

Environmental and Social Report

2020



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Editing Policy

Our company started voluntary efforts to protect the environment in the 1990s and the Marugame Plant and the Tokushima Plant acquired ISO 14001 certification in 1998. We have actively announced environmental conservation activities since 2004 and started posting the "Environmental Report" on our website in 2017. Furthermore, under the title of "Environmental and Social Report" from 2019, it carries many articles on social aspects. In preparing this report, we tried to use easy-to-understand, easy-to-read expressions and structure for everyone to understand the contents, in response to inquiries from stakeholders.

Applicable period

April 1, 2019 to March 31, 2020

Coverage

All offices and plant facilities of SHIKOKU CHEMICALS CORPORATION
Subsidiaries subject to consolidated accounting of
SHIKOKU CHEMICALS CORPORATION (10 domestic, 1 overseas)



Greeting

SHIKOKU CHEMICALS CORPORATION Group has formulated "Challenge 1000", our long-term vision that will guide the company to a new level by 2030, and announced it in May last year.

Under our guiding corporate philosophy of "Doku-sou-ryoku (creativity)", we further articulate our vision as "Toward 'one-step-ahead, proposal' company with creativity" as our goal for 2030. We aim to be a company which addresses social issues using creative ideas and which leads the world's progress.

We also set up "YONPO-YOSHI (favorable in all four directions)" as our policy to raise the awareness of customers, employees, shareholders, and society as a good corporate citizen. We will deliver "one-step-ahead values" to our customers, "challenge and growth" to our employees, more "profit return" to our shareholders, and "a better tomorrow" to society, so that we can benefit all of our stakeholders. In accordance with this policy, we have implemented specific activities, including announcement of our shareholder return policy on dividends and acquisition of shares, and our policy to contribute 1% of ordinary profits to social and community issues.

Furthermore, we will contribute to the achievement of Sustainable Development Goals (SDGs) adopted by the United Nations to further address social issues, in addition to environmental conservation through Responsible Care. Many of our key businesses already have a deep commitment to SDGs. For example, the production of carbon disulfide, which is a business that has been passed down for generations in this company, is achieved by using sulfur and methane gas as raw materials. Both of these are by-products that are formed during the refinement of gasoline and other petrochemicals from crude oil, and they are conventionally treated as industrial

waste. However, we can use these by-products to help conserve the global environment by using our company's proprietary technology to give them added value and selling them as products that are useful for the world.

We also consider our contributions to SDGs as a business opportunity to develop new products and services and create new business areas. By backcasting (planning backward) from the 17 SDGs, we will try to address social issues through our business activities by anticipating important problems. This will lead to sustainable growth not only of our company, but also of society.

The recent scourge caused by the novel coronavirus, which brought about uncertainty in the global economy, has led us to reconsider the role of a corporation. We will nevertheless ensure that we continue to pursue "safe operations", "environmental conservation", and "consistent quality" with the belief that they are the foundation of our business activities, even under such uncertain circumstances. Our group will continue to strive to meet the expectations of our stakeholders through concerted efforts to ensure compliance, consideration for the environment, and contribution to the resolution of social problems.

August 2020

President and C.E.O.

Naoto Tanaka



About SHIKOKU CHEMICALS CORPORATION

Management policy , Basic Policy for Responsible Care

Corporate Philosophy

"Doku-sou-ryoku (creativity)"

We always value creativity as a driving force for company development

Long-term vision "Challenge 1000"

Toward "one-step-ahead, proposal" company with creativity

Solve social issues with creative ideas, leading the progress of the world

[Charter of Corporate Behavior]

In developing our business activities, SHIKOKU CHEMICALS CORPORATION Group respects human rights, complies with all applicable laws and regulations as well as international rules and their spirits, and acts according to the following eight principles based on high ethical standards at the local and international levels:

- 1 We develop and provide socially useful products and services with due consideration of safety to earn customer satisfaction and trust.
- 2 We conduct transactions on the basis of fair and free competition and maintain healthy and sound relationships with the government.
- 3 We communicate with all members of society as well as shareholders and disclose company information in an appropriate and fair manner for maximum transparency in company activities.
- 4 We secure a safe and pleasant working environment, develop employees' abilities and vigor, and respect their personalities and individuality.
- 5 To protect the global environment, we strive to perform as a corporate citizen who cherishes harmony with nature and contributes to society.
- 6 We recognize the importance of intellectual property and personal information and the obligation to protect and handle them appropriately.
- 7 In international business activities, we comply with the applicable laws and regulations of each country and region, respect their cultures and customs, and contribute to regional development.
- 8 We refuse unfair and illegal demands and strongly oppose any antisocial forces and groups.

Basic Policy for Responsible Care

Philosophy

We are committed to protecting the global environment , as a broad-minded corporate citizen that contributes to a society in which harmony with nature is a priority.

Our actions are based on the idea that it is the duty of each company to take steps to reduce greenhouse gas emissions, conserve resources and energy, and minimize the discharge of environmental pollutants and generation of industrial waste. These measures both protect the environment and ensure safety.

We make products that are friendly for both people and nature.

We committed to protecting the environment and to the safety and health of our employees and citizens. We will maintain good relations with the community.

Our consideration of safety and the environment will be reflected throughout the lifecycle of all of our products in a way that reduces the burden on the environment.

1

2

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We follow the manual for promotion of RC activity to ensure continuous reduction of environmental burden.

6

We provide product information on safety and the environment.

7

We follow domestic and overseas laws and regulations and take active environmental protection measures.

8

We will operate in accordance with ISO14001, the international standard for environmental management, to the fullest possible extent at our Marugame and Tokushima Plants.

Basic Policy

SHIKOKU CHEMICALS CORPORATION
Responsible Care Committee
Committee Chairman, President and C.E.O.

