



 **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



CONTENTS

Corporate Philosophy / Contents	01	New Value Creation (R&D)	25
Introduction		Promotion of Globalization	27
Message from the President	03	Sustainability Management	28
Medium- to Long-Term Strategy	07	Capital Strategy	29
Value Creation Process	09	Research and Development	31
Materiality	11	Financial and Non-Financial Highlights	33
Management Resources	13	Aiming for Realization of Sustainable Society	
History	15	Corporate Governance	35
Nippon Chemical in Daily Life	17	Social Initiatives	43
Strategy for Increasing Corporate Value		Environmental Initiatives	59
Medium-Term Business Plan 2024-2026	19	Data Section	
Business Expansion and Strengthening the Business Structure	21	Financial Information	69
Financial Policy	23	Company Information and Location Introduction	73

● 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 decided to publish 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. We hope this report will serve as a useful communication tool for stakeholders to 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 2023 to March 2024, it also includes activities after this period and data with different collection periods.

● 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)



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.)
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Message from the President



President

Hirota Tanahashi

We aim to realize “What we want to be in 2030” and increase both financial and non-financial corporate value by sharing our founding philosophy anew with all employees.

Sharing Our Corporate Philosophy and Direction with Employees

In transitioning to an integrated report, we have rearranged our approach using the MVV (Mission, Vision, Value) concept proposed by Peter Drucker, known as “the father of modern management,” to enable all employees at Nippon Chemical Industrial to share anew our company philosophy and direction. We have defined our reason for existence in society (Mission) as “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 realizes dreams with the unlimited potential of chemistry.” We have established “What we want to be in 2030” as the future we aspire to (Vision), and expressed our values (Value) for achieving our Mission and Vision through our Basic Policy of Sustainability, Code of Conduct, and Four Principles.

We believe that by having all employees share and internalize this MVV, our Group can work as one to make a sustainable society a reality. While maintaining the spirit embedded in our corporate philosophy, we will create new value to solve the various challenges facing modern society.

Review of FY 2023 and Thoughts Behind the New Medium-Term Business Plan

The business environment surrounding our Company deteriorated throughout FY 2023, forcing production adjustments, delivery adjustments, and inventory accumulation due to the prolonged global semiconductor recession and logistics disruptions. Nevertheless, net sales secured an increase of 1.2% YoY to 38,538 million yen, and operating profit showed a significant increase of 75.2% YoY to 2,264 million yen. We consider this to be due to a recoil from the previous year’s weak performance and better-than-expected acceptance of price pass-through.

For FY 2024, the first year of our new Medium-Term Business Plan, we forecast net sales of 40 billion yen, up 4% YoY, and operating profit of 2.9 billion yen, up 28%, as electronic ceramic materials and high-purity electronic materials, which showed weakness last year, are expected to gradually recover. This new Medium-Term Business Plan has been created through backcasting from “What we want to be in 2030,” which represents the “Vision” component of our MVV. By analyzing risks and opportunities for business continuity through 2030 and implementing plans with a medium- to long-term perspective, we will develop our company while responding to rapidly changing business conditions. Our materiality reflects our thought that envisions this future.

Increasing Profits Through Development That Leverages Our Strengths

To achieve both long-term corporate value enhancement and near-term profitability improvement simultaneously, we need to execute strategies that leverage our strengths. Nippon Chemical Industrial’s strength lies in nothing other than developing chemical products that exceed customer expectations in terms of performance and quality, and manufacturing and supplying them consistently. In recent years, people’s lives have become more affluent and diverse, and demand for chemical products has become increasingly sophisticated year by year. I believe we have been able to continue our business for 130 years precisely because we have been able to properly meet these demands.

To maintain these strengths over the long term, it is important to enhance our research capabilities to identify yet-to-emerge needs and our technical capabilities to swiftly solve social issues. Securing and developing diverse human resources is essential to making this possible. Furthermore, I believe we need to go beyond enhancing our internal human capital and actively pursue



Message from the President

external collaborations such as industrial-academic partnerships and industrial-industrial partnerships, utilizing open innovation to venture into new domains based on our technological foundation. We also envision creating a new cycle where our employees gain increased exposure to diverse information through external collaborations, leading to groundbreaking innovations.

Our research and development system consists of two main components: upgrading our current mainstay products and developing new products that should become future revenue pillars. While both roles are important, we must first secure near-term profits, so we will continue to actively support upgrades of existing products by increasing investment in areas such as the introduction of latest testing equipment and analytical instruments. Meanwhile, in new product development, we must first listen to customer needs. These needs increasingly include matters related to decarbonization technologies and essential elements for autonomous vehicles—issues connected to social challenges that need to be addressed from a long-term perspective. We are keenly aware of how important it is in modern corporate management to consider the improvement of profitability and sustainability to be integrated elements.

Moving forward, we want to demonstrate our strengths

even more effectively by maintaining these two development pillars: upgrading our core products and developing new products that will contribute to solving social issues in the future.

Appropriate Investment Leads to Increased Corporate Value

Our basic approach to investment strategy is similar to that of research and development. We will actively invest in businesses within our current portfolio that we consider truly opportune right now. At the same time, we will also make solid investments in new businesses with an eye to the future, though we believe it is important to proceed with flexibility here, as these investments do not always immediately translate to profits.

When considering investment strategy from the perspective of increasing long-term corporate value, the first thing that comes to mind is strengthening investment in human capital. For a manufacturing company like ours, innovation is an essential element in increasing long-term corporate value. And this innovation is closely influenced to employee motivation. This is not limited to the research and development division—we must continue investing in workplace development that enables all employees at

Nippon Chemical Industrial to approach their work with a positive mindset. I want us to invest generously in whatever is necessary, including not only developing systems and frameworks, but also training and education. In terms of human capital management, particularly over the past three years, the coaching method that I personally introduced with strong conviction has been taking root. While leveraging these results, I recognize that my responsibility as the top executive is to first make Nippon Chemical Industrial a good organization, improve employee job satisfaction, link that to individual performance, and create a positive cycle where the entire organization becomes stronger as a result.

Furthermore, we plan to make aggressive capital investments in growth fields, specifically in electronic ceramic materials for multi-layer ceramic capacitors and high-purity electronic materials. In our new Medium-Term Business Plan, we anticipate total capital investments of 20 billion yen over three years, of which we plan to allocate approximately 30%, or 6.5 billion yen, to investments in growth fields.

Avoiding Financial Risks by Addressing Sustainability

Even in a world where the importance of ESG is strongly emphasized, news of corporate scandals continues to be reported almost daily. Also, symbolizing our highly digitalized modern era, we are seeing cases where a single system failure has led to downward revisions of earnings forecasts. While corporate management involves various risks, we notice that many of them are closely linked to sustainability management.

To foster a corporate culture that prevents misconduct, we have established ethical regulations and basic compliance policies, clarified our Code of Conduct, and are strengthening management-level oversight while promoting awareness among employees through our Ethics Committee and Operational Audit Office. However, I personally believe that establishing such systems and frameworks is simply the minimum requirement, and that promoting communication and cultivating relationships of trust within and between organizations is most crucial for embedding this into our corporate culture. Rather than having employees feel that they must follow prescribed procedures, I want to focus on creating an atmosphere throughout each organization, workplace, and indeed the entire company where people feel comfortable saying

that they are having trouble or voicing concerns about something.

Regarding information security, we are strengthening security for core systems while continuously enhancing antivirus software and reinforcing network monitoring systems. In FY 2023, we implemented DMARC settings as a countermeasure against spoofing emails.

Regarding occupational safety and health, we believe that by earnestly implementing sustainability management that encompasses ESG, we can create an organization that prevents accidents by taking thorough safety measures on a daily basis.

On the environmental front, in FY 2022, we established a system to certify products that contribute to solving environmental issues and those expected to contribute to environmental improvement as “environmental contribution products.” In particular, sales volumes are increasing for BESPAs and high-purity barium carbonate, which are used as raw materials for multi-layer ceramic capacitors in low-power consumption electronic devices and EVs. We have achieved our materiality KPI target of environmental contribution products accounting for more than 10% of total sales. Additionally, for CO₂ reduction in our business activities, we introduced ICP (Internal Carbon Pricing) concepts for equipment investment projects starting in FY 2024. We plan to use ICP to visualize CO₂ emissions and use it as a decision-making indicator for future equipment investments.

In FY 2023, regarding external evaluations and initiatives, we responded to CDP and EcoVadis, achieving a “B” grade in CDP Climate Change and a Silver Medal in EcoVadis (top 25% of all evaluated companies). In March 2024, we also joined the Keidanren Initiative for Biodiversity.

To Our Shareholders and Investors

Thanks to your support, Nippon Chemical Industrial has reached its 130th anniversary, a new milestone. We will maintain our pursuit of sustainability management, with the aim of continuing to be a company that society needs for the next 100 years and beyond. Going forward, we will actively communicate our approach to sustainability management to our stakeholders through this integrated report. We ask for your continued support.

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

<p>Materials for Environmental Measures</p> <ul style="list-style-type: none"> ● Environmental contribution products 	<p>Electronic Materials</p> <ul style="list-style-type: none"> ● Electronic ceramic materials ● Circuit materials ● Semiconductor materials 	<p>Industrial Chemicals</p> <ul style="list-style-type: none"> ● Chromium compounds ● Inorganic phosphorus compounds ● Silicates and silica 	<p>Food additives and Medical Materials</p> <ul style="list-style-type: none"> ● Inorganic phosphorus compounds ● Phosphine derivatives 	<p>Energy-related Materials</p> <ul style="list-style-type: none"> ● Battery materials
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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.

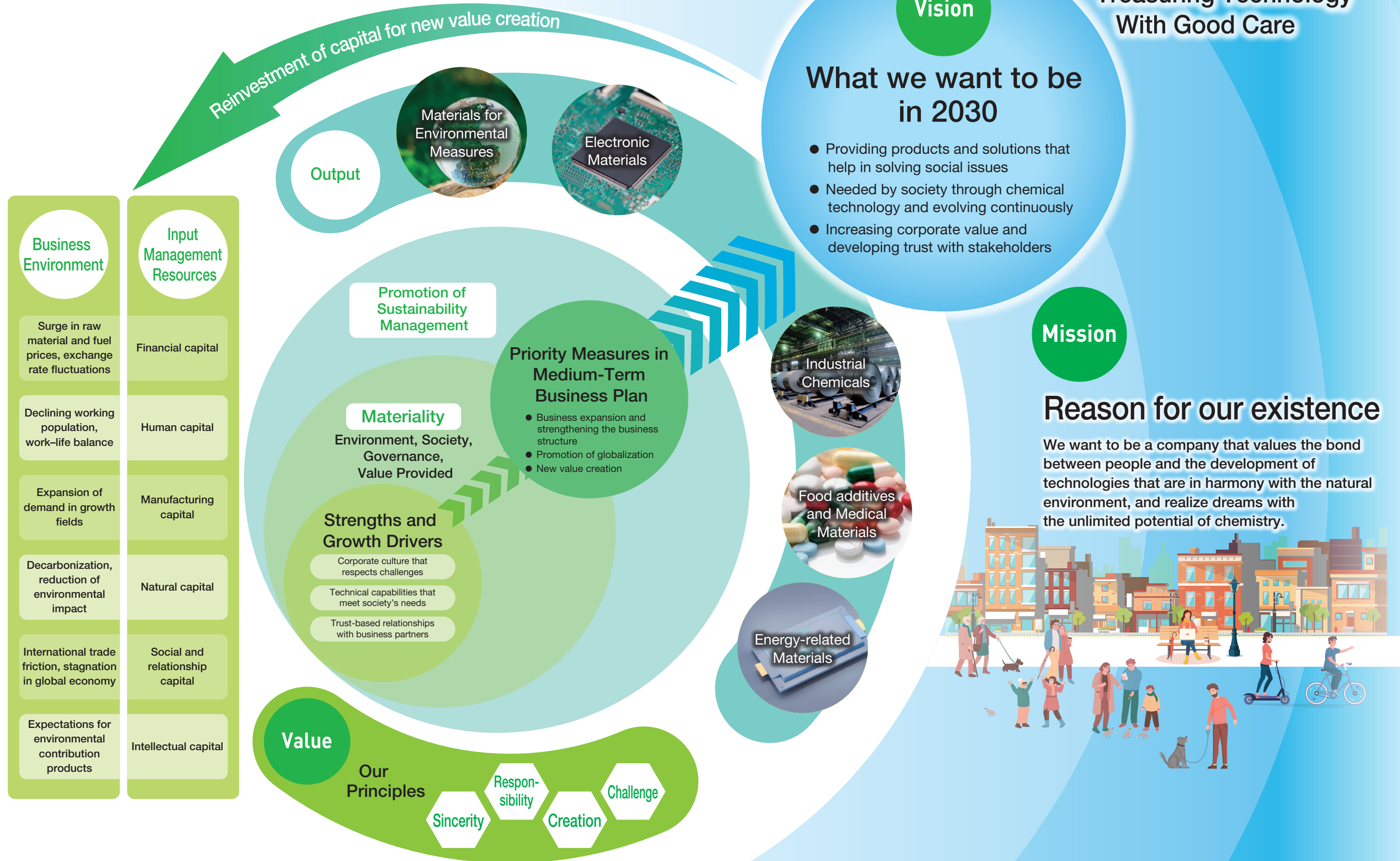
Managerial Targets

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.



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Value

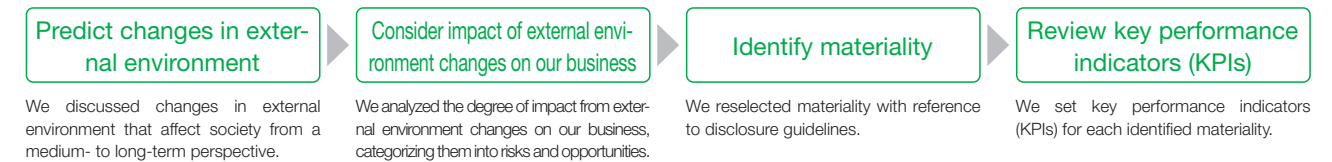
Our Principles



Materiality (Key Issues)

To achieve “Our ideal vision for 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).

Materiality Review Process



	External environment	Risks	Opportunities	Materiality	Background of importance	Results			KPI*	Corresponding SDGs
						FY2021	FY2022	FY2023		
Environment	<ul style="list-style-type: none"> Need for the further acceleration of efforts towards reducing greenhouse gases given that the movement towards realizing a decarbonized society is spreading worldwide 	<ul style="list-style-type: none"> Increase in the costs due to stricter regulations related to the prevention of global warming Increase in capital investments in response to the greater severity of natural disasters 	<ul style="list-style-type: none"> Improve competitiveness through the establishment of new low-carbon and decarbonization technologies for manufacturing Improve corporate value and reputation through a proactive stance for the attaining a decarbonized society 	Reduction of greenhouse gas emissions	<ul style="list-style-type: none"> Climate change and global warming are major issues that are also tied to the continuity of our business Initiatives to determine and reduce greenhouse gas emissions are important in terms of measures to combat global warming 	7% increase	5% reduction	20% reduction	<ul style="list-style-type: none"> Reduce GHG emissions in FY 2030 by 23% over FY 2020 	
	<ul style="list-style-type: none"> Active engagement in environmental conservation is an important social responsibility that companies must fulfill 	<ul style="list-style-type: none"> Serious environmental accidents have a significant impact on the environment and society and hinder business continuity 	<ul style="list-style-type: none"> Improve corporate value and reputation through environmental analyses-assessments, impact reduction, and environmental conservation activities 	Environmental conservation	<ul style="list-style-type: none"> Initiatives to deal with environmental issues must be carried out proactively as it is a common challenge for humankind as an essential requirement in our business activities. 	Number of environmental accidents 0	Number of environmental accidents 1	Number of environmental accidents 1	<ul style="list-style-type: none"> Achieve zero environmental accidents 	
Society	<ul style="list-style-type: none"> Shift in perspective for evaluating listed companies' investment value to non-financial information, including ESG Mandatory disclosure of human capital information in securities reports starting in FY 2023 	<ul style="list-style-type: none"> Insufficient disclosure of non-financial information makes the company unattractive to investors Insufficient human capital securing and development negatively impacts company growth by failing to improve employee motivation 	<ul style="list-style-type: none"> Enhanced disclosure of non-financial information increases investor recognition and realizes increased corporate value Securing diverse human resources and promoting human resource development increases employee motivation and corporate value 	Strengthening of human capital	<ul style="list-style-type: none"> 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. 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 	—	16%	22%	<ul style="list-style-type: none"> Ratio of female graduates in new university graduate hiring 30% or higher 	
	<ul style="list-style-type: none"> Recognition that contribution to local communities is an important issue for corporate management 	<ul style="list-style-type: none"> Lose the trust the local community in which the company is based makes it impossible to continue business activities 	<ul style="list-style-type: none"> Earn the trust of the local community in which the company is based, stabilize our business, and increase our corporate value 	Contributing to local communities	<ul style="list-style-type: none"> 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. 	Implemented	Implemented	Implemented	<ul style="list-style-type: none"> Carry out activities to contribute to society (Clean-up activities, factory tours, etc.) (At least once per year for each location) 	
Governance	<ul style="list-style-type: none"> Recognition that continuously working to reinforce corporate governance and risk management functions is important for a company 	<ul style="list-style-type: none"> 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 Violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation Loss of profitability Deterioration of investment profitability Increased funding costs 	<ul style="list-style-type: none"> Increase our corporate value by promoting corporate governance in line with the Corporate Governance Code Increase our corporate value by endeavoring to prevent violations of the law and scandals through a thorough commitment to compliance Increase our corporate value by increasing profitability through the further monitoring of important management metrics Ensure the future viability and soundness of investments Efficiently manage funds by studying optimal financing that takes financial soundness into account and curtailing our policy-based shareholdings 	Strengthening corporate governance	<ul style="list-style-type: none"> 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. We should improve the operations of our company-wide risk management system. 	—	—	Implemented systematically starting in FY 2023	<ul style="list-style-type: none"> Carry out officer training (At least once per year for each officer) 	
	<ul style="list-style-type: none"> Revision of the Corporate Governance Code in 2021 Continuation of the occurrence of quality fraud issues and material defects in terms of internal controls at listed companies 			Thorough compliance	<ul style="list-style-type: none"> It is important because violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation 	<ul style="list-style-type: none"> Implementation of Internal Control Briefings for newly appointed managers Holding of Ethics Committee meetings 	<ul style="list-style-type: none"> Implementation of Internal Control Briefings for newly appointed managers Holding of Ethics Committee meetings 	<ul style="list-style-type: none"> Distribution of compliance-related email newsletters to managers Implementation of Internal Control Briefings for newly appointed managers Holding of Ethics Committee meetings 	<ul style="list-style-type: none"> Raise compliance awareness Strengthen awareness activities by Ethics Committee and Operational Audit Office (more than once per year) 	
Value provided	<ul style="list-style-type: none"> Need for a robust supply chain to be built through cooperation transcending corporate and organizational barriers 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Improve the level of trust customers have in the company by maintaining a stable supply Reduce costs through planned production 	Supply chain management	<ul style="list-style-type: none"> 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. We need to lessen risks to society and the environment throughout the supply chain and realize business sustainability. We should promote our BCP 	—	—	Administer CSR questionnaires to suppliers	<ul style="list-style-type: none"> Feedback on CSR questionnaires to suppliers 	
	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Difficulty in securing sustainable sales as a result of misjudging next-generation market needs 	<ul style="list-style-type: none"> Propose products and solutions that meet the specific needs of each customer Promote sustainable innovation that supports society 	Promoting value-generating development	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Number of patent applications per year: 31 	<ul style="list-style-type: none"> Ratio of sales of environmental contribution products to total sales: 8.5% Number of patent applications per year: 35 	<ul style="list-style-type: none"> Ratio of sales of environmental contribution products to total sales: 10.3% Number of patent applications per year: 39 	<ul style="list-style-type: none"> Ratio of sales of environmental contribution products to total sales: 12% or more Number of patent applications per year: At least 40 	
	<ul style="list-style-type: none"> Demand for ROE exceeding cost of capital and efficient management of capital 	<ul style="list-style-type: none"> Deterioration of credit rating due to worsened financial condition Increased funding costs 	<ul style="list-style-type: none"> Stable funding through good relationships with financial institutions Business expansion through active investment in growth fields 	Building and maintaining a sound financial foundation	<ul style="list-style-type: none"> Enhancement of corporate value and shareholder returns 	<ul style="list-style-type: none"> ROE: 9.2% Ratio of cross-shareholdings: 17.3% Inventory turnover period: 3.2 months Operating profit: 3.9 billion yen 	<ul style="list-style-type: none"> ROE: 2.0% Ratio of cross-shareholdings: 17.6% Inventory turnover period: 4.1 months Operating profit: 1.3 billion yen 	<ul style="list-style-type: none"> ROE: 3.6% Ratio of cross-shareholdings: 18.6% Inventory turnover period: 3.5 months Operating profit: 2.3 billion yen 	<ul style="list-style-type: none"> ROE: 8% (2030) Ratio of cross-shareholdings: 10% or less (2030) Inventory turnover period: Maintained 3.0-3.5 months Operating profit: 3.3 billion yen (2026) 	
	<ul style="list-style-type: none"> Acceleration of globalization through world economic integration Rising geopolitical risks 	<ul style="list-style-type: none"> Dependence solely on shrinking domestic business Delayed response to diversifying consumer needs 	<ul style="list-style-type: none"> Acquisition of new customers and expansion of earnings through entry into overseas markets Building new business models through global human resource development and cross-cultural human exchange 	Promotion of globalization	<ul style="list-style-type: none"> Expansion into overseas markets with high growth expectations Shrinking domestic market due to persistently low birth rate, aging population, and population decrease 	<ul style="list-style-type: none"> Overseas sales ratio: 10% 	<ul style="list-style-type: none"> Overseas sales ratio: 10% 	<ul style="list-style-type: none"> Overseas sales ratio: 13% 	<ul style="list-style-type: none"> Overseas sales ratio: 14% (2026) 	

*KPI target period is FY 2024 unless otherwise noted

Management Resources (Input)

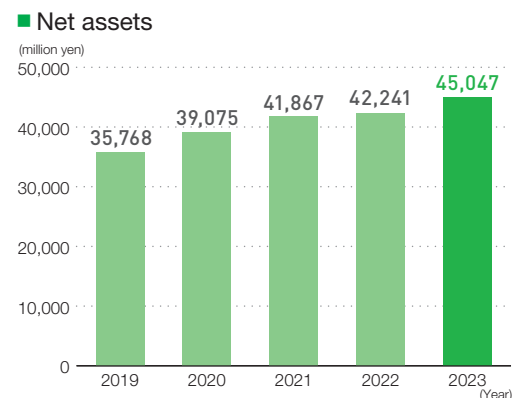
Based on the Nippon Chemical Industrial Group's strengths, which include a corporate culture that respects challenges, technical capabilities that meet society's needs, and trust-based relationships with business partners, we aim to be a company that develops while creating new value demanded by society,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

Financial Capital

Net assets
45,047 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.

