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AICA Kogyo Co., Ltd. AICA Report 2021

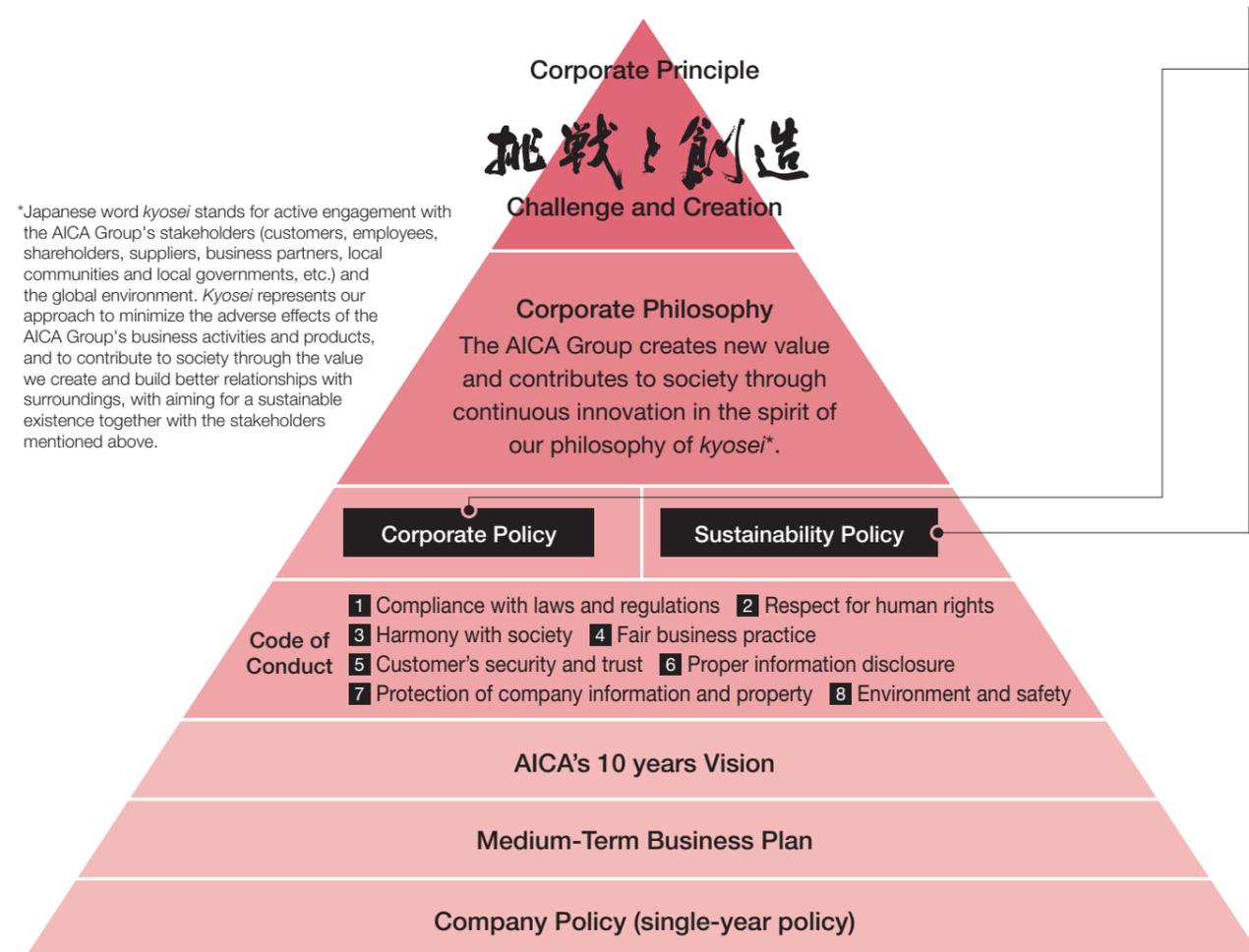


This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals. We welcome feedback on its contents.

AICA Report 2021



Overall Image of AICA Policies



*Japanese word *kyosei* stands for active engagement with the AICA Group's stakeholders (customers, employees, shareholders, suppliers, business partners, local communities and 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 to 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 dialogue 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.

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Editorial Policy
 This report has been prepared with the intention of communicating the AICA Group's Sustainability-related activities to our stakeholders (customers, employees, shareholders, suppliers, business partners, local communities, and local governments) in easily understood ways, using graphs, photographs, and other means.

Reference Guidelines

- ISO26000
- Ministry of the Environment Environmental Reporting Guidelines (2018 Edition)
- GRI Standards
- IIRC International Integrated Reporting Framework

Target Period/Scope
 This report is a summary of the activities of the AICA Group in FY2020 (from April 1, 2020 to March 31, 2021). It also includes information about some activities from FY2021. The target scopes can be found in the content of the report.

AICA Website [CSR Activities]
 Supplementary information and PDF data of the AICA CSR Report
<http://www.aica.co.jp/company/enviro/>

Message from the President



Aica Group will strength our ESG performance to become a highly sustainable corporate entity in order to realize a sustainable society.

Yuji Ono

Representative Director and President

Looking Back on the year of COVID-19 Pandemic

Firstly, I would like to extend our heartfelt sympathies to all the people affected by the COVID-19. Secondly, we would also like to show our gratitude for the healthcare staff and those who are making efforts to prevent the spread of infections.

Measures and Initiatives to Combat the Impact of COVID-19 Pandemic

Most importantly, we had put a great deal of thought to the safety of our employees and its families as well as customers. We had applied various measures at each business site; work from home (WFH) and staggered working hours (SWH), limit business trips, prohibit business dinners, make the most of on-line meetings and events, dispersed seating arrangements, and encourage commuting by private vehicles. Moreover, in order to secure maximum profits even in the drop in sales and lower capacity utilization, we considered and implemented all kinds of profit improvement measures, including the reduction of SG&A (selling, general and administrative) expenses, and focused on more aggressive cost reduction activities. We also focused on expanding sales of products that support new lifestyles; known as the antiviral building material “Virutect” series, and UV-curable resin for electronic materials that grew in volumes following increased demand among those staying at home.

The Impact of the COVID-19 Pandemic and Awareness

The Aica group’s business performance for FY2020 was sluggish due to the impact of the COVID-19 pandemic. To shift to resilient business structure capable of riding through demanding situations like this, we thoroughly identified waste in operations and expenses and worked to improve them. We also took the opportunity to renew our awareness of the importance of BCP measures. The BCP measures we had previously implemented for sourcing raw materials proved to be a success, and we were able to fulfill our responsibilities for supplying AICA products in FY2020. Yet in this age of globally connected supply chains, several issues became evident with the systems we had in place. We shall enhance our BCP measures more than ever by coordinating efforts throughout group companies to devise the optimum locations of production sites and shift to multiple suppliers to source our raw materials.

FY 2020 Overview

Consolidated business results for FY2020 were net sales of 174,628 million yen (-8.8% vs LY), operating profit of 17,991 million yen (-13.7% vs LY), ordinary profit of 18,438 million yen (-13.6% vs LY), and profit attributable to owners of parent (hereafter, net profit) of 10,759 million yen (-15.5% vs LY). Our net sales have dropped for the first time in the last 11 years;

it was also the first decrease in operating profit and ordinary profit in the last 12 years, and the second consecutive year of lower net profit. Both domestic and overseas sales remained sluggish until the second quarter under the severe market environment caused by COVID-19 pandemic. From the third quarter, the demand in Japanese market recovered from the third quarter onwards, mainly on the back of our “AS (Aica Solution) product range” that aims to resolve social problems whereas overseas’ performance recovered in AICA Asia Pacific Holding Group (AAPH Group), and Evermore Chemical Industries Group (EMC Group), as well as the companies of Wilsonart that joined the AICA Group in December 2019. Activities implemented throughout the entire AICA Group aimed at enhancing business, improving production efficiency, and cutting back various costs have also been successful, and we achieved the best operating profit and ordinary profit we have ever recorded for the second half of the year. We also successfully achieved two M&As, which would build a strong foothold for further expanding our business performance from the next fiscal year onward.

10 Years Vision and New Medium-Term Business Plan “Change & Grow 2400”

In April 2017, we drew up “AICA’s 10 Years Vision” that sets out our goal by FY2026, the 90th anniversary of our company. The first step to achieve this goal, the medium-term business plan “C&C 2000” (covering FY2017 to FY2020), has come to an end. In April 2021, we have set the new medium-term business plan “Change & Grow 2400” (covering FY2021 to FY2023) as the second step. We shall implement various measures to achieve the specified financial targets; ROE of 10%, ordinary income of 24 billion yen, and net sales of 240 billion yen, as well as non-financial targets that would help strengthen our business infrastructure.

New Medium-Term Business Plan Financial Targets

	FY2020 Achievement	FY2023 Plan
ROE	8.1%	Around 10%
Net sales of Overseas and Specialty & Performance Materials *	81.2 billion yen	115 billion yen
Net sales of AS Products *	15.5 billion yen	21 billion yen
Ordinary profit	18.4 billion yen	24 billion yen
Net sales	174.6 billion yen	240 billion yen

* Accumulated net sales prior to consolidation elimination

Creation and Expantion of Growth Businesses (Expanding AS Products)

While AICA’s chief market segment—the domestic construction market—is expected to remain stagnant, we believe that we can maintain growth by developing and expanding sales of our “AS (Aica Solution) product range” that is aimed at resolving

Message from the President

social issues. This high value-added product range leverages our strengths of “Chemistry” and “Design” to resolve a broad range of social issues, including labor shortages throughout the construction industry, deteriorating infrastructure, shifting to a low-carbon society, and adapting to lifestyles that changed with the spread of coronavirus, and we are planning to expand net sales of AS Products to 21 billion yen in three years’ time.

Creation and Expansion of Growth Businesses (Businesses in Non-construction Markets and Overseas Businesses)

In the previous medium-term business plan, the Specialty & Performance Materials Business and overseas business were positioned as growth businesses, and efforts were focused on developing their business infrastructures. The new medium-term business plan “Change & Grow 2400” aims to grow these businesses dramatically, with plans to expand net sales by 1.4 times.

In the Specialty & Performance Materials Business, the urethane manufacturing company “U-BEST VIET NAM POLYMER INDUSTRY CO., LTD.” and “VIET NAM SUM YAD TECHNOLOGY LIMITED”, and the UV curing coating material production plant for overprint varnish “Covestro Resins (Taiwan) Ltd. (former DSM Coating Resins Ltd.) Dayuan plant” joined the EMC Group. Their production equipment, expertise with technology and sales channels in new fields will be harnessed our further expand business in non-construction fields.

In the Chemical Products Business overseas, the hot melt adhesive manufacturing and sales company “Aica Adtek Consolidated Sdn. Bhd.” in Malaysia became part of the AAPH Group. This will serve to strengthen business in the high-growth hot melt adhesive for hygiene products field and harnessing its sales channels will also help boost our presence in the hot melt adhesive market throughout Southeast Asia as well as Africa, North America, and European regions. At AAPH Group’s production sites in China, we have plans in place for three major capital investment projects with the aim of increasing their production capacity significantly. Efforts are being made to tap into the growing demand for PF resins throughout Asia with the aim of achieving further growth.

In the Construction Materials Business overseas, we made significant progress in developing platforms for expanding with recent M&As and plant construction. We will be actively establishing propulsive our brand in the Asia Pacific region by utilizing the sales networks, production sites and human resources that we have acquired.

Strengthening of Profit Foundations

The business environment is expected to undergo further sudden changes, including changes in demand for housing due to the shrinking population, lower birthrate and aging population, different lifestyles following the COVID-19 pandemic, and acting on climate change. To ensure that we remain a company that our various stakeholders need despite such changes, we

are focusing on reducing costs in various areas, implementing DX*, streamlining logistics networks and improving production efficiency as we build a resilient management system. We are moving toward building a stronger AICA capable of adapting to such management changes and will be setting aside a total of 40 billion yen over three years for capital investment and business investments with a focus on capital costs, with plans to expand operating profit to 23.5 billion yen after three years. Our efforts shall focus on ROE while maintaining a well-balanced capital structure based on growth and financial health potential. *DX: Digital Transformation

Profit Base Enhancement

There are increasing demands from stakeholders to ensure that our company fulfills its social responsibility for resolving social issues that are growing in severity and complexity on a global scale. In response to this, we devised the medium-term business plan after reviewing our Materialities (material issues). Until now, management plans had focused mainly on financial affairs, while the inclusion of non-financial matters and efforts toward achieving each specified KPI is a way that we believe we can further boost our corporate sustainability.

Materialities consist of seven categories: (1) Provide economic value; (2) Resolve social issues with products; (3) Human resources and organizational development; (4) DX Implementation; (5) Responding to climate change; (6) Strengthen governance; and (7) Quality assurance and occupational safety; and we specified KPIs for each category (see P. 29-30 for details.) The categories of “DX Implementation” and “Responding to climate change” in particular are viewed as challenges that urgently need to be addressed, and are areas that we are focusing our efforts on.

DX Implementation

In May 2021, we overhauled the core systems responsible for receiving orders, production, purchasing and financial operations, and developed a platform that will facilitate a greater shift to the digital realm. There has been remarkable progress in digital technologies in recent years and incorporating such technologies into our systems will help reform our business activities. We are increasing productivity with automation and laborsaving methods at our production plants, and this also serves to address future shortages in labor. We are also storing, analyzing and utilizing various forms of data as a way of boosting business efficiency, and the results of these efforts are also being applied to product development and marketing. DX is providing the impetus to revolutionize working styles, not only at our company but also our stakeholders, and we will be leveraging this to give our company a competitive edge.

Responding to Climate Change

Countries around the world are now making concerted efforts to achieve net zero greenhouse gas (GHG) emissions, and

we believe that companies unable to adapt to such efforts will be left behind in the market. Our aim is to achieve a corporate entity that continues to be selected in the age of net zero emissions, by thoroughly “Proposing long-term strategies with a view to 2050 net zero GHG emissions” and “Reducing GHG emissions” while properly identifying the risks and opportunities associated with the climate change.

As a company taking an active stance to combat challenges related to climate change, we established the Climate Change Response Project in April 2020. We then moved the Climate Change Response Committee to make it part of the Sustainability Development Committee in April 2021 with the aim of further solidifying our efforts. Efforts are being ramped up to increase the efficiency of energy usage and introduce energy-efficient methods throughout the group, and we will place an even greater focus on reducing Scope 1 & Scope 2 emissions resulting from business activities. Activities will also turn to reducing Scope 3 and seizing business opportunities related to climate change. We believe that the role of our company is to act on combating climate change with manufacturing that harnesses our expertise in chemistry and design. The new Development Planning Department that was launched in April 2021 also forms a part of the Climate Change Response Committee to achieve faster product development. The role of this department—joint development with universities, research institutes and businesses in different industries—is leveraged as part of group-wide efforts to reduce GHG throughout the entire life cycle of products.

Disasters arising because of extreme climate conditions are on the rise on a global scale in recent years, and we are acutely aware of the risks that these pose to our businesses. We shall be reinforcing the scope of our BCP measures, as these extreme weather events continue to increase in frequency and severity.

Toward Achieving Sustainability

AICA has released new policies related to sustainability in line with the newly released medium-term business plan “Change & Grow 2400.” The AICA Group’s approach to sustainability has been valued for a long time and is embodied in our Corporate philosophy and Corporate policy. Yet we determined that the core philosophies and policies related to sustainability management should be outlined more clearly. Prior to releasing these policies, in April 2021 we renamed the committee responsible for these policies from the CSR Promotion Committee to the Sustainability Development Committee, with myself appointed as chair. I shall be taking the lead to ensure that the efforts we plan to strengthen our corporate structure are done in a sustainable manner. The previous “CSR Report” that covered information related to non-financial matters has also been renamed to the “AICA Report,” and will cover our “value creation model” and other topics based on our integrated thinking for the first

time. We will continue to make efforts to enhance the disclosure of AICA’s sustainability information.

Adoption of Restricted Stock (RS) Remuneration System for Directors and Employee Stock Ownership Plan (J-ESOP)

From 2021, a restricted stock (RS) compensation system has been made available for AICA directors (excluding directors who are members of the Audit and Supervisory Committee and external directors). In addition to providing an incentive for achieving sustained growth in corporate value, the system aims to foster a greater sense of shared value with shareholders.

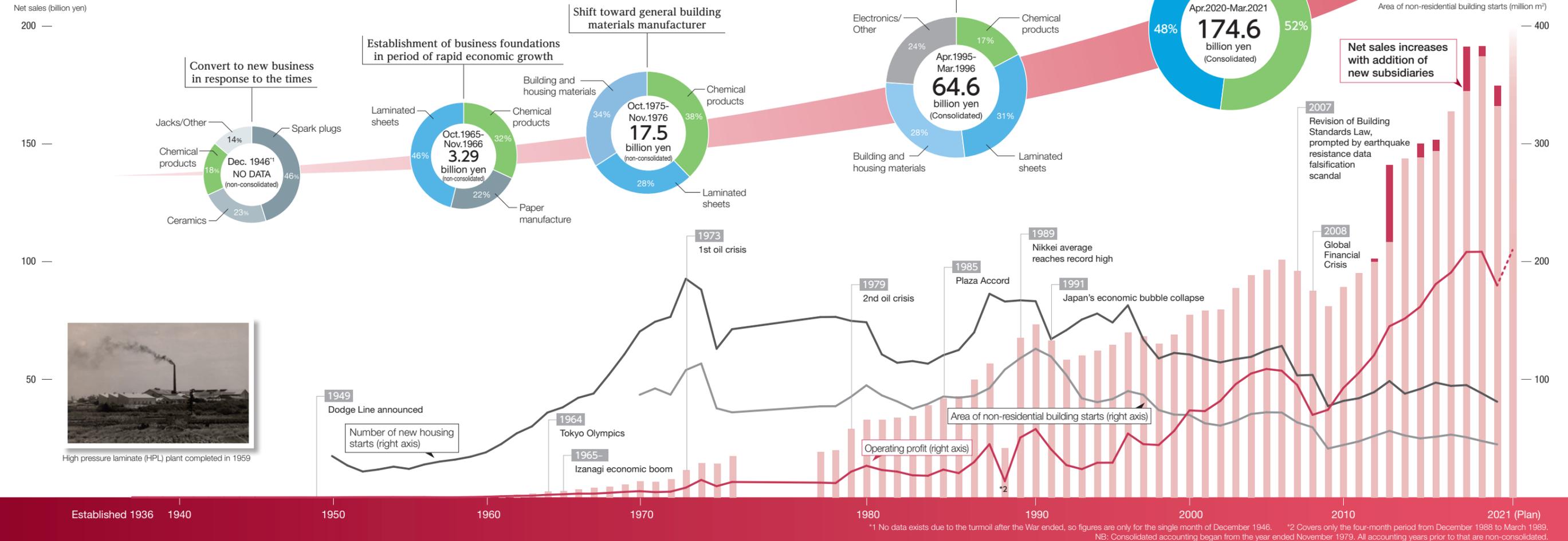
An incentive plan has also been introduced that provides company stocks to employees in management positions at AICA and group companies. The plan forms a greater correlation between employee benefits and long-term stock prices or business achievements and is aimed at fostering sustainable corporate growth by providing employees a sense of ownership in line with that of management.

We will be using these remuneration system to form a corporate culture where AICA Group directors and employees are able to work together toward the goal of enhancing long-term corporate value.



Transformation of Value Creation

With the resin synthesis technologies that we have cultivated since our foundation at the core, we have re-organized our portfolio of businesses flexibly in line with the times. Our spirit of "Challenge and Creation," including challenges in new businesses and the use of synergies, has been passed down from the past to the present.



Uses M&As to build a platform that would not be swayed by Japanese construction market trends

- 1936~1945**
 - Launched Japan's first urea-based resin adhesive "AICHI-MUTEKI-NORI" (1939)
- 1946~1954**
 - Launched melamine resin-baked paint (1951)
- 1955~1966**
 - Launched "AICA" high pressure laminate (HPL) (1960)
- 1967~1976**
 - Launched "AICA POSTFORM" (1968)
 - Launched wall coating material, "JOLYPATE" (1975)
- 1977~1986**
 - Launched premium wooden door, "EASTERN CHERRY DOOR" (1978)
 - Launched high pressure laminate (HPL), "AICA COLOR SYSTEM 105" (1984)
- 1987~1994**
 - Captured top share of Japanese HPL market
 - Launched melamine noncombustible decorative panel, "CERARL" (1989)
- 1995~2009**
 - "CERARL" became a huge success as kitchen panel (1996-)
 - Inaugural edition of "Environmental Report" (1999)
- 2010~**
 - Acquired shares in subsidiary of Dyne's Asia-Pacific division (2012)
 - Acquired shares in EVERMORE CHEMICAL INDUSTRY CO., LTD. (2018)
 - Acquired shares in Wilsonart subsidiary in Asia-Pacific region (2019)

Social Background and Products Created by the AICA Group

1936
Development of Japan's first synthetic resin adhesive
We developed a urea-based resin adhesive with strong adhesive properties and water resistance. This drove the shift from natural adhesives to high-performance synthetic resin adhesives.



Patent for urea-based resin adhesive

1960s-1970s
Contribution to development of odorless plywood
To increase productivity of plywood in response to expanding demand, we developed a no-clamp melamine urea formaldehyde resin adhesive. We encouraged increased use of this adhesive, which has low formaldehyde detection, and odorless plywoods were born.

Late 1980s
Use of rubber trees that had been discarded as scrap
Rubber tree wood left over from the sap extraction process was recycled into laminated lumber and turned into stair components and counters. This attracted attention as a pioneering concept in the effective use of forest resources.



We were awarded an honor from the Sultan of the Malaysian state of Kedah.

1990s-2000s
Compliant to sick house syndrome
From the 1990s, hypersensitivity to chemical substances, as exemplified by sick house syndrome, became a serious social problem. In response to the Revised Building Standards Act of 2003 and the Ministry of Health, Labor and Welfare guidelines of 2002, we launched AICA ECO-ECO BOND, a healthy-housing adhesive that contained no restricted substances such as formaldehyde, toluene, and xylene.



AICA ECO-ECO BOND when it was first released

2010
Support forest resources protection
We were the first Japanese manufacturer of high pressure laminates (HPL) to obtain Forest Sustainability Council (FSC/PEFC) certification for certain of our HPL products. Subsequently, we were awarded the Biomass mark for those same products and for some of our decorative board products.

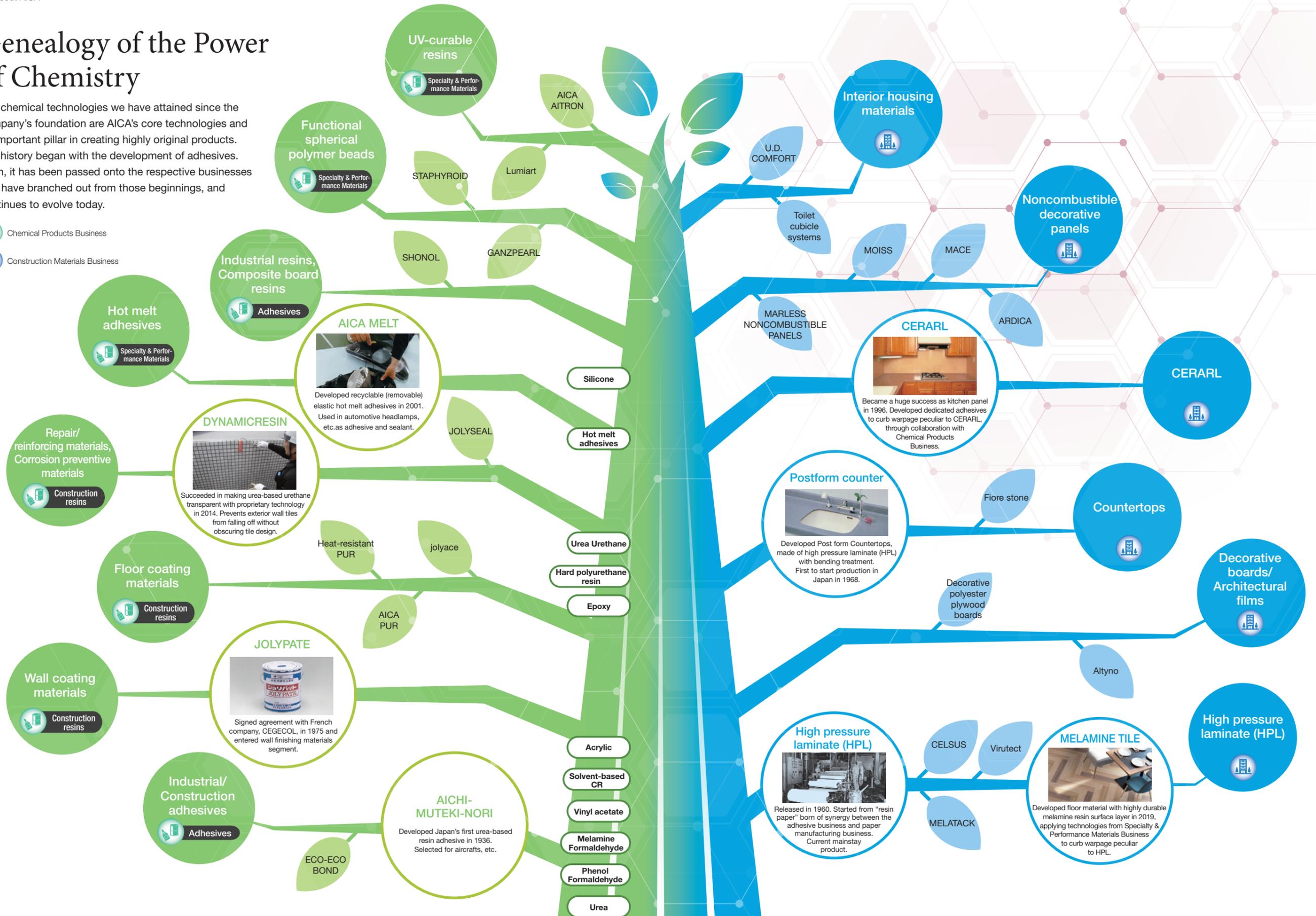


2017-
Development and expansion sales of AS products
We positioned product ranges that contribute to the solution of social issues as AS (Aica Solution) products and concentrated our efforts into developing and expanding sales of those product ranges. The objectives of those products are many and diverse, including alleviating labor shortages, reducing waste, and building safe cities.