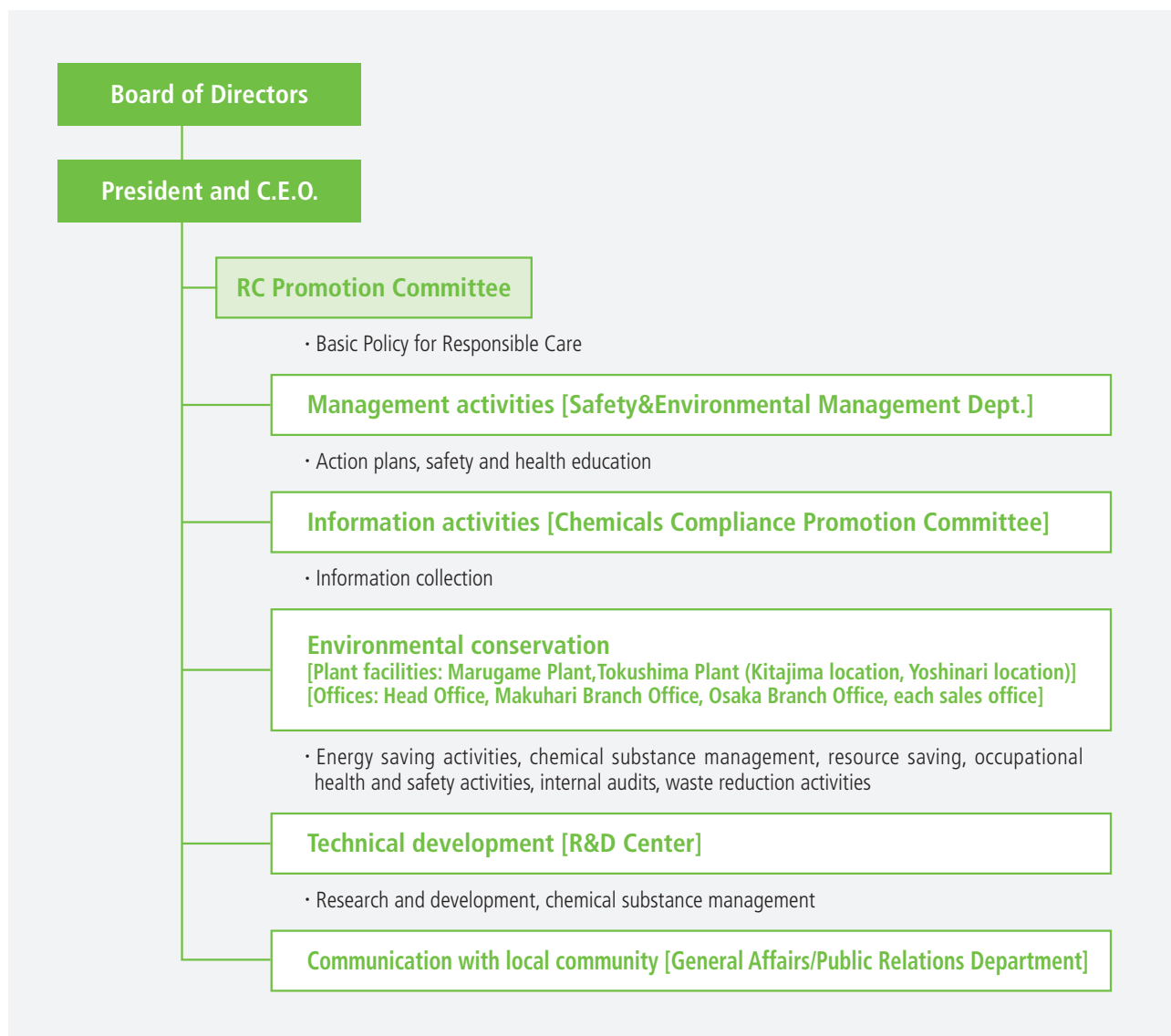
Naoto Tanaka

What is Responsible Care(RC)?

Responsible Care(RC) refers to voluntary activities conducted by the business operators manufacturing or handling chemical substances, for the purpose of protecting the environment, safety and health throughout the entire life cycle from development, manufacturing, distribution, use, final consumption to disposal of products.

Environmental Efforts

Environment Promotion System



With the initiative of the RC Promotion Committee, each plant facility and office has developed annual plans to achieve “Priority Goals of Environmental Protection”, continuing improvement activities.

The results of these activities are assessed by management, and necessary corrective actions are taken to incorporate the outcome into the plan for the coming year, resulting in improved environmental protection activities.



Priority Goals and Results of Environmental Protection in FY2019

- As for the priority goals of environmental protection in FY2019, SHIKOKU CHEMICAL CORPORATION Group has worked to achieve the objectives.
- We set three goals for the reduction of carbon dioxide emissions and promotion of energy saving. Although energy usage has decreased because of our reduction in the production of insoluble sulfur, we have seen an increase in unit consumption.
- In accordance with the environmental management system, it was confirmed that there was no abnormality in the application, compliance, and control status of laws and regulations related to the environmental conservation at each plant facility.

Priority goals	Results in FY2019	Our view of results
1. Reduction of carbon dioxide emissions and promotion of energy saving		
1) Plant facilities, Reduce energy consumption by 1% or more (energy consumption rate) compared to the previous year.	+ 5.6% from FY2018 (SHIKOKU CHEMICALS CORPORATION Group: + 4.3%)	Unit consumption decreased because of the reduced production of insoluble sulfur.
2) Offices, Reduce electricity use by 1% or more compared to the previous year.	+ 0.2% from FY2018	We were able to manage it properly.
3) Logistics and purchasing departments, Reduce the carbon dioxide emissions intensity related to transportation by 1% or more compared to the previous year.	▲ 3.3% from FY2018	We were able achieve reduction with the selection of appropriate fixed route flights and chartered flights.
2. Promotion of reducing industrial waste		
Plant facilities reduce externally-treated industrial wastes to a level below that of the previous year (waste per unit of production).	+ 2.7% from FY2018	The unit consumption increased slightly, although the quantity of waste decreased (▲9.9% from the previous year) due to the reduction in insoluble sulfur production.
3. Promotion of reducing emissions of hazardous chemical substances to outside of plant facilities		
Plant facilities formulate and implement a plan to reduce emissions of hazardous chemical substances specified in the PRTR system.	▲ 97t from FY2018	Emissions of carbon disulfide and toluene decreased. ·Carbon disulfide emissions decreased as the quantity collected increased by installing a condenser in the recovery system. ·Toluene emissions decreased due to a decrease in the production of products that use toluene.
Plant facilities involving emissions to the water system formulate and implement a reduction plan.	COD emissions : 4 t (acceptable emission rate 1.4%), Total nitrogen emissions : 13 t (acceptable emission rate 6.9%) Total phosphorus emissions : 0.05 t(acceptable emission rate 0.2%)	We were able to manage it properly
4. Promotion of safe operation		
Plant facilities ensure maintenance and management of equipment, security, and disaster prevention to promote stable and safe operation.	Comprehensive disaster prevention training was carried out at Marugame and Tokushima plants	We were able to raise awareness of disaster prevention by implementing comprehensive disaster prevention training.
5. Active participation and cooperation in environmental conservation activities		
Actively participate in the community's environmental conservation activities. Promote environmental conservation activities in cooperation with our suppliers.	Actively participate in volunteer and local cleaning activities.	We were able to raise awareness of environmental issues through participation.
6. Operation of environmental management system		
Plant facilities actively utilize ISO 14001 to control various burdens on the environment.	Promote voluntary improvement of the environmental management system.	We conducted an internal audit and confirmed that the management system was being effectively implemented.

