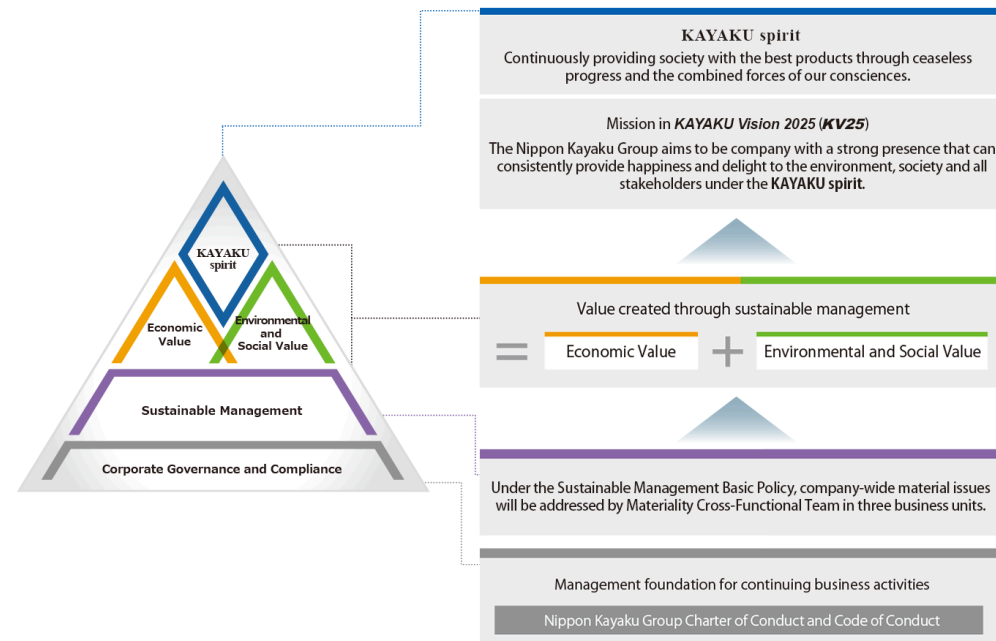
Policies and System

Corporate Vision

KAYAKU spirit

Continuously providing society with the best products through ceaseless progress and the combined forces of our conscience.

Through the implementation of sustainable management guided by our **KAYAKU spirit**, we at the Nippon Kayaku Group are aspiring to create both environmental and social value in our quest to realize a sustainable society and increase corporate value. To make the **KAYAKU spirit** a reality, we have fixed a [Nippon Kayaku Group Code of Conduct and Charter of Conduct](#) to define our scope and boundaries for action. We are thus, through various corporate activities, showing respect for basic human rights, performing proper compliance, conducting business fairly, and repaying the trust of our stakeholders.

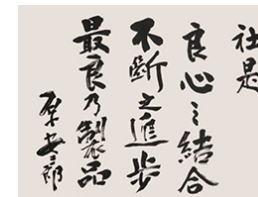


Origins of the KAYAKU spirit

1916: Company established

1962: Company creed determined

1962 saw our company creed decided upon by our third president, the long-serving Yasusaburo Hara, who wished to simply convey to both executives and employees the important ideas they should jointly share.



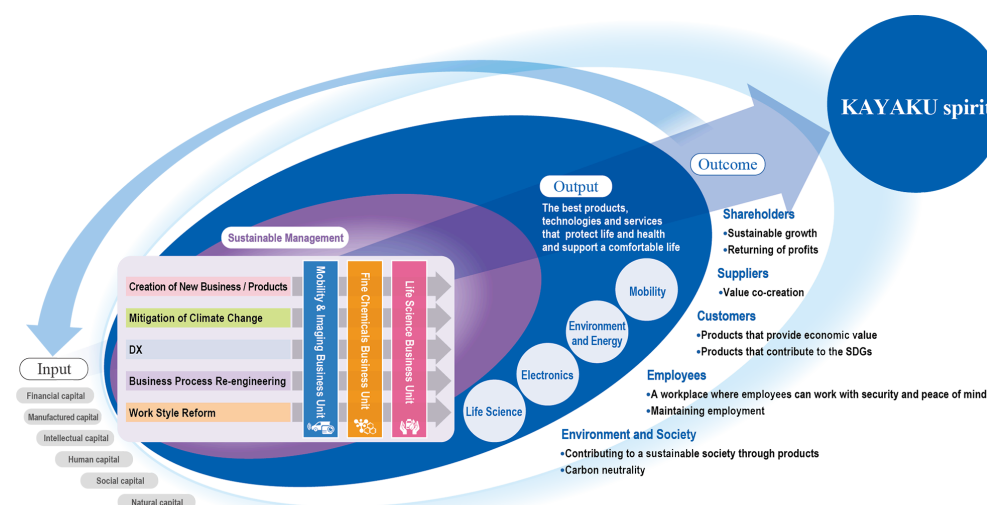
Policy and Basic Approach

Basic Policy on Sustainable Management

Under its corporate vision, the **KAYAKU spirit**, the Nippon Kayaku Group will practice sustainable management that responds to the trust placed in it by all of its stakeholders, by ensuring transparency and fairness in management and contributing to the creation of a sustainable environment and society through its business activities.

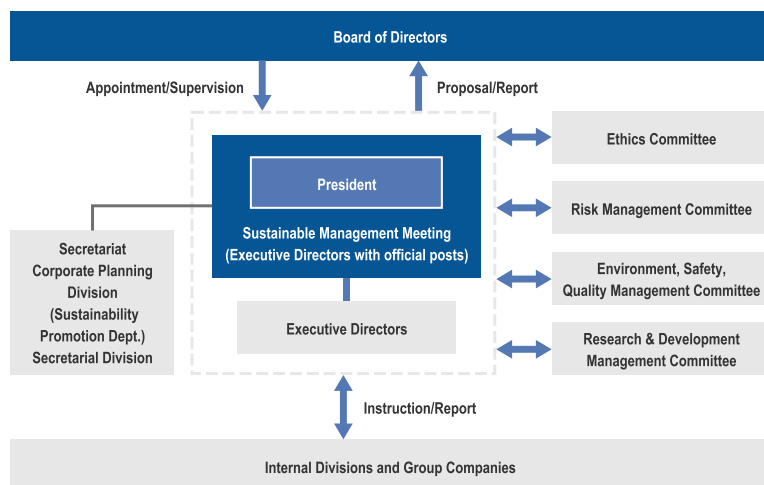
The Nippon Kayaku Group's Value-creation Process

Our **KAYAKU Vision 2025 (KV25)** Medium-term Business Plan seeks to furnish society with the best products, technologies and services in the four fields of Mobility, Environment & Energy, Electronics and Life Sciences through the input of six forms of capital and the united sustainable management practices of our three business units and the M-CFT. (The latter takes a company-wide cross-cutting approach towards the five important issues of Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering, and Work Style Reform). Through creating economic, environmental and social value for all our stakeholders do we aim to raise our sustainable corporate value.



System

Under the direct supervision of our Board of Directors, and via our Sustainable Management Meeting with our president as chair, the Nippon Kayaku Group is promoting sustainability across the entire organization. In principle, the Sustainable Management Meeting agrees to meet once a week to discuss and receive reports upon general matters related to the sustainability of the company, society and the environment. Matters approved by this Meeting are referred to the Board of Directors for further discussion. Operating under this Meeting are four committees on Ethics; Risk Management; Environment, Safety and Quality Management; and Research and Development Management. All committees meet on both a regular and ad hoc basis (when required), and their reports to the Sustainable Management Meeting serve to guarantee transparency and fairness in management.



Company-wide Diffusion

When it comes to our corporate vision and sustainable management policies, the Nippon Kayaku Group utilizes a variety of communication tools to deepen employee understanding and achieve group-wide permeation. Such communication tools include: Business Management meetings, Medium-term Management Strategy meetings, group training sessions such as those for new recruits and new managers, e-learning, and company bulletins.

In conjunction with the 2022 launch of our **KAYAKU Vision 2025 (KV25)** Medium-term Business Plan, we released explanatory pamphlets on our corporate vision, sustainable management, **KV25** itself, and the Nippon Kayaku Group Human Rights Policy. We also created mobile phone cards and notice boards emblazoned with our Group's corporate vision and a statement on the ideal form we are working towards, which can therefore be checked at any time. Thus do our diffusion efforts aim at achieving a situation whereby decisions and actions are fully based on our corporate vision and ideal future form. The contents of our pamphlets, mobile phone cards and notice boards have been translated into the language of every overseas country hosting a Nippon Kayaku manufacturing base (English, Chinese, Spanish, Malaysian and Czech) and distributed to all Group executives and employees.

By diffusing our corporate vision and sustainable management policies to employees with a diverse array of jobs across the world - be they working in manufacturing, development, sales or management - can we aim for a style of Group management with a greater unity of purpose.



Explanatory pamphlet

Notice board

KAYAKU spirit

最良の製品を
 不断の進歩と
 良心の結合により
 社会に提供し続けること

日本化薬グループのありたい姿
 KAYAKU spirit のもと、存在感をもって、
 永續的に環境、社会、すべてのステークホルダーに
 幸せやうれしさを提供できる会社であること

世界的な持続可能性
 日本化薬

Japanese

KAYAKU spirit

Continuously providing society
 with the best products through
 ceaseless progress and
 the combined forces of
 our consciences.

