



 **NICHINO**

Corporate Social Responsibility Report 2023

CSR Report 2023



Responsible Care®
OUR COMMITMENT TO SUSTAINABILITY

 **NIHON NOHYAKU CO., LTD.**

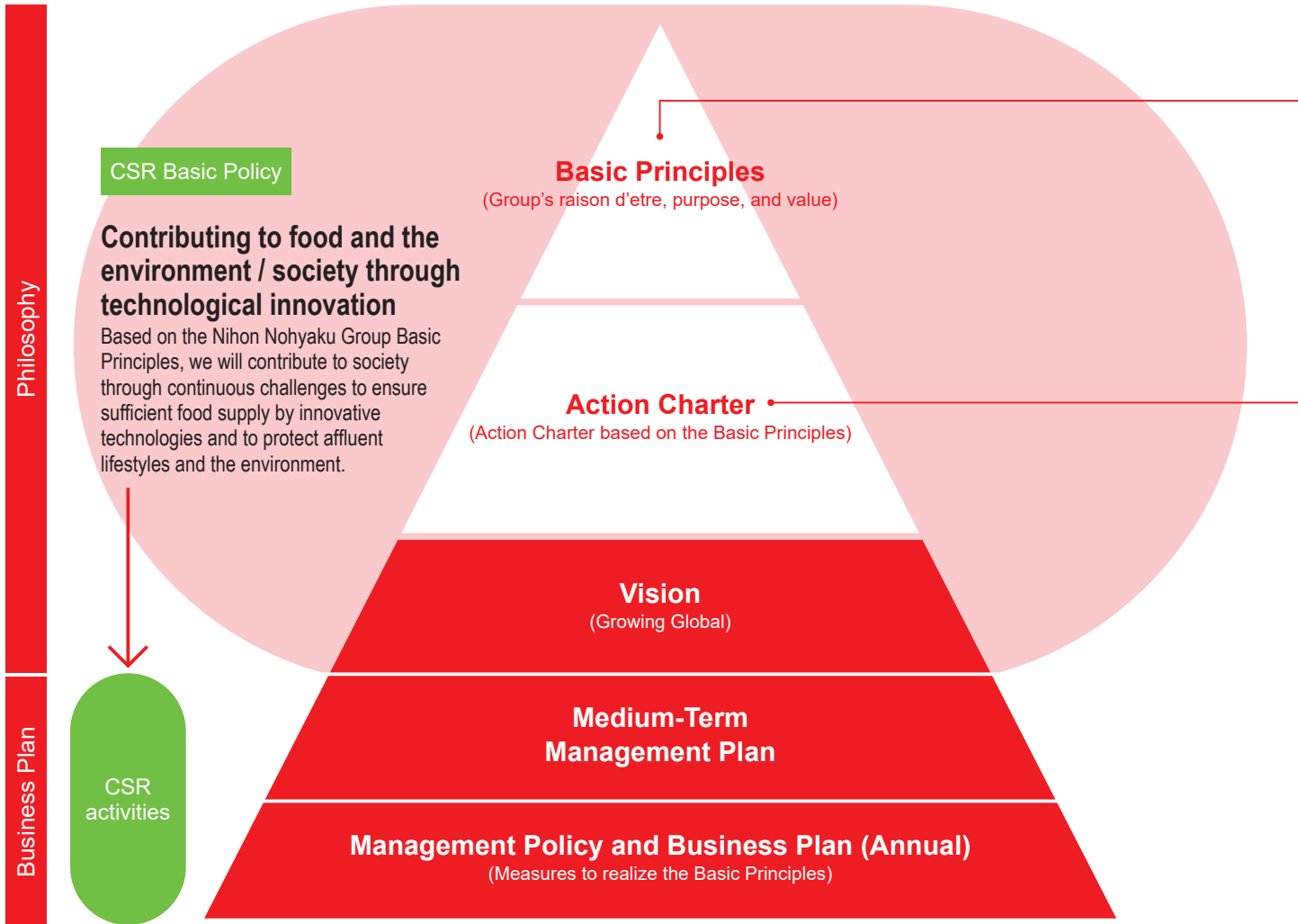
Philosophy Structure of the Nihon Nohyaku Group

Creating New Agrochemicals and Crop Aid Products to Improve the Quality of Life for All

The Nihon Nohyaku Group has established the “CSR Basic Policy” and organized and restructured the philosophy structure by positioning it as the background (backbone) of the existing Basic Principles, Action Charter, and Group Vision. In March 2022, the Group applied for and was approved to sign the United Nations Global Compact, as it is in line with the philosophy and corporate stance that the Nihon Nohyaku Group has upheld since its founding, as a fundamental way to promote our growth strategy for becoming a global company.



Philosophy Structure



About CSR (Corporate Social Responsibility)

CSR is the general term for activities focused on achieving sustainable development for the company and society based on the philosophy that the responsibility of a corporation is not simply to adhere to the law and pursue profits for the company, but also to fulfill responsibilities to society based on an ethical code. Based on the Basic Principles, the Nihon Nohyaku Group is pushing forward the establishment of a CSR promotion system.



The Basic Principles of the Nihon Nohyaku Group

- We contribute to society by ensuring a safe and steady food supply and improving the quality of life for all.
- We fulfill market needs by creating superior values with innovative technologies.
- We commit to be a trustworthy company for all stakeholders through our fair and vigorous business activities.

The Nihon Nohyaku Group Action Charter

- 1 We improve the quality of life for all by providing safe and effective products and services that satisfy our customers.
- 2 We conduct fair and transparent business operations, respecting social ethics and complying with related laws, regulations and the spirit thereof.
- 3 We contribute to the realization of a sustainable society, considering the global environment.
- 4 We actively communicate and contribute to our communities as a good corporate citizen.
- 5 We properly manage corporate information and disclose it in a timely and appropriate manner.
- 6 We recognize the importance of personal data, intellectual property and other information, and safeguard it under proper protection and management.
- 7 We ensure a safe and comfortable work environment for our employees, always respecting human rights and the diversity in people and cultures.
- 8 We entirely exclude involvement with antisocial forces and organizations, and resolutely refuse unreasonable requests.
- 9 We contribute to the development of each country and region in line with globalization, adhering to international rules as well as local laws, culture and customs.
- 10 We promote the sound and sustainable growth of Nichino Group for social contribution.

CSR Report 2023 Contents

About Nihon Nohyaku	01
Philosophy Structure of the Nihon Nohyaku Group	
Commitment of Top Management	
The Business and Vision of the Nihon Nohyaku Group	
Financial/Non-financial Highlights	
Special feature: Diversity Discussion	
CSR of Nihon Nohyaku	11
Approach to CSR in the Nihon Nohyaku Group	
Participation in Initiatives/External Evaluation	
Environment	Raising the Level of Environmental Management 16
	Response to Climate Change
	Environmental Conservation
Social	Expansion of Human Rights Management 19
	Human Rights Management
	Human Resources Management
	Creating a Comfortable Work Environment
	Enhancing the Safety Culture 22
	Occupational Safety & Health, Process Safety & Disaster Prevention
	Product Stewardship
	(Chemical Materials & Product Safety)
	Supply Chain Management
	Logistics Safety
	Quality Management
	Development of Technologies and Products that Meet Needs of Society 25
	Product Development
	Activities toward Advanced Technologies
	Community Involvement 27
	Dialogue with Stakeholders
Governance	Strengthening Corporate and Organizational Governance 29
	Corporate Governance
Overall ESG	Expansion of Compliance and Risk Management 31
	Compliance
	Risk Management
Company Overview and List of The Nihon Nohyaku Group Companies	33
Third-Party Opinion and Third-Party Verification	34

For detailed CSR information, please refer to the CSR section of our website, and for main ESG data, please refer to the "CSR Report 2023 Data Sheet" on our website.

Online CSR section of our website
<https://www.nichino.co.jp/en/csr/index.html>



PDF CSR Data Book
https://www.nichino.co.jp/en/csr/csr_data.html



Editorial Policy

This CSR Report summarizes The Nihon Nohyaku Group activities using the following as references: Environmental Reporting Guidelines (2018) by the GRI Standards and the Japanese Ministry of the Environment, Environmental Accounting Guidelines (2003) by the Japan Chemical Industry Association (JCIA), and JIS Z 26000: 2012 Guidance on Social Responsibility by the Japanese Standards Association, etc.

Scope of Applicability

Unless otherwise noted, performance data is from Nihon Nohyaku Co., Ltd. and Nichino Service Co., Ltd. Unless otherwise noted, the scope of applicability of the Nihon Nohyaku Group covers Nihon Nohyaku Co., Ltd. and nine consolidated Group companies.

Data Aggregation Period

Unless otherwise noted, the 2022 fiscal year (the 124th fiscal year, April 2022 to March 2023, denoted in this text simply as "fiscal year"). Capital, numbers of employees, net sales, etc., displayed in this text are as of end of March 2023.

Issue

September 2023 (Next: Planned for September 2024)

* Pursuant to the Partial Amendment to the Articles of Incorporation approved at the 120th Ordinary General Meeting of Shareholders held on December 20, 2019, Nihon Nohyaku has changed its fiscal year end from September 30 to March 31, effective from the 121st fiscal year.

Commitment of Top Management

Please see the CSR section of our website for the full version.
https://www.nichino.co.jp/en/csr/csr_message.html



Solidifying our Position as a “Global Innovator for Crop & Life”

Hiroyuki Iwata

President and Representative Director



Contributing to solving global food problems

The state of the world recently, to put it briefly, continues to be in a period of major transformation, and rapid, diverse changes are likely to take place going forward beyond levels already seen.

Among them, one issue directly related to the business of the Nihon Nohyaku Group is the increasing population and the food problems that result. The world's population has topped 8.0 billion people, and it is said that around 10% face starvation. The food problem, including food security, is garnering close attention. Another issue is the impact of climate change on the environment and agricultural production. Global warming inhibits the growth of certain crops and causes changes in the occurrence of pest infestations and weeds, raising the question of how to ensure stable, sustained food production.

Achievement of the SDGs through business activities

Nihon Nohyaku was established in 1928 as the first agrochemical manufacturer in Japan and has developed over time with a core business of research and development, manufacture, sales, and promotion of agrochemicals in order to protect crops from pest infestations and weeds. Over the course of its history, Nihon Nohyaku has contributed greatly to the stable supply of food by ensuring crop yields and improving quality. The agrochemical business is directly connected to agricultural production, which is essential to human survival and activity, and further is deeply related to people's dietary lifestyles.

Interpreting the contents of the "2030 Agenda" adopted at the United Nations Summit in 2015 and the "SDG Compass," created to assist companies, chemical companies are strongly called upon to actively participate and to demonstrate and develop their technological capabilities to simultaneously solve the two global-level issues of poverty and the environment.

The mission of the Nihon Nohyaku Group is to tackle urgent social issues at the global level and respond to the increasing demand for solutions, which means ensuring a safe and steady food supply as stated in our corporate philosophy. We are engaged in a new growth strategy with strong confidence and pride in the fact that the Group's business is fully capable of fulfilling this mission.

Promoting CSR management to raise corporate value

Corporate value is raised by contributing to all stakeholders through business activities and by helping to build a sustainable society. Since its founding, Nihon Nohyaku has developed its business through various phases with an awareness of its relationship to society and the environment. In particular, scientific thought related to safety assessment standards for products continues to be passed down today as the foundation of an R&D-driven company. We believe that the continued expansion of R&D is a major driving force for raising corporate value.

With CSR becoming a requirement of society starting in the 2000s, the spread of ESG investment, the SDGs being adopted by the United Nations in 2015, and the Corporate Governance Code being established, Nihon Nohyaku for its part has worked to build a CSR promotion system and reinforce its functions.

We built the framework of our CSR promotion system in October 2020 and then formulated our CSR Basic Policy, Seven Priority Issues, and our Ideal business model for 2030, and also KGI, KPI and action plans as part of our current medium-term management plan to 2023 in support of them. The Group CSR Basic Policy has been made the backbone of our Basic Principles, Action Charter, and Group Vision, meaning CSR activities are positioned as the foundation of management. We have clearly stated that we will promote CSR management based on both economic value, the original purpose of a company, and social value, which can be difficult to visualize, and will contribute to a sustainable society.

Selection and progress of Seven Priority Issues

We have established the Seven Priority Issues based on their importance to the Group's business and are striving to put CSR into practice. The progress made in the past year is as follows.

E: Raising the level of environmental management (environmental conservation, RC activities)

As of 2021, we added "set and manage numerical targets to reduce environmental impact" as one of our major initiatives with an awareness of our coordination with overseas sites in India, Brazil, and elsewhere through consolidated management. In Japan, joint work between the Production Division and Group company Nichino Service became a strong driving force.

In addition, in February of last year, the Nihon Nohyaku Group announced a GHG reduction policy timed to our declaration of support for TCFD. Presentation of a Group policy represents major progress in our environmental initiatives.

We plan to achieve carbon neutral by 2050 in Japan and Brazil and by 2070 in India. These dates are in line with the goals of the countries' governments.

Commitment of Top Management

S: Expansion of human rights management (D&I, human resource development)

This term we formulated overall action plans regarding human rights due diligence. The human rights policy is the most important aspect of these plans, and going forward we will put them into concrete form on an expedited basis.

In addition, based on the Basic Procurement Policy related to human rights protections on the supply chain, we administered a procurement questionnaire survey to our domestic suppliers. As a result, we were able to analyze the initiatives of the companies at a certain level and clearly present a stance toward initiatives for our own CSR management. We recognize that there is room for improvement in the survey method, but one positive result was how the questionnaire helped us identify issues while providing hints for the next stage.

In connection with promoting women's participation and advancement in the workplace, we did not fully achieve our numerical targets for the rate of female managers and other goals, but there has been improvement over time. We are also involved in initiatives for human resources development and personnel exchange at the global level.

S: Enhancing the safety culture (occupational safety & health, product safety)

Regarding product safety, we have made a certain amount of progress through such measures as maintaining related product and quality management systems. At the same time, in light of the serious accident that occurred at an overseas manufacturing site, we have reorganized the previous Environmental Safety Department into the Environment Safety & Quality Assurance Department to fortify supervision and control functions with respect to safety.

S: Development of technologies and products that meet needs of society (pursue to satisfy our customers)

With reducing agrochemicals becoming a policy globally, Nihon Nohyaku announced its intention last year to develop eco-harmonized products. This applies to the new field of crop aid products like biopesticides and biostimulants as well as to chemically synthesized agrochemicals, so for us, as a dedicated agrochemical manufacturer, we have set a lofty goal. Discussions on their definition and selection criteria are in progress.

Through the development of technologies for labor-saving and for reducing environmental impact, we have obtained results that are nearly in line with our numerical targets. In addition, for our AI app for pest infestation and weed diagnosis, which supports the expansion of smart farming, we further enhanced its functions and steadily expanded it to Group companies at overseas sites in Asia and also in the segment of sanitary pests.

