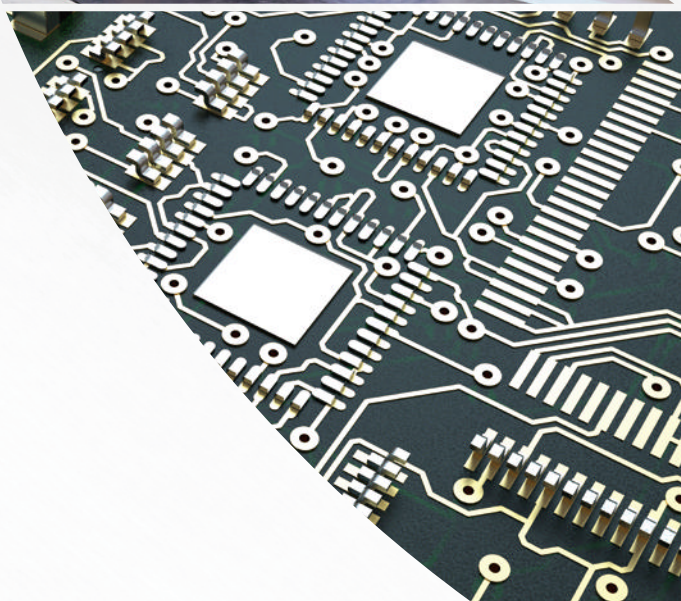




# Integrated Report 2025



**Nippon Chemical Industrial Co., Ltd.**



## Corporate Philosophy

# We Are Treating Humanity Treasuring Technology with Good Care

### Mission

Reason for  
our existence

We want to be a company that values the bond between people and the development of technologies that are in harmony with the natural environment, and to realize dreams with the unlimited potential of chemistry.

### Vision

What we want to be in 2030

- Providing products and solutions that help in solving social issues
- Needed by society through chemical technology and evolving continuously
- Increasing corporate value and developing trust with stakeholders

### Value

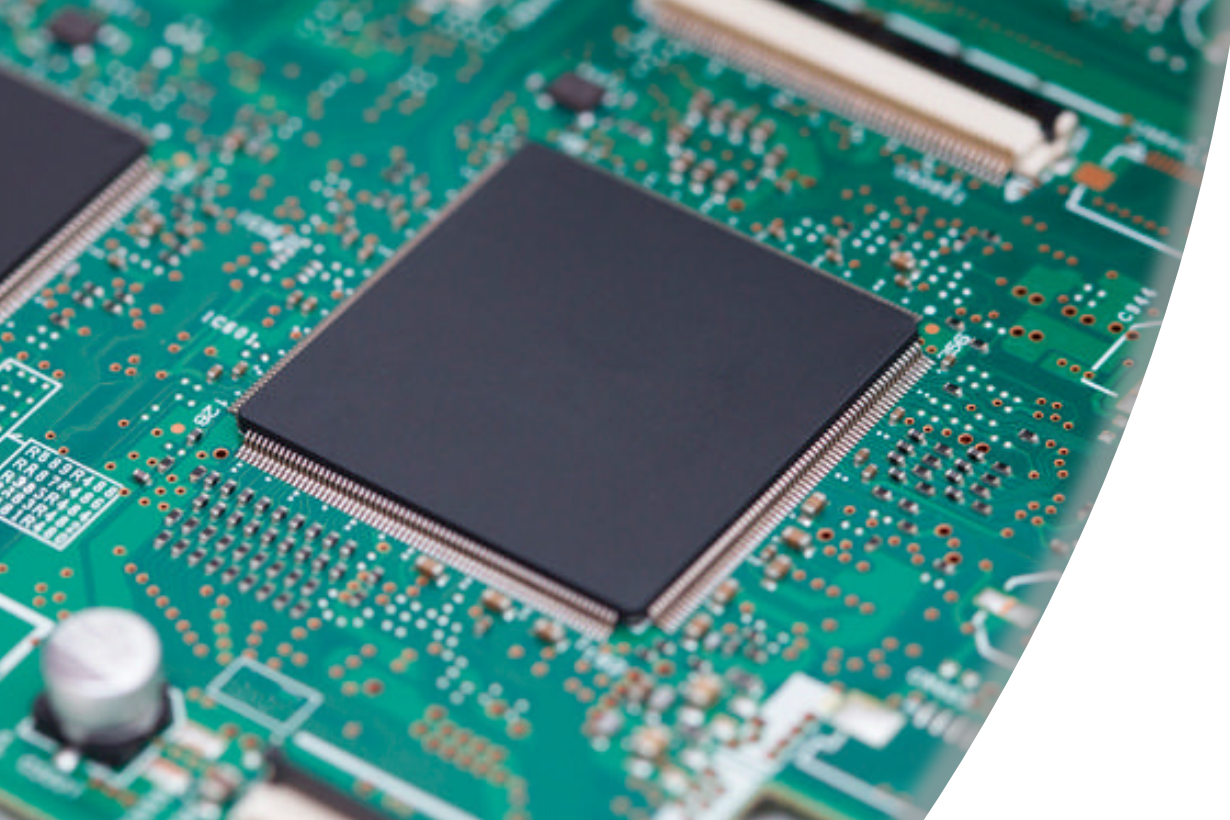
Basic policy of sustainability / Code of conduct

#### Our Principles



#### ● Editorial policy

We published Responsible Care Reports in 2018–2019, CSR Reports in 2020–2022, and a Sustainability Report in 2023. Starting in 2024, we published an Integrated Report to clearly communicate our business strategies and medium- to long-term business plan from both financial and non-financial perspectives to all stakeholders, including shareholders and investors. In this report, we have included Connectivity and Stakeholder Engagement, in addition to last year's Value Creation Process and Materiality. We hope this report will serve as a useful communication tool to help all of our stakeholders better understand our activities. We will continue to enhance this report and use it to facilitate dialogue with our stakeholders. While this report primarily covers the period from April 2024 to March 2025, it also includes activities after this period and data with different collection periods.



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### ● Referenced guidelines

- © ISO 26000
- © GRI Standards
- © Environmental Reporting Guidelines 2018
- © International Integrated Reporting Framework 2021
- © Guidance for Collaborative Value Creation
- © Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD)



Scope	Activities at Nippon Chemical Industrial Co., Ltd.'s Head Office (Tokyo), Fukushima No. 1 Factory, Fukushima No. 2 Factory (Fukushima Prefecture), Aichi Factory (Aichi Prefecture), and Tokuyama Factory (Yamaguchi Prefecture) (Note: Financial information is on a consolidated basis.)
Issue date	October 2025
Created by	Sustainability Committee
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# Message from the President



President

Hirota Tanahashi

## Our Integrated Report Made Our Direction Clear to All

Last year, we published our first integrated report. Presenting financial and ESG information as a unified whole led to positive responses from shareholders who said they were now able to gain a comprehensive understanding of the company's policies and approach. Even employees remarked that they gained a better understanding of where the company is heading as a whole. Despite being caught up in day-to-day work, people appreciated being able to share a common vision across departments and sites. Personally, I had always felt frustrated as sometimes our achievements were recognized, but other times we delivered results, yet failed to communicate them well. Publishing the integrated report has helped make our efforts more visible. I think we have become more mindful of presenting information in a way that is accessible to external audiences—whether it is our corporate

philosophy and policies reorganized as MVV (Mission, Vision, Value), or our long-term strategy and Medium-Term Business Plan—since we know that it will appear in the integrated report.

## Our Business Model: Built on Trust with Business Partners

As a chemical manufacturer with over 130 years of history, and true to our corporate philosophy, “We Are Treating Humanity Treasuring Technology With Good Care,” we have grown by balancing human resources with technological capabilities. We harness the power of chemistry generated by our people and technologies to provide products and solutions that help solve social issues. That is our reason for existing. Our greatest strength lies in taking on manufacturing challenges so difficult that other companies might shy away from them, using our proprietary technologies, then producing these products consistently and delivering them to customers on time with uncompromising quality.



# Harnessing the power of chemistry created by our people and technologies, we will create new value to solve social issues and remain an essential presence in society

Looking back at the full picture of our business in this way, I realize that building solid relationships of trust with both our customers and suppliers has been the reason we have been able to sustain our operations for so long. For the chemical products our customers have needed in each era, we have steadily refined and repeated the entire process, from research and development to supply chain management, manufacturing technology, and intellectual property management, and I believe this consistent effort has led to the trust we enjoy today. Trust is built on a track record; without a track record, trust cannot be earned. We will continue to value these relationships of trust as we pursue further growth.

On the other hand, when we shift our perspective from the past to the future, sustained growth will require us to expand our business fields even further. Since we cannot expect significant demand growth in the domestic market due to factors such as population decline, we plan to pursue overseas expansion

aggressively. Starting in fiscal 2024, we established a local subsidiary in Taiwan and are now focusing our efforts on developing new markets there. Products and solutions that help solve social issues, such as environmental contribution products, are what we are counting on as a foothold for this global business expansion. These are indispensable to the evolution of our business model, and I strongly feel we must create a virtuous cycle in which we generate new value that contributes to society, which in turn contributes to our profitability. However, innovation in chemical products inevitably requires considerable time, and even when we succeed in development, it is difficult to gauge whether strong demand will materialize at the right time. I believe it is crucial that we develop our ability to identify latent demand, determine the right timing for commercialization, and assess profitability. Additionally, as we expand overseas, securing human resources who can excel with a global business perspective is another major challenge.

# Message from the President



## Performance in the First Year of Our Medium-Term Business Plan and Current Outlook

In fiscal 2024, the first year of our Medium-Term Business Plan, we achieved net sales of 38.8 billion yen and operating profit of 3.3 billion yen. While net sales fell short of our 40 billion yen target, operating profit of 3.3 billion yen represented a 47.6% increase year-on-year and matched the target we set for the final year of the plan. Looking at it as a single fiscal year, I consider these results largely satisfactory. Through the third quarter of fiscal 2024, market conditions remained favorable for both electronic components and semiconductors, but demand appeared to hit the brakes sharply after January. However, since entering fiscal 2025, we have seen sales volumes increase in both our Basic Chemicals and Speciality Chemicals businesses, with net sales trending upward. Operating profit has declined due to fluctuations in raw material prices for battery materials, time lags in passing these costs on to customers, and the loss of the one-time benefit from reduced inventory valuation losses that occurred in the previous year. While business conditions have improved somewhat, considerable uncertainty remains, so we plan to monitor trends carefully going forward. From a long-term perspective, we expect demand to expand, but in the short term, we

anticipate continued uncertainty.

In fiscal 2024, we passed a resolution to dissolve and liquidate our consolidated subsidiary, Toho Ganryo Kogyo Co., Ltd., as part of optimizing our business portfolio. Toho Ganryo is a company with a long history, having been established in 1940, but this longevity meant its production facilities had aged considerably. To improve production efficiency on a Group-wide basis, we decided to transfer and consolidate its operations to our Aichi Factory during fiscal 2025.

I am very impressed that we achieved the net sales and operating profit targets from the Medium-Term Business Plan in the first year. Although uncertainty about the outlook for the global economy continues to increase, we will continue to focus on further improving profitability.

## Management Conscious of Capital Costs and Share Price, with Strengthening Shareholder Returns

Following the Tokyo Stock Exchange's request in March 2023 that listed companies practice management conscious of capital costs and share price, we have been working to improve our key management indicators. Unfortunately, our current ROE stands at 5.6% and our PBR at around 0.4 times, both below

benchmarks. In recent years, as we have advanced the globalization of our business, we have emphasized EBITDA, which is useful for comparing profitability with overseas companies, and set a target of 11 billion yen of fiscal 2030. Our fiscal 2024 EBITDA was approximately 6.9 billion yen, increasing as planned.

Regarding shareholder returns, we have revised our return policy through fiscal 2026 to strengthen returns beyond the previous guideline of a 30% payout ratio and achieve stable dividends. During the Medium-Term Business Plan period through fiscal 2026, our policy is to provide stable and continuous dividends based on whichever is higher: a total return ratio of 40% or a DOE of 2%.

In our investment strategy, we will continue to enhance capital investments that are essential to our growth. When we announced the Medium-Term Business Plan, we projected 20 billion yen on a cash-out basis, but we will implement this carefully while monitoring changes in the external environment and considering demand trends, timing, and overall cost effectiveness. As for human capital, people are an indispensable resource for our growth, so we plan to continue investing in various aspects including compensation, education, and health management.

### Our Search for Nippon Chemical's Own Approach to Sustainability Management Continues

Two years ago in our “Sustainability Report 2023,” I told you that we aim for a distinctively Nippon Chemical approach to sustainability management where each employee thinks of sustainability as their own concern. Of course, this is not as easy as it sounds, and we are still searching for the right path, but I believe we are making steady progress step by step.

In environmental initiatives, we are transitioning to CO<sub>2</sub>-free electricity to help achieve a decarbonized society. In particular, by switching half the electricity used at our two sites in the Tohoku region to CO<sub>2</sub>-free power, we reduced company-wide CO<sub>2</sub> emissions in fiscal 2024 by roughly 20% compared to fiscal 2020. Starting in fiscal 2025, beginning with our head office, we plan to install solar power generation at all sites, accelerating our energy creation efforts. In addition, starting with capital investment projects in fiscal 2024, we introduced an internal carbon price to serve as a decision-making metric for adopting energy-efficient equipment, which will also accelerate reductions in Scope 1 emissions. These efforts have earned external

recognition. In fiscal 2024, we received B scores from CDP for both Climate Change and Water Security.

For social initiatives, we established a new “Sustainable Procurement Policy” and are conducting CSR surveys of major suppliers covering human rights and occupational safety. Going forward, we plan to spread our approach to sustainability management throughout the supply chain. At each of our sites, we are implementing initiatives to deepen ties with local communities. In fiscal 2024, we used the corporate version of the hometown tax program (Regional Revitalization Support Tax System) for the first time to donate to municipalities where we have facilities. At our Aichi Factory, we held a science talk for local elementary school students to give them an opportunity to experience the excitement of chemistry, as part of our commitment to supporting the next generation.

For governance and risk management, recognizing that harassment recently has become a serious risk that can threaten a company's very existence, we issued a “Harassment Eradication Declaration” in January 2025, making clear our corporate stance that we will tolerate no form of harassment. At the same time, we continue reforms to increase management transparency by expanding opportunities for Outside Directors to participate not only in board meetings but also in management meetings, ensuring they receive prompt information sharing even when they cannot attend, and constantly incorporating third-party perspectives.

### To Our Shareholders and Investors

Fortunately, our fiscal 2024 results were strong. The external environment in fiscal 2025 is extremely difficult to read, but regardless of the circumstances, we will continue searching for opportunities to improve performance, and pursuing paths for sustainable growth.

We have consistently made ongoing management efforts such as improving operational efficiency, and reducing expenses, regardless of external conditions. Going forward, we will further enhance our distinctive approach to human capital management, proceed with operational efficiency and improve the workplace environment utilizing DX including AI.

As values diversify and corporate responsibilities grow year by year, we aspire to be an entity that all stakeholders, including shareholders and investors, regard as a company society truly needs. We hope you will look forward to our journey ahead as we press forward to what we want to be in 2030.

## Medium- to Long-Term Strategy

Even amid a rapidly changing business environment, our Group will deploy business strategies that leverage our strengths to achieve sustainable growth and increase corporate value. We aim to achieve both social and economic value while sharing our medium- to long-term strategies with our stakeholders.



Providing products and solutions that help in solving social issues



Needed by society through chemical technology and evolving continuously

What we  
want to be in  
**2030**



Increasing corporate value and developing trust with stakeholders

To achieve “What we want to be in 2030,” we will establish priority business areas and advance initiatives to execute basic strategies and achieve management targets.

### Business Fields



#### Materials for Environmental Measures

- Environmental contribution products



#### Electronic Materials

- Electronic ceramic materials
- Circuit materials
- Semiconductor materials



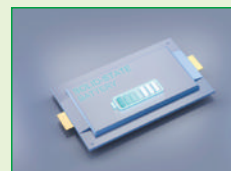
#### Industrial Chemicals

- Chromium compounds
- Phosphorus compounds
- Silicates and silica



#### Food Additives and Medical Materials

- Phosphorus compounds
- Phosphine derivatives



#### Energy-related Materials

- Battery materials

## Basic Strategy

### Strengthening the management base

- Enhance production systems for businesses that support growth.
- Conduct efficient business operations through optimal allocation of management resources.
- Develop new markets from a global perspective.

### New value creation

- Refine our core technologies and build a development system that responds to diversifying and increasingly sophisticated needs.
- Provide new products and solutions that contribute to solving social issues.

### Promotion of the sustainability management

- Reduce environmental impact while increasing the ratio of environmental contribution products to enhance corporate value.
- Create workplace environments suited to diverse capabilities, personalities, and lifestyles.
- Enhance social trust by strengthening corporate governance and thorough compliance.

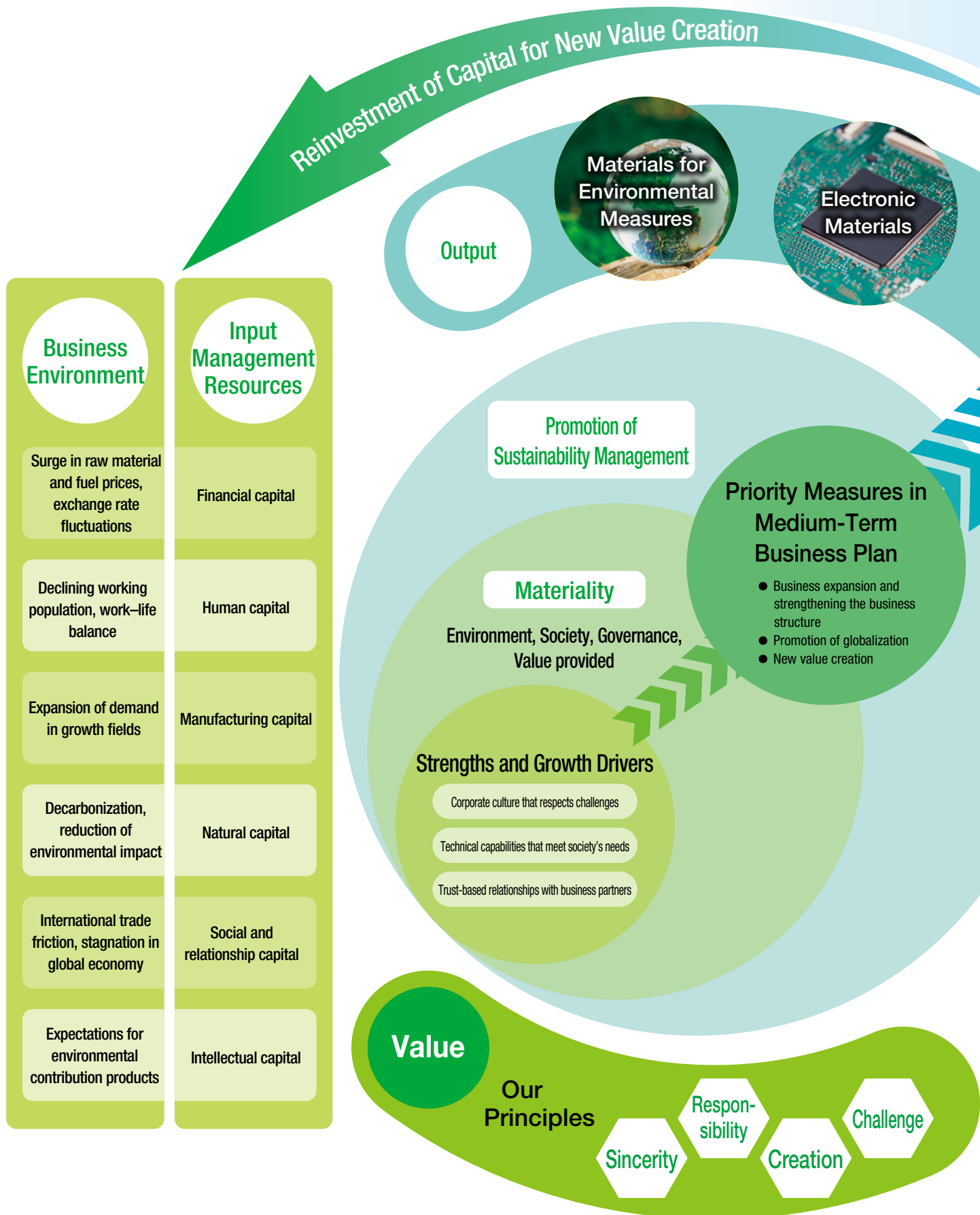
## Managerial Targets

We aim to improve ROE by strengthening profitability through reliable implementation and achievement of Medium-Term Business Plan measures, while working to optimize capital efficiency and enhance medium- to long-term shareholder returns.



# Value Creation Process

We aim sustainable growth by leveraging our strengths as a chemical manufacturer to create new value while being cognizant of changes in the business environment and the various societal issues.



## Vision

### What We Want to Be in 2030

- Providing products and solutions that help in solving social issues
- Needed by society through chemical technology and evolving continuously
- Increasing corporate value and developing trust with stakeholders

Industrial  
Chemicals

Food Additives  
and Medical  
Materials

Energy-related  
Materials

## Mission

### Reason for Our Existence

We want to be a company that values the bond between people and the development of technologies that are in harmony with the natural environment, and realize dreams with the unlimited potential of chemistry.



# Materiality (Key Issues)

To achieve “What we want to be in 2030” set forth in our medium- to long-term strategy, the Sustainability Promotion Committee has reviewed the materiality and key performance indicators (KPIs) to be addressed through the process shown on the next page, taking into account internal and external opinions. We will monitor the progress made with regard to the identified materiality annually as indicators of sustainability management in our Medium-Term Business Plan (2024–2026).

	External environment	Risks	Opportunities	Materiality
Environment	<ul style="list-style-type: none"> <li>● Need for the further acceleration of efforts towards reducing greenhouse gases given that the movement towards realizing a decarbonized society is spreading worldwide</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in the costs due to stricter regulations related to the prevention of global warming</li> <li>● Increase in capital investments in response to the greater severity of natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>● Improve competitiveness through the establishment of new low-carbon and decarbonization technologies for manufacturing</li> <li>● Improve corporate value and reputation through a proactive stance for the attaining a decarbonized society</li> </ul>	Reduction of greenhouse gas emissions
	<ul style="list-style-type: none"> <li>● Active engagement in global environmental conservation is an important social responsibility that companies must fulfill</li> </ul>	<ul style="list-style-type: none"> <li>● Serious environmental accidents have a significant impact on the environment and society and hinder business continuity</li> </ul>	<ul style="list-style-type: none"> <li>● Improve corporate value and reputation through promoting environmental analysis and assessments, impact reduction, and environmental conservation activities</li> </ul>	Environmental conservation
Society	<ul style="list-style-type: none"> <li>● Shift in perspective for evaluating listed companies' investment value to non-financial information, including ESG</li> <li>● Mandatory disclosure of human capital information in securities reports starting in FY 2023</li> </ul>	<ul style="list-style-type: none"> <li>● Insufficient disclosure of non-financial information makes the company unattractive to investors</li> <li>● Insufficient human capital securing and development negatively impacts company growth by failing to improve employee motivation</li> </ul>	<ul style="list-style-type: none"> <li>● Enhanced disclosure of non-financial information increases investor recognition and increases corporate value</li> <li>● Securing diverse human resources and promoting human resource development increases employee motivation</li> </ul>	Strengthening of human capital
	<ul style="list-style-type: none"> <li>● Recognition that contribution to local communities is an important issue for corporate management</li> </ul>	<ul style="list-style-type: none"> <li>● Lose the trust the local community in which the company is based makes it impossible to continue business activities</li> </ul>	<ul style="list-style-type: none"> <li>● Earn the trust of the local community in which the company is based, stabilize our business, and increase our corporate value</li> </ul>	Contributing to local communities
Governance	<ul style="list-style-type: none"> <li>● Recognition that continuously working to reinforce corporate governance and risk management functions is important for a company</li> </ul>	<ul style="list-style-type: none"> <li>● The inability to quickly and flexibly accommodate the increasing sophistication of corporate governance leads to an impairment of corporate value in the medium to long term</li> <li>● Violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation</li> <li>● Loss of profitability</li> <li>● Deterioration of investment profitability</li> <li>● Increased funding costs</li> </ul>	<ul style="list-style-type: none"> <li>● Increase our corporate value by promoting corporate governance in line with the Corporate Governance Code</li> <li>● Prevent legal violations and misconduct in advance through thorough compliance, leading to increased corporate value</li> <li>● Increase our corporate value by increasing profitability through the further monitoring of important management metrics</li> <li>● Ensure the future viability and soundness of investments</li> <li>● Efficiently manage funds by studying optimal financing that takes financial soundness into account and curtailing our policy-based shareholdings</li> </ul>	Strengthening corporate governance
	<ul style="list-style-type: none"> <li>● Revision of the Corporate Governance Code in 2021</li> <li>● Continuation of the occurrence of quality fraud issues and material defects in terms of internal controls at listed companies</li> </ul>			Thorough compliance
Value Provided	<ul style="list-style-type: none"> <li>● Need for a robust supply chain to be built through cooperation transcending corporate and organizational barriers</li> </ul>	<ul style="list-style-type: none"> <li>● Instability in terms of the supply of raw materials due to climate changes, geopolitical risks, changes in the world order, resource nationalism, and other factors</li> </ul>	<ul style="list-style-type: none"> <li>● Improve the level of trust customers have in the company by maintaining a stable supply</li> <li>● Reduce costs through planned production</li> </ul>	Supply chain management
	<ul style="list-style-type: none"> <li>● The market in the future will demand not just products that are competitive in terms of price and quality but also products that contribute significantly to the environment and society</li> </ul>	<ul style="list-style-type: none"> <li>● Difficulty in securing sustainable sales as a result of misjudging next-generation market needs</li> </ul>	<ul style="list-style-type: none"> <li>● Propose products and solutions that meet the specific needs of each customer</li> <li>● Promote innovation that supports sustainable society</li> </ul>	Promoting value-generating development
	<ul style="list-style-type: none"> <li>● Demand for ROE exceeding cost of capital and efficient management of capital</li> </ul>	<ul style="list-style-type: none"> <li>● Deterioration of credit rating due to worsened financial condition</li> <li>● Increased funding costs</li> </ul>	<ul style="list-style-type: none"> <li>● Stable funding through good relationships with financial institutions</li> <li>● Business expansion through active investment in growth fields</li> </ul>	Building and maintaining a sound financial foundation
	<ul style="list-style-type: none"> <li>● Acceleration of globalization through world economic integration</li> <li>● Rising geopolitical risks</li> </ul>	<ul style="list-style-type: none"> <li>● Dependence solely on shrinking domestic business</li> <li>● Delayed response to diversifying consumer needs</li> </ul>	<ul style="list-style-type: none"> <li>● Acquisition of new customers and expansion of earnings through entry into overseas markets</li> <li>● Building new business models through global human resource development and cross-cultural human exchange</li> </ul>	Promotion of globalization

## Materiality Review Process

### Predict changes in external environment

We discussed changes in external environment that affect society from a medium- to long-term perspective.

### Consider impact of external environment changes on our business



























We analyzed the degree of impact from external environment changes on our business, categorizing them into risks and opportunities.

### Identify materiality

We reselected materiality with reference to disclosure guidelines.

### Review key performance indicators (KPIs)

We set key performance indicators (KPIs) for each identified materiality.

Background of importance	Results			KPI*	Corresponding SDGs
	FY2022	FY2023	FY2024		
<ul style="list-style-type: none"> <li>Climate change and global warming are major issues that are also tied to the continuity of our business</li> <li>Initiatives to determine and reduce greenhouse gas emissions are important in terms of measures to combat global warming</li> </ul>	5% reduction	20% reduction	19% reduction	<ul style="list-style-type: none"> <li>Reduce GHG emissions in FY 2030 by 23% over FY 2020</li> </ul>	  
<ul style="list-style-type: none"> <li>Environmental accidents: incidents in which the discharge of hazardous substances exceeding regulatory or agreement values, or offensive odors, noise, or vibration, caused damage to the lives of third parties or the natural environment</li> </ul>	Number of environmental accidents 1	Number of environmental accidents 1	Number of environmental accidents 0	<ul style="list-style-type: none"> <li>Achieve zero environmental accidents</li> </ul>	    
<ul style="list-style-type: none"> <li>To enable the company to achieve sustainable growth and create new value, it is necessary that we secure a diverse range of individuals and cultivate such human resources accordingly.</li> <li>Need to build workplace environments where people can work with psychological security by enhancing work-life balance and promoting health management and occupational safety and health</li> </ul>	16%	22%	16%	<ul style="list-style-type: none"> <li>Ratio of female graduates in new university graduate hiring 30% or higher</li> </ul>	  
<ul style="list-style-type: none"> <li>In order to coexist with local communities, we are responsible as a company to engage in community-rooted activities that contribute to society and communications at our business locations and cultivate a relationship of trust with local communities.</li> </ul>	Implemented	Implemented	Implemented	<ul style="list-style-type: none"> <li>Carry out activities to contribute to society (Clean-up activities, factory tours, etc.) (At least once per year for each location)</li> </ul>	 
<ul style="list-style-type: none"> <li>We need to reinforce our system of governance by accurately ascertaining changes in the external and internal environments, rapidly proceeding with decision making and the execution of operations, and aiming to realize management that is fair and highly transparent.</li> <li>We should improve the operations of our company-wide risk management system.</li> </ul>	—	Number of times implemented per year 8 times	Number of times implemented per year 11 times	<ul style="list-style-type: none"> <li>Carry out officer training (At least once per year for each officer)</li> </ul>	 
<ul style="list-style-type: none"> <li>It is important because violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation.</li> </ul>	Implemented	Implemented	Implemented	<ul style="list-style-type: none"> <li>Distribution of compliance-related email newsletters to managers</li> <li>Implementation of Internal Control Briefings for newly appointed managers</li> <li>Holding of Ethics Committee meetings</li> </ul>	  
<ul style="list-style-type: none"> <li>In order to stably provide higher quality products and services, we will need to build a robust supply chain extending from the suppliers of raw materials to the customers to whom we sell.</li> <li>We need to lessen risks to society and the environment throughout the supply chain and realize business sustainability.</li> <li>We should promote our BCP.</li> </ul>	—	Administer CSR questionnaires to suppliers	Provided feedback to all 28 companies that responded to the CSR questionnaire	<ul style="list-style-type: none"> <li>Feedback on CSR questionnaires to suppliers</li> </ul>	  
<ul style="list-style-type: none"> <li>It is important that the provision to the market of products and solutions that are environmentally-friendly and that meet the needs of clients help realizing a sustainable society, differentiates what we offer from what our competitors sell, and enhances the profitability of our business.</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of sales of environmental contribution products to total sales: 8.5%</li> <li>Number of patent applications per year: 35</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of sales of environmental contribution products to total sales: 10.3%</li> <li>Number of patent applications per year: 39</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of sales of environmental contribution products to total sales: 11.3%</li> <li>Number of patent applications per year: 45</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of sales of environmental contribution products to total sales: 14% or more</li> <li>Number of patent applications per year: At least 40</li> </ul>	    
<ul style="list-style-type: none"> <li>Enhancement of corporate value and shareholder returns</li> </ul>	ROE: 2.0%	ROE: 3.6%	ROE: 5.6%	<ul style="list-style-type: none"> <li>ROE: 8% (2030)</li> <li>Ratio of cross-shareholdings: 10% or less (2030)</li> <li>Inventory turnover period: Maintained 3.0-3.5 months</li> <li>Operating profit: 3.3 billion yen (2026)</li> </ul>	
	Ratio of cross-shareholdings: 17.6%	Ratio of cross-shareholdings: 18.6%	Ratio of cross-shareholdings: 16.8%		
	Inventory turnover period: 4.1 months	Inventory turnover period: 3.5 months	Inventory turnover period: 3.8 months		
	Operating profit: 1.3 billion yen	Operating profit: 2.3 billion yen	Operating profit: 3.3 billion yen		
<ul style="list-style-type: none"> <li>Expansion into overseas markets with high growth expectations</li> <li>Shrinking domestic market due to persistently low birth rate, aging population, and population decrease</li> </ul>	Overseas sales ratio: 10%	Overseas sales ratio: 13%	Overseas sales ratio: 12%	<ul style="list-style-type: none"> <li>Overseas sales ratio: 14% (2026)</li> </ul>	

\*KPI target period is FY 2025 unless otherwise noted

# Management Resources (Input)

Based on the Nippon Chemical Industrial Group's strengths, which include a corporate culture that respects challenges, technical capabilities that meet society's needs, and trust-based relationships with business partners, we aim to be a company that develops while creating new value demanded by society, and we will work to enhance our management resources (input).



## Financial Capital

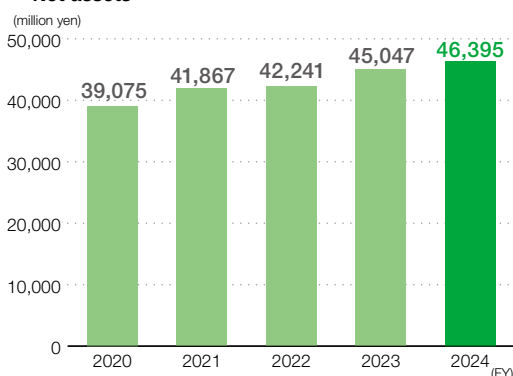
### Net assets

**46,395** million yen

We will generate cash through the expansion of growth fields, optimization of inventories, and active reduction of cross-shareholdings.

While aiming for effective use of shareholders' equity, we target a D/E ratio of approximately 0.4 to secure a strong financial foundation that can procure funds for growth investment in a stable manner.

### Net assets



## Manufacturing Capital

### Number of production sites

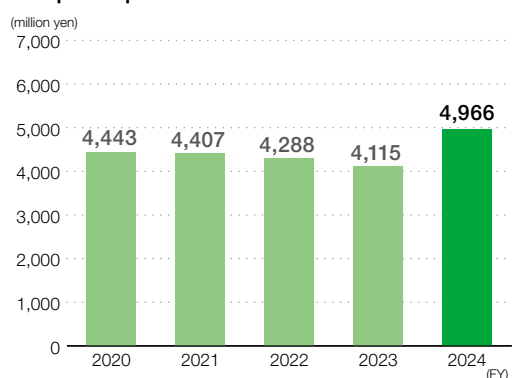
**4** (domestic)

### Capital expenditures

**4,966** million yen

We have four production sites: two in Fukushima Prefecture and one each in Aichi Prefecture and Yamaguchi Prefecture, manufacturing distinctive products at each location. Fukushima No. 1 Factory mainly produces electronic materials; Fukushima No. 2 Factory manufactures phosphine gas and organic phosphorus products; Aichi Factory produces phosphoric acid, phosphates, and silicates; and Tokuyama Factory manufactures chromic anhydride, chromium salts, and materials for multi-layer ceramic capacitors at a new plant established in 2021. In growth business fields, we will continue to actively invest in electronic ceramic materials and high-purity electronic materials that contribute to the realization of a digital society, aiming for further business expansion.

### Capital expenditures



## Human Capital

### Number of employees

**665** (non-consolidated)

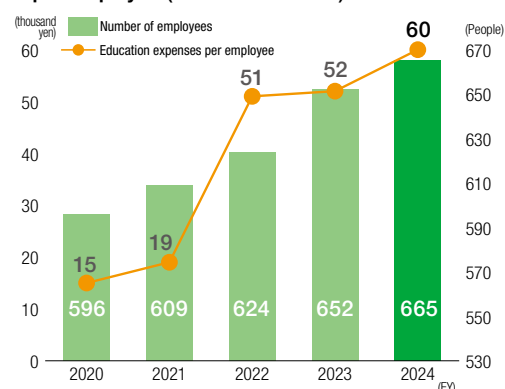
### Education expenses per employee

**60** thousand yen

We will support the autonomous career development of each employee, establish a system that allows everyone to take on the challenge of doing higher-quality work, and continuously enhance the value of our human resources.

Additionally, by consciously increasing opportunities for communication across organizational boundaries, we will implement a company-wide coaching program aimed at achieving organizational growth through the independence, thinking and action of each employee.