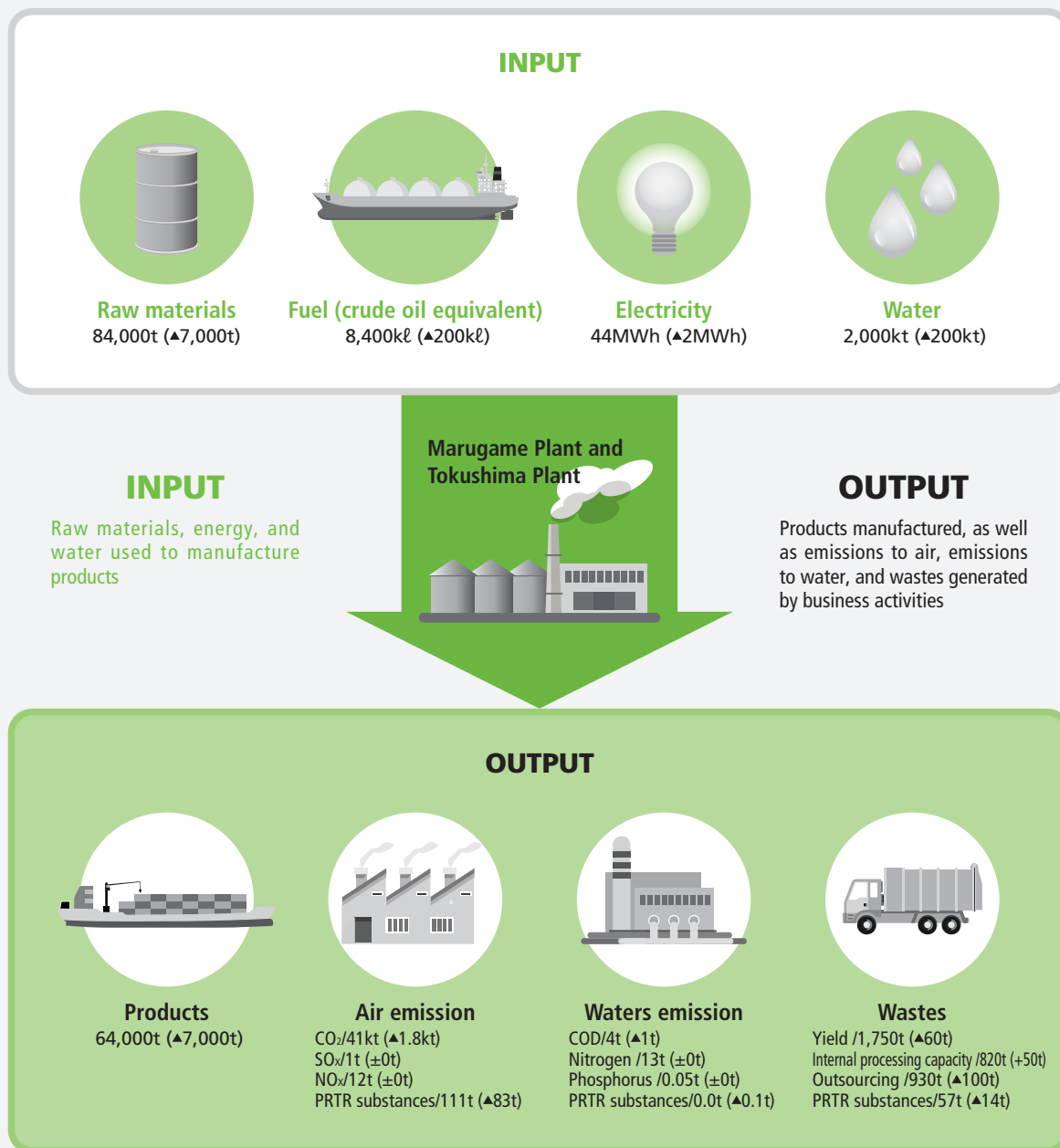
Environmental Conservation

We aim to contribute ensuring protection of the environment, safety and health of the community residents and our employees by continuously reducing environmental burdens caused by the greenhouse gas, chemical substances, and industrial wastes emitted from each of our plants and facilities.

Overview of environmental burden (to understand the environmental burden of production activities)

Materials balance at production sites in FY2019

(Year-on-year)



* We have confirmed that the risk to the production business associated with water is low according to the water risk map (AQUEDUCT).

Chemical substance management

Correspondence situation of PRTR System

The PRTR system specifies requirements for the business operators to grasp and voluntarily control the volume of chemical substances, which can be hazardous to human health and the ecosystem, discharged to the environment and moved as contained in the wastes.

Top four substances (accounting for 92.4%) of emissions and movement : carbon disulfide, toluene, xylene and ethylbenzene.

Gas emission washing treatment facility
(Tokushima Plant (Kitajima location))



This is the facility for gathering chlorine generated in the process manufacturing chlorinated isocyanuric acid and treating it by washing.

Equipment for recovery of carbon disulfide
(Marugame Plant)



This is the equipment for recovering carbon sulfide used in the process manufacturing insoluble sulfur.

Environmental audit, education

Progress on Activities related to ISO 14001

Our Marugame Plant and Tokushima Plant (Kitajima location) acquired the certification of ISO 14001, the international standard for environmental conservation in 2002. We have been developing our environmental conservation activities with the participation of all employees. We conduct risk assessment, education, and self-audit in accordance with the activity plan established by ISO 14001.

Marugame Plant ISO 14001 certificate



Tokushima Plant (Kitajima location) ISO 14001 certificate



Eco-Action 21 Certification

In May 2018, our group company Shikoku Environmental Business Company obtained certification under "Eco-Action 21". "Eco-Action 21" refers to an environmental management system for Environmental efforts small- to medium-sized businesses developed by the Ministry of the Environment to work on energy saving, water saving, waste reduction, and related issues. Shikoku Environmental Business Company worked on waste separation, electricity saving, and promotion of a paperless environment to facilitate environmental burden reduction activities and employee environmental awareness. As a certified business, it has received a request for an interview from the Ministry of the Environment and a request from the government of Kagawa Prefecture to present case examples of its efforts. We will continue to promote these activities further in the future.



Environmentally and People-Friendly Product Lineup

SHIKOKU CHEMICALS CORPORATION Group continues to make efforts for environmental protection and manufactures products contributing the global environment and living environment, health and safety in the aspect of product development.

NEO-CHLOR

Chlorinated isocyanurates mass produced by our company for the first time in Japan in 1964. With its excellent characteristics, the pool sanitizer NEO-CHLOR series contributes to a comfortable and safe swimming environment in school and leisure pools, along with an automatic chlorine feeder NAPIX.



SPACLEAN

In bathing facilities such as hot spring and public bathhouses, it is important to always keep the water in the baths clean. In the hot water which looks clean at a glance, bacteria such as Legionella remain if it is cyclically used after only filth are removed.

SPACLEAN, a chlorinated isocyanurates-based chlorine agent dedicated for bathwater, always keeps bathwater hygienic because of the strong active chlorine. This allows people to bathe without worry when used in combination with an automatic chlorine management system. We also provide SPACLEAN BROM 60T for hot spring containing alkali and the Legio Hunter mini tablets for medium-scale and small-scale baths such as social welfare facilities.



NEO-CHLOR MARINE

Ballast water, which is water loaded into a ship to maintain its balance, is injected at the port where cargo is unloaded and ejected at the port where cargo is loaded. To prevent damage to the environment caused by the discharge of organisms contained in ballast water, an international treaty came into effect in September 2017 to require ships to properly manage ballast water. "NEO-CHLOR MARINE" contributes to the protection of ecosystems as a disinfecting chemical agent for ballast water.



Gliccoat-SMD (Organic Solderability Preservative for printed circuit boards)

High-density surface mounting of parts using lead-free solder is the dominant technique for the printed circuit boards used in the electronic appliances such as PCs and smartphones from the viewpoint of protecting the global environment. Gliccoat-SMD is a heat-resistant water-soluble preflux which is able to provide good solderability demanded by customers even for lead-free solder which cannot be easily soldered.

