



Bringing 100 years of technology and trust,
now and to the future



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now and to the future



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CSR Report 2019



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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 2018 to March 2019
(information for April 2019 and later is partially included.)

Issuance

October 2019

Corporate Philosophy

- 1 | We treat trust and honesty as our mission, and aim to become a company where vital talent and knowledge congregate.
- 2 | Contribute to the growth of society by providing useful products that are the results of creative technologies.

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 trust 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.

To this end, 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 and quality assurance activities with the aim of realizing 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.

Koei Chemical will actively contribute to a sustainable society based on the technology and trust that we have been developing until today.

Koei Chemical celebrated its 100th anniversary in June 2017. Its root is Koei Pharmaceutical Co., Ltd., which was established in June 1917. Starting the production of pharmaceutical products as its mainstay, Koei Chemical has continued operations for more than 100 years, based on the philosophy of “contributing to the growth of society by providing useful products that are the results of creative technologies.”

Y. Okamoto
President



Koei Chemical as an expert in nitrogen-containing chemicals

Since its foundation in 1917, Koei Chemical has grown successively along with the development of the chemical industry, and has realized the industrialization of a variety of synthetic organic chemicals. Throughout this long history, we have manufactured and sold all kinds of chemical products including pyridine bases, pyrazines, amines and ionic liquids, responding to a wide range of social needs. We have also endeavored to develop innovative technology, and have launched high value-added, high-functional products, which are highly recognized all over the world.

Going forward as well, as “an expert in nitrogen-containing chemicals,” we will focus on our specific technologies for catalysts and organic synthesis - areas in which we excel - to become “a leading company specializing in specialty chemicals.”

FY2019-2021 Formulation of new mid-term management plan “Transformation KOEI”

We have formulated a new mid-term management plan that started in FY2019.

In this plan, we aim to create a new Koei Chemical under the slogan of “KOEI 2021 -Tradition and Challenge-” with the integration of “tradition without changing” and “challenge for innovation,” which we have fostered through our 100 years of history.

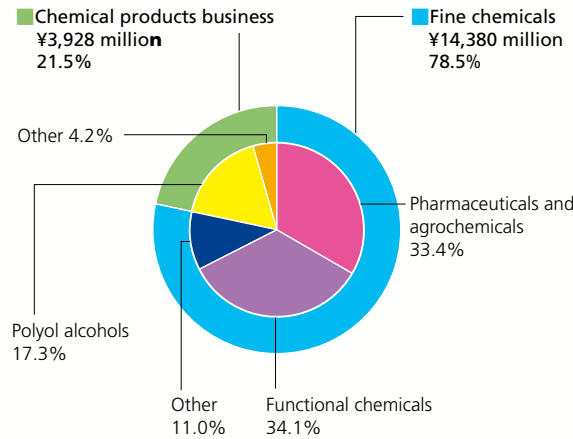
As our performance targets for the final year of this plan (FY2021), we will aim to achieve net sales of 20 billion yen, operating profit of 2 billion yen and an operating profit margin of 10%.

For further reference, the basic policy to achieve the mid-term management plan is summarized on page 5 of this report.

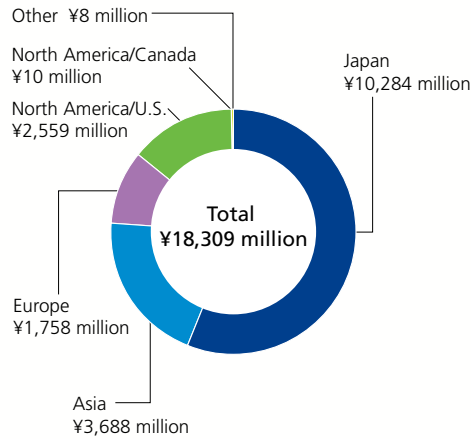
Performance for FY2018

(Cumulative period)	1Q	2Q	3Q	Full-year
Net sales (thousands of yen)	4,631,874	9,356,602	13,708,826	18,309,034
Income before income taxes (thousands of yen)	391,720	908,742	1,404,864	1,271,496
Net income (thousands of yen)	268,720	622,742	962,864	960,939
Net income per share (yen)	54.94	127.31	196.84	196.45

Sales by segment



Sales by region



Toward the next generation

We will continue research & development and the exploitation of the application of new products, while reviewing the entire value chain of existing key products such as amine compounds and pyridines to strengthen our competitive power toward the next 100 years. Focusing on nitrogen-containing chemicals, we will expand our business fields from pharmaceuticals and agrochemicals to energy and electronic materials, and offer creative products in a multidirectional manner.

We will also strive to enhance operational efficiency and streamline our operation, with the intent of increasing productivity and upgrading operational content. As Japan is experiencing the progress of a falling birthrate and an aging population, we are committed to building an organization that responds to environmental changes and make active use of diverse employees by increasing job opportunities. These approaches will enable us to invigorate our workplaces and secure personnel steadily for the future, thereby leading to our evolution to become an organization that creates high-added value.

Efforts for CSR activities

In order to achieve sustainable development, a corporation must behave responsibly as a member of society and obtain trust. We are convinced that building good relationships with our stakeholders, such as business partners/clients, shareholders, local communities and employees working in Koei Chemical, as well as satisfying the needs of society, will lead to the further development of business activities, thus resulting in a contribution to a sustainable society.

We have formulated the CSR Basic Policy in 2018 based on this philosophy.

Through this CSR Report, we will report on our various activities to contribute to society, which embody the philosophy. We would appreciate your understanding, further support and feedback regarding our CSR activities.

FY2019-2021

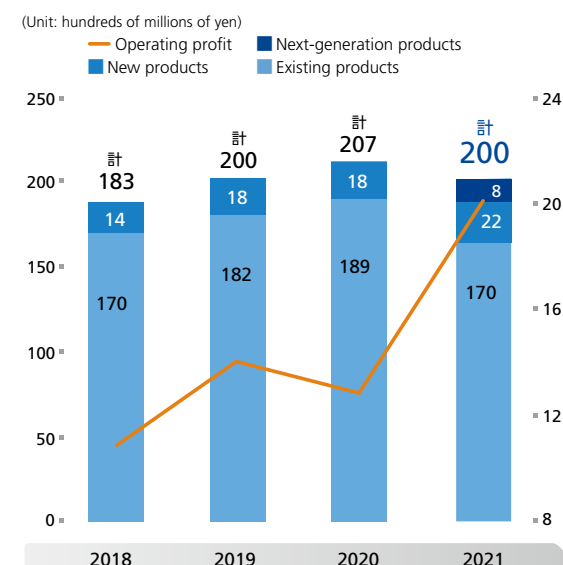
Mid-term management plan "Transformation KOEI"

KOEI2021

-Tradition and Challenge-

Performance targets for FY2021

Net sales **20 billion yen**
 Operating profit **2 billion yen**
 Operating profit margin **10%**