### Number of employees and education expenses per employee (Non-consolidated)





## Intellectual Capital

R&D expenses

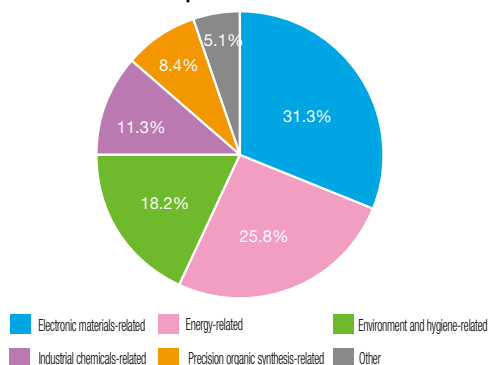
**1,598** million yen

Number of patents held

**275**

We will advance the development of distinctive products based on our core technologies: inorganic and organic synthesis technology, phosphine derivative technology, crystalline and structural control technology, surface modification and coating technology, and evaluation and analysis technology. Furthermore, while refining our core technologies to meet increasingly diverse and sophisticated market demands, we will actively utilize external resources to create new products that significantly contribute to the environment.

■ Classification of patents held



## Natural Capital

Energy usage (crude oil equivalent)

**27,151** kL

Water usage

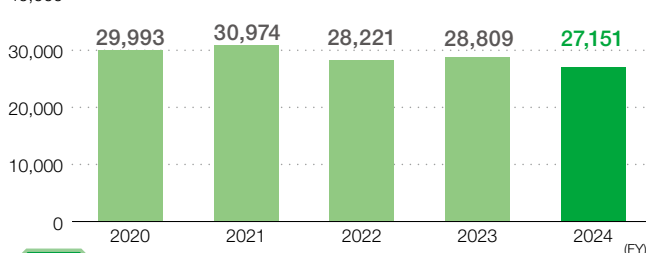
**1,796** thousand m<sup>3</sup>

We quantitatively monitor water and energy consumption at business locations and strives to use resources efficiently and reduce greenhouse gas emissions.

Additionally, we will promote environmental load reduction through the development of environmentally friendly products and the active creation and introduction of renewable energy.

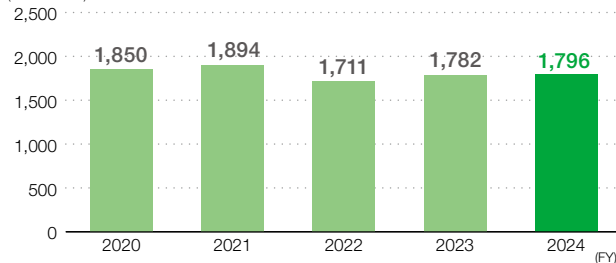
■ Energy usage

(Crude oil equivalent kL)



■ Water usage

(thousand m<sup>3</sup>)



## Social and Relationship Capital

Stakeholder engagement

Sales subsidiaries (4 overseas companies)

### Stakeholder engagement:

Regarding stakeholder relations, we will strengthen trust by actively disclosing financial and non-financial information and increasing opportunities for communication. Through these initiatives, we aim to enhance corporate value and become a company chosen by our stakeholders.

### Sales subsidiaries (4 overseas companies):

We will strengthen our global sales system by effectively utilizing our four overseas bases in the United States, China, Taiwan, and Thailand.

■ Number of dialogue with shareholders in FY 2024

Category	Number of times
Financial results briefings	1
SR Interviews	10
Individual interviews	107

# Direction of Capital Strategy Based on Materiality

Nippon Chemical Industrial aims to make our ideal vision of what we want to be as a company a reality through the utilization of management capital and the promotion of our Medium-Term Business Plan. Connectivity, which links these elements, is a key factor in promoting collaboration both inside and outside the company and charts our course for sustainable growth.

Reason for our existence  
Mission

**We want to be a company that values the bond between people and realize dreams**

What we want to be in 2030  
Vision

Providing products and solutions  
that help in solving social issues

Earning expectations and trust from capital markets

Medium-Term Business Plan  
(2024-2026)

#### Shareholder Returns

To strengthen shareholder returns and achieve stable dividends, we are introducing "DOE" as a new metric during the Medium-Term Business Plan period through fiscal 2026. Pay dividends reliably and continuously based on whichever is higher: total return ratio of 40% or DOE of 2%.

1

#### Business expansion and strengthening the business structure

- Business expansion in growth fields
- Strengthening the business structure of basic fields
- Deepening and succession of production technology

Fiscal 2026 targets for growth field products

Growth fields net sales 20 billion yen

Growth fields sales ratio 40%

Management Capital

#### Manufacturing Capital

Number of production sites: 4  
Fukushima prefecture (No. 1 Factory, No. 2 Factory), Aichi prefecture, Yamaguchi prefecture

#### Human Capital

Number of employees: 665 (non-consolidated)  
Support the autonomous career development of each employee and continuously enhance the value of our human resources

Capital expenditures  
4,966 million yen

Education expenses  
per employee  
60 thousand yen

Financial  
Capital

Net assets: 46,395 million yen

Generate cash through expansion of growth fields, optimization of inventories, and

Materiality

#### Environment

- Reduction of greenhouse gas emissions
- Environmental protection

#### Governance

- Strengthening corporate governance
- Thorough compliance

and the development of technologies that are in harmony with the natural environment, with the unlimited potential of chemistry.

Needed by society through chemical technology and evolving continuously

Increasing corporate value and developing trust with stakeholders

Maximizing corporate value

Fiscal 2026 targets: Net sales 49 billion yen / Operating profit 3.3 billion yen / EBITDA 8 billion yen / ROE 6%

## “Three Measures” Based on Sustainability Management

### Three measures based on sustainability management

2 Promotion of globalization		3 New value creation	
● Increase overseas net sales	Fiscal 2026 targets for overseas net sales	● Promote development of products that have a competitive advantage	Fiscal 2026 targets for R&D expenses
● Strengthen overseas organizations	Overseas net sales 7 billion yen	● Achieve early research results	R&D expenses 1.8 billion yen
● Pursue new opportunities	Overseas sales ratio 14%		R&D expenses to net sales ratio 4%

#### Intellectual Capital

Number of patents held: 275  
Advance development of distinctive products based on core technologies and create new products with high environmental contributions

R&D expenses  
1,598 million yen

#### Natural Capital

Energy usage (crude oil equivalent): 27,151 kL  
Water usage: 1,796 thousand m<sup>3</sup>

#### Social and Relationship Capital

Stakeholder engagement  
Sales subsidiaries: 4 overseas companies  
U.S., China, Taiwan, Thailand

aggressive reduction of cross-shareholdings / Target a D/E ratio of approximately 0.4 times to secure a strong financial foundation that can stably procure funds for growth investment

#### Society

- Strengthening of human capital
- Contribution to local communities

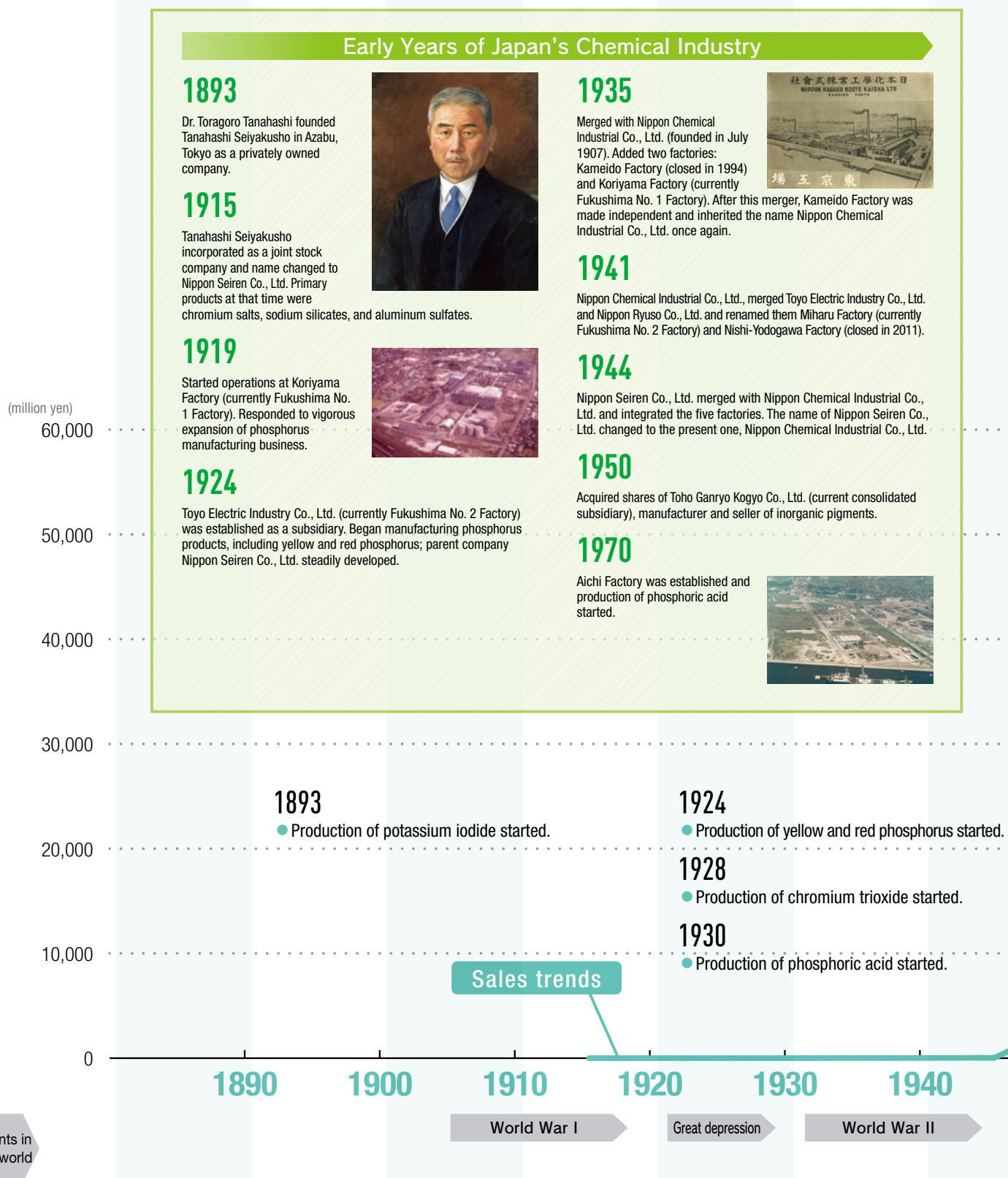
#### Value Provided

- Supply-chain management
- Building and maintaining a sound financial foundation
- Promotion of R&D value creation
- Promotion of globalization

# History (Including Period-Pertinent Information)

## History of Nippon Chemical Industrial Group

Since our founder Toragoro Tanahashi succeeded in domestically producing chemical industrial products (which were mainly imported at the time) in 1893, when Japan's chemical industry was still in its early years, our company has walked a long path of over 130 years.



### Period of Business Expansion

#### 1971

Tokuyama Factory was established and production of chromium compounds started.



#### 1991

Established Nippon Chemical Environment Center Co., Ltd. (current consolidated subsidiary) for environmental measurement and certification business.

#### 1992

Established Keiyo Chemical Co., Ltd. for production of sodium silicates by joint investment with Fuji Chemical Co., Ltd.

#### 1993

Celebrated 100 years of operations. Built research building to commemorate 100th anniversary.



#### 1994

Established NC-Tech Co., Ltd. for production of cuprous oxide by joint investment with Nissin Chemco Ltd.

### Acceleration of Globalization: Enhancement of Overseas Bases

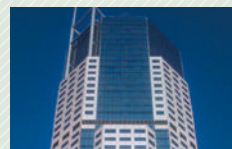
#### 1996

JCI USA Inc. was incorporated.



#### 2010

JCI (SHANGHAI) CO., Ltd. was incorporated.



#### 2017

JCI (THAILAND) CO., Ltd. was incorporated.



#### 2024

TAIWAN NIPPON CHEMICAL INDUSTRIAL Co., Ltd. was incorporated.



**130<sup>th</sup>**  
Anniversary  
since 1893

#### 2023

● Celebrated 130 years of operations

#### 1950

● Production of agrochemicals started.

#### 1985

● Production of BESP (barium titanate) started.  
Production of high-purity phosphine gas started.

#### 1987

● Production of phosphine derivatives started.

#### 1996

● Production of CELLSEED (lithium cobalt oxide) started.

1950 1960 1970 1980 1990 2000 2010 2020

Rapid economic growth

Oil crisis

The advent of the PC

Internet penetration and digitalization

Globalization begins

Great East Japan Earthquake

Rapid economic growth in China and ASEAN

COVID-19

Tokyo Olympics

# Nippon Chemical in Daily Life

Nippon Chemical's products are used in various aspects of our daily lives.

01

## Around Town

### ► Surveillance camera lenses

- Metaphosphate
- Lithium carbonate
- Barium nitrate

### ► Building and tunnel foundations

- Sodium silicate
- Colloidal silica

### ► Base stations

- BESPA
- High-purity red phosphorus
- High-purity barium carbonate

### ► IC tags (RFID) for product management

- SMERF

### ► For road marking materials

- Unipart

### ► For anti-corrosion coatings on buildings and structures

- Expert



02

## Office

### ► Raw materials for ink pigments

- Precipitated barium sulfate
- BESPA

### ► Displays for PCs and others

- Hishicolin
- BRIGHT

### ► Electronic circuits for PCs and others

- BESPA
- High-purity barium carbonate



03

## Hospitals

### ► Pharmaceuticals

- Hishicolin

### ► Medical device lenses

- Metaphosphate
- Barium nitrate



04

## Your Side

### ► Fiber modifier

- Hishicolin

### ► Dyeing accelerators

- Sodium sulfate anhydrous



## Product Introduction

We manufacture and sell high-quality chemical products, including chromium, phosphorus, silica, and barium, as well as electronic ceramic materials, battery and electronic device materials, and organic functional materials. We have established development and production systems to meet diverse needs and provide high-performance, high-quality products to our customers.

	Chromium Compounds	Phosphorus Compounds	Silicates and Silica	Barium Compounds	Pigments and Paints
Product Description	Thanks to our consistent quality, our products are used not only in Japan but also in many countries, including throughout Asia.	We provide various phosphorus products that are used in a wide range of fields including food, optics, and electronic materials.	We provide essential materials in our lives, including soil-hardening agents used in building foundations, refractories, and detergents.	We provide various barium salts used in resin stabilizers, light diffusion materials, and electronic materials.	We provide environmentally friendly lead- and chromium-free white anti-corrosion pigments, road marking materials, and antifouling agents for ship bottom paints.
Main Products	Sodium dichromate Potassium bichromate Chromium trioxide Chromium oxide Trivalent chromium products	Phosphoric acid Phosphorus pentoxide Various phosphates Metaphosphate	Sodium silicate glass Sodium silicate Various silicates Colloidal silica	High-purity barium carbonate Barium hydroxide Barium nitrate	Expert Unipart Cuprous oxide



## 08 Factories

### ► Metal surface treatment

- Sodium silicate
- Phosphoric acid
- Chromium trioxide
- Sodium hypophosphite
- Trivalent chromium

### ► Metal-polishing agents

- Chromium oxide

### ► Semiconductor wafer manufacturing processes

- Phosphoric acid
- High-purity red phosphorus

- High-purity phosphine gas

### ► Metal surface treatment for PC hard drives, etc.

- Phosphoric acid
- Sodium hypophosphite

### ► Catalysts in petrochemical production

- Hishicolin

### ► IC tags (RFID) for logistics and inventory management

- SMERF



## 07 Suburban Areas

### ► Base stations

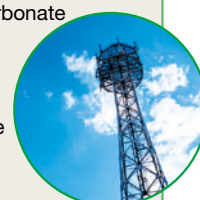
- BESPA
- High-purity barium carbonate
- High-purity red phosphorus

### ► Feed and fertilizers

- Calcium phosphite + Calcium hydroxide
- Ammonium chloride

### ► Antifouling paints for ship bottoms

- Cuprous oxide



## 06 Inside the House

### ► Food additives

- Phosphoric acid
- Phosphate

### ► Bath salts

- Sodium sulfate anhydrous

### ► Detergents

- Sodium sulfate anhydrous
- Potassium silicate
- Sodium tripolyphosphate

### ► Linen and cleaning

- Sodium metasilicate

### ► Smartphones, tablets, and TVs

- Hishicolin
- BRIGHT
- High-purity barium carbonate
- BESPA



## 05 Automobiles

### ► Brake pad friction materials

- Chromium oxide

### ► Plating materials for maintaining safety and durability

- Chromium trioxide
- Trivalent chromium
- Sodium hypophosphite

### ► Electronic circuits

- BESPA
- High-purity barium carbonate

### ► IC tags (RFID) for parts management

- SMERF



	Electronic Ceramic Materials	Semiconductor Materials	Battery Materials	Circuit Materials	Organic Phosphorus Compounds (including phosphine derivatives)	Other Products
Product Description	We provide dielectric materials, including the barium titanate used in MLCCs.	We provide products used as phosphorus dopants for N-type silicon semiconductors and phosphorus sources for compound semiconductors.	We provide lithium cobalt oxide and other active cathode materials for lithium-ion secondary batteries.	We provide electroconductive materials consisting of metal-coated particles and conductive adhesives using these materials.	We provide organic phosphorus compounds, such as phosphine derivatives, which are produced by reacting phosphine with organic compounds.	We provide chemical products for a wide range of fields, including raw materials for daily necessities and environmentally conscious products.
Main Products	BESPA	High-purity phosphine gas High-purity red phosphorus Hishicolin	CELLSEED CELLCERAM	BRIGHT SMERF Curelight	Hishicolin PAP EAP	Sodium sulfate Sodium bisulfate Permanganate Red lead Aluminum sulfate

## Employee Roundtable Discussion



## Participants

Hired in fiscal 2021  
Sales Division, Specialty Products Sales  
Department

Keisuke Shimane

Hired in fiscal 2016  
R&D Division, R&D Planning Department

Shizuka Tane

Hired in fiscal 2022  
R&D Division, Circuitry Materials R&D  
Department

Sho Yokoyama

Hired in fiscal 2025  
R&D Division, Circuitry Materials R&D  
Department

Tomomi Nagaoka

Hired in fiscal 2025  
R&D Division, Circuitry Materials R&D  
Department

Ryuga Fujita

## Succession of Technologies and the Challenge of Creating Value From the Front Lines of Research and Development and Customer Development

Nippon Chemical Industrial's circuit materials business leverages electroless plating technology and powder handling techniques cultivated over many years to manufacture and sell conductive particles (product name: Bright®) and anisotropic conductive adhesives using these particles (product name: SMERF®), continuing to challenge itself to create new value. Young to mid-career members at the forefront of these efforts participated in "The Total Solution Exhibition for Electronic Equipment 2025" held in June 2025, where they directly introduced our products and technologies to visitors as booth staff. While sharing their experiences at the exhibition, they discussed the tangible outcomes and challenges they've encountered in research and development and customer development, their teamwork efforts, and their career outlooks for the future.

### Self-Introductions and Daily Roles

**Tane** My department is responsible for research and analysis aimed at creating new themes, as well as supporting existing themes. I work on a wide range of tasks including managing research and development themes, supporting exhibition operations, and handling inquiries that come through our website.

**Yokoyama** I'm in charge of SMERF development and working on research for a new type that cures in a shorter time. I also served as the coordinator for this exhibition.

**Nagaoka** I joined the company this year and am responsible for the research and development of Bright. I'm working on research for new conductive particles, and while I'm still in the trial-and-error stage, I find it very rewarding.

**Fujita** I'm also working on Bright, conducting research and development on improvements to the plating film quality. Like Nagaoka, I joined this year, and since I'm still in the learning phase, I'm also working hard at attending seminars and obtaining certifications.

**Shimane** As a member of the sales team, I'm responsible for selling Bright and SMERF, products that emerged from research and development. I also play a role in feeding back improvement requests from customers to our factories and research departments.

**Tane** I'd like to hear about the kinds of tangible results and insights you're gaining through your daily work.

**Yokoyama** I've filed several patents so far, which has helped broaden our technical capabilities. At the June exhibition, we introduced SMERF as "an alternative to existing materials", which allowed us to connect with new customers. While my work centers on research and development, being able to talk directly with customers and grasp their needs is very stimulating.

**Nagaoka** The conductive particles I work on are used in a wide range of fields including flat panel displays,



mobile devices, and RFID tags. Recently, I had the opportunity to explain our research and development results directly to a customer, and hearing their feedback made the path to commercialization feel much more concrete. I can really feel how research and development connects to the company's growth.

**Fujita** We've achieved promising results in Bright research and development, and there's talk of filing a patent application. I feel like these efforts could lead to future product development and business expansion.

**Shimane** I've been working on price revisions and reviewing our cost estimation system. Since Bright and SMERF are highly susceptible to raw material price fluctuations, these improvements are essential. While Bright currently focuses on domestic customers, I think we need to consider overseas expansion going forward.

**Tane** I transferred to R&D Planning Department fairly recently, but I'm conscious of supporting the research team so they can work more smoothly. Through preparing for exhibitions and sharing external information, I feel I'm gradually becoming useful, even if indirectly.

### Approach to Technology and Customers

**Tane** The Circuitry Materials R&D Department has foundational technologies for conductive particles that have been cultivated over many years. How do you view the strengths of these technologies and materials, and how are you trying to create new value from them? Also, please share your perspectives on building customer relationships and responding to changes in the external environment.

**Yokoyama** We have in-house equipment that can evaluate products for RFID applications using the same methods as our customers, which I feel enables us to conduct research and development rapidly. Also, even shortly after joining the company, I've had opportunities to introduce products directly to customers, and being in an environment where I can listen to their needs and challenges firsthand is a major advantage. Incorporating perspectives I couldn't gain just by staying in-house helps me understand the direction of our research and development.

**Fujita** Regarding Bright, we've been developing ahead of the curve for anisotropic conductive film (ACF) and anisotropic conductive paste (ACP) applications. I think our research and development history and accumulated experience form the foundation for

creating new value. I'd like to work on new product development while learning from these.

**Nagaoka** A distinguishing feature of my department is that our researchers have many opportunities to hear directly from customers. We regularly report on research and development progress, and for SMERF and other products, we frequently communicate with mounting equipment manufacturers. Being able to incorporate external opinions to understand needs and provide new value is a major strength.



**Shimane** From a sales perspective, I also feel that Bright's long history itself is a strength. A key feature of our Bright is that we can select core materials from a diverse range of options. I want to approach customers' expectations and interests with flexible thinking.

**Nagaoka** Moreover, being able to handle everything consistently from research and development to manufacturing in-house, from Bright all the way through to SMERF applications, is also a strength.

**Yokoyama** Indeed, manufacturers capable of producing excellent conductive particles are limited, and for SMERF, we use not only Bright but also other materials we've developed ourselves, making it a product that combines our proprietary technologies.

**Shimane** In building customer relationships, I often serve as a bridge between customers and internal teams as a salesperson. That's why I value the time spent talking with the research departments and factories. As a salesperson, I want to deepen my understanding of the technology, so I've been given opportunities to experience actual experiments in the research department and facility tours at the plant.

**Yokoyama** When we first meet customers through exhibitions or website inquiries, we sometimes get questions like "What properties does this product have?" It's challenging to understand what information they're looking for within my own knowledge base and respond appropriately. Being able to offer concrete advice based on past cases increases customer trust. I want to gain experience so I can develop that kind of skill.

**Nagaoka** I've also come to realize the importance of experience. When I first reported our research and development results to a customer, he gave me hints for new development directions. This

# Employee Roundtable Discussion

kind of direct communication is extremely stimulating and I feel it's essential for research and development.

**Yokoyama** As technology and market conditions change, an inward-looking approach tends to narrow the scope of research and development. That's why I think it's important to broadly investigate materials and products from other fields and continue gathering information through patents and other sources.

## Discoveries and Growth at the Exhibition

**Tane** Seeing everyone's efforts at this exhibition, I felt that our company's strength lies not only in the products themselves but also in our organizational ability to work together across departments, and in each individual who supports that effort. So please tell me: what kinds of ingenuity and discoveries did you experience this time?

**Yokoyama** At the exhibition, we didn't just introduce our own products. We were conscious of showing how they're actually used in final products. To do that, we collaborated with other companies and took on the challenge of creating exhibits that combined each company's technological strengths. We also made proposals such as offering to introduce visitors to companies if they needed a particular substrate. I think visitors at this exhibition were able to experience firsthand the potential of the SMERF I worked on as an alternative to conventional materials.

**Fujita** This was my first time participating in an exhibition, so they held study sessions beforehand that enabled me to handle basic questions. However, there were actually many specialized questions, and sometimes I couldn't answer on the spot. I keenly felt my lack of knowledge and realized I need to study much more.

**Shimane** From a sales perspective, the exhibition was a valuable opportunity to exchange opinions directly with customers who have diverse insights, and to gather their challenges and needs.



Also, many overseas customers attended, and I realized that what's required differs by country. Going forward, I feel we need to further strengthen our sales structure to overcome language and regulatory barriers.



## Running the Exhibition as a Team

**Tane** I'd like to hear about the exhibition preparations and how you worked as a team.

**Yokoyama** Tane and I took the lead in coordinating everything, including preparing the booth exterior and posters. Many departments cooperated, including planning and sales, and I think we proceeded smoothly by maintaining close coordination.

**Shimane** As a salesperson, I struggled because I was often asked questions about products outside my area. However, holding study sessions of about 30 to 40 minutes for each product beforehand and preparing responses to anticipated questions made a huge difference. Even during the actual event, I felt confident that I could answer.

**Nagaoka** Through those study sessions, we prepared while exchanging opinions with each other, which created a sense of wanting to work together as one. We normally tend to focus on our own themes, but being exposed to other members' research and development was a valuable opportunity.

**Fujita** The study sessions also gave me my first chance to really talk with Tane. I felt connections across departments, and realized that exhibitions are not only places to showcase products, but also opportunities to strengthen our collaborative structure within the organization.

**Yokoyama** Through the preparations, working together with sales and people from other departments whom I don't usually interact with was a good experience. I think it broadened my perspective and expanded my personal network.

**Tane** At this exhibition, I learned a variety of exhibition know-how that the Circuitry Materials R&D Department has accumulated. Going forward, I'd like to share that knowledge with other departments as well. It would be great if we could systematize things so any department can run an exhibition smoothly.

**Yokoyama** On the other hand, some challenges remain. Work inevitably concentrated on me, and I found it difficult to delegate to others. As a result, I tended to take on too much by myself. Going forward, I want to get better at distributing roles.



**Tane** It's important to think about leadership and internal dissemination as ongoing challenges. I was reminded once again that exhibitions aren't just for promoting products—they're also opportunities for the organization to learn and grow.

## Our Vision for the Future and Career Aspirations

**Tane** For our final topic, let's talk about who you want to become in the future, and your approaches to career paths and skill development. Let's start with Fujita, our newest member.

**Fujita** I feel my biggest challenge right now is lack of knowledge. So, I'm consciously increasing opportunities for skill development, attending external seminars and learning from specialized books on plating. I decide how to proceed with experiments while consulting with my supervisor, but the suggestions I receive are always spot-on, and I keenly feel that I still lack that kind of thinking. In the future, I want to be able to design my own experiments and come up with approaches that surprise my supervisor. Ultimately, I'm aiming to become an engineer who can advance research and development independently.



**Nagaoka** I feel the same way. First, my goal is to gain knowledge and experience and become self-sufficient as an engineer. Our company gives even young employees opportunities to work with customers on product development, so I want to leverage that environment and learn to grasp society's needs. My ultimate goal is to complete a product I've worked on myself and see it through to mass production.

**Yokoyama** As an engineer, I'm first focused on broadening my perspective and examining things from various angles. My immediate goal is to commercialize

the SMERF I'm working on and get it to the point where we can deliver it to customers. Another goal is the ability to move a team forward. During exhibition preparations, I took on too many tasks myself, but I learned that to work efficiently, you need to delegate roles effectively. Going forward, through trial and error, I want to think about how to bring out the best in a team.

**Tane** Now that I'm in the R&D Planning Department, I have opportunities to interact with other departments and many engineers. In this role, I want to connect people and technologies, create new themes, and collaborate with the research departments. I want to use new methods like data utilization and generative AI to achieve both efficiency and creative activities. My goal is to leverage my strengths and become someone who can generate themes.

**Shimane** In the short term, I want to broaden my knowledge much more. I can only answer customers' questions immediately in limited situations, and I often need help from people in other departments. I want to expand my toolkit and be able to respond more quickly. In the future, I'd like to take on management responsibilities. Rather than doing everything myself, it's important to guide my peers and junior colleagues so they can perform even better than I can. I think it's also my role to develop the necessary skills for that and create a comfortable work environment. I want to become someone who can guide the company in a better direction continuing to maintain the instincts I've gained on the ground.

**Tane** Hearing everyone's visions for the future, I could tell that each of you has a clear idea of your own challenges and goals. As we continue to gain experience day by day, let's each build careers that are true to who we are.



# Medium-Term Business Plan 2024–2026

The Medium-Term Business Plan was created through backcasting from “What we want to be in 2030.”  
We aim to achieve our management targets by actively investing in growth fields and expanding sales.

## Policies and Priority Measures in Medium-Term Business Plan

Policy for Medium-Term Business Plan

### Promotion of the Growth Strategy and New Value Creation

#### Three measures based on sustainability management

Measure (i) : Business expansion and strengthening the business structure

Measure (ii) : Promotion of globalization

Measure (iii) : New value creation

#### Promotion of the Sustainability Management

- Expand the business in growth fields
- Strengthen the business structure of basic fields
- Pursue deepening and succession of production technology

- Increase overseas net sales
- Strengthen overseas organization
- Pursue new opportunities

- Promote development of products with competitive advantage
- Achieve early research results

- Effectively allocate management resources
- Strengthen supply-chain management
- Improve in job satisfaction
- Strengthen and complete corporate governance and compliance
- Facilitate environmental responses
- Promote contribution to local communities and society

FY  
2030

FY  
2026

FY  
2024

## Managerial Targets

- In FY2024, recovery in the MLCC and semiconductor markets was slower than expected, and net sales were modestly restrained compared to the Medium-Term Business Plan.
- On the other hand, operating profit increased significantly due to price revisions and one-time factors.
- Amid growing uncertainty in the global economy, we will focus on improving profitability by promoting efficiency and labor-saving measures.

### Final fiscal year in Medium-Term Business Plan Targets for FY 2026

Net sales **49** billion yen

Operating profit **3.3** billion yen

EBITDA\*1 **8** billion yen

ROE\*2 **6** %

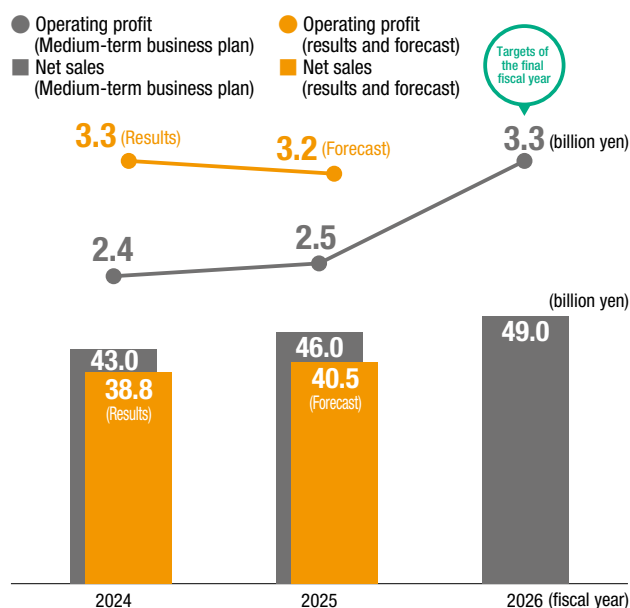
Net sales in growth fields **20** billion yen

Overseas net sales **7** billion yen

Capital investment (cumulative total for three years) **20** billion yen

Payout ratio Around **30**%

Ratio of cross-shareholdings to net assets **15**% or less



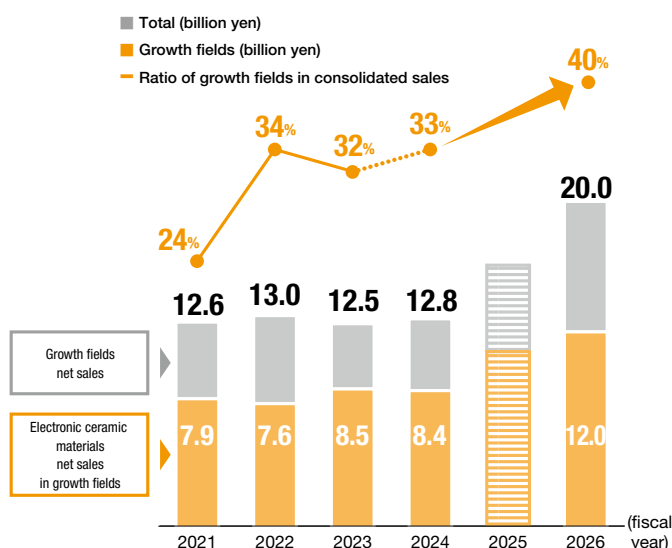
\*1 Brief version of EBITDA (operating profit + depreciation) is used

\*2 ROE = Net income / Average shareholders' equity

# Growth Fields

## Increase Net Sales in Growth Fields to More than 20 Billion Yen

### Growth Field Sales and Ratio



### Targets of products in growth fields for FY2026

Growth fields net sales  
**20 billion yen**

Growth fields sales ratio  
**40%**

### Products in growth fields and their major uses

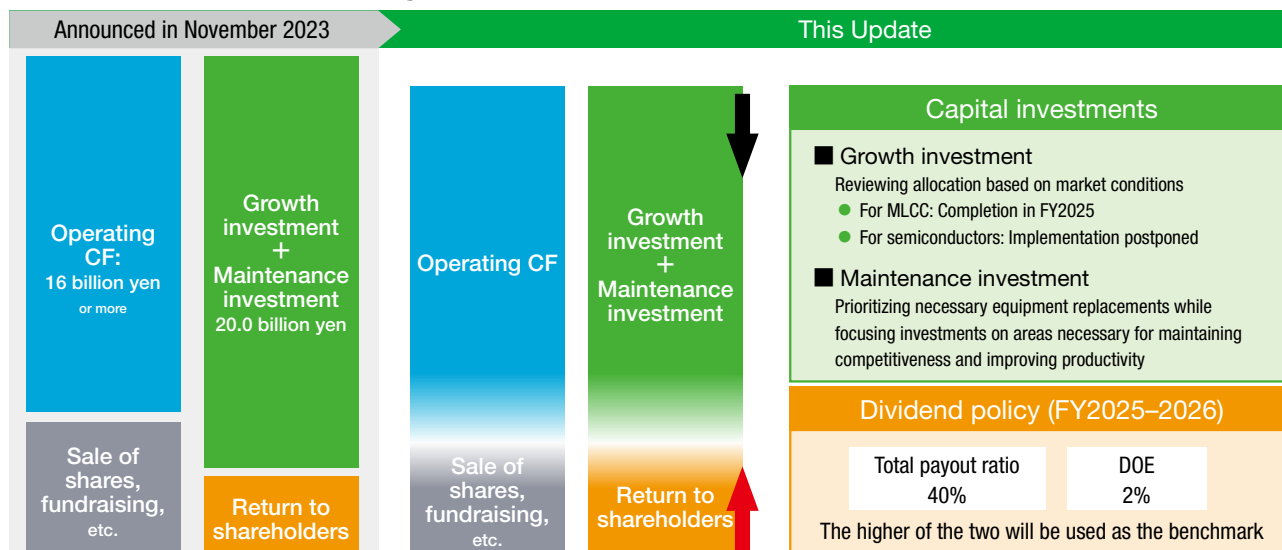
Electronic Ceramic Materials	Dielectrics for MLCC and dielectric materials (Barium titanate / High-purity barium carbonate)
High-Purity Electronic Materials	Semiconductor materials and organic electronic materials (High-purity phosphine gas / High-purity red Phosphorus, etc.)
Phosphoric Acid for LCDs and Semiconductors	Etching agents (Phosphoric acid)
Phosphorus Materials for Quantum Dot	Materials for Quantum dot display (Phosphine derivatives including TMSP)

# Cash Allocation

## Effectively Allocate of Managerial Resources

While we expect operating cash flow to be at the initial plan level, we will review investments in line with demand. We will further enhance shareholder returns.

