



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



AICA Report 2024

AICA Kogyo Co., Ltd. **AICA** Report 2024

VALUE
CREATION
3000 & 300

AICA KOGYO CO., LTD.

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Issued Feb. 2025

CHEMISTRY X DESIGN

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

Toward a sustainable global corporate entity

Even today, AICA's field of activities is still expanding.

It includes residential, commercial and public facilities, hospitals, offices, hotels, and other buildings.

Our wide-ranging work can also be seen in areas such as automobiles, electronic products, cosmetics, clothing, and shoes.

We are active in Japan and around the world.

AICA will continue to create new value through the synergy between Chemistry and Design

as we enrich the lives of people and societies around the world.

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Editorial Policy

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

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Reference Guidelines

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

Target Period

This report is a summary of the activities of the AICA Group in FY2023. It also includes information about some activities from FY2024.

Target Boundaries

This report describes the initiatives undertaken by Aica Kogyo Co., Ltd. and its consolidated subsidiaries in Japan and overseas. The individual target boundaries for the data are as follows:

AICA Group: Aica Kogyo Co., Ltd. and consolidated subsidiaries in Japan and overseas

AICA Group in Japan: Aica Kogyo Co., Ltd. and consolidated subsidiaries in Japan

AICA Group overseas: Consolidated subsidiaries overseas

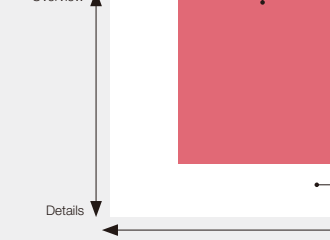
This report introduces a selection of matters that are important for us to maintain and improve our sustainability. For more detailed data and product information, both financial and non-financial, we invite you to visit our website.

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

Reported in the AICA Report
Reporting around business strategies



Overview



Reporting on the website
More detailed information included



External Evaluation



FTSE4Good



FTSE Blossom
Japan



FTSE Blossom
Japan Sector
Relative Index



2024
健康経営優良法人
Health and productivity



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



All Japanese Listed
Company's Website
Ranking by Nikko investor
Relations Co., Ltd.

AICA Policies

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

Corporate Principle

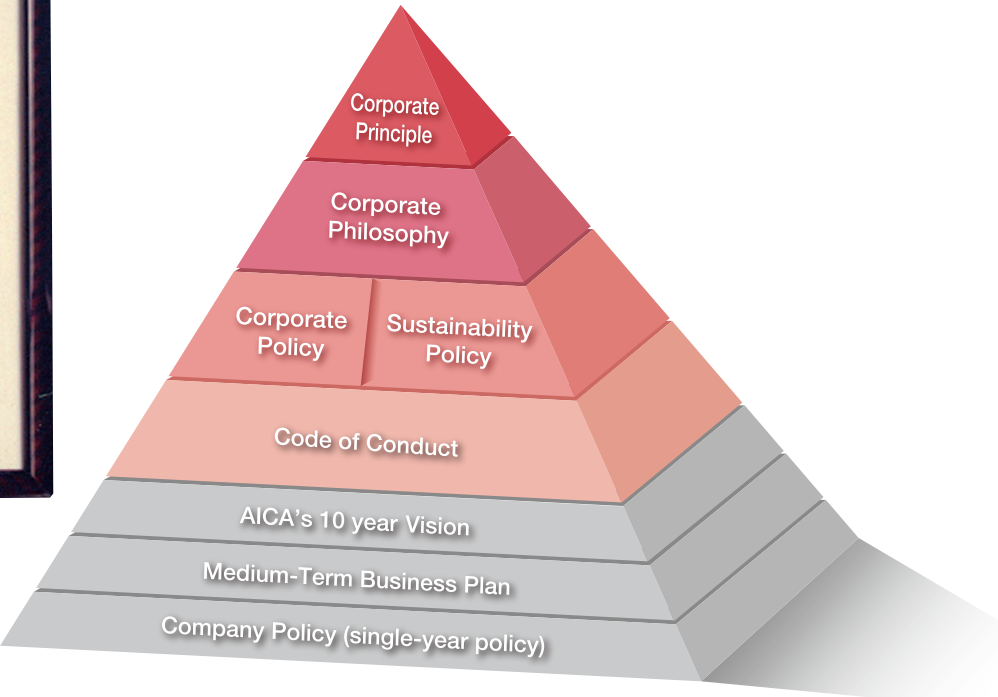
Challenge and Creation



Corporate Philosophy

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

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



Corporate Policy

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

Sustainability Policy

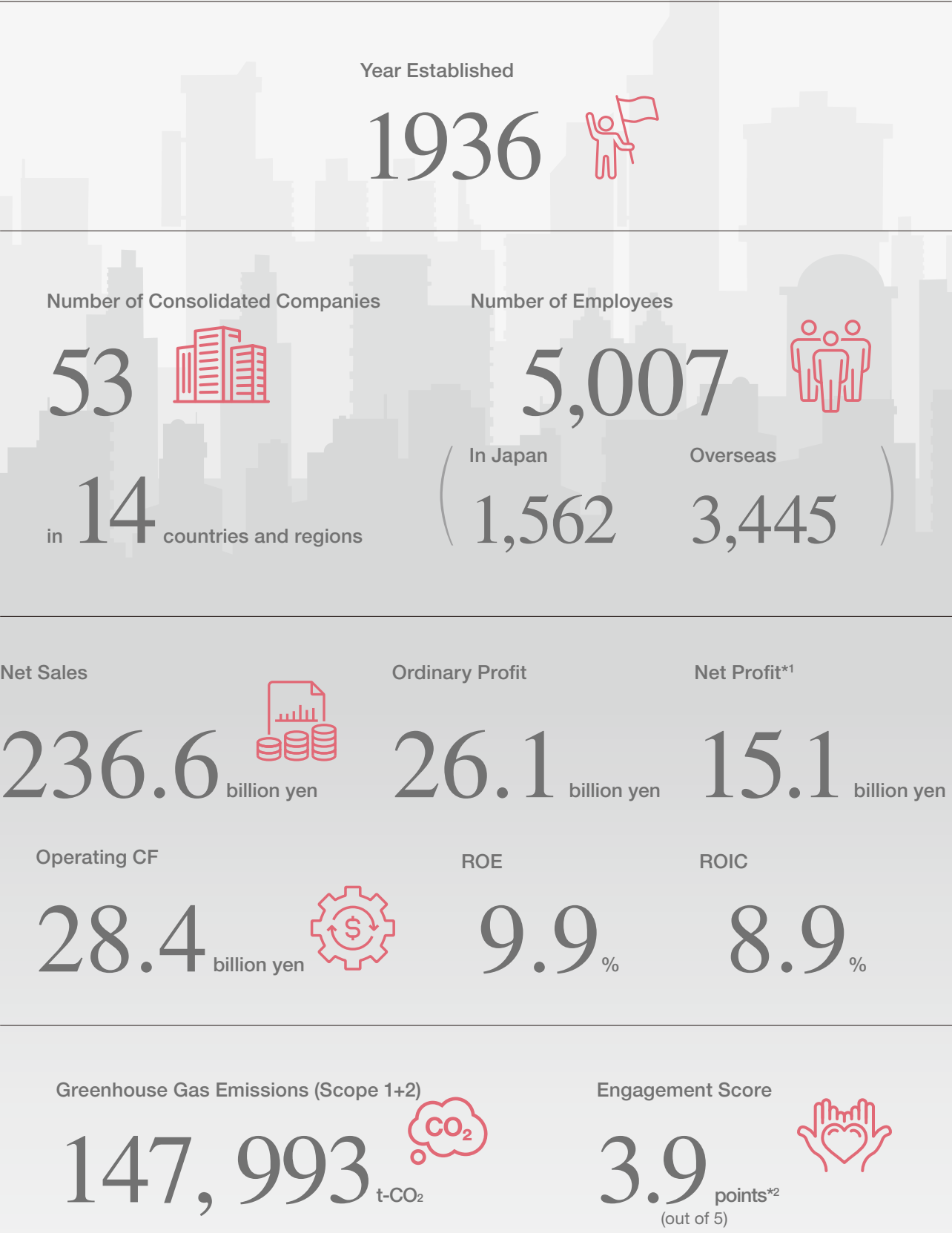
- 1. We address social issues through our business activities to contribute to the creation of a better society.
- 2. We have established “Compliance with laws and regulations,” “Respect for human rights,” “Harmony with society,” “Fair business practice,” “Customer’s security and trust,” “Proper information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

Code of Conduct

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

AICA at a Glance

AICA's Current Status (FY2023 results or figures as of March 31, 2024)



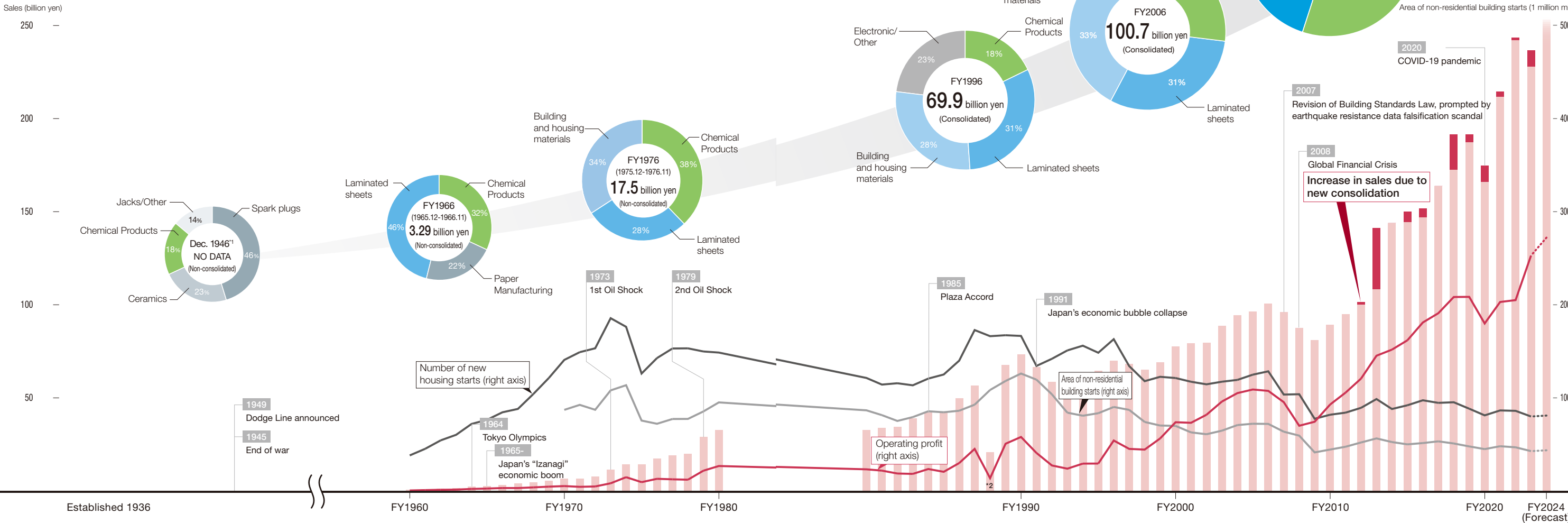
*1: Net profit attributable to owners of the parent
*2: Based on FY2022 results, as surveyed every two years

AICA's Strengths (FY2023 results or figures as of March 31, 2024)



Transformation of Value Creation

With the resin synthesis technologies that we have cultivated since our foundation at the core, we have reorganized 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.



1936–1950

1951–1965

1966–1980

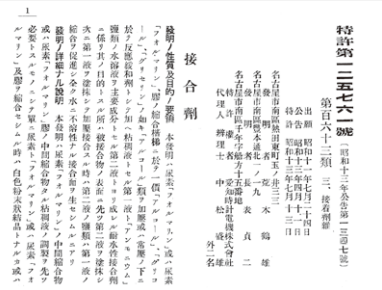
1981–1995

1996–2010

2011–

Started in business as a chemical manufacturer

- Launched Japan's first urea-based resin adhesive “AICHI-MUTEKI-NORI” (1939)
- Expanded ceramics, spark plug, paper manufacturing, and other businesses



1936 Patent application for urea-based resin adhesive

AICA enters the Laminated Sheets business

- Launched melamine resin-baked paint (1951)
- Launched “AICA” high-pressure laminate (HPL) (1960)



High-pressure laminate (HPL) plant completed in 1959

Shift to general construction materials manufacturing

- Launched “AICA POSTFORM” (1968)
- Launched wall coating material, “JOLYPATE” (1975)
- Launched premium wooden door, “EASTERN CHERRY DOOR” (1978)



“JOLYPATE” released in 1975
A long-selling product that still has many fans

Becomes the top manufacturer of high-pressure laminate

- Launched AICA COLOR SYSTEM 105 high-pressure laminate (HPL) (1984)
- No. 1 domestic market share for high-pressure laminate (HPL)
- Launched “CERARL” melamine fire retardant decorative panel (1989)
- “CERARL” became a huge success as kitchen paneling during the second half of the 1990s



AICA COLOR SYSTEM 105, which was launched in 1984, became the cornerstone of the company's top high-pressure laminate (HPL) domestic market share.

Building an environment management foundation

- Inaugural edition of “Environmental Report” (1999)
- Launched eco-friendly adhesive “AICA ECO-ECO BOND” (2001)
- Established R&D Center in order to enter electronic materials business, the forerunner of the Specialty & Performance Materials Business (2002)



Inaugural edition of “Environmental Report” (1999)

Expanded overseas businesses through M&As

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



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

Business Overview

Combining its strengths in Chemistry and Design, AICA has developed highly innovative product lines in its two business segments of Chemical Products and Laminates & Building Materials. AICA's technology supports many aspects of daily life and a wide range of architectural structures.

Chemical Products Segment

Fundamental business operations cultivating core technologies

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

Business domains

In many aspects of daily life

Woodworking

Construction

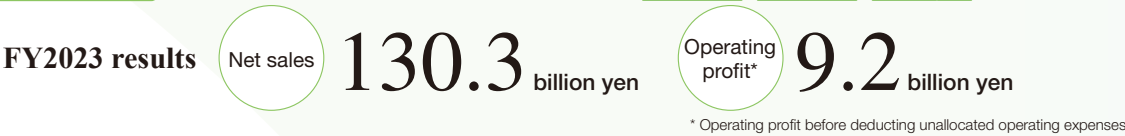
Civil engineering

Automobiles

Electronic materials

Industrial products

Household goods



Laminates & Building Materials Segment

Providing distinctive products leveraging chemical technology

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

Business domains

Encompassing a wide range of parts for a wide range of buildings

Medical facilities

Hotel facilities

Factories and warehouses

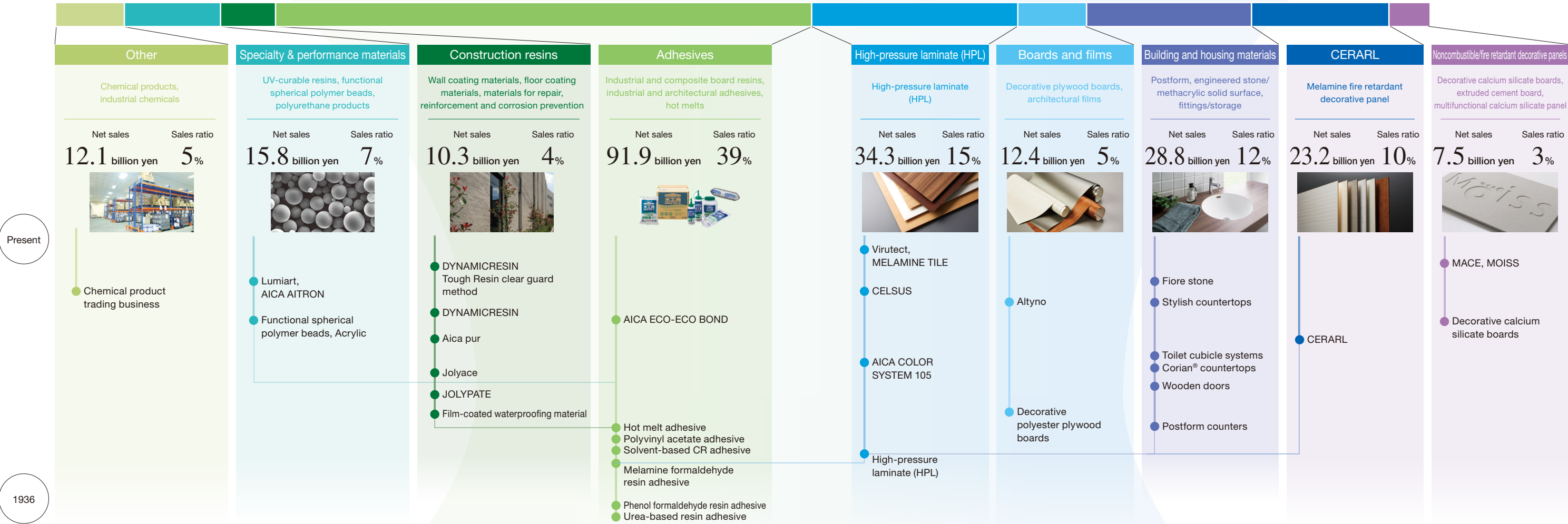
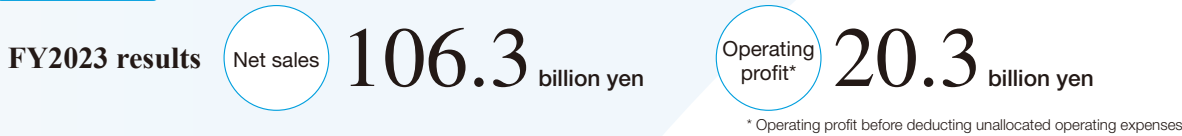
Homes

Commercial facilities

Offices

Educational and cultural facilities

Transportation facilities



We provide products with added values through a wide range of features that incorporate technological expertise cultivated over many years in the Chemical Products business.

- Resin synthesis technologies
- Blending technologies
- Dispersion, emulsification, and powdering technologies
- Adhesive and bonding technologies
- Painting and coating technologies

Chemistry

Design

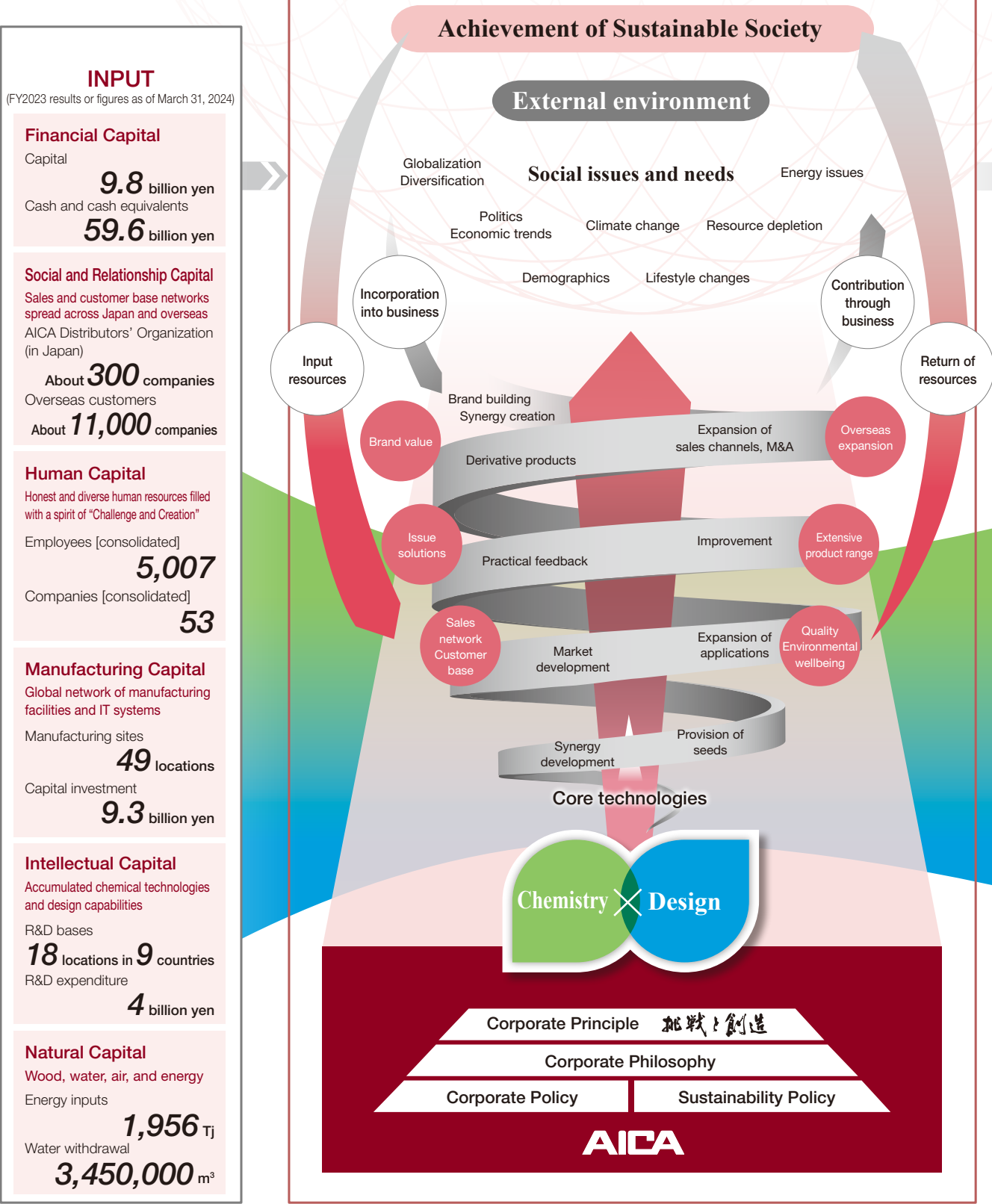
AICA design encompasses not just beauty in the form of colors and patterns, but the product itself, construction methods, and other aspects of construction, including safety and user-friendly features that are clear and understandable for everyone.

- Inclusive design*1
- CMF*2 design
- Surface material molding and processing technologies
- Inorganic material molding technologies
- Construction method development technologies

*1: An approach to designing products and services that are accessible to everyone, regardless of age, gender, ability, culture, or background.
*2: Abbreviation for color, material, and finish.

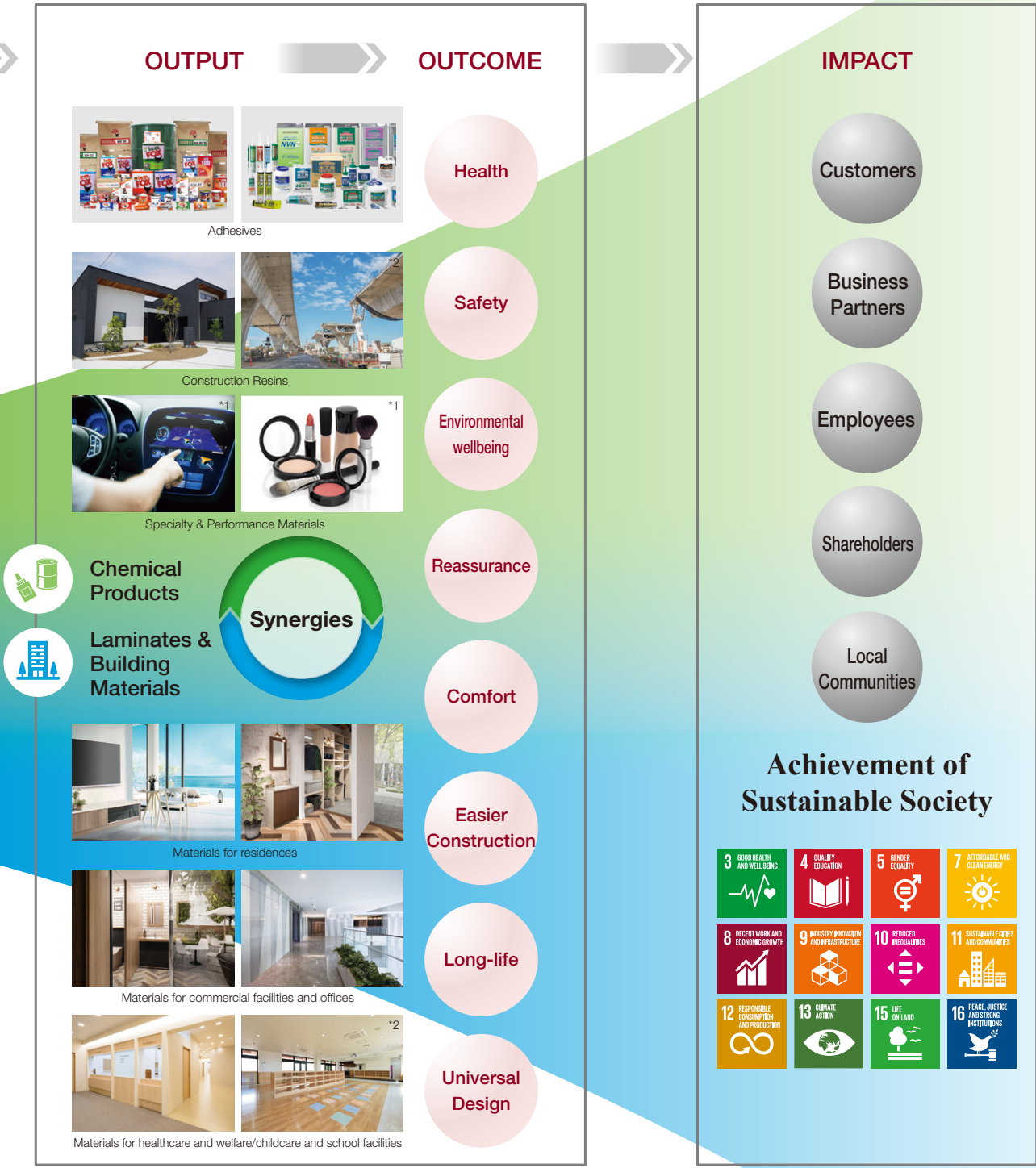
AICA's Value Creation Model

Source of Value Creation (Business Model)



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

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



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

Message from the President

Kenji Ebihara

Representative Director and President

Striving for greater social and corporate sustainability by delivering products of proven value

Review of FY2023 and Aspirations for FY2024

Business Overview

Our consolidated financial results for FY2023 show that while net sales declined by 2.2% YoY to 236,625 million yen, operating profit rose 23.0% YoY to 25,286 million yen, ordinary profit rose 18.3% YoY to 26,135 million yen, and net income attributable to owners of parent increased 50.5% to 15,135 million yen. While net sales were down both YoY as well as compared to target values, we achieved record highs in operating profit, ordinary profit, and net income attributable to owners of parent.

I am quite pleased by these results, especially since our primary task this year was to improve profitability, one of the three pillars identified in our Medium-Term Business Plan. Profitability was a pressing issue because, partly due to COVID-19, profits had been a major challenge in recent years. While individual Group companies faced various challenges, each made steady progress in addressing these issues. In fact, profits increased across all our businesses. Achieving steady profits means we can move ahead with bold investments to secure future growth, boost wages, strengthen advertising campaigns, and improve workplace environments. I expect us to remain in this virtuous cycle for the foreseeable future.

Outlook for FY2024

Based on our continuing improvements in profitability since FY2023, we were able to revise first-half performance forecasts upward. In our Japanese businesses in particular, our high-value-added products showed steady growth, bolstering our business results. We are currently focused on growing sales of products that contribute most to revenue and profits. One example of this in our Chemical Products segment is floor coating materials, for which there is growing demand for use in factories. In our Laminate & Building Materials segment, we are promoting Smart Sanitary products, sales of which have grown for seven consecutive years since their introduction. Overseas, while we expect the slowdown in the China market to have some impact, we will continue to grow our business by expanding sales of both new and focused products.

Progress on the Medium-Term Business Plan

Progress on Managerial KPIs

As stated earlier, while we were unable to achieve targeted results in sales, we succeeded in growing profits far beyond expectations. As a result, ROE grew more than planned, and ROIC met the targeted level. These results were based on the Medium-Term Business Plan’s first basic policy of “improvement of profitability,” which has yielded positive outcomes. With this result, we will now focus our efforts on the second basic policy of “creation and expansion of growth businesses” by investing management resources in AS Product development and sales expansion as well as in our overseas businesses.