S: Community involvement (dialogue with stakeholders)

Currently, with the full-fledged development of the Group's CSR activities, we have been working to provide appropriate information. Last year, we worked to revise our CSR Report and the CSR section of our website, which are the most effective tools for communicating information, in line with the standards of the Global Reporting Initiative (GRI).

In addition, with a view to reinforcing global branding, we consolidated the Group's logo through an in-house promotion project related to overseas business development.

G: Strengthening corporate and organizational governance (corporate governance, CSR management)

To strengthen our governance system, we have made multifaceted considerations that have included an independent survey on the efficiency of audits and the effectiveness of the Board of Directors. We will continue to consider the establishment and reinforcement of governance systems at overseas Group companies as a means of promoting consolidated management and responding to globalization.



ESG-wide: Expansion of compliance and risk management (sustainability management, BCP)

For compliance and risk management, we worked to visualize issues and measures among Group companies to strengthen consolidated management. Bolstering functions on a cross-organizational basis will be more and more important in the future.

Moreover, as demands for information disclosure related to CSR and ESG management increase, based on the Group's promotion policy for CSR management, we have responded to a variety of external initiatives that have included giving our signature to the United Nations Global Compact and expressing our support for the Task Force on Climate-related Financial Disclosures (TCFD). We believe that appropriately communicating activities related to CSR promotion to all stakeholders also serves to increase the transparency of management.

Toward global growth

In FY2023 (125th fiscal year), the last year of our medium-term management plan, we will work for sustainable growth by achieving our forecasts of consolidated net sales of 104.5 billion yen, an increase year on year, and consolidated operating profit of 8.3 billion yen. In our domestic sales activities, the foundation of Nihon Nohyaku, we will collaborate and promote the sale of proprietary products and Corteva products, and in overseas sales activities, which are our growth driver, we will further bolster sales and expand our area. We will actively expand our business all over the world. Moreover, by strengthening coordination with Group companies and working to bring active ingredient production in-house and reduce costs via purchasing on advantageous terms, we will ensure a resilient management foundation and a stable earnings structure that are resistant to global inflation and exchange rate fluctuations.

As for new fields, we will work to establish semi-fermented production technology and quickly commercialize businesses for pharmaceuticals, animal health products, biopesticides, and crop aid products. In industrial and pharmaceuticals sales, we will harness new ideas not bound by current convention. Moreover, domestic Group companies will leverage their strengths for further growth. This area is expected to drive the Group overall not only in existing business but through expanding our domain as well. With the further development of DX, we will realize smart agriculture, smart factories, R&D promotion, appropriate inventory management, and also reinforcement of business infrastructure through more transparent Group company management.

We will also focus on promoting CSR and ESG management and plan to strengthen the "NICHINO" brand and set goals for and disclose non-financial information. The Nihon Nohyaku Group will tackle these issues on a unified basis and achieve sustainable increases to corporate value, which will lead to our new medium-term management plan.

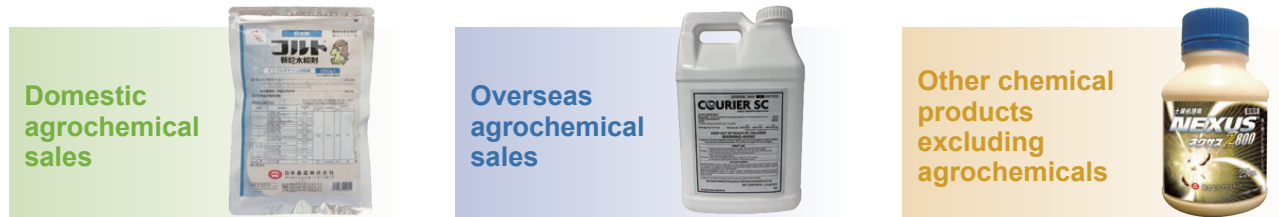
Since its founding, Nihon Nohyaku has contributed to stable food production by providing agrochemical products to eliminate pest infestations and weeds. These business activities themselves contribute to CSR and stand as our *raison d'être*, a fact we are proud of. Going forward, under our corporate statement of "Global Innovator for Crop & Life," we will continue to provide advanced technologies that meet societal needs in a wide range of fields, agrochemicals first and foremost, but also pharmaceuticals and animal health products. We will take on challenges to ensure a stable food supply and improve quality of life. And through our CSR activities, we will contribute to the realization of a sustainable society.

The Business and Vision of the Nihon Nohyaku Group

About the Nihon Nohyaku Group

Nihon Nohyaku was established in 1928 as the first Japanese agrochemical manufacturer. Since our founding, Nihon Nohyaku has been working on technological innovation in its core business involving research and development, and promotion of agrochemicals, with the mission of ensuring a safe and steady food supply and improving the quality of life for all. As a “Global Innovator for Crop & Life,” we will continue to take on the challenge of creating new value by providing advanced technologies and contribute to a sustainable society through our business activities.

■ Mainstay products



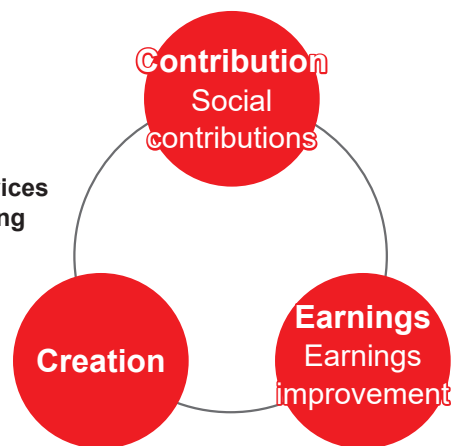
■ The Nihon Nohyaku Group Vision

Nichino Group - Growing Global

- Supporting agricultural production and healthy lifestyles by providing advanced technologies that meet customer needs, such as new agrochemicals, pharmaceuticals, and animal health products
- Contributing to a sustainable society by expanding products and services that contribute to the SDGs (Eco-harmonized products and labor-saving technologies)

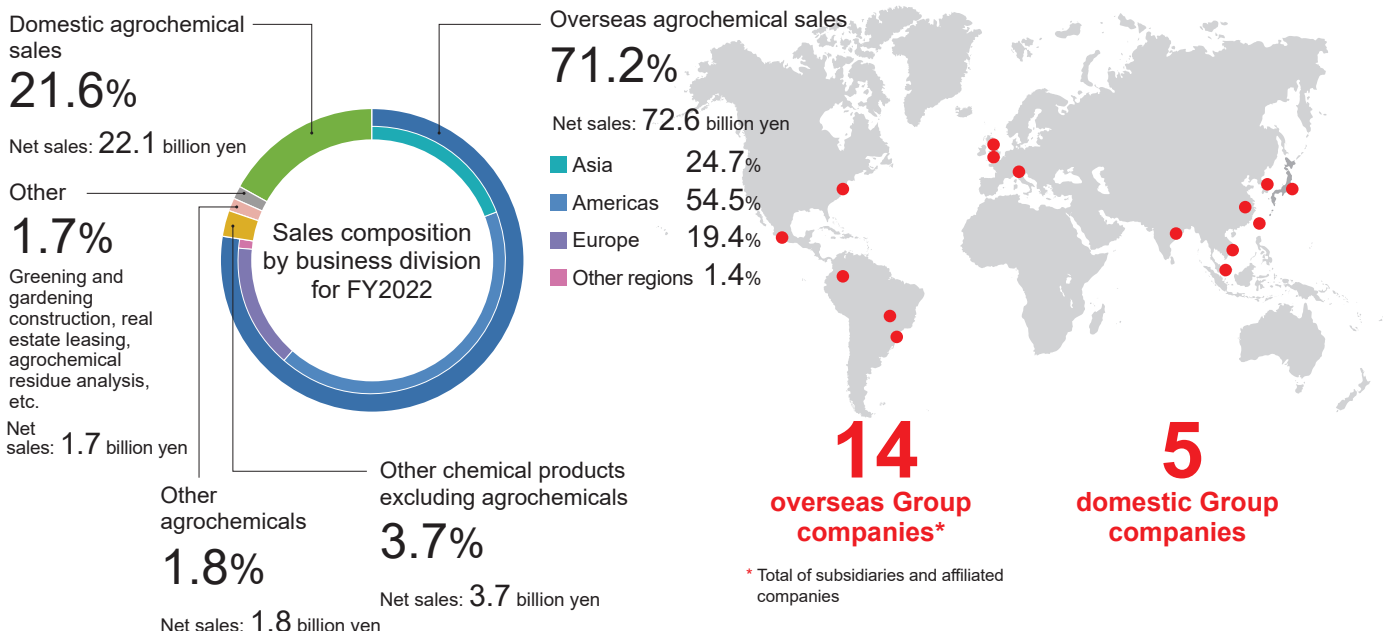
■ Corporate Statement

“Global Innovator for Crop & Life”



Global Expansion of Nihon Nohyaku

■ Status by business division



Financial/Non-financial Highlights

■ Summary of Performance Results from FY2018 to FY2022 (Consolidated)

	Sep. 2019	Mar. 2020* ¹	Mar. 2021	Mar. 2022	Mar. 2023
Main financial data					
Net sales (billion yen)	63.2	35.6	71.5	80.1	102.0
Operating profit (billion yen)	3.3	4.0	6.9	5.7	8.7
Ordinary profit (billion yen)	2.9	4.0	5.7	5.6	7.7
Profit attributable to owners of parent (billion yen)	2.6	1.4	4.3	4.4	4.4
ROE (%)	4.8	2.6	7.4	7.0	6.6
Net assets (billion yen)	58.1	58.3	62.0	66.9	73.1
Total assets (billion yen)	94.4	102.2	107.9	118.2	136.6
Equity ratio (%)	59.5	55.2	56.4	55.5	51.9
Earnings per share (yen)	34.07	18.75	55.23	56.08	57.23
Net assets per share (yen)	713.99	716.47	774.76	836.39	904.26
Non-financial data					
Number of employees ^{*2}					
— Nihon Nohyaku Co., Ltd. (persons)	395	381	379	382	375
— Group consolidated (persons)	1,472	1,451	1,484	1,536	1,567
Rate of female employees ^{*2} (Nihon Nohyaku Co., Ltd.) (%)	21.3	21.3	23.1	24.6	23.5
Rate of female managers ^{*3} (Nihon Nohyaku Co., Ltd.) (%)	7.1	7.4	8.8	8.3	8.4
Paid leave days used ^{*2} (Nihon Nohyaku Co., Ltd.) (days)	10.8	5.9	12.1	11.4	13.8 ^{*4}
Rate of male employees taking paternity leave ^{*5} (Nihon Nohyaku Co., Ltd.) (%)	29	100	100	50	55
Number of male employees eligible for paternity leave (persons)	17	7	9	10	9
Number of male employees taking paternity leave (persons)	5	7	9	5	5
Number of patent applications filed (Nihon Nohyaku Co., Ltd.) (number)	98	20	55	124	77
Patent applications filed in Japan (number)	17	10	11	29	63
Patent applications filed outside Japan (number) ^{*6}	81	10	44	95	14
R&D expenses (Group consolidated) (million yen)	4,452	2,144	4,461	4,681	5,211
Charitable donations (Nihon Nohyaku Co., Ltd.) (thousand yen)	11,200	700	9,510	10,900	9,950

*1 For FY2019, represents the period from October 1, 2019 to March 31, 2020 due to the change of fiscal year end.

*2 Applies to regular full-time and temporary full-time employees, and does not include contract employees.

*3 Includes seconded employees.

*4 Applies to all employees, including contract employees.

*5 Applies to all employees, including contract employees. Female employee maternity leave usage rate was 100%.

*6 Number of PCT international applications filed (by transfer country basis) + Paris route or number of standard applications filed.

Special feature: Diversity Discussion

Please see the CSR section of our website for the full version.
https://www.nichino.co.jp/en/csr/csr_diversity.html



Thinking about diversity at Nihon Nohyaku

People with diverse backgrounds play an active role at Nihon Nohyaku. We gathered employees born outside Japan, in charge of overseas business, and working in other countries for an online discussion.

Aiming to Be a Global Innovator

Aoki I think Nihon Nohyaku's strengths are that it has its own active ingredients and it is an R&D-driven company that can continuously create new products. What is the company's position in the countries where you work?

Tanimura In India, Japan has considerable brand power and Nichino India (NIN) is showing rapid growth, so it is known as a vibrant company. Some of our employees came from multinational companies in the same industry.

Zhou Japan has a good image in Europe as well, but the local multinational companies are dominant in the market. We target niche markets and focus efforts on providing technological support to farms with the aim of expanding the market share.

Ikuta Nichino America (NAI) is small but we provide flexible support in close communication with customers. Our goal is to become a respected leader in the US agrochemical industry.

Bonnaud I have only been in the agrochemical industry for a year and a half, so I don't know much about global circumstances yet. I'm still learning.

Aoki You should visit as many Group companies outside Japan as you can. Considering that our aim as a company is to be a "Global Innovator," what specific activities are your companies undertaking?

Tanimura Besides working to increase sales in the Indian market, we are the only Group company outside Japan that manufactures active ingredients for agrochemicals,

so one of our goals right now is to supply intermediates and active ingredients within the Group at lower cost.

Zhou Nichino Europe (NEU) is mainly a BtoB company, so it is not widely recognized by consumers. We work to spread the Nichino brand among farmers.

Bonnaud The Global Strategy Project (GSP) is being implemented by members across the company, and I joined it one year ago. In the GSP, I worked on standardizing the global group logo to spread the brand.

Ikuta The GSP aims for simultaneous global development through collaboration among Group companies, and members from each country meet regularly in the Regulatory Affairs Department to share information.

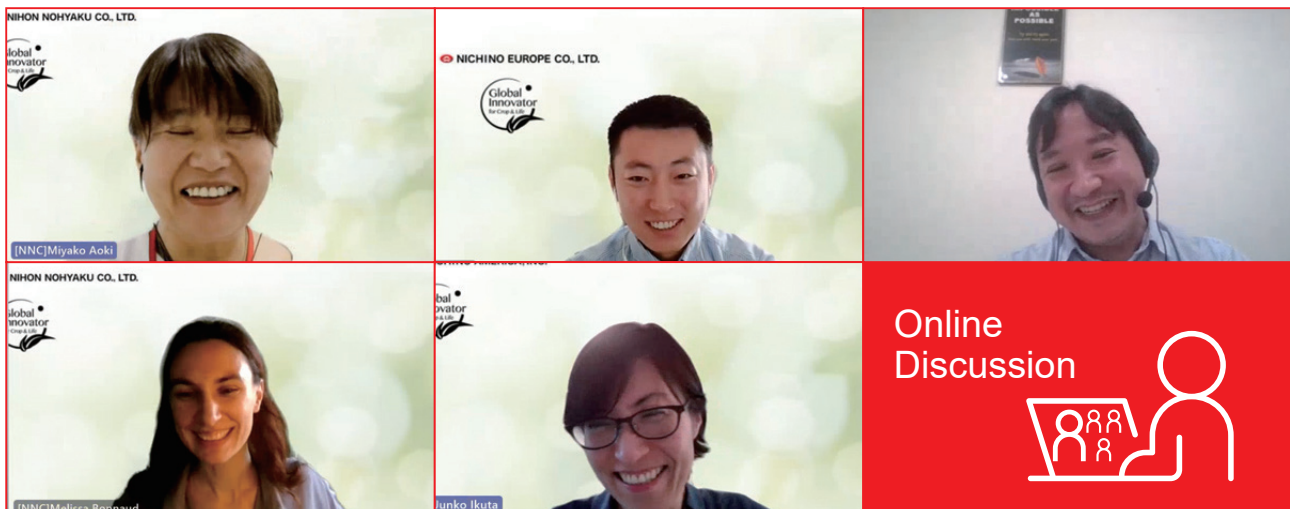
Bridging Culture Gaps

Aoki Do you experience culture gaps at work?

