

CSR Management

Basic CSR Policy

In 2003, the Nippon Chemi-Con Group released the Nippon Chemi-Con Group Charter of Corporate Behavior as an internal and external declaration of our commitment to business activities that ensure our position as a corporation that contributes to society through fair and transparent business activities.

Based on the spirit of this Charter of Corporate Behavior, we also have established the Nippon Chemi-Con Group Business Conduct Guidelines, which outline the awareness executives and employees working at the Nippon Chemi-Con Group must maintain during their daily execution of business activities. As a company that achieves harmony with international society while providing products and services that contribute not only to our stakeholders and local society, but also to the lives of people throughout the world, we will conduct our daily activities with integrity, sound corporate ethics, and a high standard of social responsibility.

Positioning of CSR Activities

The Nippon Chemi-Con Group positions our CSR activities as a core aspect of business management to ensure that we go beyond simply pursuing profits to fulfill our corporate social responsibilities and make broad contributions to society.

CSR Promotion System

The Nippon Chemi-Con Group has established a CSR promotion system within the Nippon Chemi-Con Administration Department to work with each department and factory on specific activities.

We go beyond simple corporate activities. For example, in the area of social contributions, we collaborate with labor unions on activities such as purchasing wheelchairs through soda can pull tab collections, providing vaccinations to developing countries through PET bottle cap collection, and donating used clothing to developing countries.

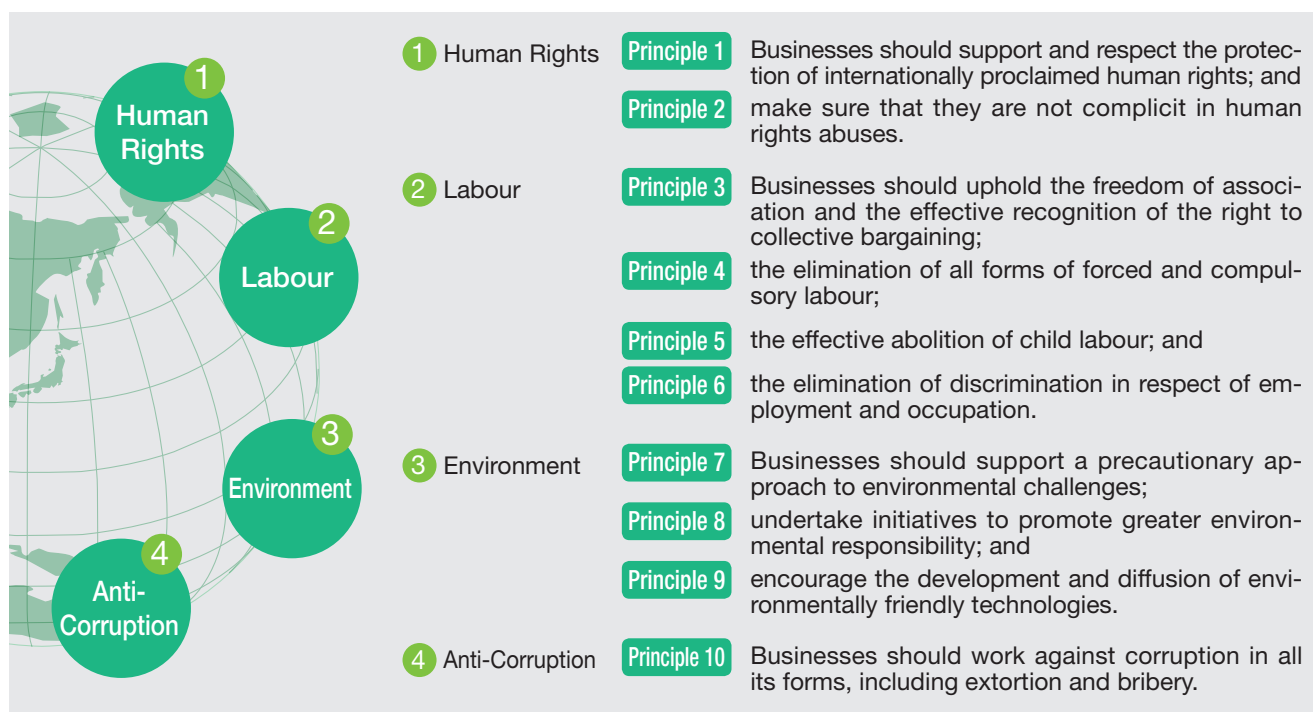
In 2014, we introduced our Healthy Company system that focuses on the health management of our employees and their families. We are conducting activities to ensure the ability of our employees and their families to have energetic and healthy lifestyles.

