

AICA Report 2022

AICA Report

AICA Kogyo Co., Ltd. AICA Report 2022

AICA KOGYO CO., LTD.

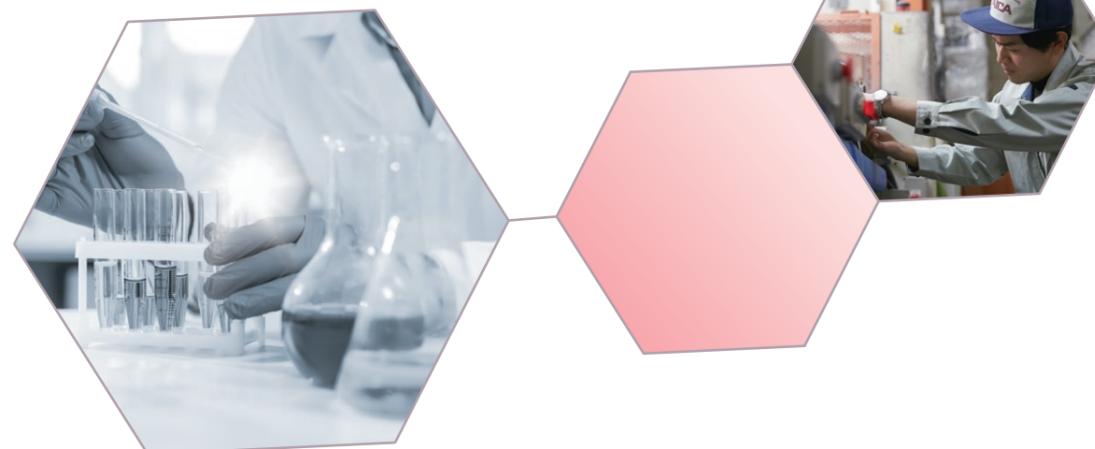
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Issued Oct. 2022



AICA SYNERGY

CHEMISTRY × DESIGN

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

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



Chemical Products segment

For all settings in daily life



- Adhesives
- Construction Resins
- Specialty & Performance Materials

Construction Materials segment

In various parts of diverse buildings



- High pressure laminate (HPL)
- Noncombustible decorative panels
- Boards, Films etc.
- Countertops
- Melamine noncombustible decorative panels
- Fittings & home interior materials



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Foundations of AICA

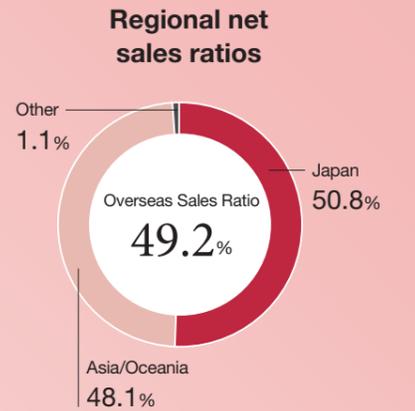
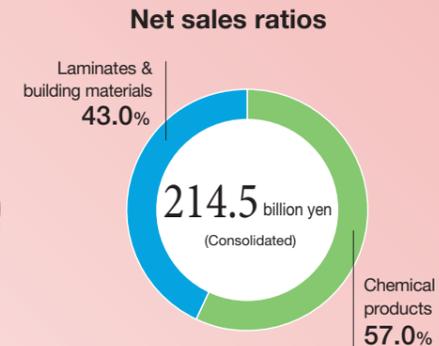
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As of end-Mar. 2022



Date established



Oct. 20, 1936

HPL* market share in Japan



NO.1

Employees [Consolidated]



4,949

Consolidated companies



50 companies in 14 countries/regions

Overseas customers



More than 10,000

*HPL: High pressure laminates

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 years Vision and Medium-Term Business Plan, as well as the foundations that support them, while relating them to the important issues (Materialities) that we recognize as our priorities.

Reference Guidelines

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

Target Period/boundary

This report is a summary of the activities of the AICA Group in FY2021. It also includes information about some activities from FY2022. Target boundary information can be found in the content of the report.

This report includes 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

Reporting on the website

More detailed information included

Overview ↑

Details ↓

Specialization ← → General

Message from the President



AICA Group aims to be a sustainable corporate entity, while promoting innovation and contributing to the evolution toward a prosperous society.

Kenji Ebihara

Representative Director and President

I am Kenji Ebihara. I was appointed as Representative Director & President of Aica Kogyo Co., Ltd. in April 2022. I feel honored and privileged to assume this position and I am bracing myself. I, together with AICA Group members, will do my best to be able to attain further growth of AICA Group and to live up with all the stakeholders' expectations. Taking this opportunity, I kindly ask you for your ongoing support.

I want "AICA" to be a company which all of our group members can be proud of and all of our customers and shareholders feel precious and irreplaceable. In my inaugural address as President, I introduced a new slogan of "Building AICA into more innovative and attractive company." In order to realize this, I will visit a variety of sites to listen to their voices in person and integrate their views. My role is to forge the direction towards our future success.

Our business environment is changing rapidly and getting more complicated. In living through these times, it is necessary to address sustainability, in ESG (environment/society/governance) and its peripheral fields, is becoming more essential. We will keep our dialogue with our stakeholders, accomplish the current initiatives, and contribute to shape the sustainable society, which, I believe, leads to enhance our corporate value.

FY2021 Overview

Consolidated business results for FY2021 were as follows: net sales of 214,514 million yen (up 22.8% year on year), operating profit of 20,348 million yen (up 13.1%), ordinary profit of 21,840 million yen (up 18.5%), and profit attributable to owners of parent (hereunder, net profit) of 13,117 million yen (up 21.9%). Net sales surpassed 200 billion yen for the first time, ordinary profit reached a record high, and operating profit and net profit were also much higher than the previous year.

With regard to sales, the recovery from the impact of the COVID-19 pandemic led to growth in both the Japanese and overseas markets for both the Chemical Products Segment and the Laminates & Building Materials Segment. Overseas net sales exceeding 100 billion yen for the first time. Though profit in both segments could not reach the target because of soaring raw material prices, the sales of high pressure laminate (HPL) and CERARL had come back strongly supported by the recovery of domestic market in Japan. Besides, the sales growth by AICA Asia Pacific Holding Group had contributed.

With those reasons, we could get back to the normal growing track after the Covid-19 pandemic which slowed us down during FY2021.

Medium-Term Business Plan Progress with "Change & Grow 2400"

In April 2021, we launched "Change & Grow 2400," our Medium-Term Business Plan for FY2021 to FY2023. We plan to implement various measures to achieve the specified financial targets; ROE of 10%, ordinary profit of 24 billion yen, and net sales of 240 billion yen, as well as non-financial targets to help strengthen our business infrastructure.

Basic Policy 1 Creation and Expansion of Growth Businesses

We aim to achieve sustainable growth by focusing on business creation and expansion in markets where growth is expected.

With regard to AS (Aica Solution) products, a group of products that provide solutions to various social issues, the sales of Fiore Stone, an engineered stone, grew substantially as an alternative to natural stone, and the sales of Virutect, an antiviral building material, increased due to heightened hygiene awareness in the COVID-19 pandemic. AICA PUR floor coating material and JOLYPATE wall coating material, also sold well, mainly for use in renovations. As a result, net sales of AS products increased to 16.9 billion yen, up 9.4% from the previous year.

In the Specialty & Performance Materials Business, which focuses on products for the non-construction sector, sales increased due to solid performance both in Japan and overseas, and the addition of a UV-cured coating agent manufacturing site (Dayuan Plant) to EVERMORE CHEMICAL INDUSTRY. We will continue to focus on the development of UV Resin Business, for which demand is expected to grow, and expand our Specialty & Performance Materials Business.

As for overseas business, both the Chemical Products Segment and the Laminates & Building Materials Segment grew significantly. In the Chemical Products Segment, the AICA Asia Pacific Holding Group in particular achieved significant growth thanks to an increase in sales volume and the ability to promptly reflect the steep rise in raw material prices in selling prices. Increased sales of phenol formaldehyde resins for bamboo in China and the newly consolidated hot-melt manufacturing and sales company Aica Adtek in Malaysia also contributed to the increase. Three large capital investments are under way at the China facility to increase production capacity, and the Vietnam facility is scheduled to begin production of phenol formaldehyde resins in addition to the products it has been producing to date. We will strive for further growth by capturing robust demand for resins for composite board and plywood in the Asian region. In the Laminates & Building Materials Segment, the recovery of the Chinese market, which had been depressed due to the COVID-19 pandemic, and the growth of net sales in key markets such as India, Thailand, Indonesia, and Vietnam, resulted in a 1.2-fold increase in overseas sales over the previous year and

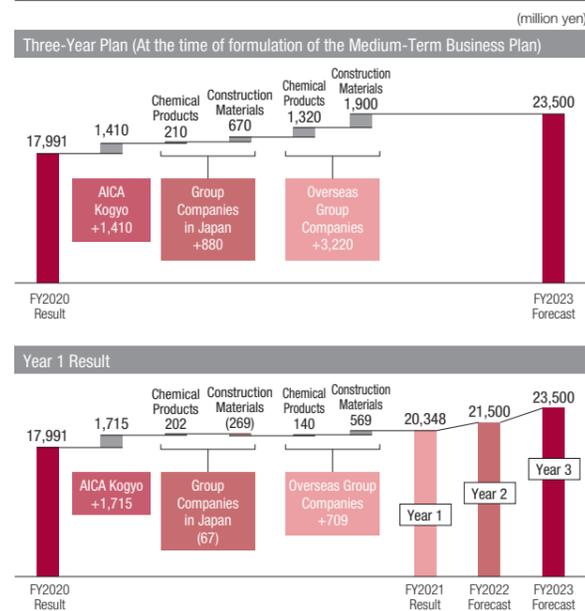
Message from the President

a doubling from the year before that, as we steadily increased our presence in overseas markets. In FY2022, Aica Laminates Vietnam plans to make a capital investment to double its HPL production capacity in the future, and we will continue to meet demand in Japan and other Asian countries.

Basic Policy 2 Profit Base Enhancement

By building a resilient management structure through various cost reductions, DX implementation, optimization of the distribution network, and improvement of production efficiency, we plan to increase operating profit from 17,991 billion yen in FY2020 to 23.5 billion yen in 3 years, a 1.3-fold increase. In FY2021, sales grew from the previous year to 20,348 billion yen (up 13.1% year on year), but did not reach the projected level due to the impact of factors including soaring raw materials prices. In the current fiscal year, we will strive to secure profits not only by increasing sales but also by enhancing profit improvement measures such as improving production efficiency and revising selling prices to reflect increased raw materials costs. We will also focus on executing investments with capital efficiency in mind and optimizing our capital structure to achieve sustainable profit growth and keep ROE at the 10% level.

Change in Operating Profit



Basic Policy 3 Reinforcement of Our Business Infrastructure

Today's society is characterized by rapid changes in industrial structure and business environments due to increasing calls for the realization of a sustainable society. This places ever-greater responsibilities on companies. In response to this, we have defined our key imperatives, or materialities, as: 1. Provide economic value; 2. Solve social issues with products; 3. Human resource and organizational development; 4. DX implement; 5. Responding to climate change; 6. Strengthen governance; and 7. Quality

assurance and occupational safety. We have incorporated these materialities into our Medium-Term Business Plan. The Sustainability Development Committee, which I chair, is working to visualize results and quantitatively manage progress.