Tanimura I've never felt totally bewildered before, but I do feel there are cultural differences with Japan. People in India often say "I can do it," but don't if I just wait, so I have to keep pressing them over and over.

Zhou In Europe people say clearly whether they can or can't do something. If I ask, "Can you do this by tomorrow?" they usually respond straightforwardly, "I'll do it next week." It goes well if I give plenty of time.

Bonnaud There are miscommunication and cultural differences at times, but I don't experience much culture



Discussion Members



Miyako Aoki

Miyako Aoki joined Nihon Nohyaku after completing graduate school. For nine years she worked in herbicide R&D at the Research Center. Aoki transferred to sales and worked for three years in the Industrial (TG AIs) Sales Department and for overseas sales for 17 years. Since April 2023, she has served as General Manager of the Sales Department, EAME & Americas.



Melissa Bonnaud

Born in France, Melissa Bonnaud worked in France, South Korea, and the Philippines after completing graduate school. She came to Japan three and a half years ago. After working at a university, she joined Nihon Nohyaku in 2021. Today Bonnaud works in the Affiliate Administration Group of the Corporate Planning Department.



Ji Zhou

Born in China, Ji Zhou joined Nihon Nohyaku in 2015. He worked in insecticide development for two years at the Research Center. Zhou then transferred to the Overseas Division, and after working in the Technical Service & Promotion and Asia Sales Departments, he was assigned to Nichino Europe (NEU) in April 2022.



Hiroshi Tanimura

After graduating university, Hiroshi Tanimura worked in accounting for 10 years at a machinery manufacturer. He then obtained an MBA and joined Nihon Nohyaku. Tanimura first worked in the Corporate Planning and Accounting Departments, and was assigned to Nichino India (NIN) in 2022.



Junko Ikuta

Junko Ikuta joined Nihon Nohyaku in 2007 after completing graduate school. After working in aquatic organism research at the Research Center, she was responsible for assessing the impact on environmental organisms at the Regulatory Affairs Department. Ikuta was assigned to Nichino America (NAI) in November 2022.

shock here. When I'm having difficulties with communication, I try to talk with those around me. One thing that was a culture shock for me was that they have a lot of meetings in Japan. I've gotten used to it, though.

Ikuta There is a language barrier, though, and it takes a long time for me to understand, especially in meetings. But my coworkers are all kind and are even attentive outside work, so they're a great help.

Aoki With the advancement of globalization, recently the company has been flexibly assigning talent regardless of nationality or career history. What kind of support do your companies offer?

Bonnaud The atmosphere at work makes it easy to talk to others, and there is a system in place where workers are asked what their wishes are at MBO meetings, so I think it is fairer than other companies. It is hard to write documents in Japanese, though.

Zhou Although it's different from Japan's, NEU also has an employee performance review system and standards. I think it is a harmonious company where individual differences are considered a given since there are people there from all over Europe.

Tanimura With regard to NIN, I think it's necessary to align our human resources system with global standards. The Nihon Nohyaku head office is moving forward with discussions on a global personnel system, so there may be discussions in the future about revising the system in alignment with their actions.

Ikuta In terms of women's empowerment, many people take business trips or are assigned to positions overseas, so I think we've been given equal opportunity.

Aoki When I first joined the company, we rarely allowed women to take overseas business trips alone because it was "dangerous," but that has changed significantly.

Achieving Further Diversity

Aoki What challenges and expectations do you have to achieve further growth in terms of diversity?

Tanimura First and foremost, we want to increase revenue more in line with the growth of India's vast market. That would contribute to the advancement of India's agriculture and economy, and also increase what we can provide to the Group.

Zhou When you go to another country, the view is different than when you are in Japan. I don't get much information from the Head Office and sometimes receive requests without any background information. I would like to act as a go-between to promote good communication with Japan to ensure employees in other countries understand and are satisfied.

Ikuta Yeah, from the perspective of overseas Group companies, it's hard to speak candidly with the parent company. Personally, I've always felt that the terms "parent company" and "subsidiary" bring to mind a hierarchical relationship. Given our emphasis on group management now, I think maybe we should start using the term "Group companies."

Bonnaud In order to generate Group synergy, we need to share a wide range of knowledge and experiences. I believe we need to increase diversity further in Japan as well, which includes women and foreign nationals. I think we should convey to more people that we have a comfortable work environment where employees can flexibly utilize flextime, teleworking, and so on. In fact, many of my friends have said they are jealous of me.

Aoki I agree. If every individual plays an active role, I think it will lead to driving diversity. For me, I used to be a researcher, so I hope to contribute to agriculture worldwide through the development of safe and helpful agrochemicals.

Approach to CSR in the Nihon Nohyaku Group

One of the core management policies of the medium-term management plan “Ensuring Growing Global 2 (EGG2)” is “sustainable growth in corporate value,” and the Nihon Nohyaku Group has expressed to strengthen CSR and ESG management through CSR activities.

Contributing to a sustainable society by supporting agricultural production and healthy lifestyles

Expansion of CSR Management

Synchronous initiatives

Pursuit of economic value

(financial side)

Pursuit of social value

(non-financial side)

Three basic policies (medium-term management plan: EGG2)

Improvement of profitability

- Expansion of priority products
- Cost reduction through optimal active ingredient manufacturing systems
- Expansion of group synergies

Technological innovation and establishment of next-generation businesses

- Promotion and global expansion of R&D
- Expansion into fields of biopesticides and crop aid products
- DX initiatives

Sustainable growth in corporate value

- Strengthening CSR activities and ESG management
- Promotion of operational reform and workstyle reform

CSR Basic Policy

In 2020, the Nihon Nohyaku Group established a CSR Basic Policy to reconstruct its philosophy structure. Accordingly, we have constructed the foundation of our CSR activities as a Group, and in November 2021, we newly established the “Nihon Nohyaku Group Basic Procurement Policy”. In addition, we have shared our CSR promotion policy with four domestic Group companies and ten overseas Group companies so far, and have established a system for full-scale deployment of “the Nihon Nohyaku Group CSR activities.”

CSR Basic Policy

“Contributing to Food, Environment and Society through Technological Innovation”
Based on the Nihon Nohyaku Group Basic Principles, we will contribute to society through continuous challenges to ensure sufficient food supply by innovative technologies and to protect affluent lifestyles and the environment.

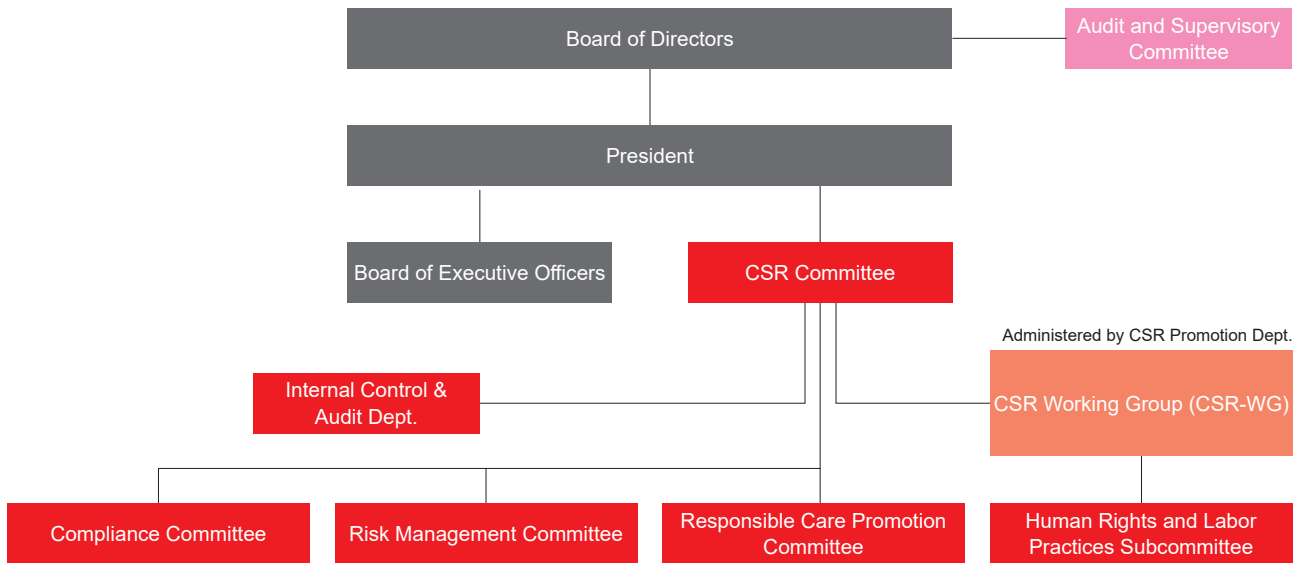
CSR Promotion System and Functions

Nihon Nohyaku has established the CSR Committee as a function on the same level as the Board of Executive Officers* in order to expand CSR activities. The CSR Committee supervises the activities of the three Committees of Compliance, Risk Management, and RC Promotion, as well as internal control evaluations related to financial reporting (Internal Control & Audit Department). The Committee’s purpose is to supervise CSR activities through business and deliberate and approve important policies and issues. Moreover, as a task force, the CSR Working Group (CSR-WG) and its Human Rights and Labor Practices Subcommittee hold regular meetings to promote effective CSR activities. We also established the CSR Promotion Department as an independent organization in charge of the CSR activities of the entire Group, and we further enhance CSR activities by strengthening the functions of the CSR Committee and the CSR-WG administrative office, as well as conducting educational activities for employees.

In expanding this to each Group company, including overseas locations, we reaffirmed the significance of CSR activities and promotion policies through the Group CSR Meeting, and shared the status of each company’s activities. We aim to conduct CSR management from a global perspective in a way that allows Group companies to collaboratively participate while considering the CSR situation in each country and the state of activities at each company.

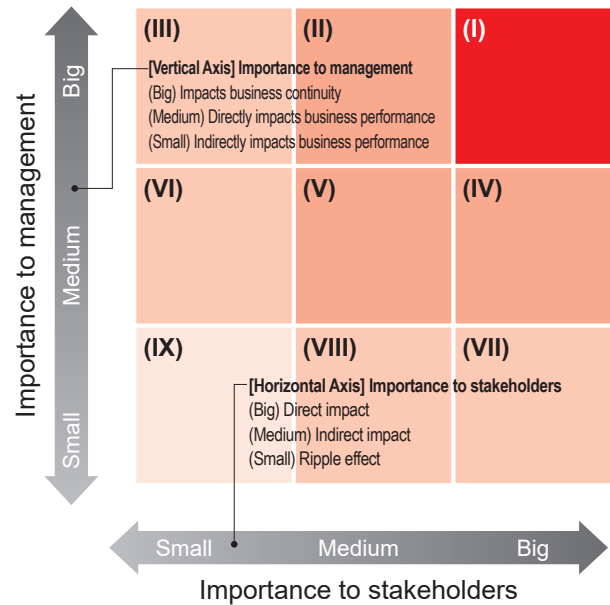
* Newly established in June 2023 following the abolishment of the Management Committee

CSR Promotion System (as of June 21, 2023)



Selection of the Seven Priority Issues (Materiality)

To select material issues, we first comprehensively identified CSR-related subjects and issues, and then created a comparison table based on the seven core subjects of the ISO26000 global CSR guidelines (Step 1). Next, we grouped like items and reanalyzed them in accordance with their importance to corporate management and stakeholders (Step 2). Based on the results, we selected seven material issues we refer to as “Seven Priority Issues.” Then, after gradual discussions by the CSR-WG and CSR Committee and advice from the Board of Directors, we finalized the Seven Priority Issues. In addition, we established the “Ideal business model for 2030” and the key tasks and targets (KGI/KPI) for the EGG2 medium-term management plan (2021-2023) at the same time (Step 3).



Priority classification	Sections
① Priority issues	I
② Relatively high priority issues	II, IV, V
③ High priority issues from a management perspective	III, VI
④ High priority issues from a stakeholder perspective	VII, VIII
⑤ Low priority issues for the time being	IX

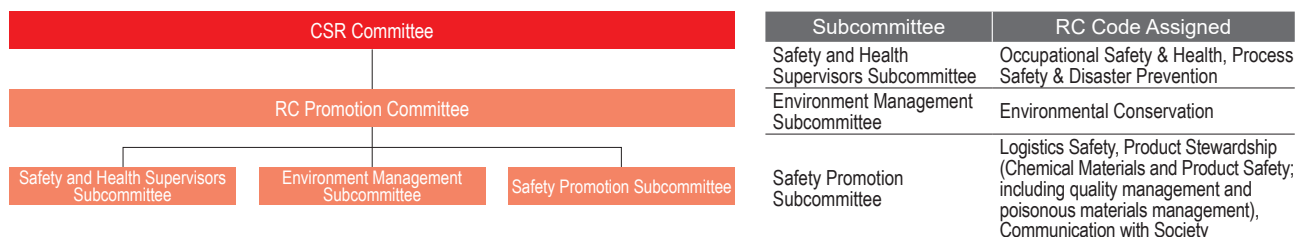
Approach to CSR in the Nihon Nohyaku Group

Responsible Care Activities

Responsible Care Promotion System

Regarding Responsible Care (RC) activities, the RC Promotion Committee coordinates overall activities of the Group, while its subcommittees promote activities in their respective fields. The three subcommittees are: the Safety and Health Supervisors Subcommittee, the Environment Management Subcommittee, and the Safety Promotion Subcommittee. Additionally, we are engaged in Responsible Care activities under the CSR Promotion System supervised by the “CSR Committee” established in October 2020.

Responsible Care Promotion System



Certified Management System

The companies and offices listed in the table on the right have received ISO management system certifications, and the Group carries out Responsible Care activities based on these management systems.

List of management system certifications

International standards	Company name (applicable office)
ISO 9001 (Quality Management System)	● Nichino Service Co., Ltd.
ISO 14001 (Environment Management System)	● Nichino India Pvt. Ltd.
ISO 45001 (Occupational Safety & Health Management System)	● Sipcarn Nichino Brasil S.A.
ISO 17025 (General requirements for the competence of testing and calibration laboratories)	● Nihon Ecotech Co., Ltd. (Osaka and Fukushima Analytical Technology Centers)

SDGs Map

The agrochemical business at the core of the Nihon Nohyaku Group is a business that has been aimed front and center at solving problems through “technological innovation” with consideration for both “overcoming poverty and hunger” and “realizing environmental conservation,” which come from the fundamental philosophy of the SDGs. Therefore, we surveyed initiatives being conducted by our business departments and domestic and overseas Group companies and rendered this information visually in the form of an SDGs map.*

SDGs Map of the Nihon Nohyaku Group










* We have mapped the 13 SDGs that are central to our business activities from four perspectives related to the environment (E), society (S), and governance (G).