Participation in UN Global Compact

On January 26, 2012, the Nippon Chemi-Con Group announced our support for and participation in the United Nations Global Compact (UNGC). The UNGC is comprised of 10 universal principles related to four areas: human rights, labour, environment, and anti-corruption.

The Nippon Chemi-Con Group is working to incorporate the 10 principles of the UNGC into our daily business activities in order to achieve a high level of corporate social responsibility and meeting the expectations of all our stakeholders.

The Ten Principles of the UN Global Compact



Human Resources Strategy

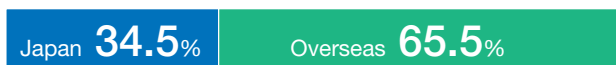
Diversity

Aiming to diversify management by promoting global HR development and utilization of females in the workplace

Amid continuing globalization, overseas production accounts for approximately 65% of production (in volume) at Nippon Chemi-Con and of our approximately 7,000 employees, more than 65% are outside Japan. Regardless of age, gender, or nationality, we emphasize individuality among our diverse human resources. We believe that the new ideas created as a result of this diversity will contribute to the creation of technology that benefits both the environment and people.

At present, Nippon Chemi-Con only has 1.5% of our leadership roles filled by women. We will implement numerous initiatives to promote the utilization of women in the workplace.

Composition of employees



Utilization of foreign students in Japan

Nippon Chemi-Con practices the hiring of foreign students studying in Japan. Amid continuing globalization, our belief that the hiring of human resources who live in Japan and have an understanding of Japanese culture is vital. Since 2012, we have aggressively recruited foreign students in Japan. As of April 2015, we have 10 such personnel on staff who are involved in a variety of roles in the company.



Promoting the hiring of persons with disabilities

Nippon Chemi-Con proactively conducts the hiring of persons with disabilities. Not only does this include staff on site in our various factories and offices, but we also work to allow telecommuting to ensure a comfortable working environment for persons with disabilities. We are aiming for persons with disabilities to represent at least 2.5% of hiring by 2020. The Nippon Chemi-Con Group will continue working to expand our overall hiring and provide work opportunities for persons with disabilities.

Nippon Chemi-Con Education Policy

In our 7th medium-term management plan, we outline developing the human resources for 10 years ahead as one of our core strategies. What is happening on the global stage? What is our position and what must we study? To achieve continuous innovation, we ensure that all our employees understand the following education policy.

Nippon Chemi-Con Group Education Policy

Requirements of a Nippon Chemi-Con Group employee common to both domestic and international offices.

1. Employees who can take on increasingly difficult challenges
2. Employees with high communication skills
3. Employees who can independently think and act from a global perspective

About Nippon Chemi-Con Group Education and Training System

At Nippon Chemi-Con, we have established various education systems of tiered training for personnel development, including position-based training, distance learning (Nippon Chemi-Con Business School), and OJT.

Tiered training is a system of curriculum that serves as the foundation for long-term personnel development. Our main office sponsors thirteen tiered training sessions where we provided education on the skills required for each tier. In FY2015, we established an additional system for employees who have been with the company for five years. We are focused on providing training that is in line with the needs of society and the company.

Additionally, since 2010 our domestic production division has conducted global leadership training for select young employees. This training covers themes that transcend position and office and provide education that cannot be gained through tier-based training.

With the goal of increasing employee skill levels at our overseas affiliates, since 2006 we have selected employees from overseas offices to participate in training conducted in Japan. Since then, already over 110 overseas employees have participated. Among those who have completed the training are numerous employees who are already working as managers overseas. Moving forward, we will continue striving to develop human resources capable of thinking, deciding, and acting based on a global perspective and who are able to lead a team comprised of a diverse range of individuals towards goal achievement.