Genealogy of the Power of Chemistry

The chemical technologies we have attained since the company's foundation are AICA's core technologies and an important pillar in creating highly original products. Our history began with the development of adhesives. Then, it has been passed onto the respective businesses that have branched out from those beginnings, and continues to evolve today.

- Chemical Products Business
- Construction Materials Business



Our Businesses



Chemical Products Business

For all settings in daily life

- Stick (adhesives)
- Decorate (construction resins)
- Protect (specialty & performance materials)

*Operating profit before deduction of unallocated operating expenses

Main Products

Adhesives



Industrial and Architectural adhesives

Adhesives used in the manufacture of wooden furniture products and building materials and on construction sites.



Industrial resins

Resins used as a raw material in plywood and laminated lumber, abrasives, casting molds, adhesives, and other industrial products.



Composite board resins

Resins used to form boards made by binding together wooden materials that have been turned into chips or fibers.

Construction resins



Wall coating materials (JOLYPATE)

Acrylic-based architectural coating used on interior and exterior walls in housing, shops, public facilities, etc.

Residential Non-residential



Floor coating materials (jolyace)

Synthetic resin floor coating materials used on areas that require high durability and heat resistance, such as factories and warehouses.

Residential Non-residential



Repair/reinforcing materials, Corrosion preventive materials (DYNAMICRESIN)

Resin products including repair materials for concrete structures, materials to prevent falling tiles.

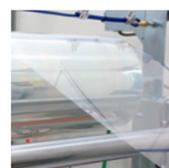
Residential Non-residential

Specialty & Performance materials



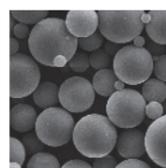
Hot melt adhesives

Adhesives and sealants used in automotive headlamps and photovoltaic panels due to their superior waterproof properties.



UV-curable resins

Instant-curing resins used in electronic products such as smartphones and PCs, building materials, etc.



Polymer beads

Highly refined bead-shaped resin products used as ingredients in cosmetic products, light diffusers, and modifying agents.

Composition of net sales by product



Construction Materials Business

Various parts of diverse buildings

- Furniture & countertops
- Interior walls & floor
- Exterior walls
- Fittings & interiors



Saitama Prefectural Children's Medical Center
Design / Kume Sekkei Co., Ltd.
Construction / SHIMIZU CORPORATION



About AICA

*Operating profit before deduction of unallocated operating expenses

Main Products

High pressure laminates (HPL) (AICA Viritect, CELSUS)



With their abundant range of colors and patterns and their superior durability, these are used as surface for tables and furniture used in shops, hospitals, offices. We hold a more-than-70% share of the Japanese market for these products.

Residential Non-residential

Boards, Films, etc. (AICA POLY, Altyno)



Decorative boards, which are plywood with a decorative surface created with polyester resin, etc., are used predominantly for furniture and wall surfaces. Architectural films are used mainly on wall surfaces and for fittings.

Residential Non-residential

Melamine noncombustible decorative panels (CERARL)



HPL for wall surfaces that are certified as noncombustible. Since 1996, These products became a major hit for residential kitchen panels. These are used in hospitals, schools, transport facilities, due to their robustness, design, and easy-to-install.

Residential Non-residential

Noncombustible decorative panels (ARDICA, LUNALITE, MACE, MOISS)



Noncombustible panels for walls. They include wall finishing materials made by decorating calcium silicate boards with resin or sheets, extruded cement panels for exterior walls, and interior wall materials with humidity regulation and deodorant properties.

Residential Non-residential

Counter tops (Postform, Artificial marble, Engineered stone)



From counters made with HPL to acrylic-resin artificial marble and engineered stone made with natural crystals, we have an extensive line-up of the major counter materials.

Residential Non-residential

Fittings & Interior housing materials



Finished products such as doors, sliding doors, storage, and toilet booths made with materials such as HPL and decorative boards. Our strengths lie in the abundant range of colors and patterns as well as our universal design. Our strengths lie in the abundant range of colors and patterns that only a material manufacturer can offer, as well as our universal design.

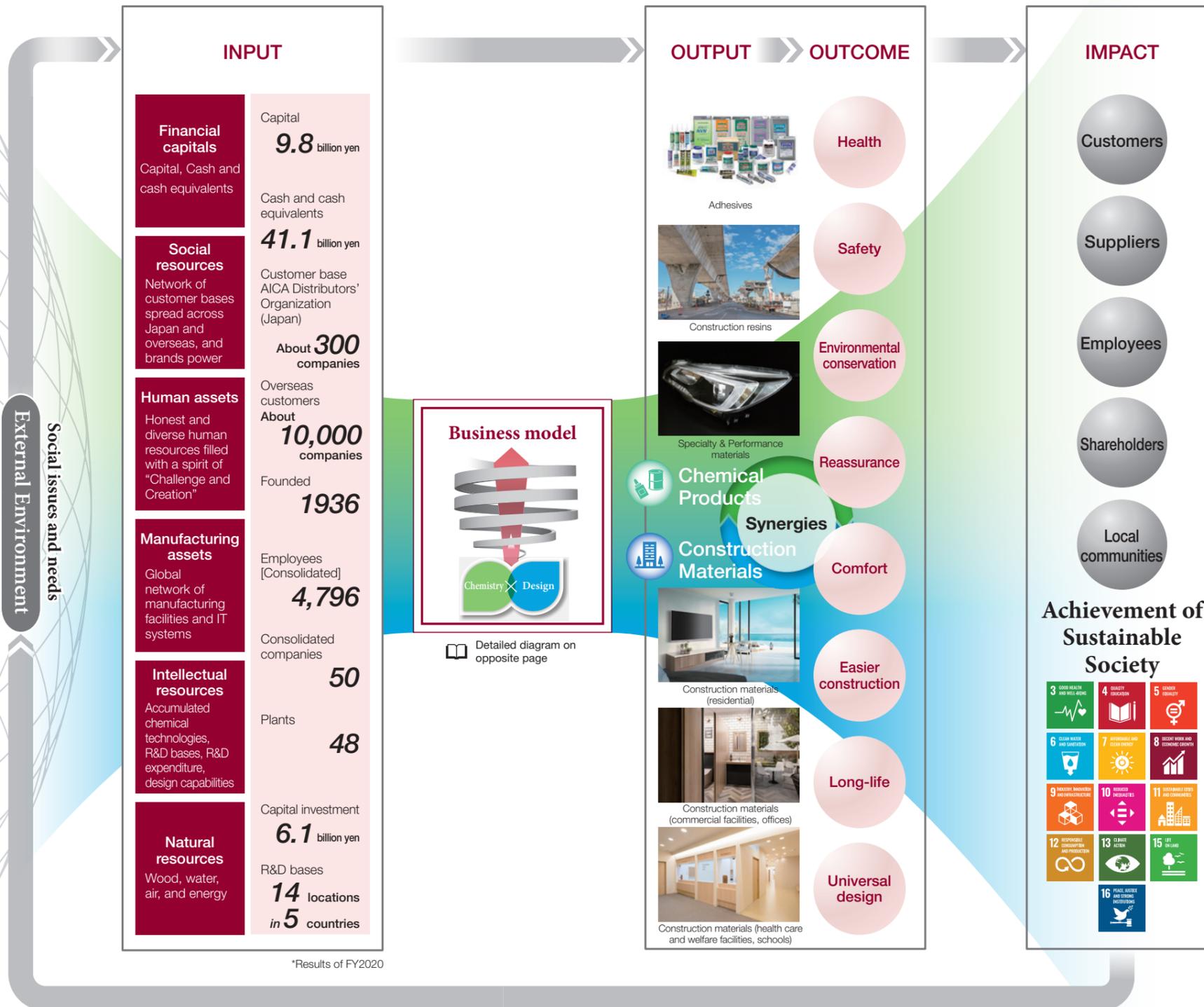
Residential Non-residential

Composition of net sales by product

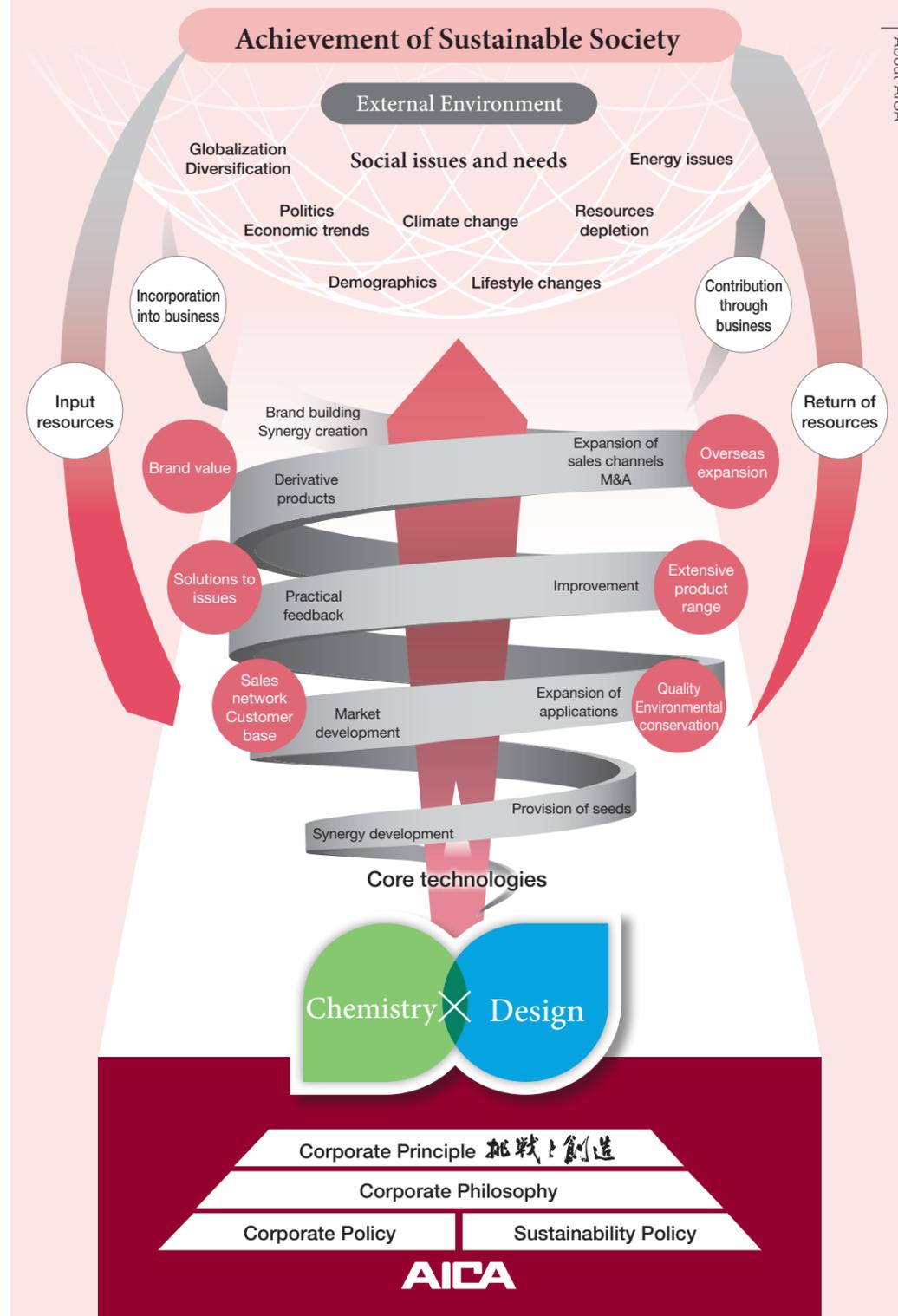
AICA's Value Creation Model

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

*Please refer to page 1 for the meaning of kyosei



Source of Value Creation (Business Model)

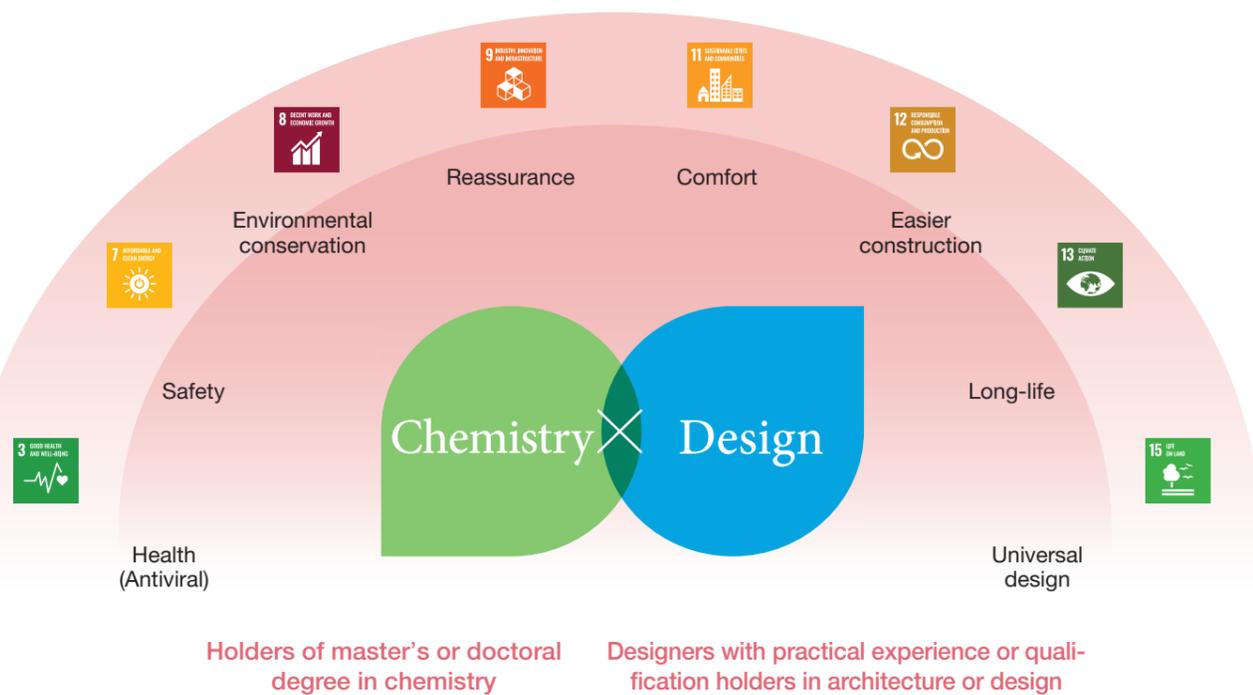
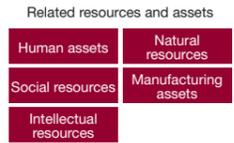


AICA's Strengths Supporting Value Creation

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 assets, the trust of society backed by high quality and environmental conservation, and a healthy financial base. We will improve our corporate sustainability by emphasizing dialogue with stakeholders and continuing to enhance these strengths.

Using the power of chemistry and design to resolve social issues

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 and communication as well as beauty of color and pattern.



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

Examples of development

High pressure laminate (HPL)

Acrylic resin developed for automobile seats

Development of a completely new flooring material, "MELAMINE TILE"

- No need for waxing
- Superior durability
- Easier construction
- Heel mark resistance

Texture design

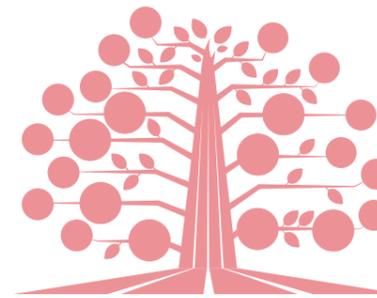
Melamine formaldehyde resin modification technology

Development of "CERARL CELLENT," the best fake marble and wood, to protect natural resources

- Design excellence
- Superior durability
- Easier construction
- Certified noncombustible
- Antiviral specs

Extensive product range

In both the chemical products and construction materials fields, we provide products that service multiple domains, including housing, construction, civil engineering, household goods, electronic materials, and automobiles. In doing so, we create synergies in cross-selling and technology.



Please refer to pages 9-12 for the details of our business domains.

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 qualified talent overseas to enhance our competitiveness.



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.



Brand value

The name "AICA" is synonymous with high-pressure laminates, 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.



Quality / Environmental conservation

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.



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.

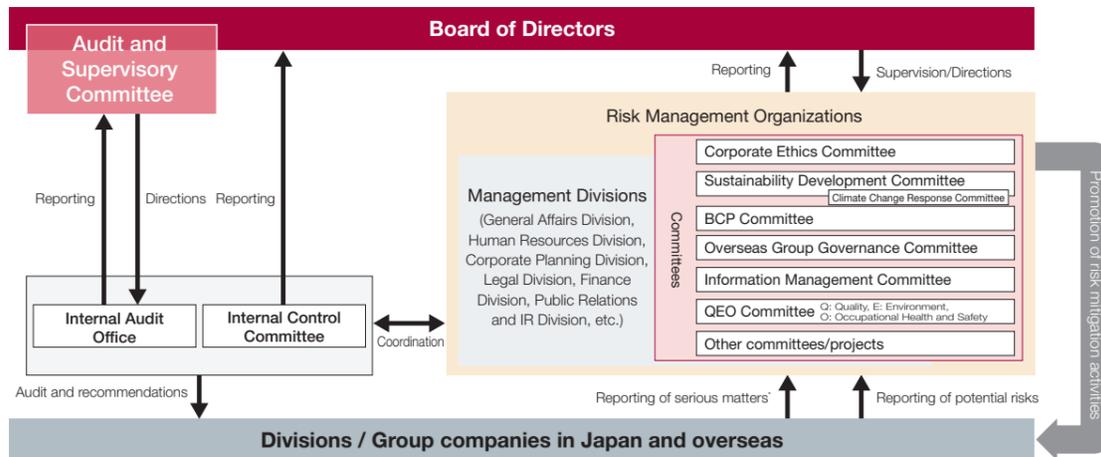


¹ Results of FY2020 ² Results of FY2019

Risk Management

To ensure the mitigation of losses due to unforeseen circumstances, certain departments have been assigned to address the various risks surrounding the management environment. After verification of the various risks, rules and guidelines are established as necessary. Further, a company-wide risk assessment is conducted once a year to identify potential risks, the results of which are reported to the Board of Directors and Audit and Supervisory Committee. The Board of Directors and the Audit and Supervisory Committee deliberate on the various risks as necessary and, in the event that a judgment of a legal nature is required, it undertakes measures such as seeking the opinion of in-house counsel and others. Reporting rules to be followed in the event of a crisis are formulated, and swift and appropriate actions, such as setting up a crisis response headquarters, are taken to minimize the damage. In addition, appropriate information is communicated outside the Company at the appropriate timing.

Company's Risk Management Framework (as of April 1, 2021)



*As rules for the reporting of serious matters, the Company has 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 President).

Business risks

The major risks that may have a significant impact on AICA Group's financial position, management performance, and cashflow situation are as follows. Matters concerning the future in this text are based on the assessment of the Group as of March 31, 2021. Please note that business risks are not limited to these.

Risk	Description	Response
1 Changes in economic conditions	Demand for the AICA Group's products may be affected by the economic conditions of the respective countries where our products are sold. Hence, economic recession in global markets and decline in demand due to such economic slowdowns may affect our business performance.	We monitor the economic situation and engage third-party services. We strive to identify emerging risks of each country to enable risk management.
2 Dependence on construction and renovation demand in specific sectors	Our products are part of the final products which are commonly used in a wide range of sectors. Therefore, our business performance is not significantly affected by any specific market environment. Our products in the Construction Materials Business represent over half of the group sales. They are primarily being used in the homes, shops, hospitals and other facilities both for construction and renovation application purposes. Also, both exterior and interior finishing coating products and floor coating products in the Chemical Products Business are being used as housing construction materials. Therefore, if the demand for construction and renovation declines, it may affect the performance of both Construction Materials Business and Chemical Products Business.	In the Construction Materials Business, while maintaining the competitiveness of our existing products, we will develop new and resilient markets. This will enable us to be less affected by the decline of construction and renovation market. We are also focusing on investing in more resources in the Specialty & Performance Materials Business, which targets at the non-construction sectors. We will develop more overseas market for hot melt adhesives, UV-curable resins, and silicone adhesives. Overseas automotive and electronic markets are expected to deliver higher growth in the coming years. Through this, we aim to dramatically expand the Specialty & Performance Materials Business.

Risk	Description	Response
3 Fluctuations in major raw materials prices, procurement of major raw materials and components	The AICA Group conducts business with a balance between cost competitiveness and stable supply in mind. However, with the soaring price of crude oil and other commodity chemicals and global supply chain imbalance and disruption, we may face difficulties in securing stable supplies at competitive price at times. This will affect our profitability and the sustainability of the business.	We strive to build stable supply frameworks by purchasing from multiple suppliers and partnership with our main suppliers.
4 Product quality, product liability	The AICA Group manufactures and ships its various products in accordance with ISO9001, the international quality management system standard. However, there is no guarantee that all products will be free from defects or that no complaints will be made in the future. Despite our product liability insurance, our business performance could be affected if there are any defects in our products that cannot be fully covered by insurance.	In addition to the enhancement of in-house testing at the development and design stages, third-party organizations undertake testing and inspection if necessary to maintain quality and keep defects to a minimum.
5 Response to changes in the market and customer needs	The AICA Group pursues new product development technologies with originality that are competitive, to address the changing needs of the markets and customers globally, and yet considering the safety, security, health and energy-saving for the end-users. We have been gaining momentum with industry-academia-government collaboration to accumulate and create next-generation elemental technologies, which is part of our business strategies. We are also working on sharing and using technologies through M&As and collaborations, strengthening our technological development capacities as an organization through the development of technical sales personnel, and strengthening our capabilities in the development of new products that will bring greater values in the future.	
6 Information security	The AICA Group holds a large volume of personal data and confidential information related to our business operation. We have instituted a secured system for the handling of such information. If the system is compromised through cyberattacks could be a significant cost burden and affecting stakeholder's trust in us. This would pose significant risk to our business performance.	We are taking measures against information leaks by thoroughly enforcing internal rules based on the Information Management Regulations, reinforcement of information security, and the reinforcement of monitoring systems and firewalls.
7 Environmental well-being	Some raw materials used in the manufacturing products in the Chemical Products Business and Construction Materials Businesses contain substances that are harmful to human health and ecosystems. The AICA Group complies with laws and regulations related to environmental protection and works to prevent environmental pollution such as soil and water contamination. However, in the unlikely event of environmental pollution resulted from our activities, apart from significant cost penalty imposed by the authorities, we may face damages to public's trust and AICA reputation. This will affect our business performance.	We have built environmental management systems based on ISO14001 and are working on reducing our environmental footprint, as well as complying with laws and regulations.
8 Overseas business development	The AICA Group is actively expanding overseas business with the objectives of developing overseas markets and globalizing its production and procurement. For this reason, it is a fact that there are unforeseen and unavoidable risks in the countries we do business in. This includes unforeseen and drastic changes in the laws and regulations, social and political stability, war and terrorism and natural disasters. If such events were to occur, it may impact Group's business performance.	AICA Group sets up overseas holding companies to strengthen risk management of the subsidiaries.
9 Fluctuations in exchange rates	Foreign currency income and expenses are increasing with the expansion of business in overseas. Fluctuations in currency exchange rates could cause major increases or decreases in the amounts of income and expenses in foreign currencies when converted into Japanese yen, which could affect our business performance. Particularly, if the Japanese yen appreciates while foreign currencies depreciate in the countries where our group companies are located, the amounts converted into yen could lose value, which would affect our business performance.	We strive to optimize our portfolio of currencies held to reduce the impact of fluctuations in single currencies as much as possible by executing forward-exchange contracts for the purpose of risk reduction and to minimize the impact of fluctuations in a single currency as much as possible.
10 Large-scale disasters and accidents*	The AICA Group has formulated a Business Continuity Plan (BCP) and put emergency countermeasures in place with the objective of avoiding material business disruptions due to large-scale disasters, accidents, epidemics of infectious diseases, and to resume important business by the target recovery time with the ability to remain when business activities are disrupted. However, our business may be disrupted due to equipment failure, disrupted supply of raw materials, disrupted services and infrastructure. This will affect our business performance.	We prepare for immediate response to emergencies through the implementation of crisis management regulations and the formulation BCP. Moreover, we are striving to minimize the impact through purchasing from multiple suppliers, maintaining multiple production sites, earthquake-resistant construction in preparation for large-scale earthquakes, and anti-inundation construction in preparation for floods.
	<p>*Risks associated with COVID-19</p> <p>In response to COVID-19, AICA Group has placed the health and safety of our employees, their families, and customers as a top priority. We have undertaken a range of measures including the following: work-from-home in regions where the virus has been spreading; restrictions on business travel; daily temperature checks and washing/sanitization of hands; the temporary repatriation of some expatriates; suspension or restriction of factory tours, sales activities, and other events where large numbers of customers would gather; and distribution of masks among group companies. We comply with the BCP and strive to maintain stable procurement of raw materials and frameworks for the stable supply of finished products in our efforts to minimize the impact of the pandemic.</p> <p>Meanwhile, since February 2020, just when the COVID-19 outbreak was starting, inquiries about our "Virutect" series of antiviral building materials increased. By incorporating this antiviral feature into various products and expanding the product line-up, we will capture the demand for antiviral building materials for new lifestyles.</p> <p>Our view is that AICA Group has been recovering gradually from the impact of the pandemic since January 2021. However, we are also cautious that we must continue to respond flexibly to the outbreak of new variants and the lockdowns and other restrictions that are still in place in various countries. In such cases, it could affect actual business performance because of various factors, including the timing of the containment of COVID-19, and economic trends overseas and in Japan. Should there be any information that requires disclosure regarding forecasts of business performance for the current fiscal year, such shall be announced in a timely manner.</p>	