Results of Key Activities for FY2022

Progress went smoothly overall, particularly for projects with KGI/KPIs to be achieved by the end of FY2023, the final year of the EGG2 medium-term management plan. Working groups related to relevant issues and other teams moved forward with systematic activities in cooperation with key departments in accordance with the activity policy of the CSR Promotion Department.

Level of Achievement of Seven Priority Issues and Key Initiatives in the Current Medium-Term Management Plan (FY2022)

Area	Seven priority issues	Main KGI/KPIs of medium-term management plan up to FY2023 ^{*1}	Level of Achievement in FY2022 ^{*2}	Relationship with SDGs
E Environment	Raising the level of environmental management Environmental conservation, RC activities	<ul style="list-style-type: none"> GHG reduction: 7.2% lower than FY2020 globally and 27.0% lower than FY2013 in Japan Energy conservation (plants/offices in Japan): Reduce efficiency of energy consumption an average of 1% over five years Modal shift rate: 20% 	<ul style="list-style-type: none"> Global: +5.6% (☔) / Japan: -27.3% (🔴) Nihon Nohyaku Co., Ltd.: +0.3% (☔) / Nichino Service Co., Ltd.: -3.4% (🔴) Nichino Service Co., Ltd.: 19.1% (🔴/🟡) 	
	Expansion of human rights management Diversity & inclusion (D&I), human resource development	<ul style="list-style-type: none"> Rate of female managers: 13% (Nihon Nohyaku Co., Ltd.) Percentage of employees with disabilities: legal mandate of 2.3% by FY2023 (Nihon Nohyaku Co., Ltd.) 	<ul style="list-style-type: none"> 8.4% (🟡) as of March 2023 1.67% (🟡) in FY2022 	
S Society	Enhancing the safety culture Occupational safety & health, product safety	<ul style="list-style-type: none"> Zero (0) occupational/commuting accidents Zero (0) product recalls 	<ul style="list-style-type: none"> 3 accidents with workdays lost (including 1 in affiliated company)/ 3 accidents without workdays lost in Japan (☔) Zero (0) product recalls in Japan (🔴) 	
	Development of technologies and products that meet needs of society Pursue to satisfy our customers	<ul style="list-style-type: none"> Commercialize non-chemically synthesized pesticides Consolidated net sales: 400 million yen in biopesticides and 300 million yen in biostimulants Expand application of AI diagnostics app LeiMe to 20 crops 	<ul style="list-style-type: none"> Launched "Frost Buster," an anti-frost agent derived from natural materials (🔴) Evaluation ongoing (scheduled for FY2023 launch) (☔) Number of applicable crops for LeiMe: 19 (🔴/🟡) Expanded overseas locations for LeiMe and its application to sanitary insect pests (🔴) 	
	Community involvement Dialogue with stakeholders	<ul style="list-style-type: none"> Disclosure: Systematically comply with GRI standards Branding: Improve awareness of company name and logo and advertising reach (Nikkei Inc.) compared to the previous year 	<ul style="list-style-type: none"> Gradually revamping CSR Report 2022 (🔴/🟡) Awareness of company name and logo: 11.4%→15% (🔴) Advertising reach: 10.2%→13% (🔴) 	
G Governance	Strengthening corporate and organizational governance Corporate governance, CSR management	<ul style="list-style-type: none"> Implement internal audits including overseas Group companies Overall enhancement of governance functions 	<ul style="list-style-type: none"> Carried out jointly with Audit and Supervisory Committee (🔴/🟡) Governance Committee met 4 times (🔴/🟡) Evaluated effectiveness of the Board of Directors (continuing to distribute external questionnaires) (🔴/🟡) 	
General: ESG-wide	Expansion of compliance and risk management Sustainability management, BCP	<ul style="list-style-type: none"> Compliance and risk management: Expand actions in response to globalization Disclosure: Systematic efforts to address global frameworks Other general issues: e.g., activities to raise awareness among employees and Group companies 	<ul style="list-style-type: none"> Compliance: Expanded global internal reporting system (🔴/🟡) Risk management: Updated list of risks in Taiwan, India, and Brazil (🔴) Signed United Nations Global Compact (🔴) Announced endorsement of TCFD (🔴) Started CDP activities (🔴/🟡) Distributed CSR questionnaires, implemented e-learning courses, and provided SDGs awareness-raising materials (🔴) 	

*1: Targets set in the medium-term management plan, EGG2 (2021-2023)

*2: Level of achievement of targets: 🟢=achieved, 🟡=partially achieved, ☔=not yet achieved

Participation in Initiatives

United Nations Global Compact (UNGC)

The United Nations Global Compact (UNGC) is a voluntary initiative, where private companies and organizations affiliated with the United Nations act as good members of society and achieve sustainable growth by demonstrating responsible and creative leadership.

Companies and organizations that sign the UNGC are committed to ten principles related to the protection of human rights, elimination of unfair labor, environmental protection, and prevention of corruption. Based on the commitment of company leaders themselves to these ten principles, companies are required to continuously make efforts to realize the principles.

The Nihon Nohyaku Group has signed the UNGC, thereby declaring to stakeholders and the international community our corporate stance of contributing to society through appropriate business activities.



Sustainable Development Goals (SDGs)

Sustainable Development Goals (SDGs) are the common goals of the international community set forth in the "2030 Agenda for Sustainable Development," which was unanimously adopted by member states at the United Nations summit in September 2015. The aim is to create a sustainable and better world by 2030. Consisting of 17 goals and 169 targets, the Agenda pledges to realize a global society that will "leave no one behind (LNOB)."



Responsible Care

In the chemical industry, each company handling chemical substances secures "the environment, safety and health" and publishes the results of its activities regarding all its processes, ranging from R&D through manufacturing, logistics, use, final consumption, and recycling, to the disposal of the chemical products, while maintaining a dialogue and communication with society. These activities are called "Responsible Care (RC) activities."

In September 1999, we joined the Japan Responsible Care Council and began a full-scale implementation of our RC activities. Since 2012, we have been a member of the Japan Chemical Industry Association's Responsible Care Committee, which was reorganized from the Japan Responsible Care Council. Currently, we have registered four domestic Group companies as RC activities-related companies, and our activities are still ongoing.

Moreover, in 2014, we signed the RC Global Charter (resigned by then President Tomoi in January 2020), declaring our commitment to uphold the international principles of RC and to strengthen our efforts in conducting RC activities.



Task Force on Climate-related Financial Disclosures (TCFD)

The TCFD is a task force established by the Financial Stability Board (FSB) at the request of the G20 to consider how climate-related information should be disclosed and how financial institutions should respond. In its final report, the TCFD recommends that companies assess and disclose information on the financial impact of climate change.

In an effort to address climate change, the Group announced its endorsement of the TCFD recommendations in February 2022.



External Evaluation

DBJ Certification Programs

The DBJ certification programs use an original screening system developed by the Development Bank of Japan (DBJ) to evaluate companies' non-financial information and select outstanding companies to provide loans. There are three types of ratings: "Environmental Ratings" to evaluate environmental management and sustainability management, "BCM Ratings" to evaluate disaster prevention and business continuity efforts, and "Health Management Ratings" to evaluate employee wellness and health management. We have obtained certification for the "Environmental Ratings" and "Health Management Ratings" programs in 2019 and 2022, respectively.



In January 2023, Nihon Nohyaku received a Development Bank of Japan loan based on the DBJ Employees' Health Management Rated Loan Program, and has been rated as "a company with outstanding activities on employee health management."



Nihon Nohyaku received a Development Bank of Japan loan based on the DBJ Environmentally Rated Loan Program, and has been rated as "a company with advanced environmental activities."

Raising the Level of Environmental Management

Response to Climate Change

For details, see CSR Data Book 2023 p.2-7
https://www.nichino.co.jp/en/csr/csr_data.html



Establishing Global Environmental Management

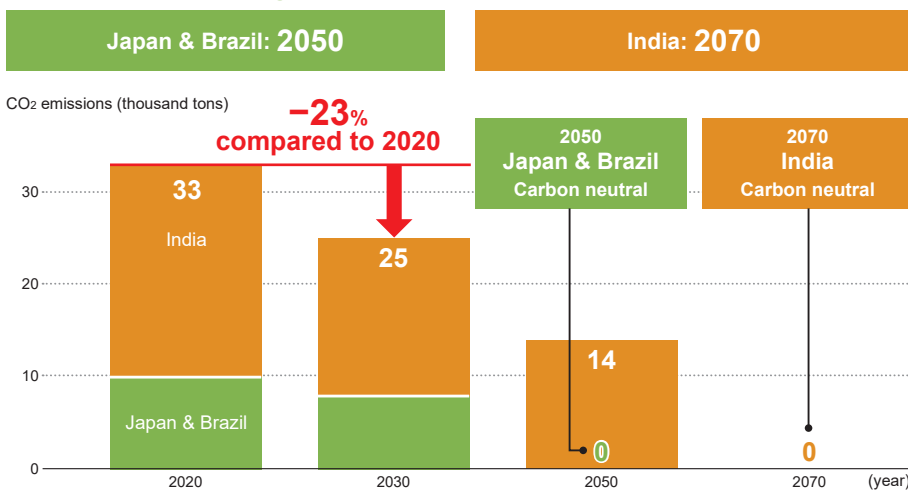
Since the Nihon Nohyaku Group has manufacturing sites in Japan, India, and Brazil, GHG emissions reduction targets are in line with each target country by country, and we have set global targets for Scope 1*1 and Scope 2*2 in 2022.

*1 Direct emissions of GHG by the reporting company.

*2 Indirect emissions from the use of electricity, heat, or steam supplied by others.

The Nihon Nohyaku Group* aims to be carbon neutral

* Nihon Nohyaku and other Group companies that have manufacturing sites



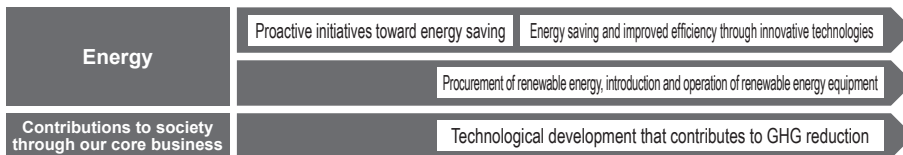
CO₂ Emissions Reduction Policy
Reduction of GHG emissions associated with business activities

2030 target (Scope 1+2)

23% reduction

(compared to FY2020)

We aim to gradually become carbon neutral while watching changes in energy policies in each country.



Initiatives to Save Energy

Nihon Nohyaku and Nichino Service are specified business operators defined in the Energy Conservation Act (Act on Rationalizing Energy Use and Shifting to Non-fossil Energy). Our goal is to reduce energy consumption unit from the previous year and the past five-year average of that by 1% or more. Other domestic Group companies have also set goals that match their business conditions, and work on energy conservation measures such as switching to LED lighting and eco-driving. Overseas Group companies work to determine the actual state of their energy usage while promoting energy conservation efforts. Going forward, the entire Group will work together as one to further promote energy conservation.



Switch to LED

TOPICS GHG Reduction Initiatives

CO₂ accounts for almost all of the Group's GHG emissions, and we consider specific measures both domestically and internationally to achieve carbon neutral in 2050 and 2070. Regarding our domestic CO₂ emissions, the Group has always disclosed Scope 1 and Scope 2 emissions. From FY2020, we also started disclosing our global CO₂ emissions, including those in India and Brazil, where we have manufacturing sites. Furthermore, we have calculated Scope 3*1 emissions in accordance with the GHG Protocol*2 from FY2021 in Japan*3 and from FY2022 overseas*4.

*1 Other indirect emissions besides Scope 1 and Scope 2, emissions from the corporate value chain

*2 International standard for calculating and reporting GHG emissions

*3 Nihon Nohyaku and domestic Group companies that have manufacturing sites

*4 Overseas Group companies that have manufacturing sites

Raising the Level of Environmental Management

Environmental Conservation

For details, see CSR Data Book 2023 p.2-7
https://www.nichino.co.jp/en/csr/csr_data.html



Consideration for Biodiversity

Agrochemicals are required to be effective against pests and weeds, and to be safe for users and consumers of agricultural products, as well as to be considerate of the natural environment around the farmland. The Group complies with the laws and regulations of each country, and works to develop agrochemicals that are closely aligned with the perspectives of “the environment, safety and health,” by utilizing the latest scientific knowledge. Nichino Ryokka utilizes its products and weed management technology to participate in the “Satochi-Satoyama (Socio-ecological Production Landscape) Revitalization Project by Industry, Academia, and Government” in Nasukarasuyama City, Tochigi Prefecture, and contributes to biodiversity by conserving the landscape. Nihon Nohyaku also participates in the Japan Crop Protection Association’s “Bee Friendship Plan.” It grows plants preferred by pollinating insects such as bees on part of the company premises to provide a proper habitat for pollinating insects. Group companies and offices will continue to consider and promote initiatives that contribute to biodiversity.



The “Satochi-Satoyama Revitalization Project by Industry, Academia, and Government”



Sunflowers grown as part of the Bee Friendship Plan

Water Conservation

The Group works to reduce water usage through efforts in improving production efficiency, saving water, and recycling. In Japan, we have set voluntary control values for wastewater that are stricter than the legal discharge standards, and we manage the wastewater to ensure that it does not exceed the standard values. The Nihon Nohyaku Research Center and Nichino Service Kawachinagano Center regularly clean the canals near their plants and offices in collaboration with neighboring irrigation associations. Nichino India (India) works on activities to set up water supply points in order to conserve water resources. Currently, it has installed water supply points at around 30 locations in India. Going forward, we will continue to work on water conservation both within and outside of our plants and offices.



Canal cleaning



Water supply points

Initiatives to Reduce Waste

The Group actively works on the 3Rs (reduce, reuse, and recycle), and Nichino Service promotes the goal of zero emissions*. For some products, we offer multiple specifications tailored to each customer’s needs. By allowing each customer to purchase an optimal amount based on their needs, we work to reduce waste agrochemicals and the amount of packaging used. Furthermore, we focus on reducing waste through green purchasing (purchasing products and materials from manufacturers that strive to reduce their environmental impact, including waste reduction), and we have joined the Green Purchasing Network. In FY2022, we achieved a green purchasing rate of 100% for the entire domestic Group, thereby achieving our goal (over 95%). The entire Group will continue to work together as one to advance our waste reduction efforts.

* The final landfill amount of waste shall be 1% or less of the volume.