Human Resource and Organizational Development

Our Corporate Policy is to regard human resources as our most vital resource of our company, and aim to nurture motivated human resources and organizations through mutual understanding and growth. To create a work environment in which a diverse workforce can play an active role, a Career Support Unit was established in the Human Resources Department in April 2022. We are currently studying ways to expand opportunities for senior generations to play an active role in the company, including revisions in our systems. In addition, we are substantially revising our programs for the development of global-minded human resources as we further revitalize communication with overseas group companies in order to expand Group synergy.

DX Implementation

In anticipation of a declining workforce, we are focusing on improving productivity through the use of digital technology. With core systems renewal and software updates completed, the foundation to improve operational efficiency was put in place. In FY2021, we focused on the use of digital technology in sales as well as order placement and receipt operations, and we have begun to see the benefits of improved operational efficiency. In the future, we will further increase the utilization of data at production sites, promote automation of equipment suited to each site, and improve productivity with palpable rapidity.

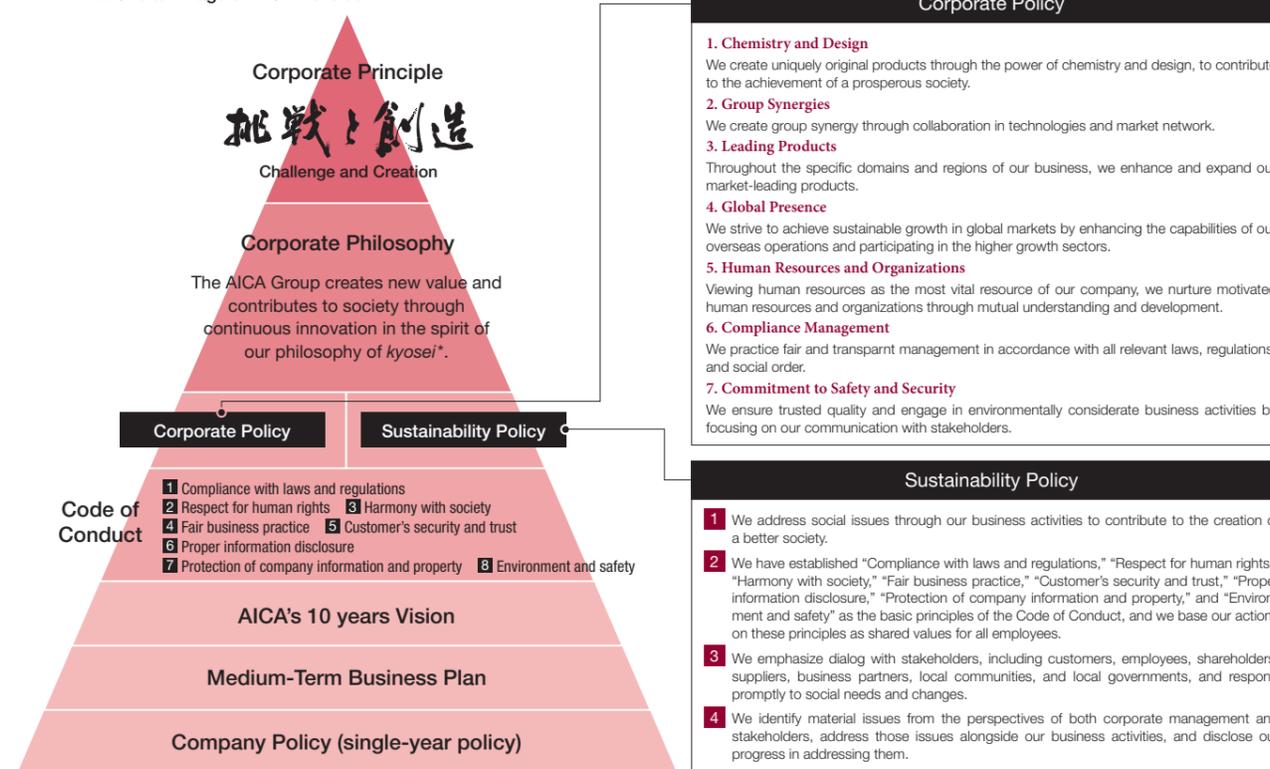
Responding to Climate Change

As society undergoes major changes due to the impact of climate change, we are focused on responding with a sense of crisis, understanding that our corporate value could be damaged if we fail to respond appropriately. Our efforts to address climate change are led by the Climate Change Response Committee established under the Sustainability Development Committee. In FY2021, three environmental investments related to renewable energy were decided on as a result of the committee's activities, as well as the introduction of our Internal Carbon Pricing (ICP) program. We plan to use this ICP system to implement concrete reduction measures with a view to achieving net-zero emissions by 2050.

In addition, our transition to the prime market in April 2022 makes it necessary for us to address the TCFD recommendations. In order to expand disclosure based on the recommendations, we conducted a scenario analysis in the first half of FY2022, the results of which are disclosed in this AICA Report.

See pages 50-51 for detailed scenario analysis results. A financial impact assessment will also be conducted during this fiscal year, and those results will be incorporated into our long-term business strategy.

Overall Image of AICA Policies



Regarding the development of products that respond to climate change, progress is being managed by the Conference on Development Themes Responsive to Climate Change, which was established in April 2021, and which I am promoting with my own participation. In FY2021, we achieved certain results, including the use of biomass-derived raw materials for our main product line HPL, adhesives, and Organic beads, and the development of a 3D exterior decorative films that will help reduce greenhouse gas (GHG) emissions in the automobile manufacturing process. We will continue to focus on the development of products that contribute to the reduction of GHG emissions throughout their lifecycle and promote the development of innovative products with prompt action.

Strengthening Our Risk Management System

Risk management is taking on ever-greater importance amid increasing globalization and business complexity, in addition to an uncertain social circumstance. Since FY2021, we have been reviewing our risk assessment methodology, and established a Risk Assessment Council in April 2022, in which I myself participate. Participants in the council include the heads of organizations in charge of risk management, and deliberate the pertinence of the risks reported by each company and division, including likelihood of occurrence and magnitude of impact. The

results of the deliberation are approval by the Board of Directors, and risks identified as significant then disclosed as "Business Risks". For each identified risk, we assign a management organization and meeting body to manage progress, and strive to reduce these risks and identify new ones as early as possible.

Aiming to Be a Sustainable Corporate Entity

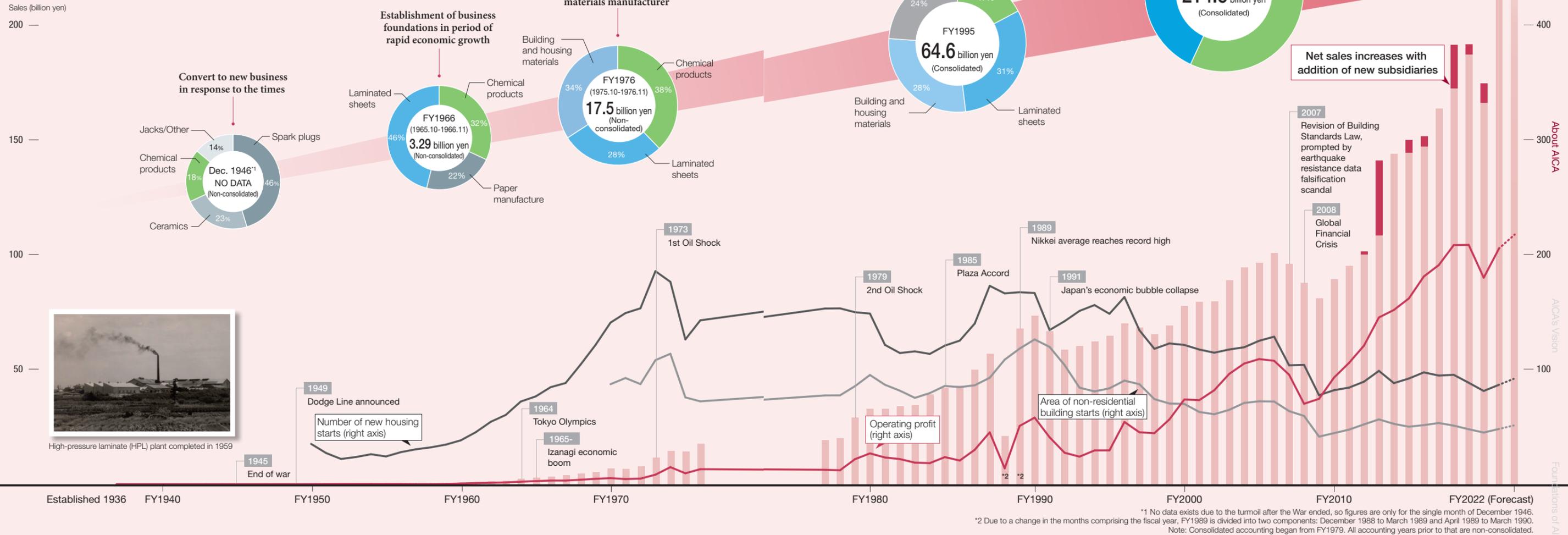
Kyosei is a word that we place at the core of our Corporate Philosophy, and we work hard to embody this philosophy by helping to solve various social issues. In addition, to promote sustainability management in line with international frameworks, we signed the United Nations Global Compact in 2018, and are developing SDG initiatives on a company-wide basis. In April 2021, we formulated a Sustainability Policy to clearly state our basic approach on sustainability both internally and externally, and we revised our Code of Conduct to clarify the status of this policy as a common Group value. The Medium-Term Business Plan for Materiality, which was launched in April 2021, also incorporates non-financial materialities for the first time, strengthening the Group's united efforts to help solve social issues.

We will continue to engage in management with a focus on sustainability, and to contribute to the formation of a prosperous society, while striving to become a more sustainable corporate entity that is resilient to change.

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

Transformation of Value Creation

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



Capturing Asian market demand to be a resilient company that would not be swayed by Japanese construction market trends

Incorporates non-residential market and achieves growth despite deteriorating market environment

Net sales increases with addition of new subsidiaries

1936~1945	1946~1954	1955~1966	1967~1976	1977~1986	1987~1994	1995~2009	2010~
<ul style="list-style-type: none"> Launched Japan's first urea-based resin adhesive AICHI-MUTEKI-NORI (1939) 	<ul style="list-style-type: none"> Launched melamine resin-baked paint (1951) 	<ul style="list-style-type: none"> Launched "AICA" high-pressure laminate (HPL) (1960) 	<ul style="list-style-type: none"> Launched "AICA POSTFORM" (1968) Launched wall coating material, "JOLYPATE" (1975) 	<ul style="list-style-type: none"> Launched premium wooden door "EASTERN CHERRY DOOR" (1978) Launched high pressure laminate (HPL), "AICA COLOR SYSTEM 105" (1984) 	<ul style="list-style-type: none"> Captured top share of Japanese HPL market Launched melamine noncombustible decorative panel, "CERARL" (1989) 	<ul style="list-style-type: none"> "CERARL" became a huge success as kitchen panel (1996-) Inaugural edition of "Environmental Report" (1999) 	<ul style="list-style-type: none"> Acquired shares in subsidiary of Dynea's Asia-Pacific division (2012) Acquired shares in EVERMORE CHEMICAL INDUSTRY CO., LTD. (2018) Acquired shares in Wilsonart subsidiary in Asia-Pacific region (2019)

Social Background and Products Created by the AICA Group

1936

Development of Japan's first synthetic resin adhesive

We developed a urea-based resin adhesive with strong adhesive properties and water resistance. This drove the shift from natural adhesives to high-performance synthetic resin adhesives.