Mission in KAYAKU Vision 2025 (KV25)
 The Nippon Kayaku Group aims to be a company
 with a strong presence that can consistently provide
 happiness and delight to the environment, society
 and all stakeholders under the KAYAKU spirit.

Global "ukuma" Ideas
 NIPPON KAYAKU

English

KAYAKU spirit

通过不断进步与
 良知的结合，
 持续向社会提供
 最优质的产品。

日本化薬集团的应有的面貌
 在 KAYAKU spirit 之下，成为具有存在感，
 并持续向环境、社会 and 所有利益相关方提供
 幸福和喜悦的公司。

Global "ukuma" Ideas
 NIPPON KAYAKU

Chinese

KAYAKU spirit

Proporcionar continuamente a la
 sociedad los mejores productos
 mediante el progreso
 constante y la
 unión de conciencias.

La forma ideal del Grupo Nippon Kayaku
 Ser una empresa que pueda proporcionar felicidad y
 alegría al medio ambiente, a la sociedad y a todas
 las partes interesadas de forma duradera, con un
 sentido de presencia bajo el KAYAKU spirit.

Global "ukuma" Ideas
 NIPPON KAYAKU

Spanish

KAYAKU spirit

Untuk terus menyediakan
 masyarakat dengan produk
 terbaik melalui gabungan
 kemajuan berterusan dan
 hati nurani kita.

Visi Kumpulan Nippon Kayaku
 Menjadi sebuah syarikat yang dapat memberikan
 kebahagiaan dan kegembiraan kepada alam sekitar,
 sosial, dan semua pihak berkepentingan secara
 berkekalan dengan kehadiran tersendiri di bawah
 KAYAKU spirit.

Global "ukuma" Ideas
 NIPPON KAYAKU

Malay

KAYAKU spirit

Trvale poskytovať spoločnosti
 ty najlepšie výrobky skrze
 neustály pokrok a sdílené
 morální hodnoty.

Poslání skupiny Nippon Kayaku
 V souladu s KAYAKU spirit chceme být společností,
 která neustále přispívá životnímu prostředí a svou
 existencí přináší štěstí a radost lidské společnosti
 i všem zainteresovaným stranám.

Global "ukuma" Ideas
 NIPPON KAYAKU

Czech

KAYAKU spirit Diffusion Activities with the aid of Kayaku-ma

For the purpose of getting all of our globalizing Nippon Kayaku Group employees to easily familiarize themselves with the **KAYAKU spirit**, we have created a **KAYAKU spirit** Diffusion Mascot: Kayaku-ma. Kayaku-ma now appears in our company bulletins, adding to our reader-friendly visual explanations of model sustainability activities and exemplary implementation of our corporate vision. And our efforts to ensure Kayaku-ma – the embodiment of our corporate vision – is never far away from employee eyes have included putting him on memos, plastic files, meeting room entrances and lockers. Kayaku-ma is already a registered trademark, and, as a Nippon Kayaku Group mascot, appears on company advertising and even on novelty goods at company festivals.

[Kayakuma's Room](#)

Diffusion Mascot Kayaku-ma

Meeting room and locker

Development Activities & Training Chart

Training type	Main contents	Chiefly targeted at	FY	Format	Number of times	Take-up rate
Sustainability training	Corporate Vision and Sustainable Management, KV25 Materiality, respect for human rights, SDGs, anti-corruption, identification of human rights risks	Executives, employees, (including contract and part-time employees), temporary employees	2023	E-learning	6	84% (average)
New hire training*	Climate change measures and respect for human rights in relation to Nippon Kayaku Group Sustainable Management	New recruits	2023	Group training	1	100%
New manager training*	Climate change measures and respect for human rights in relation to Nippon Kayaku Group Sustainable Management	New managers	2023	Group training	2	100%

* Held annually

Nippon Kayaku Group Sustainability Report 2024

SDGs Endorsement and Action Plan

The Sustainable Development Goals (SDGs), unanimously adopted by United Nations Members, represent the 17 social, economic and environmental targets that institutions, organizations and bodies must strive to meet by FY 2030 in order to construct a sustainable world.

The thinking behind these SDGs is practically synonymous with the Nippon Kayaku Group's corporate vision, expressed as:

"Continuously providing society with the best products through ceaseless progress and the combined forces of our conscience." We therefore believe that, although the scale and targets are different, the corporate activities undertaken to realize the **KAYAKU spirit** are very much aligned with the SDGs.

Nippon Kayaku Group's [Sustainability Action Plan](#) makes use of the SDG Compass to tie all our important issues to the 17 SDG targets.

Hence, through creating environmental, social and economic value, and pursuing both a sustainable society and increased corporate value, are we also contributing to the achievement of the 17 SDGs.

SUSTAINABLE DEVELOPMENT GOALS



Sustainable Management

Sustainable Management and the Medium-term Business Plan

Mission in *KAYAKU Vision 2025 (KV25)*

The Nippon Kayaku Group aims to be a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**.

Our **KAYAKU Vision 2025** Medium-term Business Plan (**KV25**) lays in place the strategies we will deploy to put sustainable management into practice. Through the activities of our 3 business units and our [KV25 Materiality](#) initiative will we create both economic and social value that contributes to the realization of a sustainable society.

KAYAKU Vision 2025 Basic Strategies

Promotion of sustainable management	By implementing a value creation process can we deliver economic, environmental and social value, and help resolve social issues.
Prioritized distribution of management resources based on business portfolios	Our 3 business units of Mobility & Imaging, Fine Chemicals and Life Sciences will prioritize the distribution of management resources towards the most promising product lines
A cross-cutting company-wide team to deal with important issues	Our cross-cutting company-wide team (M-CFT) will engage with the issues of Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering, and Work Style Reform, and pave the way for our sustainable growth
Strengthening our management base	<ul style="list-style-type: none"> Guaranteed safety Improved product and service quality A thorough approach to compliance Strengthened corporate governance

➤ [Medium-term Business Plan: *KAYAKU Vision 2025 \(KV25\)*](#)

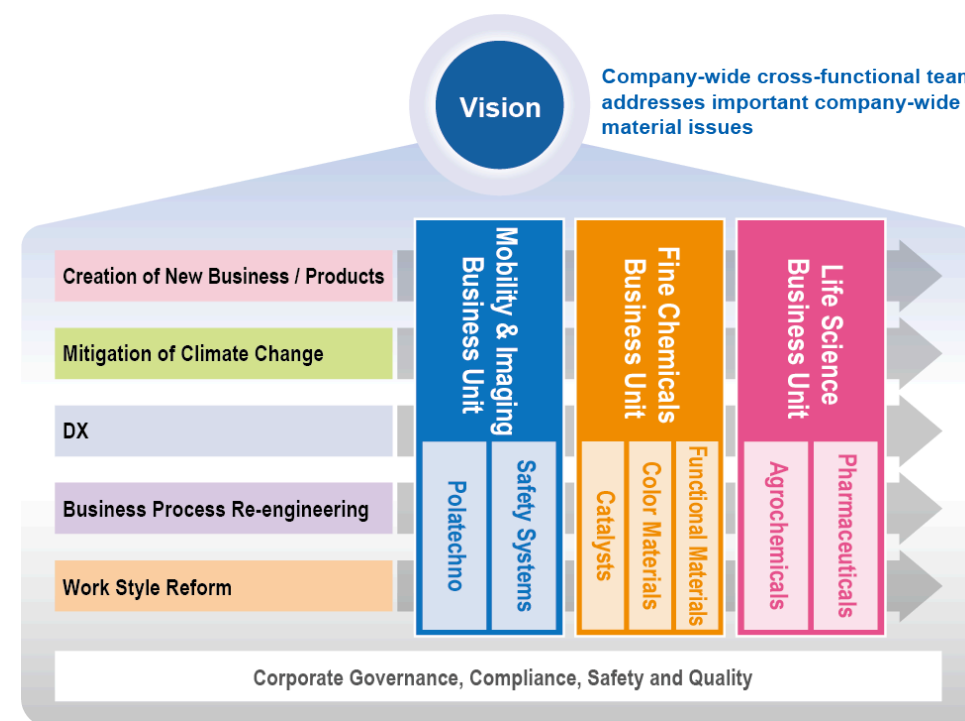
Materiality

With a view to contributing towards a sustainable environment and society, our **KAYAKU Vision 2025** Medium-term Business Plan will also tackle important company-wide issues and key sustainability issues - to be collectively referred to as **KV25 Materiality**." So that we may help realize a sustainable environment and society with our basic policies on sustainable management, **KV25** will prioritize the tackling of important company-wide issues and complement this by addressing key sustainability issues in tandem.

➤ [Materiality](#)

Realizing the Nippon Kayaku we Desire: Important Company-wide Issues

"Corporate governance, compliance, safety and product quality" form the base of Nippon Kayaku Group activities. **KV25's** cross-cutting project will see us tackle the 5 important company-wide issues of Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering, and Work Style Reform. The synergies we derive from the activities of our 3 business units and cross-cutting M-CFT efforts will help bring into being the Nippon Kayaku we want to see.