Lastly, we have partnered with a distance learning provider to offer distance learning courses covering nearly 200 subjects twice a year. This system enables employees to freely select courses to promote skill improvement. As an incentive, employees who complete courses with high scores are eligible for partial tuition subsidies from the company. Also, employees who complete coursework are allotted "career points," which are a parameter in the evaluation of promotions and raises. Linking this education system to our HR system helps promote self-improvement.

Corporate Governance / Compliance

Corporate Governance

Basic Concept

Nippon Chemi-Con's basic concept of corporate governance is to ensure the transparency and efficiency of management for shareholders and all other stakeholders.

In addition to legal functions such as General Meeting of Shareholders, the Board of Directors, the Audit & Supervisory Board, and Accounting Auditor, the company established the internal control systems, and continuously provided information on business conditions through briefing session on financial results and timely disclosure to implement sound, efficient and transparent corporate management.

Our Corporate Governance System

Nippon Chemi-Con is a company with an Audit & Supervisory Board. The company has introduced an executive officer system in the company since June 2014 in order to have a distinct separation between inspection and supervision of management and execution of operations. The company concurrently reduced the number of directors but appointed one outside director to strengthen the function of inspecting and supervising management. In June 2015, the number of outside directors was increased to two to reinforce the function.

Additionally, to supplement the function of the Board of Directors, in November 2015 we established a Nomination Advisory Committee and a Compensation Advisory Committee. For both the Nomination Advisory Committee and the Compensation Advisory Committee, the chairperson is an independent outside director and the majority of members are independent outside directors.

Our Audit & Supervisory Board comprises four members. The board audits decisions made by directors and operational executions carried out by executive officers, the business and financial positions of Nippon Chemi-Con and its subsidiaries in Japan and overseas.

Business Supervision and Audit Function

Nippon Chemi-Con uses an executive officer system to separate the business monitoring and supervision function and the business execution function of company directors in order to strengthen the business monitoring and supervision function of directors.

The Audit & Supervisory Board monitors the state of governance and business management, and also monitors daily business activities, including the activities conducted by directors. Specifically, Audit & Supervisory Board Members working under guidelines outlined in auditing policies and audit plans created by the Audit & Supervisory Board attend board of directors meetings and conduct factory visits to investigate and validate the status of work implementation and business management, and conduct audits to determine the existence of circumstances that violate laws or the Articles of Incorporation, or that could harm the interests of shareholders and other stakeholders.

In addition to Audit & Supervisory Board Members fulfilling a role as a legal entity, we also have established the internal audit department which reports directly to the company president.

The internal audit department works to strengthen monitoring functions for transactions and other general business activities. The internal audit department conducts regular internal audits of management systems related to all

Details of the Corporate Organs



Board of Directors	Nippon Chemi-Con's Board of Directors comprises six members. The Board of Directors with this small number has enabled to make swift decisions and appointed two independent outside directors who are disinterested in the company to reinforce the function of inspecting and supervising management.
Executive Officer System	Nippon Chemi-Con has introduced an executive officer system to make separation between the function of the Board of Directors' decision making in management and of directors' inspecting and supervising operations and the function of executive officers' executing operations. Executive officers swiftly execute operations based on decisions in management by executing matters determined by the Board of Directors.
Audit & Supervisory Board	The Audit & Supervisory Board inspects the state of the corporate governance, the steering situations, and daily activities in management including those performed by directors.
Nomination Advisory Committee	The Nomination Advisory Committee consult with other members about the content of a draft to be proposal to a General Meeting of Shareholders concerning selection and dismissal of directors and members of the Audit & Supervisory Board and the content of a draft to be proposed to the Board of Directors concerning selection and dismissal of executive officers. Such consultations are conducted prior to determination of such proposals in light of the "Standards for Selection of Directors and Executive Officers" and the "Standards for Selection of Members of the Audit & Supervisory Board" set by the company, the conclusions of which are recommended to the Board of Directors.
Compensation Advisory Committee	The Compensation Advisory Committee consult with other members about matters concerning compensation of directors and executive officers and expenses opinions and advice to the Board of Directors. Such consultations are conducted after the committee considers the business scale and levels of compensation of employees of the company, and decent third party's study conducted periodically on compensation of corporate management, etc. in addition to levels of compensation of other competitors, socio-economic conditions, etc.
Executive Committee Meeting	Nippon Chemi-Con has established the Executive Committee Meeting for making swift decisions. The committee, which is the consultation organ on operational execution policies, holds weekly meetings, in principle, in order to examine important subjects in management.

aspects of business and provides detailed advice and recommendations aimed at improvement of work processes and reinforcing compliance.