Risk Management

Risk	Description	Response
11 Legal regulations	The AICA Group is subject to various laws and regulations in its business operations, including laws, tax systems, and permits and approvals in each country. We conduct training for employees to adhere with these statutory regulations and comply with them. However, our business performance may be affected by increases in the cost of compliance or our business activities may be restricted due to changes to such laws and regulations or the tightening of regulations.	We conduct training within the Group, collect information from third-party organizations, and work to identify signs of changes in regulations at an early stage and respond accordingly.
12 M&A	The AICA Group pro-actively engages in M&A as a strategic approach in expanding our business and improving profitability. We conduct due diligence (financial status, contracts, and other factors) on potential entities carefully before deciding on acquisition. However, if problems that we are unaware of become apparent after the acquisition, or in the event that the anticipated profits or synergies cannot be obtained as a result of significant changes in the business environment of the acquired company, impairments to the resulting goodwill could be recorded, which may affect our business performance.	We strive to maximize synergies and deal with issues with pro-active measures by sharing information through reports and analysis of subsidiaries' business through our overseas holding company.
13 OTIF Management (On Time Delivery In Full)	The AICA Group acts to satisfy orders received from our customers based on the sales agreements. However, our business performance could be affected by large cost burdens or loss of trust as a result of delivery delays caused by the receipt of orders in excess of supply capacities due to changes in the production capacities of our competitors.	We strive to achieve on time delivery through effective supply chain management involving sales, production, purchasing and logistics functions.
14 Climate change	(1) In the event of climate change related disasters such as typhoons, floods, and heatwaves at catastrophic level, the continuity of business activities will be affected as a result of damages such as temporary shut down to the functioning of the operating sites. Moreover, if the average temperature rises and impact on water resources due to changes in rainfall levels gradually progresses due to the effects of climate change, it will affect our business environment and business performance. On the other hand, (2) Depending on the situation in the transition to a low carbon society, stakeholders' demands for low-carbon products may increase, leading to more investment in R&D in this area, increases in capital investment for the introduction of new technologies, and rising prices of raw materials. And if regulations for the mitigation of climate change are tightened and we are unable to respond appropriately, our operations would probably be restricted, which could lead to the imposition of new tax burdens and increases in costs accompanying the shift to renewable energies and the capital investment accompanying efficiency improvements in production capacities.	(1) In response to physical risks due to climate change, the BCP Committee analyzes and monitors the situation, pursues preventive measures, and reports to the Board of Directors. (2) A Climate Change Response Committee is responsible for the transition to a low-carbon society. This committee consists of members from the relevant divisions, Sustainability Development, Production, Research and Development, and Sales. They consider and pursue concrete response measures, whereas the Sustainability Development Committee reports directly to the Board of Directors, monitors progress, discloses information, and incorporates these measures in business plans. We are expanding and pursuing responses to these risks from medium to long-term perspectives.

Additional information on climate change

In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For the expansion of disclosures under these recommendations, we first conducted interviews with our stakeholders to predict how the environment surrounding our company will change in the future due to the impact of climate change. Targeting the domestic construction market, which is AICA's main market, we interviewed concerned parties in a wide range of fields, including raw material suppliers, construction companies, design firms, developers, and industry bodies, from November 2020 to March 2021. Based on these interviews, we acknowledged the risks and opportunities due to the impact of climate change and the matters AICA should address to respond to climate change, as shown in the table at the top of the opposite page.

Going forward, we will check these risks and opportunities against scenarios and analyze them from the financial aspect, monitor climate change as part of company-wide risk management, and take appropriate measures.

Please refer to pages 49-53 for details of specific initiatives

Risks and opportunities of climate change revealed through interviews

Category	Risks	Opportunities	
Transition scenarios ¹	Increase in carbon tax	<ul style="list-style-type: none"> Cost increases due to introduction of carbon tax 	<ul style="list-style-type: none"> Increase in demand for products that help reduce greenhouse gas emissions
	Energy conservation and low carbon regulations/policies	<ul style="list-style-type: none"> Stricter regulations on the use of raw materials derived from fossil sources Increase in energy costs Increase in costs of purchasing emissions allowances Decline in clients' motivation to build due to tax increases, causing contraction of the construction market Increase in waste disposal costs due to stricter regulations on plastic waste 	<ul style="list-style-type: none"> Revitalization of the construction market due to increase in ZEH³ and ZEB⁴ subsidies Increase in demand for products that use raw materials derived from non-fossil sources Increase in demand for recyclable products
	Replacement with low-carbon products	<ul style="list-style-type: none"> Delays by AICA in responding to low-carbon technologies Increase in capital investment and R&D investment 	<ul style="list-style-type: none"> Increase in demand for products derived from non-fossil sources Increase in demand for low-carbon products
	Changes in consumption behavior	<ul style="list-style-type: none"> Decrease in demand for products derived from fossil sources Decrease in demand for non-recyclable products 	<ul style="list-style-type: none"> Increase in demand for products derived from non-fossil sources Increase in demand for recyclable products Increase in demand for the practical use of wood
	Increase in raw materials costs	<ul style="list-style-type: none"> Reduction of naphtha production and soaring prices Cost increases due to transition to biomass feedstock Increase in wood procurement costs due to changes in wood demand 	
	Criticism of industry	<ul style="list-style-type: none"> Growing criticism of companies that use raw materials derived from fossil sources 	<ul style="list-style-type: none"> Earning trust by promoting appropriate environmental indicators and social issue-resolving products
Physical scenarios ²	Changes in reputation among stakeholders	<ul style="list-style-type: none"> Requests from suppliers and customers to reduce greenhouse gas emissions 	<ul style="list-style-type: none"> Improvement of corporate evaluation by strengthening initiatives
	Frequent occurrence of typhoons and torrential rain	<ul style="list-style-type: none"> Damage and operation shutdowns caused by disasters Supply chain disruptions Increase in insurance premium 	<ul style="list-style-type: none"> Expansion of business opportunities with disaster countermeasure products
	Change in rainfall patterns	<ul style="list-style-type: none"> Increase in freshwater procurement costs due to decline in groundwater 	<ul style="list-style-type: none"> Increase in demand for products that help to reinforce buildings
	Increase in average temperatures	<ul style="list-style-type: none"> Increase in employees' risks of heat stroke Increase in energy costs due to increased use of air-conditioning 	<ul style="list-style-type: none"> Increase in demand for products offering greater ease of construction due to decline in labor productivity at construction sites Increase in demand for insulation-related products
	Rising sea levels	<ul style="list-style-type: none"> Increase in disaster risks at sites near sea and rivers 	
	Infectious diseases	<ul style="list-style-type: none"> Increase in frequency of infectious disease outbreaks 	<ul style="list-style-type: none"> Increase in demand for antiviral products due to infectious disease epidemics Change in construction demand due to work-style transformations

¹ Transition scenarios: Scenarios that accompany transition to a low-carbon society, including stricter regulations related to climate and responses to transition to decarbonization technologies ² Physical scenarios: Scenarios that accompany increases in physical damage caused by growing frequency of natural disasters due to climate change and normalization of abnormal weather ³ ZEH: Net zero energy house ⁴ ZEB: Net zero energy building

Actions AICA should take

Passive response

We will take measures to minimize the impacts of climate change and to prepare for risks to business continuation.

– Examples of measures to prepare for risks –

- Strengthening BCP against natural disasters
- Strengthening BCP for raw materials procurement
- Deliberation and implementation of drastic measures to reduce greenhouse gas emissions
- Optimization of the use and mix of energy
- Efficient use of resources
- Appropriate information disclosure and engagement
- Reduction and recycling of wastes

Active response

We will strive to develop and expand sales of products that respond to climate change and contribute to society with the aim of the sustainable development of AICA and society.

– Examples of products for adaption to climate change –

- Low-carbon products
- Recyclable products
- Products that help reinforce buildings
- Insulation-related products
- Antiviral products
- Products derived from biomass materials
- Products that help utilize wood resources
- Products that offer greater ease of construction

Greenhouse gas emissions reduction targets

In the New Medium-Term Business Plan "Change & Grow 2400" launched in April 2021, AICA set the following targets for the reduction of greenhouse gas emissions. For Scope 1 and Scope 2, in addition to numerical reduction targets, we set a goal of conducting a concrete scenario analysis aimed at net zero greenhouse gas (GHG) emissions, in response to the Japanese government's declaration on net zero GHG emissions by 2050. We recognize that our current numerical target (reducing GHG emissions revenue intensity by 26% from FY2013 levels) for FY2030, the halfway point to achieving net zero by 2050, is insufficient and plan to engage in repeated discussions about raising our target in line with this scenario analysis.

Scope 1 and Scope 2 (From AICA's own activities)	<ul style="list-style-type: none"> Reduce GHG emissions revenue intensity by 10% by FY2023 (compared to FY2020) Conduct simulations aimed at net-zero GHG emissions by 2050, and develop measures
Scope 3 (From other companies' activities related to AICA's business activities)	<ul style="list-style-type: none"> Establish calculation methods for Scope 3 emissions and develop emissions reduction measures

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

Background to establishment of 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 Business, 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 Construction Materials Business, we are aiming for further business growth as a "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

	FY2016	FY2026
Net sales	151.6 (billion yen)	300 billion yen
Ordinary profit	18.3 (billion yen)	30 billion yen
ROE	9.9%	10% or more
Overseas sales ratio	30.8%	45% or more

The future vision at FY2026

Chemical Products Business
Sales: 170 billion yen

Aica Group will aim to be Asia's No.1 resin manufacturer in the construction sector to support people's lives and social infrastructure. We will also grow our business in non-construction sectors, including automotive/household goods/electronic materials.

Construction Materials Business
Sales: 130 billion yen

The Construction Materials Business will continue to grow as a "solution provider for space design" that can offer comfort & safety in residential & non-residential living spaces.

Business collaboration We will continue to enhance the collaboration between Chemical Products Business and Construction Materials Business to develop unique products that contribute to the society.

Utilizing capital tie-up and M&A We will actively and efficiently utilize our own funds for our future growth, including capital tie-up or M&A.

Group Collaboration & Operation Base Enhancement In order to establish a system which can respond to changes in market environment, we are strengthening group collaboration and business foundations.

- Optimize production & logistic systems
- Technology and material cooperation
- R&D investment
- Compliance
- QEO management
- Healthy financial base
- IT infrastructure investment

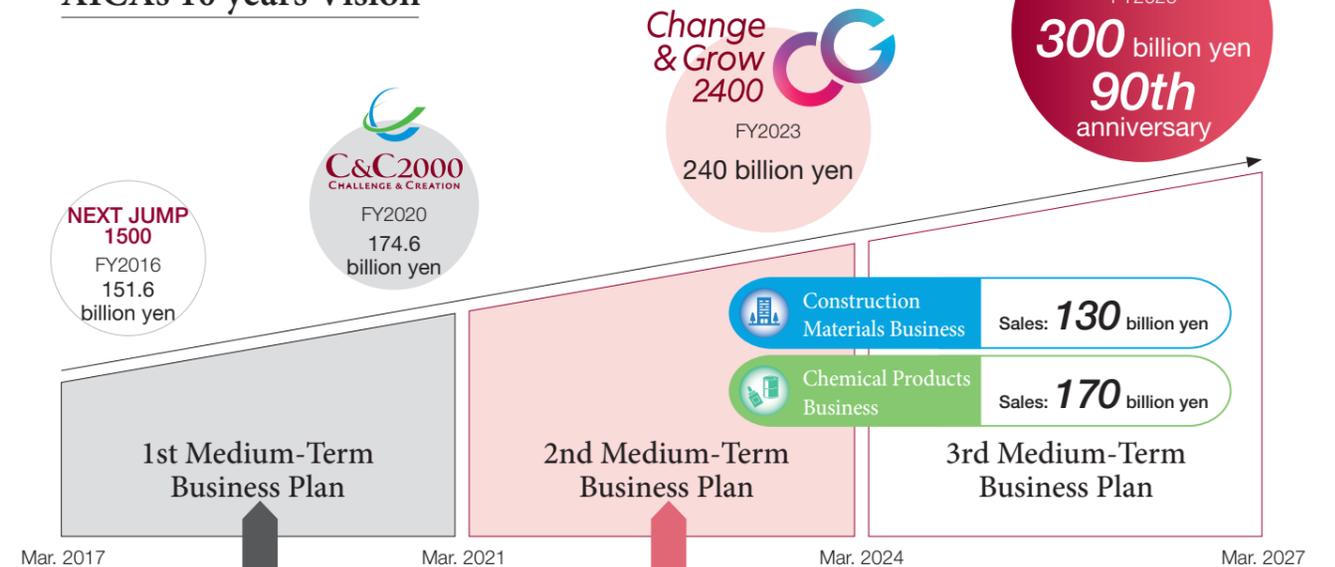
Human resources development We promote diversity management. In order to develop globally competent human resources and professional human resources, we will establish a variety of development systems.

- Globally competent human resources
- Diversity
- Professional human resources

Responsibility to stakeholders We will put an emphasis towards engagement with stakeholders, and promote management which contributes to local communities and enhances CS and ES.

- Increase corporate value
- Corporate governance enhancement
- Harmony with local communities
- Improvement of CS & ES

New Medium-Term Business Plan is the 2nd phase of AICA's 10 years Vision



Results of 1st Medium-Term Business Plan

Financial targets and achievements

Item	Target	Achievement
Net sales	200 billion yen	174.6 billion yen
Ordinary profit	22 billion yen	18.4 billion yen
ROE	10% or more	8.1%
Overseas sales ratio	35% or more	42.7%

Proactive leveraging of M&As, establishment of new plants, and opening up of new markets enabled us to achieve dramatic growth until FY2018. However, in the final year of the plan, we only achieved our overseas sales ratio target, and other targets were not met due to the impact of COVID-19.

Recognition of Issues in 2nd Medium-Term Business Plan

For the establishment of 2nd Medium-Term Business Plan, we organized the issues we are facing. In the midst of significant changes in society, we believe that we are able to realize sustainable growth by addressing those changes ourselves.

Internal resources and assets

- Intellectual resources**
 - Next-generation large-scale core products
 - Quality / Safety
 - Accumulation of knowledge
 - Insufficient brand value of products other than domestic HPL
 - Implementing DX^{*1}
- Manufacturing assets**
 - Aging plants
 - Delay in automation
 - Insufficient action on reduction of greenhouse gas emissions
 - Optimization of production systems
- Human assets**
 - Action on development training and career-path design for management human resources
 - Building of succession plan
- Financial capitals**
 - High dependence on profit from CERARL and HPL
 - Business investment impairment risk
 - Foreign exchange risk

External resources and assets

- Social resources**
 - Contraction of domestic wooden furniture market (HPL, decorative polyester plywood boards)
 - Decline in number of new housing starts in Japan (800,000 dwellings)
 - Shortage of skilled workers, expansion of easier construction needs
 - Progress of automation at work sites where AICA's products are used
 - Expansion of ZEH and ZEB, changes in the taxation system
 - Lifestyles that changed with the spread of coronavirus
 - Soaring logistics costs
- Natural resources**
 - Transition to low-carbon society
 - Penetration of ZEH and ZEB
 - Transition to biomass products and products with low CO₂ emissions
 - Natural disaster risks
 - Raw materials costs soaring risks

In particular, the following two points are changing rapidly, driven by the national government, capital markets, and the international community.

Responding to climate change

Given that individual governments, including Japan, have declared targets of net zero greenhouse gas emissions by 2050, we recognize that the demand for lower carbon levels in AICA's products and business activities will increase.

DX^{*1} Implementation

AICA's work styles and those of our stakeholders are being changed significantly by digital technologies, and we believe that action on DX^{*1} taken by AICA's businesses and products will become increasingly important.

^{*1} Digital Transformation

Medium-Term Business Plan



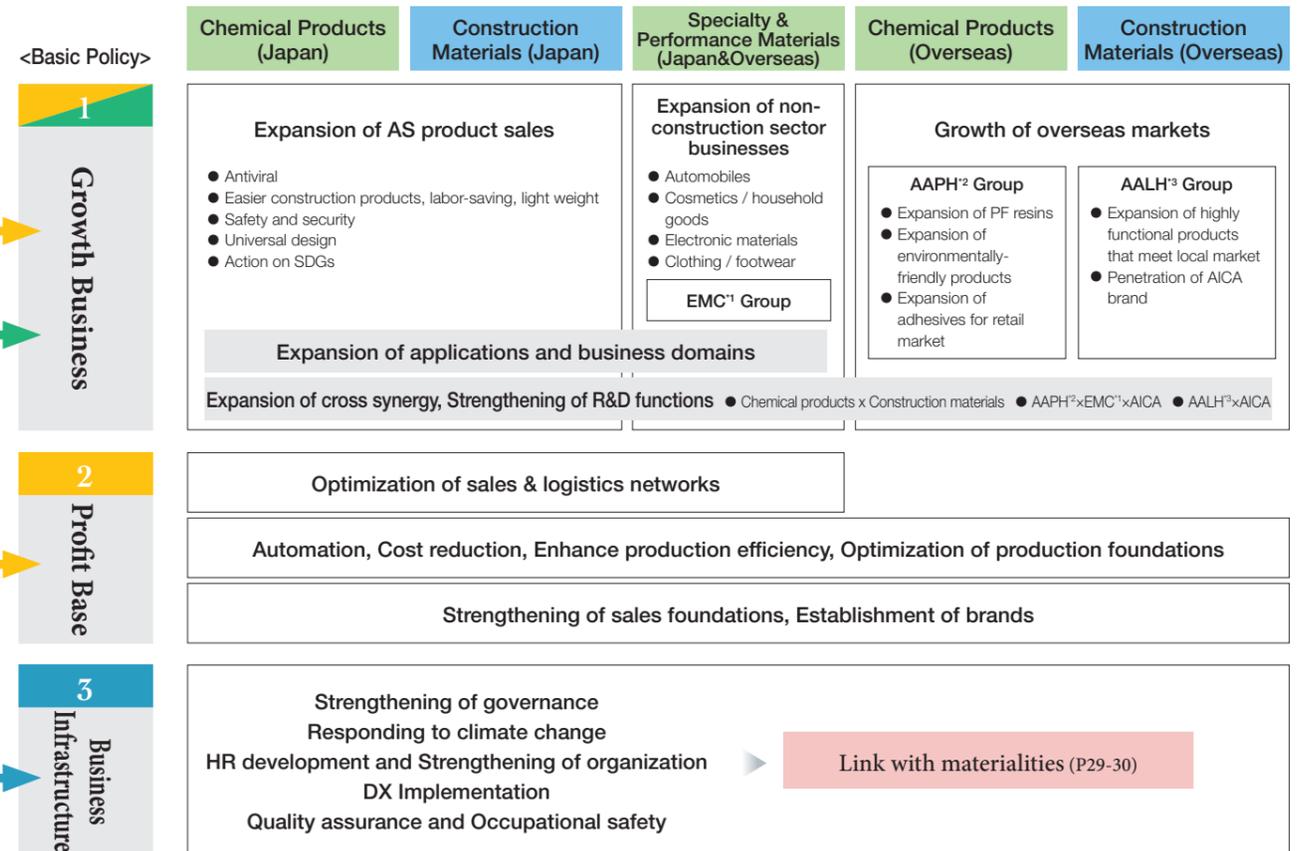
Medium-Term Business Plan “Change & Grow 2400” (FY2021 to FY2023)

As the second step toward realizing AICA's 10 years Vision, AICA established financial targets and basic policies to be achieved in the next three years in its new Medium-Term Business Plan, “Change & Grow 2400.” The basic policies in the Medium-Term Business Plan are [1] creation and expansion of growth businesses, [2] profit base enhancement, and [3] reinforcement of business infrastructure. By pursuing such measures with certainty, we will establish a corporate structure that is strong against changes and strive for sustainable growth.

Materialities (material issues) overview Please refer to pages 29–30 for the details

1 Provide economic value	<ul style="list-style-type: none"> Profit generation Expansion of growth business Secure wages, dividends
2 Resolve social issues with products	<ul style="list-style-type: none"> Reduction of GHG through products Development and sales expansion of products that require easier construction effort and less labor Extension of life of buildings and infrastructure
3 Human resources and organizational development	<ul style="list-style-type: none"> Management personnel development Career-path design Formulation of succession plan Improvement of employee satisfaction Promotion of use of diverse human resources (foreign nationals, women, senior citizens, people with disabilities)
4 DX Implementation	<ul style="list-style-type: none"> Construction of information infrastructure Automation, labor-saving Work style reform Data accumulation and use
5 Responding to climate change	<ul style="list-style-type: none"> Reduction of GHG emissions Reduction of industrial waste Adaptation to extreme weather events (development of BCP, investment in disaster-readiness equipment)
6 Strengthen governance	<ul style="list-style-type: none"> Strengthening of Group company management Reconstruction of risk management systems IT revamp, strengthening of security
7 Quality assurance and occupational safety	<ul style="list-style-type: none"> Securing of product safety and quality Elimination of industrial accidents Strengthening of frontline personnel

Measures by business segment



*1 EVERMORE CHEMICAL INDUSTRY CO., LTD. *2 AICA Asia Pacific Holding Pte. Ltd. *3 AICA Asia Laminates Holding Co., Ltd.

Process for selection of materialities

STEP 1	Extraction of issues	Potential materialities were extracted from various guidelines related to sustainability, including the GRI Standards, the SDGs, and ISO 26000.
STEP 2	Organization of issues	The potential materialities are assessed from the dual angles of the perspectives of stakeholders (customers, shareholders, suppliers, employees, local communities) and our corporate philosophy and corporate policy. They are then plotted onto a matrix and the issues are organized.
STEP 3	Prioritization of materialities	The top-ranking issues from both stakeholders' perspectives and company management perspectives are provisionally decided as key issues.
STEP 4	Finalization of materialities	<p>The suitability of the selected material issues is discussed and approved in the Board of Directors, and the issues that are ultimately at the top of the list (items in the colored section of the figure at right) are finalized as the materialities.</p>
STEP 5	Deliberate on report contents, measure indicators	
STEP 6	Report	
STEP 7	Review report outcomes and consider responses	

Financial Targets

		FY2020	FY2023
Efficiency	Manage capital efficiently and generate profit	8.1%	Around 10%
Growth	Leveraging our strengths to capture market growth	81.2 billion yen	115 billion yen
Issue solutions	Expand share of products that solve social issues in Japanese market	15.5 billion yen ²	21 billion yen
Profitability	Total value provided to society	174.6 billion yen ²	240 billion yen

*1. Simple total of net sales before elimination of intercompany transactions *2 Aica Solution

Investment Plan

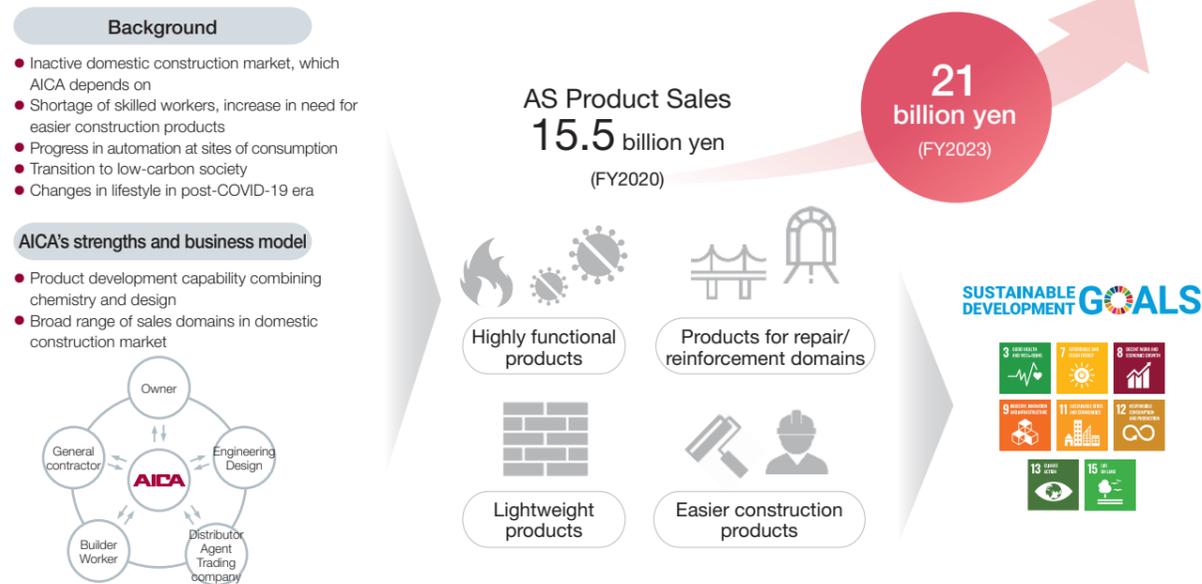
	Three-year cumulative investment	
Capital investment	23 billion yen	Enhancement of production capacity, optimization of production systems, automation, DX Implementation, responding to climate change, and Action on BCP
Business investment	17 billion yen	Entry into new markets and new business domains, expansion of technological foundations
R&D expenditure	12 billion yen	Development next-generation core products and strengthening of development capacity
Human resources investment	—	Development of diverse human resources, individuals' skill improvement and skills management

Basic Policy for the Medium-Term Business Plan

① Creation and Expansion of Growth Businesses

Expanding AS products

We will focus our efforts on the expansion of sales of AS (Aica Solution) products in Japan, to respond to constantly changing social issues, including labor shortages, aging infrastructure, soaring logistics costs, and antivirus measures. We plan to increase our sales to 21 billion yen in three years by identifying social issues through active engagement with our stakeholders, developing high added-value products that leverage our strengths in chemistry and design, and expanding our sales in the domestic construction market.



