

100年の技術と信頼を明日へ

KOEI

SINCE
1917

CSR報告書 2021



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Editorial policy

Editorial policy

This report is intended to provide information to help many stakeholders understand Koei Chemical's CSR activities.

We strive to make this material clearer and more reader-friendly by using graphs and pictures.

Reporting period

April 2020 to March 2021

(information for April 2021 and later is partially included.)

Issuance

December 2021

Corporate Philosophy

"We aim to grow our business by mobilizing all available intelligence and energy with prime importance on credibility and integrity." and
"We shall contribute to the development of society through providing valuable products and innovative technology."

Contribution to a sustainable society

○ CSR Basic Policy

The Koei Chemical Group will enhance corporate value by providing new value through business activities based on the technology and credibility that it has been developing until today in order to contribute to the improvement of the quality of human lives globally. We will also actively promote initiatives for global environmental issues and the development of local communities.

We will perform business activities in compliance with Japanese and overseas laws and regulations, as well as the corporate philosophy of the Koei Chemical Group, while striving to perform safety, environment preservation and quality assurance activities to realize a sustainable society by taking stakeholder's concerns into consideration.

Koei Chemical's policy on SDGs*

Koei Chemical will contribute to a sustainable society by achieving SDGs through diverse business activities.



*Sustainable Development Goals, which are adopted by the United Nations, are globally shared issues to be achieved by 2030.

Acceleration of achieving a Sustainable Society through Chemistry



One year has passed since we changed our corporate name to reflect our intention to expand our business domain beyond the conventional boundaries, and we are accelerating our transformation to provide new value to the society.

In the following interview, you will find the progress of our current corporate business plan and future development explained in depth, along with our approaches to realize a sustainable society.

Representative Director & President

Providing value as a specialty chemical company

Q Please tell us about the impact of recent social changes on the chemical industry and market.

While the most recent major social change is, of course, the global impact of the COVID-19 pandemic, the performance of the chemical industry has generally remained strong, as the performance of our customers in the automobile, electronics, construction, and other fields has not deteriorated significantly.

On the other hand, in terms of social changes from a medium- to long-term perspective, dealing with climate change has become a major theme in economic activities, and the chemical industry is no exception. In particular, the move toward stricter environmental regulations in the European countries, China, and other countries is having an impact on our business. The chemical industry has both

aspects of environmental impact, such as high energy consumption, greenhouse gas emissions, and plastic waste problems, as well as aspects that contribute to solving environmental and other global issues through technological innovation. Although increasing costs for environmental measures is a business risk, responding to the need to solve problems can lead to business growth and expansion and opportunities to contribute to society. For example, the development of materials to reduce the weight of automobile bodies reduces the environmental impact by improving fuel efficiency, and the use of catalysts to improve production processes and amines to adsorb CO₂ are examples of problem solving that only chemistry can provide.

We aim to increase our corporate value by contributing to solve these social issues and to create the economic value in an integrated manner through the creation of new technologies and the development of new applications, utilizing our accumulated technologies based on organic synthesis.

Q What direction does Koei Chemical aim to take in the future and how will it develop its business?

The chemical industry entered the era of petrochemicals in the 1960s, and many chemical companies supplied petrochemical products as materials, playing a part in the growth of the Japanese economy. In the 40 years since the 1980s, the industry has shifted to specialty chemicals, which provide functional chemicals based on advanced chemical technology, and the business model that was once centered on petrochemicals has changed dramatically. The shift toward specialties that provides new materials, such as electronic materials and pharmaceutical intermediates, will continue in the future, and the demand for the new materials will continue to increase.

In the midst of these trends, our company, which is located upstream in the supply chain, aims to grow as a business partner that proposes the solutions to customers' manufacturing and to the problems that they want to solve.

As our strength is speedy and responsive customer services, we will focus on proposals that support the creation of value for our customers, and promote our solution businesses that provides custom synthesis and process technologies. The change of our company name in October 2020 shows our will to leap beyond the framework of the "kagaku kogyo" (chemical manufacturing) and to create a challenging corporate culture that proactively captures business opportunities. While we will basically continue with the two pillars of new businesses based on our own technologies and custom synthesis businesses that meet customers' needs, we will seek for the possibility of expanding our businesses and business domains through M&As and business alliances. And we will also accelerate our efforts to proactively introduce knowledge from outside the company through open innovation.

Restructuring of core businesses and expansion of new businesses

Q Please explain the progress of the corporate business plan and the outlook for the final year of the plan.

This fiscal year will be the final year of our three-year corporate business plan, "Transformation KOEI." The plan's policy is to create the future of Koei Chemical for the next 100 years by strengthening our competitiveness by rebuilding core businesses and expanding our business with new products.

Looking back over the two years up to FY2020, the action plans for each of the themes set forth in the policy—accelerating the development of new products, strengthening existing core businesses, capital investment plan, and improving efficiency in the business processes—shows steady progresses, although the degree of progress in some projects have been shaky due to changes in the business environment caused by the Covid-19 pandemic.

In terms of accelerating the development of new products, the development of urethane-related products, which are positioned as our next-generation products, has been slightly delayed due to the time required for evaluation by customers. However, our pharmaceutical intermediates business had a solid progress, resulting in its employment in large-scale overseas projects and new projects for the Japanese market. In addition, we introduced a stage-gate system for progress management in order to strengthen our research management capabilities.

In terms of strengthening existing core businesses, we are rebuilding existing manufacturing plants to improve productivity and enhance competitiveness. Looking at business performance, pharmaceutical-related demand remained strong, including demand for pharmaceutical intermediates and raw materials for coronavirus drugs.

As for the capital investment plan, the construction of the new CM IV multi-purpose plant and the restructuring of existing plants are being progressed as planned. Construction of CM IV began in March 2021, and is progressing without delay toward the start of operations in September 2022.

As for the reviewing the business processes, we are making improvements through the promotion of digital transformation (DX) projects in the four areas of plants, R&D, SCM, and back office to increase the added value of our operations.

Overall, we can say that the progress of the action plan is generally on track.

In terms of financial performance, although we were able to post profits in excess of the plan in 2019 and 2020, in FY2021, in addition to a decrease in revenue due to a change in revenue recognition in accounting standards, the timing of the shut-down maintenance at Sumitomo Chemical's Chiba Works will be changed from spring to winter, and our shut-down maintenance will also be carried out twice a year only for this fiscal year. As lower capacity utilization rate will cause a temporary decrease in sales and profits, we are likely to experience a shortfall in our performance targets for the final year of the current corporate business plan. However, we believe that this will be a temporary situation and we will be able to recover to a new growth trajectory from FY2022 onward, as our new CM IV plant will start the operation.

Q Please tell us about the measures you will focus on from this fiscal year onward and the development of the next mid-term business plan.

We will work to strengthen our competitiveness by rebuilding our core businesses and accelerate our growth strategy by expanding new businesses. Specifically, in order to increase the added value of our core businesses, we will develop new applications for amine and pyridine, which are our existing products, and strengthen our competitiveness through productivity improvement and streamlining measures.

In the new business domains, we will focus on the development of urethane-related products using our own technologies and the expansion of applications for ionic liquids.

In the custom synthesis business, in addition to actively developing catalyst-related products and pharmaceutical and agrochemical intermediates, we plan to strengthen our collaboration with the Sumitomo Chemical Group companies. We believe that the pursuit of synergies with the Sumitomo Chemical Group will make a significant contribution to the advanced utilization of a series of multi-purpose plant, including CM IV, which is currently under construction.

Moreover, to further improve management efficiency, we will deepen and accelerate the improvement of our business processes (DX Project), introduce new management indicators such as ROIC and CCC (Cash Conversion Cycle) that take into account balance sheet efficiency, and further accelerate human resources development.

In the current fiscal year, we are developing our next corporate business plan, which will start in FY2022. Under the current corporate business plan "Transformation KOEI," which would be called in modern terms "KX," we believe that the existing growth strategy is in the right direction, and we will focus on further speeding up the process. The concept of KOEI 2021 "Handing down and Challenging" continues to be important to us.

In the next corporate business plan, we will accelerate our efforts, including the upgrading of our business portfolio, while continuing the concept of growth through the restructuring of our core businesses and the expansion of new businesses. In addition, we will be more conscious of contributing to social issues through our business, and we will make clearer statements than before about promoting sustainability and strengthening corporate governance. We are now in the process of formulating the next corporate business plan through in-depth discussions such as proposals from general managers, discussions at various projects, and review meetings by executives, which lead to the employees' direct engagement.

Proactive information offering and two-way communication



What are your thoughts on the realization of a sustainable society and how will you take on this task?

We have been contributing to the development of society through our business activities, based on our Corporate Philosophy: "We aim to grow our business by mobilizing all available intelligence and energy with prime importance on credibility and integrity." and "We shall contribute to the development of society by providing valuable products and innovative technology." As a chemical manufacturer, we have been striving to ensure safety, health, the environment, and quality throughout the entire life cycle

of chemical products, and have been focusing on responsible care activities to earn the trust of society more. We believe that our efforts to realize a sustainable society by promoting ESG and CSR management and responding to the SDGs themes are in line with and an extension of these traditional concepts and activities.

From this perspective, we have set KPIs and organized these directions in order to share them company-wide and to communicate them to external stakeholders.

The Sumitomo Chemical Group has identified the seven material issues (contribution to reducing environmental impact, contribution to solving food issues, contribution to solving healthcare issues, contribution to ICT innovation, promotion of technology innovation and research and development, initiatives for digital transformation, and promotion of diversity and inclusion). This time, through discussions in a company-wide cross-sectional project structure that includes young people, we have established our KPIs for these seven items, which will serve as indicators to measure the progress of the Company's efforts (please refer to page 14).

We will contribute to the realization of a sustainable society by accelerating our efforts to address the material issues in a company-wide, cross-sectional manner based on the KPIs.



Please explain your efforts to strengthen corporate governance.

In June 2021, the Corporate Governance Code was revised to require a higher level of governance especially for companies in the Prime Market in the new market classification of the Tokyo Stock Exchange. Although we are planning to shift to the Standard Market, we are aware that we need to ensure the independence and transparency of our management and that a higher level of governance is required since we are listed but the parent is Sumitomo Chemical. Based on this recognition, the Board of Directors has been composed of nine members since June 2021, with outside directors accounting for one-third of the total. At the same time, we introduced an executive officer system to separate the management supervision function from the business execution function, speed up decision-making, and ensure the mobility of business execution.

This reorganization is expected to further strengthen the character of the Company's Board of Directors as a monitoring board and contribute to improving the effectiveness of governance. In addition, with the delegation of duties from the Board of Directors to the Executive Officers underway, the Board of Directors is now able to focus on discussions on important issues and engage in a more active exchange of opinions than ever before.



Q | Please give us your message about building relationships with stakeholders.

In last year's CSR Report, I stated that we would value two-way communication to achieve co-existence and co-prosperity with all our stakeholders, including shareholders, investors, customers, business partners, local communities, and employees and their families. For employees who support the development of the Company and aim to grow together with us, I have called on them to pursue the best performance through professionalism, a proactive attitude, and teamwork as a guideline for their daily work. All of these are ideas that I would like to continue to cherish, and I would like to repeat them in our messages.

Recently, we have been hiring people to secure the operation of the new CM IV plant to strengthen R&D activities, and we are also hiring experienced staff in certain areas. The number of young employees has increased by about 50 in the past year. In the future, it will become increasingly important to educate new personnel to acquire a high level of expertise and to strengthen the managers' management skill.

At the same time, it is important for all of us to work together to create an open working environment where each employee can fully demonstrate his or her abilities and cut the mustard in any position.

To our shareholders and investors who support our business, we will strive to further improve our business performance and meet their expectations by increasing the return of profits and expanding our corporate value. In addition, we will further focus on investor relations initiatives, such as holding financial results briefings, as an opportunity for investors to gain an understanding of our business and growth strategies and to hear opinions and requests regarding management.