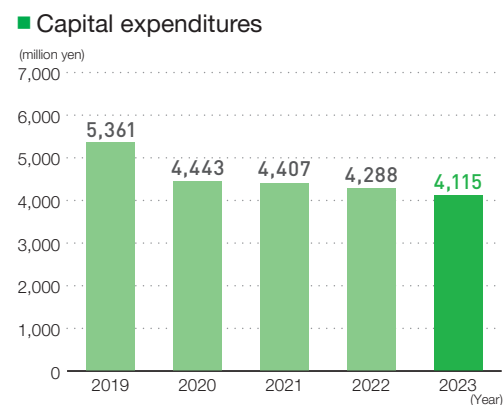


Manufacturing Capital

Number of production sites
4 (domestic)

Capital expenditures
4.1 billion yen (FY2023)

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.



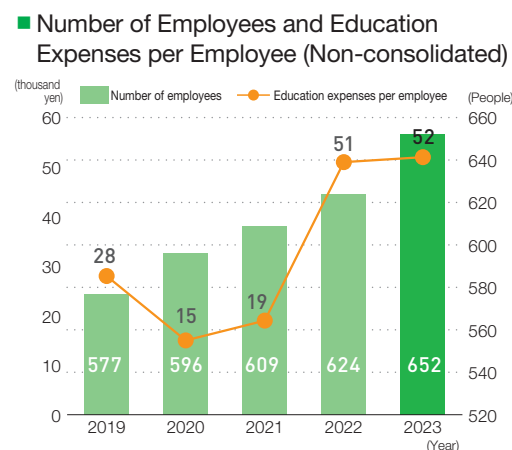
Human Capital

Number of employees
652 (non-consolidated)

Education expenses per employee
52 thousand yen (FY2023)

We will support the autonomous career development of each employee, establish a system that allows everyone to take on the challenge of doing high-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.

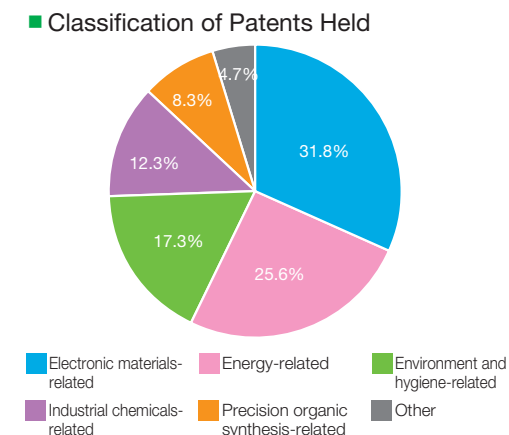


Intellectual Capital

R&D expenses
1,452 million yen

Number of patents held
278

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.



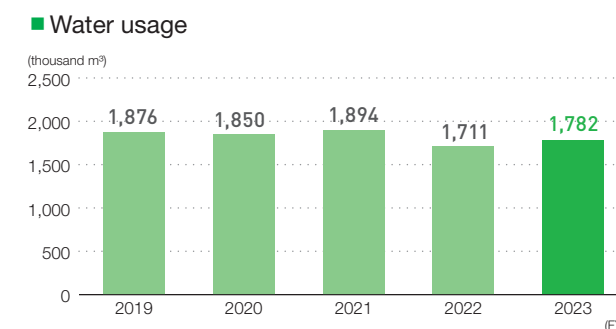
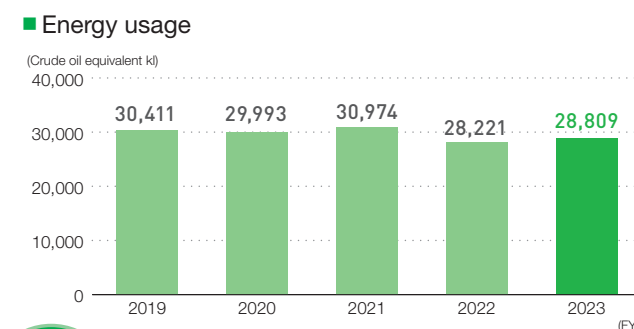
Natural Capital

Energy usage (crude oil equivalent)
28,809 kL

Water usage
1,782 thousand m³

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.



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 2023

Category	Number of times
Financial results briefings	1
SR Interviews	11
Individual interviews	69



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 130 years.

Early years of Japan's Chemical Industry

1893

Dr. Toragoro Tanahashi founded Tanahashi Seiyakusho in Azabu, Tokyo as a privately owned company.



1915

Tanahashi Seiyakusho incorporated as a joint stock company and name changed to Nippon Seiren Co., Ltd. Primary products at that time were chromium salts, sodium silicates, and aluminum sulfates.

1919

Started operations at Koriyama Factory (currently Fukushima No. 1 Factory). Responded to vigorous expansion of phosphorus manufacturing business.



1924

Toyo Electric Industry Co., Ltd. (currently Fukushima No. 2 Factory) was established as a subsidiary. Began manufacturing phosphorus products, including yellow and red phosphorus; parent company Nippon Seiren Co., Ltd. steadily developed.

1935

Merged with Nippon Chemical Industrial Co., Ltd. (founded in July 1907). Added two factories: Kameido Factory (closed in 1994) and Koriyama Factory (currently Fukushima No. 1 Factory). After this merger, Kameido Factory was made independent and inherited the name Nippon Chemical Industrial Co., Ltd. once again.



1941

Nippon Chemical Industrial Co., Ltd., merged Toyo Electric Industry Co., Ltd. and Nippon Ryuso Co., Ltd. and renamed them Miharu factory (currently Fukushima No. 2 Factory) and Nishi-Yodogawa factory (closed in 2011).

1944

Nippon Seiren Co., Ltd. merged with Nippon Chemical Industrial Co., Ltd. and integrated the five factories. The name of Nippon Seiren Co., Ltd. changed to the present one, Nippon Chemical Industrial Co., Ltd.

1950

Acquired shares of Toho Ganryo Kogyo Co., Ltd. (current consolidated subsidiary), manufacturer and seller of inorganic pigments.

1970

Aichi factory was established and production of phosphoric acid started.



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

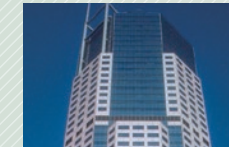
1996

JCI USA Inc. was incorporated.



2010

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



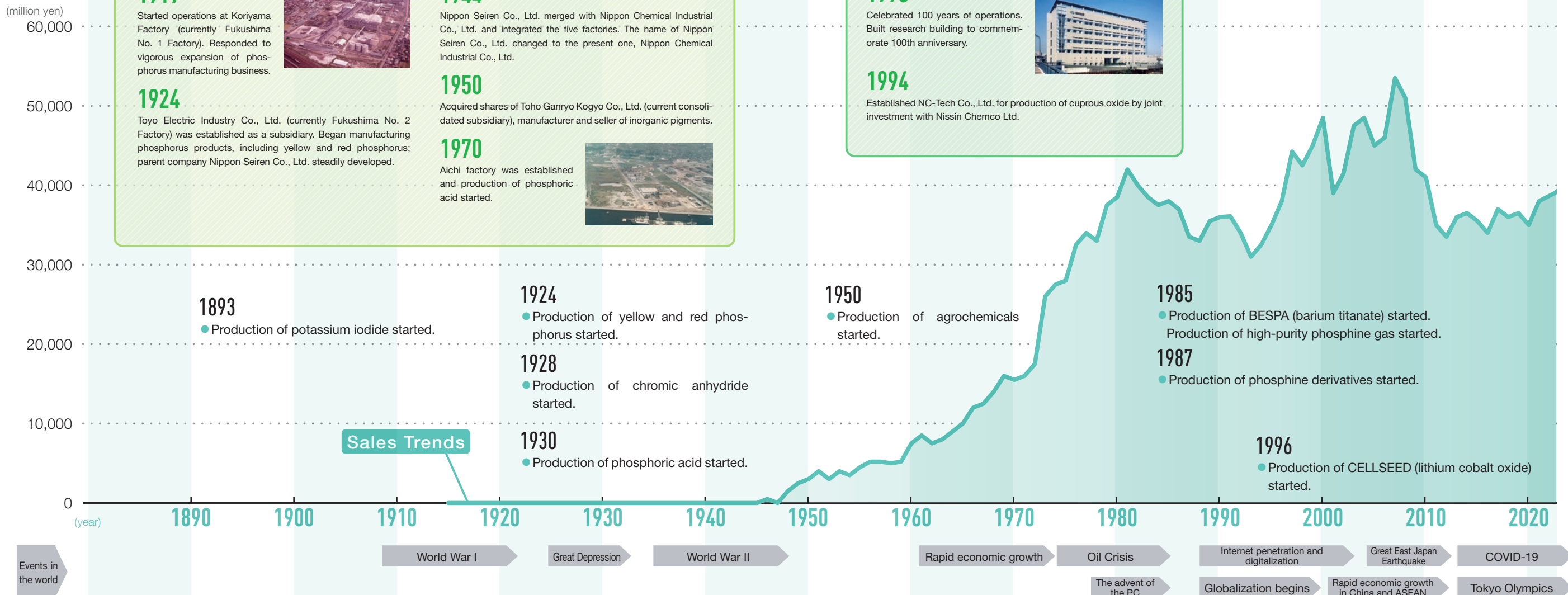
2017

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



2024

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



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



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



08 Inside the house

- ▶ Food additives
 - Phosphoric acid ● Phosphate
- ▶ Bath salts
 - Sodium sulfate
- ▶ Detergents
 - Sodium sulfate
 - Potassium silicate
 - Sodium tripolyphosphate
- ▶ Linen and cleaning
 - Sodium metasilicate
- ▶ Smartphones, tablets, and TVs
 - Hishicolin ● BRIGHT
 - High-purity barium carbonate
 - BESPA



05 Factories

- ▶ Metal surface treatment
 - Sodium silicate ● Phosphoric acid
 - Chromic acid ● 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



06 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



07 Automobiles

- ▶ Brake pad friction materials
 - Chromium oxide
- ▶ Plating materials for maintaining safety and durability
 - Chromic acid ● Trivalent chromium
 - Sodium hypophosphite
- ▶ Electronic circuits
 - BESPA ● High-purity barium carbonate
- ▶ IC tags (RFID) for parts management
 - SMERF



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	Inorganic Phosphorus Compounds	Silicates and Silica	Barium Compounds	Other Inorganic Chemicals (Various Industrial Chemicals)
Product Description	Our chromium compounds have exceptional stable quality and are exported not only domestically, but also to many countries, particularly in Asia.	We provide high-purity phosphoric acid and various phosphates used in wide-ranging fields, from food to optical 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 chemical products for a wide range of fields, including raw materials for daily necessities and environmentally friendly products.
Main Products	Sodium dichromate Potassium bichromate Chromium trioxide Chromium oxide Trivalent chromium	Phosphoric acid Phosphorus pentoxide Phosphate Metaphosphate	Sodium silicate glass Sodium silicate Silicate Colloidal silica	High-purity barium carbonate Barium hydroxide Barium nitrate Barium sulfate	Sodium sulfate Sodium bisulfate Potassium permanganate Cuprous oxide Aluminum sulfate

	Electronic Ceramic Materials	Circuit Materials	Battery Materials	Agrochemicals Active Ingredients and Intermediates	Organic Phosphorus Compounds (including phosphine derivatives)	Semiconductor Materials
Product Description	We provide dielectric materials, including the barium titanate used in MLCCs.	We provide electro-conductive materials consisting of metal-coated particles and conductive adhesives using these materials.	We provide lithium cobalt oxide and other active cathode materials for lithium-ion secondary batteries.	We provide phosphine gas for efficient fumigation and active ingredients for agrochemicals and their intermediates.	We provide organic phosphorus compounds, such as phosphine derivatives.	We provide products used as phosphorus dopants for N-type silicon semiconductors and phosphorus sources for compound semiconductors.
Main Products	BESPA	BRIGHT SMERF	CELLSEED	Phosphine gas for fumigation PCL	Hishicolin PAP EAP	High-purity phosphine gas High-purity red phosphorus Hishicolin P-M4

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 FY 2030

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

FY 2024

FY 2026

FY 2030

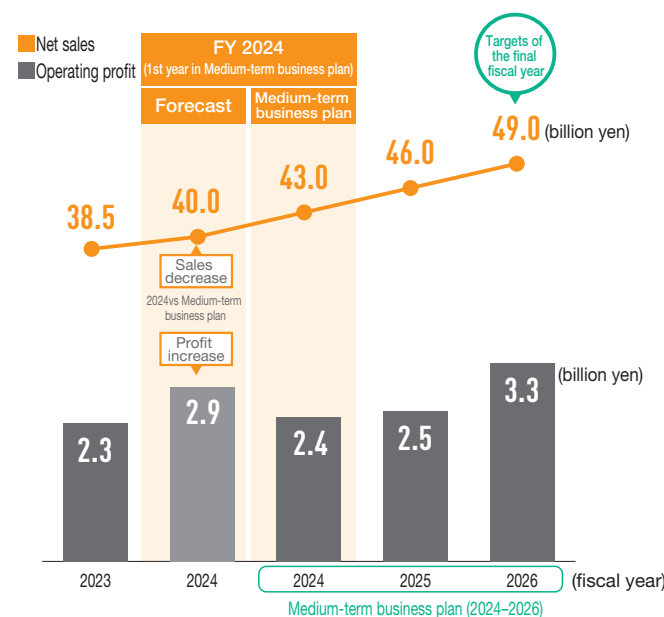
- Expand the business in growth fields
- Strengthen the business structure of basic fields
- Pursue deepening and succession of production technology
- Increase overseas net sales
- Strengthen overseas organization
- Pursue new opportunities
- Promote development of products with competitive advantage
- 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

Managerial Targets

- Regarding outlook for FY2024, net sales will decrease from the first year of the medium-term management plan while operating profit will be above that for the second year in the plan.
- For FY2024, we focus on the direction of changes in business environment, considering the year as one for assessing these changes.
- We will make examination that includes a review of numerical plan after the second year.

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

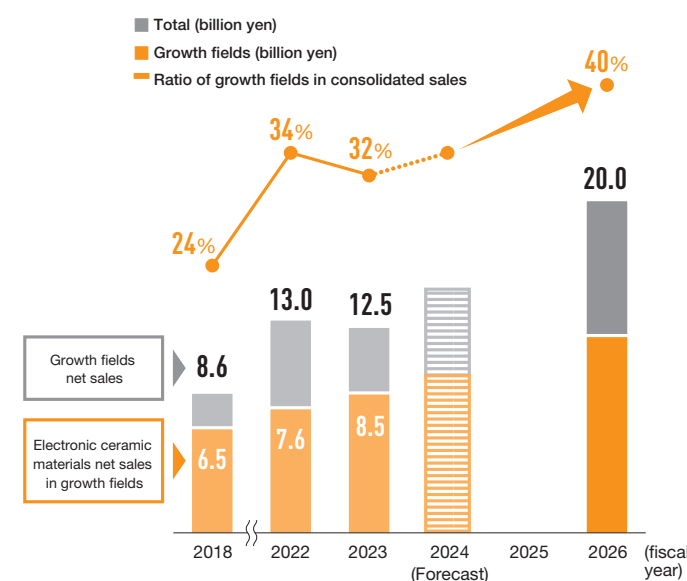
*1 Brief version of EBITDA (operating profit + depreciation) is used
*2 ROE = Net income / Average shareholders' equity



Growth Fields

Increase Net Sales in Growth Fields to More Than 20 Billion Yen

Ratio of growth fields in net sales



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

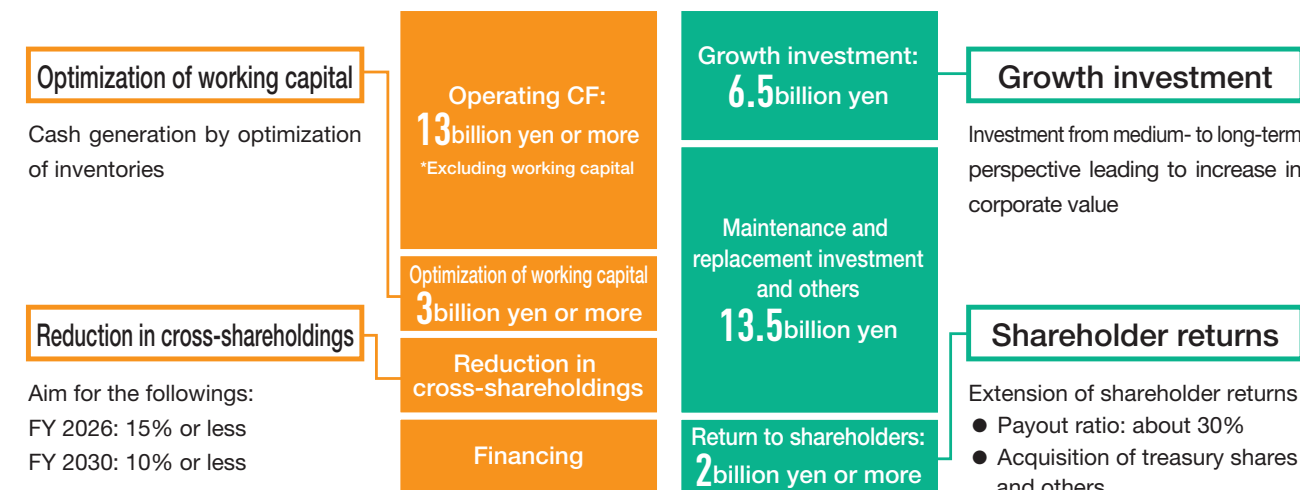
Electronic Ceramic Materials	Dielectrics for MLCC and dielectric materials (Barium titanate / High-purity barium carbonate)
High-Purity Electronic Materials	Semiconductor materials and organic electronic materials (High-purity phosphine gas / High-purity red Phosphorus, etc.)
Phosphoric Acid for LCDs 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

The company will allocate cash generated by expansion of growth fields, optimization of inventories, and reduction in shares held for strategic purposes to growth fields and management foundation.

Cash allocation for three years of Medium-term business plan (diagram)



For functional chemicals, while strengthening domestic sales to meet expanding demand for electronic ceramic materials and high-purity electronic materials, we will maximize the use of our overseas subsidiary companies.

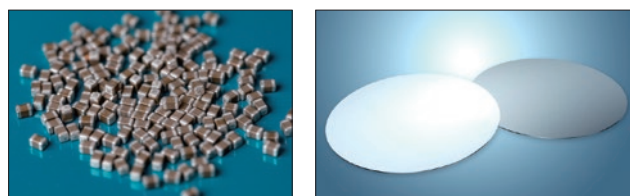
For basic chemicals, we will leverage the advantages of domestic production to enhance technology and quality, with the aim of increasing product value.

Takahiro Nagayama Division Manager of Sales Division



1 Business Environment

We expect the digital environment to continue evolving going forward and information processing using AI advance more. Accordingly, quality requirements for materials used in semiconductors and electronic devices will become increasingly stringent, and demand for electronic materials is expected to grow across the board, from basic raw materials to advanced products. Meanwhile, the U.S.-China decoupling, Ukraine crisis, and Middle East conflict are affecting our supply chain, and we need to secure raw materials while taking these factors into consideration.



Fields in which our products are used

2 Risks and Opportunities

Field	Risks	Opportunities
Supply and demand	Deterioration in profitability due to a decrease in the operation rate caused by delayed demand recovery.	Increase in sales profits as prior investments meet demand.
ROE management	Maintenance investments due to aging facilities strain profits, forcing impairment of fixed assets and business withdrawals.	Through selection and focus will be shifted from low-profit products to high-profit products.
Raw material procurement	Unstable procurement of raw materials due to political instability and conflicts.	Establishment of multi-supply chain system and the realization of a sustainable procurement process considering ESG through collaboration with suppliers.
environmental changes		
Market advantage	Decrease in facility operation rates and market share due to influx of low-priced imports.	Find advantages of manufacturing in Japan and increase product value by further enhancing QDS.
Circular economy	Continued use of chemicals without recycling increases environmental impact and raises concerns about resource depletion.	Initiatives for circular economy lead to environmental preservation and business continuity.

3 Important Measures and Specific Initiatives

● Expand the business in growth fields

Global shipments of multi-layer ceramic capacitors are expected to show significant growth starting in 2024. We will respond to robust future demand with a two-factory system consisting of the Fukushima No. 1 Factory, with its solid technological foundation, and the Tokuyama Factory, where we made advance investments. Furthermore, demand for high-purity electronic materials is expected to expand, centered on future demand for AI servers and edge terminals, as well as further vehicle electrification. We will sell these products progressively as they enter the harvest period for investments made in anticipation of demand growth.

In addition to the United States, China, and Thailand, we will make effective use of our newly established subsidiary company in Taiwan to obtain accurate information and promote sales in the global market.

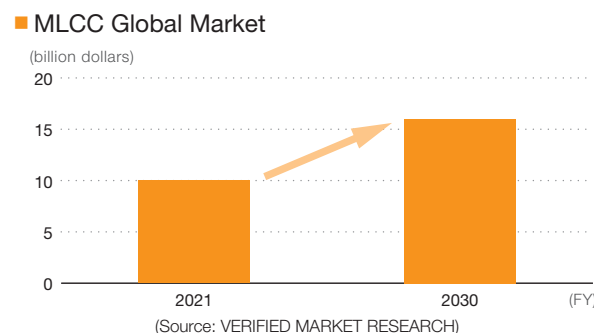
● Strengthen the business structure of basic fields

In the basic chemicals field, we conduct production and sales based on technology refined over many years. We will strengthen our business structure by promoting value through domestic quality, a robust supply chain, an unwavering quality assurance system, and accurate compliance with various laws and international standards.

