



The slogan of our current Medium-Term Business Plan expresses AICA's determination to establish a position as a unique manufacture and achieve 300 billion yen (3000 oku yen in Japanese) in sales and 30 billion yen (300 oku yen in Japanese) in ordinary profit through the continuous "creation" of new added "value". The logo consists of overlapping shapes that represent the letter "V" for Value and "C" for Creation to create new value. The triangle that represents "V" symbolizes light, and the semicircle that represents "C" symbolizes the Earth, the environment, and people, expressing our commitment to value creation by shining light on those three elements.

The AICA logo, consisting of the letters "AICA" in a bold, red, sans-serif font.

AICA Report 2023

AICA Kogyo Co., Ltd. AICA Report 2023

AICA KOGYO CO., LTD.

Head Office: 26F JP Tower Nagoya, 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi, 450-6326, Japan

[Contact for inquiries about this report]

Sustainability Development Department Tel: +81-52-533-3136

<https://www.aica.co.jp/>

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VALUE
CREATION
3000 & 300

CHEMISTRY X DESIGN

We create new value through a fusion of Chemistry and Design.

Toward sustainable global coopete entity



Even today, AICA's field of activity is still expanding.
It includes residential, commercial and public facilities,
hospitals, offices, hotels, and other buildings.
Our wide-ranging work can also be seen in areas such as automobiles,
electronic products, cosmetics, clothing, and shoes.
We are active in Japan and around the world.
AICA will continue to create new value
through the synergy between Chemistry and Design
as we enrich the lives of people and societies around the world.

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Editorial Policy

This report is a tool to inform stakeholders (customers, employees, shareholders, suppliers and business partners, local communities and governments, etc.) of the AICA Group's corporate activities regarding sustainability. We have created it with an emphasis on narrative flow and accessible communication so that our sustainability can be understood from both financial and non-financial perspectives. The report explains our business structure, strengths, and strategies based on our 10-Year Vision and Medium-Term Management Plan, as well as the foundations that support them, while relating them to the Materialities (important issues) that we recognize as our priorities.

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Data Compilation

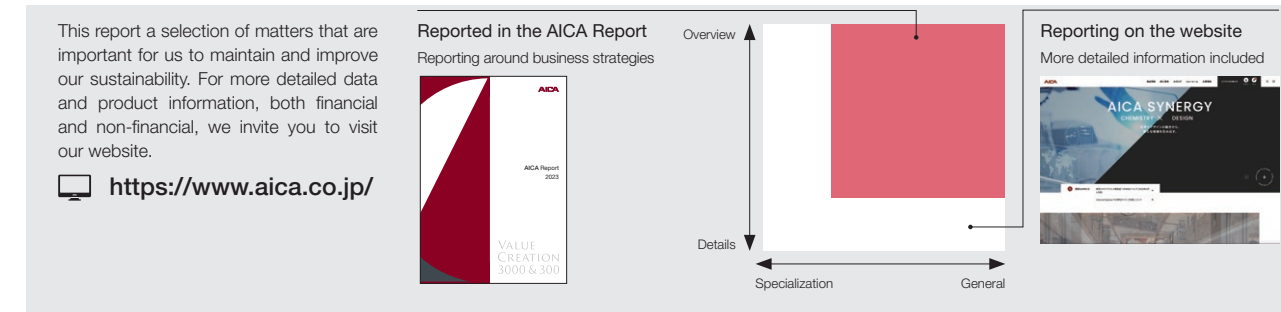
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Reference Guidelines

- ISO 26000
- Environmental Reporting Guidelines (2018 Edition), Ministry of the Environment
- GRI Standards
- IIRC International Integrated Reporting Framework

Target Period/boundary

This report is a summary of the activities of the AICA Group in FY2022. It also includes information about some activities from FY2023. Target boundary information can be found in the content of the report.



External Evaluation



FTSE Blossom Japan



FTSE4Good



FTSE Blossom Japan Sector Relative Index

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)



S&P/JPX Carbon Efficient Index



JPX-NIKKEI 400
2013 - 2023 Selection



2023
健康経営優良法人
Health and productivity



2022
日興アイ・アール
総合部門
優良サイト
All Japanese Listed Company's Website
Ranking by Nikko investor Relations Co., Ltd.

AICA Policies

In April 2017, the AICA Group organized its policies that it has valued to the present and established the Corporate Principle, Corporate Philosophy, and Corporate Policy. In April 2021, we established a Sustainability Policy and revised our Code of Conduct to revamp the AICA Policies framework. In order to realize these policies, the entire AICA Group will work together to develop our business activities, thereby contributing to the creation of a sustainable society and further enhancing our corporate value.

Corporate Principle

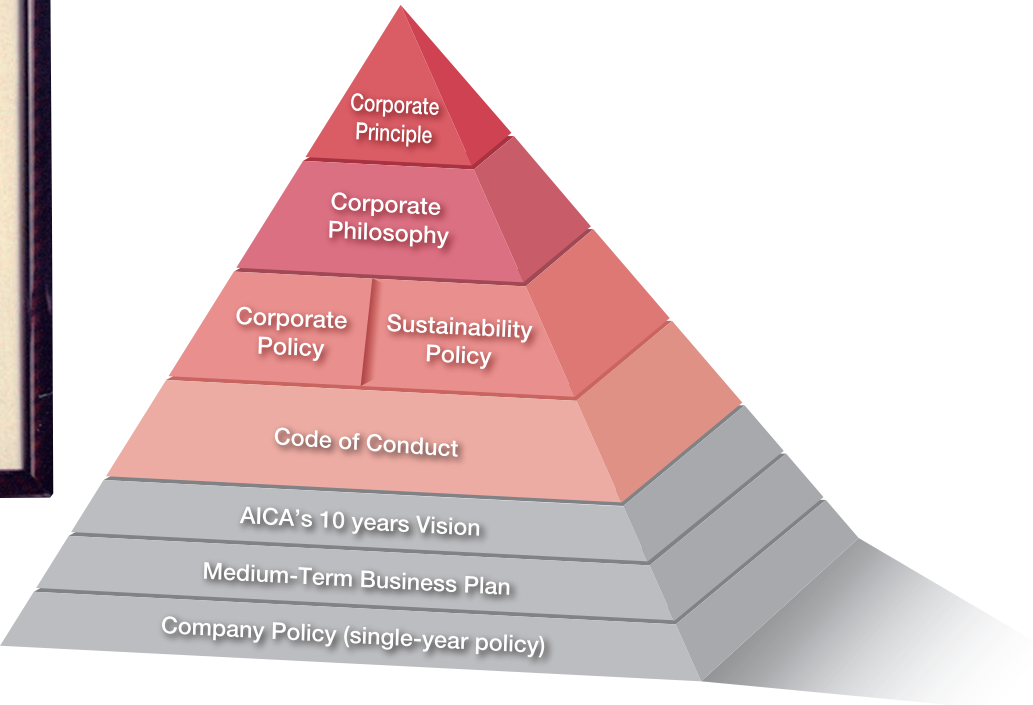
Challenge and Creation



Corporate Philosophy

The AICA Group creates new value and contributes to society through continuous innovation in the spirit of our philosophy of *kyosei**.

* The Japanese word *kyosei* stands for active engagement with the AICA Group's stakeholders (customers, employees, shareholders, suppliers, business partners, local communities, local governments, etc.) and the global environment. *Kyosei* represents our approach to minimize the adverse effects of the AICA Group's business activities and products, and to contribute to society through the value we create and build better relationships with surroundings, with aiming for a sustainable existence together with the stakeholders mentioned above.



Corporate Policy

- 1. Chemistry and Design**
We create uniquely original products through the power of chemistry and design, to contribute to the achievement of a prosperous society.
- 2. Group Synergies**
We create group synergy through collaboration in technologies and market network.
- 3. Leading Products**
Throughout the specific domains and regions of our business, we enhance and expand our market-leading products.
- 4. Global Presence**
We strive to achieve sustainable growth in global markets by enhancing the capabilities of our overseas operations and participating in the higher growth sectors.
- 5. Human Resources and Organizations**
Viewing human resources as the most vital resource of our company, we nurture motivated human resources and organizations through mutual understanding and development.
- 6. Compliance Management**
We practice fair and transparent management in accordance with all relevant laws, regulations, and social order.
- 7. Commitment to Safety and Security**
We ensure trusted quality and engage in environmentally considerate business activities by focusing on our communication with stakeholders.

Sustainability Policy

1. We address social issues through our business activities to contribute to the creation of a better society.
2. We have established “Compliance with laws and regulations,” “Respect for human rights,” “Harmony with society,” “Fair business practice,” “Customer’s security and trust,” “Proper information disclosure,” “Protection of company information and property,” and “Environment and safety” as the basic principles of the Code of Conduct, and we base our actions on these principles as shared values for all employees.
3. We emphasize dialog with stakeholders, including customers, employees, shareholders, suppliers, business partners, local communities, and local governments, and respond promptly to social needs and changes.
4. We identify material issues from the perspectives of both corporate management and stakeholders, address those issues alongside our business activities, and disclose our progress in addressing them.

Code of Conduct

- | | |
|---|----------------------------------|
| 1. Compliance with laws and regulations | 2. Respect for human rights |
| 3. Harmony with society | 4. Fair business practice |
| 5. Customer’s security and trust | 6. Proper information disclosure |
| 7. Protection of company information and property | 8. Environment and safety |

Message from the President



Based on the new Medium-Term Business Plan, AICA Group will focus on “responding to climate change” and “building a foundation for human capital management,” as well as managing the Group with an awareness of capital efficiency.

Kenji Ebihara

Representative Director and President

FY2022 Overview

Reflecting on My First Year as President

More than one year has passed since I was appointed as Representative Director and President of Aica Kogyo Co., Ltd. During this period, I have come to realize a significant shift in my role, which decisions are made in response to various challenges especially impacting our backbone domestically and internationally. As a president, I have completed a full cycle of duties over the past year and initiated the new medium-term management plan. Moving forward, I will be deliberately settling in and tackling a variety of matters with thorough dedication.

FY2022 Business Overview

In FY2022, our consolidated business results showed an increase in sales, with the result in net sales of 242,055 million yen (up 12.8% year on year), operating profit of 20,557 million yen (up 1.0%), and ordinary profit of 22,088 million yen (up 1.1%). These are due to a significant recovery of the non-residential market within the Japanese construction market led by the recovery from the COVID-19 pandemic, as well as from price revisions reflecting the sharp rise in raw material prices both in Japan and overseas. However, profit attributable to owners of parent was 10,059 million yen (down 23.3%) due to impairment losses related to fixed assets and others of Group companies in the Laminates & Building Materials segment.

Now let us look at business results by segment. As for the Chemical Products segment, overseas sales exceeded 100 billion yen for the first time due to the expansion of the AICA Asia Pacific Holdings (AAPH) Group and the impact of exchange rates, leading to steady performance. In the Laminates & Building Materials segment, although economic stagnation in the Chinese market had an impact on business, sales grew not only in Japan but also in India and various Southeast Asian countries, resulting in increased revenue.

— Message from the President

Launch of the New Medium-Term Business Plan “Value Creation 3000 & 300”

FY2023 was originally supposed to be the final year of the 2nd Medium-Term Business Plan “Change & Grow 2400.” However, since we achieved the plan’s sales target one year ahead of schedule and wanted to quickly respond to our business environment changing at a dizzying pace, we have formulated the 3rd Medium-Term Business Plan “Value Creation 3000 & 300” and launched it from this fiscal year.

During the two years of the previous plan, “Change & Grow 2400,” we have made steady strides forward by entering new markets and increasing manufacturing capacity in each of our business segments (Chemical Products segment and Laminates & Building Materials segment) and geographical segments (Japanese and overseas). On the other hand, with the ever-increasing speed of social change, we have recognized that in addition to the remaining financial issues of profitability and efficiency, issues related to human capital and natural capital were becoming increasingly important from a non-financial perspective.

In light of these circumstances, we have set forth the following Managerial KPIs in “Value Creation 3000 & 300”. On the financial side, we have newly introduced a ROIC target and intend to manage the Group with more awareness of the return on capital and cost of capital. We will make improvements to our business portfolio based on ROIC by business segment and actively invest in the creation of new growth businesses to put our Group on a new growing track. On the non-financial side, we will work on targets related to “responding to climate change” and “building a foundation for human capital management” as particularly important items among our Managerial KPIs. We intend to consider and implement measures that bring firm results with much stronger drive than ever before.

Managerial KPIs of the New Medium-Term Business Plan “Value Creation 3000 & 300”			
Financial	Net sales		300 billion yen
	Ordinary profit		30 billion yen
	AS*1 Product Sales*2		28 billion yen
	Overseas net sales ratio		50% or more
	ROE		Approx. 10%
	ROIC		Approx. 8%
Non-financial	Responding to Climate Change	Greenhouse gas emissions reduction*3	Reduce 14%
		Environmental investment*4	2 billion yen
	Building a Foundation for Human Capital Management	Human capital investment*2,4	4 billion yen
		Engagement score*5	4.0 points or more

*1: Aica Solution *2: Aica Kogyo non-consolidated *3: Scope 1 and 2, compared to FY2022 levels *4: Four-year cumulative total *5: Maximum score is 5 points

Basic Policy (1): Improvement of Profitability

With classifying Chemical Products business and Laminates & Building Materials business into Japanese and overseas four quadrants, we will clarify our positions in respective industries and markets, and will consider the capital allocation in order to match market character and to achieve appropriate profitability in line with capital size. With regard to the overseas Chemical Products market, we are aiming to steadily capture demand in the Asian region by increasing manufacturing capacity. We have already taken measures and expect to increase earnings as the effects of the investments we have made which are beginning to emerge. We are keep considering further business and capital investments in China, Vietnam, India, and other area where market growth is expected. Regarding overseas Laminates & Building Materials market, we have been strengthening our overseas business through M&A in recent years, yet we recognize that there are more things that we can do. We will maximize synergies among our Group by overseas roll-out of Japan Technology in order to tap into significant markets with high-growth potential, aiming for increased profitability.

In the Japanese Chemical Products market, we will improve profitability by promoting structural reforms and thorough profitability management, as well as by concentrating management resources in areas that are expected to see continued growth,

and areas that contribute to addressing social issues, such as repair and reinforcement resins to extending the service life of buildings, hot melts and UV-curable resin products to reducing energy consumption. For the Japanese Laminates & Building Materials market, we have already established a highly profitable business model with our variety of products that hold a high market share. With having these strengths, we will work on diversifying design and pioneering construction methods, and will continuously expand our robust profitable business model.

Basic Policy (2): Creation and Expansion of Growth Businesses

While actively making growth investments in markets in which we can demonstrate our strengths, we will focus on creating and cultivating technologies and products that will become new profit generating pillars expected to provide sustainable growth. In the Chemical Products segment, our growth will depend on our ability to accurately identify market needs and introduce attractive products in the highly profitable field of Specialty & Performance Materials, where a sense of speed is required. We will invest management resources in the development of products for non-construction fields, such as automobiles, daily necessities, and electronic materials, where we can take advantage of our strength in chemical synthesis technology. We believe that we will be able to provide higher value-added products if we can further enhance the synergy between the EVERMORE CHEMICAL INDUSTRY (EMC) Group which has strengths in synthesis technologies for materials close to raw materials such as monomers, and Aica Kogyo which has strengths in polymer synthesis and resin design technologies to create distinctive products that meet customer needs. Now we are on the way of organizational reforms to achieve this goal.

In the Laminates & Building Materials segment, we have been expanding applications of our products to the ceiling and floor markets and feel that we are receiving positive feedbacks from the markets. We expect further growth through the expansion of use in various part of buildings. In addition, we will continue to focus on expanding sales of countertop-related products and other fabricated products to meet the increasing demand for fabricated products due to the worsening shortage of skilled workers, including the 2024 issue, the shortage of human resources due to the enforcement of Japan’s Workplace Reform Law in 2024, which Japanese construction industry is facing.

Basic Policy (3): Creation of a Sound Business Infrastructure

Addressing the material issues passed on from the previous Medium-Term Business Plan, we have set new goals for each material issue. The goals outlined here are crucial themes that we must address for the sustained viability of our company. We are committed to addressing these challenges with robust determination, harmonizing strategic initiatives for business expansion. In particular, during the period of the new Medium-Term Business Plan, we will focus on “responding to climate change” and “building a human capital foundation”.

Responding to Climate Change

In addition to declaring our commitment to carbon neutrality by FY2050, we have set targets to reduce greenhouse gas emissions by 14% by FY2026 and 30% by FY2030 compared to FY2022 levels. Although this is a challenging target as we aim to further expand our business, we are committed to reducing absolute emissions with a sense of urgency and responsibility as a company that conducts business activities on this planet. In addition, viewing changes of needs in response to climate change as new business opportunities, we will promote the development and provision of products that respond to climate change in both the Chemical Products segment and the Laminates & Building Materials segment. We will contribute to the achievement of the SDGs not only by developing and expanding sales of products that directly contribute to reducing greenhouse gas emissions, but also by developing and expanding sales of high value-added products designed to help solve social issues such as waste reduction and easier construction.

New Medium-Term Business Plan Materialities		
Financial	1 Provide economical value 2 Help to solve social issues with products	
Non-financial	3 Responding to climate change 4 Building a foundation for human capital management	Points of Focus
	5 DX*1 implementation	
	6 Strengthen governance	
	7 Quality assurance and occupational safety	

AICA Group Greenhouse Gas Emissions Reduction Plan (Scope 1 & 2)	
FY2026	Reduce 14% from FY2022
FY2030	Reduce 30% from FY2022

Achieve Carbon Neutrality by FY2050

— Message from the President

■ Building a Foundation for Human Capital Management

We have reevaluated the type of talent required to address the business challenges that our company is facing and set goals for cultivating individuals who can meet those demands. Upon reflection on our past efforts in talent development, it is clear that there has been a shortfall. By bolstering talent development and creating a conducive environment through prudent investments, we aim to not only enhance individual skills but also elevate engagement. This, in turn, is expected to contribute to an overall enhancement of labor productivity across the company.

The development of globally competent human resources is very important for us since our overseas sales ratio increases annually. While focusing on training our current employees, we also intend to actively recruit non-Japanese employees. Furthermore, I aspire to enhance the active involvement of women within our workforce and have integrated a target for the recruitment ratio of female employees into our new Medium-Term Business Plan. While many women are already holding leadership positions in our overseas sites, we acknowledge that there is room for improvement in Japanese sites. We will continue our proactive efforts to create a better environment and implement policy revisions to ensure that outstanding talents, irrespective of gender, can thrive in their roles.

Capital Policy

Under the new Medium-Term Business Plan, we will implement a capital policy that emphasizes a balance between “maintaining financial soundness,” “improving of capital efficiency,” and “focusing on shareholder returns” in order to optimize capital allocation.

We believe it is important to ensure financial stability to sustain stable business operations without causing inconvenience to our employees and business partners even when facing various risks. Therefore, we have established clear criteria for necessary liquidity and self-capital ratios. Moreover, we consider the most important factor for sustainable corporate value enhancement is the improvement of capital efficiency, and have newly set a target for ROIC (Return on Invested Capital) in addition to the previously used ROE (Return on Equity), and also formulated policies for portfolio optimization and cost of capital conscious investment. Regarding our dividend policy, we have added “maintaing progressive dividends without reducing dividends” as a basic policy and are considering the possibility of flexible share buybacks (for detailed investment plans based on capital policy, please refer to [□](#) page 27-28).

AICA Group Main Human Capital Management KPIs

Human capital investment ^{*1,2}	4 billion yen
Engagement score ^{*3}	4.0 points or more
Labor productivity ^{*1,4}	22.8 million yen or more per person
Overseas training program participants ^{*1}	100 or more
Percentage of women recruited to new-graduate career-track positions ^{*1}	30% or more
Childcare leave acquisition rate ^{*1}	Male: 70% or more, Female: 100%

^{*1}: Aica Kogyo Non-Consolidated ^{*2}: Four-year cumulative total ^{*3}: AICA Group
^{*4}: Labor productivity = Added value / Number of employees

Important Meeting Bodies that Contribute to Enhancing Sustainability

Activities to enhance sustainability are an important framework to support the endurance growth of the Company and are being augmented through various meeting bodies. In this report, we would like to brief our efforts and progress of three major meeting bodies.

Sustainability Development Committee

This committee is an important meeting body that manages the progress of the materialities incorporated into the Medium-Term Business Plan. I chair this committee and report on the progress of each activity to the Board of Directors on a quarterly basis. Each department in charge formulates action plans to achieve the KPIs set for materiality and then proceeds with their activities. We have many challenges to deal with, but have a system in place to prioritize the issued and address with Group-wide efforts.

Risk Assessment Council

In April 2022, we established the Risk Assessment Council, which allows us to view our business risk more accurately than before. Since the second Council held in March 2023, we have started reporting the managing status of the risks, making the issues that require addressing have become clearer. By cycling through this process and enriching the content year by year, we believe we can further strengthen our resilience against risks.

Overseas Group Governance Committee

Three years have passed since the establishment of the Overseas Group Governance Committee, and the collaboration between our overseas holding companies and Aica Kogyo has significantly strengthened, leading to the significant improvement of governance levels towards overseas Group companies. We have identified more than 10 critical themes and reporting to the board of directors in sequence on a monthly basis, with each theme being reported by the respective responsible department. We anticipate that improving accessibility to overseas travel will contribute to enhancing our governance standards. I, too, will proactively engage in visits to our overseas sites, gathering local perspectives to fortify collaboration within the group.



Sales (billion yen)

Established 1936

1945 End of war

1949 Dodge Line announced

1964 Tokyo Olympics

1965- Japan's "Izanagi" economic boom

1973 1st Oil Shock

1979 2nd Oil Shock

1985 Plaza Accord

1989 Nikkei Stock Average reaches all-time high

1991 Japan's economic bubble collapse

2007 Revision of Building Standards Law, prompted by earthquake resistance data falsification scandal

2008 Global Financial Crisis

2020 COVID-19 pandemic

Dec. 1946^{*1} NO DATA (Non-consolidated)

FY1966 (1965.12-1966.11) **3.29 billion yen** (Non-consolidated)

FY1976 (1975.12-1976.11) **17.5 billion yen** (Non-consolidated)

FY1996 **69.9 billion yen** (Consolidated)

FY2023 (Forecast)

Product Breakdown (FY1996):

- Chemical Products: 18%
- Building and housing materials: 23%
- Electronic/Other: 23%
- Laminated sheets: 31%

Product Breakdown (FY1976):

- Chemical Products: 32%
- Building and housing materials: 34%
- Laminated sheets: 28%
- Paper Manufacturing: 22%

Product Breakdown (FY1966):

- Chemical Products: 18%
- Spark plugs: 46%
- Ceramics: 23%
- Jacks/Other: 14%

Key Historical Events:

- 1945: End of war
- 1949: Dodge Line announced
- 1964: Tokyo Olympics
- 1965-: Japan's "Izanagi" economic boom
- 1973: 1st Oil Shock
- 1979: 2nd Oil Shock
- 1985: Plaza Accord
- 1989: Nikkei Stock Average reaches all-time high
- 1991: Japan's economic bubble collapse
- 2007: Revision of Building Standards Law, prompted by earthquake resistance data falsification scandal
- 2008: Global Financial Crisis
- 2020: COVID-19 pandemic

Operating profit (right axis)

Area of non-residential building starts (right axis)

Number of new housing starts (right axis)

2008 Increase in sales due to new consolidation

***1** Complete data is unavailable due to postwar turmoil. Results are for the single month of December 1946. ***2** The four-month period from December 1988 to March 1989 due to the change in the closing month.

Note: The Company began consolidated accounting in the fiscal year ended November 30, 1979. Accounting prior to that was non-consolidated.

*1 Complete data is unavailable due to postwar turmoil. Results are for the single month of December 1946. *2 The four-month period from December 1988 to March 1989 due to the change in the closing month.
Note: The Company began consolidated accounting in the fiscal year ended November 30, 1979. Accounting prior to that was non-consolidated.

2011~

Expanded overseas businesses through M&As

- Acquired shares in subsidiary of Dynea's Asia-Pacific division (2012)
- Acquired shares in EVERMORE CHEMICAL INDSTRY CO., LTD. (2018)
- Acquired shares in Wilsonart subsidiary in Asia-Pacific region (2019)



A stack of three books titled 'MUNSELL COLOR SYSTEM' and 'COLOR SYSTEM 105' is shown next to a large color calibration chart with numerous color patches.

In 2012, AICA acquired subsidiary of Dynea's Asia-Pacific division and established Aica Asia Pacific Holding Pte. Ltd. (AAPH). Since then, AICA has actively embarked on M&As.

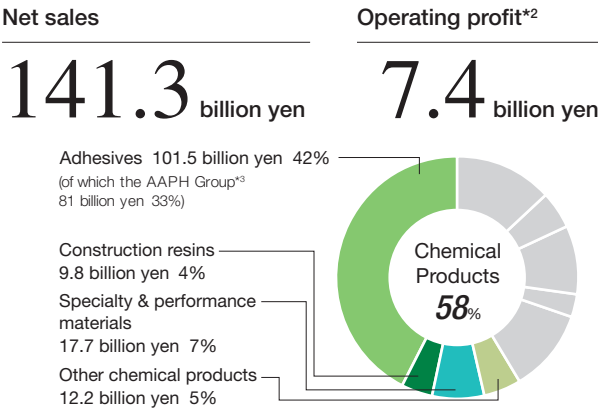
Our Businesses

Chemical Products Segment

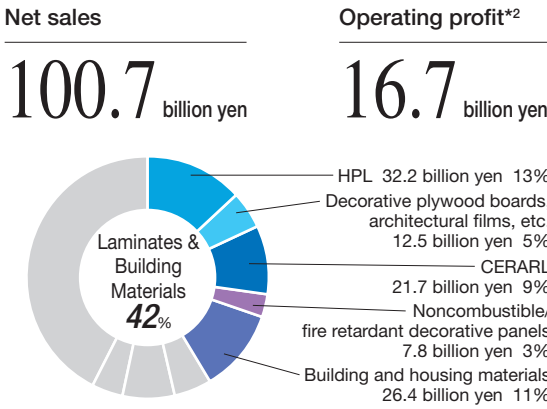
Fundamental business operations cultivating core technologies

Since 1936, when we developed Japan's first urea-based resin adhesive, we have been developing products that lead the times with our chemical synthesis technology. Since the 2000s, we have been focusing on expanding our Specialty & performance materials product offerings as a new business domain, diversifying the areas in which we are active.

FY2022 Results*1



FY2022 Results*1



Laminates & Building Materials Segment

Providing distinctive products leveraging chemical technology

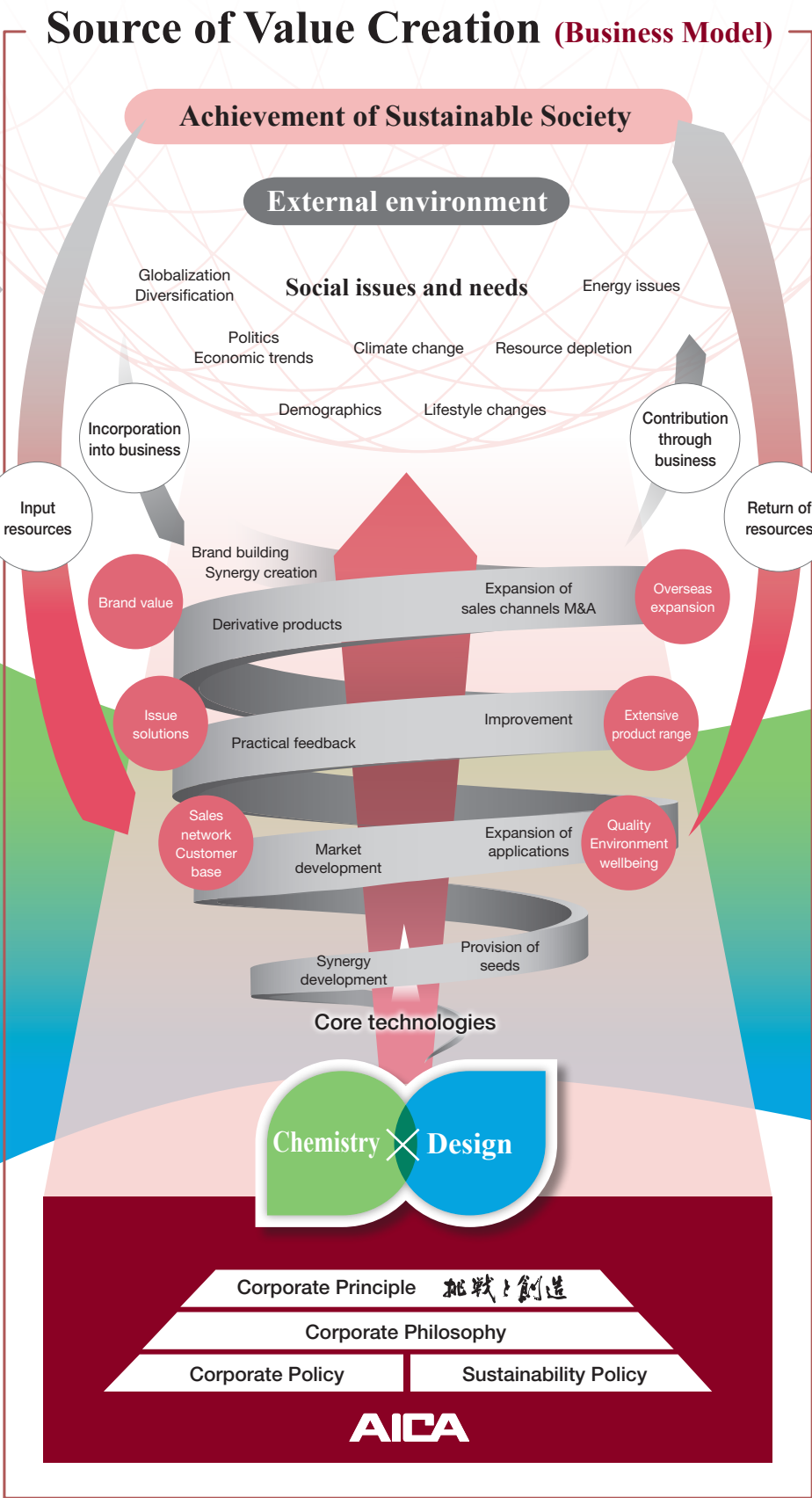
We offer a wide variety of highly original products based on our melamine decorative HPL, which enjoys the largest market share in Japan, by utilizing the chemical technologies cultivated in the chemical products business. A wide range of variations are available to add color to all kinds of architectural spaces.