### Cash Allocation Image for the Three-Year Medium-Term Business Plan



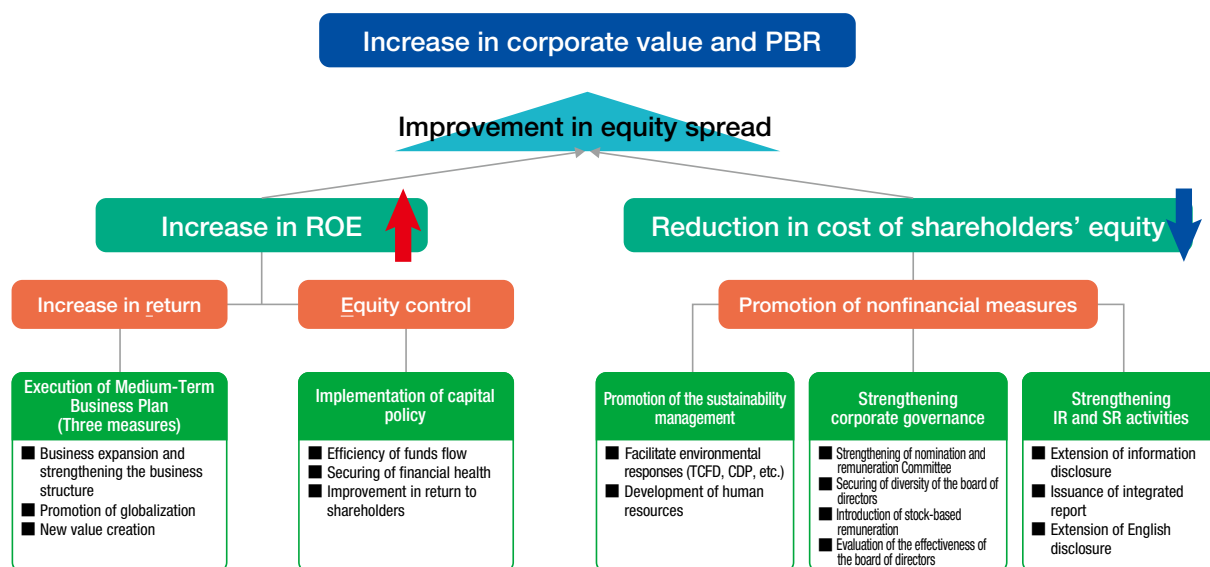
To achieve sustainable growth in corporate value, our company will work as one to actively pursue initiatives aimed at achieving our FY2030 target ROE of 8% and implementing management that is conscious of cost of capital and share price.

**Toshiaki Tsuchiya**  
Corporate Strategy Division Manager



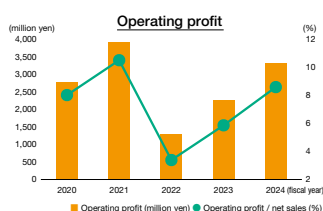
### 1 Basic Policy

#### Initiatives for an Increase in Sustainable Corporate Value

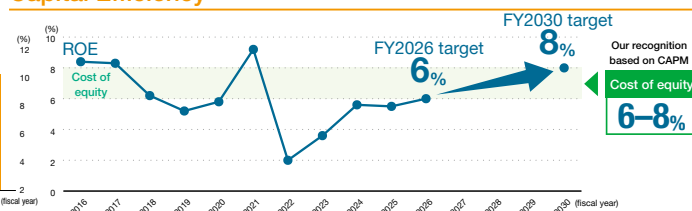


### 2 Analysis and Assessment of Current Status

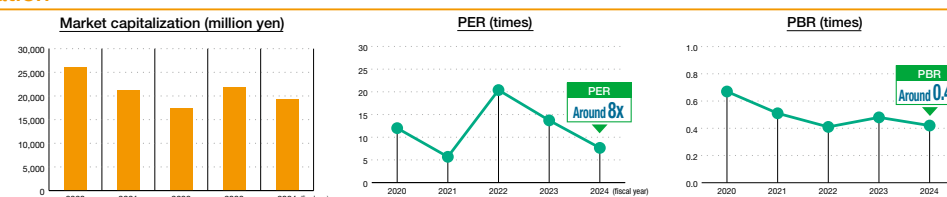
#### Profitability



#### Capital Efficiency



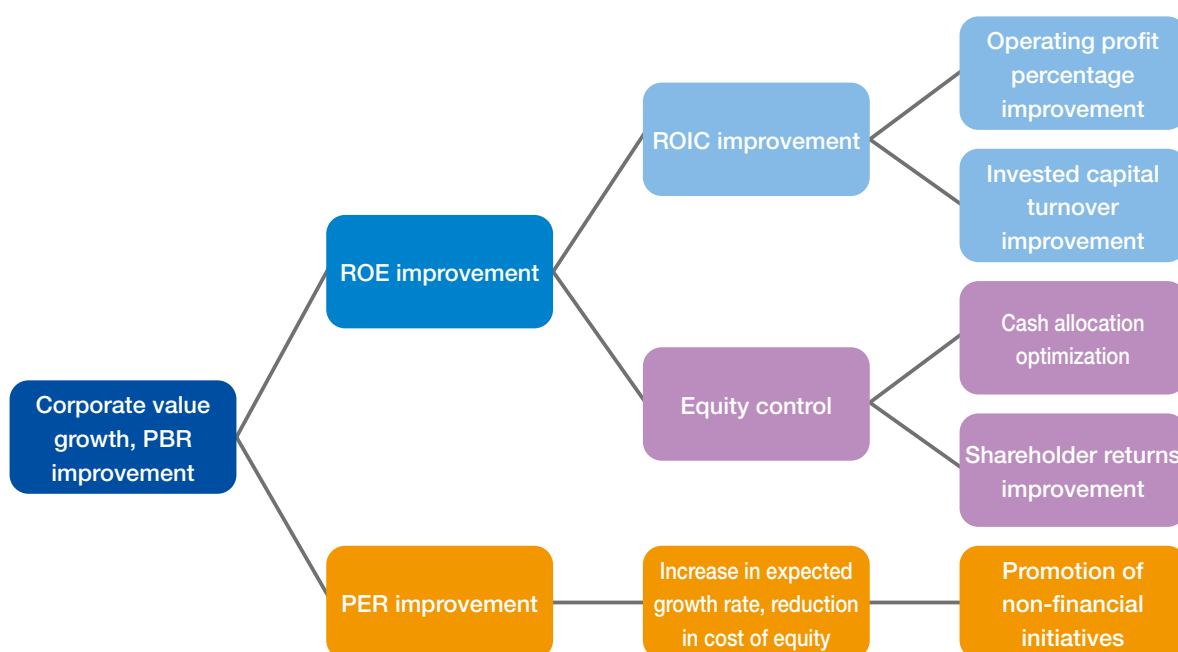
#### Market Valuation



<b>Profitability</b>	<ul style="list-style-type: none"> <li>While competition is intensifying for general purpose products in basic fields, domestic products have been reassessed due to the impact of geopolitical risks and other factors, and the business has evolved into one that can secure stable profits.</li> <li>Although the MLCC and semiconductor markets are currently slowing, because demand is expected to recover over the medium to long term, we will continue our growth strategy and improve profitability.</li> </ul>
<b>Capital Efficiency</b>	<ul style="list-style-type: none"> <li>ROE has remained below the cost of equity, so we will aim for further capital efficiency.</li> <li>In addition to improving profitability, we will aim for efficiency by reviewing held assets, which includes inventory reduction and reduction of cross-shareholdings, and equity control.</li> </ul>
<b>Market Valuation</b>	<ul style="list-style-type: none"> <li>PBR has remained at a low level, and we recognize that market valuation is still low. We make every effort to reduce the cost of equity by advancing our growth strategy to further enhance business performance, strengthening IR and SR activities to deepen dialogue with shareholders and investors, and resolving information asymmetry.</li> </ul>

### 3 Future Initiatives

We aim to achieve sustainable corporate value enhancement to meet stakeholder expectations, including those of investors. Capital-efficient management is important, with ROE improvement at its core. We have set an ROE target of 8% in FY2030 and will achieve this by steadily executing the three measures of our Medium-Term Business Plan. We will optimize capital and improve profitability through efficient capital management, ROIC improvement, and equity control. These initiatives will reallocate management resources to more profitable areas, driving sustainable ROE improvement and maximizing corporate value. For PER, we will deepen dialogue with shareholders and investors and expand information disclosure through non-financial initiatives, working to improve expected growth rates and reduce the cost of equity. As our growth strategy evolves, we must respond quickly to changes in the business environment and improve fundraising flexibility. We will accelerate investment in growth businesses by liquidating assets and utilizing debt financing to capitalize on business opportunities, creating new ventures while expanding business scale and improving profitability. Through these measures, we will balance financial soundness with growth to achieve sustainable development.



Corporate value growth, PBR improvement	ROE improvement	ROIC improvement	Operating profit percentage improvement	<ul style="list-style-type: none"> <li>Capital concentration in and expansion of growth businesses, consider business expansion through M&amp;A</li> <li>Review of unprofitable businesses</li> <li>Aiming for improved yield and efficient production systems</li> <li>Optimization of factory operations</li> </ul>
			Invested capital turnover improvement	<ul style="list-style-type: none"> <li>Inventory reduction (reduction to 3.4 months)</li> <li>Management of cash and deposits on hand</li> <li>Investment amounts in growth businesses, disposal of unnecessary assets</li> <li>Reduction of cross-shareholdings, verification of profitability of leasing business</li> </ul>
		Equity control	Cash allocation optimization	<ul style="list-style-type: none"> <li>Balancing maintenance of financial soundness with flexible response to growth opportunities</li> <li>Optimization of D/E ratio and financial leverage</li> </ul>
			Shareholder returns improvement	<ul style="list-style-type: none"> <li>Enhancement and improved transparency of shareholder return policy</li> </ul>
	PER improvement	Increase in expected growth rate, reduction in cost of equity	Promotion of non-financial initiatives	<ul style="list-style-type: none"> <li>Transparent information sharing</li> <li>Deepening dialogue with shareholders and investors through IR and SR</li> <li>Promotion of sustainability management</li> <li>Promotion of human capital management: advancement of human resource strategies including securing diverse talent and talent development</li> </ul>

## Key Initiative Points

### Investment strategy

In the current Medium-Term Business Plan period, we had planned approximately 6.5 billion yen in investments in growth fields, including facility expansion for electronic ceramic materials for MLCC and high-purity phosphine gas for semiconductors. Against the backdrop of advancing digitization, the market environment is expected to grow, and investment in electronic ceramic materials has progressed smoothly. On the other hand, for high-purity phosphine gas, we are currently reviewing our investment plan due to slowing demand and rising material costs. We will actively implement investments in growth fields that contribute to corporate value growth based on flexible investment planning through appropriate information gathering. In formulating investment plans, we will carefully consider the hurdle rate based on WACC and ROIC levels before implementation.

### Invested capital efficiency

We have positioned inventory reduction as a priority issue. With the aim of improving invested capital turnover and strengthening cash flow, we will further advance inventory reduction by the end of FY2026 and deploy company-wide measures including more advanced inventory management, improvement of demand forecasting accuracy, and supply chain optimization.

### Financial soundness

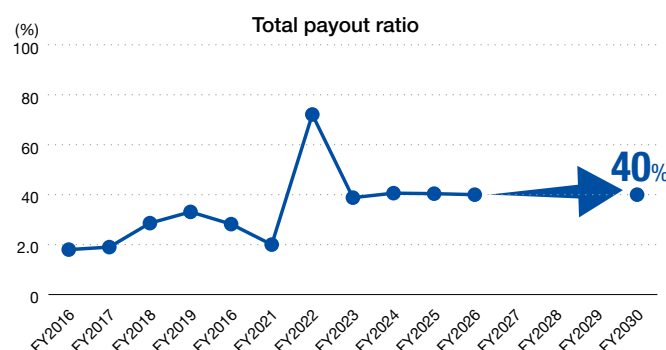
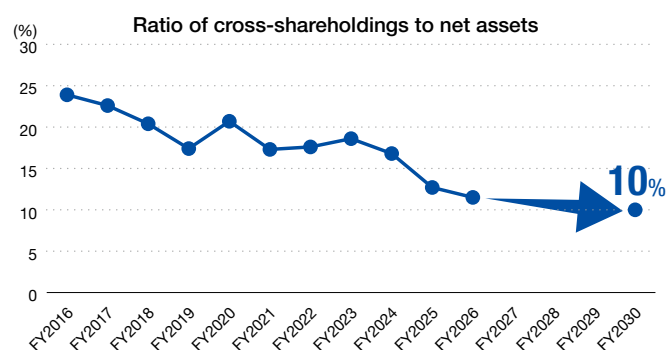
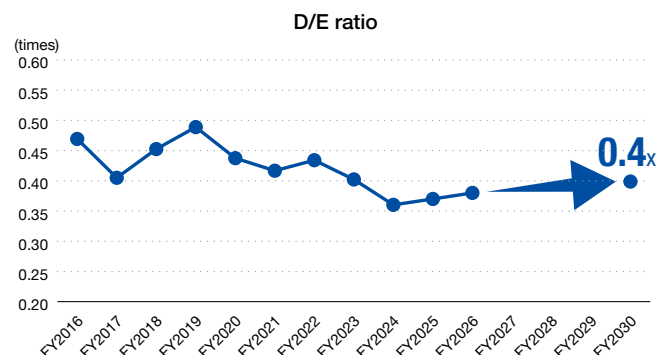
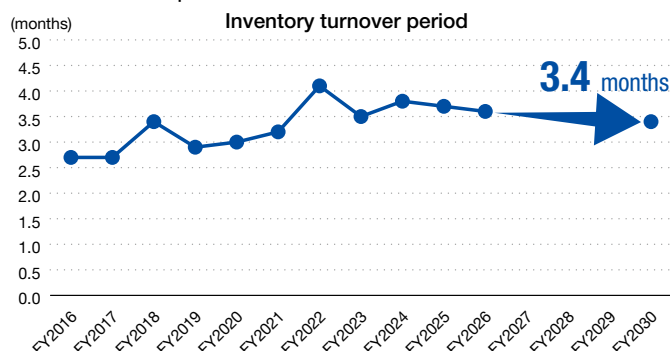
In our future growth strategy, it will be necessary to respond quickly to changes in the business environment, enhance flexibility in fundraising, and make agile investment decisions. By acquiring new business opportunities, we will improve capital efficiency and secure optimal capital structure by appropriately managing the balance between equity and debt.

### Cross-shareholdings

As part of our capital policy, we are actively pushing forward with reductions in cross-shareholdings. Specifically, we have set targets to reduce the ratio of cross-shareholdings to net assets to 15% or less by FY2026 and to 10% or less by FY2030 to achieve a gradual reduction. This will enable us to achieve optimal capital allocation and strengthen our financial structure.

### Return to shareholders

We emphasize stability in profit distribution to our shareholders and intend to continuously enhance it. During the Medium-Term Business Plan period through FY2026, we have introduced “DOE 2%” and “total payout ratio of 40%” as new indicators to further strengthen shareholder returns. We aim to steadily increase dividends alongside sustained growth and provide highly reliable returns to our shareholders.



We aim to create new value and achieve sustainable corporate growth by advancing three human resource strategy policies—Securing diverse human resources, Human resource development, and Improvement of the work environment—while also working on talent development that focuses on improving employee well-being.



Kazunori Hata

Administration Division Manager

## 1 Progress to Date

We have worked to secure diverse talent with qualities such as independence, emphasis on teamwork, and ingenuity; to develop talent in a way that enables employees to experience personal growth by taking on challenges toward goals; and at the same time to improve the workplace environment to enhance ease of work.

We strive not only to develop and manufacture high-quality, high-performance products but also to pursue stable and safe raw material procurement and delivery systems while responding flexibly to changes in the business environment and customer needs. To that end, we aim to develop outstanding talent with a focus on six perspectives.

- ① Being part of a highly productive organization  
Aim to be members of an organization that contributes to solving social issues, not just economic matters  
(Main measures) Coaching and systematic training programs
- ② Job rotation system  
Cultivate an understanding of the overall picture of our business and the ability to solve challenges by leveraging cross-departmental experience

- ③ Communication  
Become capable of engaging in solid discussions both inside and outside the company  
(Main measures) Coaching
- ④ Honing understanding in areas of expertise and different fields  
Enhance one's own expertise while venturing into unfamiliar fields to develop new technologies  
(Main measures) Coaching and systematic training programs
- ⑤ Connections and discernment  
Effectively manage connections with people and things. Nurture seeds for new business with a discerning eye that identifies promising technologies  
(Main measures) Coaching and systematic training programs
- ⑥ Improvement of engagement  
Improving ease of work and job satisfaction  
(Main measures) Promotion of women's empowerment, promotion of mid-career hiring, health management, enhancement of work-life balance, occupational health and safety  
For progress on main measures, please refer to Human Capital p. 61.

## 2 Risks and Opportunities

If securing and developing diverse talent is insufficient, employee motivation will not improve and will adversely affect company growth. Therefore, we will work to reduce risks by advancing workplace environment improvements that emphasize diversifying work styles and work-life balance.

## 3 Future Initiatives (Strengths, Challenges, Measures, etc.)

As a new initiative starting this fiscal year, we are focusing on well-being, which will create positive conditions for employees. By improving ease of work and job satisfaction, we will help employees feel a sense of happiness, which in turn will create a virtuous cycle that positively influences the company. To that end, we will foster an organizational culture that encourages taking on challenges.

We have built up more than 130 years of history under our corporate philosophy of "We are treating humanity treasuring technology with good care." To solve increasingly complicated and diverse social issues, it will be important to develop talent capable of furthering our unique technologies and providing new solutions. We intend to invest generously in enhancing the abilities, experience, and motivation of such talent.

# Business Expansion and Strengthening the Business Structure

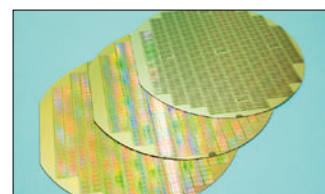
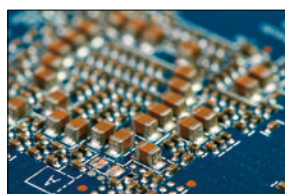
Our products are broadly divided into the Inorganic Chemicals business, which focuses on industrial chemicals for core industries, and the Specialty Chemicals business, which focuses on electronic and energy materials used in the semiconductor and digital industries. We aim to be a company that continues to grow while responding to changes in the world by strengthening the structure of the Inorganic Chemicals business and expanding the Specialty Chemicals business.

**Takahiro Nagayama**  
Sales Division Manager



## 1 Progress to Date

The Inorganic Chemicals business has achieved structural strengthening, and its profit base is becoming stable. In the Specialty Chemicals business, preparations for stable supply through strengthened supply chains, including raw material procurement, have begun in anticipation of expanding demand.



Fields in which our products are used

## 2 Risks and Opportunities

Field	Risks	Opportunities
Enhancing product value in basic fields	<ul style="list-style-type: none"> <li>Competitive products emerge and competitiveness declines</li> </ul>	<ul style="list-style-type: none"> <li>Improving quality enables entry into potential markets</li> </ul>
Expand the business in growth fields	<ul style="list-style-type: none"> <li>Sufficient demand is not secured, and profitability declines</li> </ul>	<ul style="list-style-type: none"> <li>Demand increases, profitability improves, and business expands</li> </ul>
Effective utilization of overseas bases	<ul style="list-style-type: none"> <li>Missed opportunities caused by misjudgments due to insufficient information</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of the latest information and market entry opportunities</li> </ul>
Sustainable procurement	<ul style="list-style-type: none"> <li>Concerns about raw material procurement due to political instability or conflicts</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of strengthened multi-supply chains</li> </ul>

## 3 Important Measures and Specific Initiatives

### ● Enhancing product value in basic fields

Some products handled in the Inorganic Chemicals business have the potential to expand their markets by enhancing quality characteristics and handling properties to better suit their applications. We will enhance value by providing the solutions customers seek and connect this to improved profitability.

### ● Expand the business in growth fields

For MLCC materials, facility expansion has progressed and preparations for growth are complete. For high-purity electronic materials, the timing has come to consider investments for further growth. We will ascertain future market trends and the business environment to connect this to business expansion.

### ● Effective utilization of overseas bases

We will work with our four overseas bases to leverage the latest information to expand our business. We will actively engage with expanding markets and connect this to improved profitability. For markets that require careful handling, we will comprehensively collect more reliable information.

### ● Sustainable procurement

We will work with suppliers to promote sustainable procurement that considers the environment, society, and governance to secure stable raw materials for maintaining product quality value.

We believe that demand for materials for semiconductors and electronic devices, which we position as growth fields, will continue to expand and quality requirements will also increase.

To respond to these needs, we will integrate digital technology with our production technology to aim for further productivity improvements.



**Masaki Takahashi**

Production Engineering Division Manager

## 1 Progress to Date

Since the previous Medium-Term Business Plan, we have committed to active investment in growth fields, but actual investment in the first fiscal year has diverged from the plan due to revisions in investment details and timing. However, we will continue to flexibly advance investments in growth fields where expansion in demand is expected. In addition, we will actively introduce new management systems into production lines to enhance production efficiency and labor savings, improve quality, and establish a stable supply system.



Electronic ceramic materials factory  
(Tokuyama Factory)

## 2 Risks and Opportunities

Field	Risks	Opportunities
Building a sustainable production system	<ul style="list-style-type: none"> <li>● Production costs deteriorate due to aging equipment or inefficient equipment utilization</li> <li>● Operational stability declines due to delays in securing and developing personnel</li> </ul>	<ul style="list-style-type: none"> <li>● Productivity improvement and cost reduction through process improvement</li> </ul>
Expand the business in growth fields	<ul style="list-style-type: none"> <li>● Missed opportunities due to insufficient supply capacity for market expansion</li> <li>● Profitability deteriorates due to inability to effectively utilize facilities invested in advance</li> </ul>	<ul style="list-style-type: none"> <li>● Timely response to demand through flexible equipment investment decisions and review of investment plans</li> <li>● Improved profitability through efficient utilization of equipment and resources</li> </ul>
Environmental protection and safety measures	<ul style="list-style-type: none"> <li>● Suspension of operations or damage to corporate trust due to environmental accidents or occupational accidents</li> </ul>	<ul style="list-style-type: none"> <li>● Ensuring physical and psychological safety of employees through strengthened safety measures</li> </ul>
Improving disaster prevention capabilities	<ul style="list-style-type: none"> <li>● Inadequate disaster prevention measures lead to greater damage from natural disasters and longer recovery periods</li> </ul>	<ul style="list-style-type: none"> <li>● Reduced repair costs and shorter shutdown periods through reliable disaster prevention measures</li> </ul>

## 3 Important Measures and Specific Initiatives

### ● Building a sustainable production system

We will integrate digital technologies into our proprietary production processes to improve efficiency and reduce labor requirements, thereby enhancing our quality and cost competitiveness.

### ● Expand the business in growth fields

We will actively allocate resources to growth fields such as electronic ceramic materials, semiconductor materials, and organic electronic materials to expand our business.

### ● Environmental protection and safety measures

We will implement environmental and safety measures equipment as well as monitoring systems to prevent environmental incidents and workplace accidents.

### ● Enhancing disaster prevention capabilities

We will establish systems to respond quickly to natural disasters to protect our most valuable assets: our people and facilities.



Process management using tablets  
(Fukushima No. 1 Factory)

Based on our core technologies and expertise in research and development, and by effectively utilizing external resources, we will expand our technology platforms across various fields to create new value that addresses diverse and sophisticated social issues. In addition, we are engaging in efficient research and development by identifying research fields and concentrating capital intensively.



**Kazuo Ochiai**  
R&D Division Manager

### 1 Progress to Date

In building mechanisms to create new products, members from sales and manufacturing participate in ongoing initiatives alongside the Research and Development Division. By utilizing customer information and incorporating opinions from manufacturing personnel, we are promoting practical product development that meets market needs.

In addition, we are strengthening collaboration with other companies and research institutions and actively adopting technologies we do not possess internally, steadily expanding our technology platform. This approach is promoting the development of new materials and process technologies and enhancing our competitiveness.

In this way, we are promoting innovation through internal and external cooperation and aiming for sustainable growth.

### 2 Risks and Opportunities

Field	Risks	Opportunities
Development of new products	If the development difficulty is high, the risks associated with achieving success also increase. When adopting new technologies or approaches, we must carefully evaluate their feasibility and potential issues. Moreover, if we fail to conduct efficient research and development, we risk losing ground to competitors in materials development capabilities, resulting in loss of market share for our products and reduced profitability.	The utilization of new technologies and knowledge makes product and service improvements and innovations possible. By making research and development more efficient, we can provide new value ahead of competitors.
Market changes	Product and service success can be threatened by changes in market demand and competitive situations. Market research and understanding customer needs are required to develop appropriate strategies. Market research and understanding customer needs are required to develop appropriate strategies.	There are opportunities for entry into growth fields and unexplored markets. Probability of success increases by understanding market trends and customer needs and developing appropriate strategies.

### 3 Important Measures and Specific Initiatives

#### ● Efficiency of R&D

We will establish mechanisms to facilitate new product creation and actively utilize Materials Informatics (MI) and the IP landscape to improve the efficiency of new product development.

We will also accelerate new product development by allocating resources appropriately according to theme priorities.

#### ● Promoting the development of environmental contribution products

When selecting and evaluating research themes, we will establish environmental contribution indicators and prioritize themes that significantly contribute to the environment.

#### ● Open innovation

We will not only utilize our own unique technologies, but also actively collaborate with other companies and research institutions to incorporate new ideas and technologies, expand our technology platform, and create new value.

## 4 Our Technologies (R&D Topics)

### ① Achieving RFID Circuit Formation on Substrates with Low Heat Resistance: Development of UV-Curable Anisotropic Conductive Adhesive

Conventional RFID adhesives have mainly been thermosetting types. When substrates with low heat resistance, heat transfers to the substrate and antenna, creating a risk that substrate deformation will affect shape and adhesion. The UV-curable anisotropic conductive adhesive we developed causes no damage to substrates and enables curing in a short time.

#### UV Curing Advantages

##### Damage-free

- Enables damage-free mounting on substrates with low heat resistance (such as paper)
- Broader selection of tag substrates enables deployment to diverse applications

##### Speed curing

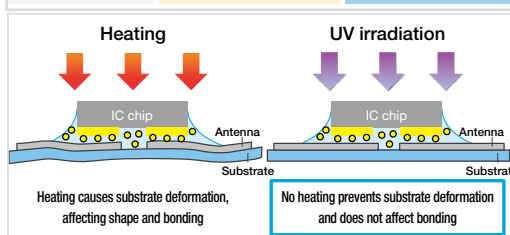
- Enables curing in as little as 1 to 2 seconds
- Significant reduction in curing time contributes to improved customer productivity

##### Energy saving

- Enables efficient processes while reducing environmental impact

#### <Comparison of thermosetting ACP and UV-curing ACP>

Features	Thermosetting type (our conventional product)	UV curing type (our developed product)
Curing method	Heat	UV (ultraviolet)
Resin	Epoxy	Epoxy/acrylic
Curing conditions	170°C / 8 seconds	25°C / 1 to 2 seconds



#### <Photo of RFID antenna mounted on PET substrate>



### ② Joint Development Case with Another Company: YUPO CORPORATION

This is an introduction to a joint development case with YUPO CORPORATION. Synthetic paper YUPO is attractive for being water resistant and tear resistant, but because its main raw material is polypropylene, it is not heat resistive. With conventional thermosetting anisotropic conductive adhesive (our product name: SMERF®), there was a risk that YUPO would deform, but by using our UV-curing SMERF that requires no heat, RFID inlays can now be formed directly on YUPO.

#### Joint Development

##### YUPO® SMERF® advantages

- Shortened manufacturing process and lead time
- Lower manufacturing costs and label costs
- Significantly lower emissions of environmentally hazardous substances
- Resource conservation

##### Application range

- Logistics and warehouse management: Product tracking and inventory efficiency
- Smart packaging: Can be used as a new method to provide product information to consumers

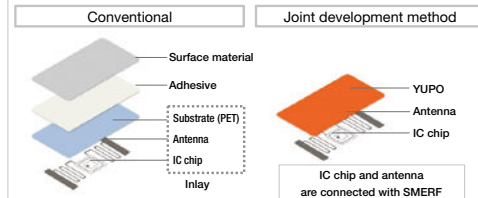
##### Market impact

- Provides new value to industries requiring parts and product management and logistics management
- Contributes to carbon neutrality

#### <Characteristics of synthetic paper YUPO (examples)>



#### <General structure of RFID labels>



#### <RFID-attached resin bottle>

##### RFID labeling simultaneously with resin bottle molding



\*All images on this slide are for illustrative purposes only. (Images provided by Yupo Corporation)

\*\*"Yupo" is a registered trademark of Yupo Corporation.

The global situation is becoming increasingly complex, with geopolitical risks such as the US-China rivalry and regional conflicts, as well as inflation, and increasing political and economic uncertainties. Raw material prices have risen due to increased global demand and supply disruptions, significantly affecting manufacturing costs. The US-China rivalry and regional conflicts are affecting supply chains, and reconstruction of sustainable supply chains is required.



**Toshiaki Tsuchiya**  
Corporate Strategy Division Manager

### 1 Progress to Date

The local subsidiary established in Taiwan last June was set up to strengthen our sales system to capture demand opportunities arising from the expansion of the semiconductor and electronic component business centered on Taiwan. Approximately one year has passed, and we have now put the system on track and are actively expanding operations. For overseas net sales in FY2024, we achieved approximately 95% of the plan, but to achieve the FY2025 target, we will further strengthen coordination between each base and headquarters to work on acquiring business opportunities.

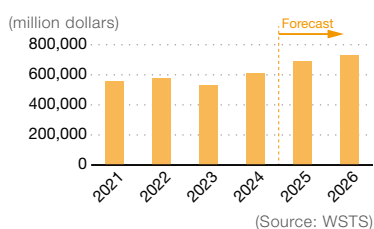
### 2 Risks and Opportunities

Risks	Opportunities
<ul style="list-style-type: none"> <li>Trade friction and political tensions between the US and China continue, with concerns about supply chain disruptions and impacts of US tariff policies</li> <li>Rising raw material and energy prices increase manufacturing costs, with risks of putting pressure on corporate profit margins</li> <li>Changes in consumer needs and economic instability make demand forecasting difficult, potentially affecting inventory management and production planning</li> <li>Strengthening regulations for environmental protection necessitates companies to introduce sustainable manufacturing processes</li> </ul>	<ul style="list-style-type: none"> <li>Growth in Asia and other emerging markets continues, with expectations for acquiring new customers and expanding revenue through overseas market entry</li> <li>Opportunities to provide customized products and high value-added products to meet diversifying consumer needs</li> <li>Opportunities for environmentally conscious product development</li> <li>With globalization, there are expectations for securing talent with diverse backgrounds, developing talent, and creating new business models</li> </ul>

### 3 Important Measures and Specific Initiatives

- We will strengthen coordination with overseas bases in the United States, China, Taiwan, and Thailand to build a global sales system
- We will build a differentiated product portfolio for industries with growth potential (semiconductors, electronic components, etc.)
- We will develop talent capable of succeeding globally by utilizing overseas trainee programs and promote retention of excellent local talent
- We will expand market share and strengthen competitiveness by forming alliances with strategic business partners and considering M&A

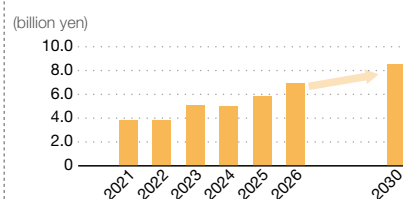
● Global semiconductor market forecast



● Our overseas bases



● Our overseas net sales



The scope of sustainability information requiring disclosure has broadened and deepened. We will prioritize issues based on our understanding of the environment our company finds itself in and our recognition of risks and opportunities. We believe that corporate value increases when each employee treats sustainability issues as their own responsibility.

**Tatsushi Tabata**  
Sustainability Committee Chair



### 1 Progress to Date

In our integrated report, we communicate information across themes including value creation processes, materiality, corporate governance, social issues, and environmental matters. In recent years, we have addressed new challenges such as climate change response, human capital, and biodiversity. Through collaboration among Sustainability Committee members and related people, I feel our sustainability efforts are making steady progress.

### 2 Risks and Opportunities

Risks	Opportunities
The greatest risk remains global warming, with CO <sub>2</sub> emission reduction being humanity's most critical challenge. In Japan, declining birthrates and a shrinking workforce are issues we cannot overlook. Securing supply chains has become increasingly difficult due to geopolitical factors and environmental regulations.	Environmental contribution products not only address social and environmental issues, but also enhance profitability. Dialogue with stakeholders provides valuable opportunities for enhancing corporate value.

### 3 Important Measures and Specific Initiatives

We are aiming to reduce CO<sub>2</sub> emissions through renewable energy, heat recovery technology, fuel conversion, and waste solvent recycling. For Scope 2 emissions, we achieved a roughly 40% reduction by switching to CO<sub>2</sub>-free electricity since 2023. We will continue expanding solar panel installations going forward. Scope 1 reductions require careful consideration of capital investment and quality impacts, so we are taking a medium- to long-term approach.

To address declining birthrates and a shrinking workforce, we are securing diverse talent, streamlining operations, and improving working conditions.

For supply chain resilience, we are strengthening supplier relationships to ensure stable procurement and diversifying our resource base.

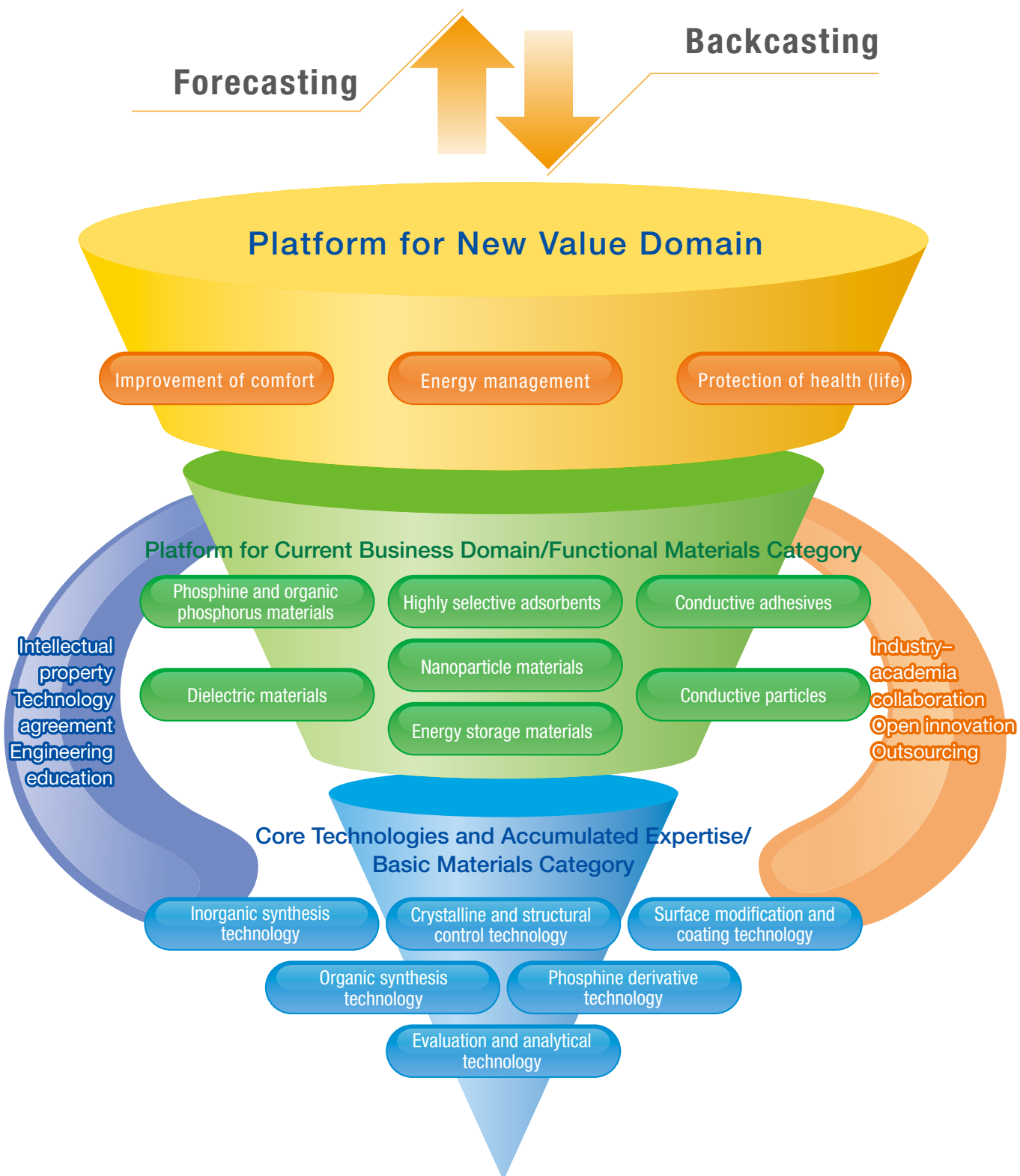
We are advancing development and sales of environmental contribution products, which address social issues while enhancing our corporate value.

