

2014-2015



KSA Sustainability Report Highlights



Enriching lives, in harmony with nature.

Kao Specialties Americas LLC

2014-2015

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CEO MESSAGE

CEO Message



To Our Stakeholders

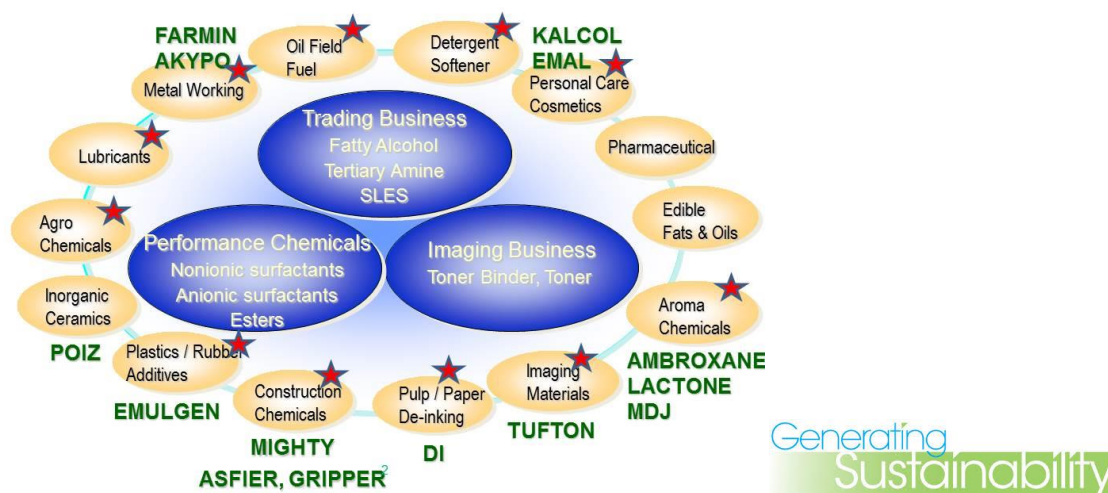
As part of Kao Corporation, it's important that we build a sustainable business focused on contributing to satisfying and enriching the lives of our shareholders, customers, employees and community. As leaders of Kao Specialties Americas LLC (KSA), we are making every effort to strengthen our resilience against domestic and global risks for the Kao Group through Yoki-Monozukuri. Kao defines "Yoki-Monozukuri" as "a strong commitment by all members to provide products and brands of excellent value for consumer satisfaction." In Japanese, "Yoki" literally means "good/excellent," and "Monozukuri" means "development/manufacturing of products." As we look towards the future, our foundation of "Yoki-Monozukuri" remains unchanged. Recognizing that today's world is complex and highly connected, as a member of Kao Group's business, we are committed to providing solutions for our customers through

CEO MESSAGE

Kao's rich history of technological breakthroughs employing Kao's global R&D efforts. By setting targets for these issues and disclosing our performance, we reinforce our commitment to sustainability.

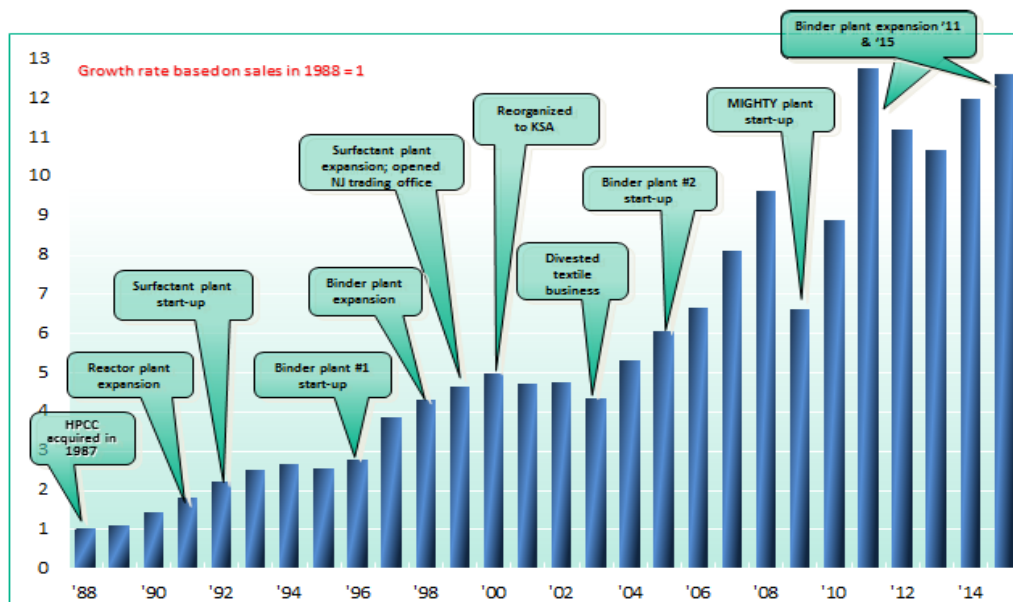
While we speak of continuously shifting business conditions, we are clear how we want to respond through Yoki-Monozukuri. Kao Corporation was honored to be recognized as one of the World's Most Ethical Companies 2015 by Ethisphere Institute. Since the award's inception in 2007, Kao is the only Japanese company that has received this recognition for nine straight years. Being recognized for nine consecutive years is an achievement shared by all the members at KSA. We are committed to the continual development of our employees for excellence while spreading Kao's values of integrity and transparency. We have a zero tolerance to any breaches of Kao's Business Conduct Guidelines. Moreover, we will continue to balance our efforts between optimizing our current business, growing future opportunities and achieving sustainable solutions for our customers. Our core values serve as a compass for us to create enduring value for our stakeholders. Therefore, we take pleasure sharing our 2013-2014 sustainability initiatives prepared in accordance with Kao Sustainability Statement and our global reporting guidelines. We welcome you to find out more about our initiatives and performance focused on three key areas of Conservation, Community and Culture.