Because we are a B2B company, we do not have direct contact with general consumers. For this reason, we recognize that we need to make further efforts to convey our corporate image through proactive dissemination of information and messages and interactive communication. I would like to ask all of our stakeholders to pay close attention to the future challenges of Koei Chemical and to continue to support us for many years to come.

Progress of the FY2019-2021 Corporate Business Plan and Business Strategy

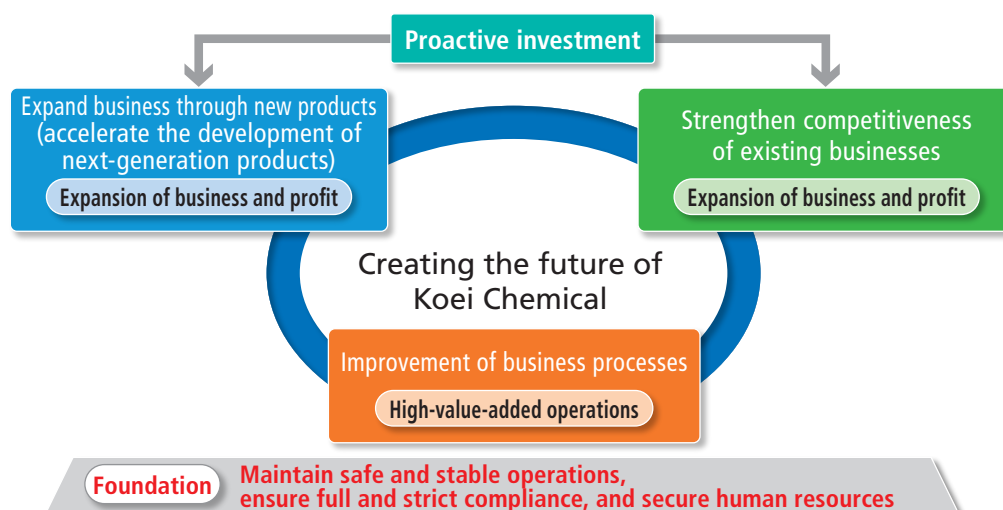
FY2021 is the final year of the current Corporate Business Plan, and we have set targets for net sales of 20 billion yen and operating profit of 2 billion yen. However, the current forecast is for net sales of 16.4 billion yen and operating profit of 0.5 billion yen, a decrease in both sales and profits.

This is mainly due to the fact that sales of next-generation products will be postponed until FY2022 or later, and that the recovery of demand for some existing products, such as electronic materials-related products, optical materials-related products, and agrochemical intermediates, has been delayed. In addition, there are special factors such as a significant decrease in the number of operable days due to the change in the timing of shut down maintenance, which are scheduled twice in FY2021, in May/June 2021 and February/March 2022, respectively.

Although the business environment in FY2021 will be even more severe than before, we are steadily carrying out the important tasks set forth in the current Corporate Business Plan. In addition, as a new initiative, we have positioned the acceleration of research and development through the introduction of stage-gate management, the promotion of the DX strategy, and the pursuit of synergies with the Sumitomo Chemical Group as our business growth strategies, and we will further accelerate the improvement of management efficiency and make a concerted effort to achieve an early recovery of business performance.

Corporate Business Plan

Corporate policy

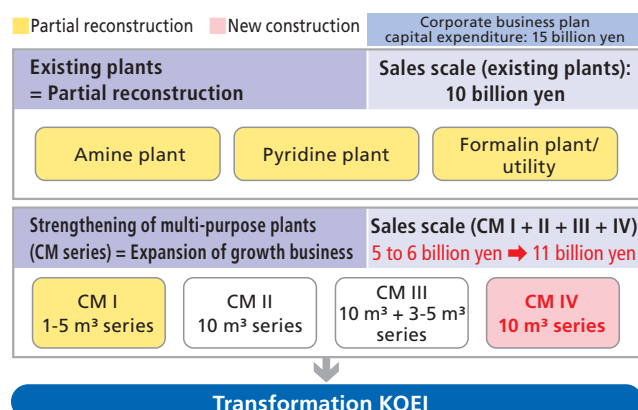
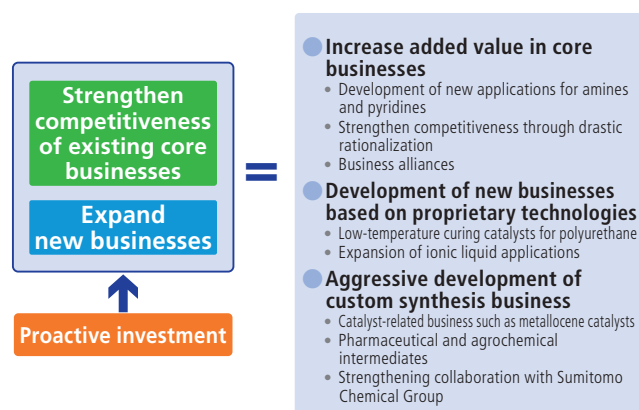


Progress summary

	Application	Status	Overview of progress
Acceleration of new product development	Next-generation products	△	Proceeding with aggressive development of applications and patent applications for polyurethane catalysts underway; customer evaluations delayed
	Pharmaceutical intermediates	◎	① Large-scale project for overseas market Although sales postponed until FY2022, orders have been received and production will start in the second half of FY2021 ② New project for domestic market Trial production in FY2020, commercial production scheduled in FY2021
	Metallocene catalyst	◎	Successful entry into new markets for overseas users
	Products using gas-phase process development	—	New themes to be set in 2020
Strengthen existing businesses	Electronic materials-related products	△~○	Strong sales for condensers; sluggish sales for high-grade semiconductors, but expecting demand to increase in the future
	Optical materials-related products	△	Focus on development of new applications despite sluggish demand due to intensifying competition
	Pharmaceutical intermediates	○	Strong demand for tuberculosis drugs and other pharmaceutical intermediates
	Agrochemical intermediates	△~○	① Agrochemical intermediates for Chinese users Decreased sales volume and intensified cost competition ② Agrochemical intermediates for North American users Although it took time to register final products, we expect demand to increase in the future
Capital investment plan		○	① CM IV construction progress Construction started in March 2021, operation to start in September 2022 (as planned) ② Plant partial reconstruction Ongoing (review of overall plan)
Improvement of business processes		○	Implementing high-value-added operations by promoting DX strategy

Business growth strategy

Growth strategy



R&D

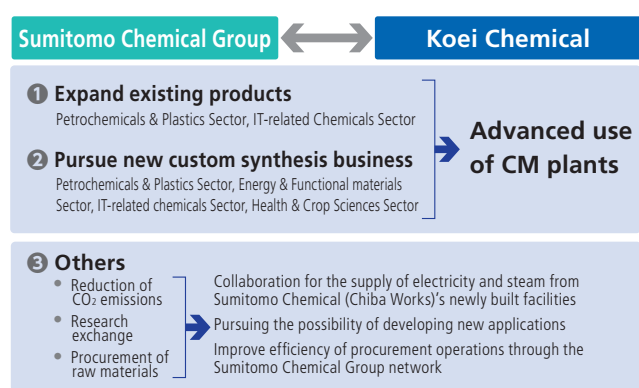
1 Strengthen R&D

- Personnel reinforcement and training**
 - Total number of employees: **53** (FY2017) **Up 14** → **67** (FY2021)
 - New graduate hiring: 10 in April 2020, 8 in 2021, 5 in 2022 (planned)
- Strengthen research management**
 - Introduction of stage-gate management
 - Strengthen resource allocation to priority themes
- Further acceleration and deepening of digitization**
 - Electronic lab notebooks and connection to various devices
 - Introduction of chemical reagent management system (April 2021)
 - Effective use of accumulated data

2 Status of R&D

Functional products	Polyurethane related products	Practical application of low-temperature curing systems => Implement improvements for each user and each issue, and aim for commercialization
	Amine products	Development of new amination technology => Joint research with universities is underway Rationalization of existing amine products
Custom synthesis business	Catalyst related products	Expansion of new customers and new products such as organometallic catalysts => Commercial production of new large-scale products
	Pharmaceutical intermediates	Strengthen competitiveness of large pharmaceutical intermediates and expand new custom synthesis business => Rationalization and synergy themes with Sumitomo Chemical Group in progress
Products using gas-phase process	Existing products	Promote rationalization and stable procurement of catalysts => Rationalization of main products in progress
	New product development	Introduce new products and explore continuously => Decided to introduce new products in the first half of the fiscal year, and will continue to explore new products in cooperation with sales staff

Pursue synergies with Sumitomo Chemical Group



Strengthen cooperation with Sumitomo Chemical Group companies to further improve management efficiency

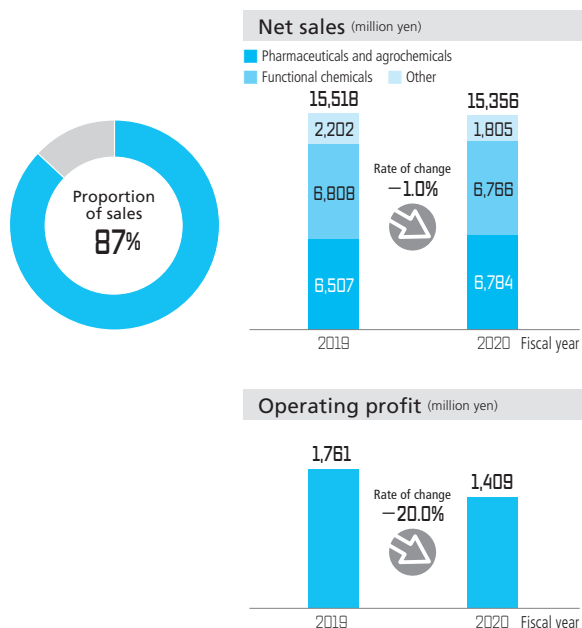
Further improvement of management efficiency

- Deepen and accelerate business processes renovation project**
 - Accelerate DX projects in manufacturing, R&D, supply chain, and sales/indirect operations
 - Strengthen efficient production and inventory management
- Introduce management indicators that take into account not only profit and loss but also balance sheet efficiency**
 - Improve return on invested capital (target 8%, exceeding WACC)
 - Shorten the cash conversion cycle (target less than 100 days)
- Accelerate human resources development**

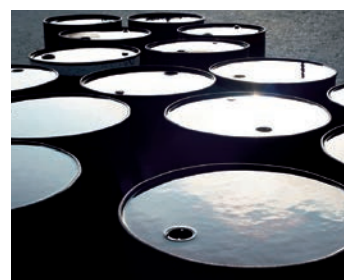
Fine chemical business (2020)

Revenues for the pharmaceuticals/agrochemicals related products increased due to steady demand for pharmaceutical intermediates for Europe and sales of raw materials for COVID-19 treatment, despite a decrease in shipments of agrochemical intermediates. In the functional chemicals, although shipments of electronic materials-related products and catalyst-related products increased, sales of optical materials-related products decreased significantly. In terms of other products in this fine chemicals segment, a significant reduction in outings due to COVID-19 affected the domestic demand for printing ink-related resins and additives.

As a result, net sales of this segment amounted to 15,356 million yen (down 1.0% YoY), and operating profit amounted to 1,409 million yen (down 20.0% YoY).