Patent for urea-based resin adhesive

1960s-1970s

Contribution to development of odorless plywood

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

Late 1980s

Use of rubber trees that had been discarded as scrap

Rubber tree wood left over from the sap extraction process was recycled into laminated lumber and turned into stair components and countertops. This attracted attention as a pioneering concept in the effective use of forest resources.



Honor received from the Sultan of the Malaysian state of Kedah

1990s-2000s

Response to Sick house syndrome

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



AICA ECO-ECO BOND when it was first released

2010

Support for forest resources protection

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



バイオマス No.120030 High pressure laminate (HPL)



バイオマス No.120031 [Polyester Decorative Panels]



バイオマス No.120032 [Marless Board]

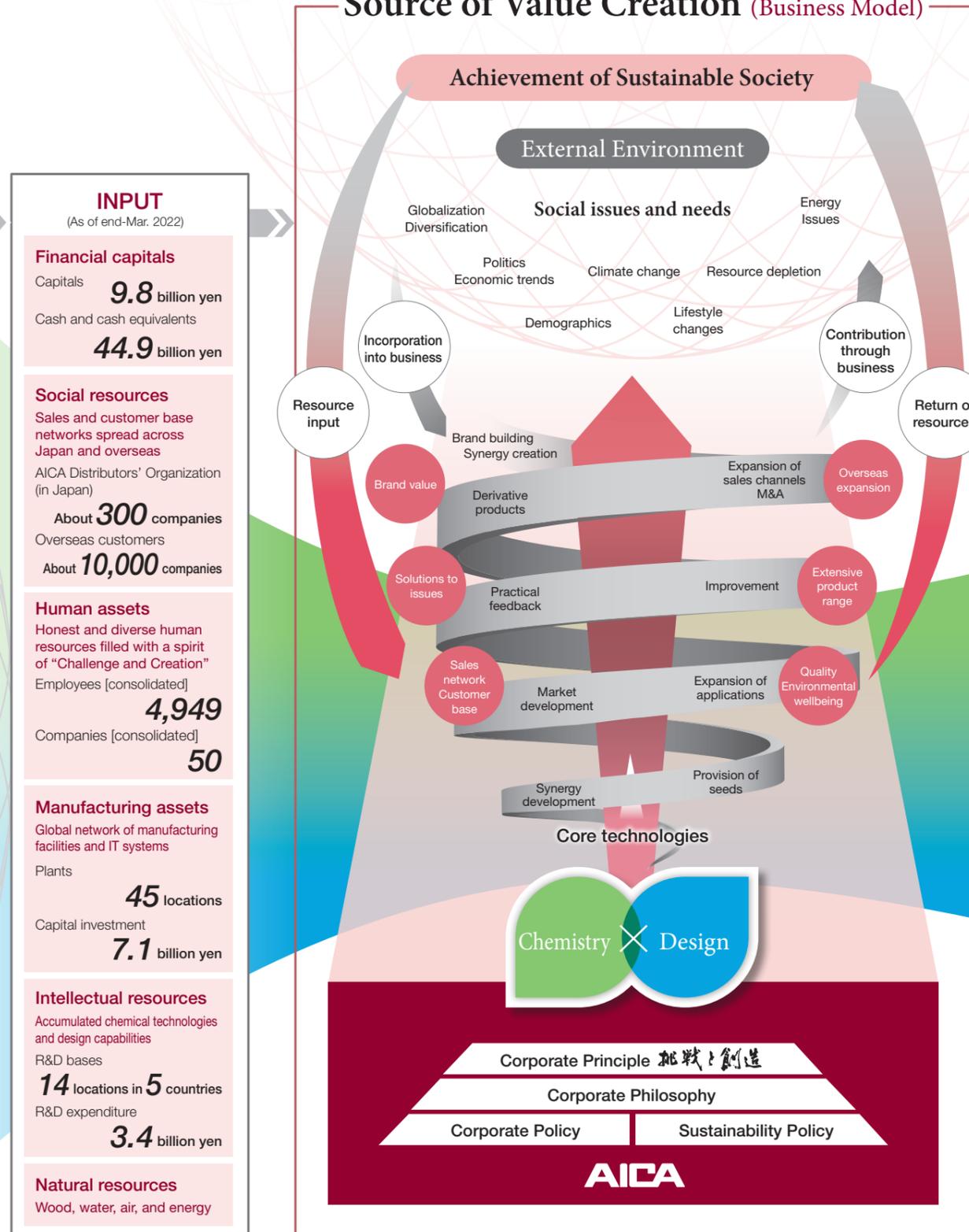
2017-

Development and expansion sales of AS products

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

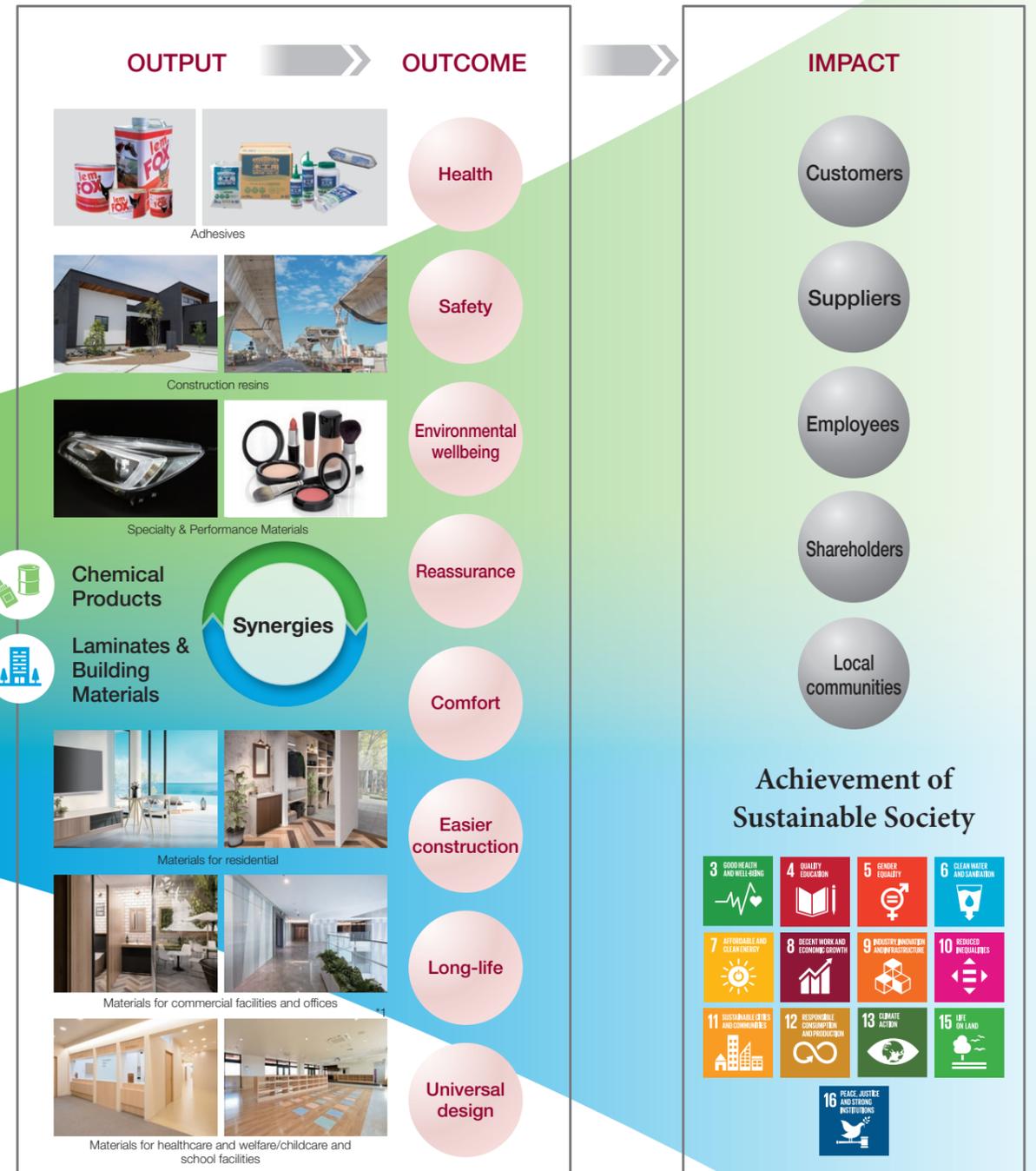
AICA's Value Creation Model

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 assets, and a healthy financial base. We solve 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**, which places importance on dialog with stakeholders, AICA creates new value and contributes to society through continuous innovation.