Selection of Outside Officers

Of the six directors of Nippon Chemi-Con, two are outside directors. Also, of our four Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members.

In addition to the parameters outlined in the Companies Act, we established our own “Criteria for appointment of outside officers that ensure independence from Nippon Chemi-Con” to ensure highly-independent audits and supervision by our outside officers. Outside officers are selected based on these standards.

All four outside officers are registered with the Tokyo Stock Exchange as independent officers.

Officer Compensation

Compensation for Nippon Chemi-Con directors is designed and managed as a system that is both linked to performance and investor long-term income and to the

promotion of personnel growth and development. Our basic policy is to achieve an appropriate and fair balance that further increases director motivation toward maximizing corporate value.

For the purpose of enhancing the independence and objectivity of functions related to determining directors' compensation, we establish a Compensation Advisory Committee to deliberate on matters related to directors' compensation, after which a decision is made by the Board of Directors.

Furthermore, compensation for executive directors is comprised of monthly compensation and performance-linked compensation, which is determined based on company performance for the given fiscal year and individual performance. As performance-linked compensation is not appropriate for non-executive directors and outside directors, their compensation consists solely of monthly compensation.

Compensation for Audit & Supervisory Board Members is monthly compensation only, which is determined as individual fixed compensation based on deliberations by Audit & Supervisory Board Members.

Officer category	Total compensation (million yen)	Total compensation by type (million yen)		Number of applicable officers
		Base compensation	Bonus	
Directors (excluding outside directors)	165	165	—	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	44	44	—	2
Outside officers	32	32	—	5
Total	241	241	—	12

(For the Fiscal Year Ended March 31, 2016)

Compliance

Compliance Promotion System

In addition to our Compliance Regulations, the Nippon Chemi-Con Group has established various internal regulations related to compliance and appoints a managing compliance officer (executive officer in charge of the Nippon Chemi-Con Administration Department) as the chief officer in charge of compliance promotion and enforcement. This chief compliance officer oversees a compliance committee, which works to draft compliance policy that is applied to the entire Group, draft action plans related to compliance, and conduct monitoring of implementation progress for these initiatives. Each department in Nippon Chemi-Con and Group company has assigned a compliance officer and compliance staff, who work to promote and reinforce policy related to compliance.

Enhancing Education and Training and Initiatives on Competition Law Compliance

As part of our CSR education, Nippon Chemi-Con conducts compliance training related to competition laws, insider trading regulations, etc. This training is based on a tier-based system that covers every level of employee, from new hires (including mid-career hires) to management level employees to ensure education that reinforces the importance of compliance within all our corporate activities. We also provide education aimed at reinforcing the Nippon Chemi-Con Group Business Conduct Guidelines to each department

and to our Group subsidiaries. At Nippon Chemi-Con, we take a proactive approach to compliance education and training for the entire Group. In fiscal 2015, in addition to these activities our legal affairs department conducted compliance audits at 42 factories and departments.

As an initiative on competition law compliance, we hold training conferences led by external coaches (attorneys) where we cover competition laws. Nippon Chemi-Con has outlined internal regulations and manuals, including our “Basic Policies Concerning Compliance with Competition Laws,” aimed at ensuring compliance with competition laws. Also, our legal affairs department is conducting audits.

Whistleblowing Help Desk

The Nippon Chemi-Con Group has established “Regulations Related to the Handling of Whistleblowing,” through which we established a consultation desk and whistleblowing help desk for employees (Nippon Chemi-Con in-house standing statutory member of the Audit & Supervisory Board and Administration Department manager) as part of a system for ensuring the early discovery and prevention of legal infractions and to protect whistleblowers. During compliance training, we explain the importance and effectiveness of whistleblowing to promote awareness about the whistleblowing system. The legal affairs department (Nippon Chemi-Con Administration Department) serves as the point of contact for legal consultations related to daily operations and works to prevent compliance risks.