➤ [Important Groupwide Issue Initiatives](#)

KV25 Vision for the Three Business Units

Business Unit	Group	Vision
Mobility & Imaging Business Unit	Safety Systems	Provide safety solutions to people around the world with products that support changing mobility technologies, and become a global brand that contributes to society
	Polatechno	Contribute to the diversification of displays in the mobility field and to human health, safety and security by providing highly durable polarizers, retardation films and various other highly functional optical components and X-ray components
Fine Chemicals Business Unit	Functional Materials	Continue to supply the best products, technologies and services to make social contributions through the establishment of a super-smart "Society 5.0" and environmental protections
	Color Materials	Contribute to resource conservation by supporting the digitalization of society through the provision of inkjet colorants and functional colorants
	Catalysts	Contribute to the enrichment of people's lives and the reduction of CO ₂ emissions by providing catalysts with higher yields in producing acrylic acid and methacrylic acid
Life Science Business Unit	Pharmaceuticals	<ul style="list-style-type: none"> Develop excellent pharmaceuticals and medical devices that provide new diagnostic and treatment opportunities Stable supply of Biosimilars and generic drugs, contributing to people's health
	Agrochemicals	Support the food supply, and contribute to the development of sustainable agriculture by continuing to provide excellent eco-friendly agrochemicals and related technologies and services

Mobility & Imaging Business Unit

◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality
Safety Systems Business		
<ul style="list-style-type: none">Recovery of worldwide automobile production from the impact of COVID-19, and mitigation of the semiconductor shortageThe installation rate of safety components is increasing, primarily in emerging countriesGrowing new demand due to EVs, etc.Expansion of applications such as drone transportation, etc., and demands for safety assurances	<ul style="list-style-type: none">Technology and inherited expertise to handle explosives safelyIndustry top-level market share in automotive safety componentsGlobal expansion of locations	Inflators
		<ul style="list-style-type: none">Expansion of production bases for cylinder-type inflators (Japan, China, Malaysia)Expand of sales to customers in China and South KoreaDeveloping next-generation inflators
		Micro gas generators / squibs / pyrotechnic products
		<ul style="list-style-type: none">Securing next-generation module projects from customersSecuring increased volume projects, such as for rear seatsExpansion of applications such as pedestrian protection and electric current shut-offConsideration of new pyro device applications
		Drone safety components
<ul style="list-style-type: none">Expansion of sales of PARASAFE® for 25kg dronesDevelopment and market launch of PARASAFE® for 15kg dronesDevelopment of safety parts for flying cars and large drones		
Polatechno Business		
<ul style="list-style-type: none">Evolution and expansion of automotive display functionsGrowing demand for recycling rare metals	<ul style="list-style-type: none">Optical and electromagnetic wave control technologies and microfabrication technologiesProprietary highdurability dye synthesis technologies for polarizers	<p>Light-controlling products made from proprietary materials contributing to the realization of a Super Smart Society</p> <ul style="list-style-type: none">Expansion of new applications for X-ray analysis device parts / materials and inorganic polarizersExpansion of new in-car applications of highly durable polarizers such as parts / materials for HUDs

Fine Chemicals Business Unit

◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality
Functional Materials		
Semiconductor market to grow to 100 trillion yen by 2030	<ul style="list-style-type: none"> Synergies in semiconductor-related products Design of functional molecules 	Providing important and unique materials <ul style="list-style-type: none"> Expansion in semiconductor-related business areas such as substrates, encapsulants, cleaners, and manufacturing equipment Development and launch of resins for use in next-generation communications equipment (low-dielectric materials) Expansion of epoxy resin production capacity
Color Materials		
<ul style="list-style-type: none"> Expansion of the digital printing market Expansion of the sensing market Expansion of the dimming glass market 	<ul style="list-style-type: none"> Extensive colorant technologies covering a wide span of fields from traditional dyes to functional colorants Precision organic synthesis 	Contribution to digitalization and resource conservation with our inkjet colorants and functional colorants <ul style="list-style-type: none"> Expansion of industrial inkjet inks, improvement of production systems Mass production and expansion of imaging sensor materials Mass production and expansion of dichroic colorants
Catalysts		
<ul style="list-style-type: none"> Acrylic acid and methacrylic acid markets continue to grow by 5 to 6% Expansion of the carbon neutrality-related market 	<ul style="list-style-type: none"> Optimal customization of catalyst composition and technical services 	Providing catalysts with high-yield to contribute to CO ₂ reduction and affluent lives <ul style="list-style-type: none"> Improvement of catalysts for higher yields of acrolein, acrylic acid, and methacrylic acid Secure repeat orders and development of new customers Development of catalysts contributing to a carbon-neutral society

Life Science Business Unit

◆ Contribution to the SDGs



External environment	Nippon Kayaku's strengths	Materiality
Pharmaceuticals Business		
<ul style="list-style-type: none">Pharmaceutical industry vision (quality and stable supply, manufacturing and sales, bio-pharmaceuticals, domestic manufacturing and development, encouraging use)Expansion of the CDMO marketAnnual drug price revisions	<ul style="list-style-type: none">Consistent business operation from R&D to manufacturing, sales, quality assurance, pharmacovigilance and post marketing surveillanceTop domestic anti-cancer drugs lineup and specialized MRManufacturing technology for highly pharmacologically active substances	New Drugs
		<ul style="list-style-type: none">Increasing share for ALAGLIO® in TURBT*Maximizing value through drug fostering and evolution <p>* TURBT: Transurethral Resection of Bladder Tumor (surgery to remove bladder tumors using an endoscope and excision loop)</p>
		Biosimilars (BS)
		<ul style="list-style-type: none">Market spread of bevacizumab BSMeasures to promote biosimilars through the revision of medical feesExpansion of lineup through introduction of new biosimilars
		Generic anti-cancer drugs
		<ul style="list-style-type: none">Enhancement of stable supply and quality assurance systemDevelopment and launch of the new generic drugs
		Working toward the vision for FY2030
		Enhancement of pipeline <ul style="list-style-type: none">Development of new drugs in collaboration with external organizationsIntroduction of new drugs and medical devices
Agrochemicals Business		
<ul style="list-style-type: none">Domestic crop protection market remains at the current level, overseas crop protection market is growing due to increased demand for foodIntroduction of an agrochemical re-evaluation system has raised the bar for obtaining and maintaining domestic agrochemical business registrationStrategy "MeaDRI" (Sustainable Food Systems) promotes innovation that enables the reduction of agrochemicals (risk conversion)	<ul style="list-style-type: none">Insecticides and soil fumigants in the vegetable and fruit tree domainFormulation knowhow (innovative formulations)Operating activities combining technical services and information provisionManufacturing technologies (from raw ingredients to product formulation)	Japan
		<ul style="list-style-type: none">Flometoquin formulations (FINESAVE®), expansion of FUMON®Expansion of sales by expanding the scope of agrochemical registrationResponse to the agrochemical re-evaluation system for DIAZINON® and other agrochemicals
		Overseas
		<ul style="list-style-type: none">Rebuilding the EVISECT® business by restructuring the supply chainRegistering and expanding sales of Flometoquin preparations
		Working toward the vision for FY2030
		<ul style="list-style-type: none">Development of new insecticides and new innovative formulationsDevelopment and introduction of biostimulants

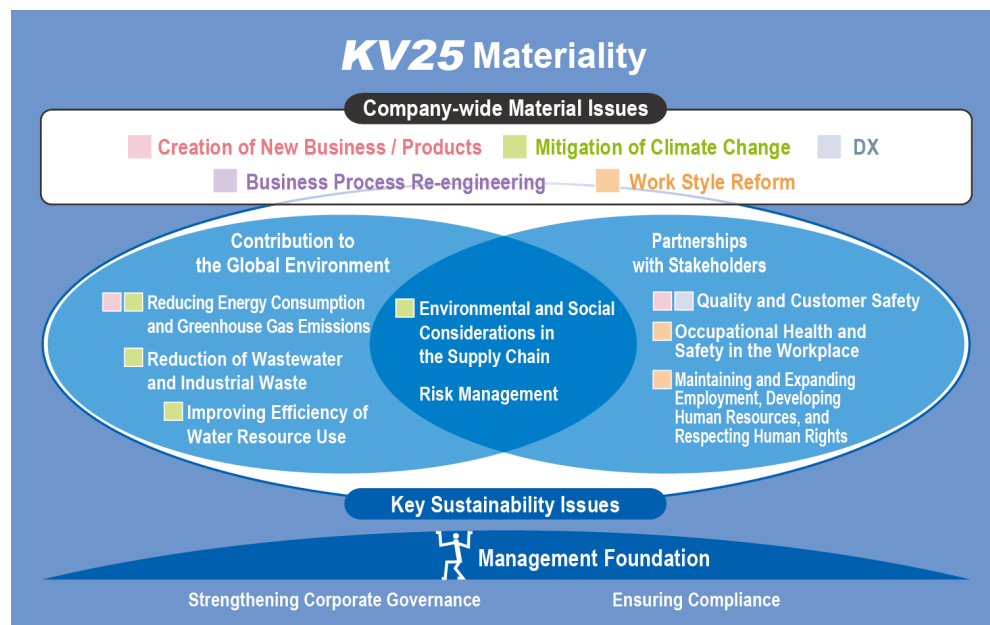
Materiality and Sustainability: Important Issues

Materiality

The quest to achieve our aim of being “a company with a strong presence that can consistently provide happiness and delight to the environment, society and all stakeholders under the **KAYAKU spirit**,” has seen us analyze the gap between future aspiration and present reality, and prioritize as our Five Important Groupwide Issues needing to be tackled: “Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform.”