Ionic liquids(KOELIQ®)



Amines

Pyridines

Application Pharmaceuticals, agrochemicals, solvents, adhesives

Pyrazines

Application Pharmaceuticals, agrochemicals

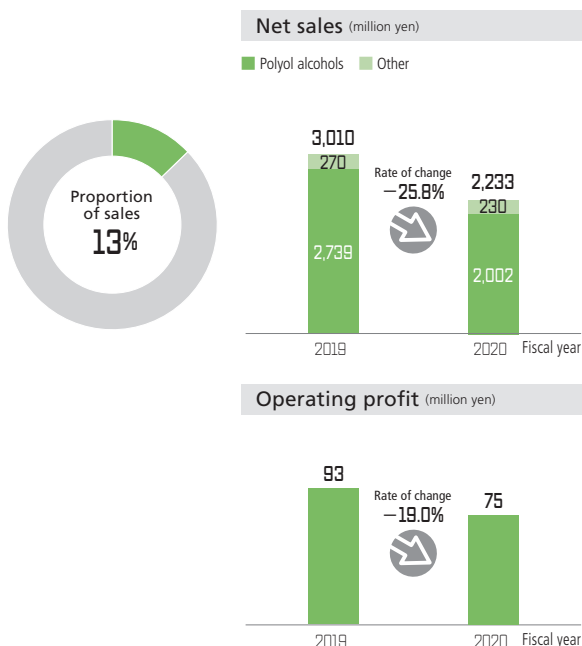
Amines

Application Surfactants, polymers, photographic agents, Pharmaceuticals, agrochemicals, paints

Chemical products business (2020)

Revenues for polyol alcohols decreased due to a significant decline in demand related to paints, resins, and other products in Japan caused by the COVID-19, as well as the termination of sales of some resale products.

As a result, net sales of this segment amounted to 2,233 million yen (down 25.8% YoY), and operating profit amounted to 75 million yen (down 19.0% YoY).



Polyol alcohols



Formalin

Formalin

Application Adhesives, synthetic resins, paints, inks, lubricants, plasticizers, etc.

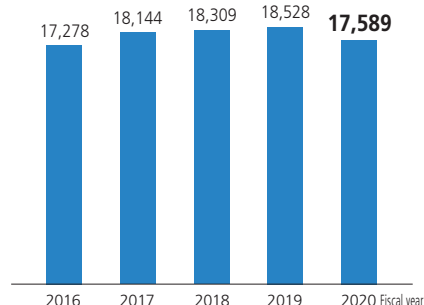
Polyol alcohols

Application Paints, inks, lubricants, plasticizers

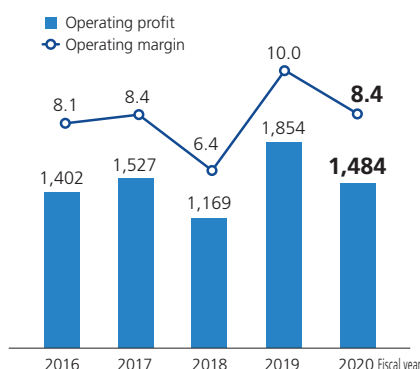
*The formalin business, which was previously included in the chemical products segment, is included in the fine chemicals segment from FY2020 on. As a result, net sales of 413 million yen and operating loss of 84 million yen for the previous fiscal year in the formalin business have been reclassified from the chemical products business to the fine chemicals business.

Financial Highlights

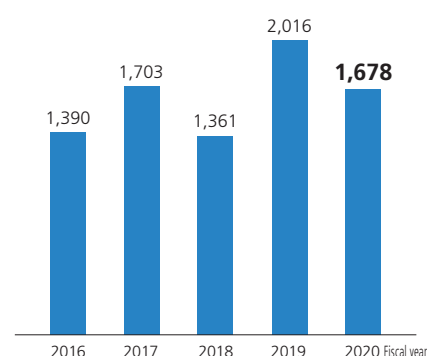
Net sales (Millions of Yen)



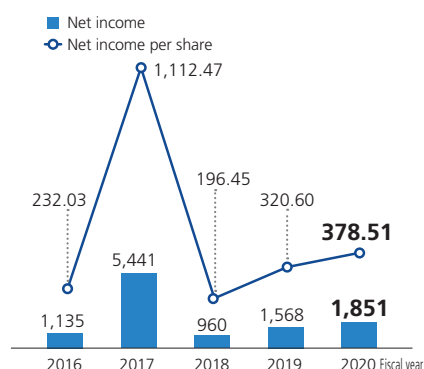
Operating profit (Millions of Yen) / Operating margin (%)



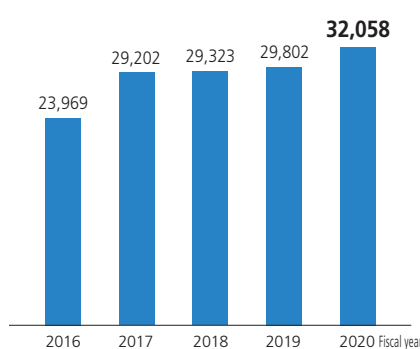
Ordinary profit (Millions of Yen)



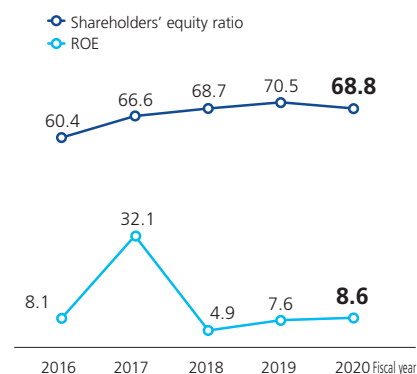
Net income (Millions of Yen) / Net income per share (Yen)



Total asset (Millions of Yen)



Shareholders' equity ratio (%) / ROE (%)



		2016	2017	2018	2019	2020 Fiscal year
Net sales	(Millions of Yen)	17,278	18,144	18,309	18,528	17,589
Operating profit	(Millions of Yen)	1,402	1,527	1,169	1,854	1,484
Ordinary profit	(Millions of Yen)	1,390	1,703	1,361	2,016	1,678
Net income	(Millions of Yen)	1,135	5,441	960	1,568	1,851
Total asset	(Millions of Yen)	23,969	29,202	29,323	29,802	32,058
Total shareholders' equity	(Millions of Yen)	14,487	19,460	20,131	20,997	22,066
Free cash flow	(Millions of Yen)	△440	5,126	△1,730	△1,454	△1,985
ROE	(%)	8.1	32.1	4.9	7.6	8.6
Payout ratio	(%)	21.5	6.3	30.5	25.0	26.4

In order to respond to the expectations of stakeholders, we strive to establish and operate an effective corporate governance system and continuously strengthen and improve the system.

Initiatives to strengthen the corporate governance system



Basic policy on corporate governance

In order to perform fair corporate activities, we strive to operate an effective corporate governance system and continuously strengthen and improve the system. In terms of our business management system, we have established the Board of Directors and the Audit & Supervisory Committee, as well as the Internal Control Committee, the Risk Control & Compliance Committee and other necessary committees,

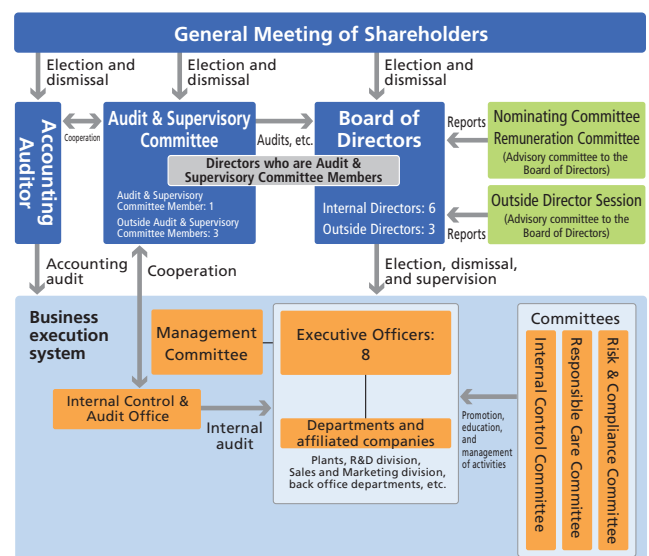
which are intended to supplement and reinforce the function of the Board of Directors. Our businesses are being operated under the supervision of these organizations. We also endeavor to enhance corporate value through efficient management in pursuit of the best possible corporate governance.

Corporate governance system

In accordance with the resolution passed at the 155th Ordinary General Meeting of Shareholders held on June 24, 2016, Koei Chemical transitioned from a company with a board of corporate auditors to a company with an audit & supervisory committee. By establishing the Audit & Supervisory Committee, the majority of which are outside directors, and through the appointment of several outside directors, the supervisory function of the Board of Directors has been further strengthened, leading to the further enhancement of our corporate governance system.

In addition, in order to further strengthen the supervisory function, three outside directors are registered as Independent Officers with the Tokyo Stock Exchange.

Outline chart of corporate governance system



Compliance

“Earning the trust of society as we pursue our business activities” has been positioned as the basis of Koei Chemical management. In order to obtain the trust of society, observation of laws, regulations and social ethics (compliance) is essential.

We have prepared the Compliance Manual to familiarize officers and personnel with compliance. This manual has been revised as needed in response to the amendment of laws and regulations.

Speak-up system

We have established a whistle-blowing hotline that allows officers and personnel to report compliance violations or the risk thereof if they detect the occurrence inside Koei Chemical or an affiliated company (speak-up system). We use sufficient caution with respect to the privacy of whistle-blowers and consulters so that they will never be treated disadvantageously on the grounds of having made a report/consultation under this system.

Enlightenment with the company newsletter

For the purpose of raising the awareness of officers and personnel regarding compliance, Compliance News is posted in the Company's newsletter, which is published twice a year. This reader-friendly article mainly discusses topics that are closely related to personnel with the use of illustrations and graphics.



Message from Outside Director



Hideo Higashi
Outside Director
(Audit & Supervisory
Committee Member)

It has been five years since I assumed the position of Outside Director (Audit & Supervisory Committee Member) following the transition to a company with an Audit & Supervisory Committee.

I recognize that my role as an Outside Director is to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term from a broad and objective perspective, with an eyes on the outside from the inside, without being bound by the common practices within the Company. In addition, the Audit & Supervisory Committee, as an independent body, has the responsibility to ensure the sound and sustainable growth of the Company and contribute to the establishment of a high-quality corporate governance system that meets social responsibilities by auditing the execution of duties by the Directors.

With this sense of mission in mind, I will continue to work diligently to meet the expectations of our shareholders and other stakeholders to the best of my ability.

Koei Chemical is promoting sustainability activities with the aim of contributing to realizing a sustainable society through business while achieving our own sustainable growth. We are working on a company-wide project system to contribute to the resolution of material issues in the international community through the achievement of the Sustainable Development Goals (SDGs).

Approach to sustainability and important issues addressed as management

We have to date contributed to the development of society through our business. In addition, as shown in the vision of the Sumitomo Chemical Group (Figure 1), we aim to create economic value and social value in an integrated manner (harmony between the individual, the nation and society), and to achieve sustainable growth and a sustainable society. We will advance our sustainability based on our management philosophy and ideas.

As a member of the Sumitomo Chemical Group, we share the material issues to be addressed as management priorities (Figure 2) set by the Sumitomo Chemical Group. As material issues (materiality) for sustainable value creation, we have established material issues for social value creation and material issues for future value creation. We have classified four items—reduction of environmental impact, including efforts to address climate change, food issues,

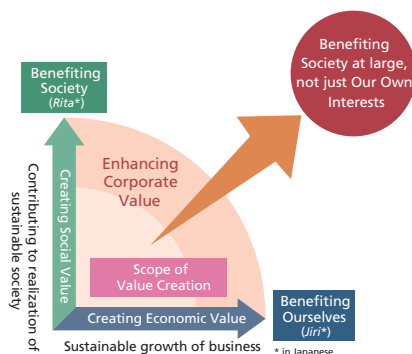
healthcare, and ICT innovation—under material issues for social value creation, while categorizing technology innovation and research and development, digital innovation, and diversity and inclusion as material issues for future value creation. Furthermore, regarding the items that serve as the foundation for continuing our business—occupational safety and health, operational safety and disaster prevention, product safety and quality assurance, respect for human rights, promotion of employees' well-being, compliance, and anti-corruption—we will continue to work on them as management priorities.