Product range*1	Main Products and Applications		Strengths and Features		Product range*1	Main Products and Applications		Strengths and Features	
Adhesives	Industrial and architectural adhesives Adhesives for wood furniture, construction materials, and building construction		In Japan, our strength lies in the construction market, including collaborative sales of various products in the Laminates & Building Materials segment. In Indonesia, we have the No. 1 share of the rubber adhesive market, and we are broadly expanding our business elsewhere overseas as well.	Decorative plywood boards, architectural films, etc.	High-pressure laminate (HPL) Surface material for tables and furniture		Available in a wide range of colors and patterns, and featuring excellent durability, it is the industry's top-share product in Japan. It is used in various parts of residences, commercial facilities, medical and welfare facilities, offices, and lodging facilities. We provide highly functional HPL that leverage chemical technology.	Decorative calcium silicate boards Indoor wall covering	These are an indoor wall covering materials made with a base material of calcium silicate board, and a surface made of resin, reinforced sheet, etc. We offer a wide range of products from general-purpose to high-end design items.
									
									
									
Construction resins	Wall coating materials Decorative paints for interior and exterior building walls		High-durability coating materials with sophisticated design characteristics centered around JOLYPATE, a brand-name product with a 48-year history. CLIMATERIA is a new and expanding brand that has been well received by designers.	Noncombustible / fire retardant decorative panels	Decorative calcium silicate boards Indoor wall covering		These are an indoor wall covering materials made with a base material of calcium silicate board, and a surface made of resin, reinforced sheet, etc. We offer a wide range of products from general-purpose to high-end design items.	Extruded cement board Exterior wall material	This cement-based exterior wall material features excellent earthquake, weather, and fire resistance. It is characterized by the beauty of its smooth surface and versatility of design.
									
									
Specialty & performance materials	UV-curable resins Resins and films for protection of electronic materials and automobile interior decor		Widely used as a protective material for displays and other electronic devices. We also offer products for the automotive industry, and 3D decorative film for exterior applications is expected to contribute to the reduction of greenhouse gas emissions as an alternative to painting in the automobile manufacturing process.	Building and housing materials	Postform Countertops, furniture		HPL is used as a surface material available in a wide range of colors and patterns. It is resistant to scratches and stains, and is used for countertops in all parts of residential and non-residential buildings, and on doors for kitchens and closets.	Engineered stone / methacrylic solid surface Countertops, furniture	Engineered stone, which is mainly composed of natural quartz, is more resistant to scratching and staining than natural stone. It is coming into increasingly widespread use, mainly for kitchen top. Methacrylic Solid Surface has high workability and is used for countertops and wash basins, as well as features and furnishings.
									
									

*1 Some product group categories were changed in FY2023. *2 Operating profit before deduction of unallocated operating expenses *3 AICA Asia Pacific Holdings
*4 EVERMORE CHEMICAL INDUSTRY *5 Example of usage

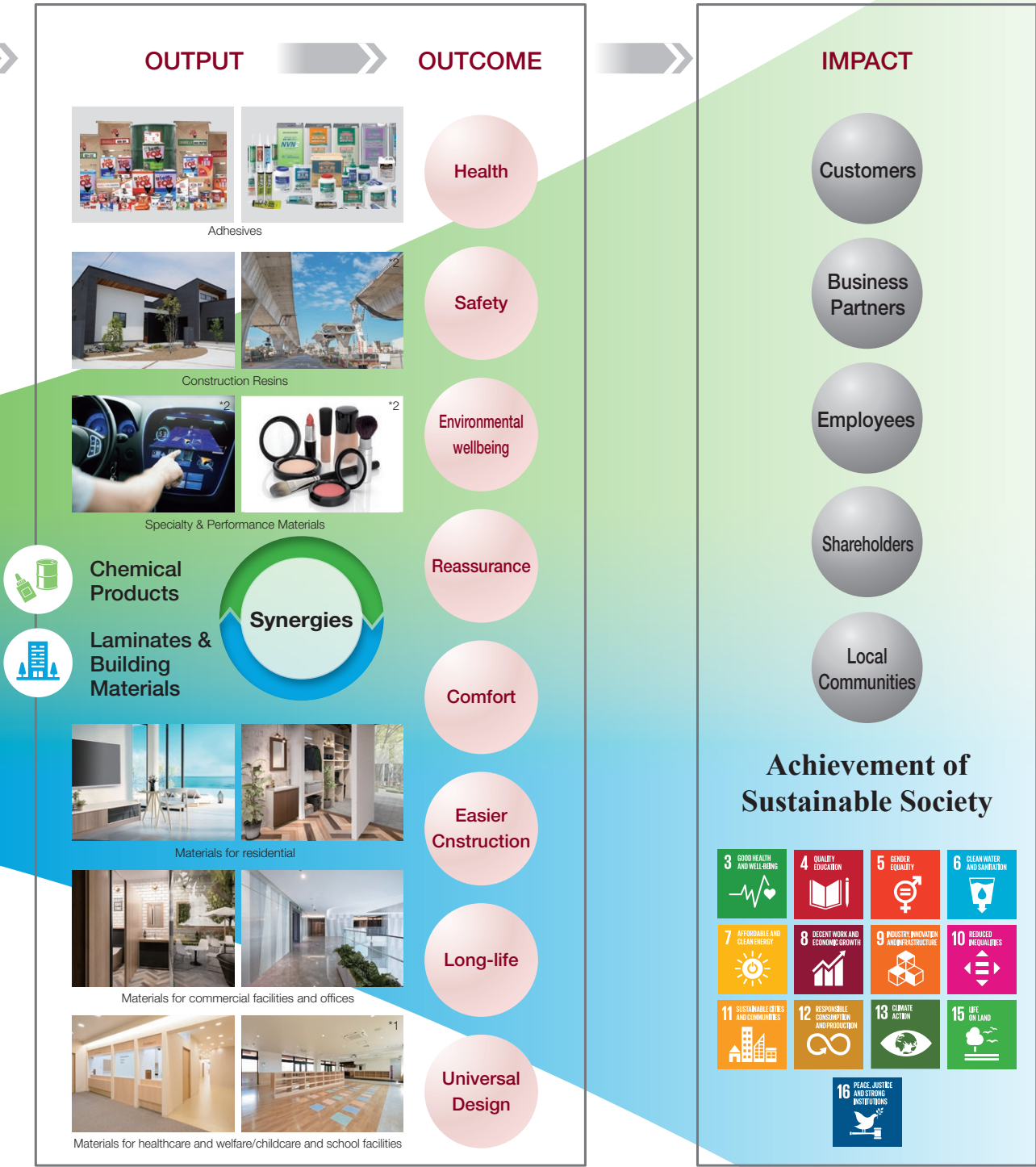
*6 Ginza Ito-ya Yokohama Motomachi Design: Ikeda Architects / Photo: Atsushi Nakamichi / Nacása & Partners Inc.
*7 msb (Musubu) Tamachi, Tamachi Station Tower N *8 Senshu University Ikuta New Building No. 2 and No.3, Designed by Nikken Sekkei, Ltd.

AICA's Value Creation Model



The source of AICA's Value Creation Model lies in our development capabilities that use core technologies based on chemistry and design, our domestic and overseas sales networks and customer bases, our capabilities in helping to solve social issues developed through dialog with stakeholders, our range of high-quality products and brand value generated from those capabilities, excellent human capital, and a healthy financial base. We resolve social issues through our business activities by creating synergies between the Chemical Products and Laminates & Building Materials Businesses, and continuing the cycle of improving and expanding these strengths. Guided by a philosophy of *kyosei** that places importance on dialog with stakeholders, AICA creates new value and contributes to society through continuous innovation.

* Please refer to page 3 for the meaning of *kyosei*



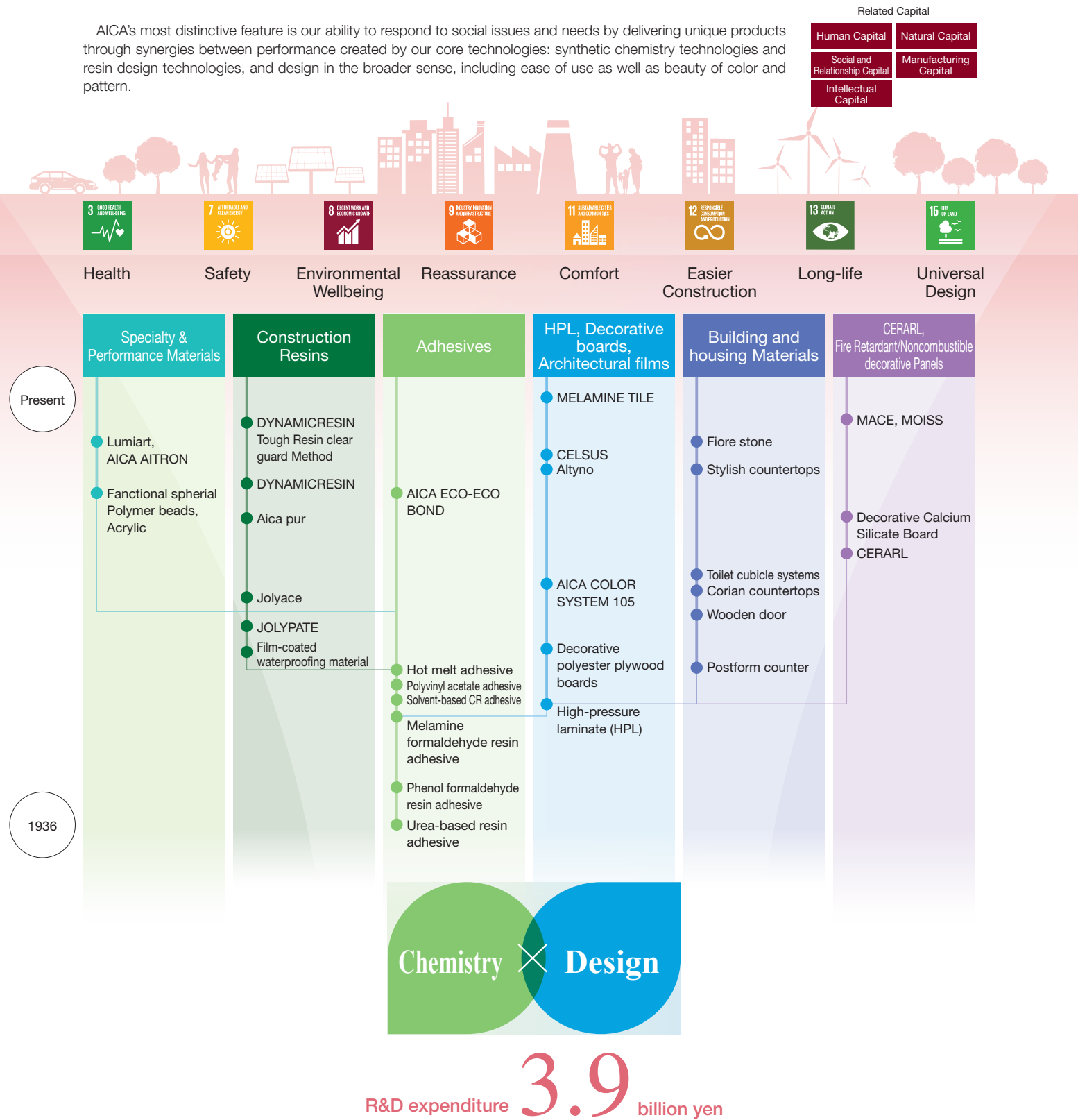
*1 Shion Kindergarten Annex + Shion School Children's Club Design: Kozue Hotta, Goyoukiki *2 Example of usage

AICA's Strengths Supporting Value Creation

AICA's strengths lie in our extensive product range that leverages the advantages in chemistry and design, as well as a solid customer base which supports that product range, overseas business bases, brand value, excellent human capital, the trust of society backed by high quality and environmental wellbeing, and a healthy financial base. We will improve our corporate sustainability by emphasizing dialog with stakeholders and continuing to enhance these strengths.

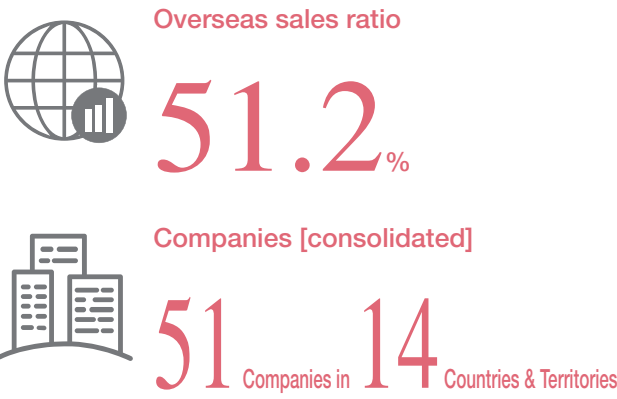
Helping solve social issues with the power of chemistry and design

AICA's most distinctive feature is our ability to respond to social issues and needs by delivering unique products through synergies between performance created by our core technologies: synthetic chemistry technologies and resin design technologies, and design in the broader sense, including ease of use as well as beauty of color and pattern.



Overseas expansion

In recent years, we have continued to grow by expanding our business domains and networks, with a focus on growth markets in Asia. Through aggressive M&As, we acquire superbly qualified human resources, production bases and sales channels to enhance our competitiveness.



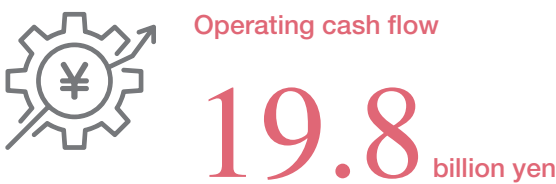
Brand value

The name "AICA" is synonymous with HPL, as is the name "JOLYPATE" with wall coating materials, and no cosmetic product developer is unfamiliar with the name "GANZPEARL." These are some of our many strong-performing brands that boast high market shares in their respective industries.



Healthy financial base

We have established a healthy financial base, with a high equity ratio supported by stable operating cash flow. This leads to a virtuous cycle that enables active growth investment and return of profits.



Customer base

With its deep understanding of AICA products, the AICA Distributors' Organization supports the distribution of our HPL, which boast the top share of the Japanese market. We have also established a solid customer base with more than 10,000 companies overseas.



Quality / Environmental wellbeing

Constantly receptive of customer feedback, we provide high-quality, environmentally-friendly products. We also proactively address environmental issues such as climate change and contribute to the creation of a sustainable society.



AICA's 10 years Vision and Medium-Term Business Plan

AICA's 10 years Vision

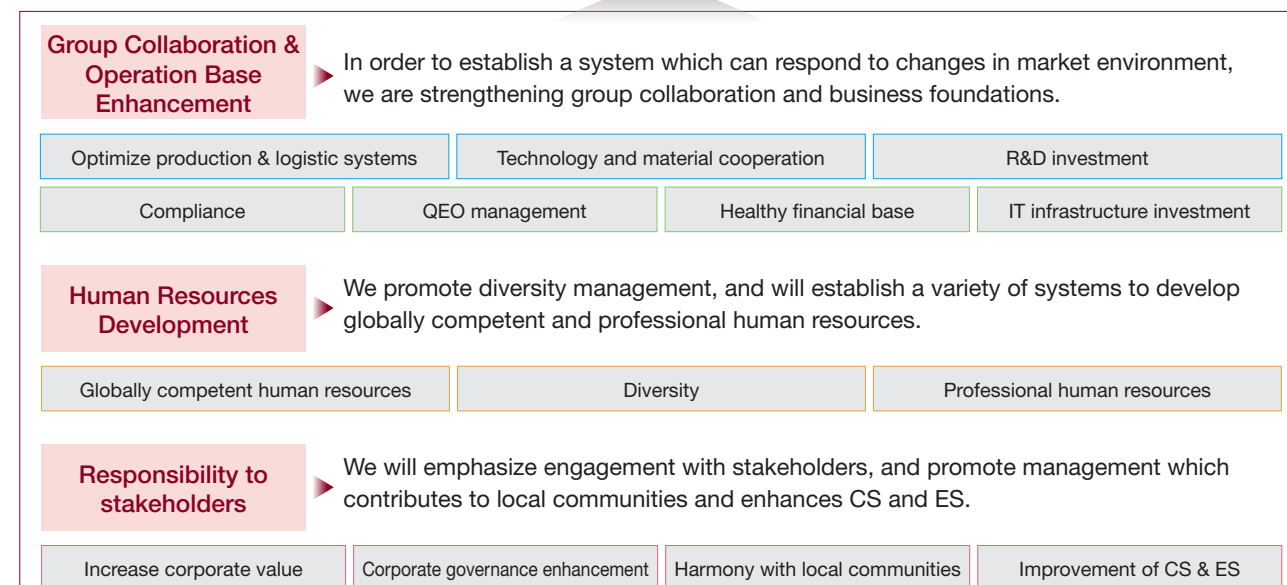
In April 2017, AICA established AICA's 10 years Vision with the goal of FY2026, the 90th anniversary of the company. With the aim of transforming into a solid, robust management structure that will not be easily influenced by trends in the Japanese construction market, in the Chemical Products segment, we will aim to become Asia's top manufacturer of resins for the construction sector, which supports people's lives and social infrastructure. We will also grow non-construction sectors such as automotive, household goods, and electronic materials. In the Laminates & Building Materials segment, we are aiming for further business growth as a "solution provider for space design" manufacturer that can provide comfort and safety to residential and non-residential living spaces.

AICA's 10 years Vision

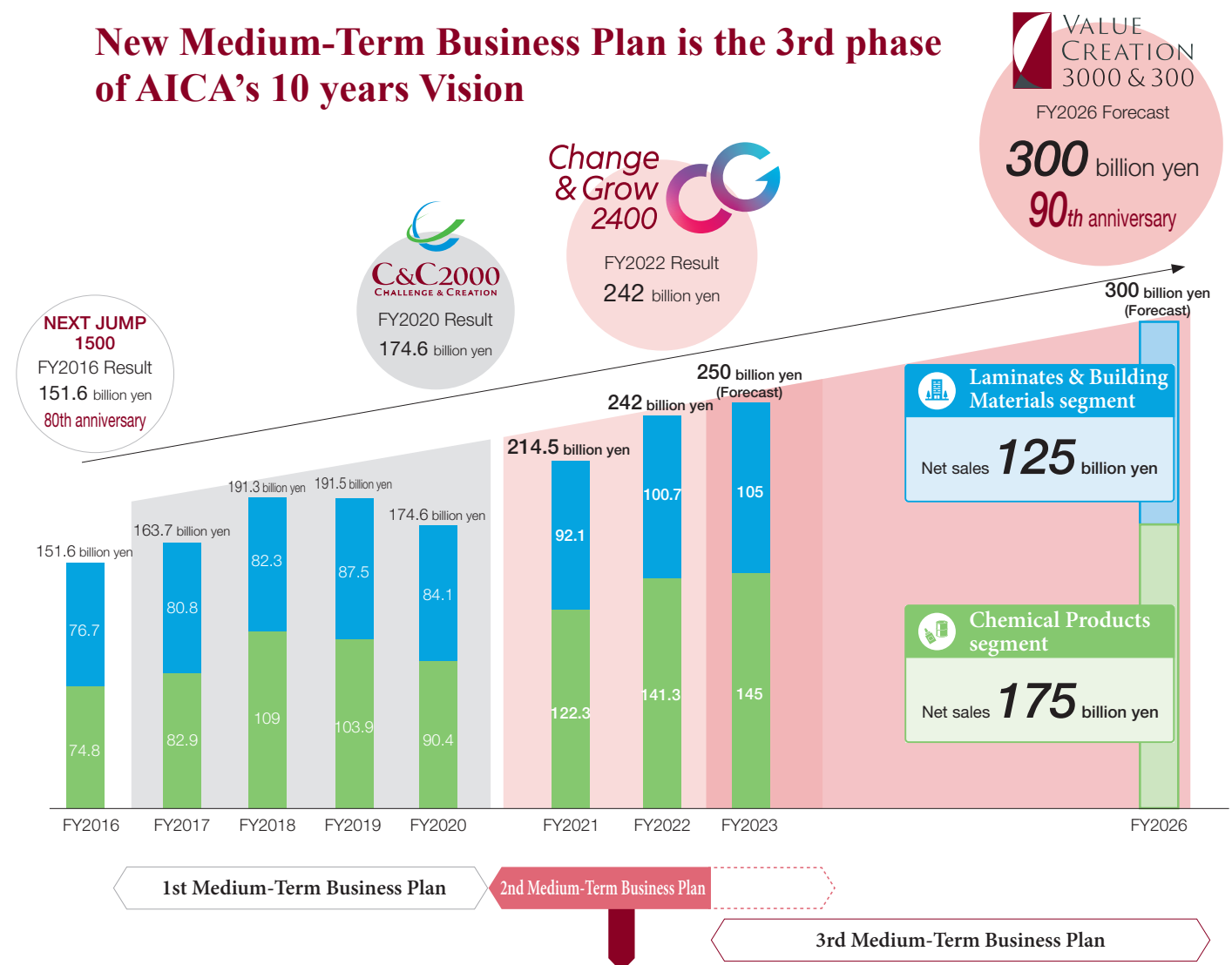
Financial targets in 10 years (initial targets established in April 2017)

	FY2016	FY2026
Consolidated net sales	151.6 billion yen	300 billion yen
Consolidated ordinary profit	18.3 billion yen	30 billion yen
ROE	9.9%	10% or more
Overseas sales ratio	30.8%	45% or more

Our future Vision at FY2026



New Medium-Term Business Plan is the 3rd phase of AICA's 10 years Vision



Results of 2nd Medium-Term Business Plan

Financial targets and Results

The net sales target for the 2nd Medium-Term Business Plan was achieved one year ahead of schedule due to successful development in overseas and other growth markets. Sales of AS Products^{*2} and ordinary profit are on track with planned targets. On the other hand, profitability remained issues due to soaring raw material prices. In addition, ROE fell due in part to the impact of impairment losses. As a result, ROE is expected not to achieve the planned target.

	FY2022 (results)	FY2023 (initial targets)	Status
ROE	6.9%	Approx. 10%	Poor
Net sales of Overseas and Specialty & Performance Materials ^{*1}	135.2 billion yen	115 billion yen	Very good
AS Product ^{*2} Sales ^{*1}	19.3 billion yen	21 billion yen	Fair
Ordinary profit	22 billion yen	24 billion yen	Fair
Net sales	242 billion yen	240 billion yen	Very good

^{*1} Simple total of net sales before elimination of intercompany transactions ^{*2} Aica Solution products

Materialities

We have incorporating seven Materialities (key issues) into the Medium-Term Business Plan which integrate financial and non-financial factors, and worked to improve them. On the non-financial front, although the entire AICA Group has made progress in building a foundation to improve soundness, the speed of social change has been rapid, causing some related issues to remain. (Please refer to pages 25-26 for details.)

Investment

Capital investment and business investment increased as a result of a large increase in business investment, including M&As. We were able to lay the foundation for sustainable growth by aggressively investing cash earned by the company in Japan in the fast-growing Asian market.

	FY2013-FY2016	FY2017-FY2020	FY2021-FY2022 (results)	FY2021-FY2023 (initial targets)
Business investment ^{*3}	1.07 billion yen	5.32 billion yen	7.33 billion yen	5.66 billion yen
Capital investment ^{*3}	3.57 billion yen	6.75 billion yen	7.9 billion yen	7.66 billion yen

^{*3} Three-year annual average

3rd Medium-Term Business Plan Formulated One Year Ahead of Schedule

FY2023 was originally supposed to be the final year of the 2nd Medium-Term Business Plan "Change & Grow 2400." However, since we achieved the plan's sales target one year ahead of schedule and wanted to quickly respond to the rapidly changing external environment, we have formulated and transitioned to the 3rd Medium-Term Business Plan "Value Creation 3000 & 300" which starts in FY2023.

New Medium-Term Business Plan “Value Creation 3000 & 300” (FY2023 to FY2026)

As the final step toward realizing AICA's 10 years Vision, we have formulated our Medium-Term Business Plan “Value Creation 3000 & 300” which includes financial targets and basic policies to be achieved and implemented over the four years, and launched in April 2023. The basic policies of the new Medium-Term Business Plan are Improvement of Profitability, Creation and Expansion of Growth Businesses, and creation of a sound business infrastructure for responding to climate change and building a human capital foundation. By steadily implementing these measures, we will strive for sustainable growth and further enhancement of corporate value.

Recognizing Issues in the New Medium-Term Business Plan

In formulating our new Medium-Term Business Plan, we evaluated issues that we recognize as important. While there are different issues associated with each type of capital, but in particular, we recognize human capital and climate change response in natural capital are major issues that we must urgently focus on.



* Digital transformation

Fundamental Policies

VALUE CREATION 3000 & 300

AICA intends to establish a position as a unique manufacture and achieve 300 billion yen (3000 oku yen in Japanese) in sales and 30 billion yen (300 oku yen in Japanese) in ordinary profit through the continuous “creation” of new added “value”.

Financial

1 Improvement of Profitability



In our four segments; Chemical Products – Japan/Overseas, Laminates & Building Materials – Japan/Overseas, we will improve profitability by widening added value and optimizing capital allocation. We aim to stretch profit margin in line with market characteristics and balancing to allocate capital.

2 Creation and Expansion of Growth Businesses



In both Chemical Products and Laminates & Building Materials segments, we will actively invest in promising market where we can leverage our strength. Looking ahead to our 100th anniversary, we will formulate and develop new profit generating pillars that can drive our sustainable growth.

Non-financial

3 Establishment of a Sound Business Infrastructure



We aim to become a sustainable corporate entity by making improvements in response to the seven Materialities (key issues). In particular, we will focus on responding to climate change and building a human capital foundation.



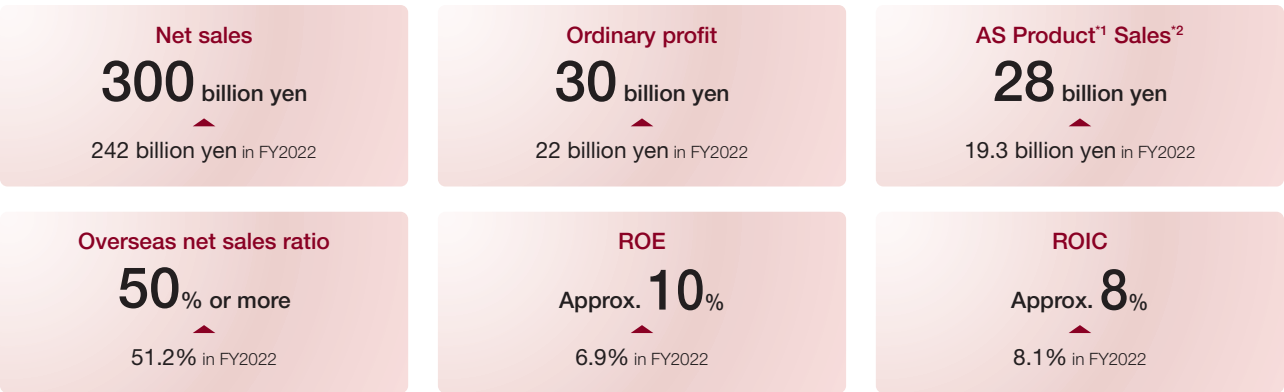
Responding to climate change is essential element for our purpose. We have decided to dedicate ourselves more in this area. We declare “Carbon Neutrality” by 2050 and reduce green house gas emissions by 30% compared to FY2022 levels by FY 2030.



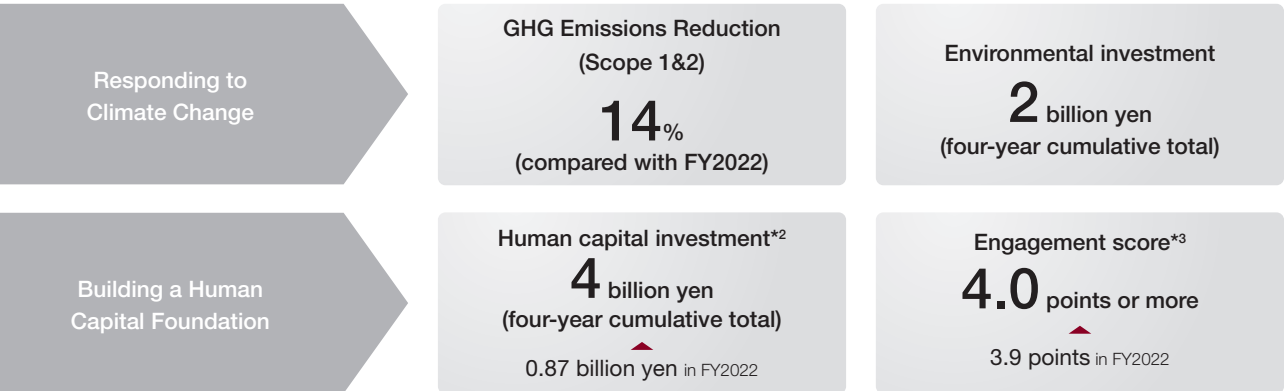
With recognizing “human capital is the principal” for AICA's sustainable growth, we will develop organization through strengthening existing resources and new hirings. Through strong engagement by those diverse resources, we will lead innovation.

Managerial KPIs

Financial Targets



Non-Financial Targets



*¹ Aica Solution products *² AICA Kogyo Co., Ltd., non-consolidated *³ Maximum score is 5 points

Financial Targets by Segment

Profit growth rates for both Chemical Products and Laminates & Building Materials have been set higher than sales growth rates with the goal of improving profitability given priority.

We have also added EBITDA, an indicator for tracking added value and earnings power performance, as a KPI in order to provide a clearer financial picture from here on.

		FY2022			FY2026		CAGR	
		Result	Forecast	year on year	Forecast		FY2022–FY2026	
Chemical Products	Net sales	141,312	145,000	102.6%	175,000		5.5%	
	Operating profit* ⁴	7,494	7,600	101.4%	12,000		12.5%	
	Operating profit margin	5.3%	5.2%		6.9%			
	EBITDA	10,946	11,700	106.9%	17,300		12.1%	
	EBITDA margin	7.8%	8.0%		9.9%			
Laminates & Building Materials	Net sales	100,743	105,000	104.2%	125,000		5.5%	
	Operating profit* ⁴	16,740	17,900	106.9%	22,500		7.7%	
	Operating profit margin	16.6%	17.1%		18.0%			
	EBITDA	19,560	20,500	104.8%	26,400		7.8%	
	EBITDA margin	19.4%	19.5%		21.1%			

*⁴ Operating profit before deduction of unallocated operating expenses

Medium-Term Business Plan Basic Policies

1 Improvement of Profitability 2 Creation and Expansion of Growth Businesses

We will improve our business portfolio and achieve sustainable growth by working to improve profitability and create and expand growth businesses.