Environmental Management

Nippon Chemi-Con's Environmental Policy (Summary)

- Structures organization that operates at every level for conserving the global environment
- Sets environmental goals and targets, Improves environmental performances, Continuous improvements of EMS
- Considers biodiversity
- Observes all environmental laws, regulations, agreements, and internal standards
- Promotes Energy conservation, Proper control of Chemical substances in the products, Effective use of resources, Waste reduction
- Promotes the development and marketing of products that have a less environmental loads
- Educates and enlightens our entire workforce
- Prevents the environmental risks, and maintain management systems
- Releases information to the public positively, and promotes sufficient communication with the local community and stakeholders

Compliance to the Laws and Significant accidents occurrence status

In corresponding to the laws and regulations, depending on regulation parameters, Nippon Chemi-Con Group sets stricter independent standard value for management, and all legal standards are observed.

No significant accident occurred that impact the environment.

<Activities results>

■ Total volume of carbon dioxide emissions and breakdown for different years

(t-CO₂)

Fiscal Year	2011	2012	2013	2014	2015
Purchased Electric Power	406,777	386,594	471,148	483,070	475,603
A-grade Heavy oil	28,603	18,877	21,593	23,921	23,446
Kerosene	1,686	1,682	1,551	1,489	1,507
City Gas	23,143	22,786	23,249	23,449	22,295
Gasoline	457	397	361	351	325
LPG	383	342	343	340	308
LNG	0	474	490	382	510
Gas oil	50	49	79	106	155
Industrial steam	0	862	2,532	2,557	2,465
Waste Materials – Oil, Plastics	0	0	0	0	0
Waste Materials – Paper, Wood	0	0	0	0	0
Total	461,099	432,063	521,347	535,665	526,615

Notes:

1. Energy-CO₂ conversion factor used by the sites outside Japan is reappraised from 2014.
2. Amount of energy-origin CO₂ emissions is calculated by using emission factor (adjusted emission factor) released from Federation of Electric Power Companies.

Environmental Activities

Energy conservation

The Nippon Chemi-Con group has the target of 1% per unit of improvement rate a year based on the Low-carbon society action Plan of Japanese 4 Industrial Associations from FY 2013, and we are promoting activities of the energy conservation working groups that are organized by the employees in charge of energy.

<Mid-term target>

In light of a "the Low-carbon society Action Plan" by the industrial associations,

Toward 2020
Improvement target in energy consumption per unit

annual average : **1** %

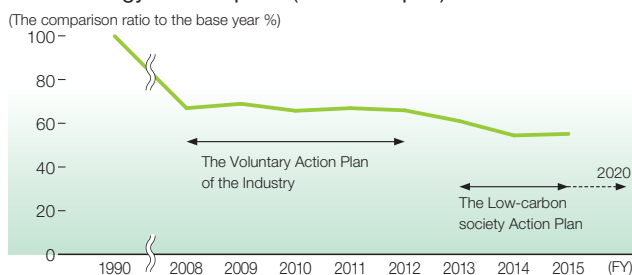
<Long-term target>

In light of a common target set by the industrial associations,

Toward 2030
Improvement target in energy consumption per unit

annual average : **1** %

■ Trends in volume of carbon dioxide emissions and unit energy consumption (Sites in Japan)

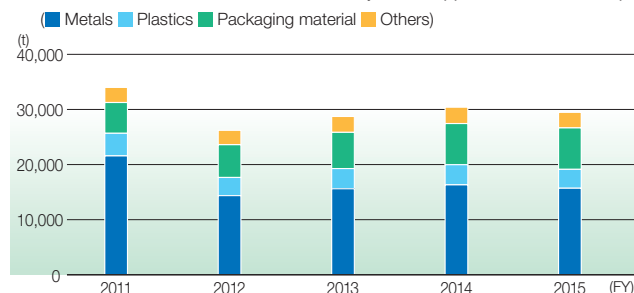


Resource conservation

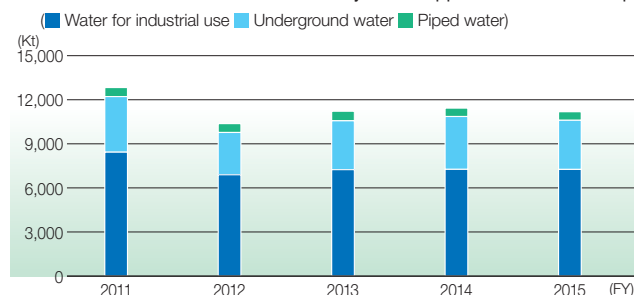
In the manufacturing activities of industries, the resources are essential element. Efficient use of such resources will protect global environment.