Gliccoat-SMD is water-soluble, and hence, also helps make the work environment friendly to people and the earth.



Ohdelight (Agents for reduction of excess sludge)

Ohdelight is the system that reduces excess sludge generated in the wastewater treatment using the activated sludge method. This is the simple system consisting of a dissolver and a dedicated chemical agent, needs no expensive initial investment, and can be additionally installed in the wastewater treatment facilities such as rural community sewerages and food plants. The system was selected as the technology for the "Environmental Technology Verification Project" in 2011 which is the environment technology verification system established by the Ministry of the Environment. Ohdelight passed the objective verification test conducted by the third-party organization and the performance was approved.



Green Shade

As one measure against the heat-island phenomenon, green roof has been increasingly introduced in buildings. Our mid-air greening system "Green Shade" is a planter containing rainwater storage tank, covered with a two-tier mesh panel, along which a creeper grows to make a shadow of green. Our greening system solves problems seen in the existing products for green roof because it needs no large-scale renovation work and can reduce labor of watering by using rainwater and then it can be made use of green wall, too. This product also helps reduce carbon dioxide.



Keiso-kabe series

The products are wall finishing materials containing diatomaceous earth as a major ingredient and have excellent humidity control feature, heat insulating effect, and sound absorbability. They are people-friendly interior finishing materials which adsorb hazardous formaldehyde and decompose it into harmless substances. The products which can be painted directly to plasterboards needs no intercoating process when blended with carbon fibers, contributing to resource saving.

We also have renovation materials which can be applied on vinyl cloth wallpaper without stripping the wallpaper are also available.

SATORI (our wall material brand in the U.S.) acquired the Indoor Advantage™ Gold.

—What is the Indoor Advantage™ Gold —

The Indoor Advantage™ Gold is the U.S. standard to certify product safety and the certification is given based on the third-party certification agency. For the buildings using the certified products, the points required for the "LEED certification" indicating are given as the indoor air quality of the buildings is good. The buildings are authorized as green buildings based on the total number of points.

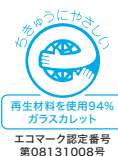
—What is LEED (Leadership in Energy and Environmental Design) ?—

LEED is one of the programs established and promoted by the "U.S. Green Building Council" organized and operated by the private companies mainly from the construction industry in the U.S. It is the system to evaluate how a building contributes improvement of the environment from various perspectives such as design concept and materials used.



Link Stone G (EcoMark-certified product: Certification No.08 131 008)

"Link Stone G" series are environmentally-friendly recycling paving materials made from waste glass materials such as used bottles. With high weather-resistance and excellent water permeability, the products avoid puddles being left over and are safe. This series are the EcoMark-certified products with appropriate asperities allowing people to walk comfortably on them.



Art Wall

"Art Wall" is an exterior fence that combines an aluminum frame and decorative materials. With a main light-weight body structure, it delivers the feature of having approximately 1/20* weight compared to a light-weight concrete block fence, while also presenting a sufficiently aesthetic appearance. The fence is designed to minimize the damage of accidents involving injuries in case of collapse. It is a product with excellent safety, designated as a "recommended superior part for school facilities" by the Research Institute of Educational Facilities and registered in the New Technology Information System (NETIS) of the Ministry of Land, Infrastructure, Transport and Tourism.

* The weight of Art Wall with seed paint finish is 12kg/m². Compared to this, the weight of a concrete block fence is 250kg/m² (15cm block), which is approximately 20 times larger.



Priority Goals of Environmental Protection in FY2020

SHIKOKU CHEMICALS CORPORATION Group, which is mainly engaged in manufacturing, is committed to the maintenance and control of facilities, as well as disaster prevention to ensure stable and safe operations. We also aim to ensure environmental health and the health and safety of local residents and employees. We will achieve this through the reduction of greenhouse gas emissions generated at each site, reduction of the use of resources such as energy and water, and continuous reduction of the burden of chemical substances and industrial wastes on the environment.

In addition to our environmental conservation efforts, we develop and offer products that contribute to the global environment, the living environment, and health and safety.

The twenty-first session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change adopted the Paris Agreement, a new global legal framework. Under this framework, the Japanese government committed to reduction targets for greenhouse gases of 26% from 2013 levels by 2030, and 80% from 2013 levels by 2050. This year, we reviewed the targets of the SHIKOKU CHEMICALS CORPORATION Group to address the reduction of greenhouse gases.

	Item	Scope	Target	Policy
1	Reduction in greenhouse gas(GHG) emissions (CO ₂ equivalent)	SHIKOKU CHEMICALS CORPORATION Group(Scope 1,2)	<ul style="list-style-type: none"> •FY2030 : Reduction by 26% compared to FY2013 •FY2020 : Reduction by 2.1% compared to the previous year (Unit consumption of sales) 	[plant facilities] <ul style="list-style-type: none"> •Promote improvement activities to increase production efficiency, reduce waste, and improve equipment performance •Optimization of operating conditions for facilities that use heating, air conditioning equipment, freezers, and refrigerators •Promote the use of night-time electricity for charging equipment
2	Reduction in energy consumption (crude oil equivalent)	SHIKOKU CHEMICALS CORPORATION Group (Scope 1,2)	<ul style="list-style-type: none"> •Reduction by 1% compared to the previous year (energy consumption rate) 	[office] <ul style="list-style-type: none"> •implementing Cool Biz and Warm Biz •strictly obeying the rule to set the temperature at energy saving ranges •updating to highly efficient equipment (LED luminaire) [transportation] <ul style="list-style-type: none"> •improving the efficiency in transportation of products (efficient use of transportation routes, rational transportation of freight, consolidated shipping, etc.) •Cooperation in the promotion of eco-drive
		SHIKOKU CHEMICALS CORPORATION	<ul style="list-style-type: none"> •Reduction by 1% of the 5-year average (energy consumption rate) 	
		SHIKOKU CHEMICALS CORPORATION (Transportation)	<ul style="list-style-type: none"> •Reduction by 1% compared to the previous year (Unit consumption of energy) 	
3	Management and reduction of environmental burdens on water and the atmosphere	Plant facilities	<ul style="list-style-type: none"> •Annual average value for drainage into the water area below the legal limit •Atmospheric emissions lower than the emission standard specified by the Air Pollution Control Act 	<ul style="list-style-type: none"> •Analysis and monitoring of waste discharged into water/ atmosphere •Compliance with national and local laws and regulations •Prevention of deviations with the use of in-house standards
4	Reduction in industrial waste to be processed externally	Plant facilities	<ul style="list-style-type: none"> •Equal to the previous year or lower (waste per unit of production) 	<ul style="list-style-type: none"> •Working on 3R activities, for example, with reviews of raw materials and packaging •Promotion of the use of groupware and digitalization of documents
5	Participation and cooperation in safety and environmental conservation activities	SHIKOKU CHEMICALS CORPORATION Group	<ul style="list-style-type: none"> •Safe and stable operations •Participation in local environmental conservation activities •Promotion of environmental conservation activities in cooperation with business partners 	<ul style="list-style-type: none"> •Facility maintenance, facility security, and disaster prevention •Participation in local activities near our operation sites •Investigation of the establishment of procurement standards
6	Operation of environmental management system	Plant facilities	<ul style="list-style-type: none"> •Proper management of substances subject to control under the PRTR system 	<ul style="list-style-type: none"> •Recording and reporting discharge and transfer amounts
		Marugame Plant Tokushima plant	<ul style="list-style-type: none"> •Actively utilize ISO14001 to control various burdens on the environment 	<ul style="list-style-type: none"> •Promote improvement of the environmental management system.