■ Medium-Term Business Plan Progress (Financial Targets)

	Previous Medium-Term Business Plan	1st Year		2nd Year	
	FY2022 (results)	FY2023 (revised forecast*3)	FY2023 (results)	FY2024 (revised forecast*4)	4th Year
Net sales	242.0	237.0	236.6	250.0	300.0
Ordinary profit	22.0	25.5	26.1	28.3	30.0
AS product ¹ sales ²	19.3	22.0	21.7	24.0	28.0
Overseas net sales ratio	51.2%	50% or more	47.8%	50% or more	50% or more
ROE	6.9%	9.5%	9.9%	9.3%	Approx. 10%
ROIC	8.1%	8.9%	8.9%	9.0%	Approx. 8%

(billion yen)

*1: Aica Solution products to address various social issues. *2: For Aica Kogyo Co., Ltd. *3: Revised forecast issued in January 2024 *4: Revised forecast issued in July 2024

Basic Policy 1: Improvement of Profitability

The dramatic improvement in revenue from the Japanese Chemical Products segment, which had been a topic of some concern, was the result of steady and concerted efforts among various sections. The review of issues related to the procurement of key materials during the period of supply instability caused by COVID-19 played a major role in advancing profitability management and product integration. We now hold monthly meetings of production, sales, and technology sections by segment, and I personally participate in these meetings. On such occasions, I have spoken repeatedly of the need to improve profitability, particularly in the Chemical Products segment. At the meetings, the finance section presents a detailed analysis on the profitability of each of our resins. The production and sales sections then use this analysis to discuss various matters, including the integration of products and appropriate pricing. We plan to continue using these meetings as a tool for achieving comprehensive profitability management. Customer acceptance of price revisions, primarily intended to reflect the condition of the raw materials market, has also had a significant impact. Regarding adhesives, which are largely dominated by general-purpose products in the market, price tends to be a deciding factor in customers’ decisions. However, by thoroughly explaining the added value of AICA adhesives, we were able to enhance customers’ understanding of the benefits of choosing our products. To minimize the burden on customers, we will proceed with thorough cost cutting and adopt various tools to improve productivity even further, thereby promoting automation of production facilities, business efficiency improvements, and more efficient sales activities.

Basic Policy 2: Creation and Expansion of Growth Businesses

In the second year of the Medium-Term Business Plan, our primary focus will be on creating and expanding growth businesses. We will strive to achieve substantial growth by focusing on the development and sales expansion of AS Products that help solve social issues, while also actively exploring opportunities for mergers and acquisitions (M&As).

In the Chemical Products segment, I believe it is crucial to steadily expand products targeted at markets with strong growth potential. In the construction resins field, we can expect future growth for products such as repair and reinforcement materials that contribute to longer building lives, products that simplify construction work to alleviate labor shortages on construction sites, and floor coating materials with lower outgassing, all of which address the needs of today’s society. To make our products even more persuasive to customer decision makers, we need to create products with outstanding value advantages that create clear differentiation from the competition, establish a solid brand position, and build a framework for strengthening sales at the design stage. We will proceed with these initiatives aimed at generating results during the current Medium-Term Business Plan.

In the Specialty & Performance Materials business, in addition to nurturing product lines from a long-term perspective, we will strive to achieve growth by further enhancing synergies with the EVERMORE CHEMICAL (EMC) Group on items such as PUR hot melt and UV-curable resins. For PUR hot melt, efforts are already on track through a structure based on production within the EMC Group using Aica Kogyo recipes for sale in Japan and the rest of Asia, and sales have been growing in recent years. We expect further growth in demand for UV-curable resins going forward, since they consume little energy during use. We have expanded UV monomer production lines at EVERMORE CHEMICAL INDUSTRY to enhance its production capacity and will focus on enhancing cooperation among the AICA Group to maximize the utilization of EMC Group production facilities.

In the Laminates & Building Materials segment, our Japanese business is seeing steady expansion in the use of floor and ceiling products. We will continue to focus on growing sales in these markets. In overseas businesses, we are striving to achieve growth by analyzing the needs and distinctive properties of individual regions and deploying effective strategies to enhance our competitive strengths and product differentiation, while also benefiting from organic growth centered on Asia. We believe that how we do business in the massive market represented by India will be key to overseas business growth. The high-pressure laminate (HPL) products that the AICA Group sells in Asia are premium products, so we must ensure that their value is recognized. Aica Laminates India, which we acquired in 2011, is laying the ground-work for generating high-margin profits in the Indian market. On the other hand, the market is crowded with more than 300 competitors. Given these conditions, we will take measures to build further on AICA’s market presence. Looking around the world, I am confident that no competitor adds as many features to HPL as we do. We need to put the technologies that we have built up in Japan to maximum use in Asia and achieve large-scale growth by emphasizing fire-retardant properties, advanced fabrication technologies such as postforming, and sophisticated design quality.



— Message from the President

Basic Policy 3: Establishment of a Sound Business Infrastructure

We are advancing initiatives to address seven materialities (key issues) in building a robust management base. Here, I would like to touch on “responding to climate change” and “building a human capital foundation,” topics of special concern under the current Medium-Term Business Plan.

Responding to Climate Change

Our greenhouse gas (GHG) emissions in FY2023 were down just 1.8% from FY2022. While we made efforts such as switching about 40% of power purchased at production facilities in Japan to renewable energy, this did not lead to sufficient emissions reductions. We will accelerate GHG emissions reductions through measures including increasing the number of facilities equipped with solar panels and moving forward with investments aimed at achieving our targets.

As we target climate-related opportunities, we are proceeding with the development of products using biomass and recycled raw materials. In FY2023, we succeeded in introducing HPL with these properties. We are making steady progress on product development to address climate change, as awareness of the need for such efforts is only increasing. We expect such products to lead to profits as they see even more active use along with growing market demand in the future. We also need to consider new items to reduce the carbon footprints of individual products.

Building a Human Capital Foundation

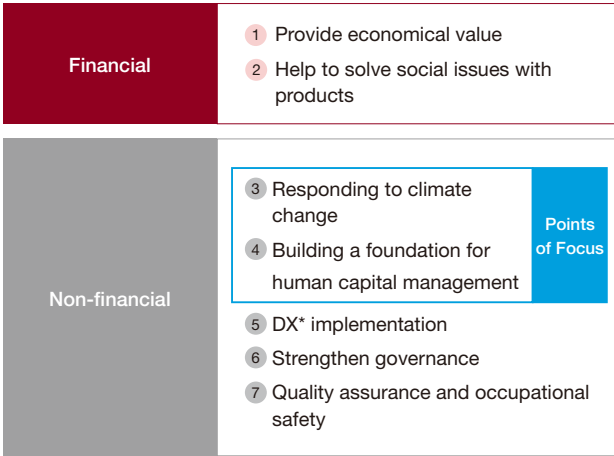
The Medium-Term Business Plan sets a target for investment in human capital. In FY2023, we enhanced human resource development in particular. We will continue steadily investing capital in order to enhance the value of our employees, who are a vital asset to the company.

Our Company would not exist without its employees. Our mission is to preserve employee livelihoods by raising pay in response to inflation and providing environments in which they can continue to work through various life events. We have begun career interviews to enable individual employees to take steps towards building their own life plans. To enable the optimal placement of human resources from the perspectives of both the Company and employees, we will use the information gained from career interviews to help develop more comfortable working environments. Additionally, we have decided to improve the treatment of senior employees and gradually raise the retirement age. We will continue striving to improve our working environment so that our employees can do their jobs with pride and take great satisfaction in working at AICA.

Capital Policy

We have identified a capital policy whose goal is to increase corporate value through the optimal allocation of Group capital, while balancing the three goals of “maintain financial soundness,” “improve capital efficiency,” and “focus on returns to shareholders.” The FY2023 results showed considerable growth in operating cash flow and free cash flow, primarily driven by large-scale improvements in profitability, increases in ROE and ROIC reflecting improved profit margins, and widening spreads vs. equity capital cost and WACC. Our steady management efforts have won high marks, resulting in the upgrade of our credit rating from A to A+.

Current Medium-Term Business Plan Materialities



We still have some room to grow with regard to our adoption of ROIC as a KPI. I believe we must first understand and be conscious of the meaning and necessity of ROIC. For Aica Kogyo, we have incorporated the items of the ROIC tree into section evaluation indicators, and we'll soon be able to deploy these to Group companies. Moving forward, we must set targets for individual companies based on reviews of what activities will lead to improvements and use these as one of the indicators in considering matters such as capital investments and product portfolios.

In September 2024, we made the decision to sell shares of the Company's stock for the purpose of broadening and diversifying the shareholder base and increasing our liquidity. At the same time, we decided to acquire shares of treasury stock to enhance returns to shareholders and improve capital efficiency while alleviating short-term effects on the demand for the Company's stock. We will continue working to achieve long-term growth in corporate value by strengthening capital efficiency in various ways, including dynamic purchases of treasury stock and steady growth in dividends reflecting our business performance.

Key Initiatives	Indicator	Previous Medium-Term Business Plan	Current Medium-Term Business Plan	
		FY2022 (results)	Policies	FY2023 (results)
Maintain financial soundness	Cash equivalents	50.99 billion yen	Secure liquidity for about two to three months of monthly sales to strengthen our risk tolerance	62.02 billion yen
	Equity ratio Rating	58.1% Rating A [*]	Maintain an appropriate rating and an equity ratio of 50% or more	58.9% Rating A ⁺
Improve capital efficiency	ROE ROIC	ROE 6.9% ROIC 8.1% Equity cost 6.3% WACC 5.5%	ROE > ROIC > WACC structure Create ROE and ROIC that exceed the cost of capital ROE of about 10% ROIC of about 8%	ROE 9.9% ROIC 8.9% Equity cost 6.2% WACC 5.6%
	Free cash flow	10.79 billion yen	Secure free cash flow to support aggressive investment for growth and increased shareholder returns	20.90 billion yen
Focus on shareholder returns	Dividends	No dividend reductions for 25 consecutive years Increase in dividends for 14 consecutive years Annual dividend of 109 yen	Emphasize the continuity of stable dividends that have not been reduced for the past 25 years Basic policy: Maintain progressive dividends without reducing dividends	No dividend reductions for 26 consecutive years Increase in dividends for 15 consecutive years Annual dividend of 112 yen
	Share buybacks	Acquired approx. 4 billion yen worth of treasury shares	Consider flexible share buybacks	—

^{*} Japan Credit Rating Agency (JCR)

Contributing to the Sustainable Development Goals (SDGs)

AICA Group's Corporate Philosophy is worded as follows: The AICA Group creates new value and contributes to society through continuous innovation in the spirit of *kyosei*^{*}. We seek to embody this corporate philosophy in our business activities. The SDG-Oriented Products introduced on pp. 33–34 of this Report were identified in 2021 from the products commercially available at the time. During the process of listing our products, we confirmed that, thanks to our corporate heritage in which we have been encouraged to continue our efforts in developing products that meet customer needs, we have already accumulated a wide range of products capable of addressing social issues. As noted above, we believe developing and expanding the sale of products that help solve social issues is an essential component of the Group's future growth. We have identified AS Products among the SDG-Oriented Products as those for which future sales growth can be expected, with sales targets for these products specified in the Medium-Term Business Plan.

We will continue our efforts to offer solutions to various issues our customers, contractors, and project owners actually face and make improvements to deliver ever more convenient products. We are committed to delivering products of proven value that earn increasing confidence among a wide range of users, thereby contributing to strengthening sustainability, not just within AICA Group, but across society.

^{*} Please refer to page 3 for the meaning of *kyosei*.

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

AICA's 10 Year Vision

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

AICA's 10 Year Vision

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

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

Our future Vision for FY2026



Chemical Products segment

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.



Laminates & Building Materials segment

The Laminates & Building 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 the Chemical Products segment and the Laminates & Building Materials segment to develop unique products that contribute to 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, and will establish a variety of systems to develop globally competent and professional human resources.

Globally competent human resources

Diversity

Professional human resources

Responsibility to stakeholders

We will emphasize engagement with stakeholders, and promote management which contributes to local communities and enhances CS and ES.

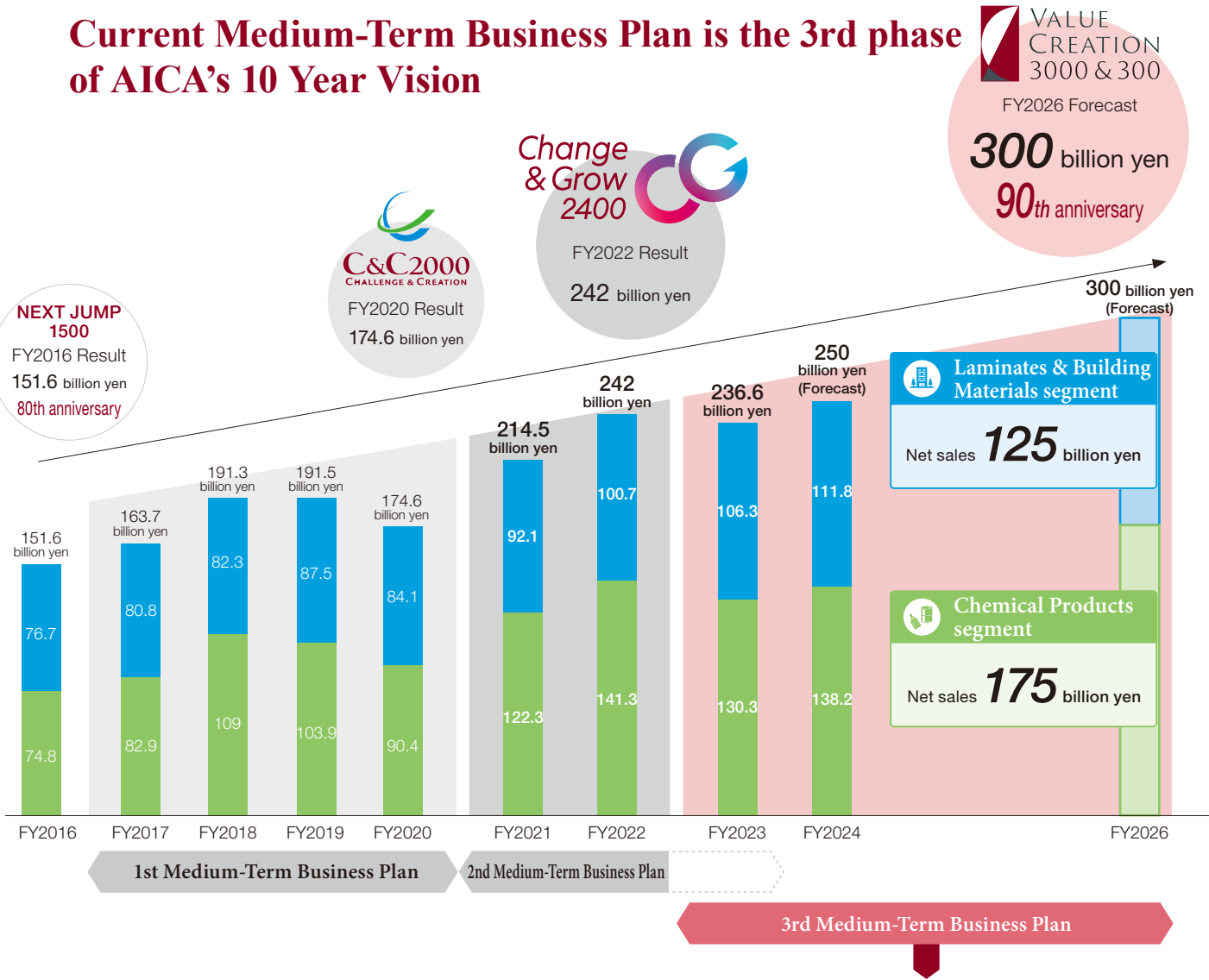
Increase corporate value

Corporate governance enhancement

Harmony with local communities

Improvement of CS & ES

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



Recognizing Issues in the 3rd Medium-Term Business Plan

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

In formulating our 3rd Medium-Term Business Plan, we evaluated issues that we recognize as important. While there are different issues associated with each type of capital, in particular, we recognize human capital and climate change response in natural capital as major issues that we must urgently focus on.

Internal resources and capital

Intellectual Capital

- Launch of next-generation large-scale core products
- Creation of brand value for products other than high-pressure laminate (HPL) in Japan
- Accumulation of knowledge
- Quality / Safety

Manufacturing Capital

- Aging plants
- Delay in automation
- Optimization of production systems
- DX* Implementation

Human Capital

- Recruiting and developing of leaders, globally competent human resources, and professionals
- Improvement of engagement
- D&I promotion

Financial Capital

- Deteriorating capital efficiency
- Investment impairment risk
- Foreign exchange risk

Social and Relationship Capital

- Shrinking of Japanese wooden furniture market
- Increases in raw material, energy, distribution, and other costs
- Changes in environment-related laws and tax systems
- Worsening skilled worker shortage
- Decline in number of new housing starts in Japan (800,000 dwellings)

Natural Capital

- Transition to low-carbon society
- Increasing natural disaster risks
- Shift to biomass products and low-carbon emission products

Urgent issues

* Digital transformation

19 AICA Report 2024

AICA Report 2024 20

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

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

Fundamental Policies and Managerial KPIs

VALUE CREATION 3000 & 300

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

Fundamental Policies (Financial)

1 Improvement of Profitability

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

2 Creation and Expansion of Growth Businesses

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

Managerial KPIs (Financial)

	FY2022 results	FY2023 results	FY2024 revised forecast*3	Final year of the plan (FY2026)
Net sales	242.0 billion yen	236.6 billion yen	250.0 billion yen	300.0 billion yen
Ordinary profit	22.0 billion yen	26.1 billion yen	28.3 billion yen	30.0 billion yen
AS product*1 sales*2	19.3 billion yen	21.7 billion yen	24.0 billion yen	28.0 billion yen
Overseas net sales ratio	51.2%	47.8%	50% or more	50% or more
ROE	6.9%	9.9%	9.3%	Approx. 10%
ROIC	8.1%	8.9%	9.0%	Approx. 8%

FY2023 Overview

- Net salesNet sales fell due to a decline in selling prices attributable to lower raw material prices for chemical products overseas.
- Ordinary profitImproved profitability led to growth in ordinary profits, which reached a new record high.
- AS product salesAS product sales achieved significant growth driven by a focus on the development and expansion of high value-added products that help solve social issues.
- Overseas net sales ratioThe overseas net sales ratio decreased due to a decline in selling prices attributable to lower raw material prices for chemical products overseas.
- ROESee p. 32.
- ROICSee p. 32.

*1: Aica Solution products *2: For Aica Kogyo Co., Ltd. *3: Revised forecast issued in July 2024.

Fundamental Policies (Non-Financial)

3 Establishment of a Sound Business Infrastructure

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

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

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

Managerial KPIs (Non-Financial)

		FY2022 results	FY2023 results	Final year of the plan (FY2026)
Responding to Climate Change	GHG emissions reduction (Scope 1+2)	—	–1.8% (compared with FY2022)	–14% (compared with FY2022)
	Environmental investment	—	0.29 billion yen	2.0 billion yen (four-year cumulative total)
Building a human Capital Foundation	Human capital investment	0.87 billion yen	0.99 billion yen	4.0 billion yen (four-year cumulative total)
	Engagement score*4	3.9 points	—	4.0 points or more

*4: Out of a total of 5 points. Data is collected every two years, so next data will be for FY2024.

- GHG emissions reductionSee pp. 50, 53.
- Environmental investmentSee p. 53.
- Human capital investmentSee p. 59.
- Engagement scoreSee p. 64.

Financial Targets by Segment

Profit growth rates for both Chemical Products and Laminates & Building Materials have been set higher than sales growth rates with the goal of improving profitability given priority. In FY2023, operating profit for both segments showed significant growth compared to sales. EBITDA also exceeded both the previous year's results and the forecast figures. Moving forward, we aim to further expand operating profit and EBITDA.

		FY2022 results	FY2023 results	Year-on-year growth	FY2024 revised forecast*5	Year-on-year growth	Final year of the plan (FY2026)
Chemical Products	Net sales	141,312	130,300	–7.8%	138,200	+6.1%	175,000
	Operating profit*6	7,494	9,280	+23.8%	10,000	+7.8%	12,000
	Operating profit margin	5.3%	7.1%	—	7.2%	—	6.9%
	EBITDA	11,119	13,406	+20.6%	14,165	+5.7%	17,300
	EBITDA margin	7.9%	10.3%	—	10.2%	—	9.9%
Laminates & Building Materials	Net sales	100,743	106,325	+5.5%	111,800	+5.1%	125,000
	Operating profit*6	16,740	20,339	+21.5%	21,600	+6.2%	22,500
	Operating profit margin	16.6%	19.1%	—	19.3%	—	18.0%
	EBITDA	19,910	23,254	+16.8%	24,710	+6.3%	26,400
	EBITDA margin	19.8%	21.9%	—	22.1%	—	21.1%

*5: Revised forecast issued in July 2024. *6: Operating profit before deduction of unallocated operating expenses

Medium-Term Business Plan Basic Policies **1 Improvement of Profitability**

Background to Policy Development

We believe the most significant challenge facing the AICA Group in the current Medium-Term Business Plan is to improve profitability. We have analyzed the profitability and growth potential of each segment, using the operating profit margin and the eight-year operating profit average annual growth rate to examine specific challenges in the four markets of Japanese Chemical Products, overseas Chemical Products, Japanese Laminates & Building Materials, and overseas Laminates & Building Materials.

Analysis Results (as of March 2023)

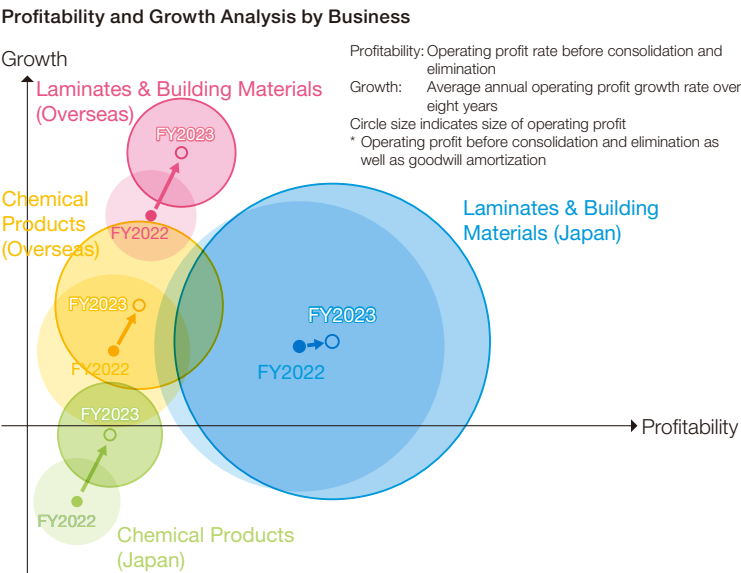
- Japanese Chemical Products: Low profitability and growth potential due to market maturity and rising raw material costs for these years
- Overseas Chemical Products: Profitability and growth appear to be stagnant due to numerous investments that have not yet been fully depreciated.
- Japanese Laminates & Building Materials: Maintains high profitability, reaffirming its role as a core pillar of the AICA Group.
- Overseas Laminates & Building Materials: Growth remains high due to M&A effects, but there is room for improvement in profit margins.

Recognizing these challenges, we plan to implement balanced investment allocation and timely business portfolio reviews. This will enhance profitability and accelerate growth toward the financial goals of our Medium-Term Business Plan and 10 Year Vision.

FY2023 Initiatives and Progress

In the first year of the Medium-Term Business Plan, efforts to instill awareness of profit margins across the organization resulted in improved profitability across all segments: Japanese and overseas Chemical Products and Japanese and overseas Laminates & Building Materials.

In the Japanese Chemical Products segment, we addressed low profitability and growth by rigorously managing profitability by resin type; reducing costs; consolidating and reorganizing products; and setting appropriate selling prices. In the overseas Chemical Products and Japanese and overseas Laminates & Building Materials segments, we improved profitability through various initiatives, including plant investments to expand market share and improve production efficiency; expanding offerings of high value added products; deploying Japanese technologies overseas; integrating Chinese companies; and cost reductions. Efforts to further improve profit margins will continue.



Future Initiatives

	Chemical Products Segment	Laminates & Building Materials Segment
Japanese	<ul style="list-style-type: none">● Rigorous profitability management by resin type.● Comprehensive cost reductions, product consolidation, and appropriate pricing	<ul style="list-style-type: none">● Expand sales of high value added products such as AS products.*● Expand market share of high profit margin products such as high-pressure laminate (HPL) and CERARL.
Overseas	<ul style="list-style-type: none">● Expand market share through plant investments and improve production efficiency.● Expand sales of high value added products like phenolic resin and hot melts.	<ul style="list-style-type: none">● Deploy Japanese technologies overseas and expand sales of high value added products like CERARL.● Strengthen branding activities.

* Aica Solution products

The current Medium-Term Business Plan also sets targets highlighting labor productivity as one of the indicators within materiality. Initiatives to improve profitability enabled us to increase operating profit and significantly enhance labor productivity despite increases in labor costs and depreciation expenses. We intend to continue striving to improve labor productivity to ensure sustainable growth even as the working-age population decreases.

Labor Productivity Plans and Results

	FY2022 results	FY2023 results	Target boundary: Aica Kogyo (million yen/person)
Labor productivity (Value-added amount / Number of employees)	21.0	22.5	Final year of the plan (FY2026) 22.8

Topic 1 Profitability improvement initiatives for Adhesives in Japanese Chemical Products

In the Japanese Chemical Products segment, due to the presence of resin adhesives with low profitability, we made focused efforts to improve profitability. Conditions for resin group X, which showed the most significant profitability improvements, are described here.

These resins consist of general-purpose products that face fierce price competition due to the number of competing manufacturers, reducing profitability. We analyzed profitability by individual product code and customer and revised prices for low-profit transactions to appropriate levels. At the same time, we identified product codes warranting consolidation or discontinuation, based on both profitability and efficiency. With the understanding of our customers, we reduced the number of items in resin group X by approximately 10%. We also promoted cost reductions in logistics and raw materials and the optimization of sales personnel workload.

We reviewed and adjusted low-profit transactions, adopting a stance that losing some orders was unavoidable. While sales volumes and revenue declined, operating profit increased by approximately 180 million yen from the previous year, a significant improvement in profitability.

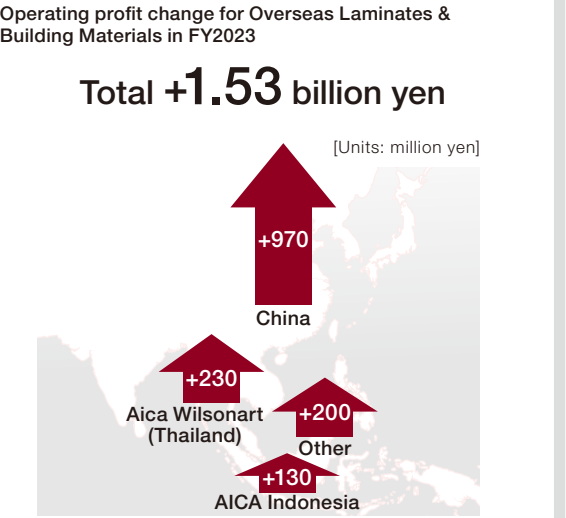
Improvements for resin group X where the greatest profitability improvements were seen

- Increase in operating profit over previous year **+180 million yen**
- Number of items compared to previous year **-10%**

Topic 2 Expanding profits in Overseas Laminates & Building Materials

Operating profits in the Overseas Laminates & Building Materials segment had remained low since FY2020 due to the pandemic; however, a focus on the initiatives described below resulted in significantly higher profits in FY2023.

The measures implemented include efforts to improve the product mix, reviews of purchasing and selling prices, and improvements in production efficiency. In China, the recovery of business activities after lockdowns were lifted, along with the merger of Aica Wilsonart (Shanghai) and Sois Mendinni Industrial Technology (Shanghai) contributed to profit growth. The deployment of Japanese technologies at Aica Wilsonart (Thailand) and the strengthening of branding and marketing activities at AICA Indonesia also helped increase profits.



Medium-Term Business Plan

Basic Policies

2

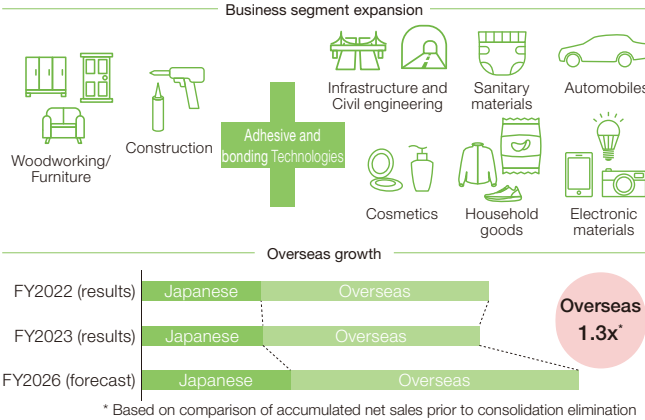
Creation and Expansion of Growth Businesses

In order for a company to achieve sustainable growth, it must constantly create growth businesses. We will focus on helping to solve social issues and entering and cultivating untapped markets, create growth businesses for the Chemical Products Segment and the Laminates & Building Materials Segment in a well-balanced manner both in Japan and overseas, and build a foundation for sustainable growth.