* Please refer to page 6 for the meaning of kyosei



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

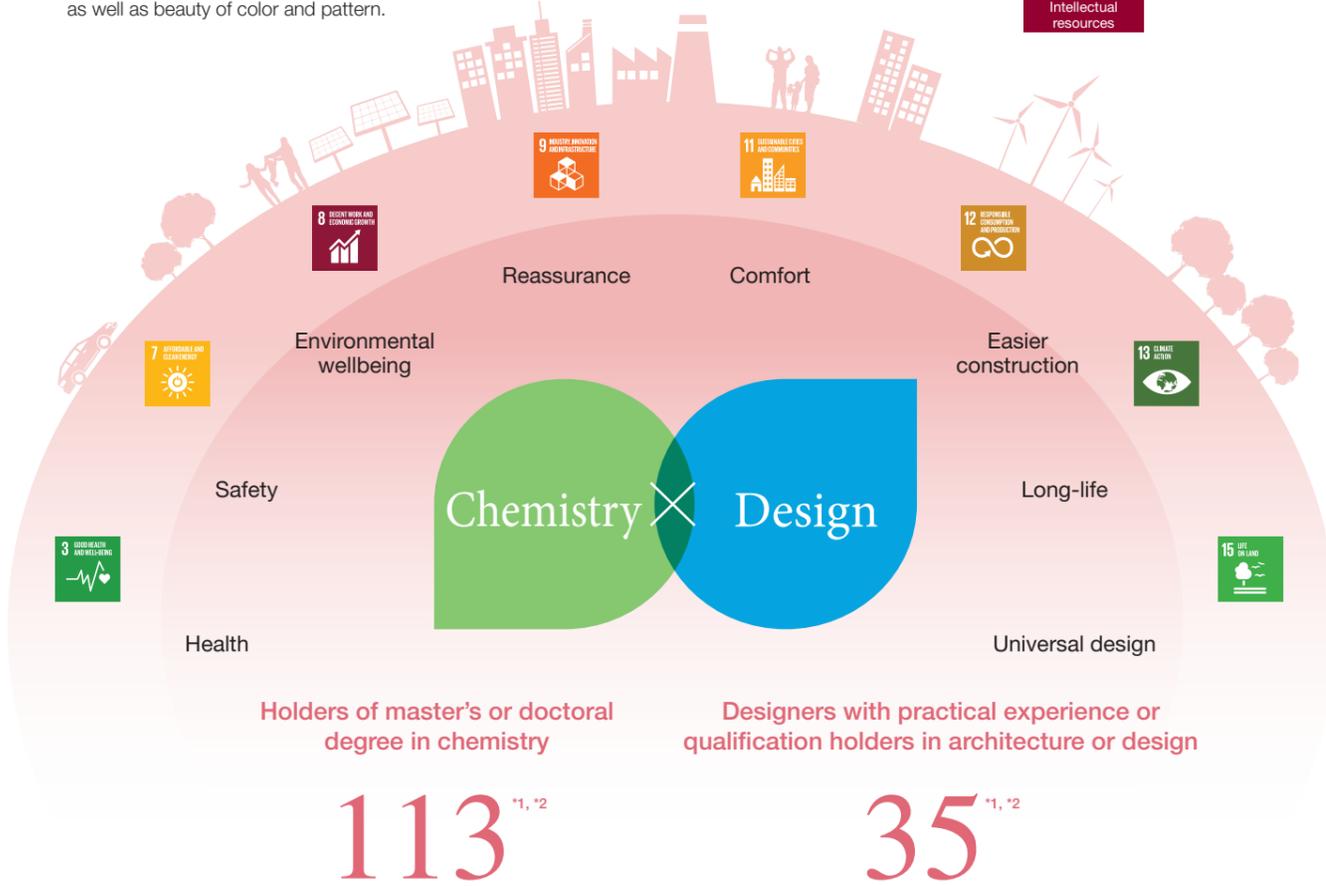
AICA's Strengths Supporting Value Creation

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

Helping Solve Social Issues with the Power of Chemistry and Design

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

Related Resources and Assets	
Human assets	Natural resources
Social resources	Manufacturing assets
Intellectual resources	



Examples of Development

High pressure laminate (HPL)

Acrylic resin developed for automobile seats

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

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

Texture design

Melamine formaldehyde resin modification technology

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

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

Extensive Product Range

In both the Chemical Products and Laminates & Building Materials segments, we provide products that service multiple domains, including housing, construction, civil engineering, household goods, electronic materials, and automobiles. In doing so, we create synergies in cross-selling and technology.

Related Resources and Assets
Intellectual resources
Manufacturing assets
Natural resources

Please refer to pages 13-14 for details on our business operations.

Overseas Expansion

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

Overseas sales ratio^{*2}

49.2%

Consolidated companies^{*2}

50

 companies in

14

 countries/regions

Related Resources and Assets
Human assets
Social resources
Manufacturing assets
Natural resources

Customer Base

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

AICA Distributors' Organization (Japan)^{*2}

About 300

 companies

Overseas customers^{*2}

About 10,000

 companies

Related Resources and Assets
Social resources
Human assets

Brand Value

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

HPL market share in Japan^{*2}

No.1

Related Resources and Assets
Intellectual resources
Human assets
Social resources

Quality/Environmental wellbeing

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

Customer Satisfaction Survey^{*2}

4.5

 /5

Related Resources and Assets
Human assets
Social resources
Intellectual resources
Natural resources

Healthy Financial Base

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

Cash and cash equivalents^{*2}

44.9

 billion yen

Related Resources and Assets
Financial capitals
Manufacturing assets

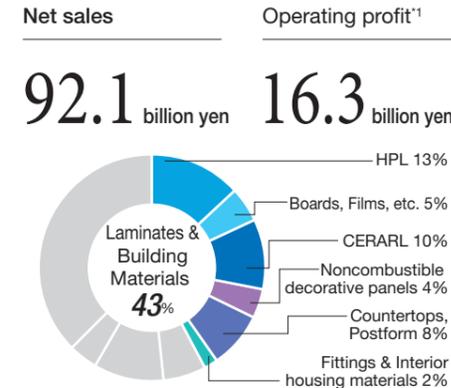
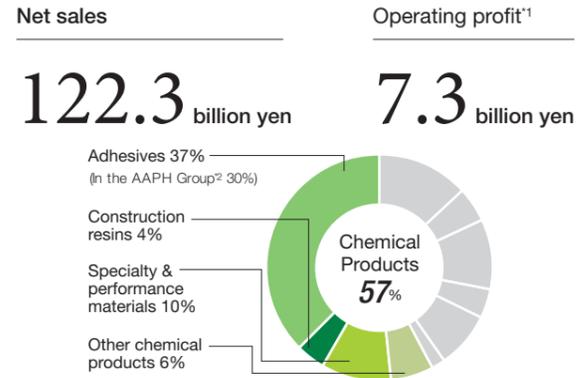
*1 AICA Kogyo Co., Ltd. non-consolidated *2 As of end-Mar., 2022

Our Businesses

Chemical Products Segment

Fundamental business operations cultivating core technologies

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



Laminates & Building Materials Segment

Providing distinctive products leveraging chemical technology

We offer a wide variety of highly original products by utilizing the chemical technologies cultivated in the Chemical Products business, including our HPL, which enjoys the largest market share in Japan. A wide range of variations are available to live up all kinds of architectural spaces.

Product Range	FY2021 Result	Main Products and Applications	Strengths and Features	Product Range	FY2021 Result	Main Products and Applications	Strengths and Features
Adhesives	Net sales 78.5 billion yen 144% YoY	Industrial/Architectural adhesives Adhesives for wood furniture, construction materials and building construction	In Japan, our strength lies in the construction market, including collaborative sales of various products in the Laminates & Building Materials segment. In Indonesia, we have the No. 1 share of the rubber adhesive market, and we are broadly expanding our business elsewhere overseas as well.	High pressure laminate (HPL) Boards, Films, etc. CERARL Noncombustible decorative panels Postform, Countertops Fittings & Home Interior Materials	Net sales 28.9 billion yen 119% YoY	High pressure laminate (HPL) Surface material for tables and furniture	It is available in a wide variety of colors and patterns, has excellent durability, and boasts the top market share in the industry. It is used in various parts of residences, commercial facilities, medical and welfare facilities, offices, and lodging facilities. We provide highly functional products that leverage our chemical technology.
		Industrial Resins Resins for industrial product bonding	These products are used as raw materials for industrial products in a wide range of fields, including construction, automobiles, steel, and electronics. We are expanding the technology we have developed in Japanese market to overseas markets.			Decorative Plywood Boards Surface material for furniture, interior walls, etc.	The color pattern is integrated with that of HPL, our main product line, to enable color pattern coordination. The surface is made of polyester resin and reinforced paper with excellent abrasion resistance, and is used in a variety of facilities.
		Composite Board Resins Resins for bonding wood boards (MDF, particleboard)	These are the main products of the AAPH Group ² , and continue to grow by capturing strong demand in South-east Asia. In recent years, resins for fast-growing bamboo materials have grown significantly in response to growing environmental awareness.			Architectural Films Decorative materials for interior and exterior wall surfaces, fittings	Its flexibility allows it to be used to decorate fittings, in addition to walls, expanding the range of coordination possibilities. Products for outdoor use and processed products such as louvers are also available, and are used mainly in non-residential facilities.
Construction Resins	Net sales 9.2 billion yen 106% YoY	Wall Coating Materials Decorative paints for interior and exterior building walls	High-durability coating materials with sophisticated design characteristics centered around JOLYPATE, a brand-name product with a 47-year history. CLIMATERIA is a new and expanding brand that has been well received by designers.	CERARL Noncombustible decorative panels	Net sales 20.9 billion yen 109% YoY	CERARL (Melamine noncombustible decorative panel) Indoor wall covering	CERARL is our core product which has been a long-selling for more than 30 years since it became a major hit for use in kitchen panels in the 1990s. It receives high marks for its resistance to scratches and stains, and is used in both new construction and renovations at various facilities, as an indoor decorative material in restroom spaces and facilities with heavy public use.
		Floor Coating Materials Paints for floor of plants, warehouses, etc.	These products help improve the durability of concrete floors. We leverage our strength in resin technology to provide high value-added products with excellent weather resistance and ease of installation.			Decorative Calcium Silicate Boards Indoor wall covering	These are indoor wall covering materials made with a base material of calcium silicate board, and a surface made of resin, reinforced sheet, etc. We offer a wide range of products from general-purpose to high-end design items.
		Materials for Repair, Reinforcement and Corrosion preventive materials Resins for repair and reinforcement of concrete structures, etc.	We help resolving social issues by providing repair and reinforcement materials for concrete structures such as infrastructure facilities and tile wall surfaces. Our strengths lie in design and functionality, including the development of our proprietary transparent resins.			Extruded cement board (MACE) Exterior wall material	This cement-based exterior wall material features excellent earthquake, weather, and fire resistance. It is characterized by the beauty of its smooth surface and versatility of design.
Specialty & Performance Materials	Net sales 21.7 billion yen 129% YoY	Hot Melts Adhesives for automotive and sanitary materials	Demand is solid for use in wood furniture and automobile headlamps. Sales in high-growth markets such as those for sanitary and packaging materials are also growing.	Postform, Countertops Fittings & Home Interior Materials	Net sales 7.9 billion yen 96% YoY	Multifunctional Calcium Silicate Panel Indoor wall covering and material for ceilings	In addition to excellent humidity control, it has deodorizing and fire resistance properties, helping extend the life of homes and improve earthquake resistance and comfort. This is an environmentally friendly product that contains no toxic substances and is composed entirely of natural materials.
		UV-curable resins Resins and films for electronic materials and automobiles	Widely used for displays and other electronic devices. We also offer products for the automotive industry, and 3D decorative film for exterior applications is expected to contribute to the reduction of greenhouse gas emissions as an alternative to painting in the automobile manufacturing process.			Postform Countertops, furniture	High pressure laminate (HPL) is used as a surface material available in a wide range of colors and patterns. It is resistant to scratches and stains, and is used for countertops in all parts of residential and non-residential buildings, and on doors for kitchens and closets.
		Polymer Beads Additives for resin products and cosmetics	Uses are to be found in a wide range of fields, as additives for plastics, paints, and other resin products, and cosmetics. In particular, GANZPEARL, which is mainly used in cosmetics, holds a high market share in the industry.			Engineered Stone/Methacrylic Solid Surface Countertops, furniture	Engineered stone, which is mainly composed of natural quartz, is more resistant to scratching and staining than natural stone. It is coming into increasingly widespread use, mainly for kitchen top. Methacrylic Solid Surface has high workability and is used for countertops and wash basins, as well as features and furnishings.
		Polyurethane Products Sneaker soles, textiles	This is the main product of the EMC Group. ³ Our PolyUrethane System (PUS), used in the soles of sports shoes, enjoys the world's top market share and continues to grow due to the deepening of the market for daily necessities.			Toilet Cubicle Systems Non-residential toilet cubicle systems	These booths serve as partitioned private stalls in the restrooms of commercial facilities, offices, hospitals and other public facilities used by many people. High pressure laminate (HPL) is used for the surface material, featuring a wide variety of color patterns and designs, as well as safety features such as finger pinch and snag prevention.
					Net sales 18.2 billion yen 110% YoY	Fittings/Storage Interior doors, storage furniture	In addition to general interior doors for residences, we also have a lineup of sliding doors for medical and welfare facilities. Our storage furniture series, which allows free design, is growing in popularity by satisfying diverse needs.
					Net sales 4.7 billion yen 97% YoY		

¹ Operating profit before deduction of unallocated operating expenses ² AICA Asia Pacific Holdings Group ³ EVERMORE CHEMICAL INDSTRY Group

⁴ Ginza Itoya Yokohama Motomachi Design: Ikeda Architects Photo: Atsushi Nakamichi/Nacasa & Partners Inc. ⁵ msb (Musubu) Tamachi, Tamachi Station Tower N ⁶ Senshu University Ikuta New Building No. 2 and No.3, Designed by Nikken Sekkei, Ltd.