Koei Chemical KPIs

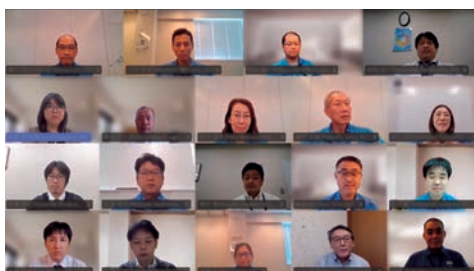
The Company has established key performance indicators (KPIs) to manage and disclose the progress of its efforts to address materiality (material issues) for the sustainable value creation of the Sumitomo Chemical Group, and to promote dialogue with internal and external stakeholders in order to enhance and accelerate its efforts. In order to set these KPIs, a company-wide cross-sectional project

was established with the participation of all divisions. As COVID-19 spreads across the nation, the project was discussed at the Chiba Plant, the Tokyo Office, and at home via online meetings (figure 3: a scene from the project meeting), and in September 2021, a decision was made at a Management Committee attended by management.

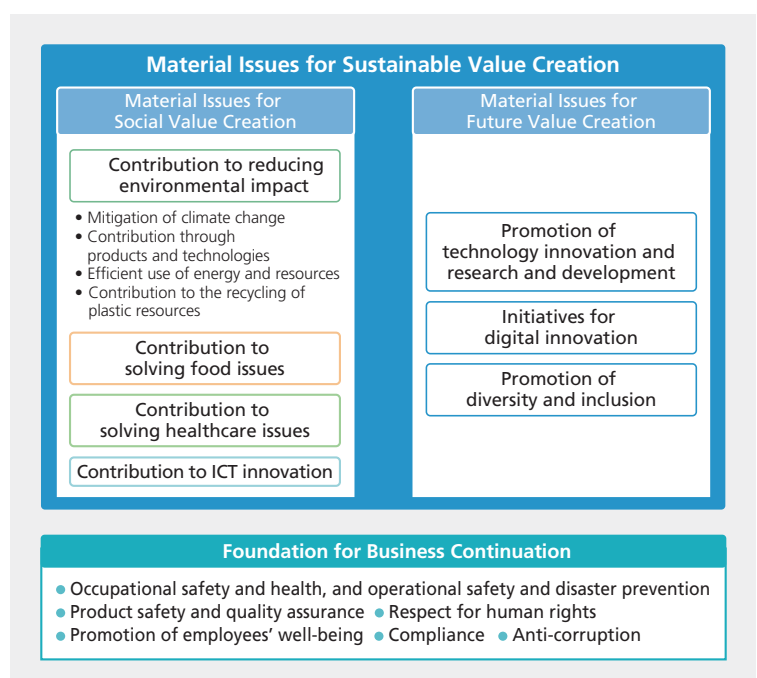
(Figure 1) The vision of the Sumitomo Chemical Group



(Figure 3) A scene from the project meeting



(Figure 2) Material issues to be addressed as management priorities













Regarding the reduction of environmental impact, we have set “CO₂ emissions (Scope 1+2)” as a KPI, aiming for a 50% reduction from the 2013 level by FY2030. In addition to this, we have set improvement of energy consumption intensity as a KPI. In addition, we have set, as KPIs, “sales of agricultural chemical raw materials and intermediates” for our contribution to food issues; “sales of pharmaceutical raw materials and intermediates” for our contribution to the healthcare field; and “sales of electronic materials and related products” for our contribution to ICT technological innovation. We will contribute to resolving social issues by developing and supplying competitive products for the above applications.

For technical innovation and research and development, we set new product sales ratio and accumulated amount of streamlining as KPIs, and for digital innovation, we set evaluation of digital maturity as a KPI. For the promotion of diversity and inclusion, we have set “ratio of female employees to new graduates hired: 20% or more” and “employment rate of people with disabilities: 2.5% or more” as KPIs.

Going forward, we will manage progress based on the KPIs we have set, disclose them on a regular basis, and promote dialogue with internal and external stakeholders. Koei Chemical will continue to accelerate its contribution to the realization of a sustainable society.

*Digital maturity is a system for self-assessment of the level of achievement of items such as the management style and structure for implementing digital innovation, and the establishment of IT systems as the foundation for realizing digital innovation.

Material issues		KPI
Material issues for social value creation     	Contribution to reducing environmental impact (Climate change mitigation)	CO ₂ emissions (Scope 1 + 2) (Target: 50% reduction from 2013 level)
	(Efficient use of energy and resources)	Improvement of energy consumption intensity
	Contribution to food issues	Sales of agricultural chemical raw materials and intermediates
	Contribution to the healthcare field	Sales of pharmaceutical raw materials and intermediates
	Contribution ICT innovation	Sales of electronic materials related products
Material issues for future value creation   	Promotion of technology innovation and research and development	New product sales ratio Cumulative amount of streamlining
	Initiatives for digital innovation	Digital maturity assessment
	Promotion of diversity and inclusion	Ratio of female employees to new graduates hired (Target: 20% or more)
		Employment rate of people with disabilities (Target: 2.5% or more)

Message from a Director



Initiatives for Koei Chemical KPIs

In formulating the next corporate business plan for FY2022 and beyond, we shared our material issues as a member of the Sumitomo Chemical Group and set KPIs to promote sustainability at Koei.

In order to promote technology and research and development, the Research & Development Division will accelerate the introduction of new products and technologies, and set the KPIs of “increasing the ratio of sales of new products” and “promoting streamlining.” Our fourth multi-purpose plant (CM IV) in Chiba is scheduled to start its operation by fall of 2022. The introduction of new products in the field of raw materials and intermediates for pharmaceuticals and agrochemicals, as well as in the field of electronic materials, is the material issue that will lead to the creation of social value.

Keiko Fukahori
Director, Executive Officer,
General Manager of Research &
Development Division

Initiatives to Reduce the Environmental Impact

Because Koei Chemical considers the issue of climate change as one of the most important challenges facing society, we strive to enhance productivity and implement energy efficient facilities, leading to the lessening of climate change through business activities.

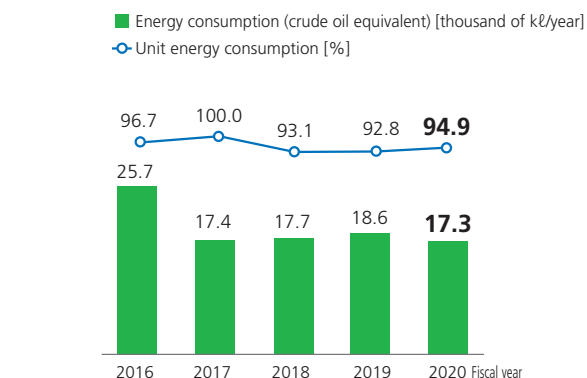
Energy saving and the prevention of global warming

In order to prevent global warming, the world needs to save energy and control the emission of CO₂ and other greenhouse gases. Koei Chemical started an energy efficiency project in 2005 with the goal of reducing energy consumption intensity through improvement of the production processes, recovery of heat, fuel conversion and productivity enhancement.

The actual energy consumption, CO₂ emissions and their intensity are shown in the following graphs. The energy

consumption and CO₂ emissions in FY2020 decreased from the previous year due to the decrease in the production volume. However, they are estimated to increase in the future as the production volume increases through operation of new plants or increase of demand resulting from business recovery. We will make continuous efforts to improve the intensity and achieve operational optimization to save energy and reduce CO₂ emissions (prevention of global warming).

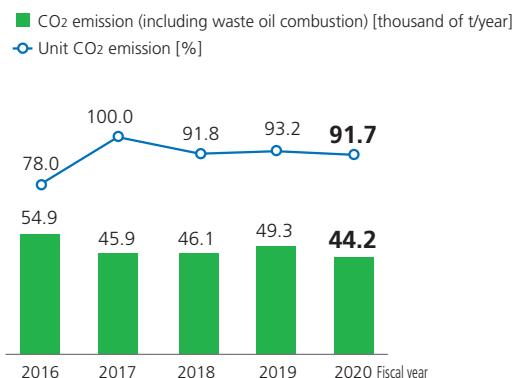
Trend of unit energy consumption



$$\text{Unit energy consumption} = \frac{\text{Energy consumption (crude oil equivalent) kℓ}}{\text{Production volume (ethylene equivalent) tons}}$$

*The above line graph shows the relative value for each fiscal year (FY2017=100)
(= Unit energy consumption for the relevant FY / FY2017 unit energy consumption)

Trend of unit CO₂ emission



$$\text{Unit CO}_2 \text{ emission} = \frac{\text{CO}_2 \text{ emission tons}}{\text{Production volume (ethylene equivalent) tons}}$$

*The above line graph shows the relative value for each fiscal year (FY2017=100)
(= Unit CO₂ emission for the relevant FY / FY2017 unit CO₂ emission)

Message from the field

Efforts to reduce industrial waste

In the production process of pharmaceutical and agrochemical intermediates, catalysts, optical materials, and other products manufactured by our company, waste is generated along with the products.

In order to reduce the amount of industrial waste discharged from our plants, we are working on the development of production processes that generate less waste, recycling of solvents used, and reuse through heat recovery. Although industrial wastes that cannot be processed in-house are treated by outside contractors, we clarify the composition of the industrial wastes when they are transported outside and manage them responsibly until final disposal.

Mio Nakamoto
General Manager,
Safety & Environment Division,
Responsible Care Office



Efforts to reduce the emission of fluorocarbons

In order to protect the ozone layer and lessen global warming, it is necessary to take appropriate measures to control the emission of specific fluorocarbons and alternative fluorocarbons.

Toward the mitigation of greenhouse gases

In October 2018, Sumitomo Chemical Company, Limited obtained SBT* certification regarding the targets to reduce group-wide greenhouse gas (GHG) emissions by 30% and 57% or higher from the emissions volume in FY2013, by FY2030 and FY2050, respectively, and expressed the policy to actively work on significant reductions that contribute to the “well-below 2°C” target adopted in the Paris Agreement. Koei Chemical, as one of the group companies, will take on the challenge of the FY2030 targets to reduce GHG emissions by 30% from those

We conduct proper management including simple/regular inspections in accordance with the Act on Rational Use and Proper Management of Fluorocarbons, which took effect in June 2015.

in FY2013. It is difficult to achieve this target by simply continuing the current efforts, thereby indicating the need to introduce new solutions and other active measures. Going forward, we will aim to reduce the GHG emission volume through substantial reduction by receiving power from high-efficiency generators and other measures.

*SBT (Science Based Targets) are the high-level goals of reducing greenhouse gas emissions that companies establish based on climate science in order to achieve the well below 2°C target. The well below 2°C target, which was adopted in 2015 in the Paris Agreement, is an initiative to maintain the increase in global average temperature to well below 2°C above pre-industrial levels.

Efforts to reduce industrial waste

● Approach to zero emissions

Regarding waste generated through business activities, we actively promote the “3Rs” (reduce, reuse and recycle) to reduce the environmental impact.

The volume of waste discharged for FY2019 is shown in the following chart. The volume of industrial waste generated decreased by 10% compared to the previous fiscal year, and the recycle rate decreased by 1%.

We will make continuous efforts to reduce environmental impact through recycling, such as a method of using incineration residues as cement materials.