Business Activities of KSA

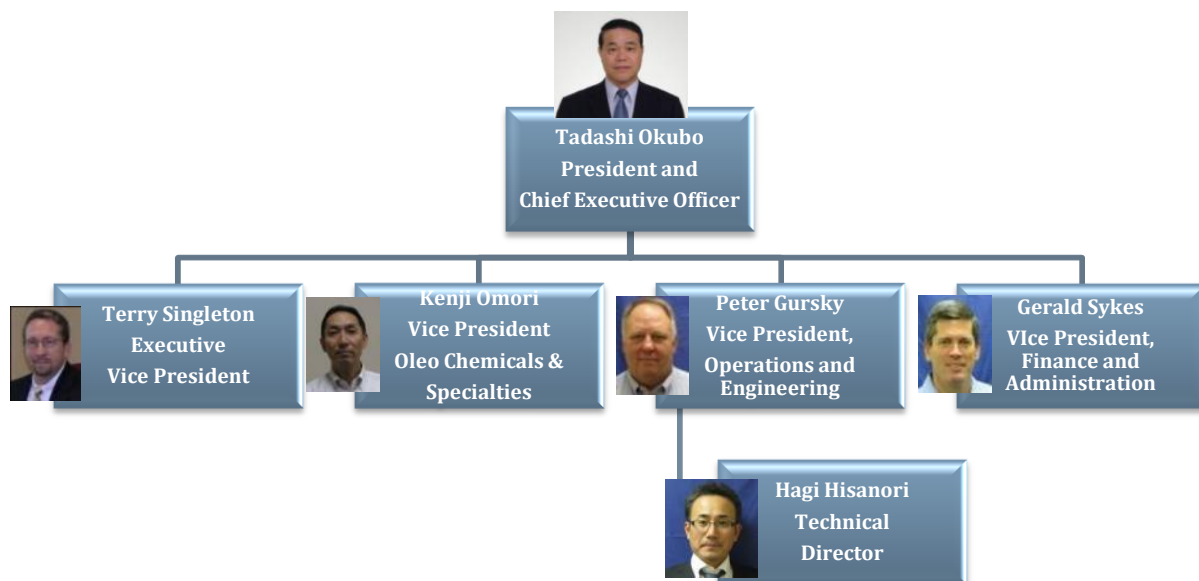


CEO MESSAGE

Financial Highlights



Company Officers



Kao Specialties Americas



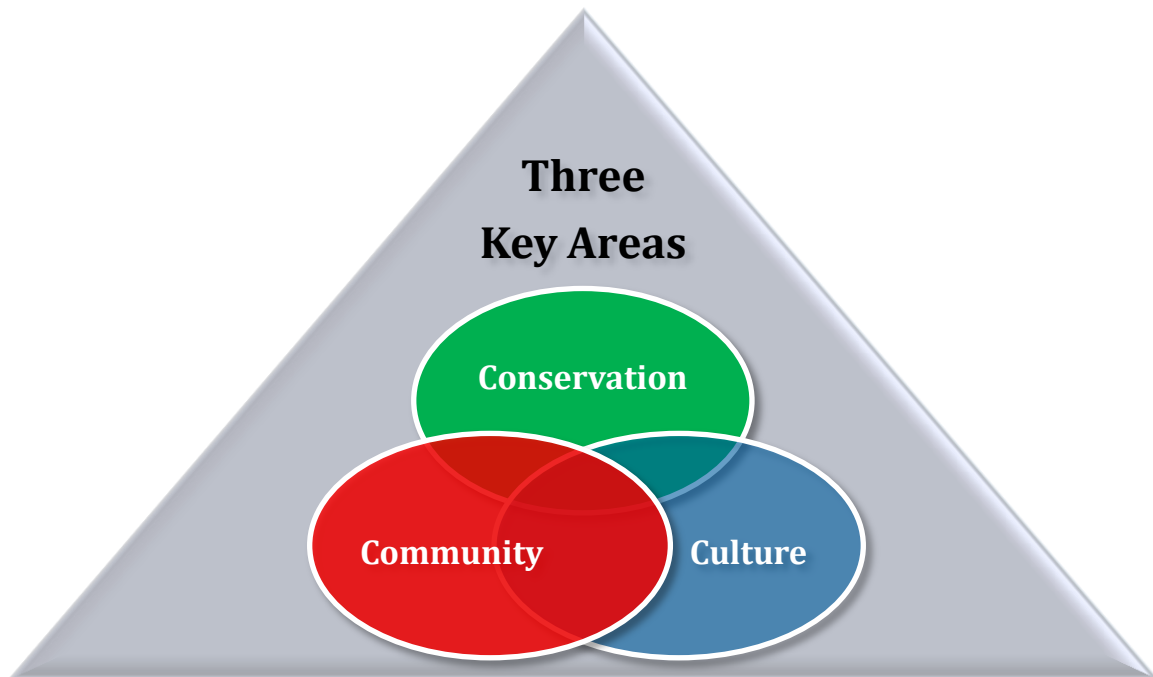
Kao Sustainability Statement

Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of society. By developing innovative products and services, we work to conserve the environment and foster well-being in the communities we serve now and in the future.

To do this, in partnership with our stakeholders, we promote a culture of integrity in everything we do and we provide a workplace that maximizes the potential of each and every one of our employees.

To advance our business responsibly and sustainably, we are focusing our efforts on the three key areas of Conservation, Community and Culture.

Day-to-day Work / Basic Activities



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Company Profile



KSA is a wholly owned subsidiary of Kao Corporation, Tokyo, Japan. Established in 1887, Kao Corporation is a global company that develops, manufactures and markets personal hygiene, laundry, food, cosmetic, and specialty chemical products. The majority of our global product lines are based on surface active or “surfactant” chemistries.

KSA's manufacturing facility is located on a 60-acre site in High Point, NC. The site houses administrative and sales offices, R & D labs, warehousing, a biological waste treatment plant and three manufacturing plants:

- Performance Chemicals Production Unit (Plant 1)
- Surfactant Production Unit (Plant 2)
- Toner Binder Production Unit (Plant 3)

Our business is as diversified as our chemistries. As a chemical company, we are constantly expanding our capabilities and developing new markets to help build a sustainable society.

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Integrated Management System