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

AICA's 10 years Vision

In April 2017, AICA established AICA's 10 years Vision with the goal of FY2026, the 90th anniversary of the company. With the aim of transforming into a solid, robust management structure that will not be easily influenced by trends in the Japanese construction market, in the Chemical Products Segment, we will aim to become Asia's top manufacturer of resins for the construction sector, which supports people's lives and social infrastructure. We will also grow non-construction sectors such as automotive, household goods, and electronic materials. In the Laminates & Building 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 Years Vision

Financial Targets in 10 Years

	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

The Future Vision at FY2026

Chemical Products Segment
Net sales **170** billion yen

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

Laminates & Building Materials Segment
Net sales **130** billion yen

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

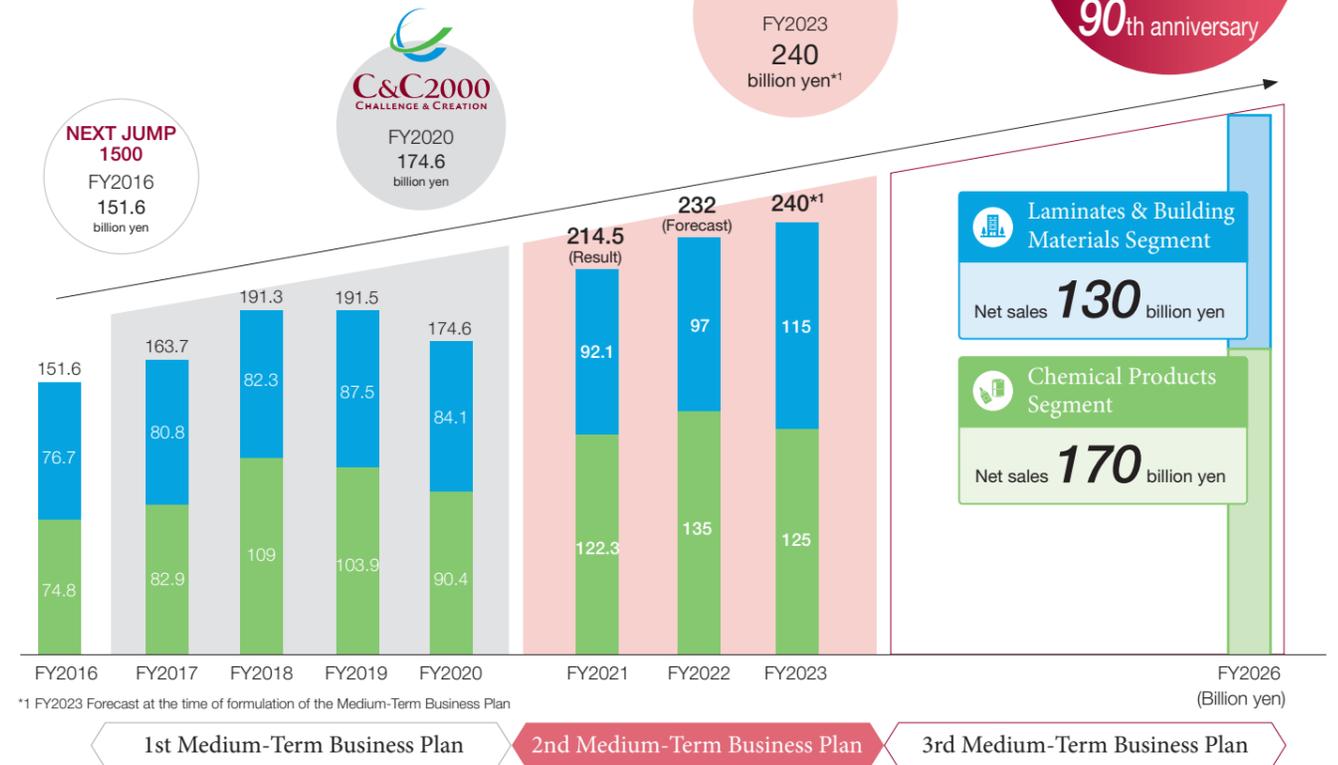
Human Resources Development We promote diversity management, and will establish a variety of systems to develop globally competent and professional human resources.

- 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

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



Recognizing Issues in the 2nd Medium-Term Business Plan

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

Internal resources and assets

- Intellectual Resources**
 - Next-generation large-scale core products
 - Quality/Safety
 - Accumulation of knowledge
 - Insufficient brand value of products other than domestic HPL
 - Implementing DX^{*2}
- Manufacturing Assets**
 - Aging plants
 - Delay in automation
 - Insufficient action on reduction of GHG^{*3} emissions
 - Optimization of production systems
- Human Assets**
 - Action on development training and career-path design for management human resources
 - Building of succession plan
- Financial Capitals**
 - High dependence on profit from HPL and CERARL
 - Business investment impairment risk
 - Exchange rate risk

External resources and assets

- Social Resources**
 - Contraction of wooden furniture market in Japan (HPL, decorative polyester plywood boards)
 - Decline in number of new housing starts in Japan (800,000 dwellings)
 - Shortage of skilled workers, expansion of need for easier construction
 - Progress of automation at work sites where AICA's products are used
 - Expansion of ZEH and ZEB, changes in the taxation system
 - Lifestyle changes due to the COVID-19 pandemic
 - Soaring logistics costs
- Natural Resources**
 - Transition to low-carbon society
 - Penetration of ZEH and ZEB
 - Transition to biomass products and products with low CO₂ emissions
 - Natural disaster risks
 - Raw materials costs soaring risks

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

Responding to Climate Change

Given that individual governments, including Japan, have declared targets of net zero GHG^{*3} emissions by 2050, we recognize that the demand for lower carbon levels in AICA's products and business activities will increase.

DX^{*2} Implementation

AICA's work styles and those of our stakeholders are being changed significantly by digital technologies, and we believe that action on DX^{*2} taken by AICA's businesses and products will become increasingly important.

*2 Digital transformation *3 Greenhouse gas

Medium-Term Business Plan

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

As the second step toward realizing AICA's 10 years Vision, we established financial targets and basic policies to be achieved over the three years of our Medium-Term Business Plan, "Change & Grow 2400." The basic policies in the Medium-Term Business Plan are ① **creation and expansion of growth businesses**, ② **profit base enhancement**, and ③ **reinforcement of business infrastructure**. By robustly implementing these measures, we will make ourselves into a corporate entity that is more resilient against change as we achieve sustainable growth.

Financial Targets

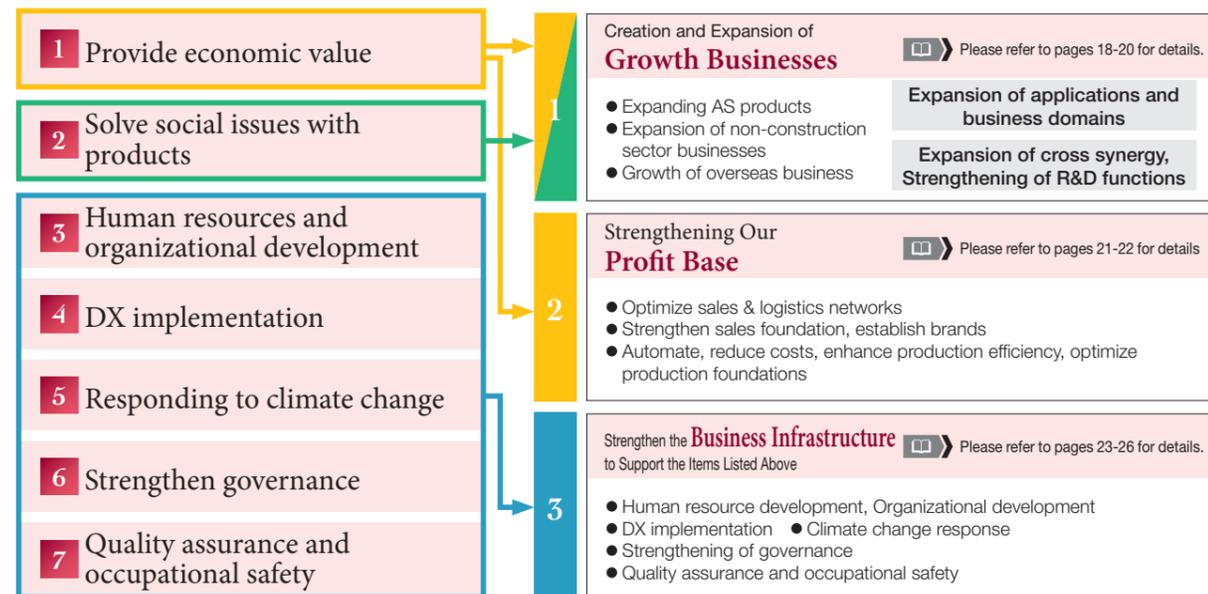
		FY2020 (Result)	FY2021 (Result)	FY2022 (Forecast)	FY2023 (Plan at the time of formulation of Medium-Term Business Plan)
Efficiency Manage capital efficiently and generate profit	● ROE	8.1%	9.4%	9% or more	Aiming for 10%
Growth Potential Leveraging our strengths to capture market growth	● Overseas + Specialty & performance materials business net sales ¹	81.2 billion yen	114.7 billion yen	125 billion yen ³	115 billion yen
Issue Solutions Expand the share of products that solve social issues in the Japanese market	● AS ² product sales	15.5 billion yen	16.9 billion yen	18 billion yen ³	21 billion yen
Profitability Total value provided to society	● Ordinary profit	18.4 billion yen	21.8 billion yen	22 billion yen	24 billion yen
	● Net sales	174.6 billion yen	214.5 billion yen	232 billion yen ⁴	240 billion yen

*1 Simple total of net sales before elimination of intercompany transactions *2 Aica Solution *3 Initial plan for FY2022 *4 Revised business results forecast for July 2022

Investment Plan

	Cumulative Investments over 3 Fiscal Years	Investment Results for FY2021	
Capital Investment	23 billion yen	7.11 billion yen	Production capacity expansion, production system optimization, automation, DX-response, climate change-response, BCP-response
Business Investment	17 billion yen	4.2 billion yen	Entry into new markets and new business areas, expansion of technological base
R&D Expenditure	12 billion yen	3.45 billion yen	Development of next-generation core products and strengthening of development capacity
Human Resources Investment	—	—	Development of diverse human resources, skill improvement and management for individuals