In addition, through promoting sustainable management have we appropriately grasped the important issues we face from internal and external standpoints, and defined them as our Key Sustainability Issues to be linked to corporate activities under our Sustainability Action Plan.

Our **KAYAKU Vision 2025** Medium-term Business Plan (hereafter: **KV25**) therefore seeks to contribute towards the realization of a sustainable society under our Sustainable Management Basic Policy through prioritizing the Important Groupwide Issues, and complementing those efforts with work on our Key Sustainability Issues. The umbrella term for the two sets of issues is “**KV25 Materiality**.”



* The colored boxes beside each sustainability issue signify its link(s) to an important groupwide issue.

Important Groupwide Issue Initiatives

In order to reach where we wish to be, the Nippon Kayaku Group has analyzed the gap between our aims and our present condition and, as a cross-cutting groupwide project, fixed the five key issues needing to be tackled (Creation of New Business and Products, Mitigation of Climate Change, DX, Business Process Re-engineering and Work Style Reform). The twin tasks of devising ways to instill the Five Important Groupwide Issues in our workforce and speed up the process towards their resolution fall to our Materiality Cross-Functional Team (M-CFT), comprised of members selected from multiple departments.

Important Groupwide Issue	Initiative Details
Creation of New Business and Products	We will contribute to realizing our ideal form by linking the four fields of Mobility, Environment & Energy, Electronics and Life Sciences to our three business units, and cutting across existing boundaries to create new business and products.
Mitigation of Climate Change	We will set our targets for carbon neutrality and global warming prevention (through, for example, reducing greenhouse gas emissions), and unite every factory and research lab behind our climate change risk mitigation measures.
Digital Transformation (DX)	Our current target is to promote DX across the group, expand our sales through process innovation, and expand our business through cost-reductions. Our specific DX measures include: (1) IT education and raising IT consciousness, (2) strengthening our IT base through rebuilding our ERP & IT infrastructure, and (3) bringing DX to each working process in the areas of R&D, production, sales and marketing, and administration.
Business Process Re-engineering	We will reassess our methods for group, business and cost management, and eliminate various forms of waste while improving working methods and reducing costs through A3 Activities (KAIZEN)*, thereby boosting work efficiency and productivity, and upping both asset efficiency and earning power.
Work Style Reform	With our sights set on becoming a “vibrant, strong and good company,” we will reform our working practices and human resources system to increase employee vitality and engagement.

* Our A3 Activities (KAIZEN) are based on cost-reduction consciousness, and designed to make the Nippon Kayaku Group a more vibrant community through strengthening both the individual and the group (through skills and expertise), and through culture-change activities that help cultivate autonomy.

Key Sustainability Issues: Specification Methods

In 2019, having appropriately grasped the issues it faces from an internal and external standpoint, the Nippon Kayaku Group specified its Important Medium-term CSR Issues in order to meet stakeholder expectations and demands. The launch of KV25 in April 2022 coincided with the switchover from CSR Management to Sustainability Management, causing the “Important Medium-term CSR Issues” to be renamed the “Key Sustainability Issues,” which were then reassessed in order to aid our responses to diversifying business environments and changing social issues.

STEP 1

Recognition of Issues

- Building on our previous Key Sustainability Issues (laid down in our **KAYAKU Next Stage** Important Medium-term CSR Issues), we have extracted themes from the GRI Standards on the demands of a diversifying society to serve as our base, and updated our issue items accordingly.

STEP 2

Converting External and Internal Opinions into Points

- A. Converting External Evaluations into Points
We have taken the evaluation standards of multiple international assessment bodies concerned with promoting responsible investment, as well as the SASB required standards for separate industries, linked them to our issue items, and assigned external evaluation point scores to them.
- B. Converting Internal Evaluations into Points
We have taken the key Medium-term Business Plan themes for each separate business and corporate division, linked them to our issue items, and assigned internal evaluation point scores to them.

* SASB: Sustainability Accounting Standards Board - An American non-profit organization which determines sustainability information disclosure standards for each separate industry.

STEP 3

Mapping of Important Issues

- Our important-issue mapping system has seen the issue items of “Strengthening Corporate Governance” and “Thorough Compliance” specified as most important to business continuity, while our other issue items have been assigned point scores according to internal and external evaluations. Our resultant point-based map has had threshold levels inserted, with anything exceeding those thresholds being specified as an important issue item.

STEP 4

Suitability Confirmation and Approval

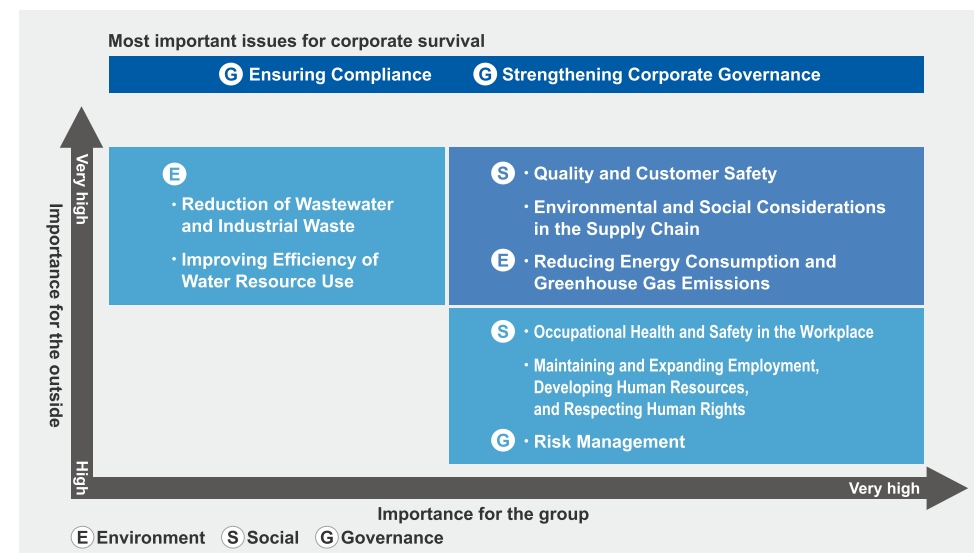
- With intellectual input from our sustainability specialists taken into account, our specifying methods and specification results are reviewed by our company’s key decision-making institution, the Sustainable Management Meeting (formerly the CSR Management Committee), and approved after two rounds of discussions.

Important Sustainability Issues: Initiatives and KPIs

The Nippon Kayaku Group has now linked its specified Key Sustainability Issues to its Corporate Activities under the Sustainability Action Plan. We have additionally made use of the SDG Compass to link this plan to the 17 SDGs. Hence, by working towards achieving the Sustainability Action Plan KPIs will we contribute to a sustainable society as well as delivering on the SDGs.

Key Sustainability Issues

Our Key Sustainability Issues have been split into three groupings: Issues Most Important to Business Continuity, Most Important Issues, and Important Issues, with each being assigned its own action plan.



Sustainability Action Plan

The Nippon Kayaku Group's Sustainability Action Plan makes use of the SDG Compass to tie each important issue to one or more of the 17 SDGs. Through managing and disclosing our KPI progress reports on an annual basis, and promoting sustainability activities in general, does the Nippon Kayaku Group aim to create environmental, social and economic value, achieve the SDGs (hence the realization of a sustainable society) and improve corporate value.