Policies and Initiatives in the Chemical Products Segment

The Chemical Products segment is focusing on various growth markets, including non-construction sectors and overseas businesses, to overcome various challenges, including the shrinking Japanese woodworking and furniture market. Drawing on the adhesive and bonding technologies developed since its founding, AICA is expanding into potential growth sectors such as the automotive and electronics materials markets. Overseas, we are seeking to maximize investment returns and group synergies while introducing new products to meet local requirements, targeting exponential growth based on demand in Asia.

In FY2023, the Specialty and Performance Materials business, which supports the non-construction sector, saw an increase in both revenue and profit in Japan. Overseas, sales declined due to lower raw material prices and resulting lower selling prices, while profits increased due to the shift towards high value added products. The increased demand in the Asian region strained AICA's production capacity, prompting us to expand production facilities and improve production bases.



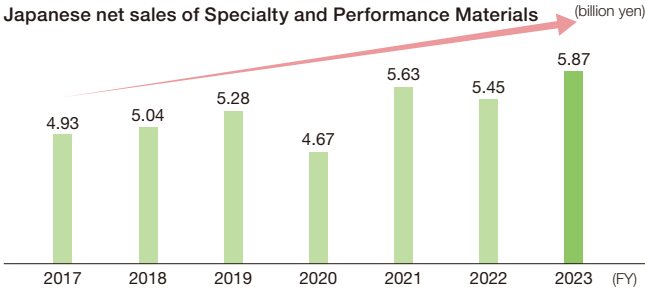
Growth in non-construction segment business

AICA is focusing on the Specialty and Performance Materials business as a growth segment, in which sales have grown, especially in the Japanese market. Sales of UV-curable resins, which are widely used as protective materials and adhesives for displays in electronic devices, have demonstrated steady growth, driven by increased new adoption by customers. In particular, sales of 3D decorative film for automotive interiors have expanded in recent years. Trials of 3D decorative film for automotive exteriors are progressing, showing promise as an alternative to traditional painting techniques. We anticipate growth in this market.

Functional spherical polymer beads are now being used in a wide range of industries, including industrial and cosmetic applications. In industrial applications, products for powder coatings and food packaging have shown steady growth in recent years. In cosmetics, demand has grown alongside the recovery of demand for cosmetics in general following the end of the pandemic.

Expansion of the overseas hot melt business

With progress on environmental measures in recent years, hot melt products, which are free of organic solvents and environmentally-friendly, have attracted growing attention. In particular, demand for hot melt sealants for headlamps has grown in Asia alongside the increase in automobile production. In response, AICA has expanded its lineup of headlamp hot melt sealants, while promoting joint development efforts among group companies. Demand has grown in particular for products that are easy to disassemble, facilitating the disassembly and recycling of headlamps. With continued demand growth expected, AICA will expand production facilities at KUNSHAN AICA KOGYO and AICA Thai Chemical. With this expansion, we plan to increase sales of high-performance hot melt sealants within the AICA Group from 1.39 billion yen in FY2023 to 2.62 billion yen by FY2030.



KUNSHAN AICA KOGYO

AICA Thai Chemical

Policies and Initiatives in the Laminates & Building Materials Segment

In the Laminates & Building Materials segment, AICA will continue business growth by drawing on its expertise as the leading Japanese manufacturer of high-pressure laminate (HPL) while responding flexibly to market changes and reshaping its portfolio to meet customer needs both in Japan and overseas.

In Japan, AICA is preparing for a shrinking construction market. Based on the experience in successfully capturing the market by extending the application of our HPL technology for woodworking and furniture to CERARL fire-retardant decorative wall panels, we are working to establish our brand and expand our high-margin businesses in the newly entered floor and ceiling markets. Overseas, AICA is seeking to expand its business by introducing Japanese technologies to the growing Asian markets, where economic growth has led to growing demand for sophisticated design and quality.

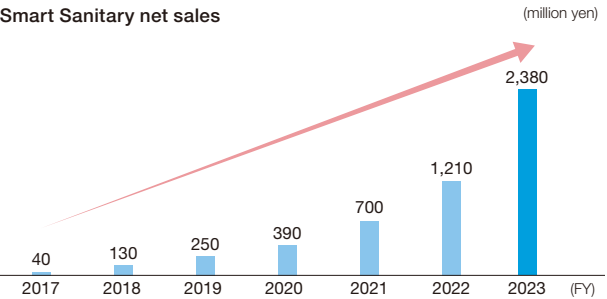
In FY2023, the company saw increased revenue and profit based on the growth of high value added products and the growing implementation of revised pricing in Japan. Sales of HPL increased following price adjustments in Japan and strong sales in countries like Thailand and Indonesia. CERARL for walls saw growth overseas, with the sophisticated design version, CERARL CELLENT, performing well in Japan. The Smart Sanitary washstand for residential use drove revenue growth, increasing revenue for building and housing materials. While contributions of floor and ceiling materials remain limited, these products have experienced growing adoption, particularly in non-residential properties.

Main applications	Product range	FY2023–2026 initiatives	FY2023 results	
			Net sales (billion yen)	Year-on-year growth (%)
Furniture, fixtures, and walls	HPL	● Establish brand presence in flooring market by drawing on strengths with HPL. ● Expand overseas market sales to 30 billion yen.	34.3	+6.6
	Decorative boards, architectural films, etc.	● Deepen penetration into PVC film market.	12.4	-0.7
Walls	CERARL	● Explore non-residential and refurbishment markets more thoroughly. ● Utilize strengths of CERARL to enter ceiling market. ● Transfer technologies overseas for full-scale deployment.	23.2	+6.9
	Noncombustible / fire retardant decorative panels	● Capture demand for safety-focused non-residential properties. ● Develop new opportunities in the ceiling market by utilizing synergies between AICA Group inorganic material technologies and Aica Kogyo's chemical technologies.	7.5	-3.6
HPL fabricated products	Building and housing materials	● Drive growth by addressing demand for reducing on-site processing time.	28.8	+8.8

Smart Sanitary growth

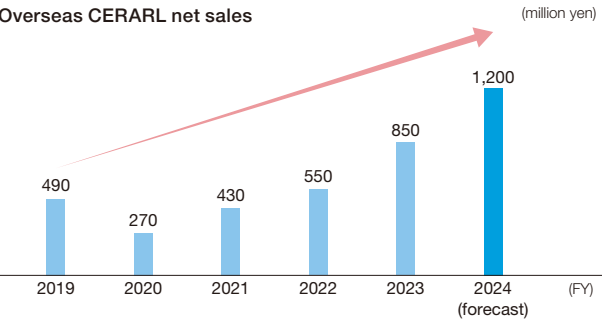
The rapidly growing Smart Sanitary is a customizable washstand that allows users to mix and match designs and component sizes for washbasins, counters, and storage shelves. Its popularity surged after posts by customers on social media sparked widespread attention, accelerating sales growth. Before, high levels of customization involved significant time and effort to produce drawings and process orders, and we launched Smart Sanitary Net in December 2023 to enable planning, drafting, and cost estimation online, significantly reducing work burdens.

With continuous lineup expansion, AICA is seeking to achieve further growth and to broaden its market to non-residential areas, including offices and hotel rooms.



Overseas business growth

Positioned as a growth business, AICA's overseas business continues to outperform Japanese operations as the AICA Group steadily increases its global market presence. The strategy involves drawing on our unique technologies cultivated in the Japanese market to achieve differentiation in Asia's high-end markets. Demand for high value added fire-retardant decorative panels is also growing in major countries; as it expands overseas, AICA is focusing on building the brand for CERARL, a product that has achieved major success in Japan. In recent years, inquiries have increased in China, Taiwan, Indonesia, and other such markets, leading to sales growth. In FY2024, the overseas sales target for CERARL is set to 1.2 billion yen, 2.4 times the levels achieved in FY2019, before the pandemic.



Medium-Term Business Plan

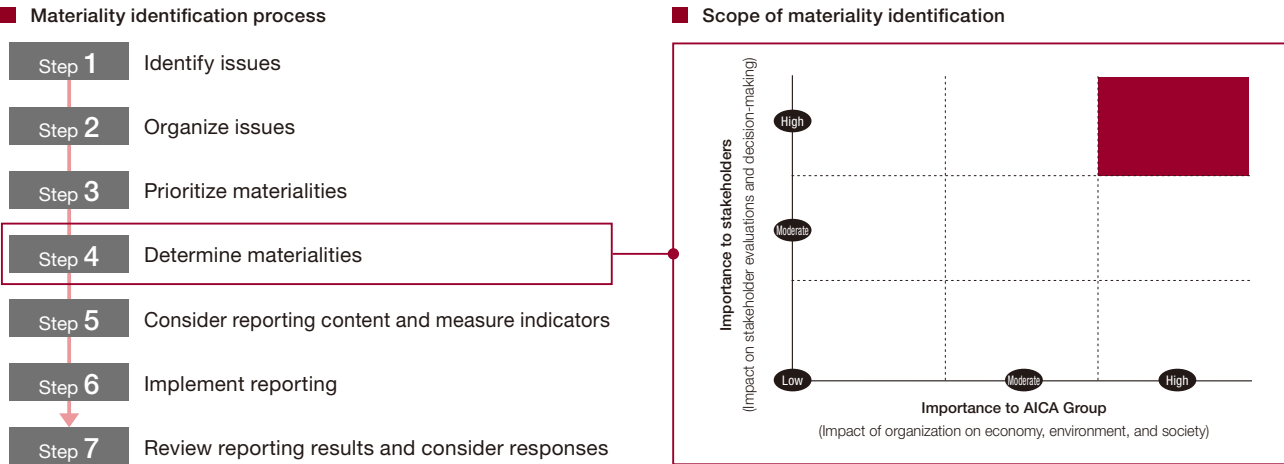
Basic Policies

3

Establishment of a Sound Business Infrastructure

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

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



1

Provide Economic Value

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See pp. 19-32.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
Net sales	300 billion yen	236.6 billion yen
Ordinary profit	30 billion yen	26.1 billion yen
Overseas net sales ratio	50% or more	47.8%
ROE	Approx. 10%	9.9%
ROIC	Approx. 8%	8.9%

2

Help to Solve Social Issues with Products

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See pp. 33-34.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
Sales of AS products ^{*1,2}	28 billion yen	21.7 billion yen
Develop new recycling methods for mainstay products	Established method for crushing and compacting waste materials from high-pressure laminate (HPL) and melamine fire retardant decorative panels (CERARL) for reuse as raw materials in the production of HPL.	

^{*1}: AICA Solution products ^{*2}: For Aica Kogyo

3

Responding to Climate Change

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See pp. 48-57.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
GHG Emissions (Scope 1+2 on absolute volume basis)	Reduce 14% from FY2022	Reduce 1.8% from FY2022
Set Scope 3 emission reduction targets and formulate reduction measures		Calculated Scope 3 emissions for overseas group companies and began third-party pre-assurance.
Disclose carbon footprint data pertaining to our mainstay products and develop products that reduce our carbon footprint		Introduced overseas LCA database to assess carbon footprint of key products.
Four-year cumulative environmental investment: 2 billion yen		290 million yen

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Building a Human Capital Foundation

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See pp. 58-66.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
Human capital investment ^{*1}	4 billion yen or more (four-year cumulative total)	990 million yen
Engagement score ^{*2}	4.0 points or more	Performed engagement survey for Aica Kogyo, collated/analyzed results, with AICA Group to be surveyed every two years.
Labor productivity ^{*1} (Value-added amount / Number of employees)	22.8 million yen or more per person	22.5 million yen per person
Number of employees who experienced overseas assignment ^{*1}	100 or more	Cumulative total 86 persons
Percentage of women recruited to new-graduate career-track positions ^{*1}	30% or more (four-year cumulative total)	26.9% as of April 2024
Childcare leave acquisition rate ^{*1}	Male: 70% or more, Female: 100%	Male: 59.1%, Female: 100%

^{*1}: For Aica Kogyo Co., Ltd. ^{*2}: Out of a total 5.0 points

5

DX Implementation

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See pp. 35-36.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
Capital investment and digitization investment that will contribute to automation and labor-saving [*]	1 billion yen or more (four-year cumulative total)	220 million yen

^{*} Aica Kogyo Co., Ltd.

6

Strengthen Governance

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See pp. 43-47, 67-75.

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

Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
BCP drills for natural disasters	Conduct drills at all consolidated production sites at least once a year	Implemented.
Enhance policies, regulations, and systems related to group governance, including strengthening efforts to respect human rights, and strengthen audits		Completed work on and published Human Rights Policy on the website. Consideration of steps for implementing human rights due diligence.
Conduct sustainability surveys of suppliers on a regular basis and address issues*		Conducted sustainability survey for Japanese suppliers with added human rights items; planned on-site audits as necessary based on survey results.
Deepen information security measures and expand/strengthen them throughout the group		Updated firewalls and VPN software and completed implementation of EDR (Endpoint Detection and Response) software.

* Aica Kogyo Co., Ltd.

7

Quality Assurance and Occupational Safety

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See pp. 65-66, 76.

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

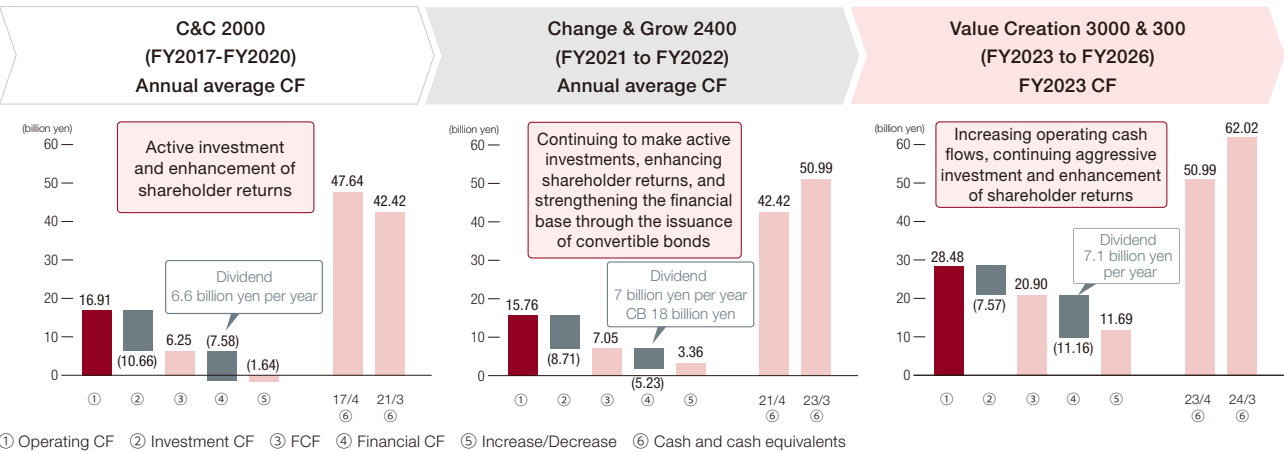
Indicator	Medium-Term Business Plan (Final year of the plan: FY2026)	FY2023 results
Achieve the defect reduction targets set at all sites		Examined improvement measures after falling short of Japanese targets. Target achieved at two-thirds of locations overseas.
Serious work-related accidents	0	0
Number of lost-time accidents	Reduce number of accidents to half the number for FY2022 (10 or less)	19

Medium-Term Business Plan

Capital Policy

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

Cash Allocation



The AICA Group is implementing cash allocation while maintaining a sound financial footing. In the previous Medium-Term Business Plans, we actively allocated funds to aggressive growth investments and enhanced shareholder returns using the increased operating cash flow, while balancing cash on hand through measures such as raising funds from the stock market. In the current Medium-Term Business Plan, the operating cash flow generated in FY2023 was significantly higher than the previous year (28.48 billion yen, a 43.5% year-on-year increase). We allocated a large amount of funds to growth investments and shareholder returns. In FY2024, we plan to continue aggressive growth investment while drawing on the abundant free cash flow to undertake stock buybacks and raise dividends, further enhancing shareholder returns. Moving forward, we will seek to maintain our sound financial footing while leveraging our strengths to generate operating cash flow, allocating funds to active shareholder returns and target growth investments for projects that generate returns exceeding capital costs.

Investment Plan

In the current Medium-Term Business Plan, a total of more than 80 billion yen will be invested across four years for capital expenditures, business investments, R&D investments, environmental investments, and human capital investments. Capital expenditures and business investments are sources of sustainable growth and operating cash flow. We will actively invest in markets in which growth is expected and areas in which our strengths can be applied to create and nurture new revenue streams that will drive sustainable growth. In FY2023, capital expenditures exceeded expenditures for the previous year, due to enhanced manufacturing capacity and efforts to promote automation and DX* [See pp. 35-36.](#) Business investments focused on expanding sales channels, product lines, and production capacity, with three investments made. However, the pace of investment was slower than planned. Moving forward, we will continue to pursue M&A opportunities across a wide range of segments, including Japanese and overseas Chemical Products and Japanese and overseas Laminates & Building Materials, with the goal of expanding business areas and increasing market share.

* Digital transformation

Group company	Details	Start/implementation date	Investment amount
Ronadamar Sejahtera	Acquired adhesive sales company in Indonesia.	Stock acquired January 2023	Not disclosed
Adtek Trading	Acquired hot melt sales company in Indonesia.	Stock acquired April 2023	Not disclosed
AICA Guangdong	Constructed new plant for industrial adhesives, resins, and plywood adhesives.	Operations started September 2023	Approx. 6 billion yen
KUEN BONG TECHNOLOGY (THAILAND)	Acquired phenolic resin manufacturing and sales company in Thailand.	Stock acquired October 2023	Not disclosed
Aica Laminates Vietnam	Expanded high-pressure laminate (HPL) manufacturing facilities; constructed new warehouse and logistics yard.	Operations started January 2024	Approx. 1.3 billion yen
EVERMORE CHEMICAL INDUSTRY	Expanded UV monomer production line in Nantou plant.	Operations started May 2024	Approx. 0.5 billion yen
Aica Interior Kogyo	Expanded engineered stone countertop processing line.	Operations started October 2024	Approx. 0.8 billion yen
Aica (Fujian)	Constructed new plant for phenolic resin for bamboo materials.	Operations scheduled to start December 2024	Approx. 4 billion yen
KUNSHAN AICA KOGYO/AICA Thai Chemical	Constructed new high-performance hot melt sealant production line and warehouse; expanded plant.	Operations scheduled to start July and November 2025	Approx. 0.7 billion yen

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

The purpose of R&D investments is to strengthen our Chemistry and Design capabilities, the sources of value creation for AICA; to develop large-scale products to support future growth; and to create new products that align with market changes and needs. In FY2023, in addition to expanding its lineup of flooring materials and high value added products to open new markets, we promoted the development of SDG-Oriented Products. These included the development of the R-Nihs fire retardant panel for wall, which enables the recycling of waste materials generated during production and construction, and HPL made from product scraps, non-conformant products, and discarded textile materials. As an alternative to painting, 3D decorative film for automotive exteriors, which helps reduce CO₂ emissions, is moving closer to adoption after meeting the high-performance requirements of certain automotive manufacturers.

On the non-financial side, AICA is focusing on climate change response and human capital investments to ensure sustainable growth and enhance corporate value. Environmental investments seek to reduce greenhouse gas emissions and achieve carbon neutrality by 2050 based on renewable energy, energy conservation, and other initiatives [See pp. 48-57](#). Human capital investment includes the development of globally competent human resources, leaders, and professionals, as well as environmental and system investment to promote diversity and inclusion and improve engagement [See pp. 58-66](#).

	Previous Medium-Term Business Plan		Current Medium-Term Business Plan		
	FY2021 (results)	FY2022 (results)	FY2023 (results)	FY2023–2026 (forecast)	
				Annual average	Four-year cumulative total
Capital investment	7.11 billion yen	8.69 billion yen	9.36 billion yen	10 billion yen	40 billion yen
Business investment	4.2 billion yen	10.45 billion yen	1.40 billion yen	5 billion yen	20 billion yen
R&D investment	3.45 billion yen	3.99 billion yen	4.07 billion yen	4.37 billion yen	17.5 billion yen
Environmental investment	—	—	0.29 billion yen	0.5 billion yen	2 billion yen
Human capital investment	—	0.87 billion yen	0.99 billion yen	1 billion yen	4 billion yen

Capital Policy (1): Maintain financial soundness

We believe that building a management foundation to support sustainable growth is predicated on financial soundness. In response to growing business risks in recent years, including rapid changes around the world, worsening climate change issues, and the prolonged pandemic, we have clarified the cash reserves necessary in the event of an emergency. Maintaining a strong credit rating is also essential for funding growth investment, even in a challenging economic environment. Thus, we will seek to maintain an equity ratio of over 50% while utilizing interest-bearing debt.

In FY2023, the balance of cash and deposits corresponded to approximately 3.1 months of monthly sales, slightly exceeding the policy. The equity ratio stood at 58.9%, and the long-term issuer rating from the Japan Credit Rating Agency (JCR) was upgraded to A+. We will continue to maintain a sound financial base in a way well-balanced with efforts to improve capital efficiency.

	Previous Medium-Term Business Plan	Current Medium-Term Business Plan	
	FY2022 (results)	Policy	FY2023 (results)
Cash and cash equivalents	50.99 billion yen (approx. 2.5 months of monthly sales)	Secure liquidity for about two to three months of monthly sales to strengthen our risk tolerance	62.02 billion yen (approx. 3.1 months of monthly sales)
Equity ratio Rating	58.1% Rating A*	Maintain an appropriate rating and an equity ratio of 50% or more	58.9% Rating A+*

* Japan Credit Rating Agency (JCR)

Capital Policy (2): Improve capital efficiency

We believe capital efficiency-focused management is the most important factor in achieving sustained enhancements in corporate value. We will secure an equity spread that helps strengthen shareholder value by working with both management and those on the frontlines to create an ROE that exceeds the cost of equity and ROIC that surpasses the WACC. At the same time, we will focus our funds on high-impact capital and business investments that contribute to the creation and nurturing of growth businesses, ensuring sufficient free cash flow and improving ROIC.

In FY2023, we used the ROIC tree to promote understanding and penetration of ROIC-based management among employees and set goals related to expanding operating profit and improving the efficiency of invested capital, which were integrated into the action plans of each department of Aica Kogyo. For group companies, we are considering management and deployment methods that will contribute to the promulgation of ROIC-based management, with plans to implement this in FY2024. In addition to the aforementioned efforts to improve profitability [See pp. 23-24](#), the focus on capital-efficient management boosted ROE to 9.9% and ROIC to 8.9%, generating free cash flow significantly exceeding figures for the previous year.

In FY2024, as part of discussions with some shareholders regarding the reduction of cross-share holdings and sales of related shares, we confirmed their intentions to sell Aica Kogyo’s stock, leading to the decision to offer our shares. At the same time, we decided to repurchase up to 4 billion yen’s worth or 1.5 million shares of its own stock to mitigate the short-term impact on the supply and demand for stock and to enhance shareholder returns while improving capital efficiency.

AICA will continue to focus on improving capital efficiency from both the management and execution sides, targeting sustainable growth and increased corporate value.

	Previous Medium-Term Business Plan	Current Medium-Term Business Plan	
	FY2022 (results)	Policy	FY2023 (results)
ROE ROIC	ROE 6.9% ROIC 8.1% Equity cost 6.3% WACC 5.5%	ROE > ROIC > WACC structure Create ROE and ROIC that exceed the cost of capital ROE of about 10% ROIC of about 8%	ROE 9.9% ROIC 8.9% Equity cost 6.2% WACC 5.6%
Free cash flow	10.79 billion yen	Secure free cash flow to support aggressive investment for growth and increased shareholder returns	20.90 billion yen

Capital Policy (3): Focus on shareholder returns

To achieve both shareholder returns and sustained company growth, we have adopted the policy of determining dividends based on a comprehensive consideration of consolidated performance, dividend payout ratio, and retained earnings for each fiscal period. In the current Medium-Term Business Plan, we have added new policies to ensure stable dividends and further enhance shareholder returns: specifically, maintaining progressive dividends without reducing dividends and the flexible share buybacks.

In FY2023, we declared an annual dividend of 112 yen (a 3 yen increase), marking the 26th consecutive year without dividend reductions and the 15th consecutive year of dividend increases. In FY 2024, we plan to raise the annual dividend to 116 yen (a 4 yen increase), and have decided to repurchase up to 4 billion yen’s worth or 1.5 million shares of our own stock. We will continue to focus on improving capital efficiency and enhancing shareholder returns, with the goal of maximizing shareholder value.

	Previous Medium-Term Business Plan	Current Medium-Term Business Plan	
	FY2022 (results)	Policy	FY2023 (results)
Dividends	No dividend reductions for 25 consecutive years Increase in dividends for 14 consecutive years Annual dividend of 109 yen	Set the basic policy of maintaining progressive dividends without reducing dividends while emphasizing the continuity of stable dividends that have not been reduced for the past 25 years	No dividend reductions for 26 consecutive years Increase in dividends for 15 consecutive years Annual dividend of 112 yen
Acquisition of shares	Acquired approx. 4 billion yen worth of treasury shares	Consider flexible share buybacks	—

Feature: SDG-Oriented Products

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

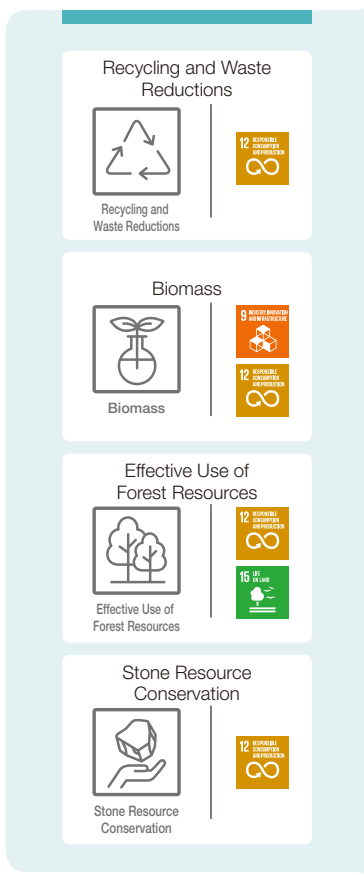
At AICA, we pursue a Corporate Philosophy by which we create new value and contribute to society through continuous innovation in the spirit of our philosophy of *kyosei**. To manifest this philosophy in action, we take social issues earnestly and focus on developing and providing products that contribute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

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

Characteristics of SDG-Oriented Products

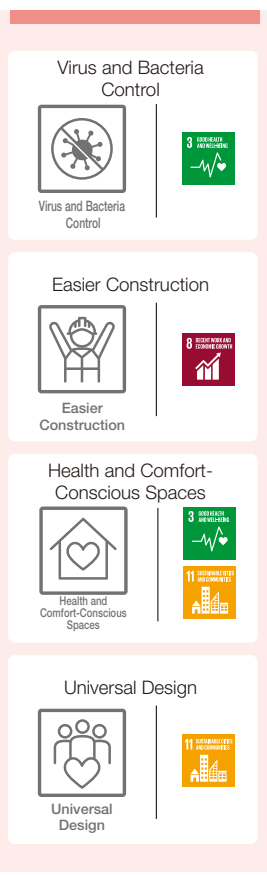
Environmentally-friendly

Minimize environmental impact, use natural resources responsibly, and contribute to the establishment of a circular society



People-friendly

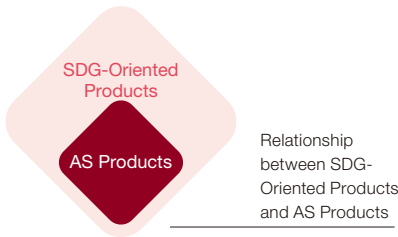
Provide products that are user-friendly for all, ensuring minimal hassle.