Materialities of the Medium-Term Business Plan



Basic Policy for the Medium-Term Business Plan

① Creation and Expansion of Growth Businesses

Expanding AS Products

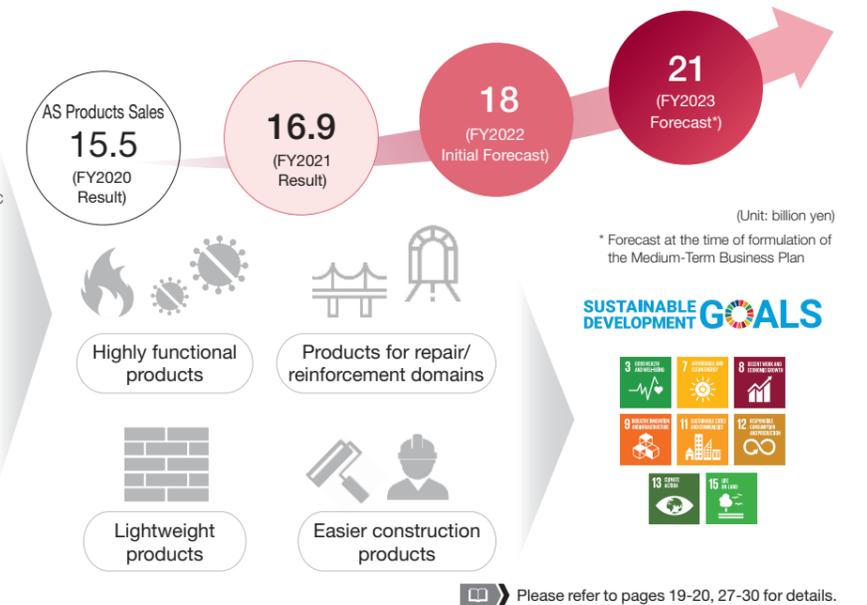
We will focus our efforts on the expansion of sales of AS (AICA Solution) products in Japan, to respond to constantly changing social issues, including labor shortages, aging infrastructure, soaring logistics costs, and antivirus measures. We plan to increase our sales to 21 billion yen in three years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

Background

- Inactive Japanese construction market, which AICA depends on
- Shortage of skilled workers, expansion of need for easier construction
- Progress in automation at sites of consumption
- Transition to low-carbon society
- Lifestyle changes due to the COVID-19 pandemic

AICA's Strengths and Business Model

- Product development capability combining Chemistry and Design
- Broad range of sales domains in construction market in Japan



Expansion of Non-Construction Sector Businesses and Growth of Overseas Markets

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

Background

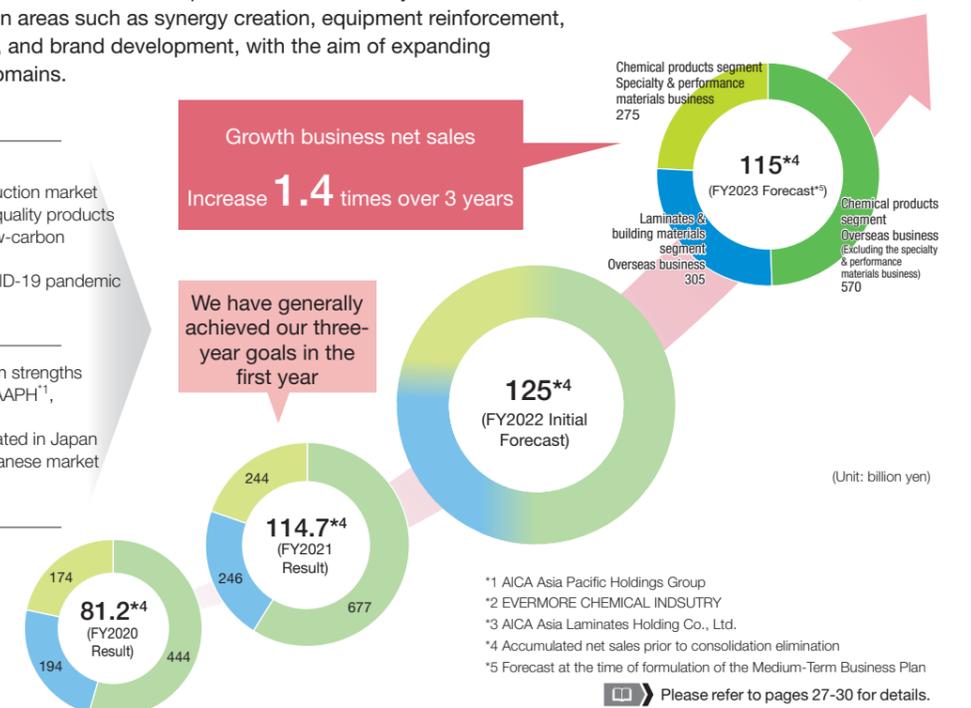
- Market growth in Asian region
- Dependence on domestic construction market
- Change in needs regarding high-quality products
- Shift to biomass products and low-carbon emission products
- Lifestyle changes due to the COVID-19 pandemic

AICA's Strengths

- Resin synthesis technology/design strengths
- Sales channels and strengths of AAPH¹, EMC², and AALH³
- Technologies and expertise cultivated in Japan
- No.1 brand with top share of Japanese market

The Tasks Before Us

- Create synergies/increase and strengthen plant/expand sales channels
- Brand development overseas
- Develop core large products of the next generation
- Capture growth markets in non-construction sector



*1 AICA Asia Pacific Holdings Group *2 EVERMORE CHEMICAL INDUSTRY *3 AICA Asia Laminates Holding Co., Ltd. *4 Accumulated net sales prior to consolidation elimination *5 Forecast at the time of formulation of the Medium-Term Business Plan

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

At AICA, we pursue a cooperate 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 seriously 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 6 for the meaning of *kyosei*

SDG-Oriented Products and AS Products

Products defined as contributing to achievement of the SDGs 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 the Japanese market as "AS (AICA Solution) Products," and we focus on developing and expanding sales of these products in particular.



Characteristics of SDG-Oriented Products

Effective Use of Forest Resources Decorative boards, fixtures, countertops, Resins and adhesives for plywood and fiberboard

Trees absorb atmospheric CO₂ and store carbon as they grow. We can maintain the effectiveness of forest CO₂ absorption by effectively utilizing older trees that are absorbing less carbon dioxide, and by activating the forest's metabolism. AICA contributes to the effective use of wood resources by providing resins and adhesives used in processing wood into plywood, MDF, particleboard, and other wooden products, as well as utilizing wood materials in many products such as decorative boards and countertops.

Biomass High pressure laminate (HPL), decorative boards, adhesives for plywood, electronic materials

Biomass refers to a biologically-derived organic resource that is increasingly being used as an alternative to fossil resources. Plant-derived biomass in particular is considered a carbon-neutral resource because, although it emits CO₂ when it is discarded and burned, the CO₂ that was absorbed during its biological growth process only returns to the atmosphere. AICA contributes to the creation of a recycling-oriented society through the active use of biomass materials.

High Durability and Low Maintenance HPL, melamine nonflammable decorative panels, floor coating materials, etc.

Durable materials retain their aesthetic appeal and resist damage over the long term, extending the life of furniture, floors, walls, and other items made of such materials, while contributing to waste reduction. Durable materials are also easy to care for, reducing maintenance frequency and workload. AICA offers HPL and other durable building materials.

Easier Construction Wall coverings, wall coating materials, floor coating materials, etc.

The construction industry is facing a serious shortage of labor due to the decline in the working-age population caused by a declining birthrate and aging population, as well as intensifying competition for human resources among industries. Making construction and installation work easier and less time-consuming will help reduce labor shortages. AICA helps improve productivity at construction sites by providing labor-saving products and products that help shorten the construction period.

Virus and Bacteria Control Antiviral building materials (HPL, melamine noncombustible decorative panels, countertops, fittings), anti-viral films

As people's awareness of hygiene increases due to the spread of infectious diseases, there is a growing need for antiviral and antibacterial performance in building materials and electronic products in places where people gather in unspecified numbers, such as medical and welfare facilities, childcare and education facilities, commercial facilities, and transportation facilities. AICA offers antiviral building materials and antiviral films for touch panels.

Deodorants Building materials with deodorant performance (HPL, melamine noncombustible decorative panels, multifunctional calcium silicate panels, fittings, wall coating materials, etc.)

There is a strong need for deodorant performance in medical and welfare facilities and restrooms used by unspecified numbers of people. Ensuring that users are comfortable and free of unpleasant odors improves quality of life and creates an environment that reflects care for their wellbeing. AICA offers a wide range of products with deodorizing performance to help create comfortable spaces.

Fire Prevention and Resistance Melamine noncombustible decorative panels, noncombustible decorative panels, multifunctional calcium silicate panel

To minimize damage from fire, the Building Standards Act requires the use of fireproof materials according to the type and size of the building. AICA contributes to the creation of a safe and secure society by providing products that have been certified for fire prevention, thereby enhancing the fire resistance of buildings.

*1 SakaeChika Crystal Square shopping mall toilet, designed by CHUBU FUKKEN CONSULTANTS CO.,LTD (Naruse & Goto) + Hit Project Co.,Ltd (Yuzumi Yamaguchi)

Stone Resource Conservation Engineered stones, methacrylic solid surface, non-combustible decorative panels (stone appearance)

Overaggressive mining of rare stone materials with high design value may lead to the cutting down of trees and the removal of topsoil. We can enhance sustainability through the efficient use of scarce stone resources, and the development of materials that provide alternatives to finite natural stone resources by pursuing printing and resin technologies. AICA offers realistic stone surface reproductions for countertops and walls.

Energy Conservation Wall coating materials (for external insulation method, etc.)

One of the measures to reduce GHG emissions is to seek reductions in energy use. Energy use can be reduced by improving a building's thermal insulation and heat shielding performance, and by improving heating and cooling efficiency. AICA provides building materials with thermal insulation and thermal barrier properties to help make buildings more efficient in their use of energy.

Extending the Service Life of Buildings Repair and reinforcement materials, wall coating materials (for exterior insulation method)

As infrastructure age at an alarming rate, proper maintenance is becoming increasingly important. In addition to reducing energy consumed during construction, extending the service life of buildings including residences, will also lead to more efficient use of resources through long-term use. AICA contributes to the longevity of buildings by providing repair and reinforcement materials for concrete structures and tile wall surfaces, as well as exterior insulation methods that enhance the durability of concrete frames.

Universal Design Countertops, fittings, toilet cubicle systems

Globalization, a growing elderly population, and an increase in the number of working women require the creation of spaces that are more user-friendly for a greater variety of people. AICA provides doors for medical and welfare facilities, child-friendly countertops, toilet cubicle systems, and other products that help create comfortable spaces for everyone.