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Most important issues for corporate survival	Ensuring Compliance		<ul style="list-style-type: none"> Exercise thorough compliance, which is a basic principle for conducting corporate activities, and engaging in fair business operations Maintain and enhance an open corporate culture with a high sense of ethics 	Number of serious compliance violations ^{*1}	0	0	0	<ul style="list-style-type: none"> No serious compliance violations. This financial year's compulsory compliance training on Mental Flexibility delivered to all domestic Group companies. Discussions held and options explored with overseas Group companies yet to install a compliance whistleblowing consultation service.
				Compliance training rate	100%	97%	96%	
				Percentage of group companies with compliance / whistleblowing hotlines	100%	83%	83%	
	Strengthening Corporate Governance	16	<ul style="list-style-type: none"> Strengthen corporate governance of the entire group and manage in a highly transparent and sound manner 	Number of times that the assessment on the effectiveness of the Board of Directors meetings is evaluated	Once per year	1	1	<ul style="list-style-type: none"> We have set up a Board of Directors Effectiveness Evaluation Survey, grasped the current situation, extracted relevant issues and devised an action plan as part of current improvement efforts. Female independent outside board member selected. Female Standing auditor selected. Human Resources Development Policy and Inside Environment Preparation Policy established.
				Number of times internal business audits are performed by the Audit Division	60 times in four years	22	17	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Most important issues	Quality and Customer Safety	16	<ul style="list-style-type: none"> Enhance our quality control and quality assurance systems by continuously improving our quality management system and ensuring thorough quality-related governance Implement quality management, improve production efficiency and reduce process abnormalities through digitalization 	Number of serious complaints by customers ^{*2}	0	1	0	<ul style="list-style-type: none"> Quality Fraud Prevention-related seminar on Understanding the Essence of Quality Compliance developed for our Product Quality Month (November). The post-seminar survey (120 respondents) yielded good results. Satisfaction level: Extremely satisfied or satisfied: 78% Degree of understanding: Very easy to understand/ For the most part easy to understand: 90%
				Number of serious quality process abnormalities in processes ^{*2}	0	1	0	
	Environmental and Social Considerations in the Supply Chain	8, 12, 13, 16	<ul style="list-style-type: none"> Practice supply chain management with consideration for environmental and social aspects, based on the Sustainable Procurement Guidelines 	Response rate for confirmation of consent to Sustainable Procurement Guidelines	(Non-consolidated) 90%	(Non-consolidated) 99%	(Non-consolidated) 91%	<ul style="list-style-type: none"> Sustainable Procurement Guidelines-based survey sent out to suppliers making up the top 90% of our purchases in FY2021 and all new suppliers in FY2022 and FY2023 (371 companies in total). 338 companies consented to the Guidelines. As the survey responses revealed no supplier problems with human rights and environmental issues, there was no need to send out Requests for Improvement.
				Formulation and implementation of improvement plans using questionnaires to suppliers	(Non-consolidated) Disclose progress	-	Published in Topics	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Most important issues	Reducing Energy Consumption and Greenhouse Gas Emissions Reduction of Wastewater and Industrial Waste Improving Efficiency of Water Resource Use	 	<ul style="list-style-type: none"> To achieve our FY2030 Environmental Targets by promoting energy-saving and global-warming response initiatives. To extract issues and clarify our strategies in order to achieve carbon neutrality by FY2050. 	Greenhouse gas emissions (Scope 1+2)	(Target achieved in FY2030) Under 70,598 tons (a reduction of over 46% on FY2019) (Target achieved in FY2023) Under 115,715 tons	108,301 tons	102,704 t-CO ₂	<ul style="list-style-type: none"> Promotion of MFCA and Solar Power Generation PPA Models sequentially introduced. c. 24% reduction in industrial waste produced compared with FY2022. Our development status situation for environmentally-conscious products and technologies is as reported below. <p>[Safety Systems Business] Development of a lighter cylinder-type inflator and green propellant MGG.</p> <p>[Polatechno Business] Reductions in waste treatment energy and total waste produced stemming from improvements to production process and product design.</p> <p>[Functional Materials Business] Pilot experiments performed on aircraft-oriented CFRP/GFRP thermosetting resin prototypes with development potential.</p> <p>Development of a high-temperature resistant, high-reliability thermosetting resin from biomass materials.</p> <p>[Color Materials Business] Development of industrial inkjets (for coated paper and soft packaging).</p> <p>Expanded sales of non-phenol developer for thermal paper.</p> <p>Market debut and expanded sales for PLA (biodegradable) dye for fiber processing.</p> <p>[Catalysts Business] Promoting joint-research of catalysts used to manufacture hydrogen.</p> <p>Materials informatics techniques used to develop catalysts which can contribute to lowering amounts of raw materials used and improved yields from target objects.</p> <p>Development of catalysts to help manufacture basic chemicals such as propylene from biomass materials.</p> <p>[Pharmaceuticals Business] Environmentally-conscious wrapping initiatives started.</p>
				VOC emissions	(Non-consolidated) Disclose results	(Non-consolidated) 38.7 tons	(Non-consolidated) 32.9 tons	
				COD emissions	(Non-consolidated) Disclose results	(Non-consolidated) 171.8 tons	(Non-consolidated) 210.9 tons	
				Total waste output	(Non-consolidated) Disclose results	(Non-consolidated) 27,621 tons	(Non-consolidated) 20,974 tons	
				Recycling rate	(Non-consolidated) 80% or higher	(Non-consolidated) 85.0%	(Non-consolidated) 83.8%	
				Zero emission rate	(Non-consolidated) 1% or less	(Non-consolidated) 0.8%	(Non-consolidated) 0.7%	
				Goal setting in line with SBT and consideration and implementation of specific measures	Disclose progress	Gained an A-rating on CDP (Climate Change) Scope 3 Calculations: Implementing improvements to accuracy	Medium-term Environmental Targets revised to 1.5°C scenario	
				Disclosure in line with TCFD recommendations	Disclose progress	Information disclosed	Information disclosed	
				Develop products and technologies with consideration for environmental issues	Disclose progress	Published in Topics	Published in Topics	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Important issues	Occupational Health and Safety in the Workplace	 	<ul style="list-style-type: none"> Strengthen the foundation for safe operation by thoroughly enforcing basic rules on safety and health and improving equipment and work procedures Implement health and productivity management and provide a workplace environment with a healthy work-life balance where employees can work with enthusiasm 	Number of serious accidents*3	0	0	0	<ul style="list-style-type: none"> No accidents requiring time off work at business sites and partner companies across Nippon Kayaku alone. Health and Productivity Management certification gained. Although our overall target for annual paid leave was met, the manager take-up rate was slightly below target. We will continue to set up Paid Holiday Promotion Days, and promote them both via our intranet and through having human resource managers on every business site proactively informing employees. From the next financial year, we are also planning to set up a new initiative involving Personalized Paid Annual Leave Take-up Declarations. We are maintaining our 100% take-up rate for periodical health checks. We conducted our first ever engagement survey and provided feedback on the results. We will continue this survey from the next financial year onwards as part of our planned cycle of visualizing organizational conditions, drawing up an action plan and promoting its implementation.
				Acquisition of certifications under the Certified Health & Productivity Management Outstanding Organizations Recognition Program (Large Enterprise category)	(Non-consolidated) Continued certification	(Non-consolidated) Gained FY2023 certification as a Health and Productivity Management Organization (Large Enterprise Category)	(Non-consolidated) Certified status renewed	
				Percentage of paid leave taken	(Non-consolidated) 70% or higher	(Non-consolidated) 63.7%	(Non-consolidated) 72.8%	
				Percentage of employees who take mental health training	(Non-consolidated) 100%	(Non-consolidated) 100%	Year 1 of our 3-year plan has proceeded as intended	
				Percentage of employees receiving regular health checkups	(Non-consolidated) 100%	(Non-consolidated) 100%	(Non-consolidated) 100%	
				Ascertaining and improving employee satisfaction through questionnaire surveys	(Non-consolidated) Disclose progress	-	Published in Topics	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Important Issues	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	 	<ul style="list-style-type: none"> Promoting diversity and inclusion through the recruitment of diverse human resources, effective HR assignment and exchanges Pass down and strengthen technical capabilities in monozukuri (manufacturing) and achieve globalization in human resources through ongoing human resource development Engage in business operations that pay care and consideration to the human rights of employees and all other people involved in the supply chain 	Percentage of female employees in management posts*4	(Non-consolidated) 10% or higher	(Non-consolidated) 9.0%	(Non-consolidated) 8.8%	<ul style="list-style-type: none"> We have encouraged more women to challenge for managerial positions through promoting both training aimed at female managers and participation in career-support sessions. From the first conversations about work contents to the preparation of the workplace environment, we have incorporated specialist support in our quest to promote employment for people with disabilities and widen their job opportunities. Going forward, with one eye on future increases in statutory employment percentage rates, we will further expand work opportunities for the disabled, and establish a fixed support system as we advance our workplace preparations to help disabled employees succeed. Online training delivered on Business and Human Rights, and Risks Requiring Priority Measures as Identified by Nippon Kayaku Group Employees. Nippon Kayaku Group Human Rights Policy revised. The Top 3 Nippon Kayaku Group Risks Requiring Priority Measures have been identified by the Sustainable Management Meeting as: ① Power harassment, ② Excessive overtime and long working hours, and ③ Privacy rights. With respect to these three, we have collectively disclosed our efforts on preventing, reducing and correcting negative impacts on human rights.
				Percentage of employees with disabilities	(Non-consolidated) Achieve legal minimum employment rate	(Non-consolidated) 1.98%	(Non-consolidated) 1.93%	
				Amount invested in education and training per employee	(Non-consolidated) Disclose results	(Non-consolidated) 83,002 yen/person	(Non-consolidated) 76,565 yen/person	
				Training hours per employee	(Non-consolidated) Disclose results	(Non-consolidated) 14.9 hours	(Non-consolidated) 17.7 hours	
				Number of training sessions held on human rights	Once or more per year	1	2	
				Human rights due diligence: human rights impact assessment rate	(Non-consolidated) FY2022: 100% (Consolidated) FY2025: 100%	(Non-consolidated) Incomplete	Human rights risk assessments and risks requiring priority measures identified in sessions laid on for Nippon Kayaku Group employees	

	Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
						FY2022	FY2023	
Important Issues	Risk Management		<ul style="list-style-type: none"> Respond to various business-related risks and ensure business continuity by maintaining production systems, ensuring the proper procurement of raw materials, and strengthening measures against disasters 	Implementation rate of risk control activities for business, etc., and top five risk control activities	100%	100%	100%	<ul style="list-style-type: none"> "Risk Controls for the Top 5 Risks" activities conducted at Nippon Kayaku plants and all Group companies (based on trends of soaring raw material prices and increased supply disruption risks) Hearings conducted at domestic and overseas plants on the Top 5 Risks. BCP drills set up based on an earthquake scenario in the Kashima district, and a snow-damage scenario in the Joetsu region. BCP drills set up at China-based Group companies.
				Number of BCP drills conducted	Once or more per year	2	3	

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

*2 Losses of 10 million yen or more

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

*4 Targets for the end of FY2024

Key Sustainability Issues: Risks and Opportunities

Through recognizing the risks and opportunities associated with our specified Key Sustainable Issues, reducing those risks, and working on those opportunities connected to fresh business growth, the Nippon Kayaku Group will aim to realize a sustainable society and deliver yet further improvements to corporate value.