● Promotion of sustainable procurement

To maintain our superior product value, we will promote sustainable procurement in cooperation with our business partners, taking into consideration raw material procurement and supply stability, business continuity, human rights, and environmental measures.

In consideration of limited global resources, we will build a circular economy business model centered on chromium.



We will steadily carry out expansion work for electronic ceramic materials and high-purity electronic materials, which we position as growth fields, establishing a production system that can meet growing demand.

In addition, we will enhance our proprietary technologies to differentiate ourselves from competitors.

Masaki Takahashi Division Manager of Production Engineering Division



1 Business Environment

We believe that demand for advanced materials such as semiconductors and electronic devices will continue to grow, with quality requirements becoming increasingly sophisticated. However, issues such as rising construction costs, extended construction periods, and securing human resources to address these needs are becoming apparent.

Additionally, in response to demand for environmentally friendly products, we believe it is important to implement measures to reduce CO₂ emissions and waste through effective use of renewable energy and process changes, while actively introducing new systems in production management to further advance production technology.



Electronic Ceramic Materials Factory (Tokuyama Factory)

2 Risks and Opportunities

Field	Risks	Opportunities
Response to increasing demand	Decline in sales as facility expansion (investment) fails to meet market expansion in growth fields.	Sales and profits increase by meeting market expansion in growth fields through advance investment.
Response to increasingly sophisticated quality requirements	Sales decline due to inability to meet market quality requirements.	Sales and profits increase as market advantage is recognized through quality and cost optimization achieved by actively introducing IoT and AI technologies in production processes.
Improved profitability	Impairment losses on fixed assets and excess inventory occur due to idle production facilities and decreased operation rates amid rapid changes in business environment.	
Environmental response	Corporate value is impaired and customer trust declines due to inability to implement environmentally conscious production.	Differentiation from competitors is achieved through environmentally conscious production and product supply.

3 Important Measures and Specific Initiatives

● Expand the business in growth fields

To respond to expanding demand for electronic ceramic materials, our main product in growth fields, we have established a production system at two locations (Fukushima No. 1 Factory and Tokuyama Factory). Additionally, for high-purity electronic materials manufactured at the Fukushima No. 2 Factory, we will install the latest equipment to meet growing demand and increasingly sophisticated quality requirements, increasing capacity and further improving quality.

● Strengthen the business structure of basic fields

Our chemical manufacturing technology has been refined through our long history and expertise. We will make effective use of our sophisticated production technology in basic fields, actively introducing IoT and AI technologies to advance production efficiency and labor savings, improving quality, cost, and safety. Moreover, we aim to increase profits while making proposals that lead to solutions for customer issues.

● Pursue deepening and succession of production technology

We will advance digitization and visualization of technical information to make effective use of proprietary technologies that exist as tacit knowledge, such as skilled workers' operational knowledge and expertise, in future as well. Additionally, we will save more energy and further reduction the burden on the environment by incorporating new equipment and management systems that take environmental responses into consideration.



Process management using tablets (Fukushima No. 1 Factory)

We will strive to enhance shareholder returns by aiming for sustainable improvement in ROE and PBR by reviewing our business structure, improving asset efficiency, enhancing earning capacity, and strengthening cash generation.



Masahiro Ito Division Manager of Administration Division

1 Business Environment

While financial impacts have been increasing amid continuing uncertain conditions, including geopolitical risks, exchange rate fluctuations, and resource/energy issues, the demand for and attention to BS management and capital efficiency have been increasing, and responding to these significantly affects corporate value.

2 Risks and Opportunities

Field	Risks	Opportunities
Financial trends	Impact of exchange rates and interest rate fluctuations influenced by economic environment and financial market trends.	Stable funding through maintenance of good relationships with financial institutions, and utilization of commitment line agreements and forward exchange contracts.
Market trends and earnings	Impact on earnings due to delayed recovery in industries related to our growth fields.	Execution of Medium-Term Business Plan (FY 2024–2026) aimed at “What we want to be in 2030.”
Growth investment	Surge in material prices and extended construction periods for capital investments.	Acquisition and expansion of business opportunities through active investment in growth fields while being conscious of the cost of capital and careful assessment of demand trends.

3 Important Measures and Specific Initiatives

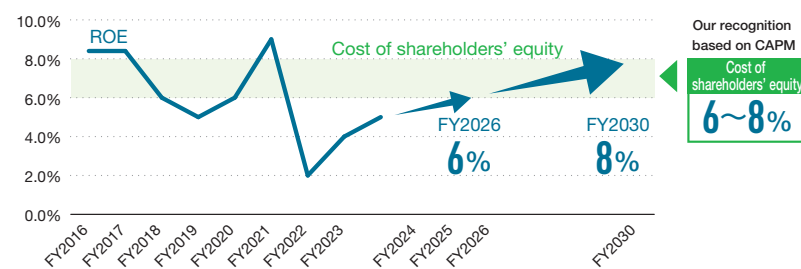
Important Measures

① Achieving “What we want to be in 2030” and targets in our Medium-Term Business Plan (FY 2024–2026)

Targets for FY2026	
Operating profit	3.3 billion yen
EBITDA	8.0 billion yen
ROE	6%

Targets for “What we want to be in 2030”	
Operating profit	6.0 billion yen
EBITDA	11.0 billion yen
ROE	8%

② Achieving management conscious of the cost of capital and stock price
 Recognizing the cost of shareholders’ equity as 6–8%, we aim to achieve ROE that exceeds the cost of capital by promoting a reduction in the cost of shareholders’ equity and non-financial measures.



③ Effectively allocate of managerial resources (cash allocation)

We will efficiently allocate cash generated from expansion of growth fields, optimization of inventories, and active reduction in cross-shareholdings primarily to growth fields that lead to medium- to long-term increase in corporate value.

We are also aiming for continuous and stable shareholder returns using the funds obtained through increased earnings.

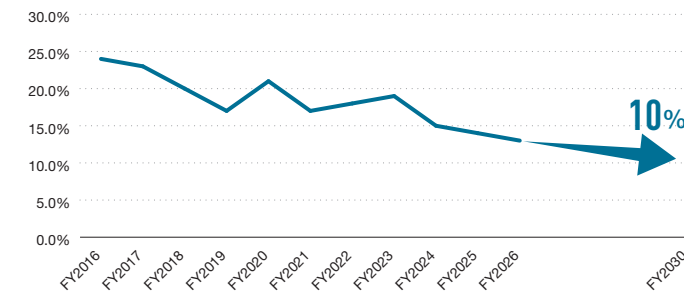
Specific Initiatives

Reduction in cross-shareholding

Generate cash through active reduction in cross-shareholdings and utilize it to stabilize the management foundation and invest in growth fields.

We will achieve the following targets for the ratio of cross-shareholdings to net assets.

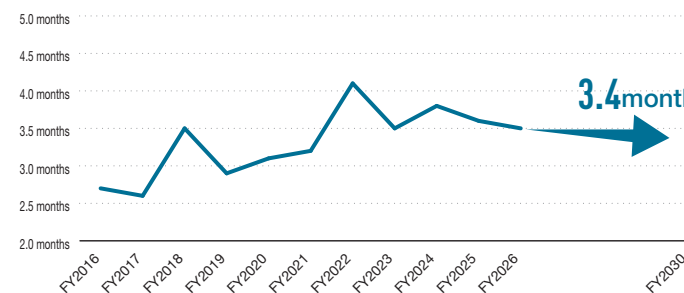
- FY2026: 15% or less
- FY2030: 10% or less



Efficiency of funds flow

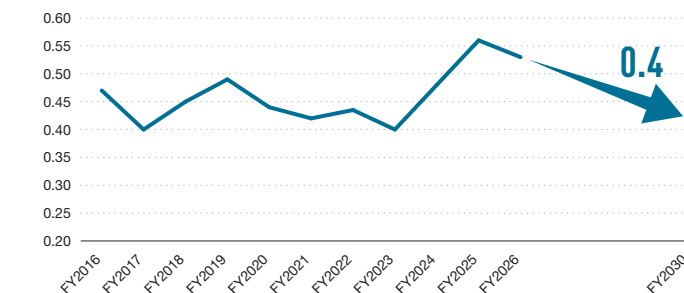
Optimize working capital centered on inventory reduction to prevent deterioration in cash flow.

Aim for an efficient flow of funds by maintaining inventory turnover period of 3.0–3.5 months.



Ensuring financial health

Maintain a D/E ratio at around 0.4 to build a strong financial foundation that can stably procure growth investment funds while effectively utilizing shareholders’ equity.

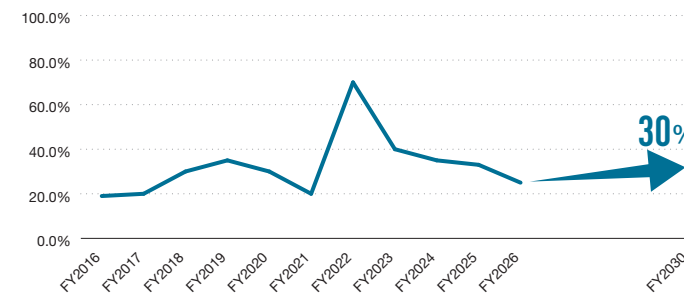


Improvement in return to shareholders

Even when business performance deteriorated in FY2022, we managed to maintain stable dividends, resulting in a temporary increase in the payout ratio.

As we look toward FY2030, we will aim for active shareholder returns by strengthening our earning capacity and securing sufficient profits.

- Payout ratio: About 30%
- Acquisition of treasury shares



We are working on new product development while expanding platforms in our domains based on fundamental technologies and expertise in research and development.

Additionally, we will create new value that leads to solutions for increasingly diverse and complex social issues by further expanding platforms through effective utilization of external resources. We are also engaging in highly efficient research and development by identifying research fields and concentrating capital intensively.



Kazuo Ochiai Division Manager of R&D Division

1 Business Environment

The business environment is changing rapidly and dramatically, including global-scale issues such as environmental problems, population growth and food issues, and geopolitical risks, as well as industrial structure transformation due to digitalization, and Japan-specific issues such as population decline and aging. In a situation where uncertainty about the future is increasing due to diversifying and increasingly complex social issues, chemical material manufacturers are required to create new value through research and development that is conscious of sustainability.

2 Risks and Opportunities

Field	Risks	Opportunities
Development of new products	If the development difficulty is high, the risk of failure also increases, so when introducing new methods and technologies, it is necessary to carefully evaluate the feasibility and issues. Additionally, if efficient research and development is not implemented, this risks reducing competitiveness against rivals and hindering entry into new businesses and expansion of business domains.	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.	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.

● **Open innovation**

We will create new value by incorporating new ideas and technologies not only through our own technology, but also through collaboration with other companies and research institutions.

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

In selecting research themes, we will establish environmental contribution indicators and promote a large number of themes with high contribution levels to create products that contribute to the environment. Additionally, we will actively adopt process technologies that are eco-friendly.

4 Our Technologies (R&D Topics)

① Development of CO₂ Solid Sorbent Technology Contributing to Carbon Neutrality

The CO₂ sorbent we developed uses organic phosphorus compounds and has a CO₂ absorption capacity equivalent to conventional amine-based sorbents, but with the advantages of no odor, no volatility, and high heat resistance. In addition, it can be mass-produced using existing manufacturing facilities within our company and is expected to be a material that contributes to carbon neutrality.



Features

- As organic phosphorus compounds, no odor, no volatility, and high thermostability compared to amine compounds
- Selective capture of CO₂
- Existing manufacturing facilities available for mass-production

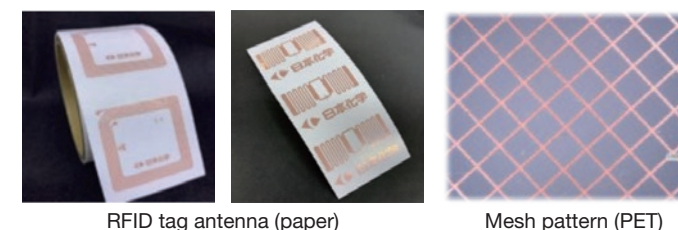
Future Outlook

- Search for needs of customers and markets
- Make progress on improving performance and building mass-production system for profitability in future

② Development of Environmentally Friendly Cuprous Oxide Paste for Photo-sintering

CURELIGHT® (cuprous oxide paste for photo-sintering), a product we developed, is a paste that can directly form copper wiring on paper and resin films using photo-sintering technology, and we are proposing it to the printed electronics market. Photo-sintering technology is a method of reducing cuprous oxide to copper by applying intense light for several milliseconds. Compared to conventional wiring formation methods, it enables resource conservation, reduced environmental impact, and reduction in manufacturing energy, thus making it promising for contributing to a low-carbon society.

Photograph after creating various copper wirings using CURELIGHT®



RFID tag antenna (paper)

Mesh pattern (PET)

Target Markets

Providing new value to the printed electronics market



Printed electronics:
Printing technology that forms electronic circuits and elements on substrates such as films.

Features

- **Atmospheric sintering/instant sintering**
No high-temperature treatment required due to photo-sintering, sintering in milliseconds
- **Cost reductions**
Responds to demand for a replacement for silver paste
- **Versatility for substrates**
Contributes to environmental consideration needs (PET→paper)

Business Strategy

- **Flexible response to customer requirements**
Viscosity can be adjusted to suit various printing methods
- **Contribution to low-carbon society**
Energy reduction in manufacturing process
- **Downstream product development**
Downstream development utilizing manufacturing expertise in cuprous oxide

Promotion of Globalization

Changes in our business environment are intense, and overseas sales of our products are growing due to the diversification of our customers' manufacturing bases and the formation of new markets. Existing business models alone have limitations in terms of business expansion, and we need to establish a stronger presence in overseas markets. We need to seize new business opportunities that respond to diversifying international needs.



Toshiaki Tsuchiya Division Manager of Corporate Strategy Division

1 Business Environment

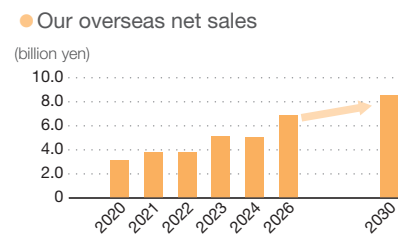
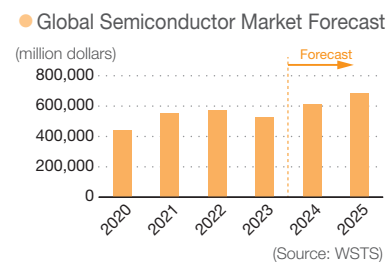
- The need to build sustainable supply chains that are considerate of the environment and society is increasing.
- As global economic integration progresses and international trade and overseas investment increase, companies are required to participate in global markets.
- Changing geopolitical conditions are creating trade barriers and economic stagnation, increasing the need to diversify resources and explore new markets to spread business risks.

2 Risks and Opportunities

Risks	Opportunities
● Risk of economic stagnation and decline in market dynamism.	● Acquisition of new customers and expansion of revenue through entry into overseas markets.
● Impact on corporate activities due to risks of armed conflicts between nations and legal regulations.	● Expectations for new supply chain formation and cost reductions through partnership building in developing regions.
● Direct impact from exchange rate fluctuations and economic crises.	● Expectations for creation of diverse perspectives, ideas, and new business models through global human resource development and cross-cultural human resource exchange.
● Possibility of inadequate compliance due to inability to respond to country-specific regulations and laws.	● Resolution of business issues through interaction between overseas bases.

3 Important Measures and Specific Initiatives

- Strengthening global sales system by maximizing the network of overseas bases located in major world markets: United States, China, Taiwan, and Thailand.
- Building a differentiated product portfolio for growth fields (semiconductors, electronic components, quantum dot displays, etc.).
- Developing human resources capable of global success by utilizing overseas trainee programs and other measures.
- Promoting alliances with strategic business partners.



Sustainability Management

To achieve sustainable development even in a rapidly changing business environment, we will promote sustainability management that increases corporate value while solving ESG issues. We position sustainability management as one of the basic strategies of our medium- to long-term strategy and will put this into practice.



Tatsushi Tabata Sustainability Committee Chair

1 Business Environment

Over the past few years, issues such as the COVID-19 pandemic, conflicts, semiconductor shortages due to trade friction, logistics disruptions, and a surge in raw material and fuel prices have caused significant damage to the global economy. Additionally, the following sustainability issues are of concern and are expected to affect our future business operations:

- Global warming and large-scale natural disasters
- Declining working population, diversification of lifestyles
- Coexistence with local communities
- Securing supply chains
- Good relationships with stakeholders



2 Risks and Opportunities

Field	Risks	Opportunities
Decarbonization and environmental response	Delay in decarbonization response increases cost burden from carbon tax and emissions trading.	Implementation of decarbonization measures and creation of environmental contribution products become advantages in terms of business continuity.
Diversity and improvement in job satisfaction	Without diverse human resources, new value cannot be created, and without a proper workplace environment, organizational performance declines.	Priority measures in the Medium-Term Business Plan are executed by securing diverse human resources, human resource development, and creating a comfortable workplace environment.
Contributing to local communities	When trust from local communities declines, maintaining employment and business activities becomes difficult.	Building good relationships with local communities ensures stable employment and a sound business environment.
Supply chain management	Resources become unavailable due to political instability in raw material procurement regions and delays in environmental measures.	Minimize procurement risks through resource diversification and advancement of supplier engagement.
Good relationships with stakeholders	Trust from stakeholders cannot be gained without active disclosure of accurate financial and non-financial information.	Gain stakeholder trust through promotion of sustainability management and active information disclosure.

3 Important Measures and Specific Initiatives

Regarding decarbonization and environmental responses, we will aim to reduce CO₂ and waste emissions by utilizing renewable energy and improving manufacturing processes while increasing the ratio of environmental contribution products. With regard to diversity and improvement in job satisfaction, we will secure diverse human resources, focus on human resource development, and promote improvements in workplace environments. In terms of contribution to local communities, we will build good relationships with local communities through clean-up activities, forest conservation activities, and other initiatives. For supply chain management, we will promote engagement with our business partners and work to secure stable raw material resources. Regarding good relationships with stakeholders, we will strengthen these relationships by actively disclosing financial and non-financial information and increasing communication opportunities.

By promoting these initiatives, we aim to increase corporate value and become a company needed by all stakeholders.

Capital Strategy

While working on the urgent task of improving ROE, we will advance enhancement of shareholder returns, total asset turnover, and financial leverage.

We will also actively make capital investments in growth businesses and human capital investments to maximize the value of human resources.



Toshiaki Tsuchiya Division Manager of Corporate Strategy Division

1 Capital Strategy Manager: Role and Challenges

As someone responsible for Nippon Chemical Industrial's management strategy, based on current financial conditions, I provide support for the development of strategies and cash allocation planning related to funding, investment, and cost management, while also supporting efficient decision-making by verifying various financial indicators and providing information. Through such efforts, I aim to enhance our trust-based relationships by ensuring management transparency and clearly communicating our financial situation to stakeholders.

As a capital strategy manager, in addition to market trends and the financial environment, I have recently been monitoring policies related to environmental investment and financing, including new funding systems promoting investment and financing for companies working on decarbonization. In recent years, non-financial areas, such as environmental initiatives and human capital management, have increased in importance in terms of corporate evaluation, and I believe long-term strategies conscious of sustainability management are important when trying to increase a company's sustainable corporate value.

2 Results of Previous Medium-Term Business Plan and Targets for New Plan

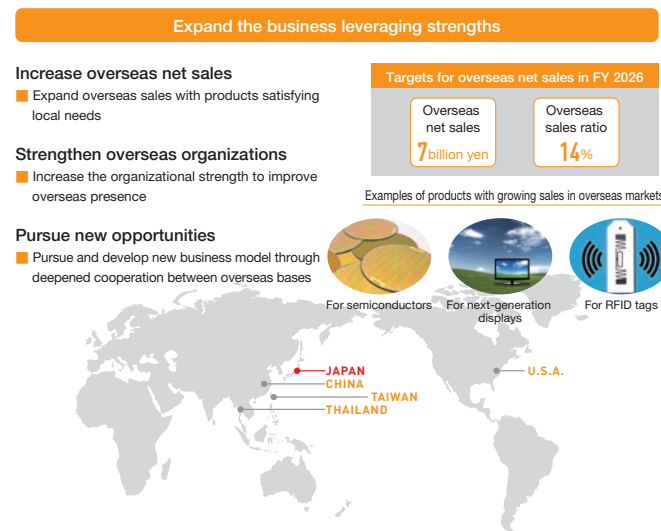
In the previous plan, we made steady progress on three growth strategies: expanding growth businesses, promoting globalization, and strengthening the management foundation.

In terms of expanding growth businesses, we made investments on a scale rarely seen in recent years in production facility expansions for electronic ceramic materials, semiconductor materials, and phosphorus materials for quantum dots where demand is increasing. We expect these investments to show results during the current medium-term business plan period.

To promote globalization, we enhanced cooperation between overseas bases and worked to develop new markets for next-generation display materials and materials for RFID tags.

With regard to strengthening the management foundation, we worked on optimizing our portfolio in response to recent external environment changes. Domestically, we dissolved and liquidated our subsidiary KANTO SODIUM SILICATE GLASS CO., LTD. in August 2022 while complementing this through capital and business alliances with overseas suppliers.

In the new medium-term business plan starting in FY2024, based on results and challenges of the previous plan, we set final year targets of net sales at 49.0 billion yen, operating profit at 3.3 billion yen, EBITDA at 8.0 billion yen, and ROE at 6%. While inheriting growth strategies from the previous plan, we intend to move closer to "What we want to be in 2030" by reliably executing growth strategies with promotion of sustainability management as our basic strategy.