Kao Specialties Americas LLC is a specialty chemical manufacturing company located in High Point, NC and is a proud member of the Kao Corporation family. As part of the Kao global family, our actions are guided by our commitment to The Kao Way philosophy of Yoki-Monozukuri which is defined as providing products of excellent value for customer satisfaction. Safety, health, security, environmental stewardship, and product quality are all integral components of our Integrated Management System.

- Embrace Kao's environmental philosophy of 'eco together' as we design quality products and safe processes that minimize the impact to our environment and protect the health and safety of our employees, neighbors and consumers.
- Pursue pollution prevention initiatives, conserve natural resources and develop a culture that promotes waste minimization strategies of its products and processes.
- Continually improve all aspects of our business by measuring performance against objectives and targets which is critical to achieving sustainability and long-term success.
- Comply with the guiding principles of Responsible Care® and all other legal and agreed-to requirements focused on sustainable management of our products throughout their life-cycle and intended use.

We are proud to share our statement of commitment with our employees and make it available to all interested stakeholders.

Tadashi Okubo – President

Effective: January 2016

Culture Highlights



Corporate Governance

KSA's position on corporate governance directly reflects Kao Corporation's basic philosophy and interpretation. KSA positions corporate governance as a key management subsystem and operates the fundamental governance systems by: 1) The development and use of a robust, sound and transparent management operating system, 2) The development and operation of a strong internal control system and 3) The subsequent audit/governance by an internal audit function to make sure all operating systems are functioning as outlined. KSA believes that investment in strong management systems and internal controls will contribute to increasingly transparent management and will continually increase corporate and shareholder value.