Newly introduced AS products

Architectural adhesives that keep evolving in response to needs of building sites

We use our extensive network built up over many years of sales activities to identify needs and deliver products that reflect those needs.

Easy-removal adhesives for floors*

When replacing floors, if the subfloor material was damaged when peeling off the old floor material, the subfloor material needed to be repaired or replaced, delaying the completion of work and adding extra costs. AICA's solution to these problems was to develop a floor adhesive that allowed for easy removal of the floor material when dismantling the old floor. This greater ease of removal is also contributing to the reduction of waste materials on construction sites.

*Products sold exclusively to specific customers

Interior building materials that assist with infectious disease control

With people spending more time at home today, AICA's building materials are proving useful to keep infectious diseases at bay in the home.

Smart Sanitary Entrance Type

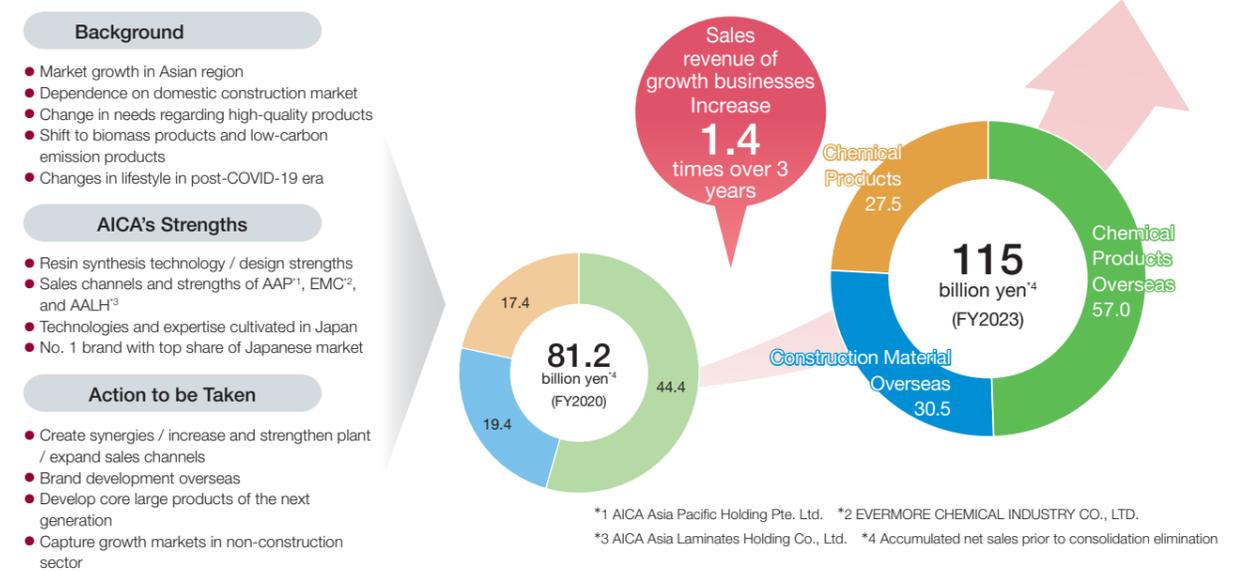
One impact of the COVID-19 pandemic has been the growing consciousness of antiviral and antibacterial measures when "building homes." Smart Sanitary Entrance Type responds to these kinds of needs with the installation of a washstand designed specifically for the entrance hall, so people can wash their hands as soon as they come home. The antiviral housing material, "Virutect," is used for the surface materials, reducing the viral count of the product's specified viruses*.

*Flare stone counter tops, cabinet, bowl, faucet, base plate, and hardware do not have antiviral or antibacterial specs.



Expansion of non-construction sector businesses and Growth of overseas markets

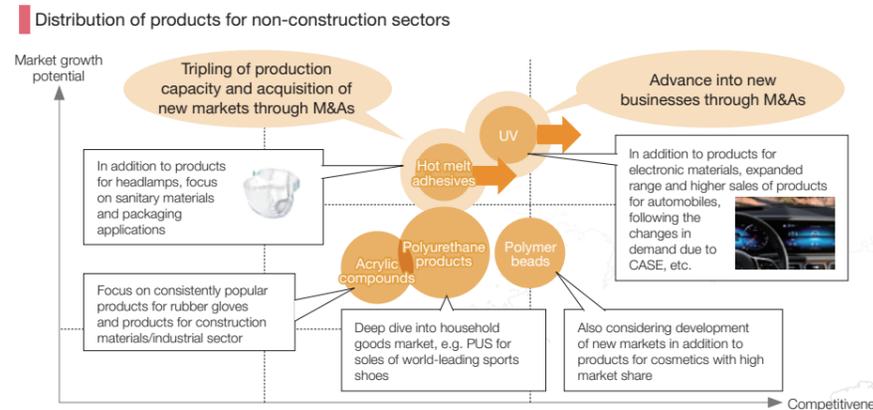
We consider the non-construction business and overseas business as two important growth businesses, and will expand net sales in these two business by 1.4 times in three years. We were able to build a foothold for the growth of these businesses during the previous Medium-Term Business Plan period. In the three years of the new Medium-Term Business Plan, we will strengthen our initiatives in areas such as synergy creation, equipment reinforcement, expansion of sales channels, and brand development, with the aim of expanding our markets and business domains.



*1 AICA Asia Pacific Holding Pte. Ltd. *2 EVERMORE CHEMICAL INDUSTRY CO., LTD.
*3 AICA Asia Laminates Holding Co., Ltd. *4 Accumulated net sales prior to consolidation elimination

Expanding business by growing fields with high market growth potential

The EMC² Group joined the AICA Group in the previous Medium-Term Business Plan period, which has made great progress in the Specialty & Performance Materials business. The EMC² Group has subsequently advanced into Vietnam in July 2020 and into the overprint varnish business in July 2021. Reinvigorating products with high market growth potential such as UV-curable resins and hot melt adhesives in collaboration with Japan, the EMC Group will aim for the expansion of non-construction sectors.



Aiming for No. 1 in Asia

Our platform for overseas sales expansion is now in place. Going forward, we will engage in business expansion by leveraging our newly acquired strengths, such as sales channels, production sites, human resources, technologies, and brand power. We will strive to become the No.1 HPL manufacturer in Asia, well ahead of our competitors, with AALH³ the overseas holding company for the Construction Materials Business, playing a central role.



Basic Policy for the Medium-Term Business Plan

② Profit Base Enhancement

Generation of profit through proactive capital investment and business investment

In the previous Medium-Term Business Plan period from FY2017 to FY2020, we established business platforms for "Overseas business," "Specialty & Performance Materials business," and "AS (Aica Solution) products," which have been positioned as AICA Group's growth segments for the future. We believe that the three years of the new Medium-Term Business Plan, from FY2021 to FY2023, will be a key period for the Group, in which we will engage in the integration and evolution of our platform for these segments and in the creation of synergies, to put the business on a solid path toward growth.

To do this, we need to identify customers' needs accurately and make capital investment in manufacturing facilities for new products and active growth investments for the expansion of manufacturing capacity.

We are entering a complicated and uncertain era of drastic change brought by globalization, the development of AI and IoT technologies, the unprecedented super-aging of society, and the pandemic. There is a sense of crisis that any company left behind in the wake of such changes will be eliminated. In such a business climate, if the AICA Group is to continue to be needed by all stakeholders, it must invest appropriately in responses to digitization, automation, climate change, and other issues.

Under the previous Medium-Term Business Plan, the total amount of expenditure that was actually spent, including business investment and capital investment, totaled 48.3 billion yen for the four years. Under the new Medium-Term Business Plan, we plan to invest a total of 40 billion yen over three years.

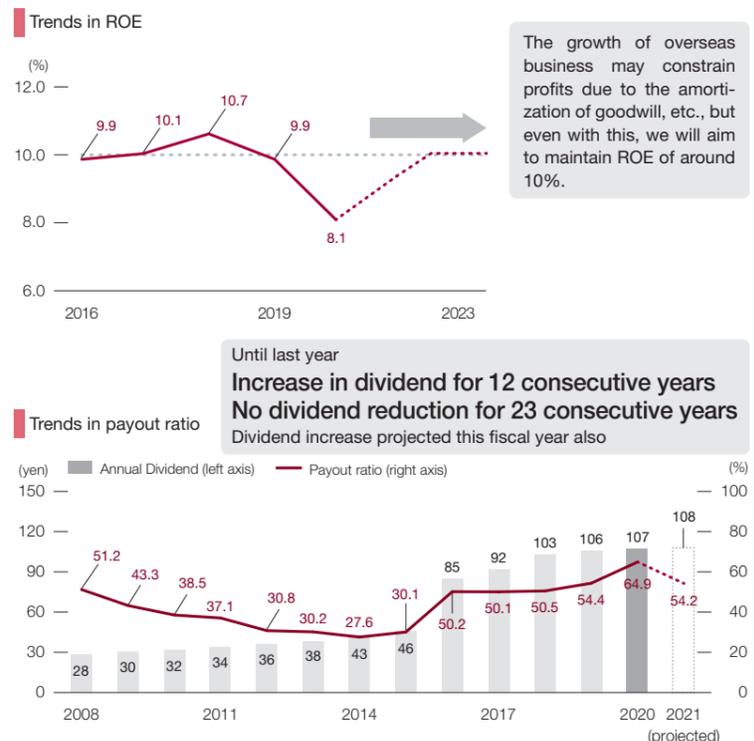
	FY2017	FY2018	FY2019	FY2020	New Medium-Term Business Plan
Net sales	163,726	191,363	191,501	174,628	240,000 ^{*1}
Operating profit	19,092	20,834	20,850	17,991	23,500 ^{*1}
Ordinary profit	19,600	21,249	21,333	18,438	24,000 ^{*1}
Depreciation	3,569	4,173	4,632	5,683	20,000 ^{*2}
Capital investment	(4,522)	(7,896)	(8,487)	(6,113)	23,000 ^{*2}
Business investment	(5,855)	(102)	(13,522)	(1,805)	17,000 ^{*2}
Free cash flow	8,485	5,127	1,442	9,957	11,500 ^{*2}

^{*1} Target for final fiscal year of the plan ^{*2} Cumulative three-year total

Maintaining ROE through capital efficiency-conscious investment and optimization of capital structure

Securing operating cash flow which is the main source of growth investment, we will save retained earnings after returning a portion to shareholders and reinvest our capital in growth segments while employing financial leveraging. By connecting reinvested capital to profits with capital efficiency that exceeds the cost of equity, we will strive to achieve sustainable profit growth and to maintain our ROE target of around 10%.

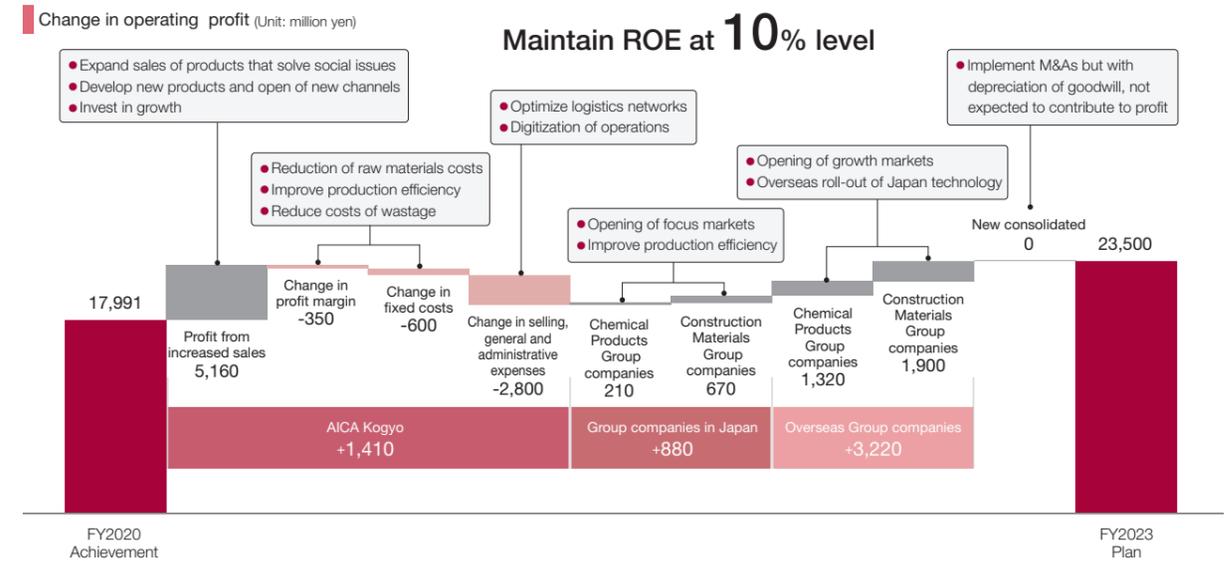
To realize the return of profits to our shareholders and the sustainable growth of the company, we issue dividends that consider the consolidated performance of each period, payout ratio, and internal reserves. Under our new Medium-Term Business Plan, "Change & Grow 2400," we plan to issue shareholder returns in a stable manner, with a target consolidated payout ratio of 50%.



Breakdown of profit growth

Our target is an increase in operating profit to 23.5 billion yen in three years by improving efficiency of fixed costs and selling, general and administrative expenses through various measures, including various cost reductions, digitization of operations, optimization of logistics networks, and improvement of production efficiency. We will strive to maintain ROE of around 10% with a solid profit base.

The breakdown of profit generation over the three years under the new Medium-Term Business Plan is as follows: AICA Kogyo Co., Ltd. [Non-consolidated-base], in particular, will need to minimize increase in fixed costs and selling, general and administrative expenses, as well as to generate increased sales profits from the expansion of sales of new products and AS products that help to resolve social issues. We will strive to evolve our business structure to further generate profits by putting our efforts into the automation of production facilities, the optimization of logistics networks, and the digitization of operations.



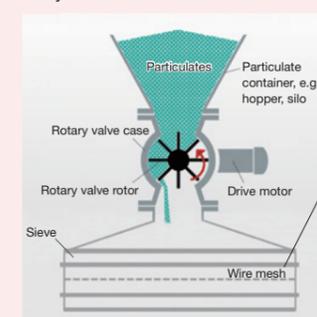
Bottom-up approach to promote improvement proposal activities

To build a resilient profit base, we need to reinvigorate the C&C circle activities and improvement proposal activities that AICA had been conducting in the past. The following case is one example of automation achieved through on-site circle activities. We will further strengthen our competitiveness with a combination of these kinds of bottom-up initiatives and a top-down approach to major decision-making.

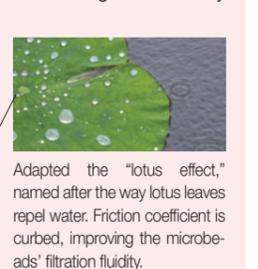
Example of improvement of operational efficiency through equipment automation

To meet the need for increased production of polymer beads resulting from the product's adoption by a major cosmetics manufacturer, the Tanba Plant engaged in an automation project that would allow them to do so without the number of workers needed. After analyzing the bottlenecks at each process (reaction → dehydration → drying → sifting → sorting → filling), the project circle deliberated on countermeasures and automated the sifting process. This automation freed up two workers who could be redirected to the filling process, leading to a major improvement in production capacity.

Automatic pouring device that was key to automation



Micro-dimpling of wire mesh for greater efficiency



Production hours Reduced by **2,083** hours/year

Production efficiency **38%** improvement

Required workers Reduced by **2**



Because we work in three shifts, we have few opportunities to conduct the circle activity with all 12 members present, but we are working on it every day with "Effort and will are up to us" as our team slogan.
 Sho Kitajima, Circle Leader

Basic Policy for the Medium-Term Business Plan

③ Reinforcement of Business Infrastructure

Integrating financial and non-financial factors to reinforce the foundation for sustainable growth

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 re-identified our materialities (material issues), incorporating them 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 of change, with a business infrastructure that has been reinforced by enhancing the driving force of our sustainability initiatives and steadily implementing these measures.

FY2021-FY2023 Materialities (material issues) Results for the FY2020 target will be disclosed on our website

1 Provide economic value

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

Focus Point ● Profit generation ● Expansion of growth business ● Secure wages, dividends

Target year	Target figures	Target scope	Related SDGs
FY2023	<ul style="list-style-type: none"> ● ROE: Around 10% (FY2020 actual result: 8.1%) ● Ordinary profit: 24 billion yen (FY2020 actual result: 18.4 billion yen) ● Net sales: 240 billion yen (FY2020 actual result: 174.6 billion yen) ● Payout ratio: Maintain at 50% (FY2020 actual result: 64.9%) 	AICA Group	

2 Resolve social issues with products

We have declared “create new value and contribute to society” 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 values that will resolve issues through business activities.

Focus Point ● Reduction of GHG through products ● Development and sales expansion of products that require easier construction effort and less labor ● Extension of life of buildings and infrastructure

Target year	Target figures	Target scope	Related SDGs
FY2023	<ul style="list-style-type: none"> ● Sales of AS products: more than 21 billion yen (FY2020 actual result: 15.5 billion yen) ● Define SDGs-contributing products and Set the sales targets 	AICA Kogyo Non-consolidated AICA Group	

3 Human resources and organizational development

A company’s most valuable resource is its people. We establish the solid foundations of personnel management that will increase sustainability of the company. Also, we develop leaders, support career path, build up workplaces where diverse personnel can thrive, and aim for the company to grow together employees.

Focus Point ● Management personnel development ● Career-path design ● Formulation of succession plan ● Improvement of employee satisfaction ● Promotion of use of diverse human resources (foreign nationals, women, senior citizens, people with disabilities)

Target year	Target figures	Target scope	Related SDGs
FY2023	<ul style="list-style-type: none"> ● Ascertain and improve education and training spending at all Group companies ● Ascertain and improve training time per employee at all Group companies ● Creation and operation of skills lists by division and by employment grade ● Conduct and make use of employee satisfaction surveys at all Group companies 	AICA Group	

4 DX Implementation

We leverage digital technologies to further improve productivity and strive for the transformation of our business activities. Also, we engage in the automation of production sites, the improvement of operational efficiency through data accumulation to raise our corporate competitiveness, assuming that the working population will be declined in the near future.

Focus Point ● Construction of information infrastructure ● Automation, labor-saving ● Work style reform ● Data accumulation and use

Target year	Target figures	Target scope	Related SDGs
FY2023	● Capital investment and digitization investment that will contribute to automation and labor-saving: 800 million yen (for 3 years in total)	AICA Kogyo Non-consolidated	

5 Responding to climate change

We accurately ascertain the risks and opportunities of climate change and develop proposals for long-term strategies with carbon neutral by 2050. As well as contemplating measures for the drastic reduction of greenhouse gas (GHG), we strive to deepen BCP measures to address the frequency of extreme weather events.

Focus Point ● Reduction of GHG emissions ● Reduction of industrial waste ● Adaptation to extreme weather events (development of BCP, investment in disaster-readiness equipment)

Target year	Target figures	Target scope	Related SDGs
FY2023	● GHG emissions revenue intensity: 10% reduction vs. FY2020 (FY2020 actual result: 82.2t-CO ₂ 100 million yen revenue)	AICA Group	
	● Perform scenario analysis aimed at net zero GHG emissions (Scope 1 and Scope 2 on absolute volume basis) by 2050. And establish calculation methods for Scope 3 and propose measures how to reduce Scope 3	AICA Group	
FY2023	● Industrial waste emission per revenue intensity: 10% reduction vs. FY2020 (FY2020 actual result: 15.6 tonne/100 million yen revenue)	AICA Group	
	● Water use per revenue intensity in high-risk areas: 6% reduction vs. FY2020	AICA Group	
FY2023	● Strengthening of BCP (extreme weather events, natural disasters)	AICA Group	
	● BCP training at all consolidated production bases	AICA Group	

6 Strengthen governance

For the further strengthening of group governance, we enhance rules concerning the management and supervision of affiliated companies and transfer of power to raise their effectiveness. We strive to deepen the risk management through the accurate ascertainment, evaluation, addressing of risk, and devote efforts to information security measures.

Focus Point ● Strengthening of Group company management ● Reconstruction of risk management systems ● IT revamp, strengthening of security

Target year	Target figures	Target scope	Related SDGs
FY2023	● Strengthening of BCP (extreme weather events, natural disasters)	AICA Group	
	● BCP training at all consolidated production bases	AICA Group	
FY2023	● Enhancement of group governance rules	AICA Kogyo Non-consolidated	
	● Digitization investment that will contribute to strengthening of security: 300 million yen (for 3 years in total)	AICA Kogyo 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 on-site educations and checking systems, and foster a corporate culture that does not neglect the basic requirement of complying with market demand, laws and regulations, and procedures.

Focus Point ● Securing of product safety and quality ● Elimination of industrial accidents ● Strengthening of frontline personnel

Target year	Target figures	Target scope	Related SDGs
Every fiscal year	● Quality improvements based on customer satisfaction surveys	AICA Group	
FY2023	● Lost-time accidents: Fewer than previous year (FY2020 actual result: 19)	AICA Kogyo Non-consolidated	
	● Establishment and operation of departmental training programs	AICA Kogyo Non-consolidated	

Business Overview



Chemical Products Business

Carry out decisive reforms to move onto the next stage

With the aim of growing the Chemical Products Business into a more profitable business, we will pursue structural reforms and focus on the expansion of overseas businesses and the development of new segments, in our efforts to achieve sustainable growth.



Director and Managing Executive Officer
Head of the Chemical Products Company
Kenji Ebihara

Continue to evolve by responding to changing needs

At a time when society, as well as goods and services, are undergoing major changes, we will respond flexibly to changing needs and work on developing products and opening up markets for the future.



Director and Managing Executive Officer
Head of Specialty & Performance Materials Company
Nobuyuki Omura

FY2020 Results

The impact of COVID-19 on the economy was significant, with falls in both domestic and overseas net sales. Overseas business was also affected by decreased selling prices caused by the decline in raw material prices. While the lower raw material prices lifted profits, they were pushed down significantly by the decline in sales. Under such circumstances, in the second half of fiscal 2020, operating income increased with the recovery from the impact of COVID-19 and the reduction of logistics costs and other various costs.

Trends in Business Performance



FY2021 Targets Net sales **102** billion yen Operating profit **8** billion yen¹

¹ Operating profit before deduction of unallocated operating expenses

Challenges

- Building foundations in growth markets and capturing market share
- Decline in profitability of existing businesses
- Further growth and expansion of overseas businesses
- Rapid growth of nurtured products and new business creation

Response

- Launch of distinctive products and construction methods that leverage chemical technologies
- Improvement of operational efficiency and productivity through structural reforms
- Appropriate capital investment and flexible M&As
- Group collaboration & R&D base enhancement

Adhesives

Through proactive capital investment aimed at the steady growth of existing businesses, we aim to enhance profit, making the most of new businesses acquired through M&As and other means.

Expansion of product range to increase competitiveness in PF resins business

In March 2021, AICA acquired part of the Phenol Formaldehyde (PF) resins business of DIC Corporation. AICA's PF resins business already had a range of products for many different applications, and this acquisition has further expanded that range.