Left: Features of AICA products
Right: 17 SDG targets

SDG-Oriented Products and AS Products

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

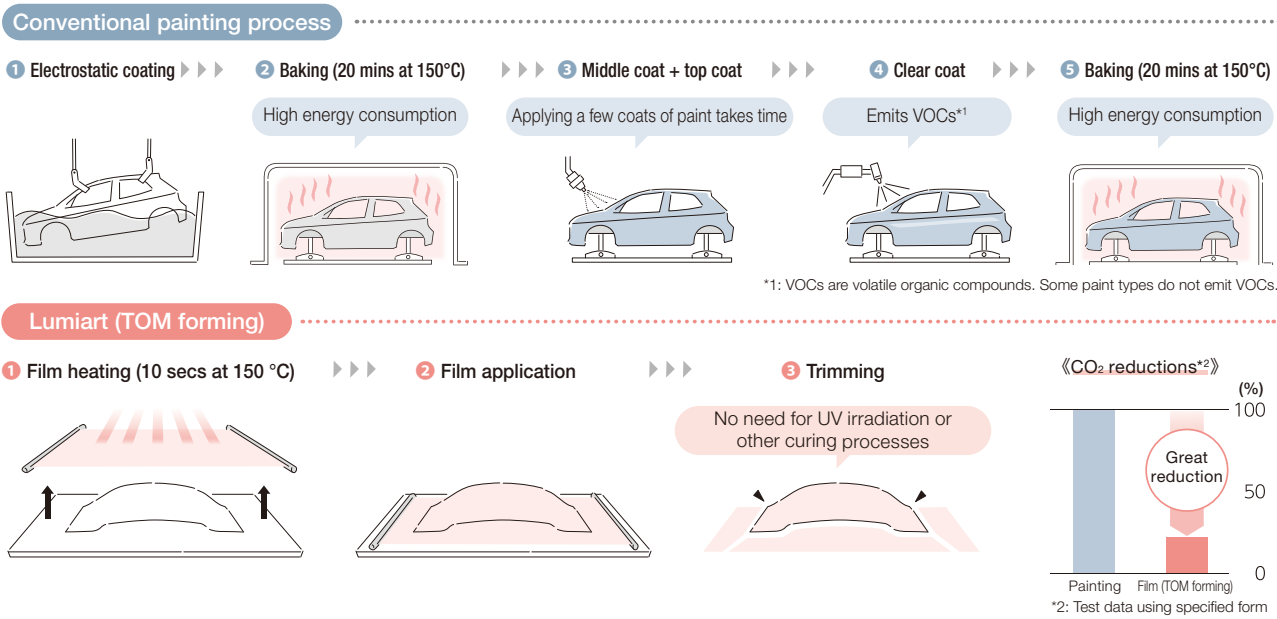


Examples of How an SDG-Oriented Product Contributes to the SDGs

Lumiart High-Performance Film to Protect Both of the Global and Workplace Environments

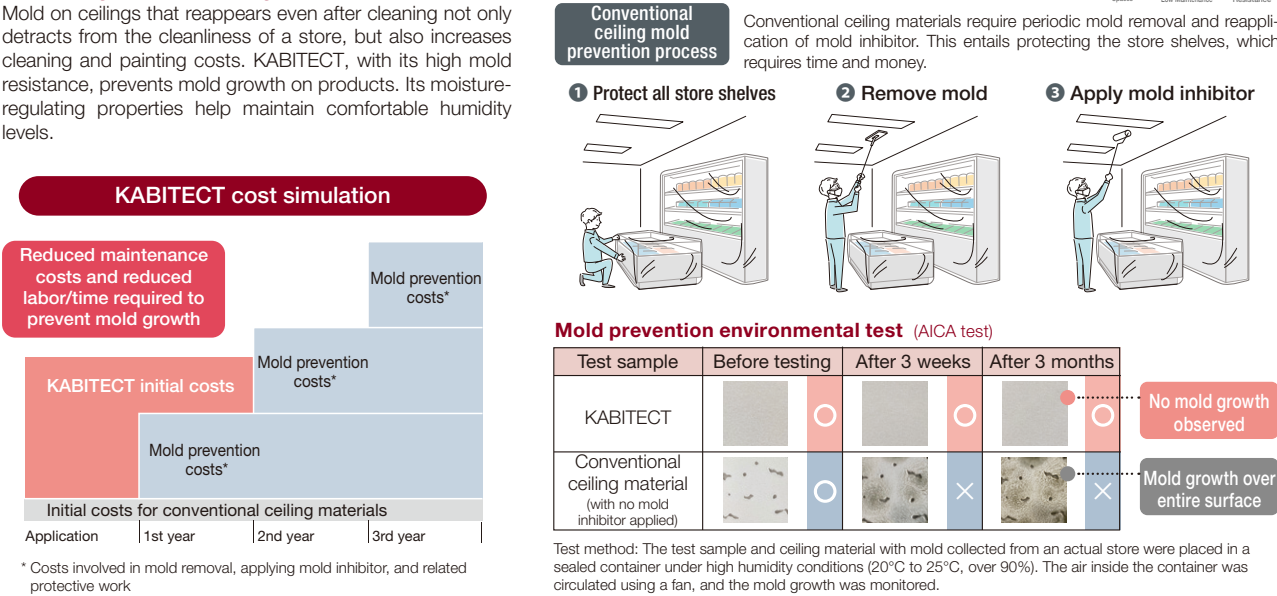
[Features contributing to SDGs]

- 1 Reducing CO₂ emissions**
Approximately 25% of CO₂ emissions from automotive manufacture is said to come from the painting process due to the practice of repeated spraying and drying. Switching from paint to decorative film for automotive exteriors dramatically reduces energy consumption and CO₂ emissions.
- 2 No VOC emissions**
The use of film eliminates the release of VOCs (volatile organic compounds), an issue when organic solvent-based paints are used. This enables automotive production that is less impactful on not only the global environment, but the workplace environment.
- 3 Pre-cured type to eliminate the need for UV irradiation after forming**
This product eliminates the need for UV irradiation after the film is applied, reducing manufacturing processes, and eliminating the need for installing additional equipment for UV irradiation.
- 4 High elongation rate and compatibility with wide range of surfaces**
The film boasts a high elongation rate thanks to its unique resin technology. It can be used with a wide range of substrates, including metals, resin-based materials, and difficult-to-bond substrates, by optimizing the adhesive and bonding layers.
- 5 High surface properties and scratch repairability**
The use of resin technology developed in the Laminates & Building Materials segment ensures excellent chemical and weather resistance. Scratches can be repaired, just as on painted surfaces.
* Deep scratches that cannot be repaired by painting cannot be repaired.
- 6 Wide range of designs**
Available in solid colors, pearl, metallic, and other single colors, as well as designs only possible with film, including geometric patterns and designs that change when light passes through them.



KABITECT Mold-Resistant Noncombustible Ceiling Material Reducing Cleaning and Painting Costs

[Features contributing to SDGs]



Feature: Initiatives for Promoting DX

AICA has identified DX (digital transformation) compliance as a key material issue and is promoting the use of digital technologies. Here, we highlight the main initiatives being undertaken.

DX in Production Sites (Nagoya Plant)

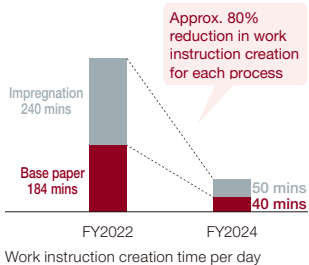
The AICA Nagoya Plant supports the mass production of our flagship product, high-pressure laminate (HPL), with a wide range of options in color patterns, surface finishes, sizes, and functionality. DX is used at the Nagoya Plant to improve productivity in multi-variety, small-lot production environments.

Automating complex production scheduling

The paper raw material varies daily in terms of the design and length required. The base paper process requires around 500 different paper designs per day, which are extracted in the required amounts and connected, followed by the impregnation process in which resin is intermittently soaked in. This process improved production efficiency, but creating the production plan and manufacturing instructions proved time-consuming. In response, systems were introduced in the base paper and impregnation processes to automate these tasks. This reduced the average time required per day from about 3 hours for the base paper process to 40 minutes, and from 4 hours for the impregnation process to 50 minutes. It also eliminated the reliance on the skills of specific individuals and standardized the processes. Inventory management of raw materials and input into the production performance system were also digitized and automated, dramatically improving operational efficiency in both processes.



Raw material selection using a code scanner



Work instruction creation time per day

Enhancing the quality of the finishing and inspection process through automation

The decorative panels come in approximately 5,000 designs, some of which feature similar patterns. To streamline the finishing and inspection processes, a pattern verification system has been implemented. This allows the easy matching of designs with product numbers. Pattern information and work instructions are displayed on monitors in production sequence, improving quality and inspection accuracy. Work instruction creation has also been automated in the same way as with the base paper and impregnation processes. We plan to achieve the full automation of pattern matching, using the digitization of pattern information as a foundation.



Pattern information and work instructions displayed on a monitor



Additional systems to reduce defect rates (ongoing)

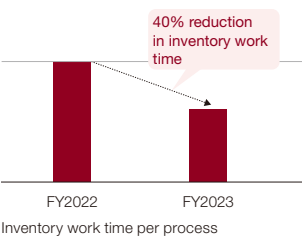
Previously, paper-based work instructions were used, and production records and foreign object detection information were managed separately for each process. This made it difficult to comprehensively analyze the causes of defects across all processes. In response, the systems being added to each process, from set-up to inspection, are designed for full integration. Ultimately, the production histories for all processes will be linked and stored together, allowing real-time sharing of operational status between processes, improving coordination between processes. The goal, in addition to improving production efficiency through digitization and automation, is to reduce defect rates by enhancing data analysis capabilities.

Inventory system promotes significant DX progress at the Nagoya Plant

The biannual inventory process had presented major challenges due to the need to suspend production and shipping operations during the process. A dedicated system was introduced to digitize and automate the process, not only reducing the time required but eliminating the need for confirmation and correction to correct human error, significantly improving operational efficiency. The addition of QR codes to all product pallets also marked a major step forward in DX at the Nagoya Plant.



Digitized inventory process



Inventory work time per process

It is not an easy task to balance the promotion of DX with our strengths in small-lot, high-mix production, flexibility, and short lead times. Efficiency gains through automation are meaningless if they come at the cost of performance, quality, or the capacity to respond flexibly to customer demands. Within the various constraints we face, setting clear priorities and defining specific goals were critical.

When DX systems were introduced, some workers struggled to adapt from the paper-based processes to tablet-based processes. Establishing the new methods as a routine was a challenge. Unexpected issues emerged, including neck strain from wearing tablet straps for extended periods or tablets freezing during use. Efforts to resolve these challenges, alongside the development of additional projects, are ongoing as we continue to seek further improvements in production efficiency.



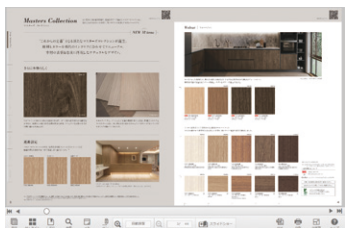
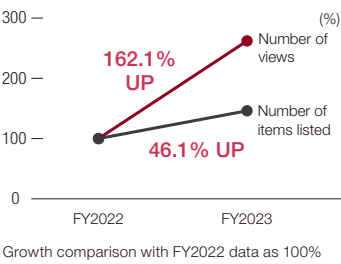
Akihiro Yamamoto
Nagoya Plant Manager,
Production Administration Department
Laminates & Building Materials
Business Unit

DX Initiatives in Sales Activities

AICA is promoting the use of digital technologies in its sales activities in response to technological advances and the diversification of work styles accelerated by the pandemic.

Enhanced web catalog to improve cost efficiency

In response to various social trends, including expanded work from home and the promotion of paperless practices, we revamped our website in February 2022 and have been enhancing the web catalog since then. In FY2023, the number of items listed in the web catalog grew by 46.1% from the previous year, while the total number of views surged by 162.1%. This has helped reduce catalog-related expenses amidst rising production and shipping costs, such as material and labor costs, for printed catalogs.



High-pressure laminate web catalog
Clicking a design image jumps to the detailed product information page.

Utilizing catalog and sample request data

Customer catalog and sample requests total about 40,000 per month. In FY2022, we automated the creation of lists based on the information provided during a request to enable sales activities at the most optimal timing for customers who expressed interest in our products. In FY2023, we introduced an original AI system that matches this list data with the information obtained by employees during customer discussions and quotes. By centralizing useful sales data and making them easily available, we improved our capacity to track project progress and understand the latest trends in focus products and markets, enhancing sales efficiency.

With online use continuing to expand across various sectors, we have been enhancing our web catalog. The increase in the number of views is due to changes in the broader environment as well as improvements in the accessibility of our web catalog. We have also been strengthening our systems to optimize sales activities for customers who request printed catalogs and samples and express interest in our products. Previously, the vast amount of data made it difficult to analyze effectively, but using digital technology has made analysis easier, contributing to improved sales efficiency. We will continue to roll out various initiatives while utilizing new tools.

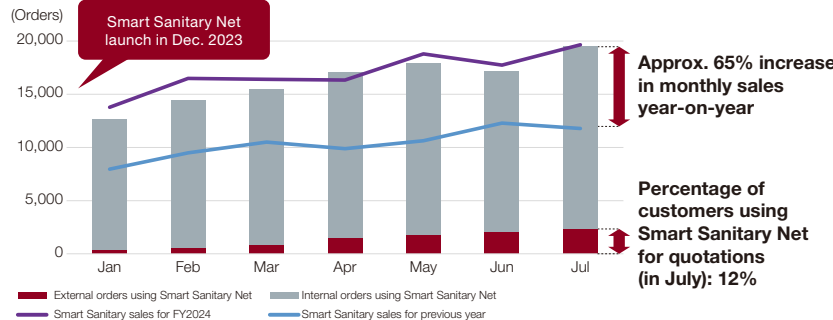


Koushi Suzuki
General Manager
Sales Planning Department
Sales Division

Smart Sanitary Net quotation and drawing system enhances work efficiency for both customers and employees

Sales of the "Smart Sanitary," a custom washstand, continue to grow at a rate of 65% more than the previous year every month. Despite the appeal of the customization and design flexibility, the number of details that need to be confirmed pose a major challenge, straining various departments both internally and externally during the planning and ordering processes. Feedback from home construction companies and sales agents, who issue orders to us based on customer requests, indicate that the variety of components makes the specification process burdensome, and the back-and-forth design changing processes are complicated and difficult. Three to four sets of changes were usually required before approval of final specifications and we had to handle most of the processes ourselves, causing long delays in confirmation and changes through the distribution channels.

To address these issues, we developed an openly accessible quotation system called Smart Sanitary Net, which came online at the end of December 2023. By selecting components, the system automatically generates the estimate sheet, specification confirmation, and specification drawings, streamlining the process from order to delivery. As of July 2024, the system has been adopted by approximately 12% of customers, but further penetration is expected. The goal is to reduce the workload of people involved in the sales of Smart Sanitary both inside and outside the company, ultimately leading to increased sales.



While the great success of Smart Sanitary is encouraging, the heavy workload has been a challenge. Reducing the time spent on quotations not only eases the burden on our employees but helps lighten the load for our sales agents, making it easier to handle Smart Sanitary. Approximately 7,100 orders using this system have been recorded in the six months since its launch, but this is still a small part of sales performance. We aim to expand sales opportunities by increasing the number of external users of the system.



Mitsuharu Saeki
General Manager
Sales Department 2
Laminates & Building
Materials Business Unit

Business Overview

Chemical Products segment

Ongoing reforms to build the foundations for high profitability and drive further growth

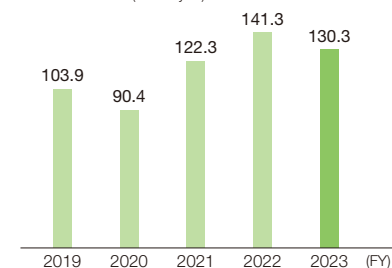
Nobuyuki Omura

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

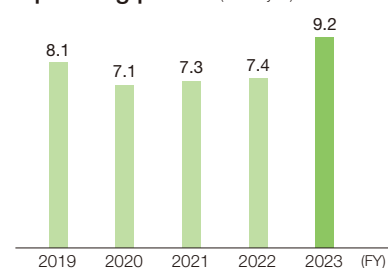
Development, production, and sales have come together in efforts to improve profitability, leading to a significant increase in profit margins. However, this is just the first step of our reform process. We will continue to improve productivity and develop high value added products to enhance our competitiveness.

Business Performance

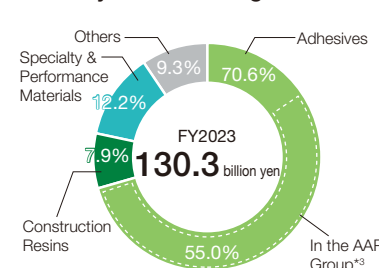
Net sales (billion yen)



Operating profit*1 (billion yen)



Sales by Product Range*2



FY2023 Results

Promoted groupwide, Improving Profitability was the first key policy outlined in the Medium-Term Business Plan. Despite lower sales year on year due to lower overseas product prices caused by a decline in prices for petrochemical raw materials, withdrawal from low-profit transactions in the Japanese market, and product rationalization to increase efficiency, profit margins improved from 5.3% to 7.1%. Operating profit reached a record high.

Challenges

- Fluctuations in raw material costs, energy costs, and exchange rates
- Market downturn in some applications due to economic trends
- Changing market needs, including demands to address climate change
- Development of major next-generation products and new business creation

Responses

- Sustained structural reforms through comprehensive cost management by resin type and product rationalization
- Creating additional synergies through new group companies and plants
- Development and promotion of AS products*4 and SDG-oriented products that contribute to a sustainable society
- Development and promotion of high value added products that help improve profitability

FY2024 Targets

Net sales **138.2** billion yen

Operating profit*1 **10.0** billion yen*

FY2024 Policy

Japanese market

- Promoting further efforts to improve profitability, including comprehensive cost management by resin type and product rationalization
- Expanding sales and driving business growth by focusing on hot melt and biomass adhesives, construction resins for factory and warehouse flooring, and, among specialty and performance materials, 3D decorative film for automotive applications

Overseas market

- Expanding the phenolic resin business by opening new plants at AICA Guangdong and Aica (Fujian), and launching full-scale operations at KUEN BONG TECHNOLOGY (THAILAND) from the start
- Developing the retail business in Southeast Asia to expand the high value added business

*1: Operating profit before deducting unallocated operating expenses *2: Some product categories were revised in FY2023. *3: AICA Asia Pacific *4: Aica Solution products *5: Revised business plan issued in July 2024

Topics

Japanese market Improved profitability through price revisions, cost reduction, and product rationalization

Raw materials costs, energy costs, and auxiliary materials costs continue to rise. We have taken prompt action to improve the profitability of the adhesive business, where the impact has been severe, by revising prices, reducing costs, and rationalizing low-margin products. While these measures led to a decrease in sales, profitability has improved dramatically. We will continue to pursue structural reforms. At the same time, by promoting the development and expansion of sustainable adhesives, including eco- and people-friendly hot melts free of organic solvents and products made from biomass resources, we will achieve growth in both volume and profitability.

Japanese market Harnessing demand for floor coating materials amid a rush of construction of semiconductor and EV-related factories and logistics warehouses

The growing number of construction projects for semiconductor and EV-related factories and logistics warehouses is driving adoption of our floor coating materials. We have also successfully proposed solutions for projects to be delivered starting next year. Offering an extensive range of floor coating materials that help prevent machine malfunctions and product defects and harnessing robust demand, we plan to expand sales of floor coating materials for semiconductor and EV-related factories to 300 million yen in FY2024, 7.5 times the sales for FY2022. Focusing on markets with growing construction demand has led to product sales growth exceeding the overall growth rate of the floor coating materials market. We plan to continue expanding sales and our domestic market share.



Fabbrica floor coating material increasingly used in large-scale semiconductor foundries (image)

Japanese market Expanding sales of 3D decorative films for automobiles, jointly selected by four organizations for a NEDO public project**

Approx. 25% of the CO₂ emissions from automobile manufacturing are reportedly attributable to the painting process.*7 For this reason, decorative films are drawing attention as an alternative to paint. Following the growing use of products for automotive interiors, we have developed 3D decorative film for automotive exteriors, ahead of the industry, and are now eyeing early commercialization. In November 2023, NEDO selected as its public project a joint effort promoted by Aica Kogyo, the National Research and Development Agency's National Institute of Advanced Industrial Science and Technology (AIST), The University of Tokyo, and Cemedine Co., Ltd. In this project, we're developing automotive exterior components designed to be readily dismantled and recycled. Our goal is to expand the business to achieve combined sales of 5 billion yen for both interior and exterior applications by FY2031. [See p. 34.](#)



An automobile with decorative film applied to the exterior

*6: NEDO: New Energy and Industrial Technology Development Organization

*7: In particular, the repeated drying processes involved in multi-layered applications of base coats and coatings are CO₂ emissions intensive.

Overseas market Expanding phenolic resin business within the AAP Group

The phenolic resin business is a core AAP Group business, with operations stretching across several countries. In Thailand, in addition to domestic demand, exports are growing to the Middle East, where timber resources are scarce and demand for products used for fiberboard and plywood is high. In October 2023, to respond to demand exceeding capacity at AICA Thai Chemical (ATC), ATC acquired all shares of KUEN BONG TECHNOLOGY (THAILAND), thereby expanding phenolic resin production capacity in Thailand by a factor of 2.5 along with the product portfolio. A new plant came online at AICA Guangdong Co., Ltd. in September 2023, the first phase of three major projects in China. The second phase is the Aica (Fujian) Co., Ltd. plant, where operations are set to begin in December 2024. These sites will contribute to plans to become Asia's largest producer of phenolic resins.



KUEN BONG TECHNOLOGY (THAILAND) COMPANY LIMITED

Overseas market Expansion of eco- and people-friendly hot melt sales globally

The demand for safe and eco-friendly hot melts has increased as environmental awareness has increased. We have built up our technical expertise in hot melts launched since 1966, and have expanded the number of group companies handling hot melts through M&A activities. Demand for hot melt sealants used in headlamps has grown in recent years with the increase in automotive production in Asia. Building on this growth, our technical expertise, global production systems, and sales network contribute to the expansion of our products. AICA will continue to push for further sales growth.



AICA offers virtually all types of hot melt products for a wide range of applications.



Laminates & Building Materials segment

Achieving business growth both in Japan and overseas by expanding sales of high value added products and creating group synergies

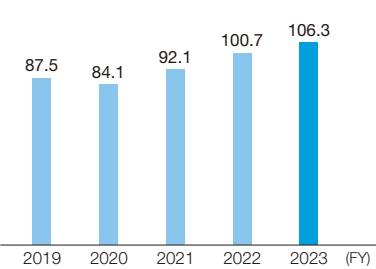
Yuji Iwatsuka
Director and Managing Executive Officer
President of the Laminates & Building Materials Business Unit



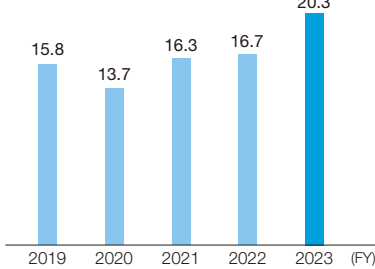
Focusing on various needs and social issues, we provide high-performance visually appealing building materials and effective construction methods. Our robust sales network also contributes to significantly expanding our Japanese business. In addition to targeting sustainable growth in the Japanese market, we are also seeking to expand our overseas business by drawing on Japanese technologies to create group synergies on a global scale.

Business Performance

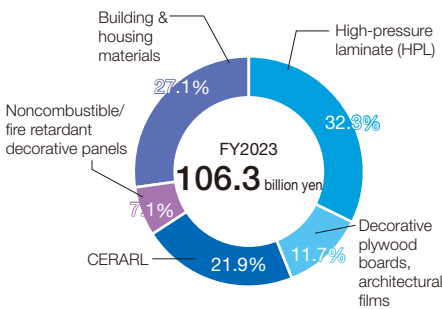
Net sales (billion yen)



Operating profit^{*1} (billion yen)



Sales by Product Range^{*2}



FY2023 Results

Despite sluggish sales volumes in the Japanese business attributable to various market factors, strong performance for certain high value added products and the success of price revisions and cost-cutting efforts led to growth in both revenue and profits. In the overseas business, both revenue and profits grew due to the performance of the Southeast Asian market and profit gains from the integration of group companies in China. Total Japanese and overseas sales and operating profit reached record highs.

Challenges

- Changing market needs and growing social demands, including demands to address climate change
- Rising cost of raw materials, construction delays due to shortfalls of skilled labor, declining demand
- Dependence on the Japanese market and revenues from HPL and CERARL
- Enhancing and expanding brand strength in overseas markets

Responses

- Development and promotion of products that contribute to a sustainable society, including AS products^{*3} and SDG-oriented products
- Development and promotion of products and methods that reduce total costs through simplified construction, easy installation, and low maintenance requirements
- Development and cultivation of next-generation large-scale products, including flooring and ceiling products
- Deepening overseas markets through the global expansion of Japanese technologies and the creation of group synergies

FY2024 Targets

Net sales **111.8** billion yen

Operating profit^{*1} **21.6** billion yen^{*4}

FY2024 Policy

- Strengthening proposal activities targeting clients and designers through AS product recommendations, and enhancing marketing and contract promotion activities by harnessing data
- Expanding the wall materials market share, developing new flooring and ceiling applications, and expanding Smart Sanitary sales

- Maximizing the use of overseas production and sales sites to increase adoption in overseas projects while enhancing presence and brand strength

^{*1}: Operating profit before deducting unallocated operating expenses ^{*2}: Some product categories were revised in FY2023. ^{*3}: Aica Solution products ^{*4}: Revised business plan issued in July 2024

Topics

Japanese market Profitability improved through product mix improvements, cost reductions, and broader price revisions

In addition to the rising cost of logistics, auxiliary materials, and energy, the price of paper, which accounts for more than half of the raw materials for HPL, has been trending up. In response, AICA focused on in-depth cost reduction and expanding its price revisions. We also expanded high value added products and improved our product mix, resulting in significantly increased operating profits despite lower sales volumes due to market conditions. Moving forward, we will continue to improve profitability and achieve steady business growth by developing and promoting competitive products, primarily AS products.

Japanese market Growing sales of CERARL, flooring and ceiling market products, and Smart Sanitary

Sales of CERARL melamine fire retardant decorative panel, a core product of the Laminates & Building Materials business, continued to grow. Products like CERARL Virutect Plus, which combines antiviral, antibacterial, and deodorizing properties, and CERARL CELLENT, which features a realistic material texture, are also performing well. Promoting the recommendation of the CERARL ON TILE sustainable renovation method, which reduces waste and noise by allowing application on top of tiles, also helped expand large-scale applications of CERARL CELLENT for renovation.

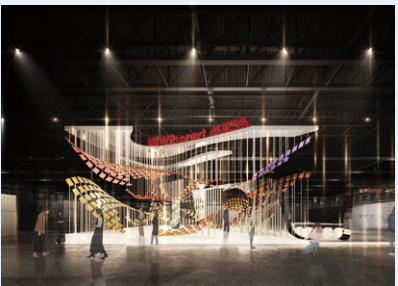
Efforts are also underway to develop new markets targeting flooring and ceilings. Sales are growing for MELAMINE TILE flooring material, which is gaining recognition for its superior maintainability, cost-efficiency, and high-quality texture. Sales have also grown for the KABITECT mold-resistant and noncombustible ceiling material, which is used in supermarkets where refrigerated cases are widely deployed; in hospitals and food factories where hygiene management is critical; and in changing rooms in offices and commercial facilities, where employers are seeking to improve workplace environments. In the housing market, Smart Sanitary custom washstands, which offer flexibility in dimensions, color, and design, experienced significant sales growth after gaining popularity on social media.



CERARL is also widely used in transportation facilities, including all new stations on the Hokuriku Shinkansen line (photo shows platform at Komatsu Station).

Overseas market Promoting global expansion of Japanese technologies

One policy to expand the Laminates & Building Materials business overseas is based on the global expansion of Japanese technologies. This involves expanding high value added products developed in Japan, including CERARL, fingerprint-resistant CELSUS, and antiviral/antibacterial Virutect, to overseas group companies, along with the associated technologies and expertise. Offering these AICA brand products alongside Wilsonart brand products, which are also recognized as high-end products, has contributed to the growth of overseas business. Demand for high value added products is expected to continue growing based on the current trend toward sophisticated design and high-quality construction materials across Asia. We plan to share production, construction, and sales expertise within the group to create and expand synergies and thereby enhance the AICA Group brand strength and boost overseas sales.



AICA and Wilsonart brands on show together at Thailand's largest construction exhibition

Overseas market Expanding sales network in Asia and surrounding regions

In August 2023, Aica Laminates India established a branch in Dubai. With a full local inventory, this will allow swift delivery and help expand sales in the Middle East. In March 2024, Aica Wilsonart (Thailand) opened a branch in Singapore, which hosts a large number of design firms involved in projects in Southeast Asia, making it a strategic hub for expanding sales in the region. Taiwan Aica Kogyo is working to expand its distributor network. In addition to its own showroom in Taichung, it has opened new dealership showrooms in Tainan and Kaohsiung with CERARL exhibition booths, making it easier to offer product proposals to customers. Efforts focus on continuing to expand and optimize the sales network to maximize the strengths of the AAL^{*5} group, which features a well-balanced array of production bases across Southeast Asia.