Initiatives for Raw Materials

Some of our products use packaging made with plant-based biomass ink*. In general, the raw materials for ink are mainly derived from petroleum. Therefore, by replacing petroleum-based ink with biomass ink, we can reduce the amount of petroleum resources used. In addition, we have formulated the “Nihon Nohyaku Group Basic Procurement Policy” and the “Nichino Group Green Procurement Standards,” and we take the environment into consideration when we conduct material procurement.

* Biomass ink is ink manufactured using raw materials that are partially derived from plant-based resources.



Environmental Compliance

The Group conducts compliance training aimed at ensuring thorough compliance with various laws and regulations, including those related to the environment, and with various internal regulations. Accordingly, we work to educate and raise awareness among our employees and report on the activities and status of compliance at each office to the Compliance Committee.

Initiatives for Environmental Assessment

The Nihon Nohyaku Group works on environmental assessment through Responsible Care activities and ISO14001 (Environment Management System). We thoroughly comply with environmental laws, ordinances, and local agreements, etc., and promote business activities while taking into account our effect on the surrounding areas, considering factors such as the generation of noise, odor, or vibration.

TOPICS

Promoting Environmental Conservation Initiatives at Work and at Home

To ensure that employees are fully aware of environmental laws and regulations and to promote environmental conservation initiatives at work and at home, the Environment Safety & Quality Assurance Department issues the “Environment Safety News” newsletter three times a year to share information with all employees. The newsletter features information related to environmental safety.

Global Warming Countermeasures

In conjunction with “Environment Day” on June 5, we hold activities to raise employee awareness of environmental conservation. Furthermore, we explain initiatives such as the Japanese government’s “COOL CHOICE” initiative, and promote them so that each employee will have an opportunity to think about global warming countermeasures through familiar actions and measures that they can take at home.

Plastic Reduction

We conduct awareness-raising activities through Environment Safety News and other means, concerning actions that individuals can do to reduce their plastic usage. Moreover, as part of our initiatives for the workplace, we work on green purchasing, which promotes the purchase of items that have a lower environmental impact, such as recycled plastic products.

Expansion of Human Rights Management

Human Rights Management

Basic Approach

The Nihon Nohyaku Group positions respect for human rights as one of the most important management issues for business continuity. Accordingly, we engage in human rights management as a group-wide effort to eliminate serious human rights violations, including unfair discrimination, harassment, child labor, and forced labor.

Basic Human Rights Policy

In accordance with international norms such as the United Nations' "Universal Declaration of Human Rights" and "Guiding Principles on Business and Human Rights," we have established the Nihon Nohyaku Group Basic Human Rights Policy, which specifies to respect the human rights of all stakeholders of the Nihon Nohyaku Group.

[The Nihon Nohyaku Group Basic Human Rights Policy]

The Nihon Nohyaku Group respects the human rights and diverse values of all our stakeholders, including our customers, and aims to achieve a society free of discrimination and prejudice.

Human Rights Due Diligence

With the aim of promoting human rights management in our business activities, the Nihon Nohyaku Group drives initiatives to conduct human rights due diligence that complies with the United Nations' "Guiding Principles on Business and Human Rights."

Human Resources Management

For details, see CSR Data Book 2023 p.8-10
https://www.nichino.co.jp/en/csr/csr_data.html



Human Resources Strategy

The Nihon Nohyaku Group positions human resources as "human assets" in its business activities, based on the idea that employees are the most important management capital in business activities. We believe that emphasizing diversity, where human resources with different experiences, skills, and attributes can play an active role, and where diverse perspectives and values exist, will lead to sustainable growth. Therefore, we work to maintain and utilize diversity, through efforts such as encouraging the active participation of women. In order to expand our business globally and strengthen our competitiveness as an R&D-driven company, we recruit and promote to managerial positions a diverse range of human resources, including women, foreign nationals and mid-career hires. Furthermore, we work to improve the work environment and reform the corporate culture so that each employee can utilize their individuality and capabilities, and implement a work style that aligns with their individual values.

Recruiting of Human Resources

Nihon Nohyaku continues to recruit new graduates every year. There were 11 new graduates recruited in April 2023. In addition, based on the belief that "innovation arises from diversity," we actively recruit human resources who have garnered experience at other companies, regardless of the industry. In FY2022, there were two mid-career hires who were recruited as full-time employees.

Education and Training

We provide individualized training according to each employee's level. In FY2022, the training time per full-time employee was 6.6 hours. We also provide support for employees' self-development through initiatives such as correspondence courses.

Development of Global Human Resources

To realize our Group Vision of "Nichino Group-Growing Global," we plan to formulate a succession plan to systematically develop global talent who will play a central role in management. Moreover, to develop global human resources, we second young employees to overseas Group companies and dispatch researchers to overseas research institutes. As of March 2023, eleven employees are assigned to locations outside Japan.

Diversity

Nihon Nohyaku has appointed a “Diversity Promotion Special Mission Team,” with the Human Resources Department serving as the secretariat, to ensure that employees with diverse values (gender, age, nationality, workstyle, sexual orientation, gender identity, etc.) can each demonstrate their capabilities at their full potential. The Special Mission Team plays a central role in diversity training and workplace discussions, which aim to promote understanding and dissemination of the importance of ensuring diversity, and the anticipated effects of doing so.

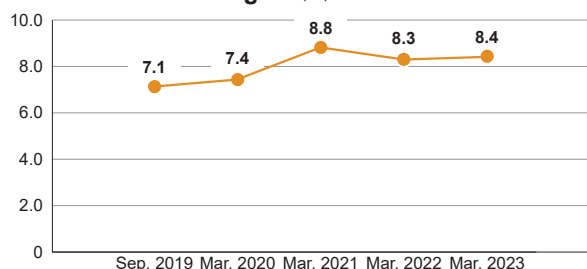
In addition, we carry out initiatives such as providing training courses for female employees to promote their active participation in the workplace, promoting the hiring of foreign nationals, creating a barrier-free environment to eliminate restrictions for persons with disabilities, and taking measures to ensure employment until the age of 70.

1. Promoting Female Participation in the Workplace

Nihon Nohyaku has formulated an action plan for promoting female participation in the workplace and is actively promoting it.

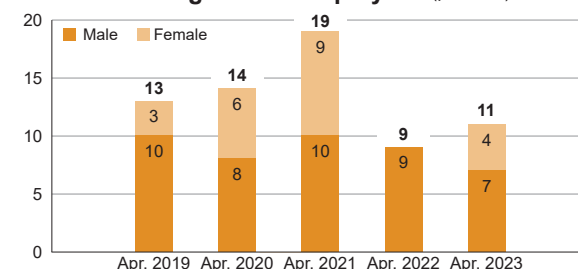
While the ratio of female managers was 2.0% in April 2011, this ratio has increased to 8.4% in March 2023 as a result of our efforts to promote a change in the mindset of male managers toward promoting the active participation of women, in addition to training and motivating female employees to become managers. We have set targets to reach a ratio of female managers of 13% in April 2024 and 22% in April 2030. Furthermore, we will maintain the ratio of women hired for full-time positions at 30%, with the aim of improving the ratio of female employees.

● Rate of female managers (%)



* Non-consolidated (enrolled employees = including seconded employees)

● Number of new graduate employees (persons)



* Non-consolidated

2. Employment of Persons with Disabilities

Nihon Nohyaku currently employs seven persons with disabilities, which represents an employment rate of 1.67%. Since this is below the 2.3% legally mandated percentage of employees with disabilities, we will continue activities to recruit those with disabilities and work to create a workplace environment where they can work with peace of mind.

3. Appointment of Non-Japanese Colleagues

We are taking steps to realize the Group Vision. Specifically, we have already appointed non-Japanese Presidents from overseas Group companies as Executive Officers of Nihon Nohyaku in 2011 and 2021. We will continue to actively recruit foreign nationals and appoint them to managerial positions to develop human resources with the qualities of an officer.

Employee Health Management

The Nihon Nohyaku Group believes that our employees are the most important management capital. We believe that working to equip employees with skills, provide experience, and improve motivation leads to sustainable enhancement of corporate value. In addition, based on the belief that having each employee in good physical and mental health increases individual happiness, we position health management as one of our most important management issues, and actively work to manage and improve the health of our employees.

Main Initiatives (Nihon Nohyaku Co., Ltd.)

(1) Maintenance and Promotion of Health	(2) Mental Health Care	(3) Creation of a Comfortable Work Environment
Implementation of regular medical examinations	Stress checks	Measures to prevent passive smoking, outpatient support for smoking cessation
Implementation of training, etc. to improve health literacy	Mental health-related training	Optimization of working hours
Prevention of lifestyle-related diseases through cooperation with health insurance associations	Setting up a hotline for mental and physical health (external consultation desk)	Encouraging more active communication between employees

Expansion of Human Rights Management

Creating a Comfortable Work Environment

For details, see CSR Data Book 2023 p.8-10
https://www.nichino.co.jp/en/csr/csr_data.html



Basic Approach

The working environment has changed greatly due to a shift in work values, an increase in dual-income households, and labor shortages caused by the declining birthrate and aging population. Against such a backdrop, we implement initiatives to improve employee motivation and realize diverse workstyles.

Major Nihon Nohyaku programs related to comfortable work environments

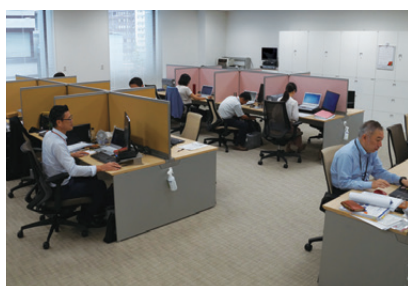
Field	Internal programs
Work systems	Normal work system, Time attendance system, Flex-time work system, Discretionary work system, Deemed outside work-site system
Holidays	Saturdays, Sundays, national holidays, winter holidays (December 29 to January 3), labor day holiday (May 1), Foundation Anniversary Day (November 17)
Realizing diverse workstyles	Annual paid leave, Congratulatory or condolence leave, Posting leave, Maternity leave, Summer vacation (5 days), Refresh vacations, Half-day paid leave, Childcare leave system, Childcare time (duty exemption), Shorter working hours system for expectant and nursing mothers (duty exemption), Child nursing care leave (paid), Leave for childcare (paid), Family care leave system, Family care leave (paid), Shorter working hours system for childcare, family care, injury and sickness treatment, Working from home system, Area full-time employee system (only when appointed as full-time employee)
Maintaining and promoting the health of employees	Medical examinations for all employees (full physical examinations for employees over age 40), Long-term sick leave, Stress check surveys, Telephone health consultations
Other benefits	Property accumulation savings, Housing loans, Defined contribution pension plan, Employee stock ownership plan, Leased company housing system

Promoting the Use of Childcare Leave by Men

In order to create an environment where men can take childcare leave without qualms, we have set up a consultation desk and distribute childcare support pamphlets. Furthermore, we encourage male employees to proactively take childcare leave by explaining the childcare leave system individually to eligible male employees. The rate of childcare leave taken by male employees in FY2022 was 55% (5 out of 9 eligible employees took leave).

Open plan office

In order to further transform workstyles and promote cross-departmental communication, we are converting the Head Office and branches to open plan offices. Starting with its introduction at the Fukuoka Sales Office (currently Fukuoka Branch) in April 2022, an open plan office layout was introduced at all departments of the Head Office and at the Tokyo Branch in March 2023.



Labor Relations

Nihon Nohyaku and the Nihon Nohyaku Labor Union have concluded a labor agreement, and discussions are held on equal footing at the labor-management council. We consider labor unions to be one of our important stakeholders, and we have built good labor relations with a foundation of mutual understanding and trust, based on a shared understanding of "improving the company and improving the lives of employees." Moreover, recreational activities jointly organized by labor and management are held at each office to deepen communication among employees and to promote equal relationships.

In FY2022, Nihon Nohyaku and the Labor Union held the following discussions.

Number of meetings of the labor-management council held: 15 (including one meeting with top management)
Policy explanation meeting by division: Policy briefing and exchange of opinions with the Domestic Sales Division, Overseas Division, and Industrial & Pharmaceuticals Sales Division
Number of labor-management study sessions held: 9

Enhancing the Safety Culture

Occupational Safety & Health, Process Safety & Disaster Prevention

For details, see CSR Data Book 2023 p.11
https://www.nichino.co.jp/en/csr/csr_data.html



Global Zero Accidents

As part of their Responsible Care activities, the Nihon Nohyaku Group in Japan works toward the goal of achieving zero occupational/commuting accidents and serious equipment-related accidents through the Occupational Safety & Health and Process Safety & Disaster Prevention Code. Regular safety and health committee meetings are held at all sites, regardless of whether they are offices, laboratories, or other facilities. Furthermore, all commercial vehicles are equipped with dashboard cameras, and ratings of driving by insurance companies are utilized to raise awareness about safe driving. Group companies that have manufacturing sites outside Japan work toward achieving zero accidents through efforts such as utilizing ISO45001 (Occupational Safety & Health Management System). We plan to continue expanding Responsible Care activities outside Japan so that the entire Nihon Nohyaku Group works together to carry out occupational safety & health and process safety & disaster prevention initiatives through Responsible Care activities.

Global Occupational Safety Audit System

The Environment Safety & Quality Assurance Department conducted (twice in total) on-site and written audits of overall Responsible Care activities, including occupational safety and health, at all Nihon Nohyaku Group plants and offices in Japan to enhance monitoring and check-and-balance functions. Audits consist of confirming whether there have been accidents at worksites and providing instruction on improving the safety of offices' activities. Going forward, we plan to develop a global audit system based on Responsible Care and ISO methods to audit offices in the Group outside Japan.

Avoiding Accidents in the Research Stage

To implement a high level of safety management for research activities at the Nihon Nohyaku Group's research sites, we continuously encourage employees to acquire national qualifications, such as hazardous materials handler qualifications, to increase the number of qualified personnel. We also conduct safety activities with an emphasis on avoiding accidents through Kiken Yochi (risk prediction) activities, risk assessment, safety education, and safety patrols led by sites' safety and health committees. We carry out safety activities from a wide range of approaches, such as conducting risk assessments based on actual accidents that occurred at other offices, and conducting multifaceted safety research from the early stages of research.

Eliminating Serious Accidents at Production Sites

All of our production sites have acquired ISO45001 and promote safety activities and equipment maintenance using an Occupational Safety & Health Management System. Nichino Service carries out risk assessment on a 5-stage scale, and with a company policy to eliminate level 3 or higher risks, it works to reduce risks by reviewing work procedures and improving equipment based on the results of assessment. We have also started deliberations on developing an automated and robotic smart factory that considers not only production efficiency but also safety. We strive to prevent and eliminate accidents at our overseas production sites. Going forward, we plan to carry out initiatives to prevent and eliminate accidents by conducting regular inspections and audits.