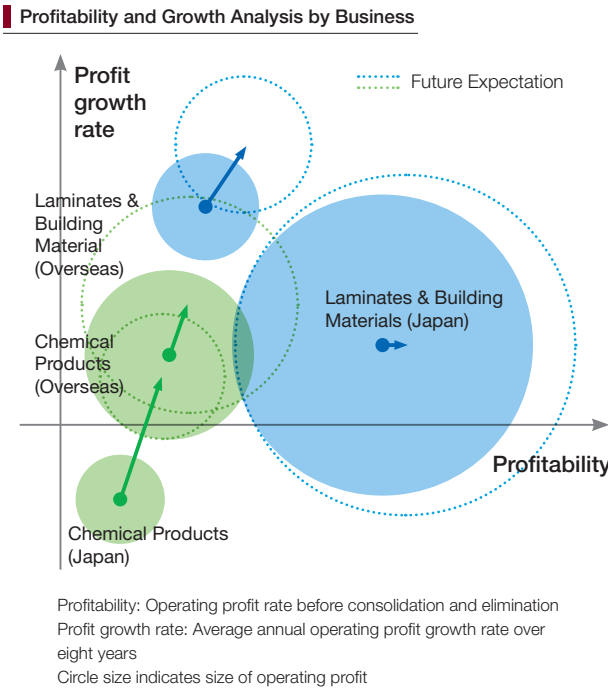
Profitability and Growth Potential Performance and Future Expectation

In formulating the new Medium-Term Business Plan, we had re-evaluated the profitability and profit growth rate of each business by using the operating profit margin and the eight-year operating profit average annual growth rate of each business.

In Japanese Chemical Products market, we have confirmed that there are issues as profitability and profit growth rate are low due to the maturing market and the surge in raw material prices in recent years. In the overseas Chemical Products market, profitability and profit growth rate are considered to be stagnant due to many investments that have not yet been amortized. However, we expect improvements due to the ever-increasing effectiveness of the investments we have made.

In Japanese Laminates & Building Materials market, we have maintained high levels of profitability and were able to reconfirm that this business area is our profit generating pillar. In the overseas Laminates & Building Materials market, despite maintaining high growth potential due in part to the effects of M&A, there is still room for improvement in profit margins.

After recognizing issues associated with the four markets of Chemical Products – Japan/Overseas, Laminates & Building Materials – Japan/Overseas, we will allocate investments based on adequate priorities, review our business portfolio in a timely and appropriate manner, and accelerate growth while further enhancing profitability to achieve the financial targets set forth in the Medium-Term Business Plan and AICA's 10 years Vision.



Approaches to Improving Profitability

The AICA Group's biggest challenge is improving profitability. In order to achieve sustainable growth, we believe it is necessary to build a resilient business system which can respond to changes in the business environment. We will further focus on fostering a corporate culture that emphasizes the ability to generate profits on a sustainable basis. At the same time, we will improve our competitiveness by improving our product mix, promoting cost reductions, setting appropriate sales prices, and optimizing/improving production efficiency.

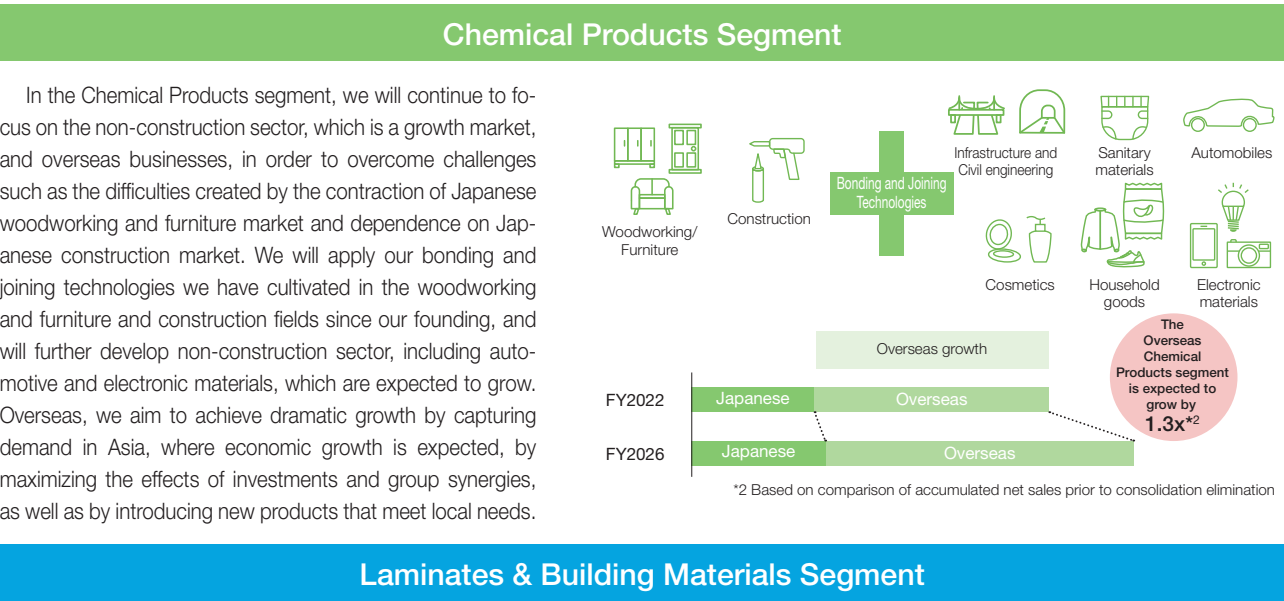
In Japanese Chemical Products market, since the ratio of general-purpose products is high with many competitors in the market, there are issues in terms of profitability. In order to make business improvements in this market, we will strengthen profitability management for each resin and promote structural reform through selection and concentration, while focusing on management resources on developing and expanding sales of high value-added AS products^{*1}. In the primary source of revenue of Japanese Laminates & Building Materials market, we will strive to differentiate our products by developing new product fields by applying our know-how and technologies to peripheral areas while maintaining a highly profitable business model established by capturing customer needs. In addition, we will further expand our share of high pressure laminate (HPL) and CERARL, which have high profit margins and have the top market share, and improve the product mix. Overseas, since both the Chemical Products market and Laminates & Building Materials market are expected to grow in the future, we will work to expand our market share by increasing our manufacturing capacity. Specifically, in the overseas Chemical Products market, we will expand high value-added products such as phenol formaldehyde resins and hot melt adhesives, a product area where AICA can demonstrate our strengths, and increase profitability by improving group synergies in raw material procurement. In the overseas Laminates & Building Materials market, we will maximize synergies among our Group by accelerating the deployment of Japan Technology from Japan and optimization of production bases in Japan, China, Thailand, Indonesia, Vietnam, and India. In addition, we will achieve a differentiation strategy in the high-end product market segment, which is expected to grow, to expand our market share of HPL in each country.

	Chemical Products Segment	Laminates & Building Materials Segment
Japanese	<ul style="list-style-type: none">Thorough cost reductions, product reorganization, and appropriate setting of sales pricesShift to high value-added products, including AS products	<ul style="list-style-type: none">Increase earnings by expanding high value-added products, including AS products^{*1}Expand market share of products with high profit margins, including HPL and CERARL
Overseas	<ul style="list-style-type: none">Expand market share by strengthening our manufacturing capacity in Asian countriesExpand high value-added products, including phenol formaldehyde resins and hot melt adhesives	<ul style="list-style-type: none">Deployment of Japan TechnologyOptimization of production at each site

^{*1} Aica Solution products

Approaches for Creation and Expansion of Growth Businesses

In order for a company to achieve sustainable growth, it must constantly create growth businesses and reorganize its business portfolio. We will focus on helping to solve and entering and cultivating untapped markets, create growth businesses for chemical product segment and Laminates & Building Materials segment in a well-balanced manner both in Japan and overseas, and build a foundation for sustainable growth.



In the Laminates & Building Materials segment, we will implement growth strategies that respond to challenges in both Japanese and overseas markets. As AICA holds top share of HPL market in Japan, we will flexibly respond to market changes by making the most of our technological and manufacturing capital, and grow by rearranging our business portfolio to meet market needs.

In Japanese market, as we anticipate a shrinking construction market, we will further accelerate the development and sales expansion of on-site construction type products including walls, floors, and ceilings. Leveraging our experience in successfully capturing the market by extending the application of our HPL technology for woodworking and furniture to CERARL for walls, we aim to establish a brand in the floor and ceiling markets that we entered in recent years by further expanding the applications of our existing products, and expand highly profitable businesses. In the overseas market, we will expand our business with a sense of urgency by deploying Japan Technology used for HPL, CERARL, and fabricated products in the Asian market where economic development is leading to better designs and higher quality. Through proactive investment and production base optimization, we will steadily capture demand in the Asian market and expand our overseas business at a higher growth rate than our Japanese business.

Main applications	Product range		Changes in sales over the 10-year period from FY2012 to FY2022	FY2023–FY2026 measures
Furniture, fixtures, and walls	HPL		13.0 billion yen → 32.2 billion yen 2.5x increase	<ul style="list-style-type: none">Establish brand in the floor market by utilizing the strengths of HPLIncrease sales to 30 billion yen in the overseas market
	Decorative boards, architectural films, etc.		15.1 billion yen → 12.5 billion yen 0.8x decrease	<ul style="list-style-type: none">Cultivate the architectural film market
Walls	CERARL		15.8 billion yen → 21.7 billion yen 1.4x increase	<ul style="list-style-type: none">Cultivate the non-residential and renovation marketsDevelop new ceiling market by utilizing the strengths of CERARLTransfer technology overseas for full-scale deployment
	Noncombustible / fire retardant decorative panels		1.1 billion yen → 7.8 billion yen 7.4x increase	<ul style="list-style-type: none">Capture demands for non-residential pertaining to safetyDevelop new ceiling market by utilizing synergies between the inorganic technologies of group companies and the chemical technologies of Aica Kogyo
HPL fabricated products	Building and housing materials ^{*3}	Former countertops, postform product group	11.3 billion yen → 21.3 billion yen 1.9x increase	<ul style="list-style-type: none">Expand sales by capturing the need to reduce on site processing labor
		Former fittings & interior housing materials product group	6.4 billion yen → 5.2 billion yen 0.8x decrease	

^{*3} Product groups were integrated into "Building and housing materials"

Medium-Term Business Plan

Basic Policy 3 Creation of a Sound Business Infrastructure

Strengthening the Foundation for Sustainable Growth by Integrating the Financial with the Non-Financial

Amid the growing spotlight on social sustainability and in light of the business environment in which greater emphasis is being placed on corporate social responsibility, AICA has incorporated our materialities into the Medium-Term Business Plan to integrate financial and non-financial factors and address business activities and sustainability as one. We aim to be a sustainable corporate entity that has high tolerance for change, with a business infrastructure that has been reinforced by enhancing the driving force of our sustainability initiatives and steadily implementing these measures.

*Please refer to our website regarding the process for selection of materialities.

1 Provide Economic Value

We work to expand sales revenue and generate profit through providing high-value-added products and productivity improvements. We also properly distribute the profits thus generated to shareholders and employees, and aim for sustainable development by investing in growth businesses.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
Net sales	240 billion yen	242 billion yen	Net sales	300 billion yen
Ordinary profit	24 billion yen	22 billion yen	Ordinary profit	30 billion yen
ROE	Approx. 10%	6.9%	Overseas net sales ratio	50% or more
Dividend payout ratio	Approx. 50%	69.3%	ROE	Approx. 10%
			ROIC	Approx. 8%
			Dividends	Continue progressive dividends without reducing dividends

2 Help to Solve Social Issues with Products

To embody the concept “create new value and contribute to society” which we declared in our Corporate Philosophy, we identified social issues through engagement with our various stakeholders and contribute to the realization of a sustainable society through providing value that will help solve issues through our business activities.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
Sales of AS products*	21 billion yen	19.3 billion yen	Sales of AS products*	28 billion yen
Define SDGs-oriented products and Set the sales targets		Defined SDGs-oriented products of group companies and completed setting sales targets		Develop new recycling methods for mainstay products

* Aica Kogyo Co., Ltd. [Non-consolidated]

3 Responding to Climate Change

To achieve carbon neutrality by 2050, we will consider and implement fundamental measures to reduce greenhouse gas (GHG) emissions. We will prepare for climate change related risks and focus on product development to seize related business opportunities.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
GHG emissions revenue intensity (Scope 1&2)	Reduce 10% from FY2020	25% reduction	GHG Emissions (Scope 1&2 on absolute volume basis)	Reduce 14% from FY2022
Perform scenario analysis aimed at net zero GHG emissions (Scope 1&2 on absolute volume basis) by 2050		Completed a financial impact assessment. Conducted climate change simulations and set medium- to long-term targets that reflect the results		Set Scope 3 emission reduction targets and formulate reduction measures
Establish calculation methods for Scope 3 emissions and develop emissions reduction measures		Started collecting necessary data from overseas group companies in order to expand the scope of aggregation		Disclose carbon footprint data pertaining to our mainstay products and develop products that reduce our carbon footprint
Industrial waste emissions revenue intensity	Reduce 10% from FY2020	6% reduction		
Water withdrawal revenue intensity in high-risk areas	Reduce 6% from FY2020	32% reduction		

4 Building a Human Capital Foundation

As we consider human resources to be a company's most vital management resource, we strengthen personnel management in order to increase the sustainability of the company. Also, we focus developing human resources capable of making innovations and create environments and organizations where diverse personnel can thrive so that the company can grow together with employees.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)		New Medium-Term Business Plan (Final year of the plan: FY2026)	
Target	FY2022 Result	Indicator	Target
Ascertain and improve time and spending for education and training at all Group companies	Completed the creation of system design to ascertain them	Human capital investment*	4 billion yen (4 years cumulative total)
Creation and operation of skills lists by division and by employment grade	Created skills list for important positions	Engagement score	4.0 points or more
Conduct and make use of employee satisfaction surveys at all Group companies	Conducted surveys and held information sharing meetings for group companies in Japan	Labor productivity* (Added value / Number of employees)	22.8 million yen or more per person
		Overseas training program participants*	100 or more
		Percentage of women recruited to new-graduate career-track positions*	30% or more (4 years cumulative total)
		Childcare leave acquisition rate*	Male: 70% or more, Female: 100%

*Aica Kogyo Co., Ltd. [Non-consolidated]

5 DX Implementation

We leverage digital technologies to further improve productivity and strive for the transformation of our business activities. We also work to automate our production sites and improve operational efficiency through data accumulation to boost corporate competitiveness, anticipating that the working population will decline in the near future.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
Capital investment and digitization investment that will contribute to automation and labor-saving*	800 million yen or more (3 years cumulative total)	393 million yen (2 years cumulative total)	Capital investment and digitization investment that will contribute to automation and labor-saving*	1 billion yen or more (4 years cumulative total)

*Aica Kogyo Co., Ltd. [Non-consolidated]

6 Strengthen Governance

For the further strengthening of group governance, we thoroughly enforce rules concerning the management and supervision of group companies and transfer of power to raise their effectiveness. In addition, we take various measures to reduce potential risks, such as enhancing our compliance policies, strengthening our BCP to prepare for natural disasters and cyber attacks, and strengthening cooperation with suppliers.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
BCP drills for extreme weather events and natural disasters	Conduct drills at all consolidated production sites at least once a year	Conducted BCP drills at all sites	BCP drills for natural disasters	Conduct drills at all consolidated production sites at least once a year
Formulation of BCPs for new consolidated production sites		Started formulating BCPs	Enhance policies, regulations, and systems related to group governance, including strengthening efforts to respect human rights, and strengthen audits	
Enhancement of group governance rules*		Issued the AICA Compliance Casebook and completed the restructuring of the overseas Internal Whistleblowing System.	Conduct sustainability surveys of suppliers on a regular basis and address issues	
Digitization investment to help strengthen security*	300 million yen (3 years cumulative total)	820 million yen (2 years cumulative total)	Deepen information security measures and expand/strengthen them throughout the group	

*Aica Kogyo Co., Ltd. [Non-consolidated]

7 Quality Assurance and Occupational Safety

To ensure “product safety and quality” and “employee safety,” which are the missions of a manufacturing company, we strengthen governance and training systems, and foster a corporate culture that does not neglect the basic requirement of complying with market demand, laws and regulations, and procedures.

Previous Medium-Term Business Plan (Final year of the plan: FY2023)			New Medium-Term Business Plan (Final year of the plan: FY2026)	
Indicator	Target	FY2022 Result	Indicator	Target
Quality improvements based on customer satisfaction surveys		Implemented quality improvements based on customer satisfaction surveys	Achieve the defect reduction targets set at all sites	
Number of lost-time accidents	Fewer than previous year (19 or less)	Increased to 20	Serious work-related accidents	0
Establishment and operation of departmental training programs*		Formulated and executed quality training plans for each department	Number of lost-time accidents	Reduce number of accidents to half the number for FY2022 (10 or less)

*Aica Kogyo Co., Ltd. [Non-consolidated]

— AICA’s 10 years Vision and Medium-Term Business Plan

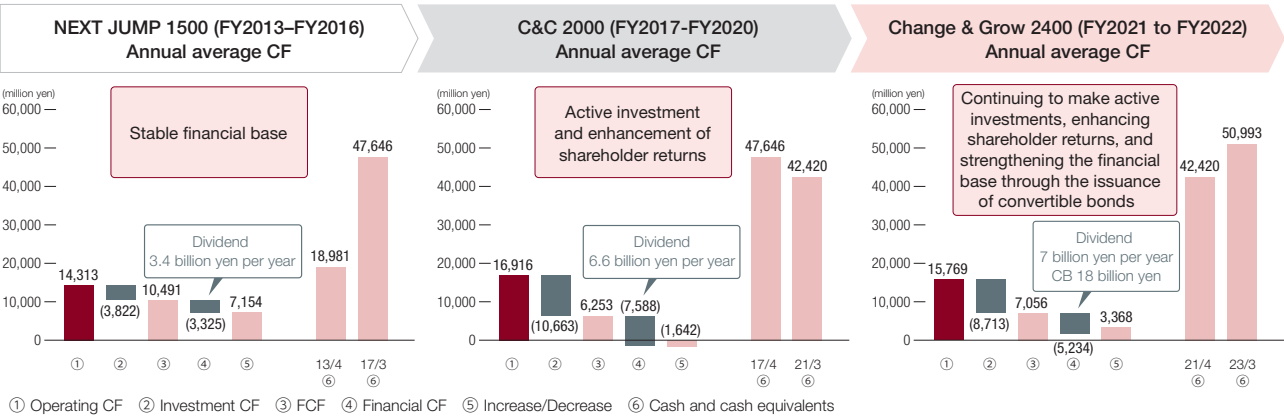
Medium-Term Business Plan Capital Policy

We will implement a capital policy that emphasizes a balance between “maintaining financial soundness,” “improving of capital efficiency,” and “focusing on shareholder returns” in order to maximize enterprise value.

Cash Allocation

The AICA Group allocates cash while taking into consideration maintaining financial soundness. Under the 1st Medium-Term Business Plan “NEXT JUMP 1500”, which covered FY2013 to FY2016, we created ample free cash flow to build a stable financial foundation. During the 2nd Medium-Term Business Plan “C&C 2000”, which covered FY2017 to FY2020, we increased operating cash flow to actively invest in growth and enhance shareholder returns. Under the 3rd Medium-Term Business Plan “Change & Grow 2400”, which covered FY2021 to FY2022, we raised funds from the bond market while actively making investments and providing shareholder returns. Thus, in the past medium-term management plans, we actively allocated funds to investments and shareholder returns while balancing cash on hand.

Under the new Medium-Term Business Plan “Value Creation 3000 & 300”, we will continue to maintain financial soundness and leverage our strength in generating a high operating cash flow to make growth investments that generate returns that exceed the cost of capital and actively return profits to shareholders in an effort to continuously enhance enterprise value.



Investment Plan

Capital investment and business investment are the sources of sustainable growth and operating cash flow. For capital investment, we will focus on investing in projects aimed at increasing manufacturing capacity, developing/manufacturing new products, and promoting automation and DX. For business investment, we will consider carrying out M&As in a wide range of fields of our Japanese and overseas Chemical Products and Laminates & Building Materials segments with the aim of expanding our business domains and increasing our market share. In particular, for investments designed for growth, we plan to improve capital efficiency by focusing on projects that generate returns that exceed cost of capital.

R&D investment will be made to further strengthen AICA's expertise in Chemistry and Design, which are the sources of our value creation, to develop large-scale products that support future growth, and to develop new products that meet market changes and needs. We will improve the profitability and further growth of our overseas operations by deploying overseas intellectual property such as technology, design, and trademarks, which are the source of the high profitability of our Japanese business, in a form that meets local needs.

In the new Medium-Term Business Plan, we have set new targets for environmental investment and human capital investment as non-financial management indicators. With regard to environmental investment, we will promote the use of renewable energy and energy conservation in order to reduce GHG emissions to achieving carbon neutrality by 2050. In terms of human capital investment, we will develop “globally competent human resources,” “leaders,” and “professionals,” promote diversity and inclusion, create an environment that contributes to elevate engagement, and invest in related systems.

	FY2020	FY2021	FY2022	FY2023–FY2026 New Medium-Term Business Plan	
				Annual average	Four-year cumulative total
Capital investment	6.11 billion yen	7.11 billion yen	8.69 billion yen	10 billion yen	40 billion yen
Business Investment	1.8 billion yen	4.2 billion yen	10.45 billion yen	5 billion yen	20 billion yen
R&D investment	3.32 billion yen	3.45 billion yen	3.99 billion yen	4.37 billion yen	17.5 billion yen
Environmental investment	—	—	—	5 billion yen	2 billion yen
Human capital investment	—	—	0.87 billion yen	1 billion yen	4 billion yen

Capital Policy (1): Maintain financial soundness

In order to build a management foundation that supports sustainable growth, we believe it is necessary to maintain financial soundness. In response to the increase in business risks in recent years due to the prolonged COVID-19 pandemic, changes in the world situation due to the tense situation in Israel and Palestine, the invasion of Ukraine, and the worsening of climate change issues, we have clarified the level of cash on hand required in the event of an emergency. In addition, in order to be able to raise funds for growth investment even when economic conditions are severe, we believe that maintaining an appropriate rating is important. To this end, we will maintain an equity ratio of 50% or more while utilizing interest-bearing debt.

	Previous Medium-Term Business Plan Results	New Medium-Term Business Plan Measures
Cash and cash equivalents	50,993 million yen (As of end-Mar. 2023)	Secure liquidity for about two to three months of monthly sales to strengthen our risk tolerance
Equity ratio	58.1% (As of end-Mar. 2023)	Maintain an appropriate rating and an equity ratio of 50% or more

Capital Policy (2): Improve capital efficiency

We believe that capital efficiency-focused management is the most important factor in achieving sustainable enhancement of corporate value. By bringing management and employees together to continuously work toward achieving ROE and ROIC levels that exceed the cost of capital, we will secure an equity spread for enhancing shareholder value. Specifically, management will optimize our business portfolio by making appropriate and prompt business decisions based on ROIC by business and group company, such as aggressive business expansion, business continuation and maintenance, structural reform, and business withdrawal. We will promote initiatives from a medium- to long-term perspective by developing an ROIC tree at business sites to instill autonomous, job-site-driven management. In addition, by thoroughly implementing investment discipline with an awareness of the cost of capital, we will concentrate funds on highly effective capital and business investments centered on projects that contribute to the creation and development of growth businesses, thereby securing sufficient free cash flow and improving ROIC.

	Previous Medium-Term Business Plan Results	New Medium-Term Business Plan Measures
ROE ROIC	ROE 6.9% ROIC 8.1% (FY2022)	ROE > ROIC > WACC structure Create ROE and ROIC that exceed the cost of capital and gain equity spreads to increase shareholder value ROE of about 10% (current cost of equity is about 6.3%) ROIC of about 8% (current WACC is about 5.5%)
Free cash flow (FCF)	7,056 million yen (two fiscal year average)	Secure free cash flow to support aggressive investment for growth and increased shareholder returns
Investment discipline	—	Focus on investment projects that generate returns that exceed cost of capital
Portfolio management	—	Promote portfolio optimization using ROIC by business/company

Capital Policy (3): Focus on shareholder returns

To realize the return of profits to our shareholders and the sustainable growth of the company, we issue dividends with consideration for the consolidated performance of each period, payout ratios, and internal reserves. As a result, through FY2022, we have increased our dividend for 14 consecutive years and have not reduced it for 25 consecutive years. Since the continuity of stable dividends is emphasized in the new Medium-Term Business Plan, “Continuation of progressive dividend payments without reducing dividends” has been added as a basic policy. In addition, we will flexibly consider share buybacks based on stock prices. We will strive to further increase shareholder value by improving capital efficiency and actively returning profits to shareholders.

	Previous Medium-Term Business Plan Results	New Medium-Term Business Plan Measures
Dividends	No dividend reduction for 25 consecutive years; Increase in dividend for 14 consecutive years	Set the basic policy to maintain progressive dividends without reducing dividends with emphasizing the continuity of stable dividends that have not been reduced for the past 25 years
Share buybacks	Acquired approx. 4 billion yen worth of treasury shares	Consider flexible share buybacks

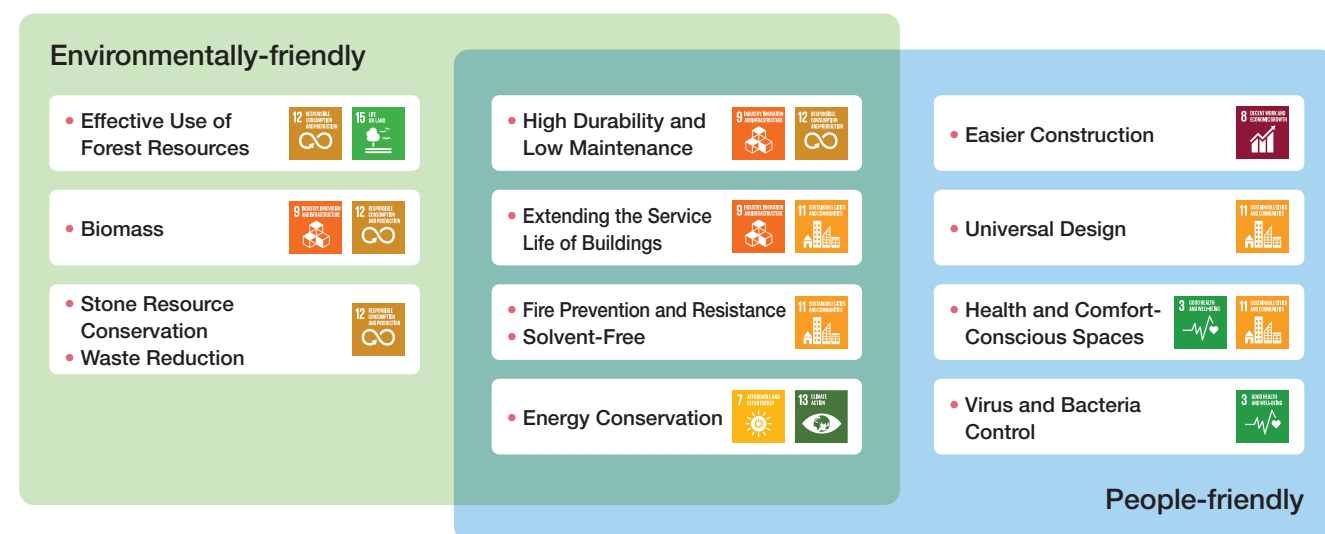
SDG-Oriented Products

By providing products that help solve social issues, we contribute to the formation of a sustainable society.

At AICA, we pursue a Corporate Philosophy by which we create new value and contribute to society through continuous innovation in the spirit of our philosophy of *kyosei**. To manifest this philosophy in action, we take social issues earnestly and focus on developing and providing products that contribute to solving them. In order to make these efforts more tangible, we have organized the characteristics of our products in relation to the SDGs as shown below, and defined them as “SDG-Oriented Products.” We will continue to expand this category of products by leveraging our strengths in chemistry and design.

* Please refer to page 3 for the meaning of *kyosei*

Characteristics of SDG-Oriented Products

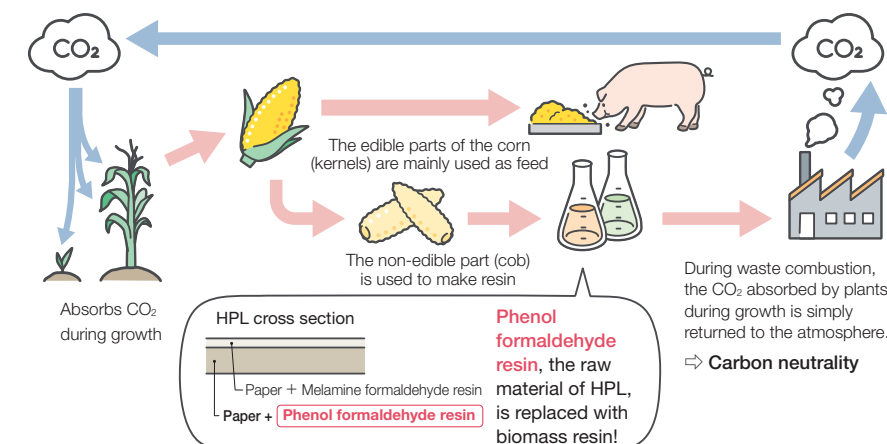


Note: For details on each characteristic, please refer to our website.

Examples of How an SDG-Oriented Product Contributes to the SDGs

High pressure laminate (HPL) that utilizes biomass material

We are actively promoting the use of plant-derived biomass raw materials, which are considered carbon neutral resources because they absorb CO₂ during the growth process. In particular, we are focusing on improving the biomass content of HPL which is our main product. We are aiming to manufacture our HPL exclusively from biomass material in the future.



Characteristics

- High Durability and Low Maintenance (SDG 9, 12)
- Biomass (SDG 9, 12)

CO₂ generated during product disposal reduced by using biomass raw materials

3,200 t-CO₂ per year

Note: Reduction amount was calculated assuming sales of HPL with a biomass content of 75%. The value is calculated by multiplying the difference in CO₂ emissions emitted from the waste combustion of the product between the conventional HPL and the HPL utilized biomass raw materials, with regard of the amount equivalent to the use of biomass raw materials is zero emissions, by the current sales volume of products that can be developed with this specification.

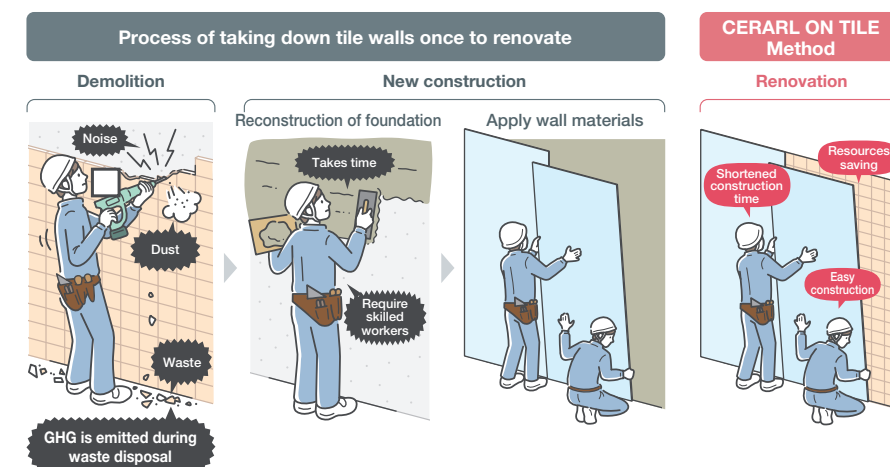
SDG-Oriented Products and AS Products

Products defined as “SGD-Oriented Products” include a variety of items ranging from those that support stable earnings to those offered from a long-term perspective in anticipation of future growth. Among these, we classify products that will drive short- to medium-term growth in Japanese market as “AS (AICA Solution) Products,” and we focus on developing and expanding sales of these products in particular.