	Important Sustainability Issues	Risks	Opportunities
Most important issues for corporate survival	Ensuring Compliance	<ul style="list-style-type: none"> Loss of public trust due to compliance violations Damage to corporate value Slump in business activities 	Gaining stakeholder trust
	Strengthening Corporate Governance	Stagnation of business activities	<ul style="list-style-type: none"> Gaining stakeholder trust Increased capacity to gain public trust
Most important issues	Quality and Customer Safety	<ul style="list-style-type: none"> Alienation of customers due to discrepancies in product quality Loss of public trust due to illegalities in quality management and labelling 	Gaining customer trust through supplying high-quality products
	Environmental and Social Supply Chain Considerations	Negative impact on corporate activities from illegal acts or compliance violations on the part of suppliers	<ul style="list-style-type: none"> Contributing to the realization of a sustainable society Increased long-term competitiveness
	Reducing Energy Consumption and Greenhouse Gas Emissions	[Switchover risks] <ul style="list-style-type: none"> Increased operational costs stemming from the effects of a strengthened emissions system Electricity and LPG price-hikes Increased raw material costs stemming from the effects of a strengthened emissions system Increased costs associated with disclosure of environmental information and LCA calculations 	<ul style="list-style-type: none"> Expanded use of materials for semiconductor-related and low-energy consumption products due to the extension of smart city and Digital Transformation (DX) projects Expanded use of materials for next-generation storage batteries Expanded use of resin materials for lighter mobility vehicle bodies
	Reduction of Wastewater and Industrial Waste		<ul style="list-style-type: none"> Expanded use of optical materials for lighter EV cars and sensor materials for self-driving cars
	Improving Water Resource Use Efficiency	[Physical risks] <ul style="list-style-type: none"> Increased costs stemming from flooding caused by typhoons, heavy rain and high tides Operational impacts of water shortages Decreased labor productivity due to temperature rises 	<ul style="list-style-type: none"> Expanded use of biostimulants to maintain and increase agricultural production in the face of expected temperature rises, and wider use of existing agrochemicals to combat new pest threats.
Important issues	Occupational Safety and Health in the Workplace	<ul style="list-style-type: none"> Loss of public trust as a result of accidents or scandals Decreased labor productivity, exodus of staff 	<ul style="list-style-type: none"> Fostering of a safety culture Improved work engagement from employees
	Maintaining and Expanding Employment, Developing Human Resources, and Respecting Human Rights	<ul style="list-style-type: none"> Failures to normalize new ideas and lost new business chances owing to skewed human resource attributes and skills Loss of public trust due to human rights violations 	<ul style="list-style-type: none"> Fostering of business climate with diverse values which gives rise to new ideas Contributing to the realization of a sustainable society and increased long-term competitiveness
	Risk Management	Increase in management-related risks	Guaranteed continuation of business during emergencies

Promoting Responsible Care

Message from the Executive Director in Charge

At every stage of the product life cycle, from procurement of raw materials to production, distribution, use and, finally, disposal, the Nippon Kayaku Group considers the environment, safety and product quality in order to supply society with the best products, technologies and services that bring true delight to people's lives.

When it comes to business activities, our motto is: "Safety trumps everything else!" It means that not only is the safety and health of every employee a given, but that we work towards grasping and reducing risks that come our way, and preventing accidents and hazards. To that end we not only provide periodical education and training to our employees, but anticipate the potential dangers associated with everyday work and the handling of chemical substances, and guarantee workplace safety by devising measures to forestall such dangers.

The unified quality control system we operate, with headquarters and plants working as one, allows us to continually strengthen our everyday quality improvement activities, take preventative steps against product and process abnormalities, and simultaneously improve customer satisfaction.

As part of our response to climate change - a **KV25** Materiality Issue in our **KAYAKU Vision 2025** Medium-term Business Plan - April 2024 saw us fix our Medium-term Environmental Targets towards achieving carbon neutrality by the year 2050. Accepting that the world has become yet more eco-conscious means further accelerating our carbon-neutrality-themed initiatives; 2020 saw us revise our standards from those geared towards achieving a 2°C warming scenario to those aimed at a 1.5°C scenario. In terms of Scope 1 and 2 greenhouse gas emissions from our business activities, we are aiming for a 46% reduction on 2019 levels, and for carbon neutrality by 2050.

Going forward, we will see the Nippon Kayaku Group unite behind Responsible Care Activity promotion as we strive to develop in tandem with our employees, customers, suppliers, shareholders, investors and all our stakeholders.

Yasuhito Kato
Senior Director
In charge of Technology Unit



Policy and Basic Approach

Our Declaration on the Environment, Health, Safety and Quality

Under the twin spirits of KAYAKU and Responsible Care, we have fixed our "Declaration on the Environment, Health, Safety and Quality," which is geared towards guaranteeing environmental protection, safety and health, while maintaining and improving product quality. We shall show a united front in promoting these activities, and this declaration shall apply to every employee working for the Nippon Kayaku Group, including temp staff and subcontractors.

Our Declaration on the Environment, Health, Safety and Quality

Established: 1995-11-07

Revised: 2017-05-22

Revised: 2024-01-31

We, the Nippon Kayaku Group, based on the **KAYAKU spirit** of "Continuously providing society with the best products through ceaseless progress and the combined forces of our consciences," shall conduct business as a company which contributes to the achievement of a sustainable society that "safeguards the life and health of consumers and supports comfortable living."

◆ Fundamental policies

1. We will strive to maintain and improve the environment, people's health and safety across the entire product lifecycle, from R&D to production, distribution, sales, recycling, and disposal.
2. We will strive to prevent pollution, protect biodiversity, and conserve the environment by promoting reduction and proper disposal of waste, reduction of resource consumption (of energy, water, and raw materials), and Climate change measures (toward reduction of greenhouse gas emissions).
3. We will actively provide business partners with information needed for the safe usage and handling of our products and for conserving the environment.
4. We will enhance the quality of not only products, but operating processes as well, and also work to enhance customer satisfaction.
5. We will heighten employee knowledge and skills through education and training and achieve our goal of zero pollution, zero disasters, zero accidents and enhanced quality.
6. We will disclose information so that stakeholders correctly understand our business activities and also strive to engage in dialogue with local communities and government authorities.

January 31, 2024
Nippon Kayaku Co., Ltd.
President and Representative Director



* Responsible Care: Refers to companies which either produce or handle chemical substances proactively taking measures which show consideration for the environment, safety and health, in every process extending from development, sale and use to disposal. Since its launch in Canada in 1985, Responsible Care has gained prominence worldwide, not least in Japan.

Responsible Care Policy

With a common recognition of “Safety trumps everything else,” every Nippon Kayaku Group company is working together on preventing accidents and hazards that impact the environment and safety, faithfully observing local laws both inside and outside Japan. Furthermore, in order make the **KAYAKU spirit** a reality, our companies are progressing their Responsible Care Activities with the aid of all Group employees in line with the Declaration on the Environment, Health, Safety and Quality.

The Nippon Kayaku Group's Responsible Care Policy has served as the base for the policies we should continually pursue since FY2019. Such policies include promoting safety and health activities with a focus on rooting out unsafe actions through 30-second patrols and fixed-point inspections; promoting Core Environment, Safety and Health Diagnostic Checks centered upon risk management; and drawing up decarbonization-based targets with an eye on achieving our Medium-term Environmental Targets by FY2030. Progress on the above is confirmed in conjunction with domestic Group companies on an annual basis. A key item added to our policy for FY2024 concerns the establishment of diagnostic checking methods related to the Occupational Safety and Health Act and the partly-revised regulations within.

Going forward, the Nippon Kayaku Group aims to continue advancing its Responsible Care Activities in line with these policies.