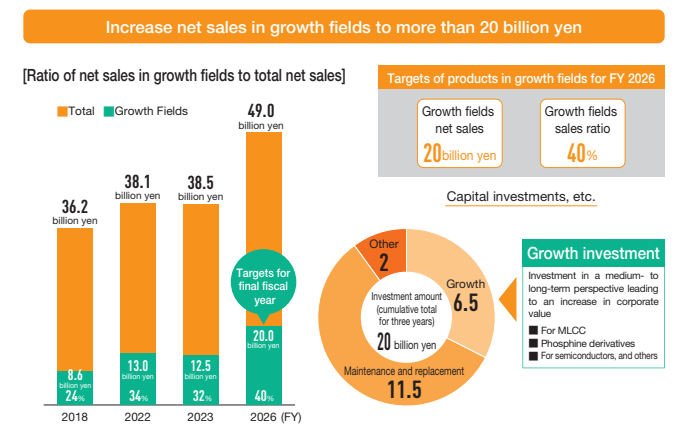


3 Capital Allocation and Investment Strategy in New Medium-Term Business Plan

To improve short-term profitability, we are considering urgent improvement of our current ROE in the 3% range, and we aim to increase ROE through strategic investment in growth businesses and development of products with a competitive advantage, as well as price pass-through and review of unprofitable businesses. Additionally, we will promote improvements in total asset turnover and financial leverage through asset reduction via disposal of unnecessary assets and enhancement of shareholder returns through dividend increases and acquisition of treasury shares.

In the new medium-term business plan, we will allocate management resources while maintaining balance between growth investment, shareholder returns, and strengthening financial health, striving for a sustainable increase in corporate value while maintaining optimal capital structure. Specifically, we expect an operating cash flow of over 16.0 billion yen by reducing inventory by about 3.0 billion yen through stricter inventory management. Additionally, we plan to reduce cross-shareholdings to 15% or less of net assets.

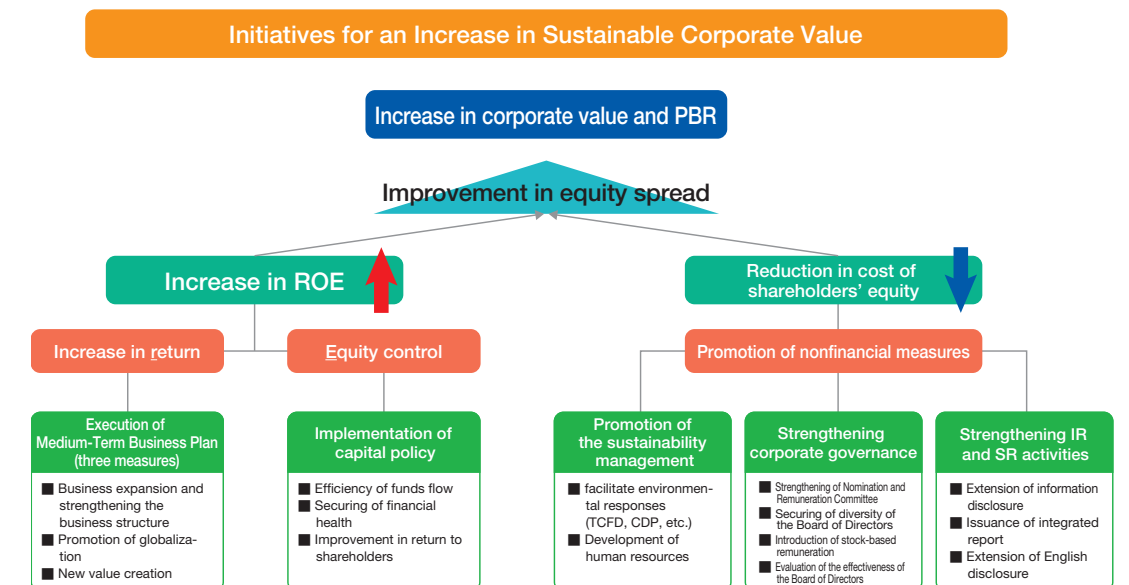
Total capital investment in the new medium-term business plan is expected to be 20.0 billion yen, of which about 30% or 6.5 billion yen will be allocated to growth business investments such as facility expansion for electronic ceramic materials for multi-layer ceramic capacitors at the Tokuyama Factory and high-purity phosphine gas for semiconductors at the Fukushima No. 2 Factory. In addition to capital investment, we will enhance human capital investment to maximize human resource value and shareholder returns and maintain a payout ratio of 30% while considering further acquisition of treasury shares.



4 Aiming for a Sustainable Increase in Corporate Value Through Dialogue

Through dialogue with shareholders and investors, I personally have gained a number of insights, and the feedback and issues of concern obtained through IR and SR are shared with management, with matters of high importance and urgency discussed as appropriate at corporate management committee meetings and Board of Directors meetings. In particular, I feel that there is a high level of interest in ROE and PBR improvement and shareholder returns in our capital policy, as well as CO₂ reduction, the setting of and progress made on materiality KPIs, and human resource strategy in our sustainability management. In the new medium-term business plan, we will strengthen IR and SR, striving to improve ROE and increase PBR through appropriate disclosure of key financial indicators and non-financial information.

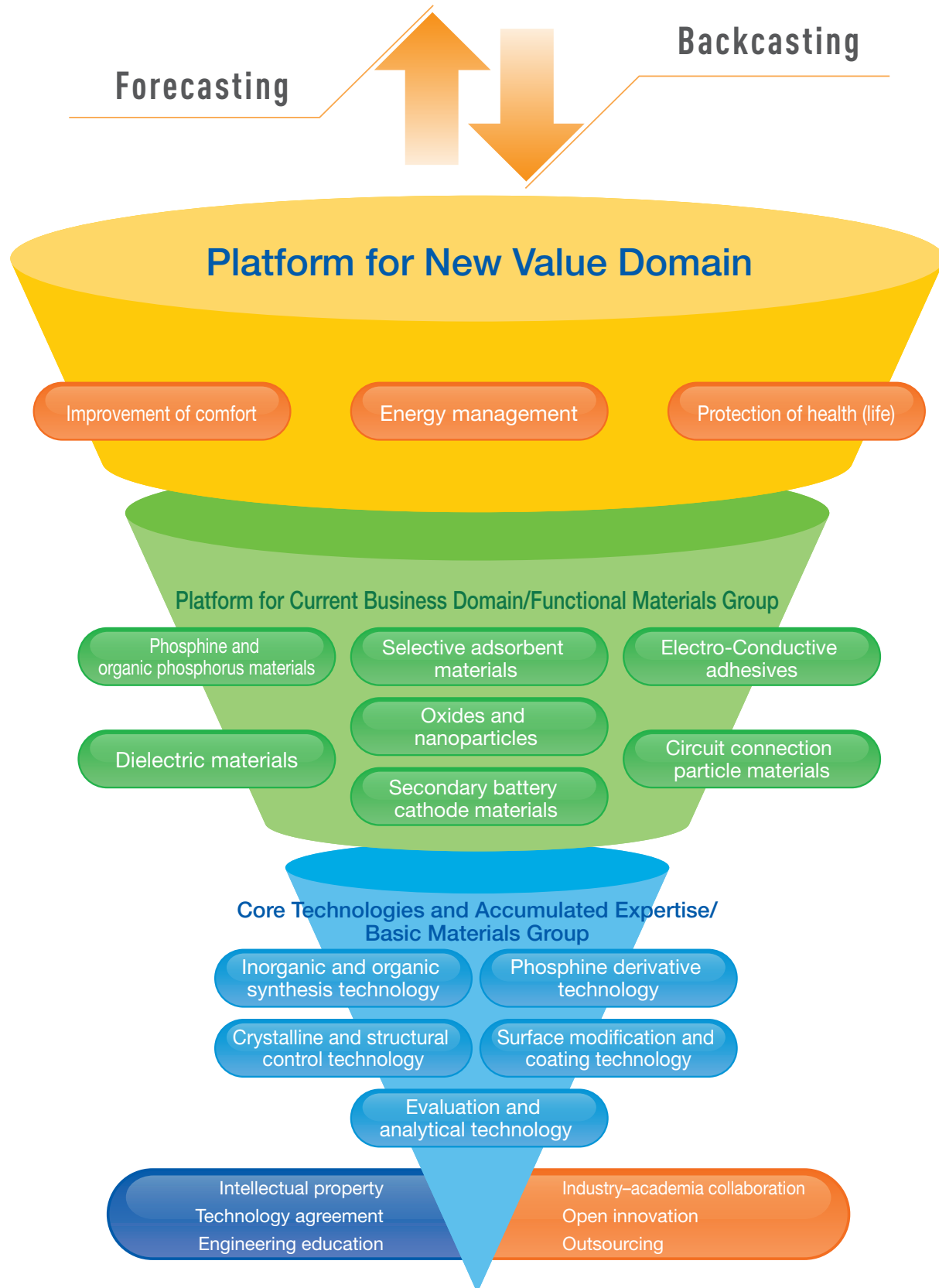
We aim to remain a company that always discloses management information in a highly transparent manner and satisfies the trust of stakeholders. We sincerely appreciate your continued support.





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.



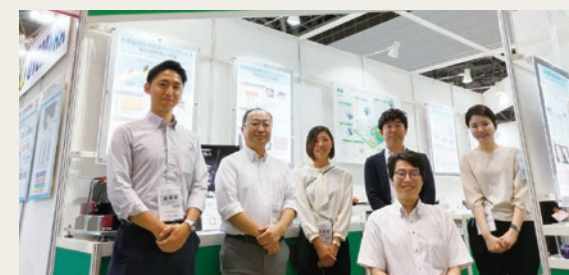
Function and Property Evaluation

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.



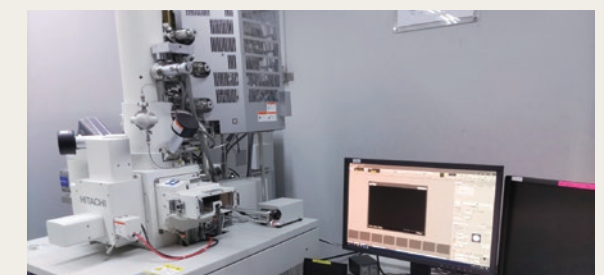
Fieldwork

We strive to disseminate information about ideas, materials, and technologies generated through R&D via media and exhibitions. This is an initiative to make the manufacturing that contributes to society more reliable by directly passing feedback from customers to R&D.



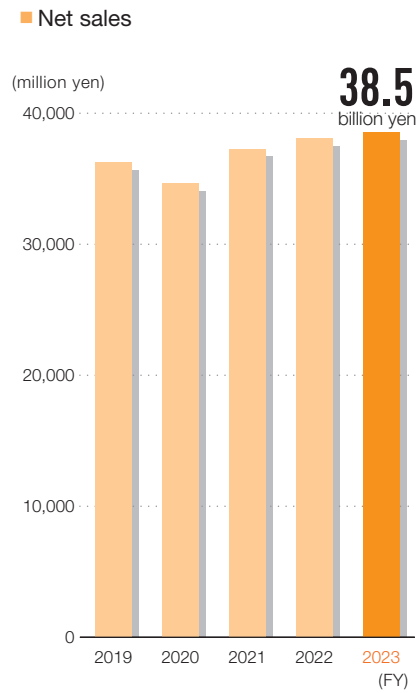
Equipment and Device Implementation

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.

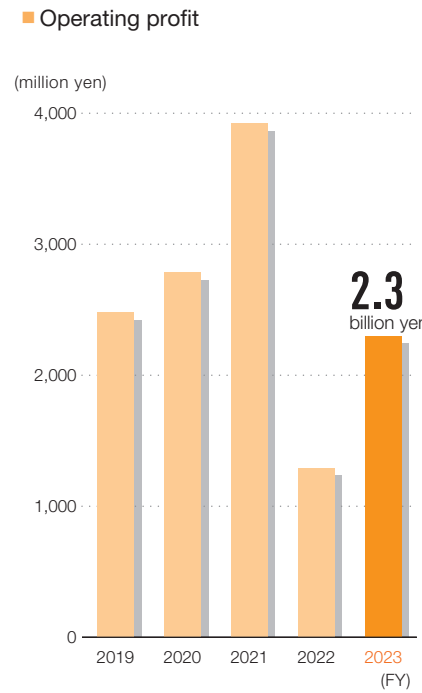




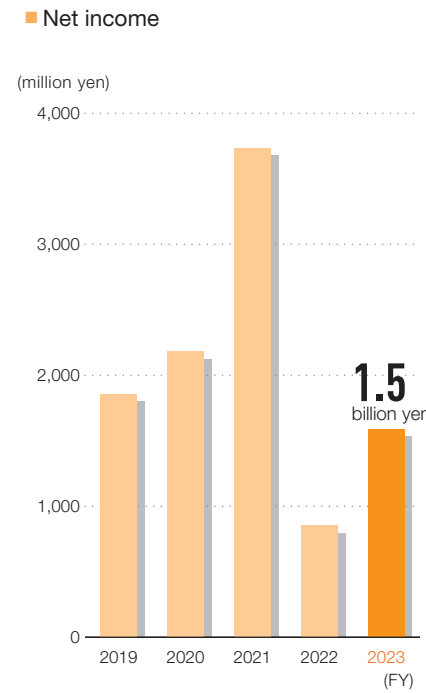
Financial



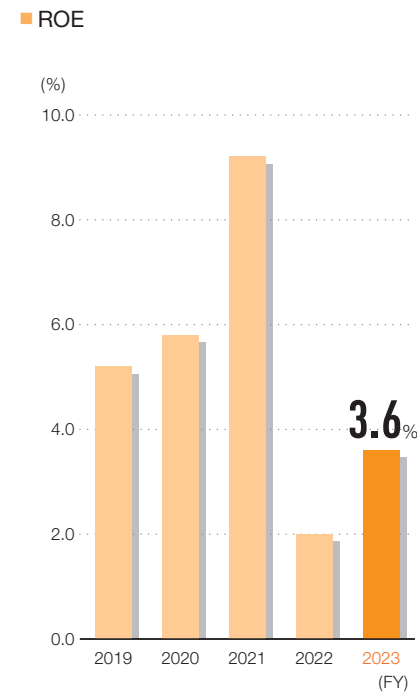
In FY2023, net sales increased 1.2% year on year to 38.5 billion yen due to price revisions continued from the previous period and the contribution of new products to sales.



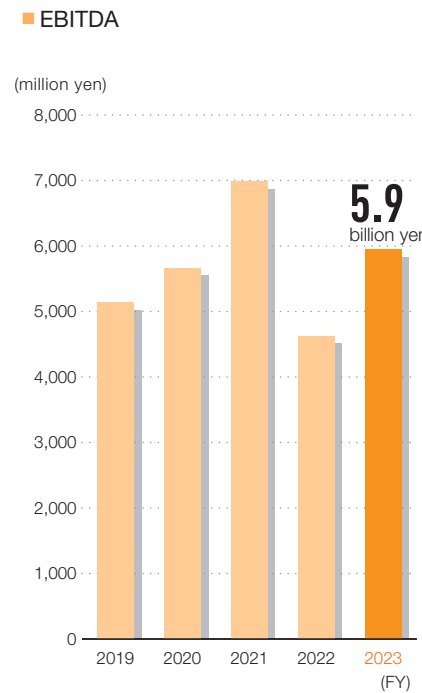
In FY2023, profits increased 75.2% year on year as measures to improve revenues took root, including a review of the supply chain and procurement costs for raw materials, as well as cost reductions.



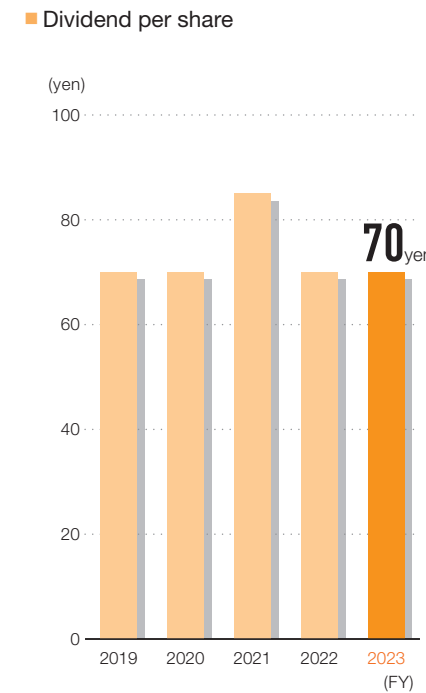
Net profit in FY2023 increased 85.9% year on year to 1.5 billion yen.



ROE in FY2023 increased 1.6 percentage points year on year to 3.6%.

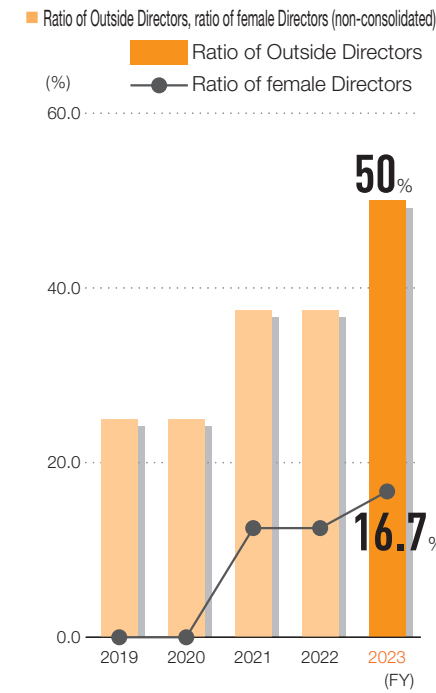


EBITDA in FY2023 increased 28.6% year on year to 5.9 billion yen.

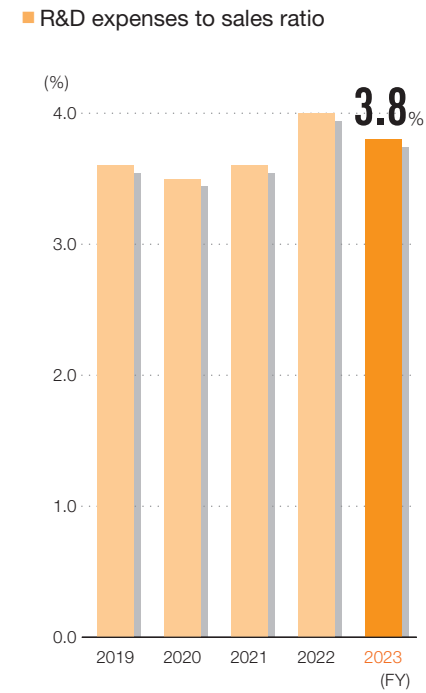


Our shareholder return policy is to maintain stable dividends. The annual dividend per share in FY2023 was 70 yen.

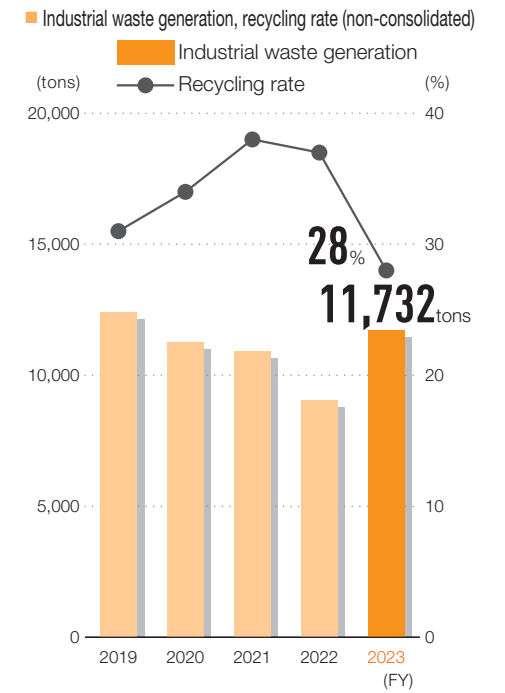
Non-Financial



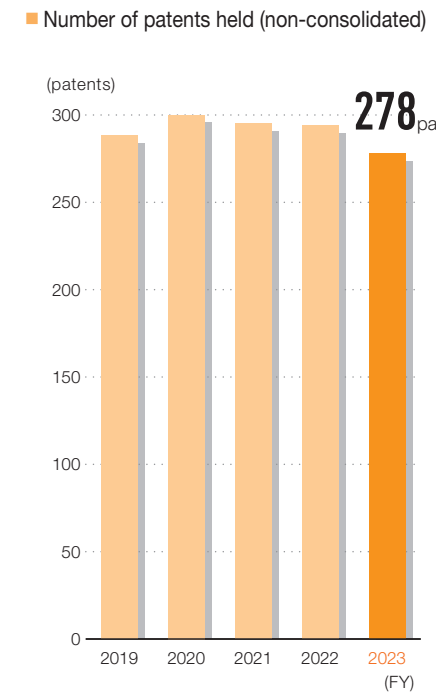
To strengthen the corporate governance structure, we reduced the number of internal directors who are not Audit and Supervisory Committee members from four to two. There was no change in the number of Outside Directors, which remained at three (including 1 woman).



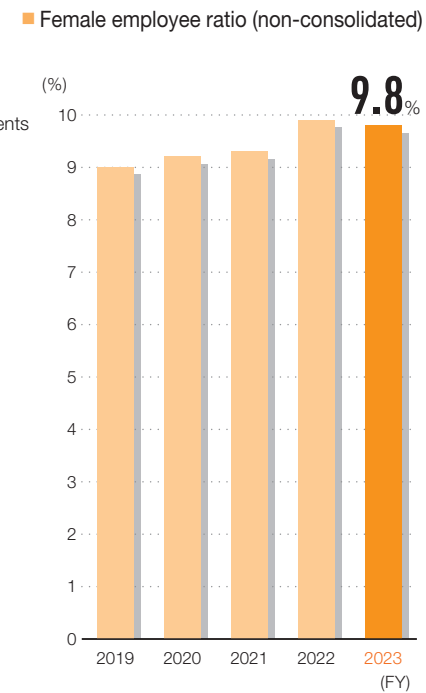
The FY2026 target for the R&D expenses to sales ratio in the Medium-Term Business Plan is 4%. In FY2023, it decreased 0.2 percentage points year on year to 3.8%.