Basic policy of the mid-term management plan and performance targets

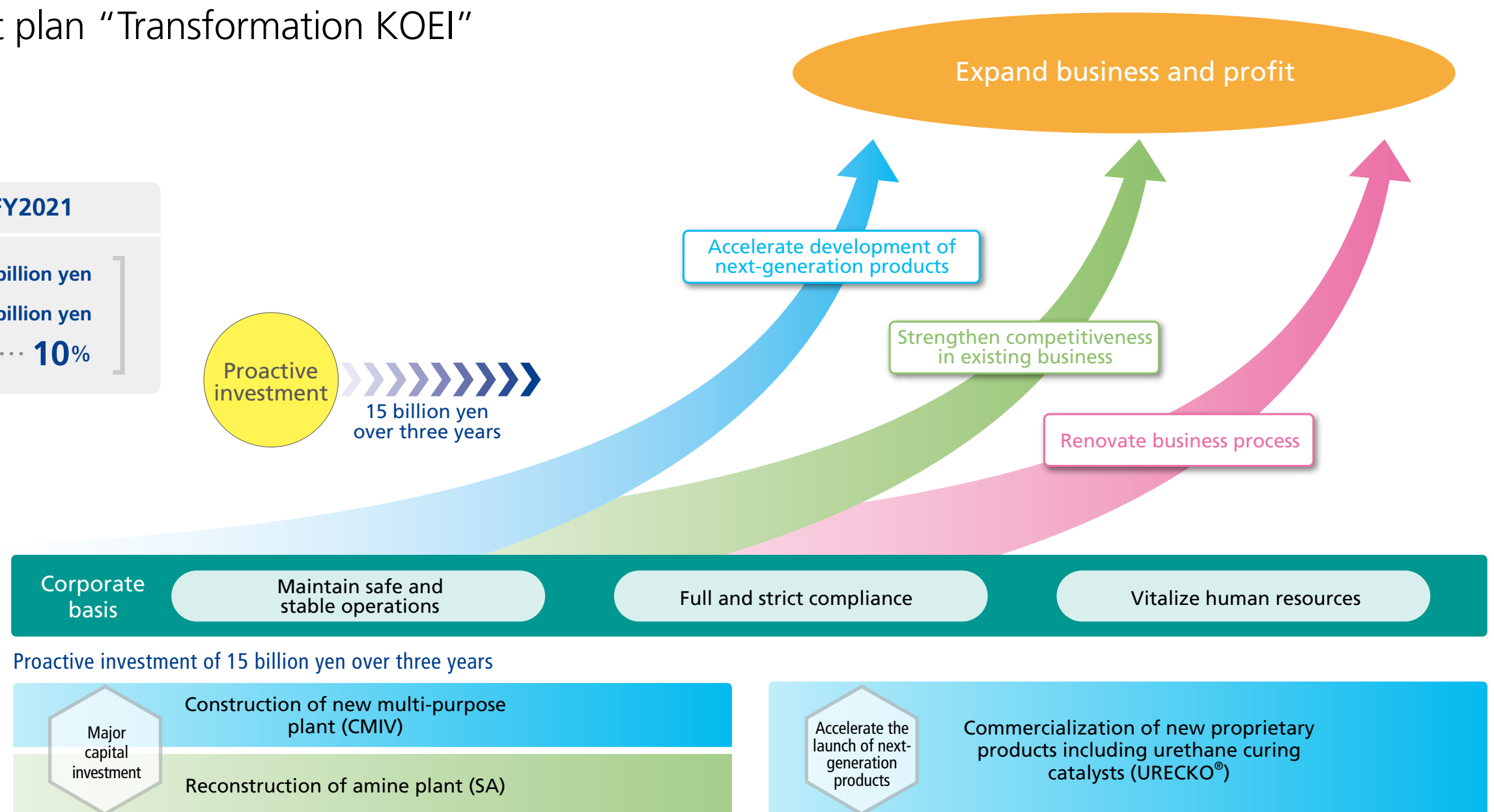
The basic policy of the mid-term management plan is as follows:

- 1 Accelerate development of next-generation products
- 2 Strengthen competitiveness in existing businesses
- 3 Renovate the business process, shift to high-value-added activities, and transform work style
- 4 Ensure full and strict compliance and maintain safe and stable operations
- 5 Make investments proactively to expand businesses
- 6 Vitalize human resources for business expansion

We will steadily implement "safe and stable operations," "full and strict compliance" and "vitalization of human resources," which form the corporate basis, with the aim of expanding businesses and profits through the "development of next-generation products," "strengthening of competitiveness in existing business" and "renovation of business process," which are trinity policy elements. We will also make proactive investment for business expansion.

Next-generation products include new proprietary products such as urethane curing catalysts (URECKO®) that are currently under development. We strive to press ahead with development toward commercialization during the period of this plan.

Proactive investment
 15 billion yen over three years



(Performance targets)

Performance targets for FY2021
 Net sales: 20 billion yen
 Operating profit: 2 billion yen
 Operating profit margin: 10%

Capital investment plan

We plan capital investment of 15 billion yen over the next three years, mainly for two projects: construction of new multi-purpose plant (CMIV) and reconstruction of amine plant (SA).

1. Construction of new multi-purpose plant (CMIV)

As demand has been continuously increasing for the products manufactured at the multi-purpose plants (CM series: CMI, CMII, CMIII), CM plants are currently at full capacity. We consider the plan to build a new multi-

purpose plant (CMIV) as an effort to strengthen production in response to demand increase and next-generation products. A decision will be made by the end of FY2019 and the construction of the plant will be completed by the end of FY2021.

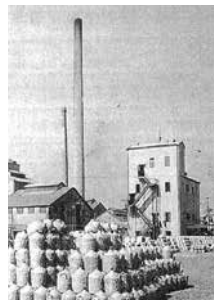
2. Reconstruction of amine plant (SA)

The SA plant, which is nearly 50 years old, is in a state of severe deterioration. In order to continue the amine business in the future, now is the time to renew the plant facilities on a large scale. This reconstruction includes drastic renewal work of major equipment, leading to the enhancement of productivity, automation, energy saving and the strengthening of safety, with the aim of increasing the competitiveness of the amine business. The reconstruction will commence during FY2019, and will be completed during FY2024.

We have given our visions shape with the power of chemistry for the last 100 years.

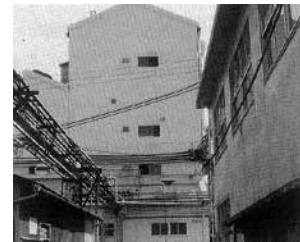
1931

- Started production of acetone and butanol by fermentation



1952

- Started production of pentaerythritol


1917
Foundation

1917

- Founded as Koei Pharmaceutical Co., Ltd. in Osaka and started production of acetic acid

1926

- Changed company name to Koei Co., Ltd.

1934

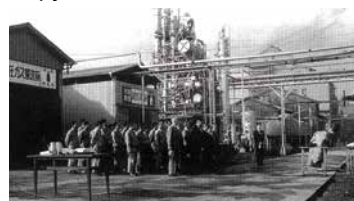
- Started production of formalin

1950

- Started production of m-aminophenol
- Changed company name to Koei Chemical Co., Ltd.

1964

- Started production of pyridine bases (Osaka)



1966

- Expanded fine chemical facility for amines



1971

- Started production of formalin, trimethylolpropane, sodium hydrosulfite and amine



1985

- Started production of cyanopyrazine



1972

- Started production of pyridine bases in Chiba Plant

1980

- Started production of chemical body warmers

1982

- Constructed new multi-purpose plant and expanded fine chemical facility for amines and pyridine bases

1986

- Started production of dilazep hydrochloride hydrate

1959

- Started production of trimethylolpropane and formit

1962

- Started production of amines

1963

- "Inoue Award" from Tōryō Hōchi Shinbunsha Co., Ltd. for production of pentaerythritol

1967

- "Okochi Memorial Production Prize" from Okochi Memorial Foundation for production of pyridine bases
- Opened Chiba Plant and started production of pentaerythritol

2006

- Started operation of new development plant



- Started operation of new plant for intermediates for agrochemicals



2010

- Constructed new laboratory in Chiba Plant to centralize production and research functions in Chiba Plant



2013

- Relocated Tokyo Head Office to present address



2017

- Expanded liquid-phase reaction plant



- Completed construction of corporate office building


2017
100th anniversary

1997

- "Catalysis Society of Japan Award (Industrial Field)" for synthesis of pyridine using a zeolite catalyst
- Listed on 2nd Section of Osaka Exchange
- Constructed multi-purpose vapor-phase plant

1998

- "Chemical Technology Award" from Kinki Chemical Society of Japan for new synthetic method of intermediate chloro nicotinyl insecticide

1999

- Constructed multi-purpose plant for production of intermediates for pharmaceuticals and agrochemicals

2003

- Relocated Head Office to Joto-ku, Osaka

1990

- "Industrial Technology Award" from Osaka Industrial Research Association for development of "CASCON-RESIN (functional modified epoxy resins)"

1992

- "Chemical Technology Award" from Kinki Chemical Society of Japan for development of Anti-Ulcer Drug Intermediate
- "Technological Prize" from Adhesion Society of Japan for epoxy resin adhesives

1995

- Constructed multi-purpose plant and started production of intermediates for pharmaceuticals and agrochemicals

2004

- Started dispatch of employees to Sumitomo Chemical Europe S.A./N.V.