^{*5}: AICA Asia Laminates



Opening ceremony Aica Wilsonart (Thailand)'s Singapore branch

Sustainability Policy and Framework

Basic Approach to Sustainability

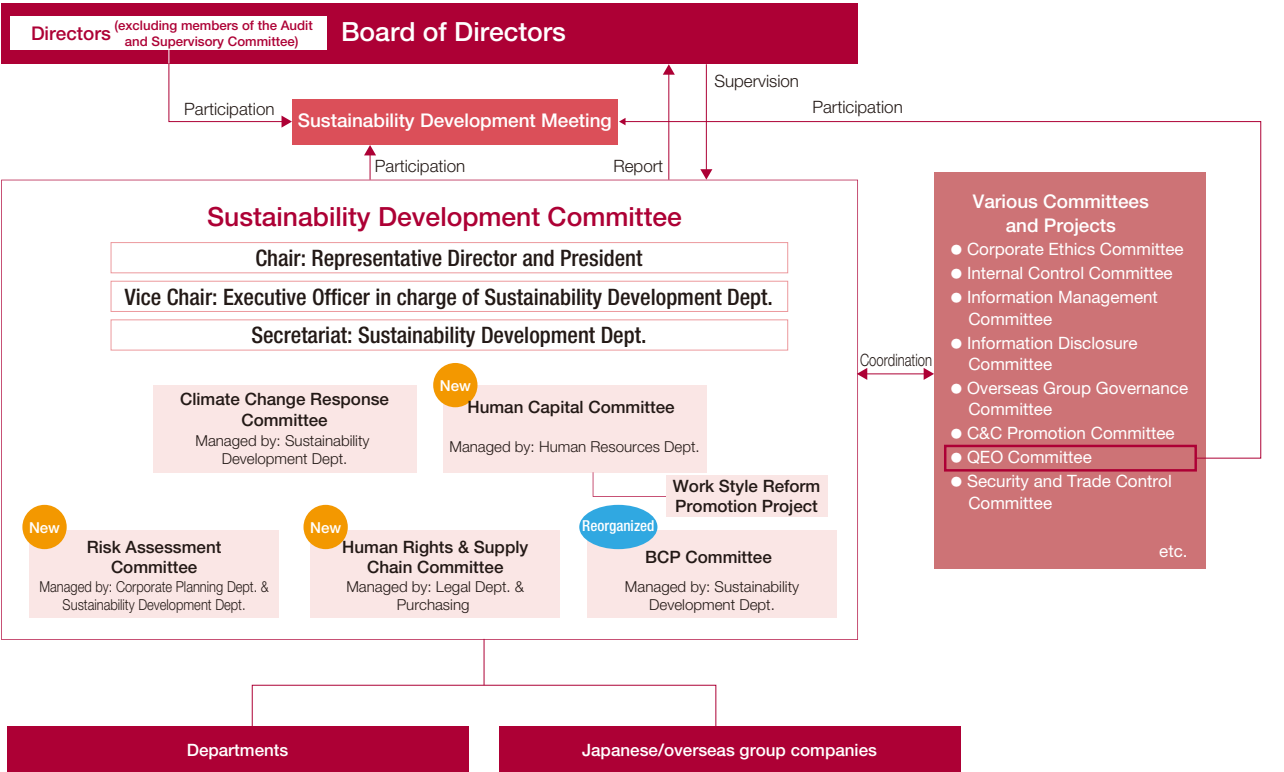
We recognize that it is our mission to fulfill the social responsibility required of corporations and to promote activities that enhance the sustainability not only of our company but of the entire global environment. In April 2021, we established a Sustainability Policy to clearly indicate our basic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

Sustainability Policy

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

Sustainability Development Framework

A Sustainability Development Committee has been established as the central body for the development of more in-depth sustainability. The entire Group is working to achieve materiality goals that integrate our business activities. In April 2024, the framework was partially reorganized by establishing five committees within the Sustainability Development Committee to enhance implementation capabilities. A newly established Sustainability Development Meeting, at which directors attend for discussion, will strengthen oversight functions. Representatives from group companies also participate in this council and engage in discussions to achieve the materiality goals.



(As of October 2024)

Key Committee Roles and Departments in Charge

Organization	New/Reorganized/ Existing	Areas covered	Department in charge
Climate Change Response Committee	Existing	Study and implementation of fundamental measures to reduce greenhouse gas emissions	Sustainability Development Dept.
Human Capital Committee	New	Study and implementation of human resource strategies centered on Human Resource Development, Diversity and Inclusion, and Engagement, identified as key initiatives in the Medium-Term Business Plan (absorbing the Diversity Promotion Project and Workstyle Reform Project)	Human Resources Dept.
Risk Assessment Committee	New	Classification and analysis of risks and management of the Risk Assessment Council (with roles previously handled by the Risk Assessment Council secretariat transferred to this committee)	Corporate Planning Dept. and Sustainability Development Dept.
Human Rights and Supply Chain Committee	New	Study and implementation of responses to social demands related to human rights (establishing and implementing human rights due diligence, examining conflict minerals procurement policies and methods for verifying timber sustainability)	Legal Dept. and Purchasing Dept.
BCP Committee	Reorganized	Formulation and revision of BCP plans to address large-scale disasters and cyberattacks; implementation of drills (BCP Committee reorganized as a committee)	Sustainability Development Dept.

Toward Integration of Business Activities and Sustainability

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

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

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



QEO Management System

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

A QEO Committee, managed by the Sustainability Development Dept. and Quality Assurance Dept., has been established as the central body for the promotion of the QEO management system. The committee conducts activities to achieve the policies and goals that have been formulated on the basis of this management system. A QEO Group Representatives Meeting, convened once every six months, was attended by Aica Kogyo’s top management and representatives of Group companies in Japan and overseas for the purpose of confirming QEO achievements and the status of improvements and sharing case study information. From FY2024, these functions have been integrated into the Sustainability Development Meeting.

Toward the Strengthening of Initiatives Toward Climate Change Issues

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

(Please refer to pages 48-57 for details of specific initiatives.)

Endorsement of TCFD Recommendations

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



Participation in Climate Change Initiatives

In January 2019, we joined the Japan Climate Initiative.



Risk Management

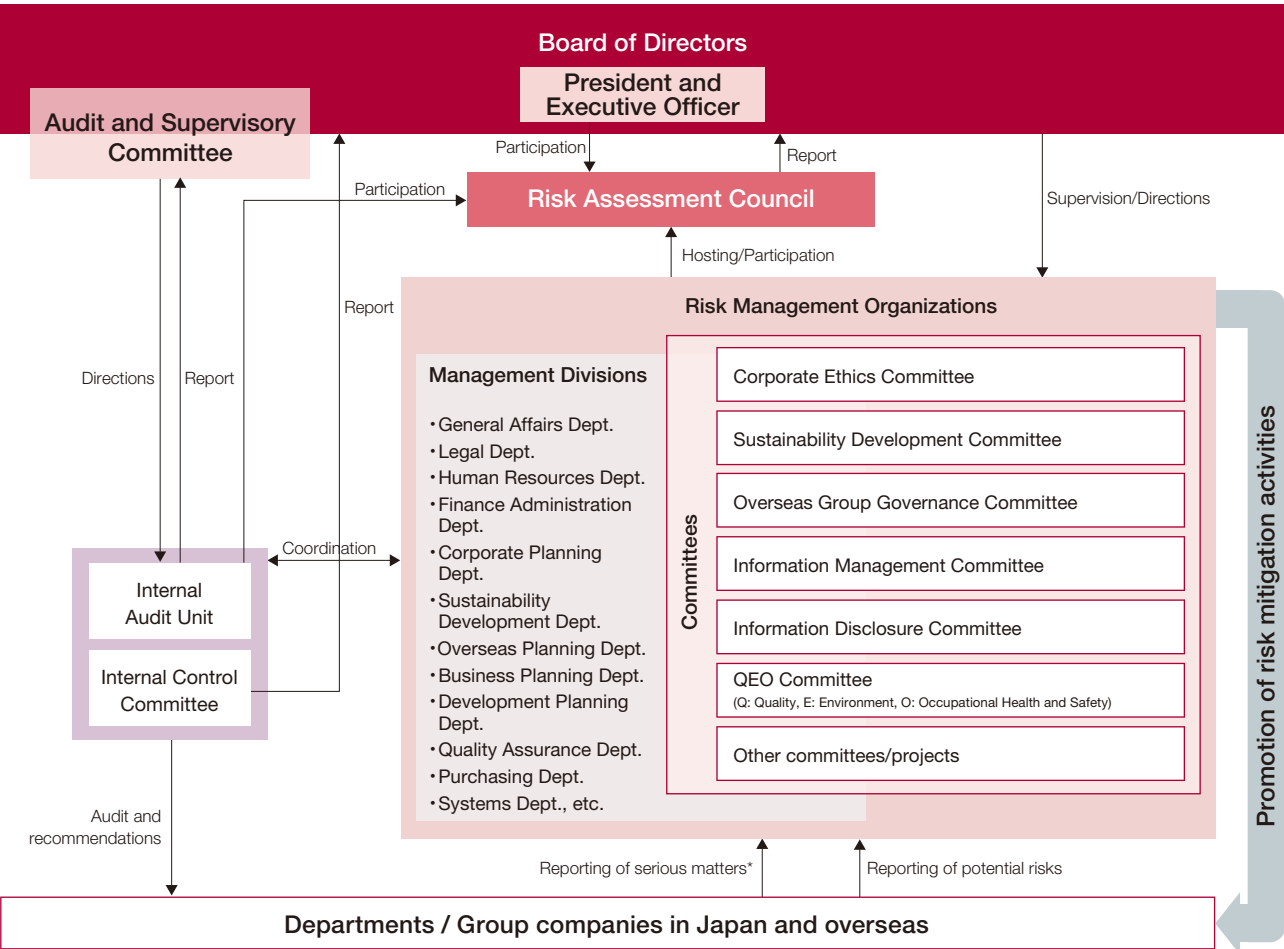
Basic Approach to Risk Management

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

From FY2024, based on the importance of initiatives related to risk management, the secretariat of the Risk Assessment Council was reorganized into the Risk Assessment Committee within the Sustainability Development Committee. The latter committee is chaired by the President and Executive Officer.

■ Risk Management Structure

(As of October 2024)



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

■ Business Risks (For details on each risk, please refer to our website.)

- 1

Risks related to global economic fluctuations
- 2

Risks related to response to changes in the market and customer needs
- 3

Risks related to dependence on construction and renovation demand in specific sectors
- 4

Risks related to capital tie-ups such as M&A
- 5

Risks related to price fluctuations and supply shortages of key raw materials
- 6

Risks related to product quality and product liability
- 7

Risks related to facility modification/abandonment and site restrictions
- 8

Risks related to outflow of intellectual property and infringement of other companies' rights
- 9

Risks related to insufficient capacity of logistics network and rising logistics costs
- 10

Risks related to on-time delivery in full (OTIF)
- 11

Risks related to creditworthiness of business partners
- 12

Risks related to financial and taxation matters
- 13

Risks related to exchange rate fluctuations
- 14

Risks related to the occurrence of major disasters and accidents
- 15

Risks related to environmental wellbeing
- 16

Risks related to climate change
- 17

Risks related to human capital
- 18

Risks related to information security and IT infrastructure
- 19

Risks related to compliance

Crisis Management Regulations

In our Crisis Management Regulations, we have established the measures to be taken when Aica Kogyo or any of our Group companies is faced with a business management crisis. We uphold the following basic policies: (1) Ensure the safety of employees and their families, (2) Mitigate social and economic impact, (3) Fulfill our responsibility to supply products to customers, and (4) Support local communities. We specify the scope of a given crisis, rules for reporting crises when they occur, and the establishment of crisis response headquarters to ensure prompt and appropriate responses and mitigate damage when crises occur. In anticipation of increasingly likely major earthquakes (e.g., the Nankai Trough Earthquake), we have reviewed the relevant Earthquake Hazard Prevention Regulations and established a system for implementing prompt and appropriate disaster prevention measures based on earthquake-related information released by government agencies.

■ Regulations Related to Crisis Management

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

Business Continuity Plan (BCP)

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

The BCP Committee was established following the Great East Japan Earthquake of March 2011. Since FY2024, it has operated under the Sustainability Development Committee. The BCP Committee focuses on strengthening disaster prevention measures and works to establish and review the BCP. BCPs are being formulated for sites added through M&A, etc., and regular drills are being conducted at sites that have already formulated BCPs. We are also expanding the boundary of BCP drills with the cooperation of our Group companies overseas and major production contractors.

Also, based on the lessons learned from the flood damage to our Hiroshima Plant resulting from the torrential rains of July 2018, we have conducted BCP drills for flooding at four sites with higher flood risks (Nagoya, Jimokuji and Hiroshima plants of Aica Kogyo and Nagoya plant of AICA TECH KENZAI), based on hazard maps.

In addition to improving the level of drills by making the content of the disaster assumptions during drills more specific and digging deeper into who makes what moves at what time, we clarify the competencies required in the event of a disaster and focus on human resource development to enable faster recovery and alternative production in the event of an emergency.

Risk Management in M&A (Due Diligence)

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

Information Security

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

Basic Policy on Information Security

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

— Information security training

We created and circulated the IT security handbook to raise employee security awareness. Email drills simulating targeted attacks are implemented regularly, as well as security training via e-learning.

— Initiatives at Group companies

An IT Governance Meeting is held twice a year to exchange information between group companies.

— Supply chain initiatives

Vulnerabilities from an attacker’s viewpoint are shared based on public information, with proposals and follow-up actions deployed to achieve continuing improvements.

Compliance

Basic Approach to Compliance

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

AICA Group Code of Conduct Basic Principles

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

Compliance Education

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

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

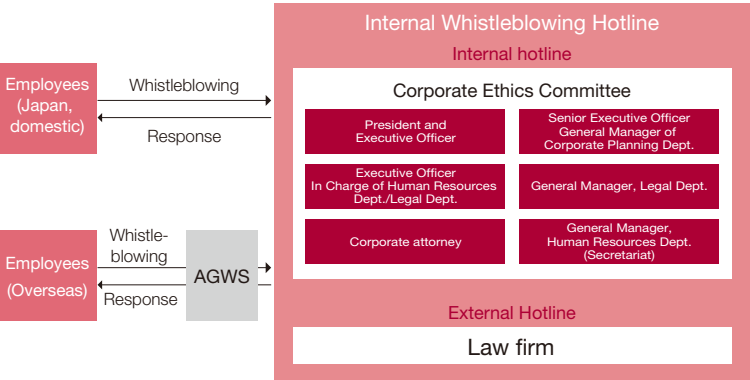
Corporate Ethics Committee

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

Internal Whistleblowing System

To ensure that potential risks, such as infringements of laws and company regulations, bribery and corruption, and human rights violations including various types of harassment, are addressed promptly and effectively, we established an internal whistleblowing hotline within the company and at a law firm outside the company. In addition, we established a global whistleblowing office, the AICA Global Whistleblowing System (AGWS), for the employees of overseas group companies. Employ-

Internal Notification System Concept Diagram



* Number of cases brought to the Internal Whistleblowing Hotline in FY2023: 22

Respect for human rights

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

The AICA Group supports and respects international human rights norms, including the Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, and UN Guiding Principles on Business and Human Rights. In order to fulfill our corporate responsibilities, we clearly state guidelines regarding respect for human rights in the AICA Group Code of Conduct. In 2023, in light of recent changes in the business environment and societal expectations, we formulated the AICA Group Human Rights Policy. We ask all our suppliers to assent to the Sustainability Procurement Guidelines, which incorporate our human rights policies. We are also considering holding briefing sessions to provide opportunities for suppliers to gain a deeper understanding of human rights. The AICA Group Code of Conduct, the AICA Group Human Rights Policy, and the Sustainability Procurement Guidelines are published on our website in order to communicate widely to our stakeholders.

— System for Promoting Human Rights

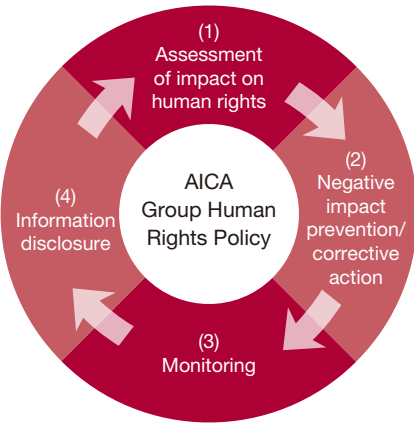
Initiatives related to human rights are led by the Sustainability Development Committee, chaired by the President. In FY2024, in light of the importance of human rights issues, we established a Human Rights and Supply Chain Committee within the Sustainability Development Committee to act as a cross-departmental expert organization to enhance our activities. Details of the activities of the Human Rights and Supply Chain Committee are reported to the board of directors every six months. Additionally, the Legal Dept. and Human Resources Dept. promote human rights awareness activities, including planning and training on harassment prevention and other human rights issues.

— Human Rights Due Diligence

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

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

■ Human Rights Due Diligence Process




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

AICA Group Human Rights Policy Basic Principles

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

Environment

Basic Approach to the Environment

The AICA Group has developed an environmental management system based on ISO 14001 and operates an original QEO Management System  See p. 42. To realize a sustainable society, we engage actively in addressing environment-related issues.

Environmental Philosophy

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

Environmental Policy

- 1 Creating products that are kind to both the environment and people
We strive to provide safe and secure products that have minimal environmental impact and help resolve social issues.
- 2 Responding to climate change
We engage in energy-saving activities, utilize renewable energy, and focus on Scope 3-friendly purchasing practices to reduce greenhouse gas emissions.
- 3 Contribution to the circular economy
We promote the 3Rs (Reuse, Reduce, Recycle) to work toward a circular economy. We also seek to make efficient use of natural resources like water and timber.
- 4 Harmony with local communities
We actively participate in local environmental conservation and social contribution activities.
- 5 Compliance with laws and regulations
We comply with all applicable laws and regulations.

Responding to Climate Change


Basic Approach to Climate Change Response

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

Governance System for Responding to Climate Change

The Climate Change Response Committee was established within the Sustainability Development Committee, which is chaired by the President, to promote the planning and implementation of fundamental greenhouse gas reduction measures. Details concerning the activities of the Climate Change Response Committee, in addition to progress on KPIs set as materialities, are reported every six months to the Sustainability Development Committee, at which directors also attend for discussion.

Managing Risks Related to Responding to Climate Change

Risk management related to climate change response is carried out as part of Group-wide risk management.  See p. 43. Through this process, we published climate change as a serious risk and identified it as one of our materialities. The Climate Change Response Committee, which is established under the Sustainability Development Committee, and the Sustainability Development Division, which serves as the secretariat for both of those committees, regularly examines risks related to climate change.

Integration of Scenario Analysis Results into Strategies

We conducted interviews with our stakeholders in FY2020 to identify risks and opportunities and organized a compilation of the risks and opportunities associated with the effects of climate change, and what we should do to address them. Since these efforts made it clear that the impact of climate change will increase in the future, we incorporated “Responding to climate change” as a materiality into the previous Medium-Term Business Plan, and set qualitative and quantitative targets. In FY2022, we undertook qualitative impact assessments and quantitative financial impact assessments for each of the identified risks and opportunities for 2030 and 2050, accounting for both 1.5°C and 4°C global scenarios. These were organized as indicated below, with corresponding countermeasures examined as well. These details have been incorporated into the current Medium-Term Business Plan.

Overview of Scenario Analysis and Results

Scope of Scenario Analysis

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

Overview of Possible Scenarios

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

Quantitative Assessment Results and Measures

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

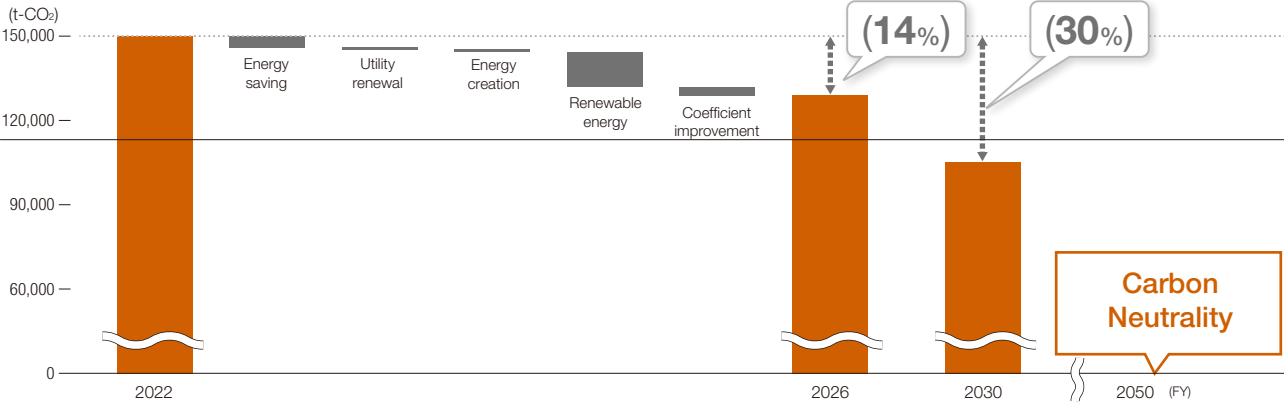
Impact of profit symbols: Small...less than 500 million yen, Moderate... 500 million yen to less than 1 billion yen, Large... 1 billion yen or above
Note: Please refer to our website for qualitative impact assessment results.

Measure 1 Strengthen efforts aimed at achieving carbon neutrality

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

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

Scope 1 and Scope 2 Emissions Reduction Plan



Examples of Specific Efforts

Energy conservation activities

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

Introduction of low-carbon utility facilities

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

Adoption and purchase of renewable energy

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

Fundamental shift in products and manufacturing processes

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

Major Initiatives in FY2023

The completion of the switchover from heavy oil to LNG (liquefied natural gas) at AICA Harima Kogyo is expected to significantly reduce GHG emissions from FY2024 on. Approximately 40% of purchased electricity at Japanese production sites has transitioned to renewable energy sources. We continue to make progress with the installation of solar power facilities both in Japan and overseas, further decarbonizing energy usage.

Emission Reduction Measures Implemented in FY2023

Efforts		Measures	Sites	Emissions reduction (t-CO ₂ /year)
① Energy conservation activities		Centralized once-through boiler system	AICA-TECH KENZAI Akeno Plant	300
		Insulation and temperature control system in curing rooms	AICA-TECH KENZAI Ichikawa Plant	300
		Automated air conditioning control systems	AICA Kogyo Nagoya Plant, etc.	42
		Compressor upgrades	AICA Kogyo Tanba Plant	38
		Equipment reductions through production rationalization	AICA Kogyo Nagoya Plant	34
	Production system change	Adoption of pressurized spray drying	AICA Kogyo Tanba Plant	38
② Fuel conversion	Shift from heavy oil to LNG	AICA Harima Kogyo	1,200	
③ Utilization of renewable energy		Adoption of CO ₂ -free electricity plans	Major sites in Japan	5,431
	Energy generation	Solar power installation	AICA Kogyo Jimokuji Plant, AICA INDRIA, AICA Guangdong	630

Solar Power Installation Sites



AICA Kogyo Jimokui Plant



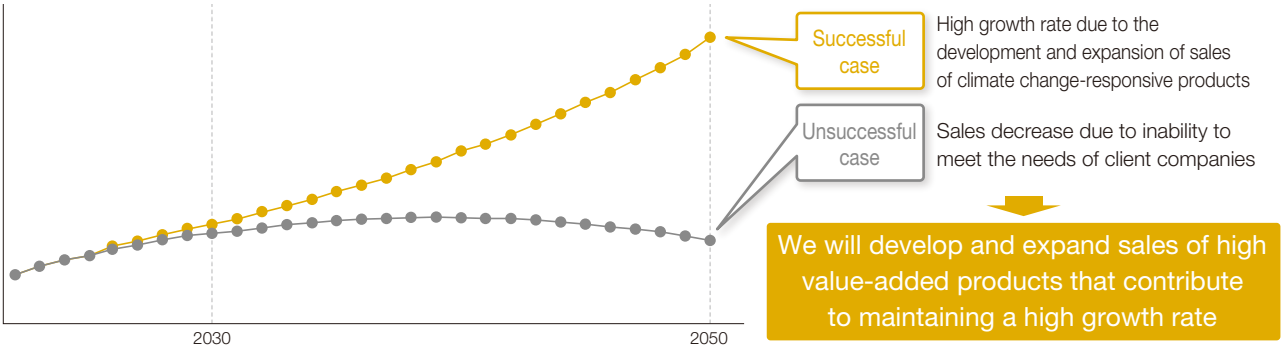
AICA INDRIA

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

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

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

Sales Forecast based on Scenario Analysis



Examples of Specific Efforts

Utilization of biomass materials

By utilizing plant-derived biomass materials, which can be regarded as giving off zero CO₂ emissions during waste combustion, we will reduce GHG emissions throughout the entire product life cycle and contribute to the formation of a circular economy by switching from depleted resources.

Environmental impact analysis through product life cycle assessments

In addition to identifying the stages in the life cycle of major products that emit a large amount of CO₂, we will focus on developing products that reduce the carbon footprint and adapt to a decarbonized society.

Waste reduction

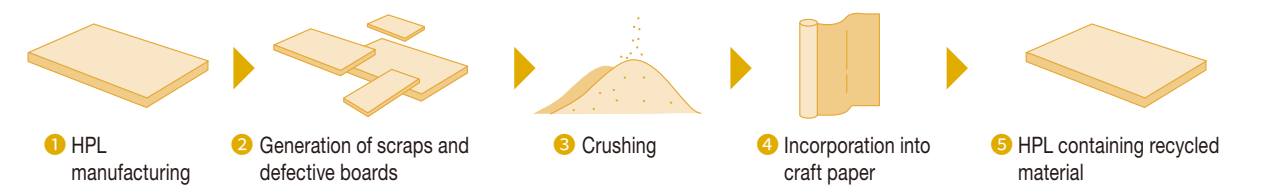
We promote the effective use of product scraps and waste materials generated during the manufacturing process, and offer refurbishment methods that reduce waste materials during installation, thereby contributing to the reduction of GHG emissions and the formation of a sustainable, circular economy.

Easier Construction

We provide products that can be easily installed in a short period of time, contributing to reducing the risk of heatstroke. In addition, this effort will also contribute to solving a serious issue that the construction industry is facing, which is major labor shortages.

Major Initiatives in FY2023

- Recycled high-pressure laminate (HPL) made from scraps and defective products
- We developed an HPL that uses, as part of its raw materials, crushed scraps and defective products generated during the HPL manufacturing process. Should this become a commercial reality, we could significantly reduce our industrial waste volumes. We are also examining the possibility of recovering and reusing used HPL products, a significant step toward achieving horizontal recycling.



- High-pressure laminate (HPL) using recycled waste fibers
- We have also developed an HPL that incorporates recycled fiber materials, including those derived from wastepaper or discarded clothing, into the decorative layer. If commercialized, this product would expand the use of textile waste and help create a circular economy.

Measure 3 Strengthen BCP against natural disasters

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

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

Disasters Resulting in Shutdown and Countermeasures Taken

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

Examples of Specific Efforts

BCP drills

We will continue to conduct BCP drills in response to location risks, which are conducted once a year at each production site in Japan and overseas. In particular, Aica Kogyo Nagoya Plant, Jimokuji Plant, and Hiroshima Plant, which have all experienced flood damage, will conduct drills for implementing flood damage countermeasures.

Description of drills

1. BCP review

We divide the phases from the occurrence of a disaster to the decision to activate BCP, and from the activation of BCP to recovery activities, and confirm that the person in charge of the department understands the items to be carried out, and that there is room for improvement in the arrangements.

2. Practical training

Initial response to a disaster will be conducted according to procedures.

Installation of waterproof walls

The following measures were taken at sites that have experienced flood damage. We will continue to consider increasing waterproofing and enhancement measures as necessary.

● AICA Kogyo Nagoya Plant: The waterproof wall located in the lower part of the site has been raised and strengthened (a 600–700 mm waterproof wall was added to the existing 1,150 mm waterproof wall)

● AICA Kogyo Jimokuji Plant: Raised exterior building structure 500 mm and purchased simple breakwater (for gate)

● AICA Kogyo Hiroshima Plant: Raised exterior building structure 500 mm, purchased simple breakwater (for gate), and performed maintenance on buried drainage pipes

Early response to typhoons and heavy rains

If there is a typhoon or torrential rain forecast, the head office will alert potentially affected sites. In particular, production sites will be notified to start flood control measures as soon as possible.