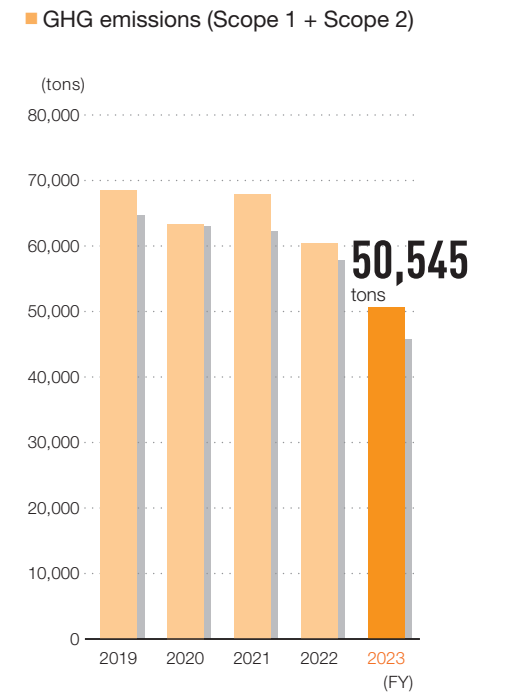
Industrial waste generation in FY2023 increased by 2,676 tons year on year to 11,732 tons.



The number of patents held in FY2023 decreased by 16 year on year to 278.



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 FY2023 decreased 0.1 percentage points year on year to 9.8%.



GHG emissions in FY2023 decreased by 9,774 tons year on year to 50,545 tons. (Calculated based on GHG Protocol)

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.

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.

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.

Code of Conduct

- 1 Comply with laws and regulations
- 2 Maintain and promote free and fair competition
- 3 Maintain sound, positive relationships with business connections and concerned parties
 - (i) Relationships with customers
 - (ii) Relationships with vendors
 - (iii) Relationships with affiliated companies and partner companies
 - (iv) Relationships with officials working for public offices and local governments
- 4 Protect intellectual property rights
 - (i) Handling of intellectual property rights belonging to the Company
 - (ii) Handling of intellectual property rights belonging to other companies
- 5 Engage in the safe handling of products
 - (i) Consider the entire product life cycle
 - (ii) Engage in environmentally-friendly operations
 - (iii) Conserve resources and energy
 - (iv) Be aware of our responsibilities and improve our relationship of trust with society
- 6 Disclose information
- 7 Insulate the Company from antisocial forces
- 8 Superior products and initiatives involving superior products
 - (i) Ascertain and share customer needs
 - (ii) Promptly respond to product complaints and prevent their recurrence
 - (iii) Respond to abnormal situations
 - (iv) Provide accurate data
- 9 Secure a safe and healthy workplace environment
- 10 Observe privacy matters
- 11 Prohibit discriminatory treatment
- 12 Protect the environment

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 Safety 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

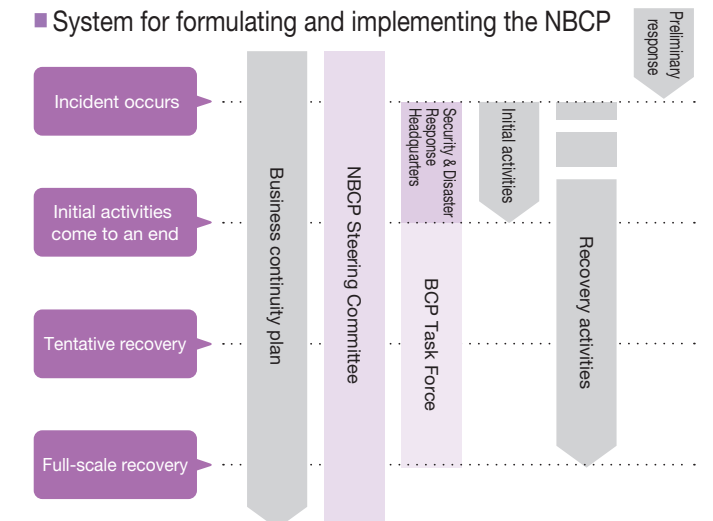
The importance of information security is becoming increasingly greater with the development of remote work. We have been endeavoring to educate employees, develop the infrastructure, and otherwise strengthen security measures.

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.



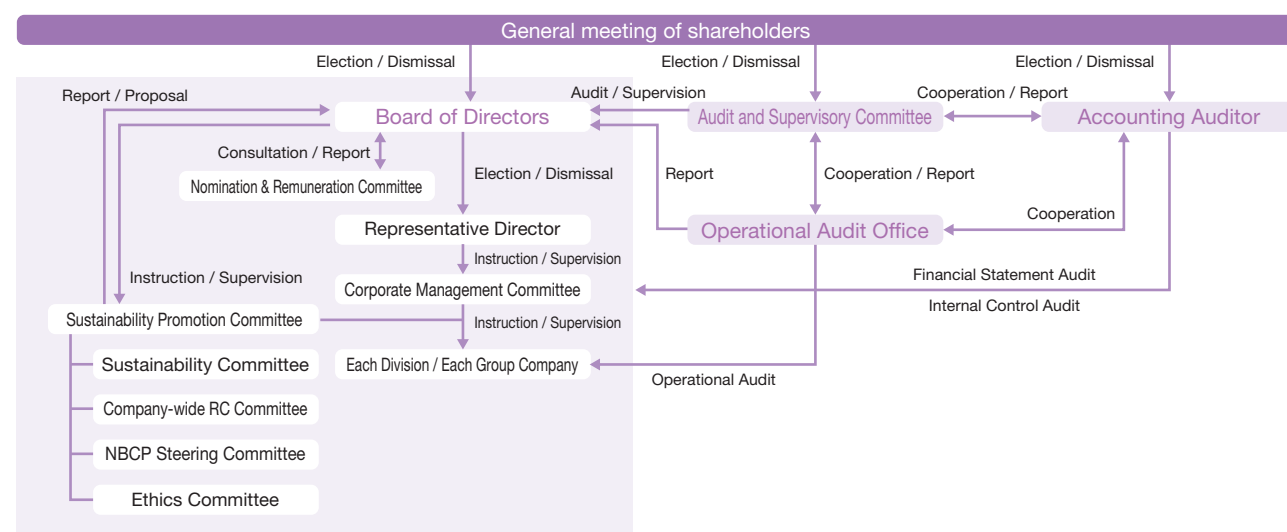


Corporate Governance

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 consists of six members—namely Representative Director Hirota Tanahashi, who chairs this body, as well as Hiroyoshi Aikawa, Manabu Sato, Soichi Toyama, Tomoko Tada, and Takeshi Kenmochi, the latter 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 comprising four members: full-time member Director Manabu Sato and part-time members Outside Directors Soichi Toyama, Tomoko Tada, and Takeshi Kenmochi. 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 consists of nine members—namely Representative Director Hirota Tanahashi, who chairs this body; Hiroyoshi Aikawa, a Director who is not a member of the Audit and Supervisory Committee; Manabu Sato, a Director who is a member of the Audit and Supervisory Committee; and Executive Officers Masahiro Ito, Masami Tadasa, Kazuo Ochiai, Toshiaki Tsuchiya, Takahiro Nagayama, and Masaki Takahashi, and 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 maintain the soundness of corporate management.

4 Operational audit office

The Operational Audit Office, consisting of Manager Wataru Ishida 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 operational audits of different internal organizations 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 audit operations.
- The Company has set up contact points for internal reporting in the Operational Audit Office and outside the Company in order to detect violations of the law and misconduct as quickly as possible.
- 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 Representative Director & 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.

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 Representative Director & 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 increase of 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.

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 exclusive of Directors who are members of the Audit and Supervisory Committee shall be determined based on a performance table according to operating income 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 increase 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, amount of performance-linked remuneration, and amount of share-based remuneration as a percentage of the amount of remuneration for Directors exclusive of Directors who are members of the Audit and Supervisory Committee should ideally be set to 75 percent, 20 percent, and 5 percent, respectively.

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.

FY2023 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

It was confirmed that the composition and operations of the Board of Directors was generally appropriate for a system for making decisions and overseeing the execution of operations.

With respect to building and implementation of a planned training program for Directors and Executive Officers, which was a challenge last year, some progress was made. The Company will continue to provide training in the future.

In addition, it was also confirmed that it is necessary to provide more information to Outside Directors and have more opportunities for discussion with them.

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.



Message from Outside Directors

Our Outside Directors provided us with messages discussing their role and perspective as an Outside Director, covering such topics as current management issues and their expectations for the future.



Outside Director **Soichi Toyama**

During the more than seven years since I became an Outside Director, the economic situation surrounding the Company has changed dramatically, one example being soaring resource prices. People's perspectives on issues such as the environment and gender have also changed. In addition to the traditional function of serving as a check for company management, outside directors are now expected to play a broader role in contributing the increase of corporate value.

Within this context, I am mindful of the following three points in performing my duties: Getting the latest information to gain knowledge on the issues to be addressed; fully understanding the current status of the Company; and considering the position of all stakeholders, including minority shareholders. Particularly with regard to individual measures, because the chemical industry is characterized by the need for large capital investments, and such investments are an important factor in the creation of corporate value while also posing risks, I place great importance on the decision-making process when it comes to investing. Accordingly, I am proactive in providing input whenever I feel it is necessary to ensure that the Company's investments are rational. I also make sure we are implementing the kind of measures that are necessary for a company that is listed on the Prime Market of the Tokyo Stock Exchange. Needless to say, above all, factory safety management and the prevention of misconduct in quality inspections are of paramount importance.

I believe that to date we have generally been able to appropriately address various management issues through the efforts of our officers and employees, but there are still some issues that have yet to be resolved. Further, these are issues that have no set endpoint, and it is important that we continue to work on them on an ongoing basis. I will continue striving to improve myself. At the same time, I will fulfill my responsibilities while always maintaining an awareness of the interests of all stakeholders.



Outside Director **Tomoko Tada**

The importance of human capital management is increasing every year. A declining workforce, changes in the values of workers, and globalization as well as the external environments behind these phenomena tie directly into a company's human resource strategy. Within this context, I see diverse modes of work, the promotion of female managers, and compliance management as very important themes for the Company.

We need to expand job opportunities for women, promote them to managerial positions, and correct wage disparities. We must also support employees' work-life balance, including childcare leave for men, and in the future, support veteran employees in caring for their family members. I will contribute to these issues in particular by leveraging my expertise as a labor and social security attorney.

I will also continue to participate in the Nomination & Remuneration Committee, the Sustainability Promotion Committee, and the Company's ESG and TCFD initiatives, working together with our Directors and employees to address these issues. I feel that the Company is aware of its role concerning these issues as a business listed on the Prime Market of the Tokyo Stock Exchange and is actively and constructively addressing them. As these are long-term themes, I am looking forward to engaging in lively discussions about them going forward.

I also receive reports on the contents of other important meetings as needed, and feel that effort is being made in the operation of the Company to ensure transparency in management and to strengthen its governance system.

The history of Nippon Chemical Industrial extends back over 130 years. Without forgetting the efforts of those who have come before, I will consider together with you "What we want to be" and set the pace for further accelerating its growth.



Outside Directors **Takeshi Kenmochi**

I have been appointed as an Outside Director after a six-year gap. Compared to when I was previously appointed, companies are increasingly being asked to enhance their corporate governance and engage in sustainability management to increase their corporate value.

It has been about a year since I began once again participating in Board of Directors and Corporate Management Committee meetings after a long absence. I feel that the discussions within these meetings are more active than when I was previously appointed, and I also have the impression that the Sustainability Promotion Committee is functioning and promoting sustainability management.

I believe that this is the result of President Tanahashi's leadership since taking over the baton seven years ago, including his promotion of coaching within the Company; his efforts to create a climate that encourages dialogue; and his establishment of the Sustainability Promotion Committee, which he himself is the Chairperson of. I also feel that it is the product of the efforts of the management team, which has been promoting the creation of such an organization.

While the Company has been in business for more than 130 years, it has changed what needs to be changed and protected what needs to be protected in order to keep up with the times. To be an enterprise that can continue to change its form as needed, to be a leader in the Japanese chemical industry as a chemical manufacturer that is indispensable to the world, and to grow. This, I believe, is our mission as a company, and is also what our stakeholders require of us. From my standpoint as an Outside Director, I intend to contribute to the increase of the Company's corporate value while providing the support needed to help it adapt to these changes.

Introduction of Officers



Back row from left: Masahiro Ito, Masami Tadasa, Toshiaki Tsuchiya, Manabu Sato, Kazuo Ochiai, Takahiro Nagayama, Masaki Takahashi; Front row from left: Takeshi Kenmochi, Hiroyoshi Aikawa, Hirota Tanahashi, Soichi Toyama, Tomoko Tada

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 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, Managing Executive Officer and in charge of Production Engineering Division and in charge of R&D Division (current position)

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)

Outside Director (Audit and Supervisory Committee member) **Soichi Toyama**

Apr. 1997 Joined the National Tax Agency
 Oct. 2011 Manager, Toyama Tax & Accounting Office (current position)
 Jun. 2017 Outside Director (Audit and Supervisory Committee member) of the Company (current position)
 May. 2018 Supervisory Director, Itochu Advance Logistics Investment Corporation (currently Advance Logistics Investment Corporation) (current position)

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)

Executive Officers ● Masahiro Ito ● Masami Tadasa ● Kazuo Ochiai ● Toshiaki Tsuchiya ● Takahiro Nagayama ● Masaki Takahashi

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)	Soichi Toyama							●	Male
Outside Director (Audit and Supervisory Committee member)	Tomoko Tada						●		Female
Outside Director (Audit and Supervisory Committee member)	Takeshi Kenmochi	●						●	Male

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

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 and disasters 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

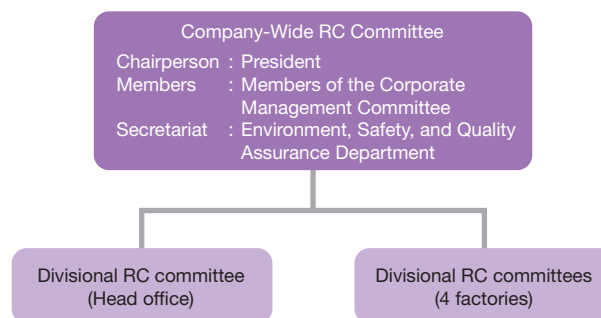
Based on our philosophy and policies, all of us, from management to employees, will be aware of our responsibilities, promote measures to ensure environmental conservation and safety assurance, and strive to improve our relationship of trust with society.

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. Through repeated improvements, we aim to make our drills more effective.

■ Safety and Disaster Prevention Initiatives

Comprehensive Disaster Drill (Fukushima No. 2 Factory)

On October 12, 2023, we held a comprehensive disaster drill in cooperation with the Miharu Branch of the Tamura Fire Department. The training scenario was a fire caused by a leak from the intake pipe of an outdoor tank for hazardous materials, and included reporting the fire to the fire department, first aid for the injured, setting up a self-defense fire brigade, establishing a command post, and firefighting by the fire brigade. After the training, a demonstration of basic life support (CPR and AED use) was conducted under the guidance of the fire department. Without knowledge and training, people are unable to provide proper lifesaving procedures or may hesitate to take action. Understanding that these were important means for protecting the lives of their colleagues, the training participants took things seriously. Through education and training, we will pass on skills to the next generation, increasing awareness and understanding of safety and disaster prevention.



Working to Improve the Level of Safety and Disaster Prevention (Tokuyama Factory)

The Tokuyama Factory handles many hazardous materials, toxic substances, and high-pressure gases. As such, it is important to take appropriate actions at this factory to minimize damage and prevent secondary disasters that could result from natural disasters such as a Nankai megathrust earthquake as anticipated by Yamaguchi Prefecture, tsunami along the Seto Inland Sea coast, a Suonada fault zone earthquake, and tsunami flooding, as well as plant accidents, most notably explosions, fires, and leaks. The factory continuously trains for such various events with the aim of improving the level of safety and disaster prevention, giving top priority to ensuring the safety of employees and the surrounding community.



Comprehensive Disaster Drill (Aichi Factory)

On October 6, 2023, the Kinuura Petrochemical Complex Special Disaster Prevention Area Council held a disaster drill at the Aichi Factory jointly with the factory, Taketoyo Town, and the Chita Chubu Regional Office Union Fire Department. The drill is held on a rotating basis between the seven member companies of the Council. Its purpose is to establish a cooperative system that enables disaster prevention activities to be carried out quickly and smoothly in the event of an emergency, and to raise disaster prevention awareness among the Council member companies.



The roughly three-hour drill consisted of three parts: Evacuation due to a tsunami warning issued as a result of a Nankai megathrust earthquake; initial firefighting, rescue, and first aid at a hazardous materials facility; and a building fire. The participants responded swiftly and the drill strengthened the system of cooperation and coordination. Utilizing the comments and opinions that were shared at the post-drill review meeting, we will continue to enhance our disaster prevention activities and raise awareness of disaster prevention.





Contributing to Local Communities

Community Contribution Initiatives

At each of our factories, we conduct tours and hold dialogue meetings with local residents on an ongoing basis. As a member of our local communities, we are committed to contributing to engaging in community contribution activities for the betterment of society.



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



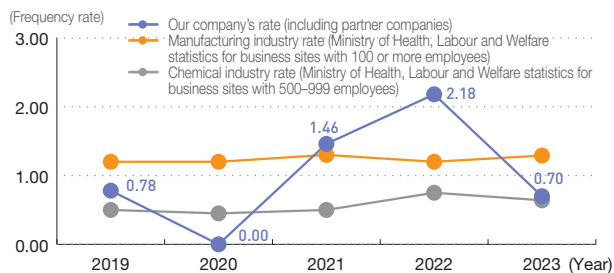
A science talk held at the Aichi Factory featuring fun and interesting chemical reaction experiments

Occupational Health and Safety

Occupational Health and Safety Initiatives

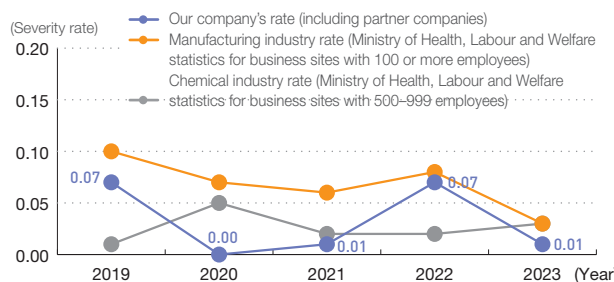
At each of our locations, every employee takes personal responsibility and engages in activities such as near-miss activities, hazard prediction training, and workplace patrols. Labor and management are working together to prevent occupational accidents and illnesses.

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.

Safety Initiatives

Training for Persons in Charge of Wearing and Managing Protective Equipment at the Time of Their Appointment (Head Office)

When handling chemical substances, it is necessary to correctly select, use, maintain, and manage protective equipment based on an understanding of its hazards, and persons in charge of wearing and managing protective equipment provide instruction and guidance in this area. The Head Office invited an outside lecturer to conduct training on this topic on March 21, 2024. Fifteen participants, mostly researchers, learned about related laws and regulations, the wearing and management of protective equipment, and mask fit testing.

Going forward, we will strive to improve safety in the handling of chemical substances while applying the knowledge acquired in the training.



Training for persons in charge of wearing and managing protective equipment at the time of their appointment.

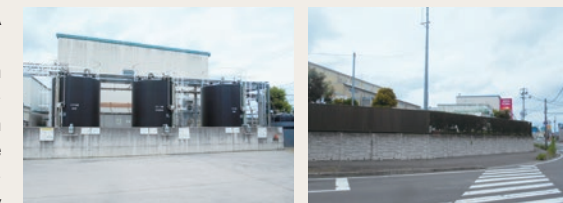
Messages from Factory General Managers

Aiming for a Sustainable and Better Society



General Manager, Fukushima No. 1 Factory Yasuhiro Nakaoka

The Abukumagawa River, a Class A river that flows near the Fukushima No. 1 Factory, has flooded many times in the past, and the factory site is designated as being in a flood risk area on hazard maps. For this reason, we have long taken various flood control measures at the factory. When the factory was rebuilt in the late 1990s, we raised the site and also raised the foundations of the buildings above a certain height to ensure that they would not be flooded in the event of the kinds of floods anticipated in the area. We have also taken measures to prevent the spillage of chemicals due to flooding by building a levee around our outdoor poisonous and deleterious substance tanks. We will continue working to anticipate risks posed by flooding and take measures to address them.



An example of flood control.



General Manager, Fukushima No.2 Factory Kenichi Ishikawa

The Fukushima No. 2 Factory manufactures organic and inorganic chemicals from a wide variety of chemical substances. The manufacturing processes generate a variety of wastewater and drainage, which can have an immense impact on the environment if not properly treated before being discharged into the river. For this reason, we operate a detoxification treatment facility under appropriate conditions and engage in constant monitoring of the water we discharge. We have an agreement with the town regarding the quality of water to be discharged, and while it is a matter of course to comply with the agreed values, we are working to strengthen our management to further reduce the environmental impact. We are determined to prevent water pollution, and we will continue to operate our detoxification treatment facility and thoroughly maintain it and our other facilities.



The detoxification treatment facility is thoroughly maintained and managed.



General Manager, Aichi Factory Shinsuke Miyabe

An M8-9 class Nankai megathrust earthquake has a 70-80% chance of occurring within the next 30 years (as of January 24, 2020), and the Aichi Factory is located in a municipality designated as a disaster-prevention zone for this kind of earthquake. For this reason, the factory has prepared an earthquake response manual that places the highest priority on securing human life, and conducts evacuation drills on a regular basis to prepare for a large-scale earthquake. In addition, as a chemical factory, it is important to prevent secondary damage from chemical substance leaks in the event of an earthquake, so we are working to strengthen our chemical substance management. We will continue to raise awareness and improve our level of disaster prevention through drills, and establish recovery methods in the event of a leak to minimize damage and prevent secondary damage.



Yellow phosphorus leakage training.



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. We are the only factory in Japan whose main product is chromium compounds, and we meet the majority of domestic demand for plating and surface treatment materials. There are set environmental standards (covering water quality, soil, and groundwater) for chromium compounds. In 2004, the effluent standards were revised. We set even stricter standards in our agreement with Shunan City and have been managing our wastewater accordingly. We will continue to engage in activities to reduce our environmental impact for the sustainable development of society.