■Scope

- SHIKOKU CHEMICALS CORPORATION Group : All of the SHIKOKU CHEMICALS CORPORATION Group companies
- SHIKOKU CHEMICALS CORPORATION : Parent company : SHIKOKU CHEMICALS CORPORATION alone
- Plant facilities : Marugame Plant, Tokushima plants, Tadotsu plants, Naruto plants, Ranzan plants, Oita plants, Takase plants

Responsible Care Committee
Naoto Tanaka
Committee Chairman; President and C.E.O.

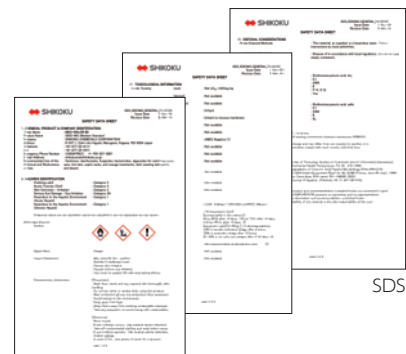
Relationship with Society

Product Liability

Product Safety

We comply with the regulations in each country based on the GHS*¹ Guidelines recommended by the United Nations and prepare a safety data sheet (SDS) for every chemical product, which allows us to provide information on hazards and toxicity, first aid measures, measures to be taken in case of fire or leakage, handling and storage precautions, physical and chemical properties, information on environmental impacts, disposal and transport precautions, and applicable laws and regulations, etc. In this way, we show customers how to handle our chemical products safely in an easy-to-understand manner. We also implement surveys on the status of environmental management and regulated substances with our suppliers, from whom we purchase products on a regular basis, and provide information quickly to our customers.

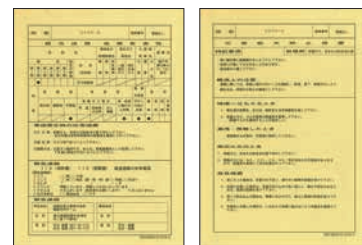
*1 GHS : Globally Harmonized System of Classification and Labelling of Chemicals



SDS

Safety in Logistics

In case of accidents during transportation, we issue the emergency contact card, "Yellow Card", containing the contents of safe measures to be taken by the carrier, police, fire fighters, and other people concerned in dealing with the accidents. We also annually provide contract carriers with training for unexpected accidents including things to be carried with them in transportation. These cards contain information such as names of the substances transported, their properties, first aid measures, and emergency contact.



Yellow Card

Quality Initiatives

1 Policy

Our group has formulated "Challenge 1000", the long-term vision we aim to achieve by 2030, and "Toward 'one-step-ahead, proposal' company with creativity" as our desired state for 2030. Under this long-term vision, we will aim to achieve a state in which each and every one of us continues to provide products, services, and values that are one step ahead.

To achieve these goals, we have established the SHIKOKU QUALITY POLICY and will implement PDCA cycle activities based on this policy across the Group. In addition to the quality of products, we will strive to continuously improve SHIKOKU QUALITY through efforts, for example, to improve the quality of services, take into consideration environment and safety, and increase the level of satisfaction at related departments within the company.

SHIKOKU QUALITY POLICY

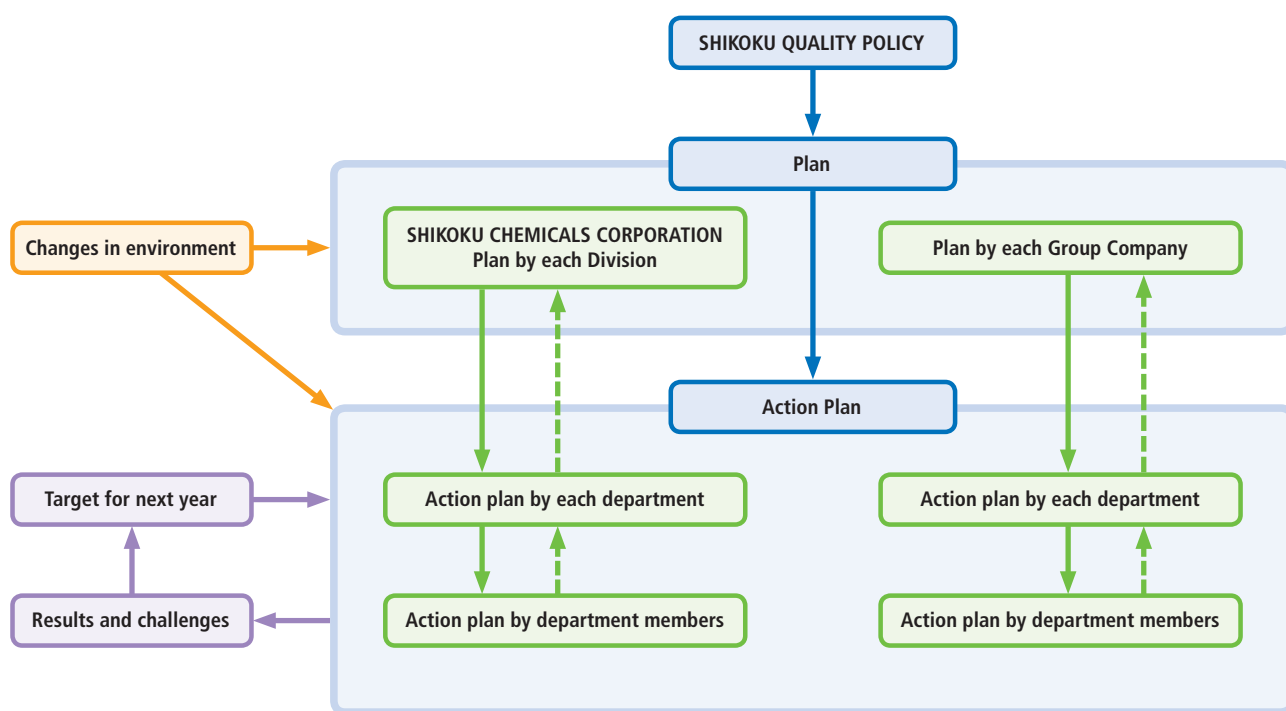
"Improve not only products, but also the levels of all activities"

2 Initiatives: Creation of customer value through participation of all employees (YONPO-YOSHI)

SHIKOKU QUALITY refers to the quality of all activities related to products, services, and values provided by SHIKOKU CHEMICALS CORPORATION Group to our customers.

We provide SHIKOKU QUALITY not only to the customers who use our products and services, but to all of our stakeholders, including employees, shareholders, and society.