Accomplished M&As to expand hot melt adhesive business, and contributed to strengthen BCP by multiple site production

In April 2021, Aica Adtek Sdn. Bhd., a major manufacturer of hot melt adhesives in Malaysia, joined the AICA Group through AICA Asia Pacific Holding Pte. Ltd. (AAPH). This significantly enhanced the Group's production capacity for hot melt adhesives. The Group now has two bases for the manufacture of hot melt adhesives for sanitary materials to meet growing demand, which has strengthened our BCP in terms of supply stability.

*AICA Asia Pacific Holding

Plans for three large-scale capital investment projects in East Asia to respond to brisk demand for PF resins

We have three large-scale capital investment projects planned for AAPH, the driving force of the business, for the further expansion of the adhesives business overseas. We will greatly reinforce the production capacity at each location to capture the brisk demand for PF resins in China. In recent years, demand for adhesives for bamboo materials has been growing, particularly in China. Bamboo generally grows faster than other woods and its use is being encouraged by the Chinese government as an environmentally friendly material. We will strive to capture further demand by moving into the major bamboo production regions.



Construction resins

Further focusing on the development and sales expansion of AS products that resolve social issues, we aim to enhance the presence of products for responding to climate change and products for building resilience and longevity, for which demand is expected to expand further in the future.

Identifying various social issues and reflecting them in product development

AICA positions the development and sales expansion of AS products that help to resolve a variety of social issues at the core of our management strategy and focuses our efforts on them. We identify social issues through engagement with our customers and offer high value-added products that help to resolve those issues.



PASSIVE WALL

External insulation method that uses a combination of the wall coating materials that are AICA's mainstay products. This method helps to extend the life of the building by shutting out the weather.



DYNAMICRESIN Series

Repair and reinforcement material for concrete structures such as aging infrastructure. A tough resin membrane keeps tiles from falling and prevents concrete spalling.

Specialty & Performance Materials

As well as uniting as a Group to accelerate initiatives aimed at rapid growth and business expansion, we will concentrate our efforts into expanding the range of products that meet the needs of growth markets and increasing sales.

EMC Group enters overprint varnish business for expansion of UV resin business

In July 2021, EVERMORE CHEMICAL INDUSTRY CO., LTD. (EMC) acquired Covestro Resin's Dayuan plant and attendant business in UV-curable coating for overprint varnish. This acquisition has allowed EMC to enter a new market. EMC is also involved in the production of UV resin, monomers and oligomers, and has a high standard of resin design technology. It will leverage this strength to further expand its UV coatings business.



UV-curable coating agent
Example of use (for labels)



UV-curable coating agent
Example of use (for packaging materials)

Business Overview

Construction Materials Business

We will further expand social issue-solving products and overseas business, and evolve into a more robust structure

Through proactive investments, the foundation for the expansion of our overseas business has been built. We will leverage our respective strengths and unite as a Group to build our brand. Further, by using digital technologies and responding to climate change, we will aim for further development both in Japan and overseas.



Director and Senior Managing Executive Officer/
Head of the Construction Materials Company
Satoshi Toudou

FY2020 Results

The impact of COVID-19 on the economy and the construction markets in Japan and overseas was significant, resulting in declines in net sales and profits. The impact on newly consolidated companies was also great, preventing us from securing the levels of profit we initially envisaged. This left us unable to absorb goodwill amortization losses, which became a factor in the decline in profits. However, if we focus solely on the second half of the fiscal year, with the recovery from the impact of COVID-19, rallying by the newly consolidated companies, reductions in logistics costs and various other expenses, the result for the six-month period was an increase in net sales and profits.

Trends in Business Performance



FY2021 Targets Net sales **98** billion yen Operating profit **17** billion yen

* Operating profit before deduction of unallocated operating expenses

<p>Challenges</p> <ul style="list-style-type: none"> Responding to increasingly serious social issues such as shortages of skilled workers on construction sites and climate change Avoiding risk of pandemics and large-scale disasters Improving labor productivity Reducing dependence on Japanese construction market 	<p>Response</p> <ul style="list-style-type: none"> Development and expansion sales of products that resolve social issues Strengthening BCP by decentralization of raw materials and production sites Improving sales and production efficiency with the use of digital technologies Strengthening of governance framework and building brand aimed at expanding Group synergies
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Domestic market As well as offering high value-added products with a focus on AS products that resolve social issues, we will promote proposals for entire spaces for all kinds of buildings in our efforts to secure profits in the Japanese construction market, which is expected to trend at low levels.

Identifying changing social issues through dialogue with our stakeholders and connecting them to product development

It is four years since AICA positioned AS products, which resolve social issues, as a growth strategy. In the Construction Materials Business, we have rolled out easy-construction products as a response to the shortage of skilled workers on construction sites, as well as products aimed at the renovation market. In the past year or so, demand for antiviral products and products that respond to climate change has increased rapidly, and we are stepping up the pace of development to enhance our product line-up. We will continue to capture these kinds of changes quickly and reflect them in our product development.



Antiviral building materials donated to education and welfare facility in Aichi Prefecture

Making progress in business expansion by gaining foothold in ceiling and floor markets

In July 2019, we began selling MELAMINE TILE, opening up a new product segment in the floor market. This product has been adopted for major retail facilities and continues to grow. We have also established a new ceiling installation method for our mainstay product, "CERARL," and have started proposing it for facilities of a highly public nature that require non-combustibility performance.

Reinforcement of production equipment for increasingly popular treated products

At the Ibaraki Plant of AICA Interior Kogyo, which manufactures the engineered stone, "Fiore stone," and our "LAMINAM" ceramic tiles, there are plans for capital investment to increase the plant's production capacity by 40%.



Fiore Stone growing by capturing market for alternative to natural marble in housing market

Overseas Markets Taking maximum advantage of our sales networks, production sites, human resources, technologies, and brand strengths in the Asia and Oceania regions, where our business foundations have been built, we will aim to become the No. 1 manufacturer of laminates in Asia.

Newly consolidated companies contribute to major growth in overseas net sales

In FY2020, the consolidation of the Wilsonart companies and AICA HPL Trading Joint Stock Company (AHT) commenced, resulting in major growth in overseas net sales from laminates. Net sales were down in some regions due to the impact of COVID-19. Although under this circumstance, we were able to bounce back from that and grow our overseas net sales.

Launch of manufacture and sale overseas of antiviral building material, "Virutect" to meet growing demand

We have started overseas manufacture of our high pressure laminate (HPL) with embedded antiviral agent, "AICA Virutect," and the sale of this product in Asian countries. Demand for antiviral measures is also increasing overseas in various places that people come in contact with, such as hospitals, educational facilities, and public facilities. Our product is being progressively adopted by such facilities. Going forward, we will further promote the overseas roll-out of Japan technology and contribute to the solution of social issues in Japan and overseas through the provision of high value-added products.

Strengthening sales strategy of local-production/local consumption with aim to expand synergies

The melamine noncombustible decorative panel, "CERARL," has become a byword for kitchen panels in Japan. This long-selling product was first launched more than 30 years ago. We are concentrating efforts into building the brand with the intention of rolling out this hit product in Asia as well. Until now, our mainstay products overseas have been high pressure laminates (HPL) for furniture and woodworking, and CERARL has very little brand recognition. We started with awareness-raising activities and, concurrently with those activities, we worked on building a framework for the installation of CERARL in cooperation with our local distributors, with whom we have been a tag team for many years. Inquiries about CERARL are gradually increasing, and our activities, which have leveraged the expertise cultivated in Japan, are starting to bear fruit. We will use this example as a foothold to further expand the range of products we sell and connect it to expansion of net sales.



CERARL adopted as kitchen panel in Indonesia



AICA's Sustainability

Basic Approach to Sustainability

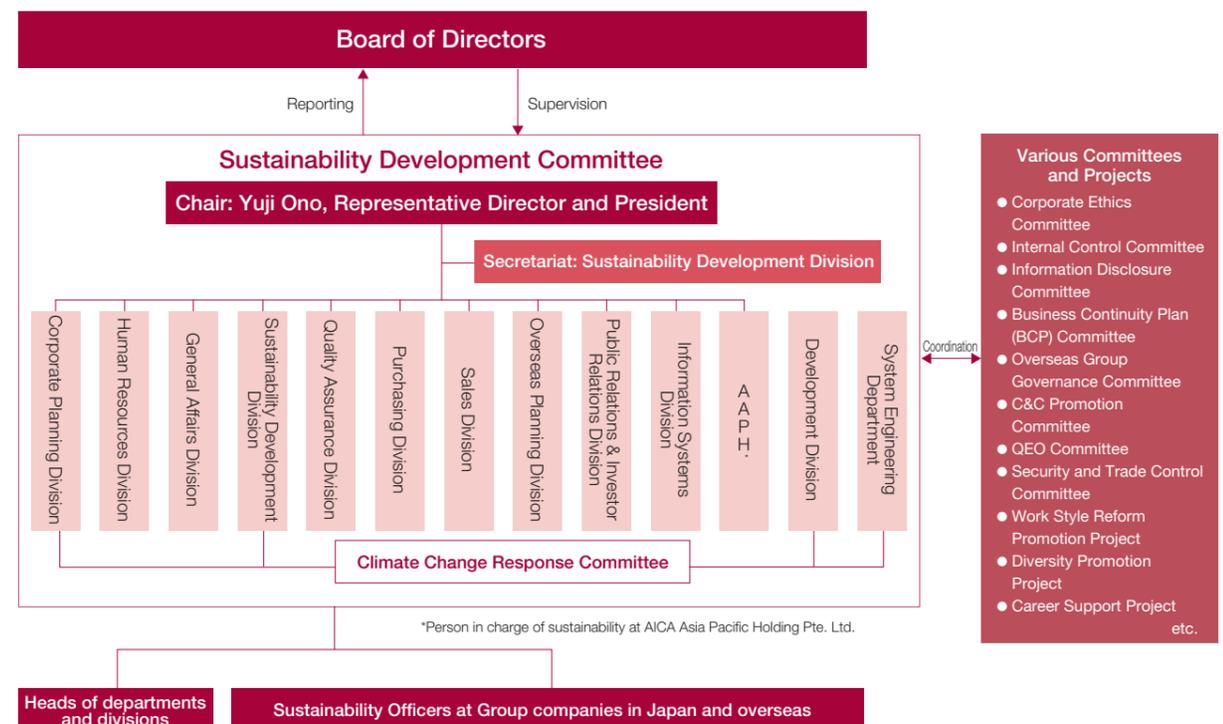
We recognize the fulfillment of the social responsibility demanded of corporations and the promotion of activities that will increase the sustainability of the global environment as missions that have been imposed on AICA. In April 2021, we established a new Sustainability Policy. We will foster common Group values by clearly indicating our basic principles and policies for sustainability-oriented management and placing it on the same level as 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 dialogue 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. The name of this committee was changed in April 2021 and the President and Executive Officer was appointed as its chair. As well as identifying the roles that corporations should fulfill from broader perspectives, the Group will work as one to strengthen our corporate structure with the aim of sustainable development.



(As of October 1, 2021)

Toward integration of business activities and sustainability

AICA has adopted the word *kyosei** as a core of our Corporate Philosophy, and we have engaged in the solution of various social issues as a way of embodying that principle. 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.

In 2018, we began organizing the relevance between our individual materialities and the SDGs. Both within the company and to the outside world, we clarified the important business activities that the AICA Group should undertake for the solution of global social issues. For the first time, the materialities (material issues) were included in the new Medium-Term Business Plan that began in April this year. By setting and steadily pursuing KPIs for each of them, we will contribute to the realization of a better, sustainable society.

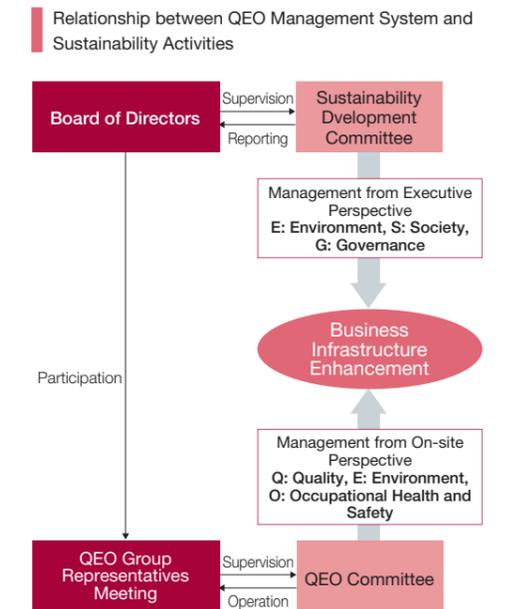
*Please refer to page 1 for the meaning of *kyosei*



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 years 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 Sustainable Development Department and Quality Assurance Department, 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 the 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. As well as confirming QEO achievements and the status of improvements at individual Group companies, the meeting's attendees 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", which was included in the revised materialities with the formulation of the New Medium-Term Business Plan, to be an important issue that should be addressed with urgency. We will strengthen our activities, with the Climate Change Response Committee, which was incorporated into the Sustainability Development Committee in April this year, playing the central role. We will also strive to identify the latest trends and be involved in government and social recommendations through participation in international frameworks and initiatives. (Please refer to page 49 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). Going forward, we will further reflect initiatives to address climate change issues in our business strategies and pursue information disclosure based on the TCFD recommendations.



Participation in climate change initiatives

From January 2019, we have joined the Japan Climate Initiative. We will engage proactively in efforts to realize a low-carbon society.



Business Infrastructure

Interview with External Directors



Ayako Shimizu

External Director

It is important to bring diverse opinions together and reflect them in management decision-making.

What do you believe are AICA's strengths?

Miyamoto One of its multiple strengths that I could list is its corporate culture. In the company magazine recently, I glimpsed that the spirit of AICA's corporate principle, "Challenge and Creation," really has become an integral part of the workplace. The article was about the history of CERARL, an AICA product first launched 30 years ago that is still a long-selling product. It concluded by saying that it was Team AICA's spirit of challenge that enabled the company to create such a product, grow it to such a large market, and maintain that status even today. That "Challenge and Creation" spirit and respect for the corporate philosophy have nurtured a unique and wonderful corporate culture, which I believe lies at the heart of the AICA Group's growth and prosperity today.

Shimizu I think that the corporate attitude of seeking to grow the company while sincerely meeting the needs and expectations of society is one of AICA's major strengths.

In terms of governance structure, when considering changes, the company not only responds to official requests in ways that are accompanied by actual actions, but they also respond to the



Masashi Miyamoto

External Director (Member of Audit and Supervisory Committee)

I hope to express my opinion based on the actual circumstances, with valuing "the importance of on-site decision-making".

recommendations of the external directors and the Governance Committee. In terms of business activities, as well as its proactive approach to the development of AS products, which help to solve social problems, AICA takes flexible action such as M&A activities, to fill in any missing pieces in order to become the kind of company that it is expected to be.

What are your impressions of the operation of the Board of Directors?

Miyamoto In Board meetings, the Chair checks who wants to speak about each proposal and, when necessary, encourages the members to speak up. The question-and-answer sessions are always very lively. An atmosphere has been created in which external directors feel comfortable speaking up, and I can sense the management team's proactive desire to incorporate the views of the external directors. I believe this is the result of the external officers who have served over the years fulfilling their expected roles and contributing to the efforts to make the company better. The current directors, both internal and external, bring many and varied experiences to the table, so I feel that a diversity of values is being main-

tained. In that kind of environment, ample time is given to debate and the Board meetings as a whole are vigorous. My assessment is that it is functioning effectively from a governance perspective.

Shimizu My impression is that, instead of starting from foregone conclusions, the company wants to hold substantive discussions about each proposal put to the Board. I think that this has a great deal to do with the Chair's flexible discretion. Also, as well as distributing briefing materials about the proposals in advance, they have a system that allows us to seek more detailed information from the staff involved before going into the Board meeting, so we can discuss the proposals with a proper understanding of their content. However, I do think that, in terms of the briefing materials, some of the information could be expanded on a little more. For M&A projects, if we could be presented with all possible impacts from the viewpoint of the most knowledgeable staff involved, such as the background behind AICA's selection of that company to acquire, its strategic position, and the risks that should be shared, we could have more spirited discussions and make more appropriate judgments.

In response to a request from the Governance Committee, it has been decided that, from this fiscal year, the Executive Officers responsible for the proposals on the agenda will also attend the Board meetings. I am delighted about this, because it will give us an invaluable opportunity to get to know the Executive Officers, who are potential executives of the next generation.

What kind of role do you hope to play as external directors?

Miyamoto As an external director and member of the Audit and Supervisory Committee, as well as preventing misconduct, I want to devote myself to helping create strong, sustainable growth and medium- to long-term corporate value and to establishing a quality governance structure that will respond to social trust. As a member of the Audit and Supervisory Committee, the area I want to emphasize when expressing my opinions is "the importance of on-site decision-making." There is a tremendous difference in one's impressions and awareness between merely reading the briefing materials and actually going out into the work sites and speaking to the people there. For example, when I visited a new plant that had been established overseas, I saw with my own eyes the local employees working there on site, and I understood just how much time and effort had been required to make the same products as in Japan in a country where the culture and common practices were so different. Merely expressing textbook opinions could potentially be an unwelcome favor for the sites that are putting internal controls into practice. As much as I can, I want to visit these sites myself and express my opinions based on the actual circumstances there. The internal audit department gives us in-depth audit information and meticulous reports, so I hope to keep in close collaboration with them and make appropriate recommendations based on a proper understanding of AICA's actual situation.

Shimizu I do believe that the role expected of me as a non-executive Director is to supervise. As well as supervising management itself through decisions made on important agenda items, I also want

to supervise any potential conflicts of interest between the company and the management team. I also think that, precisely because I have one foot outside the company, one of my roles is to be candid and direct in mentioning anything I feel uncomfortable about. One reason for my selection as a director was, I believe, the fact that the company wanted to bring more diversity to the Board's composition. As well as gender differences, we all have differences in the way we feel about things that come from our different experiences, positions, and areas of specialization. By listening to the opinions that emerge from those different feelings, we are able to realize that things that we had previously thought were the norm were not actually the norm in general society. It is important for diverse voices to be reflected in corporate management. Overseas sales' percentage of AICA's total net sales has been growing over the past several years, so the Board of Directors needs to start considering the likely need for a director who has a certain level of knowledge about overseas markets, and the Asian region in particular.

What are your expectations of AICA?

Miyamoto The overhaul of the company's core system was completed in May 2021, and the next step will be the implement of digital transformation (DX) across the whole company. For the sake of future growth and to enhance the company's competitiveness, there are expectations of improvements to business efficiency and, in turn, the transformation of the very nature of its operations and business. In addition, the large-scale M&A push overseas has settled down, and the foundations for the company's overseas business have been established. Instead of being satisfied with this, thoroughly managing post-merger integration (PMI) will help AICA to realize the goals and consolidated business results that were envisaged when those M&As were decided. AICA recently established its new Medium-Term Business Plan, "Change & Grow 2400." The financial targets may seem lofty from our current position, but I believe that, if all employees of the AICA Group put "Challenge & Creation" into action, they can be achieved. "Change & Grow 2400" has both financial and non-financial elements. I believe that, through the process of executing and achieving the items included in the plan outline, AICA will be more recognized as a company whose presence offers value to society.

Shimizu AICA will be called on to fulfill its social responsibilities more than ever, so it should strive to enhance its corporate value and achieve steady growth without budging from its position of responding to society's requirements and expectations. The experience of the COVID-19 pandemic has changed people's values greatly, so those requirements and expectations are also changing. If AICA is to adapt to these changes, securing diversity in its personnel and in the values within the company will be very important in terms of deciding the company's direction. I talked about the composition of the Board of Directors earlier, but in terms of the workforce, the challenge will be to gain the active participation of the post-retirement-age generation and women. I would like to see AICA concentrate its efforts into nurturing people who will support the company's future.

Business Infrastructure

List of Directors (As of June 24, 2021)

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



Yuji Ono
Representative Director and President
Born August 24, 1956

- Apr. 1979 Joined AICA Kogyo
- Apr. 2000 No. 1 General Manager, Chemical Development Dept.
- Oct. 2002 General Manager, Sales Dept., Chemical Products Company
- Jun. 2004 Executive Officer
- Oct. 2004 Director, No. 2 R&D Center
- Apr. 2008 Head of the Chemical Products Company
- Jun. 2008 Director
- Jun. 2009 Managing Director
- Jun. 2010 Representative Director (present)
- Jun. 2018 President and Executive Officer (present)



Satoshi Toudou
Director and Senior Managing Executive Officer
Born August 16, 1957

- Apr. 1980 Joined The Tokai Bank, Ltd.
- Apr. 2009 Joined AICA, General Manager, Financial Planning Dept.
- Jun. 2009 Executive Officer
- Jan. 2010 General Manager, General Planning Dept.
- Jun. 2010 Director
- Apr. 2013 General Manager, Overseas Business Dept.
- Jun. 2014 Managing Director
- Apr. 2017 Responsible for Financial Administration Dept., Responsible for Logistics Dept.
- Apr. 2018 Responsible for Operations Administration Dept.
- Jun. 2018 Director (present)
- Senior Managing Executive Officer (present)
- Apr. 2019 Responsible for Information Systems Dept.
- Mar. 2020 General Manager, Corporate Planning Dept.
- Apr. 2021 Head of the Construction Materials Company (present), General Manager, Sales Administration Division (present)



Nobuyuki Omura
Director and Managing Executive Officer
Born April 7, 1964

- Apr. 1988 Joined MITSUI & CO., LTD.
- Jan. 2009 Joined AICA Kogyo
- Apr. 2009 General Manager, Overseas Business Dept.
- Jun. 2009 Director
- Apr. 2011 General Manager, New Business Office
- Apr. 2015 Director and Chairman, AICA Asia Pacific Holding Pte. Ltd.
- Jun. 2017 Managing Director
- Apr. 2018 Head of the Chemical Products Company
- Jun. 2018 Director (present)
- Managing Executive Officer (present)
- Apr. 2020 Head of the Specialty & Performance Materials Company (present)



Kenji Ebihara
Director and Managing Executive Officer
Born April 15, 1967

- Apr. 1991 Joined AICA Kogyo
- Apr. 2009 General Manager, Chemical Development Dept., R&D Center
- Oct. 2010 Manager, Jimokui Laboratory, R&D Center
- Apr. 2013 General Manager, R&D Center
- Apr. 2015 Head of Specialty & Performance Materials Section
- Jun. 2017 Executive Officer
- Jun. 2018 Senior Executive Officer
- Apr. 2019 Managing Executive Officer (present)
- Jun. 2019 Director (present)
- Apr. 2020 Head of the Chemical Products Company (present), Deputy General Manager, Sales Administration Division (present)



Kenji Ogura
External Director
Born October 1, 1947

- Apr. 1970 Joined Sony Corporation
- Oct. 1988 Director and General Manager, Administration Dept., Sony Nagasaki Co., Ltd.
- Jun. 1995 Director and General Manager, Administration Dept., Sony Kokubu Co., Ltd.
- Oct. 1997 Director and General Manager, Administration Dept., ST Liquid Crystal Display Corporation
- Jun. 2005 Representative Director and President, C-CUBE Corporation
- Jun. 2012 External Auditor, Cool. rev. Inc.
- Jun. 2014 External Director, AICA Kogyo (present)
- Jun. 2015 External Director, Cool. rev. Inc. (present)



Ayako Shimizu
External Director
Born June 6, 1972

- Apr. 1999 Registered as attorney, joined Ishihara Law Office (present)
- Apr. 2015 Deputy Chair, Aichi Bar Association
- Apr. 2016 Member, Aichi Dispute Coordinating Committee (present)
- Apr. 2017 Member, Nagoya City Information Disclosure Screening Commission (present)
- Jul. 2017 Member, Aichi Prefecture Committee for Adjustment of Construction Work Disputes (present)
- Jan. 2018 Judicial Commissioner (present)
- Apr. 2019 Mediator/Arbitrator, Dispute Resolution Center, Aichi Prefecture Bar Association (present)
- Dec. 2019 External Director, MTG Co., Ltd. (member of Audit and Supervisory Committee) (present)
- Apr. 2020 Member, Ombuds 6 Committee, Nagoya Broadcasting Network (present)
- Jun. 2020 External Director, AICA Kogyo (present)
- Mar. 2021 External Director, SYNCLAYER, Inc. (member of Audit and Supervisory Committee) (present)

Directors who are members of the Audit and Supervisory Committee (3 male, 0 female)



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

- Apr. 1982 Joined AICA Kogyo
- May 2000 General Manager, Laminates Production Dept.
- Apr. 2006 General Manager, Production Administration Dept., Construction Materials Company
- Oct. 2009 General Manager, Production Administration Dept., Chemical Products Company
- Jun. 2011 Executive Officer
- Jun. 2013 Senior Executive Officer
- Jun. 2015 Director
- Jun. 2018 Managing Executive Officer
- Apr. 2019 Responsible for Safety and Environment Dept., Responsible for Purchasing Dept.
- Apr. 2020 Deputy Head of Construction Materials Company, Responsible for Technology, Construction Materials Company, General Manager, Production Administration Dept., Construction Materials Company
- Apr. 2021 Assistant to President, Responsible for Special Missions
- Jun. 2021 Director (full-time member of Audit and Supervisory Committee) (present)



Kiyoshi Katagiri
External Director (member of Audit and Supervisory Committee)
Born September 20, 1946

- Apr. 1969 Joined Nippon Telegraph and Telephone Public Corporation (today's Nippon Telegraph and Telephone Corporation)
- Apr. 1994 Vice President Tokai Branch Nippon Telegraph and Telephone Corporation
- Jul. 1997 Advisor and General Manager, Corporate Planning Office, C-CUBE Corporation
- Jun. 1998 Senior Managing Director, C-CUBE Corporation
- Jun. 1999 Representative Director and President, C-CUBE Corporation
- Jun. 2011 Director and Counsellor, C-CUBE Corporation
- Jun. 2017 Representative Director and President, MYPLANET Co., Ltd.
- Jun. 2018 External Auditor, AICA Kogyo
- Jun. 2020 External Director, AICA Kogyo (member of Audit and Supervisory Committee) (present)



Masashi Miyamoto
External Director (member of Audit and Supervisory Committee)
Born February 8, 1956

- Apr. 1978 Joined Konishiroku Photo Industry Co., Ltd. (today's 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 (today's KPMG AZSA Ilc)
- Sep. 2010 Director, KPMG AZSA Ilc
- Sep. 2014 Auditor, KPMG AZSA Ilc
- Jul. 2018 Director, Miyamoto Masashi CPA Office (present)
- Jun. 2019 External Auditor, AICA Kogyo
- Jun. 2020 External Director, AICA Kogyo (member of Audit and Supervisory Committee) (present)
- External Director, Meito Sangyo Co., Ltd. (member of Audit and Supervisory Committee) (present)

Reasons for appointment of external directors

Duties	Name	Reason for Appointment	Reason for Designation as Independent Director
External Director	Kenji Ogura (Independent Director)	Mr. Kenji Ogura has extensive experience and knowledge as a corporate executive, which we believe he will be able to leverage in enhancing AICA's management structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
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.	Because she has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, she has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, she has been designated as an Independent Director.
External Director/Member of Audit and Supervisory Committee	Kiyoshi Katagiri (Independent Director)	Mr. Kiyoshi Katagiri has been involved in corporate management and has extensive experience and knowledge as a business owner. We believe that he will be able to offer advice and oversight to the company's management overall as an external director and member of the Audit and Supervisory Committee.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
External Director/Member of Audit and Supervisory Committee	Masashi Miyamoto (Independent Director)	Mr. Masashi Miyamoto has extensive expert knowledge and experience as a certified public accountant. We believe that he will be able to offer advice and oversight to the company's management overall as an external director and member of the Audit and Supervisory Committee.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.