A panoramic view of the factory and the wastewater treatment facility.



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.

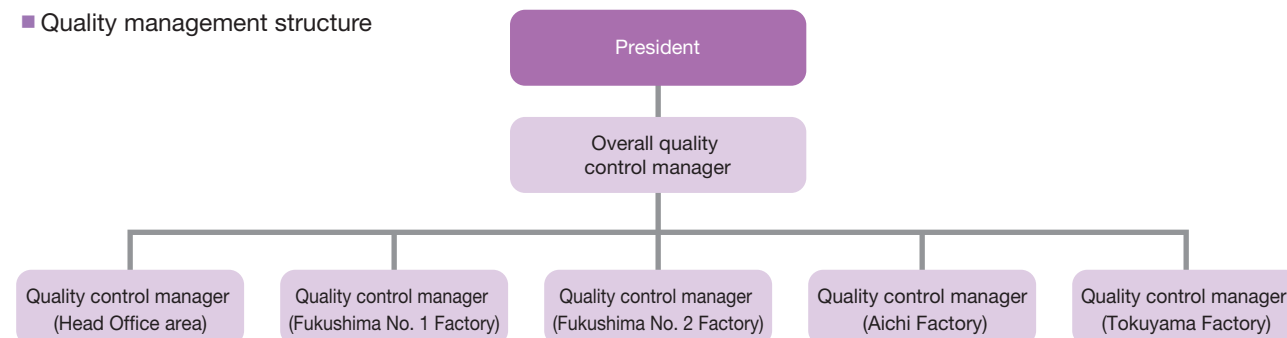
We will contribute to the realization of a sustainable society with our outstanding products, goods, and services.

- 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.
- 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 improve 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 structure



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 product 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 37 circles reported their activities, and five circles, representing their factories, made presentations at a QC circle convention.



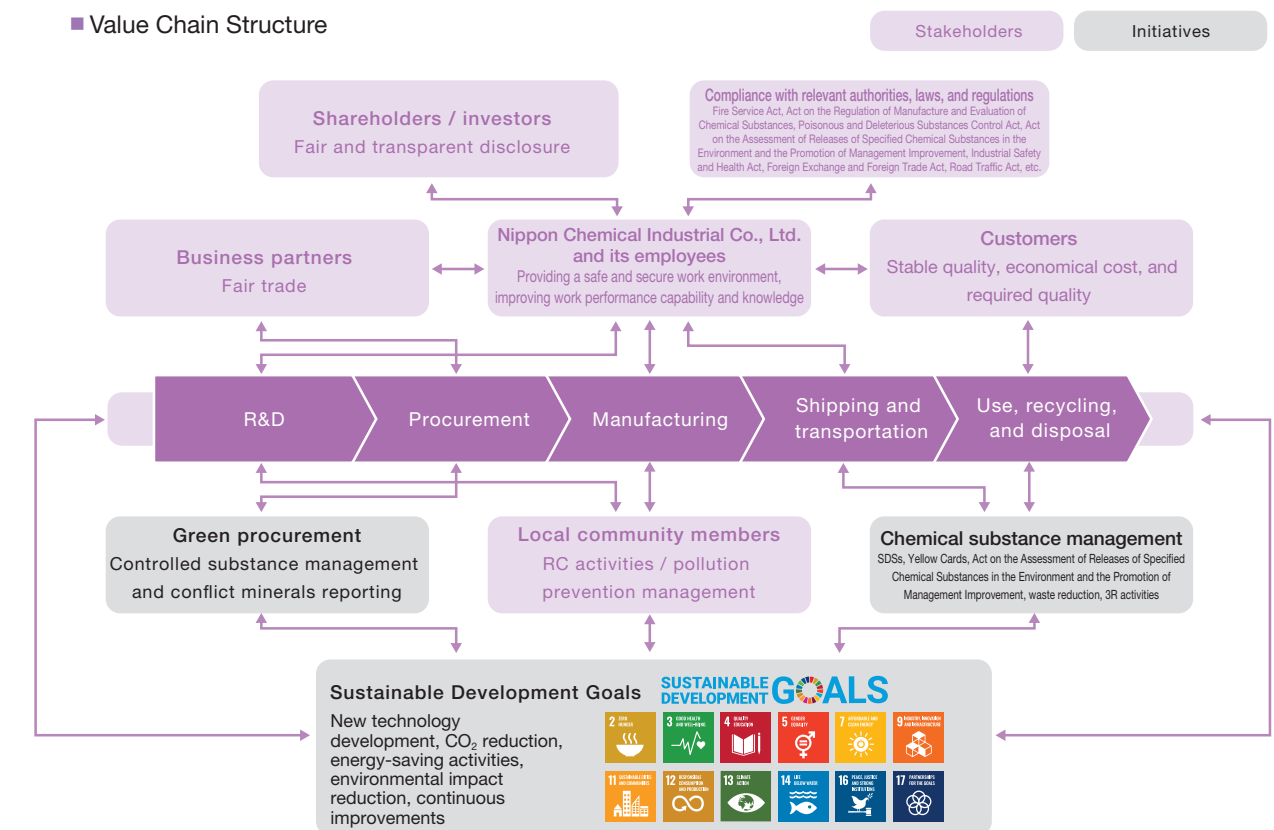
A presentation being made at the QC circle convention.

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





We promote procurement activities aimed at realizing a sustainable society. We build long-term relationships of trust with our suppliers to ensure fair, just, stable, and responsible procurement.

Sustainable Procurement

We are promoting sustainable procurement to fulfill social responsibilities in our supply chain and realize a sustainable economy and society.

We ask our business partners to understand our policies regarding the procurement of raw materials and supplies and to work with us on key procurement themes for realizing sustainable society.

Nippon Chemical Industry Co., Ltd. Procurement Policy

With the understanding of our business partners, Nippon Chemical Industrial Co., Ltd. will engage in procurement represented “compliance with laws and regulations”, such as “fairness and justice”, “building partnerships” and “consideration for the environment and safety” aimed at “building a robust supply chain” as outlined in our Sustainability 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

We consider reducing environmental impact, resource conservation, safety, human rights, etc.

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 CSR Survey Results

- Implementation period: October to November 2023
- Survey subjects: 32 suppliers (worldwide) accounting for 90% of purchase amounts in FY2022
- Response rate: 75% (24/32 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

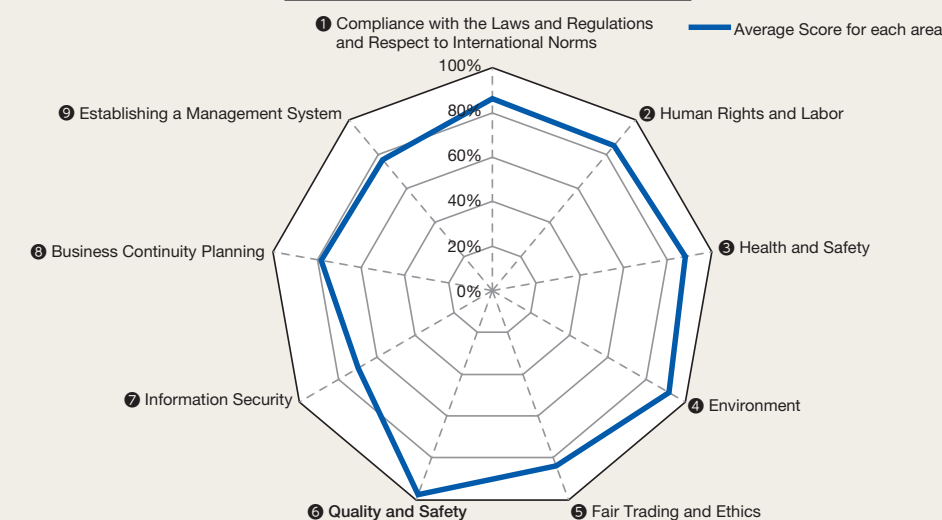
● Reporting survey results:

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 held 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/50261-05-08-tokyo.pdf)

<https://www.biz-partnership.jp/declaration/50261-05-08-tokyo.pdf>



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 re-organization of important organizations, and reformations of personnel systems), and confirms progress.

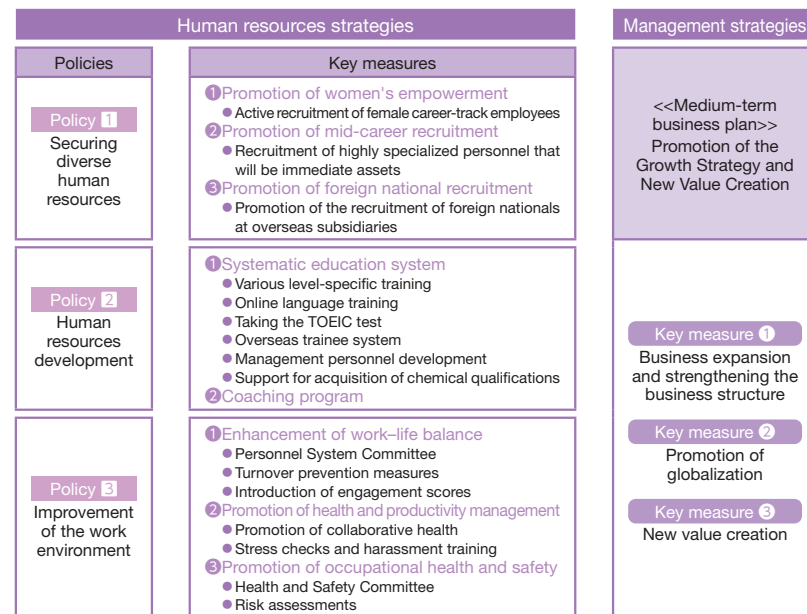
In addition, the Corporate Management Committee reports regularly to the Board of Directors, which monitors and supervises the contents of the reports.

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.



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.

<<Promotion of Women’s Empowerment>>

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 11.1% as of March 31, 2024, 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.

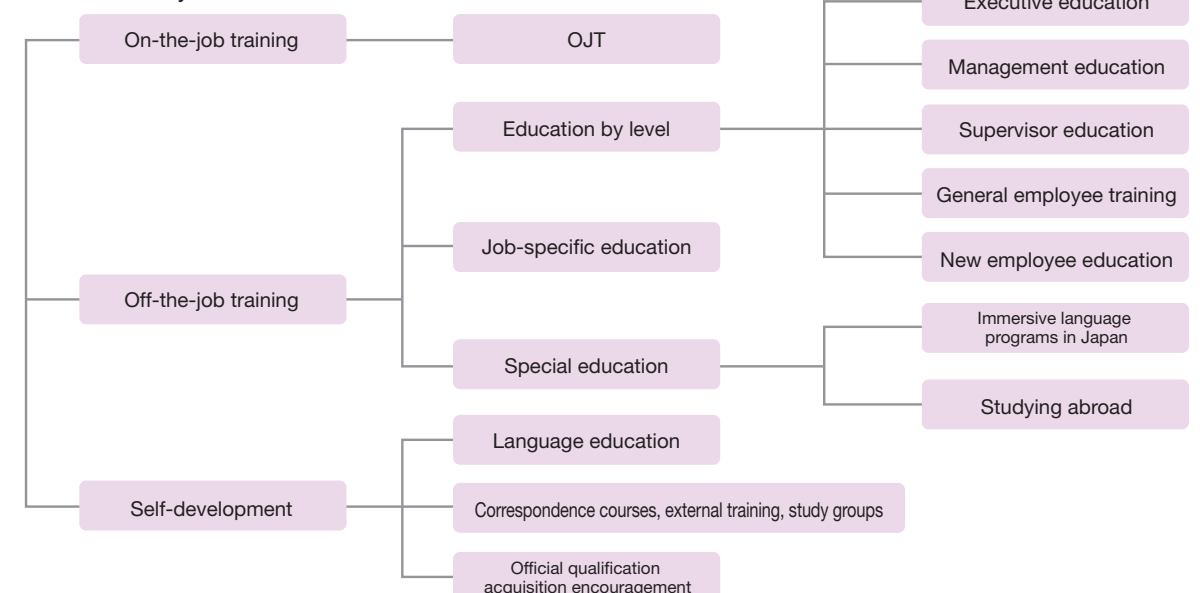
<<Systematic Education System>>

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



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"> ● Goal achievement management ● (Creative) problem solving ● Creating a vibrant workplace ● Leadership ● Building management strategies
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.	Common expertise and capabilities	<ul style="list-style-type: none"> ● Principles of management ● Decision-making ● Organizational activation ● Subordinate leadership ● Problem-solving abilities
10-15-year employees	Leadership level employees	Supervisor Education	The purpose of this education is to acquire the knowledge, skills, and techniques necessary for the performance of duties in the workplace as a supervisor, and is provided to employees in career-track and full-time leadership positions.		<ul style="list-style-type: none"> ● Project management ● Logical thinking skills ● Junior leadership skills ● (Latent) problem-solving skills ● Self-expression and persuasion skills ● Work management skills (planning) ● (Manifest) problem-solving ability ● Operational improvement
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"> ● Professionalism (costs, cooperation, discipline, and awareness of actions) ● Planning and conceptualization skills
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	<ul style="list-style-type: none"> ● Basic knowledge ● Independence, objective viewpoint ● Reporting, communication, and consultation ● Motivation ● Communication skills
Time of employment	New employees			Business etiquette	<ul style="list-style-type: none"> ● Frame of mind ● Business etiquette

<<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.

3 Improvement of the Work Environment

We aim to create a workplace where employees are satisfied, respect each other, and feel safe psychologically.

<<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. Self-Assessment System

We have a once-a-year self-assessment system, one of whose objectives is to improve the work environment. For assessments that tie into the improvement of the work environment, 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, this system provides an opportunity for women to suggest, from their unique perspective, what they would like the Company to work on in order to create a work environment in which women can work comfortably and for a long time. In the future, while maintaining this system, we are considering introducing the measurement and application of engagement scores in order 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, raising the limit of accumulated annual leave to 50 days, introducing 10 days of paid childcare leave for men, introducing hourly-based usage of annual leaves, 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 nine consecutive years, and following a 3.32% increase in 2023, increased wages by 5.96% (average for union members) in 2024.

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 Precious Leave to Experience the Growth of My Children Firsthand


T.I, Fukushima No. 2 Factory



We have two children in our family born a year apart, and when one of them is sick or needs vaccinations or medical checkups, my wife and I need to watch each child, so we make use of the Company's nursing leave. This system provides up to 10 leave days that are separate from annual paid leave, making it easier to engage in childcare. I am happy to be able to experience firsthand the growth of my children, such as the fact that my son, who used to cry every time when he started receiving vaccinations, is now able to receive his shots without crying.

VOICE Taking Postpartum Father's Leave

H.M, Head Office



When my first child was born, I took advantage of the Company's postpartum father's leave system and took a total of one month off from work. This time was extremely valuable to me. I was able to help my wife with the childcare, even if only a little, while she was still recovering from childbirth; spending all day engaged in childcare taught me many things; and I was able to secure precious time to be with my child during the short period of infancy.

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 Target	FY2023 Results	FY2022 Results
Policy 1 Securing diversity	Promotion of women's empowerment	Percentage of female hires (Note 1)	30% or more	22%	16%
	Promotion of mid-career recruitment	Percentage of mid-career hires (Note 2)	20% or more	10%	25%
Policy 2 Human resources development	Systematic education system	Online language training enrollment rate (Note 3)	30% or more / year	25% / year	6% / year
		No. of persons with recommended engineering qualifications (Note 4)	10 / year	—	—
Policy 3 Improvement of the work environment	Promotion of health and productivity management	Specific health guidance implementation rate	100%	88%	74%
		Paid leave uptake rate	85% or more	81%	76%
	Enhancement of work-life balance	Rate of men taking parental leave	100%	93%	100%
		Personnel System Committee meetings	6 or more / year	6 / year	3 / year
	Promotion of occupational health and safety	Rate of employee lost-work-time injuries	0	2	1

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 (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.



Special Feature

Nippon Chemical Industrial's Human Capital Management

It is our people and technology that have enabled us to stay in business for over a century, and as such we are committed to investing generously in the human resources that support our growth with the aim of increasing our corporate value over the long term.

Director, Managing Executive Officer

Hiro Yoshi Aikawa

Engaging in the Kind of Human Capital Management That Is Best for Nippon Chemical Industrial

I believe that a company grows by maximizing the use of the capital it holds to create new value. Among the various types of capital, human capital is particularly important. In our aim to increase our corporate value over the long term, it is important that we clearly define a unique approach to human capital management that best suits Nippon Chemical Industrial, and that we ensure it is firmly entrenched as a part of our corporate culture.

We view human capital management as a five-step process consisting of: (1) Respect for the individual, (2) Individual growth, (3) Organizational growth, (4) Evolution of management strategy, and (5) Corporate growth. We believe that respect for the individual is the first and a key step in nurturing diversity and in turn creating new value by recognizing the strengths, skills, and values of individual human resources. For example, in the context of women's empowerment, I believe that by exchanging opinions based on mutual recognition of differences in gender values, new perspectives will emerge. Per the President's proposal, we are currently using coaching as a method for human resource development that is uniquely suited to Nippon Chemical Industrial, and in this initiative, we have made a deliberate decision to match together employees from different departments. Indeed, bringing together employees with different perspectives and ideas is having a positive

effect, giving people the chance to consider things from the perspective of another's values and further broaden their own view. Through this process, individuals independently seek to improve their knowledge and abilities and obtain necessary information. This is the next stage—individual growth. Individuals who have experienced this growth help their department, their team, and other organizations to grow. Departments and teams cannot fulfill the missions assigned to them without improving their capabilities as an organization. Furthermore, I believe that management strategies cannot evolve without a system for cross-divisional cooperation. In order to link organizational growth to the evolution of management strategy, I believe it is important to nurture leaders who can bring together the opinions of each organization in discussions, and it is necessary that we create a virtuous cycle in which the leaders that we have developed in turn further improve the organization itself.

In the sense of linking respect for the individual to, ultimately, corporate growth, I recognize that it is important that we develop and execute our management strategies within this kind of virtuous cycle. Further, while visualizing this process, it is necessary that we also invite our stakeholders to observe and give us their opinions through investor and shareholder relations so that we can feed their views back into the process to propel and evolve it further.



Developing Superior Human Resources Based on Six Points of Focus

In order for a B2B company like ours to establish an advantageous position versus domestic and overseas competitors, the need for high quality and high performance is a given. Moreover, however, it is essential that we pursue reliable and effective raw material procurement, production processes, delivery systems, and product safety, and that we closely coordinate our development, production, and sales processes so that we can respond flexibly to changes in the business environment and to customer needs. Therefore, I hope that each employee develops a mindset of being a member of a highly productive organization. My definition of a highly productive organization is one that not only pursues economic efficiency, but also possesses the strength to accomplish its mission with each individual having a clear understanding of their responsibilities. In order for a person to grow, it is important to be in an environment where they can work while constantly questioning whether they are doing what they should be doing. I also believe that the most important thing is to have an organization that makes people feel that they are the ones who can create such a work environment.

As a company committed to sustainability management, we want to be an enterprise that contributes to solving social issues through our core business. We also believe that products that contribute to solving social issues are born from meeting the increasingly sophisticated and diverse needs of our customers. It will become increasingly important in the future to develop human resources who are able to engage in deep dives into the highly specialized and unique proprietary technologies that we have accumulated, explore what functions and systems could be combined with these technologies to create new solutions, and judge their business potential from a technological perspective.

New technologies are often created by combining different materials and fusing technologies from different fields in order to expand functions through increased diversification and complexity, and this requires one to venture into uncharted areas with a broad perspective. For this reason, we especially require our technical employees to hone their understanding not just of their areas of expertise but also of other fields as well.

Six Points of Focus for Human Resource Development

- 1 Being part of a highly productive organization
- 2 Honing understanding in areas of expertise and different fields
- 3 Job rotation system
- 4 Connections and discernment
- 5 Communication
- 6 Improvement of engagement



In order for Nippon Chemical Industrial to continue to grow, I believe it is important that we nurture human resources willing to take on new challenges and proactively engage in development and improvement activities that will lead to increased value. Therefore, it is important that we develop human resources who will raise our level of required expertise, not only in the field of chemical technology, but also in other areas of the organization, and who can judge the quality and effectiveness of their efforts, and engage in robust discussions both within the company and in negotiations with customers. It is also my hope that such human resources will grow to become individuals who understand that business is made up of the interconnected work of different organizations, and who are able to recognize cross-divisional issues and come up with solutions. To this end, we are implementing a job rotation system in which we hope that by experiencing the work of several departments, our human resources will come closer to understanding the overall picture of our business and develop their abilities to solve problems.

In human capital management, it is important to nurture the next generation of management. The kind of person I envision as being suitable for the next generation of management is not simply someone who can do the job, but who also possesses expertise and who can skillfully manage the various

Improving Employee Engagement

As a manufacturing company, we used to require a lot of manpower in our production departments. However, as times have changed, the number of employees we have working in back-office departments, including in such areas as quality inspections, safety measures, and legal compliance, has increased. Further, now that we are engaging in sustainability management, it has become essential that we have

connections involved. In order to nurture the next generation of management, we intend to implement measures to actively rotate employees through various jobs so that they can gain experience when they are one step away from becoming a manager, a stage when they do not have major responsibilities. And as part of this, I want them to think about how the results of each division are connected to the development of the Company as a whole, and to grow as people who can manage these kinds of connections. On the other hand, among those engaged in mastering a specialized field, there are always a given number of people who are not good at management. These personnel have often been responsible for development work of a particularly specialized nature. I believe that the seeds of new businesses cannot be nurtured without professionals who dedicate themselves entirely to the exploration of promising technologies, and possess the ability to discern good technologies from bad. From the perspective of human capital management, we are developing measures to increase the motivation and job satisfaction of such specialist, including conducting evaluations that properly take into account factors such as achievements in new product development, technical leadership, academic presentations, and intellectual property activities.

employees with knowledge that would not have been necessary in the past, such as personnel responsible for information disclosure in line with external evaluation organizations and initiatives, and those who respond to requests for surveys from business partners. We are now keenly aware that we need diverse human resources not because society demands it, but because they are essential to

running our business. Even though the work they do each day may differ from that of those engaged in manufacturing, what they do is still important for the development of Nippon Chemical Industrial. I believe that each and every employee working in all of our divisions and departments needs to realize the importance of his or her own work and, with a high degree of self-awareness, engage in implementing a steady stream of improvements and refinements. It was based on this line of thinking that we incorporated coaching, a method to encourage employees to act on their own initiative, as a measure to develop our human resources, and we have made the decision to train in-house coaches to further enhance communication within the Company. Through this, we hope to stimulate communication within the Company, strengthen dialogue and problem-solving skills, and create an atmosphere conducive to discussion, thereby enhancing the strength of our organization.