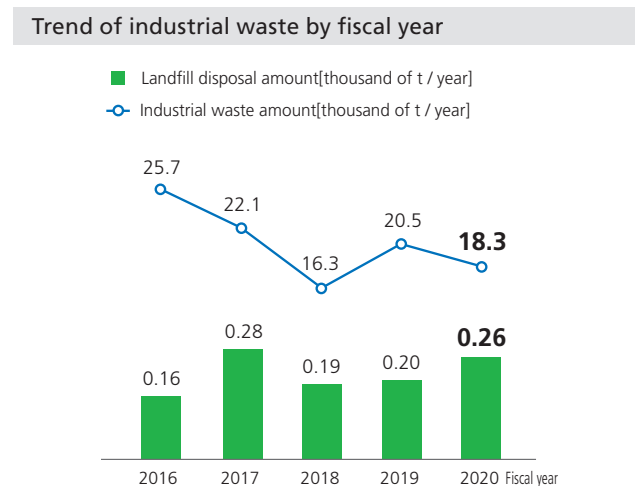
● Trend of industrial waste

Although the industrial waste amount is decreasing each year, the landfill disposal amount fluctuates with the change of production items.

We will make continuous efforts to promote the reduction of environmental impact by cutting not only the industrial waste amount but also the landfill disposal amount.

We have disclosed information on the maintenance and management of industrial waste facilities (incinerators) on our website since 2011 in accordance with the Enforcement Regulations of the Waste Management Law (URL: <https://www.koeichem.com/en/company/rc.html>).

Actual results for FY2020	
Targets of initiatives	Actual results
Through business activities: <ul style="list-style-type: none"> Reduction of industrial waste amount Reduction of landfill disposal amount 	<ul style="list-style-type: none"> Waste generated through business activities: 18,338 tons (20,487 tons for the previous fiscal year, down by 10%) Landfill disposal amount: 264 tons (195 tons for the previous fiscal year, up by 35%)
Promotion of recycling <ul style="list-style-type: none"> Increase of effective usage rate 	Recycling amount: 4,497tons Recycling rate: 25% (5,241 tons for the previous fiscal year, recycling rate: 26%)



Environmental Preservation Activities

Koei Chemical reconciles business activities with environmental maintenance and improvement. We reduce the emission of chemical substances handled in the course of business activities, such as specific chemical substances, and perform proper waste management. In this manner, we are performing environmental preservation activities.

Environmental management system

We deploy Responsible Care activities to conduct environmental preservation actions throughout the life cycle of our chemical products, including development, manufacturing, sales, use and disposal. In addition, we also perform our environmental preservation actions based on an ISO standard.

We acquired ISO 14001 certification in 1999, and has

been continuously improving our business through the PDCA cycle based on our environmental management program to promote our environmental activities.

In addition, we are under the Agreement on Environmental Conservation with Chiba Prefecture and Sodegaura City, and working to preserve the environment together with the community.

Environmental accounting report

Koei Chemical introduced environmental accounting in FY2000.

① Purpose of the introduction

- (1) To enhance the efficiency of activities by quantifying resources allocated in environmental preservation
- (2) To conduct decision-making on environmental measures from mid- and long-term perspectives
- (3) To enhance the transparency of companies through information disclosure

② Points of environmental accounting

- (1) Scope of calculations: Koei Chemical alone
- (2) Period covered: FY2020
(April 1, 2020 to March 31, 2021)
- (3) Preconditions of calculation
 - Calculations are based on the Ministry of the Environment's Guidelines.
 - Costs are calculated based on actual results.
 - Economic benefits are only actual benefits. The deemed benefits are not included.

Environmental accounting (FY2020)

Environmental preservation cost (Unit: Millions of yen)			
Category	Major items	Investment	Cost
① Business area cost (Breakdown)		61	1,052
Environmental measure cost	Prevention of air pollution, water pollution, bad odor, noise, etc.	41	625
Global environment preservation cost	Prevention of global warming, ozone depletion, and energy saving, etc.	6	283
Resource circulation cost	Resource-saving, efficient water use, rainwater use, etc. Disposal, reduction and elimination of industrial waste, recycling, etc.	14	144
② Upstream/downstream cost	Green purchasing, recycling of products, etc., recycling of containers and packaging materials, etc.	0	0
③ Administration activity cost	Environmental training, outsourcing of analysis of environmental impacts, ISO14001 maintenance and management	0	107
④ R&D cost	R&D for products that contribute to environmental preservation	0	90
⑤ Social activity cost	Greening, beautification, levy on pollution load, support of environmental activities performed by local communities	0	2
⑥ Environmental deterioration cost	Land pollution, restoration of the natural environment to its original state	0	0
Total		61	1,251

Note: Cost amounts are the sum of depreciation costs, repair costs, labor costs, material and service costs and business consignment expenses, etc.

Economic effect of environmental preservation measures (Unit: Millions of yen)

Details of effects	Amount
① Cost reduction and business income due to recycling	98
② Effects of resource saving	229
③ Effects of energy saving	20
Total	348

Efforts for PCB waste

We collect all condensers and lamp stabilizers that contain PCB, and replace them with PCB-free equipment.

We also store the collected PCB-containing equipment properly so that it does not have any environmental

impact. In February 2019, the disposal of all the collected equipment was completed through Japan Environmental Storage & Safety Corporation (JESCO).

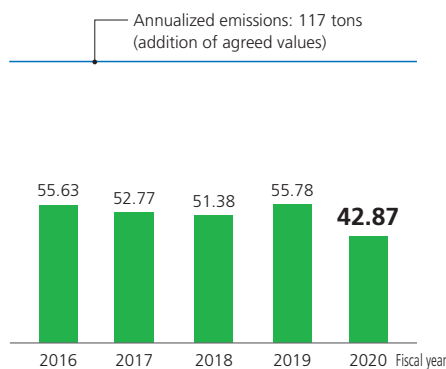
Trend of SOx and NOx emissions and COD impact volume

The environmental impact on air and water areas is as follows.

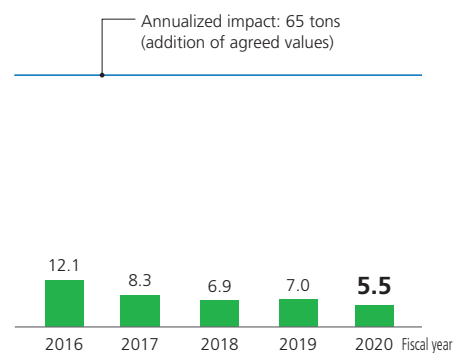
For SOx, the volume detected through annual analysis is small and lower than the emission standards.

For NOx emissions and COD impact volume, we have set agreed values which are stricter than the requirements under laws with local communities. Appropriate control is performed based on the agreed values.

Trend of NOx emission [t / year]



Trend of COD loading dose [t / year]



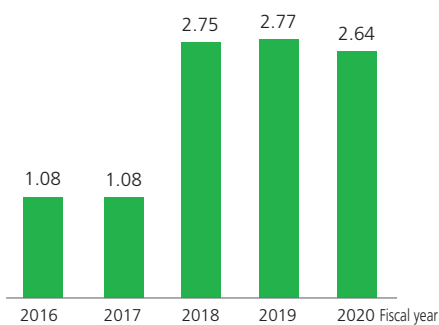
PRTR reports

The PRTR system is prescribed in Article 5 of the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (generally known as the “PRTR Act”), which took effect in March 2000. PRTR (Pollutant Release and Transfer Register) is a

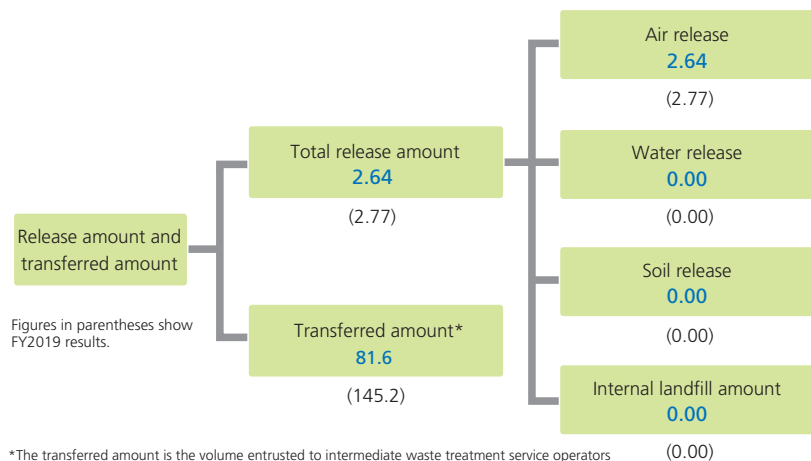
system for identifying, compiling and publicly disclosing information on what amount of chemical substances specified by government ordinance have been emitted into the environment or have been transferred off-site with waste.

The actual results for FY2019 are as follows.

Trend of total release amount [t / year]



Actual release amount and transferred amount for FY2020 (tons/year)



*The transferred amount is the volume entrusted to intermediate waste treatment service operators (little emission to public sewage system)

Safety and Health Activities

Based on the basic principle of “making safety our first priority,” we are making concerted efforts with all employees and all persons concerned including cooperating companies that work with us, to ensure worker safety and health so that personnel can work comfortably.

Safety, security and disaster prevention

Based on the basic principle of “making safety our first priority,” we strive to ensure worker safety and health with the aim of making safety and stable operation our strength.

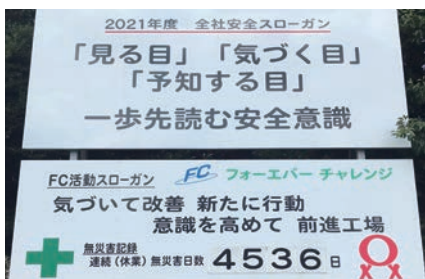
More specifically, we perform activities to periodically discuss and consider issues regarding safety and health, and determine measures mainly through the Safety and Health Committee and the safety and environment promotion members’ meeting.

In addition, we perform concerted safety activities by organizing various campaigns with the aim of eliminating both minor and major disasters. During the campaign period, the identification of dangerous sites and the improvement thereof, the promotion of Hiyari-Hatto (near-accident situations) prevention activities, the strengthening of risk detection, the promotion of the

pointing and coding method and other necessary measures are conducted by safety and environment promotion members, which are representatives appointed in each workplace.

Moreover, we have established the Safety and Environment Promotion Task Force for plant reform activities. These activities are being strengthened by positioning the Task Force as an important pillar of reform activities.

Both the President and Plant Directors, which are the top members of the plant, inspect the relevant workplace and are actively involved in various initiatives such as ensuring Japanese 5S methodology, raising safety awareness, and eliminating safety issues. In this manner, ensuring safety is treated first and foremost.



Safety slogan



Safety workshop



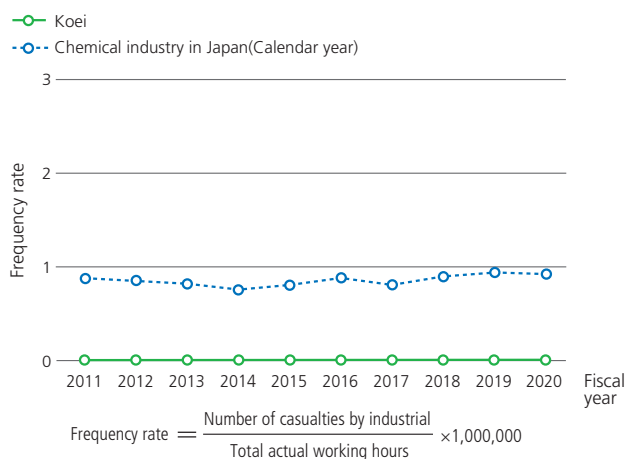
Disaster training

With regard to work-related accidents, there were no industrial injuries in FY2020.