This Year's Nippon Kayaku Group Responsible Care Policy

◆ (Targets)

- Serious accidents and hazards: 0
- Serious environmental accidents: 0
- Serious traffic accidents: 0

◆ 1. Key Responsible Care Issues

- Total Group Scope 1+2 CO₂ emissions to exceed no more than 111,838 tons (Groupwide)
(Total Group CO₂ emissions to fall at least 15% from FY2019 levels)
- Conformity with the 1.5°C warming scenario targets (further clarification of our reduction story)
- Domestic zero-emission rates of 1% or less
- Promotion of strengthened 30-second patrols and fixed-point inspections (revitalization of activities through situational visualization)

◆ 2. Promoting Initiatives for Zero Serious Accidents and Hazards

- Promotion of both risk management and the checking methods underscored in the revised Occupational Safety and Health Act
- Horizontal expansion of heatstroke prevention measures
- Examination and selection of an AI-based Hazard Source Estimation System

◆ 3. Improvements to the Workplace Safety and Health Environment

- Appropriate application of the revised Occupational Safety and Health Act
- Promotion of organizational stress-check analysis to grasp high-stress workplaces and take follow-up action
- Appropriate operation of our health check database
- Promotion of health check management
 - Over 20% health check take-ups due to Specific Health Guidance
 - Over 50% participation in health events

◆ 4. Promoting Activities aimed at Achieving Environmental Goals

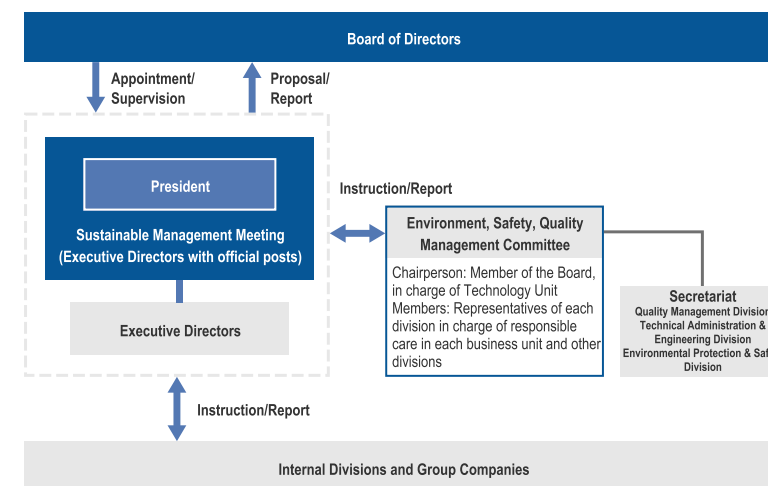
- Improved practices for climate-change-related disclosures to external sources
 - Clarification of risks and impacts, and the setting of targets for TNFD disclosures
 - Quantification of TCFD risks (flooding) and proposals for future measures
- Appropriate operation of a cloud-based environmental data aggregation system (groupwide)
- Every business site to aim for a 3% annual reduction in Scope 1+2 CO₂ emissions (a groupwide challenge, not a binding target)
- Bolstering the system for calculating individual product emissions (exploring potential systems)
- Plastic waste recycling rates of 80% or more; final disposal rates of 1% or less

System

Our Group's Responsible Care Activities are coordinated by the Committee for Environment, Safety and Quality Management, set up as an advisory body to the Sustainable Management Meeting chaired by our President.

This Committee is comprised of persons in charge of Responsible Care Activities from each business unit, as well as managers from each section of our General Administration Department, which is unattached to any business units. The Committee's remit is to discuss the status of Responsible Care-based activities as well as any problems arising from them and how to respond, and to deliberate policy proposals for the next financial year and for the resolution of climate-change related matters. The results of its discussions are reported to the Sustainable Management Meeting.

Our Environmental Protection & Safety Division, meanwhile, conducts Core Environmental, Safety and Health Diagnostic Checks of each business site and group company as an organizational activity, and reports the results to the Committee for Environment, Safety and Health Management.



Responsible Care Audits

◆ Basic Approach

Based on the Annual Responsible Care Plan, the Nippon Kayaku Group conducts internal audits of each business site and a section of Group companies in the form of Core Environment, Safety and Health Diagnostic Checks.

These diagnostic checks represent a structure for ascertaining whether business activities are indeed showing due consideration to the environment, safety and health, and promoting improvements in response to problems detected. Specifically, these Checks involve inspecting items related to Responsible Care, environmental conservation, disaster prevention, distribution safety, biodiversity, occupational safety, compliance, proper health management, and management of chemical substances, and providing relevant improvement advice and suggestions. By enabling us to prevent compliance violations and unjust or erroneous practices, and devise improvements in the fields of the environment, health and safety, these diagnostic checks help to build, maintain and improve the Nippon Kayaku Group's internal control system.

◆ Management System

Core Environment, Safety and Health Diagnostic Check Team

Our Team is comprised of Environmental Protection & Safety Division managers (Team Leaders), Environmental Protection & Safety Division members (inspection team and office staff), and Labor Union Head Office staff.

Items to be checked

- Status of Responsible Care Activities via the Responsible Care Progress Confirmation Chart
- Implementation status of risk management concerning production processes and high-hazard-risk equipment
- The effects of responses and recurrence prevention measures for past accidents and hazards
- Area inspections (30-second patrols and fixed-point inspections)
- The storage and management situation for chemical substances
- The Environment, Safety and Health system and compliance status for related laws and regulations
- Other necessary items related to Responsible Care

Locations to be checked

- All Nippon Kayaku business sites (7 plants, 3 research labs, 2 offices, 3 other bases)
- Domestic Group companies (3 onsite, 1 offsite)
- Overseas (China-based) Group companies (3 companies)

Frequency of checks

We conduct diagnostic checks every 1-2 years based on the size of the business site in question and the previous year's inspection results. Depending on inspection result contents and the subsequent situation, we may also stage follow-up checks. (In the event, none were conducted in FY2023).

Reporting of Inspection Results

We provide inspection result feedback on the following categories.

- Good points: Excellent initiatives which can serve as reference points for other business sites and the rest of the Group
- Points raised: Items carrying risks related to accidents, hazards, environmental incidents, and compliance violations
- Points noticed: Items which demand improvements in initiatives concerned with safety and health, environmental conservation and compliance
- Suggestions: Items which pose no problem at present, but with the implementation of a suggestion or two could deliver even better initiatives in terms of environment, safety and health.

Inspection results are reported to the business site or Group company inspected, related business units, the Environment, Safety and Quality Management Committee, and the Audit Division. In response, the inspected business units and group companies will address any problems discovered by undertaking systematic improvements in the form of PDCA cycles.

◆ Targets and Results

Core Environment, Safety and Health Diagnostic Check Results (Number of bases inspected)

Business Units examined; Group companies		2022	2023
Plants		7	7
Research labs		2	1
Offices		2	0
Domestic Group companies	Onsite	3	3
	Offsite	1	1
Overseas Group companies*		3	1
Total		16	13

* Checks for Overseas Group companies have been conducted via an online meeting system involving a Responsible Care Progress Confirmation Chart only.

FY2023 Inspection Results (Number of points raised at the 13 bases inspected)

Areas in which points were raised	Responsible Care Progress Confirmation Chart	Risk assessments and others
Good points	14	26
Points raised	5	1
Points noticed	15	39
Suggestions	23	57

Initiatives

- > [Environmental Management](#)
- > [\(Key Sustainability Issues\) Reducing Energy Consumption and Greenhouse Gas Emissions](#)
- > [Air Pollution Prevention](#)
- > [\(Key Sustainability Issues\) Reduction of Wastewater and Industrial Waste](#)
- > [Management of Chemical Substances](#)
- > [\(Key Sustainability Issues\) Improving Efficiency of Water Resource Use](#)
- > [Biodiversity](#)
- > [Environmental Accounting](#)
- > [\(Key Sustainability Issues\) Occupational Health and Safety in the Workplace, Health and Productivity Management](#)
- > [\(Key Sustainability Issues\) Quality and Customer Safety](#)

Stakeholder Engagement

Policy and Basic Approach

The Nippon Kayaku Group is aiming to be a company which delivers both happiness and delight to all stakeholders: our employees, customers, suppliers, shareholders, investors and local communities. We value our conversations with stakeholders, taking advantage of various opportunities and communication tools to conduct appropriate information disclosure and two-way exchanges in order to improve our business operations. Through fulfilling stakeholder expectations and demands are we contributing to wider society through our business activities.