The foundation of the internal control system at KSA involves auditing around a comprehensive set of operating policies and procedures as well as through the interpretation and application of the Kao Global and KSA Local policy manual and approval level policy. These operating policies and approval level policies are reviewed and tested on a regular basis to ensure that the policies continue to apply to the current operating environment.

To ensure compliance and continuous improvement against these operating policies and procedures internal audits are performed on a routine basis by the corporate audit staff (organization formed by Kao in 2008) as well as regular audits by internal KSA staff. Kao also conducts annual reviews and implements the necessary measures to improve corporate governance as appropriate while integrating social trends and responding to the requests of shareholders and all other stakeholders.

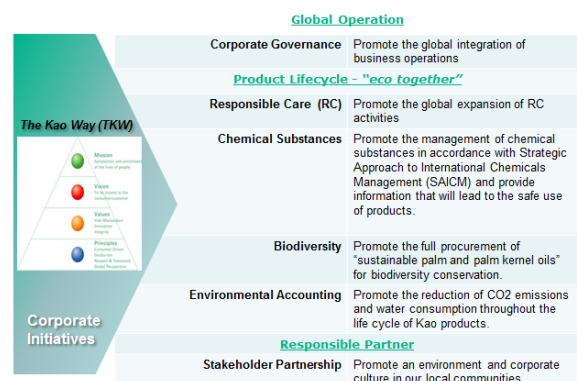
KSA Embraces Sustainable Palm Oil



Kao's mission is to strive for the wholehearted satisfaction and enrichment of the lives of people globally and to contribute to the sustainability of society. One way KSA helps to do that is by participating in global initiatives such as the Roundtable on Sustainable Palm Oil (RSPO). The RSPO is a not-for-profit organization that has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil. When they are properly applied, these criteria can help to minimize the negative impact of palm oil production on the environment and communities in palm oil-producing regions.

One of the most important RSPO criteria states no primary forests or areas which contain significant concentrations of biodiversity (e.g. endangered species) or fragile ecosystems, or areas which are fundamental to meeting basic traditional or cultural needs of local communities can be cleared. Other RSPO principles stipulate a significantly reduced use of pesticides and fires, fair treatment of workers according to local and international labor rights standards, and the need to and consult with local communities before the development of new plantations on their land.

KSA's supply chain has been certified to purchase, store, and sell Fatty Alcohols and Amines produced from raw materials that are grown, manufactured, and shipped following the RSPO guidelines. As more and more consumers demand natural products that are sourced and produced in a sustainable manner, KSA is well positioned to meet that need.



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Conservation Highlights

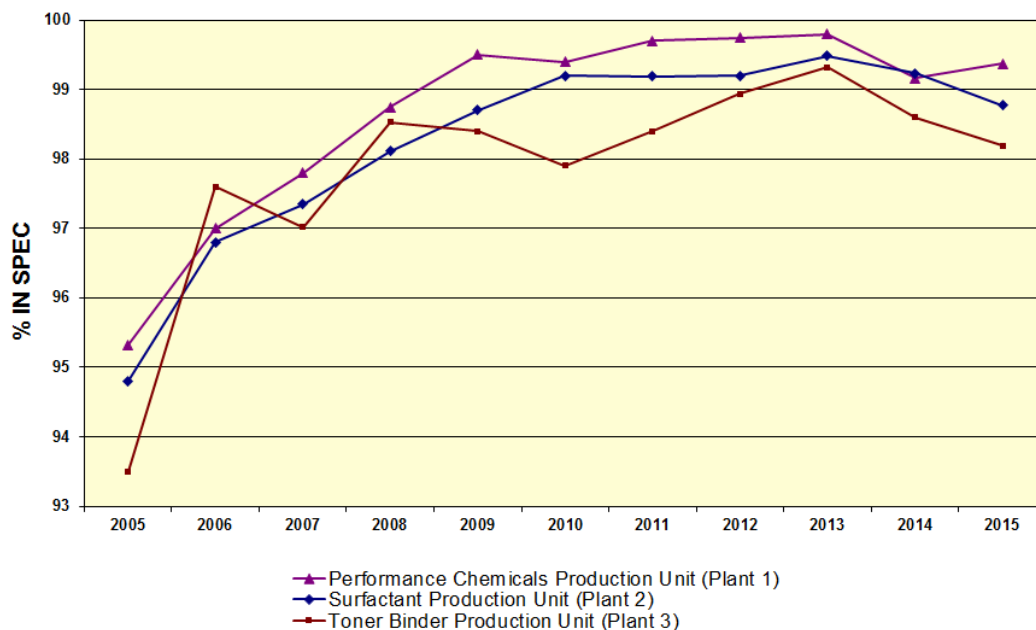
Product Quality

At KSA our ultimate goal is to manufacture products that exceed our customer's expectations. Quality is defined as 100% right-first-time in our three manufacturing plants:

Performance Chemicals Production Unit (Plant 1)

Surfactant Production Unit (Plant 2)

Toner Binder Production Unit (Plant 3)



To ensure product quality, the entire process of producing the product must be established and streamlined. Over recent years, an intensive program has been implemented to improve the right-first-time product quality that includes:

Capital Investment

Operator Training and Certification

Technical Staffing Expansion

Root Cause Analysis

Corrective and Preventive Action

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Weekly Product Quality Meetings

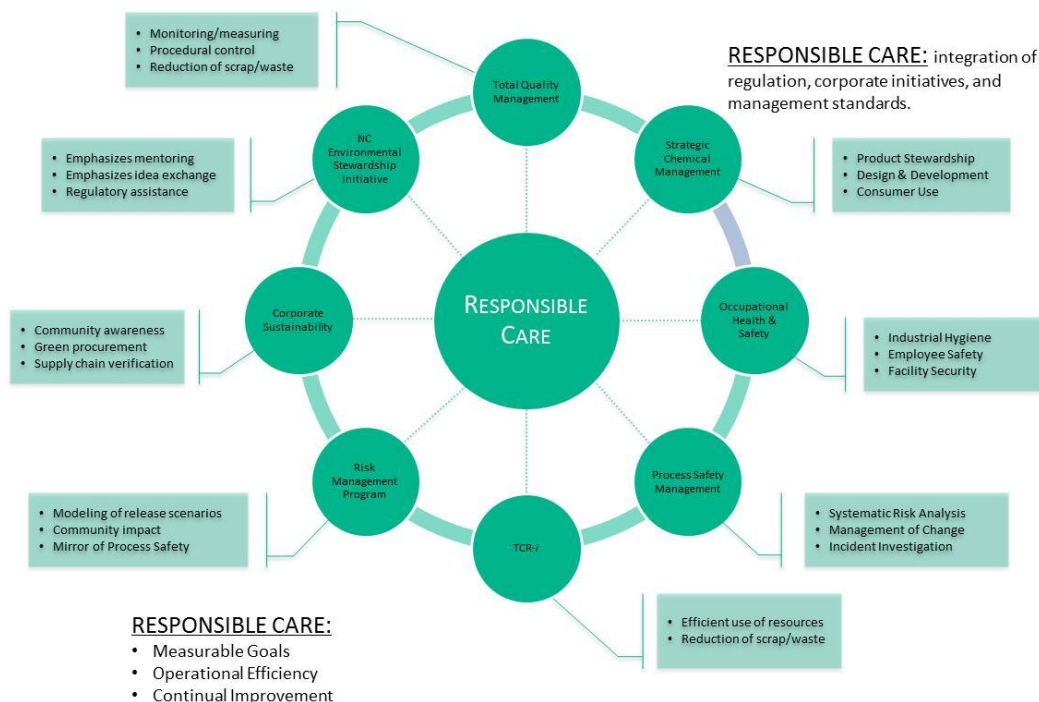
Inclusion of product quality into company and personal goals

Comprehensive new product introduction procedures

Product quality is a critical element of company success and involves production, quality control, engineering and supply chain. The entire organization at KSA works together to ensure the highest product quality. These activities result in greater customer satisfaction, reduced use of natural resources, lower energy consumption and a safer work environment.

Responsible Care Program

Our commitment to protecting the environment, safety and human health while using all resources in a responsible and sustainable manner.



KAO SPECIALTIES AMERICAS

OBJECTIVE	DIVISION	METRICS	TARGET	1Q	2Q	3Q	4Q	FINAL
Carriers, Suppliers, Distributors	Procurement	Vendor Non-Conformances	12	2	1	0	0	3
	Shipping	On-Time Delivery	> 95%	92.0%	91.9%	90.8%	96.3%	92.1%
	Shipping	Damaged Goods	≤ 2/Q	0	0	1	0	1
Stakeholder	Site	Customer Complaints	< 0.2%	0.15%	0.00%	0.09%	0.06%	0.08%
	Site	Customer Satisfaction	NA	NA	NA	NA	NA	NA
Corporate Citizenship & Human Resources	HR	Separations < 90 days	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Production	Time to Fill Position	45	21	NA	65	65	65
	HR	Separations < 1 year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Site	Volunteer Activities	300.0%	NA	NA	231.0%	334.0%	334.0%
	Site	Volunteer Contribution	\$33,297	NA	NA	\$21,866	\$23,928	\$23,928
	Site	Education Expenses	no goal	\$9,407	NA	\$34,537	\$28,804	\$78,410
	Site	Off-Site Training Hours	no goal	831	NA	2,427	1920	5178
EHS Operational Indicators	Site	Recordable Injuries	RIF ≤ 2.04	0	5.33	4.44	3.27	3.27
	Site	Lost Time Injuries	DART = 0	0	1.33	0.89	0.65	0.65
	Production	LOPC/kT Production	≤ 149 kg/kT	372.7	700.4	1063	928.2	928.2
	Operations	On-Time Safety Training	≥ 95.0%	89.9%	89.6	89.7%	91.5%	91.5%
	Operations	1 st Time Pass-Rate	Baseline	100.0%	94.6	93.3%	95.7%	95.7%
	Site	Open Incident Action Items	Baseline	30.6%	43.4%	19.8%	14.8%	14.8%
	Site	Days to Close MOC	Baseline	12.4	6.9	6.4	8.1	8.1
	Site	Water Consumption	≤ 920 gal/MT	1132.8	NA	1006.1	989.7	989.7