CERARL ON TILE method; the tile wall renovation method with installing CERARL over existing tiles

When renovating old tile walls, the tiles normally need to be removed. We have developed CERARL melamine fire retardant decorative panels and a special adhesive called SE-1 to create a revolutionary renovation method that allows these panels to be installed over existing tiles. This leads to reduction of industrial waste, reduction of noise, shortening of construction times, and reduction of costs, thereby reducing the burden on customers and the environment.



Characteristics

- Waste Reduction (SDG 12)
- Easier Construction (SDG 8)
- High Durability and Low Maintenance (SDG 9, 12)
- Fire Prevention and Resistance (SDG 11)

Amount of industrial waste reduced using CERARL ON TILE Method

96,000 t per year

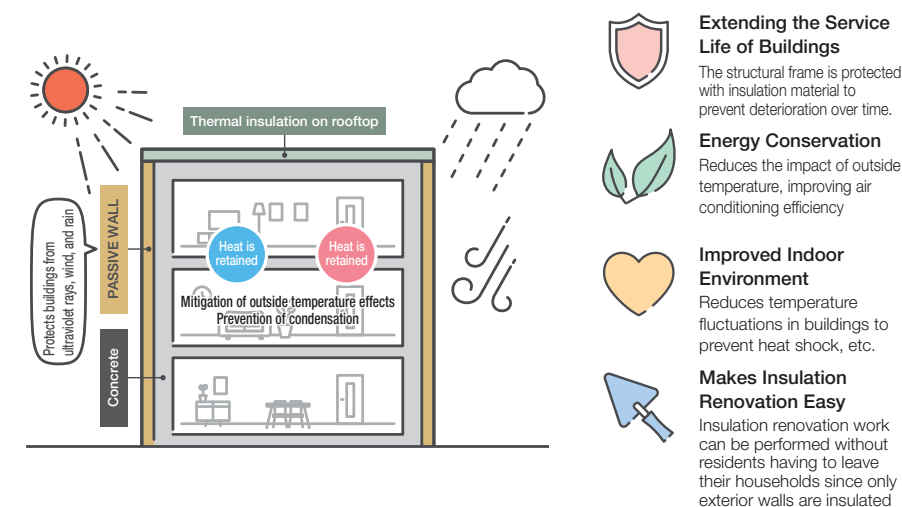
Due to ease of construction, CERARL ON TILE Method shortens construction time by:

423,319 hours per year

Note: Calculated by comparing when a tile wall is constructed using CERARL ON TILE Method with when a tile wall is constructed using the conventional method. It is assumed that this method was used for about 10% of CERARL sold by the company. Industrial waste was assumed to be tiles, cement mortar, and caulking agent.

PASSIVE WALL; the construction method conserves energy and extends building service life by isolating the outside air

There are two types of insulation: internal insulation and external insulation. External insulation is more airtight, which improves the efficiency of air conditioning and heating in buildings and contributes to energy conservation. The PASSIVE WALL is an external insulation method in which the insulation material is placed on the exterior walls of a structure. The insulation is then coated using JOLYPATE, a wall coating material that is one of our main products. External insulation contributes to extending building service life since the insulation material protects the frame of the building.



Characteristics

- Energy Conservation (SDG 7, 13)
- Health- and Comfort-Conscious Spaces (SDG 3, 11)
- Extending the Service Life of Buildings (SDG 9, 11)

The amount of kerosene used for heating reduced by insulation renovation

42.9% per year

Note: Reduction amount was calculated based on the results of comparing the energy consumption of five households before and after high thermal insulation renovation of municipal housing Sapporo (Satozuka Danchi Building No. 14). In addition to the exterior walls constructed using PASSIVE WALL thermal insulation was also added to the roof, under floors, around windows, etc., which also have an effect on the calculated result.

Business Overview



Chemical Products segment

Maximizing group synergies and deepening profit structure reforms to achieve a highly profitable business model.

We will thoroughly manage the profitability of each of our resins and promote structural reforms to transform into a highly profitable business model. By creating synergistic effects between our group companies in Japan and overseas in development, production, and sales, we strive to achieve dramatic growth as we aim to become Asia's No.1 resin manufacturer.

Nobuyuki Omura

Director and Managing Executive Officer
President of the Chemical Products Business Unit



FY2022 Results

Sales reached a record high due to the strong sales of JOLYPATE, a wall coating material, and continued recovery from the economic stagnation caused by the COVID-19 pandemic, price revisions, and the depreciation of the yen. In contrast, although operating profit did not reach the planned target due to the inability to absorb the soaring increases in raw material and energy costs, it exceeded the previous year's results due to general cost reductions, distribution cost reductions, and other factors.

Challenges

- Lower profitability due to soaring raw material and energy prices
- Sluggishness of certain markets due to economic trends
- Changes in market needs, including climate change response
- Cultivation of core products and creation of next-generation large-scale products and new businesses
- Increase profitability and growth potential in overseas markets

Responses

- Thorough management of the profitability of each of our resins to promote profit structure reform
- Focus on growth businesses by leveraging our business portfolio
- Develop and expand sales of AS products and SDG-Oriented Products that help solve social issues
- Invest management resources in the development of core large products
- Expand overseas business through M&A, capital investment, and expanding group synergies

Adhesives

Improving Profit Margins by Thoroughly Managing Profitability and Expanding Product Applications

In FY2022, raw material prices continued to rise due to the impact of high crude oil prices, the depreciation of the yen, the situation in Ukraine, and other factors, which affected profits particularly in the adhesives business. We are working to improve profitability by thoroughly managing the profitability of each of our resins, consolidating low-margin products, reviewing sales prices, and improving our product mix. Also, we will develop and expand sales of products that meet market needs, such as adhesives for electronic components and easy-removable hot melts.

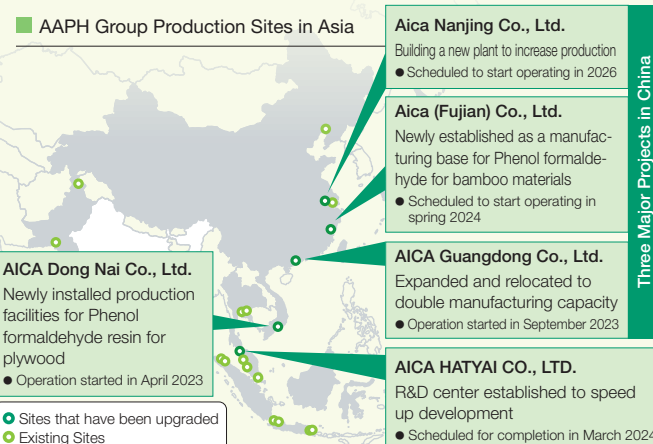


As electronic components become smaller, market needs increase in modified silicone resin adhesive for fine dispensing

Increasing Production Capacity of Phenolic Resin in the AAPH^{*3} Group

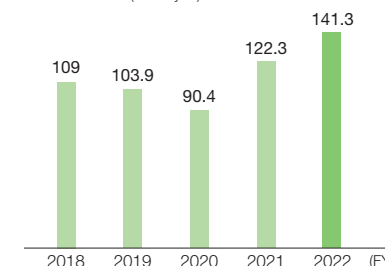
The AAPH Group, which is the driving force of our adhesives business, is increasing its production capacity in the phenolic resin business, which is an important business. Among the group's three major projects underway in China, AICA Guangdong Co., Ltd. completed its expansion/relocation and began production operations in September 2023. The new plant of Aica (Fujian) Co., Ltd., which is under construction, is scheduled to start operations in the spring of 2024. In Vietnam, AICA Dong Nai Co., Ltd. installed production facilities for phenolic resin for plywood in April 2023. We aim to become the largest phenolic resin manufacturer in Asia while expanding production volume and product applications.

^{*3} AICA Asia Pacific Holding

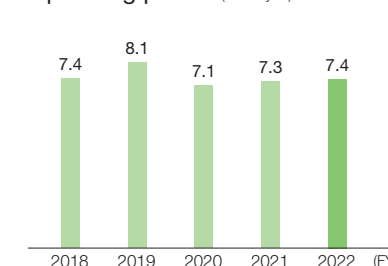


Business Performance

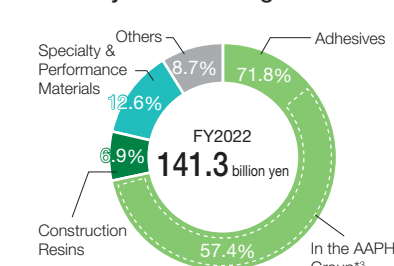
Net sales (billion yen)



Operating profit^{*1} (billion yen)



Sales by Product Range^{*2}



FY2023 Targets

Net sales **145** billion yen

Operating profit^{*1} **7.6** billion yen

^{*1} Operating profit before deduction of unallocated operating expenses ^{*2} Some product group categories were changed in FY2023 ^{*3} AICA Asia Pacific Holding

Construction Resins

Expanding Sales of High-Value-Added Products that Help Solve Social Issues

With the establishment of a subsidy system as a measure to address climate change and the accelerating trend toward ZEB and ZEH, PASSIVE WALL, a wet-type exterior insulation construction method that contributes to energy conservation and long building service life, is showing strong sales performance. This method, which the exterior wall is coated with JOLYPATE, a wall coating material with sophisticated design, provides excellent heat insulation and design excellence. We have enabled customers to select CLIMATERIA STONE-ART, a high-grade design coating material that has been well received for its profound and delicate texture, as a coating material, and are promoting further sales expansion of PASSIVE WALL.

Increased Use of Floor Coating Materials at State-of-the-Art Manufacturing Plants

Currently, many new semiconductor plant construction projects are underway in Japan. In electronic component factories and precision machine factories, it is essential to take measures against outgassing generated from flooring and substrates in order to prevent machine malfunctions and product defects. The "Fabbrica SCR Floor Coating Method" offers low-outgas performance and when cracks appear in the underlying concrete, its elastic feature covers the cracks and prevents concrete exposure. We were awarded with the Biomass mark (for products with 30% biomass content) in February 2023 for Fabbrica and are further increasing the number of its applications.

Specialty & Performance Materials

Continuing Capital Investment and Business Investment to Expand EMC^{*4} Group Earnings

The EMC Group possesses industry-leading technologies in the polyurethane systems (PUS) market for sports shoe soles. In October 2022, we set up a pilot line at VIET NAM SUNYAD TECHNOLOGY LIMITED to prepare the system for speedy prototyping. Although we have been exporting PUS products from our Taiwanese and Chinese bases to Vietnamese shoe manufacturers who supply products to famous sports brands, we are now considering local production of PUS products at U-BEST VIETNAM POLYMER INDUSTRY CO., LTD. We will strive to further expand sales by increasing product development speed and producing products locally for local consumption.

In addition, we are also making capital investments in the UV-curable resins business. We are expanding our production lines as demand for UV monomers is increasing in the regions where EMC operates. Production capacity, which is currently strained, will be increased by 1.6 times with expanded production operations scheduled to start in January 2024. Furthermore, the Daiyuan Plant of EMC manufactures UV-curable coating materials from UV monomers, and we expect that the increased production will further promote the use of raw materials produced within the Group. Through these efforts, we aim to expand group synergies and improve profits.

^{*4} EVERMORE CHEMICAL INDUSTRY

Installation example of PASSIVE WALL



Name of property: Headquarters factory building, NAIGAI TECHNOS Co., jp Ltd.
Designer: Obayashi Corporation
Photo: Kenya Chiba

Installation image of Fabbrica Floor Coating SCR Method



Sports shoe soles made of PUS



UV-curable coating agent used here for product labels





Laminates & Building Materials segment

We aim to grow our Japanese business with high value-added products and achieve dramatic growth in our overseas business by maximizing our Group synergies

We will steadily grow our Japanese business while differentiating ourselves through products that offer high performance and excellent design characteristics, and products as well as construction methods that help solve social issues. By deploying Japan Technology and creating group synergies, we will enhance our presence in rapidly-growing high-end markets in Asia and expand our overseas businesses.

Yuji Iwatsuka

Director and Managing Executive Officer
President of the Laminates & Building Materials Business Unit



FY2022 Results

With the long COVID-19 pandemic showing signs of ending and economic activity returning to normal, sales of our main products such as high pressure laminate (HPL), Fiore Stone, a engineered stone, and Smart Sanitary, a washstand for residential use, were strong. Overseas, despite the impact of economic stagnation in the Chinese market, we were able to increase sales as a result of strong business performance in India and Southeast Asia. Furthermore, as a result of cost reduction activities and sales price revisions, both sales and profits in the Laminates & Building Materials Segment reached record highs.

Challenges

- Changes in market needs, including climate change response
- High dependence on Japanese market, HPL and CERARL
- Tight product supply-demand balance in Japan and increased demand in Asia
- Take BCP measures and group synergies for raw material purchasing and production

Responses

- Develop and expand sales of AS products and SDG-Oriented Products that respond to the changes in the market
- Develop next-generation core large products and develop floor and ceiling markets
- Increase production capacity in Japan and overseas and increase presence in the Asian market
- Increase product supply capacity by maximizing group synergies

Japanese Market

Full-Scale Entry into the Floor and Ceiling Markets

As Japanese wooden furniture market is expected to shrink and the number of new housing starts is expected to decrease, we are focusing on developing new markets and applications. In July 2019, we began sales of MELAMINE TILE, marking our entry into the floor market. The product's excellent economic efficiency and ease of installation, coupled with a recovery in the non-housing market, as well as its reputation for helping solve the social issue of labor shortages, has led to an increase in its adoption by commercial facilities and restaurants. In 2022, we developed "CERARL FP Method", which is a dry-type installation method to apply CERARL on ceiling, and launched KABITECT, a ceiling material with excellent mold-resistant performance, making a full-scale entry into the ceiling market. We aim to capture demand from train stations and stores in order achieve sales of 1 billion yen in the ceiling market in five years.

Expansion of Fiore Stone Production Line

The market share of Fiore Stone, a engineered stone, has been expanding mainly for use in kitchen tops found in luxury condominiums. Recognized for its superior workability and physical properties, it continues to grow as the No. 1 engineered stone brand in terms of market share in Japan, capturing demand for washbasin counters and reception counter use in offices, commercial facilities, hotels, airports, and other locations. In order to respond to strong demand, a new factory building will be constructed in the Ibaraki Plant of AICA Interior Kogyo Co., Ltd. with an investment of approximately 770 million yen. This will increase production capacity by approximately 1.5 times over the current level. We will pursue further growth by expanding its applications.



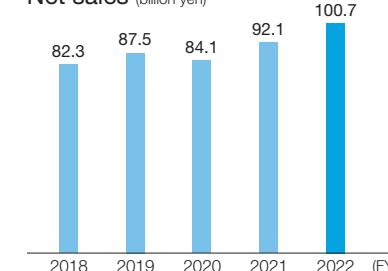
Installation example of CERARL FP Method:
Gransta Yaekita



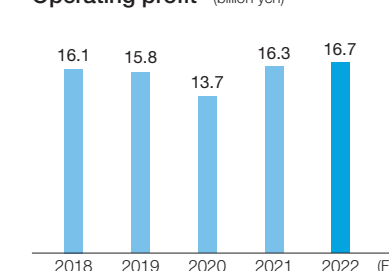
Fiore Stone used for kitchen island counter

Business Performance

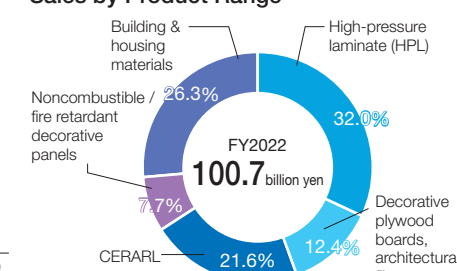
Net sales (billion yen)



Operating profit^{*1} (billion yen)



Sales by Product Range^{*2}



FY2023 Targets

Net sales **105** billion yen | Operating profit^{*1} **17.9** billion yen

^{*1} Operating profit before deduction of unallocated operating expenses ^{*2} Some product group categories were changed in FY2023

Strong sales of sophisticated design products, expanding the market share of melamine fire retardant decorative panels

Sales of CERARL CELLENT, a melamine fire retardant decorative panel that has evolved the design characteristics of CERARL, have been strong. CERARL is widely used as a wall surface material for kitchens in homes, medical and nursing care facilities, educational facilities, offices, and transportation facilities. CERARL CELLENT is used in hotels, commercial facilities, condominium entrances, and other spaces that require a high level of design. It is also increasingly being adopted as a replacement for tile. We will continue to expand the market share of these panels.



Example of CERARL CELLENT construction

Overseas Markets

Responding to Strong Demand in the Region through Capital Investment

Due to strong demand in the Asian region and the expected tight supply-demand balance in Japan, we will expand the production line at Aica Laminates Vietnam Co., Ltd. ALV to double its production capacity. The total investment will be approximately 1.32 billion yen, with operations scheduled to begin in January 2024. In addition, Aica Laminates India Pvt. Ltd. (ALIP) is expanding its facilities to meet the growing domestic demand in India, a country that is increasing its presence in the international community year by year. Total investment will be approximately 370 million yen, and production capacity will be increased by 1.6 times in FY2025.



Conceptual drawing of ALV's new plant building

ALIP Opens Dubai Branch as the Group's First Site in the Middle East

ALIP is engaged in export and sales to Dubai and other Middle East region. In August 2023, ALIP opened a branch in Dubai to expand business in the Middle East where the HPL market is expected to grow due to the large population of young people and the development of infrastructure. The company plans to increase sales in the region to 550 million yen by FY2025 since the branch will enable speedy and detailed delivery of products by having a fully stocked local inventory.



Dubai Branch opening ceremony

Overseas Business Sales has been Expanding, Aiming for Further Progress

Sales in the Laminates & Building Materials market overseas have grown by approximately 3.5 times from 5.5 billion yen (FY2018) to 18.8 billion yen (FY2022) in four years, with 30 billion yen in sales expected in FY2026. The demand for decorative panels that offer sophisticated designs and high quality, a product category that we specialize in, is increasing in Asia. By leveraging the sales network, production bases, technology, and brand power the we have built and acquired so far, we aim to further expand overseas sales by establishing ourselves as a leading company in the HPL market in the Asian region.

Policy and Framework for Sustainability

Basic Approach to Sustainability

We recognize that it is our mission to fulfill the social responsibility required of corporations and to promote activities that enhance the sustainability not only of our company but of the entire global environment. In April 2021, We established a Sustainability Policy to clearly indicate our basic principles and policies related to sustainability management. We will foster common Group values by placing them as equivalent to our Corporate Policy.

Sustainability Policy

1

We address social issues through our business activities to contribute to the creation of a better society.

2

We have established “Compliance with laws and regulations,” “Respect for human rights,” “Harmony with society,” “Fair business practice,” “Customer’s security and trust,” “Proper information disclosure,” “Protection of company information and property,” and “Environment and safety” as the basic principles of the Code of Conduct, and we base our actions on these principles as shared values for all employees.

3

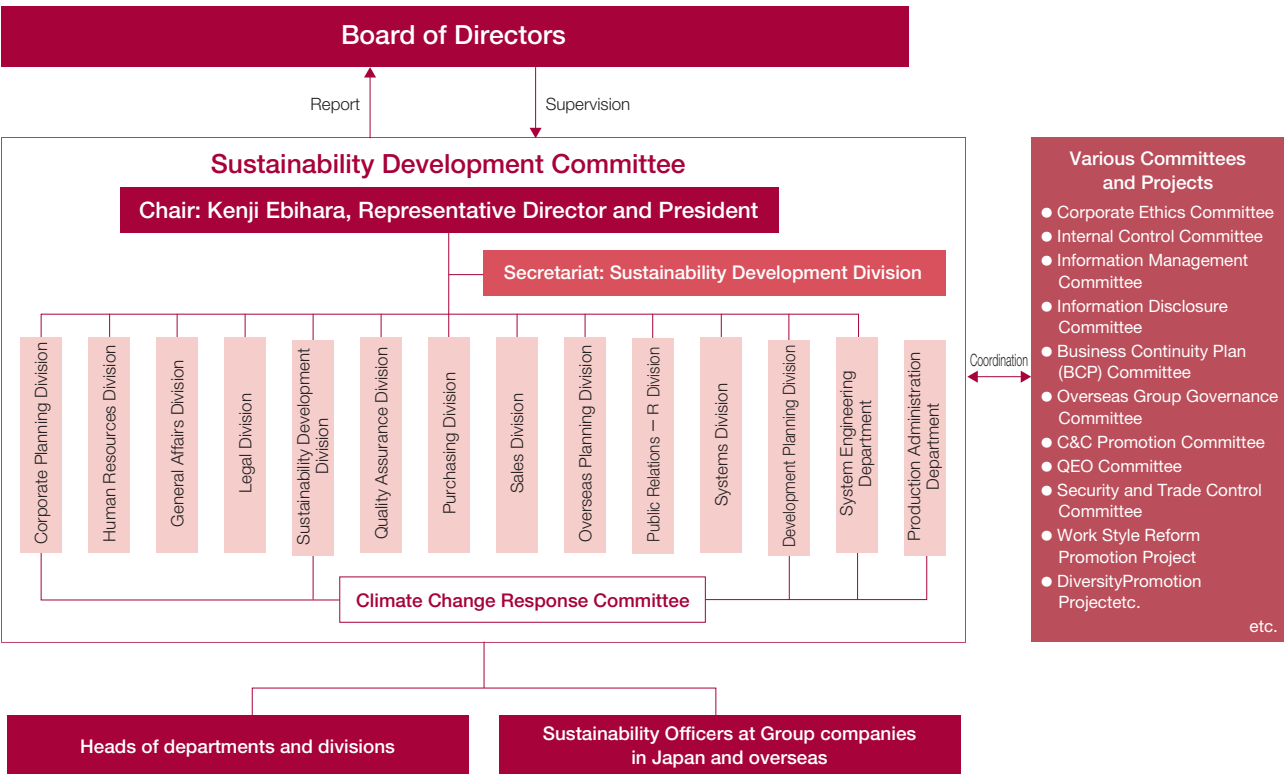
We emphasize dialog with stakeholders, including customers, employees, shareholders, suppliers, business partners, local communities, and local governments, and respond promptly to social needs and changes.

4

We identify material issues from the perspectives of both corporate management and stakeholders, address those issues alongside our business activities, and disclose our progress in addressing them.

Sustainability Development Framework

A Sustainability Development Committee has been established as the central body for the development of more in-depth sustainability, and the entire Group is working toward the achievement of our materiality goals that integrate our business activities. In April 2021 we changed the name of the committee from the CSR Promotion Committee to the Sustainability Development Committee, with the President appointed as chair. We will assess the role that the company should play from a broader perspective, and the Group will work together to strengthen the corporate structure for sustainable development.



(As of October 2023)

Toward integration of business activities and sustainability

“Kyosei” is a word that we place at the core of our Corporate Philosophy, and we work hard to embody this philosophy by helping to solve various social issues. Recognizing that this ideology has much in common with the voluntary action principles of “human rights,” “labor,” “environment,” and “anticorruption” of the United Nations Global Compact (UNGC), we announced our support of the UNGC in 2018. With this announcement, we committed to proactively addressing the Sustainable Development Goals (SDGs) adopted by the UN and embarked on activities aimed at achieving those goals.

We have identified issues to be addressed as materiality, taking into account various social issues, including the SDGs. By setting targets for each materiality and incorporating them into the Medium Term Business Plan, we aim to integrate our business activities and sustainability promotion activities.

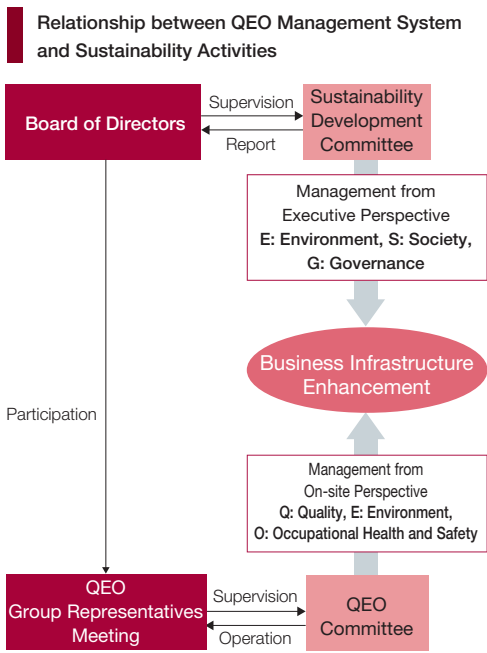
* Please refer to page 3 for the meaning of kyosei



QEO Management System

AICA has built our QEO management system, which operates with a trinity of quality (Q: ISO 9001), environment (E: ISO 14001), and occupational health and safety (O: ISO 45001) management systems. Under this management system, the production, R&D, sales, and administrative divisions work as a united team. This structure is the main axis of the Company’s activities to strengthen its business infrastructure and is one of the measures included in AICA’s 10-Year Vision. Through the implementation of this management system, as well as complying with laws and regulations, we conduct risk hedging and kaizen activities, promote the enhancement of quality, improvement of environmental indicators (reduction of greenhouse gas emissions and industrial waste, reinforcement of water management, etc.), and the creation of safe and comfortable workplaces, and strive to strengthen our business infrastructure from the perspectives of both risk and opportunity.

A QEO Committee, managed by the Sustainability Development Division and Quality Assurance Division, has been established as the central body for the promotion of the QEO management system. The committee conducts activities to achieve the policies and goals that have been formulated on the basis of this management system. A QEO Group Representatives Meeting is convened once every six months, attended by AICA’s top management and representatives of Group companies in Japan and overseas. While confirming QEO achievements and the status of improvements at individual Group companies, the meeting’s attendees also exchange information by sharing case studies, and discuss and decide on countermeasures.



Toward the strengthening of initiatives toward climate change issues

We consider “Responding to climate change” to be an important issue that needs to be addressed urgently. In the new Medium-Term Business Plan, we have identified this to be an issues that should be particularly focused on among the materialities and incorporated it into management indicators. We will grasp latest trends for responding to climate change through participation in international frameworks and initiatives, and strengthen our response to related risks and opportunities through the Climate Change Response Committee, which has been established under the Sustainability Development Committee.

(Please refer to pages 42-48 for details of specific initiatives.)

Endorsement of TCFD recommendations

In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Participation in climate change initiatives

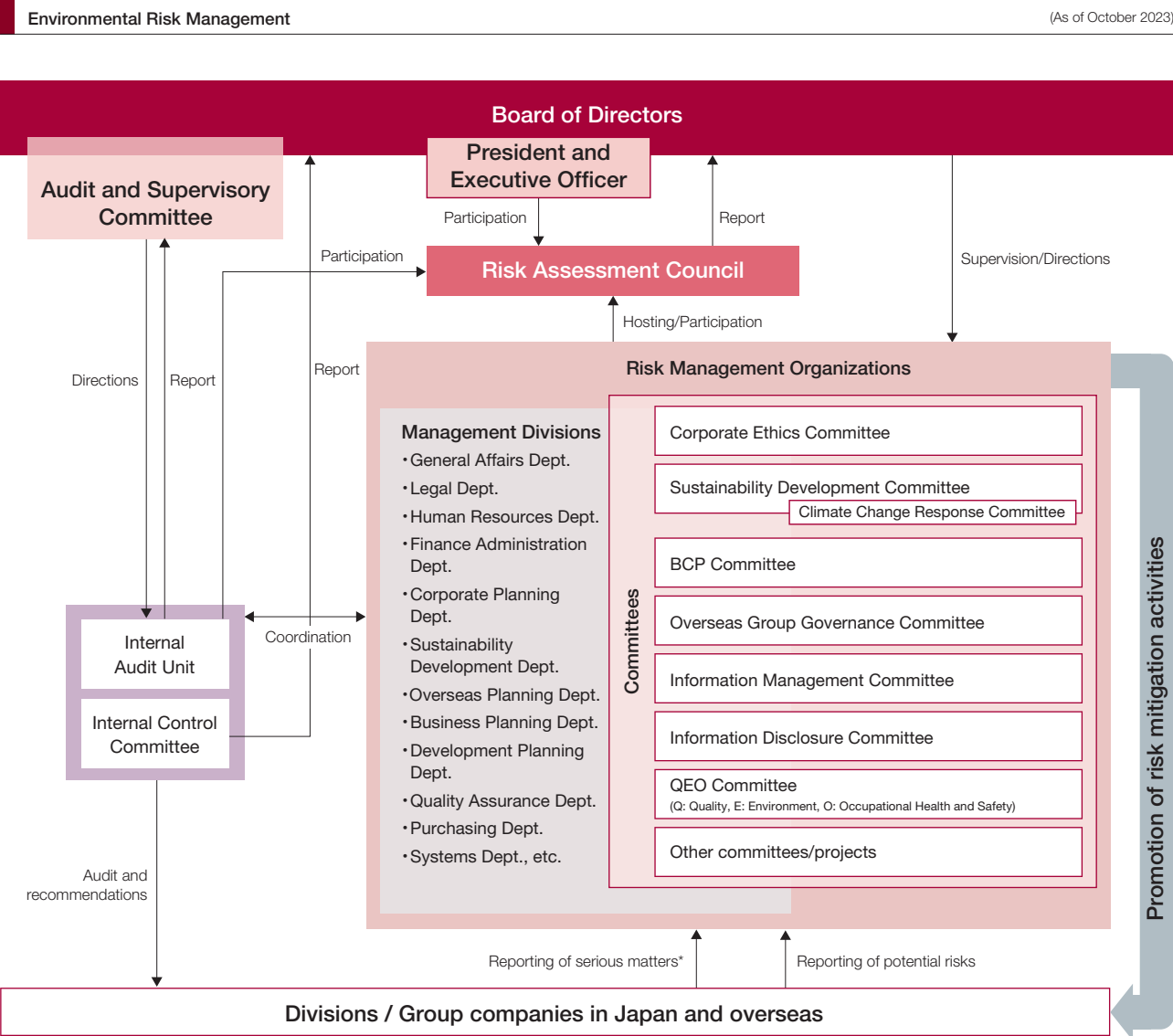
From January 2019, we have joined the Japan Climate Initiative.



