

(Key Sustainability Issues) Quality and Customer Safety

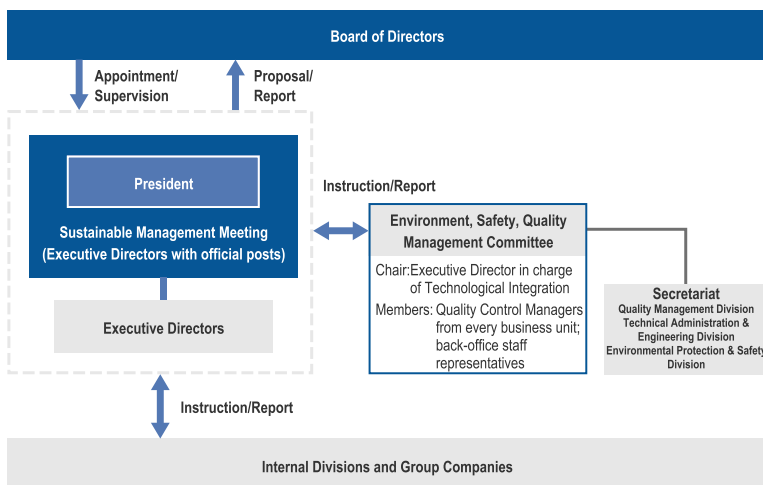
Policy and Basic Approach

So as to deliver high-quality, safe and secure products to society at large, we have fixed as our basic policy, under the **KAYAKU spirit**, our Declaration on the Environment, Health, Safety and Quality, and built up our Quality Assurance System. Using these as the base for appropriate operation of our Quality Management System, we are working towards thorough quality governance which includes indicators laid down in our Key Sustainability Issues. We also recognize the importance of being responsible throughout every product's life cycle, from planning, development and production to disposal and recycling, as well as with respect to resources, energy and the handling of information. As such, we are focused on raising the quality awareness levels of our employees.

➤ [Our Declaration on the Environment, Health, Safety and Quality](#)

System

The Nippon Kayaku Group has integrated its quality management practices by setting up an Environment, Safety and Quality Management Committee to serve as an advisory body to the Sustainable Management Meeting chaired by our President. This Committee is comprised of Quality Assurance Managers from each business unit and representatives from back-office headquarters departments. It engages itself in strengthening the entire Group's Quality Assurance System through discussing quality assurance policies and the status of quality improvement activities, then reporting to the Sustainable Management Meeting.



Overseas Certification Gained

The Nippon Kayaku Group is developing its presence through its three business units of Mobility & Imaging, Fine Chemicals and Life Science. We have constructed appropriate quality management systems for our various forms of business, with each business unit acquiring certification for international quality assurance standards in order to develop and provide high-quality products and services.

In the Mobility & Imaging Business Unit, the Safety Systems Group, the Safety Head Plant (Himeji) and the Research and Development Division have all acquired IATF16949 certification, an international quality management system standard for the automotive industry devised by the International Automotive Task Force (IATF). Our overseas Group companies engaged in the manufacture of automotive parts have also acquired this certification as they work on providing yet higher-quality products.

In the Fine Chemicals Business Unit, October 2022 saw the commencement of our unified quality management system for the Fukuyama Plant, Asa Plant, Tokyo Plant, headquarters and research labs, and Taiwan Nippon Kayaku. This system gained integrated certification for ISO9001 in July 2021.

Meanwhile, in the Life Science Business Unit's Pharmaceutical Group, our Takasaki Plant and Medical Research Laboratories have integrated certification for ISO9001 and integrated certification for ISO13485 - the quality management system standard for medical device and IVD (In Vitro Diagnostics). Furthermore, October 2022 saw our NIPPONKAYAKU FOOD TECHNO Group company acquire ISO22000 certification pertaining to food safety management system standards. Meanwhile, in our Agrochemicals Group, the Kashima Plant and Agrochemicals Laboratories commenced their unified quality management system in March 2021, and gained ISO9001 certification five months later.