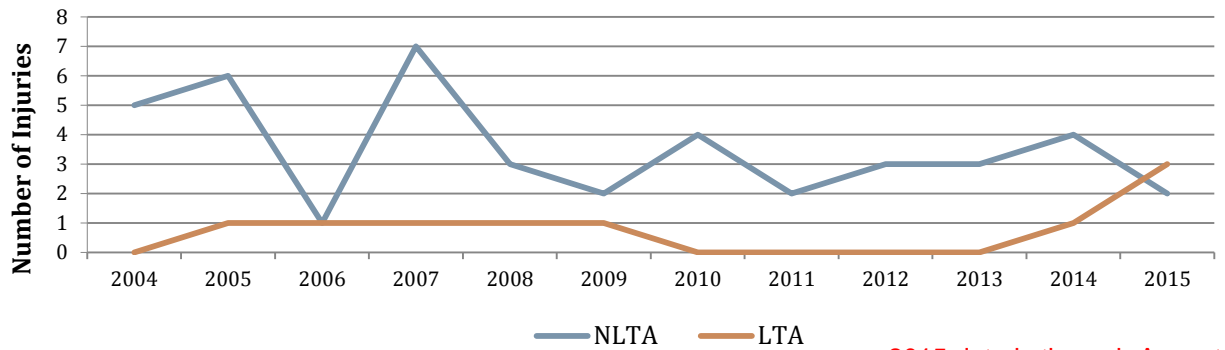


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Responsible Care Performance



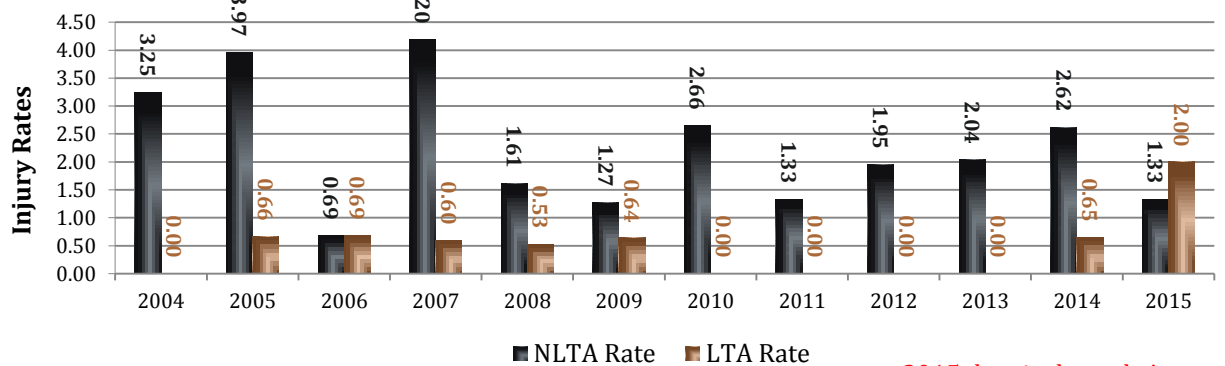
KSA Injury History



2015 data is through August

KSA Injury Rates

Rate = (# Injuries x 200,000)/(# Hours Worked)