Joint fire prevention training with the fire department (Research Center)



Simulated fire drill using a smoke machine (Nichino Service Fukushima Plant)



Firefighting training (Nichino Service Kashima Plant)



Letter of appreciation from the Association for Safety of Hazardous Materials (Nichino Service Saga Plant)

Enhancing the Safety Culture

Product Stewardship (Chemical Materials and Product Safety)

Appropriate Management of Chemical Substances

The Nihon Nohyaku Group creates Safety Data Sheets (SDSs) for agrochemicals, products excluding agrochemicals, and samples for testing and research purposes to ensure the safe handling of chemical substances and prevent injuries and accidents. We also display information about agrochemical products on the corporate website (https://www.nichino.co.jp/en/products/page_10150.html). In FY2022, we focused efforts on revising the SDSs of each item to comply with the revised Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement that went into effect on April 1, 2023. We have also built an SDS library on the company intranet to enable the Group's plants and offices to view SDSs when needed — including SDSs of raw materials and products.

Promoting Product Stewardship through the Product Life Cycle

The Nihon Nohyaku Group focuses on safety management throughout the product life cycle, from research to manufacturing, use and disposal, and provides appropriate information. Particularly during the research and development stage, we conduct voluntary audits based on our own internal regulations, and continuously engage in initiatives to ensure product safety, also known as “Product Stewardship.” In addition, we have set up a phone number and a contact form on our website, as points of contact for inquiries and consultation regarding our various products and agrochemicals in general.

Nihon Nohyaku Co., Ltd.	Agrochemical products in Japan (Customer service center)	+81-570-09-1177
	Pharmaceuticals and animal health products (Pharmaceuticals Dept.)	+81-50-3490-3514
Nichino Ryokka Co., Ltd.	Agrochemical products and greening materials in Japan	+81-3-3808-2281
AgriMart Corporation	Termite solutions and environment-related materials	+81-3-5159-1711

We provide the Japan Poison Information Center with SDSs of our products to assist in inquiries from medical institutions, in the unlikely event of a poisoning accident related to our products.

Supply Chain Management

For details, see CSR Data Book 2023 p.11
https://www.nichino.co.jp/en/csr/csr_data.html



The Nihon Nohyaku Group Basic Procurement Policy

Based on our CSR Basic Policy, we established “the Nihon Nohyaku Group Basic Procurement Policy” in November 2021 as a basic policy for CSR procurement.

Cooperation with business partners is essential to fulfill social responsibilities throughout the supply chain. We aim to realize a sustainable society by building good relationships with our business partners, asking them to agree with our Basic Procurement Policy, and putting it into practice together.

- ① Consideration for human rights, working environment, peace and fairness
- ② Compliance with laws and social norms
- ③ Fair transactions and equal opportunities
- ④ Appropriate selection of business partners
- ⑤ Promotion of mutual development (partnerships)
- ⑥ Ensuring appropriate information management and intellectual property rights
- ⑦ Ensuring quality and safety
- ⑧ Consideration for the environment
- ⑨ Coexistence with society

Activities toward Sustainable Procurement

● CSR-related Procurement Questionnaire Survey

In February 2022, Nihon Nohyaku started distributing CSR procurement questionnaires to business partners in Japan, with an 81% response rate.

In FY2023, we will utilize the United Nations Global Compact Network Japan's CSR procurement self-assessment tool (SAQ) to gather information and engage in dialogue with business partners to promote cooperation, and work to ensure sustainable procurement activities based on the Basic Procurement Policy of the Nihon Nohyaku Group.

● **Green Procurement**

We have established the “Nichino Group Green Procurement Standards” to strive to achieve sustainable procurement.

The green procurement rate in FY2022 was 99.4% — an improvement from the previous year. We will continue to improve our green procurement rate.

Logistics Safety

For details, see CSR Data Book 2023 p.11
https://www.nichino.co.jp/en/csr/csr_data.html



Promotion of White Logistics

Nihon Nohyaku has endorsed the White Logistics Movement, an initiative put forward by Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF), and submitted our Declaration of Voluntary Action. Our modal shift rate* in 2022 was 19.1% (target: 15.0%, results in 2021: 9.0%). We will continue to work on logistics safety, including the reduction of environmental impact.

* Modal shift rate (ratio of railway freight and marine transport) = (railway freight and marine transport amount) / (total transport amount) x 100

Quality Management

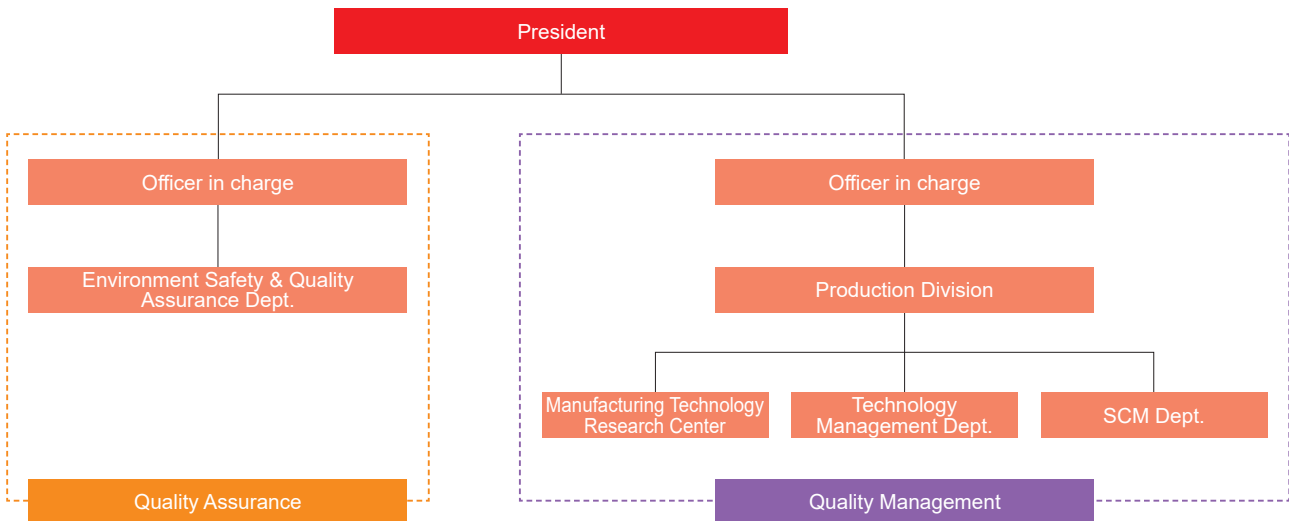
Providing High Quality Products

We work to ensure product quality and safety in every stage of the value chain, from R&D through manufacturing, sales, logistics, use, and final consumption to disposal and recycling, based on our basic policy for Responsible Care. To fortify supervision and control functions with respect to safety, we have reorganized the previous Environment Safety Department into the Environment Safety & Quality Assurance Department. Accordingly, product quality is handled by two departments, i.e., the Environment Safety & Quality Assurance Department, which handles quality assurance, and the Production Division, which handles quality control. We carefully deliberate with Nichino Service, the Nihon Nohyaku Group’s manufacturing company, to manage quality with a focus on their maintenance and improvement. In our production process for active ingredients, we practice quality management that applies GMP management methods (production management and quality management standards for pharmaceuticals).

The Environment Safety & Quality Assurance Department conducts audits on contract manufacturers outside the Nihon Nohyaku Group from an independent standpoint. We conduct risk management for product liability (PL*) to prevent issues. In addition, we visualize the status of responses to complaints received in relation to our products with an internal database to promote rapid and accurate response.

* Product Liability

Nihon Nohyaku’s Quality Management System



Development of Technologies and Products that Meet Needs of Society

Product Development

For details, see CSR Data Book 2023 p.12
https://www.nichino.co.jp/en/csr/csr_data.html



Global R&D

A major mission of the Group is to create new agrochemicals that meet the needs of the times, to ensure a safe, secure and steady food supply and improve the quality of life for all. As an R&D-driven company, Nihon Nohyaku has built strategies based on accurate analysis of the business environment and market changes and works on early development of new agrochemicals as well as expansion of the fields of application of existing products from a global perspective. We continuously challenge ourselves to create technologies that contribute to global food production by enhancing the functions of the Research Center, which carries out cutting-edge research, and the Manufacturing Technology Research Center, which is responsible for the manufacturing stage, and by strengthening the development system that responds to global market needs with domestic and overseas Group companies. We also promote licensing activities effectively, using intellectual property such as patents, and improve our product portfolio to expand our business.



Research Center

Creation of New Agrochemicals

Creation of new active ingredients for agrochemicals takes more than 10 years as well as significant investment, requiring many processes from research and development to launch as new products. Under such circumstances, we have continuously developed one new molecule every three years. We have contributed to ensuring a safe and steady food supply by launching, to date, flubendiamide, an insecticide for Lepidoptera, pyraziflumid, a broad-spectrum fungicide, and pyraflufen-ethyl, a PPO inhibitor herbicide/desiccant. We are accelerating exploratory research by expanding our efforts in the recent AI drug discovery technologies in the synthesis field, omics research in the safety and biological fields, and initiatives in the computational science field.



Global Meeting/North, Central, and South America



Flubendiamide



Pyraziflumid



Pyraflufen-ethyl



Benzpyrimoxan

Developing Eco-harmonized Products

Agrochemicals are required to be effective against pests and weeds, and to be safe for users and consumers, as well as to be considerate of the natural environment. By having the chemistry, biology, safety, and research support departments collaborate from an early phase of the research stage, the Group has developed agrochemical products that have a low environmental impact, such as "reduced impact on environmental organisms" and "reductions in dosage and residual amounts." The Nihon Nohyaku Group aims to develop agrochemicals that are closely aligned with the perspectives of "the environment, safety and health," by utilizing the latest scientific knowledge, not only in response to related laws and regulations in each country, but also from the perspective of promoting SDGs, CSR activities, and ESG management. Most recently, we launched Benzpyrimoxan (ORCHESTRA®), which inhibits ecdysis of nymphs of plant hoppers and leaf hoppers, in Japan and India. It is characterized by the fact that it has less adverse effect on humans, animals, and aquatic organisms. Moreover, it has a low impact on many natural enemies and beneficial insects, as well as a low risk of phytotoxicity to crops.

In addition to chemically synthesized agrochemicals, we will also expand our business to include biopesticides and crop aid products (biostimulants, etc.).

Ethical Considerations concerning Testing on Animals

Nihon Nohyaku has established internal regulations concerning testing on animals in accordance with the “Act on Welfare and Management of Animals” and related guidelines. We also promote animal welfare through technological development and research initiatives utilizing cultured cells and computer modelling.

Examples of Crop Aid Products

“Frost Buster,” a product of the Group, was developed based on a new proposal to effectively utilize “coffee grounds,” a byproduct of canned coffee manufacturing, and prevent frost damage on crops by promoting supercooling*. This is a product that contributes to the realization of a sustainable, recycling-oriented society.

* When frost or ice is formed, extremely small ice seeds (ice nuclei) are first formed, and these gradually become larger lumps (formation and growth of ice crystals). The promotion of supercooling prevents the formation of ice crystals from these ice nuclei, by preventing water from freezing even at temperatures below its freezing point.



Global Meeting/Asia and Europe

Initiatives toward Advanced Technologies

Contributing to Smart Agriculture

We have accelerated our efforts for “smart agriculture” to solve agriculture-related issues, making use of cutting-edge technologies. As part of our activities, we worked with several agrochemical manufacturers to promote “LeiMe AI Disease, Pest & Weed Analysis.” As of the end of March 2023, 19 crops can be diagnosed and it is currently being expanded to overseas countries, mainly in Asia. We will continue to work on expanding crops that can be diagnosed, enhancing functions, such as making it multilingual, and strengthening overseas development. In addition, our Group company, AgriMart Corporation, has started a sanitary pest management support service, “LeiMe AI Pest Identification and Counting System.”

For details, see CSR Data Book 2023 p.12
https://www.nichino.co.jp/en/csr/csr_data.html

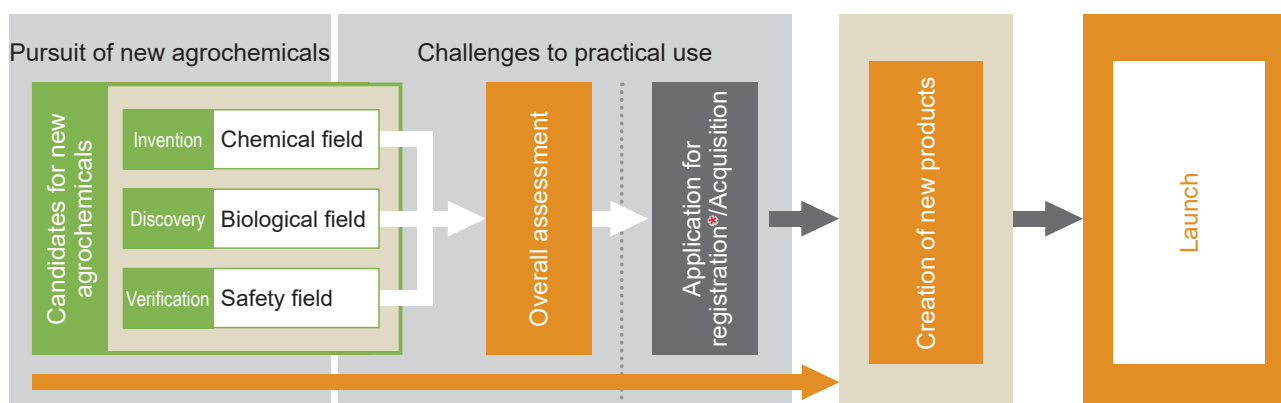


LeiMe image diagnosis

Expansion to Pharmaceuticals and Animal Health Products

In Nihon Nohyaku’s pharmaceutical and animal health products business, we have applied the technologies from our core business of agrochemical to the expansion and development of topical antifungal agents (medicine for athlete’s foot) and flea and tick control agents for animals. Our inventions, Ianoconazole and luliconazole, are highly effective against trichophyton, the fungus that causes athlete’s foot. We also aim to create new animal health products through joint research with ADEKA.

Nihon Nohyaku’s Agrochemical Creation Process



* Application for registration: According to the provisions of the Agricultural Chemicals Regulation Act, test results such as on efficacy, safety, toxicity and persistency of agrochemicals must be submitted to the Ministry of Agriculture, Forestry and Fisheries, for approval (registration). Unless registered, agrochemicals cannot be manufactured, sold or used.