Business Infrastructure

Corporate Governance

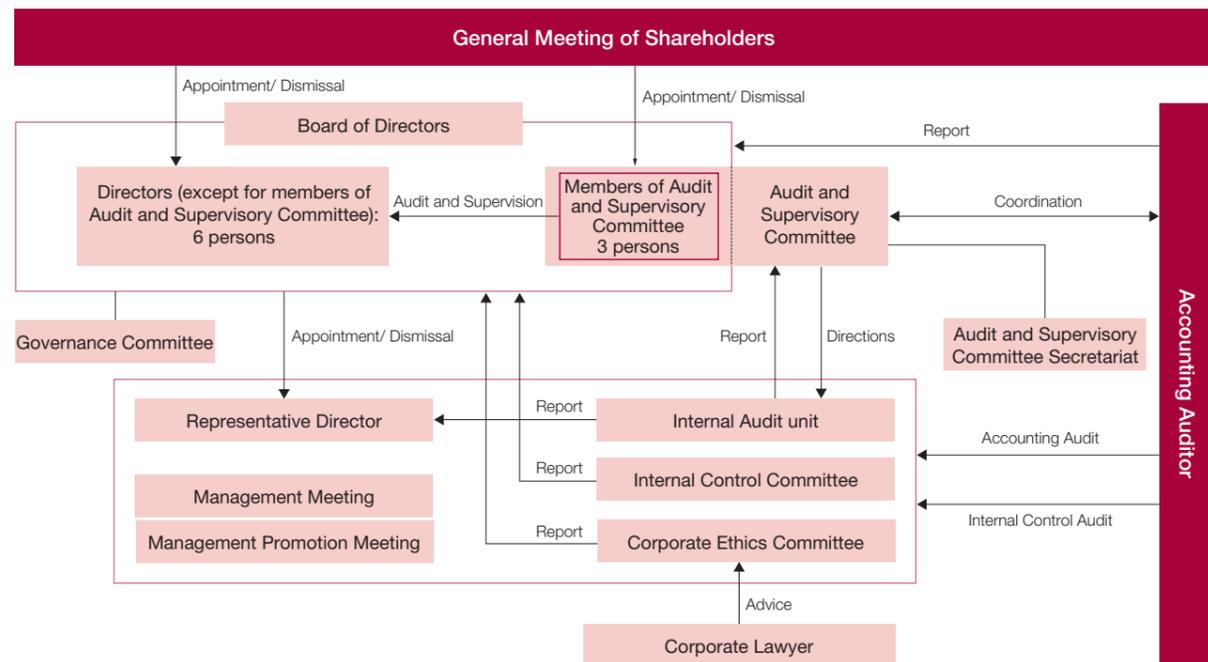
Basic Approach to Corporate Governance

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 transitioned from a Company with a Board of Auditors to a Company with 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.

We have also established a Governance Committee as an advisory committee to the Board of Directors. This committee is chaired by an external director and four of its five members are also external directors. The Governance Committee deliberates on key matters concerning governance, including the appointment and remuneration of management executives, with the aims of sustainable growth, medium to long-term improvement of corporate value, and further enhancement of governance functions.

Corporate Governance Structure and Internal Control Systems (as of June 24, 2021)



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 2021, responses of "appropriate or reasonably appropriate" were obtained for all except two of the matters surveyed. Based on this positive feedback, we confirmed that our Board of Directors is generally functioning appropriately and that its effectiveness is being ensured.

On the other hand, matters raised as issues were the enhancement of reference materials for proposals to the Board of Directors and Management Meetings (explanation of terms, background to proposals, details of past discussions, etc.), enhancement of explanations in advance of key agenda items, and enhancement of deliberation of appointment and dismissal of senior executives. Of these matters, the areas of insufficiency regarding proposals to the Board of Directors and Management Meeting have been improved from the January 2021 meetings and incorporated into the reference materials, and explanations of key agenda items are being provided in advance of the meetings. Ample deliberation of the appointment and dismissal of executive managers will be conducted in the Governance Committee and the Board of Directors.

Going forward, we will work on making improvements to further raise the effectiveness of the Board of Directors.

Internal Control Activities

In compliance with the Companies Act, the Board of Directors of the AICA Group has adopted a Basic Policy for Establishment of Internal Control Systems. Under this policy, the Group is working to reinforce the supervisory functions of the Board of Directors, risk management structures, and the creation of systems to improve the effectiveness of corporate compliance. The Internal Audit Unit assesses the status of development and operations in these areas through auditing activities and interviews with the relevant departments, to confirm the effectiveness of the Company's internal control systems. We have also established an Internal Control Committee to respond to the internal control reporting system for financial reporting under the Financial Instruments and Exchange Act. The main committee members in charge of four major control processes conduct maintenance management and self-inspection. Meanwhile, the Internal Audit Unit conducts separate internal audit assessments to maintain and improve the reliability of our financial reporting.

Each year, the Unit reports to the Internal Control Committee on the development and operational status of internal control in the previous year relevant to financial reporting under the Act and obtains approval for the current year's activity plans.

Directors' Remuneration

Remuneration of Company directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) consists of a fixed basic remuneration, performance-based remuneration and share-based remuneration, the last two of which are variable according to business performance. From the viewpoint of their role and independence, remuneration of Directors who are Audit and Supervisory Committee Members and External Directors consists of basic remuneration only.

Determination of basic remuneration is based on a standard amount for each position and also takes into account publicly announced levels of remuneration at other companies, the Company's business performance, and other factors.

Performance-based remuneration is determined at around 15% to 20% of total remuneration, depending on the director's role. In FY2020, performance-based remuneration accounted for 15.9% of total remuneration of Company directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors).

Please refer to the Notice of Convocation of the 121st Annual General Meeting of Shareholders for details of remuneration of Directors and Audit and Supervisory Committee Members. A system of remuneration of Directors by granting of shares with restrictions on transfer was introduced in 2021. 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. It is planned to grant shares once a year, to be determined based on the standard amount for each position and taking into account the Company's business performance and other factors.

The appropriateness of evaluations and remuneration amounts for individual directors is examined by the Governance Committee, whose main members are the external directors, to ensure objectivity and fairness.

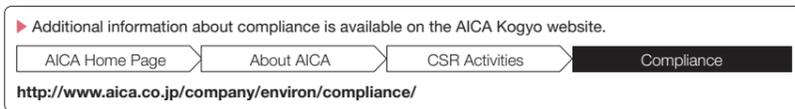
Introduction of Stock Granting Trust for Employees (J-ESOP)

In 2021, as part of the employee incentive plan, we introduced an Employee Stock Ownership Plan (ESOP), an employee compensation system in which Company shares are granted to employees and the value of those shares are reflected in the employees' conditions. The introduction of this system can be expected to cultivate a sense of belonging in employees, while also increasing employees' interest in share price increases and the improvement of business results, motivating them to engage more eagerly in their work.

Strengthening of Overseas Group Companies' Governance

Given the current situation, in which there has been a sharp increase in the number of overseas Group companies acquired by M&As in recent years, we have organized a Overseas Group Governance committee attended by representatives of the Overseas Planning Department, General Affairs Department, Legal Department, Internal Audit Unit, Finance Administration Department, Human Resources Department, Quality Assurance Department, Sustainable Development Department, Corporate Planning Department, and overseas business holding companies, which is working to strengthen governance of overseas Group companies. The committee has set specific themes and schedules and is conducting the PDCA cycle for nine matters with a high degree of importance (compliance, authority, quality, safety and environment, accidents, markets, human resources, finance, audits).

The operational division, administrative division, and audit division each conduct their own, independent audits, and a system for three-line checks is being built. Working together with AICA Kogyo, the overseas business holding companies, and overseas Group companies, the committee will strive to enhance the AICA Group's governance functions.



The company website is scheduled for relocation to a new website in January 2022.

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.

To raise awareness about compliance among employees, we use the AICA Group Code of Conduct and Action Guidelines to hold annual training in individual workplaces at all of our sites in Japan and overseas, including Group companies. In this training, we thoroughly instill in our employees a consciousness of the positioning of the Code of Conduct and Action Guidelines and the significance and necessity of compliance. We confirm employees' understanding through training reports, and we also confirm any requests made by employees.

Further, the Corporate Ethics Committee, Legal Department and Internal Audit Unit/Office play a central role in traveling around to all of the sales offices, plants, Group companies, and other sites to conduct harassment education, including for managers, and compliance training for operational staff, and to educate employees about the importance of compliance. Any issues discovered in the course of these visits are incorporated into improvement activities throughout the entire company.

- AICA Group Code of Conduct Basic Principles**
- [1] Compliance with laws and regulations
 - [2] Respect for human rights
 - [3] Harmony with society
 - [4] Fair trade
 - [5] Reassurance and trust of customers
 - [6] Proper information disclosure
 - [7] Protection of company information and property
 - [8] Environment and safety

Corporate Ethics Committee

AICA has established a Corporate Ethics Committee, whose objectives include the development and promotion of necessary policies for compliance, the investigation, confirmation, and implementation of corrective action regarding whistleblowing reports being made to the internal whistleblowing hotline, Corporate Ethics Committee Window, and matters that cannot be resolved by Group companies on their own, and 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, Corporate Ethics Committee Window, inside the company and at a law firm outside the company.

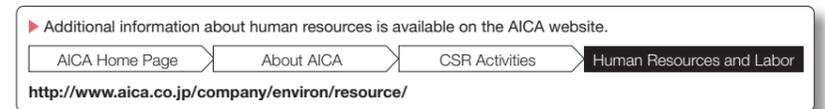
Employees of the AICA Group are able to report to or seek advice from the Corporate Ethics Committee Window about any problems or concerns they may have regarding corporate ethics and compliance. The telephone number and e-mail address of the Corporate Ethics Committee Window are included on the AICA Group Employees Code of Conduct Card that is distributed to employees, and employees confirm how to use the Corporate Ethics Committee Window at the annual Group-wide training. This system assures anonymity so that whistleblowers do not suffer any disadvantages, so whistleblowing reports may be made anonymously. Whistleblowing reports by e-mail are accepted 24 hours a day in multiple languages.

Concept diagram: Corporate Ethics Committee and whistleblowing system



*Number of cases brought to Corporate Ethics Committee Window in FY2020: 5

Human resources



The company website is scheduled for relocation to a new website in January 2022.

Labor-management Relations

Basic Approach to Labor-Management Relations

The AICA Kogyo Labor Union was formed in May 1947 and has remained active since then. The union is a partner and excellent supporter of the company that has shared in the joys and sorrows of AICA Kogyo for many years. The company cherishes the relationship of trust that it has built up with the union and has maintained favorable labor-management relations.

To deepen mutual understanding, the top three executives of the union and the Human Resources Department hold meetings once a month to exchange information. The union also meets with the senior executives several times a year, including at labor-management negotiations, to discuss corporate policy, the progress of the Medium-Term Business Plan, the general situation in individual businesses, and the various programs and schemes.

AICA group companies respect the rights of their employees under the laws and regulations of those countries and regions and strive to build favorable relations with employees through close communication.

Employee Survey

As social values have become more diverse, how employees who work at a company think about that company and their mindset toward their work have changed and diversified. As social values have become more diverse, how employees think about their company and their mindset toward their work have changed and diversified. The most recent of these surveys was conducted in July 2019, and we will continue to conduct them every three years going forward.

The survey company reported that "General Satisfaction," which indicates the degree of employees' satisfaction with the company, was "slightly higher" than the average for common companies in the past two surveys. Of course, there were variations in the results according to age group and occupation. We will analyze the details of these findings and incorporate them into our various policies, including our human resources programs. We will also conduct regular surveys into the future and implement measures to raise employee satisfaction from medium to long-term perspectives.

Human Resources Development

Basic Approach to Human Resources Development

AICA Kogyo cultivates 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 placing efforts into human resources development that will allow every individual employee to demonstrate their strengths to the fullest.

Training Schemes

A variety of human resources programs is available. They range from follow-up programs for prospective employees to grade-based training and self-development assistance to encourage employees' steady career advancement.

For new recruits, a training program has been introduced to cultivate "independent personnel" who are able to think and act for themselves. This program is conducted over a period of three years from the commencement of their employment. A combination of OJT and mentor programs is also used, with the Human Resources Department and the divisions to which the new recruits are assigned working in tandem to cultivate the new employees.

We are also focusing efforts on the development of global human resources. This entails the incorporation of language training in the second and third years of the new recruit training, as well as opportunities to experience meetings with overseas Group companies via video teleconferencing systems. We have also established an overseas trainee scheme, which provides opportunities to work overseas, such as being dispatched to overseas Group companies.

We have also established correspondence education schemes and schemes for obtaining public qualifications, and we support employees' individual study endeavors by covering costs and granting bursaries.

Human Resources

Training framework

Target scope: AICA Kogyo Co., Ltd. Non-consolidated

	Prior to joining	General grade	Mid-level grade	Manager grade
Grade-based training	Correspondence education prior to joining the company	New employee training On-the-job training (OJT) 2nd-year training Mentor training 3rd-year training Global Human Resources Development	Mid-level grade training	Management training (Labor affairs, legal, human resources, finance and management strategy, etc.) New manager training
Occupation-based group training		Sales skills enhancement training Production division skills training		Plant manager training Next-generation executive training
Workplace training		Compliance education Labor management education Quality, safety, and environment education		
Self-development assistance		Online English conversation Correspondence education		
Assistance to obtain qualifications		Hazardous materials engineer / Health and safety manager / Adhesives management engineer / Forklift operator / Construction project management engineer / TOEIC, etc.		

Expansion of Work-Life Balance Assistance Scheme

At a time when, in more and more families, both spouses are working, and with nursing care for middle-aged and older households developing into a social problem, 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.

Re-employment Scheme, Employment of People with Disabilities

In the hope of active participation in the workplace of older adults against the background of 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 years, 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. We will continue to develop an environment in which our employees can work with peace of mind.

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 them in the workplace. With a view to further increasing the number of people with disabilities whom we employ, we will continue to engage actively in measures such as recruitment interview sessions for people with disabilities.

Trends in newly engaged employees under the re-employment scheme at AICA Kogyo Co., Ltd.

	(persons)		
	FY2018	FY2019	FY2020
	27	14	15

Trends in number of employees with disabilities at AICA Kogyo Co., Ltd.

	(persons)		
	FY2018	FY2019	FY2020
	22	24	26

Diversity / Work-life Balance

Basic Approach to Diversity and Work-life Balance

We promote diversity in response to the globalization of business and the diversification of market needs. In the area of women's participation in particular, 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. 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.

Certification Status

Certification as Company Promoting Women's Participation by City of Nagoya (Jan. 2016 and Jan. 2019)

This is a program that certifies companies engaged in initiatives to allow women to shine in their organizations and that presents awards to companies with particularly outstanding initiatives in this area.



"Kurumin" certification from Ministry of Health, Labor and Welfare (Feb. 2016)

Companies that meet certain criteria, including assisting employees with raising children, are certified by the Minister of Health, Labor and Welfare and are able to use the "Kurumin" logo on their advertising, products, and other media.



Diversity Promotion Activity Goals (Act on Promotion of Women's Participation and Advancement in the Workplace)

Target scope: AICA Kogyo Co., Ltd. Non-consolidated Target Initiatives Period: April 1, 2019 - March 31, 2022

Target categories	Target figures	Current status (as of March 31, 2021)
[1] Increase percentage of female employees	Percentage of women recruited to new-graduate career-track positions: 30% or more	14.0% (new-graduate recruits joining in April 2021)
	New proposals/revision of work-life balance assistance scheme: 3 or more	1
[2] Increase percentage of female managers	5.8% (average for other manufacturing industries) or more	3% (7 female managers of a total of 231 managers)
[3] Improve rate of recruitment of people with disabilities*	2.3% or more	2.66%
[4] Cultural reform	Percentage of paid leave taken: 70% or more	Percentage of paid leave taken: 55.9% (FY2020 actual result)

*According to statutory calculation methods

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 1, 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. In March 2020, we urgently introduced a work-from-home scheme due to the impact of the spread of the novel coronavirus, COVID-19. Taking this opportunity, we launched a Work Improvement Committee in April 2020 with the objective of promoting further diversification of work styles. Through C&C activities*, we are making improvements to equipment and operations, pursuing a shift to multi-skilled workers, and striving across the entire company to reform operations to maintain appropriate working hours. We are also promoting scheduled taking of paid leave and the enhancement of our childcare and nursing care assistance schemes.

*C&C activities: Small-group activities in which all employees in all divisions participate. These groups discuss and implement specific action plans, using QC methods and other scientific approaches, to consider ways of achieving operational improvements and implement division policies.

These activities have a long history, with their predecessor, the ZD (Zero Defects) Campaign, starting in 1965 with the objective of raising productivity. The initial aim of that campaign was to achieve "zero mistakes" in the work through careful attention and innovative efforts by individual employees. From 1979, the C&C Campaign was rolled out, taking the initials of the present Corporate principle, Challenge & Creation. The campaign took on a broader meaning to include "promoting initiatives for the achievement of management goals," which has been passed down to today's C&C activities.

State of paid leave consumption at AICA Kogyo Co., Ltd.

	FY2018	FY2019	FY2020
Average days taken	11.3 days	12.1 days	10.3 days
Average rate of leave taken	61.7%	66.7%	55.9%

*Target periods: March 16 of previous fiscal year to March 15 of current fiscal year
 *Target employees: Employees of AICA Kogyo Co., Ltd., excluding people on temporary assignment, child-care leave, and leave-of-absence, and part-time and casual workers

Human Resources

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 area, and we are striving to maintain the health of stakeholders and to improve the safety of our workplaces and surrounding environments.

Pursuant to the Industrial Safety and Health Act, we have established Health and Safety Committees at each of our sites. Based on environmental measurements and the findings of health check-ups, we investigate and deliberate on important matters that will form the foundation of measures for mitigating risks to workers and impediments to health.

Membership of the Health and Safety Committee is comprised of managers 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.

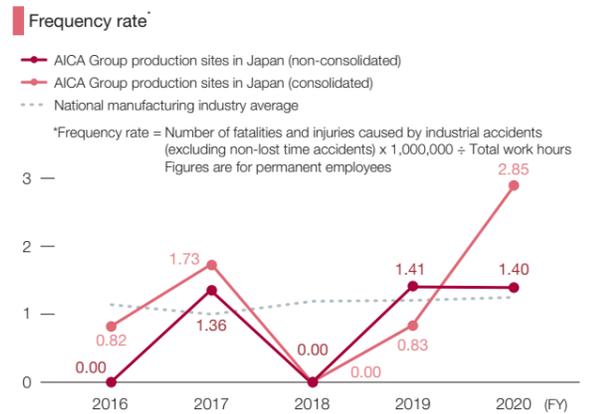
Prevention of Industrial Accidents

To ensure that the serious accident that happened at the 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 [□ p.46](#)). To enhance these low-key, steady efforts, from FY2018, the KYT activities being undertaken by the individual small groups are now being assessed under a point rating system. Pursuing improvements so that training is not just a formality, but will be something meaningful that leads to greater awareness of safety, we are striving to eliminate industrial accidents.

▶ Achievement Trends

Number of industrial accidents	(accidents)				
	FY2016	FY2017	FY2018	FY2019	FY2020
Fatal accidents	0	0	0	0	0
Lost-time accidents	2	7	6	7	6
Of which, those involving people other than full-time employees	0	3	6	4	4
Non-lost-time accidents	12	10	12	13	6
Of which, those involving people other than full-time employees	4	4	7	6	1



AICA Group Occupational Health and Safety Convention (FY2019)

Major initiatives in FY2020

- ▶ Occupational Health and Safety Convention (Jan. 2021)
- ▶ Plant manager training (Jan. 2021)

Risk Assessment

Risk assessment is a method for discovering potential risks and hazards in the workplace and eliminating or mitigating them. We conduct risk assessments under internal regulations based on our Occupational Health and Safety Management System at major AICA Group production sites in Japan. We conduct risk assessment of chemical substances and pursue activities to eliminate or mitigate risk.

Prevention of Traffic Accidents

We have a fleet of company vehicles that are in use in our day-to-day operations. Only those employees who have been registered after their driving aptitude has been confirmed are permitted to drive the company vehicles. In addition to traffic laws, we have also established our own Rules for Use of Company Vehicles in our efforts to prevent traffic accidents.

Although there were fewer vehicle accidents last fiscal year than previous years, there was a large number of accidents caused by younger drivers when reversing the vehicle into parking spaces. Fortunately, none of those accidents were serious, but we will continue to devote efforts to eliminating serious accidents and elevating driving skills.

Vehicle accidents (caused by negligence of AICA Kogyo Co., Ltd. employees and negligence by both parties)

(accidents)				
FY2016	FY2017	FY2018	FY2019	FY2020
23	26	22	25	10

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 (conditions apply), to step up efforts to prevent our workers falling ill. In June 2021, we made it possible for employees to take special leave to be vaccinated against COVID-19 and if they are unwell from side effects of the vaccine.

Environment

The company website is scheduled for relocation to a new website in January 2022.

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 (□ p.36).

To realize a sustainable society, we are actively engaged along the two central themes of “responding to climate change issues” and the “effective use of resources”.

The Sustainability Development Committee has jurisdiction over environmental themes. The Climate Change Response Committee established under this committee plays the central role in responding to climate change issues. The details of the Subcommittee’s activities are periodically reported to the Board of Directors via the Sustainability Development Committee.

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 on 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

▶ Target scope: The target scope of each category is clearly stated. The breakdown of sites and locations is as follows.

- AICA Group 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.
- AICA Group 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

Responding to Climate Change

In the Global Risks Report, published annually by the World Economic Forum (WEF), an international organization committed to resolving global-scale issues, “extreme weather” and “climate action failure”, both related to climate change, were perceived as the highest likelihood risks and highest 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. With this recognition, we incorporated materialities (material issues), including “responding to climate change,” in the new Medium-Term Business Plan that began in April 2021. We have set concrete KPIs for each of the materialities. For Responding to climate change, we have declared targets for greenhouse gas (GHG) emissions, industrial waste, and water consumption. We will thoroughly manage progress toward these targets and pursue them with certainty.

As an organization to promote more concrete deliberation and implementation of our responses to climate change, we launched the Climate Change Response Project in April 2020. The Project was relocated into the Sustainability Development Committee in April 2021, with production, sales, development, and administrative divisions joining forces to propose drastic GHG reduction measures and promote initiatives aimed at capturing opportunities resulting from climate change.

□ Please refer to pages 19-20 for details of initiatives aimed at expansion of disclosures under TCFD recommendations

Reduction of GHG Emissions (energy saving)

Basic Approach

Moves to aim for net zero GHG emissions by 2050 are gaining pace in various countries, and we believe that any company that is unable to respond to those moves will be gradually eliminated from the market. In our aim to be a chosen company in the net zero age, we will pursue with certainty the targets incorporated as materiality KPIs in the New Medium-Term Business Plan.