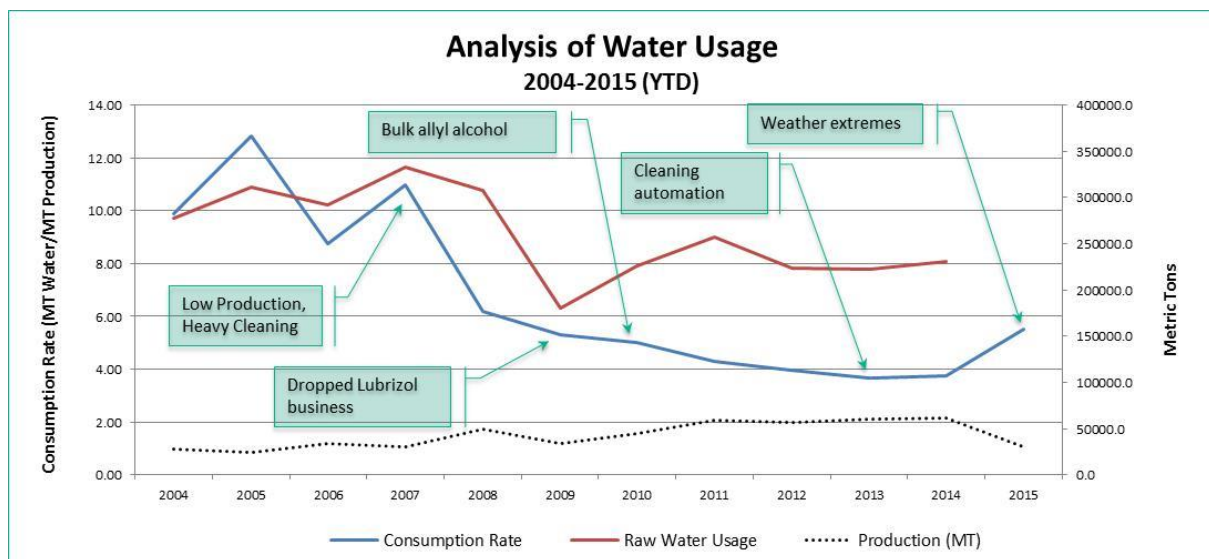
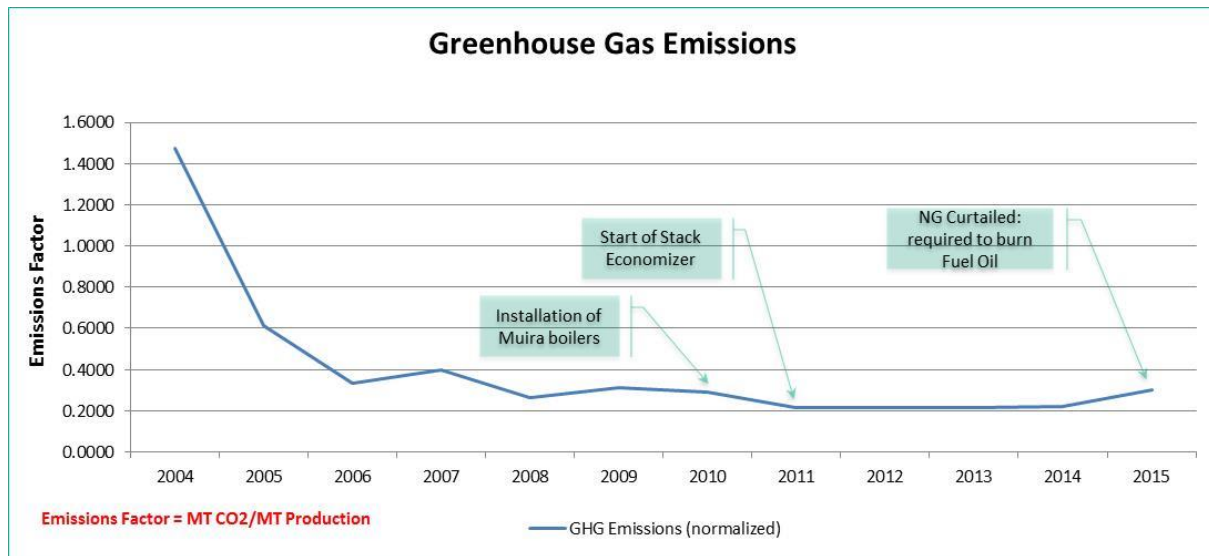