Major Initiatives in FY2023

The Noto Peninsula earthquake of January 2024 had no major impact on the AICA Group. However, it prompted a review of the Earthquake Hazard Prevention Regulations outlining our earthquake response to strengthen the recovery framework for disasters. BCP training was implemented and BCP systems established at overseas production sites where BCP measures have yet to be implemented.

Indicator and Targets

As mentioned, the current Medium-Term Business Plan sets forth our goal to achieve carbon neutrality with regard to Scope 1+2 emissions by FY2050. We also set targets to reduce GHG emissions, compared to FY2022 levels, by 14% by FY2026 and 30% by FY2030. To achieve our medium-term targets, we plan on environmental investment of 2 billion yen, which will contribute to reducing GHG emissions from FY2023 to FY2026. With regard to Scope 3 emissions, we set establishing Scope 3 emission reduction targets and formulating reduction measures by FY2026 as our materiality goal by grasping the emissions of the entire Group, including emission of overseas sites.

GHG Emissions Targets (Current Medium-Term Business Plan)

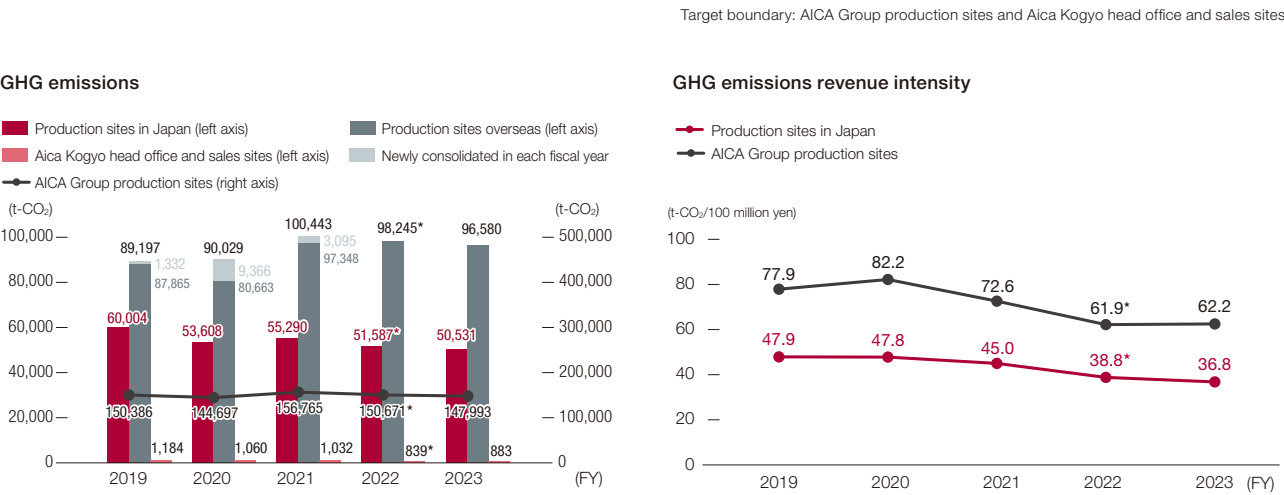
Scope	Target year	Target
Scope 1+2	FY2026	Reduce 14% from FY2022
	FY2030	Reduce 30% from FY2022
	FY2050	Carbon Neutrality
Scope 3	FY2026	Set Scope 3 emission reduction targets and formulate reduction measures

Current Medium-Term Business Plan Investment Target Environmental Investment of 2 billion yen (Four-year cumulative total)

Targets and Achievements

FY2026 Target	FY2023 Achievements	Factors and Related Information Concerning Increases/Decreases
Reduce AICA Group GHG emissions (Scope 1+2) by 14% compared to FY2022.	1.8% decrease from FY2022	Reduced due to shift to renewable energy sources, installation of solar power generation facilities at various sites, and other emission reduction measures
Four-year environmental investment total: 2 billion yen	0.29 billion yen	Upgrading to high-efficiency production facilities, introduction of solar power generation facilities, procurement of renewable energy sources, and other investments

Actual Results (Scope 1+2)

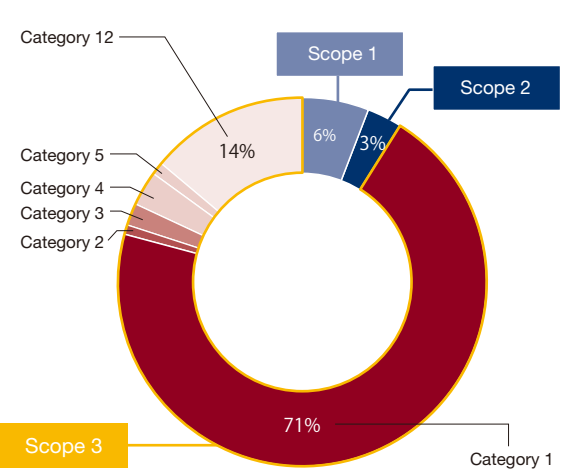


Scope 3 Emissions

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

Please refer to pp. 81-84 for third-party assurance status.

Breakdown of FY2023 GHG Emissions at AICA Group Production Sites in Japan



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

Category	Emissions (t-CO ₂)
1 Purchased goods and services	402,690
2 Capital goods	5,279
3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	8,819
4 Upstream transportation and distribution	14,756
5 Waste generated in operations	5,582
6 Business travel	1,598
7 Employee commuting	230
12 End-of-life treatment of sold products	79,055
13 Leased assets (downstream)	146

Note: Categories 8, 10, 11, 14, and 15 are excluded from the calculation. The boundary of calculation differs according to category. Refer to the Environmental Data page (pp. 81-82) for details on boundary of calculation and the reason for exclusion.

Green Logistics

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

Targets and Results

FY2023 Target	FY2023 Achievement	FY2024 Target
1% year-on-year decrease 44.59 kl/1 million t-km or less	3.4% year-on-year decrease 43.47 kl/1 million t-km	1% year-on-year decrease 43.03 kl/1 million t-km or less

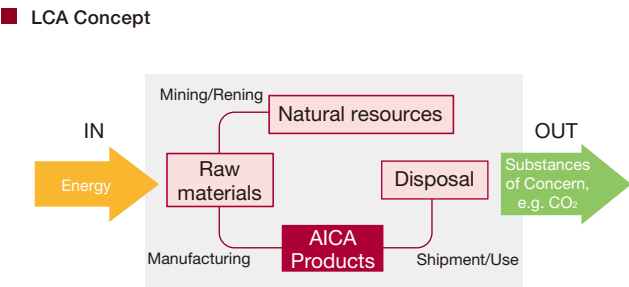
Results Trends

FY2019	FY2020	FY2021	FY2022	FY2023
43.44	45.23	44.70	45.04	43.47

Use of LCA

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

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



Reduction of Industrial Waste and Effective Use of Resources

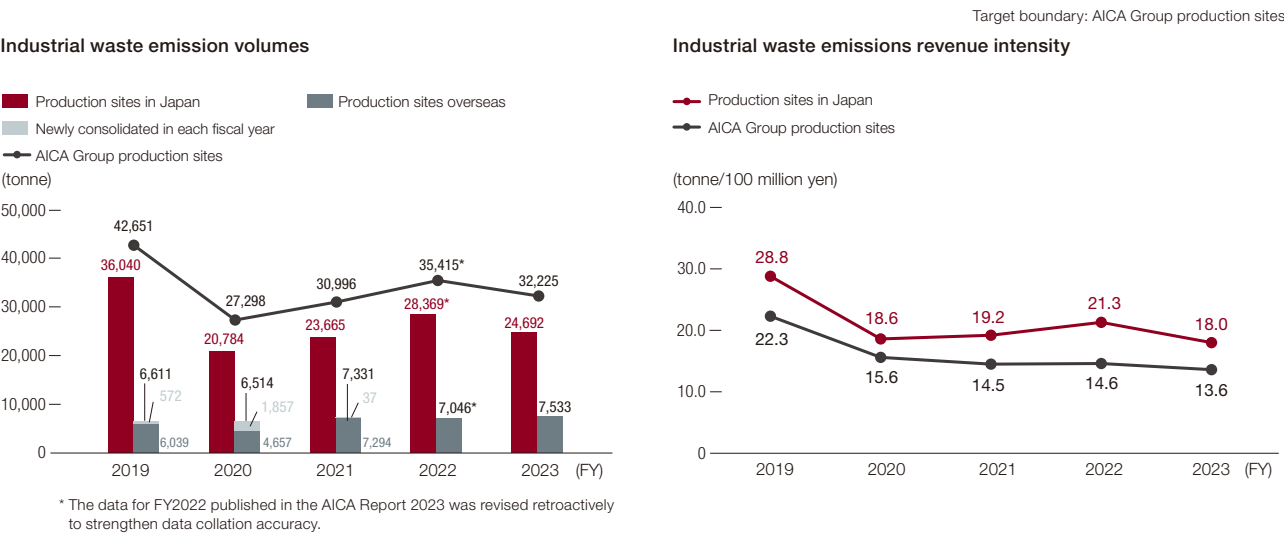
Basic Approach to Reduction of Industrial Waste and Effective Use of Resources

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

Targets and Results

Target boundary: AICA Group production sites		
FY2023 Target	FY2023 Achievement	Increase/Decrease Factors
Reduce AICA Group industrial waste emission revenue intensity by 10% compared to FY2020	12.8% decrease from FY2020 (13.6 tonnes/100 million yen)	Despite higher emissions compared to FY2020 both in Japan and overseas, the increase in net sales exceeded the increase in emissions, resulting in a reduction in per-unit emissions.

Results Trends



Major Initiatives in FY2023

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

Initiative to Recycle Unwanted Materials in Japan

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

Reduction of Water Withdrawal

Basic Approach to Reduction of Water Withdrawal

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

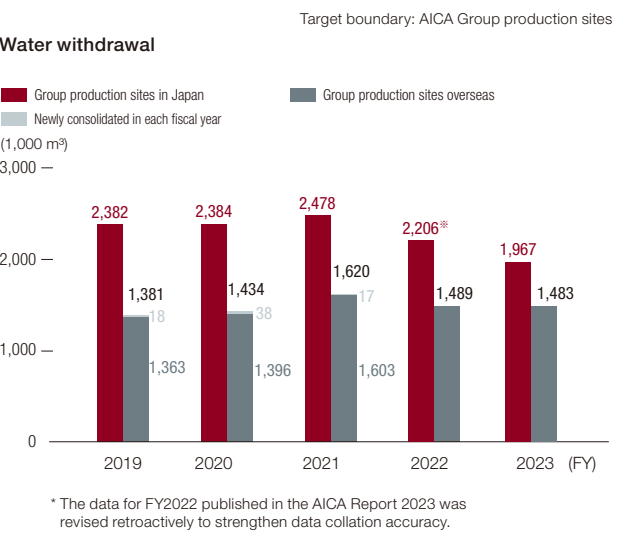
Our production sites in Japan use industrial water and underground water, and we are pursuing the cyclic usage of water at our Nagoya and Jimokuji Plants.

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

Targets and Achievements

Target boundary: AICA Group production sites		
FY2023 Target	FY2023 Achievement	Increase/Decrease Factors
Water withdrawal revenue intensity in high-risk areas: 6% reduction vs. FY2020 (6.74 m ³ /million yen or less)	38% decrease from FY2020 4.44 m ³ /million yen	The increase in water withdrawal in high-risk areas was greatly exceeded by the increase in net sales, resulting in a reduction in per-unit emissions.

Results Trends



Water Withdrawal in High-Risk Areas*1

Name of Site	Location	Consumption
Aica Laminates India	Northern India	33,545 m ³
AICA Indonesia Techno Wood Indonesia	Cikampek (Indonesia)	34,243 m ³
AICA INDRIA (AAP*2 Group)	Pasuruan (Indonesia)	38,319 m ³
Shenyang AICA-HOPE KOGYO	Northeastern China	3,824 m ³

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

Environmental Risk Management

State of Compliance with Environmental Laws

In FY2023, no Japanese site in the AICA Group was subject to correction directives from the competent authorities or to environment-related litigation.

Neighborhood Complaints and Responses

In FY2023, AICA responded as follows to neighborhood complaints received by the AICA Group in Japan.

Location of Occurrence	Description	Overview
AICA Kogyo Nagoya Plant	Trucks making aggressive right turns when entering Nagoya Plant	Reports were received of trucks making aggressive right turns when entering the Nagoya Plant. The Logistics Dept. issued reminders and instructions to transport companies.
AICA Kogyo Nagoya Plant	Inattentive driving by vehicles leaving plant	Reports were received of inattentive driving involving vehicles leaving the Nagoya Plant. Drivers were cautioned and awareness was improved using posters.

Environmental Accidents

In FY2023, no accidents within the Group in Japan occurred that impacted areas surrounding sites.

Basic Approach to Human Resources

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

Human Resources Development Policy

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

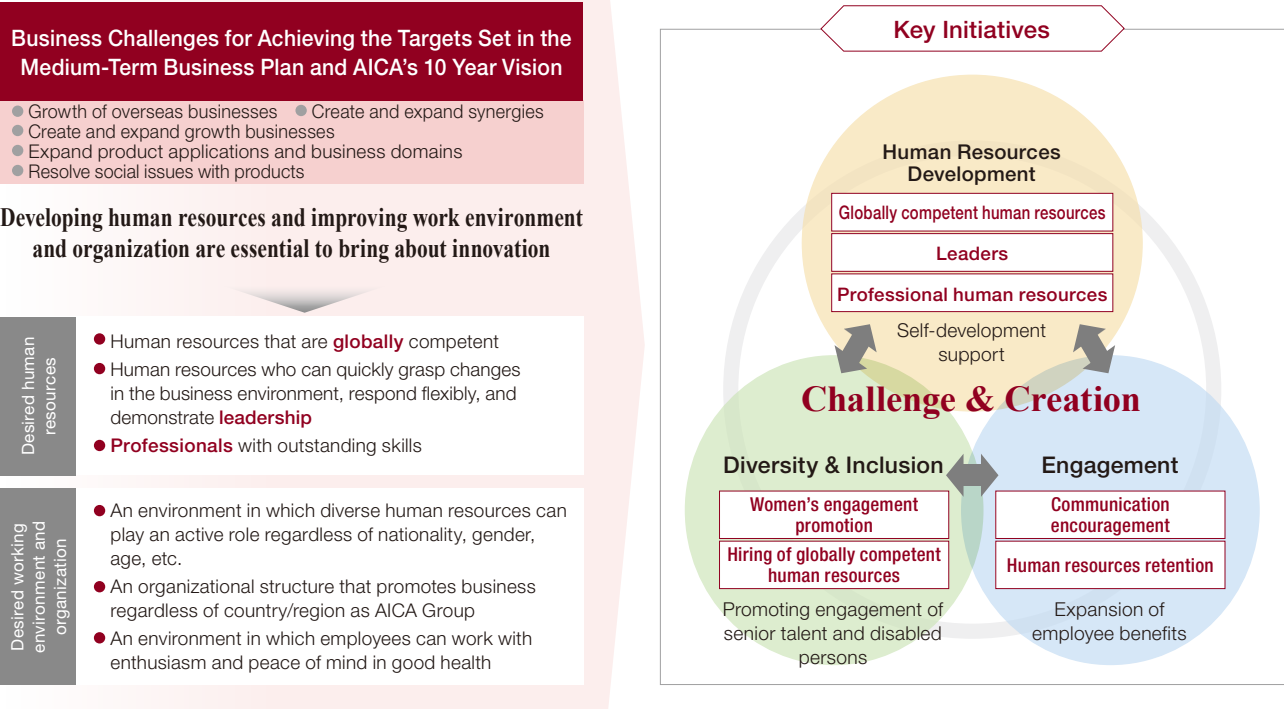
Internal environment development policy

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

Human Assets Strategy in the Medium-Term Business Plan

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

■ Overview of the Human Capital Strategy in the Current Medium-Term Business Plan



■ Indicators, Targets, and Results

	FY2022 results	FY2023 results	FY2026 (Medium-Term Business Plan)
Human capital investment*1	870 million yen	990 million yen	4 billion yen (four-year cumulative total)
Engagement score*2	3.9 points	—*4	4.0 points or more
Labor productivity*1*3	21 million yen per person	22.5 million yen per person	22.8 million yen or more per person
Number of employees who experienced overseas assignment*1	78	86	100 or more
Percentage of women recruited to new-graduate career-track positions*1	42.0% as of April 2023	26.9% as of April 2024	30% or more (four-year cumulative total)
Childcare leave acquisition rate*1	Men: 53.1%, Women: 100%	Men: 59.1%, Women: 100%	Men: 70% or more, Women: 100%

*1: For Aica Kogyo *2: For AICA Group, score out of 5 *3: Labor productivity = value-added amount / number of employees *4: No results; performed every other year

■ Major Initiatives in FY2023

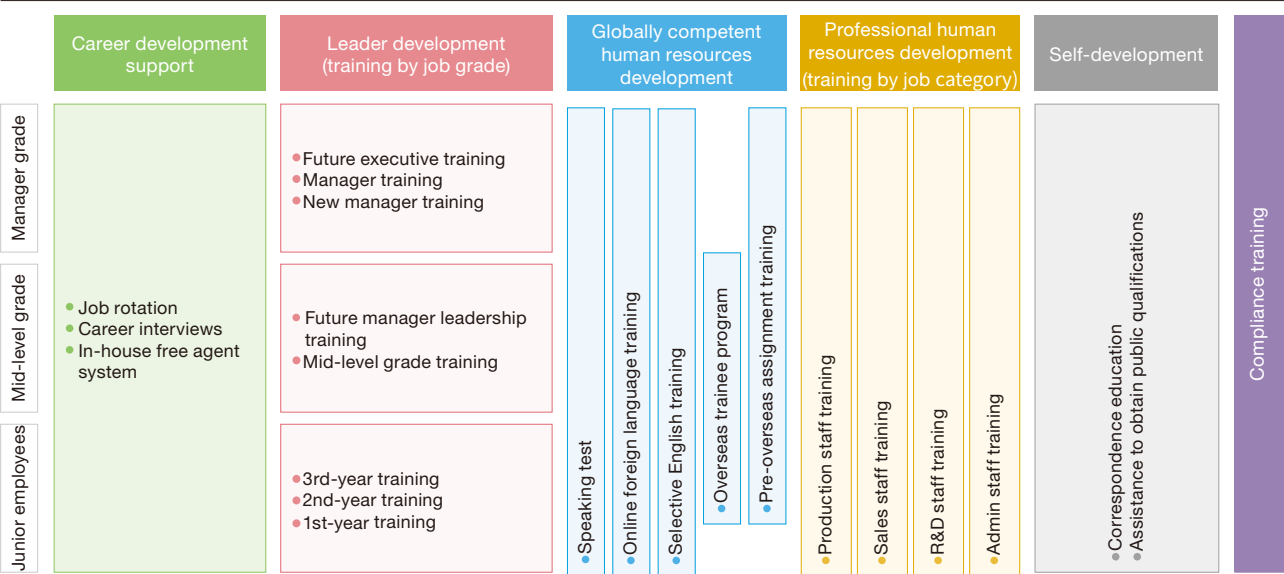
Indicator	Initiative	Relevant pages
Human capital investment	Training-related investment in human resource development programs grew by 34% from the previous year. Investments in data infrastructure (e.g., talent management and health management systems) and expanded welfare contributed to a 13% overall increase year on year.	pp. 59-66
Engagement score	An in-depth engagement survey was conducted at Aica Kogyo, where the score was relatively low, and measures were implemented based on the issues identified.	p. 64
Labor productivity	Due to improved profitability, labor productivity was significantly improved, despite an increase in labor costs and depreciation.	pp. 23-24
Number of employees who experienced overseas assignment	The overseas trainee program, which had been suspended during the COVID-19 pandemic, was resumed, with the first assignments issued in October.	pp. 60-61
New graduate female ratio	Although we fell short of the four-year cumulative target, we sought to improve the female ratio at the application stage by holding recruitment events targeting women.	pp. 61-62
Childcare leave acquisition rate	Efforts were made to increase male employees' utilization of childcare leave by providing support to both the employees themselves and also to workplaces that were supporting leave-takers.	pp. 62-63

Human Resources Development

The Three Pillars of Human Resources Development

The human capital strategy for human resources development emphasizes three key initiatives: globally competent human resources development, leader development, and professional human resources development.

■ Aica Kogyo Human Resources Development System



— Leader development

We believe that it is essential to constantly develop human resources capable of leading the company and individual departments, and expanded the leader development program from FY2023.

■ Leader Development Program: Overview and Results

Target boundary: Aica Kogyo			
Grade	Program	Goals and content	FY2023 results
Manager grade	Future executive training	Training intended to equip participants with decision-making skills based on knowledge and insights in management, as well as the ability to fulfill accountability responsibilities to stakeholders as corporate executives.	Newly introduced in FY2024 (approx. 20 participants)
	Manager training "Management+ Program"	Training intended to enhance management skills and organizational leadership for management-level employees. Participants select areas they wish to strengthen from multiple available options.	Newly introduced in FY2024 (approx. 160 participants)
	New manager training	Training intended to foster a managerial mindset and teach the management behavior required in changing times.	20 participants
Mid-level	Future manager leadership training	Training for employees who have passed the management promotion exam, and intended to foster leadership skills.	16 participants
	Mid-level grade training "Mid-level Skill+ Program"	Voluntary training where participants choose from multiple areas they wish to develop.	Approx. 190 participants
Junior employees	3rd-year training	Training targeting the development of junior employees up until their third year after joining the company, tailored to years of tenure.	20 participants
	2nd-year training		28 participants
	1st-year training		36 participants

— Globally competent human resource development

Recognizing the challenge of responding to shortfalls of personnel capable of managing overseas operations, both in quality and numbers, amidst the rapid globalization of its business, the AICA Group is strengthening its development of globally competent human resources.

■ Globally Competent Human Resource Development Program: Overview and Results

Target boundary: Aica Kogyo				
Category	Program	Target	Goals and content	FY2023 results
Language skills	Speaking test	All employees	Conducted annually to assess English conversation skills	The number of employees achieving grades indicative of business-level proficiency increased 1.5 times year on year.
	Online foreign language training	All employees	Provides learning tools such as online lessons for five languages, including English.	74 participants
	English training for selected employees	Junior managers and selected employees	Intensive English program targeting junior managers with future leadership potential and selected members from departments in need of global talent	24 participants
Overseas assignment program	Overseas trainee program	Selected employees	Trainees recruited internally to develop human resources for managing overseas operations, sending selected employees to overseas group companies as trainees	1 dispatched
	Pre-overseas assignment training	Employees assigned overseas	Sending employees selected through internal recruitment to overseas group companies as trainees to develop human resources for managing overseas operations.	6 participants

Interview



Profile
Sales position
Aica Laminates India

Comments from an overseas assignee on the overseas trainee program
In Japan, it's not really possible to fully experience different environments and languages like this. Daily life here brings new learning opportunities. There's also plenty of time to study and acquire these new skills, which makes it possible to experience new things for the first time since I began my work life. Every day is fresh and stimulating and filled with experiences I've never had before. Despite this, many of the aspects encountered in work and meetings are similar to what I was doing in Japan. That makes me think this is an environment where I can also draw on my experiences to date.

Professional human resources development

As a manufacturer, we recognize the importance of improving the professional skills required for each role within production, sales, research and development, and administrative departments. In FY2023, we introduced new specialized skill acquisition training programs tailored to specific job types.

Professional Human Resources Development Program: Overview and Results

Target boundary: Aica Kogyo			
Program	Target	Goals and content	FY2023 results
Productivity improvement training	Production staff	Training targeting the development of human resources with a strong sense of quality, safety, deadlines, and costs, capable of implementing production capacity improvements, production system optimization, automation, DX promotion, and BCP reinforcement	Members were selected from departments involved in production at the Nagoya Plant, with 12 sessions conducted in total.
Sales skill improvement training	Sales staff	Training targeting the development of human resources capable of expanding product applications, sales channels, markets, and market share and building the company's value, brand, and customer base across the market by learning marketing and sales strategy methods	Members were selected from sales departments in the Chemical Products Business Unit, with two sessions conducted in total.
Research and development skill improvement training	R&D staff	Training targeting the development of human resources capable of creating new added value and developing next-generation core technologies and products to enter new fields and expand business	Members were selected from departments involved in product development, with six sessions conducted in total.
Department-specific skill improvement training	Administrative departments	Training targeting the development of human resources capable of supporting management, strengthening management foundations and governance, and contributing to sustainable growth to maximize corporate value	— (Scheduled for FY2024)

Diversity & Inclusion

Basic Approach and Framework for Diversity & Inclusion

We promote diversity in response to the globalization of business and diversifying market needs. Originally launched as the Women's Participation Promotion Project in June 2013, this initiative was renamed to the Diversity Promotion Project in FY2018 to promote the establishment of foundations that will allow more diverse personnel to participate in the workplace. From April 2024, the functions of this project were transferred to the Human Capital Committee established within the Sustainability Development Committee to explore initiatives from a broader perspective.

Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace

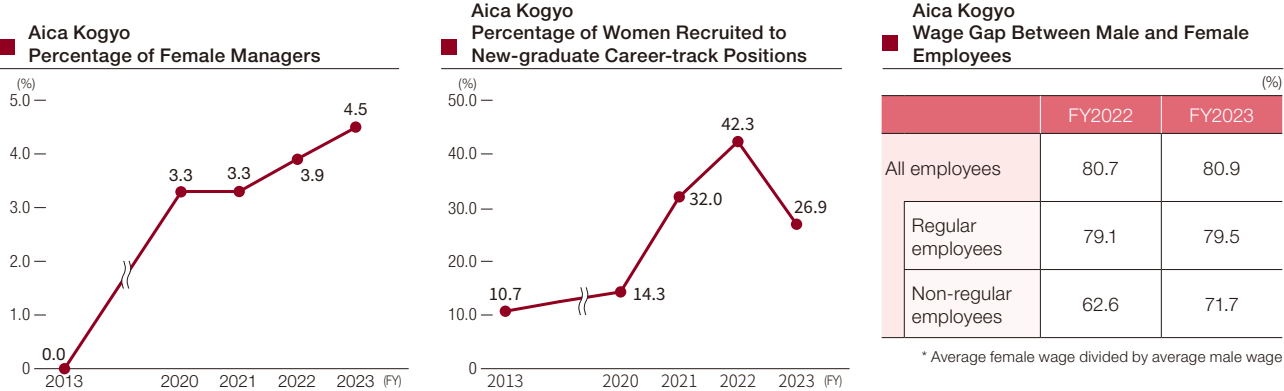
Target boundary: Aica Kogyo Target initiative period: April 1, 2022 to March 31, 2025			
Target Categories		Target Figures	FY2023 results
Increase percentage of female employees	Percentage of women recruited to new-graduate career-track positions	30%	26.9% (as of April 2024)
	New proposals/revision of work-life balance assistance scheme	3	3
Increase percentage of female managers		5.8%	4.5% (9 female managers of a total of 201 managers)
Improve rate of recruitment of people with disabilities*		2.30%	2.78%
Cultural reform	Percentage of available paid leave taken	70%	73.9%

* Calculated according to the method for the statutory employment rate

Promotion of Women's Engagement

Since the launch of the Women's Participation Promotion Project, we've focused on initiatives and the development of a supportive environment in which the power of women can be put to use in managing the company. To ensure that employees can continue to work without interrupting their careers, where possible, we're simultaneously promoting workstyle reforms to make possible diverse workstyles and to expand the work-life balance assistance scheme.

The current Medium-Term Business Plan sets targets for increasing the ratio of female graduates hired for career-track positions, but our action plan, based on the Act on Promotion of Women's Participation and Advancement in the Workplace, includes targets for increasing the percentage of women in managerial positions. As the proportion of female employees has grown, so the number of women in positions below management, particularly at the at the Senior Staff level or higher, has increased, indicating steady progress toward achieving these goals.



Female Ratios at Aica Kogyo

	FY2021	FY2022	FY2023
All employees	17.3	17.4	17.8
Management positions	3.3	3.9	4.5
Non-management, Senior Staff level and above	5.9	6.0	9.0
New graduate career-track recruitment	32.0	42.3	26.9
Mid-career recruitment	5.0	20.0	38.1

Aica Kogyo Certification Status

“Kurumin” certification from Ministry of Health, Labour and Welfare
(February 2016 and October 2023)
The company was certified by the Ministry of Health, Labour and Welfare as a company that meets certain criteria of assisting employees with raising children.

Certification as Company Promoting Women's Participation by the City of Nagoya
(January 2016, January 2019, and January 2024)
Implemented by the City of Nagoya, this program certifies companies engaged in initiatives to allow women to shine in their organizations. In addition, the company was awarded due to implementing particularly outstanding initiatives in this area.