Alongside our deliberation of drastic emissions reduction measures, we will conduct our usual energy-saving activities and appropriate capital investment, including the introduction of higher-efficiency production equipment, in our efforts to optimize our energy use.

Medium and Long-term Targets

In the New Medium-Term Business Plan launched in April 2021, AICA set the following targets for the reduction of greenhouse gas (GHG) emissions. For Scope 1 and Scope 2, we set a goal of conducting a scenario analysis aimed at net zero GHG emissions, in response to the Japanese government’s declaration on net zero GHG emissions by 2050. We recognize that our current numerical target (reducing GHG emissions revenue intensity by 26% from FY 2013 levels) for the halfway point of FY2030 is insufficient. As such, we plan to engage in repeated discussion about raising our target alongside conducting this scenario analysis. We are not yet at the point of setting targets for Scope 3, but we will steadily work toward the establishment of calculation methods on a Group basis and on developing emissions reduction measures.

- Scope 1 and Scope 2**
(From AICA’s own activities)
 - Reduce GHG emissions revenue intensity by 10% by FY 2023 (compared to FY 2020)
 - Conduct simulations aimed at net-zero GHG emissions by 2050, and develop measures
- Scope 3**
(From other companies’ activities related to AICA’s own business activities)
 - Establish calculation methods for Scope 3 emissions and develop emissions reduction measures

□ Please refer to pages 23-30 for an overview of the Medium-Term Business Plan.

Targets and Achievements (Scope 1 and Scope 2)

FY2020 Targets*	FY2020 Achievements	FY2023 Targets
AICA Group production sites in Japan GHG emissions revenue intensity 3% year-on-year decrease 46.4 t-CO ₂ /100 million yen revenue or less	0.2% year-on-year decrease 47.8t-CO ₂ /100 million yen revenue	AICA Group GHG emissions revenue intensity 10% decrease from FY2020

* Due to the discovery of an error in the achievement figures for FY2019 and the resulting changes in the numbers, the numerical targets announced last year have been revised.

Major initiatives in FY2020

- ▶ Reinforcement of management of boiler equipment, e.g. optimization of temperature settings
- ▶ Improvement of efficiency by increasing quantity per lot of products placed in dryers
- ▶ Replacement of equipment to higher-efficiency models
- ▶ Reduction of product defect rate
- ▶ Stabilization of temperature inside curing chamber in extruded cement board manufacturing process



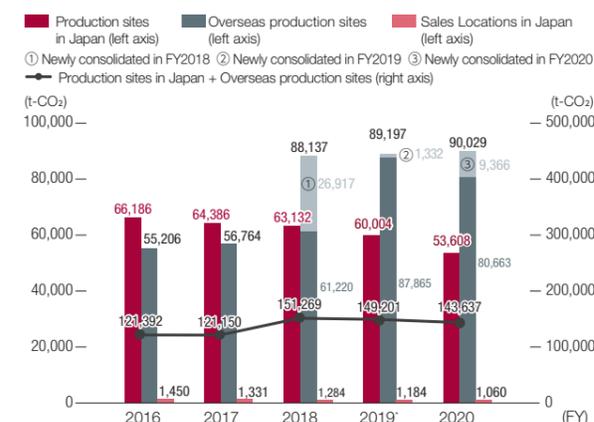
Air distribution fan (left) and heat retention curtain (right) newly installed to stabilize temperature inside curing chamber

Third-party assurance have been obtained for some environmental indicators, e.g. GHG emissions. Please refer to the Environmental Data at the back of this booklet (pages 61-64) for details.

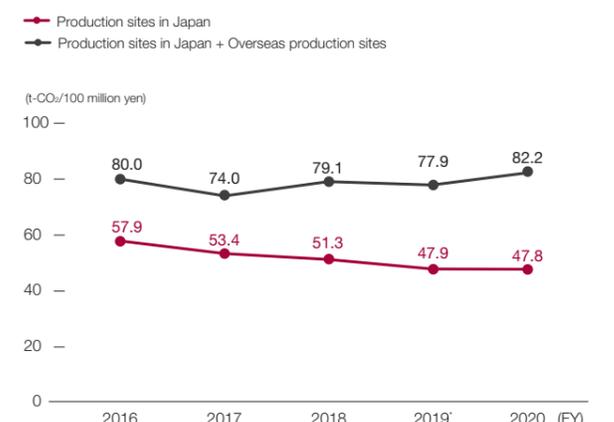
Achievement Trends (Scope 1 and Scope 2)

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

GHG emissions



GHG emissions revenue intensity



* Due to the discovery of an error in the achievement figures for FY2019, the figures for last year have been changed.

Environment

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 Achievements

Target scope: Domestic transport (Logistics in which AICA Kogyo Co., Ltd. is the shipper)

FY2020 Targets	FY2020 Achievements	FY2021 Targets
1% year-on-year decrease 43.00 kJ/1 million t-km or less	4.1% year-on-year increase 45.23 kJ/1 million t-km	1% year-on-year decrease 44.77 kJ/1 million t-km

Achievement Trends

Target scope: Domestic transport (Logistics in which AICA Kogyo Co., Ltd. is the shipper)

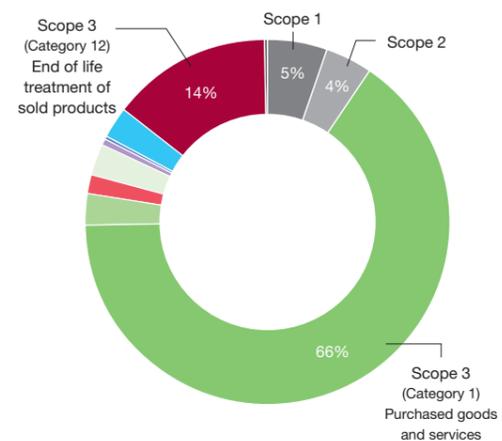
t-km energy use intensity in transport (kJ/1 million t-km)				
FY2016	FY2017	FY2018	FY2019	FY2020
44.99	44.58	44.12	43.44	45.23

Scope 3 Emissions

We have been working to identify and calculate GHG emissions related to product manufacture (LCA) since FY2006. In FY2013, we calculated our Scope 3 emissions for the first time. In FY2020, we conducted an extensive review of our Category 1, 5, and 12 calculation methods and updated our figures. Our calculations revealed that 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 (End of life treatment of sold products). Going forward, we plan to calculate our Scope 3 emissions for the major categories on an annual basis.

Please refer to pages 61-64 for details of emission volumes and for the status of third-party assurance obtained.

Breakdown of GHG Emissions at AICA Group Production Sites in Japan

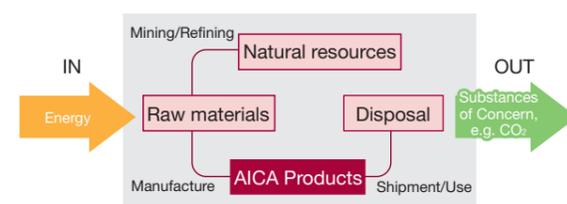


Use of LCA

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 on the global environment.

LCA Concept



Reduction of Industrial Waste / Recycling

Basic Approach

We began concrete initiatives for the reduction of industrial waste in 1998. This is an important environmental indicator for the entire Group. Reduction initiatives being considered and pursued include reducing the volumes of industrial waste generated and the processing of generated waste into valuable materials.

Targets and Achievements

FY2020 Targets	FY2020 Achievements	FY2023 Targets
AICA Group production sites in Japan Industrial waste generation revenue intensity 2% year-on-year decrease 41.7 tonne/100 million yen or less	26% year-on-year decrease 31.5 tonne/100 million yen	AICA Group Industrial waste emissions revenue intensity 10% decrease from FY2020
Landfill rate at production sites in Japan 1.0% or less	13.0%	-

Major initiatives in FY2020

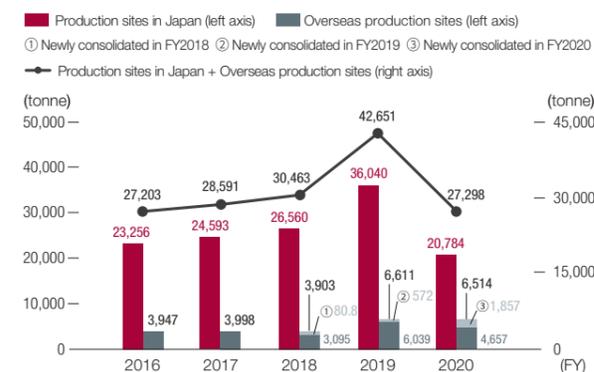
- Improvement of product defect rate
- Conversion of used film to valuable material
- Effective use of calcium silicate panel offcuts
- Reduction of effluent through introduction of automated container cleaning equipment



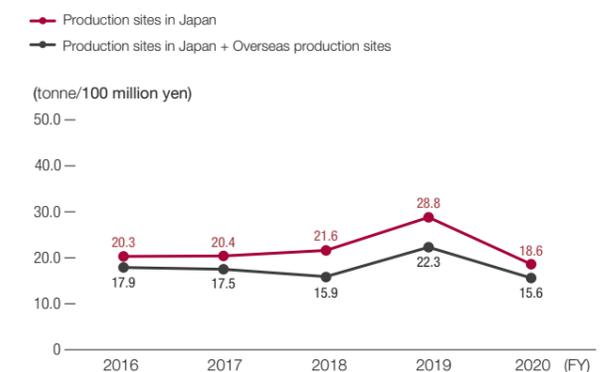
Achievement Trends

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

Industrial waste emission volumes*



Industrial waste emissions revenue intensity



*From this year's report, we have changed the indicator for industrial waste from "volume generated" to "emissions volume."

Environment

Reduction of Water Consumption

Basic Approach

The AICA Group strives to use water, a finite resource, effectively and makes a point of appropriate water use in all Group companies. In the new Medium-Term Business Plan that began in April 2021, we declared “Responding to climate change” as one of our materialities (material issues) and set targets for “reduction of water consumption revenue intensity in high-risk areas,” which is as one of our KPIs. We will strive to optimize water use in those areas after conducting on-site investigations.

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.

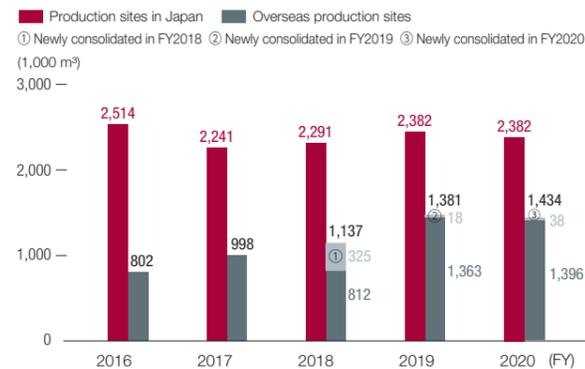
Some of our overseas production sites are located in countries with grave water situations. Each of our business sites is taking the necessary measures and managing its water usage with the recognition that water is a finite resource. With reference to AQUEDUCT, which is released by the World Resources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

Targets and Achievements

FY2020 Targets	FY2020 Achievements	FY2023 Targets
AICA Group production sites in Japan (excluding AICA-TECH Kenzai Co., Ltd.) Water intake production intensity 2% year-on-year decrease	6% year-on-year increase	Water consumption revenue intensity in high-risk areas 6% decrease from FY2020

Achievement Trends

Water usage



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

Actual water consumption in FY2020 in high-risk areas¹

Name of site	Location	Consumption
Aica Laminates India Pvt. Ltd.	Northwest India	26,100 m³
PT. AICA Indonesia PT. Techno Wood Indonesia	Cikampek (Indonesia)	25,300 m³
PT. AICA INDRIA (AAPH ² Group)	Pasuruan (Indonesia)	44,600 m³
Shenyang AICA-HOPE Kogyo Co., Ltd.	Northeast China	4,700 m³

¹ Sites assessed as at “extremely high” risk in WRI Aqueduct’s Overall Water Risk.

² AICA Asia Pacific Holding

Environmental Risk Management

State of Compliance with Environmental Laws

In FY2020, no Japanese site in the AICA Group was subject to correction directives from the competent authorities or to environment-related litigation.

Complaints from Neighbors and Responses

In FY2020, we made the following responses to complaints from neighbors of AICA Group’s Japanese sites.

Complaints from neighbors and responses

Location	Details	Response
AICA Kogyo Co., Ltd. Nagoya Plant	Early morning noise	Established that the noise was from forklift operations, so staff were educated about forklift driving and handling. Apologized to neighboring residents.
AICA Kogyo Co., Ltd. Jimokuji Plant	Liquid raw material stuck on vehicle in neighboring carpark	Established that raw material had leaked from the pipe of an outdoor storage tank and theorized that it had scattered in the wind. Conducted emergency repairs and took more permanent action of replacing pipe. Apologized to vehicle owner.
AICA-TECH Kenzai Co., Ltd. Nagoya Plant	Late-night noise	Conducted noise abatement measures on machinery near the northern edge of the site, which was the likely source of the noise. Prevention of no-load running of rotary valves and continued maintenance of chain bearings, etc.

Environmental Accidents

In FY2020, there were no environmental accidents that would have an impact outside AICA Group sites in Japan, but the following accidents related to us did occur. We share information and roll out responses horizontally across the Group to ensure that no inconvenience is caused to our neighbors or to the government agencies with jurisdiction.

Environmental Accidents

Location	Details	Response
Product delivery destination (Yokohama City)	Several 18-liter drums of chemical products being delivered to a customer fell off the truck’s load-carrying tray at the entrance of the customer’s premises. Approximately 100 kg of resin leaked from the drums, some of it flowing out onto the road.	The leaked resin was covered with sand as a stop-gap measure to prevent dispersal, and it was later collected. Rectified truck tray stacking methods.
Tanba Plant	Fire in dust-collection duct and machine. Assumed that there was a dust explosion in an outdoor pipe, which caused the dust inside the duct to ignite, with the fire moving into the machine.	Established that the exhaust pipe was made of vinyl chloride, which is highly electrostatic. The cause was determined to be ignition from static electricity of resin dust in the duct, so the exhaust pipe was changed to stainless steel to reduce electrostatic properties. Sprinkler placement was also changed.
Jimokuji Plant	In a building where epoxy is manufactured, curing agent was mistakenly poured into vat containing the principal agent, causing a sudden heat reaction that resulted in fumes.	Worker judged the container drum by external appearance only, mistaking the principal agent compounding ingredient (diluent) for the curing agent compounding ingredient. To prevent such misjudgments, curing agent was moved to a different location and the containers were differentiated by color.

Effective Use of Resources

The AICA Group strives to use resources effectively and to contribute to the realization of a circular economy. In product development, we adopt product specifications that consider efficient use of raw materials, and we are working to reduce the weight of packaging materials. In our production processes, we have set annual targets for the reduction of product defect rates with the aim of the effective use of raw materials and waste reduction. We are also working on the recycling of generated waste.

Recycling in collaboration with external companies in Japan

Collaborators	Details
Machinery manufacturer	Reduction of volume of waste resin and dewatered sludge
Compost manufacturer	Development of uses for compost
Compounding and granulating machinery manufacturer	Modify the properties of industrial waste sludge and process for fuel applications

Engagement with Stakeholders

Basic Approach to Engagement with Stakeholders

As a company that is widely trusted by society, we have instilled in our corporate policy our belief in the importance of fair and highly transparent compliance-based management in accordance with the law and social order and in 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

Voluntary Action Guidelines Concerning Product Safety

We believe that the most important challenge 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.

Product Safety Voluntary Action Guidelines - Basic Principles

- [1] Compliance with laws and regulations
- [2] Initiatives for ensuring product safety
- [3] Response to product-related incidents

Provision of Product Safety Information

In the midst of ever-increasing concerns about chemicals, including the enforcement of the Revised Buildings Standards Act, the revision of the standards for school environmental hygiene, and restrictions on chemical substances overseas, our business overall is widely involved in these issues.

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 responses.

Value Chain Collaboration

We have built a strong network to facilitate collaboration with the distributors and builders that handle our products. 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.

AICA Support Center

We have established the AICA Support Center as a direct point of contact with customers who have adopted our products. We are striving to improve the quality of responses to inquiries, including the introduction of a call center system in FY2018. To allow us to be of even more assistance, the Center is making efforts to enhance our proposal-making capabilities in collaboration with the business divisions.

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 the senior executives have checked them, and put responses into place.

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

AICA Home Page | About AICA | CSR Activities | Engagement with Stakeholders

<http://www.aica.co.jp/company/environ/principle/>

The company website is scheduled for relocation to a new website in January 2022.

Cultural Activities

Through the supply of high-quality products, we have strived to contribute in some small way to the elevation and development of architectural culture. With the intention of further contributions, we hold the AICA SEMINAR IN CONTEMPORARY ARCHITECTURE, the AICA DESIGN ACADEMY, and various contests for applications of our products.

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 this belief, in June 2017, we undertook a major overhaul of our earlier procurement policies and established the AICA Group CSR 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.

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 CSR 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 (parent company only) 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 dialogue, we aim for the mutual improvement of our standards.



Purchasing policy briefing

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.

Engagement with Stakeholders

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 (<http://www.aica.co.jp/company/ir/>) for information disclosure documents.

Communication with Shareholders and Investors

We take proactive steps, within a reasonable extent, to achieve constructive dialogue with our shareholders.

Any opinions and information obtained through such dialogue is reported to the Board of Directors and we strive to reflect it in future management and IR activities. 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. The Public Relations and IR Group responds to requests for individual interviews and telephone press inquiries. Any information to be disclosed in such cases is approved by a Representative Director and the Officer responsible for the matter at hand.

Number of individual dialogues with institutional investors in FY2020
196

Shareholder Returns

To realize the return of profits to our shareholders and the sustainable growth of the company, we plan to issue dividends that consider the consolidated performance of each period, payout ratios, and internal reserves.

Under our new Medium-Term Business Plan, "Change & Grow 2400," our basic policy is to issue shareholder returns in a stable manner, with a target consolidated payout ratio of 50%. Internal reserve funds will be used appropriately in consideration of investment efficiency from long-term perspectives. This includes prioritizing their use for capital investment for the expansion of existing core businesses and investments to increase future corporate value, such as M&As.

In FY2020 results, profits were down due to the extraordinary circumstances presented by the COVID-19 pandemic, but given that both ordinary profit and operating profit reached record high levels in the second half of the fiscal year and in consideration of past dividend payments and the capital adequacy rate, we increased the dividend by one yen per share. We also plan to pay a dividend of 108 yen per share, an increase of one yen, in FY2021.

Dividend and payout ratio

	FY2017	FY2018	FY2019	FY2020	FY2021 (projected)
Payout ratio	50.1%	50.5%	54.4%	64.9%	54.2%
Dividend	92 yen	103 yen	106 yen	107 yen	108 yen

External Evaluation

After our addition for the first time in 2019 to the FTSE4 Good Index Series and FTSE Blossom Japan Index, leading ESG indices developed by FTSE Russell, we have also been adopted for the next two years, 2020 and 2021.

We have been part of the JPX Nikkei Index 400, a stock index developed by the Japan Exchange Group, Inc., Tokyo Stock Exchange Group and Nikkei Inc., for nine consecutive terms.



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.

Donation of Antiviral Building Material, "Virutect," to Special Needs School Run by Aichi Prefecture

With the protraction of the COVID-19 pandemic, transmission prevention measures have been reinforced in schools, where students spend long periods of time in groups. This has placed increased burdens on the people in schools. To maintain sanitary conditions inside the schools, teachers and staff spend their breaks and time after lessons on transmission prevention measures, such as disinfecting desks and other various surfaces.

Under these circumstances, as part of our contribution to local communities through our products, we donated equipment and renovations using our antiviral building material, "Virutect," to Aichi Prefecture. Speaking about this donation, Ms. Chihiro Higaki and Ms. Kyoko Taguchi, teachers at the Aichi Prefectural Minato Special Support School, said, "Because we are a special needs school, almost all of our students have underlying conditions. The time spent on disinfection has increased to the extent that we feel as though we are disinfecting every time we do anything. We are particularly careful at mealtimes, when the students remove their masks, so we are extremely grateful for the donation of lunch tables and other equipment."



Donation of Goods for Prevention of Transmission of COVID-19 at Overseas Sites

With some areas of Asia suffering more severe COVID-19 levels than Japan, we donated transmission prevention goods to neighboring residents and nearby facilities.



AICA HATYAI Co., Ltd.

Aica Bangkok Co., Ltd.

Main donations made in FY2020

AICA Guangdong Co., Ltd. (China)	Donated masks, thermometers, and liquid sanitizer to nearby schools
AICA Shanghai Co., Ltd. (China)	Donated masks, thermometers, and liquid sanitizer to nearby schools
AICA Nanjing Co., Ltd. (China)	Donated masks, thermometers, and liquid sanitizer to nearby schools
KUNSHAN AICA KOGYO CO., LTD. (China)	Donated masks, thermometers, and liquid sanitizer to nearby schools
Shenyang AICA-HOPE Kogyo Co., Ltd. (China)	Donated masks, thermometers, and liquid sanitizer to nearby schools
PT. Techno Wood Indonesia (Indonesia)	Donated masks, gloves, and liquid sanitizer to nearby residents
PT. AICA INDRIA (Indonesia)	Donated PPE to nearby hospitals
AICA HATYAI Co., Ltd. (Thailand)	Donated food supplies and thermometers to support COVID-19 patients
Aica Bangkok Co., Ltd. (Thailand)	Donated masks and alcohol to local residents and nearby hospitals

11-Year Financial Summary

AICA Kogyo Co., Ltd. and consolidated subsidiaries

(FY)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Management Results (million yen)											
Net sales	89,216	95,071	101,353	141,096	143,843	150,061	151,633	163,726	191,363	191,501	174,628
[Net sales by segment] ¹											
Chemicals	31,568	32,569	33,594	69,316	75,081	77,269	74,881	82,911	109,062	103,945	90,446
Construction Materials	51,746	56,590	62,539	67,016	68,762	72,791	76,752	80,815	82,300	87,555	84,182
Electronics	5,901	5,911	5,219	4,762	-	-	-	-	-	-	-
Operating profit	9,286	10,564	12,069	14,527	15,181	16,184	18,099	19,092	20,834	20,850	17,991
Ordinary profit	9,447	10,771	12,640	14,748	15,885	16,352	18,374	19,600	21,249	21,333	18,438
Profit attributable to owners of parent	5,417	5,986	7,633	8,221	10,137	9,962	11,064	11,996	13,316	12,732	10,759
[Profit by segment] ^{1 2}											
Chemicals	2,350	2,154	2,471	4,258	4,673	5,417	6,223	6,537	7,444	8,123	7,109
Construction Materials	8,336	9,843	11,320	12,160	12,602	12,838	14,488	15,623	16,169	15,874	13,751
Electronics	527	581	475	430	-	-	-	-	-	-	-
Capital investment	1,502	2,004	2,828	3,829	2,960	2,934	3,876	4,522	7,896	8,487	6,113
Depreciation	2,835	2,514	2,216	2,998	3,100	3,491	3,458	3,569	4,173	4,632	5,683
R&D expenditure	1,786	1,878	2,012	2,146	2,356	2,597	2,672	2,856	3,208	3,454	3,327
Total assets	94,638	102,997	119,301	131,812	147,017	153,434	164,634	189,626	191,025	206,439	207,363
Net assets	72,124	76,191	85,006	94,389	107,226	112,501	119,685	132,616	136,116	146,221	150,505
Interest-bearing debt	1,038	747	1,342	2,746	3,376	1,898	2,041	5,152	5,298	7,194	7,671
Cash and cash equivalents: at end of period	28,510	30,114	18,981	23,772	35,220	37,449	47,622	48,896	45,379	40,644	41,185
Cash flow from operating activities	6,689	8,402	9,479	11,228	13,080	14,612	18,331	16,436	13,275	18,240	19,713
Cash flow from investing activities	1,464	(4,386)	(18,312)	(4,851)	(143)	(7,025)	(3,269)	(7,950)	(8,147)	(16,798)	(9,756)
Cash flow from financing activities	(2,242)	(2,403)	(2,363)	(1,950)	(1,912)	(4,849)	(4,587)	(7,406)	(7,557)	(6,210)	(9,179)
Free cash flow	8,153	4,015	(8,833)	6,377	12,936	7,586	15,062	8,485	5,127	1,442	9,957
Per Share Data											
Earnings per share (yen)	84.22	92.78	117.95	126.77	155.99	152.62	169.48	183.76	203.95	195.01	164.79
Net assets per share (yen)	1,109.01	1,166.27	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
Dividend per share (yen)	32.00	34.00	36.00	38.00	43.00	46.00	85.00	92.00	103.00	106.00	107.00
Payout ratio (%)	38.5	37.1	30.8	30.2	27.6	30.1	50.2	50.1	50.5	54.4	64.9
Financial Indicators											
Overseas sales ratio (%)	5.1	6.6	7.2	29.2	33.3	33.2	30.8	33.4	42.0	40.7	42.7
Operating profit margin (%)	10.4	11.1	11.9	10.3	10.6	10.8	11.9	11.7	10.9	10.9	10.3
Return on equity (ROE) (%)	7.8	8.2	9.7	9.5	10.4	9.4	9.9	10.1	10.7	9.9	8.1
Return on assets (ROA) (%)	5.9	6.1	6.9	6.5	7.3	6.6	7.0	6.8	7.0	6.4	5.2
Net debt-to-equity ratio (times)	0.015	0.010	0.016	0.030	0.033	0.018	0.018	0.042	0.042	0.055	0.057
Equity ratio (%)	75.5	73.2	68.6	69.2	70.2	70.4	69.8	64.7	66.2	63.1	65.0
Other Indicators											
Domestic naphtha price (yen)	46,300	54,500	55,100	65,300	69,700	46,000	32,800	40,500	51,000	42,000	33,000
Exchange rate (JPY/USD) ³	87.69	79.77	79.93	97.11	106.37	120.99	110.29	112.38	110.56	109.37	106.67
Number of new housing starts in Japan (10,000 units)	81.9	84.1	89.3	98.7	88.0	92.0	97.4	94.6	95.2	88.3	81.2
Area of non-residential building starts (1,000 m ²)	44,489	47,522	52,031	56,438	52,612	49,988	51,334	53,313	51,016	47,979	44,921

*1 With the sale of the Electronics Business in FY2014, some sections of the Electronics Business was transferred to the Chemicals Segment from FY2014.