2006

- Relocated headquarters operations to Tokyo Office (Tokyo and Osaka)

2013

- Transferred to and listed on 2nd Section of Tokyo Securities Exchange

2016

- Closed Osaka Plant and changed the registered address to Sodegaura City, Chiba

2017

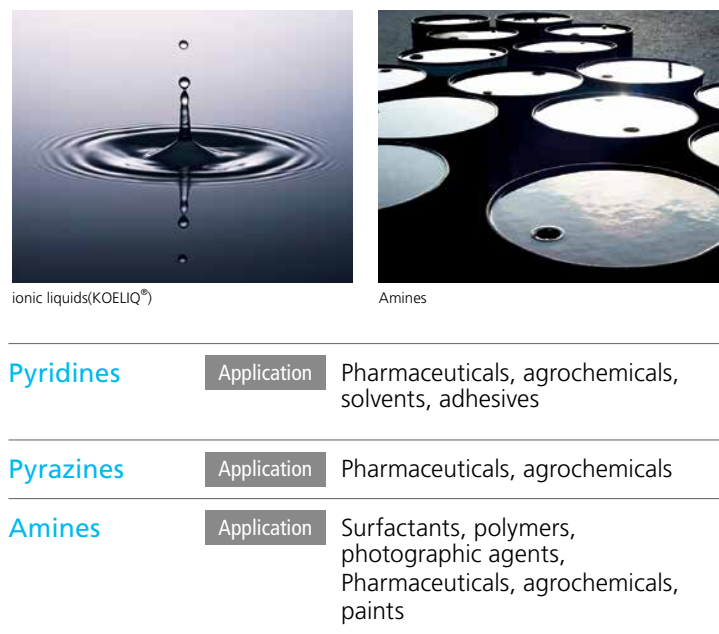
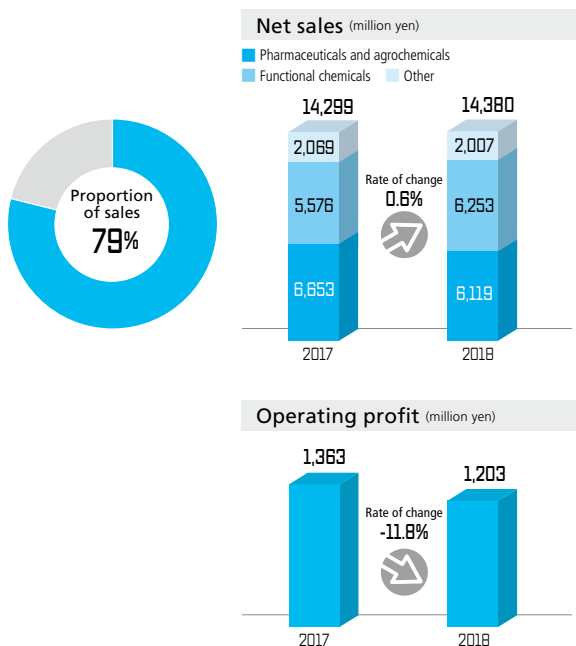
- Celebrated 100th anniversary



Fine chemical business (2018)

For pharmaceuticals and agrochemicals, revenue decreased due to the decreased demand for agrochemicals, although sales of intermediates for pharmaceuticals for Europe were steady. For functional chemicals, revenue increased due to the steady demand relating to electronic materials.

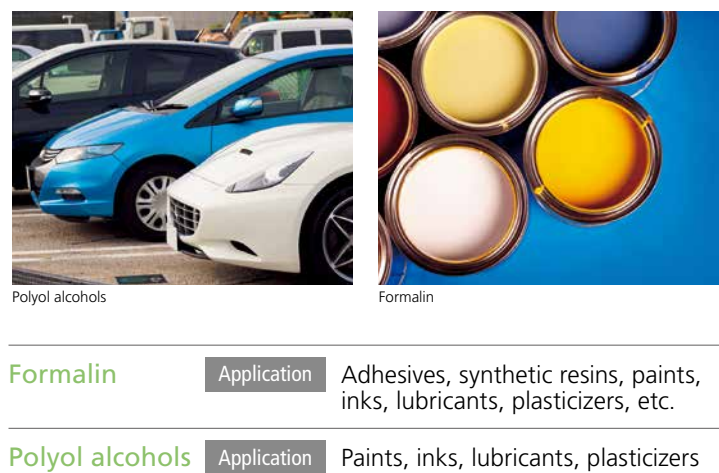
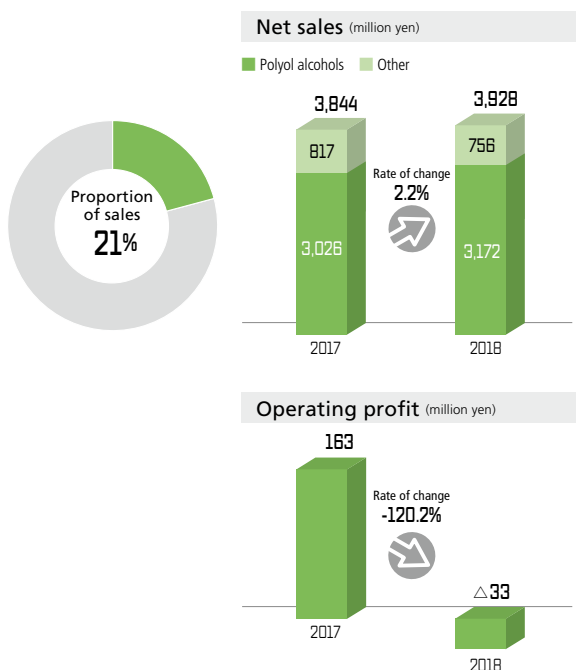
As a result, net sales of this segment amounted to 14,380 million yen (up 0.6% YoY) and operating profit amounted to 1,203 million yen (down 11.8% YoY).



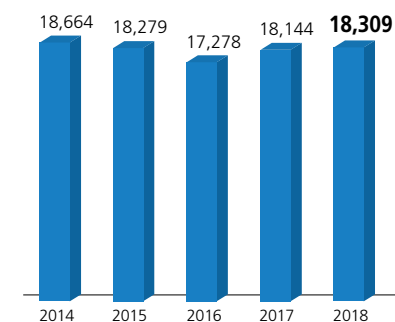
Chemical products business (2018)

For polyol alcohols, revenue increased as a result of the adjustment of sales prices with the improvement of market conditions. For other chemical products, although sales prices rose due to the fluctuation of raw material prices, the sales volume dropped. Profit decreased mainly because of the rise of manufacturing costs.

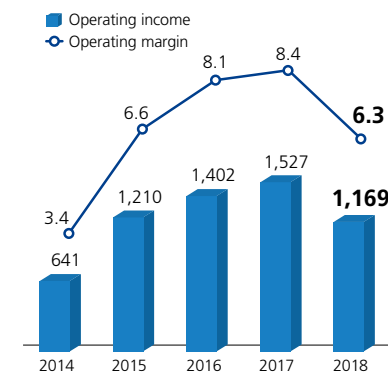
As a result, net sales of this segment amounted to 3,928 million yen (up 2.2% YoY) and operating loss amounted to 33 million yen (operating profit of 163 million yen for the previous fiscal year).



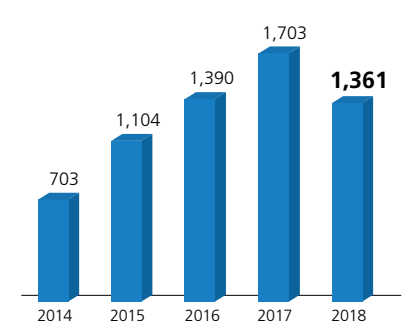
Net sales (Millions of Yen)



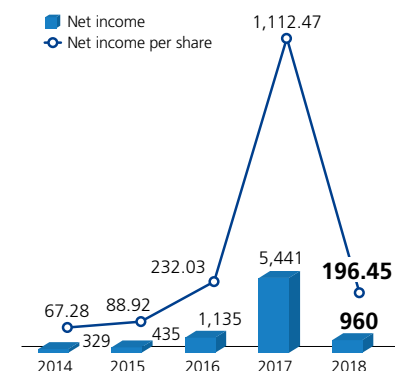
Operating income (Millions of Yen) / Operating margin (%)



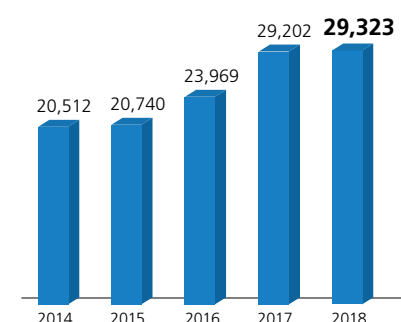
Ordinary profit (Millions of Yen)



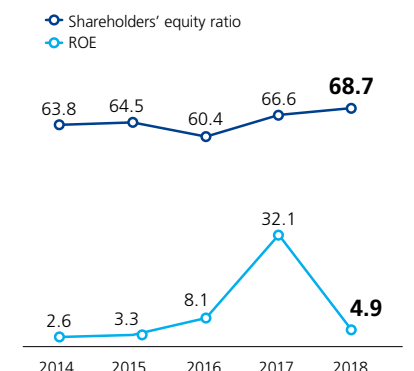
Net income (Millions of Yen) / Net income per share (%)



Total asset (Millions of Yen)



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



	2014	2015	2016	2017	2018
Net sales	(Millions of Yen) 18,664	18,279	17,278	18,144	18,309
Operating income	(Millions of Yen) 641	1,210	1,402	1,527	1,169
Ordinary profit	(Millions of Yen) 703	1,104	1,390	1,703	1,361
Net income	(Millions of Yen) 329	435	1,135	5,441	960
Total asset	(Millions of Yen) 20,512	20,740	23,969	29,202	29,323
Total shareholders' equity	(Millions of Yen) 13,091	13,379	14,487	19,460	20,131
Free cash flow	(Millions of Yen) 1,500	577	△440	5,126	△1,730
ROE	(%) 2.6	3.3	8.1	32.1	4.9
Payout ratio	(%) 52.0	45.0	21.5	6.3	30.5

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.