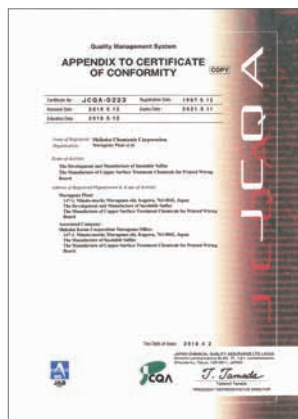
3 System diagram based on the policy



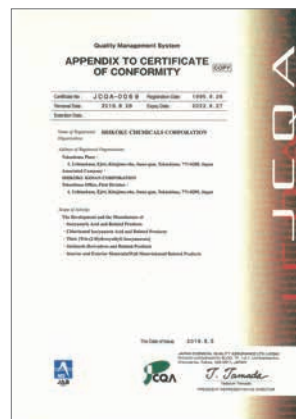
4 Progress on Activities related to ISO 9001

The quality assurance system for our company is based on ISO 9001. Marugame Plant, Tokushima Plant, Tadotsu Plant (SHIKOKU KEIZAI CORPORATION), Takase Plant (NIHON KOHKI CORPORATION), and Shikoku Analytical Laboratories have obtained ISO 9001 certification and have received maintenance and updates by qualified certification organizations.

Marugame Plant ISO 9001 certificate



Tokushima Plant (Kitajima location) ISO 9001 certificate



Respect for individuality and human rights

Policy/concept

1. Respect for human rights

We respect the individuality and the rights of all people.

We do not discriminate on the basis of birth, nationality, ethnicity, belief, religion, gender, age, disability, educational background, etc.

2. Non-complicity in human rights violations

We require all employees not to violate human rights or to discriminate, and strive not to be complicit in the violation of human rights, even indirectly.

3. Employment and labor policies

<Prohibition of forced labor and child labor>

We prohibit the employment of children who have not reached the working age stipulated by national and local laws and regulations. In addition, we will not tolerate forced labor, slave labor, or labor from human trafficking. We require our business partners to do the same. We will not impose unreasonable restrictions on employees leaving their jobs or terminating employment at any time.

<Good labor-management relations>

We guarantee the freedom of employees to form a union and approve the right to collective bargaining.

<Correct and fair compensation>

We pay our employees fair and correct compensation in accordance with all applicable wage laws, including minimum wage, overtime, and legally mandated benefits laws.

<Elimination of discrimination>

We are committed to equal opportunity in recruitment, assignment, promotion, and development.

4. Remedial action

If our business activities have resulted in a human rights violation, we will take appropriate measures to remedy and correct it.

In 1966, we concluded a labor agreement with our labor union. We are committed to respecting each other's positions and cooperating with each other in the spirit of mutual trust to ensure sound development of the company and improvement of the welfare of union members. We have promised to comply with the safe and peaceful labor-management relationship that we have established.

[Reference] The labor agreement was concluded with the UA ZENSEN SHIKOKU WORKERS' UNION FEDERATION

(Right to collective bargaining)

Article 1 The Company shall acknowledge that the Union is a legitimate representative of union members and shall negotiate with the Union on labor conditions of union members.

(Confirmation of rights)

Article 2 The Company shall acknowledge the Union's right to solidarity, right to collective bargaining, and other collective action rights, and the Union shall confirm the management rights of the Company.

(Freedom of union activities)

Article 9 The Company shall accept the freedom of union activities of union members, and shall not discriminate in treatment on the grounds of being a union member, or of conducting a legitimate union activity.

Our company aims to "create a bright workplace where the human rights of each employee are respected, and individual abilities and individuality can be fully demonstrated", and is engaged in human rights awareness for employees. To avoid forced labor, we provide harassment prevention education to managers. In addition, we adopt procedures to confirm that workers are at or older than the minimum age based on identification documents at the time of employment to avoid employment of child labor.

Support and development of employees

1 Work support

With a declining birthrate and an aging population, we are offering employees various kinds of support programs that make it possible for them to achieve a balance between work and family, encouraging employees who need to provide childcare or nursing care to work with peace of mind.

○Period of childcare/nursing care leave

Employees are able to take childcare leave until the child turns the age of 1 year and 6 months. They may also take up to one year of leave for each family member in need of nursing care, which may be divided into at most three times in a case.

○Accumulated annual leave

For general employees, up to 40 days of expired, unused paid leave accumulated over a period extending up to three years may be used as sick leave.

○Mutual aid association

In accordance with the spirit of mutual cooperation, we implement mutual relief and welfare enhancement for employees, including injury and disease benefits, congratulatory or condolence money, and solatium money.

○Mutual aid society

In accordance with the spirit of mutual cooperation, we provide mutual relief to members as benefits such as child education pension to support the healthy development of the children of any member who dies or retires due to severe disability.

In the future, we will continue to foster a workplace environment and climate to realize an environment where all employees can work with peace of mind.

2 Management of working hours

In order to optimize the working hours and working hours management, we strengthened the function of the attendance management system in March 2019. We have used the cloud system and established a mechanism to effectively understand and manage the working hours, and allow employees and their superiors to check the working conditions at all times. To reduce overtime work, for example, we are working to optimize the working hours and improve the management of working hours with the introduction of a system which generates an alert when the monthly overtime work hours or the total working hours reach a certain number.

3 Human resource development

Ideal candidate profile

Human resources with a strong sense of mission and ability of taking on challenges by themselves

We are focusing on securing and developing excellent human resources, aiming at "Toward 'one-step-ahead, proposal' company with creativity", as stated in the long-term vision "Challenge 1000".

In particular, with regard to training employees who engage in business activities, we are working on the development and use of human resources that take advantage of each employee's strengths and abilities from a mid- and long-term perspective. The company provides employees with the tools and support they need to engage in the independent and ongoing development of their abilities.

As a means of providing on-the-job training in daily operations, we have implemented a system of work targets.

Every six months, employees meet with their superiors to complete a full management cycle of Plan, Do, Check, and Action, which means goal setting, implementation to achieve goals, confirmation of performance, and making use of their results next. Superiors hold periodic meetings with employees to set goals, check interim progress, and assess outcomes, through discussion and guidance, to steadily raise the business execution capabilities of each employee, with the aim of further boosting their department's performance.

Employees also have opportunities to attend various seminars, workshops, and social university courses held outside the company as necessary.

As for off-the-job training, we conduct group training for new recruits, regular employees, and managers, apart from daily operations. For selfdevelopment, a communication education system has been introduced, and the company supports all or part of the expenses when employees complete the course selected.

Occupational Safety and Health

In our company, the corporate safety and health meeting, chaired by the President and C.E.O., determines the basic policy on safety and health management and other important matters concerning the promotion of safety management. Based on the decisions made at this meeting, each site devises the “Safety and Health Activity Plan” every year to prevent accidents. Under the “Safety and Health Activity Plan” prepared at each site, we hold joint labor-management safety and health committees on a regular basis to promote improvements in the workplace environment. Furthermore, the Marugame and Tokushima Plants have established and actively operated the occupational safety and health management systems in accordance with ISO45001.