➤ [Business Sites with Certified Quality Management Systems](#)

Quality Audits

We have put together a team of members from the Quality Management Division to periodically conduct Core Quality Diagnostic Checks*. These Checks are carried out on each domestic business site in order to confirm whether quality management systems are functioning effectively and efficiently, and to offer suggestions on raising quality assurance levels. They thereby serve to support the entire Group's quality management and a strengthening of governance.

* Our Group sets up quality audits in the form of Quality Diagnostic Checks.

Indicators

Key sustainability issues	Corresponding SDGs	Action plans	Indicators (KPI)	FY2025 Targets	Results		FY2023 Initiative-related Topics
					FY2022	FY2023	
Quality and Customer Safety		<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*	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*	0	1	0	

* Losses of 10 million yen or more

Initiatives

Promoting Quality Assurance and Quality Improvement Activities

Our Technology Unit and Quality Management Division are playing the central roles in our promotion of quality assurance and improvement activities. We are working on strengthening the requisite technical skills for quality management and aiming to decrease customer complaints and production process abnormalities through conducting Core Quality Diagnostic Checks, quality-themed education and training, and quality improvement activities.

Nippon Kayaku's quality management story begins in 1948, when a plant technician voluntarily began looking into quality control statistical methods. Their continued lively activity were eventually rewarded with a Deming Prize in 1963. This quality improvement spirit has been handed down to present-day employees in the form of our A3 (KAIZEN) Activities Competition, which sees both domestic and overseas Group companies engage in technician-driven quality improvement activities and delivering fruitful outcomes. We have also updated our textbook "Quality Management for Everyone" from the time of the Deming Award to fit the present day, and continue to use it for education and training.

Business Unit Initiatives

In addition to joining the education programs provided by the Quality Management Division, each of our business units is engaged in a host of quality improvement activities tailored to industry type.

Mobility & Imaging Business Unit Global Quality Management

For our Safety Systems Business, which supplies automotive safety parts across the globe, managing and guaranteeing the same quality levels across the board is a must. With our manufacturing bases also expanding globally, our Quality & Safety Division takes the overall lead, forging links with each manufacturing base and providing the relevant technical support. In its bid to achieve unified global quality is the Quality & Safety Division both strengthening global governance and promoting quality improvement activities.



Trainees from Malaysia posing with members of our Quality Assurance Department

Quality Improvement Activities Conducted with Suppliers

The need to rapidly deliver high-quality products to market makes continuous quality improvement activities based on relationships of mutual trust with suppliers essential.

In the Safety Systems business, our Quality & Safety Division gets involved from the initial supplier selection stage, conducting process audits, confirming quality situations, and offering education sessions to provide advice on quality improvement. Nippon Kayaku Group Quality Manuals are also distributed to all suppliers, who must sign a form confirming their acceptance of manual stipulations.

The Purchasing Division conduct regular audits of suppliers according to the type and importance of materials purchased. These audits involve reinforcing the Nippon Kayaku Group's basic approach to quality assurance, confirming quality management standards and the supplier's quality situation, and offering advice on quality improvement.

FY2023 saw a total of 9 such supplier audits conducted (5 onsite and 4 by document submissions only), with the emergence of zero cases connected to serious quality issues. Where points of issue arose, the suppliers in question were made to submit a Process and Product Audit Improvement Plan with Relevant Measures Form, and we are currently confirming whether those remedial measures are in fact being enacted.

Continual communication with suppliers is vital to maintaining and improving quality. Going forward, we shall keep exchanging opinions as we strive to maintain and drive up quality through working in tandem with our suppliers.

Fine Chemicals Business Unit

Initiatives to Prevent Quality Fraud and Data Falsification

Our Fine Chemicals Business Unit has set up an independent Quality Assurance Division to carry out quality management and quality assurance work on each product produced by the three domestic plants (Fukuyama, Asa and Tokyo) which support the three business areas of Functional Materials, Color Materials and Catalysts. The Quality Assurance Division also links up with the quality coordinating body for all business units, the Quality Management Division, to work on strengthening divisional quality assurance systems.