Waste Reduction Multifunctional calcium silicate panel, HPL (refurbishment method)

Due to global mass production and consumption, environmental pollution caused by untreated waste is becoming increasingly severe. There is a need to reduce waste through recycling of used products and other means to form a sustainable, circular economy. AICA promotes the effective use of product scraps and waste materials generated during the manufacturing process, and offers refurbishment methods that reduce waste materials during construction and installation.

Health Conscious Multifunctional calcium silicate panel, wall coating materials

In recent years, houses have become increasingly airtight and insulated, and energy use efficiency has improved. On the other hand, health hazards caused by chemicals, dust mites, and mold have become an issue. AICA offers health-conscious products such as building materials with humidity control properties and wall coating materials that adsorb and decompose toxic substances.

Solvent-Free Water-based adhesives

While organic solvents are easy to work with, they can be hazardous to health if inhaled in large quantities. Improper disposal may also have a negative impact on the environment. AICA offers adhesives that do not contain organic solvents, thereby reducing the impact on the human body and the environment.

Basic Policy for the Medium-Term Business Plan

② Strengthening Our Profit Base

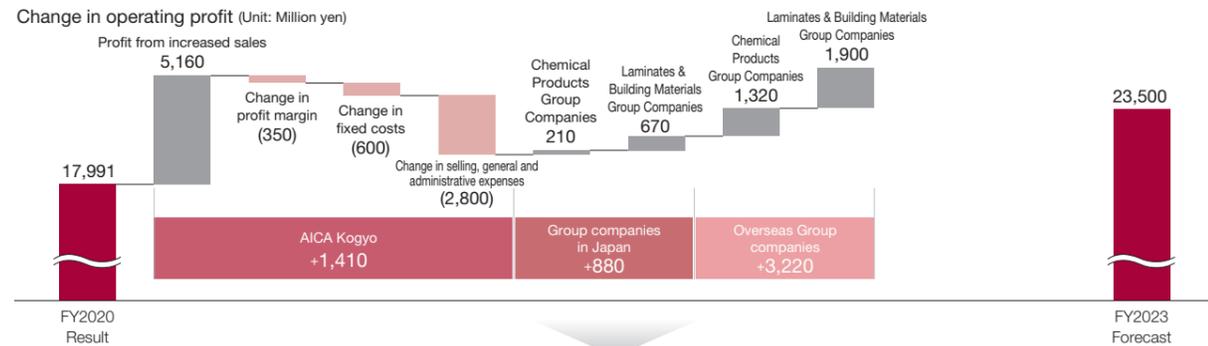
Progress with Operating Profit

The upper graph shown below shows a breakdown of changes in operating profit when the Medium-Term Business Plan was formulated, illustrating how we plan to achieve operating profit of 23.5 billion yen in FY2023, compared to 17.991 billion yen produced in FY2020. The bottom graph shows the results for the first year, FY2021. AICA Kogyo suffered a decline in profit margin due to soaring raw material costs, but was able to achieve a profit above the target of three-year cumulative by implementing measures such as increased sales gains, fixed cost reductions, and containment of selling expenses. Although Group companies appear to be lagging behind in their progress against the three-year cumulative plan due to soaring raw material costs and other factors, they were generally on track against the first year's planned figures. We believe that we will be able to fulfill the Medium-Term Business Plan as return on investment progresses.

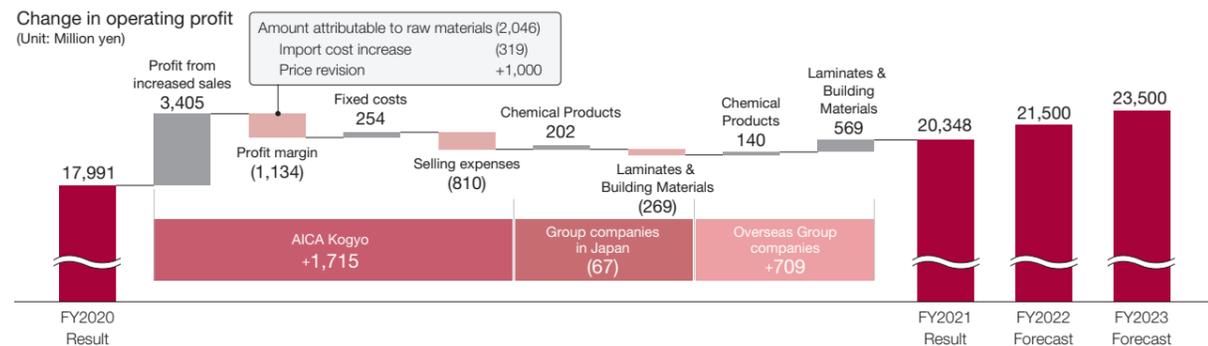
To control selling expenses and reduce fixed costs, we promoted data visualization and utilization, system upgrades, and other measures to improve productivity. Below is an overview of upgrades to our system for drafting washbasin counter price quote drawings. (Examples of DX initiatives are also provided on page 26.)

Moving forward, we will continue to focus on digitization investment and equipment to improve productivity across various contexts including operating profit, production, development, distribution, and facilities, and to strengthen our profit base.

Three-Year Plan (at the time of formulation of the Medium-Term Business Plan)



Year 1 Result



Case Study of Productivity Improvement in Smart Sanitary Presentation and Ordering Operations

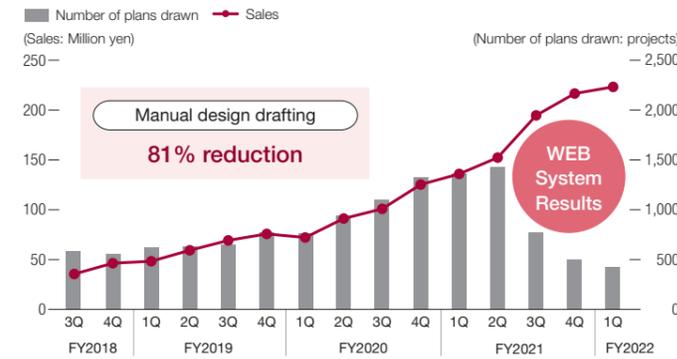
Sales of the Smart Sanitary washstand have been growing rapidly since customer social media posts sparked its popularity. During the design specification phase, a production of a proposal planning sheet is required, and during the order placing phase, a draft drawing price quote is required. As sales increased, the time and effort to prepare these materials became a major issue. We therefore took the four steps listed on the right to improve productivity.

Steps Toward Efficiency

- STEP 1** Efficiency of manual drafting improved, increasing per-person drafting productivity by 1.7 times as we identified problem areas.
- STEP 2** Change product planning, sales methods, and catalogs based on the results of Step 1 analysis
- STEP 3** Develop a new system (enabling customers to perform planning, cost estimation, and CG production online)
- STEP 4** Upgrade in-house building materials cost estimation and drafting systems for a one-third reduction in the time required to place and receive orders

Effects Smart Sanitary Presentation and Ordering Process Upgrades

Number of Manual Drawings Produced, and Sales



3D Simulation Site for Building Materials, Facilities and Housing
3Dカタログ.com

Preparation of proposal materials
Reduction of 75,000 hours per year

Ordering Operation (from quote draft to order)
66% reduction

Convertible Bonds (CB) due 2027

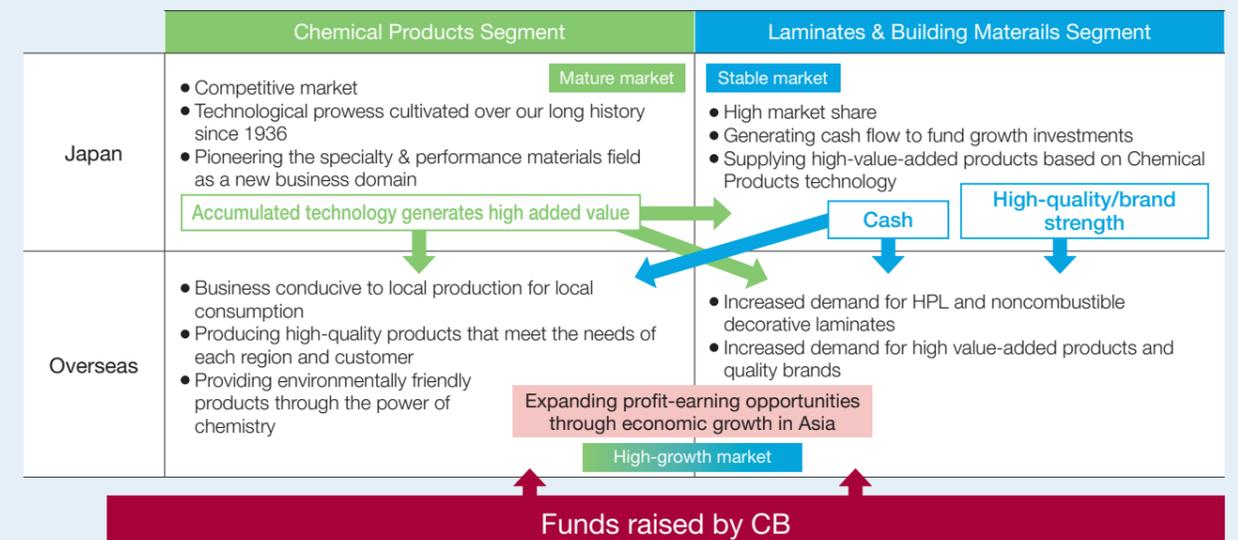
As shown in the figure below, we have achieved dramatic growth in recent years by investing the cash and technological expertise generated by our stable profit base in Japan into fast-growing overseas markets to create synergies. In further expanding our overseas business, we will achieve sustainable profit growth over the medium to long term by making the investments shown in the table on the right.

In April 2022, we therefore implemented equity financing of 18 billion yen to issue the "Euro-Yen Convertible Bond due 2027." Anticipating conversions during a future share price increase, we set the conversion price for these bonds above the current market price, and partially repurchased our own shares to reduce dilution of the per-share value and recapitalize the company while taking into consideration the interests of existing shareholders. We will make effective use of the cash generated by these bonds to achieve dramatic growth to increase corporate value.