Through active stakeholder engagement and disclosure, we aim to identify priority issues, grasp market needs, and recognize potential risks.



Throughout our long history, we have taken on challenges in uncharted territories while introducing new technologies with the changing of the times, bringing numerous materials to the world. Based on the many technologies inherited and nurtured from our founder Toragoro Tanahashi, we will create new technologies, products, and solutions needed for a sustainable society while maintaining a spirit of learning from the past to create the new.

### New Technologies and Materials That Help in Solving the Next Generation Societal Issues



## R&D Activities

### Research

We continuously devise ways to discover the seeds of new value creation by analyzing and sharing media information, sales information, intellectual property information, and website inquiry information across departments.



### Basic Research and Joint Research

Using our core technologies as a foothold, we conduct research activities utilizing external resources as well centered on experiments and analysis, aiming to discover new substances, materials, functions, and their manufacturing processes.



### Pilot and Mass Production Trial

Daily prototype verification is conducted in cooperation with factories to establish mass production technology for substances and materials with superior functions and properties. Research staff and factory engineers work as one to meet increasingly stringent quality requirements.



### Function and Property Evaluation

Evaluation technology has supported our fine chemicals alongside manufacturing technology. As evaluation technology grows more important in creating new value, we will further develop it while passing on technical expertise.



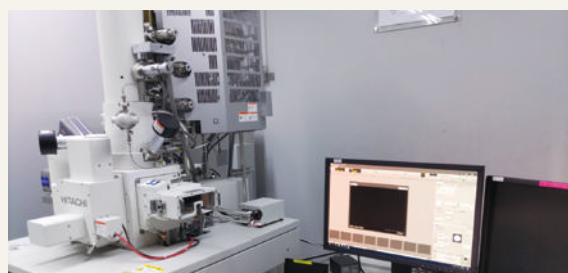
### Fieldwork

We strive to disseminate information about ideas, materials, and technologies generated through R&D via media and exhibitions. In addition, we feed back customer needs and challenges into research and development and work on creating new value.



### Equipment and Device Implementation

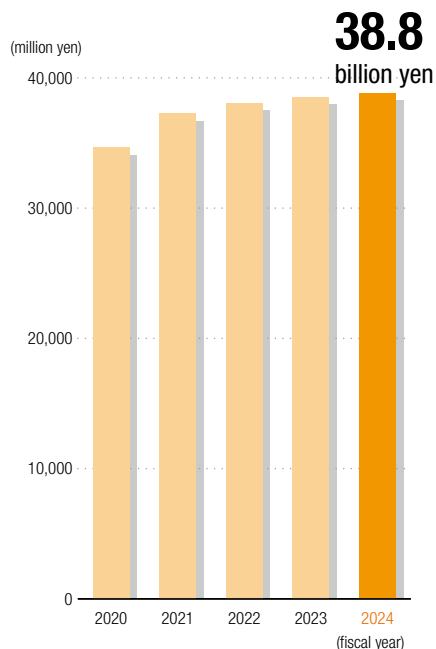
We actively promote upgrades and new installations of testing equipment and evaluation/analysis devices for cutting-edge development that discovers new functions in substances and adds functionality by fusing technologies. Additionally, we are promoting the development of engineers who can operate these devices at a high level.



## Financial and Non-Financial Highlights

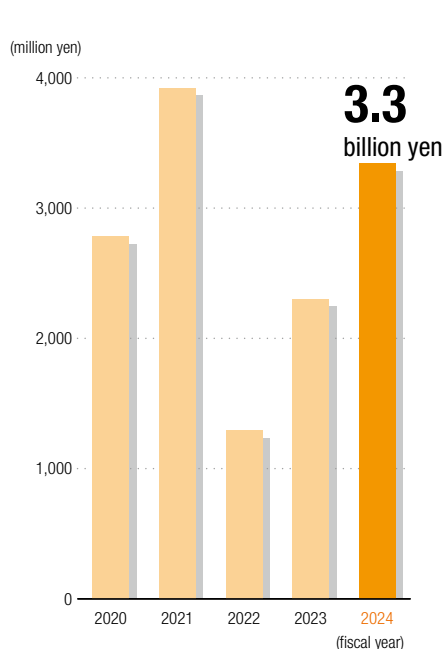
## Financial

Net sales



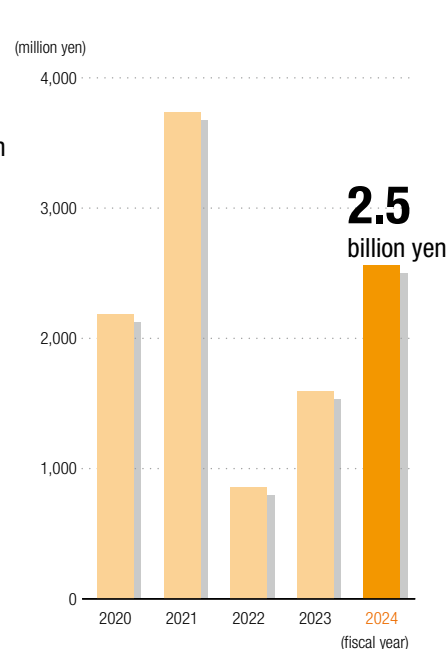
In FY2024, customer demand recovered for some products for LCDs, semiconductors, and communication, and net sales increased 0.8% compared to the previous fiscal year to 38.8 billion yen.

Operating profit



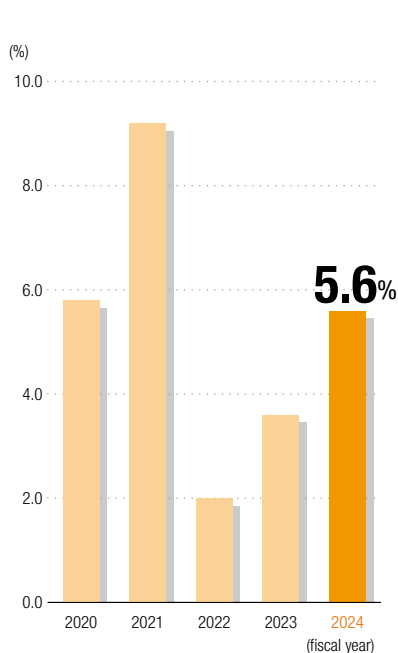
In FY2024, due to the effects of price revisions, implementation of profitability improvement measures, and reduction in valuation losses on some inventories, operating profit increased 47.6% compared to the previous fiscal year.

Net income



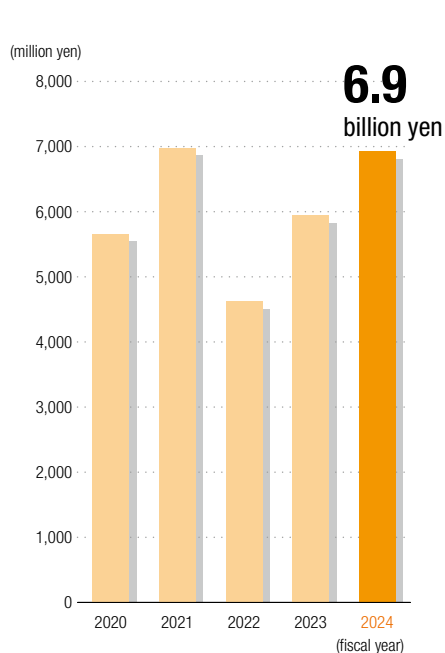
Net profit in FY2024 increased 60.9% year on year to 2.5 billion yen.

ROE



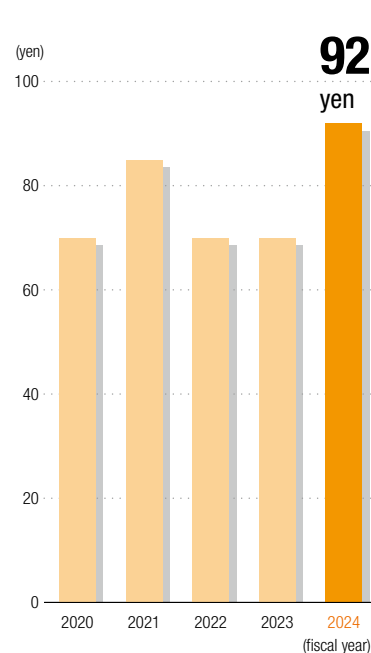
ROE in FY2024 increased 2.0 percentage points year on year to 5.6%.

EBITDA



EBITDA in FY2024 increased 16.4% year on year to 6.9 billion yen.

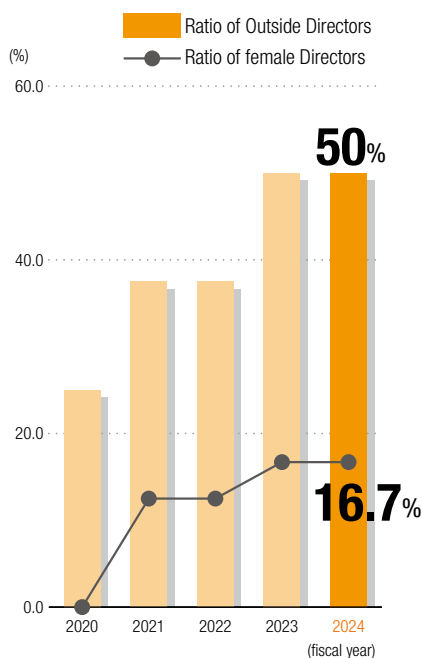
Dividend per share



Our shareholder return policy is to maintain stable dividends. The annual dividend per share in FY2024 was 92 yen.

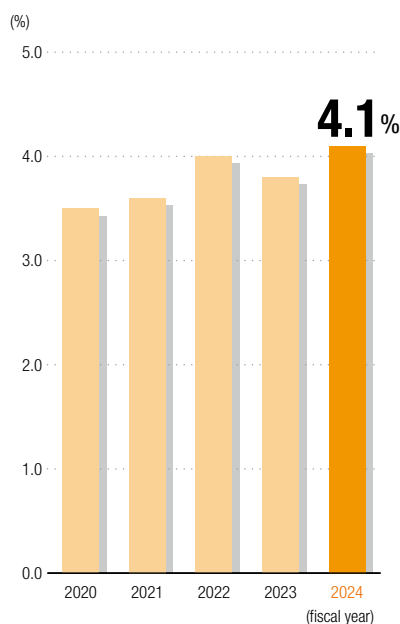
## Non-Financial

Ratio of Outside Directors, ratio of female Directors (non-consolidated)



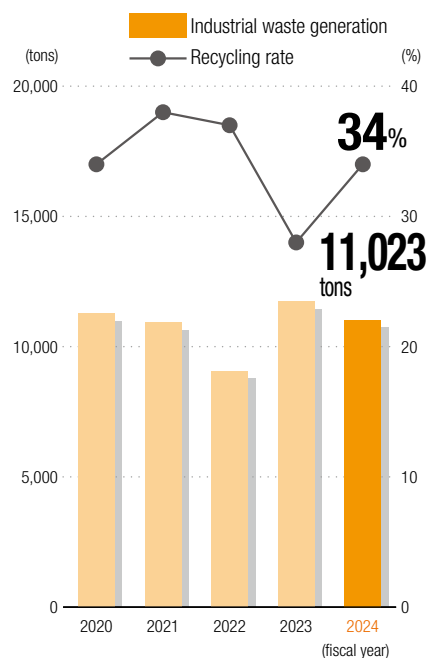
To strengthen corporate governance, we added one Outside Director (female) in FY2021.

R&D expenses to sales ratio



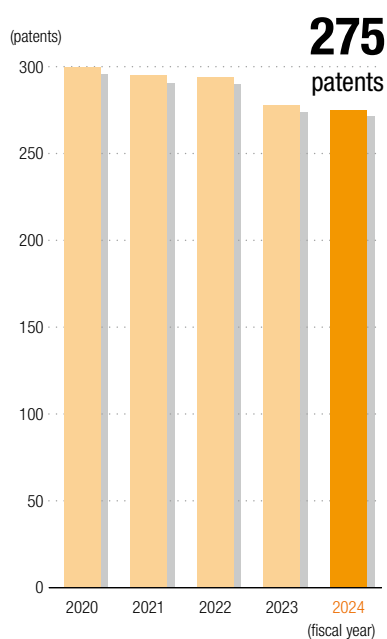
The FY2026 target for the R&D expenses to sales ratio in the Medium-Term Business Plan is 4%. In FY2024, it increased 0.3 percentage points year on year to 4.1%.

Industrial waste generation, recycling rate (non-consolidated)



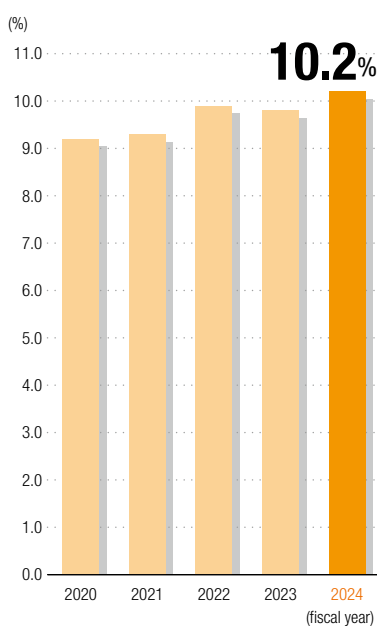
Industrial waste generation in FY2024 decreased by 709 tons year on year to 11,023 tons.

Number of patents held (non-consolidated)



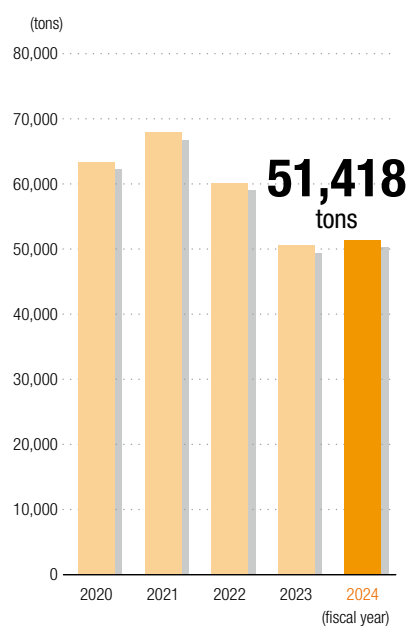
The number of patents held in FY2024 decreased by 3 year on year to 275.

Female employee ratio (non-consolidated)



As a human resource strategy policy, we set a FY2026 target of 30% for the ratio of female hires among new graduate recruits (university graduates and above). The female employee ratio in FY2024 increased 0.4 percentage points year on year to 10.2%.

GHG emissions (Scope 1 + Scope 2)



Our GHG emissions target for FY2030 is a 23% reduction from FY2020 levels. GHG emissions in FY2024 increased by 873 tons compared to the previous fiscal year to 51,418 tons. (Calculated based on GHG Protocol)

## Corporate Governance

# System for the Promotion of Sustainability

We are promoting sustainability activities to realize a sustainable society and increase our corporate value. Our system for the promotion of sustainability is hereby introduced.



**We are treating humanity treasuring technology with good care.**



**We want to be a company that values the bond between people and the development of technologies that are in harmony with the natural environment, and realize dreams with the unlimited potential of chemistry.**

### Basic Policy of Sustainability

In accordance with our corporate philosophy of “We are treating humanity treasuring technology with good care” Nippon Chemical Industrial endeavors to solve societal issues through dialogue with stakeholders and the creation of value, and will work on realizing the happiness of all people from a global perspective and a sustainable society.

- We will work on reducing our environmental impact and preventing global warming through our business activities.
- We aim to realize a low-carbon society and a recycling-oriented economy by providing environmental contribution products.
- We aim to invigorate local communities and cultivate relationships of trust by proactively promoting activities that contribute to society.
- We will be in strict compliance with all laws and regulations, applicable to our business activities in such areas as human rights, labor, safety, and the environment.
- We will promote the development and sales of products that help in solving societal issues.
- We will promote the building of a workplace environment that attaches importance to diverse modes of work and a work-life balance.
- We will build a robust supply chain that extends from suppliers to customers.

### Compliance

#### Basic Stance

In response to our corporate philosophy and policy on sustainability, we have set forth the basic stance to be taken by the company through our products and technologies, in order to build and maintain positive relationships with our stakeholders (clients, shareholders, business connections, employees, and society). An outline thereof is as follows:

- 1 We will comply with laws and ordinances, rules of the international community, agreements, and applicable stipulations, and engage in corporate activities based on socially acceptable courses of action.
- 2 We will provide top-level products and services on a timely basis to address the needs of our customers.
- 3 We will maintain the safety of our workplace and protect the health of our employees then secure a sound workplace environment.
- 4 We will promote the development of human resources in a way that respects the personality and individuality of each and every employee in order to enable each of them to live life to the fullest.
- 5 We will engage in corporate activities with an awareness of preserving the global environment in a better state.

#### Basic Compliance Policy

- 1 **Respect for human rights and a healthy work environment**
  - (1) Respect for human rights and prohibition of discrimination and harassment
- 2 **Compliance with applicable laws and regulations**
  - (1) Fair competition
  - (2) Prevention of corruption
  - (3) Compliance with business laws
- 3 **Protection of Company assets**
  - (1) Information management
  - (2) Appropriate protection and management of intellectual property rights and IT systems
  - (3) Prohibition of conflicts of interest
- 4 **Meeting social demands**
  - (1) Environmental conservation
  - (2) Insulating the Company from relations with antisocial forces
  - (3) Stakeholder engagement
  - (4) Realization of a sustainable society

We will fulfill an important role by putting these points into practice as a way of leading by example and focus fully on disseminating and entrenching these points within our organization in order for us to earn a greater level of society's trust.

## Risk Management

### Risk Initiatives

In connection with crises that could cause significant losses to the Company's management, for avoiding falling into a crisis situation, our company consider the optimal response method from various angles to avoid, reduce, and control potential risks, and works to introduce them while considering cost and effectiveness. Risks are categorized by the Company as follows.

Risk type	Definition	Classifications
Social risks	Risks that are difficult to proactively prevent in the course of carrying out social activities	① Natural disasters (such as earthquakes, typhoons, and tsunami) ② Terrorism, riots, wars, environmental destruction, epidemics, and more
Operational risks	Risks that arise in the course of carrying out business activities	③ Security accidents (such as fires, explosions, industrial accidents, and traffic accidents) ④ Environmental pollution ⑤ Shutdowns of information infrastructure ⑥ Lawsuits, complaints ⑦ Infringements of intellectual property rights ⑧ Bankruptcies of major business connections, difficulties in obtaining key raw materials, and more ⑨ Market fluctuations such as exchange rates, interest rates, and share prices, and more ⑩ Failures in business processing
Human risks	Risks affecting the organization or people that arise in the course of acting collectively as a company	⑪ Leaks of confidential information ⑫ Breaches of compliance requirements ⑬ Threats, whistleblowing, sexual harassment, power harassment, and more

### Information Security

The importance of information security is becoming increasingly greater with the development of remote work. We have been endeavoring to educate employees, develop the infrastructure, and otherwise strengthen security measures.

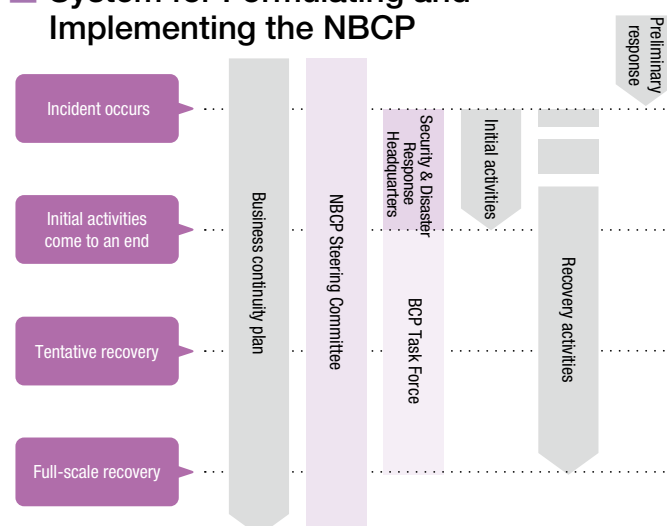
Given that information concerning information security is changing on a daily basis, we strive to obtain the latest information and harness it for our own measures.

### Business Continuity Plan (BCP)

As a comprehensive chemical products manufacturing and sales company, we supply a broad range of products both domestically and overseas. Since chemical products are essential for societal activities, we feel immensely responsible for supplying them. In order to stably fulfill our social mission, we have formulated the Nippon Chemical Industrial business continuity plan (NBCP) as a business continuity plan. The policy is as follows:

- ① Endeavor to verify the safety of employees and their family members and ensure their safety.
- ② Endeavor to safeguard the Company's facilities and assets and quickly restore and normalize their functions.
- ③ Endeavor to continue producing and shipping products.
- ④ Fulfill our social responsibilities.
- ⑤ Endeavor to continuously improve systems.

### System for Formulating and Implementing the NBCP



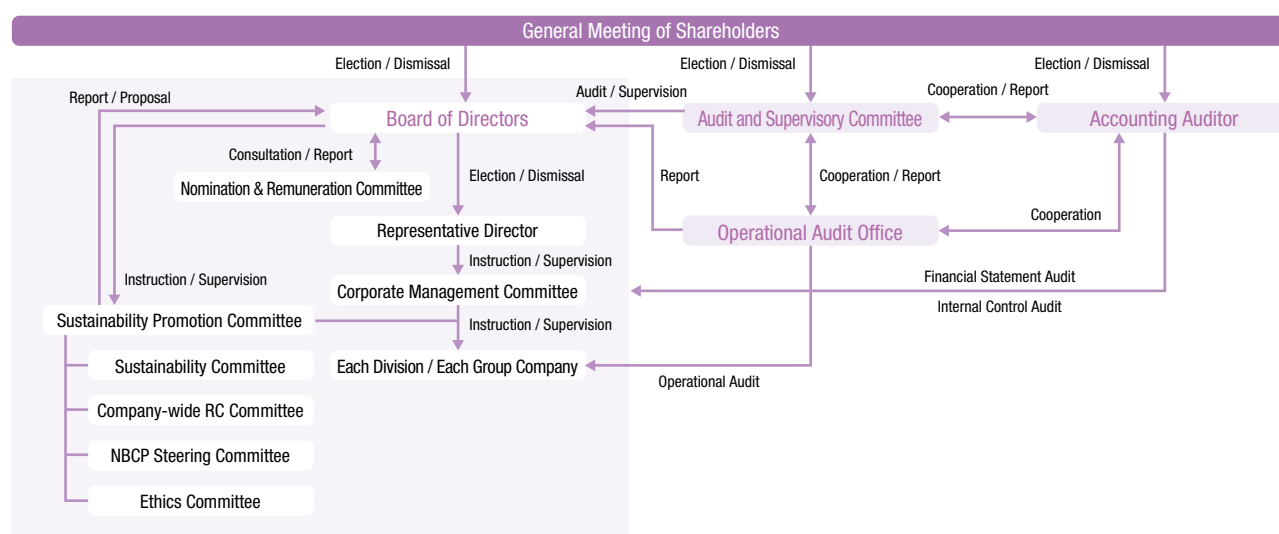
# Corporate Governance

## Corporate Governance

### Basic Approach to Internal Controls

We will realize our basic management policy of “taking on the further challenge of becoming a value-creating company by becoming a highly profitable company in an era of changes in the market environment and providing high-quality products and services through the people and technologies that we have amassed over many years.” We regard corporate governance as rooted in shareholder interests as an important management matter and will endeavor to reinforce compliance by implementing various measures to enhance management oversight, disclosing company information on a timely and appropriate basis, improving corporate ethics, and complying with laws and regulations.

### Corporate Governance Structure Chart



### Policy on and Procedures for Electing Candidates for Officer Positions

The Company selects persons who can fulfill, as Directors, the management mandate conferred on them by shareholders, have a wealth of experience and high-level insight related to management, and are capable of fulfilling the duties and responsibilities of Directors as candidates for the Director position. After a draft of candidates for Director is prepared by the representative director and deliberations are undertaken by the Nomination & Remuneration Committee, candidates for Director are selected by the Board of Directors.

Where there has been an irregularity or a violation of a law or regulation or a breach of the Articles of Incorporation in the execution of duties by a Director, or where circumstances under which it can be deemed that the proper performance by a Director of his or her duties would be difficult have otherwise arisen, dismissal of the Director shall be proposed to the general meeting of shareholders.

It is also stipulated that a determination as to the election or dismissal of an Executive Officer shall be made through the adoption of a resolution by the Board of Directors.

### 1 Board of directors

The Board of Directors is chaired by the Representative Director and consists of six Directors, three of whom are Outside Directors. Regular meetings of the Board of Directors are held for the purpose of quickly making managerial decisions and extraordinary meetings are held as needed. All matters as set forth by laws, regulations, and the Articles of Incorporation as well as all other matters as set forth in the Regulations Governing the Board of Directors as material matters concerning management shall be all submitted to the Board of Directors. Matters related to business performance progress are also reported and discussed by the Board of Directors when appropriate.

- At meetings of the Board of Directors, the Group's operating results are reported, and management issues and countermeasures are reviewed and considered.

### 2 Audit and supervisory committee

The Company is a company with an Audit and Supervisory Committee. The Audit and Supervisory Committee is comprised of one full-time member who is a Director and three part-time members who are Outside Directors. Directors who are members of the Audit and Supervisory Committee oversee and audit management of the Company by attending meetings of the Board of Directors and Corporate Management Committee, obtaining updates on the state of operational execution from Directors who are not members of the Audit and Supervisory Committee where necessary, and conducting regular audits of each division.

- Members of the Audit and Supervisory Committee supervise the decision-making process of the Company and its content by attending important meetings such as meetings of the Board of Directors and Corporate Management Committee.
- The Audit and Supervisory Committee receives reports on audits conducted by the Internal Audit Department and communicates with the Internal Audit Department (Operational Audit Office) to establish an effective audit system.

### 3 Corporate management committee

The Corporate Management Committee is chaired by the Representative Director and consists of a Director who is a full-time member of the Audit and Supervisory Committee and Executive Officers, and it makes decisions on important matters concerning the execution of operations within each division. The Corporate Management Committee holds meetings, in principle, three times a month in order to speed up the decision-making process and improve the efficiency of the execution of operations. The functions of Directors who are in charge of making decisions and oversight duties are separated from the functions of Executive Officers who are in charge of the execution of operations and the responsibilities associated with both functions are clarified, then we improve the transparency and fairness of management and the soundness of corporate management.

### 4 Operational audit office

The Operational Audit Office, consisting of one Manager and one other member, has been established as a body that operates directly under the control of the Board of Directors and is independent of the execution of other operations. This Office conducts internal audits of different internal organizations and affiliated companies in collaboration with the Audit and Supervisory Committee and reports the results of these audits to the Board of Directors and the members of the Audit and Supervisory Committee so that said results may be incorporated into the Company's management.

- The Office conducts internal audits on each division of the Company and its group companies based on an annual audit plan.
- The Office works to further improve internal audits.
- The Company has set up the Operational Audit Office and contact points for reporting and consultation outside the Company for the purpose of the early detection, investigation, and correction of violations of laws and regulations as well as misconduct, and to protect the Group and its employees.
- Internal reports are summarized and reported to all Directors, including members of the Audit and Supervisory Committee.

### 5 Sustainability promotion committee

The Sustainability Promotion Committee deliberates on the Company's basic policy on sustainability as well as other matters related to sustainability based on internal and external positions pertaining to ESG factors and SDGs and regularly reports and makes recommendations to the Board of Directors.

Four committees operate under the purview of the Sustainability Promotion Committee: Sustainability Committee, Company-Wide RC Committee, NBCP (Nippon Chemical Industrial Business Continuity Plan) Steering Committee, and Ethics Committee. The Sustainability Promotion Committee oversees and directs the activities of these four committees and works to reinforce and promote management through regular meetings.

The Sustainability Promotion Committee is chaired by the President and consists of Directors and Executive Officers who are in charge of the Corporate Strategy Division, Administration Division, Sales Division, Production Engineering Division, and R&D Division as well as members appointed by the Chairperson upon being deemed to be suitable in light of the objectives of the Sustainability Promotion Committee.

# Corporate Governance

## 5-1 Sustainability committee

Under the supervision of the Managing Executive Officer, the Sustainability Committee promotes initiatives related to sustainability, including those designed to provide value to , all stakeholders and address climate change and the circular economy.

## 5-2 Company-Wide RC committee

The Company-Wide RC Committee is chaired by the President, promotes responsible care activities as they relate to the environment and safety, and works to maintain and improve levels of compliance with laws and regulations, environmental conservation, safety and disaster prevention, occupational health and safety, product safety, and logistics safety.

## 5-3 NBCP (Nippon Chemical Industrial Business Continuity Plan) steering committee

The NBCP Steering Committee is chaired by the Executive Officer in charge of the Production Engineering Division and promotes continuous improvements to policies, plans, and drills as they relate to emerged and potential crises.

## 5-4 Ethics committee

Chaired by the Executive Officer in charge of the Administration Division, the Ethics Committee endeavors to thoroughly disseminate the code of conduct to be observed by employees as they engage in their daily corporate activities and regularly checks the status of compliance in an effort to make continuous improvements.

## 6 Nomination & remuneration committee

The voluntary Nomination & Remuneration Committee has been established in order to reinforce the Board of Director's oversight functions and enhance the system of corporate governance by ensuring the transparency and objectivity of the process of assessing and determining matters related to the nomination and remuneration of Directors and Executive Officers in positions of responsibility.

This Committee consists of at least three members who are Directors, the majority of whom are selected from among independent Outside Directors.

The Chairperson is selected from among members who are independent Outside Directors.

As a rule, this Committee convenes at least once a year and shall deliberate on and report to the Board of Directors on the following matters that are consulted by the Board of Directors:

- Matters related to the composition of the Board of Directors
- Matters related to the election and dismissal of Directors and Executive Officers
- Matters related to the selection and dismissal of Representative Directors
- Matters related to criteria for determining the independence of Outside Directors
- Matters related to succession planning
- Matters related to the policy and procedures for determining the remuneration of Directors and Executive Officers
- Matters related to the contents of the remuneration of Directors and Executive Officers
- Agenda items to be submitted to a general meeting of shareholders (concerning an election, dismissal, or remuneration)

The internal regulations of the Company stipulate that the Nomination & Remuneration Committee shall consist of at least three members, the majority of whom shall consist of independent Outside Directors from the standpoint of ensuring the independence thereof. The Nomination & Remuneration Committee presently consists of one Representative Director and three independent Outside Directors, such that the majority of its members are independent Outside Directors.

## Contact Points for Internal Reporting

The Company has set up contact points for internal reporting and consultation in the Operational Audit Office and outside the Company in order to prevent violations of the law and misconduct before they become serious matters and ascertain and correct issues as quickly as possible. In operating an internal reporting (whistleblowing) system, the Company has enacted regulations governing the internal reporting system and established and been developing the system, including protection of whistleblowers.

## Officer Remuneration

The Company's basic policy and procedures concerning the remuneration of Officers are as follows:

### ① Basic policy

The basic policy on the individual remuneration for Directors exclusive of Directors who are members of the Company's Audit and Supervisory Committee is to set a level of remuneration that is commensurate with the responsibilities and abilities of a Director of the Company who is contributing to the realization of sustainable improvements in corporate value and to set a reasonable level of and system for remuneration that allows it to function as an incentive for improving performance. Specifically, fixed remuneration in cash, performance-linked remuneration, and share-based remuneration shall be paid. On the other hand, only fixed remuneration in cash shall be paid to Directors who are members of the Audit and Supervisory Committee. As variable remuneration such as performance-linked remuneration is not appropriate for members of the Audit and Supervisory Committee, who are independent from the execution of other operations, performance-linked remuneration shall not be paid to members of the Audit and Supervisory Committee.

### ② Policy on the determination of the fixed amount of remuneration for each individual, the timing of the granting thereof, and the conditions applicable thereto

The fixed remuneration for a Director shall be determined based on a base salary table that has been produced by taking into account the responsibilities and roles of the Director according to his or her position with reference made to remuneration data for other companies in the same industry as obtained from a third-party organization and paid monthly accordingly.

### ③ Policy on the determination of the contents of performance metrics for performance-linked remuneration, the amounts thereof, the calculation method applicable thereto, the timing of the granting thereof, and the conditions applicable thereto

The performance-linked remuneration for Directors, excluding Directors who are members of the Audit and Supervisory Committee, shall be determined based on operating profit and other management metrics considered important by the Company and paid monthly after the end of the given fiscal year each year.

### ④ Policy on the determination of the contents and amount of share-based remuneration, the calculation method applicable thereto, the timing of the granting thereof, and the conditions applicable thereto

In order to share value with shareholders and motivate Officers to contribute to the enhancement of corporate value and shareholder value over the medium to long term, transfer-restricted shares shall be granted at certain times each year to Directors exclusive of Directors who are members of the Audit and Supervisory Committee, with the term of the transfer restrictions applicable thereto extending to the date on which the recipient thereof resigns as a Director of the Company. The number of shares granted shall be determined based on the position and responsibility of the recipient.

### ⑤ Policy on the determination of the ratios of the amount of fixed remuneration, amount of performance-linked remuneration, and amount of share-based remuneration to the amount of remuneration for each individual Director

The amount of fixed remuneration, performance-linked remuneration, and share-based remuneration as a percentage of the amount of remuneration for Directors, excluding Directors who are members of the Audit and Supervisory Committee, shall generally be 50% to 90% for fixed remuneration, 0% to 40% for performance-linked remuneration, and 10% for share-based remuneration, depending on business performance.

### ⑥ Matters concerning procedures for determining remuneration for each individual Director

The contents of remuneration for each individual Director shall be determined by the Representative Director as delegated through the adoption of a resolution of the Board of Directors in accordance with the deliberation and reporting of the Nomination & Remuneration Committee, the majority of whose members shall consist of independent Outside Directors, on a draft version thereof, as formulated by the Representative Director together with the Officer in charge, subject to a maximum amount.

## FY2024 Effectiveness Evaluation

### ① Outline of the process by which the effectiveness of the Board of Directors is evaluated

The Company administered a self-evaluation questionnaire to all Directors. This questionnaire was conducted based on knowledge shared with us by an outside consultant for the purpose of ascertaining whether or not Directors were aware of any issues concerning the composition or operations of the Board of Directors, agenda items submitted to the Board of Directors, and other matters. The Board of Directors discussed its effectiveness based on the results of an analysis of the responses received as performed by the outside consultant.

### ② Outline of the results of analyzing and evaluating the effectiveness of the Board of Directors

To address requests from Outside Directors in the previous fiscal year regarding the enhancement of information provision and opportunities for discussion, the Company made plans to review the content of information provided as well as discussion opportunities. However, several measures have not yet been implemented, and the Company will continue to work toward the enhancement of these items. In addition, it was also confirmed that it is necessary to further increase opportunities for discussion in order to deepen deliberations on important management strategies. To this end, the Company will hold off-site meetings and increase the number of deliberations to promote information sharing among officers, and to hold more in-depth discussions.

### ③ Future response

The Company's Board of Directors will endeavor to further improve its effectiveness by investigating identified issues. We will continue to share issues on the basis of evaluations of the effectiveness of the Board of Directors in order to enhance its effectiveness.