As an initiative to tackle quality fraud and data falsification, we dispatch permanent Quality Assurance Division bodies to each plant to help deliver reinforced governance on the ground and link up with plant Quality Management Divisions to promote quality patrols and the fostering of quality cultures. At our Fukuyama and Asa plants, we have introduced the LIMS (the Laboratory Information Management System which helps prevent quality falsification through automatic recording of inspection results etc.) to reduce human interventions in the processing of product inspection data wherever possible and aim for improving data integrity.

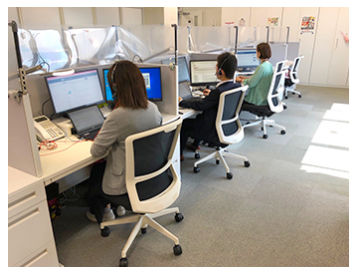
Moving forward, we will continue to pursue the relevant improvements as we aim for Quality Assurance System that is trusted by customers and wider society.

Life Science Business Unit

Responses to Enquiries from Patients and Medical Professionals

Our Medical Information Service Center has a toll free number for fielding all kinds of enquiries from patients and medical professionals on Nippon Kayaku pharmaceutical drugs and medical devices, including anti-cancer drugs, autoimmune disorder drugs and endovascular embolization materials. The Center handled 18,153 enquiries in FY2023. With the aim of ensuring that all our products come to serve customers even better, the Center's staff endeavor to handle each enquiry with speed, accuracy and politeness. We also strive for daily service improvements through surveying our customers on whether our Center's answers have met their expectations.

In addition to linking up with our medical representatives tasked with visiting medical institutions so that patients can be presented with the most helpful information possible, the Center also relays the requests and opinions of customers to relevant internal departments along with its own suggestions. Under its slogan of: "Doing everything to promote appropriate use and improve customer satisfaction" is the Medical Information Service Center contributing towards yet better medical care.



Our Pharmaceutical Products Information Center

Information for Patients and their Families

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



[Rheumatism La-la-la \(Japanese\)](#)



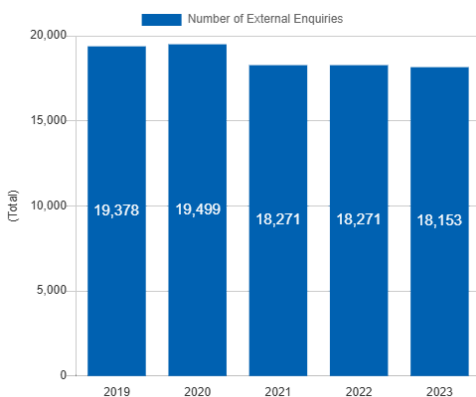
[Breast cancer info navigator \(Japanese\)](#)



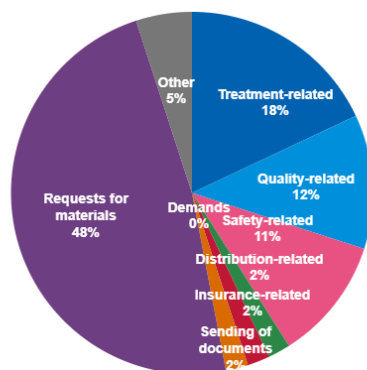
Quality Education for Suppliers

Our Agrochemicals Group outsources product manufacturing to locations both inside and outside Japan. It therefore drives forward quality maintenance and improvement of products manufactured by contractors through conducting periodical audits of, and detailed information exchanges with, the contractors in question. Audits are jointly conducted by the Quality Assurance Department and Technical Department, and with the help of the Research and Development Department should the situation demand. Questionnaires on conformity with laws and regulations, quality assurance systems, quality management and production processes are sent to manufacturing contractors, with those submitting low self-evaluations subject to Nippon Kayaku onsite checks inasmuch as is possible. Furthermore, where there have been past instances of abnormality or non-conformity at manufacturing contractors, we confirm whether recurrence prevention measures have been sufficiently devised and roll out success stories across other contractors so as to avoid repeats of similar issues. In cases where audits reveal insufficient efforts in certain areas, we issue the contractor in question with a Request for Improvement Form and demand speedy remedial measures. Thus, while working on improving both quality and customer satisfaction are we also supporting food supply and contributing to the development of sustainable agriculture.