Marugame Plant



Tokushima Plant (Kitajima location)



Tokushima Plant (Yoshinari location)

Holding the Convention for Safety and Health in Production & Technology Division

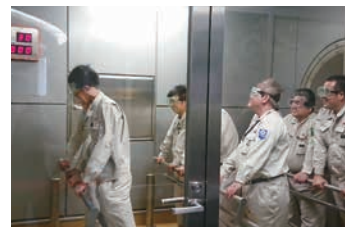
The Convention for Product/Technology Safety and Health is organized at the Marugame and Tokushima Plants, and aims to make both plants reliable for local communities by building culture fostered on the concept which shows that “Safety overrides everything else”. Top management share their plans to ensure safety, employees communicate with each other through presentations on risk prediction activities, and excellent safety and health activities are recognized.



Commendation for safety

Education on safety (Education involving simulations and risk prediction training)

Our safety activities focus on risk assessment, detection of near-miss incidents and concerns, and risk prediction to prevent the occurrence of serious industrial accidents. In addition, our education and training aim to prevent accidents by improving individual risk sensitivity, for example through safety education involving simulations in which participants can virtually experience an accident caught in a machine and a potential risk in a plant such as combustion and explosion, as well as risk prediction training to extract potential risks in operations.



Education involving simulations

Education on health

In activities for occupational health, we work for employees' health management through the implementation of mental health workshops, periodical health checkups, counseling, and stress checks for all employees because mental and physical fatigue or poor physical condition may cause occupational accidents. We also provide education on harassment to improve our work environments, where fundamental human rights are respected.



Earthquake experience

Relationship with labor union

Labor and management work in collaboration in a relationship of mutual trust. We focus on specific collaborative themes such as revision of the personnel system, reduction of overwork, promotion of yearly paid vacations, and review of the personnel evaluation system. We hold monthly meetings of the labor-management expert committee to discuss workplace issues and improve the workplace environment.



Mental health workshop

Security and Disaster Prevention

We proactively conduct regular education and training programs on disaster prevention and security, as well as comprehensive disaster drills, to be prepared for unexpected accidents.

In addition, we developed BCP^{*2} to secure the safety of employees and ensure early resumption of business activities in preparation for the “Major Nankai Trough Earthquake” that is expected to occur in the near future.

^{*2} BCP (Business Continuity Plan) : A summary of countermeasures for business continuity in case of disasters and accidents

Manufacturing building reinforced for earthquakes in Marugame Plant



Comprehensive disaster drill in Marugame Plant

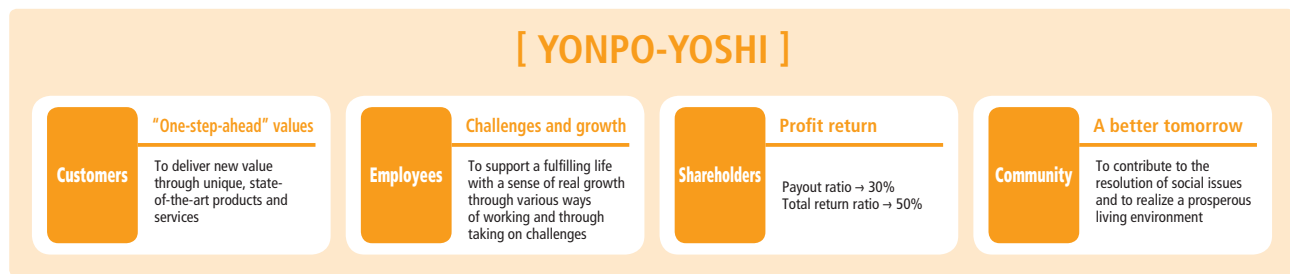


Comprehensive disaster drill in Tokushima Plant



Communication and Collaboration with Stakeholders

In our long-term vision “Challenge 1000”, we specify “YONPO-YOSHI” as the company’s activity policy. “YONPO-YOSHI” means to contribute to customers, employees, shareholders, and society. We will deliver “one-step-ahead values” to our customers, “challenge and growth” to our employees, more “profit return” to our shareholders, and “a better tomorrow” to society, so that we can contribute to all of our stakeholders.



Our group started business with the production of carbon disulfide, the raw material of rayon, and has been supported by the community residents and many other people. Even now, we continue to have opportunities to communicate with stakeholders in various situations to confirm their expectations and demands for our group companies. We believe that it is important to take expectations and demands obtained through such communication in our supply chain activities for the establishment of trust relationships with stakeholders and sustainable development.

■ List of communication with key stakeholders (as of March 2020)

Stakeholders		Communication
Customers	Contribute to our customers with chemicals and housing materials and their quality produced by our creativity.	Information provision to environment surveys and CSR-related surveys
Supplier	SHIKOKU CHEMICALS CORPORATION Group, which operates globally, purchases products from many suppliers.	Survey for supplier environmental management system, audit
Employees	A total of 1,206 employees of SHIKOKU CHEMICALS CORPORATION Group. Respect each individual’s personality, strive to ensure their safety and health.	Collective bargain, labor-management council, education training, evaluation interview, health and safety committee, compliance hotline
Shareholders / Investors	The total number of issued shares is approximately 58 million shares and the number of shareholders is 4,307.	General meeting of shareholders Explanatory meeting for investors
Community	In line with the concept of “YONPO-YOSHI”, we have decided to contribute 1% of our ordinary profits to social and community issues.	Community Information provision of business activities, cultural property protection, participation in regional volunteer activities

Local cleanup activity



Planting activities

Cultural property protection
(Marugame Castle stone wall repair project)