## Outside Director Roundtable Discussion



Outside Director (Audit and Supervisory Committee member)

Tomoko Tada

Outside Director (Audit and Supervisory Committee member)

Shingo Togi

Outside Director (Audit and Supervisory Committee member)

Takeshi Kenmochi

## Challenges and Expectations for Sustainable Growth

With technology and trust as the basis, Nippon Chemical Industrial aims to continuously enhance its corporate value. In order to achieve this, it is essential to lay a foundation for sustainable growth by emphasizing dialogue with shareholders and investors, and by ensuring management transparency and accountability. These efforts are supported by the multifaceted perspectives of our Outside Directors. For this year's report, our three Outside Directors discussed the evolution of corporate governance, the Company's vision for 2030, and their expectations for the future, focusing on human resource development and dialogue with shareholders.

### The Current State and Challenges of Corporate Governance

**Kenmochi** When I served as an Outside Director of the Company about 10 years ago, it seemed to me that the Board of Directors was sometimes perhaps perfunctory. Having become a member of the Board once again, however, what has impressed me is the magnitude of change. I feel that under the current President, a culture has taken root in which Board members share their opinions and decisions are made based on the collective knowledge of all involved.

**Tada** I have the same impression. What I especially appreciate is the carefully prepared meeting materials we are provided with. Well-organized backgrounds and histories are supplied along with any required supplementary information, making it possible for Outside Directors to accurately understand the issues as well. This in turn makes the Board of Directors an effective forum.

**Togi** Only a short time has elapsed since my appointment, but what strikes me is "the culture of delegation." Responsibility and authority are delegated not only among the management team but also among each department, with decisions being made independently by those working on the front lines of the Company's operations. I think it is a real strength for the Company that there is a deeply rooted system of independently making and implementing decisions.

In its governance, as well, the desire "to build a proper system" permeates the entire Company, and the emphasis placed on this is clearly evident.

**Kenmochi** The efforts of the Sustainability Committee are particularly impressive. Members gathered from across departments engage in in-depth discussions and, based on these, make proposals to the Board of Directors. It is a body that is both highly knowledgeable and effective.

**Tada** One of the Company's defining features is that sustainability is deeply rooted in its management. We receive regular progress reports on large projects, and through this I can see the effectiveness of the Company's governance. In addition, twice a year, Outside Directors have the opportunity to meet alone with the President, and I find it very meaningful to be able to frankly exchange opinions in the absence of the executive side. We also meet with the Executive Officers twice a year, and there is a system in place to enable us to hear about the on-site challenges they face. I believe these mechanisms create good communication.

**Togi** I think that these various mechanisms and opportunities enable us to speak accurately and without wasting words at meetings of the Board. Having spaces that allow employees and officers to easily express their opinions is a major strength for the Company.

### The Company's Vision for 2030—Views on Its Realization

**Tada** It is highly commendable that the Company has set numerical targets for its 2030 vision. However, the scenario of how the vision and its targets will be accomplished needs to be presented more clearly and to a greater degree to the front lines of the Company's operations. I believe that it would motivate employees more to know how their role contributes to achieving the Company's goals.

**Togi** In the end, I think it comes down to whether or not this scenario is convincing to employees. No matter how great the policy, it will not work unless employees believe in it. It is important to ensure that everyone is on the same track through the repeated exchange of opinions in a safe environment.

**Tada** That is why there is a need for mechanisms that serve as bridges between management and those working on the front lines. To date, the President has personally visited each business site to listen to the ideas and concerns of employees and create spaces for discussion.

In addition, for the past four years, the Company has been implementing the Planting Seeds for the Future Project, which incorporates coaching. This coaching program encourages dialogue with employees to mutually discuss and consider how they should act. Recently, the scope of the program has been expanded from management-level employees to officers, demonstrating the President's strong desire to improve the organization with an eye to 2030. Through efforts like this, the Company is fostering a culture in which employees can take on challenges with confidence.

**Kenmochi** Even from my perspective as an Outside Director, this approach is quite unique. Ultimately, human resources are the key to both creating new businesses and strengthening existing ones. When sales, research, and manufacturing work well together, it dramatically increases the speed of growth. I believe that developing human resources and fostering organizational culture ties directly into medium- to long-term growth strategies.

**Tada** Instilling sustainability management will also be essential to the realization of the Company's vision. I feel that the Company is already steadily improving in this area through the activities of the Sustainability Committee. Recently, frontline employees have begun to naturally talk about "sustainability management" and to think about solutions to social issues. This is an essential element for the Company to fulfill its social mission.

### Dialogue with Shareholders and Changing Management Awareness

**Tada** The Company's IR activities have evolved significantly over the past five years. The Company used to have little dialogue with investors, but now it is actively communicating with them and conveying its stance and future vision, such as its environmental activities and human resource development—things that cannot be expressed through numbers alone.

As a result, understanding among shareholders has steadily increased.

Additionally, the Nomination & Remuneration Committee has discussed the need to increase performance-based remuneration. Shareholders appreciate performance-based remuneration over fixed remuneration, and it also enhances the sense of responsibility and duty of the management team. I think this is a great achievement in ensuring that management maintains a high degree of awareness of the relevant issues as the Company aims for 2030.

**Kenmochi** You are right. In explaining management from the perspective of shareholders, it is preferable to have an easy-to-understand system. The shift to performance-based remuneration makes sense, and the President has expressed his agreement. I feel that with such a system in place, the management team and the Company's human resources will be able to work as one toward the vision for 2030.

### Expectations for Nippon Chemical Industrial

**Kenmochi** The current challenge is how to improve the market's assessment of the Company. Although the PBR is below 1, efforts to improve profitability are essential to raise the Company's share price. How can the Company take the solid technological capabilities and relationships of trust it has built with its customers over a period of more than 130 years and translate this into profits? This is an area in which I, an Outside Director, would like to contribute.

**Tada** The Company's strengths lie in its ability to develop and stably supply high-value-added products. Going forward, it will be important for the Company to demonstrate, to both internal and external parties, what it is doing to deliver products that solve social issues. There is also room for growth overseas, and expectations for the Company are high. As the Company moves forward with these challenges, it should remain cost-conscious and respect the corporate culture and climate that it has developed over the years.

**Togi** Looking at the long term, the most important thing will be to ensure stable earnings. The Company needs to set milestones and, as progress is made, be willing to review or even abandon them without hesitation. Focusing limited resources on promising areas will lead to sustainable growth and make the Company even stronger.

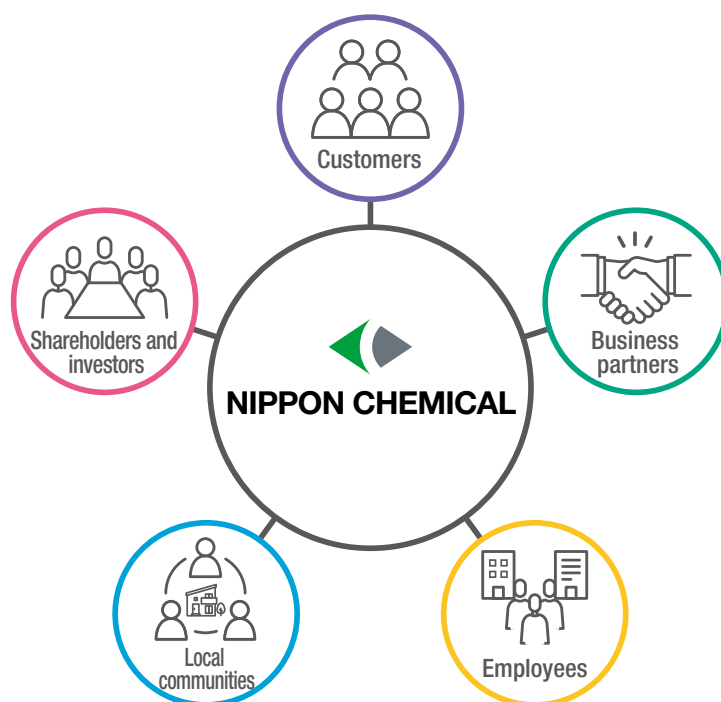
**Kenmochi** We Outside Directors will utilize the knowledge our respective perspectives provide to support the Company to the best of our abilities in achieving sustainable growth.

# Corporate Governance

## Stakeholder Engagement

We believe that in order to provide value to society through our corporate activities, it is essential that we engage in dialogue and build a relationship of trust with our stakeholders. Through ongoing engagement with stakeholders, we strive to understand their diverse opinions and expectations, and reflect these in our management and business activities.

We aim to deepen dialogue with stakeholders and co-create value together with them.



Stakeholders	Overview of initiatives	Means of engagement
Customers	We view the stable supply of high-quality products as one of our corporate social responsibilities. To build a relationship of trust with our customers and achieve sustainable growth together, we promote proactive communication and quality improvement initiatives.	<ul style="list-style-type: none"> <li>● Factory tours and exhibitions</li> <li>● Customer surveys and feedback collection</li> <li>● Dissemination of information via website and reports</li> <li>● Strengthening our quality assurance system</li> <li>● Technical support and substantial information provision</li> <li>● Development of sustainable products</li> <li>● Strengthening efforts with external evaluation agencies and initiatives</li> <li>● Collaborating in CO<sub>2</sub> reduction</li> </ul>
Shareholders and investors	We regard shareholders and investors as important stakeholders who support the sustainable enhancement of corporate value, and place importance on building relationships of trust and two-way communication with them. Through management transparency and sound corporate governance, we promote proactive and sincere communication with the aim of building long-term relationships of trust.	<ul style="list-style-type: none"> <li>● General meeting of shareholders</li> <li>● Financial results briefings</li> <li>● SR and individual interviews</li> <li>● IR website</li> <li>● Integrated and governance reports</li> <li>● Securities report</li> <li>● Environmental initiatives</li> </ul>
Business partners	We aim to achieve a sustainable supply chain through fair and transparent transactions and by building mutual understanding and trust with our business partners. We work together as partners who share social responsibility.	<ul style="list-style-type: none"> <li>● Communication through procurement activities</li> <li>● Sustainability policy sharing and dialogue</li> <li>● Conducting CSR surveys</li> <li>● Declaration of Partnership Building</li> </ul>
Local communities	While conducting business activities with consideration for safety, security, and environmental conservation, we build relationships of trust through dialogue with local communities and promote initiatives that contribute to sustainable community development.	<ul style="list-style-type: none"> <li>● Conducting factory tours and dialogue meetings</li> <li>● Participation in community events</li> <li>● Social contribution activities</li> <li>● Agreements and meetings with local governments</li> <li>● Donations to local governments, etc.</li> </ul>
Employees	We position our employees at the center of our corporate activities and develop a safe and secure work environment to make our company a rewarding place to work. We are also working to strengthen engagement by reflecting the opinions and expectations of our employees in management.	<ul style="list-style-type: none"> <li>● Internal questionnaires and awareness surveys</li> <li>● Self-assessment system</li> <li>● Internal reporting system</li> <li>● Health and Safety Committee</li> <li>● Distribution of internal reports and the Integrated Report</li> <li>● Conducting various training programs</li> </ul>

## Introduction of Officers



Back row from left: Takahiro Nagayama, Kazuo Ochiai, Masahiro Ito, Toshiaki Tsuchiya, Masaki Takahashi, Kazunori Hata, Kenichi Ishikwa;  
Front row from left: Manabu Sato, Hiroyoshi Aikawa, Hirota Tanahashi, Tomoko Tada, Takeshi Kenmochi, Shingo Togi

### President Hirota Tanahashi

Apr. 2000 Joined Sumitomo 3M Limited (currently 3M Japan Limited)  
Feb. 2007 Joined the Company  
Jun. 2015 Representative Director, Senior Managing Director and in charge of Corporate Planning Office, Administration Division and Sales Division  
Apr. 2017 President, Chairperson of the Board of Directors, Chairperson of the Corporate Management Committee (current position)

### Managing Director Hiroyoshi Aikawa

Apr. 1981 Joined the Company  
Jul. 2009 General Manager of Tokuyama Factory  
Jul. 2015 Executive Officer and Division Manager of R&D Division  
Jun. 2017 Director, Executive Officer and Division Manager of Production Engineering Division  
Jun. 2022 Director, Executive Officer and Division Manager of Production Engineering Division

### Director (full-time Audit and Supervisory Committee member) Manabu Sato

Apr. 1987 Joined the Company  
Jun. 2012 General Manager of Accounting Department  
Jun. 2021 Director (full-time Audit and Supervisory Committee member) (current position)

### Executive Officers

● Masahiro Ito ● Kazuo Ochiai ● Toshiaki Tsuchiya ● Takahiro Nagayama ● Masaki Takahashi ● Kazunori Hata ● Kenichi Ishikawa

### Outside Director (Audit and Supervisory Committee member) Tomoko Tada

Apr. 1993 Joined Chugai Pharmaceutical Co., Ltd.  
Aug. 2002 Director, Concerto Labor and Social Security Law Office (currently Tada International Labor and Social Security Attorney Corporation) (current position)  
Jun. 2021 Outside Director (Audit and Supervisory Committee member) of the Company (current position)  
Jun. 2022 Outside Director (Audit Committee Member), Muro Corporation (current position)

### Outside Director (Audit and Supervisory Committee member) Takeshi Kenmochi

Oct. 2003 Joined the Kyoto Office of Chuo Aoyama Audit Corporation (currently PricewaterhouseCoopers Japan LLC)  
Jun. 2012 Retired from PricewaterhouseCoopers Japan LLC; Representative, Takeshi Kenmochi Certified Public Accountant Office (current position)  
Apr. 2017 Managing Director, Takayoshi Inc.  
Dec. 2021 Vice President and Representative Director  
Mar. 2023 Outside Director, Nippon Aqua Co., Ltd. (current position)  
Jun. 2023 Outside Director (Audit and Supervisory Committee member) of the Company (current position)

### Outside Director (Audit and Supervisory Committee member) Shingo Togi

Apr. 1983 Joined Tomoe Engineering Co., Ltd.  
Jan. 2006 Executive Director, Dow Chemical Company  
Oct. 2010 President and Representative Director, ISP Japan Ltd.  
Oct. 2020 President and COO, NRS Corporation  
Dec. 2024 Advisor (current position)  
Jun. 2025 Outside Director (Audit and Supervisory Committee member) of the Company (current position)

## Officer Skill Matrix

		Knowledge and experience particularly expected by the Company							Gender
		Management strategies	Sales	R&D	Production engineering	Internationality	Legal risk	Finance and accounting	
President	Hirota Tanahashi	●	●			●			Male
Director, Managing Executive Officer and in charge of Production Engineering Division and R&D Division	Hiroyoshi Aikawa			●	●	●			Male
Director (full-time Audit and Supervisory Committee member)	Manabu Sato							●	Male
Outside Director (Audit and Supervisory Committee member)	Tomoko Tada						●		Female
Outside Director (Audit and Supervisory Committee member)	Takeshi Kenmochi	●						●	Male
Outside Director (Audit and Supervisory Committee member)	Shingo Togi	●	●			●			Male

## Social Initiatives

## RC Management

As a business that handles chemical substances, we will contribute to the realization of a sustainable society by protecting the environment, health, and safety based on self-determination and self-responsibility at all stages of product development, manufacturing, distribution, use, final consumption, and disposal, and by continuously improving our efforts.

## Responsible Care Initiatives

## RC Basic Policy

We have established a Basic Policy on Responsible Care to facilitate our Responsible Care activities.



## ① Compliance with laws and regulations

We will comply with domestic and foreign laws and regulations, and cooperate with international organizations, domestic and foreign administrative agencies, and non-governmental organizations.

## ② Environmental conservation

In order to be environmentally conscious and conserve the environment in our business activities, we will strive to develop technologies that take into account resource and energy conservation and waste reduction at the product planning stage, as well as to use and reuse resources and energy more efficiently in our production activities.

## ③ Safety and disaster prevention

To prevent accidents, disasters, and pollution, we will maintain safe and stable operations and conduct practical drills in preparation for emergencies.

## ④ Occupational health and safety

We will place the highest priority on creating a safe and secure workplace and will engage in health and safety activities on an ongoing basis.

## ⑤ Product safety

We evaluate environmental conservation and safety assurance at all stages of our products, from research and development through manufacturing, sales, and disposal, to provide safe products with minimal environmental impact, and will supply customers with the necessary information regarding the safe use and handling of our products.

## ⑥ Logistics safety

We will strive to prevent accidents in our logistics.

## ⑦ Voluntary audits

We will evaluate the status of implementation of environmental conservation and safety assurance measures of each division through internal audits and work toward continued improvement.

## ⑧ Awareness of responsibilities by all employees and the improvement of our relationship of trust with society

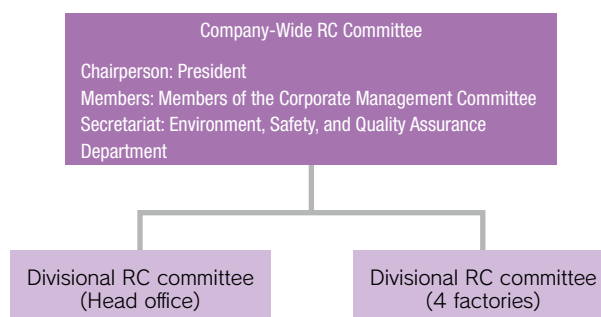
Based on our philosophy and policies, all of us, from management to employees, will be aware of our responsibilities, promote measures to ensure environmental conservation and safety assurance, and strive to improve our relationship of trust with society.

## ⑨ Self-management

As necessary, we will establish management items and standard values that are stricter than the regulatory standards set forth in laws, regulations, and ordinances. Further, even in cases where there are no laws or regulations, we will voluntarily establish management items and standard values for chemical substances, materials, and manufacturing methods, etc. that are recognized as potentially having a significant adverse impact on the environment and safety.

## Organization Chart

The Company-Wide RC Committee (chaired by the President and whose members are members of the Corporate Management Committee) is the company-wide RC supervisory body. It is composed of five divisions under it consisting of the Head Office Division RC Committee and divisional RC committees for each of the four factories.



## Safety and Disaster Prevention

At each of our locations, we conduct periodic drills based on various possible risks, such as sudden accidents and natural disasters. In addition, we are continuously improving our security and disaster prevention activities through audits and other means.

### ■ Safety and Disaster Prevention Initiatives

#### RC Audits (Head Office)

Through responsible care (RC) audits, we confirm that our efforts to prevent accidents and disasters as well as to prevent environmental complaints are being properly implemented. For our departmental RC audits, the Environment, Safety and Quality Assurance Department acts as the auditor and audits RC activities at five workplaces (the Head Office and factories) once a year. Audit results are reported and summarized by the Company-Wide RC Committee for use in making further improvements.



#### Safety and Disaster Prevention (Tokuyama Factory)

The risk of natural disasters such as earthquakes and tsunamis has been increasing in recent years. The Tokuyama Factory, which handles many deleterious materials, toxic substances, and high-pressure gases, requires measures that take these characteristics into account.

We conduct comprehensive disaster drills at the factory every year. The drill scenario simulates liquified petroleum gas and heavy oil leaks and fires caused by a major earthquake. During the drills practice measures that would be actually be carried out in a real disaster, such as using gas detectors and other equipment to assess the impact on the surrounding area, extinguishing fires, reporting to the authorities, rescuing injured people, and confirming the evacuation and safety of on-site personnel.

In addition, with regard to natural disasters, which are difficult to predict, all employees will continue to work together to improve the level of safety and disaster prevention by engaging in drills that simulate various events.



#### Nighttime Disaster Drill (Aichi Factory)

On December 16, 2024, at 6:00 p.m., we conducted a fire drill simulating a fire resulting from yellow phosphorus leaking from a tank during the night. Since the factory is operated by a small number of employees at night, it is essential that a small number of personnel be able to extinguish fires safely and quickly. The drill included practicing calling the fire department, spraying water for initial firefighting, preparing lighting equipment, and collecting on-site wastewater. At the post-drill review meeting, participants exchanged opinions to increase their sense of ownership, further strengthen disaster prevention activities, and raise awareness of disaster prevention.



### Contributing to Local Communities

Contributing to local communities is one of the most important activities for a company to continue its business activities. We are committed to building good relationships with our local communities through communication with local residents and community contribution activities.

Each of our factories actively creates opportunities to engage with its local community, including inviting local residents to factory tours and holding dialogue meetings.



A community dialogue meeting held at the Fukushima No. 2 Factory



The Aichi Factory holds science talks (such as “Interesting Experiments with Chemical Reactions” for children) to increase local residents’ understanding of chemistry.



A science talk held at the Aichi Factory featuring fun and interesting chemical reaction experiments

Through the FY2024 “Furusato Nozei” hometown tax payment system, we supported the municipalities where our factories are located with expenses involved in public education to promote community development that meets the challenges of climate change, as well as with projects to provide subsidies for childcare support; promote regional revitalization, repopulation, and job creation; and utilize local resources to achieve carbon neutrality.



FY2024 “Furusato Nozei” hometown tax payment system events



Koriyama City holds the annual Uneme Festival based on a local legend, and Nippon Chemical Industry participates. Through this activity, we are promoting the preservation and transmission of traditional culture as well as interaction with local people.



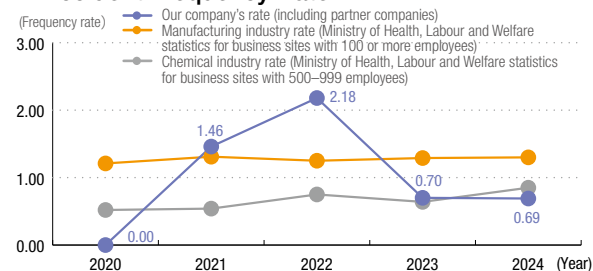
The Uneme Festival

### Occupational Health and Safety

#### Occupational Health and Safety Initiatives

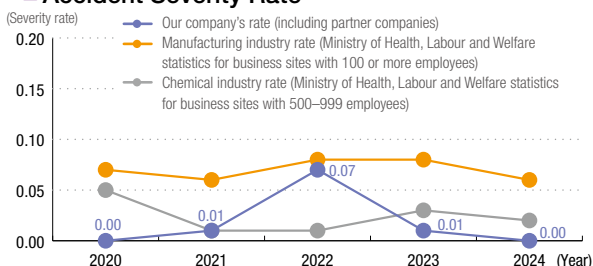
At each of our locations, every employee takes personal responsibility and engages in activities such as near-miss activities, hazard prediction training, and workplace patrols. Labor and management are working together to prevent occupational accidents and illnesses.

#### Accident Frequency Rate



\*Accident frequency rate: The frequency of occupational accidents is expressed in terms of the number of fatalities and injuries due to occupational accidents (resulting in one or more days lost from work) per million total labor hours.

#### Accident Severity Rate



\*Accident severity rate: The degree of severity of accidents expressed in terms of the total number of days of labor lost per 1,000 total labor hours.

\*From FY2022, fiscal year-ends have been adjusted from April to March in order to align with other activity years. The figures presented in this graph have been retroactively recounted and therefore differ from previously reported values.

#### Introduction of a VR Hazard Simulation System

As part of our safety activities, we have introduced a virtual reality (VR)-based hazard simulation system, which is used for safety education at each business site. By providing employees with realistic experiences of workplace accidents such as falling down stairs or getting caught in rollers, we are better able to increase their awareness of these dangers. After employees use the VR system, they engage in discussions with each other about the causes of the accidents depicted and what preventative measures could have been taken. Through efforts such as this, we seek to prevent accidents and disasters by making it easier for employees to imagine them, effectively increasing their hazard perception.



The VR hazard simulation system

## Messages from Factory General Managers

### ■ Aiming for a Sustainable and Better Society



General Manager,  
Fukushima No. 1 Factory  
**Yasuhiro Nakaoka**

The Fukushima No. 1 Factory is located in the middle of the city, about one kilometer from JR Koriyama Station. As the area includes both a large shopping center and residential neighborhoods, we strive to operate the factory in a way that minimizes inconvenience to local residents. In particular, we received noise complaints from local residents in the past, so now we conduct regular patrols inside and outside of the factory to check for excessive noise. This year, to further strengthen our monitoring system, we installed noise meters at three locations along the boundary of the factory grounds. This allows for constant monitoring of noise, enabling early detection of any abnormalities and for action to be taken quickly. We will continue to strive to operate the factory so that we can coexist with local residents.



General Manager,  
Fukushima No. 2 Factory  
**Kenichi Ishikawa**

Among the wide variety of chemical substances handled at the Fukushima No. 2 Factory, some have unpleasant odors. We have installed various types of odor removing equipment to prevent these smells from spreading into the surrounding area, but in the past, we frequently received reports about odors from local residents. In order to avoid impacting local residents and to detect abnormalities at an early stage, we have installed odor sensors around the facility at locations where odors can originate as well as at the boundary of the factory grounds, and these sensors are constantly monitored. If a foul smell is detected, we have established procedures for responding, such as inspecting facilities, including odor removing equipment, and conducting odor patrols inside and outside factory facilities. We will continue to strengthen the operation and management of our odor removal facilities and work to ensure that the factory is safe and secure for local residents.



General Manager, Aichi Factory  
**Shinsuke Miyabe**

The Chita Peninsula, where the Aichi Factory is located, has long suffered from water shortages due to a lack of major rivers and topography that prevents rainwater from soaking into the ground. Today, the water shortage situation has been greatly improved by the Meiji and Aichi irrigation canals. In 2023, however, the Meiji irrigation canal experienced a major leak, which significantly impacted the industrial water supply at the Aichi Factory. Thus, it remains important to properly manage water resources in the area where the Aichi Factory is located. For this reason, at the Aichi Factory we have established a system to recover and reuse cooling water. We are also investigating groundwater in the vicinity to make it available for use as a means of countering water shortage issues.



General Manager, Tokuyama Factory  
**Tomohiro Banda**

The Tokuyama Factory faces the scenic Seto Inland Sea and is located in a corner of the Shunan Industrial Complex, a facility which works to ensure harmony between the environment and industry. We are the only factory in Japan whose main product is chromium compounds, and we have met the majority of domestic demand for plating and surface treatment materials. In recent years, we have also focused on the production of electronic ceramic materials for multilayer ceramic capacitors, and are contributing to the realization of a sustainable society by ensuring environmental conservation and safety throughout all stages of product development, manufacturing, distribution, use, final consumption, and disposal.



## Social Initiatives

# Quality Assurance and Value Chain

In this section, we introduce our quality assurance structure and our relationship with the stakeholders in our value chain.

## Quality Assurance

### Quality Management System

We have acquired ISO 9001 certification and have established a structure to maintain and improve the quality assurance of products and goods as well as quality in the broad sense of each operation that provides these products and goods.

### Quality Policy

We will establish quality assurance with the participation of all employees and provide products and goods that satisfy customers in a timely manner.

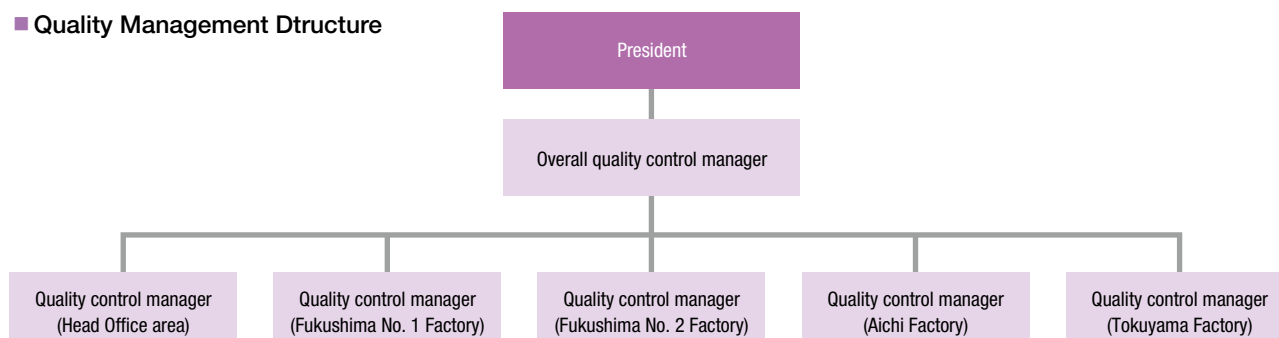
We will contribute to the realization of a sustainable society with our outstanding products, goods, and services.

- ① We will comply with all laws and regulations applicable to our business activities.
- ② We will strive to have adequate communication opportunities to ensure that stakeholders' requirements and expectations are reflected in our business environment.
- ③ We will strive to develop products and goods that reflect the requirements and expectations of our customers.
- ④ We will always strive to provide products and goods of consistent quality and at economical cost to customers.
- ⑤ We will review our Quality Policy as appropriate to the business environment.
- ⑥ We will strive to reduce complaints and accidents.
- ⑦ We will strive to ensure that this Quality Policy is understood and implemented by all of our employees.
- ⑧ We will strive to educate our employees with the aim of improving our business performance capabilities and knowledge to meet the requirements of our customers.
- ⑨ We will establish appropriate management systems for the chemical substances in our products in accordance with international agreements, targets, laws, and regulatory requirements.
- ⑩ We will strive to continuously improve our quality management systems to ensure that they remain effective.
- ⑪ Management is the chief executive of all , quality.

### Quality Assurance Structure

This structure is headed by the President, with the Environment, Safety Quality Assurance Section Managers at each factory as well as the Quality Assurance Group Leader at the Head Office area being appointed as quality control managers. In addition, the Environment, Safety, and Quality Assurance Department Manager is appointed as the overall quality control manager to coordinate the quality control managers.

#### Quality Management Dtructure



## Promotion of Quality Initiatives

### Quality Assurance Initiatives

We strive to confirm and continuously improve the effectiveness of our quality management systems through third-party audits as well as internal audits.

In addition, through our quality information management system, we collect quality-related information from our Customers, and analyze this information at quality meetings to help improve quality.

We actively engage in the education of our human resources through internal and external training programs to provide them with knowledge and skills related to quality.



A report being made at a quality meeting

### Quality Improvement Initiatives

To improve quality and work efficiency, we hold QC circle activities, a kind of activity aimed at improving quality conducted by small groups.

This year, a total of 38 circles reported their activities, and four circles, representing their factories, made presentations at a QC circle convention.



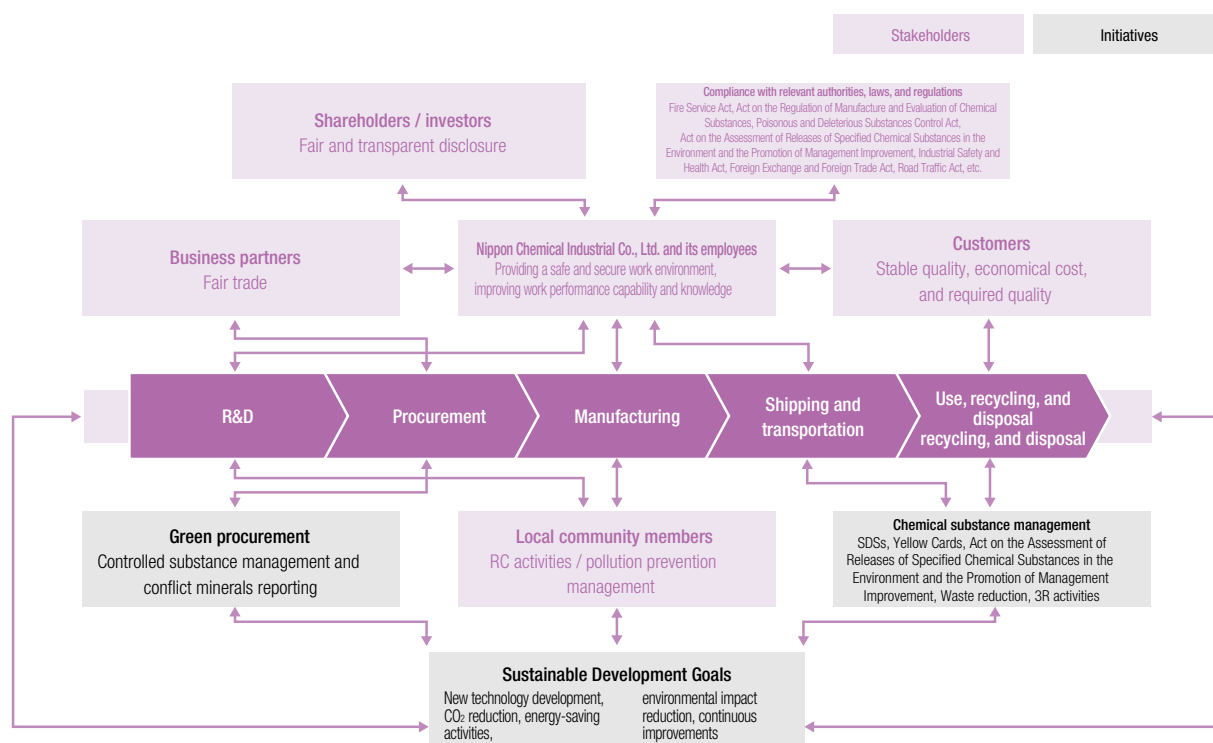
A presentation being made at the QC circle convention

## Value Chain

### Value Chain Management

We strive to deepen communication and make , continuous improvements in order to meet the demands and expectations of our stakeholders throughout the value chain, from research and development to raw material procurement and disposal.

#### Value Chain Structure



# Social Initiatives

## Sustainable Procurement

We are promoting sustainable procurement to achieve a sustainable society while addressing ESG issues in our supply chain.

We intend to fulfill our social responsibility throughout the entire supply chain by ensuring that our business partners understand our policies regarding the procurement of raw materials and supplies, and by asking them to work together with us on key procurement themes.

### Nippon Chemical Industry Co., Ltd. Procurement Policy

#### 1. Basic Philosophy

With Nippon Chemical Industrial Co., Ltd.'s Purchasing Department as the department in charge of our procurement activities, and based on the understanding of our business partners, we will engage in procurement aimed at "building a robust supply chain" as outlined in our Sustainability Policy, including such aspects as "compliance with laws and regulations," "fairness and impartiality," "building partnerships," and "consideration of the environment and safety." The scope of this policy shall be Nippon Chemical Industrial.

#### 2. Basic Policy

##### ① Compliance with laws and regulations

We comply with relevant laws and social norms regarding purchasing activities.

##### ② Fairness and impartiality

We strive to conduct fair and equitable transactions based on quality, supply stability, economic rationality, etc.

##### ③ Building partnerships

We strive to deepen mutual understanding with our business partners and build and develop relationships of trust.

##### ④ Consideration of the environment and safety

Based on our Environmental Policy, we conduct procurement activities in consideration of safety and the reduction of our environmental impact, focusing on areas such as energy and resource conservation and waste reduction.

##### ⑤ Consideration of human rights

We respect international standards concerning human rights, and conduct procurement activities with due consideration for the labor environment and health and safety.

This policy will be reviewed annually from the date of establishment.  
Established on July 1, 2025

### CSR Procurement Guidelines

These CSR Procurement Guidelines of Nippon Chemical Industrial Co., Ltd., are written guidelines that the Company asks our business partners and their cooperators to respect and comply with.

Please understand the intention of the initiatives and the contents of these CSR Procurement Guidelines and comply with them.

##### ① Compliance with laws and regulations

We will comply with all relevant laws, regulations, and social norms, and will promote appropriate and equitable corporate activities.

##### ② Promotion of equitable and appropriate operations

We will realize fair and equitable transactions based on various factors, such as quality, supply stability, and economic rationality, to maintain healthy competition.

##### ③ Ensuring trust

To deliver satisfaction and assurance, we will pay due attention to safety and the protection of personal and confidential information, and will further improve quality standards in efforts to ensure trust.

##### ④ Maintenance of good relationships with stakeholders

We will disclose information equitably and transparently and will strive to build and maintain good relationships with stakeholders through constructive dialogue.

#### 5 Maintenance of sound relationships with politics and government

We will maintain sound and normal relationships with politicians and administrative organs.

#### 6 Respect for human rights

We will fulfill our responsibility to respect human rights and accept diverse people regardless of age, gender, disability, nationality, race, and sense of values, while eliminating discrimination and harassment.

#### 7 Work styles and workplace environment

We will work to promote a fulfilling work-life balance and train capable people to enable them to demonstrate their individual abilities, and we will ensure the health and safety of all involved parties and prevent disasters and accidents.

#### 8 Reduction of environmental risks

In promoting business activities, we will evaluate their impact on the environment and strive to reduce environmental risks. We will proactively implement planning and design proposals that are environmentally conscious, reduce environmental impact through energy and resource saving or waste reduction, prevent water, air, and other environmental pollution, and contribute to biodiversity conservation.

#### 9 Responsible mineral procurement

We will strive to avoid the use of minerals as raw materials that are clearly linked to conflicts or human rights violations.