> [Multi-Stakeholder Basic Policy \(Japanese\)](#) 

Stakeholders of the Nippon Kayaku Group



Stakeholders	Outline of Initiatives	Method of Communication
Our employees	We believe that "people" are the nucleus of our corporate activities. Through respecting the human rights of each and every employee, and striving to provide a reassuring working environment, we aim to become a company which allows its "people" to really feel their own personal development amid the rewarding nature of their work.	<ul style="list-style-type: none"> Talent management system Engagement survey set-up Compliance awareness survey, Stress check survey In-house publications Compliance hotline Agreements with labor unions
Our customers	Through pursuing high product quality, and supplying the best socially and environmentally-conscious products, technologies and services, do we strive to gain the satisfaction and trust of our valued customers: <ul style="list-style-type: none"> Automobile module manufacturers, Optical material users Users of resins, dyes and catalyst materials Medical personnel, Patients Agrochemical manufacturers, wholesalers and retailers; agricultural cooperatives 	<ul style="list-style-type: none"> Ascertaining of needs through sales activities Refinement/improvement of products and services Plant field trips Publication of information online Providing safety guidance on agrochemical use and advice on pest control methods
Our suppliers	From R&D right the way through to raw material procurement, manufacturing, sales and distribution, we are working with all our supply chain partners to respect human rights and promote environmental conservation, workplace safety & health, compliance matters and sustainable purchasing (including fair trade considerations).	<ul style="list-style-type: none"> Information exchange through visits, web chats, and everyday business conversations Sustainable Procurement Survey Procurement Seminars
Our shareholders and investors	Having fixed our disclosure policy, we are presenting all shareholders and investors with timely, honest and impartial information so that they may appropriately understand our business situation and various business initiatives.	<ul style="list-style-type: none"> Financial results briefings General Meetings of Shareholders (AGM) Telephone conferences 1-on-1 meetings Presenting information via our website and integrated reports
Local communities	From our various bases across the world do we serve as active members of local communities, not only through CSR work, but through next-generation development support and information exchanges with local authorities. We are hence contributing to sustainable development through enhancing the robustness of the local communities we serve.	<ul style="list-style-type: none"> CSR activities (plant festivals, street cleaning) Welcoming visitors for plant field trips Next-generation training support Information exchange with local authorities

Links with Local Communities

The Nippon Kayaku Group, via its various business locations, has tied up a multitude of agreements with local governments and regions. By respecting various environmental agreements and making efforts to lower our environmental burden are we contributing to the safety and reassurance of the local communities concerned.


Key local agreements signed by Nippon Kayaku



Workplace	Agreement Title	Co-signatory
Safety Head Plant (Himeji)	Memorandum on Wastewater Management	Himeji City
	Local Fire Brigade Partner	Himeji City Fire Department
Fukuyama Plant	Agreement on Pollution Control	Hiroshima Prefecture, Fukuyama City
Asa Plant	Agreement on Water Pollution Control	Yamaguchi Prefecture Fishing Cooperative
	Agreement on Environmental Safety	Sanyo-onoda City
Tokyo Plant	Green Agreement	Adachi Ward
	Joint-Agreement on the Establishment of a Committee to deal with Colored Wastewater Issues	Bureau of Sewerage Tokyo Metropolitan Government 2nd Management Office
	Agreement on Mutual Disaster Support	Adachi Ward Shinden Residents' Association, Shinden 1-chome Estate Residents' Association
	Agreement on Locations of Sheds Housing Small Pumps for Civilian Use	Senju Fire Department
Takasaki Plant	Company Fire Brigade Cooperation Agreement	Takasaki City Fire Department, and fire departments in the wider region
Kashima Plant	Agreement on Pollution Control	Ibaraki Prefecture, Kashima City, Kamisu City
Tokyo R&D Administration Office	Sea Rescue Activity Cooperation Agreement Agreement with the Akabane Ward Council on Mutual Support for Disaster Prevention in Dangerous Buildings	Tokyo Fire Department Akabane Branch

External Initiatives

At the Nippon Kayaku Group, we believe not only in conforming to international standards but in the importance of collaborating with a variety of institutions and businesses. That's why we are proactively participating in initiatives both inside and outside Japan as we work to promote the pathways towards a sustainable society.

External Initiatives Joined

Initiative title	Participation period	Scale	Relationship with corporate principles and the path to approval
 <p>UN Global Compact WE SUPPORT</p>	2021	Groupwide	<p>Guided by its KAYAKU spirit corporate vision, the Nippon Kayaku Group is seeking to deploy sustainable management to create environmental, social and economic value in its quest to help realize a sustainable society and boost corporate value.</p> <p>The UN Global Compact demands that all companies actively and proactively engage in the promotion of sustainable activities through incorporating its ten principles across four fields (human rights, labor, environment and anti-corruption) into their daily operations and strategies.</p> <p>The Nippon Kayaku Group works towards the above as a member of the Global Compact Network Japan (GCNJ), the Japan-based network for the UN Global Compact. Our seats on GCNJ's themed subcommittees, primarily made up of member companies and organizations, allow us to join discussions and share information on sustainability ideas. 2023 saw us sit on the following 14 subcommittees:</p> <ul style="list-style-type: none"> • ESG Subcommittee • Environmental Management Sub-committee • Kansai Region Subcommittee • Supply Chain subcommittee • CSV Subcommittee • GC Intra-Company Instillation Research Subcommittee • Human Rights Education Subcommittee • Human Rights Due Diligence Subcommittee • Anti-Corruption Subcommittee • Disaster Risk Reduction Subcommittee • SDGs Subcommittee • Reporting Research Subcommittee • WEPs Subcommittee • Circular Economy Subcommittee

Initiative title	Participation period	Scale	Relationship with corporate principles and the path to approval
<p>TCFD (Task Force on Climate-Related Financial Disclosures)</p> 	2022	Groupwide	<p>The KAYAKU Vision 2025 Medium-term Business Plan, commenced in 2022, saw the Nippon Kayaku Group commit to paper its Sustainable Management Basic Policy, which seeks to realize a sustainable society and boost corporate value by pursuing environmental, social and economic value through our response to climate change. As this response significantly impacts society, the Nippon Kayaku Group sees it as an issue of major importance.</p> <p>March 2022 saw us express our agreement with the proposals of the TCFD (Task Force on Climate-Related Financial Disclosures). We will use this TCFD Framework to pursue excellent communication with our wide range of stakeholders through proactively disclosing information related to “governance”, “strategies”, “risk management”, and “metrics and targets”. This way of thinking aligns with the Nippon Kayaku Group's sustainable management policies. Moving forward, in line with TCFD proposals, we will accelerate our efforts to reduce greenhouse gas emissions and work towards the building of a recycling society.</p>
<p>Responsible Care Global Charter</p> 	2008	Domestic	<p>The Nippon Kayaku Group signed up to the Responsible Care Global Charter in 2008, and also to the revised version in 2014.</p> <p>At Nippon Kayaku, we handle large numbers of chemicals, and engage ourselves in the development, manufacture and sale of many chemical products. In order to realize our KAYAKU spirit corporate vision of “Continuously providing society with the best products through ceaseless progress and the combined forces of our conscience,” we will proactively proceed with responsible care activities going forward.</p>

Principal memberships held

Organization	Joined	Membership type	Activity details
Japan Business Federation	1946	Permanent secretary	We approve of the federation's aims of aiding the autonomous development of the Japanese economy and improving Japanese people's lives, and consequently serve as a member. We currently sit on the Secretariat, and the committees on Administrative Reforms, Social Security, and Diversity and Inclusion. Through widening our multitude of exchanges straddling industrial boundaries, we will utilize our economic knowhow to contribute towards building a sustainable social economy.
Japan Chemical Industry Association	1948	Board member/ General Management Committee	Nippon Kayaku's 3 rd President, Yasusaburo Hara, was also the inaugural Chairman of the Japan Chemical Industry Association upon its foundation in 1948; he would serve in that role for over 14 years. Mr Hara established the base for Japan's postwar chemical industry recovery, paving the way for the introduction and development of the petrochemicals industry which would later play a major role in Japan's years of rapid economic growth. Having inherited Mr Hara's founding aims, present-day Nippon Kayaku seeks to further contribute to the development and improvement of the chemical industry.

Organization	Joined	Membership type	Activity details
Japan Dyestuff and Industrial Chemicals Association	1948	Board member	Nippon Kayaku's 3 rd President, Yasusaburo Hara, also assumed the chairmanship of the Japan Dyestuff and Industrial Chemicals Association upon its foundation in 1948; he would retain the role for another 33 years. Having inherited Mr Hara's founding aims, present-day Nippon Kayaku will contribute to the proposal, promotion, examination and research of business support policies related to safety, the environment and internationalization within the chemical industry domain.
Japan Pharmaceutical Manufacturers Association	1968	Trustee	We have joined this organization having approved of its aims to contribute to people's health inside Japan and across the world, and improve medical care overall, through developing innovative and highly-useful medical products, and boosting the health of the pharmaceuticals industry. As a drug discovery company do we seek to contribute to the healthy development of the pharmaceuticals industry through creating our vision for code compliance, fairer distribution, promotion activities, clinical evaluations, PMS (Postmarketing Surveillance), product quality, pharmaceutical affairs and R&D.
Japan Biosimilar Association	2016	Board member company	We were one of four biosimilar-handling founder members to kickstart this organization in April 2016, with a focus on expanding and promoting biosimilars in general. We continue to serve as a proactive member, using this organization as a vehicle for exchanging information with stakeholders, including government, and making policy proposals. In so doing, we seek to contribute not only to holding down medical fees but to improving access to biopharmaceuticals for patients currently holding back from such treatment for financial reasons.
The Pharmaceutical Manufacturers' Association of Tokyo	1948	Board member	The Pharmaceutical Manufacturers' Association of Tokyo is composed of various pharmaceutical sellers and manufacturers of new drugs, generic drugs, and OTC (Over-the-Counter) medicines. As an eastern-Japan-based pharmaceutical company, we seek to enhance medical care through examining and exchanging information on pharmaceutical affairs, intellectual property, pharmaceutical product safety, and education and training.
Japan Investor Relations Association	1993	Trustee	We participate in this association to further our aims of improving the quality of investor relations activities through information-sharing and network-creation for IR managers from different companies. Through this association do we seek to achieve even better communication with our shareholders and investors, as well as increase trust in finance and capital markets.