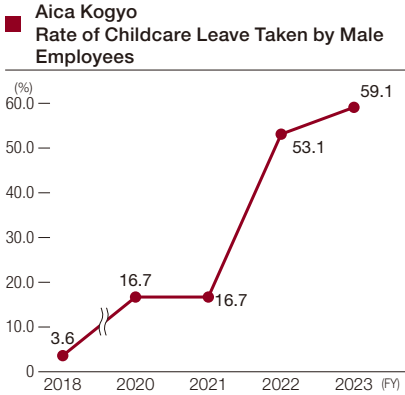
Work-Life Balance Assistance

We provide support to help employees achieve a balance of work and personal life without interrupting their careers, where possible, by responding flexibly to diverse workstyles.

Support for male childcare leave acquisition

To raise the rate of male employees taking childcare leave, as specified in the current Medium-Term Business Plan, AICA is not merely confirming the intentions of employees whose spouses are expecting a child, but promoting actual leave-taking through the introduction of a financial support system. We are also working to build a follow-up system for workplaces where employees have taken childcare leave, including implementation of a system that awards extra points in the evaluation of departments with childcare leave takers.

We plan to achieve a 100% childcare leave acquisition rate for men, just as for women, and will continue to strengthen efforts while maintaining open channels of communication with each work site.



Interview



Profile

R&D position
Aica Kogyo

Comments from a male employee who took 30 days' childcare leave

I decided to take childcare leave to devote myself to care for our child together, since both of our parents live far away and it was hard to rely on them for support. We were also very anxious, since this was our first time raising a child. I told my manager about my wife's pregnancy and about my intentions to take childcare leave shortly after she became pregnant. I was concerned about possible delays in the progress on the work I oversaw, but I was able to coordinate within the group beforehand and ensure a smooth handover. That made it possible to go on leave with peace of mind. The strain of women after childbirth is greater than we envision. I think it's essential for fathers to be involved.



Spouse's comments

I was worried about having to handle everything on my own after returning home from my parents' house, so it was a huge relief to have my husband take childcare leave!

Meetings before and after childcare leave

Employees who take maternity, paternity, or childcare leave for more than a certain period undergo meetings before the leave begins and before returning to work. The meeting conducted before returning to work, in particular, involves the employee, their supervisor, and a human resource staff member to confirm available support frameworks, provide information about the return-to-work environment, discuss any necessary considerations, and ensure employees can smoothly return to work, thus helping them to resume their career with minimal interruption.

Mid-career Recruitment

AICA recruits a number of mid-career recruits every year based on the expectation of hiring personnel capable of contributing immediately. In FY2023, 22 mid-career recruits joined Aica Kogyo in positions spanning production, sales, research and development, administration, and other departments. There are currently 303 mid-career-recruited employees in the company, 48 of whom hold positions as director, executive officer, or manager. The percentage of mid-career-recruited employees in top management (directors and executive officers) is 23%, and the percentage in management positions is also 23%. We plan to maintain the ratio of mid-career-recruited employees in management at over 20%, and continue to position mid-career recruitment as a key part of our business strategy, actively securing talent and promoting employees to management roles.

Current State of Mid-career-Recruited Employees at Aica Kogyo

	FY2021	FY2022	FY2023
Number of employees	1,211	1,226	1,216
Mid-career-recruited employees	258	282	287
Ratio of mid-career-recruited employees	21%	23%	24%

Ratio of Management-level Mid-career-Recruited Employees at Aica Kogyo

	FY2021	FY2022	FY2023
Number of managers	212	207	201
Mid-career-recruited managers	46	48	47
Ratio of mid-career-recruited managers	22%	23%	23%

Promotion of Engagement of Senior Talent

In the hope of active participation in the workplace of senior talents amid the rapidly declining birthrate and aging of the population, the Revised Act on Stabilization of Employment of Elderly Persons, which mandates the provision of employment opportunities up to the age of 70, came into force on April 1, 2021. In response to legislative revisions and to improve employee motivation and support various lifestyles, we've decided to improve the treatment of senior employees and gradually raise the retirement age (from the current 60 to 65) from April 2025. We will continue with these efforts to develop a safe and secure work environment.

Trends in Newly Engaged Employees under the Re-employment Scheme at Aica Kogyo

FY2021	FY2022	FY2023
21	11	24

Promotion of Engagement of Employees with Disabilities

To enable employees with disabilities to work more comfortably, we make use of employment adjustment subsidies and other resources to expand support functions each year. These include making office buildings universally accessible and introducing voice-to-text transcription tools for employees with hearing impairments. Looking ahead to future legislative revisions, we're working to expand the range of tasks that can be performed and increase the number of employees with disabilities.

Percentage of Employees with Disabilities at Aica Kogyo		
FY2021	FY2022	FY2023
2.47%	2.46%	2.78%

Engagement

Employee Satisfaction Survey

As social values diversify, how employees who work at a company think about the company and their mindset toward their work have also changed and diversified. Recognizing that employee satisfaction surveys are essential for further development of the company and the environment in which employees can continue to work with high motivation, the Medium-Term Business Plan includes targets for improving engagement scores. In the employee engagement survey first carried out in FY2022 for Japanese and overseas Group companies, the Group average score was 3.9 points (out of a maximum score of 5). A target score of 4 points or higher was set, with the goal of achieving an average of positive responses.

Analysis of the FY2022 engagement survey results showed that the scores for overseas Group companies were quite high, while those for Aica Kogyo and Japanese Group companies were relatively low. In December 2023, a more detailed engagement survey was carried out at Aica Kogyo, which identified issues related to career development, education systems, and employee benefits. As a result, we worked to improve its training programs and employee benefits, and introduced a new career counseling system as part of improvement measures. Moving forward, we will continue to conduct group-wide surveys every two years and annual surveys at Aica Kogyo, using the results to address identified issues through personnel system and other measures. This will help improve employee engagement from a medium- to long-term perspective.

FY2022 Engagement Survey Results

Boundary	Average score
AICA Group	3.90 points
Aica Kogyo	3.31 points

Career Counseling System

A career counseling system was introduced in FY2023 to help employees develop their medium/long-term careers, encourage self-development, and enable the company to grasp employee interests and strengths. The talent management system was updated to include a career sheet function used for one-on-one meetings between employees and their managers, in which employees share their thoughts on their careers. We aim to create an environment in which employees can work with high motivation by using the information gathered from these discussions to guide training and job rotation.

Health Checks for Junior Employees

A simple, one-minute survey is carried out monthly for employees in their first to third years after joining the company following graduation to check on their physical and mental health. If any issues are identified, a human resource staff member conducts a one-on-one meeting with the employee to discuss the causes. With employee consent, the information may be shared with their supervisor for further action. This initiative has helped to improve employee retention among junior employees.

➤ Health Management

Basic Approach to Health Management

In a society where the birthrate is declining and the population is aging at an accelerating rate, it is becoming increasingly important to address the issue of workforce retention and employee health promotion. We believe that in order for our company to develop sustainably, it is essential to improve the performance and job satisfaction of each and every employee by creating an environment in which everyone can work with confidence and enthusiasm, which in turn helps resolve social issues. With this in mind, we've enhanced our health management activities since FY2022, and have continued to be recognized as a Health and Productivity Management Organization (Large Corporation Category) since FY2023. Moving forward, we will continue to improve employee engagement and retention by promoting work-life balance and mental health.



Mental Health

In an economic environment of intensifying market competition and rapid change, the stress felt by workers is only increasing, which is now 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 for employees, operated by an external organization, with guaranteed confidentiality.

Regular Health Check-ups

In addition to the health checkups mandated by law, we also provide a combination of Lifestyle Disease Checkups and Gynecological Checkups tailored to employees' age, gender, and preferences. This helps identify diseases or potential risks that may not be detected through standard health checkups. We've also introduced a new health management system, digitizing health checkup data. We plan to use this data to implement initiatives that seek to improve and maintain the health of our employees.

Occupational Health and Safety

Basic Approach to Occupational Health and Safety

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

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

Prevention of Industrial Accidents

To ensure that the serious accident that happened at the AICA Kogyo Jimokuji Plant on January 17, 2006 is not forgotten, we have declared January 17 as All AICA Safety Day. Every year on All AICA Safety Day, a minute of silence is observed, and morning assembly has a safety theme at all workplaces. The AICA Group Occupational Health and Safety Convention also takes place on this day. On the factory floor level, KYT (*kiken yochi kunren* or risk prediction training) activities, *hiyari-hatto* (near-miss) activities, and risk-source improvement activities are conducted in the small-group activities (C&C activities). We are striving to eliminate industrial accidents by pursuing appropriate improvements so that training will be something meaningful that leads to greater awareness of safety.

■ Targets and Results

Target boundary: AICA Group	
FY2026 targets	FY2023 results
Major industrial accidents*: 0	0
Lost-time accidents: Halved (under 10) compared to FY2022	19

* Industrial accidents that caused death or a disability rating of 1 to 7 due to injury or illness

■ Industrial Accidents in Japanese Group Companies

(accidents)					
	FY2019	FY2020	FY2021	FY2022	FY2023
Fatal accidents	0	0	0	0	0
Lost-time accidents	7	6	5	4	4
Of which, those involving people other than full-time employees	4	4	2	3	3
Non-lost-time accidents	13	6	12	10	10
Of which, those involving people other than full-time employees	6	1	4	4	3

Risk Assessment

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

Prevention of Traffic Accidents

We have a fleet of company vehicles that are in use in our day-to-day operations. The use of company vehicles is limited to employees who have been registered after their driving aptitude has been confirmed, and we have established our own Rules for Use of Company Vehicles. Vehicle accidents dropped in FY2023, despite the rising incidence of minor accidents, including single-car accidents. In order to eliminate such accidents, we will promote switching to vehicles equipped with accident prevention equipment such as automatic brakes and back monitors, and continue to provide training and education to improve driving skills.

■ Vehicle Accidents (caused by negligence of Aica Kogyo employees or both parties)

FY2019	FY2020	FY2021	FY2022	FY2023
25	10	11	14	5

A discussion

Yuji Ono

Representative Director
and Chairman

Hiroshi Kanie

External Director

In this dialogue, Yuji Ono, Chairman of the Board of Directors, and Hiroshi Kanie, External Director, who joined the Board last year, discuss the operations of the Board of Directors and the Governance Committee, key focus areas in the Medium-Term Business Plan, and the background of the new Succession Plan (for CEO) formulated in FY2023.

For details of the Succession Plan, please refer to the "CEO Succession Plan" on page 73.

Operations and Challenges of the Board of Directors and the Governance Committee

Kanie: The Company's Board of Directors is characterized by its open and active exchange of opinions. My role as an Outside Director, as I understand it, is to support sound risk-taking by the management team. I think the freedom to speak up at Board meetings, and the way discussions are deepened and explored further, are clear evidence of the positive atmosphere that prevails at the Board.

Most people believe Outside Directors exist solely to oversee management. But as a board member with experience in manufacturing, I make a conscious effort to work alongside management in considering how to advance business development and expand overseas. For example, Aica Kogyo currently does business in Asian markets. I think the time has come to consider how to strengthen the AICA Group's businesses in Asia and where to expand next. Since the Company has grown over its 80-year history while evolving its business portfolio, I think it would be a good idea for the Board of Directors to be given more opportunities to discuss topics like mergers and acquisitions and the business portfolio.

Ono: One of the key points I focus on in managing the board of directors is ensuring the diversity of the Board by adding women directors and members who have experience with operating companies. You joined the Board in June 2023 as a member with experience in manufacturing, replacing Director Ogura, who had served as an Outside Director for nine years after a career in Sony. You've already provided a range of valuable perspectives. Given my position, which is removed from the business execution side, I refrain from offering my own opinions. Instead, I try to create opportunities for the diverse exchange of viewpoints. The second point we focus on is ensuring that presenters submit materials related to agenda items as soon as possible, to avoid the situation of too many items and not enough time to master their details. The third is to create opportunities especially for the outside directors to get a better look at the Company's human resources by having as many members of the organization as possible, like executive officers and division general managers (but not directors), speak at board meetings.

Kanie: Outside directors make up a majority of the Governance Committee. The idea is to ensure objectivity. The frequency of meetings, the agenda items, and their specifics

are also carefully considered. I believe the Governance Committee discusses matters fairly thoroughly from the perspectives of management supervision. It also incorporates the functions of a compensation committee and a nominating committee.

Ono: I think the range of things discussed is adequate. But it's been pointed out that the reasons directors and executive officers are appointed haven't been fully explained, so I see this as an issue when considering the next generation of management. As mentioned earlier, we're trying to provide opportunities to gain insight into the character of candidates for director or executive officer in important meetings, like the meetings of the Board of Directors.

Succession Planning

Kanie: The Governance Committee has repeatedly discussed matters ranging from how to select candidates to the content of development plans, methods of candidate evaluation, and final decision-making process.

In the selection process, it is vital that we increase opportunities for candidates to interact with directors to gain a better understanding of their personalities. I also believe it is necessary to establish a rotation framework as part of the career path. Developing candidates for the president to lead the Company through various experiences is critical. I want everyone to understand the significance of such developments and help foster a corporate culture that embraces rotations with a positive mindset.

Ono: When I was appointed President in 2010, the right to appoint a new President belonged solely to the Representative Director. After taking office as President, I began surveying directors about the office of President, based on my belief that it would be a good idea to hear the views of various people when deciding on a successor. I asked them what kind of person would be a good choice to serve as the next President and why. In part, this survey was intended to create a positive outlook among directors of the role of president, thus promoting the confidence of any potential successor. I thought it would help me learn about what qualities directors believed were important in helping AICA Group to thrive in the future and in identifying positive aspects of candidates I hadn't noticed myself. During this time, a requirement for succession planning was added to the Governance Code. As a result, we've formulated a succession plan and will move forward in line with the plan starting from FY2024, aiming to develop not just one future President but a group of candidates, thus contributing to the overall enhancement of our management team.

Focal Topics under the Medium-Term Business Plan

Kanie: I understand that the executive side carefully and thoroughly monitors the numerical aspects of the plan, like sales and profits. However, ROIC is a complex concept, so it's important for each department to familiarize itself with this KPI and learn to utilize it.

On the nonfinancial target of human capital, I expect the Company to focus on promoting women. The Company's operations center on B2B2C businesses. When we see this "C" as referring to household users, we recognize that women's perspectives play a significant role. I think it would improve AICA's image further if it could enhance its product lines to reflect the perspectives of women users and become an organization where women can thrive.

Another issue is global human resources. This refers to how we approach talent management for the Group's roughly 5,000 employees. We need to carefully identify their capabilities and experience and get them to play active roles in AICA from a global perspective. I believe we would benefit from having core personnel manage the organization based on a thorough understanding of AICA's history and corporate philosophy.

On the topic of climate change, as a chemical company, it is positioned to develop innovative products that will help slow or prevent global boiling and strengthen seismic resistance, and this could serve as a third pillar of its businesses. For example, increasing use of 3D decorative films on auto bodies as an alternative to painting could contribute significantly to the Company's businesses, given the size of the automotive market. Of course, we must also work resolutely to improve cost competitiveness and quality.

Ono: As we work towards our targets of 300 billion yen in net sales and 30 billion yen in operating profit, I want our core personnel, in particular, to think about how we can leverage our technologies and channels to achieve these targets and to improve the Company from a strategic perspective. Our Corporate Principle is Challenge and Creation. We should move forward without fear of failure.

Among nonfinancial matters, achieving carbon neutrality is critical, and we should first ensure that we meet the reduction targets outlined in our Medium-Term Business Plan. Additionally, I believe we should focus on human capital in particular. Ultimately, the Company's value lies in its people. However, some production sites are facing recruitment challenges due to factors like low birth rates and the concentration of populations in urban areas. We need to pursue human-centric measures as investments in human capital.

Expectations for the Executive Side from a Long-Term Perspective

Ono: Our businesses have developed to a certain extent in Southeast Asia, India, and China. Moving forward, I'd like President Ebihara to focus on further expansion and growth in India, as well as explore broader growth opportunities, including entering the U.S. market.

Kanie: The first point is to strengthen the strategic soundness of the Asian market, and the second involves an approach to framing the AICA Group as a global organization at all times. I'd like to add a third one, which is to increase recognition of the AICA brand. Enhancing name recognition is closely linked to securing capable human resources. I want the Company to pursue this with strong determination.

List of Directors (As of October 1, 2024)

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



Yuji Ono
Representative Director and Chairman
Born August 24, 1956

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



Kenji Ebihara
Representative Director and President
Born April 15, 1967

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



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

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



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

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



Hiroshi Kanie
External Director
Born July 09, 1957

ExternalIndependent

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



Ayako Shimizu
External Director
Born June 06, 1972

ExternalIndependent

- Apr. 1999 Registered as attorney, joined Ishihara Law Office (present)
- Apr. 2015 Deputy Chair, Aichi Bar Association Director, CHUBU Federation of Bar Associations
- Apr. 2017 Member, Nagoya City Information Disclosure Screening Commission (present)
- Jan. 2018 Judicial Commissioner (present)
- Apr. 2019 Mediator/Arbitrator, Dispute Resolution Center, Aichi Prefecture Bar Association (present)
- Dec. 2019 Outside Director, MTG Co., Ltd. (member, Audit and Supervisory Committee) (present)
- Apr. 2020 Member, Ombuds 6 Committee, Nagoya Broadcasting Network (present)
- Jun. 2020 External Director, Aica Kogyo Co., Ltd. (present)
- Mar. 2021 External Director, SYNCLAYER, Inc. (member of Audit and Supervisory Committee) (present)
- Jun. 2024 Outside Director, Suzuken Co., Ltd. (member of Audit and Supervisory Committee) (present)

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



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

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



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

ExternalIndependent

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



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

ExternalIndependent

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

Aica Kogyo, Reasons for Appointment of External Directors

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

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

Board of Directors Skills Matrix

We aim to enhance the diversity of the Board of Directors in terms of expertise, knowledge, and experience in various fields. We select candidates for the Board of Directors through deliberations by the Governance Committee, which identifies the skills required for the management of the Company based on the business activities of the Company and its group companies and the issues in the Medium-Term Business Plan, and finds a balance between diversity and appointing an appropriate number of Directors. The skills matrix shown below indicates areas of knowledge, experience, and abilities of each Director.

Name	Expertise of Directors								
	Corporate management	International experience	Sales and marketing	Technology/ Industrial engineering/R&D	Sustainability			Legal and risk management	Finance/ Accounting
				Environment	Social ²	Governance			
Yuji Ono	○	○	○	○			○	○	○
Kenji Ebihara	○	○	○	○	○	○	○		
Nobuyuki Omura	○	○	○		○				
Yuji Iwatsuka	○		○	○	○				
Hiroshi Kanie	○	○	○			○	○	○	
Ayako Shimizu					○	○	○	○	
Ryoji Mori	○	○		○			○	○	○
Shoji Miyamoto	○						○	○	○
Mitsuko Yamamoto	○		○			○	○		

*2: "Social" refers to human rights and human resources training and development.

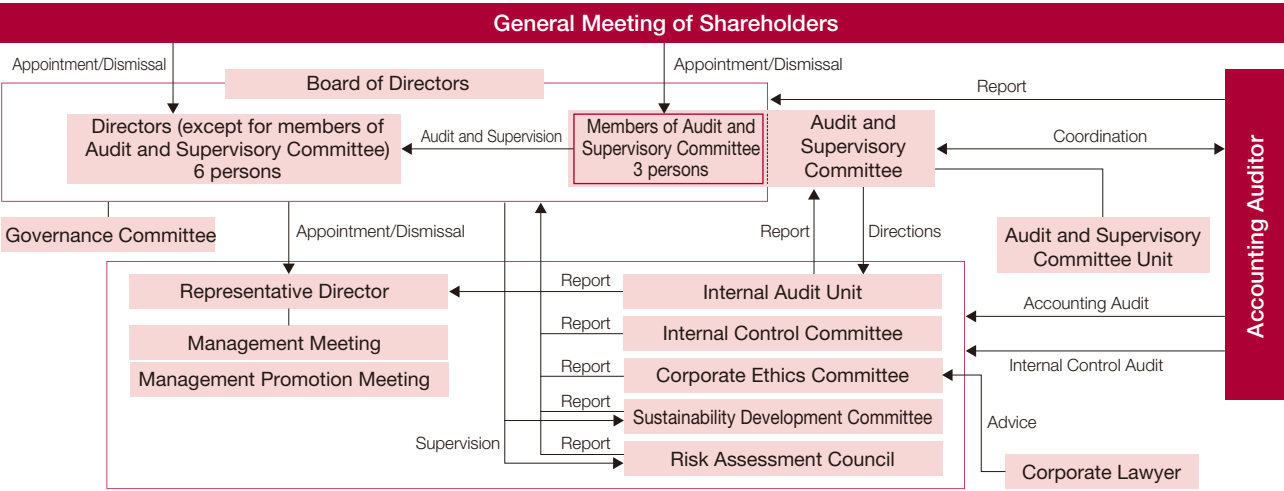
Corporate Governance

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.

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

Corporate Governance Structure and Internal Control Systems (as of June 25, 2024)



History of Strengthening Corporate Governance

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Organizational structure	Company with a Board of Auditors									Company with an Audit and Supervisory Committee				
Board of Directors	8									9				
	Number of female Directors									1				
Executive Officer System	Executive Officer System introduced in April 2002									Executive Officer System revisions				
External Director (including Directors who concurrently serve as Audit and Supervisory Committee Members)	1									4 (Including 2 Directors who concurrently serve as Audit and Supervisory Committee Members)				
External Auditors and External Directors that are Members of Audit and Supervisory Committee	3 (Members of the Board of Auditors)									2 (Members of the Board of Auditors)				
Advisory Committee										Establishment of Governance Committee in April 2016 (The committee also deliberates on nomination and remuneration matters)				
Meetings for exchanging opinions with External Directors										Held once a year				
Remuneration System	For Directors									Adoption of Restricted Stock (RS) Remuneration System				
	For Employees									Introduction of Stock Granting Trust (J-ESOP)				
Evaluation of the effectiveness of the Board of Directors										Conducted once a year				
Major committees/meetings	Corporate Ethics Committee (established in November 2002)													
										CSR Promotion Committee				
										Sustainability Development Committee				

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 carried out in February 2024, just as in the previous year's survey, no issues were raised in any of the survey questions (for an issue to be raised, it requires three or more respondents answering "Insufficient" or "Inappropriate"), with responses of "appropriate or reasonably appropriate" obtained for virtually all questions. Based on this, we believe our Board of Directors is functioning appropriately and remains effective.

Survey Details

The anonymous survey consisted of a total of 32 questions covering the following areas:

- Questions concerning the makeup of the Board of Directors
- Questions concerning the operation of the Board of Directors
- Questions concerning the agenda of the Board of Directors
- Questions concerning the support system for the Board of Directors

FY2023 Initiatives to Improve Effectiveness

Initiatives	Status
Explanation of terminology used in Board of Directors materials and advance explanations of historical background, past proposals, and important matters	Advance explanations of terminology and context are generally provided for important or complex agenda issues.
Explanation of reasons and deliberations for the appointment or dismissal of senior executives and executive officers at the Governance Committee and Board of Directors meetings	Deliberation content has been improved through the use of a talent management system, improved deliberation materials, and presentations of candidates during meetings.

Training Policy for Board Members

Newly appointed external directors are briefed on management policies to deepen understanding of the company and its business. Other activities include showroom and plant visits. Following their appointment, opportunities are provided as needed to deepen understanding, including audits and visits at Japanese and overseas sites. All directors are provided with opportunities to ensure a thorough understanding of the roles and responsibilities expected of them. Director Seminars are held regularly with invited external experts to keep their knowledge up-to-date even after assuming office.

Details of the training activities are reported to the Governance Committee; advice from the committee is taken into consideration to ensure the appropriateness of these measures.

FY2023 Director Seminar

The FY2023 Director Seminar featured Yoko Noguchi, attorney from the law firm *and Legal*, as the guest speaker, addressing the theme of "Corporate Governance (Risk Management) and the Latest Trends in Corporate Misconduct."

Governance Committee

The Governance Committee was established in April 2016 as a voluntary advisory committee to the Board of Directors, consisting mainly of External Directors. (Two of the four members are Auditing Committee members.) It deliberates important governance-related matters, including nomination and remuneration of the management team, with the aim of achieving sustainable corporate growth and further enhancement of the governance function. It met five times during FY2023. With our transition to being a company with an Audit and Supervisory Committee system, the roles between the Audit and Supervisory Committee and the Governance Committee are being divided. For this purpose, we ensure that there is no duplication of content between the two committees, and in addition, the deliberations of the Governance Committee are shared with the Audit and Supervisory Committee in order for the Audit and Supervisory Committee to exercise its right to express its opinions.

■ Governance Committee Meetings in FY2023

33rd Meeting	Results of survey on the effectiveness of the Board of Directors, review of improvements, and update of the Board of Directors Skills Matrix
34th Meeting	Individual evaluation (remuneration) of directors
35th Meeting	Regular revisions to Corporate Governance Report
36th Meeting	Review of survey results for the next president candidates and CEO selection process
37th Meeting	Executive personnel and FY2023 activities report of the Governance Committee

CEO Succession Plan (Process)

We regard the CEO succession plan as critical to the sustainable growth of both Aica Kogyo and the AICA Group. The plan sets forth clear requirements and evaluation criteria for the qualifications and characteristics expected of an executive leader. Successor development involves appropriate department placements, essential work experience, and opportunities for external training to cultivate the appropriate skills and attributes needed for the role of CEO.

A selected number of successor candidates undergoes annual evaluations against these requirements and criteria, including multifaceted assessments of their abilities and performance. The Governance Committee monitors the validity of development plans for each candidate by reviewing the results from performance and personal assessments, along with information on the progress with assignments, work experience, and external training. All directors also participate in an annual survey to nominate individuals deemed suitable for the role of CEO, with the results being used to make revisions to the selection of candidates.

Selection Process

- 1 Formulate roadmap for succession plan
- 2 Develop the ideal image of President and Executive Officer and evaluation criteria
- 3 Select successor candidates
- 4 Develop and implement training plans
- 5 Evaluate and narrow down candidates
- 6 Evaluate final candidates and nominate successors

■ Meeting Bodies and Their Roles

Meeting body	Members	Roles
Board of Directors	Internal directors and external directors	<div>• Appointment and dismissal of executive officers, nomination of director candidates</div> <div>• Overseeing the CEO succession plan</div>
Governance Committee	External directors, Representative Director and Chairman, Representative Director and President, full-time member of Audit and Supervisory Committee	<div>• Consideration of appointment and dismissal proposals for senior executives* and executive officers</div> <div>• Monitoring the process of the CEO succession plan</div>

* Directors (excluding external directors) and directors who are Audit and Supervisory Committee members (excluding external Audit and Supervisory Committee members).

Directors' Remuneration

Remuneration of Company directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors) consists of a fixed basic monthly remuneration, performance-based remuneration, and stock remuneration. In addition, from the viewpoint of their role and independence, remuneration of Directors who are Audit and Supervisory Committee Members and External Directors consists of basic monthly remuneration only.

■ Remuneration Amounts for Directors

Category	Total remuneration (million yen)	Breakdown of total remuneration (million yen)			Number of directors*1
		Basic remuneration	Performance-based remuneration	Non-monetary remuneration*2	
Directors (excluding Audit and Supervisory Committee members) <external directors>	299 <16>	218 <16>	67	13	8 <3>
Directors (Audit and Supervisory Committee members) <external directors>	40 <17>	40 <17>	—	—	3 <2>

*1:Includes two directors who retired at the conclusion of the 123rd Annual General Meeting of Shareholders held on June 23, 2023.
*2:Represents the amount recorded as an expense during the current fiscal year under the Restricted Stock (RS) Remuneration System.

<Remuneration breakdown>

— Basic Remuneration

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

— Performance-Based Remuneration

Performance-based remuneration for Directors (excluding Directors who are members of the Audit and Supervisory Committee and External Directors) is evaluated individually (at five levels: S, A, B, C, and D) when the performance for each fiscal year is determined. Individual remuneration is determined based on the standard amount for each position and is paid once a year. Individual evaluations are determined by taking into account factors such as the growth rate of consolidated and individual sales and profits (operating profit, etc.), the achievement rate against the initial budget for the fiscal year, the evaluation of duties discharged, and the progress of the Medium-Term Business Plan. The reason for selecting these indicators is that we have determined that they are the most appropriate indicators to raise the awareness of improving business results for each fiscal year. In addition, performance-based remuneration is determined at around 15% to 20% of total remuneration, depending on the director's role, position, and function. The ratio of performance-based remuneration to the total amount of remuneration in FY2023 is 26.9%, taking into consideration the status of achievement of the aforementioned indicators comprehensively.