Trends in Numbers of External Enquiries



Enquiry Type Breakdown (FY2023)

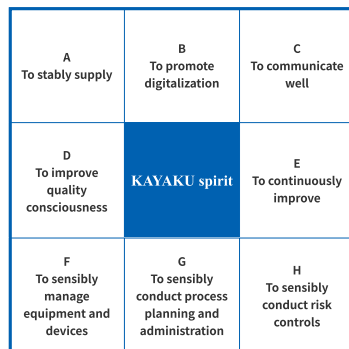


◆ Quality Education and Training Initiatives

So as to clarify the key quality assurance and improvement issues to be tackled, our Quality Management Division has prepared a so-called “Quality Mandalart” box-form chart with our **KAYAKU spirit** corporate vision at its core, in line with which it regularly delivers quality-themed education.

In a further subdivision of the mandalart chart, the necessary knowledge and skills required to resolve issues A to H and realize the company we wish to be are also defined. The resultant quality education programs are delivered in both group-session and online-meeting formats so that every business unit’s R&D and plant employees can efficiently and effectively join regardless of where they move. Through, for example, dispatching instructors to every business site and delivering the contents to multiple locations simultaneously in a hybrid format, we are also devising training methods which make adept use of both online and offline formats. Moreover, by handing out post-session questionnaires, we are able to receive feedback on education and training quality and quantity, and link that to further improvements.

(The **KAYAKU spirit**: “Continuously providing society with the best products through ceaseless progress and the combined forces of our conscience.”)



Quality Mandalart

Training Contents include...

- Field Data Analysis: Learning School
- Internal quality auditor training
- “Why? Why?” Analysis Training
- Training on Measures against Human Error

We are also conducting E-learning activities for all executives and employees based on our internal quality education textbook entitled: “Quality Management for Everyone,” which draws together all the basic knowledge required while implementing quality management. Average take-up rates have remained high, hitting 97% in every year from FY2019 to FY2022. It can safely be said that our employees are individually devoting themselves to improving their quality awareness. FY2023 saw us deliver E-learning sessions on Quality Management for Everyone to new hires (including mid-career recruits and repeat sessions for those who missed the initial ones). The average take-up rate was 99%.

Seminar Attendance Results (Domestic)

Training Title	Main Contents	Mainly aimed at	Period	Delivery style	Number of times	Average attendance rate
Quality Control for Everyone	The Basics of Quality Control; Quality Standard and spec for Inspection; responding to issues etc.	New hires (but also offered to mid-career hires and repeated for those absent from initial seminars)	July 2023 to March 2024	E-learning	20	99%
Quality Control for Everyone	The Basics of Quality Control; Quality Control and Inspection Regulations; responding to issues etc.	All executives and employees	2019-2022	E-learning	20	97%

◆ Quality Improvement Activities

With a view to investigating the reasons for quality process abnormalities and customer complaints, and taking effective recurrence prevention measures, the Nippon Kayaku Group has incorporated the “Why? Why? Analysis” method with the aim of rallying all workplace employees together to think about, and propose appropriate solutions to, these issues. FY2014 saw us step up our Why? Why? Analysis efforts by forming promotional teams in each plant, creating a Why? Why? Analysis Manual, and diffusing it across company workplaces. We continue to update the manual, and are now translating the latest versions into foreign languages for a roll-out to overseas Group companies (including seminars on-location) to help accelerate improvement activities in both domestic and overseas workplaces.