2015 data is through August



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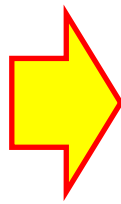
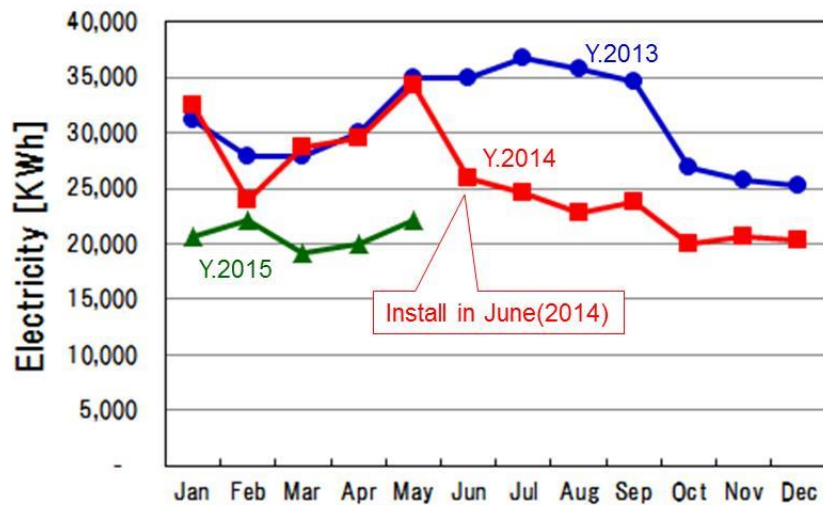
Global Warming Prevention (ECO Action)



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Eco Together Targets

Item		Schedule	detail	Target	Progress
Reduction of Electricity	Installation of Solar LED Power Light	2015	Install Path Lights	1,500kWh/M reduce	Done
Reduction of Electricity	Installation of LED light to office area	2014	Install in Lower Woodbine Meeting	Under investigation	Done
		2015	Install in Woodbine and Engineer office		Ongoing
Reduction of Electricity	Installation of LED light to Plant-3	2015	Install in Plant-3C	Under investigation	Done
			Install in Plant-3A/B		Ongoing
Reduction of Electricity	Replacement of CW pump of Plant-1	2015	Install smaller pump 150HP(110kW) →50HP(37kW)	58,800kWh/M reduce	Ongoing



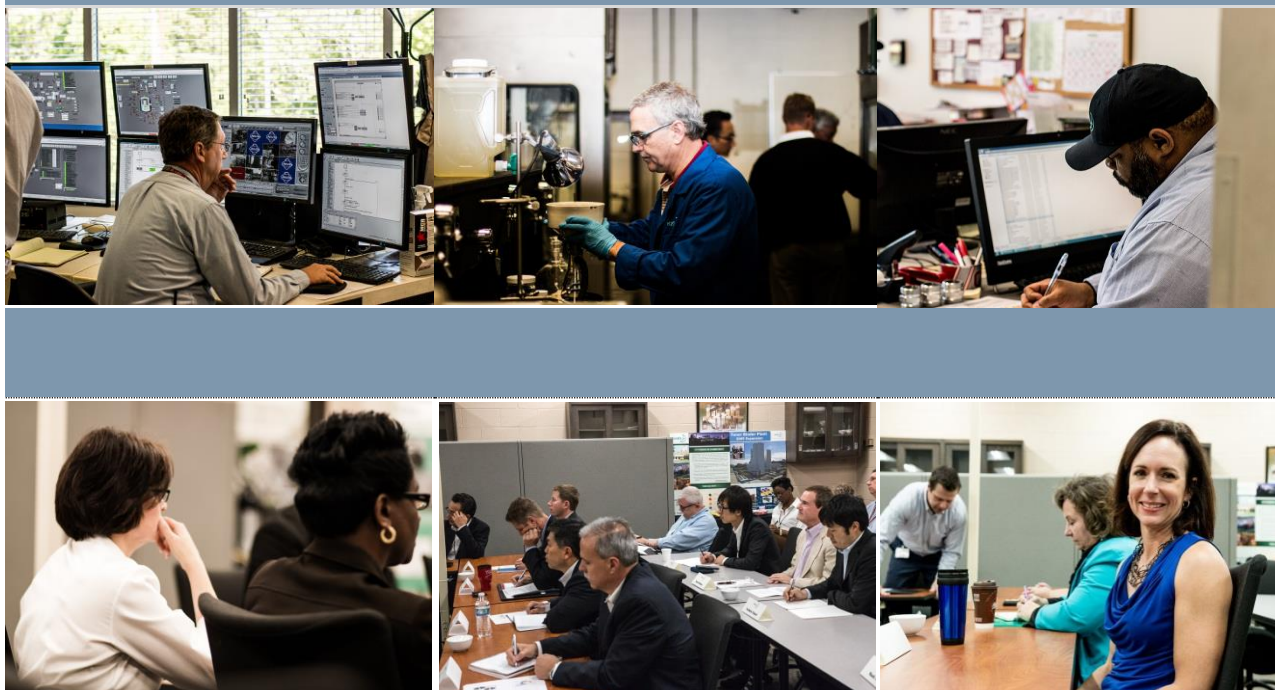
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Community Highlights



Community Partnership

COMPANY INFORMATION



Company Information

Please forward any inquiries to:

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