Risk Management

Basic Approach to Risk Management

In order to mitigate losses due to unforeseen events, we established a Risk Assessment Conference, which is attended by the President and personnel of organization responsible for management of related risks. A Group-wide risk survey is conducted once a year, which includes group companies, and the appropriateness of the likelihood of occurrence and magnitude of impact of risks reported by each company and division is discussed by the Risk Assessment Conference, and the status of management of each risk is confirmed. Risks identified as important are disclosed as “Business Risks, Etc.” after discussions at the Board of Directors.



* As rules for the reporting of serious matters, we have two regulations—an internal whistleblowing system (to report compliance issues to the Corporate Ethics Committee Window) and the Company’s own reporting rules (urgent reporting of critical matters to the Chairman and President).

- Business risks** (For details on each risks, please refer to our website.)
- 1 Risks related to global economic fluctuations
 - 2 Risks related to response to changes in the market and customer needs
 - 3 Risks related to dependence on construction and renovation demand in specific sectors
 - 4 Risks related to capital tie-ups such as M&A
 - 5 Risks related to price fluctuations and supply shortages of key raw materials
 - 6 Risks related to product quality and product liability
 - 7 Risks related to facility modification/abandonment and site restrictions
 - 8 Risks related to outflow of intellectual property and infringement of other companies’ rights
 - 9 Risks related to insufficient capacity of logistics network and rising logistics costs
 - 10 Risks related to on-time delivery in full (OTIF)
 - 11 Risks related to creditworthiness of business partners
 - 12 Risks related to financial and taxation matters
 - 13 Risks related to exchange rate fluctuations
 - 14 Risks related to the occurrence of major disasters and accidents
 - 15 Risks related to environmental wellbeing
 - 16 Risks related to climate change
 - 17 Risks related to human capital
 - 18 Risks related to information security and IT infrastructure
 - 19 Risks related to compliance

Crisis Management Regulations

In our Crisis Management Regulations, we have established the measures to be taken when Aica Kogyo or any of our Group companies is faced with a business management crisis. We uphold the following basic policies: (1) Ensure the safety of employees and their families, (2) Mitigate social and economic impact, (3) Fulfill our responsibility to supply products to customers, and (4) Support local communities. We specify the scope of a given crisis, rules for reporting crises when they occur, and the establishment of crisis response headquarters to ensure prompt and appropriate responses and mitigate damage when crises occur.

Regulations Related to Crisis Management	
Name of Regulation	Description
Earthquake Hazard Prevention Regulations	Response to earthquake disasters
Wind and Water Hazard Prevention Regulations	Response to wind and flood damage
Product Safety Management Regulations	Handling of product complaints where accidents have occurred
MS Emergency Response Regulations	Response to plant fires and environmental problems
Information Management Regulations	Response to leaks of confidential information
Action Plan for Novel Influenza Pandemic Preparedness	Response to an outbreak of novel influenza (utilized during the COVID-19 pandemic)

Business Continuity Plan (BCP)

The AICA Group has formulated a Business Continuity Plan (BCP) and put emergency measures in place to ensure that important business operations are not interrupted by a major disaster or accident, and that even if business activities are interrupted, to resume important operations by the target recovery time with remaining capacity.

The Great East Japan Earthquake that occurred in March 2011 gave rise to our establishment of the BCP Committee, which plays a central role in strengthening disaster prevention measures, and works to formulate and revise our BCPs. BCPs are being formulated for sites added through M&A, etc., and regular drills are being conducted at sites that have already formulated BCPs. We are also expanding the boundary of BCP drills with the cooperation of our Group companies overseas and major production contractors.

Also, based on the lessons learned from the flood damage to our Hiroshima Plant resulting from the torrential rains of July 2018, we have conducted BCP drills for flooding at four sites (Nagoya, Jimokui and Hiroshima plants of Aica Kogyo and Nagoya plant of AICA TECH KENZAI). In addition to improving the level of drills by making the content of the disaster assumptions during drills more specific and digging deeper into who makes what moves at what time, we clarify the competencies required in the event of a disaster and focus on human resource development to enable faster recovery and alternative production in the event of an emergency.

Furthermore, all group companies in Japan and overseas are implementing BCP measures for information security based on lessons learned from the cyber attack on Wilsonart (Thailand) in January 2023.

Risk Management in M&A (Due Diligence)

We actively utilize M&A as an effective means of expanding business and improving profitability. Depending on the company being acquired, there is an inherent risk that the expected benefits and synergies may not be realized, or that there will be a significant negative impact on business performance. The President, the Executive Officer in charge, and the Corporate Planning, Legal, and Finance Departments lead efforts to minimize such risks, assembling the necessary members from the Intellectual Property and Environmental Departments for each project, and forming project teams to conduct appropriate due diligence on various risks. These involve synergistic effects and growth strategies between technology and sales channels, as well as human resource, financial/taxation, environmental, and compliance aspects (labor conditions, health and safety, corruption, human rights issues, etc.).

Information Security

The AICA Group is committed to information security according to our Basic Policy on Information Security, by which we protect not only customer information but also the information assets of each company from threats such as accidents, disasters, crimes, and cyber attacks, to live up to the trust of customers and society, and to reduce business continuity risk, legal risk, reputational risk, etc.

Basic Policy on Information Security			
Article 1	The AICA Group will strive to improve and improve information security systematically and continuously under the leadership of management.	Article 5	The AICA Group will endeavor to implement information security measures necessary to prevent accidents such as unauthorized access, destruction, information leakage, falsification, and cyber attacks on information assets.
Article 2	In order to maintain and improve information security, the AICA Group has established an Information Management Committee within Aica Kogyo, and each Group company also takes appropriate information security measures.	Article 6	The AICA Group will strive to improve information security literacy for all employees and to provide education to realize the appropriate handling and management of information assets.
Article 3	Employees of the AICA Group shall endeavor to acquire the knowledge and skills necessary for information security, pay close attention to the information assets of each company, and promptly report any threats or violations of information security to management.	Article 7	The AICA Group will strive to continuously improve its information security management by regularly evaluating and reviewing the above initiatives.
Article 4	The AICA Group will comply with all laws, regulations, norms, and contractual obligations related to information security.	Article 8	In the event of a violation of laws and regulations, a breach of contract, or an accident related to information security, the AICA Group will respond appropriately and strive to prevent recurrence.

Compliance

Basic Approach to Compliance

The AICA Group is firmly committed to complying with local laws and regulations and conducting its business activities ethically at all of its sites in Japan and overseas. The AICA Group Code of Conduct forms the foundation of the Group's compliance program. It has been established with the objective of realizing our Corporate Philosophy and Business Plan in accordance with our Corporate principle of Challenge & Creation. We have also established Action Guidelines, which set out specific standards for conduct in accordance with the Code of Conduct.

AICA Group Code of Conduct Basic Principles

1

Compliance with laws and regulations

2

Respect for human rights

3

Harmony with society

4

Fair business practice

5

Customer's security and trust

6

Proper information disclosure

7

Protection of company information and property

8

Environment and safety

Compliance Education

To raise awareness about compliance among employees, the AICA Group utilizes the AICA Group Code of Conduct and Action Guidelines at all domestic and overseas locations, including Group companies to conduct training at each work site. In this training, we thoroughly instill in our employees a consciousness of the positioning of the AICA Group Code of Conduct and Action Guidelines and the significance and necessity of compliance. We measure the level of employees' understanding through training reports and also confirm any requests made by employees. In 2022, we published the AICA Compliance Casebook, which explains the AICA Group Code of Conduct in an easy-to-understand manner, and incorporated it into this training to enhance the content to incorporate more daily activities. Through training, all AICA Group employees raise awareness among their peers, strive to comply with the laws and regulations, and contents of the AICA Compliance Casebook, and act responsibly and properly at all times and in all situations.



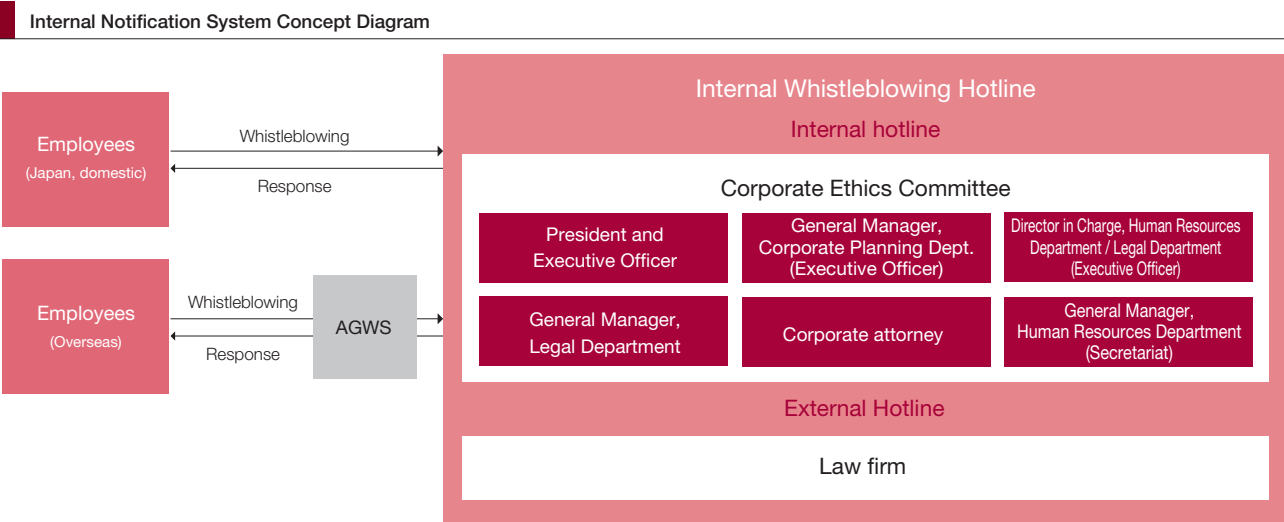
In addition, the Legal Division and the Human Resources Division play a central role in traveling around to all of the branch offices, plants, Group companies and other sites to provide instruction on the importance of compliance through Group training on compliance for managers and practitioners, as well as training using e-learning. Any issues discovered in the course of these visits are incorporated into improvement activities throughout the entire company.

Corporate Ethics Committee

We have established a Corporate Ethics Committee, whose objectives include the development and promotion of necessary policies for compliance. It also pursues the investigation, confirmation, and implementation of corrective action regarding whistleblowing reports made to the internal whistleblowing hotline and regarding matters that cannot be resolved by Group companies on their own, as well as the consideration and proposal of disciplinary action to be applied in the event of a compliance-related issue. The Corporate Ethics Committee promptly investigates and addresses all whistleblowing reports and, where necessary, takes corrective action. The details of all such cases are reported to the senior executives and the members of the Audit and Supervisory Committee on a regular basis.

Internal Whistleblowing System

To ensure that potential risks of breaches of workplace morals, such as infringements of laws and company regulations, bribery and corruption, and harassment, can be addressed promptly, we have established an internal whistleblowing hotline inside the company and at a law firm outside the company. In addition, we established a global whistleblowing office, the AICA Global Whistleblowing System (AGWS), for the employees of overseas group companies. Employees of the AICA Group are able to report to or seek advice about any problems or concerns they may have regarding corporate ethics and compliance 24 hours a day (multilingual support is available). In addition, the anonymity of employees is protected so that whistleblowers do not suffer any disadvantages, since whistleblowing reports are accepted anonymously. The telephone number and e-mail address of the internal whistleblowing hotline are included on the AICA Group Employees Action Guidelines Card, and employees confirm how to use the hotline at the annual Group-wide training held in Japan and overseas so that they become more knowledgeable about the system.



* Number of cases brought to the Internal Whistleblowing Hotline in fiscal 2022: 12

Respect for human rights

Human rights are the rights granted to every people, and respect for human rights is a universal code of conduct. In recent years, amid the globalization of business activities, interest in human rights and environmental issues has increased in various countries and regions. The UN Guiding Principles on Business and Human Rights clearly state the responsibility that companies have to respect human rights. Companies are expected to not only respond to human rights issues related to executives and employees, and human rights issues that may be directly affected by our business activities, but also to avoid promoting or being complicit in human rights violations that may be indirectly caused by business partners.

The AICA Group supports and respects international norms on human rights, including the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights. In order to fulfill its corporate responsibilities, the AICA Group Code of Conduct clearly states guidelines regarding respect for human rights. In addition, to ensure that our suppliers understand our human rights policy, we clearly state our policy on respect for human rights in our Sustainability Procurement Guidelines. In light of recent changes in the business environment and expectations from society, we formulated the AICA Group Human Rights Policy in 2023.

The AICA Group Code of Conduct, the AICA Group Human Rights Policy, and the Sustainability Procurement Guidelines are published on our website in order to communicate widely to our stakeholders.

■ System for Promoting Human Rights

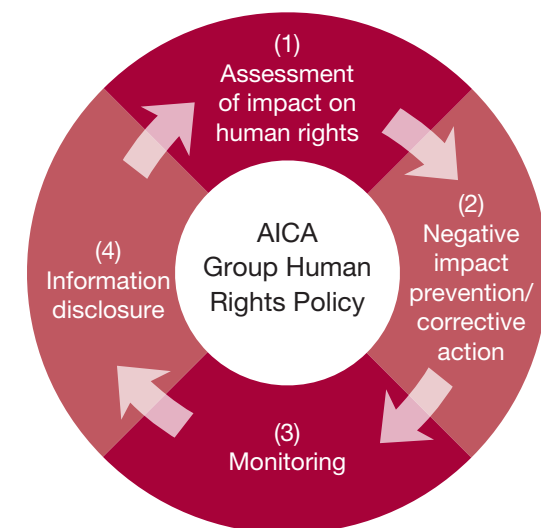
The AICA Group has established the Sustainability Development Committee, chaired by the Representative Director and President, as the central body for the development of more in-depth sustainability. Initiatives to respect human rights are also regularly reported to the Board of Directors after discussions by the Sustainability Development Committee. In addition, the Legal Division and Human Resources Division promote human rights awareness activities, such as planning and implementing training on respect for human rights.

■ Human Rights Due Diligence

Based on the AICA Group Human Rights Policy, the AICA Group is bringing about human rights due diligence in light of the increasing respect for human rights and changes in human rights issues as a global company.

In FY2022, we conducted an assessment of human rights impacts that could be caused by corporate activities, and identified occupational accidents, environmental pollution and destruction, and involvement in conflict areas as high-risk human rights issues. This is due to the fact that the AICA Group is a manufacturer that handles chemical substances and procures raw materials globally. Moving forward, we will strengthen human rights due diligence by enhancing investigations, mainly of suppliers, and requesting the prevention and correction of negative impacts as necessary.

Human Rights Due Diligence Process



- (1) Identify, analyze, and assess potential adverse human rights impacts that may be caused by our business activities.
- (2) Implement preventative/corrective actions related to apparent and potential negative human rights impacts.
- (3) Grasp the status of measures to make continuous improvements and conduct follow-up surveys.
- (4) Report the results of these initiatives on our website, in company reports, etc.

AICA Group Human Rights Policy Basic Principles

- 1 Responsibility to Respect Human Rights
- 2 Human Rights Due Diligence
- 3 Education
- 4 Dialogue
- 5 Reporting

Environment

Basic Approach to the Environment

The AICA Group has developed an environmental management system based on ISO 14001 and operates an original QEO Management System (Refer to P.36). To realize a sustainable society, we engage actively in addressing environment-related issues.

▶ Target boundary: The target boundary of each category is clearly stated. The breakdown of business sites is as follows.

- AICA Group production sites in Japan: All production sites of Japanese consolidated subsidiary companies
- AICA Group production sites overseas: All production sites of overseas consolidated subsidiary companies

Environmental Philosophy

We will strive to protect the environment and achieve harmony with local communities and deliver environmentally friendly products.

Environmental Policy

- 1 Creating products that are kind to both the environment and humans
- 2 Responding to climate change
- 3 Contribution to the circular economy
- 4 Harmony with local communities
- 5 Compliance with laws and regulations

Responding to climate change

Basic Approach to Climate Change Response

In the Global Risks Report, published annually by the World Economic Forum (WEF), an international organization committed to resolving global-scale issues, several risks related to climate change were perceived as the high likelihood risks and high impact risks. Extreme weather events are also increasing on a global scale. AICA Kogyo has sustained damage several times in recent years from disasters caused by such events, and we feel keenly that climate change is a major business risk. Based on this recognition, we have selected “Responding to climate change” as one of the materiality items included in our Medium-Term Business Plan. In April 2023, we changed our greenhouse gas (GHG) reduction target from the intensity target to the absolute target, and we are further strengthening our activities to achieve the target after making major changes, including declaring our commitment to achieving carbon neutrality by FY2050.

Governance System for Responding to Climate Change

The Climate Change Response Committee was established under the Sustainability Development Committee, which is chaired by the President, as a body to promote measures to deal with climate change issues. The production, sales, development planning, and administrative divisions are working together to formulate drastic GHG reduction measures and promote initiatives to seize opportunities presented by climate change. Details about the activities of the Climate Change Response Committee, progress of KPIs that have been set for materialities, and their activity status are quarterly reported to the Board of Directors by the Sustainability Development Committee.

Managing Risks Related to Responding to Climate Change

Risk management related to climate change response is carried out as part of Group-wide risk management. (Refer to P.37) Through this process, we published climate change as a serious risk and identified it as one of our materiality. The Climate Change Response Committee, which is established under the Sustainability Development Committee, and the Sustainability Development Division, which serves as the secretariat for both of those committees, regularly examines and manages risks related to climate change.

Integration of Scenario Analysis Results into Strategies

We conducted interviews with our stakeholders in FY2020 to identify risks and opportunities and organized a compilation of the risks and opportunities associated with the effects of climate change, and what we should do to address it. Since these efforts made it clear that the impact of climate change will increase in the future, we incorporated “Responding to climate change” as a materiality into the previous and current Medium-Term Business Plan, and set qualitative and quantitative targets. In the first half of FY2022, we used external scenarios to conduct qualitative impact assessments for each of the identified risks and opportunities at 2030 and 2050 given 1.5°C and 4°C global scenarios. In addition, in the second half of FY2022, we conducted a quantitative financial impact assessment targeting risks and opportunities that were found to have a relatively large impact in the qualitative impact assessment, and organized them as follows. These details are reflected in the new Medium-Term Business Plan.

Overview of scenario analysis and results

Scope of Scenario Analysis

Transition risks and opportunities: Japanese construction market Physical Risks: AICA Group Japanese and overseas production sites

Overview of Possible Scenarios

	1.5°C Scenario (Climate change action is progressing and regulations are being tightened.)	4°C Scenario (Action is delayed, and temperatures rise as a result.)
Policy	● Introduction of carbon taxes and emissions trading schemes to curb GHG emissions under international coordination	● Continuation of policies at the level currently in force
Overseas Markets	● Significant decline in gasoline demand ● Widespread corporate decarbonization pledges ● Increased need to reduce GHG emissions throughout the life cycle	● Continued increase in gasoline demand ● Increased demand for products related to climate change adaptation due to more frequent extreme weather events and rising temperatures
Society	● Lifestyles change amid pervasive decarbonization	● Major changes in livable areas amid heat waves and water shortages ● Frequent outbreaks of infectious disease
Extreme Weather	● Gradual but frequent temperature increases	● Flood frequency in Japan becomes noticeably more frequent, quadrupling compared to the end of the 20th century

Quantitative Assessment Results and Measures

Changes in External Environment (Increased Impact Scenario)	Impact on our Company	Calculation Formula of Financial Impact	Impact on Profits		Measures (Opportunities)
			2030	2050	
New carbon tax, or emissions credit system introduced (1.5°C Scenario)	Increased production costs due to carbon tax imposed on the Company	Scope 1 Emissions × Carbon price	Moderate	Large	1 Strengthen initiatives toward carbon neutrality
	Increased raw material costs due to carbon tax imposed on suppliers	Scope 3, Category 1 Emissions × Carbon price × (100 - Price pass-through rate)	Moderate	Large	
Naphtha price hikes due to lower gasoline demand (1.5°C Scenario)	Lower demand for gasoline increases the naphtha prices, increasing related raw material costs	Naphtha price estimated by the Company × Profit sensitivity × Business growth rate	Small	Large	2 Strengthen lineup of products that address climate change (adding of high value)
Increase in demand for lumber used as fuel, biomass raw materials, etc. (1.5°C Scenario)	Intense demand for lumber increases the cost of lumber purchased by the Company	Monetary amount used to purchase wood materials × Logging tax rate	Small	Large	
Increase in customer needs for decarbonization (1.5°C Scenario)	Failure to meet business partners' demands results in a decrease in sales due to suspension of transactions	Net sales × Ratio of projects that emphasize climate change response × Expected reduction value for the Company	Moderate	Large	
	Increase in capital investment for conversion of manufacturing methods from existing products	Dereference between introduction costs for existing equipment and decarbonized equipment × Number of units of existing equipment	Small	Small	3 Strengthen BCP against natural disasters
Frequent occurrence of typhoons and torrential rain (4°C Scenario)	Damage to the Company plants resulting in damage to equipment, etc. leading to extraordinary losses and a drop in sales due to shutdown	Number of shutdown days based on the estimated maximum inundation height × (Net sales + amount of assets held by each plant) + Loss percentage based on expected maximum inundation height × Amount of assets held	Large	Large	

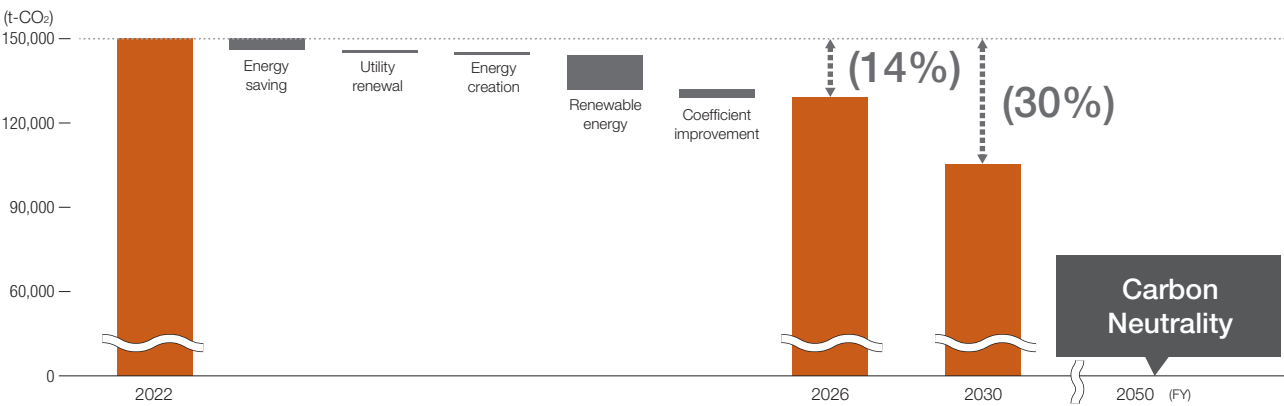
Impact of profit symbols: Small ...less than 500 million yen, Moderate ... 500 million yen to less than 1 billion yen, Large ... 1 billion yen or above
Note: Please refer to our website for qualitative impact assessment results.

Measure 1 Strengthen efforts aimed at achieving carbon neutrality

We have shifted from the previous revenue intensity reduction target to the absolute reduction target, and included the target in the new Medium-Term Business Plan. We aim to achieve carbon neutrality by 2050 by implementing stronger emission reduction measures.

Associated risks with greater impact	
Changes in external environment	Impact on our Company
New carbon tax, emissions credit system introduced	Increase in manufacturing costs
Increase in customer needs for decarbonization	Decrease in sales

Scope 1 and Scope 2 Emissions Reduction Plan



Examples of Specific Efforts

Energy conservation activities

Since our major products use a lot of electricity, heat, and steam in production processes, we have been working to improve the energy use efficiency of these products. We will continue to promote energy conservation activities, such as improving the operation of utility facilities, and strive to improve production efficiency to reduce energy consumption.

Introduction of low-carbon utility facilities

We will promote the renewal and installation of utility equipment that contributes to energy conservation by utilizing the internal carbon pricing system. In addition, we will consider updating equipment that uses heavy oil and diesel fuel at some sites.

Adoption and purchase of renewable energy

Increase the ratio of non-fossil energy use, such as switching purchased electricity to renewable energy.

Fundamental shift in products and manufacturing processes

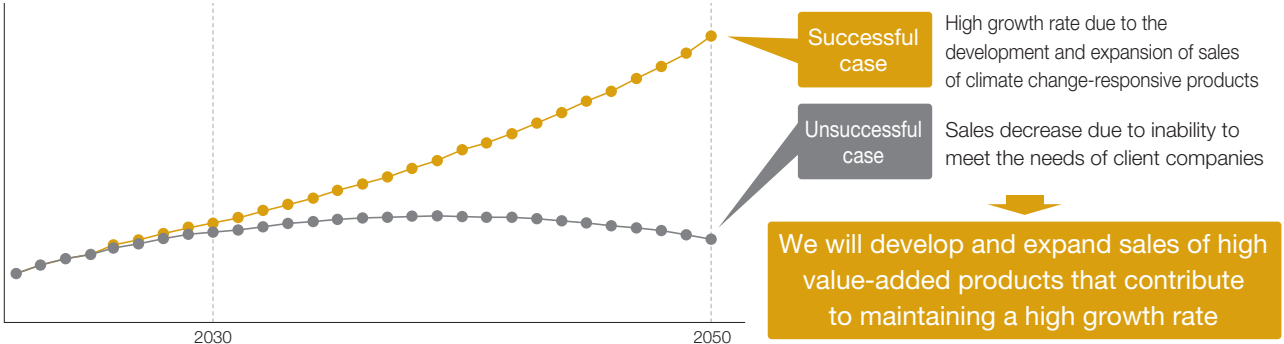
In the manufacturing of existing products, we will consider switching to a method that minimizes energy consumption such as electricity, heat, and steam as much as possible. We will also develop products that use less energy during manufacturing by making full use of our strength in resin synthesis technology.

Measure 2 Strengthen lineup of products that respond to climate change (create high value-added products)

Based on our resin synthesis technologies and materials utilization technologies, we will develop products that contribute to responding to climate change and expand sales of such products. We aim to be a corporate group that achieves sustainable growth even in a rapidly changing world by increasing the added value of our products, covering the cost increase caused by climate change.

Associated risks with greater impact	
Changes in external environment	Impact on our Company
New carbon tax, or emissions credit system introduced	Increase in raw materials costs
Naphtha price hikes due to lower gasoline demand	Increase in raw materials costs
Increase in demand for lumber used as fuel, biomass raw materials, etc.	Increase in wood materials costs
Increase in customer needs for decarbonization	Decrease in sales

Sales Forecast based on Scenario Analysis



Examples of Specific Efforts

Utilization of biomass materials	By utilizing plant-derived biomass materials, which can be regarded as giving off zero CO ₂ emissions during waste combustion, we will reduce GHG emissions throughout the entire product life cycle and contribute to the formation of a circular economy by switching from depleted resources.
Environmental impact analysis through product life cycle assessments	In addition to identifying the stages in the life cycle of major products that emit a large amount of CO ₂ , we will focus on developing products that reduce the carbon footprint and adapt to a decarbonized society.
Waste reduction	We promote the effective use of product scraps and waste materials generated during the manufacturing process, and offers refurbishment methods that reduce waste materials during installation, thereby contributing to the reduction of GHG emissions and the formation of a sustainable, circular economy.
Easier Construction	We provide products that can be easily installed in a short period of time, contributing to reducing the risk of heatstroke. In addition, this effort will also contribute to solving a serious issue that the construction industry is facing, which is major labor shortages.

Measure 3 Strengthen BCP against natural disasters

In order to prepare for intensifying natural disasters and frequently occurring extreme weather due to the impact of climate change, We will strengthen our business continuity plan (BCP). We will build a system to ensure immediate restoration by confirming actions to be taken in case of disaster thorough regular drills and clarifying workflows and division of roles towards restoration.

Associated risks with greater impact	
Changes in external environment	Impact on our Company
Frequent occurrence of typhoons and torrential rain	Extraordinary losses and drop in sales

Recent disasters resulting in shutdown and countermeasures taken

Name of disaster	Time of occurrence	Locations impacted	Responses
Torrential rains in the Tokai Region	2000	Aica Kogyo Co., Ltd. Nagoya Plant and Jimokuji Plant	● Installation of floodwalls ● Enhancement of drainage pumps ● Relocation of important equipment to higher places
Torrential rains of July 2018	2018	Aica Kogyo Co., Ltd. Hiroshima Plant	● Pavement and heightening of plant entrances, purchase of simple breakwaters

Examples of Specific Efforts

BCP drills	We will continue to conduct BCP drills in response to location risks, which is conducted once a year at each production site in Japan and overseas. In particular, Aica Kogyo Co., Ltd.'s Nagoya Plant, Jimokuji Plant, and Hiroshima Plant, which have all experienced flood damage, will conduct drills for implementing flood damage countermeasures. Description of drills 1. BCP review We divide the phases from the occurrence of a disaster to the decision to activate BCP, and from the activation of BCP to recovery activities, and confirm that the person in charge of the department understands the items to be carried out, and that there is room for improvement in the arrangements. 2. Practical training Initial response to a disaster will be conducted according to procedures.
Installation of waterproof walls	The following measures were taken at sites that have experienced flood damage. We will continue to consider increasing the waterproof wall installation as necessary. ● AICA Kogyo Co., Ltd.'s Nagoya Plant: The waterproof wall located in the lower part of the site has been raised and strengthened (a 600-700 mm waterproof wall was added to the existing 1,150 mm waterproof wall) ● AICA Kogyo Co., Ltd.'s Jimokuji Plant: Raised exterior building structure 500 mm and purchased simple breakwater (for gate) ● AICA Kogyo Co., Ltd.'s Hiroshima Plant: Raised exterior building structure 500 mm, purchased simple breakwater (for gate), and performed maintenance on buried drainage pipes
Early response to typhoons and heavy rains	If there is a typhoon or torrential rain forecast, the head office will alert potentially affected sites. In particular, production sites will be notified to start flood control measures as soon as possible.

Indicator and Targets

As previously mentioned, in the new Medium-Term Business Plan, we declared our intention to achieve carbon neutrality in regard to Scope 1 and Scope 2 emissions by FY2050. In addition, we have set medium-term targets to reduce GHG emissions by 14% by FY2026 and 30% by FY2030 compared to FY2022 levels. To achieve our medium-term targets, we plan on environmental investment of 2 billion yen, which will contribute to reducing GHG emissions from FY2023 to FY2026. With regard to Scope 3 emissions, we set establishing Scope 3 emission reduction targets and formulating reduction measures by FY2026 as our materiality goal by grasping the emissions of the entire Group, including emission of group locations overseas.