We encourage the "3R," recycling, reusing, and reducing activities in order to contribute to the preservation of the environment.

Trends in volume of resources consumed by entire Nippon Chemi-Con Group



Trends in volume of water consumed by entire Nippon Chemi-Con Group



Waste reduction

The Nippon Chemi-Con Group has addressed activities for resource recycling and reduction in landfill disposal volumes by reducing the amount of industrial waste generated.

We further promote 3R, effective utilization and recycling of resources to reduce wastes and improve the final disposal rate.

Trends of final disposing rate (Sites in Japan)



Biodiversity Initiatives

In the Nippon Chemi-Con Group's activities to conserve biodiversity, we will take actions for each of the three impacts on biodiversity.

1. [Impact from procurement of raw materials] In cooperation with our suppliers, we share views and mutual understanding concerning biodiversity, and move continuously ahead with activities.
2. [Impact on ecosystems caused by manufacturing] Our manufacturing processes use energy and resources, and they emit CO₂, waste water and other emissions. As this is an area where our Group's business activities directly have an impact, effective and continuous activities are ongoing.
3. [Impact on biodiversity due to changes in environments surrounding our workplaces caused by our use of land] Consideration to local environment and surrounding ecosystem by securing green space in our premises and the social contribution activities.

Biodiversity offers indispensable and vital bounties (ecosystem services) to all of humanity. The activities that we are able to perform are steady and modest ones, we think. Yet we believe that each workplace employing its ingenuity, and continuing with what small activities it can accomplish, is a very significant thing. We will roll out such steady and continuous activities.



Chemi-Con Iwate Corp.
Birdhouse placed in the premises to protect wild bird, and the "Visitor"

Chemi-Con Iwate Corp. ▶
Protecting "Minami-Medaka" (*Oryzias latipes*), endangered species of the Kitakami river water system, at the pond in the site.



Chemi-Con Yamagata Corp.
Planting of nursery plant in the premises to protect specified natural monument of Yamagata Prefecture "butterfly," with cooperation of protecting society, near-by agricultural high school students, and children.



For more information, please see the website below.

<http://www.chemi-con.co.jp/e/env/index.html>

Green Procurement and Green Purchase



Management of chemical substances in the products

Laws and regulations concerning chemical substances in the products such as EU RoHS, China RoHS, and EU REACH, have been put into effect. As a result, construction and practice of thorough management system has become essential.

The Nippon Chemi-Con group has constructed management system for chemical substances in the products (CMS) based on JIS Z 7201: 2012 “Guidelines for the Management of Chemical substances in Products,” with “Keep Out, Do not Use, Do not Deliver” as our key words, at all production sites.

By practicing this CMS, we are able to manage chemical substances in the products at various levels of corporate activities such as Development, Purchasing, Production and Sales. In addition, to deal with EU REACH regulation, we confirm the influences of newly added SVHC on the materials we use, and encourage procuring materials that do not contain SVHC.

Green procurement

In order to achieve thorough chemical substances control, we must manage the chemical contents of the raw materials delivered by our supplier. As a part of chemical substances management, we have established “Nippon Chemi-Con Group Green Procurement Guideline” from the viewpoint, to ensure a strict level of management.

In addition, we have introduced environmental approval system to manage our purchasing materials and parts. This is a “Keep out” part of our management system for chemical substances in the products (CMS) and its objective is to construct CMS throughout the supplier chain. The periodical and constant audit/consulting of all suppliers had been taking place since April, 2007, to strengthen monitoring of chemical substances in the products.

Green purchase

Each business site and plant of Nippon Chemi-Con group carries out green purchase based on the common guidelines. The guidelines target on the following nine goods and five services, which were selected based on the Law on Promoting Green Purchasing and green procurement network standards.