#### 10 Respect for intellectual property

We will not use the intellectual property of third parties without permission. We will prevent illegal reproduction of works and respect patent rights, copyrights, trademark rights, and other intellectual property rights.

#### 11 Elimination of antisocial forces

We will deal with antisocial forces which threaten the order and safety of civil society in a dauntless attitude, and will have no relationship whatsoever with them, firmly rejecting any unreasonable demands from them.

#### 12 Sustainable economic growth and resolution of social issues

We will develop and provide useful and safe products and services to society and will create new values to achieve sustainable economic growth and resolve social issues.

Established on July 1, 2025

## CSR Survey for Suppliers and Survey Results

Starting in fiscal 2023, we have begun conducting a CSR survey of our business partners to investigate the current situation. We plan to send this survey to major suppliers once every two years, and ask new suppliers to fill it out when we start doing business with them.

The CSR survey monitors and investigates the status of each supplier's efforts regarding the environment, society, and governance. We will utilize the results we obtain to improve risk management in our business operations. If any issues are discovered through the survey, we plan to work with our suppliers to implement corrective measures.

We would like to continue to increase supplier engagement through activities like this, while promoting good communication with our business partners and checking the extent to which our procurement policy has been implemented.

### 2023—2024 CSR Survey Results

- Implementation period: October 2023 to November 2024
- Survey subjects: Top 34 business partners (worldwide) by purchase amount
- Response rate: 82% (28/34 companies)
- CSR survey items (9 areas):  
Compliance with laws and regulations, respect for international standards, human rights and labor, health and safety, environment, fair trade and ethics, quality and safety, information security,

business continuity planning, and establishment of a management system

- Reporting survey results:  
The average score by theme of the business partners who responded is as shown in the graph below.

Score: An average score of 70% or above is considered to be a good response.

Results: All nine areas achieved scores of 70% or higher, which were generally good results.

#### Average Score for Each Area



### Declaration of Partnership Building

On February 8, 2024, we released a Declaration of Partnership Building in support of the aims of the Conference on Promoting Partnership Building for the Future promoted by the Cabinet Office, the Small and Medium Enterprise Agency, and others.

While always maintaining an awareness of compliance with laws and regulations, transparency and fairness, and anti-corruption, we will strive to build new partnerships by promoting collaboration and coexistence with our supply chain partners and value-creating businesses.

[Declaration of Partnership Building portal site \(Japanese language only\)](https://www.biz-partnership.jp/index.html)

<https://www.biz-partnership.jp/index.html>

[Nippon Chemical Industrial Co., Ltd.'s Declaration of Partnership Building \(Japanese language only\)](https://www.biz-partnership.jp/declaration/83144-05-08-tokyo.pdf)

<https://www.biz-partnership.jp/declaration/83144-05-08-tokyo.pdf>



## Human Rights Policy

### Nippon Chemical Industrial Human Rights Policy

Under the company philosophy of “We Are Treating Humanity Treasuring Technology with Good Care,” the Nippon Chemical Industrial Group strives to resolve social issues through dialogue with stakeholders and creation of values to realize happiness for all humanity and a sustainable society on a global scale.

As part of this initiative, we respect the human rights stipulated in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work as the minimum requirements, and endorse international human rights norms such as the UN Global Compact, the Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. We established this Nippon Chemical Industrial Group Human Rights Policy based on these principles. This Policy clearly demonstrates the Nippon Chemical Industrial Group's stance of respecting the human rights of all people.

When there is a conflict between internationally recognized human rights and the laws and regulations of any individual country or region, we will seek ways to respect the international principles for human rights to the maximum extent possible.

This Policy applies to all officers and employees of the Nippon Chemical Industrial Group.

We also expect all business partners of the Nippon Chemical Industrial Group, including those related to its business activities, products, and services, to support this Policy and will continue to encourage them to respect it.

### 1 Prohibition of discriminatory treatment

The Nippon Chemical Industrial Group will not discriminate against or harass anyone based on race, gender, religion, creed, nationality, birthplace, language, physical characteristics, property, age, marital status, or any other attributes. We will treat all people fairly based on the dignity of the individual and the essential equality of the sexes.

### 2 Fair and equitable remuneration

The Nippon Chemical Industrial Group will pay fair and equitable remuneration to employees in compliance with all applicable legislation, including the laws and regulations related to minimum wage, overtime, and legally mandated benefits, to ensure that they can maintain an appropriate standard of living.

### 3 Appropriate working hours

The Nippon Chemical Industrial Group will appropriately manage the working hours, holidays, and leave of employees in accordance with the applicable laws and regulations.

### 4 Ensuring a safe and healthy working environment

To ensure a safe and healthy working environment, the Nippon Chemical Industrial Group will comply with the laws and regulations of individual countries and regions concerning occupational safety and health, and will provide an environment that is designed to prevent accidents and disasters.

### 5 Prohibition of harassment

The Nippon Chemical Industrial Group will never tolerate any actions that threaten the dignity of the individual, including physical and mental power harassment, sexual harassment, maternity harassment, and harassment related to child/family care leave.

### 6 Prohibition of forced labor

The Nippon Chemical Industrial Group will not tolerate forced labor. We also will not tolerate any form of modern slavery, including bonded labor and human trafficking.

### 7 Freedom of association and collective bargaining rights

The Nippon Chemical Industrial Group will respect the freedom of association and collective

bargaining rights of employees in labor-management relations based on the laws, regulations, and labor practices of individual countries and regions.

### 8 Prohibition of child labor

The Nippon Chemical Industrial Group will not tolerate child labor and will comply with the legal minimum working age. We also will not engage people under the age of 18 in dangerous work that may compromise their health or safety, such as night shifts or overtime work.

### 9 Respect for privacy

The Nippon Chemical Industrial Group will strive to prevent information leaks and losses in compliance with the relevant laws and regulations of individual countries and regions.

### 10 Human rights due diligence

The Nippon Chemical Industrial Group will identify negative impacts existing in business activities and make efforts to prevent or reduce them by referring to the results of human rights due diligence.

### 11 Education

The Nippon Chemical Industrial Group will provide education and awareness training to ensure that this Policy is thoroughly understood and adhered to both within and outside the company and that initiatives for the respect of human rights will be appropriately implemented in business activities.

### 12 Dialogues

The Nippon Chemical Industrial Group will engage in dialogues and discussions with relevant stakeholders on an ongoing basis on human rights issues related to business activities.

### 13 Remedy

Should its business activities negatively impact human rights, the Nippon Chemical Industrial Group will work to remedy and correct the issue.

This Policy will be reviewed every year under the direction and supervision of the Sustainability Promotion Committee.

Established on July 1, 2025

## Social Initiatives

## Human Capital

As expressed in our corporate philosophy, “We are Treating Humanity Treasuring Technology With Good Care,” we recognize that people are an important asset for the execution and development of Nippon Chemical Industrial’s unique sustainability management, and we believe it is important to cultivate a large number of human resources capable of carrying out such management. To this end, based on the “Promotion of the Growth Strategy and New Value Creation” policy set forth in the medium-term business plan (2024–2026), we aim to develop human resources capable of implementing three key measures: “Business expansion and strengthening the business structure,” “Promotion of globalization,” and “New value creation.” We have also created three policies as our human resources strategy: “Securing diverse human resources,” “Human resources development,” and “Improvement of the work environment.” In addition, we intend to build a sustainable corporate structure by raising the company as a whole to a higher level, based on our unique concept of fostering not only the individual but also the entire organization.

## Governance

With regard to our human resource strategy, following the management strategy determined by the Board of Directors, the Corporate Management Committee, consisting of the Representative Director & President and other executive officers who make up the Company’s top management, examines and makes decisions on specific issues and measures (such as the establishment and reorganization of important organizations, and reformations of personnel systems), and confirms progress.

In addition, the Corporate Management Committee reports regularly to the Board of Directors, which monitors and supervises the contents of the reports.

## Strategy

In order to realize an expansion in our human resources that will help our organization to develop, securing human resources with various abilities as well as the growth of each employee are important. We have established a systematic education system that supports employees in autonomously developing their careers.

We are also developing a coaching program based on our unique standpoint of encouraging employees to act on their own initiative and of developing our organization as a whole.

Further, we will advance the development of a work environment that emphasizes diverse modes of work and work-life balance, and will also promote health and productivity management as well as occupational health and safety.

Human resources strategy		Management strategies
Policies	Key measures	
<b>Policy 1</b> Securing diverse human resources	<b>1 Promotion of women's empowerment</b> ● Active recruitment of female career-track employees <b>2 Promotion of mid-career recruitment</b> ● Recruitment of highly specialized personnel that will be immediate assets <b>3 Promotion of foreign national recruitment</b> ● Promotion of the recruitment of foreign nationals at overseas subsidiaries	<Medium-Term Business Plan> Promotion of the growth strategy and new value creation
<b>Policy 2</b> Human resources development	<b>1 Systematic education system</b> ● Various level-specific training ● Online language training ● Taking the TOEIC test ● Overseas trainee system ● Management personnel development ● Support for acquisition of chemical qualifications <b>2 Coaching program</b>	<b>Key measure 1</b> Business expansion and strengthening the business structure
<b>Policy 3</b> Improvement of the work environment	<b>1 Enhancement of work-life balance</b> ● Personnel System Committee ● Turnover prevention measures ● Introduction of engagement scores <b>2 Promotion of health and productivity management</b> ● Promotion of collaborative health ● Stress checks and harassment training <b>3 Promotion of occupational health and safety</b> ● Health and Safety Committee ● Risk assessments	<b>Key measure 2</b> Promotion of globalization <b>Key measure 3</b> New value creation

## ① Securing Diverse Human Resources

In order to respond to a rapidly changing business environment, it is necessary to utilize diverse perspectives and experiences. We aim to create a sustainable corporate structure by implementing the policies of the Promotion of Women’s Empowerment, the Promotion of Mid-Career Recruitment, and the Promotion of Foreign National Recruitment.

## &lt;&lt;Promotion of Women’s Empowerment&gt;&gt;

In the promotion of women’s empowerment, we are encouraging women to succeed while balancing work and life, and the expansion of opportunities for women to play an active role in the Company is essential to our future growth strategy. However, the percentage of female employees in career track and managerial positions in our personnel system remains low, at 9.9% as of March 31, 2025, and we recognize that increasing the number of female employees and preventing the occurrence of female employees leaving the Company permanently to raise children are important issues. Aiming to increase the percentage of women in managerial positions, we are promoting efforts to increase the ratio of women hired as new graduates (university graduates and above) to at least 30% as a target for FY2026.

### <<Promotion of Mid-Career Recruitment>>

In order to secure human resources with diverse values and a high level of expertise who will be immediate assets, we are actively engaging in mid-career recruitment. We are promoting efforts to increase the percentage of mid-career hires to all hires (university graduates and above) to at least 20% as a target for FY2026.

### <<Promotion of Foreign National Recruitment>>

We will further promote the recruitment of foreign nationals, primarily at our overseas subsidiaries.

## ② Human Resources Development

Employee training is one of the most important elements of a company's growth. In order to realize our "Promotion of the Growth Strategy and New Value Creation" policy, we have established a Systematic Education System to help each employee gain the latest knowledge and skills; acquire the knowledge, techniques, and skills necessary to perform their duties; and improve their abilities. In addition, we will implement a Coaching Program and encourage our employees to take the initiative with the aim of creating an organization in which each employee is able to consider what is needed and how to do it in order ensure that Nippon Chemical Industrial is a company that will last into the future.

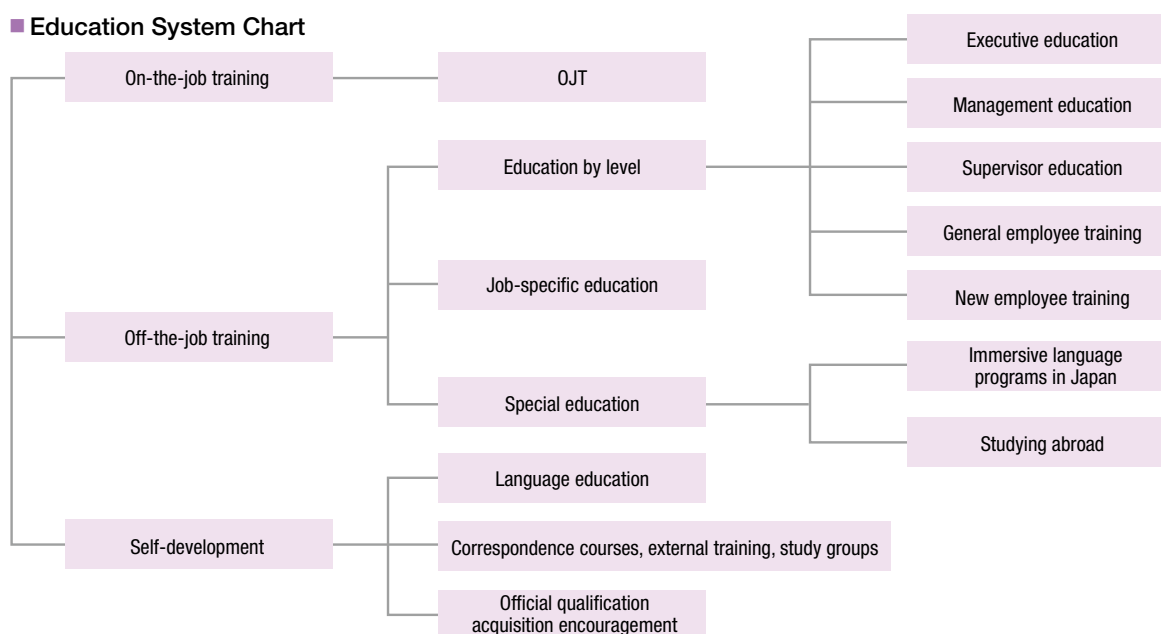
### <<Systematic Education System>>

In addition to on-the-job training (OJT) to improve the knowledge, techniques, and skills required for each employee through daily their work activities, we are expanding our educational opportunities, focusing on such areas as level-specific training, from new employees to executives; as well as the skill improvement and global human resource development programs that are necessary for employees to perform their work regardless of job level. Under the Basic Education Policy presented below, we provide educational opportunities as shown in the Education System Chart and Education System Chart by Level below. In addition to providing a variety of education and training opportunities, we actively support employees in acquiring chemical-related qualifications, such as the pollution control manager and hazardous materials officer qualifications. As a result, the percentage of employees with chemical qualifications is gradually increasing. In addition, we have introduced an online language training system and an overseas trainee system to develop global human resources. For employees in senior managerial positions, we will enhance our education system to develop the next generation of management personnel.

#### Basic Education Policy

- Training will be conducted systematically, comprehensively, and on an ongoing basis in accordance with the Company's policies.
- Ability development is something that can be expected when each employee is motivated to improve and strives for self-development, and the Company will provide the necessary facilities and assistance at every opportunity.
- Those in leadership positions must foster an environment of ability development and always strive to take the initiative in self-development so as to lead by example.

#### ■ Education System Chart



# Social Initiatives

## Education System Chart by Level

Education by level	Provided to		Title	Content	Required abilities		Acquired skills, knowledge, and techniques
	Senior managerial positions	Department and factory general managers	Executive education	The purpose of this education is to acquire the knowledge, skills, and techniques necessary for management executives to manage a company, and is provided to officers and senior managers.	Leadership		<ul style="list-style-type: none"> <li>● Goal achievement management</li> <li>● (Creative) problem solving</li> <li>● Creating a vibrant workplace</li> <li>● Leadership</li> <li>● Building management strategies</li> </ul>
	Managerial positions	Senior managers, managers	Management education	The purpose of this education is to acquire the knowledge, skills, and techniques necessary for organizational operation as a manager, and is provided to managers.			<ul style="list-style-type: none"> <li>● Principles of management</li> <li>● Decision-making</li> <li>● Organizational activation</li> <li>● Subordinate leadership</li> <li>● Problem-solving abilities</li> </ul>
	10–15-year employees	Leadership level employees	Supervisor Education	The purpose of this education is to acquire the knowledge, skills, and techniques related to leadership and supervision in the workplace as a supervisor, and is provided to employees in career-track and full-time leadership positions.		Common expertise and capabilities	<ul style="list-style-type: none"> <li>● Project management</li> <li>● (Latent) problem-solving skills</li> <li>● Logical thinking skills</li> <li>● Self-expression and persuasion skills</li> <li>● Junior leadership skills</li> <li>● Work management skills (planning)</li> <li>● (Manifest) problem-solving ability</li> <li>● Operational improvement</li> </ul>
	5–10-year employees	General employees	General employee training	The purpose of this education is to deepen basic knowledge of the Company's current situation, industry trends, and other basic knowledge necessary for the performance of duties, and to promote self-development as an employee, and is intended for general employees in career-track and full-time positions.	Self-directed action		<ul style="list-style-type: none"> <li>● Professionalism (costs, cooperation, discipline, and awareness of actions)</li> <li>● Planning and conceptualization skills</li> </ul>
	1–2-year employees	Young employees	New Employee Training	The purpose of this education is to provide new employees with an overview of the Company as well as the basic knowledge necessary for their work, to make them aware of and proud of their position as employees, to motivate them in their work, and to help them quickly become familiar with the Company.	Basic operations	Business etiquette	<ul style="list-style-type: none"> <li>● Basic knowledge</li> <li>● Independence, objective viewpoint</li> <li>● Reporting, communication, and consultation</li> <li>● Motivation</li> <li>● Communication skills</li> </ul>
	Time of employment	New employees					<ul style="list-style-type: none"> <li>● Frame of mind</li> <li>● Business etiquette</li> </ul>

### <<Coaching Program>>

As part of our human resource development efforts, we have been implementing a coaching program called the Planting Seeds for the Future Project (an organizational capability improvement program that seeks solutions to corporate issues through dialogue) every year since FY2021. By consciously increasing opportunities for communication across organizational boundaries, this program aims to develop the entire organization by encouraging each employee to be, think, and act in an independent manner. By FY2024, approximately 195 employees (29.3% of our total workforce) had taken part in this program. The number of internal coaches trained through this program reached a cumulative total of 20 in FY2024. These internal coaches are hard at work energizing our organization and strengthening its organizational capabilities, both inside and outside of their own workplaces.

## ③ Improvement of the Work Environment

We aim to create a workplace where employees are satisfied, respect each other, and feel safe psychologically. As part of our work-style reform efforts, we will implement Enhancement of Work–Life Balance, Promotion of Health and Productivity Management, and Promotion of Occupational Health and Safety.

### <<Enhancement of Work–Life Balance>>

With an emphasis on diverse modes of work and work–life balance, we are implementing the following measures to create a work environment that makes work more comfortable.

#### I. Employee Engagement

We have an annual self-assessment system whose objectives are to improve the work environment and employee engagement.

For assessments that tie into the improvement of the work environment and engagement, the executive officers in charge of each division work to improve the work environment through interviews with the employee in question. In addition, career-track employees are asked to rate their job satisfaction on a five-point scale in terms of job difficulty, workload, work aptitude, ability to demonstrate their abilities, preferences, and satisfaction. Further, with the aim of promoting women's success, we provide opportunities from women to make proposals from their own unique perspective.

Additionally, seeking to further improve employee engagement, in FY2025 we asked our manager and career-track employees to take part in an engagement survey. Going forward, we will continue to utilize tools such as engagement surveys and strive to improve employee engagement.

#### II. System Reviews Performed by the Personnel System Committee

The Personnel System Committee, consisting of the Labor Union Headquarters, which represents employees, and the General Affairs and Human Resources Department, meets at least three times a year to review systems that will lead to improved employee engagement. Some of the items taken up and revised or newly introduced by the Committee include increasing the number of times refreshment leave can be used and the number of days of annual leave granted in the first year of employment, raising the limit of accumulated annual leave to 50 days, introducing 10 days of paid childcare leave for men, introducing accrued annual leave, and introducing a travel subsidy system in recognition of employee service at the time of mandatory retirement.

#### III. Committee on Wage Revision and Bonuses (Lump-Sum Payments)

The Committee on Wage Revision and Bonuses (Lump-Sum Payments), consisting of the Labor Union Headquarters, which represents employees, and the General Affairs and Human Resources Department, meets to revise wages. With regard to wage increases, the Committee has responded in full to union demands for 10 consecutive years, and following a 5.96% increase in 2024, increased wages by 6.3% (average for union members) in 2025.

#### IV. Introduction of Various Turnover Prevention Systems

We are working to improve the work environment through the Personnel System Committee as a measure to prevent the occurrence of employees leaving the Company permanently due to childcare or family nursing care. As a result, we have improved our shortened working hours for childcare system, placed limits on overtime work (no more than 24 hours per month and 150 hours per year), and expanded exemptions from late-night work, going beyond legal requirements in each of these areas. We have also established other systems, including systems for paid leave for child nursing and other family member nursing care, staggered commuting for childcare, and paid leave for class closures.

### <<Promotion of Health and Productivity Management>>

A workplace where employees are physically and mentally healthy and can fully demonstrate their abilities increases the capabilities of an organization. When employees value teamwork and act independently and creatively, it improves

the vitality and productivity of a company and enhances life at home as well. Based on these beliefs, we promote management that emphasizes health and productivity. To this end, we have drafted the following measures to promote physical and mental health in collaboration with the Nippon Chemical Industrial Health Insurance Association, the General Affairs and Human Resources Department, and the Health and Safety Committee.


- Lifestyle disease screening to combat lifestyle diseases
- Improving the implementation rate of specific health guidance (target: 100%)
- Comprehensive medical checkup support
- Breast and uterine cancer screening support for all female employees
- Dental checkups
- Medium-term health promotion planning and implementation by the Health Management Committee
- Establishing an external health consultation service
- Implementing stress checks and improvement activities for mental health
- Workplace mental health care and self-care training
- Training on harassment
- Establishing internal and external consultation services for harassment

#### <<Promotion of Occupational Health and Safety>>

Workplace safety is a top priority. In order to achieve zero occupational accidents, we are working to reduce potential hazards. Health and Safety Committee meetings are held once a month at each location, and in these meetings, management, employees, and partner companies work together to actively promote health and safety activities and create a safe and secure work environment.

**VOICE** **A Leave System for Taking Care of Family**

H.I. Fukushima No. 2 Factory



Children often become ill suddenly and unexpectedly. This means that in order to take them to the doctor or care for them, the father often has to take annual leave, or leave everything to the mother, resulting in a disproportionate burden on her.

Previously, I used my annual leave to take care of my child when sick and to take them to medical appointments and health checkups. Now, however, I can use nursing leave for this.

Utilizing nursing leave has reduced the burden unexpected incidents like this place on my wife's time, and I can use my paid leave to enjoy spending time with my family instead.

**VOICE** **The Time Childcare Leave Has Given Me**

M.N. Head Office



After discussing it with my wife, I decided to take a long period of childcare leave, including postpartum father's leave, totaling six months.

Actually taking care of the baby, with feedings every three hours and putting them to sleep, I could see that it would have been physically and mentally tough for my wife to handle all this alone while still recovering from childbirth. I'm so glad I took childcare leave.

The leave I took was the longest any father had taken to date, so I had concerns about how it might affect my work. However, the time I spent caring for our child alongside my wife and watching them grow was incredibly meaningful. I want to extend my gratitude to everyone involved for their understanding in granting me this leave.

## Risk Management

Human capital risks and opportunities are managed by the Sustainability Promotion Committee, which reports and makes recommendations to the Board of Directors regarding their details. The Board of Directors then directs and oversees sustainability measures. We will strive to reduce risk by promoting the development of a work environment that emphasizes diverse modes of work and a work-life balance, as well as by proactively promoting measures that place the health and safety of employees and their families first.

## Metrics and Targets

Human resources strategy policies	Item		FY2026 Targets	FY2024 Results	FY2023 Results
Policy 1 Securing diverse human resources	Promotion of women's empowerment	Percentage of female hires (Note 1)	30% or higher	16%	22%
	Promotion of mid-career recruitment	Percentage of mid-career hires (Note 2)	20% or higher	40%	10%
Policy 2 Human resources development	Systematic education system	Online language training enrollment rate (Note 3)	30% or more / year	22% / year	25% / year
		No. of persons with recommended engineering qualifications (Note 4)	10 / year	5 / year	—
	Coaching program	In-house coach development	30 total	20 total	15 total
Policy 3 Improvement of the work environment	Promotion of health and productivity management	Specific health guidance implementation rate	100%	87%	88%
		Paid leave uptake rate	85% or higher	78%	81%
	Enhancement of work-life balance	Rate of men taking parental leave	100%	92%	93%
		Personnel System Committee meetings	6 or more / year	5 / year	6 / year
	Promotion of occupational health and safety	Rate of employee lost-worktime injuries	0	1	2

Due to the difficulty in presenting them on a consolidated basis for the Group, metrics related to the policies and measures in our human capital strategies are presented on a non-consolidated basis.

- (Notes) 1. The percentage of new graduate hires (university graduates and above) who are women.
2. The percentage of mid-career hires to total hires (university graduates and above).
3. The percentage of employees in career-track and management positions who have taken this training.
4. The number of engineers who belong to our R&D and Production Engineering Divisions who newly acquired recommended official engineering qualifications.

## Environmental Initiatives

## Basic Environmental Policy

In order to further promote environmental conservation activities, we adopted the ISO 14001 (environmental management) system and are constantly improving our environmental performance in accordance with the policy below. This environmental policy applies to all of our offices. It will be reviewed annually under the direction and supervision of the Sustainability Promotion Committee.

**① Attention to the entire life cycle of products**

We will contribute to the creation of a sustainable society and environment by giving consideration to environmental conservation and safety throughout the entire life cycle of products from procurement to development, manufacturing, sales, distribution, use, final consumption, and disposal.

**② Environmentally conscious conduct**

We will identify environmental risks, such as CO<sub>2</sub> emissions, industrial waste, water security, and air pollution across our business activities, strive to prevent their occurrence, build a management system to minimize risks, and protect the safety and health of our employees and local residents.

**③ Resource and energy conservation**

From the product planning stage onward, we will strive to develop technologies that take into consideration resource

and energy conservation and waste reduction, as well as the more efficient use and reuse of resources and energy in our production activities.

**④ Compliance with environmental laws and regulations**

In addition to complying with environment-related laws, regulations, rules, ordinances, and agreements, we will establish stricter voluntary standards for all necessary matters and strive for constant improvement.

**⑤ Communication with stakeholders**

We will proactively disclose environmental information to stakeholders through integrated reports and other means in order to improve communication.

Established on March 27, 2025

## Initiatives for Environmental Impact Reduction

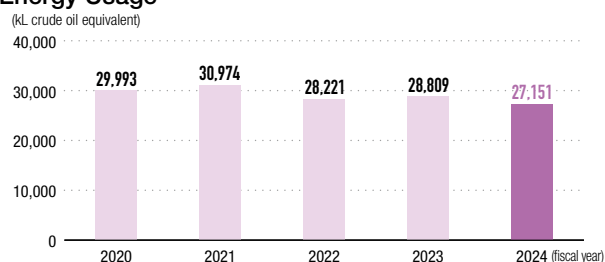
In light of the world's increasingly serious environmental problems and the promotion of sustainability management, we will continue to engage in energy-saving activities, the effective use of resources, and activities to reduce emissions of environmentally hazardous substances.

## Environmental Conservation

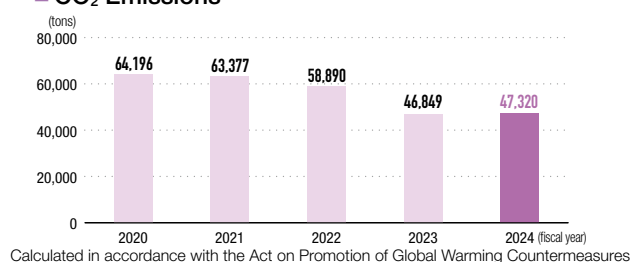
● **Energy-Saving Initiatives**

In FY2024, we engaged in energy-saving activities while maintaining production operation rates, slightly decreasing our energy consumption compared to the previous year. In addition, our CO<sub>2</sub> emissions decreased compared to previous years as a result of the introduction of renewable energy in FY2023. Going forward, we will maintain our efforts to realize a decarbonized society by continuing to diligently engage in energy-saving efforts, such as conducting self-inspections of energy-using equipment, conducting self-audits, and proposing energy-saving measures.

■ **Energy Usage**



■ **CO<sub>2</sub> Emissions**

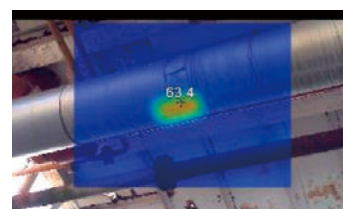
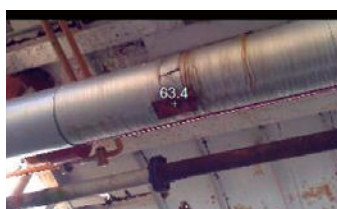


■ **Energy Conservation Activities at Fukushima No. 2 Factory**

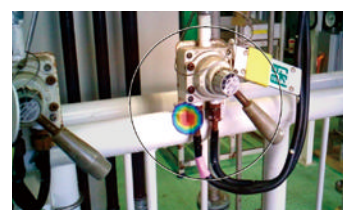
As part of inspections to promote energy conservation at the Fukushima No. 2 Factory, thermal imaging cameras are used to visually identify leakages from steam pipes and reactor vessel insulation, and image-based air leak detectors are used to discover leaks coming from the compressed air and compressed nitrogen equipment used in production areas. When a heat or air leak is identified during the regular patrols conducted by the Energy Conservation Committee, the cause is fixed to stop further leakage. In addition to routine management, we further strive to promote energy conservation by using a dedicated contractor to conduct energy conservation assessments and clean outdoor air conditioning units.

● **Industrial Waste Reduction**

We will strive to reduce the amount of industrial waste generated and ensure that waste is disposed of properly.

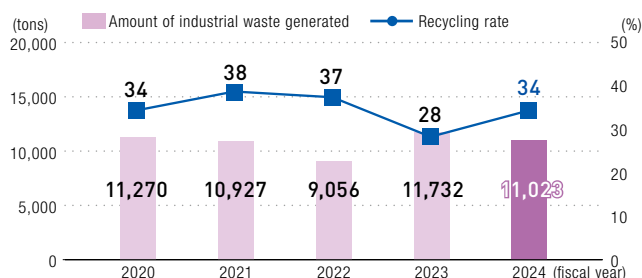


Heat leaking through thermal insulation (right: leakage detection image)



Air leaking from a connector (right: leakage detection image)

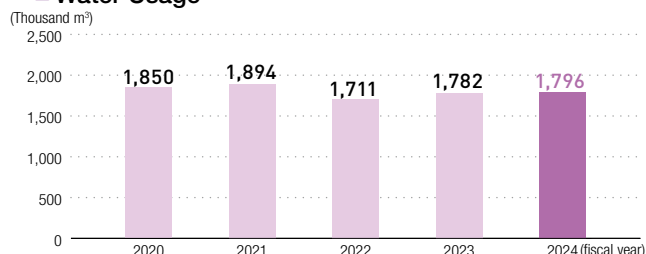
## Amount of Waste Generated and Effective Utilization Rate



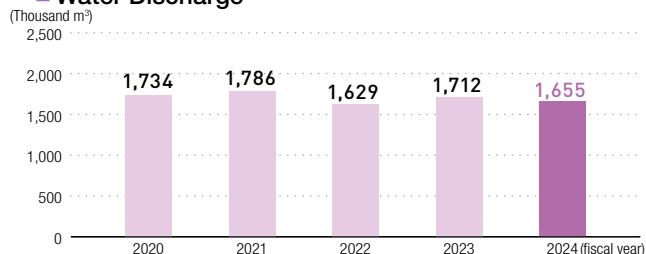
## Water Security

In our manufacturing processes at each location, we use a large amount of freshwater for steam, cooling, and cleaning purposes, and we believe that we need to give consideration to our impact on water sources and surrounding environments. To this end, we promote the reduction and efficient use of water consumption through such means as building circulation systems to reduce our water intake and reminding employees to conserve water.

## Water Usage



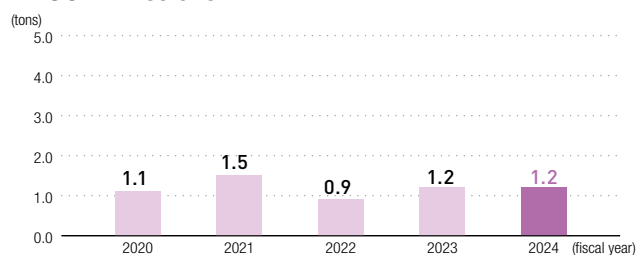
## Water Discharge



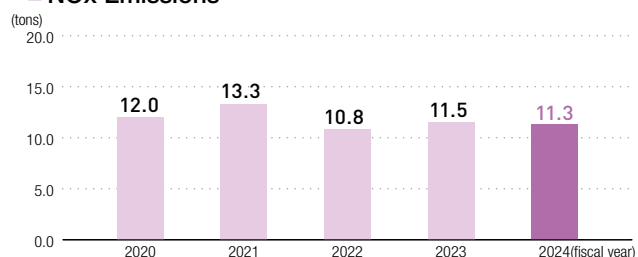
## Reduction of Air Pollutant Emissions

Our regular monitoring confirms that we are in compliance with regulations as well as values agreed upon with local authorities. We will continue to promote the reduction of emissions through measures such as switching to more environmentally friendly fuels.

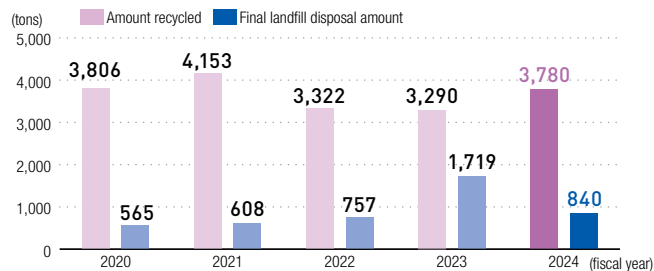
## SOx Emissions



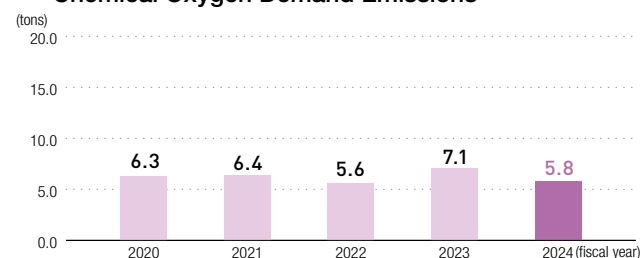
## NOx Emissions



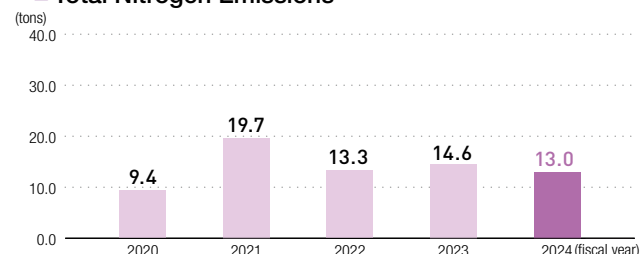
## Amount of Waste Recycled and Final Landfill Disposal Amount



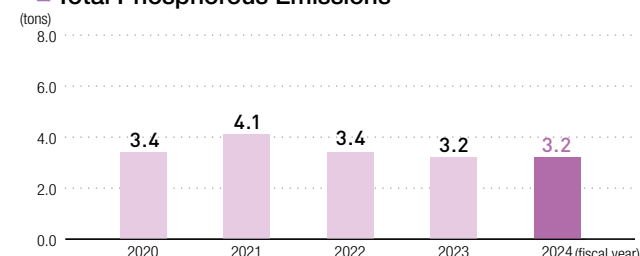
## Chemical Oxygen Demand Emissions



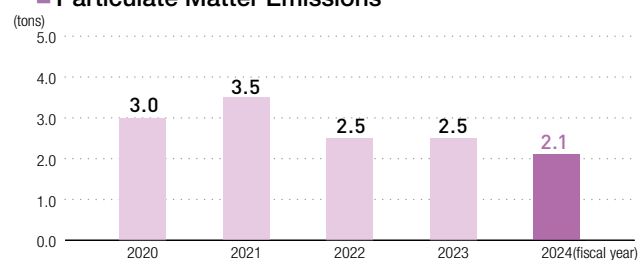
## Total Nitrogen Emissions



## Total Phosphorous Emissions



## Particulate Matter Emissions



## Reduction of Chemical Emissions

The table below shows our emissions of substances subject to reporting under the Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement (PRTR system).