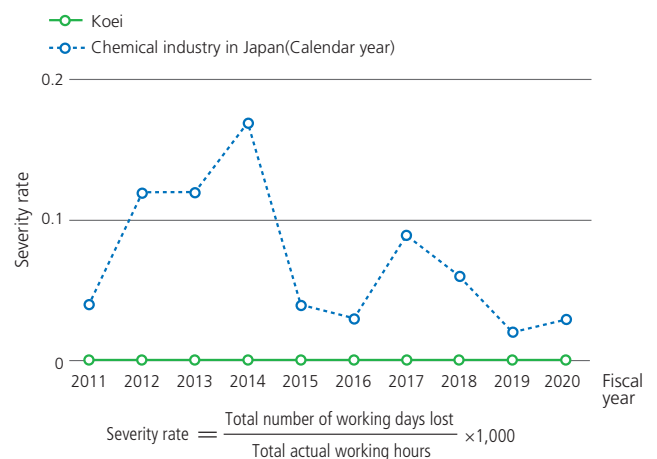
The number of zero-injury days reached 4,419 (as of March 31, 2021), which is equal to over 12 years. As shown in the following graphs, frequency rates of industrial injuries and severity rates of industrial injuries remain zero.

Unfortunately, non-lost-time minor injuries occurred. We conduct RC zero-accident audits even on minor injuries to find the cause and implement additional measures, while making efforts to undertake horizontal deployment on the prevention of the occurrence of similar injuries to achieve zero-injuries.

Frequency Rates of Industrial Injuries



Severity Rates of Industrial Injuries



Risk management of chemicals

● Provision of SDS

We have prepared GHS*-compliant safety data sheets (SDS) for all products to provide users with necessary information on dangers and hazards (about 2,000 items as of the end of FY2020).

In 2019, Japanese Industrial Standards (JIS) Z 7252 and JIS Z 7253, standards for the items to be included in an SDS, were revised. An SDS conforming to the new JIS is in accordance with the laws and regulations in Japan as well as the sixth revised edition of the United Nations GHS in principle. Accordingly, we are preparing to provide new JIS compliant SDSs by May 2022, the deadline for transition.

*GHS: The Globally Harmonized System of Classification and Labelling of Chemicals
GHS was adopted as a recommendation of the United Nations in July 2003. GHS classifies the dangers and hazards of chemical products based on specific standards, displays information with visual materials including pictures and graphics, and reflects the results in labels and SDS. This system is intended to be utilized for disaster prevention and the protection of human health and the environment.

● Chemical safety education

We provide personnel with necessary training regarding the management of chemical substances. We offer education regarding laws and regulations, etc., relating to the safety of chemicals to researchers who are involved in product design so that appropriate management of chemical substances is performed.

● Risk assessment

Risk assessment is a method to identify potential dangers and hazards in the workplace, and reduce or remove them.

Reducing Chemical Risks During Transport

In order to ensure safety and the environment when products are used, we attach product labels that show information on dangers/hazards and first aid measures to the product container. We affix GHS-compliant labels on products containing chemical substances specified in the

(Step 1) Identification of dangers and hazards

(Step 2) Estimation of risk factors caused by dangers and hazards

(Step 3) Consideration of contents of risk reduction measures

(Step 4) Implementation of risk reduction measures

We identify dangers and hazards of the substances that we handle at the phase of research and experimentation with reference to literature study and tests. For substances produced by trials, data including disaster prevention properties, toxicity and irritation is added. The data is examined by not only the department in charge of safety, but also in cooperation with the laboratory and the plant section.

For substances produced officially in a plant, various assessments through the evaluation of the magnitude of risks of chemicals and facilities are required. Reviewing risks and risk mitigation measures are also performed for existing processes with the aim of zero-disasters and zero-accidents.

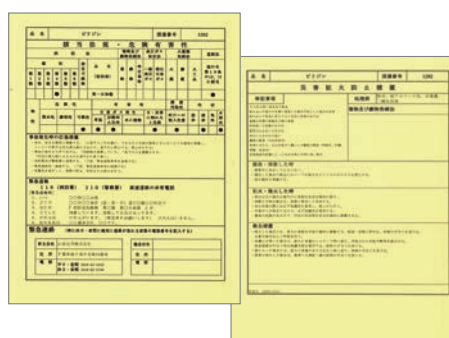
We also perform risk assessment on dangers and hazards of subject substances in accordance with the amended Industrial Safety and Health Act, which took effect in June 2016. In particular, in the risk assessment on hazards, we prevent health problems by comparing the exposure amount estimated for each work with an exposure limit.

Industrial Safety and Health Act.

We also ask logistics traders who transport products to carry a card that contains information on emergency handling and contact (yellow card).



Product labels



Yellow cards

Quality Assurance Activities

Koei Chemical strives to supply high-quality products and services that satisfy customers' needs and ensure safety in their use.

Quality assurance systems

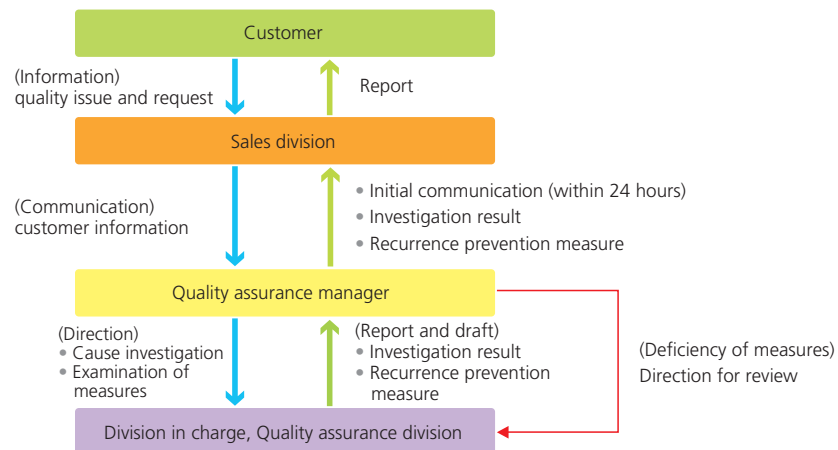
● Policy regarding quality assurance

We have built our quality assurance system in accordance with our basic policy of "supplying high-quality products and services that satisfy customers' needs and ensure safety in their use." In order to satisfy our customers, we consider it important to deliver products that meet customer demands with quality that provides customer satisfaction in a timely manner. To this end, quality assurance activities

must be promoted at each stage through the concerted efforts of divisions including sales, design/development, purchasing, production, quality assurance and logistics.

The Quality Assurance Division supervises company-wide quality assurance activities, shares and disseminates the basic policy, and presses ahead with company-wide efforts in order to realize the policy.

Quality-related flow chart



Activities for improving the corporate culture focusing on quality

We conduct our quality assurance activities under the aims for the year of "zero major complaints on product quality" and "continuous efforts to improve customer satisfaction" to enhance our quality-centric corporate culture.

When a quality-related complaint, problem or issue occurs, the department in charge and the Quality Assurance Division will find causes out of the quality-related information through "naze-naze" analysis (causal analysis), for example, take recurrence prevention measures, and roll them out to eliminate complaints. Information on those actions is shared within the Company through the Quality Maintenance Task Force, which is one of our plant reform activities, thereby improving our quality assurance system.

We share the complaint calendar, or a list of the past

critical complaints, and the quality hiyari (near-accident situations) cases at meetings of the quality management promotion members, consisting of the representatives of the departments and the Quality Assurance Division members, while we also conduct quality patrols. These actions enhance the workers' awareness on quality and will continuously improve the customer satisfaction.

In FY2020, the quality management promotion members conducted quality patrols mainly in places where complaints were made in the past during the Quality Improvement Month, which is promoted every November, and we ensured compliance with the quality management rules through checking whether the records are prepared properly, for example.

Promoting Diversity and Inclusion —With Employees—

Koei Chemical believes that developing an environment in which each and every employee can fully utilize and demonstrate his or her abilities is an essential issue towards enhancing productivity.

We are working to promote employment and a variety of systems to flexibly respond to diverse values. We will continue to work towards creating an environment and developing a workplace culture that allows individual diversity to be utilized, and we will also work to allow each employee to actively participate.

Active recruitment (women's empowerment, utilization of foreign personnel, employment of people with disabilities)

Koei Chemical has actively performed recruitment activities with an eye on a plan of large-scale capital investment through FY2024, and as a result, we were able to secure the target number of personnel. We have been hiring new high school graduates and experienced workers for the purpose of job creation in local regions as well, and we are now expanding our hiring activities from the local to the national level.

● Women's empowerment

Although we have always hired personnel in an equal and fair manner regardless of gender, the ratio of female workers actually remains low. Accordingly, we have set KPIs and targets based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and from now on we will make active efforts to increase the number of female personnel.

KPI To raise the ratio of female workers among total new graduates to be employed to 20% or higher.

Target: To increase the ratio of female workers to at least 15%.

Results (new graduate hiring)

	FY2019	FY2020	FY2021
Male	8	12	14
Female	0	4	2
Employment rate of female workers	0%	25%	13%

● Employment of people with disabilities

With regard to the employment of people with disabilities, we have promoted the hiring of people with mental disabilities as well as those with physical disabilities, and hired one person in February 2021, bringing the total number of employees to eight. We will continue to employ people with disabilities according to the KPI.

KPI Increase the employment rate of people with disabilities to 2.5% or more by the end of FY2022.

Results

	June 2019	June 2020	June 2021
Number of people with disabilities	9	9	9.5
Employment rate	2.53%	2.37%	2.32%

● Utilization of foreign personnel

In FY2020, we hired two foreign nationals. We applied for the METI Japan Internship Program and accepted one intern from October to December 2019. The intern's wishes and our requirements were matched, and the foreign national joined the Company in January 2021.

Reemployment program for retired persons

In accordance with the Act on Stabilization of Employment of Elderly Persons, we have introduced a reemployment program that allows personnel to work until the age of 65 after reaching the mandatory retirement age of 60. Moreover, for the purpose of encouraging retired personnel to continuously demonstrate their experience, skills and other strengths, we pay the same amount of wages as that provided at the time of mandatory retirement to reemployed personnel who assume positions as line managers/supervisors.

Reemployment rate

Fiscal year	FY2018	FY2019	FY2020
Mandatory retirement	8	2	5
Reemployment as <i>shokutaku</i> fixed-term personnel	6	2	4
Reemployment rate	75%	100%	80%

Flexible work styles

● Flextime system

Society has been seeking a balance between work and private life, including childcare, nursing care, and medical treatment. In order to further promote the improvement of an environment in which our personnel can manage time effectively, we have introduced the super flextime system that abolished core time in October 2019.

● Reducing annual scheduled total working hours

We are working together with labor unions to reduce actual total working hours. In 2019, we reduced the annual scheduled total working hours, which are the basis of working hours. We then further reduced the hours for 2020 and 2021 in stages. For 2021, the annual scheduled total working hours for daytime workers were shortened to 1,891 hours (down 24 hours), and for shift workers, 1,883 hours (down 21 hours), from 2019 levels. These hours have been implemented since January 2021.

Annual scheduled total working hours

Unit: hours/year	2019	2020	2021
Daytime workers	1,915	1,899	1,891
Shift workers	1,904	1,890	1,883

Efforts to reduce long work hours

In the past, we had set targets for overtime reduction and managed them. We have shifted to self-management based on the belief that it is important for employees to voluntarily consider how to work and how to use their time.

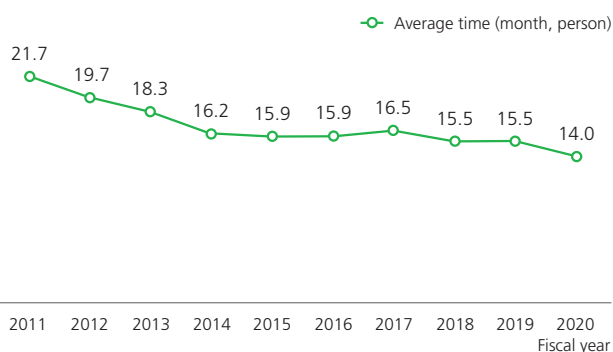
We also institute “No-Overtime Day” every Friday, and all personnel are encouraged to refrain from work unless it is urgent and essential, through internal announcements, e-mail messages and other communication tools. In addition, we summarize the monthly results of overtime work for each personnel and notify the managerial personnel of the results. We also strive to ensure proper personnel management by checking the work schedule using the PC management system and the access control system.