Community Involvement

Dialogue with Stakeholders

For details, see CSR Data Book 2023 p.12
https://www.nichino.co.jp/en/csr/csr_data.html



Engagement with Stakeholders

	Purpose/Theme	Main Initiatives	Related Information
 Customers	<ul style="list-style-type: none"> Development of technologies and products that meet needs of society Education and awareness-raising on the correct use of agrochemicals and improving the understanding of consumers regarding agrochemical use 	<ul style="list-style-type: none"> Creation of new agrochemicals, pharmaceuticals, and animal health products Creation of eco-harmonized products Contribution to smart agriculture Establishment of customer consultation service Disclosure of business information 	<ul style="list-style-type: none"> Development of Technologies and Products that Meet Needs of Society (p.25) Community Involvement (p.27)
 Shareholders and Investors	<ul style="list-style-type: none"> Appropriate and timely disclosure Constructive dialogue Feedback to management 	<ul style="list-style-type: none"> Holding of financial results meetings (twice a year) and the General Meeting of Shareholders (once a year) IR meetings with institutional investors and analysts Tours of the Research Center and other IR events 	<ul style="list-style-type: none"> Community Involvement (p.27) IR webpages on Nihon Nohyaku's website
 Employees	<ul style="list-style-type: none"> Employee engagement Human capital development and skill development Development of comfortable work environment 	<ul style="list-style-type: none"> Discussions between labor and management Development of internal reporting system Activities toward zero accidents 	<ul style="list-style-type: none"> Expansion of Human Rights Management (p.19) Expansion of Compliance and Risk Management (p.31) Enhancing the Safety Culture (p.22)
 Business Partners	<ul style="list-style-type: none"> Fair and equitable business relations Sustainability promotion on the supply chain 	<ul style="list-style-type: none"> Conducting procurement questionnaire surveys Promotion of White Logistics Green procurement 	<ul style="list-style-type: none"> Enhancing the Safety Culture (p.22)
 Local Communities and Society	<ul style="list-style-type: none"> Contribution to the sustainable development of international society Environmental conservation Support for regional revitalization 	<ul style="list-style-type: none"> Creation of new agrochemicals, pharmaceuticals, and animal health products Creation of eco-harmonized products Activities to reduce GHG emissions Response to TCFD Recommendations Training and Tours at Business Offices Nichino Scholarship Fund Donations for humanitarian aid 	<ul style="list-style-type: none"> Development of Technologies and Products that Meet Needs of Society (p.25) Raising the Level of Environmental Management (p.16) Expansion of Compliance and Risk Management (p.31) Community Involvement (p.27)

Communication with our Shareholders and Investors

To build a foundation for constructive dialogue with stakeholders, Nihon Nohyaku has established a disclosure policy. We accordingly strive to appropriately disclose corporate information, including non-financial information, ensure the transparency of corporate management and hold financial results briefings as well as individual IR meetings.

Financial results briefings are available on demand on our website.

Strengthening Communication with our Customers

● Association Memberships

Through various associations, the Nihon Nohyaku Group contributes to education and awareness-raising about the correct use of agrochemicals for growers and correct understanding for consumers.

Industry Associations

- Japan Crop Protection Association
- Japan Chemical Industry Association
- Japan Plant Protection Association
- Japan Association for Advancement of Phyto-Regulators
- Green and Safety Promoters Association
- Japan Agricultural Aviation Association

● Customer Consultation Service

We have established consultation desks based on product fields. Regarding domestic agrochemical products, we welcome inquiries from customers via telephone or the inquiry form on our website. It is also important for us to hear general questions and inquiries from consumers regarding agrochemicals. We provide relevant information to improve understanding of our agrochemicals.

● Disclosure of Business Information

For deeper understanding of our business activities by our stakeholders, we provide timely and appropriate disclosure and enhance the content of the information. We also provide a service called "LeiMe's Agrochemicals Chat Room," where a character named LeiMe provides easy-to-understand explanations of matters such as product information and the safety of agrochemicals on our website.



Our website (top page)
<https://www.nichino.co.jp/en/index.html>



Training and Tours at Business Offices

Training and tours at Nihon Nohyaku Group's Research Center and Manufacturing Technology Research Center (Kawachinagano-shi, Osaka), Naganuma Nursery (Yubari-gun, Hokkaido), and Nichino Service plants (Kamisu-shi, Ibaraki; Nihonmatsu-shi, Fukushima; and Miyaki-gun, Saga) had been temporarily suspended to prevent the spread of COVID-19, but with the mitigation of the pandemic, we have gradually begun to accept visitors (visits are still suspended or accepted with a limit on the number of people at some facilities).

Among these facilities, the Research Center participated in an open company event sponsored by Kawachinagano-shi "Work Waku-Waku Kawachinagano" in November 2022, and held a total of four tours for residents in coordination with other local companies. At the event, we explained the significance of agrochemicals before giving a tour of Research Center facilities. We received many comments from the participants, such as: "I was surprised there was such a large research facility in the city" and "I felt proud to learn that research in Kawachinagano was helping Japan and the world."



At the "Work Waku-Waku Kawachinagano" open company event

Nichino Scholarship Fund

In FY2008, we started the Nichino Scholarship Fund, commemorating the 80th anniversary of our foundation. This year marked the 16th year of the fund. Every year, we provide scholarships to students at nine agricultural colleges in Japan, and have supported over 250 students so far.

We also hold seminars on agrochemical safety for scholarship recipients at our Head Office and Research Center. In 2022, an online seminar was held for the first time from the standpoint of preventing the spread of COVID-19. Through this program, we will continue to help foster Japan's next generation of agricultural professionals.

Nichino America's Social Contribution Activities

Nichino America, Inc. (NAI) participates in various social contribution activities to realize a sustainable society.

Every year, NAI makes donations to food banks, and the funds collected are used for social contribution activities through the non-profit organization Feeding America. During the Christmas season, volunteers and NAI employees deliver presents to senior nursing homes that were purchased with donations. Further, at NAI's national meeting held in San Antonio, Texas in 2022, employees assembled children's bicycles for donation to a local charity as a part of a team-building event. Other initiatives include working with the American Farm Bureau Foundation for Agriculture (a non-profit organization that conducts education and awareness-raising related to agriculture in the U.S.A.) and My American Farm (a game platform for children's agricultural education), to fund "From Seed to Shirt," a game designed to promote agricultural learning.

By becoming a sponsor of a foundation working to increase children's knowledge of agriculture, NAI intends to contribute to the development of the agricultural field.

Going forward, NAI will continue to donate to various charitable organizations and provide support for volunteer activities.



Team-building event at the NAI national meeting

Nichino Ryokka Initiatives for the Morioka Castle Restoration Work

Nichino Ryokka Co., Ltd. took part in the restoration work for historic buildings by applying the green technology it has developed. The stone wall restoration at the Sannomaru of Morioka Castle ruins, a designated national historic site, is a historic project scheduled to be completed in 2024, with KAJIMA CORPORATION as the prime contractor. Nichino Ryokka was in charge of mortar spraying and rebar insertion work to prevent the earthen mounds that back the stone walls from collapsing after the walls were taken apart from the standpoint of ensuring the safety of the work.

In addition, Nichino Ryokka participated as a volunteer in citizen tours of the site organized by Morioka-shi and explained the details of the project to give citizens a better understanding of it.



Restoration construction site

See here for the CSR activities of Nichino Ryokka (in Japanese):

<https://www.nichino-ryokka.co.jp/csr/>



Strengthening Corporate and Organizational Governance

Corporate Governance

For details, see CSR Data Book 2023 p.13
https://www.nichino.co.jp/en/csr/csr_data.html



Approach to Corporate Governance

Through efforts to realize the Nihon Nohyaku Group's Basic Principles, Action Charter and Group Vision, we aim to be a corporate group that is trusted by various stakeholders like shareholders, customers, employees, business partners and local communities. We will build an effective corporate governance structure to achieve sustainable growth and improve medium to long term corporate value.

Corporate Governance Structure and Initiatives

Nihon Nohyaku has adopted the form of a company with an Audit and Supervisory Committee. The purpose is to strengthen the supervisory function of the Board of Directors and enhance corporate governance by appointing Audit and Supervisory Committee members, who are responsible for auditing the execution of duties by Directors, as members of the Board of Directors.

In addition, the Governance Committee (members: 9 as of June 21, 2023), where a majority of members are independent officers, has been established as an advisory body to the Board of Directors. The Governance Committee further enhances corporate governance by deliberating and reporting, upon a consultation request from the Board, on the appropriateness of the process for appointing/dismissing candidates for Director of Nihon Nohyaku, their qualifications and reasons for appointment, evaluations of the effectiveness of the entire Board of Directors, and the officer remuneration system.

Board of Directors (as of June 21, 2023)

- Directors (excluding Audit and Supervisory Committee members): 8
- Directors who are Audit and Supervisory Committee members (percentage): 4 (33.3%)
- Female Directors (percentage): 3 (25.0%)
- Average attendance rate at Board of Directors meetings in FY2022: 100.0%
- Average time required for Board of Directors meetings in FY2022: 92 minutes

Analysis and Evaluation of the Effectiveness of the Board of Directors Overall

The Board of Directors conducts a questionnaire survey for Directors every year concerning the effectiveness of the entire Board of Directors. The Governance Committee is consulted regarding the results of analysis and evaluation of the effectiveness of the Board of Directors based on the results of this questionnaire survey, and efforts are made to continuously improve issues identified based on the reports received.

Initiatives to Strengthen Auditing

The Audit and Supervisory Committee is responsible for conducting audits to monitor the legal compliance and appropriateness of business execution by Nihon Nohyaku and its Group companies. Internal audits based on an internal audit plan proposed by the Internal Control & Audit Department are coordinated with accounting audits by auditing firms. Information is exchanged and meetings are held in a timely and appropriate manner so that the respective audits function efficiently and effectively. In recent years, audits by the Audit and Supervisory Committee and internal audits have been performed using a general check sheet to increase audit efficiency and reduce the burden on the departments being audited.

Policies on Determining Directors' Remuneration

The policies on determining the contents of remuneration, etc. for individual Directors are determined by the Board of Directors after it receives opinions from the Governance Committee, which is a voluntary advisory body of the Board of Directors, on officers' remuneration. The ratio of type of remuneration for Executive Directors shall be determined in consideration of factors including long-term R&D based business characteristic of Nihon Nohyaku, the Director's position, duties, standards at other companies and social trends. The ratio between basic remuneration, bonuses and performance-linked stock-based remuneration during the period to which a medium-term management plan applies will be about 8:1:1.

Corporate Governance Diagram (as of June 21, 2023)



Policies and Procedures for Appointing Director Candidates

Nihon Nohyaku considers the diversity of Board of Directors members and selects candidates for Director (excluding Audit and Supervisory Committee members) from those who possess high ethical standards as well as personality, insight, ability and extensive experience. In addition, candidates for Director who are Audit and Supervisory Committee members are selected from a broad pool of candidates in accordance with eligibility requirements established by Nihon Nohyaku, with the approval of the Audit and Supervisory Committee. Candidates for Independent Outside Director are selected from a broad pool of candidates in accordance with eligibility requirements (including fulfilling Nihon Nohyaku's independence standards) established by Nihon Nohyaku.

Enhancing and Strengthening Internal Control Systems

At Nihon Nohyaku, the Audit and Supervisory Committee exercises management evaluation authority based on two ways; one by checking the legality and validity of the execution of business by the Nihon Nohyaku Group and the other by right to state opinions regarding the appointment of Directors who are not Audit and Supervisory Committee members, in order to enhance the checking function of the governance structure.

Internal Control & Audit Department conducts internal audits based on the internal audit plan set forth each fiscal year to promote the improvement of operations. Moreover, they exchange information and hold meetings in a timely and appropriate manner so that each audit, including accounting audits by auditing firms, would function efficiently and effectively.

Message from our independent officer

Growth Strategy, EGG2, Group Governance System

The Nihon Nohyaku Group's consolidated performance results have achieved net sales of 102.0 billion yen in FY2022 (124th fiscal year) under the current medium-term management plan "Ensuring Growing Global 2 (EGG2)." Of this, overseas sales accounted for over 70% of sales, demonstrating that our presence as a global company is increasing. As the scope of the Group's business expands and globalization becomes more pronounced, actual and potential risks inevitably arise. In response to this, it is necessary to build group governance with a sense of intensity, and an even more important issue is how to make the group management governance system function effectively.

Regarding group governance systems, the Ministry of Economy, Trade and Industry published practical guidelines in June 2019 as a supplement to the CG Code. Risk management includes the appointment and remuneration of Group companies' management, but naturally the role of the Group Head Office and the state of internal control systems are also important. In particular, internal control systems include the so-called three lines of defense (business departments as the first line, the administration departments as the second line, and the internal audit departments as the third line). As an Outside Director and Audit and Supervisory Committee member, I must pay close attention to whether these departments are constructed and operated as effective systems.

As the core role of the Group Head Office, the proportion of Outside Directors on the Board of Directors is being increased based on the requirements of the CG Code to further diversify the Board of Directors (even if individuals are qualified in the same profession, their careers and backgrounds, etc. differ). Moreover, in response to the decrease in the number of internal Directors, reforms are underway to enhance the Executive Officer system and functions. Furthermore, business reports at Board of Directors meetings, both on a non-consolidated and consolidated basis, have been modified from conventional reporting methods to place more emphasis on qualitative information on issues in each department, rather than just quantitative information and analysis, and lively discussions are taking place as a result.

As the Nihon Nohyaku Group has a high degree of expertise in research and development, and there are various laws and regulations specific to the Group's business, I cannot contribute to governance as an Outside Director without daily study. For this reason, I receive a variety of specialized information from the executive side through relevant workshops and other events. I also enhance communication with the administration departments on a daily basis, and strive to share accurate information through collaboration between the Audit and Supervisory Committee, the Internal Control & Audit Department, and the Accounting Auditor (auditing firm).

The business risks and issues surrounding Nihon Nohyaku are expected to diversify as we advance our growth strategy, so I will strive to overcome these challenges and contribute to the realization of "Global Innovator for Crop & Life."



Iwao Toigawa
Outside Director, Audit
and Supervisory
Committee Member

Expansion of Compliance and Risk Management

Compliance

For details, see CSR Data Book 2023 p.13
https://www.nichino.co.jp/en/csr/csr_data.html



Approach to and Promotion System for Compliance

To the Nihon Nohyaku Group, compliance includes not only complying with laws and regulations, internal regulations and contracts, but also prohibiting unethical behavior that is not socially acceptable under high ethical standards. We have established the Compliance Committee as a concrete promotion system for realizing this philosophy.

The Compliance Committee consists of Executive Officers or full-time Directors from each department, and the administrative office is operated by the General Affairs & Legal Department. Furthermore, we have appointed Compliance Promotion Supervisors and Compliance Promotion Managers in each department and office. Compliance Promotion Supervisors formulate policies and provide guidance to ensure thorough compliance in their departments, and Compliance Promotion Managers provide practical support to further promote and ensure compliance.

Compliance Initiatives

Nihon Nohyaku fulfills its corporate social responsibility by ensuring that the business activities of all officers and employees comply with laws and regulations, as well as internal rules and norms, and by preventing corporate scandals.

To achieve the above, we hold regular Compliance Committee meetings twice a year to summarize compliance activities and decide on policies for the next half of the year. Based on these decisions, we hold workplace meetings (twice a year) and a group council within Group companies (once a year). At the workplace meetings held twice a year, we aim to improve compliance awareness through the sharing of compliance-related incidents and training materials that reflect the latest circumstances.

To respond quickly and appropriately to compliance violations, in addition to an organization-based reporting system, we have also established an “internal reporting system” in compliance with the Whistleblower Protection Act and related laws and regulations. This system allows all officers and employees to report directly to officers in charge of compliance and to external law firms.