Target	Details
Paper	Copy paper, Printing paper, Toilet paper, etc.
Stationery	Ballpoint pens
Office furniture	Desks, Chairs, Shelves
Office automation equipment	Copiers, Fax machines, PCs, Printers, Monitors
Home appliances	Air conditioners
Lightning	Fluorescent lighting equipment, Fluorescent tubes
Cars	Company-owned cars, Leasing cars
Uniforms	Uniforms, Work clothes
Waste disposal	Environmental-friendliness of waste disposers

Healthy Company System



Health leads to employee happiness and is an asset for the company. Based on this idea, the Nippon Chemi-Con Group collaborates with health insurance union to strengthen initiatives related to employee health management. When employees and their families are healthy, employees are able to work with peace of mind and contribute to the development of the company. We promote the keywords: percentage of smokers, measures to prevent metabolic syndrome, and mental health as we implement initiatives aimed at improving the health of each employee.

■ Details of Activities

I. Reinforcing smoking rules and lower smoking rates —

Reaching national smoking average (19.3%)

Societal concern is growing regarding the impact of smoking, not only regarding the health of smokers but also concerning measures to prevent passive exposure by non-smokers. Smoking increases the risk of lung cancer and ischemic heart disease, and can threaten the future health of an individual.

We are promoting smoking reduction measures from the perspective of ensuring health.

II. Metabolic syndrome prevention —

Lowering BMI above 25 to below 20% of workforce in five years

We treat obesity (BMI above 25) as a major factor leading to increasing medical care costs. In particular, obesity has a major impact on medical expenses and this problem is growing among younger generations as well. As such, we aim to reevaluate individual lifestyles and reduce future risks such as severe diabetes. Nippon Chemi-Con uses BMI as one indicator and requires that employees undergo physical examinations at hiring. These examinations include blood tests that help employees understand the importance of health from a young age. We also use internal publications to distribute transformation case studies and other information to promote increased health awareness.

III. Mental health measures —

Incorporation of stress check system

We introduced a stress check system that is aligned with the timing of health examinations. This system focuses on prevention and aims to increase opportunities for awareness in order to help prevent mental illness and the occurrence of employees requiring a leave of absence. Managers are also provided line care training to learn how to respond to consultations from their staff.

Contributions to Local Community

The Nippon Chemi-Con Group values communication with local communities and actively promotes local contribution activities in a spirit of coexistence and coprosperity.

Relationship with local community

Chemi-Con Iwate is participating in situ conservation activities of "Minami-Medaka" (*Oryzias latipes*) which is one of "Not apparent local fish." With support from NPO and other people, we started protecting "Minami-Medaka" from June, 2015. In October 2015, many fry were incubated. Incubated fry were presented to the local primary schools and junior high schools. We intend to keep participating in activities, such as protecting "Minami-Medaka" for future children.



Cleaning volunteer work

For the purpose of environment protection, Nippon Chemi-Con Group is conducting cleanup of near-by areas by our employee. With appreciation to the local community, 10 cleanup activities were launched in FY 2015.



Chemi-Con Fukushima's Healthy Eco Walking (October 24, 2015)

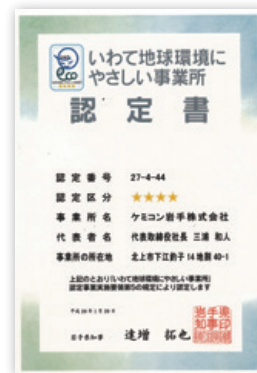
Certificate and Letter of appreciation in FY2015

Chemi-Con Iwate Corp.

"Certificate of Global-environment friendly site of Iwate"
Four-star (Highest Rated)

■ Sponsorship: Iwate prefecture

The business establishment taking active measures on carbon dioxide discharge suppression was certified as "Global-environment friendly site of Iwate." Chemi-Con Iwate was certified "4-star" (Highest rated).



Chemi-Con Nagaoka Corp.

"Letter of appreciation – Nagaoka no-private-car-day 2015"

■ Sponsorship: City of Nagaoka

Chemi-Con Nagaoka received a "Letter of appreciation" from City of Nagaoka for participating City of Nagaoka sponsored "no-private-car event in 2015" (Activity for reducing greenhouse effect gas).