With regard to long working hours, we have set a threshold that is stricter than what the law requires, and for those who exceeded this threshold, we provide opportunities to have interviews with industrial physicians and public health nurses to check their health status, as well as guidance to workplaces to review their operations.

As a result of the efforts of each and every personnel to improve work efficiency, we have been able to reduce the overtime hours of daytime workers from 26.2 hours per month when we first started this initiative to 14 hours per month.

We will continue to discuss and review diverse measures to further reduce overtime work.

Average overtime hours (month, person)



Human resources development

Human resources development policy

We prepare various training programs by objective and job position and focus on offering technique/expertise transfer education and globalization support education in accordance with the basic policy of “development of professional personnel who contribute to the enhancement of corporate performance.”

Results of technique/expertise transfer education for FY2020

Job level	Training course title	Number of attendees
New employee OP	Basic technical training for new employees	18
Beginner OP	Safety simulation course	8
Beginner to mid-level OP	Chemical safety simulation training (7 sessions)	77
Mid-level OP	Mid-level technician training	7
Mid-level OP to team leader	Workplace leader training	6
Team leader	SS training (SS 32nd)	2
Team leader to foreman/Deputy Manager	SV (supervisor) training	1
Foreman, Deputy Manager	OM (operation manager) training course	1
Back office department management employees	Monozukuri leader training	8
Manufacturing section employees	Safety simulation dojo	131
Beginner OP to team leader	Technical seminar (gijutsu dojo)	165
Mid-level OP to team leader	Autonomous maintenance operators (1st and 2nd level)	16

OP: operator

Support for acquisition of national certifications

In order for each personnel to improve their daily work, we are promoting the acquisition of national certifications.

- (1) Newly established incentive system for acquiring certifications
- (2) Subsidies for correspondence courses for acquiring certifications have been changed from a half subsidy to a full subsidy

Support for globalization

We are continuing to offer online English conversation classes with a view to developing global human resources. The period is six months (24 sessions in total), and a speaking ability test is conducted before and after training to determine the level of class to be taken and to measure the effectiveness of training.

The benefit of online class is the one-to-one lesson given to trainees to suit their schedule. In FY2020, 27 trainees are working to improve their English skills during gaps in their working hours.

Health promotion activities

As part of our health promotion activities in FY2020, we held meetings to measure the estimated age of blood vessels and in-body measurements while taking COVID-19 infection control measures, to create opportunities for employees to think about how to manage their own physical condition in an environment where it is difficult to take exercise due to work from home and closed fitness centers during the COVID-19 pandemic.

In addition, we held seminars for female personnel and mental health seminars that support women's active, healthy life, at a limited number of participants per session and an increased number of sessions.

● Health guidance

Public health nurses conduct a face-to-face interview and give daily life guidance to personnel whose health checkup results show abnormal findings. In addition, we support those who are required to undergo a second examination in cooperation with industrial physicians and contracted hospitals.

The public health nurses also handle daily interviews and health consultations for personnel who request them, and for personnel who need or wish to meet with a doctor, they connect them to an industrial physician for follow-up.

Personnel who joined the Company more than three months ago are also interviewed by the public health nurse in order to help them adjust to life at the Company.

● Health promotion activities

In order to ensure that personnel can work in good health, we hold health seminars and various measurement sessions that help them monitor their own health conditions.

- Session for measurement of estimated age of blood vessels
- In-body measurements session
- Seminar for female personnel
- Support for personnel who wish to quit smoking
- Publication of Health Management Newsletter once every two months for the purpose of delivering health information according to the season.

● Mental health

We offer a mental health seminar every year to help personnel prevent mental illness in advance. For managerial personnel, we hold training sessions on line management for the mental health of junior staff, and for all personnel, we hold self-care training sessions to care for themselves.

Since FY2020, we have been providing feedback on the results of the group analysis of the stress check conducted every year to the head of each division to help them understand the outstanding points and weaknesses of their own division, which will be useful for line managers to care for the wellbeing of junior staff and ultimately positive for the Company as a whole.

In addition, as part of our mental health promotion activities, we have established Mental Health Improvement Programs. While general personnel, managerial personnel, public health nurses, industrial physicians and the human resources division individually play roles in improving mental health, the Company strives to prevent the manifestation of personnel mental health issues through smooth communication.

For personnel who are recuperating from mental health problems, we have established a program to support their return to work in cooperation with public health nurses, industrial physicians, and external organizations such as medical institutions. The program includes the arrangement of face-to-face interviews with public health nurses and industrial physicians until reinstatement, re-working with external organizations and reduced working hour programs after reinstatement, and these are implemented depending on the situation.

Message from the field



As a public health nurse at Koei Chemical

Maiko Matsuyama
Occupational Health Nurse,
General Affairs & Personnel Office

The Company established a Health Management Office in April 2017, and I joined the company as a public health nurse at that time. As an industrial public health nurse, I support each employee so that they can carry out their duties with vitality and a smile, and so that they can spend their daily lives comfortably.

Since joining the Company, I have been holding a series of health events, including In-body measurement, measurement of estimated age of blood vessels, and walking seminars, not only to provide information about health, but also to create opportunities for employees to think about improving, maintaining, and promoting their own health. As a result of these efforts, the health awareness of employees has been improving year by year, and there has been an increase in the number of consultations where employees compare their own health checkup results and data obtained from the events over time, and ask what measures they should take to improve their health.

We will continue to enhance our health activities to raise employees' health awareness and to improve, maintain, and promote their health.

The global chemical industry is working voluntarily to protect environment, safety and health through every process from the development of chemical substances, their manufacture, distribution and use to final consumption and disposal, as well as engaging in communication with the public by openly disclosing performance. These initiatives are known as “Responsible Care.”

As a member company of the Japan Chemical Industry Association (JCIA) working for responsible care, the Company has been conducting various activities in accordance with our Corporate Policy on Safety, Environment and Product Quality and Policy on Responsible Care Activities. JCIA has formulated the “Principles of the Japan Chemical Industry Association regarding the Environment, Health and Safety” in accordance with the Responsible Care Global Charter by the International Council of Chemical Associations (ICCA). Koei has integrated these two policies and added health issues from the JCIA’s Principles to formulate the new Policy on Responsible Care Activities (Safety, Health, Environment and Quality). We aim to further promote to ensure safety, health, environment, and quality throughout the life cycle of our products under this new policy.

Policy on Responsible Care Activities (Safety, Health, Environment and Quality) (formulated on April 1, 2021)

We treat trust and honesty as our mission, plan to develop our business by combining our vital talent and knowledge, and provide useful products that are the results of our creative technologies to contribute to the growth of society.

In accordance with this corporate philosophy, we will work on the following matters regarding safety, health, environment and quality as our top priorities in order to contribute to the sustainable development of society and our own sustainable growth.

1	We will maintain safe and stable operations by realizing zero-accident, zero-injury performance and “Making safety our first priority.”
2	We will ensure the safety of our employees, neighboring communities, and other stakeholders through risk-based continual improvement of our performance in occupational safety and health, industrial safety and disaster prevention, and other related areas, as well as the security of our facilities, processes and technologies.
3	We will work to ensure environmental and human health and safety throughout the life cycle of our products by promoting continual improvement in chemicals safety and product stewardship across the supply chain, and enhancing our chemicals management system.
4	We will work to protect the environment through continual improvement of our environmental performance throughout the life cycle of our products, from development to disposal, and address climate change and related issues.
5	We will supply high-quality products and services that satisfy customers’ needs and ensure safety in their use.
6	We will not only comply with all domestic and international laws, regulations, and ordinances, but also work to use best practices through our voluntary initiatives.
7	We will disclose information and engage in dialogue with society to ensure that we meet society’s expectations, respond to its interests, and remain accountable to the same.
8	We will contribute to sustainable development of society by improving our performance, expanding business opportunities, as well as developing and providing innovative technologies and other solutions to address social challenges.

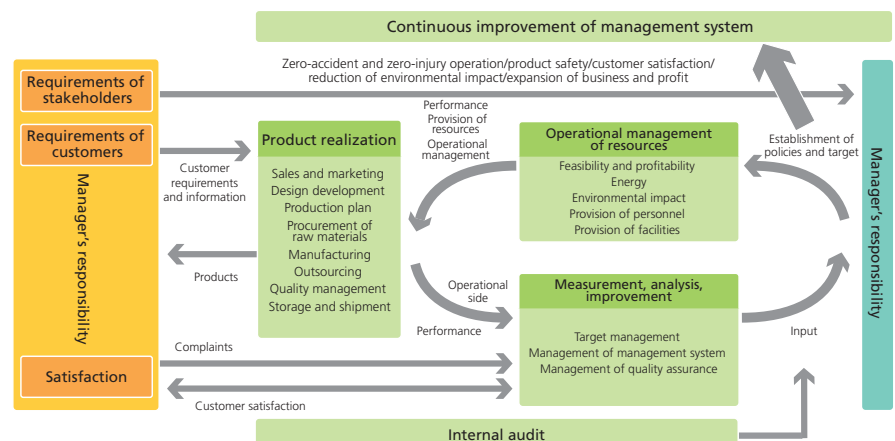
Efforts for responsible care activities

We declared the implementation of Responsible Care in 1995. Having recognized this policy, officers and employees are making continuous efforts to improve the management system in compliance with laws and regulations. In addition, an officer who is in charge of safety, the environment, and product quality oversees all the duties regarding safety and health, environmental protection, security and disaster prevention, quality assurance, and chemical safety.

We have established the Responsible Care Committee, which is chaired by the President, as the supreme decision-making organization that promotes Responsible Care activities. The Responsible Care Committee meetings are held twice a year. The Committee reviews the results of activities performed during the previous fiscal year and approves plans to be implemented for the current fiscal year to ensure continuous improvement of the management system. In addition, we perform internal audits on a regular and as-needed basis to check the effectiveness of the activities.

We have acquired ISO certification, which is the international standard relating to environmental and quality management systems, as one of the tools to promote Responsible Care activities. We also focus on the overall improvement of system performance.

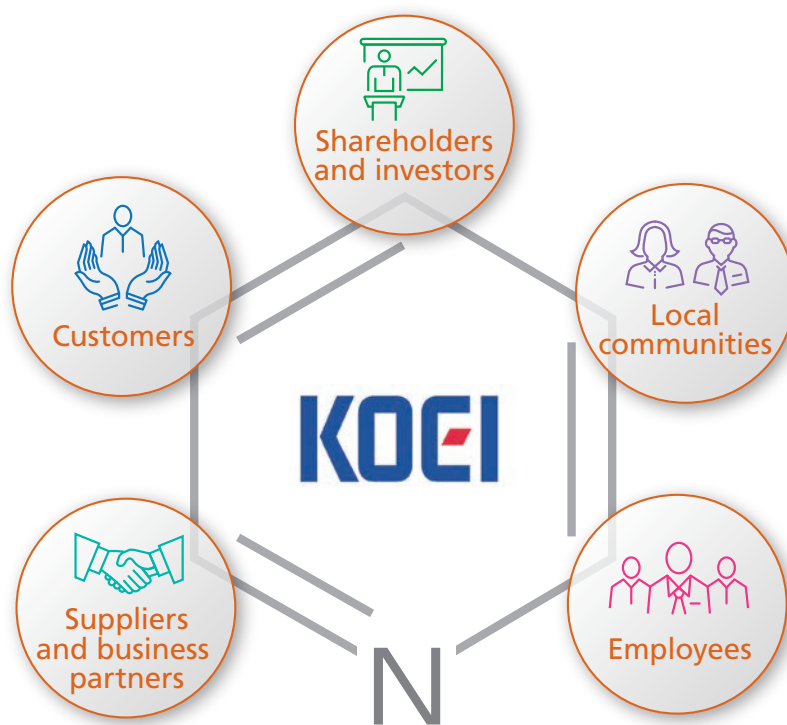
Cross correlation chart of major processes



| Relationships with Stakeholders |

The approach of cultivating business with all stakeholders, including shareholders, investors, clients, Suppliers and partners, local communities, and employees who support the Company and their families, and sharing the results thereof with them, is a prerequisite for achieving sustainable growth as a company and provides the reason for its survival in society. We value two-way communication to achieve co-existence and co-prosperity with all such stakeholders.