GHG Emissions Targets (New Medium-Term Business Plan)

Scope	Target year	Target
Scope 1 & 2	FY2026	Reduce 14% from FY2022
	FY2030	Reduce 30% from FY2022
	FY2050	Carbon Neutrality
Scope 3	FY2026	Set Scope 3 emission reduction targets and formulate reduction measures

New Medium-Term Business Plan Investment Target
Environmental Investment of
2 billion yen

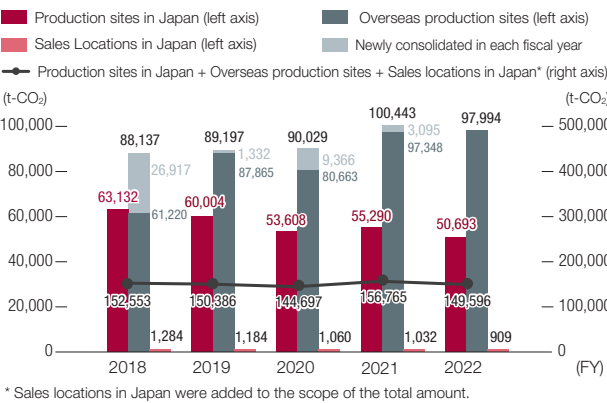
Targets and Achievements

FY2023 Target (previous Medium-Term Business Plan)	FY2022 Achievement	Increase/Decrease Factors
Reduce AICA Group GHG emissions revenue intensity by 10% compared to FY2020	25% decrease from FY2020	Various reduction measures have reduced the increase in emissions associated with the increase in production volume, and the increase in sales has resulted in lower emissions per unit of production

Actual Results (Scope 1 & 2) (Third-party assurance has been obtained for some environmental indicators, e.g. GHG emissions. Please refer to P.69-72 for details.)

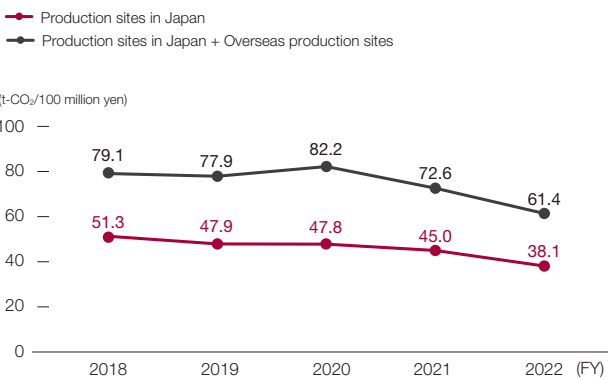
Target boundary: AICA Group production sites in Japan, AICA Group overseas production sites, AICA Group sales locations in Japan (26 sales offices)

GHG emissions



* Sales locations in Japan were added to the scope of the total amount.

GHG emissions revenue intensity



Major initiatives in FY2022


Efforts	Measures	Sites	Emissions reduction (t-CO ₂ per year)
1. Energy conservation activities	Implement measures based on diagnosis of energy conservation	Major sites in Japan	Effects of measures will emerge in the future
	Maintain pipe temperatures and repair air leaks	Major sites in Japan	Effective over a wide range (exact effect value not calculated)
	Reduce product defect rate and improve yield	Major sites in Japan	
	Switchover to LED lighting	Major sites in Japan	
	Properly control the set temperature of curing chambers	AICA-TECH Kenzai Co., Ltd.	50
	Reuse exhaust heat	AICA Harima Kogyo Co.	223
Effort included production system change	Improve drying efficiency by thinning coating resin	AICA Harima Kogyo Co.	198
		AICA Kogyo Co., Ltd. Nagoya Plant	126
2. Fuel conversion	Shift from heavy oil to liquefied natural gas (LNG) (planned for FY2024)	AICA Harima Kogyo Co.	1,200
3. Utilization of renewable energy	Adopt electricity derived from renewable energy (from FY2023)	AICA Kogyo Co., Ltd. Hiroshima Plant	250
	Installation of solar power generation equipment	AICA Kogyo Co., Ltd. Fukushima Plant	135
	Installation of solar power generation equipment	AICA Adtek Sdn. Bhd.	280
	Installation of solar power generation equipment	AICA NZ Limited	42

Solar Power Generation Facilities Installed in FY2022

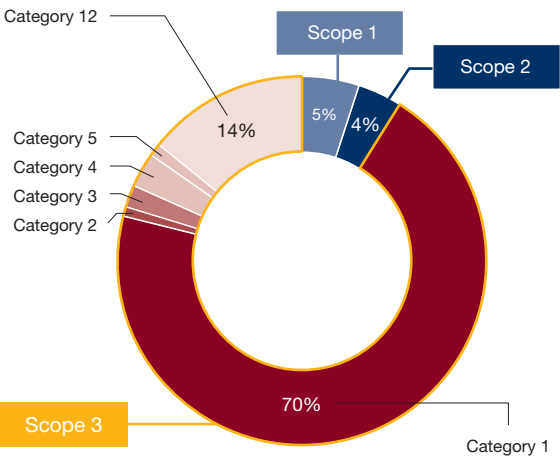


Scope 3 Emissions

We have been working to identify and calculate GHG emissions related to product manufacture since FY2006. In FY2013, we calculated our Scope 3 emissions for the first time. For Categories 1, 5, and 12, the calculation method has been substantially revised, and third-party assurance has been received for actual values since FY2020. In an ongoing trend, the largest volume of Scope 3 emissions at AICA Group production sites in Japan were in Category 1 (purchased goods and services), followed by Category 12 (disposal of sold products). In order to expand the boundary of calculation to include overseas group companies, communication with each company is underway, and we aim to disclose Scope 3 emissions for the entire group from FY2023.

 Please refer to P.69–72 for third-party assurance status.)

Breakdown of FY2022 GHG Emissions at AICA Group Production Sites in Japan



Breakdown of Scope 3 Emissions at AICA Group Production Sites in Japan

(t-CO ₂)		
Category		Emissions
1	Purchased goods and services	402,917
2	Capital goods	3,479
3	Fuel- and energy-related activities (not included in scope 1 or scope 2)	9,676
4	Upstream transportation and distribution	15,946
5	Waste generated in operations	5,931
6	Business travel	1,183
7	Employee commuting	226
12	End-of-life treatment of sold products	83,000
13	Leased assets (downstream)	112

Note: Categories 8, 10, 11, 14, and 15 are excluded from the calculation. The boundary of calculation differs according to category. Refer to the Environmental Data page (P.69–70) for details on boundary of calculation and the reason of exclusion.

Green Logistics

Reducing GHG emissions from transport is another challenge that companies must address. In the AICA Group, the logistics officers at major shipping sites throughout Japan are working together with the sales divisions on ongoing improvement efforts, including modal shift, improving the efficiency of truck freight, and depot organization. We will continue to put various measures in place to reduce energy consumption (heavy oil equivalent) per freight tonne-kilometers (t-km), which is a management index for this area.

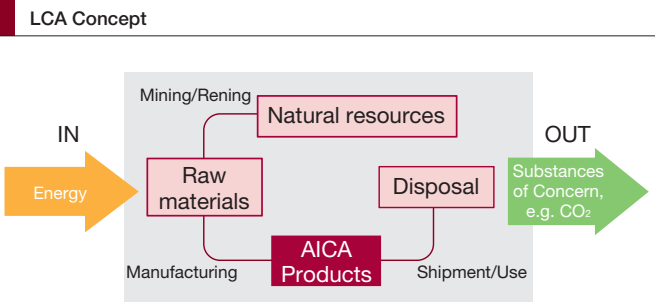
Targets and Results		
Target boundary: Domestic transport (Logistics in which AICA Kogyo Co., Ltd. is the shipper)		
FY2022 Target	FY2022 Achievement	FY2023 Target
1% year-on-year decrease 44.25 kl/1 million t-km or less	0.8% year-on-year increase 45.04 kl/1 million t-km	1% year-on-year decrease 44.59 kl/1 million t-km or less

Results Trends				
Target boundary: Domestic transport (Logistics in which AICA Kogyo Co., Ltd. is the shipper)				
t-km energy use intensity in transport				
(kl/1 million t-km)				
FY2018	FY2019	FY2020	FY2021	FY2022
44.12	43.44	45.23	44.70	45.04

Use of LCA

We have introduced Life Cycle Assessment (LCA) in the development of our products. LCA of CO₂ emissions has become particularly important in recent years and we are concentrating efforts on analysis.

In addition to using LCA in the development of low-carbon products, we will identify the carbon intensity and environmental impact of each product and strive to develop products that are kind to the global environment.



Reduction of Industrial Waste and Effective Use of Resources

Basic Approach to Reduction of Industrial Waste and Effective Use of Resources

We began concrete initiatives for the reduction of industrial waste in 1998. This is an important environmental indicator for the entire Group. In addition to activities aimed at reducing the volume of waste generated, such as volume reduction and improvement of product defect rates, we also actively recycle waste in order to realize a circular economy. In product development, we adopt product specifications that consider efficient use of raw materials, and we are working to reduce input resources by promoting the use of lighter packaging and packing materials.

Targets and Results		
Target boundary: AICA Group production sites in Japan, AICA Group production sites overseas		
FY2023 Target (previous Medium-Term Business Plan)	FY2022 Achievement	Increase/Decrease Factors
Reduce AICA Group industrial waste emission revenue intensity by 10% compared to FY2020	6% decrease from FY2020 (14.6 tons/100 million yen)	Emissions revenue intensity increased due to an increase in Japanese emissions.

Results Trends

Industrial waste emission volumes

Industrial waste emissions revenue intensity

Major initiatives in FY2022

- Improvement of product defect rate
- Conversion of used film into a valuable resource
- Effective use of calcium silicate board scraps
- Improving the material recycling rate of extruded cement board
- Reuse of used IBC containers

Initiative to recycle unwanted materials in Japan

Collaborating and outsourcing companies	Use after recycling
Fertilizer sales company	Fertilizer for agricultural crops
Solid fuel sales company	Solid fuel
Plastic molding company	Plastic mold filler

Reduction of Water Withdrawal

Basic Approach to Reduction of Water Withdrawal

The AICA Group strives to use water, a finite resource, effectively and makes a point of appropriate water use in all Group companies.

Our production sites in Japan use industrial water and underground water, and we are pursuing the cyclic usage of water at our Nagoya and Jimokuji Plants.

Some of our overseas production sites are located in countries with grave water situations. Each of our business sites is taking the necessary measures and managing its water usage with the recognition that water is a finite resource. With reference to AQUEDUCT, which is released by the World Resources Institute (WRI), we identify high-risk areas and promote effective use of water in those areas as a priority. One example is Aica Laminates India Pvt. Ltd. located in the northwest of India, this company recycles water for use in its manufacturing processes, and treats any waste water for use in gardening.

Targets and Achievements		
FY2023 Target (previous Medium-Term Business Plan)	FY2022 Achievement	Increase/Decrease Factors
Water withdrawal revenue intensity in high-risk areas: 6% reduction vs. FY2020 (6.74 m³/million yen or less)	32% decrease from FY2020 4.90 m³/million yen	Net sales significantly exceeded the increase in water withdrawal amount associated with the increase in production volume.

Results Trends

Target boundary: AICA Group production sites in Japan, AICA Group production sites overseas

Water withdrawal

Water withdrawal in High-Risk Areas		
Name of Site	Location	Consumption
Aica Laminates India Pvt. Ltd.	Northern India	39,833 m³
PT. AICA Indonesia PT. Techno Wood Indonesia	Cikampek (Indonesia)	31,431 m³
PT. AICA INDRIA (AAPH*2 Group)	Pasuruan (Indonesia)	36,185 m³
Shenyang AICA-HOPE KOGYO Co., Ltd.	Northeastern China	4,152 m³

*1 Sites assessed as at "extremely high" risk in WRI Aqueduct's Overall Water Risk.
*2 AAPH: AICA Asia Pacific Holding

Environmental Risk Management

State of Compliance with Environmental Laws

In FY2022, no Japanese site in the AICA Group was subject to correction directives from the competent authorities or to environment-related litigation.

Neighborhood Complaints and Responses

In FY2022, AICA responded as follows to neighborhood complaints received by the AICA Group in Japan.

Location of Occurrence	Description	Overview
AICA Kogyo Nagoya Plant	Requests to prevent littering in neighborhood areas	Since local residents reported that many empty cans and cigarettes were dumped around the plant, we made internal rule to prohibit using particular alley by employees.
AICA TECH KENZAI Nagoya Plant	Low frequency vibration at night	Although we checked the area around the property with the person who made the complaint, we were unable to identify the source of the vibration. As a result, we asked the person to record the date and time they sensed the vibration and to continue communication with us about the issue.
AICA TECH KENZAI Nagoya Plant	Noise	Since information on noise has been received when equipment malfunctions occurred, we decided to enhance inspections of equipment such as silos installed outdoors.

Environmental Accidents

In FY2022, the following accident occurred at a AICA Group site in Japan that had an impact outside the site. We share information and roll out responses horizontally across the Group to ensure that no inconvenience is caused to any concerned parties or to the government agencies with jurisdiction.

Location of Occurrence	Description	Response
AICA Kogyo Co., Ltd. Hiroshima Plant (storage location for products that are reshipped)	Insufficient tightening of the cargo caused the container to tip over during transport, resulting in resin leakage. Water used to clean the spilled resin was inadvertently discharged.	We located the leaked resin and recovered all of it. Although the resin that leaked was a non-hazardous material, we provided training on handling methods in the event of resin leakage, prevention of container load collapse, and loading work in order to prevent recurrence.

Human Resources

Basic Approach to Human Resources

Based on the recognition that human assets serve as the foundation of sustainable growth, we will work to develop and recruit human resources capable of addressing our unique business challenges. We will build an organizational foundation comprised of highly engaged and diverse workforce to promote further innovation.

Human Resources Development Policy

We aim to achieve the Corporate Policy saying, “viewing human resources as the most vital resource of our company, we nurture motivated human resources and organizations through mutual understanding and development.”
The company cultivates people who have a strong awareness of personal growth and their futures, and who strive forcefully toward the corporate principle of “Challenge & Creation.”

Internal environment development policy

By creating a workplace environment where diverse human resources can recognize each other and where anyone can play an active role, we aim to achieve mutual growth for both the company and our employees.
We recognize that while our employees comprise assets, they are also important stakeholders. Based on this understanding, we focus on activities aimed at deepening mutual understanding as we strive to provide opportunities and an environment in which each and every employee can fully apply his or her abilities.

Human Assets Strategy in the New Medium-Term Business Plan

In the new Medium-Term Business Plan, we have identified “Building a Foundation for Human Capital Management” as an item that must be particularly focused on among our Materialities (key issues) and have incorporated the amount of human capital investment and the engagement score into management indicators. After reevaluating the human resources required to meet the business challenges we face, we have positioned “human resources development,” “diversity and inclusion,” and “engagement” as three priority key initiatives. Based on these priority measures, we will actively invest in human capital to improve employee job satisfaction and, in turn, labor productivity, and aim to form a virtuous cycle that generates sustainable growth of AICA Group.

Overview of the Human Assets Strategy in the New Medium-Term Business Plan

Business Challenges for Achieving the Targets Set in the Medium-Term Business Plan and AICA's 10 Years Vision

- Growth of overseas businesses
- Create and expand synergies
- Create and expand growth businesses
- Resolve social issues with products
- Expand product applications and business domains

Developing human resources and improving work environment and organization are essential to bring about innovation

Desired human resources

- Human resources that are **globally competent**
- Human resources who can quickly grasp changes in the business environment, respond flexibly, and **demonstrate leadership**
- Professionals** with outstanding skills

Desired working environment and organization

- An environment in which diverse human resources can play an active role regardless of nationality, gender, age, etc.
- An organizational structure that promotes business regardless of country/region as AICA Group
- An environment in which employees can work with enthusiasm and peace of mind in good health

Key Initiatives

Human Resources Development

- Globally competent human resources
- Leaders
- Professional human resources

Challenge & Creation

Diversity & Inclusion

- Women's engagement promotion
- Hiring of globally competent human resources

Engagement

- Communication encouragement
- Human resources retention

Self-development support

Promoting engagement of senior talent and disabled persons

Expansion of employee benefits

Main KPIs

Human capital investment*1*4

4 billion yen
(870 million yen in FY2022)

Engagement score*2

4.0 points or more
(3.9 / 5 points in FY2022)

Labor productivity*1*3

22.8 million yen or more per person
(21 million yen per person in FY2022)

Number of employees who experienced overseas assignment*1

100 or more in FY2026
(78 in FY2022)

Percentage of women recruited to new-graduate career-track positions*1*4

30% or more
(42.0% for hired in April 2023)

Childcare leave acquisition rate*1

Men: 70% or more, Women: 100%
(Men: 53.1%, Women: 100% in FY2022)

*1: Aica Kogyo non-consolidated *2: AICA Group *3: Labor productivity = Added value / Number of employees *4: Four-year cumulative total

Promotion of Data Use

We believe that it is important to gather and visualize a variety of employee data in order to implement the priority measures set forth in the new Medium-Term Business Plan. The Talent Management System, which was introduced with the aim of properly grasping the skills and experiences of individuals, will be used to put the right people in the right jobs, develop career paths, and formulate career development plans in line with the wishes of employees. Recognizing that employee health management is also important for improving corporate performance, the company plans to convert the results of health examinations into data that can be utilized. We plan to analyze the results and take measures to address the issues.

Human Resources Development

Basic Approach to Human Resources Development

We cultivate people who have a strong awareness of personal growth and their futures, and who strive forcefully toward the corporate principle of “Challenge & Creation.” Recognizing that employees are an important presence who will transform the company and raise our corporate value, we are directing efforts into human resources development that will allow every individual employee to apply their strengths to the fullest.

Training Schemes

At Aica Kogyo a variety of human resources programs are available. They range from follow-up programs for prospective employees to grade-based training and self-development assistance to encourage employees' steady career advancement. In FY2021, we started surveying training hours and training costs to ascertain the status of training implementation at Aica Kogyo and Group companies in Japan and overseas. These results will be analyzed to enhance and improve the quality of training throughout the Group.

AICA Kogyo Human Resources Development System

Classification	Prior to Joining	General Grade	Mid-Level Grade	Manager Grade
Globally competent human resources development	Online English education	Overseas trainee training	Language training (in Japan) Language proficiency test Global mindset training Pre-overseas assignment training	English course for managers
Leaders development		1st-year / 2nd-year / 3rd-year training	Mid-level grade / Future manager training	New manager / Manager / Future executive training
		Career interviews/In-house free agent (FA)/Job rotation		
Professional human resources development		On the job training	Sales skills enhancement training Development skills enhancement training Production skills enhancement training Skills enhancement training for members of administrative divisions	
Self-development Qualifications acquisition			Correspondence education Assistance to obtain public qualifications	
Workplace education			Compliance education	

Overview of Major Training Programs

Globally competent human resources development	We have been implementing the English Challenge Program since FY2022 in order to develop human resources who can play an active role on the global stage in Japan and overseas. We aim to improve the language skills of our employees through group lessons in English and other means.
Leaders development	In addition to providing training to improve individual skills, we expanded various systems to acquire the experience necessary for career development, and develop human resources who can lead the company in the future. In FY2023, we newly introduced mid-level grade training, a training program that values the autonomy of employees who apply for the training.
Professional human resources development	We will enhance the skills that employees are required to have for each job type in order to make them professionals. Since FY2023, the company has been implementing product concept workshops (for researchers), training for enhancing management skills (for sales staff), and a program combining classroom training with practical training (for production staff) by job category.

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About AICA

AICA's Vision

Foundations of AICA

Data Compilation

Diversity & Inclusion

Basic Approach to Diversity & Inclusion

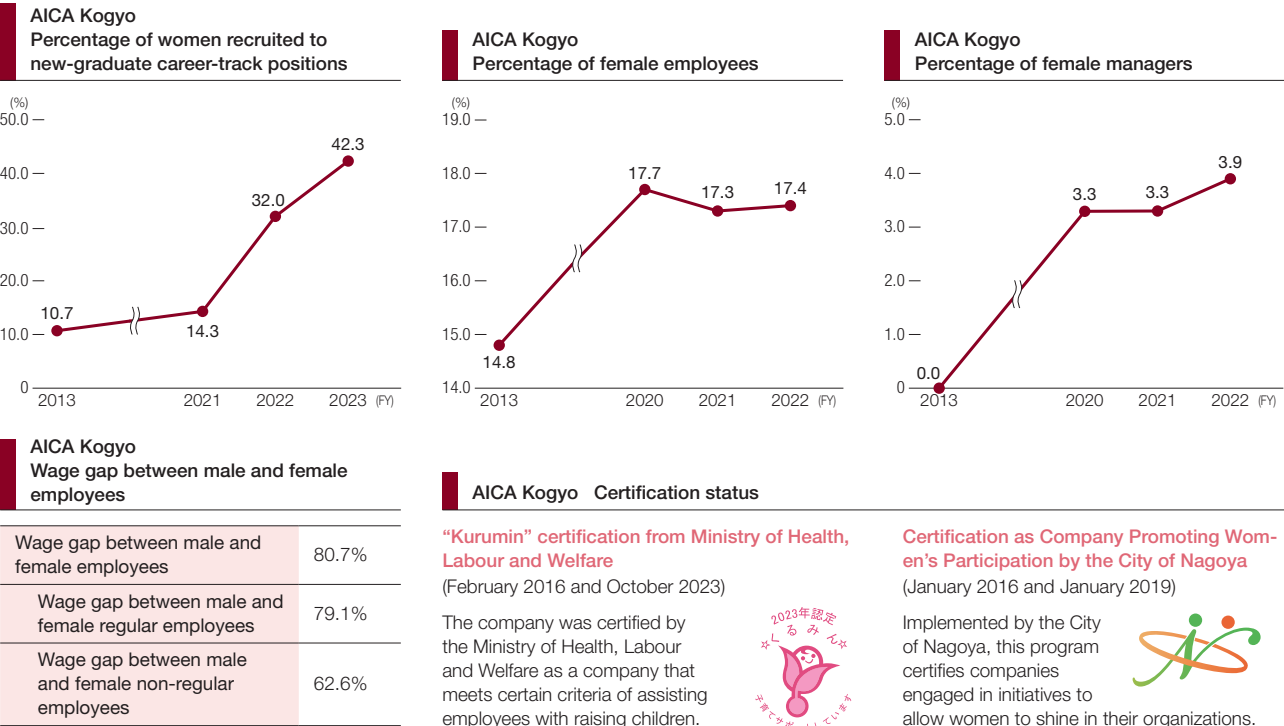
We promote diversity in response to the globalization of business and the diversification of market needs. Originally launched as the Women's Participation Promotion Project in June 2013, the name of this initiative was changed to the Diversity Promotion Project in FY2018 and we are working to promote the establishment of foundations in which more diverse personnel can participate actively in the workplace.

Diversity Promotion Activity Goals		
Target boundary: AICA Kogyo Co., Ltd. non-consolidated Target initiative period: April 1, 2022~ March 31, 2025		
Target Categories	Target Figures	Current status (as of end-Mar. 2023)
Increase percentage of female employees	Percentage of women recruited to new-graduate career-track positions: 30% or more	42.3% (new-graduate recruits joining in April 2023)
	New proposals/revision of work-life balance assistance scheme: 3 or more	3
Increase percentage of female managers	5.8% or more	3.9% (8 female managers of a total of 207 managers)
Improve rate of recruitment of people with disabilities*	2.3% or more	2.46%
Promotion of mid-career hires to management positions	Maintain at 20% the ratio of mid-career hires promoted to management positions	18.1%
Cultural reform	Percentage of available paid leave taken: 70% or more	69.1%

*Calculated according to the method for the statutory employment rate

Promotion of the Women's Engagement

We launched a Women's Participation Promotion Project in June 2013 and have focused efforts on initiatives and the development of an environment in which the power of women can be put to use in the management of the company. To ensure that employees can continue to work without interrupting their careers as much as possible, we are simultaneously promoting work style reforms that realize diverse work styles and working on the expansion of work-life balance assistance scheme.



Promotion of the Engagement of Senior Talent

In the hope of active participation in the workplace of senior talents amid the rapidly declining birthrate and aging of the population, the Revised Act on Stabilization of Employment of Elderly Persons, which mandates the provision of employment opportunities up to the age of 70, came into force on April 1, 2021. With the aims of responding to these legislative revisions, raising employee motivation, and guaranteeing their lifestyles, we are planning to make revisions to our Re-Employment Scheme. In April 2022, the Career Support Unit was established in the Human Resources Department, and began considering specific measures to expand opportunities for senior talents. We will continue with these efforts to develop a safe and secure work environment.

Trends in newly engaged employees under the re-employment scheme at AICA Kogyo		
FY2020	FY2021	FY2022
15	21	11

Promotion of the Engagement of Employees with Disabilities

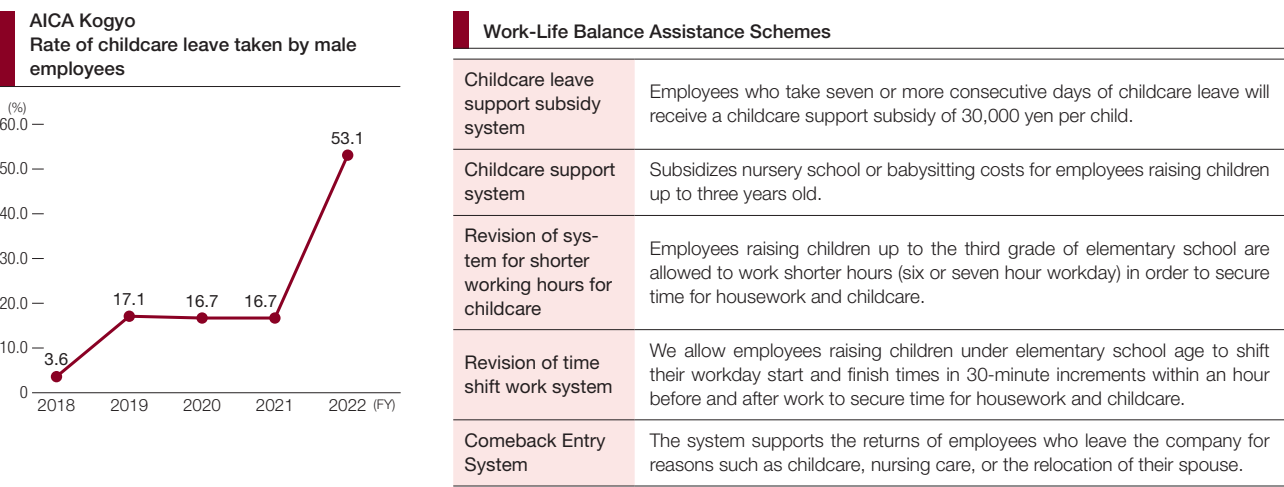
Further, with the aim of ongoing employment of people with disabilities, we have identified the types of work that people with disabilities are able to perform, and are working to firmly establish their presence in the workplace. We will work actively to further expand the number of these employees.

AICA Kogyo	Percentage of employees with disabilities*		
	FY2020	FY2021	FY2022
	2.66%	2.47%	2.46%

*Calculated according to the method for the statutory employment rate

Work-Life Balance Assistance

We are working to expand our programs to assist employees to balance their home lives and work without interrupting their careers as much as possible, by responding flexibly to diverse work styles. To raise the rate of male employees taking childcare leave as stated in the new Medium-Term Business Plan, in addition to establishing a support subsidy system, we are working to build a follow-up system for workplaces where employees have taken childcare leave.



Work Style Reform

As the issue of excessively long working hours has become a social problem and the entire nation is pursuing work style reform, we launched our own Work Style Reform Promotion Project on April, 2017. We are working actively to create a culture and change mindsets to discourage employees from working excessively long hours. Initiatives include "No Overtime" days and the reduction of overtime. This led to the establishment of the Work Improvement Subcommittee in April 2020 as an organization within the Work Style Reform Promotion Project in order to promote further diversification of work styles.

Engagement

Employee satisfaction Survey

As social values have become more diverse, how employees who work at a company think about the company and their mindset toward their work have changed and diversified. Recognizing that employee satisfaction surveys are essential for the further development of the company, we commission an outside organization to conduct Employee Satisfaction Surveys on a regular basis. In the latest of these surveys, conducted in July 2019, the research firm reported that among our employees, “general satisfaction” with the company was slightly higher than the average for companies in general. In FY2022, the AICA Group Employee Satisfaction Survey was newly implemented to include Group companies in Japan and overseas. In the initial survey, the Group averaged 3.9 points (out of a maximum of 5 points), and this improvement in engagement score was incorporated into the new Medium-Term Business Plan. We will reflect the results of these satisfaction surveys in our various policies, including our personnel system, and take measures to improve employee engagement from a medium- to long-term perspective.

Health Management

Basic Approach to Health Management

In a society where the birthrate is declining and the population is aging at an accelerating rate, it is becoming increasingly important to address the issue of workforce retention and employee health promotion. We believe that in order for our company to develop sustainably, it is essential to improve the performance and job satisfaction of each and every employee by creating an environment in which everyone can work with confidence and enthusiasm, which in turn helps resolve social issues. With this in mind, we have formulated our Health Declaration for 2022, while also clearly stating our key priorities, and provided the declaration on our website. As a result of these initiatives, we were selected as a Health and Productivity Management Organization in March 2023. To realize our Corporate Principle and Corporate Philosophy, we will strengthen our efforts by incorporating priority items into our new medium- to long-term management plan, and strive to increase our corporate value and employee retention rate.



Mental Health

In an economic environment of intensifying market competition and rapid change, the stress felt by workers is only increasing, becoming a serious social issue.

We have put a variety of measures in place to maintain not only the physical health of our workers, but also their mental and emotional health. The results of annual stress checks are fed back to the individuals, and the findings from analysis of the results on a departmental level are fed back to the head of each department, to promote initiatives aimed at improvements in the workplace. We have set up a health advice hotline, run by an external organization, as an avenue for employees to seek advice with the assurance of confidentiality.

Regular Health Check-ups

In addition to the health check-ups mandated by law, we also provide a combination of Lifestyle Disease Check-ups and Gynecological Check-ups tailored to employees’ age, gender, and preferences. In this way, we are strengthening our employee health management functions. Since FY2014, the company has covered part of the cost of influenza vaccinations, including for family members, to step up efforts to prevent our workers falling ill.

Occupational Health and Safety

Basic Approach to Occupational Health and Safety

To maintain a sound foundation for the company and achieve sustainable growth, it is important that we strive to maintain the health of each individual employee and to improve workplace safety. We recognize that our business activities also have an impact on the health and safety of contractors who work on our sites and residents of the surrounding areas, and we strive to maintain the environment at our sites and in the surrounding areas.

In keeping with the Industrial Safety and Health Act, we have established Health and Safety Committees at each of our sites. Based on measurements of working environments and the findings of health check-ups, we investigate and deliberate on important matters that will form the foundation of measures for preventing health problems among workers. Membership of the Health and Safety Committee is comprised of members of management and labor union members in equal numbers. Regular meetings are also held with contractors who work on site in an effort to further invigorate communication.