On the other hand, we are focusing on health and productivity management as well as work-life balance to improve employee engagement. Most recently, as a result of our efforts to encourage

male employees to take childcare leave, which is now being institutionalized through legal reforms and other measures, we were able to achieve a 100% rate of male employees taking childcare leave in FY2023. Due to the nature of our industry, we have a high ratio of male employees, and it may be difficult for us to maintain this figure, but in addition to of course focusing on women's empowerment, we will continue to make every effort to improve the work-life balance of our male employees as well. Furthermore, in FY2024, we will resume conducting meetings between management and factory workers, which were interrupted due to the COVID-19 pandemic. These meetings were held in order to hear firsthand opinions from workers on the front lines about operational problems, requests concerning the work floor, and actual examples of problem solving at each production site. They were a particularly valuable opportunity for direct dialogue between management at the Head Office and younger workers at our business sites. It is my hope that the resumption of these meetings will promote mutual understanding and the exchange of values.

Aiming for an Upward Spiral in Our Human Capital Management

Running on the two wheels of people and technologies, Nippon Chemical Industrial got to where it is today by delivering new technologies and products needed by customers and society. In order to continue to meet the demands of our customers and society, we must not allow ourselves to be content with the technologies we have cultivated to date, but rather must nurture a foundation for producing large volumes of human resources who understand new technological fields and who have a high level of technical sense.

Recently, human capital management has been attracting a great deal of attention both in Japan and abroad, and Nippon

Chemical Industrial, having been in business for more than 130 years thanks to its people and technologies, views this trend as an opportunity. Aiming to increase our corporate value over the long term, we will continue to invest generously in increasing the abilities, experience, and motivation of the people who support our growth. We would also like to further enhance our information disclosure regarding our human capital and increase opportunities for dialogue with stakeholders, and, by reflecting the insights and realizations gained through dialogue in new human resource strategies, create a gradual upward spiral of improvement in our human capital management.



Initiatives for Environmental Impact Reduction

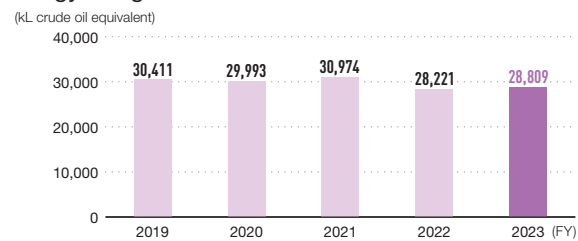
In light of the world's increasingly serious environmental problems and the promotion of sustainability management, we will continue to engage in energy-saving activities, the effective use of resources, and activities to reduce emissions of environmentally hazardous substances.

Environmental Conservation

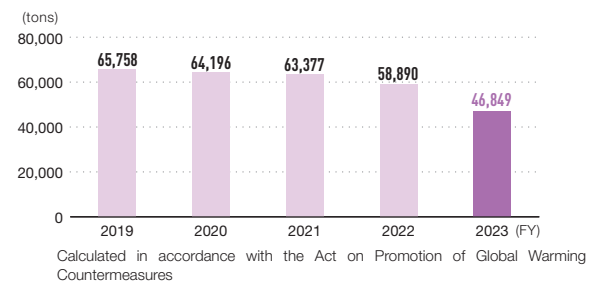
Energy-Saving Initiatives

In FY2023, we were able to maintain operation rates in our production activities while engaging in energy-saving activities, and our energy consumption remained flat compared to the previous year. We were also able to greatly reduce our CO₂ emissions through the use of renewable energy. 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



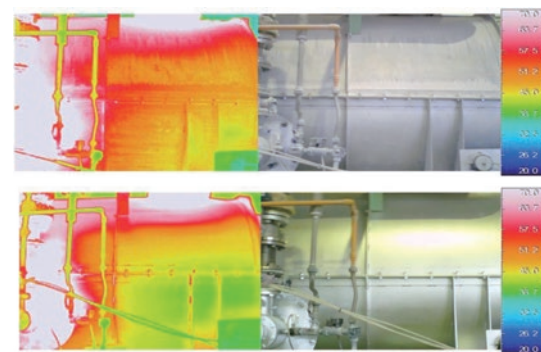
CO₂ Emissions



Energy Conservation Activities at Fukushima No.1 Factory

Energy Conservation Activities Through the Maintenance and Management of Facilities (Fukushima No. 1 Factory)

The main energy sources used at our Fukushima No. 1 Factory are electricity, liquefied petroleum gas, and city gas. To promote energy conservation, we are introducing energy-saving equipment such as LEDs, inverters, and drain traps. Another effort of ours has been the application of thermal barrier coatings to control heat dissipation from the surfaces of furnaces. We have confirmed that after coating application, heat dissipation has been suppressed, contributing to energy conservation, and 12 units have had coatings applied so far. Thermal barrier coatings also suppress the radiation of heat out into the rest of a factory, making it an effective way of keeping factories cooler, as well. Going forward, we will continue to use a variety of methods to promote energy conservation.

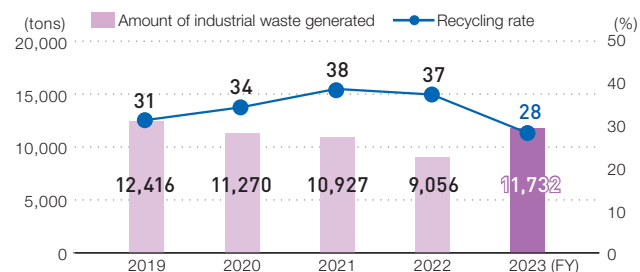


Comparison of furnace surface temperatures before and after coating (top: before coating; bottom: after coating).

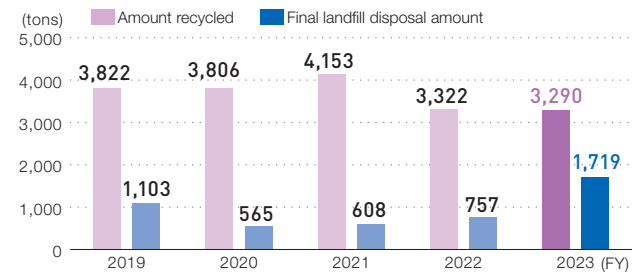
Industrial Waste Reduction

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

Amount of Waste Generated and Effective Utilization Rate



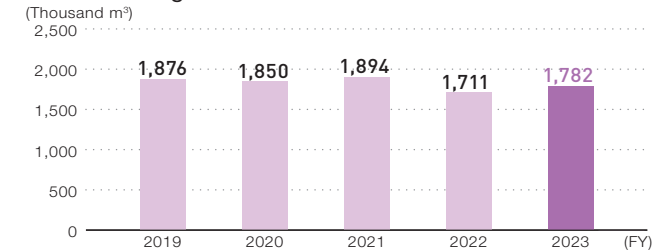
Amount of Waste Recycled and Final Landfill Disposal Amount



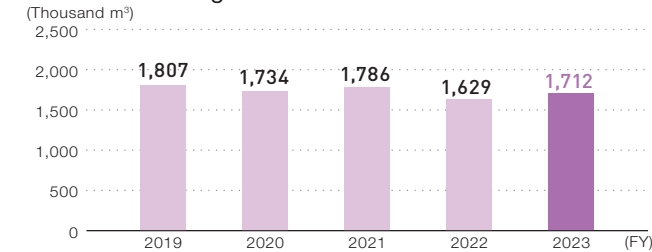
Water Security

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



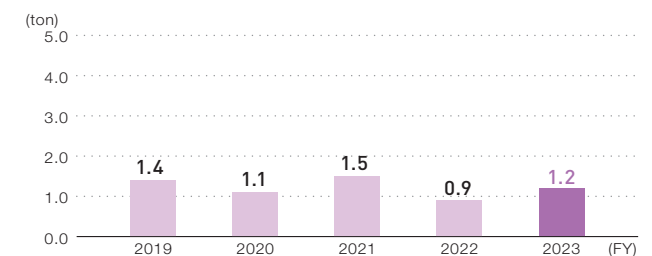
Water Discharge



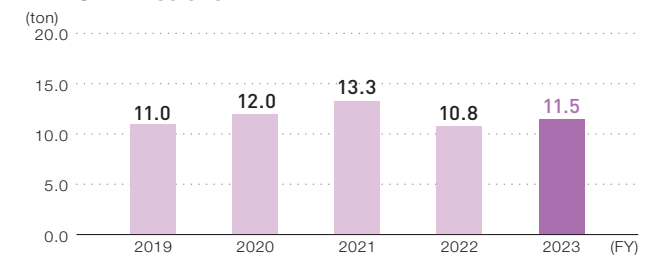
Reduction of Air Pollutant Emissions

Our regular monitoring confirms that we are in compliance with regulations as well as values agreed upon with local authorities. Although there were fluctuations depending on operating conditions, our emissions were on an overall slight upward trend.

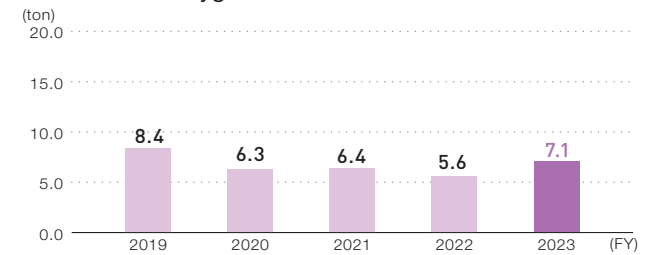
SO_x Emissions



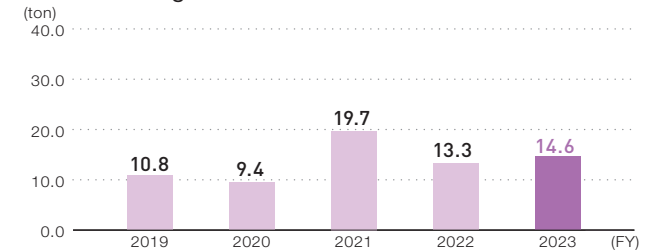
NO_x Emissions



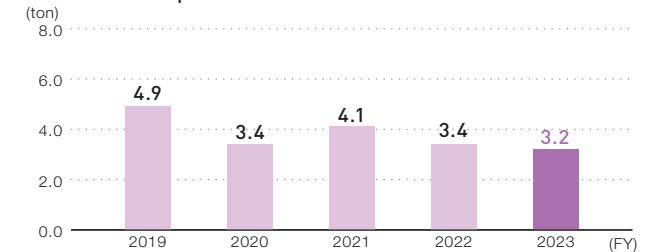
Chemical Oxygen Demand Emissions



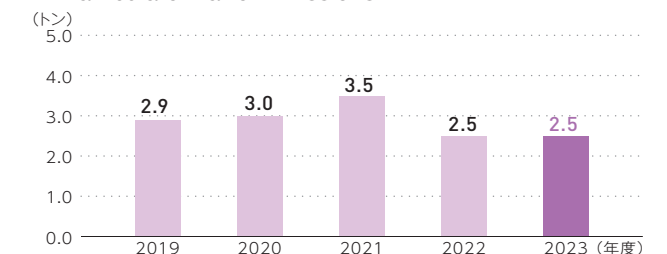
Total Nitrogen Emissions



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)	2019	2020	2021	2022	2023
Atmosphere	6.3	6.0	5.7	4.2	1.7
Water bodies	0.1	0.1	0.1	0.1	0.1
Total	6.4	6.1	5.7	4.3	1.8



Addressing Climate Changes

Information Disclosure Based on TCFD Recommendations

The impact of climate change on society is becoming increasingly serious with every passing year.

The international community is accelerating efforts to build a decarbonized society and companies are also being asked to reliably support these efforts.

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 fiscal year 2030 by 23 percent over fiscal year 2020. We define products that help solve environmental issues and products that help improve the environment throughout their life cycles as environmental contribution products and have established a policy of proactively supplying the market with these products.

In order to ensure that every one of our stakeholders understand the contents of our activities, we will continue to disclose information related to our climate change initiatives and work to increase our corporate value.



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 to promote activities that reflect a sense of urgency.

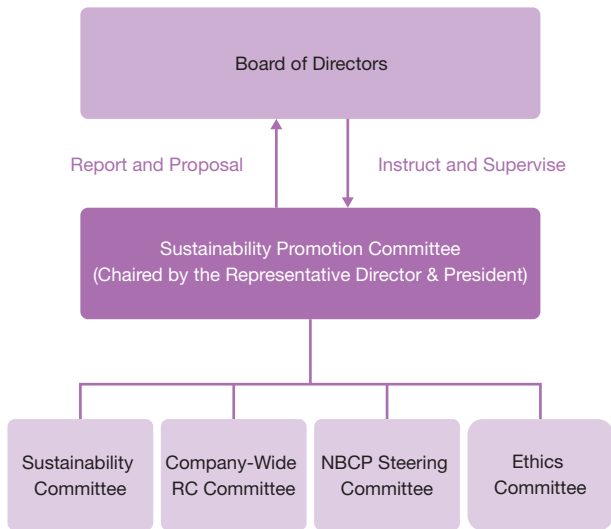
Chaired by the Representative Director & President, the Sustainability Promotion Committee deliberates on the basic policy on sustainability and other matters related to sustainability.

The Sustainability Committee was established under the direct control of the Sustainability Promotion Committee, in this Committee we promote initiatives related to sustainability, including those that address climate change and our recycling-oriented society and one that involves the certification of environmental contribution products.

The Board of Directors receives reports on and

proposals concerning important matters deliberated on by the Sustainability Promotion Committee and also instruct and supervise policies on and action plans for addressing climate change-related issues.

Governance structure



Strategy

The 1.5°C scenario^{*1}

In this scenario, aggressive measures will be taken to combat climate change to keep the increase in 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 Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA), the parameters for estimating the impact of climate change is used to set.

The 4°C scenario^{*2}

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.

*2: 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.

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 work is spurred on by the rise in innovation for decarbonization in our growth areas of electronic ceramic materials and such functional materials as conductive adhesives for RFID tags, by the demand increase for our environmental contribution products. In addition, the Company regards the reduction of CO₂ emissions generated by our production processes as an important issue and is working on reducing CO₂ 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 CO₂ emissions tied to raw materials by communicating with our suppliers.

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.

◎ : 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	
Climate change 1.5°C scenario	Policies, laws, and regulations	Tightening of regulations governing GHG emissions and environmental considerations	Incurrence of costs to comply with regulations and costs to transition to decarbonization	△		Medium to long term	
		Introduction of carbon tax and emissions trading	Incurrence of costs to introduce a carbon tax and emissions trading	◎		Medium to long term	
		Rapidly promoting the transition to a low-carbon, decarbonized world	Incurrence of costs to make capital investments and convert to renewable energy	△		Short to medium term	
	Markets and technologies	Declarations of carbon neutrality made by industry associations and governments	Promoting CO ₂ reductions through the use of renewable energy		○		Short to medium term
		Developing and promoting the spread of decarbonization-related products	Increase in demand for various environmental contribution products downstream and increase in demand for and revenue from products that we provide and that are used as materials for such products		◎		Medium to long term
		Soaring resource prices	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
Climate change 4°C scenario	Reputation	Stricter evaluations of companies that have not yet decarbonized and that are emitting large volumes of CO ₂	CO ₂ reductions are sought across the entire value chain in downstream industries and demand fluctuates due to initiatives taken by us and our production lines	○	○	Medium to long term	
		Changes in precipitation and weather patterns (increase rainfall and rising average temperatures)	Ensuring the safety of employees in the face of increased rainfall	△		Long term	
	Acute	Risk of reduced sales and impairment losses affecting production facilities due to shutdowns or lower production	Risk of reduced sales and impairment losses affecting production facilities due to shutdowns or lower production	△		Long term	
		Disruptions in the supply of raw materials due to natural disasters	Disruptions in the supply of raw materials due to natural disasters	○		Long term	
		Intensification and increase in the number of extreme weather events (typhoons, wildfires, flooding, and severe storms)	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 is highly probable



Risk Management

The body deliberating and making decisions on risk management matters in the Company is the Sustainability Promotion Committee. In addition, the heads of departments and plants are tasked with addressing risks as instructed by division heads in accordance with directives issued by the Sustainability Promotion Committee.

Risks and opportunities related to climate change are also seen as an important issue and are subject to discussions and studies spearheaded by the Sustainability Committee. The Sustainability Committee ascertains and assesses the impact of climate change, analyzes scenarios based on the TCFD framework, and identifies climate change risks and opportunities. Reports and proposals concerning the state of the management of climate change risks and serious climate change risks that have been identified are issued to the Sustainability Promotion Committee.

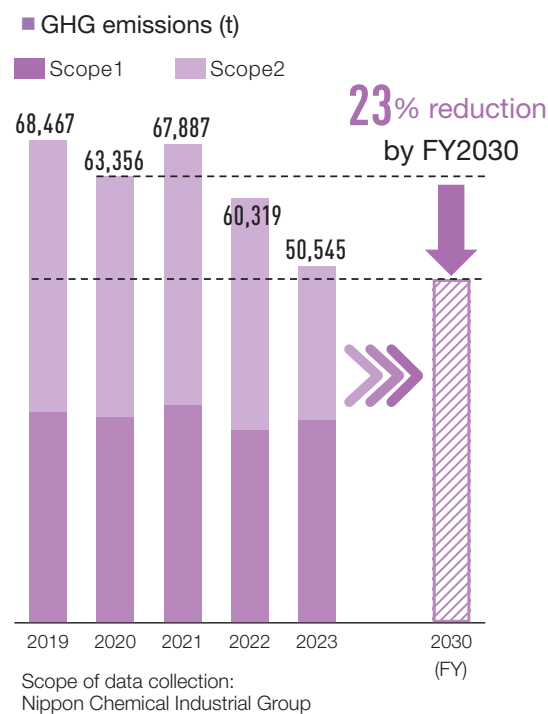
In addition, we introduced an internal carbon pricing (ICP) system in April 2024 to quantitatively assess climate change risks. In capital investment plans for low-carbon and decarbonization facilities, we make use of ICP (3,000 yen/Mt-CO₂) to convert costs and use this as a metric for investment decisions.

Metrics and Targets

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 CO₂ emission reduction levels required under the Paris Agreement and with a view to realizing a decarbonized society, we set a target for Scopes 1 and 2 emissions of a 23 percent reduction by FY2030 over the 63,356 tons of emissions recorded in FY2020.

The Company 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.



Breakdown of Scope 3 by category

Scope/Category	Category	FY2021 CO ₂ Emissions (t-CO ₂)	FY2022 CO ₂ Emissions (t-CO ₂)	FY2023 CO ₂ Emissions (t-CO ₂)	
Scope 3	Total for all categories	264,573	212,874	190,722	
Breakdown of Scope 3	Category 1	Purchased goods and services	197,152	163,369	145,798
	Category 2	Capital goods	12,898	13,185	8,260
	Category 3	Fuel- and energy-related activities *Not included in Scopes 1 and 2	12,075	10,986	9,367
	Category 4	Upstream transportation and distribution (Procurement logistics, horizontal logistics, and shipping logistics for which the company is the shipper)	37,466	19,587	21,202
	Category 5	Waste generated in operations	517	600	816
	Category 6	Business travel	129	222	318
	Category 7	Employee commuting	468	588	676
	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	3,867	4,338	4,286
	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.

The Group's CO₂ emissions are calculated in accordance with the GHG Protocol and are verified by a third-party organization to improve reliability and transparency.

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.

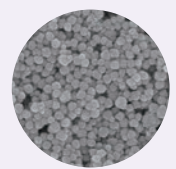
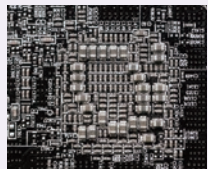


We recently established a system for certifying products that help solving environmental issues, and improving the environment throughout their life cycles—from the stage at which raw materials are extracted to the stage at which the final products are disposed of—as environmental contribution products and internally certified five 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 CO₂ 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)

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 ₂ emissions.	
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.	 Circuit board onto which MLCCs mounted
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 ₂ emissions. SMERF is used with RFID tags integrated into not just PET substrates but also paper substrates, thereby facilitating environmentally-friendly product design.	  Product management using RFID tags



Product name	Effects (grounds for certification)
Cuprous Oxide	<p>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 CO₂ emissions. The recycled raw material is used mainly in the Cuprous oxide process of us and this help reducing our environmental impact.</p>   <p>A vessel to which ship-bottom paint has been applied</p>
EXPERT	<p>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 CO₂ and environmental impact reduction. The key material that demonstrates the rust prevention effect was developed within our group companies.</p>   <p>A bridge to which the anti-rust paint has been applied</p>

Collaboration with Customers to Reduce CO₂ Emissions

We are working with our customers to reduce CO₂ 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 CO₂ emissions at our Fukushima No.1 Factory with our customers. We have jointly formulated a plan to reduce annual CO₂ emissions by approximately 86 t-CO₂ and have been implementing reduction activities. We will continue to enhance and expand our reduction activities with our customers to reduce CO₂ emissions.