— Stock Remuneration

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

<Evaluation of Directors>

Individual evaluations of Directors (excluding directors who are members of the Audit and Supervisory Committee and external directors) are carried out by Yuji Ono, Representative Director and Chairman, and Kenji Ebihara, Representative Director and President. The Governance Committee then reviews the appropriateness of the individual evaluations and the level of remuneration amounts. Self-evaluations by the Representative Director and Chairman and the Representative Director and President are reported to the Governance Committee, which reviews the evaluation process and approach to ensure objectivity and fairness.

<Method for determining remuneration for Directors>

Remuneration of Directors is determined in accordance with the specified calculation method by Yuji Ono, Representative Director and Chairman, and Kenji Ebihara, Representative Director and President, who have been authorized by the Board of Directors, within the maximum amount of total remuneration determined by a resolution of the General Meeting of Shareholders, in consideration of the recommendation by the Governance Committee the majority of which consists of external directors. The reason for the authorization is that it is considered reasonable to authorize the Representative Director and Chairman and Representative Director and President, who understand our overall business, to make the decision.

<Description of activities that occur during the process of determining the amount of remuneration, etc.>

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

Cross-Share Holdings

We acquire and hold shares in business partners in cases deemed beneficial to enhance our corporate value from the perspective of building and strengthening relationships or pursuing business alliances. However, we regularly review at board meetings whether the benefits and risks of such holdings justify the associated capital costs, and shares with limited significance for holding are reduced or sold in accordance with our basic policy of minimizing cross-share holdings. Under this policy, the board of directors reviews individual shareholdings twice a year, examining factors such as transaction details, transaction amounts, and future transaction policies, and shares with limited holding significance will be sold. Even when the justification for holding shares is recognized, shares may be sold, partially or fully, in line with the reduction policy, based on factors like capital strategy and market conditions.

Regarding voting rights for cross-share holdings, we make comprehensive assessments to determine whether actions contribute to enhancing the corporate value of both the investee and our company and whether there is any detriment to shareholder value. In cases of prolonged poor performance, serious compliance violations, or other critical issues, these are thoroughly investigated, and information is gathered to determine our stance on the agenda items.

Strengthening Governance of Group Companies Overseas

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

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

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

■ Overseas Group Governance Committee FY2023 Activities

Theme	FY2023 Achievement
Compliance	We created and distributed materials encouraging the use of the AICA Compliance Casebook to promote the spread of the Code of Conduct, particularly at overseas sites. We also established a Group Anti-Bribery Policy which was circulated to overseas sites.
Internal control/ internal audits	Based on risk assessments, we expanded the scope of company-wide internal controls and business process evaluations. To strengthen the internal audit system, we're also considering introducing audit tools that detect anomalies in financial data, in addition to internal audits conducted by external experts.
Authority	We promoted and supported the review of the regulations of overseas group companies regarding transfer of authority.
Medium-Term Management Plan	A briefing session was held once during the period in Japanese, English, and Chinese with the aim of disseminating Medium-Term Business Plan information in order to foster group awareness.
Quality	Conducted quality audits and guidance in order to improve quality of the entire Group. In particular, we held regular quality meetings with key sites to share quality information.
Safety/Environment/ Disasters	We shared information about accidents and emergencies and examined the possibility of issuing non-fossil certificates at overseas sites. Lectures were provided on drill methods to improve BCP training.
Markets	We organized management issues at each overseas site, identified efforts being made to resolve the issues, and shared information.
Intellectual property	We gathered information on trademarks and patents held at overseas sites. To improve the management of technical information, we undertook interviews on the current situation and developed draft management rules.
Financial	We collected advice from local audit firms for overseas subsidiaries and collaborated with them to make improvements. We confirmed changes in accounting rules with overseas subsidiaries and shared information.
Human resources	To strengthen human resources capable of promoting overseas business, we expanded our Global Human Resources Development Program and worked on recruiting foreign nationals and mid-career recruits. To improve engagement among overseas group employees, we studied and shared best practices from each company.
IT	We developed IT global standards for improving cybersecurity and shared them with overseas group companies. We undertook cybersecurity vulnerability assessments at overseas group companies and promoted improvement activities based on the assessment results.

Engagement with Stakeholders

Basic Approach to Engagement with Stakeholders

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

Involvement with Customers

Ensuring Product Safety

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

Value Chain Collaboration

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

Website Enhancement

In 2022, we redesigned our website in response to the diversification of customer workstyles and the growing need for digital content that first emerged during the COVID-19 pandemic. Since then, we've continued to improve the convenience of the website by expanding content such as videos, web catalogs, and product safety data sheets, and also by adding a new quotation and design drawing system for certain products.

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. The FY2023 results were 4.5 out of a maximum of 5 points (no change from the previous year). To put the opinions received from our customers to good use in product development and improvement of services, we identify issues from the survey findings, communicate them to the relevant departments after reporting the finding to the Management Meetings, and put responses into place.

Engagement with Suppliers

Basic Approach to Engagement with Suppliers

To promote activities that enhance sustainability not just for our company, but for the planet, we believe that it is essential to gain the understanding and cooperation of our stakeholders. In our procurement activities, in addition to acting responsibly as the AICA Group, we also pursue sustainability activities with the cooperation of our suppliers. Based on these ideas, we formulated the “AICA Group CSR Procurement Guidelines” in June 2017, and issued them in April 2022 with partially revised title and content as the “AICA Group Sustainability Procurement Guidelines.” We have obtained the consent of our suppliers in Japan and overseas to these Guidelines for the further mutual improvement of our sustainability activities by promoting related initiatives together.

Communicating with Suppliers

With the objective of sharing our sustainability procurement philosophy and investigating the actual situation, we began distributing self-evaluation questionnaire surveys in FY2018. The practice was halted during the COVID-19 pandemic but resumed from FY2023. The survey targets selected suppliers representing approximately 80% of the total value of Aica Kogyo's raw materials procurement, focusing on major suppliers.

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

Survey Areas

- Corporate governance
- Human rights
- Labor
- Environment
- Fair business practices
- Quality and safety
- Information security
- Supply chain
- Coexistence with local communities

Business Continuity Plan (BCP) in Procurement Activities

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

Involvement with Shareholders

Ensuring Appropriate Information Disclosure and Transparency

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

Communication with Shareholders and Investors

We formulated the Basic Policy Regarding Constructive Dialog with Shareholders and Investors and take proactive steps, within a reasonable extent, to achieve constructive dialog with our shareholders. The Public Relations and IR Group takes the lead in responding to requests for individual interviews and telephone interviews, and depending on requests from shareholders and investors and the subject of dialog, the officer in charge, senior manager, etc., may also attend interviews. Any opinions or other information obtained through such dialog is reported to the Board of Directors, and we strive to reflect it in future management and IR activities. Key shareholder interests and discussion themes for FY2023 include the company's business overview, business model, strengths, financial results and earnings forecasts, rising raw material costs, selling price adjustments, the particulars of and progress on the Current Medium-Term Business Plan, ESG and sustainability, capital policy, and share prices. To obtain their understanding and appropriate evaluation, in addition to the General Meeting of Shareholders, we hold Financial Results Briefings for analysts and institutional investors twice a year, at which our Representative Directors provide explanations. Please refer to the company website for the briefing content and questions. In order to respond to requests for disclosure in English, English versions of the financial results summaries, support data for financial results summaries, financial results briefing materials, Notice of General Meeting of Shareholders, Corporate Governance Report, AICA Report, AICA at-a-Glance, and Company Brochure are available.

Number of Dialogs

	Number of dialogs with institutional investors in FY2023*
Japanese institutional investors	112
Foreign institutional investors	71
Total	183

* Includes one ESG Small Meeting

Main Respondents in FY2023

	Number of dialogs/ meetings held	President and Directors (including directors in charge of IR or SR)	General Managers (in charge of Financial Administration, Sustainability Development, Human Resources, Legal)	Deputy General Managers (Public Relations and IR Group heads / group leaders)
Investor interviews	182	12	10	182
ESG Small meetings	1	1	1	1
Financial results briefings	2	2	2	2

Major Cases in Which Proposals Obtained Through Dialogs Between Shareholders and Management Were Utilized in Management

	Shareholder type	Requests/Proposals from shareholders	Response by the company
Investor IR interviews	Japanese institutional investors	Expansion of information disclosure for overseas business	<ul style="list-style-type: none">● Disclosure of individual country sales data for the Laminates & Building Materials Overseas Business (in financial results briefing materials)● Disclosure of profitability and growth data by business segment (in financial results briefing materials)
Investor SR interviews	Japanese institutional investors	Clarification of the CEO Succession Plan	Formulated a succession plan (process) and disclosed it in the CG Report*
Investor SR interviews ESG Small Meeting	Japanese institutional investors	Detailed breakdown of sustainability items in the board skills matrix	Refined the items and disclosed them in the CG Report*

* Corporate Governance Report

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.

Restart of AICA Seminar in Contemporary Architecture (paused since 2019)

By offering reliable products, AICA has sought to make modest contributions to the advancement and development of architectural culture. One such initiative has been to host the AICA Seminar in Contemporary Architecture.

Since its inception in 1983, the AICA Seminar in Contemporary Architecture has been recognized as a cultural event, one featuring renowned architects from Japan and overseas to lecture on a wide range of subjects, including housing, environment, and urban spaces.

In 2024, we will host the 66th AICA Seminar in Contemporary Architecture, inviting architect Shohei Shigematsu as a speaker, marking the first such event in the five years since 2019.



11-Year Financial Summary

Aica Kogyo Co., Ltd. and consolidated subsidiaries

(Accounting FY)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Management Results (million yen)											
Net sales	141,096	143,843	150,061	151,633	163,726	191,363	191,501	174,628	214,514	242,055	236,625
[Net sales by segment]*1	Chemical Products	69,316	75,081	77,269	74,881	82,911	109,062	103,945	90,446	122,323	130,300
	Laminates & Building Materials	67,016	68,762	72,791	76,752	80,815	82,300	87,555	84,182	92,191	106,325
	Electronics	4,762	—	—	—	—	—	—	—	—	—
Operating profit	14,527	15,181	16,184	18,099	19,092	20,834	20,850	17,991	20,348	20,557	25,286
Ordinary profit	14,748	15,885	16,352	18,374	19,600	21,249	21,333	18,438	21,840	22,088	26,135
Profit attributable to owners of parent	8,221	10,137	9,962	11,064	11,996	13,316	12,732	10,759	13,117	10,059	15,135
[Profit by segment] *1 *2	Chemical Products	4,258	4,673	5,417	6,223	6,537	7,444	8,123	7,109	7,376	9,280
	Laminates & Building Materials	12,160	12,602	12,838	14,488	15,623	16,169	15,874	13,751	16,379	20,339
	Electronics	430	—	—	—	—	—	—	—	—	—
Capital investment	3,829	2,960	2,934	3,876	4,522	7,896	8,487	6,113	7,110	8,697	9,367
Depreciation	2,998	3,100	3,491	3,458	3,569	4,173	4,632	5,683	6,411	6,794	7,041
R&D expenditure	2,146	2,356	2,597	2,672	2,856	3,208	3,454	3,327	3,453	3,997	4,072
Total assets	131,812	147,017	153,434	164,634	189,626	191,025	206,439	207,363	240,388	250,049	274,739
Net assets	94,389	107,226	112,501	119,685	132,616	136,116	146,221	150,505	162,734	158,074	176,543
Interest-bearing debt	2,941	3,519	2,185	2,264	5,322	5,427	7,302	8,165	17,860	31,659	30,495
Cash and cash equivalents	23,772	35,220	37,449	47,622	48,896	45,379	40,644	41,185	44,997	47,943	59,637
Cash flow from operating activities	11,228	13,080	14,612	18,331	16,436	13,275	18,240	19,713	11,685	19,852	28,482
Cash flow from investing activities	(4,851)	(143)	(7,025)	(3,269)	(7,950)	(8,147)	(16,798)	(9,756)	(8,342)	(9,061)	(7,574)
Cash flow from financial activities	(1,950)	(1,912)	(4,849)	(4,587)	(7,406)	(7,557)	(6,210)	(9,179)	(1,114)	(9,355)	(11,167)
Free cash flow	6,377	12,936	7,586	15,062	8,485	5,127	1,442	9,957	3,342	10,790	20,907
Per-Share Data											
Earnings per share (yen)	126.77	155.99	152.62	169.48	183.76	203.95	195.01	164.79	200.90	157.27	236.60
Net assets per share (yen)	1,405.27	1,581.17	1,654.14	1,759.91	1,880.13	1,936.87	1,994.03	2,064.24	2,223.98	2,270.08	2,529.07
Dividend per share (yen)	38.00	43.00	46.00	85.00	92.00	103.00	106.00	107.00	108.00	109.00	112.00
Payout ratio (%)	30.2	27.6	30.1	50.2	50.1	50.5	54.4	64.9	53.8	69.3	47.3
Financial Indicators											
Overseas sales ratio (%)	29.2	33.3	33.2	30.8	33.4	42.0	40.7	42.7	49.2	51.2	47.8
Operating profit margin (%)	10.3	10.6	10.8	11.9	11.7	10.9	10.9	10.3	9.5	8.5	10.7
Return on equity (ROE) (%)	9.5	10.4	9.4	9.9	10.1	10.7	9.9	8.1	9.4	6.9	9.9
Return on assets (ROA) (%)	6.5	7.3	6.6	7.0	6.8	7.0	6.4	5.2	5.9	4.1	5.8
Debt-to-equity ratio (times)	0.032	0.034	0.020	0.020	0.043	0.043	0.056	0.061	0.123	0.218	0.188
Equity ratio (%)	69.2	70.2	70.4	69.8	64.7	66.2	63.1	65.0	60.4	58.1	58.9
Other Indicators											
Japanese naphtha price (yen)	65,300	69,700	46,000	32,800	40,500	51,000	42,000	33,000	50,000	76,250	67,500
Exchange rate (JPY/USD)*3	97.11	106.37	120.99	110.29	112.38	110.56	109.37	106.67	109.84	130.77	140.54
Number of new housing starts in Japan (10,000 units)	98.7	88.0	92.0	97.4	94.6	95.2	88.3	81.2	86.5	86.0	80.0
Area of non-residential building starts (1,000 m²)	56,438	52,612	49,988	51,334	53,313	51,016	47,979	44,856	48,055	46,899	42,793

*1 With the sale of the Electronics Business in FY2014, some sections of the Electronics Business were transferred to the Chemicals Products 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						
	Target Boundary	FY2019	FY2020	FY2021	FY2022	FY2023
Energy Use						
Energy inputs (TJ: Terajoules)	AICA Group production sites	1,984	1,951	2,100	2,102 [*]	1,956 [✿]
	Production sites in Japan	808	758	796	771 [*]	711
	Aica Kogyo head office and sales locations	13	12	12	11	11
	Production sites overseas	1,163	1,181	1,292	1,320 [*]	1,234
Atmospheric Emissions						
Greenhouse gas emissions Scope 1 (t-CO ₂)	AICA Group production sites	64,536	61,736	65,811	66,674 [*]	65,529 [✿]
	Production sites in Japan	32,167	30,608	31,731	31,445 [*]	31,099
	Aica Kogyo head office and sales locations	603	493	474	462	459
	Production sites overseas	31,766	30,635	33,605	34,767 [*]	33,971
Greenhouse gas emissions Scope 2 (t-CO ₂)	AICA Group production sites	85,850	82,961	90,954	83,997 [*]	82,464 [✿]
	Production sites in Japan	27,838	23,000	23,558	20,142	19,432
	Aica Kogyo head office and sales locations	581	567	558	377 [*]	423
	Production sites overseas	57,431	59,394	66,838	63,478 [*]	62,609
Greenhouse gas emissions Scope 1+2 subtotal (t-CO ₂)	AICA Group total	150,386	144,697	156,765	150,671 [*]	147,993
Greenhouse gas emissions Scope 3 (t-CO ₂)	Refer to the description on the right	—	479,442	525,238	540,451 [*]	518,155
Category 1		—	358,145	406,483	421,372 [*]	402,690 [✿]
Category 2		—	14,197	3,199	3,479	5,279
Category 3		—	10,149	9,363	9,676	8,819
Category 4		—	14,688	15,965	15,946	14,756
Category 5		—	5,062	5,725	5,457 [*]	5,582 [✿]
Category 6		—	1,828	425	1,183	1,598
Category 7		—	112	194	226	230
Category 12		—	75,069	83,692	83,000	79,055 [✿]
Category 13		—	192	192	112	146
SOx (tonne)	Production sites in Japan	5.3	5.9	6.1	6.1	6.3
NOx (tonne)	Production sites in Japan	26.9	31.9	27.7	24.8	23.8
Soot and dust (tonne)	Production sites in Japan	9.4	9.3	1.9	1.8	2.5
Substances subject to PRTR (VOC atmospheric emissions) (tonne)	Production sites in Japan	52.1	53.6	55.7	52.6	58.5
Use of Substances						
Substance inputs (tonne)	Production sites in Japan	305,457	247,158	277,979	274,151	258,088
Raw materials (tonne)	Production sites in Japan	284,565	231,117	261,650	256,888	242,500
Ancillary materials (tonne)	Production sites in Japan	629	538	593	635	494
Containers and packaging materials (tonne)	Production sites in Japan	15,147	11,576	11,225	11,938	10,675
Substances subject to PRTR (tonne)	Production sites in Japan	(40,582)	(25,458)	(15,023)	(37,713)	(32,520)
Product Shipment						
Product shipment volumes (tonne)	Production sites in Japan	268,552	216,818	241,778	229,117	220,570
In-house Recycling of Waste						
Heat recovered (thermal recycling) (tonne)	Production sites in Japan	17,203	12,224	13,723	12,708	10,633
Industrial Waste Emissions						
Industrial waste emission volumes (tonne)	AICA Group production sites	42,651	27,298	30,996	35,415 [*]	32,225
	Production sites in Japan	36,040	20,784	23,665	28,369 [*]	24,692
	Production sites overseas	6,611	6,514	7,331	7,046 [*]	7,533
External recycling (tonne)	Production sites in Japan	24,708	19,376	22,395	25,389 [*]	22,840
Landfill disposal (tonne)	Production sites in Japan	11,309	1,399	1,269	2,980	1,853
Substances subject to PRTR (amount of waste transferred) (tonne)	Production sites in Japan	15.1	12.6	12.9	16.7	9.8

✿: Indicators for which third-party assurance was obtained for the values published in this booklet (AICA Report 2024)
* The data for FY2022 published in the AICA Report 2023 was revised retroactively to strengthen data collation accuracy.

	Target Boundary	FY2019	FY2020	FY2021	FY2022	FY2023
Use of Water Resources						
Water withdrawal volume (1,000 m³)	AICA Group production sites	3,763	3,818	4,098	3,695 [*]	3,450
	Production sites in Japan	2,382	2,384	2,478	2,206 [*]	1,967
	Production sites overseas	1,381	1,434	1,620	1,489	1,483
Ground water (1,000 m³)	AICA Group production sites	2,468	2,425	2,586	2,319	2,069
Industrial water (1,000 m³)	AICA Group production sites	172	1,106	1,206	1,080	1,087
Municipal water supply (1,000 m³)	AICA Group production sites	1,123	287	306	296 [*]	293
Released into Waterways						
Total wastewater discharged (1,000 m³)	Production sites in Japan		1,908	1,981	1,736 [*]	1,535
COD (tonne)	Production sites in Japan	11.8	31.2	3.3	2.1	3.4
Nitrogen (tonne)	Production sites in Japan	5.6	11.7	1.2	1.0	1.5
Phosphorous (tonne)	Production sites in Japan	6.9	6.1	0.5	0.4	0.7
Substances subject to PRTR (tonne)	Production sites in Japan	0.6	0.5	0.5	0.3	0.4

Boundary and Criteria for Calculation of Environmental Indicators	
<ul style="list-style-type: none">• Target boundary The target boundary includes Aica Kogyo and its consolidated subsidiaries. Specific target site categories are indicated for each item.• Energy use Energy input is calculated by multiplying the volume of fuel consumed by the calorific value of the fuel in question. (For unit calorific values, we used the Ministry of the Environment's Calculation Methods and List of Factors for Calculation, Reporting, and Publication Programs (January 16, 2024 revised edition).) Calculations of electricity assume 1 kWh = 3.6 MJ. Calculations for city gas assume 1,000 m³ = 45 GJ. Steam calculations are based on the amount of energy given by steam quality and purchased quantity.• Greenhouse gas emissions<ul style="list-style-type: none">– For Scope 1 and 2 calculations, we calculated the energy-derived CO₂ emissions / non-energy-derived greenhouse gas emission volumes (excluding the combustion of solvents) based on Greenhouse Gas Emissions Calculation and Reporting Manual (Ver.5.0) (Ministry of the Environment and Ministry of Economy, Trade and Industry). Electric power emission factors for Japanese sites were calculated using the adjusted emission factors for electric power companies from the List of Emission Factors by Power Supplier (For 2024 Submission) (Ministry of the Environment and Ministry of Economy, Trade and Industry). For overseas sites, we used finalized value data from the International Energy Agency's (IEA) Emission Factors (2023). For Japanese sites, note that adjusted emission factors for general electric power transmission and distribution companies were used until FY2021; from FY2022, the adjusted emission factors for each electric power provider is used. For emission factors of city gas, we used adjusted emission factors for each gas provider issued by the Ministry of the Environment.– Scope 3 calculations were made in line with the Basic Guidelines for Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.6) published by the Ministry of the Environment. The details of calculation methods for each category are as described below. Emission factors are taken from these Guidelines unless otherwise stated below.	
Category 1: Purchased goods and services	Target boundary: production sites in Japan Weight or value of raw materials, products, etc. purchased in the reporting year multiplied by emission factors. For emission factors, we used either (1) LCI Database IDEAS 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) Emission Factor Database for Calculation of Organizations' Greenhouse Gas Emissions, etc. Throughout the Supply Chain (Ver. 3.4) (Ministry of the Environment), depending on the item being calculated. For items produced at some of our plants, we calculated raw materials usage based on production volumes. Items that are purchased in very small quantities have been excluded from these calculations, which account for approximately 90% of all purchased raw materials, either on a weight or value basis.
Category 2: Capital goods	Target boundary: Aica Kogyo Co., Ltd. Amount of capital investment in the reporting year multiplied by emission factors.
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	Target boundary: production sites in Japan Power and fuel volumes purchased during the reporting year, multiplied by emission factors. (For fuels, emission factors at the time of the study were used from the LCI database IDEAS version 2.3, in accordance with the guidelines.)
Category 4: Upstream transportation and distribution	Target boundary: Aica Kogyo Co., Ltd. Calculated based on tonne-km of logistics (transportation, cargo handling, and storage) for the reporting year in which Aica Kogyo was the shipper
Category 5: Waste generated in operations	Target boundary: production sites in Japan Industrial waste emission volumes during the reporting year, multiplied by emission factors.
Category 6: Business travel	Target boundary: Aica Kogyo Co., Ltd. Travel expenses during the reporting year, multiplied by emission factors.
Category 7: Employee commuting	Target boundary: Aica Kogyo Co., Ltd. Commuting subsidy expenses during the reporting year, multiplied by emission factors.
Category 8: Upstream leased assets	Lease assets are minor and have been excluded from calculations.
Category 9: Downstream transportation and distribution	Due to the prohibitive difficulty of ascertaining the delivery of all goods for which the company is not the shipper, these could not be calculated. When the company acts as the shipper and delivers the product to the customer, the consequent emissions are included in Category 4.
Category 10: Processing of sold products	Identified as relevant, but emissions have not been calculated due to the difficulties of identifying emission amounts for the individual processes of our many and diverse products.
Category 11: Use of sold products	No greenhouse gas are emitted in the use of our products.
Category 12: End-of-life treatment of sold products	Target boundary: production sites in Japan Calculated by multiplying weight of products sold during the reporting year by the emission factors allocated for each product category. For some products that include volatile substances, product weight excluding the weight of those volatile substances was substituted for calculation purposes.
Category 13: Leased assets (downstream)	Target boundary: production sites in Japan Power use accompanying use of leased buildings during the reporting year, multiplied by emission factors.
Category 14: Franchises	No applicable business operations.
Category 15: Investments	Some company funds are invested, but the percentage of our shareholdings in each investee company is slight and has a negligible impact on business activities, so this category has been excluded from calculations.

Non-Financial Data (Human Resources)

	Target Boundary	FY2019	FY2020	FY2021	FY2022	FY2023
Employment (as of end of fiscal year unless otherwise indicated)						
Number of employees [Consolidated]*1	AICA Group	4,781	4,796	4,949	4,963	5,007
Number of employees [Non-consolidated]*1	Aica Kogyo	1,239	1,228	1,211	1,226	1,216
Male	Aica Kogyo	1,026	1,011	1,002	1,013	999
Female	Aica Kogyo	213	217	209	213	217
Number of non-regular employees	Aica Kogyo	248	239	243	242	255
Rate of non-regular employees	Aica Kogyo	16.6%	16.2%	16.7%	16.5%	17.3%
Number of new-graduate recruits*1*2	Aica Kogyo	36	21	31	36	36
Male	Aica Kogyo	28	18	23	25	26
Female	Aica Kogyo	8	3	8	11	10
Rate of female recruits*3	Aica Kogyo	40.0%	14.3%	32.0%	42.3%	26.9%
Number of mid-career hires*1	Aica Kogyo	23	4	19	40	21
Male	Aica Kogyo	19	4	19	32	13
Female	Aica Kogyo	4	0	0	8	8
Rate of mid-career hires*4	Aica Kogyo	39%	16%	38%	53%	37%
Number of employees newly engaged under the re-employment scheme	Aica Kogyo	14	15	21	11	24
Number of employees with disabilities	AICA Group	28	31	28	29	34
	Aica Kogyo	24	26	25	25	27
Statutory employment rate of people with disabilities*5*6	Aica Kogyo	2.35%	2.66%	2.47%	2.46%	2.78%
Years of Service (as of end of fiscal year unless otherwise indicated)						
Average years of service*1	Aica Kogyo	15.5	16.1	16.5	16.5	16.7
Male	Aica Kogyo	16.1	16.6	16.8	16.8	17.1
Female	Aica Kogyo	12.8	13.7	14.7	14.7	14.7
Average age*1	Aica Kogyo	39.5	40.1	40.6	40.9	41.1
Rate of turnover*1*7	Aica Kogyo	2.9%	2.4%	2.5%	3.2%	3.1%
Rate of turnover after 3 years*8	Aica Kogyo	16.1%	17.5%	8.9%	29.6%	4.8%
Union Membership (as of end of fiscal year)						
Rate of union membership*1	Aica Kogyo	80.9%	80.7%	79.9%	79.9%	80.5%
Wages, Working Hours, and Holidays						
Average annual salary (thousand yen)*1	Aica Kogyo	6,516	6,441	6,817	6,896	7,099
Wage gap between male and female employees*5	Aica Kogyo				80.7%	80.9%
Regular employees	Aica Kogyo				79.1%	79.5%
Non-regular employees	Aica Kogyo				62.6%	71.7%
Average number of days of paid leave taken*9	Aica Kogyo	12.1	10.3	11.8	12.9	13.8
Average rate of paid leave taken	Aica Kogyo	66.7%	55.9%	63.6%	69.1%	73.9%
Diversity						
Number of managers*1	Aica Kogyo	199	209	213	207	201
Female	Aica Kogyo	7	7	7	8	9
Rate of female managers	Aica Kogyo	3.5%	3.3%	3.3%	3.9%	4.5%
Rate of female employees taking childcare leave*5	Aica Kogyo	100%	100%	100%	100%	100%
Rate of male employees taking childcare leave*5	Aica Kogyo	17.1%	16.7%	16.7%	53.1%	59.1%
State of Industrial Accidents						
Number of fatal accidents	Group companies in Japan	0	0	0	0	0
Number of lost-time accidents	Group companies in Japan	7	6	5	4	4
Of which, people other than full-time employees	Group companies in Japan	4	4	2	3	3
Number of non-lost-time accidents	Group companies in Japan	13	6	12	10	10
Of which, people other than full-time employees	Group companies in Japan	6	1	4	4	3

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

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, 2023 to March 31, 2024 included in its AICA Report 2024 (the “Report”) for the fiscal year ended March 31, 2024.

The Company’s Responsibility

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

Our Responsibility

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

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of three of the Company’s subsidiaries 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 Management

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

Masato Hori

Masato Hori, Representative Director
ESG Consulting Co., Ltd.
Osaka, Japan
February 20, 2025

AICA Group Network

(As of end-Oct. 2024)