Prevention of Industrial Accidents

To ensure that the serious accident that happened at the AICA Kogyo Jimokuji Plant on January 17, 2006 is not forgotten, we have declared January 17 as All AICA Safety Day. Every year on All AICA Safety Day, a minute of silence is observed, and morning assembly has a safety theme at all workplaces. The AICA Group Occupational Health and Safety Convention also takes place on this day.

On the factory floor level, KYT (*kiken yochi kunren* or risk prediction training) activities, *hiyari-hatto* (near-miss) activities, and risk-source improvement activities are conducted in the small-group activities (C&C activities). We are striving to eliminate industrial accidents by pursuing appropriate improvements so that training will be something meaningful that leads to greater awareness of safety.

Number of industrial accidents					
Target boundary: All AICA Group production sites in Japan					
	FY2018	FY2019	FY2020	FY2021	FY2022
(accidents)					
Fatal accidents	0	0	0	0	0
Lost-time accidents	6	7	6	5	4
Of which, those involving people other than full-time employees	6	4	4	2	3
Non-lost-time accidents	12	13	6	12	10
Of which, those involving people other than full-time employees	7	6	1	4	4

Risk Assessment

We conduct risk assessments based on our Occupational Health and Safety Management System to identify potential risks or hazards in the workplace and to eliminate or reduce them. We conduct risk assessments for chemical substances to maintain the working environment and appropriate protective equipment.

Prevention of Traffic Accidents

We have a fleet of company vehicles that are in use in our day-to-day operations. The use of company vehicles is limited to employees who have been registered after their driving aptitude has been confirmed, and we have established our own Rules for Use of Company Vehicles. However, in FY2022, there was a tendency for more accidents due to insufficient driving skills and lack of attention to the road among young employees. In order to eliminate such accidents, we will promote switching to vehicles equipped with accident prevention equipment such as automatic brakes and back monitors, and continue to provide training and education to improve driving skills.

Vehicle accidents (caused by negligence of AICA Kogyo Co., Ltd. employees or both parties)					
FY2018	FY2019	FY2020	FY2021	FY2022	
22	25	10	11	14	

Corporate Governance

Interview



Masashi Miyamoto

External Director (Member of Audit and Supervisory Committee) /
Chairman of Governance Committee

Mitsuko Yamamoto

External Director (Member of Audit and Supervisory Committee)

Two of our External Directors discussed the direction that AICA should head in and the operations of the Board of Directors and the Governance Committee, while focusing on themes related to the new Medium-Term Business Plan launched in April 2023.

Operations and Theme of the Board of Directors and Governance Committee

Miyamoto In April 2022, a new leadership structure was established with Chairman Ono and President Ebihara. I feel that the good culture from before has taken over with allowing External Directors to provide opinions and advice during Board of Directors meetings and valuing open and candid discussions. It is my impression that the Board of Directors meetings conclude with all attendees satisfied in agreement on each agenda item, embodying the ideal role of the Board of Directors.

Although I do not see any particular problem with the current themes and frequency of the Governance Committee meetings, there may be room for further consideration as to whether the discussion on succession planning should be more in-depth. When President Ebihara was selected, we chose the most suitable candidates among the Directors. In the future, it may be necessary for the Governance Committee to verify candidates for president from the Executive Officer stage whether they have gained the necessary experience to become a President.

Yamamoto Due in part to the personalities of the Chairman and

the President, I feel that an open atmosphere has been fostered where even External Officers can easily express our opinions. Early on after my appointment, I was somewhat hesitant to speak out, but I strongly felt that the Company was actively trying to incorporate the opinions of External Officers, such as Chairman Ono, who is the Committee Chairperson, asking for my opinion, so was able to speak up without hesitation. The AICA Group currently has more than 50 subsidiaries but aims to further expand its business through M&A in the future. I believe it is an urgent challenge to foster successors from our abundant human resources, including those at Group subsidiaries. At Board of Directors meetings and management meetings, the employees involved in submitting agendas have opportunities to participate or make presentations at the meetings and I think this is a good initiative to gain experiences to understand what kind of information is requested by managements and External Officers.

About the New Medium-Term Business Plan

Miyamoto In FY2022, we achieved consolidated net sales of 242 billion yen, which was driven by economic recovery from the impact of the COVID-19 pandemic, growth in overseas

operations, and increased sales of AS products in Japan. We exceeded the sales target of the previous Medium-Term Business Plan “Change & Grow 2400” one year ahead of the schedule, which was a significant accomplishment that propelled us into the next phase of business planning. On the other hand, due to rising raw material prices, increased energy costs, and the impact of impairment, our return on equity (ROE) fell short of the 10% target, at 6.9%, highlighting challenges in capital efficiency. The new Medium-Term Business Plan “Value Creation 3000 & 300” is the last phase which serves as the culmination of our long-term management plan, AICA’s 10 Years Vision, which is scheduled to end in FY2026, and is also the transition point to the next decade. I have high expectations that the performance contribution from the full-scale operation of invested facilities, which has been implemented proactively in anticipation of the future, will progress according to plan. It is crucial for each Group company to realize full business performance in order to achieve the targets set in the Medium-Term Business Plan. I am hoping for further expansion of the Group synergies, as well as the pursuit of efficiency through the proper allocation of production, sales, and technical bases overseas.

Yamamoto I think it was truly impressive that the goals of the previous Medium-Term Management Plan were achieved one year ahead, with the Chemical Products segment which grew primarily overseas, achieving a remarkable 25% annual average sales growth rate, and the Laminates & Building Materials segment which achieved a 10.3% growth rate in operating profit. The upcoming FY2026, which is the final year of the new Medium-Term Management Plan and AICA’s 10 years Vision is also AICA’s 90th anniversary, is marking a significant milestone. The slogan “Value Creation” that we have set for this occasion is closely tied to our corporate principle, “Challenge and Creation,” and shows that AICA has been growing strategically in the direction which we have aimed for. In the new Medium-Term Business Plan, we have set goal to achieve a 5.5% annual average growth rate in sales for both segments, while set relatively higher growth rate goals in profit aiming at increase profitability, which is a 12.5% annual average growth rate in operating profit for the Chemical Products segment and a 7.7% for the Laminates & Building Materials segment. For the current situation, we are facing challenges such as rising energy costs, increased raw material prices, and the 2024 issue, the shortage of human resources due to the enforcement of Japan’s Workplace Reform Law, facing the construction industry in Japan. Even in these circumstances, I would like to see AICA will enhance our corporate value through appropriate price adjustments that are commensurate with high-quality, high-value-added products, and through the active promotion of our achievements that developing and producing many excellent products to the world.

Key Materiality Issues Responding to Climate Change and Human Capital Management

Miyamoto Regarding our efforts to respond climate change, we have made progress by changing our greenhouse gas emissions reduction target from per unit of sales to absolute greenhouse gas emissions. In terms of opportunities, we focus the most on strengthening our product lineup that respond to the

climate change issues. Recently, various technological innovations are taking place to address climate change and I feel that AICA will not be able to survive without making major changes. If we can accurately grasp the current trends and create epoch innovations that contribute to decarbonization by combining our strengths in chemistry ahead of our competitors, I believe we will be able to dramatically increase AICA’s presence in the market.

Regarding human capital management, there is a growing awareness, both internally and externally, of the importance of the relationship between value creation and human capitals. Stakeholders, including investors, are showing a heightened level of interest in our commitment of human capital management. In the new Medium-Term Business Plan, I believe the human capital strategy clearly reflects the Company’s overall management strategy. I expect that appropriate investments will encourage employees to reach their full potential.

Yamamoto In the new Medium-Term Business Plan, AICA has announced that we will invest 2 billion yen in efforts to respond climate change. In addition to capital investment, I believe that collaboration with outside entities such as universities and venture companies while taking advantage of AICA’s chemical capabilities will also speed up development in the future.

As for human resource management, AICA will invest 4 billion yen in recruiting and training the next generation of human resources and leaders, which are the foundation of our sustainable growth, and I feel that this shows a strong awareness of the need to build an organizational foundation. Furthermore, in preparation for a declining population, I consider it is crucial to accelerate efforts in digital transformation (DX) to enhance the efficiency of production management and administrative processes. Automation of manufacturing lines and the promotion of efficiency through IT are urgent priorities. I believe that initiating measures for employee safety and operational efficiency at an early stage contributes to elevate employee engagement. In terms of promoting the active involvement of women, there has been a commitment to drive this initiative from the President. We aim to become a company that attracts even more talented individuals by advancing work environment improvements, expanding career choices, and increasing fair opportunities.

Expectations for the Company and the Direction It Should Head

Miyamoto I feel that the Corporate Philosophy, “The AICA Group creates new value and contributes to society through continuous innovation in the spirit of our philosophy of *kyosei*,” incorporates all the elements required in this era of rapid changes in the business environment and difficulty in predicting the future. I expect that AICA Group will continue to put this philosophy into practice.

Yamamoto In AICA’s 10 Years Vision, we declared that we will aim to become an “Asia’s No.1 Resin Manufacturer” in the Chemical Product segment and as “Solution Provider for Space Design” in the Laminates & Building Materials segment. I expect that AICA will become the first company involved in both the fields of “Chemistry” and “Design” if we cherish our culture that has achieved business expansion while respecting harmony with Group companies, and expand synergies between our Chemical Products segment and Laminates & Building Materials segment, Japan and overseas Group companies, and the areas of production and sales.

List of Directors (As of June 23, 2023)

Directors (excluding directors who are members of the Audit and Supervisory Committee) (5 male, 1 female)



Yuji Ono
Representative Director and Chairman
Born August 24, 1956

Apr. 1979 Joined Aica Kogyo Co., Ltd.
Apr. 2000 General Manager, No. 1 Chemical Products Development Dept.
Oct. 2002 General Manager, Sales Dept., Chemical Products Business Unit
Jun. 2004 Executive Officer
Oct. 2004 Director, No. 2 R&D Center
Apr. 2008 President, Chemical Products Business Unit
Jun. 2008 Director
Jun. 2009 Managing Director
Jun. 2010 Representative Director (present)
Jun. 2010 Director and President
Jun. 2018 President and Executive Officer
Apr. 2022 Board of Directors Chairman (present)



Kenji Ebihara
Representative Director and President
Born April 15, 1967

Apr. 1991 Joined Aica Kogyo Co., Ltd.
Apr. 2009 General Manager, Chemical Products Development Dept., R&D Center
Oct. 2010 Manager, Jimokui Laboratory, R&D Center
Apr. 2013 General Manager, R&D Center
Apr. 2015 President, Specialty & Performance Materials Business Unit
Jun. 2017 Executive Officer
Jun. 2018 Senior Executive Officer
Apr. 2019 Managing Executive Officer
Jun. 2019 Director
Apr. 2020 President, Chemical Products Business Unit, Deputy General Manager, Sales Administration Division
Apr. 2022 Representative Director (present), President and Executive Officer (present)



Nobuyuki Omura
Director and Managing Executive Officer
Born April 07, 1964

Apr. 1988 Joined MITSUI & CO., LTD.
Jan. 2009 Joined Aica Kogyo Co., Ltd.
Apr. 2009 General Manager, Overseas Business Dept.
Jun. 2009 Director
Apr. 2011 Manager, New Business Office
Jun. 2017 Managing Director
Apr. 2018 President, Chemical Products Business Unit; Deputy Senior General Manager, Sales Division
Jun. 2018 Director (present)
Jun. 2018 Managing Executive Officer (present)
Apr. 2020 President, Specialty & Performance Materials Business Unit
Apr. 2022 President, Chemical Products Business Unit (present); Deputy Senior General Manager, Sales Administration Division
Jan. 2023 Director and Chairman, AICA Asia Pacific Holding Pte. Ltd. (present)



Yuji Iwatsuka
Director and Managing Executive Officer
Born January 20, 1967

Apr. 1989 Joined Aica Kogyo Co., Ltd.
Apr. 2010 General Manager, Production Control Dept., Laminates & Building Materials Business Unit
Apr. 2012 General Manager, Production Control Dept., Chemical Products Business Unit
Apr. 2015 President, Chemical Products Business Unit
Jun. 2015 Executive Officer
Jun. 2016 Senior Executive Officer
Apr. 2020 Responsible for Overseas Planning Dept.; General Manager, Purchasing Department
Apr. 2021 Deputy President, Laminates & Building Materials Business Unit (Responsible for Production)
Apr. 2023 Managing Executive Officer (present), President, Laminates & Building Materials Business Unit (present); Director and Chairman, AICA Asia Laminates Holding Co., Ltd. (present)
Jun. 2023 Director (present)



Hiroshi Kanie
External Director
Born July 09, 1957

Mar. 1981 Joined NGK INSULATORS, LTD.
Apr. 2004 General Manager, Planning Department, Industrial Process Division., Ceramic Products Business Group
Jun. 2010 Vice President, Secretarial Office
Jun. 2012 Director
Apr. 2014 Senior Vice President
Apr. 2014 Group Executive, Ceramic Products Business Group
Jun. 2014 Director and Senior Vice President
Jun. 2015 Director and Senior Vice President
Jun. 2018 Executive Vice President; Responsible for Corporate Planning Office, New Business Planning Office, Secretarial Office, Corporate Communications Dept., Human Resources Dept., General Affairs Dept., and Power Business Group; Senior Officer in Charge of Group Companies; General Manager, Osaka Branch
Jul. 2022 Corporate Advisor (present)
Jun. 2023 External Director, Aica Kogyo Co., Ltd. (present)

External
Independent



Ayako Shimizu
External Director
Born June 06, 1972

Apr. 1999 Registered as attorney, joined Ishihara Law Office (present)
Apr. 2015 Deputy Chair, Aichi Bar Association
Apr. 2017 Director, CHUBU Federation of Bar Associations
Apr. 2017 Member, Nagoya City Information Disclosure Screening Commission (present)
Jan. 2018 Judicial Commissioner (present)
Apr. 2019 Mediator/Arbitrator, Dispute Resolution Center, Aichi Prefecture Bar Association (present)
Dec. 2019 Outside Director, MTG Co., Ltd. (member, Audit and Supervisory Committee) (present)
Apr. 2020 Member, Ombuds 6 Committee, Nagoya Broadcasting Network (present)
Jun. 2020 External Director, Aica Kogyo Co., Ltd. (present)
Mar. 2021 External Director, SYNCLAYER, Inc. (member of Audit and Supervisory Committee) (present)


External
Independent

Directors who are members of the Audit and Supervisory Committee (2 male, 1 female)



Ryoji Mori
Director (full-time member of Audit and Supervisory Committee)
Born September 29, 1959

Apr. 1982 Joined Aica Kogyo Co., Ltd.
May. 2000 General Manager, Laminates Production Dept.
Apr. 2006 General Manager, Production Control Dept., Laminates & Building Materials Business Unit
Oct. 2009 General Manager, Production control Dept., Chemical Products Business Unit
Jun. 2011 Executive Officer
Jun. 2013 Senior Executive Officer
Jun. 2015 Director
Jun. 2018 Managing Executive Officer
Apr. 2019 Responsible for Purchasing Dept., Safety and Environment Dept.
Apr. 2020 Deputy President, Laminates & Building Materials Business Unit, Responsible for Technology, Laminates & Building Materials Business Unit; General Manager, Production Control Dept., Laminates & Building Materials Business Unit
Apr. 2021 Assistant to President, Responsible for Special Missions
Jun. 2021 Director (full-time member of Audit and Supervisory Committee) (present)



Shoji Miyamoto
External Director (Member of Audit and Supervisory Committee)
Born February 08, 1956

Apr. 1978 Joined Konishiroku Photo Industry Co., Ltd. (now KONICA MINOLTA, INC.)
Oct. 1985 Joined Ito Accountants Audit Firm
Mar. 1989 Registered as Certified Public Accountant (CPA)
Jul. 2005 Senior Partner, Chuo Aoyama PwC
Aug. 2007 Managing Partner, Azusa Audit Firm (now KPMG AZSA llc)
Sep. 2010 Director, KPMG AZSA llc
Sep. 2014 Auditor, KPMG AZSA llc
Jul. 2018 Director, Miyamoto Shoji CPA Office (present)
Jun. 2019 External Auditor, Aica Kogyo Co., Ltd.
Jun. 2020 External Director, Aica Kogyo Co., Ltd. (member of Audit and Supervisory Committee) (present); External Director, Meito Sangyo Co., Ltd. (member of Audit and Supervisory Committee) (present)

External
Independent



Mitsuko Yamamoto
External Director (Member of Audit and Supervisory Committee)
Born January 01, 1957

Mar. 1983 Joined WOMANSTAFF K.K.
Apr. 1985 Director, Sales Div., WOMANSTAFF K.K.
Sep. 1998 Senior Managing Director, company name changed to Tempstaff People K.K.
Jul. 2016 Director and Senior Managing Executive Officer, Tempstaff K.K. (following merger with the latter)
Jul. 2017 Company name changed to Persol Tempstaff Co., Ltd.
Jul. 2019 Director, Persol Tempstaff Co.
Jul. 2020 Senior Advisor (full-time), Persol Tempstaff Co., Ltd. (present); Auditor (part-time), Meijo University (present)
Jun. 2021 Outside Director, Chuo Spring Co., Ltd. (Present)
Jun. 2022 External Director, Aica Kogyo Co., Ltd. (member of Audit and Supervisory Committee) (present)
Jun. 2023 External Director, Meito Sangyo Co., Ltd. (member of Audit and Supervisory Committee) (present); External Director, TAKEDA IP HOLDINGS CO., LTD. (present)

External
Independent

AICA Kogyo, Reasons for appointment of external directors		
Duties	Name	Reason for Appointment
External Director	Hiroshi Kanie (Independent Director*)	Mr. Hiroshi Kanie has extensive experience and knowledge as a corporate executive, which we believe will contribute to increasing the corporate value and sustainable growth of the AICA Group.
External Director	Ayako Shimizu (Independent Director)	Ms. Ayako Shimizu will be able to leverage her extensive expert knowledge and experience as an attorney in the supervision of AICA's management. We also believe that, as an external director, she will be able to offer advice based on diversity perspectives.
External Director/Member of Audit and Supervisory Committee	Shoji Miyamoto (Independent Director*)	Mr. Shoji Miyamoto has extensive expert knowledge and experience as a certified public accountant. We believe that he will be able to offer advice and oversight as an External Director and member of the Audit and Supervisory Committee.
External Director / Member of Audit and Supervisory Committee	Mitsuko Yamamoto (Independent Director*)	Ms. Mitsuko Yamamoto has a wealth of experience as a corporate executive, and extensive knowledge particularly in labor management and diversity, which we believe will enable her to provide advice and oversight as an External Director and member of the Audit and Supervisory Committee.

* The company has not established any special criteria or policies regarding independence from the company for the appointment of External Directors. However, when appointing External Directors, the company refers to the criteria for judging the independence of independent directors indicated by the Tokyo Stock Exchange.

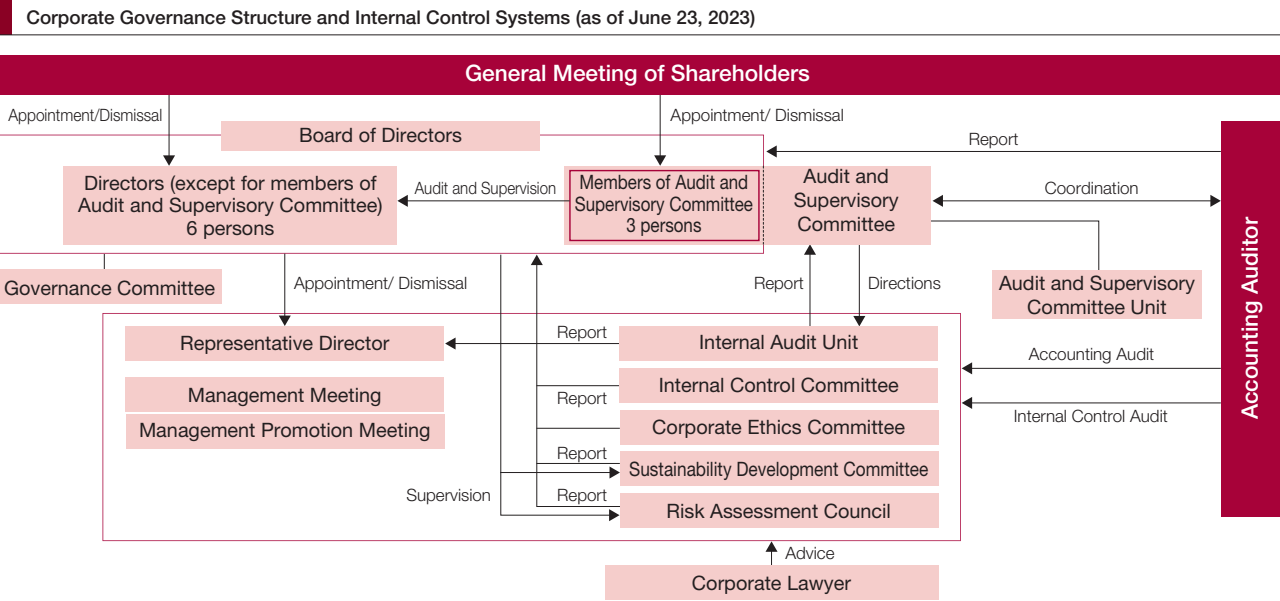
Board of Directors Skills Matrix							
Name	Expertise of Directors						
	Corporate management	International experience	Sales and marketing	Technology/Industrial engineering/R&D	Sustainability/ Human capital	Legal and risk management	Finance/Accounting
Yuji Ono	○	○	○	○	○	○	○
Kenji Ebihara	○	○	○	○	○		
Nobuyuki Omura	○	○	○		○		
Yuji Iwatsuka	○		○	○	○		
Hiroshi Kanie	○	○	○		○	○	
Ayako Shimizu					○	○	
Ryoji Mori	○	○		○	○	○	○
Shoji Miyamoto	○				○	○	○
Mitsuko Yamamoto	○		○		○		

Corporate Governance

Basic Approach to Corporate Governance

The AICA Group aims to ensure and improve the value of the company and the common interests of its shareholders through the enhancement of corporate governance at each of its Group companies in Japan and overseas.

In June 2020, we selected a form of a Company with an Audit and Supervisory Committee. The Audit and Supervisory Committee, more than half of whose members are External Directors, is responsible for auditing and supervising the legality and appropriateness of the execution of business for the realization of more transparent management. In this way, we aim to strengthen our corporate governance further and also to build a framework that will more appropriately meet the expectations of our stakeholders in Japan and overseas.



History of Strengthening Corporate Governance													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Organizational structure	Company with a Board of Auditors												
Board of Directors	Company with an Audit and Supervisory Committee												
	8												
Executive Officer System	Executive Officer System introduced in April 2002												
	Executive Officer System revisions												
External Director (including Directors who concurrently serve as Audit and Supervisory Committee Members)	1												
External Auditors and External Directors that are Members of Audit and Supervisory Committee	3 (members of the Board of Auditors)												
Advisory Committee	Establishment of Governance Committee in April 2016 (the committee also deliberates on nomination and remuneration matters)												
Meetings for exchanging opinions with External Directors	Held once a year												
Remuneration System	Stock-linked compensation-type stock options were introduced in June 2006												
	Adoption of Restricted Stock (RS) Remuneration System												
Evaluation of the effectiveness of the Board of Directors	Introduction of Trust-type Employee Shareholding Incentive Plan between February 2010 and February 2015												
	Introduction of Stock Granting Trust (J-ESOP)												
Major committees/meetings	Conducted once a year												
	Corporate Ethics Committee (established in November 2002)												
Major committees/meetings	CSR Promotion Committee												
	Sustainability Development Committee												
Major committees/meetings	Risk Assessment Council												

Effectiveness of the Board of Directors

In order to verify the effectiveness of the Board of Directors, we have conducted an annual survey of all Directors (including Directors who are members of the Audit and Supervisory Committee) regarding the structure, operation, and agenda of the Board and the Board's support structure. The effectiveness of the Board is evaluated on the basis of the results of this survey.

In the survey conducted in February 2023, just as in the previous year's survey, there were no issues raised (for an issue to be raised, it requires three or more respondents answering "Insufficient" or "Inappropriate"). Responses of "appropriate or reasonably appropriate" were obtained for all except two of the items surveyed. Based on this positive feedback, we confirmed that our Board of Directors is functioning appropriately and that its effectiveness is being ensured. On the other hand, in the 2022 and 2023 surveys, one respondent did answer "Insufficient" or "Inappropriate" for each of the two items in the table below, which were issues raised in 2021. Therefore, we will continue to take steps toward improvements.

Items identified as issues in 2021 and measures to address them	
Issues	Details of Improvements
Explanation of terminology in Board of Directors meeting materials, history, past agenda items, prior explanation of important matters, and time for prior review	Provide notes on terminology, history of past meetings and their agenda items, and advance explanation of key projects
Discussion of the Director's appointment and dismissal of senior management	In addition to explaining the reasons for appointment/dismissal of senior management at the Governance Committee and Board of Directors meetings and further enhancing deliberations, when appointing senior management, opportunities are set for presentation at important meetings, etc. in advance so that External Directors can understand the personality and character of senior management candidates

Governance Committee

The Governance Committee was established in April 2016 as a voluntary advisory committee to the Board of Directors, consisting mainly of External Directors. (Two of the four members are Auditing Committee members). It deliberates important governance-related matters, including nomination and remuneration of the management team, with the aim of achieving sustainable corporate growth and further enhancement of the governance function. It met six times during FY2022 (the 123rd fiscal year). With our transition to being a company with an Audit and Supervisory Committee system, the roles between the Audit and Supervisory Committee and the Governance Committee are being divided. For this purpose, we ensure that there is no duplication of content between the two committees, and in addition, the deliberations of the Governance Committee are shared with the Audit and Supervisory Committee in order for the Audit Committee to exercise its right to express its opinions.

Governance Committee Meetings in FY2022	
27th Meeting	Executive personnel
28th Meeting	Results of evaluation of the effectiveness of the Board of Directors, review of improvements, and update of the Board of Directors Skills Matrix
29th Meeting	Individual evaluation of Directors
30th Meeting	Regular revision of Governance Report
31st Meeting	Requirements for next President candidates
32nd Meeting	Executive personnel

Directors' Remuneration

Remuneration of Company directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) consists of a fixed basic monthly remuneration, performance-based remuneration and stock remuneration. In addition, from the viewpoint of their role and independence, remuneration of Directors who are Audit and Supervisory Committee Members and External Directors consists of basic monthly remuneration only. Please refer to the Notice of Convocation of the 123rd Annual General Meeting of Shareholders for details of remuneration of Directors.

Basic Remuneration

Basic remuneration for Directors is fixed monthly remuneration based on a standard amount for each position and is decided taking into account publicly announced levels of remuneration at other companies, the Company's business performance, and other factors.

Performance-Based Remuneration

Performance-based remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee and External Directors) is evaluated individually (at five levels: S, A, B, C, and D) when the performance for each fiscal year is determined. Individual remuneration is determined based on the standard amount for each position and is paid once a year. Individual evaluations are determined by taking into account factors such as the growth rate of consolidated and individual sales and profits (operating profit, etc.), the achievement rate against the initial budget for the fiscal year, the evaluation of duties in charge, and the progress of the Medium-Term Business Plan. The reason for selecting these indicators is that we have determined that they are the most appropriate indicators to raise the awareness of improving business results for each fiscal year. In addition, performance-based remuneration is determined at around 15% to 20% of total remuneration, depending on the director's role, position, and function. The ratio of performance-based remuneration to the total amount of remuneration in FY2022 is 13.8%, taking into consideration the status of achievement of the aforementioned indicators comprehensively.

▶ Supplementary materials on corporate governance are available at our website.

HOME Sustainability Governance Corporate Governance

https://www.aica.co.jp/company/sustainability/governance/corporate_governance/

■ Stock Remuneration

In regard to stock remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee and External Directors), the objectives of this system are to provide an incentive for the sustainable enhancement of corporate value and to promote greater sharing of value with shareholders. Once a year, an amount is granted to eligible Directors based on a standard amount for each position, taking into consideration the Company's performance and other factors. Stock remuneration is performed by granting Directors shares with restrictions on transfer, and the amount is determined based on the standard amount for each position, taking into consideration the company's performance, etc.

<Evaluation of Directors>

Individual evaluation of Directors (excluding directors who are members of the Audit and Supervisory Committee and external directors) is conducted by Representative Director and Chairman Yuji Ono and the Governance Committee reviews the appropriateness of the level of remuneration amounts, including individual evaluation.

<Method for Determining Remuneration for Directors>

Remuneration of Directors is determined in accordance with the above calculation method by Representative Director and Chairman Yuji Ono, who has been authorized by the Board of Directors, within the maximum amount of total remuneration determined by a resolution of the General Meeting of Shareholders. The reason for the authorization is that it is considered reasonable to authorize the Representative Director and Chairman, who understands our overall business, to make the decision.

<Description of Activities that Occur during the process of determining the amount of remuneration, etc.>

During the process of determining Directors' remuneration, the Governance Committee, which is composed mainly of External Directors, exchanges opinions on the ratio of corporate performance to the business performance that the Director was responsible for, and the relationship between evaluation rank and increase-decrease rate in order to enhance performance, responsibility, objectivity, and transparency.

Strengthening governance of Group companies overseas

Over the past 10 years, the Company has expanded its business domain, mainly in Asia, through M&As and other activities, and now has more than 40 consolidated overseas subsidiaries. As each country has its own legal, cultural, and economic environment, we established the Overseas Group Governance Committee in FY2020 to establish a governance framework for the for entire Group.

Members of the Overseas Planning Dept., Legal Dept., Internal Audit Office, Financial Administration Dept., Human Resources Dept., Quality Assurance Dept., Sustainability Development Dept., Corporate Planning Dept., Systems Dept., Development Planning Dept., and overseas business holding companies participate in this committee to formulate specific action plans for themes of high importance and implement the PDCA cycle.

This committee plays the central role in managing business risks and is strengthening the management system to not only comply with laws and regulations, but also to conduct ethical business operations and fulfill social responsibilities. Moving forward, AICA Kogyo, the overseas business holding companies, and the Group companies overseas will continue to work together to foster a sense of unity within the AICA Group and to improve the AICA Group governance system.