Basic policy on corporate governance

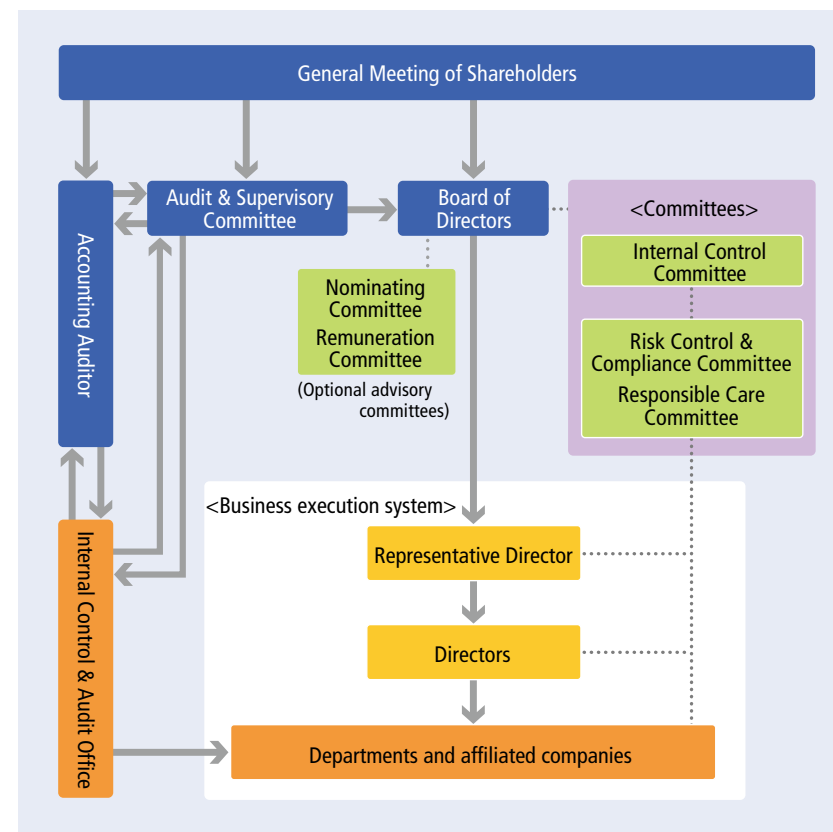
In order to perform fair corporate activities, we strive to operate an effective corporate governance system and continuously strengthen and improve the system. In terms of our business management system, we have established the Board of Directors and the Audit & Supervisory Committee, as well as the 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, 2017, Koei Chemical transitioned from a company with a board of corporate auditors to a company with an 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.

Familiarization 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.



The global chemical industry is working voluntarily to protect the environment, health, and safety 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.”

Responsible care activities

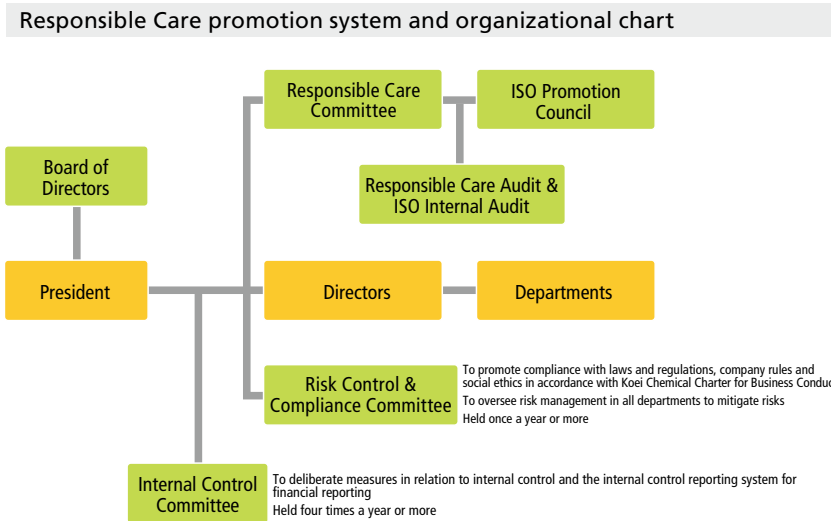
In accordance with the Corporate Policy on Safety, Environment and Product Quality, Koei Chemical will actively strive to promote responsible care activities in developing our business, and will also do its utmost to achieve sustainable development and earn the trust of society.

1	We will achieve our zero-accident, zero-injury targets to ensure stable operations.
2	We will conduct risk management throughout the life cycle of our products, including development , manufacturing, transport and disposal, and strive to conserve the environment, as well as to ensure the safety and health of our employees as well as that of the local community.
3	We will comply with domestic and international laws and standards relating to safety and the environment, and strive to meet even stricter targets than required by law.
4	We will promote the conservation of resources and energy and to minimize waste emission and strive to conserve the environment.
5	We will implement the requisite education and training of our employees relating to safety, the environment and product quality and will promote effective responsible care activities.
6	We will promote both risk-reduction and accident-prevention from the perspective of product safety and quality.
7	We will evaluate the content of our activities and seek to implement improvements through internal audits pertaining to occupational health and safety, security and disaster prevention, environmental protection, chemical safety, product safety, and quality assurance.
8	We will keep the external communication among a related government office, the region, and the stake holder, and aim at coexistence with the society.

This line of action makes public to all workers and the person with whom it relates, shall be understood, and assumed to be the one to attempt the improvement of consideration.

Responsible care promotion system

In order to abide by all relevant laws, regulations and social ethics, and maintain and improve occupational safety, environmental protection, product safety, quality assurance and other important issues, we have established three committees (Responsible Care, Internal Control, Risk Control & Compliance), chaired by the President, for continuous improvement.



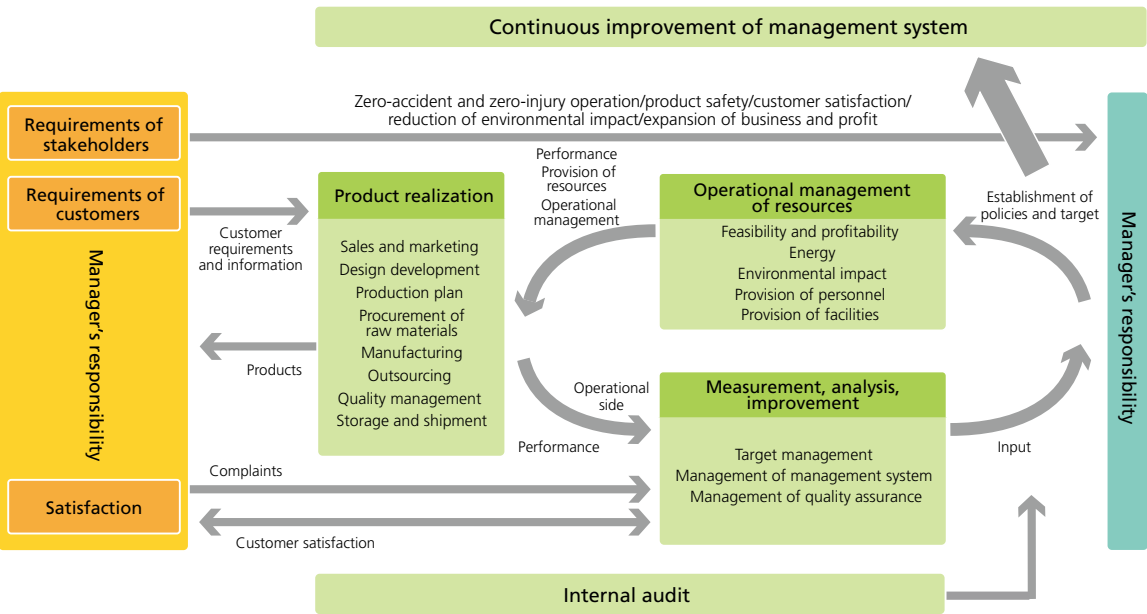
Efforts for responsible care activities

We formulated the basic policy regarding safety, the environment and product quality in 1995 in which the performance of Responsible Care was declared. Having recognized this policy, officers and personnel 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



Based on the basic principle of “placing safety above all else,” we are making concerted efforts with officers, personnel 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



Safety slogan



Safety workshop



Disaster training

Based on the basic principle of “placing safety above all else,” 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.