ES Performance Data

	Indicator		Unit	Scope	FY2015	FY2016	FY2017	FY2018	FY2019
Environmental	CO ₂ Emission	Emission	Thousand t	SHIKOKU CHEMICALS CORPORATION	44.8	46.4	42.6	44.0	42.2
		Unit consumption	tC/Thousand t	SHIKOKU CHEMICALS CORPORATION	0.7	0.7	0.6	0.6	0.7
		Emission	from 2013 * ¹	SHIKOKU CHEMICALS CORPORATION	107.3%	111.0%	102.0%	105.3%	100.9%
		Emission	Thousand t	Domestic consolidated subsidiary	47.0	48.7	44.5	45.8	44.0
		Unit consumption	tC/Thousand t	Domestic consolidated subsidiary	0.44	0.46	0.39	0.39	0.41
	Energy consumption (Crude oil equivalent)	Consumptions	Thousand kℓ	SHIKOKU CHEMICALS CORPORATION	18.1	18.7	20.2	20.7	19.8
		Unit consumption	ℓ /Thousand t	SHIKOKU CHEMICALS CORPORATION	300.7	295.7	291.4	291.6	308.8
		Consumptions	Thousand kℓ	Domestic consolidated subsidiary	27.1	28.1	28.8	29.5	28.3
		Unit consumption	ℓ /Thousand t	Domestic consolidated subsidiary	253.5	265.6	255.1	254.3	265.9
	Energy basic unit for product transportation	Transport volume	million ton-kilometers	SHIKOKU CHEMICALS CORPORATION	38.2	37.8	38.2	37.8	36.8
		Unit consumption	kℓ /million ton-kilometers kt	SHIKOKU CHEMICALS CORPORATION	74.1	74.0	75.8	79.5	76.6
		CO ₂ emissions	kt	SHIKOKU CHEMICALS CORPORATION	7.5	7.4	7.7	8.0	7.5
	SOx and NOx emissions	SOx	t	the three chemical plants	0.3	0.6	1.0	1.6	1.2
		NOx	t	the three chemical plants	14.3	11.9	9.9	12.3	12.2
		SOx acceptable rate* ²	%	the three chemical plants	0.1%	0.1%	0.2%	0.3%	0.3%
		NOx acceptable rate* ²	%	the three chemical plants	25.3%	23.7%	18.6%	22.3%	23.2%
	Soot and dust emissions	Soot and dust	t	the two chemical plants	0.2	0.2	0.1	0.3	0.1
		Soot and dust acceptable rate* ²	%	the two chemical plants	4.5%	7.0%	5.2%	10.6%	4.6%
	Water input and drainage	Input	Ten thousand m ³	the three chemical plants	198.1	217.6	211.9	220.0	200.7
		Emission	Ten thousand m ³	the three chemical plants	207.9	178.7	181.7	174.0	156.8
	Water pollutant emissions	COD	t	the three chemical plants	3.6	3.5	4.7	4.8	3.5
		Total nitrogen	t	the three chemical plants	10.1	12.4	14.0	12.3	12.6
		Total Phosphorus	t	the three chemical plants	0.11	0.04	0.05	0.05	0.05
		COD acceptable rate* ³	%	the three chemical plants	1.1%	1.3%	1.7%	1.8%	1.4%
		Total Nitrogen acceptable rate* ³	%	the three chemical plants	4.1%	5.9%	6.6%	6.1%	6.9%
		Total Phosphorus acceptable rate* ³	%	the three chemical plants	0.3%	0.1%	0.2%	0.2%	0.2%
	Waste emissions	Emission	t	the three chemical plants	868.4	948.2	1,000.6	1,034.2	931.9
		Unit consumption	kg/t	the three chemical plants	14.4	15.0	14.5	14.6	14.5
	Emission and movement of substances specified in PRTR* ⁴	Total	t	the three chemical plants	134.3	152.3	132.4	266.2	168.8
		Air	t	the three chemical plants	98.6	118.9	94.3	194.3	111.5
		Public waters	t	the three chemical plants	0.5	0.4	0.0	0.2	0.0
		Industrial waste	t	the three chemical plants	35.3	33.0	38.1	71.7	57.3
	Emission and movement of carbon disulfide	Air	t	the three chemical plants	98.0	118.2	94.0	194.1	111.0
		Public waters	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
	Emission and movement of toluene	Air	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Public waters	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	the three chemical plants	19.7	17.8	13.2	46.7	24.2
	Emission and movement of xylene	Air	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Public waters	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	the three chemical plants	4.2	8.6	7.1	7.0	9.5
	Emission and movement of Ethylbenzene	Air	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Public waters	t	the three chemical plants	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	the three chemical plants	—	—	8.3	8.2	11.2
Social	Work-related fatalities		case	SHIKOKU CHEMICALS CORPORATION	0	0	0	0	0
	Female employment rate		%	SHIKOKU CHEMICALS CORPORATION	18.3	17.9	17.8	17.9	18.5
	Turnover rate		%	SHIKOKU CHEMICALS CORPORATION	4.6	4.3	2.8	4.2	3.9
	Donations to local communities		million yen	SHIKOKU CHEMICALS CORPORATION	—	—	—	2.7	53.6

The three chemical plants refer to Marugame Plant, Tokushima Plant (Kitajima location), and Tokushima Plant (Yoshinari location).

Dust is applied to Tokushima Plant (Kitajima, Yoshinari locations). Dust is eliminated at Marugame Plant due to the change to city gas.

*1 CO₂ emissions in 2013 were 41,800 tons.

*2 The acceptable emission rate is calculated from the standard value of the Air Pollution Control Act.

*3 Water Pollution Control Law Calculates the allowable discharge rate based on uniform drainage standards.

*4 Top four substances (accounting for 92.4%) of emissions and movement : carbon disulfide, toluene, xylene and ethylbenzene.

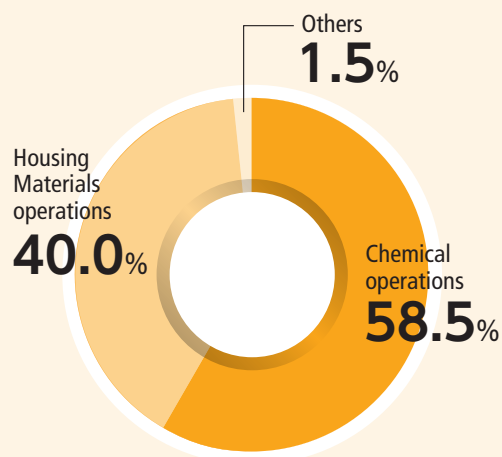
■ Corporate Profile (as of the end of March, 2020)

Trade name	SHIKOKU CHEMICALS CORPORATION
Foundation	October 10, 1947
Capital	6,867 million yen
Representative	Naoto Tanaka President and C.E.O.
Number of employees	660(SHIKOKU CHEMICALS alone) , 1,206(including employees in consolidated subsidiaries)
Sales	51,564 million yen(consolidated statement)
Establishments	
Head Office	8-537-1, Doki-cho Higashi, Marugame, Kagawa
Branch Offices	Makuhari, Osaka
Sales Offices	Tokyo, Nagoya, Fukuoka, Sendai, Okayama, Shikoku, Kanagawa, Kitakanto, Higashikanto, Shizuoka, Los Angeles(U.S.A.), Shanghai(China), Shenzhen(China), Taiwan, Singapore, London(UK)
R&D Center	Utazu(Kagawa)
Plants	Marugame, Tadotsu, Takase(all three in Kagawa Prefecture), Kitajima, Yoshinari, Naruto(all three in Tokushima Prefecture), Ranzan(Saitama), Oita(Oita)
Subsidiaries subject to consolidated accounting	SHIKOKU KEIZAI CORPORATION, SHIKOKU KEIZAI KANTO CORPORATION, SHIKOKU KOSAN CORPORATION, SHIKOKU SYSTEM KOHBOH CORPORATION, Shikoku Foods & Trading Company, Shikoku Foods & Insurance Service Co., Ltd., Shikoku Analytical Laboratories, Shikoku Environmental Business Company, Nippon Ryutan Kogyo Co., Ltd., NIHON KOHKI CORPORATION, SHIKOKU INTERNATIONAL CORPORATION (U.S.A.)
· 10 domestic · 1 overseas	

■ Description of major businesses and products

Chemical products	
Inorganic Chemicals	: Carbon Disulfide Insoluble Sulfur Sodium Sulfate
Organic Chemicals	: Isocyanuric acid derivative (NEO-CHLOR), Wastewater treatment agent (HIPOLKA)
Fine Chemicals	: Chemical agents for printed circuit boards, Imidazole derivatives
Housing materials	
Interior	: Interior finishing materials(Keiso-kabe, walls made of natural materials), Exterior finishing materials, paving materials
Exterior	: Gate doors, Fences, Garages, Shutters
Other business	
IT systems, fast-food sales and other service operations	

■ Sales amount constituent ratio





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