## Emissions of PRTR Substances

Emissions (tons)	2020	2021	2022	2023	2024
Atmosphere	6.0	5.7	4.2	1.7	1.5
Water bodies	0.1	0.1	0.1	0.1	0.1
Total	6.1	5.7	4.3	1.8	1.5

## Information Disclosure in Line with TCFD and TNFD Recommendations

We have expressed our support for the October 2022 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)<sup>\*1</sup> and engage in information disclosure based on these recommendations. Giving consideration to the CO<sub>2</sub> emission reduction levels discussed in the Paris Agreement, as one of our materiality targets, we are working to reduce greenhouse gas (GHG) emissions in FY2030 (Scope 1 and 2) to 23% of FY2020 levels. In addition to striving to conserve energy and electricity, we are aiming to reduce our GHG emissions and realize a decarbonized society by utilizing renewable energy and introducing decarbonization technologies at our production sites.

Regarding the Taskforce on Nature-related Financial Disclosures (TNFD)<sup>\*2</sup>, we adopted the Kunming-Montreal Global Biodiversity Framework in December 2022, and set specific goals, including our 2050 Vision of “a world living in harmony with nature” and our 2030 Mission to “halt and reverse biodiversity loss to put nature on a path to recovery.” The Japanese government also adopted the National Biodiversity Strategy 2023-2030 by Cabinet decision, which outlines the direction to be taken.

In July 2025, with a view to strengthening our commitment to biodiversity, Nippon Chemical Industrial endorsed the TNFD’s information disclosure recommendations and registered as a TNFD Adopter<sup>\*3</sup>. We intend to promote dialogue with our stakeholders while disclosing climate change-related and natural capital-related information in accordance with the TNFD Recommendations and Framework<sup>\*4</sup>. Taking into account the opinions of our stakeholders, we will continue to promote TNFD initiatives and proactively disclose information with the aim of realizing a sustainable society.

\*1: A climate-related financial disclosure task force established by the Financial Stability Board at the request of the G20 to consider climate-related information disclosures and how financial institutions should respond.

\*2: An international initiative that aims to establish a framework for companies and organizations to assess and disclose information on the impact of their economic activities on natural capital and biodiversity.

\*3: Companies and organizations that have registered and declared their willingness to disclose information in accordance with the TNFD Recommendations on the TNFD website.

\*4: The TNFD Framework requires companies to assess and disclose the risks and opportunities their business activities present in terms of their relationships (dependencies and impacts) concerning natural capital and biodiversity.



### Governance

In order to build positive relationships with various stakeholders based on our corporate philosophy and become a company that is trusted and relied upon by others, we shifted our focus from CSR (Corporate Social Responsibility) activities to sustainability activities that contribute to all stakeholders by creating value through corporate activities, and established the Sustainability Promotion Committee in 2022 to promote activities that reflect a sense of urgency.

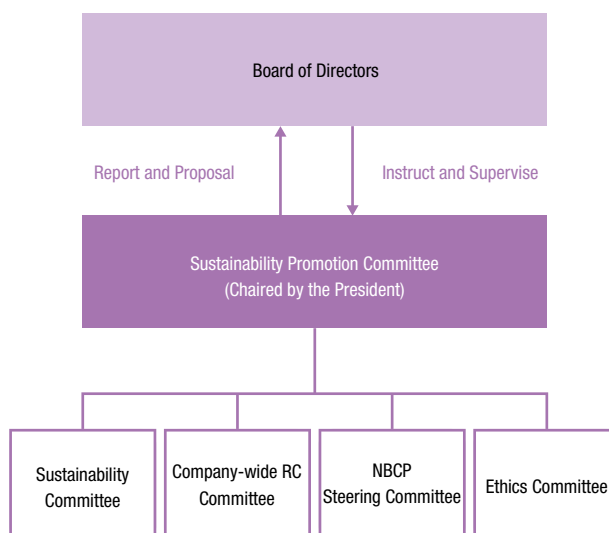
Chaired by the President, the Sustainability Promotion Committee deliberates on the basic policy on sustainability and other matters related to sustainability.

The Sustainability Committee was established under the direct control of the Sustainability Promotion Committee. The Committee promotes initiatives related to sustainability, including those that address climate change as well as biodiversity and other natural capitals, and the certification of environmental contribution products.

The Board of Directors receives reports and proposals concerning important matters deliberated on by the Sustainability Promotion Committee and also provides

instruction and supervision concerning policies as well as action plans for addressing climate change and natural capital-related issues.

#### ■ Governance Structure



### ● Sustainability Promotion Committee

The Sustainability Promotion Committee, chaired by the President, deliberates on matters related to sustainability, including the Company's Sustainability Policy, in light of domestic and international developments related to ESG and the SDGs, and regularly reports and makes recommendations to the Board of Directors. Four committees operate under the purview of the Sustainability Promotion Committee: the Sustainability Committee, Company-wide RC Committee, NBCP (Nippon Chemical Industrial Business Continuity Plan) Steering Committee, and Ethics Committee. The Sustainability Promotion Committee oversees and directs the activities of these four committees and works to reinforce and promote their management through regular meetings.

### ● Sustainability Committee

The Sustainability Committee, under the supervision of the Managing Executive Officer, promotes the provision of value to all stakeholders and advances sustainability initiatives such as addressing climate change, biodiversity, and other natural capital issues.

### ● Company-wide RC Committee

The Company-wide RC Committee, chaired by the President, promotes responsible care activities as they relate to the environment and safety, and works to maintain and improve levels of compliance with laws and regulations, environmental conservation, safety and disaster prevention, occupational health and safety, product safety, and logistics safety.

### ● NBCP (Nippon Chemical Industrial Business Continuity Plan) Steering Committee

The NBCP Steering Committee is chaired by the Executive Officer in charge of the Production Engineering Division and promotes continuous improvements to policies, plans, and drills as they relate to emerged and potential crises.

### ● Ethics Committee

Chaired by the Executive Officer in charge of the Administration Division, the Ethics Committee endeavors to thoroughly disseminate the code of conduct to be observed by employees as they engage in their daily corporate activities and regularly checks the status of compliance in an effort to make continuous improvements.

Regarding nature-related stakeholder engagement, we are committed to respecting human rights throughout the supply chain and have expressed this commitment in our human rights and procurement policies.

In addition, our Code of Conduct with Respect to Biodiversity, created in December 2023, establishes the following four action guidelines used for planning and promoting biodiversity conservation activities.

- Ascertain the impact of the Company's business activities on biodiversity conservation throughout the entire value chain and continuously work on minimizing this impact.
- Endeavor to raise awareness of biodiversity among all employees through Responsible Care activities.
- Continue to engage in activities that contribute to society by helping biodiversity conservation in order to be highly valued by society and the residents of local communities.
- Proactively disclose the above initiatives and deepen communications with stakeholders.

# Environmental Initiatives

## Risk Impacts and Management

We analyze the degree to which risks affect our business activities, taking into consideration the characteristics of our business and the environment in which we operate, in accordance with our Risk Management Regulations, and manage risks within the framework of the Sustainability Promotion Committee. Each division identifies all risks, including climate change-related and nature-related risks, and a committee comprised of managers from each division (the Division Manager Council) categorizes and lists these risks and evaluates them according to the level of frequency of occurrence, level of impact, and level of control. For each assessed risk, the Sustainability Promotion Committee discusses fundamental solutions in terms of such aspects as causes, prediction, training, and prevention of recurrence. Through this, the Company takes measures to prevent risks. Risks are assessed on an annual basis.

We have established a system and structure to identify risks; assess them based on factors such as their frequency of occurrence, impact, and level of control; and respond to those risks. Material risks are reviewed annually.

With regard to our dependence and impact on nature, we have identified survey areas by focusing on the objective and qualitative importance of direct operations and value chain upstream operations, and evaluated their risks. Based on our Sustainable Procurement Policy formulated in June 2024 (and revised in July 2025), we are working with suppliers to reduce environmental impact.

In addition, we introduced an internal carbon pricing (ICP) system in April 2024 to quantitatively assess climate change risks. In our capital investment plans for low-carbon and decarbonization facilities, we make use of ICP (3,000 yen/Mt-CO<sub>2</sub>) to convert costs and use this as a metric for investment decisions.

## Strategy 1: Climate Change

In recent times, large-scale wildfires and floods, attributed to climate change, have been occurring across the globe, and the impact of climate change on our society is becoming more serious by the year. The international community is accelerating efforts to build a decarbonized society, and companies are also being asked to provide meaningful support for these endeavors.

The Company also sees addressing climate change as an important challenge, and is committed to reducing the amount of greenhouse gas emissions it will generate in FY2030 by 23% compared to FY2020. We have also defined products that contribute to solving environmental issues and improving the environment throughout their life cycles as “environmental contribution products,” and have established a policy of actively offering these products to the market. Furthermore, we have set a KPI for the ratio of sales of environmental contribution products to total sales, and are engaging in Company-wide efforts in this area.

To promote understanding among stakeholders regarding our activities and enhance our corporate value, we will continue to disclose climate change-related information, such as progress reports on GHG emission reductions, the amount of waste generated and environmentally hazardous substances emitted, and the ratio of sales of environmental contribution products.

temperatures in 2100 over temperatures at the time of the Industrial Revolution to around 1.5°C. In this scenario, climate change measures are strengthened and transition risks in terms of policy-driven regulations, markets, technology, and reputation are heightened.

\*1: The RCP2.6 scenario, with reference made to information provided by the Inter-Governmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), the parameters for estimating the impact of climate change is used to set.

### Transition risks and opportunities: Decarbonization scenario (1.5°C)

Transition risks and opportunities were studied based on a decarbonization scenario in which various regulations are introduced in connection with the transition to a low-carbon economy with an eye towards attaining the 1.5°C target.

In a decarbonization scenario (1.5°C), we can assume that prices will rise and expenses will increase as carbon taxes are introduced by governments intent on strengthening environmental regulations and demand for renewable energy rises, and that resource procurement costs will go up as global warming measures are taken on a global scale.

On the other hand, we believe that business opportunities will increase as research and development is spurred on by the rise in innovation for decarbonization in our growth areas of electronic ceramic materials and functional materials such as conductive adhesives for RFID tags, by the increase in demand for our environmental contribution products. In addition, the Company regards the reduction of CO<sub>2</sub> emissions generated by our production processes as an important

## Scenario Analyses, Risks, and Opportunities

### The 1.5°C scenario<sup>\*1</sup>

In this scenario, aggressive measures will be taken to combat climate change to keep the increase in

issue and is working on reducing CO<sub>2</sub> emissions by leveraging renewable energy sources and adopting decarbonization technologies at our production sites.

As for procurement, we aim to continue to engage in stable procurement practices and reduce CO<sub>2</sub> emissions tied to raw materials by communicating with our suppliers.

### The 4°C scenario<sup>\*2</sup>

In this scenario, aggressive measures will not be taken to combat climate change, the temperatures in 2100 will increase by around 4°C over temperatures at the time of the Industrial Revolution. This is a scenario in which physical risks will increase, such as in terms of more devastating natural disasters, rising sea levels, and more extreme weather events.

<sup>\*2</sup>: The RCP8.5 scenario, with reference made to information provided by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), the parameters for estimating the impact of climate change is used to set.

### Physical risks and opportunities: Progressive warming scenario (4°C)

In terms of physical risks and opportunities, there is a major risk of a shutdown of business activities or disruption of supply chains as natural disasters occur due to extreme weather anomalies.

Natural disasters are difficult to forecast and if one were to occur, it is possible that we will sustain massive damage if, for example, our production sites are affected or there is a leak of chemical substances. In order to avoid a stoppage of operations due to a damaged facility or leak of chemical substances, we will need to make capital investments informed by disaster countermeasures, which we assume will lead to increased production costs. This trend will be amplified in the progressive warming scenario (4°C).

In order to deal with climate change risks and other aspects of major disasters, we have set up a specialized committee and formulated a BCP (Business Continuity Plan) system on a company-wide basis to minimize the impact on our business activities even in an emergency. We will continue to promote ongoing improvements to our BCP system.

## Risks and Opportunities

The Company's risks and opportunities under the 1.5°C and 4°C climate change scenarios are presented below.

◎: Large impact ○: Somewhat large impact △: Negligible impact

	Items corresponding to climate change risks and opportunities	Changes in the wider world	Possible scenario	Risk	Opportunity	Timing of occurrence
1.5°C climate change scenario	Transition risks and opportunities	Policies, laws, and regulations	Tightening of regulations governing GHG emissions and environmental considerations	△		Medium to long term
			Introduction of carbon tax and emissions trading	◎		Medium to long term
			Rapidly promoting the transition to a low-carbon/ decarbonized world	△		Short to medium term
		Markets and technologies	Declarations of carbon neutrality made by industry associations and governments		○	Short to medium term
			Developing and promoting the spread of decarbonization-related products		◎	Medium to long term
			Our competitiveness suffers from the rise of overseas companies operating in countries where production can be undertaken on a low-cost basis	△		Long term
			Increase in the costs of procuring raw materials	○		Medium to long term
4°C climate change scenario	Physical risk and opportunities	Reputation	Stricter evaluations of companies that have not yet decarbonized and that are emitting large volumes of CO <sub>2</sub>	○	○	Medium to long term
		Chronic	Changes in precipitation and weather patterns (increased rainfall and rising average temperatures)	△		Long term
			Risk of reduced sales and impairment losses affecting production facilities due to shutdowns or lower production	△		Long term
		Acute	Disruptions in the supply of raw materials due to natural disasters	○		Long term
			Risk of the leakage of chemical substances due to damage caused to production plants	○		Long term
			Incurrence of capital investment costs related to disaster countermeasures at key locations	○		Medium to long term

\*Large impact: Impact on business and finances is expected to be exceedingly large

\*Somewhat large impact: Impact on business and finances is expected to be somewhat large

\*Negligible impact: Impact on business and finances is expected to be negligible

\*Short to medium term: Occurrence between now and 2030 is highly probable

\*Medium to long term: Occurrence between 2030 and 2050 is highly probable

\*Long term: Occurrence from 2050 onward is highly probable

### Metrics and Targets 1: Climate Change

The Group's greenhouse gas emissions in FY2020 totaled 63,356 tons: 29,117 tons for Scope 1 (direct emissions from business operations) and 34,239 tons for Scope 2 (indirect emissions from the consumption of electricity).

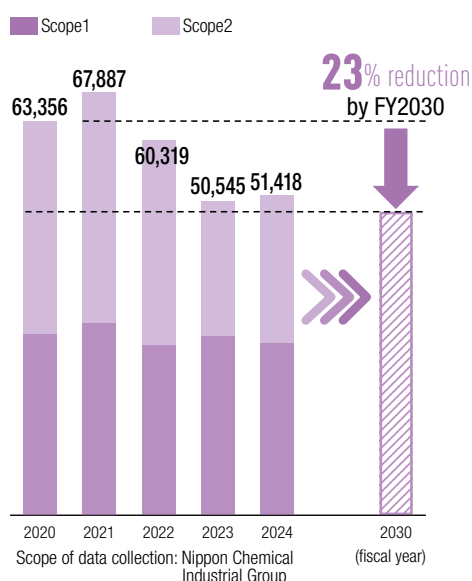
For this reason, upon taking into account CO<sub>2</sub> emission reduction levels required under the Paris Agreement and with a view to realizing a decarbonized

society, the Company set a target for Scopes 1 and 2 emissions of a 23% reduction by FY2030 compared to the 63,356 tons of emissions recorded in FY2020.

We will aim to reduce greenhouse gas emissions and realize a decarbonized society by utilizing renewable energy and introducing decarbonization technologies at our production sites and striving to conserve energy and electricity.

### GHG Emissions and Medium-term Reduction Targets

#### ■ GHG Emissions



The Group's CO<sub>2</sub> emissions are calculated in accordance with the GHG Protocol and are verified by a third-party organization to improve reliability and transparency.

#### ■ Breakdown of Scope 3 by Category

Scope/Category		Category	FY2022 CO <sub>2</sub> emissions	FY2023 CO <sub>2</sub> emissions	FY2024 CO <sub>2</sub> emissions
			(t-CO <sub>2</sub> )	(t-CO <sub>2</sub> )	(t-CO <sub>2</sub> )
Scope 3		Total for all categories	212,874	190,722	217,211
Breakdown of Scope 3	Category 1	Purchased goods and services	163,369	145,798	179,636
	Category 2	Capital goods	13,185	8,260	8,630
	Category 3	Fuel- and energy-related activities * Not included in Scopes 1 and 2	10,986	9,367	6,981
	Category 4	Upstream transportation and distribution * Procurement logistics, horizontal logistics, and shipping logistics for which the company is the shipper	19,587	21,202	16,183
	Category 5	Waste generated in operations	600	816	703
	Category 6	Business travel	222	318	438
	Category 7	Employee commuting	588	676	550
	Category 8	Upstream leased assets	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 9	Downstream transportation and distribution * Shipping transportation (other companies are the transport shippers), storage in warehouses, and sales at retail stores	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 10	Processing of sold products	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 11	Use of sold products	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 12	End-of-life treatment of sold products	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 13	Downstream leased assets	4,338	4,286	4,091
	Category 14	Franchises	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation
	Category 15	Investments	Not applicable to calculation	Not applicable to calculation	Not applicable to calculation

No third-party guarantees have been received for emissions in FY2022.

### Strategy 2: Natural Capital

#### LEAP Approach

We utilize the LEAP Approach developed by TNFD in our analysis for evaluation and management purposes related to natural capital. The LEAP approach consists of four processes: Locate (interface with nature), Evaluate (dependencies and impacts on nature), Assess (nature-related risks and opportunities), and Prepare (to respond to, and report on, material nature-related issues).

#### Locate Phase: Locate Interface with Nature

##### Scope

The scope of the Locate phase covers direct operations and value chain upstream operations (raw materials and fuels). All four domestic production sites were selected as direct operations. For the value chain upstream operations, we selected eight companies: four companies that provide products on the High Impact Commodity List<sup>2</sup> published by SBTs for Nature (SBTN)<sup>1</sup> and are closely related to our business, and four suppliers of raw fuel for products that account for a high

percentage of sales. The following tools were used to analyze the natural conditions in the vicinities of these operations and identify areas requiring attention.

\*1: A framework that encourages companies and municipalities to set nature-related targets based on science.

\*2: SBTN's list of commodities (raw materials) that are considered to have a significant impact on nature.

### Identification of Areas Requiring Attention

We utilized the analysis tools and databases recommended by SBTN to identify areas requiring attention. Areas requiring attention are identified where one or more of the following five criteria listed in the TNFD Recommendations apply.

- Areas of importance for biodiversity (analysis tool: IBAT<sup>\*1</sup>)
- Areas of high ecosystem integrity (analysis tool: GFW<sup>\*2</sup>)
- Areas of rapid decline in ecosystem integrity (analysis tool: GFW)
- Areas of high physical water risks (analysis tool: Aqeduct<sup>\*3</sup>)
- Areas of importance for ecosystem service provision, including benefits to Indigenous peoples, local communities, and stakeholders (analysis tool: GFW)

\*1: Integrated Biodiversity Assessment Tool

\*2: Global Forest Watch (an online system for monitoring forests on a global scale using high-resolution satellite images)

\*3: A data platform on water risk provided by WRI (World Resources Institute)

### IBAT Analysis

We utilized four IBAT indicators (WDPA<sup>\*4</sup>, KBA<sup>\*5</sup>, IUCN<sup>\*6</sup> Red List of Threatened Species STAR<sup>\*7</sup>, and IUCN management categories) to analyze the four domestic production sites and eight suppliers we surveyed in order to identify areas important for biodiversity.

The survey areas were set within a 50-kilometer radius of the production site (supply base) for WDPA, KBA, and IUCN Red List of Threatened Species STAR, and within a 0-kilometer radius for IUCN management categories.

\*4: The World Database on Protected Areas

\*5: Key Biodiversity Areas

\*6: International Union for Conservation of Nature and Natural Resources

\*7: Species Threat Abatement and Restoration

### IBAT Data Map

(STAR Threat Abatement 5 km resolution, East Asia region)



### Results of Analysis Using IBAT (Direct Operations, Value Chain Upstream Operations)

The results of the analysis showed that the WDPA and KBA indicators applied to all four domestic production sites. In addition, the IUCN Red List applied to two sites to a medium degree, and IUCN management categories (IV to VI) applied to two sites.

As for suppliers, WDPA and KBA applied to five production sites (supply sites), IUCN Red List species counts applied to one site each to a high and medium degree, and IUCN management categories (IV to VI) to one site.

### Summary of Analysis Utilizing IBAT

As of March 31, 2025

Production site name	Scope	World Database on Protected Areas				World Database of Key Biodiversity Areas	IUCN Red List of Threatened Species	IUCN management category
		National	World Heritage	Ramsar Convention wetlands	UNESCO MAB	KBA Important Bird and Biodiversity Area	Number of threatened species	IUCN [IV~VI]
Fukushima No. 1 Factory	50 km (1 km for IUCN)	Yes	No	No	No	Yes	Medium	Yes
Fukushima No. 2 Factory		Yes	No	No	No	Yes	Medium	Yes
Aichi Factory		Yes	No	Yes	No	Yes	Low	No
Tokuyama Factory		Yes	No	Yes	No	Yes	Low	No
8 Suppliers		5 sites	0 sites	0 sites	0 sites	5 sites	1 medium site 1 high site	1 sites

Yes: applicable; No: not applicable

Number of threatened species: rated low to high

### Global Forest Watch (GFW) Analysis

To identify areas critical to ecosystem integrity and ecosystem service provision, we conducted an analysis using the following three tools from Global Forest Watch (GFW). The indicators used to identify each item (① through ③) were as follows.

- ① Identification of areas of high ecosystem integrity  
Global Biodiversity Intactness
- ② Identification of areas of rapid decline in ecosystem integrity  
Forest Landscape Integrity Index

- ③ Identification of areas of importance for ecosystem service provision, including benefits to Indigenous peoples, local communities, and stakeholders  
Indigenous and Community Lands

### Results of Analysis Using GFW (Direct Operations, Value Chain Upstream Operations)

The results of the analysis showed that ① applied to one supplier, ② applied to the Fukushima No. 2 Factory and one supplier, and ③ did not apply to any operations.

### ■ Summary of Analysis Utilizing GFW

As of March 31, 2025

Production site name	Identification of areas of high ecosystem integrity	Identification of areas of rapid decline in ecosystem integrity	Identification of areas of importance for ecosystem service provision, including benefits to Indigenous peoples, local communities, and stakeholders
Fukushima No. 1 Factory	None applicable	None applicable	None applicable
Fukushima No. 2 Factory		Applicable	
Aichi Factory		None applicable	
Tokuyama Factory		None applicable	
8 Suppliers	1 site applicable	1 site applicable	None applicable

### Aqueduct Analysis

To identify areas of high water risk, we used the following three analysis tools from Aqueduct provided by the World Resources Institute (WRI). We conducted this analysis in accordance with our water risk baseline (3 = areas at or below medium-high, regarded as not applicable and 4 = areas at or above high, regarded as applicable).

- ① Water stress
- ② Riverine flood risk
- ③ Coastal flood risk

### Results of Analysis Using Aqueduct (Direct Operations, Value Chain Upstream Operations)

The results of the analysis showed that ① applied to two suppliers, ② applied to one supplier, and ③ did not apply to any operations.

### ■ Aqueduct Analysis (Water Stress, 4 Production Sites in Japan)



### ■ Summary of Analysis Utilizing Aqueduct

As of March 31, 2025

Production site name	Identification of areas of high ecosystem integrity	Identification of areas of rapid decline in ecosystem integrity	Identification of areas of importance for ecosystem service provision, including benefits to Indigenous peoples, local communities, and stakeholders
Fukushima No. 1 Factory	None applicable	None applicable	None applicable
Fukushima No. 2 Factory			
Aichi Factory			
Tokuyama Factory			
8 Suppliers	2 sites applicable	1 site applicable	None applicable

### Identification of Priority Areas (Direct Operations, Value Chain Upstream Operations)

Based on the analysis obtained using the aforementioned analytical tools and databases, the following priority areas were identified.

## Summary of Priority Areas

Production site name	Location	Identification of areas requiring attention			
		Areas of importance for biodiversity	Ecosystem integrity	Areas of high physical water risks	Provision of important ecosystem services
Fukushima No. 1 Factory	Koriyama City, Fukushima Prefecture	There are four production sites in Japan, and several IBAT indicators applied to all four. Accordingly, biodiversity is considered to be of high importance for these areas.	Not an area in which ecosystem integrity is high nor in which it is in rapid decline.	Not a high water risk area.	Not areas of importance for ecosystem service provision, including benefits to Indigenous peoples, local communities, and stakeholders
Fukushima No. 2 Factory	Tamura District, Fukushima Prefecture		Not an area in which ecosystem integrity is high but there is a possibility it is in rapid decline.		
Aichi Factory	Chita District, Aichi Prefecture		Not an area in which ecosystem integrity is high nor in which it is in rapid decline.		
Tokuyama Factory	Shunan City, Yamaguchi Prefecture		Not an area in which ecosystem integrity is high nor in which it is in rapid decline.		
Suppliers (upstream)	8 sites (worldwide)	Multiple IBAT analysis indicators applied to five of the eight suppliers. Accordingly, biodiversity is considered to be of high importance for these areas.	Ecosystem integrity is relatively high in the area of one of the eight suppliers, and another is not an area in which ecosystem integrity is high but there is a possibility it is in rapid decline.	Water stress applies to two of the eight suppliers and riverine flood risk applies to one supplier.	

## Evaluate Phase: Identify and Evaluate Dependencies and Impacts on Nature

### Identifying Dependencies and Impacts on Nature

To identify our nature-related dependencies and impacts, we conducted a survey using ENCORE<sup>\*1</sup> and aggregated the individual results using a heat map.

<sup>\*1</sup>: ENCORE (Exploring Natural Capital Opportunities, Risks, and Exposure), a tool jointly developed by the Natural Capital Finance Alliance—a network of financial institutions—and the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC). The tool provides a list of potential nature dependencies and impacts, flowcharts, and other information.

### Evaluating Dependencies and Impacts on Nature

Based on the information (heat map) obtained using ENCORE, we evaluated our nature-related dependencies and impacts in our direct operations and value chain

upstream operations (raw materials and fuels).

Regarding the degree of nature-related dependencies, all items were at or below medium for our direct operations and value chain upstream operations (raw materials), while “water purification” was high for value chain upstream operations (fuels).

Regarding the degree of nature-related impacts, “soil and water pollutants” and “disturbances (e.g., noise, light)” were particularly high for our direct operations and value chain upstream operations (raw materials). “Soil and water pollutants” and “disturbances (e.g., noise, light)” were particularly high and “non-GHG air pollutants” were high for our value chain upstream operations (fuel).

## Dependencies Heatmap

VL Very low L Low M Medium H High VH Very high

Value chain	Nature-related dependencies													
	Supply services	Regulating and maintenance services												
	Water supply	Soil and sediment retention	Flood mitigation	Storm mitigation	Water flow regulation	Rainfall pattern regulation	Climate regulation	Local climate regulation	Purification	Water purification	Air filtration	Other services	Noise attenuation	Other regulating and maintenance services
Direct operations (production)	M	M	M	M	M	VL	VL	L	L	M	VL	L	VL	VL
Supply chain upstream (raw materials)	M	M	M	M	M	VL	VL	L	L	M	VL	L	VL	VL
Supply chain upstream (fuels)	L	M	M	M	M		VL	L	L	H	VL		VL	VL

## Impact Heatmap

VL Very low L Low M Medium H High VH Very high

Value chain	Nature-related impacts						
	Climate change	Land use change	Pollution and removal of pollution				Resource use and replenishment
	GHG emissions	Use of terrestrial ecosystems	Non-GHG air pollutants	Soil and water pollutants	Solid waste	Disturbances (e.g., noise, light)	Volume of water use
Direct operations (production)	M	L	M	VH	M	VH	M
Supply chain upstream (raw materials)	M	L	M	VH	M	VH	M
Supply chain upstream (fuels)	M	L	H	VH	M	VH	L

# Environmental Initiatives

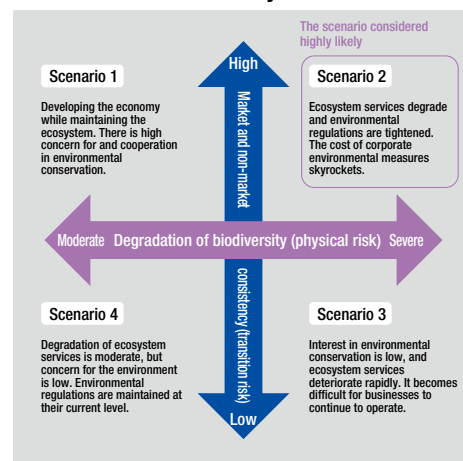
## Assess Phase: Assess Nature-related Risks and Opportunities

In identifying risks and opportunities, we conducted an analysis of scenarios based on TNFD guidance. The analysis was divided into four scenarios based on the degree of market and non-market consistency (transition risk) and degradation of ecosystem services (physical risk).

Of the scenarios presented on the right, Scenario 2 was considered the most feasible. Based on this scenario plus the priority areas identified in the Locate phase and the nature-related dependencies and impacts identified and evaluated in the Evaluate phase, and also taking into consideration our definitions of the time horizons of risks and opportunities<sup>\*1</sup>, we identified the risks and opportunities related to natural capital that we believe are important to the Company. We also considered how to respond to the identified risks and opportunities, taking into account our business lines, geographic regions, and value chain.

<sup>\*1</sup>: Defined as short-term (less than 3 years), medium-term (more than 3 years to 10 years ahead), and long-term (more than 10 years to 30 years ahead).

## TNFD Scenario Analysis



## Summary of Nature-related Risks and Opportunities

Risk/ Opportunity	Area	Important dependencies and impacts	Type of risk/opportunity		Timing of occurrence	Risk/Opportunity factors	Countermeasures
Risk	Upstream	Tighter nature-related regulations	Transition risk	Markets and technologies	Medium to long term	Increased procurement costs due to tighter environmental regulations in raw fuel producing regions.	Strengthen supplier engagement and devise measures with suppliers.
		Water stress, flooding	Physical risk	Chronic	Medium to long term	Unstable supply due to water issues in raw material production regions.	Reduce procurement risk by diversifying procurement regions and suppliers.
	Direct operations	GHG emissions	Transition risk	Markets and technologies	Medium to long term	If the amount of CO <sub>2</sub> from production activities cannot be reduced, the costs associated with carbon taxes and emission credits will increase.	Reduce CO <sub>2</sub> emissions by improving productivity, utilizing renewable energy, and introducing decarbonization facilities.
		Solid waste generation and release	Transition risk	Reputation	Long term	Increasing calls from municipalities and citizens for solid waste reduction and circular economy promotion, increasing waste disposal costs.	Reduce solid waste by improving productivity, promoting recycling, etc.
		Water supply	Physical risk	Chronic	Medium to long term	Inability to secure the water needed for production restricts the manufacture of products.	Gain understanding of water consumption per unit of production. Promote efficient use of water and reduce water consumption. Secure stable water supply by maintaining water storage capacity and diversifying water sources.
		Flooding and storms	Physical risk	Acute	Medium to long term	Disaster countermeasure costs incurred at major production sites.	Prepare for disasters and routinely reinforce facilities and emergency materials. Standardize response procedures and provide education and training.
		Flooding and storms	Physical risk	Chronic	Long term	Flooding causes shutdowns or reduced production, resulting in lower sales and impairment losses on manufacturing facilities.	Prepare for disasters and routinely reinforce facilities.
		Water purification	Physical risk	Chronic	Long term	Deterioration in the quality of water used results in deterioration in product quality and incurs purifying costs.	Maintain water storage capacity and consult with government agencies.
Opportunity	Upstream	Carbon neutrality	Transition opportunity	Markets and technologies	Medium to long term	Meet environmental regulations through decarbonization at raw fuel suppliers.	Utilize renewable energy at suppliers' manufacturing sites.
	Direct operations	Developing and promoting the spread of decarbonization-related products	Transition opportunity	Markets and technologies	Medium to long term	The expansion of the decarbonization market increases sales of our environmental contribution products and improves profitability.	Develop and promote sales of environmental contribution products, improve processes, and promote recycling.
		Carbon neutrality	Transition opportunity	Markets and technologies	Short to medium term	Our carbon neutrality efforts are appreciated by stakeholders and the value of the Company in the market rises.	Reduce CO2 emissions associated with our products by utilizing renewable energy and improving processes.

## Metrics and Targets 2: Natural Capital

### Prepare Phase: Prepare to Respond and Report

Based on the results of our analysis of the identified risks and opportunities, we further selected the indicators and targets related to natural capital that we considered most important in light of our medium- to long-term strategy. We have identified these issues as materialities and are addressing them with KPIs. We aim to achieve these KPIs while allocating internal resources as appropriate.

### Indicators and Targets for Natural Capital

Item	Indicator	Target	FY2024 results
GHG emissions	Scope1, 2	Reduce GHG emissions in FY2030 by 23% compared to FY2020	18.8%
Ratio of environmental contribution product sales to net sales	Sales of environmental contribution products	Achieve a ratio of environmental contribution product sales to net sales ratio of at least 14% in FY2025.	11.3%

Going forward, we will disclose indicators with reference to the TNFD core global disclosure indicators and strive to reduce our environmental impact.

## ■ Core Global Disclosure Indicators for Dependencies and Impacts

Dependency/Impact indicator		Scope	Unit	2022	2023
GHG emissions (Scope 1+2)		non-consolidated	t-CO <sub>2</sub> e	60,319	50,545
Soil pollutants (PRTR substances)		non-consolidated	tons	0	0
Water pollution	Wastewater	non-consolidated	thousand m <sup>3</sup>	1,629	1,712
	COD	non-consolidated	tons	5.6	7.1
	Total phosphorus	non-consolidated	tons	3.4	3.2
	Total nitrogen	non-consolidated	tons	13.3	14.6
	PRTR substances	non-consolidated	tons	0.066	0.056
Waste	Total industrial waste discharged	non-consolidated	tons	9,056	11,732
	Total specially controlled industrial waste discharged	non-consolidated	tons	4,193	6,141
	Incineration	non-consolidated	tons	3,384	5,157
	Landfill disposal	non-consolidated	tons	757	1,719
	Other disposal methods	non-consolidated	tons	1,581	1,654
	Disposal method unknown	non-consolidated	tons	0	0
	Recycled amount	non-consolidated	tons	3,322	3,290
	Volatile organic compounds (VOC)	non-consolidated	tons	No data	No data
Air pollution	NOx	non-consolidated	tons	10.8	11.5
	SOx	non-consolidated	tons	0.9	1.2
	Particulate matter	non-consolidated	tons	2.5	2.5
	PRTR substances	non-consolidated	tons	4.2	1.7
Compliance breaches		non-consolidated	Cases	0	0
Recycling of hazardous waste in manufacturing processes		non-consolidated	%	0.468%	0%
Recycling of used hazardous waste		non-consolidated	%	36.2%	27.8%

Going forward we will continue to proactively disclose information concerning climate change and natural capital with reference to the TNFD Framework. We will also seek to improve and promote sustainability activities through dialogue with our stakeholders to realize a sustainable society.

## Specific Initiatives

### Forest-Conservation Activities

Tokuyama Factory participate annually in the Machi-to-Mori-to-Mizu Exchange Conference (consisting of forest conservation activities), which has been held in the Shunan District since 1997. Through these activities, we learn about how forests facilitate watershed cultivation and help prevent global warming. We will continue to promote forest-conservation activities as a member of the local community and strive to maintain its ecosystem.



Machi-to-Mori-to-Mizu Exchange Conference (Tokuyama Factory)

### Local Environmental Conservation Activities

We engage in the city clean-up activities around our offices and clean-up activities along beaches and around dams.



Cleanup activities around the plant (Fukushima No. 1 Factory)



Sakura-no-Sato Clean-Up Operation (Fukushima No. 2 Factory)



Major Waterfront Clean-Up Operation (Aichi Factory)



Cleanup activities around the head office (Head Office and R&D Division)

# Environmental Initiatives

## Introducing Environmental Contribution Products

Chemical industry products are used in all sectors as materials that support society and that are needed to allow people to lead safe and comfortable lives. We seek to create a sustainable society together with everyone through the provision of chemical industry products.