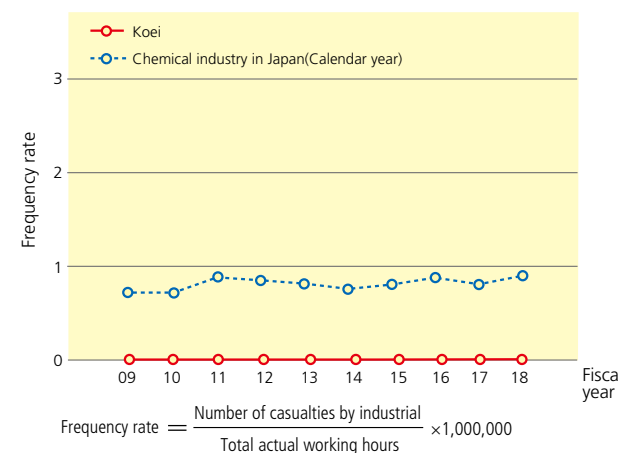
Both the President and Plant Directors, which are the top members of the plant, inspect the relevant workplace and are actively involved in various initiatives such as ensuring Japanese 5S methodology, raising safety awareness, and eliminating safety issues. In this manner, ensuring safety is treated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

With regard to work-related accidents, there were no industrial injuries in FY2018.

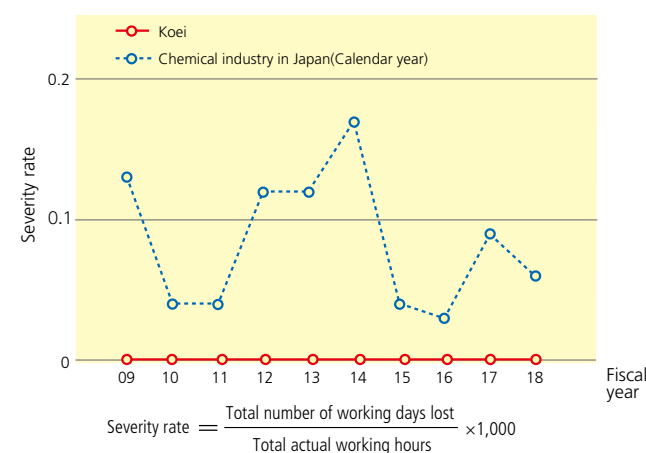
The number of zero-injury days reached 3,688 (as of March 31, 2019), which is equal to over 10 years. As shown in the following graphs, frequency rates of industrial injuries and severity rates of industrial injuries remain zero.

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



Chemical safety training



Chemical simulation training

Risk reduction of chemicals at the time of distribution

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 FY2018).

In Japan, the provision of SDS is mandatory under the Industrial Safety and Health Act, the Poisonous and Deleterious Substances Control Act, and the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Act).

*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.

- (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.

Safe transportation (product labels and yellow cards)

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 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).

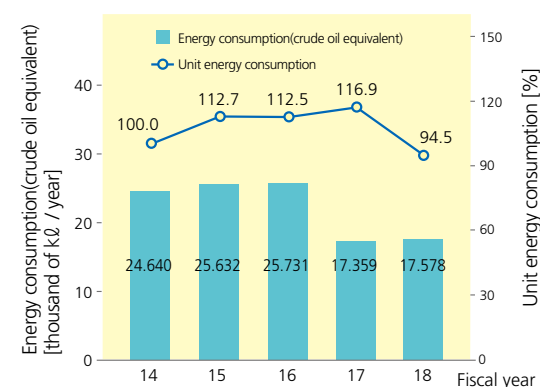
Because Koei Chemical considers the issue of climate change as one of the most important challenges facing society, we strive to enhance productivity and implement energy efficient facilities, leading to the lessening of climate change through business activities.

Energy saving and the prevention of global warming

In order to prevent global warming, the world must 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 the improvement of production processes, the recovery of heat, fuel conversion and productivity enhancement. We have also introduced and operated package boilers that enhance heat efficiency, co-generation systems and photovoltaic generation, and have also shifted to the use of LED lights.

Actual energy consumption, CO₂ emissions and their intensity are shown in the following graphs. Although energy consumption and CO₂ emissions increased in FY2017 due to the closure of the Anesaki Plant, the intensity increased due to the decrease in the quantity of product output. In FY2018, each intensity decreased because of the production of products with high productivity. We will make continuous efforts to improve the intensity and achieve operational optimization to save energy and reduce CO₂ emissions (prevention of global warming).

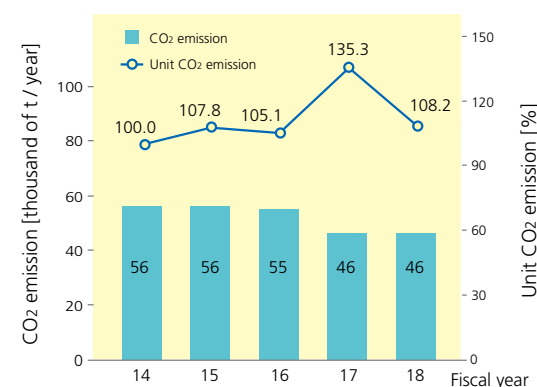
Trend of unit energy consumption



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

*The above line graph shows the relative value for each fiscal year (FY2014=100)
(= Unit energy consumption for the relevant FY / FY2014 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 (FY2014=100)
(= Unit CO₂ emission for the relevant FY / FY2014 unit CO₂ emission)

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.

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.

Toward the mitigation of greenhouse gas

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 Sumitomo Chemical Group members, will take on the challenge of the FY2030 targets to reduce GHG emissions by 15% from FY2017. 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. We will firstly formulate a plan to reduce the GHG emission volume for the period until FY2030.

*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.

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
- (2) Period covered: FY2018 (April 1, 2018 to March 31, 2019)
- (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. Risk avoidance benefits and deemed benefits are not included.

Environmental accounting (FY2018)

Environmental preservation cost

		(Unit: Millions of yen)	
Category	Major items	Investment	Cost
① Business area cost (Breakdown)		91	1,058
Environmental measure cost	Prevention of air pollution, water pollution, bad odor, noise, etc.	53	582
Global environment preservation cost	Prevention of global warming, ozone depletion, and energy saving, etc.	16	306
Resource circulation cost	Resource-saving, efficient water use, rainwater use, etc. Disposal, reduction and elimination of industrial waste, recycling, etc.	23	170
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	110
④ R&D cost	R&D for products that contribute to environmental preservation	0	50
⑤ Social activity cost	Greening, beautification, levy on pollution load, support of environmental activities performed by local communities	0	3
⑥ Environmental deterioration cost	Land pollution, restoration of the natural environment to its original state	0	0
Total		91	1,220

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	16	
② Effects of resource saving	12	
③ Effects of energy saving	35	
Total	63	

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 PCB and specific chemical substances, and perform proper waste management. In this manner, we are performing environmental preservation activities to reduce the environmental impact.

Efforts to reduce industrial waste

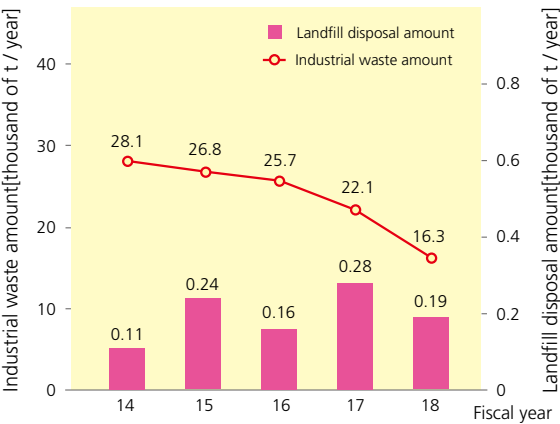
Approach to zero emissions

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 FY2018 is shown in the following chart. The volume of industrial waste generated decreased by 26% compared to the previous fiscal year, and the recycle rate increased by 6% to 30%. We will make continuous efforts to reduce environmental impact through recycling, such as a method of using incineration residues as cement materials.