Initiatives toward Anti-Corruption

One of the Basic Principles of the Group states that “we commit to be a trustworthy company for all stakeholders through our fair and vigorous business activities,” and we actively fulfill our corporate social responsibility through sound business activities in compliance with relevant domestic and international laws and regulations. In addition, we request all officers and employees of the Group to comply with the “Prohibition on Bribery,” “Understanding and Compliance with the Bribery Laws and Regulations and Policy for Prevention of Bribery,” “Appropriate Approval Procedures and Ex-post Facto Confirmation Procedures,” “Building of Sound Business Relationship,” “Regular Risk Assessment, Review and Improvement,” “Thorough Records Management” and “Prompt Report.”

In FY2022, there were no bribery-related violations or cases involving sanctions.

Global Expansion and Management

To ensure compliance at overseas Group companies, Nihon Nohyaku has established the Group Compliance Council to conduct lively discussions and share useful advice among Group companies. Through these activities, besides ensuring compliance with local laws and regulations, we also provide support that enables overseas Group companies to fully respond to local social issues based on corporate ethics.

Such support includes verifying whether overseas Group companies and their suppliers/contractors are having a negative impact on the local environment and society (for example: monitoring and guidance to ensure that our products are not used in inappropriate ways by customers, and confirming with Group companies to ensure that inappropriate gifts, etc. have not been given to public officials or other private companies), and considering appropriate measures that go beyond laws and regulations.

Risk Management

Approach to and Promotion System for Risk Management

Recognizing that risk management is an important part of management, the Group takes appropriate measures to prevent potential risks in our business activities and focuses on preventing losses caused by the materialization of risks, as far as possible.

Nihon Nohyaku has established a basic policy and management system for risk management for the entire Group in the “Risk Management Regulations.” The Risk Management Committee, composed of full-time Directors or Executive Officers who supervise each department, identifies risks, prevents risks from materializing, and takes measures to minimize the impact of risks that have materialized.

Risk Management Initiatives

In principle, the Risk Management Committee holds a regular committee meeting in March every year to summarize the activities of the year and decide on policies for the next fiscal year. Based on these decisions, we hold workplace meetings (twice a year) and a group council within Group companies (once a year). At the first workplace meeting in FY2022, we worked to enhance employees’ understanding of management risks and company-wide risks, and to improve risk management awareness. At the second meeting, discussions aimed at updating the list of risks faced by each workplace were conducted. As a result of the discussions at each workplace, we identified new risks, including geopolitical risks, soaring global energy prices, and soaring raw material prices due to inflation and other factors. In addition, in FY2022, we conducted our first e-learning program on the basics of BCP and risk management, with the aim of raising risk management awareness across the company.

Enhancing BCP (in Japan: an earthquake directly hitting Tokyo, natural disasters, pandemics)

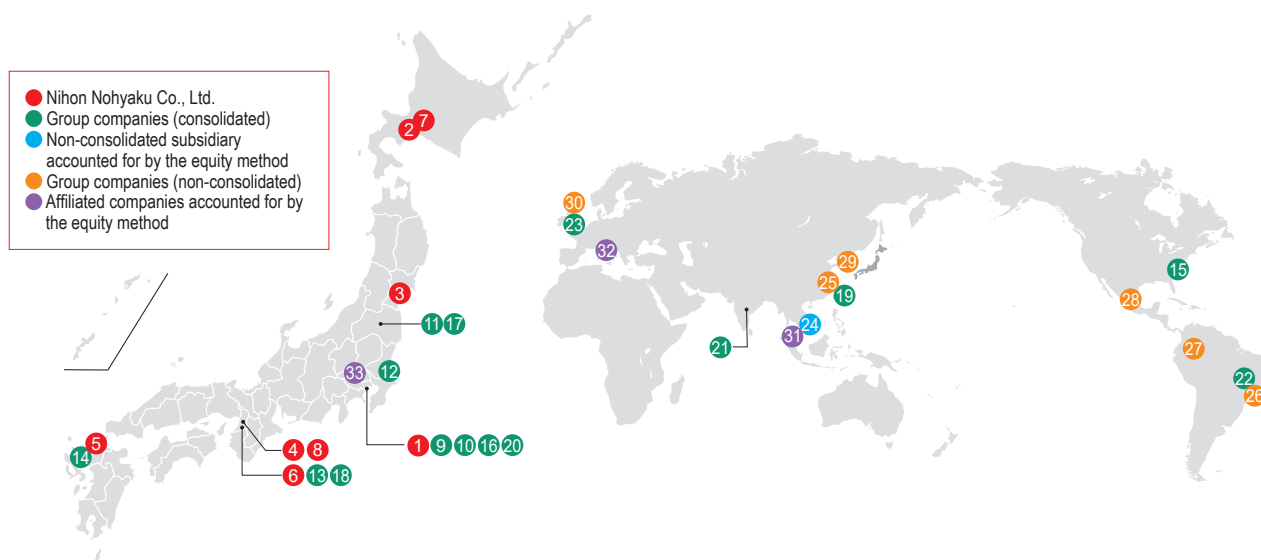
We have established the Nichino Group Emergency Response Regulations and a system to establish a controlled organization to respond quickly and accurately in the event of an emergency such as a disaster or pandemic, or when such an event is predicted.

In addition, we have established guidelines for large-scale disaster countermeasures at each of our major bases, and prepared action standards and a business continuity plan (BCP) in the event of large-scale disasters such as an earthquake directly hitting Tokyo or natural disasters. These guidelines and plans are reviewed as necessary.

In FY2022, we continued to have an Emergency Response Committee in place as a measure to prevent the spread of COVID-19. The Committee appropriately issued notifications to Nihon Nohyaku and our Group companies regarding measures to prevent the spread of infection, based on government requests. In terms of specific preventive measures against the spread of infection, we restricted the number of employees coming into the office to up to 30% by making the most of the work-from-home system. Moreover, in response to government requests, we reviewed our infection prevention measures and internal guidelines for domestic and overseas business trips as appropriate.

Although we began to lift restrictions on coming into the office from May 2023, from the perspective of the impact on work, work-life balance, workstyle reform and improving productivity, we continue to use both systems of working at the office and working from home. At the Head Office, we aim to have 60% of employees work in the office, and depending on the business characteristics of each department, we will effectively utilize open plan offices and the work-from-home system.

Company Overview and List of The Nihon Nohyaku Group Companies



Nihon Nohyaku Co., Ltd.

as of August 1, 2023

Head Office address	19-8 Kyobashi 1-Chome, Chuo-ku, Tokyo 104-8386
Founded	November 17, 1928
Capital	14,939 million yen
Number of employees (consolidated)	1,567 (as of March 31, 2023)
Main business	Manufacture, import, export, and sale of a variety of products including agrochemicals, pharmaceuticals, animal health products, industrial chemicals, wood preservatives, and agricultural materials

Head Office and Branches	<ul style="list-style-type: none"> ① Head Office, Tokyo Branch (Chuo-ku, Tokyo) ② Sapporo Branch (Sapporo-shi, Hokkaido) ③ Sendai Branch (Sendai-shi, Miyagi) ④ Osaka Branch (Osaka-shi, Osaka) ⑤ Fukuoka Branch (Fukuoka-shi, Fukuoka) ⑥ Osaka Office (Osaka-shi, Osaka)
Research Facilities	<ul style="list-style-type: none"> ⑥ Research Center (Kawachinagano-shi, Osaka) ⑦ Naganuma Nursery (Yubari-gun, Hokkaido)
Manufacturing Plant (contracted)	<ul style="list-style-type: none"> ⑩ Nichino Service Co., Ltd. (⑪ Fukushima Plant / ⑫ Kashima Plant / ⑬ Saga Plant)

Consolidated Group Companies

⑨ Nichino Ryokka Co., Ltd.	Sales of chemicals/pesticides for golf courses, home & garden, and greenification, sales of turf and turf-related materials, planning and construction of gardens and amenity areas	Chuo-ku, Tokyo
⑩ Nichino Service Co., Ltd. (Head Office)	Manufacturing and sales of agrochemicals, contracted manufacturing, storage and transport of agrochemicals, cultivation and management of fields and real estate management	Chuo-ku, Tokyo
⑪ Fukushima Plant		Nihonmatsu-shi, Fukushima
⑫ Kashima Plant		Kamisui-shi, Ibaraki
⑬ Kawachinagano Center		Kawachinagano-shi, Osaka
⑭ Saga Plant		Miyaki-gun, Saga
⑮ Nichino America, Inc.	Agrochemical sales, promotion, development, and registration in the U.S.A.	Wilmington, U.S.A.
⑯ Nihon Ecotech Co., Ltd.	Agrochemical residue analysis and chemical substance safety testing	Chuo-ku, Tokyo
⑰ Fukushima Analytical Technology Center		Nihonmatsu-shi, Fukushima
⑱ Osaka Analytical Technology Center		Kawachinagano-shi, Osaka
⑲ Taiwan Nihon Nohyaku Co., Ltd.	Agrochemical sales, promotion, development, and registration in Taiwan	Taipei, Taiwan
⑳ AgriMart Corporation	Sales of termite control materials and epidemic prevention insecticides	Chuo-ku, Tokyo
㉑ Nichino India Pvt. Ltd.	Agrochemical manufacturing, sales, import and export, promotion, and development in India	Hyderabad, India
㉒ Sipcam Nichino Brasil S.A.	Agrochemical manufacturing and sales in Brazil	Uberaba, Brazil
㉓ Nichino Europe Co., Ltd.	Agrochemical sales, promotion, development, and registration in Europe	Cambridge, UK

Non-consolidated Subsidiary Accounted for by the Equity Method

㉔ Nichino Vietnam Co., Ltd.	Agrochemical sales, promotion, and development in Vietnam	Ho Chi Minh, Vietnam
-----------------------------	---	----------------------

Non-consolidated Companies

㉕ Nichino Shanghai Co., Ltd.	Agrochemical promotion in China	Shanghai, China
㉖ Nichino do Brasil Agroquímicos Ltda.	Agrochemical development and registration in Brazil	Sao Paulo, Brazil
㉗ Nihon Nohyaku Andica S.A.S.	Agrochemical sales, import and export, promotion, and development in the Andes and Central America	Bogota, Colombia
㉘ Nichino México S. de R.L. de C.V.	Agrochemical sales, promotion, development, and registration in Mexico	Mexico City, Mexico
㉙ Nichino Korea Co., Ltd.	Agrochemical sales, promotion, development, and registration in South Korea	Seoul, South Korea
㉚ Interagro (UK) Ltd.	Sales and development of adjuvants and biostimulants in the UK and Europe	Hertfordshire, UK

Affiliated Companies Accounted for by the Equity Method

㉛ Agricultural Chemicals (Malaysia) Sdn. Bhd.	Agrochemical manufacturing and sales in Malaysia	Penang, Malaysia
㉜ Sipcam Europe S.p.A.	Agrochemical manufacturing and sales in Europe	Milan, Italy
㉝ Tama Kagaku Kogyo Co., Ltd.	Contract manufacturing of active ingredients and raw materials for agrochemicals, pharmaceuticals and functional materials	Yashio-shi, Saitama

Third-Party Opinion

“CSR Report 2023” reports on the philosophy structure, strategies, and activities related to CSR of the Nihon Nohyaku Group. Its connection to the content on the website has become clearer, resulting in a more complete report.

● Points that can be commended

One of the aspects of this report that can be commended is its disclosure of progress on priority issues (materiality). I commend Nihon Nohyaku for not only reporting on activities, but also for making concrete disclosures such as mentioning the commitment of top management and disclosing KGI/KPIs and their progress. Priority issues are the most important items in CSR promotion, and how a company responds to priority issues determines whether they can increase corporate value and add value to their business. I’m looking forward to Nihon Nohyaku’s continuously thorough disclosures.

I also commend the Company for promoting diversity and developing human resources as part of human rights management. Showing employees’ faces through content such as the “Diversity Discussion” (p.9-10) made it easier to get a sense of the atmosphere at the workplace. Legislation addressing human rights is progressing in global business, and I look forward to seeing Nihon Nohyaku further develop its overseas business, promoting risk management through further improvement of human rights management.

● Points to be improved upon

One area that could be improved upon is the disclosure of CSR strategies. Although the amount of information on activities has increased since last year, I feel details on the strategic side of things are still insufficient. If Nihon Nohyaku explained how much added value could be created through CSR promotion activities within its management strategies aimed at being a Global Innovator, I believe the story of value creation would become clearer, and people would be able to more deeply understand the Company’s business model.

Furthermore, although Nihon Nohyaku declared its support for the TCFD in 2022, its current environmental information disclosure does not comply with the updated disclosure framework required by the TCFD, making it difficult to understand the status of climate change response in the Company’s business development. The TCFD framework has been adopted in the international disclosure guidelines of the International Sustainability Standards Board (ISSB), which is considering making disclosure mandatory in Japan, so I suggest Nihon Nohyaku address this disclosure issue as soon as possible. In particular, there is not enough information on business opportunities in “risks and opportunities,” so it is difficult to see how CSR promotion would contribute to competitive advantage. This needs to be improved.

Sustainability-related disclosure rules are being rapidly finalized all around the world, and in Japan, partial disclosure in securities reports became mandatory as of April 2023. Even as disclosure rules change significantly, I hope that Nihon Nohyaku will continuously respond to the information needs of stakeholders and promote the “NICHINO” brand globally.



Mitsunobu Ando

Representative Director, Association for Sustainability Communication. He specializes in sustainability management and ESG information disclosure. With the mission of “updating sustainability in Japan,” he provides sustainability management support mainly for listed companies. He is the author of “Future Business Illustrated SX & SDGs” (MdN), “Emergent Responsible Management” (Nikkei Publishing) and many others.

In Response to the Third-Party Opinion

We would like to express our sincere gratitude to Mr. Ando for his evaluation and opinion on this report. As a “Global Innovator for Crop & Life,” the Nihon Nohyaku Group strives every day to contribute to the realization of sustainability (sustainable society). In editing this CSR report, we placed emphasis on the process of selecting CSR priority issues and the implementation status of each issue. We will further enhance our disclosure content, focusing on the points indicated by Mr. Ando, and continuously strive to improve our corporate value so that all stakeholders will understand and empathize with us.

Atsushi Kanaoka, General Manager, CSR Promotion Department, Nihon Nohyaku Co., Ltd.

Third-Party Verification

The CSR Report 2021 issued two years ago was verified by Japan Chemical Industry Association (JCIA) in accordance with the mid-term target of the Nichino Group Responsible Care program (FY2020 to FY2024) (August 2021). The verification included confirmation of the reasonableness of the methods of calculation and aggregation of the performance indicators (numerical values) listed in this report as well as the accuracy of reported information other than the numerical values in the report.

NIHON NOHYAKU CO., LTD.

Head Office 19-8, Kyobashi 1-Chome (Kyobashi OM Bldg.),
Chuo-ku, Tokyo 104-8386, JAPAN

Phone +81-570-09-1177

Website <https://www.nichino.co.jp/en/index.html>



We practice Green Purchasing.



Nihon Nohyaku received a Development Bank of Japan loan based on the DBJ Environmentally Rated Loan Program, and has been rated as "a company with advanced environmental activities."