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



Manufacturing facilities at the Fukushima No. 1 Factory

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

人を大切に、技を大切に
化学に新しい風

私たちは国内唯一のクロム製造メーカーです
130年の歴史が育む高い品質と供給安定性を誇り
無水クロム酸の国内シェアNo.1を誇ります

私たちは循環型社会の構築を目指し、クロム廃液の再生に取り組んでおります
国内製造拠点がからこそ可能なクロム廃液の再生を進めます

めっき工場・表面処理関連工場
クロム製品
めっき廃液
再生クロム製品の供給
クロム製品
めっき廃液の回収
再生処理
日本化学工業(株) 徳山工場

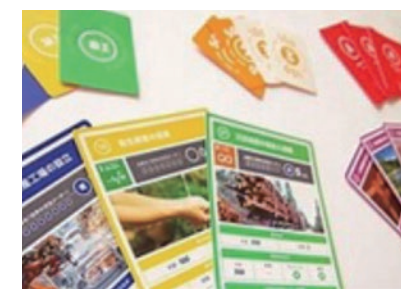
日本化学工業株式会社

本社 〒136-8515 東京都江東区亀戸9-11-1 ☎03(3636)1811(国内)
化学品営業部 第二グループ ☎03-3636-8146
https://www.nippon-chem.co.jp/contact/contact_products.html

2030 SDGs Workshops

In order to promote sustainability internally, we held eight 2030 SDGs Workshops incorporating a card game (provided by the nonprofit corporation Imacocollabo) at our Head Office and factories between November 2023 and June 2024. The workshop held at the headquarters 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.



One of the SDGs workshops being held at our factory



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

- "I had been vaguely aware of the SDGs as a concept, but through the workshop, I was able to understand the underlying ideas as well as the global trend of emphasizing them in business, and I am glad I participated."
- "I liked that we were able to experience via simulation how each person's actions have a definite impact on the world."
- "I was able to experience in a more personal way how human behavior affects the environment and society, but when I thought about what I could do now, it also made me realize how difficult it would be."



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 CO₂ 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.

Social Contribution Activities at Each Location

Community Clean-up Activities

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

We clean up the area around Fukushima No. 1 Factory once a month. This allows users of commercial facilities facing this plant and local residents to use this area comfortably.

Those of us belonging to Fukushima No. 2 Factory participate in the Sakura-no-Sato Clean-Up Operation as organized by the Sakura Lake Watershed Cooperative Network (Course around the Miharu Dam).

Aichi Factory participates in the Major Waterfront Clean-Up Operation as organized by Campaign of bright society creation in Taketoyo.

The Head Office and R&D Division carry out clean-up activities around the head office premises each month. These activities also serve as an opportunity to interact with local residents.



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 premises (Head Office and R&D Division)

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.



Forest-conservation activities (Tokuyama Factory)



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



Summary of Consolidated Financial Information for 10 Years

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Operating Results										
Net Sales (Millions of yen)	36,481	35,966	33,484	36,798	36,157	36,243	34,642	37,275	38,075	38,538
Operating profit (Millions of yen)	2,137	3,452	3,336	4,084	3,084	2,481	2,783	3,921	1,292	2,264
Profit (Millions of yen)	1,168	2,464	2,557	2,774	2,154	1,857	2,182	3,735	855	1,590
Total assets (Millions of yen)	57,942	58,203	58,342	62,044	65,497	65,950	70,196	70,431	72,897	76,503
Cash flows from operating activities (Millions of yen)	3,538	5,999	3,837	3,858	2,632	4,776	5,216	1,975	1,494	6,152
Cash flows from investing activities (Millions of yen)	(745)	(3,396)	(2,270)	(1,784)	(3,966)	(5,503)	(3,539)	(3,082)	(2,817)	(4,414)
Cash flows from financing activities (Millions of yen)	(1,162)	(1,512)	(2,770)	(1,683)	1,445	842	(1,024)	120	102	(870)
Free cash flows (Millions of yen)	2,792	2,165	1,041	1,546	(1,948)	(1,298)	1,062	(1,721)	(2,069)	1,122
EBITDA (Millions of yen)	4,682	5,542	5,240	6,059	5,239	5,138	5,658	6,982	4,623	5,947
Metrics										
Operating profit/net sales (%)	5.9	9.6	10.0	11.1	8.5	6.9	8.0	10.5	3.4	5.9
ROE (%)	4.4	8.7	8.4	8.3	6.2	5.2	5.8	9.2	2.0	3.6
EBITDA margin (%)	12.8	15.4	15.6	16.5	14.5	14.2	16.3	18.7	12.1	15.4
Capital expenditures (Millions of yen)	978	3,522	2,397	2,743	4,873	5,361	4,443	4,407	4,288	4,115
R&D expenses (Millions of yen)	1,218	1,255	1,189	1,033	1,177	1,290	1,223	1,326	1,518	1,452
Dividend payout ratio (%)	22.6	17.8	20.6	19.0	28.6	33.1	28.2	20.0	72.1	38.8
Dividends per share (yen)	3	5	6	33	70	70	70	85	70	70
D/E ratio (times)	0.7	0.6	0.5	0.4	0.5	0.5	0.4	0.4	0.4	0.4
Equity ratio (%)	48.2	49.6	55.2	55.6	54.2	54.2	55.7	59.4	57.9	58.9
Number of employees (persons)	683	659	675	683	715	738	755	708	722	747



Consolidated Balance Sheets

	(Millions of yen)		(Millions of yen)	
	FY2022	FY2023	FY2022	FY2023
Assets				
Current assets				
Cash and deposits	7,841	8,741		
Notes receivable - trade	945	1,268		
Accounts receivable - trade	9,844	12,034		
Merchandise and finished goods	5,087	4,633		
Work in process	3,597	3,289		
Raw materials and supplies	4,231	3,395		
Consumption taxes refund receivable	101	—		
Other	592	628		
Allowance for doubtful accounts	(13)	(15)		
Total current assets	32,228	33,975		
Non-current assets				
Property, plant and equipment				
Buildings and structures	37,212	38,444		
Accumulated depreciation	(24,086)	(24,939)		
Buildings and structures, net	13,125	13,505		
Machinery, equipment and vehicles	19,963	21,193		
Accumulated depreciation	(10,811)	(12,813)		
Machinery, equipment and vehicles, net	9,152	8,380		
Land	7,466	7,459		
Construction in progress	2,122	2,698		
Other	6,524	6,856		
Accumulated depreciation	(5,639)	(5,878)		
Other, net	884	978		
Total property, plant and equipment	32,751	33,021		
Intangible assets				
Other	411	462		
Total intangible assets	411	462		
Investments and other assets				
Investment securities	6,292	5,898		
Long-term loans receivable	0	35		
Deferred tax assets	102	101		
Retirement benefit asset	848	2,776		
Other	284	254		
Allowance for doubtful accounts	(22)	(22)		
Total investments and other assets	7,506	9,043		
Total non-current assets	40,669	42,527		
Total assets	72,897	76,503		
Liabilities				
Current liabilities				
Notes and accounts payable - trade	3,618	4,154		
Short-term borrowings	7,487	9,156		
Income taxes payable	29	706		
Accrued consumption taxes	12	479		
Provision for bonuses	400	437		
Accounts payable - facilities	2,957	2,623		
Other	2,987	2,544		
Total current liabilities	17,492	20,102		
Non-current liabilities				
Long-term borrowings	9,289	7,375		
Deferred tax liabilities	1,041	1,768		
Retirement benefit liability	769	199		
Other	2,063	2,010		
Total non-current liabilities	13,163	11,352		
Total liabilities	30,656	31,455		
Net assets				
Shareholders' equity				
Share capital	5,757	5,757		
Capital surplus	2,267	2,267		
Retained earnings	30,910	31,875		
Treasury shares	(307)	(280)		
Total shareholders' equity	38,627	39,618		
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities	2,970	3,082		
Deferred gains or losses on hedges	0	—		
Foreign currency translation adjustment	78	110		
Remeasurements of defined benefit plans	565	2,235		
Total accumulated other comprehensive income	3,614	5,429		
Total net assets	42,241	45,047		
Total liabilities and net assets	72,897	76,503		

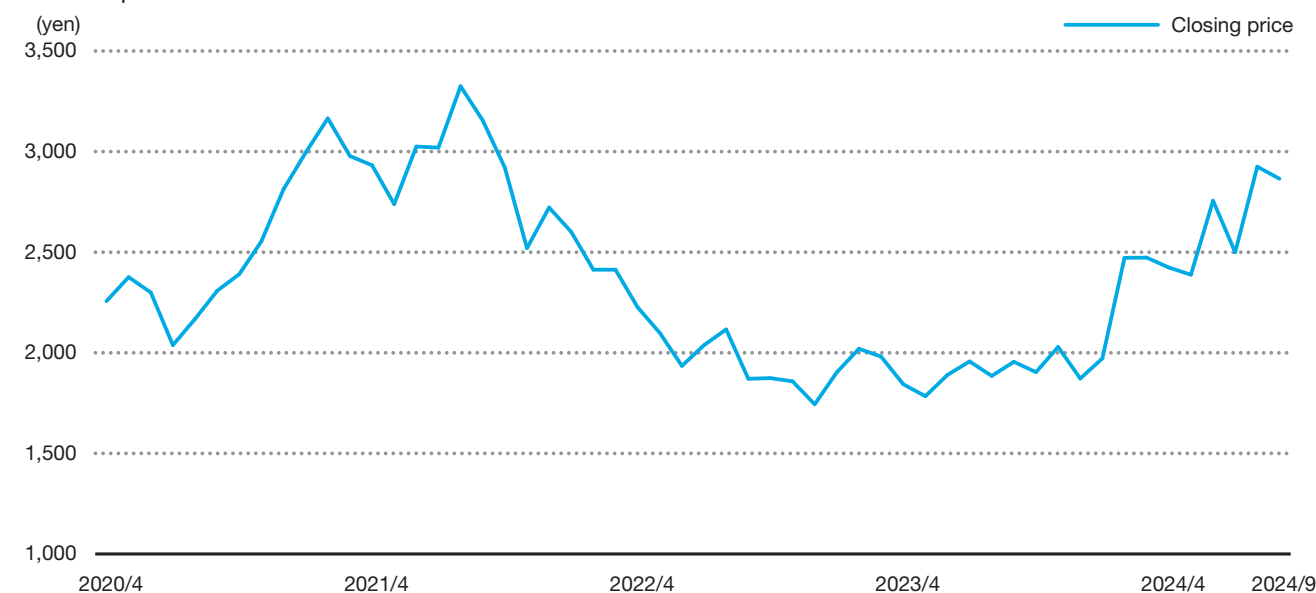
Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	FY2022	FY2023
Profit	855	1,590
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	112
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	54	31
Remeasurements of defined benefit plans, net of tax	258	1,670
Total other comprehensive income	246	1,814
Comprehensive income	1,102	3,404
Comprehensive income attributable to owners of parent	1,102	3,404

Consolidated Statements of Income

	(Millions of yen)	
	FY2022	FY2023
Net sales	38,075	38,538
Cost of sales	31,764	31,222
Gross profit	6,311	7,316
Selling, general and administrative expenses	5,019	5,052
Operating profit	1,292	2,264
Non-operating income		
Interest and dividend income	137	139
Share of profit of entities accounted for using equity method	23	22
Foreign exchange gains	33	38
Other	145	141
Total non-operating income	341	341
Non-operating expenses		
Interest expenses	85	104
Commission expenses	42	32
Depreciation of inactive non-current assets	42	30
Other	51	53
Total non-operating expenses	220	221
Ordinary profit	1,412	2,383
Extraordinary income		
Gain on sale of non-current assets	—	12
Gain on sale of investment securities	22	646
Total extraordinary income	22	658
Extraordinary losses		
Loss on retirement of non-current assets	147	459
Loss on valuation of shares of subsidiaries and associates	—	323
Loss on valuation of investment securities	—	33
Total extraordinary losses	147	816
Profit before income taxes	1,286	2,225
Income taxes - current	96	695
Income taxes - deferred	334	(61)
Total income taxes	431	634
Profit	855	1,590
Profit attributable to owners of parent	855	1,590

Stock price trends



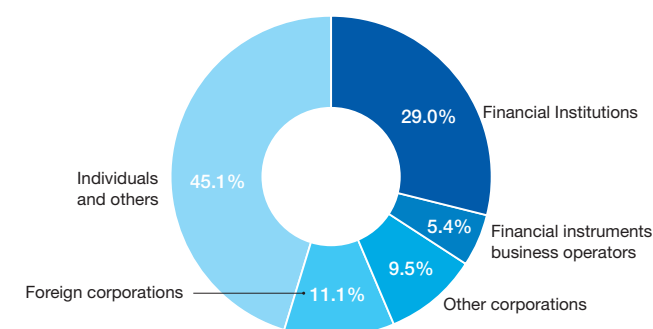
Stock Information

(As of March 31, 2024)

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	7,814

Composition of shares



Major Shareholders

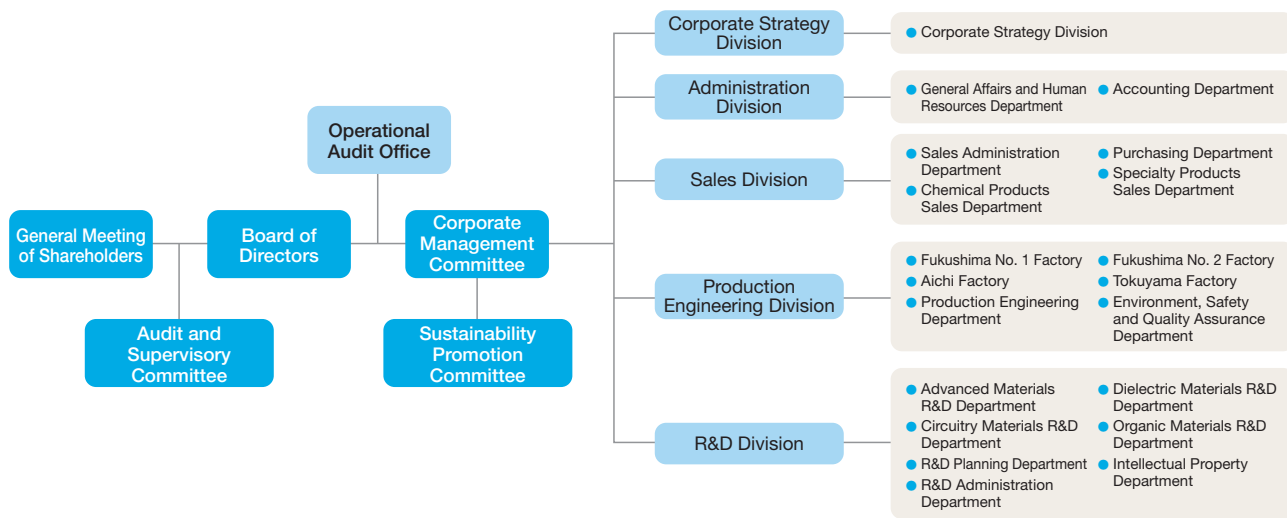
Name of shareholder	Shares held (thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd.	1,008	11.43
Nippon Chemical Industrial Business Association	821	9.31
Custody Bank of Japan, Ltd.	817	9.26
Meiji Yasuda Life Insurance Co.	353	4.00
Konishiyasu Co., Ltd.	182	2.06
Nippon Chemical Industrial Employee Stock Ownership Plan	150	1.70
Mitsubishi UFJ Financial Group, Inc.	150	1.70
J.P. Morgan Securities Japan Co., Ltd.	146	1.65
BNYM SA / NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE	92	1.04
Ohara & Co., Ltd.	84	0.95

*Ratio of shareholding is calculated by excluding treasury shares.

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)	747 (as of March 31, 2024)

Company Organization Chart



External Evaluation



CDP (Climate change and 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. For fiscal year 2023, we responded CDP Climate Change and Water Security questionnaires. We received “B” score for climate change.



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. We have been conferred a Silver Medal for being one of the top twenty-five percent of all assessed companies.



TCFD

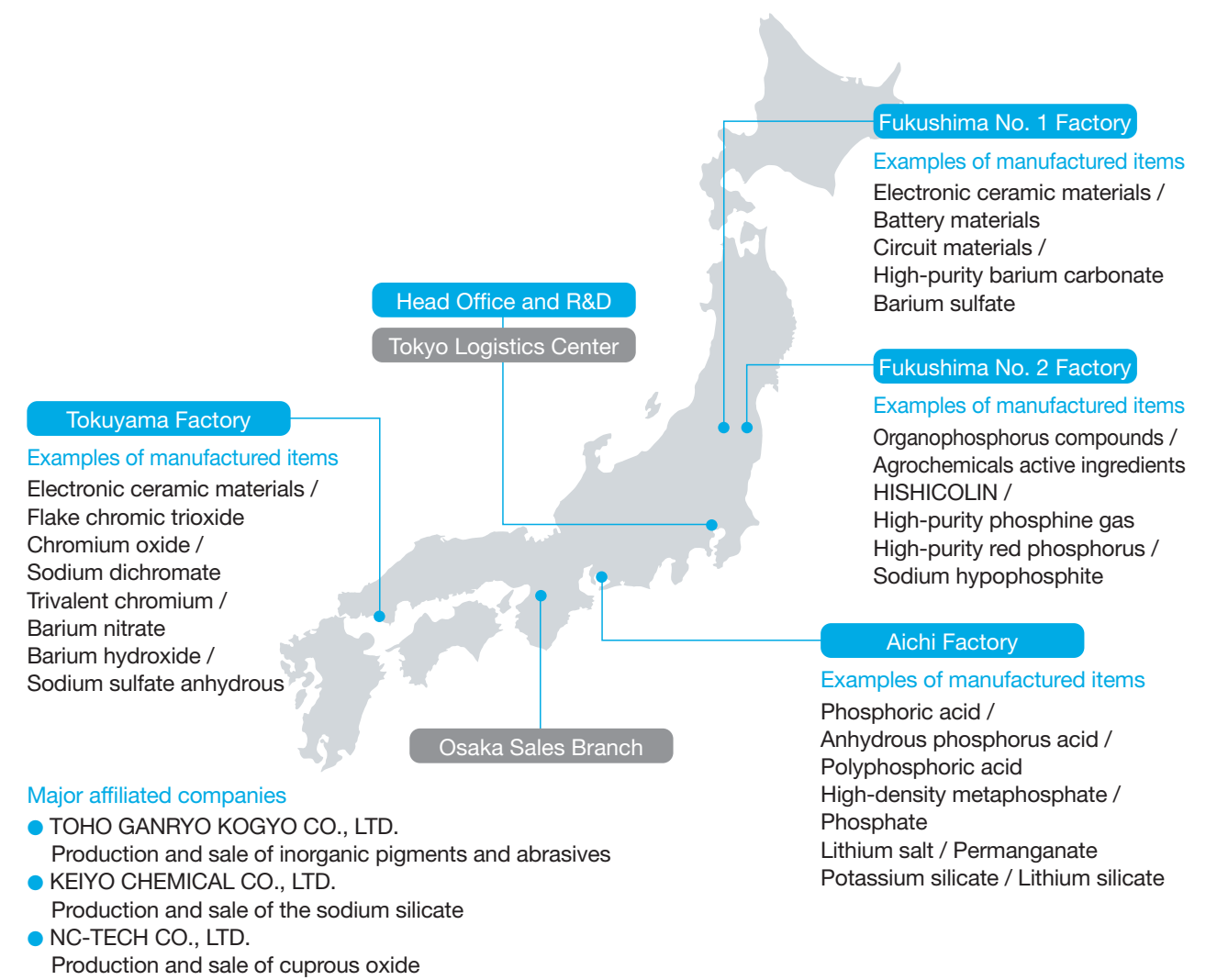
In response to a request made at a G20 meeting of finance ministers and central bank governors, the TCFD was established by the Financial Stability Board (FSB) in December 2015 to look into disclosures of climate-related information and the responses of financial institutions. In June 2017, the TCFD 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.



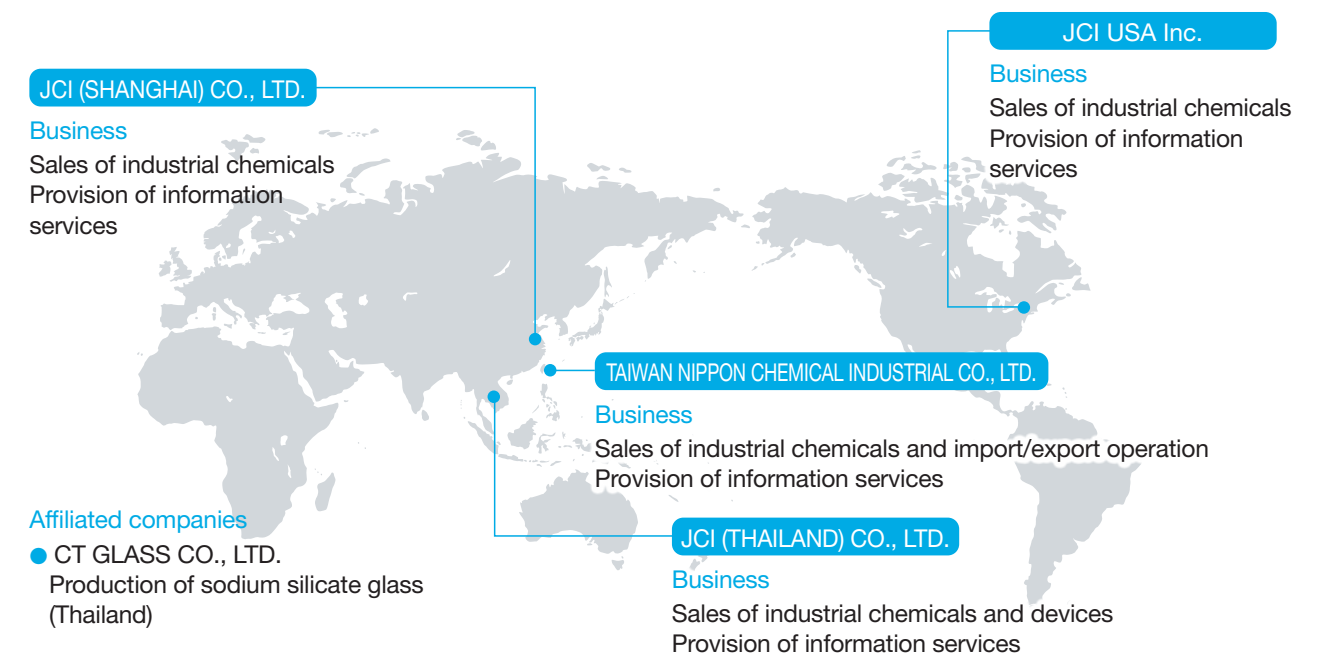
Keidanren Initiative for Biodiversity Conservation

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.

Domestic Location



Overseas Location





Nippon Chemical Industrial Co., Ltd.

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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