Actual results for FY2018

Targets of initiatives	Actual results
Through business activities: <ul style="list-style-type: none">Reduction of industrial waste amountReduction of landfill disposal amount	<ul style="list-style-type: none">Waste generated through business activities: 16,310 tons (22,086 tons for the previous fiscal year, down by 26%)Landfill disposal amount: 192 tons (275 tons for the previous fiscal year, down by 30%)
Promotion of recycling <ul style="list-style-type: none">Increase of effective usage rate	Recycling amount: 4,890 tons, recycling rate: 30% (5,335 tons for the previous fiscal year, recycling rate: 24%)

Trend of industrial waste by fiscal year



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/company/rc.html>).

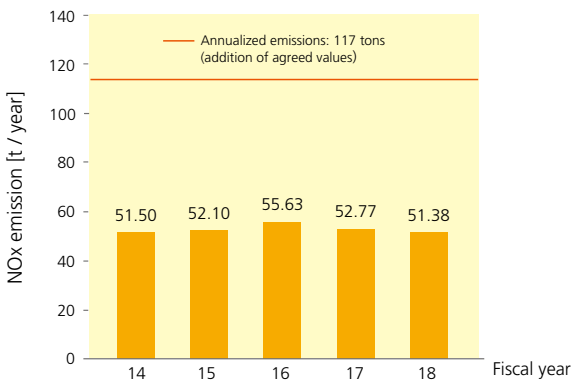
Efforts for PCB waste

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).

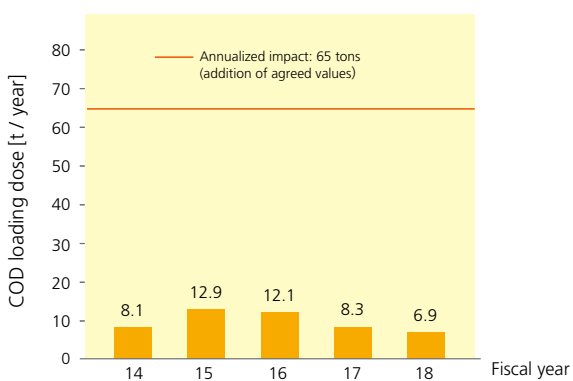
Trend of SOx and NOx emissions and COD impact volume

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



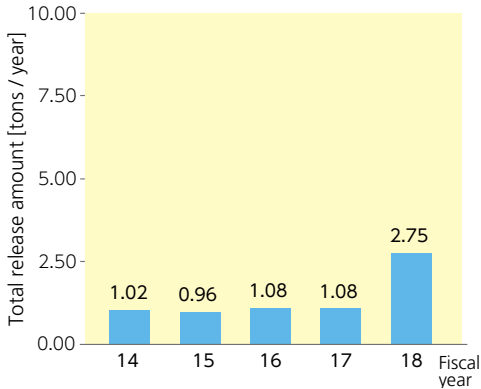
Trend of COD loading dose



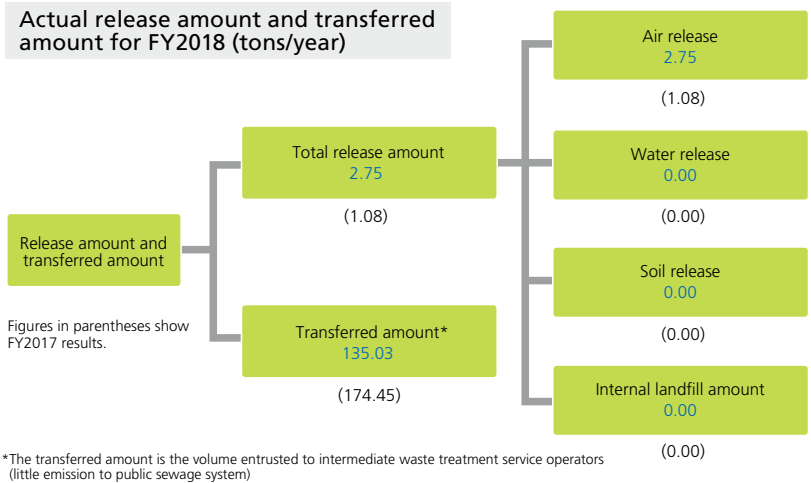
PRTR reports

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 FY2018 are as follows.

Trend of total release amount



Actual release amount and transferred amount for FY2018 (tons/year)



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

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 the quality management system based on the policy of "supplying high-quality products and services that satisfy customers' needs and ensure safety in their use." In order to satisfy customers, we find 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 are making efforts to eliminate complaints based on three pillars: 1) zero major complaints on product quality, 2) efforts for continuous enhancement to improve customer satisfaction, and 3) enhancement of the awareness of quality management. We collect quality information on complaints and Hi-yari (near-accident situations) relating to product quality, share information on cause investigations and recurrence prevention measures, and undertake horizontal deployment of said information to enhance customer satisfaction.

In FY2018, we performed verification of product labeling management conditions to strengthen quality management in addition to the "quality improvement month," which is promoted every November.

In order to strengthen quality management, the Quality Maintenance Task Force engages in the investigation of the primary cause of quality-related problems in the plant reform activities by conducting "naze-naze" analysis (causal analysis) and referring to quality hi-yari cases, etc., and undertakes the horizontal deployment of such information.

In addition, in order to enhance the awareness of quality management, quality management promotion members, who represent each division, horizontally deploy the prevention of quality problems within their respective divisions. We also provide persons in charge with education through technical seminars (gijutsu dojo) and other training opportunities. In addition, sales division members started participating in quality patrols from FY2018 to check on-site conditions, including 3S conditions at manufacturing sites, to thoroughly ensure quality management.

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/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.

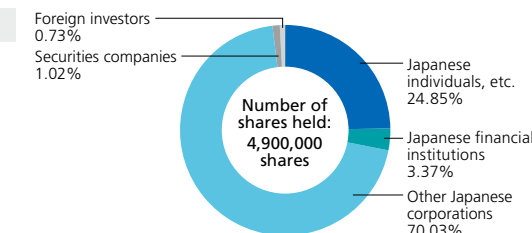
Based on the above basic policy, in FY2018, we paid an annual dividend of ¥60 per share, including an interim dividend of ¥30.

General meeting of Shareholders

When holding Ordinary General Meetings of Shareholders, we avoid peak days so that many shareholders can attend the meeting. 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.

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.

Environmental preservation in local communities

Satoyama volunteers

We dispatch our employees each month to the “Shiinomori” Nature and Environmental Preservation Green Center to carry out preservation activities. Our diverse seasonal activities with local residents include mowing, cleaning, rice planting and harvesting. The aims of these activities are to protect the surrounding nature and create an environment in which residents can enjoy nature.

Number of participants per year About **70** persons



Collecting volunteers

We are undertaking an initiative to collect and sell used PET drink bottle caps. The profits earned are used to provide vaccines for children in developing countries. This initiative is spreading across Japan.

We sell used PET drink bottle caps and second-hand books to recycling companies through the Sodegaura City Social Welfare Council to collect money. We then donate the money earned to the Japan Committee, Vaccines for the World's Children.

PET bottle caps About **47,750** caps

Donation money collected through sales of second-hand books **335** books
(donated **30,000 yen** including matching gift provided by the Company)

Used Disney Land tickets **15** tickets

Used pre-paid cards **18** tickets

Used postal stamps, Bell Marks, etc.



Fostering the next generation

Number of participants
About **100** persons

Organization of science experiment volunteer activities

We have offered science experiment volunteer activities at Nagaura Elementary School in Sodegaura City since 2011.

Company researchers conduct chemistry experiments with children in Grades 5 and 6. Through these opportunities, we seek to arouse youngsters' curiosity about chemistry and convey its enjoyment.



Boys Baseball Spring Tournament in Sodegaura City (sponsored by Koei Chemical Baseball Tournament)

We have provided support to the Boys Baseball Spring Tournament in Sodegaura City since 2017 with the aim of building mutual relationships with local communities, promoting boys baseball and supporting the sound development of youngsters.



Number of participating teams
18 teams

Dialogue with local society

Public meeting with local residents

We annually invite mayors of wards located around Sodegaura City to a plant tour and public meeting. We also organize a debriefing meeting regarding the plant's annual activities. Through these opportunities, local residents can understand that Koei Chemical pays attention to the environment and safety in the course of performing production activities. We also use these opportunities as forums to listen to their requests and opinions and share information.