*2 Operating profit before deduction of unallocated operating expenses *3 Annual average

Non-Financial Data (Environment)

Assured by an independent assurance provider

	Scope of Calculation	FY2016	FY2017	FY2018	FY2019	FY2020
Energy Use						
Energy inputs (TJ: Terajoules)	AICA Group total	2,308	2,429	3,029	1,971	1,939*
	Group in Japan total	1,179	1,221	1,200	808	758
	Group overseas total	1,129	1,208	1,829	1,163	1,181
Atmospheric Emissions						
GHG emissions Scope 1 (t-CO ₂)	AICA Group total	54,214	54,684	69,353	63,933	61,243*
	Group in Japan total	33,461	34,718	34,570	32,167	30,608
	Group overseas total	20,753	19,966	34,783	31,766	30,635
GHG emissions Scope 2 (t-CO ₂)	AICA Group total	67,178	66,466	81,916	85,269	82,394*
	Group in Japan total	32,725	29,668	28,562	27,838	23,000
	Group overseas total	34,453	36,798	53,354	57,431	59,394
GHG emissions Scope 3 (t-CO ₂)	Group in Japan total	/	/	/	/	517,456
	Category 1	Group in Japan total	/	/	/	378,633*
	Category 5	Group in Japan total	/	/	/	3,375*
	Category 12	Group in Japan total	/	/	/	79,594*
	Total of all other categories	Refer to calculation criteria	/	/	/	55,854
SOx (tonne)	Group in Japan total	6.2	5.9	5.4	5.3	5.9
NOx (tonne)	Group in Japan total	26.7	27.3	25.4	26.9	31.9
Soot and dust (tonne)	Group in Japan total	2.2	2.5	3.7	9.4	9.3
Substances subject to PRTR (VOC) (tonne)	Group in Japan total	54.5	56.6	56.5	52.1	53.6
Use of Substances						
Substance inputs (tonne)	Group in Japan total	272,091	257,770	317,041	305,457	247,158
Raw materials (tonne)	Group in Japan total	261,152	241,096	279,580	284,565	231,117
Ancillary materials (tonne)	Group in Japan total	744	575	625	629	538
Containers and packaging materials (tonne)	Group in Japan total	10,195	10,392	31,555	15,147	11,576
Substances subject to PRTR (tonne)	Group in Japan total	(32,842)	(40,115)	(30,274)	(40,582)	(25,458)
Product Shipment						
Product shipment volumes (tonne)	Group in Japan total	243,260	237,756	255,093	268,552	216,818
In-house Recycling of Waste						
Heat recovered (thermal recycling) (tonne)	Group in Japan total	16,565	17,572	16,445	17,203	12,224
Industrial Waste Emissions						
Industrial waste emission volumes (tonne)	AICA Group total	27,203	28,591	30,463	42,651	27,298
	Group in Japan total	23,256	24,593	26,560	36,040	20,784
	Group overseas total	3,947	3,998	3,903	6,611	6,514
External recycling (tonne)	Group in Japan total	22,634	22,045	25,836	24,708	16,182
Landfill disposal (tonne)	Group in Japan total	411	2,195	589	11,309	4,593
Substances subject to PRTR (Including VOC) (tonne)	Group in Japan total	13.3	11.7	13.1	15.1	12.6

	Scope of Calculation	FY2016	FY2017	FY2018	FY2019	FY2020
Use of Water Resources						
Water withdrawal volume (1,000 m ³)	AICA Group total	3,319	3,239	3,334	3,763	3,818
	Group in Japan total	2,517	2,241	2,291	2,382	2,384
	Group overseas total	802	998	1,043	1,381	1,434
Ground water (1,000 m ³)	AICA Group total	2,474	2,314	2,467	2,468	2,425
Industrial water (1,000 m ³)	AICA Group total	519	582	61	172	1,103
Municipal water supply (1,000 m ³)	AICA Group total	327	343	806	1,123	290
Released into Waterways						
COD (tonne)	Group in Japan total	34.4	39.5	22.3	11.8	31.2
Nitrogen (tonne)	Group in Japan total	9.0	10.2	15.8	5.6	11.7
Phosphorous (tonne)	Group in Japan total	2.7	3.9	3.3	6.9	6.1
Substances subject to PRTR (tonne)	Group in Japan total	0.3	0.4	0.5	0.6	0.5

Scope and Criteria for Calculation of Environmental Indicators

• Target scope

The target scope of each category is clearly stated. The breakdown of sites and locations is as follows.

Group 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.

Group 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

AICA Group: All production sites of the AICA Group in Japan and overseas

• Energy use

– Energy input volumes are the sum of the values obtained by multiplying the volume of each energy use by the unit calorific value of each fuel type and the value obtained by multiplying steam input volume by the unit calorific value. For unit calorific values, we used the Ministry of the Environment's Calculation Methods and List of Factors for Calculation, Reporting, and Publication Programs. Further, whereas we had previously used primary energy inputs for purchased power volumes, from this report, we have changed to calculating it by energy consumption at 1 kWh = 3.6 MJ. This change has been applied retrospectively to revise the FY2019 figures.

• Greenhouse gas emissions

– 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. 4.7). For the electric power emissions factors, we used the national average of general power distribution companies from the List of Emissions Factors by Power Supplier (For 2021 Submission) (Ministry of the Environment/Ministry of Economy, Trade and Industry) for Japan sites and the International Energy Agency's (IEA) Emissions Factors (2020) for overseas sites.

– Scope 3 calculations were calculated in line with the Basic Guidelines for Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.3) 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.

Category 1:	Target scope: Group in Japan Weight or value of raw materials, products, etc. purchased in FY2020 multiplied by emissions factor. For emissions intensity, we used either (1) LCI Database IEA 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. 3.1) (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 the calculations, but these calculations cover around 90% of all purchased raw materials either on a weight or value basis.	Category 7:	Target scope: AICA Kogyo Co., Ltd. Non-consolidated FY2013 supplementary commuting expenses multiplied by emissions factor.
Category 2:	Target scope: AICA Kogyo Co., Ltd. Non-consolidated Amount of capital investment in FY2013 multiplied by emissions factor.	Category 8:	Lease assets are minor and have been excluded from calculations.
Category 3:	Target scope: Group in Japan Purchased power and fuel volumes in FY2020 multiplied by the emissions factor at time of purchase in LCI Database IEA Version 2.3.	Category 9:	Target scope: AICA Kogyo Co., Ltd. Non-consolidated Shipped ton-kilograms of FY2013 logistics (transport, stevedoring, storage) for delivery of sold products to final consumer, for which AICA Kogyo Co., Ltd. was the shipper.
Category 4:	Target scope: AICA Kogyo Co., Ltd. Non-consolidated Calculated based on shipped ton-kilograms of FY2013 logistics (transport, stevedoring, storage) in which AICA Kogyo Co., Ltd. was the shipper	Category 10:	Identified as relevant, but emissions have not been calculated due to the difficulties of calculating emissions for the individual processes of our many and diverse products.
Category 5:	Target scope: Group in Japan Industrial waste emission volumes in FY2020 multiplied by emissions factor.	Category 11:	There are no greenhouse gas emissions in the use of our products.
Category 6:	Target scope: AICA Kogyo Co., Ltd. Non-consolidated FY2013 travel expenses multiplied by emissions factor.	Category 12:	Target scope: Group in Japan Calculated by multiplying weight of products sold in FY2013 by 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:	Power use accompanying use of leased buildings in FY2013 multiplied by emissions factor.
		Category 14:	No applicable businesses.
		Category 15:	Some company funds are invested, but the percentage of our shareholdings in each investee company is slight and has an extremely low impact on business activities, so this category has been excluded from calculations.

Non-Financial Data (Human Resources and Labor)

	Scope of Calculation	FY2016	FY2017	FY2018	FY2019	FY2020
Employment (as of end of fiscal year unless otherwise indicated)						
Employees [Consolidated] ¹	AICA Group total	3,349	3,850	3,920	4,781	4,796
Employees [Non-consolidated] ¹	AICA Kogyo Co., Ltd. Total	1,097	1,175	1,194	1,239	1,228
Male	AICA Kogyo Co., Ltd. Total	926	993	991	1,026	1,011
Female	AICA Kogyo Co., Ltd. Total	171	182	203	213	217
Number of non-regular employees	AICA Kogyo Co., Ltd. Total	111	166	234	248	239
Percentage of non-regular employees	AICA Kogyo Co., Ltd. Total	9.1%	12.3%	16.3%	16.6%	16.2%
Number of new-graduate recruits ²	AICA Kogyo Co., Ltd. Total	41	54	60	36	21
Male	AICA Kogyo Co., Ltd. Total	32	38	48	28	18
Female	AICA Kogyo Co., Ltd. Total	9	16	12	8	3
Newly engaged employees under the re-employment scheme	AICA Kogyo Co., Ltd. Total	16	18	27	14	15
Number of employees with disabilities	AICA Group	17	23	24	28	31
	AICA Kogyo Co., Ltd. Total	17	21	22	24	26
Percentage of employees with disabilities ³	AICA Group	0.5%	0.6%	0.6%	0.6%	0.6%
Statutory employment rate of people with disabilities ⁴	AICA Kogyo Co., Ltd. Total	1.93%	2.26%	2.26%	2.35%	2.66%
Years of service (as of end of fiscal year unless otherwise indicated)						
Average years of service ⁵	AICA Kogyo Co., Ltd. Total	15.3 years	15.5 years	15.4 years	15.5 years	16.1 years
Male	AICA Kogyo Co., Ltd. Total	15.8 years	16.0 years	16.0 years	16.1 years	16.6 years
Female	AICA Kogyo Co., Ltd. Total	12.5 years	12.8 years	12.5 years	12.8 years	13.7 years
Staff turnover rate ⁶	AICA Kogyo Co., Ltd. Total	1.7%	2.2%	3.3%	3.0% ¹¹	2.7%
Staff turnover rate after 3 years ⁷	AICA Kogyo Co., Ltd. Total	3.8%	13.0%	16.1%	16.1%	17.5%
Union membership (as of end of fiscal year)						
Rate of union membership	AICA Kogyo Co., Ltd. Total	80.2%	80.5%	80.4%	80.9%	80.7%
State of paid leave consumption⁸						
Average days taken	AICA Kogyo Co., Ltd. Total	8.2 days	10.3 days	11.3 days	12.1 days	10.3 days
Average rate of leave taken	AICA Kogyo Co., Ltd. Total	45.0%	56.0%	61.7%	66.7%	55.9%
State of industrial accidents						
Fatal accidents	Group companies in Japan	0	0	0	0	0
Lost-time accidents	Group companies in Japan	2	7	6	7	6
Of which, those involving people other than full-time employees	Group companies in Japan	0	3	6	4	4
Non-lost-time accidents	Group companies in Japan	12	10	12	13	6
Of which, those involving people other than full-time employees	Group companies in Japan	4	4	7	6	1
Industrial accident frequency rate ⁹	Group companies in Japan	0.82	1.73	0.00	0.83	2.85
Industrial accident severity rate ¹⁰	Group companies in Japan	0.05	0.05	0.00	0.00	0.08

¹ Excludes temporary workers (non-regular employees).

² Graduates of high school, university, and graduate school. Number of new recruits joining in April of following fiscal year.

³ Figure obtained by dividing number of employees with disabilities by total number of employees. This differs from the calculation method for statutory employment rate (legally-prescribed minimum employment rate for persons with disabilities).

⁴ Calculated according to calculation method for statutory employment rate. Figure calculated on June 1 every year.

⁵ Figures are for permanent employees.

⁶ Calculated by dividing number of employees who resigned for personal reasons each fiscal year by number of employees at beginning of that fiscal year.

⁷ Calculated for graduates of university and graduate school.

⁸ Target periods: Until FY2017: September 16 of previous fiscal year to September 15 of current fiscal year; From FY2018: March 16 of previous fiscal year to March 15 of current fiscal year.

⁹ Frequency rate = Number of fatalities and injuries caused by industrial accidents (excluding non-lost time accidents) x 1,000,000 ÷ Total work hours
Figures are for permanent employees.

¹⁰ Severity rate = Work-days lost x 1,000 ÷ Total work hours. Figures are for permanent employees.

¹¹ Amended due to the discovery of errors in figures disclosed last fiscal year.

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, 2020 to March 31, 2021 included in its AICA Report 2021 (the “Report”) for the fiscal year ended March 31, 2021.

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 which are derived from the GRI Standards, the Environmental Reporting Guidelines of Japan’s Ministry of the Environment and ISO26000.

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.
- Making inquiries and reviewing materials including documented evidence of two of the Company’s factories selected on the basis of a risk analysis, as alternative procedures to site visits.
- 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 Control

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 Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Yukinobu Matsuo, Partner, Board Director
KPMG AZSA Sustainability Co., Ltd.

Osaka, Japan

January 21, 2022

AICA Group Network

Chemical Products Business:

- AICA Asia Pacific Holdings Group
- Evermore Chemical Industry Group

Construction Materials Business:

- AICA Kogyo Production sites
- AICA Kogyo Sales Locations
- Group companies in Japan

South Asia

- Chemical Products Business
 - DYNEA PAKISTAN Limited (Manufacture, Sales)
- Construction Materials Business
 - Aica Laminates India Pvt. Ltd. (Manufacture, Sales)

Southeast Asia

- Chemical Products Business
 - AICA Asia Pacific Holding Pte. Ltd. (Holding company)
 - Aica Bangkok Co., Ltd. (Manufacture, Sales)
 - AICA HATYAI Co., Ltd. (Manufacture, Sales)
 - Thai Chemical Corporation Ltd. (Manufacture, Sales)
 - AICA Dong Nai Co., Ltd. (Manufacture, Sales)
 - Aica Adtek Sdn. Bhd. (Manufacture, Sales)
 - AICA Malaysia Sdn. Bhd. (Manufacture, Sales)
 - AICA Singapore Pte. Ltd. (Manufacture, Sales)
 - PT. AICA INDRIA (Manufacture, Sales)
 - PT AICA MUGI INDONESIA (Manufacture, Sales)
 - Top Well Elastic Technology CO., LTD. (Sales)
 - U-BEST VIET NAM POLYMER INDUSTRY CO., LTD. (Manufacture, Sales)
 - NISHI TOKYO CHEMIX VIETNAM COMPANY LIMITED (Sales)

East Asia

- Chemical Products Business
 - AICA Guangdong Co., Ltd. (Manufacture, Sales)
 - Aica Nanjing Co., Ltd. (Manufacture, Sales)
 - KUNSHAN AICA KOGYO CO., LTD. (Manufacture, Sales)
 - Shenyang AICA-HOPE KOGYO Co., Ltd. (Manufacture, Sales)
 - Aica Shanghai Co., Ltd. (Sales)
 - EVERMORE CHEMICAL INDUSTRY CO., LTD. (Manufacture, Sales, Holding company)
 - POU CHIEN CHEMICAL CO., LTD. (Manufacture, Sales)
 - LEADERSHIP (SHANGHAI) CO., LTD. (Sales)
 - TOPCO (SHANGHAI) CO., LTD. (Sales)
 - CHEM-MAT TECHNOLOGIES CO., LTD. (Manufacture, Sales)
 - GIANT STAR TRADING CO., LTD. (Sales)

Construction Materials Business

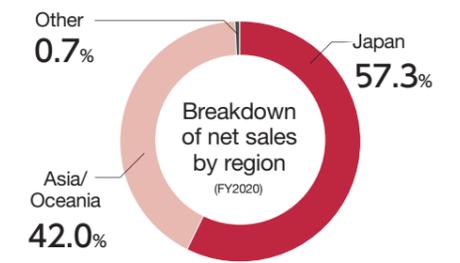
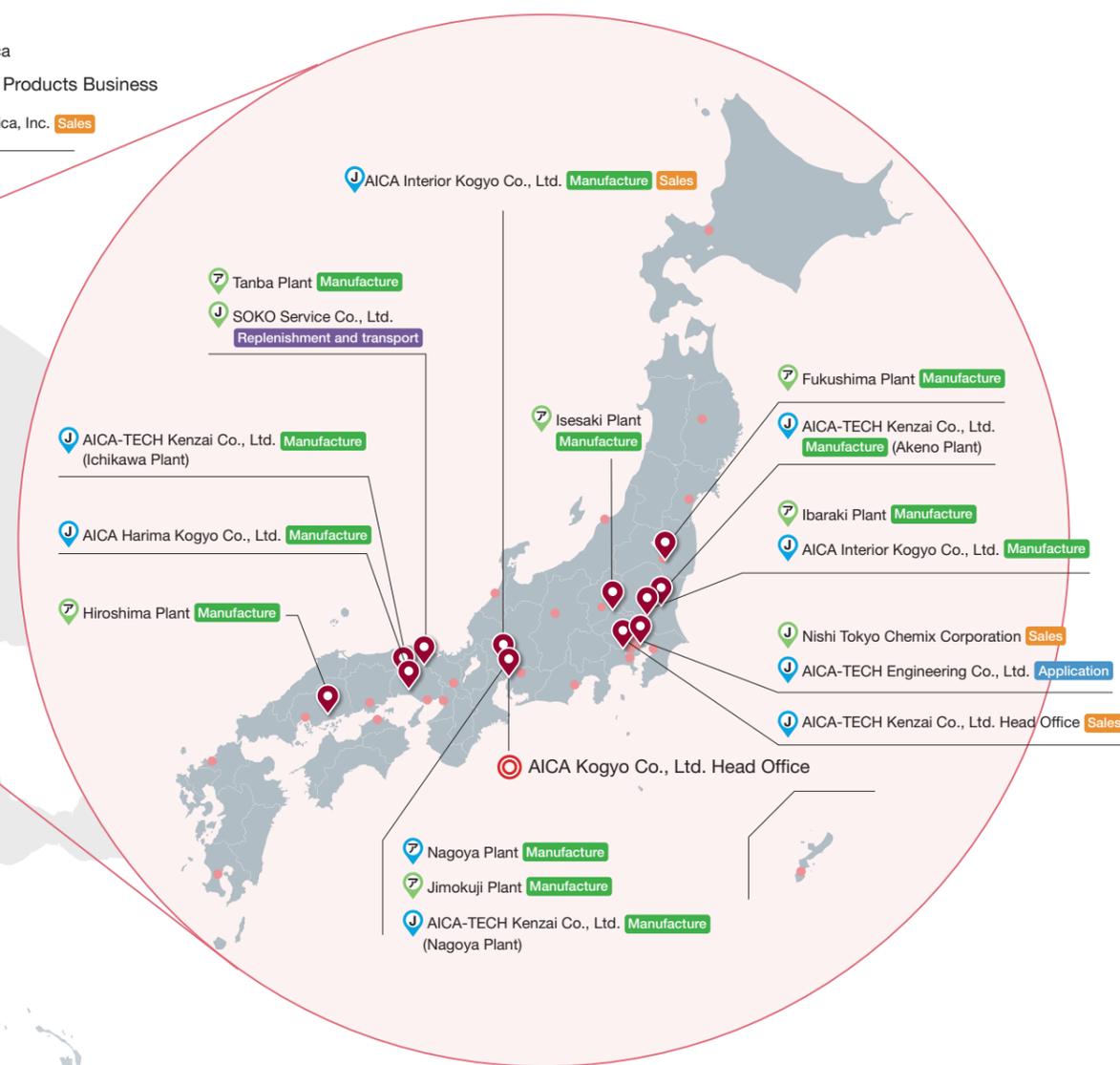
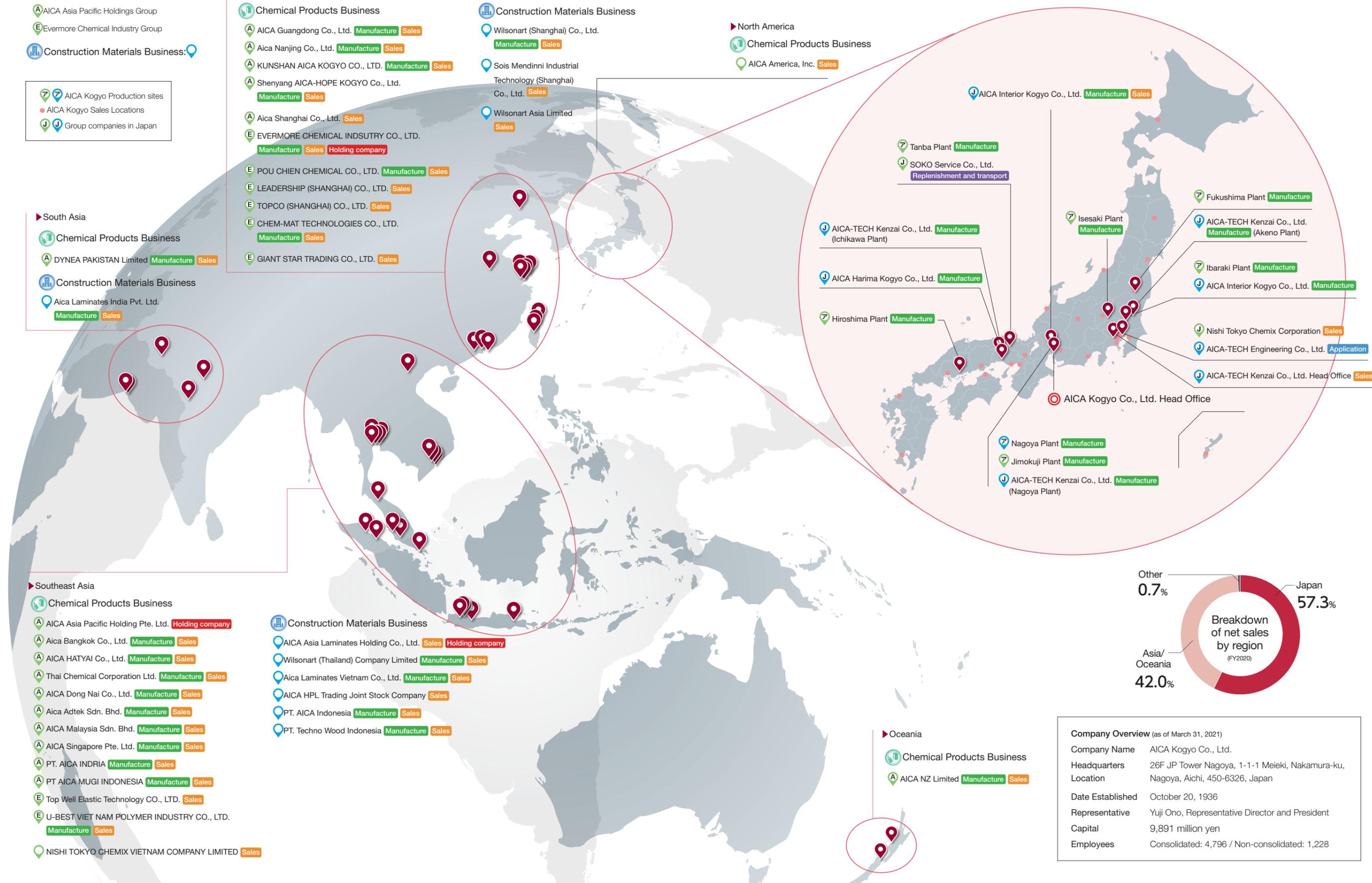
- Wilsonart (Shanghai) Co., Ltd. (Manufacture, Sales)
- Sois Mendinni Industrial Technology (Shanghai) Co., Ltd. (Sales)
- Wilsonart Asia Limited (Sales)

North America

- Chemical Products Business
 - AICA America, Inc. (Sales)

Oceania

- Chemical Products Business
 - AICA NZ Limited (Manufacture, Sales)



Company Overview (as of March 31, 2021)	
Company Name	AICA Kogyo Co., Ltd.
Headquarters Location	26F JP Tower Nagoya, 1-1-1 Meieki, Nakamura-ku, Nagoya, Aichi, 450-6326, Japan
Date Established	October 20, 1936
Representative	Yuji Ono, Representative Director and President
Capital	9,891 million yen
Employees	Consolidated: 4,796 / Non-consolidated: 1,228