We recently established a system for certifying products that help solving environmental issues, and improving the environment throughout their life cycles—from the stage at which raw materials are extracted to the stage at which the final products are disposed of—as environmental contribution products and internally certified six products so far as environmental contribution products in accordance with this system.

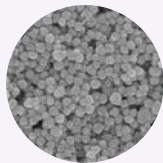
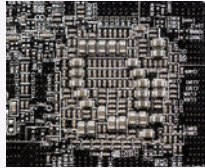
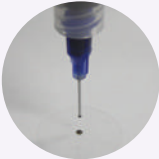

In the process by which an environmental contribution product is certified, the extent to which the product makes an environmental contribution is assessed by taking a look at, based on our rules for certification of environmental contribution products, such as, how the product reduces CO<sub>2</sub> emissions, saves energy, harnesses new energy, reduces waste, is linked to resource saving and recycling efforts, and reduces environmental pollutants. We also take into account the extent to which the product contributes to the realization of a sustainable society and the ways in which the product provides an economic or technological edge.







The certification process and establishment has been reviewed by an environmental consultant (Wastebox, Inc.).

We also intend to incorporate the proactive development of environmental contribution products into our research and development process and thereby increase the percentage by which such products account for all products.

Products that have been certified as environmental contribution products:

1. BESPA (Dielectric material for MLCCs)
2. High-purity Barium Carbonate (Raw material for dielectric materials for MLCCs)
3. SMERF (Anisotropic conductive adhesive for mounting IC chips for RFID tags)
4. Cuprous Oxide (Antifouling agent for ship-bottom paints)
5. EXPERT (Lead/Chromium-free rust preventive agent)
6. Hishicolin (Catalysts and catalyst ligands for various chemical reactions)

Product name	Effects (grounds for certification)	
BESPA	BESPA is used as a dielectric material for MLCCs (multilayer ceramic capacitors). MLCCs are used in low-power consumption electronic equipment, EVs, and EV-charging facilities. BESPA is used extensively in the manufacturing of MLCCs in these environmentally-contributing fields and is helping to reduce CO <sub>2</sub> emissions.	 <p>BESPA</p>
High-purity barium carbonate	High-purity barium carbonate is used as a raw material for dielectric materials for MLCCs. High-purity barium carbonate was therefore also certified as an environmental contribution product for the same reasons as BESPA.	 <p>Circuit board onto which MLCCs mounted</p>
SMERF	SMERF is an anisotropic conductive adhesive for mounting IC chips for RFID tags. RFID tags are used as product tags and for inventory and process management purposes, among other examples, and greatly help to achieve efficiency and labor-saving gains in sales and logistics and reduce CO <sub>2</sub> emissions. SMERF is used with RFID tags integrated into not just PET substrates but also paper substrates, thereby facilitating environmentally-friendly product design.	  <p>Product management using RFID tags</p>

Product name	Effects (grounds for certification)	
Cuprous oxide	Cuprous oxide is extensively used as an antifouling agent for ship-bottom paints to prevent barnacles, shellfishes, seaweeds, and other such organisms from adhering to the bottom of a ship. By significantly improving fuel consumption of ships in motion, this product helps reduce CO <sub>2</sub> emissions. The recycled raw material is used mainly in the Cuprous oxide process of us and this help reducing our environmental impact.	<p>Cuprous oxide</p>   <p>A vessel to which ship-bottom paint has been applied</p>
EXPERT	EXPERT is used as a rust preventive agent in JIS K 5674 (Lead/Chromium-free anti-rust paint). It is mainly used in the paints for outdoor structures such as bridges and steel towers, and demonstrates excellent rust prevention effects. By extending the lifespan of structures, it contributes to CO <sub>2</sub> and environmental impact reduction. The key material that demonstrates the rust prevention effect was developed within our group companies.	<p>EXPERT</p>   <p>A bridge to which the anti-rust paint has been applied</p>
Hishicolin	<p>Hishicolin is produced from proprietary phosphine derivation technology and forms a product line of organic phosphorus compounds with a wide variety of applications.</p> <p>Typical applications include catalysts and catalytic ligands for various chemical reactions, contributing to the reduction of environmental burden through such means as energy conservation and GHG reduction.</p>	<p>Hishicolin</p>   <p>A chemical plant</p>

## Installation of Solar Panels at the Head Office Building

We have installed solar panels on the roof of our Head Office building and started generating electricity using these panels in April 2025.

We believe that in-house power generation is an effective means of combating climate change in the medium and long term, and we will continue to promote the installation of solar power generation equipment at all of our business sites to reduce CO<sub>2</sub> emissions.



Solar panels installed on the roof of the Head Office building

## Collaboration with Customers to Reduce CO<sub>2</sub> Emissions

We are working with our customers to reduce CO<sub>2</sub> emissions.

Based on the perspective that product life cycles should be considered and comprehensively addressed in order to realize a sustainable society, it is important for us to cooperate with our customers in our environmental activities.

Since FY2023, we have been discussing measures to reduce CO<sub>2</sub> emissions at our Fukushima No.1 Factory with our customers. We have jointly formulated a plan to reduce annual CO<sub>2</sub> emissions by approximately 86 t-CO<sub>2</sub> and have been implementing, reduction activities. We will continue to enhance and expand our reduction activities with our customers to reduce CO<sub>2</sub> emissions.



Viewing an outdoor air-conditioner unit in front of an office



Application of energy-saving V-belts

## Circular Economy Initiatives

Chemical manufacturers use valuable mineral resources as starting materials to process and provide chemical products that meet the demands of society. In light of our planet's limited resources, at Nippon Chemical Industrial we are building a circular economy business model. One example is our initiative to recover, recycle, and reuse chromium effluent, and, leveraging our production sites in Japan, we are promoting collaboration with our customers in this area.



Receiving chromium effluent at the Tokuyama Factory



## 2030 SDGs Workshops

In order to promote sustainability internally, we held 2030 SDGs workshops incorporating a card game (provided by the nonprofit corporation Imacocolabo) 20 times at our head office and factories between November 2023 and June 2025 and approx. 300 people participated.

The workshop held at the head office was attended by the president and managing director, and all participants engaged in lively discussions on the SDGs.

The workshops gave participants a chance to consider the essence of the SDGs as a means for humankind to respond to social problems occurring around the world today, and they came away feeling that their awareness with regard to the promotion of sustainability had been further increased. We will continue holding this workshop to deepen employees' understanding of the SDGs.

Employees who have participated in the workshops to date have provided a wide range of feedback.

- "I found it very meaningful to learn about improvements we can make in our everyday work to realize a sustainable society. I also gained new perspectives and ideas through discussions with other participants that I intend to apply to my work in the future."
- "What left a very strong impression on me was that through the card game, I was able to experience a microcosm of human activities on a global scale.  
It made me want to choose to act in a way that is conscious of the SDGs in my work and daily life."
- "It was an opportunity to visualize my own actions and thoughts in a way that made them easy to understand, and to think objectively about SDG initiatives."
- "I was reminded that the SDGs are necessary for all activities that are a part of people's lives. I believe that if we always carry an awareness of the SDGs in our work and in our daily lives, it will naturally become habit and part of the actions we take."



One of the SDGs workshops being held at our factory

We engage in our business operations by making use of such natural capital as the air, water, and minerals. We will promote biodiversity-conscious initiatives by understanding the relationship between biodiversity conservation and our business activities.

## Biodiversity

In recent years, within the field of environmental issues, there has been a growing concern regarding biodiversity as well as climate change. Natural capital such as water, air, plants, animals, soil and minerals are supported by biodiversity, and we must avoid a situation in which economic activities promote global warming, the depletion of resources, the destruction of ecosystems, and the extinction of species, thereby eliminating biodiversity. To date, we have worked to prevent the loss of biodiversity through energy conservation in our production activities, to reduce CO<sub>2</sub> and pollutant emissions, to promote waste reduction and recycling, and to reduce hazardous substances contained in our products. Further, we have made the decision to promote biodiversity conservation efforts as part of our aim to realize a sustainable society.

### Approach and Policy

The Company shall, in response to our corporate philosophy and sustainability policy, promote business activities that take biodiversity into account.

We will strive to minimize the impact of our business activities on ecosystems and proactively promote social contribution activities such as environmental conservation and nature protection activities in cooperation with local communities.

In order to strengthen our biodiversity conservation efforts, we formulated the Code of Conduct with Respect to Biodiversity in December 2023, and in January 2024, we endorsed the Keidanren Declaration for Biodiversity and Guideline and took part in the Initiative based on the Declaration of Biodiversity by Keidanren.

We will continue to plan and promote biodiversity conservation activities in cooperation with local communities in order to maintain an environment in which people and all living things on the Earth can coexist.



### Code of Conduct with Respect to Biodiversity

- ① Ascertain the impact of the Company's business activities on biodiversity conservation throughout the entire value chain and continuously work on minimizing this impact.
- ② Endeavor to raise awareness of biodiversity among all employees through Responsible Care activities.
- ③ Continue to engage in activities that contribute to society by helping biodiversity conservation in order to be highly valued by society and the residents of local communities.
- ④ Proactively disclose the above initiatives and deepen communications with stakeholders.

### Supporting the Sumida Aquarium's "AQTION!" Project: Activities to Pass the Baton to the Earth of the Future

Endorsing the Sumida Aquarium's "AQTION!" sustainability promotion project, we became a supporter company in October 2025.

AQTION! is a project that engages in conservation activities for endangered species and local wildlife through workshops, events, and other initiatives. We will work together with the Sumida Aquarium toward achieving its vision of "Ensuring that children a century from now can see the same scenery."

未来へ伝える 未来にのこす  
**AQTION!**  
SUMIDA AQUARIUM



## Financial Information

## Summary of Consolidated Financial Information for 10 Years

	FY2015	FY2016	FY2017
<b>Operating Results</b>			
Net sales (Millions of yen)	35,966	33,484	36,798
Operating profit (Millions of yen)	3,452	3,336	4,084
Profit (Millions of yen)	2,464	2,557	2,774
Total assets (Millions of yen)	58,203	58,342	62,242
Cash flows from operating activities (Millions of yen)	5,999	3,837	3,858
Cash flows from investing activities (Millions of yen)	(3,396)	(2,270)	(1,784)
Cash flows from financing activities (Millions of yen)	(1,512)	(2,770)	(1,683)
Free cash flows (Millions of yen)	2,165	1,041	1,546
EBITDA (Millions of yen)	5,542	5,241	6,060
<b>Metrics</b>			
Operating profit/net sales (%)	9.6	10.0	11.1
ROE (%)	8.7	8.4	8.3
EBITDA margin (%)	15.4	15.7	16.5
Capital expenditures (Millions of yen)	3,522	2,397	2,743
R&D expenses (Millions of yen)	1,255	1,189	1,033
Dividend payout ratio (%)	17.8	20.6	19.0
Dividends per share (yen)	5	6	33
D/E ratio (times)	0.6	0.5	0.4
Equity ratio (%)	49.6	55.2	55.6
Number of employees (persons)	659	675	683

FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
36,157	36,243	34,642	37,275	38,075	38,538	38,843
3,084	2,481	2,783	3,921	1,292	2,264	3,342
2,154	1,857	2,182	3,735	855	1,590	2,559
65,497	65,950	70,196	70,431	72,897	76,503	75,105
2,632	4,776	5,216	1,975	1,494	6,152	6,367
(3,966)	(5,503)	(3,539)	(3,082)	(2,817)	(4,414)	(5,070)
1,445	842	(1,024)	120	102	(870)	(2,419)
(1,948)	(1,298)	1,062	(1,721)	(2,069)	1,122	585
5,240	5,139	5,658	6,982	4,623	5,947	6,924
8.5	6.9	8.0	10.5	3.4	5.9	8.6
6.2	5.2	5.8	9.2	2.0	3.6	5.6
14.5	14.2	16.3	18.7	12.1	15.4	17.8
4,873	5,361	4,443	4,407	4,288	4,115	4,966
1,177	1,290	1,223	1,326	1,518	1,452	1,598
28.6	33.1	28.2	20.0	72.1	38.8	31.7
70	70	70	85	70	70	92
0.5	0.5	0.4	0.4	0.4	0.4	0.4
54.2	54.2	55.7	59.4	57.9	58.9	61.8
715	738	755	708	722	747	732

## Financial Information

## Consolidated Balance Sheets

	(Millions of yen)	
	FY2023	FY2024
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	8,741	7,927
Notes receivable - trade	1,268	1,228
Accounts receivable - trade	12,034	8,987
Merchandise and finished goods	4,633	5,470
Work in process	3,289	3,377
Raw materials and supplies	3,395	3,530
Consumption taxes refund receivable	—	124
Other	628	813
Allowance for doubtful accounts	(15)	(12)
Total current assets	33,975	31,448
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	38,444	39,532
Accumulated depreciation	(24,939)	(25,702)
Buildings and structures, net	13,505	13,830
Machinery, equipment and vehicles	21,193	22,686
Accumulated depreciation	(12,813)	(14,712)
Machinery, equipment and vehicles, net	8,380	7,973
Land	7,459	7,459
Construction in progress	2,698	3,928
Other	6,856	6,996
Accumulated depreciation	(5,878)	(5,888)
Other, net	978	1,107
Total property, plant and equipment	33,021	34,300
<b>Intangible assets</b>		
Other	462	429
Total intangible assets	462	429
<b>Investments and other assets</b>		
Investment securities	5,898	4,548
Long-term loans receivable	35	25
Deferred tax assets	101	101
Retirement benefit asset	2,776	4,039
Other	254	234
Allowance for doubtful accounts	(22)	(21)
Total investments and other assets	9,043	8,926
Total non-current assets	42,527	43,656
Total assets	76,503	75,105

	(Millions of yen)	
	FY2023	FY2024
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	4,154	3,555
Short-term borrowings	9,156	10,575
Income taxes payable	706	178
Accrued consumption taxes	479	31
Provision for bonuses	437	480
Accounts payable - facilities	2,623	2,570
Other	2,544	2,716
Total current liabilities	20,102	20,106
<b>Non-current liabilities</b>		
Long-term borrowings	7,375	4,500
Deferred tax liabilities	1,768	1,914
Retirement benefit liability	199	200
Other	2,010	1,987
Total non-current liabilities	11,352	8,602
Total liabilities	31,455	28,709

## Net assets

<b>Shareholders' equity</b>		
Share capital	5,757	5,757
Capital surplus	2,267	2,267
Retained earnings	31,875	33,719
Treasury shares	(280)	(476)
Total shareholders' equity	39,618	41,267
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,082	2,105
Foreign currency translation adjustment	110	135
Remeasurements of defined benefit plans	2,235	2,887
Total accumulated other comprehensive income	5,429	5,128
Total net assets	45,047	46,395
Total liabilities and net assets	76,503	75,105

## Consolidated Statements of Comprehensive Income

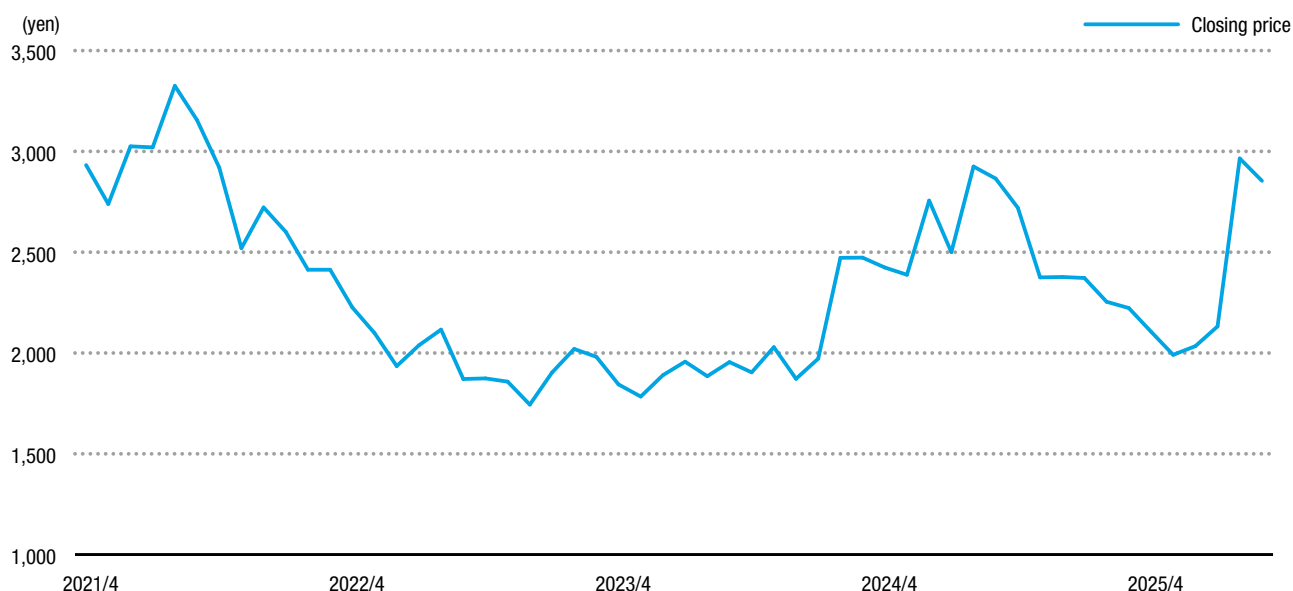
	(Millions of yen)	
	FY2023	FY2024
Profit	1,590	2,559
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	112	(977)
Deferred gains or losses on hedges	(0)	—
Foreign currency translation adjustment	31	25
Remeasurements of defined benefit plans, net of tax	1,670	651
Total other comprehensive income	1,814	(300)
Comprehensive income	3,404	2,258
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	3,404	2,258

## Consolidated Statements of Income

(Millions of yen)

	FY2023	FY2024
Net sales	38,538	38,843
Cost of sales	31,222	30,089
Gross profit	7,316	8,753
Selling, general and administrative expenses	5,052	5,410
Operating profit	2,264	3,342
<b>Non-operating income</b>		
Interest and dividend income	139	145
Share of profit of entities accounted for using equity method	22	11
Foreign exchange gains	38	—
Other	141	145
Total non-operating income	341	302
<b>Non-operating expenses</b>		
Interest expenses	104	124
Commission expenses	32	103
Depreciation of inactive non-current assets	30	75
Other	53	140
Total non-operating expenses	221	444
Ordinary profit	2,383	3,199
<b>Extraordinary income</b>		
Gain on sale of non-current assets	12	—
Gain on sale of investment securities	646	487
Total extraordinary income	658	487
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	459	354
Impairment losses	—	33
Loss on valuation of shares of subsidiaries and associates	323	—
Loss on valuation of investment securities	33	—
Total extraordinary losses	816	387
Profit before income taxes	2,225	3,299
Income taxes - current	695	493
Income taxes - deferred	(61)	246
Total income taxes	634	740
Profit	1,590	2,559
Profit attributable to owners of parent	1,590	2,559

## Stock Price Trends



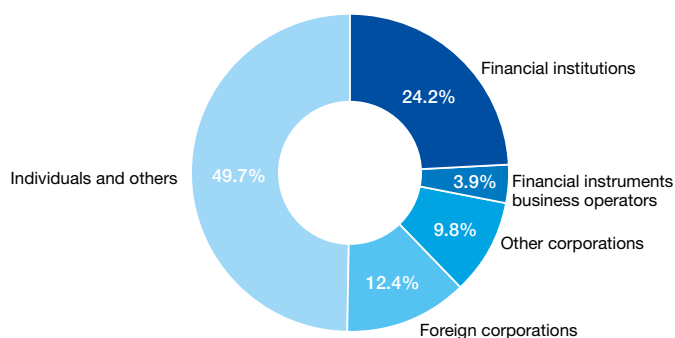
## Stock Information

(As of March 31, 2025)

### Stock Information

Total number of authorized shares	Common shares: 20,000,000 shares
Total number of shares issued	Common shares: 8,922,775 shares
Share unit number	100 shares
Number of shareholders	8,385

### Composition of Shares



### Major Shareholders

Name of shareholder	Shares held (thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (trust account)	963	11.03
Nippon Chemical Industrial Business Association	864	9.89
Interactive Brokers LLC	401	4.59
Meiji Yasuda Life Insurance Co.	353	4.04
Custody Bank of Japan, Ltd. (trust account)	300	3.44
Konishiyasu Co., Ltd.	182	2.08
Japan Securities Finance Co., Ltd.	157	1.80
Nippon Chemical Industrial Employee Stock Ownership Plan	153	1.75
Mitsubishi UFJ Financial Group, Inc.	150	1.71
Eiji Kawai	122	1.39

\*Ratio of shareholding is calculated by excluding treasury shares.

## ESG Data Collection

Created on September 30, 2025

Item			Scope	Results		
Major item	Sub item	Unit		FY2022	FY2023	FY2024
Environment						
Energy consumption and GHG	CO <sub>2</sub> emissions (Scope 1)	Tons of CO <sub>2</sub> equivalent	Japan consolidated	27,281	28,735	27,597
	CO <sub>2</sub> emissions (Scope 2)	Tons of CO <sub>2</sub> equivalent	Japan consolidated	33,038	21,810	23,821
	CO <sub>2</sub> emissions (Scope 3) all	Tons of CO <sub>2</sub> equivalent	Japan consolidated	212,874	190,722	217,211
	CO <sub>2</sub> emissions (Scope 3) downstream	Tons of CO <sub>2</sub> equivalent	Japan consolidated	4,338	4,286	4,091
	CO <sub>2</sub> emissions (Scope 3) Upstream	Tons of CO <sub>2</sub> equivalent	Japan consolidated	208,537	186,436	213,120
	Total energy consumption	GJ	Japan consolidated	1,125,460	1,074,488	1,062,734
	Total renewable energy consumption	GJ	Japan consolidated	0	215,955	216,769
Water, Raw materials, Chemical substances, Waste	Total water consumption	1,000 m <sup>3</sup>	Japan non-consolidated	1,711	1,782	1,796
	Total air pollutants	tons	Japan non-consolidated	14.2	15.2	14.6
	Total hazardous waste	tons	Japan non-consolidated	4,193	6,141	5,828
	Total non-hazardous waste	tons	Japan non-consolidated	4,863	5,591	5,195
	Total recovered and reused waste	tons	Japan non-consolidated	3,322	3,290	3,780
Environmental contribution products	Ratio of environmental contribution product sales to total sales	%	Group consolidated	8.5	10.3	11.3
Society						
Working conditions	Working hours	Hours	Japan non-consolidated	1,869	1,875	1,869
	Number of health insurance enrollees	Persons	Group consolidated	675	696	710
	Percentage of health insurance enrollees	%	Group consolidated	100	100	100
Social dialogue	Number of employees covered by the employee representative system	Persons	Group consolidated	514	540	552
	Percentage of employees covered by the employee representative system (All employee basis)	%	Group consolidated	82.4	82.8	83.0
Child labor, forced labor, human trafficking	Number of whistleblower reports of child labor, forced labor, and human trafficking	Cases	Japan non-consolidated	0	0	0
	Number of audits of child or forced labor conducted at business sites	Cases	Japan non-consolidated	0	0	0
Percentage of annual total compensation for the highest paid individual	Median annual total compensation of all employees	yen	Japan non-consolidated	6,764,027	6,542,182	6,928,280
	Percentage of annual compensation for the highest paid individual	%	Japan non-consolidated	233	236	228
Female	Percentage of female employees in the organization as a whole	%	Japan non-consolidated	9.60	9.97	10.20
	Percentage of women in top management	%	Japan non-consolidated	8.3	9.1	8.3
	Percentage of women on the Board of Directors	%	Japan non-consolidated	12.5	16.7	16.7
	Percentage of wages of female employees to male employees	%	Japan non-consolidated	80.1	76.9	79.7
Social minorities	Number of employees from social minorities (children, elderly, disabled, refugees, etc.)	Persons	Japan non-consolidated	11	9	10
	Percentage of social minorities (children, elderly, disabled, refugees, etc.)	%	Japan non-consolidated	1.8	1.4	1.5
	Number of employees from social minorities (children, elderly, disabled, refugees, etc.) in senior management positions	Persons	Japan non-consolidated	0	0	0
	Percentage of social minorities (children, elderly, disabled, refugees, etc.) in senior management positions	%	Japan non-consolidated	0	0	0
Governance						
Number of officers	Officers	Persons	Japan non-consolidated	11	10	8
Number of female officers	Female officers	Persons	Japan non-consolidated	1	1	1
Number of female employees in management positions	Female employees in management positions	Persons	Japan non-consolidated	5	4	3
Number of Outside Directors and Corporate Auditors	Outside Directors and Corporate Auditors	Persons	Japan non-consolidated	4	4	4
Diversity, equity, and inclusion	Number of employees trained on discrimination and harassment	Persons	Group consolidated	78	85	97
	Percentage of employees trained on discrimination and harassment	%	Group consolidated	12.5	13.0	14.6

## External Evaluation

External evaluations of our ESG activities and initiatives that we endorse and support are presented below.

### United Nations Global Compact

The world's largest sustainability initiative, through the United Nations Global Compact (UNGC), the United Nations and the private sector (companies and organizations) work in cooperation to build a healthy global society. The UNGC's ten principles in four areas (human rights, labor, environment, and anti-corruption) are recognized by the international community as universal values that have been adopted and agreed upon worldwide. In June 2025, we signed a petition in support of the UNGC and were registered as a participant.



### CDP (Climate Change, Water Security)

The CDP is an international NGO that operates a global information-disclosure system by asking companies and cities to disclose information pertaining to various environmental fields – including Climate Change, Water Security, and Forest – and conducting surveys and assessments. We have been responding to surveys organized by the CDP since fiscal year 2022. We received a “B” score for climate change and water security from the CDP in 2024.



### TCFD

In response to a request made at a G20 meeting of finance ministers and central bank governors, the TCFD was established by the Financial Stability Board (FSB) in December 2015 to look into disclosures of climate-related information and the responses of financial institutions. In June 2017, the TCFD issued a recommendation to have financial institutions, companies, and governments disclose the impact of climate change in their financial reports. We endorsed the TCFD recommendations in October 2022.



### TNFD

The TNFD is an international initiative launched in June 2021 to establish a framework for corporations and financial institutions to properly assess risks and opportunities related to natural capital and biodiversity, and to report and disclose them to investors and others. We endorsed the TNFD's disclosure recommendations and registered as an Adopter on July 18, 2025. The status of our efforts and the results of our analysis are disclosed as “Information Disclosure in Line with TCFD and TNFD Recommendations.”



### EcoVadis

The EcoVadis is a sustainability-assessment organization used by over 100,000 companies across 200 industrial sectors in 175 countries around the world. A company's sustainability is assessed across four survey categories – the environment, labor and human rights, ethics, and sustainable procurement – in accordance with the Global Reporting Initiatives, the UN Global Compact, ISO 26000, and other global standards on sustainability. In 2024, we have been conferred a Bronze Medal for being one of the top 35% of all assessed companies.



### Keidanren Initiative for Biodiversity Conservation

We endorse the purpose of Keidanren Initiative for Biodiversity Conservation and are promoting initiatives for biodiversity.



\*Keidanren Initiative for Biodiversity Conservation disseminates and introduces, both internally and externally, the logo of companies and organizations that are working on multiple items out of the seven items listed in Keidanren Initiative for Biodiversity Conservation and Action Guidelines (revised version) or that endorse the intent of the entire organization, as well as action policies and examples of activities for the future, on a special website.

# Company Information and Location Introduction

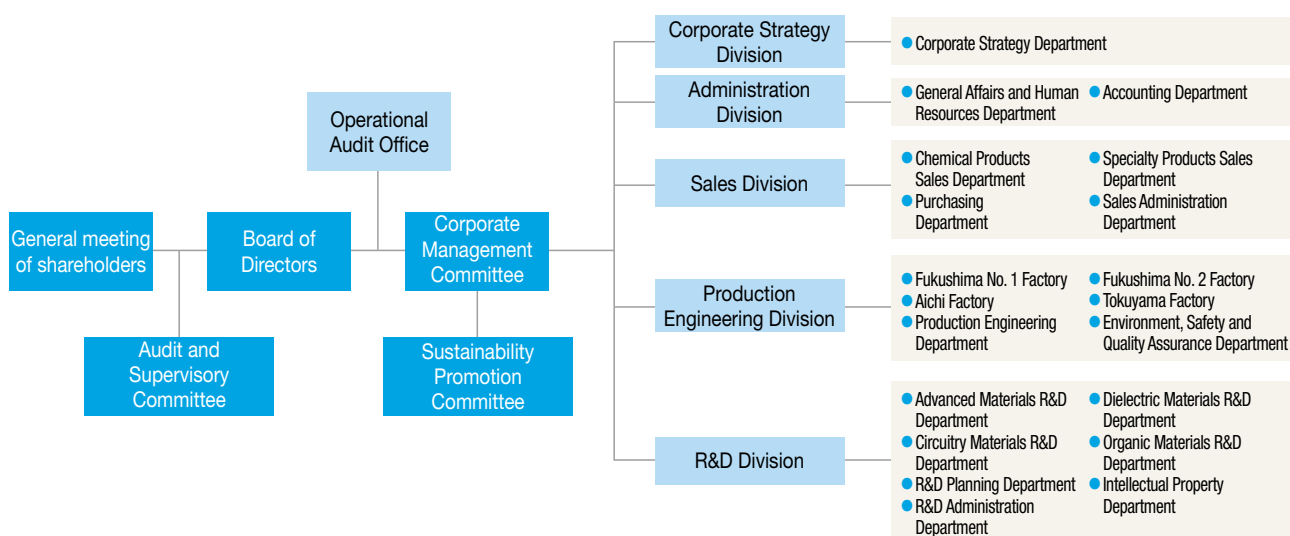
## Company Profile

Company name	Nippon Chemical Industrial Co., Ltd.
Head office	11-1, 9-chome, Kameido, Koto-ku, Tokyo,
Start of business	September 1893
Foundation	September 10, 1915
President	Hirota Tanahashi
Share capital	5,757 million yen (Total number of shares issued 8,922,775 shares)
Number of employees (consolidated)	732 (as of March 31, 2025)

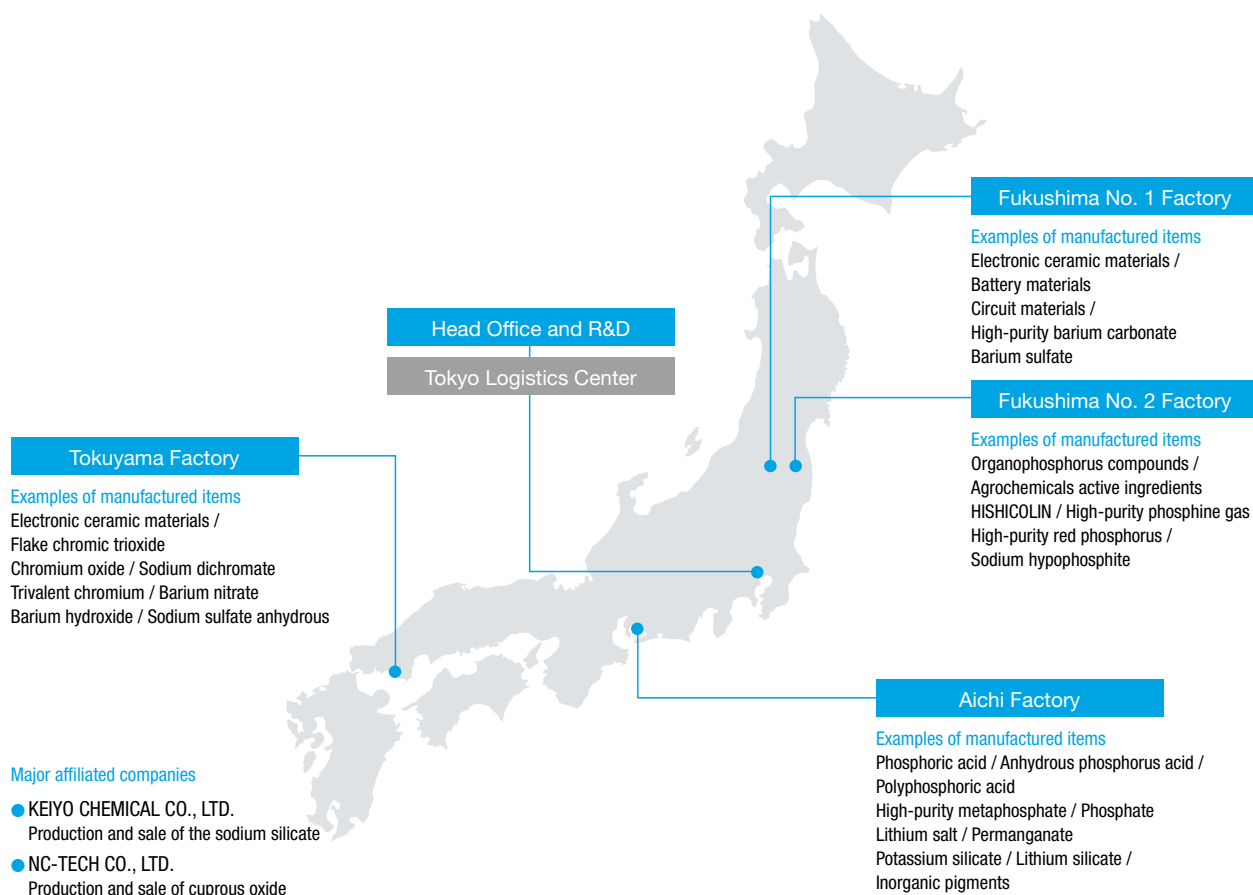


Exterior of the Head Office Building (left) and Research Building (right)

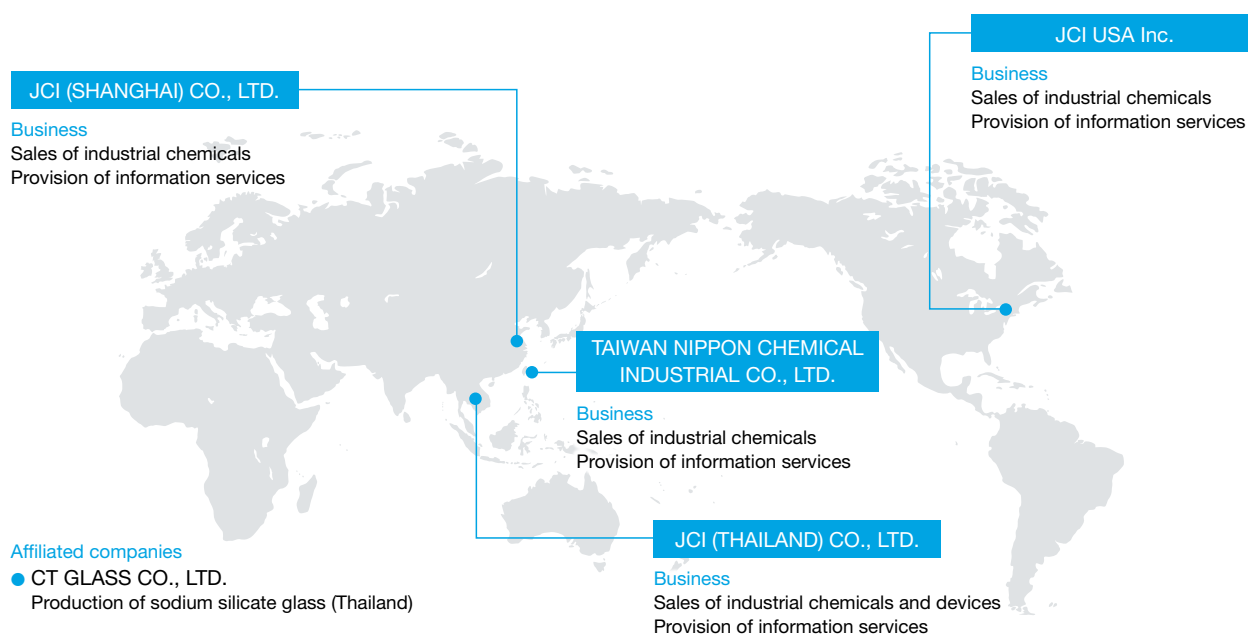
## Company Organization Chart



## Domestic Location



## Overseas Location





11-1, 9-chome, Kameido, Koto-ku, Tokyo, 136-8515  
TEL: +813-3636-8111

<https://www.nippon-chem.co.jp/en.html>

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