Koei Chemical believes that developing an environment in which each and every personnel member can fully utilize and demonstrate his or her abilities is an essential issue to enhance productivity.

We continue to promote diverse programs that enable personnel to work energetically with good work-life balance.

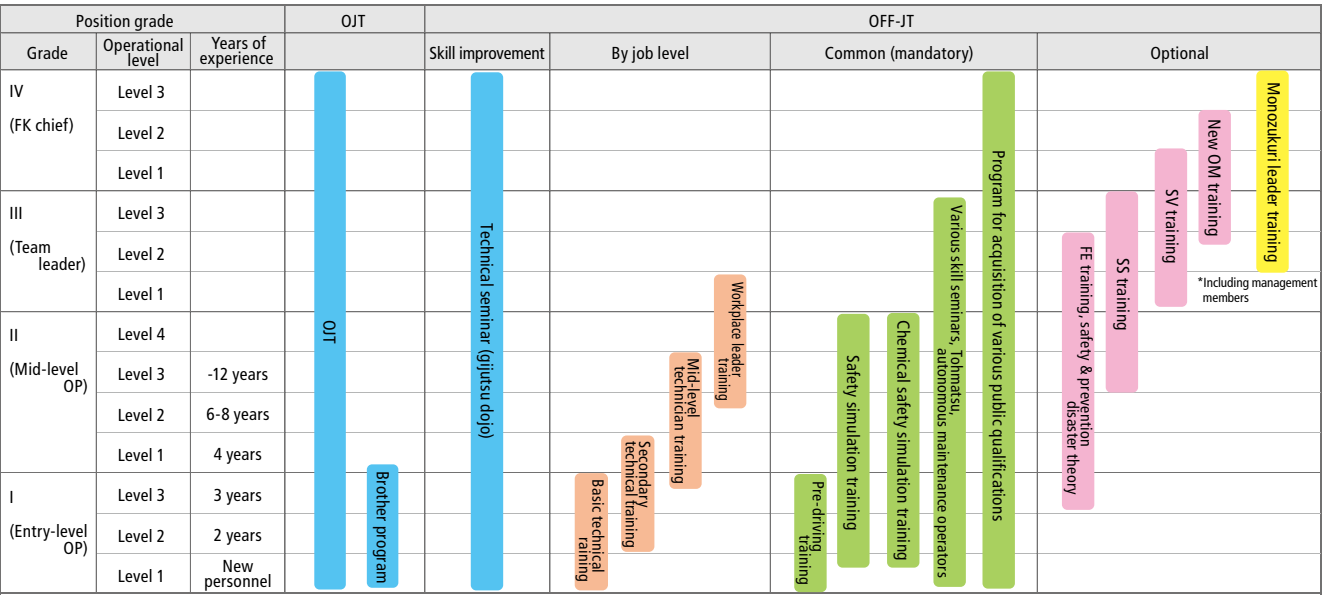
Human resources development

1. Human resources development policy

Koei Chemical formulates a human resources development plan in accordance with the basic policy of “development of professional personnel who contribute to the enhancement of corporate performance” to improve personnel techniques/expertise, knowledge/skills and management ability based on the plan. More specifically, we prepare training programs by objective and job position and offer technique/expertise transfer education and globalization support education. With respect to the development of plant personnel, we focus on the development of manufacturing operators in accordance with the operational policy to build a plant that realizes personnel development, and develop elite personnel with on-site skills who will contribute to the growth of the plant.

2. Technique/expertise transfer education

[Chart of human resources development for manufacturing operators]



OJT is the basis of human resources development. In particular, we established the brother training program to support new personnel as well as young supervisors who give guidance to new employees. OJT progresses in line with the planned schedule with OJT practice notebooks distributed by the Company. Follow-up training is also provided one year later.

OFF-JT is intended to provide various training programs in line with the growth of each personnel member to increase the level of skill. Based on the policy of “placing safety above all else,” we provide mandatory training programs including driving simulation training and safety simulation training to make every possible effort to ensure safety.

Koei Chemical also focuses on the development of management personnel engaged in monozukuri. We offer the “monozukuri leader training program” to the managers of the manufacturing section and candidates thereof, as well as staff members in the back-office divisions that support the plant. We intend to increase management skills relating to monozukuri in terms of organizations, human resources, quality management to enhance on-site skills.

(2) Support for globalization

1 Online English conversation training program

In order to develop global human resources, we offer language training programs (English conversation class) and English writing correction services based on each course plan to improve personnel members’ English skills. Previously, the language training class was arranged at the Company’s office with an invited foreign teacher. However, some trainees were not able to attend classes for reasons of everyday work. In order to accommodate this situation, we introduced an online English conversation course.

This system allows each trainee to book classes based on his or her schedule and attend the class with a laptop and headphone/mic kit. Compared to group lessons, this one-to-one lesson has enabled each trainee to learn English at his or her own pace. In FY2018, 20 personnel members participated in this program and the attendance rate exceeded 85%.

Developing global human resources is essential for the growth of the Company. We make continuous efforts to develop personnel by continually improving our training programs.

2 Training in China

In order to develop global human resources, we need to not only improve English skills, but also strengthen negotiation skills with Chinese companies, which are our important business partners for purchasing raw materials, etc.

To meet this need, we have established and executed a trainee program in China to foster personnel who are familiar with Chinese language and culture. In 2018, we provided one of our employees with a roughly 2.5-month training program in Japan from April, followed by an approximately six-month training program at Beijing Language and Culture University, China.

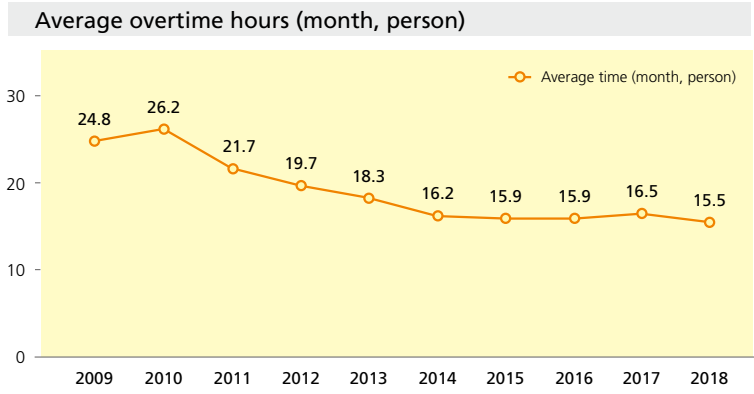
Efforts to reduce long work hours

Previously, we had controlled overtime work by setting a target to reduce long work hours. However, we shifted the strategy from target-based control to a self-management system as we found it important that each personnel member should independently think about how they work and how they manage their time.

We also have “No-Overtime Day” every Friday to promote personnel not to do overtime work unless it is essential and urgent. Notification of this promotion is made through internal announcements, email messages and other communication tools. In addition, the history of monthly overtime hours of each personnel member is summarized and sent to management personnel. The work status has also been checked using a PC management system and access control system since FY2017. In this manner, we strive to ensure proper personnel management.

When the above initiative began, the overtime hours of daytime workers totaled 26.2 hours/month per person. As a result of our efforts and those of each personnel member to enhance work efficiency, this number decreased to around 15 hours/month per person.

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



Flexible work style

Flextime system

Koei Chemical introduced a flextime system with core time in the 1990s to ensure the effective management of time and efficient work operation.

In recent years, society is seeking a balance between work and private life including childcare, long-term care for the elderly, and medical rehabilitation for personnel. In order to further promote the improvement of an environment in which our personnel can manage time effectively, we are currently holding discussions with the labor union with an eye on the introduction of super flextime system.

Reemployment program for retired persons

In 2006, we introduced the reemployment program for retired persons aged 60 or older in accordance with the Act on Stabilization of Employment of Elderly Persons. Today, an elderly person is allowed to work until 65 years of age if he/she wishes to be employed, in line with the amendment of the Act in April 2013.

Moreover, in order to encourage retired personnel to continuously demonstrate their experience, skills and other strengths, we have reviewed the welfare packages for those who assume positions as line managers/supervisors and manufacturing operators.

Reemployment rate

Fiscal year	FY2016	FY2017	FY2018
Mandatory retirement	5	5	8
Reemployment as shokutaku fixed-term personee	4	4	6
Reemployment rate	80%	80%	75%

Active recruitment (women empowerment)

Koei Chemical is actively performing recruitment activities with an eye on a plan of large-scale capital investment that will continue until FY2024. Although our previous focus was hiring new graduates and experienced workers for the purpose of job creation in local regions, our recruitment targets have broadened from the local base to nation-wide recruitment.