Overseas Group Governance Committee FY2022 Activities	
Theme	FY2022 Achievement
Compliance	To make employees more familiar with the Code of Conduct, we published the AICA Compliance Casebook, translated it into multiple languages, and distributed it to group companies. We conducted a questionnaire at each site to determine the current situation in preparation for the formulation of the Group Anti-Bribery Policy. We also launched a global Internal Whistleblowing System into operation.
Internal control	We strengthened the auditing systems of overseas Group companies by utilizing third-party auditors. Post-audits recommendations are made and follow-up audits are conducted.
Authority	We promoted and supported the review of the regulations of overseas group companies regarding transfer of authority.
Medium-Term Management Plan	A briefing session was held once during the period in Japanese, English, and Chinese with the aim of disseminating Medium-Term Business Plan information in order to foster group awareness.
Quality	Conducted quality audits and guidance in order to improve quality of the entire Group. In particular, we held regular quality meetings with key sites to share quality information.
Safety/Environment	Held discussions with each site to improve BCP training content and conducted BCP drills.
Markets	Organized management issues at each site and shared information on initiatives to resolve them.
Intellectual property	We conducted a questionnaire at each site to understand the current situation in order to make intellectual property management rules stricter.
Financial	At our overseas subsidiaries, we collected advice from local audit firms and collaborated with them to make improvements. We checked the accounting workflow of overseas group companies and conducted a comprehensive inspection of the approval process for important operations.
Human resources	Formulated the Global Human Resources Development Program. Conducted an employee awareness survey at overseas group companies and used it to improve engagement.
IT	Promoted the introduction of software to strengthen information security. Information sharing meetings were held twice a year to share group policies on IT governance.

Engagement with Stakeholders

▶ Additional information about engagement with stakeholders is available on the AICA website.

HOME Sustainability Engagement with Stakeholders

<https://www.aica.co.jp/company/sustainability/stakeholders/>

Basic Approach to Engagement with Stakeholders

As a company that is widely trusted by society, we have instilled our belief in our corporate policy to value “fair and highly transparent compliance-based management in accordance with the law and social order” and “engagement with stakeholders.” Based on this corporate policy, we have a basic policy of disclosing information about the company to all stakeholders in a fair and timely manner.

Involvement with Customers

Ensuring Product Safety

We believe that the most important matter in quality management is to deliver safe and reliable products to our customers. To put this into practice, we have established voluntary action guidelines regarding product safety and strive to ensure product safety and information disclosure. Regulations on chemical substances tend to be stricter on an annual basis. To fulfill our responsibilities as a member of the supply chain, such as inquiries about new legislation in various countries, and requests for investigation and provision of information about new chemicals, the relevant departments work together to provide prompt and more accurate information. Please refer to the company website for Product Safety Voluntary Action Guidelines information.

Value Chain Collaboration

We have built a strong network for connecting with the distributors and builders that handle our products to form collaborative relationships. We have established the AICA Distributors' Organization as a network of distributors, with which we share product knowledge and sales and product strategies, and strive for healthy communication between distributors. We have also established separate construction groups for each product sold, through which we share information about improving construction quality and about product improvement and development.

Website Redesign

We completely redesigned our website in 2022 in response to the diversification of work styles of customers and increased needs for digital content created as a result of the COVID-19 pandemic. In addition to improving convenience by enriching content such as videos, security has also been strengthened to create an environment where users can use the website with greater peace of mind. Moving forward, we will continue to make improvements to the website in order to meet the needs of our customers and make it more useful.

Customer Satisfaction Survey

With the objective of asking our customers to evaluate our products and services, we have conducted a Customer Satisfaction Survey since FY2002. To put the opinions received from our customers to good use in product development and improvement of services, we identify issues from the survey findings, communicate them to the relevant departments after reporting the finding to the Management Meetings, and put responses into place.

Engagement with Suppliers

Basic Approach to Engagement with Suppliers

To fulfill the AICA Group's corporate social responsibility (CSR), we believe that it is essential that we obtain the understanding and cooperation of our stakeholders. In our procurement activities, in addition to acting responsibly as the AICA Group, we also pursue CSR activities with the cooperation of our suppliers. Based on these ideas, we formulated the “AICA Group CSR Procurement Guidelines” in June 2017, and issued them in April 2022 with partially revised title and content as the “AICA Group Sustainability Procurement Guidelines.” We have obtained the consent of our suppliers in Japan and overseas to these Guidelines for the further mutual improvement of our CSR activities by promoting related initiatives together.

Communicating with Suppliers

We held a Purchasing Policy Briefing in June 2019 as a forum for communication with our suppliers, at which we shared our company policies and purchasing policies. Further, with the objective of sharing our sustainability procurement philosophy and investigating the actual situation, we have conducted self-evaluation questionnaire surveys since FY2018. For the targets of this survey, we selected suppliers that cover approximately 70% of the total value of AICA Kogyo’s raw materials procurement, with a particular focus on our main suppliers.

Based on the results of this survey, where necessary, AICA Kogyo employees then conduct an audit (on-site inspection). If any outstanding initiatives are confirmed, we will learn their methods, and if we encounter matters that require correction, we will provide guidance and instruction to those companies. By continuing with this two-way dialog, we aim for the mutual improvement of our standards. (Please refer to our website for details on the content and implementation of the survey.)

Business Continuity Plan (BCP) in Procurement Activities

To ensure stable supplies even after a disaster or accident, we purchase our main raw materials from multiple suppliers and sites, and ensure that we have alternative options for purchasing. Regarding our own products, we have built production structures at multiple sites and have taken measures to ensure that we maintain a certain level of inventory. We will continue to consider measures to ensure that we can fulfill our supply responsibilities even in the event of a disaster or accident, and implement various measures as required.

Involvement with Shareholders

Ensuring Appropriate Information Disclosure and Transparency

As a company that is widely trusted by society, we have a basic policy of disclosing information about the company to all stakeholders at the right time and in the most fair and appropriate manner. We comply with the Companies Act, the Financial Instruments and Exchange Act, and the rules for timely disclosure prescribed by the stock exchanges on which our shares are listed, and conduct information disclosure in accordance with our Disclosure Policy. Even for information that is not covered by the relevant legislation or by timely disclosure rules, if we believe the information to be important for shareholders and investors to make investment decisions, we will disclose that information, giving consideration to fairness and timeliness. Please refer to the Company website for information disclosure documents.

Communication with Shareholders and Investors

We formulated the Basic Policy Regarding Constructive Dialogue with Shareholders and Investors and take proactive steps, within a reasonable extent, to achieve constructive dialogue with our shareholders. The Public Relations and IR Group takes the lead in responding to requests for individual interviews and telephone interviews, and depending on requests from shareholders and investors and the subject of dialogue, the an officer in charge, senior manager, etc. may also attend interviews. Any opinions or other information obtained through such dialog is reported to the Board of Directors, and we strive to reflect it in future management and IR activities. The main dialogue themes in FY2022 and the interests of shareholders include the company’s business overview, business model, strengths, financial results and earnings forecasts, the rise in raw material prices, the revision of selling prices, the progress of the Medium-Term Business Plan, ESG and sustainability, and capital policy.

To obtain their understanding and appropriate evaluation, in addition to the General Meeting of Shareholders, we hold Financial Results Briefings for analysts and institutional investors twice a year, at which our Representative Directors provide explanations. Please refer to the company website for the briefing content and questions. Briefings for individual investors are also held on an irregular basis.

In order to respond to requests for disclosure in English, although there is a time lag, English versions of the financial results summaries, support data for financial results summaries, financial results briefing materials, Notice of General Meeting of Shareholders, Corporate Governance Report, AICA Report, AICA at-a-Glance, and Company Brochure are available.

Number of dialogues	
	Number of dialogs with institutional investors in FY2022
Japanese institutional investors	107
Foreign institutional investors	52
Total	159*

* Includes one ESG Small Meeting

Main respondents in FY2022

	Number of dialogues/ meetings held	President	Executive Officers (in Charge of IR or SR, etc.)	General Managers (In charge of Financial Administration, Sustainability Development, Human Resources, etc.)	Head of the Public Relations and IR Group
Investor interviews	158	1	11	11	157
ESG Small meetings	1	—	1	1	1
Financial results briefings	2	2	2	2	2
Briefings for individual investors	1	1	—	—	—

Major cases in which proposals obtained through dialogues between shareholders and management were utilized in management

	Shareholder type	Requests/Proposals from shareholders	Response by the company
Investor IR interviews	Japanese institutional investors	Request for the company to declare that there will be no reductions in dividends	Added declaration to the dividend policy in the new Medium-Term Business Plan
Investor SR interviews	Japanese institutional investors	Investors talked about the importance of disclosing capital policy and cash allocation	Information incorporated into the new Medium-Term Business Plan
Investor SR interviews ESG Small Meeting	Japanese institutional investors	<ul style="list-style-type: none">Our commitment to achieving carbon neutrality by 2050Revision of FY2030 GHG emissions reduction targetSwitch greenhouse gas reduction targets from a intensity target to a absolute target	Information incorporated into the new Medium-Term Business Plan and GHG reduction targets were changed from a per-unit target to a total amount target

Engagement with Local Regions and Communities

Basic Approach to Engagement with Local Regions and Communities

As a company with global operations, the AICA Group values its connections with local regions and communities in both Japan and overseas. In addition to promoting local employment, we take all complaints made to the company seriously and respond appropriately when any problems are detected in our business activities. We continue to conduct activities based on a philosophy of mutual harmony, such as participating in volunteer activities in collaboration with local community action groups, including clean-ups in the areas surrounding our production and sales sites.

Aica Laminates Vietnam Co., Ltd. and its decorative panel products received awards in three different categories through the program “Good Vietnamese products for consumer rights 2023”.

AICA Laminates Vietnam received the “Top 20 excellent companies” and “Top 20 Vietnam Gold Brand” through the program “Good Vietnamese products for consumer rights 2023”, co-organized by the Institute of Economics and Culture in cooperation with the Consumer Protection Vietnam Center. Its high pressure laminate (HPL) and melamine fire retardant decorative panels won the “Top 20 Gold Quality Products” award. While socioeconomy is developing in Vietnam and the distribution of inferior goods and counterfeit goods is seen as a problem, the award is given to high-quality and reliable products, services and brands on the occasion of Vietnam Consumer Rights Day on March 15 to protect consumers and businesses.

AICA Laminates Vietnam’s products have obtained the international environmental certification “GREENGUARD GOLD” and are supplied to the Vietnamese and Asian markets as environmentally and health-conscious building materials.

11-Year Financial Summary

AICA Kogyo Co., Ltd. and consolidated subsidiaries

(Accounting FY)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
Management Results (million yen)												
Net sales	101,353	141,096	143,843	150,061	151,633	163,726	191,363	191,501	174,628	214,514	242,055	
[Net sales by segment]*1	Chemical Products	33,594	69,316	75,081	77,269	74,881	82,911	109,062	103,945	90,446	122,323	141,312
	Laminates & Building Materials	62,539	67,016	68,762	72,791	76,752	80,815	82,300	87,555	84,182	92,191	100,743
	Electronics	5,219	4,762	—	—	—	—	—	—	—	—	—
Operating profit		12,069	14,527	15,181	16,184	18,099	19,092	20,834	20,850	17,991	20,348	20,557
Ordinary profit		12,640	14,748	15,885	16,352	18,374	19,600	21,249	21,333	18,438	21,840	22,088
Profit attributable to owners of parent		7,633	8,221	10,137	9,962	11,064	11,996	13,316	12,732	10,759	13,117	10,059
[Profit by segment] *1 *2	Chemical Products	2,471	4,258	4,673	5,417	6,223	6,537	7,444	8,123	7,109	7,376	7,494
	Laminates & Building Materials	11,320	12,160	12,602	12,838	14,488	15,623	16,169	15,874	13,751	16,379	16,740
	Electronics	475	430	—	—	—	—	—	—	—	—	—
Capital investment		2,828	3,829	2,960	2,934	3,876	4,522	7,896	8,487	6,113	7,110	8,697
Depreciation		2,216	2,998	3,100	3,491	3,458	3,569	4,173	4,632	5,683	6,411	6,794
R&D expenditure		2,012	2,146	2,356	2,597	2,672	2,856	3,208	3,454	3,327	3,453	3,997
Total assets		119,301	131,812	147,017	153,434	164,634	189,626	191,025	206,439	207,363	240,388	250,049
Net assets		85,006	94,389	107,226	112,501	119,685	132,616	136,116	146,221	150,505	162,734	158,074
Interest-bearing debt**4		1,603	2,941	3,519	2,185	2,264	5,322	5,427	7,302	8,165	17,860	31,659
Cash and cash equivalents		18,981	23,772	35,220	37,449	47,622	48,896	45,379	40,644	41,185	44,997	47,943
Cash flow from operating activities		9,479	11,228	13,080	14,612	18,331	16,436	13,275	18,240	19,713	11,685	19,852
Cash flow from investing activities		(18,312)	(4,851)	(143)	(7,025)	(3,269)	(7,950)	(8,147)	(16,798)	(9,756)	(8,342)	(9,061)
Cash flow from financial activities		(2,363)	(1,950)	(1,912)	(4,849)	(4,587)	(7,406)	(7,557)	(6,210)	(9,179)	(1,114)	(9,355)
Free cash flow		(8,833)	6,377	12,936	7,586	15,062	8,485	5,127	1,442	9,957	3,342	10,790
Per-Share Data												
Earnings per share (yen)		117.95	126.77	155.99	152.62	169.48	183.76	203.95	195.01	164.79	200.90	157.27
Net assets per share (yen)		1,263.11	1,405.27	1,581.17	1,654.14	1,759.91	1,880.13	1,936.87	1,994.03	2,064.24	2,223.98	2,270.08
Dividend per share (yen)		36.00	38.00	43.00	46.00	85.00	92.00	103.00	106.00	107.00	108.00	109.00
Payout ratio (%)		30.8	30.2	27.6	30.1	50.2	50.1	50.5	54.4	64.9	53.8	69.3
Financial Indicators												
Overseas sales ratio (%)		7.2	29.2	33.3	33.2	30.8	33.4	42.0	40.7	42.7	49.2	51.2
Operating profit margin (%)		11.9	10.3	10.6	10.8	11.9	11.7	10.9	10.9	10.3	9.5	8.5
Return on equity (ROE) (%)		9.7	9.5	10.4	9.4	9.9	10.1	10.7	9.9	8.1	9.4	6.9
Return on assets (ROA) (%)		6.9	6.5	7.3	6.6	7.0	6.8	7.0	6.4	5.2	5.9	4.1
Debt-to-equity ratio (times)**4		0.020	0.032	0.034	0.020	0.020	0.043	0.043	0.056	0.061	0.123	0.218
Equity ratio (%)		68.6	69.2	70.2	70.4	69.8	64.7	66.2	63.1	65.0	60.4	58.1
Other Indicators												
Japanese naphtha price (yen)		55,100	65,300	69,700	46,000	32,800	40,500	51,000	42,000	33,000	50,000	76,250
Exchange rate (JPY/USD)*3		79.93	97.11	106.37	120.99	110.29	112.38	110.56	109.37	106.67	109.84	130.77
Number of new housing starts in Japan (10,000 units)		89.3	98.7	88.0	92.0	97.4	94.6	95.2	88.3	81.2	86.5	86.0
Area of non-residential building starts (1,000 m²)		52,031	56,438	52,612	49,988	51,334	53,313	51,016	47,979	44,856	48,055	46,899

*1 With the sale of the Electronics Business in FY2014, some sections of the Electronics Business were transferred to the Chemicals Segment from FY2014.
*2 Operating profit before deduction of unallocated operating expenses *3 Annual average
*4 Due to a rule change to include lease obligations in interest-bearing debt, the values for FY2012 to FY2021 have been retroactively adjusted.

Non-Financial Data (Environment)

✿ Assured by an independent assurance provider						
	Target Boundary	FY2018	FY2019	FY2020	FY2021	FY2022
Energy Use						
Energy inputs (TJ: Terajoules)	AICA Group	3,029	1,984 ^{*2}	1,951 ^{*2}	2,100 ^{*2}	2,108 [*]
	Production sites in Japan	1,200	808	758	796	772
	Sales locations in Japan		13	12	12	11
	Production sites overseas	1,829	1,163	1,181	1,292	1,325
Atmospheric Emissions						
Greenhouse gas emissions Scope 1 (t-CO ₂)	AICA Group	69,353	64,536 ^{*2}	61,736 ^{*2}	65,811 ^{*2}	65,491 [*]
	Production sites in Japan	34,570	32,167	30,608	31,731	30,551
	Sales locations in Japan		603	493	474	462
	Production sites overseas	34,783	31,766	30,635	33,605	34,478
Greenhouse gas emissions Scope 2 (t-CO ₂)	AICA Group	81,916	85,850 ^{*2}	82,961 ^{*2}	90,954 ^{*2}	84,105 [*]
	Production sites in Japan	28,562	27,838	23,000	23,558	20,142
	Sales locations in Japan		581	567	558	447
	Production sites overseas	53,354	57,431	59,394	66,838	63,516
Greenhouse gas emissions Scope 1&2 subtotal (t-CO ₂)	AICA Group total	152,553 ^{*3}	150,386	144,697	156,765	149,596
Greenhouse gas emissions Scope 3 (t-CO ₂)	Refer to the figures on the right			479,442	525,238 ^{*1}	522,469
Category 1				358,145	406,483 ^{*1}	402,917 [*]
Category 2				14,197	3,199	3,479
Category 3				10,149	9,363	9,676
Category 4				14,688	15,965	15,946
Category 5				5,062	5,725	5,931 [*]
Category 6				1,828	425	1,183
Category 7				112	194	226
Category 12				75,069	83,692 ^{*1}	83,000 [*]
Category 13				192	192	112
SOx (tonne)	Production sites in Japan	5.4	5.3	5.9	6.1	6.1
NOx (tonne)	Production sites in Japan	25.4	26.9	31.9	27.7	24.8
Soot and dust (tonne)	Production sites in Japan	3.7	9.4	9.3	1.9	1.8
Substances subject to PRTR (VOC atmospheric emissions) (tonne)	Production sites in Japan	56.5	52.1	53.6	55.7	52.6
Use of Substances						
Substance inputs (tonne)	Production sites in Japan	317,041	305,457	247,158	277,979	274,151
Raw materials (tonne)	Production sites in Japan	279,580	284,565	231,117	261,650	256,888
Ancillary materials (tonne)	Production sites in Japan	625	629	538	593	635
Containers and packaging materials (tonne)	Production sites in Japan	31,555	15,147	11,576	11,225	11,938
Substances subject to PRTR (tonne)	Production sites in Japan	(30,274)	(40,582)	(25,458)	(15,023)	(37,713)
Product Shipment						
Product shipment volumes (tonne)	Production sites in Japan	255,093	268,552	216,818	241,778	229,117
In-house Recycling of Waste						
Heat recovered (thermal recycling) (tonne)	Production sites in Japan	16,445	17,203	12,224	13,723	12,708
Industrial Waste Emissions						
Industrial waste emission volumes (tonne)	AICA Group	30,463	42,651	27,298	30,996	35,374
	Production sites in Japan	26,560	36,040	20,784	23,665	28,361
	Production sites overseas	3,903	6,611	6,514	7,331	7,013
External recycling (tonne)	Production sites in Japan	25,836	24,708	19,376 ^{*1}	22,395	25,381
Landfill disposal (tonne)	Production sites in Japan	589	11,309	1,399 ^{*1}	1,269	2,980
Substances subject to PRTR (amount of waste transferred) (tonne)	Production sites in Japan	13.1	15.1	12.6	12.9	16.7

✿: Indicators for which third-party assurance was obtained for the values published in this booklet (AICA Report 2023)

*1 To improve the accuracy of the figures, the figures in the AICA Report 2022 have been retroactively revised.

*2 Since sales locations in Japan have been included, the figures in the AICA Report 2022 have been retroactively revised.

*3 Includes emissions from sales locations in Japan where the breakdown of Scope 1 and Scope 2 emissions is unclear.

	Target Boundary	FY2018	FY2019	FY2020	FY2021	FY2022
Use of Water Resources						
Water withdrawal volume (1,000 m³)	AICA Group	3,334	3,763	3,818	4,098	3,700
	Production sites in Japan	2,291	2,382	2,384	2,478	2,211
	Production sites overseas	1,043	1,381	1,434	1,620	1,489
Ground water (1,000 m³)	AICA Group	2,385	2,468	2,425	2,586	2,319
Industrial water (1,000 m³)	AICA Group	143	172	1,106	1,206	1,080
Municipal water supply (1,000 m³)	AICA Group	806	1,123	287	306	301
Released into Waterways						
Total wastewater discharged (1,000 m³)	Production sites in Japan			1,908	1,981	1,742
COD (tonne)	Production sites in Japan	22.3	11.8	31.2	3.3	2.1
Nitrogen (tonne)	Production sites in Japan	15.8	5.6	11.7	1.2	1.0
Phosphorous (tonne)	Production sites in Japan	3.3	6.9	6.1	0.5	0.4
Substances subject to PRTR (tonne)	Production sites in Japan	0.5	0.6	0.5	0.5	0.3

Boundary and Criteria for Calculation of Environmental Indicators	
<div><div>• Target Boundary</div><div>The target boundary of each category is clearly stated. The breakdown of business sites is as follows. AICA Group: All production sites of the AICA Group in Japan and overseas (sales locations in Japan are only included for Energy Use and Greenhouse gas emissions) Production sites in Japan: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD. and one other company Production sites overseas: All production sites of PT. AICA Indonesia, PT. Techno Wood Indonesia, Aica Laminates India Pvt. Ltd., Aica Laminates Vietnam Co., Ltd., AICA Asia Pacific Holding Group, Evermore Chemical Industry Group, and Wilsonart companies Sales locations in Japan: 26 AICA Kogyo Co., Ltd. sales locations</div></div>	
<div><div>• Energy use</div><div>Energy input is calculated by multiplying the amount of fuel used by the calorific value of each fuel. (For unit calorific values, we used the Ministry of the Environment's Calculation Methods and List of Factors for Calculation, Reporting, and Publication Programs.) Electricity was calculated as 1 kWh = 3.6 MJ, and steam was calculated by converting the amount of energy due to steam quality according to the purchased quantity.</div></div>	
<div><div>• Greenhouse gas emissions</div><div>– For Scope 1 and 2 calculations, we calculated the energy-derived CO₂ emission/non-energy-derived greenhouse gas emission volumes based on the Ministry of the Environment/Ministry of Economy, Trade and Industry's Greenhouse Gas Emissions Calculation and Reporting Manual (Ver.4.9). Electric power emissions factors for Japan sites were calculated using the adjusted emission factors for electric power companies from the List of Emissions Factors by Power Supplier (For 2023 Submission) (Ministry of the Environment/Ministry of Economy, Trade and Industry). For sites overseas, we used finalized values data from the International Energy Agency's (IEA) Emissions Factors (2022). In Japan, the adjusted emission factors for general electric power transmission and distribution companies was used until FY2021. From FY2022, however, the adjusted emission factor of each electric power provider is used. – Scope 3 calculations were made in line with the Basic Guidelines for Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5) published by the Ministry of the Environment. The details of calculation methods for each category are as described below. Emissions factors are taken from these Guidelines unless otherwise stated below.</div></div>	
Category 1: Purchased goods and services	Target boundary: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD. Weight or value of raw materials, products, etc. purchased in the reporting year multiplied by the emissions factor. For emissions intensity, we used either (1) LCI Database IEDA version 2.3 (AIST Research Institute of Science for Safety and Sustainability's Advanced LCA Research Group; Japan Environmental Management Association for Industry) or (2) Emissions Intensity Database for Calculation of Organizations' Greenhouse Gas Emissions, etc. Throughout the Supply Chain (Ver. 3.3) (Ministry of the Environment), depending on the item being calculated. For items produced at some of our plants, we calculated raw materials usage based on production volumes. Items that are purchased in very small quantities have been excluded from these calculations, which account for approximately 90% of all purchased raw materials, either on a weight or value basis.
Category 2: Capital goods	Target boundary: AICA Kogyo Co., Ltd. Amount of capital investment in the reporting year multiplied by the emissions factor.
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	Target boundary: Production sites in Japan Power and fuel volumes purchased during the reporting year, multiplied by the emissions factor. (For fuels, emission factors at the time of the study were used from the LCI database IEDA version 2.3, in accordance with the guidelines.)
Category 4: Upstream transportation and distribution	Target boundary: AICA Kogyo Co., Ltd. Calculated based on tonne-km of logistics (transportation, cargo handling, and storage) for the reporting year in which AICA Kogyo Co. was the shipper
Category 5: Waste generated in operations	Target boundary: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD. Industrial waste emission volumes during the reporting year, multiplied by the emissions factor.
Category 6: Business travel	Target boundary: AICA Kogyo Co., Ltd. Travel expenses during the reporting year, multiplied by the emissions factor.
Category 7: Employee commuting	Target boundary: AICA Kogyo Co., Ltd. Commuting subsidy expenses during the reporting year, multiplied by the emissions factor.
Category 8: Upstream leased assets	Lease assets are minor and have been excluded from calculations.
Category 9: Downstream transportation and distribution	Due to the prohibitive difficulty of ascertaining the delivery of all goods for which the company is not the shipper, these could not be calculated. When the company acts as the shipper and delivers the product to the customer, the consequent emissions are included in Category 4.
Category 10: Processing of sold products	Identified as relevant, but emissions have not been calculated due to the difficulties of identifying emission amounts for the individual processes of our many and diverse products.
Category 11: Use of sold products	No greenhouse gas are emitted in the use of our products.
Category 12: End-of-life treatment of sold products	Target boundary: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD. Calculated by multiplying weight of products sold during the reporting year by the emissions factor allocated for each product category. For some products that include volatile substances, product weight excluding the weight of those volatile substances was substituted for calculation purposes.
Category 13: Leased assets (downstream)	Target boundary: Production sites in Japan Power use accompanying use of leased buildings during the reporting year, multiplied by emissions factor.
Category 14: Franchises	No applicable business operations.
Category 15: Investments	Some company funds are invested, but the percentage of our shareholdings in each investee company is slight and has a negligible impact on business activities, so this category has been excluded from calculations.

Non-Financial Data (Human Resources)

	Target Boundary	FY2018	FY2019	FY2020	FY2021	FY2022
Employment (as of end of fiscal year unless otherwise indicated)						
Number of employees [Consolidated] ^{*1}	AICA Group	3,920	4,781	4,796	4,949	4,963
Number of employees [Non-consolidated] ^{*1}	Aica Kogyo	1,194	1,239	1,228	1,211	1,226
Male	Aica Kogyo	991	1,026	1,011	1,002	1,013
Female	Aica Kogyo	203	213	217	209	213
Number of non-regular employees	Aica Kogyo	234	248	239	243	242
Rate of non-regular employees	Aica Kogyo	16.3%	16.6%	16.2%	16.7%	16.5%
Number of new-graduate recruits ^{*1*2}	Aica Kogyo	61	36	21	31	36
Male	Aica Kogyo	49	28	18	23	25
Female	Aica Kogyo	12	8	3	8	11
Rate of female recruits ^{*3}	Aica Kogyo		40.0%	14.3% ^{*10}	32.0%	42.3%
Number of mid-career hires ^{*1}	Aica Kogyo	33	23	4	19	40
Rate of mid-career hires ^{*4}	Aica Kogyo	35%	39%	16%	38%	53%
Number of employees newly engaged under the re-employment scheme	Aica Kogyo	27	14	15	21	11
Number of employees with disabilities	AICA Group	24	28	31	28	29
	Aica Kogyo	22	24	26	25	25
Statutory employment rate of people with disabilities ^{*5*6}	Aica Kogyo	2.26%	2.35%	2.66%	2.47%	2.46%
Years of Service (as of end of fiscal year unless otherwise indicated)						
Average years of service ^{*1}	Aica Kogyo	15.4	15.5	16.1	16.5	16.5
Male	Aica Kogyo	16.0	16.1	16.6	16.8	16.8
Female	Aica Kogyo	12.5	12.8	13.7	14.7 ^{*10}	14.7
Average age ^{*1}	Aica Kogyo	39.3	39.5	40.1	40.6	40.9
Rate of turnover ^{*1*7}	Aica Kogyo	3.39%	2.91%	2.44%	2.56%	3.20%
Rate of turnover after 3 years ^{*8}	Aica Kogyo	16.1%	16.1%	17.5%	8.9% ^{*10}	29.6%
Union Membership (as of end of fiscal year)						
Rate of union membership ^{*1}	Aica Kogyo	80.4%	80.9%	80.7%	79.9%	79.9%
Wages, Working Hours, and Holidays						
Average annual salary (thousand yen) ^{*1}	Aica Kogyo	6,468	6,516	6,441	6,817	6,896
Wage gap between male and female employees ^{*9}	Aica Kogyo					80.7%
Regular employees	Aica Kogyo					79.1%
Non-regular employees	Aica Kogyo					62.6%
Average number of days of paid leave taken ^{*9}	Aica Kogyo	11.3	12.1	10.3	11.8	12.9
Average rate of paid leave taken	Aica Kogyo	61.7%	66.7%	55.9%	63.6%	69.1%
Diversity						
Number of managers ^{*1}	Aica Kogyo	195	199	209	213	207
Female	Aica Kogyo	7	7	7	7	8
Rate of female managers	Aica Kogyo	3.6%	3.5%	3.3%	3.3%	3.9%
Rate of female employees taking childcare leave ^{*5}	Aica Kogyo	100%	100%	100%	100%	100%
Rate of male employees taking childcare leave ^{*5}	Aica Kogyo	3.6%	17.1%	16.7%	16.7%	53.1%
State of Industrial Accidents						
Number of fatal accidents	Group companies in Japan	0	0	0	0	0
Number of lost-time accidents	Group companies in Japan	6	7	6	5	4
Of which, people other than full-time employees	Group companies in Japan	6	4	4	2	3
Number of non-lost-time accidents	Group companies in Japan	12	13	6	12	10
Of which, people other than full-time employees	Group companies in Japan	7	6	1	4	4

^{*1} Regular employees.
^{*2} Recruits that have graduated from high school, university, or graduate school and will be joining the company in April of the next fiscal year.
^{*3} Recruits that have graduated from university or graduate school that are in career-track positions.
^{*4} Calculated by dividing the number of mid-career hires in the relevant fiscal year by the sum of the number of new graduates and mid-career hires in the same fiscal year.
^{*5} Calculated according to the method for the statutory employment rate.
^{*6} As of March 1
^{*7} Calculated by dividing the number of employees who resigned for personal reasons each fiscal year by the number of employees at beginning of that fiscal year.
^{*8} Calculated for graduates of university or graduate school.
^{*9} Full-time employees and rehires
^{*10} To improve the accuracy of the figures, the figures in the AICA Report 2022 have been retroactively revised.

Third-Party Assurance



Independent Assurance Report

To the Representative Director and President of Aica Kogyo Co., Ltd.

We were engaged by Aica Kogyo Co., Ltd. (the “Company”) to undertake a limited assurance engagement of the environmental performance indicators marked with 🌱 (the “Indicators”) for the period from April 1, 2022 to March 31, 2023 included in its AICA Report 2023 (the “Report”) for the fiscal year ended March 31, 2023.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Visiting one of the Company’s factories selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Shinnosuke Kayumi

Shinnosuke Kayumi, Director
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
January 25, 2024

AICA Group Network

(As of end-Sep. 2023)