Relationships with major stakeholders



Suppliers and business partners

We aim to contribute to a sustainable society together with our business partners by building relationships of trust through transactions that emphasize compliance.

Shareholders and investors

We will strive to disclose information with a high degree of transparency, and disclose our management policy and financial information in a prompt and appropriate manner.

Employees

We will develop activities aimed at developing employees' abilities, balancing work and life, and improving the health of each employee so that they can work energetically.

Customers

We aim to grow and develop together with our customers by providing a variety of solutions to their product needs and issues while ensuring a stable and efficient supply.

Local communities

Centering on Sodegaura City, Chiba, which is the location of the head office, we work on the revitalization and environmental development of local areas through communication.

Dialogue with Shareholders and Investors

We properly disclose information regarding overall management in accordance with applicable laws and regulations and convey our management policy and contents in an accurate and precise way in an effort to obtain social trust.

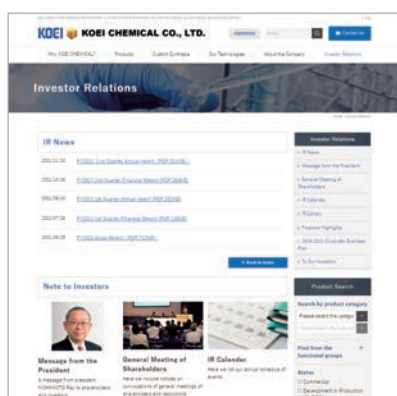
IR policy

We disclose IR information swiftly and properly to help shareholders and investors accurately understand Koei Chemical. We disclose useful information in accordance with applicable laws and regulations as well as rules provided by securities exchanges so that shareholders and investors can accurately understand our business activities.

Method of information disclosure

IR information on financial results, performance forecasts and general meetings of shareholders, etc., is posted through Tokyo Stock Exchange's TDnet (Timely Disclosure Network System) and on the Company's website, which was renewed in FY2017.

We will continue to provide information with better contents in a prompt manner.



 Please refer to the website for investors.
<https://www.koeichem.com/en/ir.html>

Basic policy on profit distribution

As our basic policy, we determine dividends of surplus and other related matters in consideration of the balance between 1) the profits to be secured for shareholders over the long-term and in a stable manner and 2) the status of our performance in each fiscal year and the enhancement of shareholders' equity to be reserved for future business development.

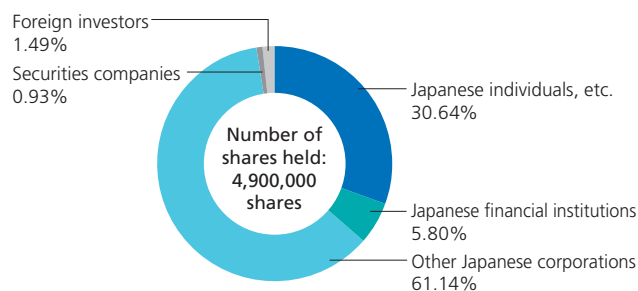
Based on the above basic policy, in FY2020, we paid an annual dividend of ¥100 per share, including an interim dividend of ¥40.

General meeting of Shareholders

While striving to deliver notices of convocation as early as possible, we post notices of convocation on websites (websites of stock exchanges and the Company) prior to the delivery in order to give shareholders adequate time to consider matters to be resolved.

Moreover, we prepared the notice of convocation of the 158th Ordinary General Meeting of Shareholders in color in order to make the document more visual and reader-friendly for shareholders.

Distribution of shareholders



Approach on the prevention of insider trading

In order to maintain the fairness and soundness of markets, we take thorough measures to prevent insider trading in advance. We have designated the period from the end of every quarter term until the day of the announcement of financial results as the "no-purchase period of Koei Chemical's shares" and notify officers and personnel about this period. This measure helps prevent doubts about insider trading from arising.

Financial results briefing for institutional investors and analysts

On May 28, 2021, we held a financial results briefing for FY2020, and on October 26, 2021, we held a financial results briefing for the second quarter of FY2021 for institutional investors and analysts.

Please refer to the video of the presentation and the materials on our website.

<https://www.koeichem.com/en/ir/calendar.html>



Relationship with Local Communities

Centering on Sodegaura City, Chiba, which is the location of the head office, we work on the revitalization and environmental development of local areas through communication with local residents.

Contribution to local communities

● Support for a youth baseball tournament

As part of our contribution to the community, we support a spring youth baseball tournament in Sodegaura City, where our plant is located. We will continue to support this event to promote local sports.



Players enter with the Koei Chemical flag in their hands



Chiba Plant Director participates in the opening ceremony

● Collecting volunteers

We are undertaking an initiative to collect and sell PET bottle caps. The profits earned are used to provide vaccines for children in poor countries. This initiative is spreading across Japan. We also collect PET bottle caps and sell used books brought by employees through the Sodegaura City Social Welfare Council, and then donate the money earned to the Japan Committee, Vaccines for the World's Children.



PET bottle cap presentation ceremony

PET bottle caps About **49,700 caps**
 Donation money collected through
 sales of second-hand books **30,000 yen**
 (including matching gift provided by the Company)
 Used Disneyland tickets **7 tickets**
 Used pre-paid cards **26 cards**
 Used postal stamps, Bell Marks, etc.

Fostering the next generation

● Acceptance of trainees

We accept nursing students from the school of nursing as part of our educational support and health promotion activities for our employees. During the internship, we



Conference for accepting trainees

provide opportunities for learning through health guidance after health checkups and stretching classes.



A stretch class organized by trainees

Third Party Opinions

Kazuhiro Bai, Specially Appointed Professor in the College of Business & Graduate School of Business at Rikkyo University, read our CSR Report 2021 and offered his opinions.



College of Business & Graduate School of Business, Rikkyo University
Specially Appointed Professor

Kazuhiro Bai

Profile

Serving at Rikkyo University since 2018. Visiting professor in the Business Administration Program of Bond University (Australia) in 2008. His works include *Outlook of CSR Accounting*, Moriama Shoten; *Introducing CSR Accounting*, Japanese Standards Association; *First Step to CSR Management for Corporate Employees*, co-author, Dai-ichi Hoki; "Deployment of Financial Reporting Theory based on Global Governance"; *CSR Management Control*; *Essentials for a Going Concern: Five Principles to Overcome Environmental Change*; *Corporate Ethics and Sustainability of Society*, co-author, Reitaku University Press, and many more.

Koei Chemical Company, Limited ("Koei Chemical") has summarized its achievements related to CSR activities from April 2020 to March 2021 in the CSR Report 2021, which aims to create a sustainable society to support the power of chemistry. The opinions of an outside party are listed below from the viewpoint of researching lasting corporate management and CSR accounting, which aims to quantify CSR activities.

Points to be commended

As stated in the President's Message, one of the features of this CSR Report is that Koei Chemical considers its initiatives to realize a sustainable society through promoting ESG/CSR management and responding to SDG themes as an extension of its corporate philosophy and existing business activities, and this can be found in the coordination of sustainability action (page 5).

If a list were made of the report content that ought to be mentioned from this perspective, I would first list the seven most important issues offered by the Group as a member of the Sumitomo Chemical Group (contributing to reducing environmental impact, contributing to increasing food production, contributing to the healthcare field, contributing to ICT innovation, promoting technology and research and development, initiatives for digital innovation, and promoting diversity and inclusion), as well as the fact that they are promoting sustainability management as specialty chemicals (page 13). Secondly, I focused on the fact that they established the Koei Chemical Key Performance Indicators (KPI) that respond to these most important issues to communicate with outside stakeholders while adjusting the direction of the above initiatives and working to spread knowledge and share awareness within the company (pages 13-14). These attempts are positioned as the practice of sustainability management,

which has advanced the initiatives from last year one step forward, and I value the fact that this report was composed following the above flow. Furthermore, the relationship with SDG themes, which form the core of improvements in corporate value and sustainability management, is brought together in a compact and visual way, and this content and structure can be evaluated highly as a CSR report (pages 4-5). To summarize this year's report, a serious attitude taking on sustainability management is reflected in this report through establishing unique KPIs from identifying the most important issues through dialogue with internal and outside stakeholders, and the content of the report shows that sustainability action is firmly rooted within the company.

Points to be improved

I'd like to talk about how to arrange the relationship between KPIs - indices for sustainability management - and the actual state of action as an expectation for future improvement. From page 15 onwards, initiatives on materiality are listed and it is inferred that these initiatives will be organized gradually starting next year. When that happens, I hope that KPI progress, a specific materiality initiative, will be explained while being based on the corresponding relationship between materiality and KPIs as shown on page 14. This is because if Koei Chemical can arrive at a stage where they can put a system of organizing and disclosing the corresponding relationship between the two, a path will open to achieve further development from a CSR report to an integrated report in addition to increasing expectations as an effective communication tool with stakeholders. I hope that the above points will be used as reference and will lead to further development of sustainability action for this term (2021), the final year of the corporate business plan.

Response to Third Party Opinions



Koichiro Sogawa
Director & Managing Executive Officer
(in charge of General Affairs & Personnel Office, Logistics & Procurement Office, and Internal Control & Audit Office)

I deeply appreciate Dr. Kazuhiro Bai's valuable remarks again this year.

Koei Chemical established the Koei Chemical KPIs this year in response to the most important issues (materiality) given by the Sumitomo Chemical Group. I appreciate that this initiative was praised for making a step forward in the practice of our sustainability management.

We will work to disclose the progress of our KPIs in a way that is easy for our stakeholders to understand while organizing the corresponding relationship between this progress and materiality.

We will embrace Dr. Bai's advice and continue to make concerted efforts to promote sustainability action, and we look forward to his continued guidance.

(2021年9月30日現在)

会社概要

会社名 広栄化学株式会社
 英文表記 KOEI CHEMICAL COMPANY, LIMITED
 所在地 東京都中央区日本橋小網町1番8号
 URL <https://www.koeichem.com/>
 設立 1917年
 資本金 23億43百万円
 従業員数 407人
 事業内容 医薬、農薬、塗料、染料、各種合成樹脂の原料・中間体の製造および販売他

株式に関する情報

決算日 3月31日
 定時株主総会 毎年6月開催
 株式の状況 発行可能株式総数 16,000,000株
 発行済株式の総数 4,900,000株
 株主数 3,052名

役員一覧

代表取締役社長	西本 麗	執行役員	河合 秀忠
取締役専務執行役員	村上 修平	執行役員	鴻上 博光
取締役常務執行役員	寒川 公一朗	執行役員	坂本 典保
取締役執行役員	深堀 敬子	執行役員	和田 英男
取締役	酒井 基行		
取締役（監査等委員）	近藤 憲二		
社外取締役（監査等委員）	瀧口 健		
社外取締役（監査等委員）	東 英雄		
社外取締役（監査等委員）	養老 信吾		

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 Sumitomo Chemical Europe S.A./N.V.内

大株主の状況

株主名	持株数(千株)	持株比率(%)
住友化学株式会社	2,731	55.84
近畿産業信用組合	240	4.91
種田 修	103	2.11
広栄化学社員持株会	46	0.96
磯 雅弘	43	0.90
丸石化学品株式会社	33	0.69
阪本 重治	33	0.68
山崎 孝二	26	0.54
住友精化株式会社	26	0.53
西川 宗孝	23	0.47

(注) 持株比率は、自己株式(8,850株)を控除して算定しております。



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