Although Koei Chemical has always hired new personnel in an equal and fair manner regardless of gender, the ratio of female workers actually remains low. We will make active efforts to increase the number of female personnel in keeping with the Act on Promotion of Women's Participation and Advancement in the Workplace.

Target

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

Employment rate of female workers

	FY2016	FY2017	FY2018	FY2019
Male	22	16	22	11
Female	6	2	4	1
Employment rate of female workers	21%	11%	15%	8%

Health promotion activities

In 2017, we hired public health nurses and established a Health Management Office (health care room) in order to promote personnel health. In addition, we are performing health promotion activities including offering medical check-ups with industrial physicians in cooperation with local hospitals.

Health guidance

For personnel who are required to undergo a second examination as a result of a general medical check-up, the public health nurse conducts a face-to-face interview and gives daily life guidance. Personal records are also prepared and follow-up is provided for target personnel, with their consent.

For those who are required to meet industrial physicians as a result of the follow-up or wish to do so, a face-to-face interview is offered by industrial physicians every month.

Health promotion activities

We hold seminars, fitness tests and other health promotion activities to help personnel monitor their own health condition.

- Walking seminar
- Blood flow measurement, measurement of estimated age of blood vessels
- In-body measurement (body component analyzer)
- Competition on the number of steps
- Publication of Health Management Newsletter every month for the purpose of delivering health information according to the season

In addition, in order to prevent health impairment from smoking, we started taking measures to fully separate smoking areas in offices in May 2019 to help personnel quit smoking and prevent exposure to second-hand smoke.

Moreover, we promote personnel aged 40 years and older to undergo a complete physical examination as a 5-year periodic check-up. This initiative began in FY2017 as a part of prevention-oriented health promotion programs. We give the opportunity to personnel to ascertain their health condition through an examination of lifestyle related diseases and the inclusion of test items that are not used in normal health check-ups, thereby leading to the enhancement of future self-management.

Mental health

We conduct a stress check, which is performed under the law, and offer a mental health seminar every year to help personnel prevent mental illness in advance.

We have also 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 problems through smooth communication.

For personnel who suffer from mental illness, we have established a program to help them obtain follow-up care in collaboration with public health nurses, industrial physicians and external organizations, with the goal of complete reinstatement. More specifically, 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.



Walking seminar

Third-party Opinion



Kazuhiro Bai, D.B.A.
Specially Appointed Professor,
College of Business & Graduate School of Business,
Rikkyo University

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, Moriyama 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; and Corporate Ethics and Sustainability of Society, co-author, Reitaku University Press, and many more.

The CSR Report 2019 published by Koei Chemical Company, Limited (the “Company”) summarizes its achievements relating to CSR activities in FY2018. Here are my opinions from an independent standpoint specializing in CSR accounting, which aims to quantify CSR activities, and the management of going concerns.

Points to be commended

The greatest distinction of the Company's CSR Report is that the Company's belief that the organization shall exert concerted efforts to press forward with the development of a sustainable system and such company-wide initiative shall contribute to local communities, prevails throughout the Report. Especially, it is worth mentioning that the Company focuses on Responsible Care activities and has voluntarily formulated the action policy with regard to environment, safety and health throughout the entire process ranging from the development, manufacturing, distribution, use to final consumption of chemical substances, as well as developing a system to promote it, and disclosing its achievements, thereby promoting communication with the public (pages 13 and 14). The Company's Responsible Care activities put the environment, social, governance (ESG) theory into practice as seen in each part of the Report. In an aim to strengthen governance, the Company has extended its CSR and ESG activities to include Safety and Health Activities (pages 15-16), Environmental Preservation Activities (pages 17-20), Quality Assurance Activities (pages 21-22) (Governance→Safety and Health, Environmental Protection, Quality Assurance: G→E), and engages in the development of Relationship with Local Communities (pages 23-24) at a company-wide level (S). Through these activities, the Company forms the foundation to promote CSR management, and it is an excellent structure.

Upon a comprehensive evaluation of the Report, I believe that the Company's basic stance on CSR activities, and the development of its management system to practice CSR management and other systems to promote CSR, are adequate. Moreover, the Company's various stakeholder-relations incorporate the investor's viewpoint, and every detail of its unique CSR activities emits its strong commitment to the cause. The continuity and enthusiasm with which these activities are carried out deserves our attention on future development.

Points to be improved

I would like to point out issues to be addressed in the next step. In recent years, there is an increasing awareness that initiatives for CSR and ESG are important factors that impact corporate activities and financial affairs from a medium-to long-term perspective. Sustainable Development Goals (SDGs) adopted at the UN Summit in 2015 present new social issues that are vital for today's corporations. In order to achieve the various SDG targets, the Company needs to urgently develop an organization that can identify issues to be addressed at present and take action.

To that end, as the next step toward achieving SDGs for the next fiscal year onward, I suggest that the Company work on identifying materiality, which is a process to extract important issues from the broad range of CSR activities based on the current management system. I believe that by adding the above issues to the list of CSR management tasks, the Company may identify new important challenges toward the achievement of the Corporate Business Plan “Transformation KOEI” and focus on those challenges to develop a system that drives the achievement of SDGs.

Response to Third-Party Opinion



Koichiro Sogawa
Director (in charge of General
Affairs & Personnel Office, Logistics
Managing & Procurement Office
and Internal Control & Audit Office)
Koei Chemical Company, Limited

I appreciate Dr. Kazuhiro Bai's valuable remark.
Koei Chemical had published a Responsible Care Report until last fiscal year, but in line with the formulation of a CSR Basic Policy, we have decided to issue a CSR Report with enhanced content from this fiscal year.
As points to be improved, I believe Dr. Bai has recommended us to examine the relations between the various SDG targets and our business activities in order to identify tasks to be addressed within the Company, and establish an optimal governance framework.
We will embrace this advice and continue to make concerted efforts to promote CSR activities.

Company Information

(As of March 31, 2019)

Corporate data

Company name: KOEI CHEMICAL COMPANY, LIMITED
Location of head office: 1-8, Nihonbashi-Koamicho, Chuo-ku, Tokyo 103-0016, Japan
URL: <https://www.koeichem.com/en.html>
Date of establishment: June, 1917
Capital: 2,343 million Yen
Number of employees: 323
Business description: Manufacture and sales of raw materials and intermediates for pharmaceutical/agrochemical products, paints, dyes, and various synthetic resins, etc.

Stock Information

Fiscal year-end: March 31
Ordinary general meeting of shareholders: Held in June
Stock Data: Authorized number of shares160,000,00
Issued number of shares4,900,000
Number of shareholders1,774

Board of Directors (as of June 25th, 2019)

President	Yoshihiko Okamoto	Director(Audit & Supervisory Committee Member)	Hiroyuki Nakajima
Senior Managing Director	Yasushi Udono		Ken Takiguchi
Managing Director	Koichiro Sogawa		Hideo Higashi
Managing Director	Ikuo Ishizuka		
Managing Director	Shuhei Murakami		
Director	Keiko Fukahori		
	Hidetada Kawai		
	Yasuaki Sasaki		

Business locations

Tokyo head office
1-8, Nihonbashi-Koamicho, Chuo-ku, Tokyo 103-0016, Japan
TEL 81(3)6837-9300 FAX 81(3)6837-9307
Sales & Marketing: TEL 81(3)6837-9290 FAX 81(3)6837-9310

Chiba plant・Research laboratory
25, Kitasode, Sodegaura-shi, Chiba 299-0266, Japan
TEL: 81(438)63-5511 FAX: 81(438)63-5546

Group company Koei Techno Company, Limited

Major Shareholders

Name	Number of shares (Thousands)	% of total
Sumitomo Chemical Co., Ltd.	2,731	55.84
Shionogi & Co., Ltd.	334	6.83
Takeda Pharmaceutical Company Limited	118	2.42
Japan Trustee Services Bank Ltd. (Trust account)	117	2.41
Koei Chemical Employee Shareholder Plan	52	1.08
Masahiro Iso	43	0.90
Maruishi Chemical Trading Co.,Ltd.	33	0.69
Sumitomo Seika Chemicals Company, Limited	26	0.53
Tomomi Sudo	23	0.49
Koji Yamazaki	21	0.43

NOTE: The Company's treasury shares (8,505 shares) were excluded in the calculation of the percentage of shares held.