Investment Projects Planned for the Current Medium-Term Business Plan Based on the Bond and Internal Reserves

Site	Investment Objectives	Investment Total
AICA Fujian Co., Ltd.	Construction of a new plant in an area where phenol formaldehyde resin for bamboo is in demand	Approx. 3 billion yen
Aica Guangdong Co., Ltd.	BCP measures and doubling of production capacity through relocation	Approx. 4 billion yen
Aica Nanjing Co., Ltd.	Increase production capacity of existing products, and enter the novolak phenol formaldehyde resin business	Approx. 5.5 billion yen
Thai Chemical Corporation, Ltd.	Become a wholly-owned subsidiary of AAPH	Approx. 1.1 billion yen
Wilsonart (Thailand), Wilsonart (Shanghai), Wilsonart Asia	Become a wholly owned subsidiary of AICA Kogyo and/or AALH	Approx. 9.3 billion yen
Sois Mendinni Industrial Technology (Shanghai) Co., Ltd.	Become a wholly-owned subsidiary of AALH	Approx. 600 million yen
HPL business	Increase production capacity in Asia	Several billions of yen
Existing sites	Maintenance and renewal, DX investment, etc.	Approx. 12 billion yen
New M&A	Develop new and peripheral markets	Approx. 14 billion yen
Group total		Approx. 50-60 billion yen

Characteristics and Relationships of Each Business



Basic Policy for the Medium-Term Business Plan

③ Reinforcement of Business Infrastructure

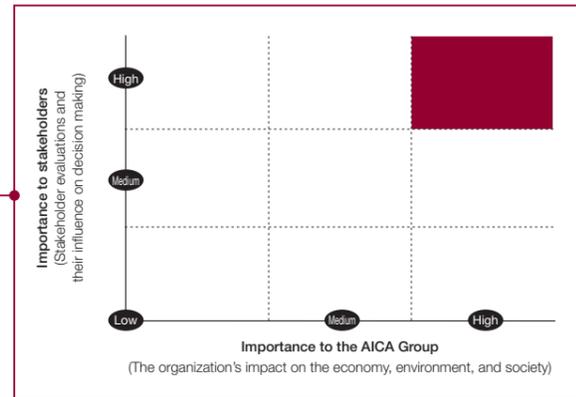
Strengthening the Foundation for Sustainable Growth by Integrating the Financial with the Non-Financial

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 re-identified our materialities (material issues), incorporating them into the Medium-Term Business Plan, to integrate financial and non-financial factors and address business activities and sustainability as one. We aim to be a sustainable corporate entity that has high tolerance for change, with a business infrastructure that has been reinforced by enhancing the driving force of our sustainability initiatives and steadily implementing these measures.

Process for Selection of Materialities

- STEP 1 Extract issues
- STEP 2 Organize issues
- STEP 3 Prioritize materialities
- STEP 4 Finalize materialities
- STEP 5 Deliberate on report contents, measure indicators
- STEP 6 Report
- STEP 7 Review report outcomes and consider responses

Scope of Selection of Materialities



1 Provide Economic Value

Basic Policy ① Basic Policy ②

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.

- Focus Point ● Profit generation ● Expansion of growth business ● Return to employees and shareholders

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
FY2023	<ul style="list-style-type: none"> ● ROE: Around 10% ● Ordinary profit: 24 billion yen ● Net sales: 240 billion yen ● Dividend payout ratio: Approx. 50% 	AICA Group		<ul style="list-style-type: none"> ● ROE: 9.4% ● Ordinary profit: 21.8 billion yen ● Net sales: 214.5 billion yen ● Dividend payout ratio: 53.8%

Related pages P.17-22

2 Helping Solve Social Issues with Products

Basic Policy ①

We have declared "create new value and contribute to society" in our corporate philosophy. We identified social issues through engagement with our various stakeholders and contribute to the realization of a sustainable society through providing value that will help solve issues through our business activities.

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

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
FY2023	<ul style="list-style-type: none"> ● Sales of AS products: 21 billion yen or more (FY2020 actual result: 15.5 billion yen) ● Define SDG-oriented products and set sales targets 	AICA Kogyo Non-consolidated	 	● 16.9 billion yen
FY2023	<ul style="list-style-type: none"> ● Define SDG-oriented products and set sales targets 	AICA Group	 	● Define SDG-oriented products for AICA Kogyo

Related pages P.18-20

3 Human Resources and Organizational Development

Basic Policy ③

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

- Focus Point ● Management personnel development ● Career-path design ● Formulation of succession plan ● Improvement of employee satisfaction ● Promotion of use of diverse human resources (nationality, sex, age, disability, etc.)

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
FY2023	<ul style="list-style-type: none"> ● Ascertain and improve time and spending for education and training at all Group companies ● Creation and operation of skills lists by division and by employment grade ● Conduct and make use of employee satisfaction surveys at all Group companies 	AICA Group	 	<ul style="list-style-type: none"> ● Distribute survey formats to each company and request tabulation ● Complete skills lists for each AICA Kogyo division and each employment grade. Continue to develop succession plans for important positions in Group companies ● Draft Groupwide common questionnaires for the Employee Satisfaction Survey

Related pages P.43-48

4 DX Implementation

Basic Policy ③

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.

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

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
FY2023	● Capital investment and digitization investment that will contribute to automation and labor-saving: 800 million yen (for 3 years in total)	AICA Kogyo Non-consolidated	 	● Capital investment* 7 million yen Digitization Investment* 78 million yen

Related pages P.26

*This covers projects initiated in FY2021 or later.

5 Responding to Climate Change

Basic Policy ③

We will accurately assess the risks and opportunities of climate change and develop a long-term strategy to achieve carbon neutrality by 2050. We will consider drastic measures to reduce GHG emissions and strengthen BCP measures to prepare for increasingly severe and frequent extreme weather events.

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

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
FY2023	<ul style="list-style-type: none"> ● GHG emissions revenue intensity 10% decrease from FY2020 (FY2020 actual result: 82.2 t-CO₂/100 million yen) ● Perform scenario analysis aimed at net zero GHG emissions (Scope 1 and Scope 2 on absolute volume basis) by 2050. Establish calculation methods for Scope 3 emissions and develop emissions reduction measures ● Industrial waste emissions revenue intensity 10% decrease from FY2020 (FY2020 actual result: 15.6 tonne/100 million yen) ● Water use revenue intensity in high-risk areas: 6% decrease from FY2020 (FY2020 actual result: 7.18 m³/million yen) 	AICA Group	 	<ul style="list-style-type: none"> ● 12% decrease from FY2020 (72.6 t-CO₂/100 million yen) ● Climate change scenario analysis based on TCFD recommendations beginning in March 2022. ● Obtain third-party assurance for some categories of Scope 3 emissions and establish calculation standards for Japanese group companies ● 7% decrease from FY2020 (14.5 tonne/100 million yen) ● 17% decrease from FY2020 (5.94 m³/million yen)

Related pages P.49-56

Basic Policy for the Medium-Term Business Plan

③ Reinforcement of Business Infrastructure

6 Strengthen Governance

Basic Policy ③

For the further strengthening of group governance, we enhance rules concerning the management and supervision of affiliated companies and transfer of power to raise their effectiveness. We strive to deepen risk management by accurately ascertaining, evaluating and addressing risk, while devoting efforts to information security measures.

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

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
	<ul style="list-style-type: none"> ● Strengthening of BCP (extreme weather events, natural disasters) Conduct BCP drills at least once a year at all consolidated production bases, and formulate BCPs for new consolidated production bases 	AICA Group	 	<ul style="list-style-type: none"> ● Conduct BCP drills at all consolidated production sites
FY2023	<ul style="list-style-type: none"> ● Enhancement of group governance rules 	AICA Kogyo Non-Consolidated	 	<ul style="list-style-type: none"> ● Stricter methods for checking the thoroughness of Code of Conduct adherence, restructuring of the internal whistleblowing system and enhancement of the internal audit system, checking the status of internal rules and regulations, and support for the development of insufficient rules
	<ul style="list-style-type: none"> ● Digitization investment to help strengthen security: 300 million yen or more in total over 3 years 			<ul style="list-style-type: none"> ● 400 million yen

Related pages  P.37-42

7 Quality Assurance and Occupational Safety

Basic Policy ③

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

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

Target Year	Target Figures	Target Boundary	Related SDGs	FY2021 Result
Every fiscal year	<ul style="list-style-type: none"> ● Quality improvements based on customer satisfaction surveys ● Lost-time accidents: fewer than previous year (FY2020 actual result: 19) 	AICA Group	 	<ul style="list-style-type: none"> ● We received responses from over 500 companies and incorporated measures to address each issue into the next year's business division policies.
FY2023	<ul style="list-style-type: none"> ● Establishment and operation of departmental training programs 	AICA Kogyo Non-Consolidated		<ul style="list-style-type: none"> ● 14 ● Quality training conducted on schedule

Related pages  P. 46-47, 57



Special Feature / FY2021 Initiatives to Utilize Digital Technology to Promote DX

We are promoting the use of digital technology in pursuit of DX promotion, one of our stated materialities. Here we describe some of the measures implemented in FY2021 with respect to sales activities, ordering and receiving operations, and production sites.

Digital Marketing and Use of Data in Sales Activities

As new lifestyles become more prevalent and our customers diversify their work styles, we are focusing on digital marketing to achieve more effective and efficient sales activities. Our website was completely revamped in February 2022. We have enhanced video contents, and also significantly increased the number of times we disseminate information through video livestreaming sites and other social media.

In order to conduct sales activities more efficiently and at the right time for those who express interest in our company by requesting catalogs and samples, we have automated a list and database of information entered at the time of request. The construction market, our core market, has lengthy sales channels, along which many people become involved in the decision-making processes for the products they use. Because of the need to conduct sales activities in a broad-ranging yet efficient manner, we have also improved the searchability of information and facilitated the categorization of information by region to improve efficiency.

As we continue to accumulate, analyze, and utilize data, we plan to pay careful attention to our handling of personal information while improving productivity and making upgrades that will lead to timely proposals for our customers.

Utilization of AI-OCR^{*1} and RPA^{*2} in Order Placement and Receiving Operations

In the area of order placement and receiving, we have been asking customers to introduce direct ordering systems so that we can move away from handwritten purchase orders. However, each customer has each situation, and many orders were still being handwritten, which required time and effort to transcribe into data. For customers who place many daily orders and can use our standard format, we therefore introduced a function to convert handwritten text into data using AI-OCR and automated transcription into a system using RPA. Doing so has reduced work hours and errors. Moving forward, we will continue to promote the use of our standard formats and further automation. In addition, nearly 40 robots are in operation throughout the company, and we plan to expand the scope of their application.

^{*1} AI OCR: Artificial intelligence (AI) optical character reader (OCR), a text recognition technology that identifies the text portions of image data and converts them into character data by applying AI learning functions to character recognition technology.

^{*2} RPA: robotic process automation. Robotic automation of tasks previously assumed to require handling by humans.

Use of Data at Production Sites to Reduce Nonconforming Products

In anticipation of the coming decline in the working population, we are promoting the use of digital technology to improve productivity at production sites. HPL, one of our core products, is made by laminating paper impregnated with resin and forming it into individual sheets by applying heat and pressure. During the production process, a certain amount of non-conforming products are produced due to contamination by foreign matter. We have worked to reduce this by adjusting air conditioning equipment, controlling humidity, and continuing thorough cleaning activities. In order to achieve further reductions, we have measured the amount of suspended matter in the air and tested data on its causes. Based on the results, we installed localized air purification equipment in areas where suspended solids were abundant, which dramatically reduced suspended solids and halved the amount of defective products due to foreign material contamination. The data made it possible to corroborate cause-and-effect relationships, clarify measures to be taken, and make more efficient improvements. Learning from this case, we plan to further promote data collection, visualization, accumulation, and analysis at production sites so that we can take more effective measures to improve productivity.

Business Overview



Chemical Products Segment

Continued global growth through products that help solve social issues based on our integrated corporate Group strength

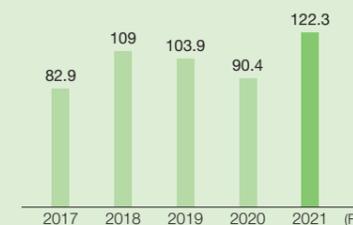
We will help resolve social issues by creating synergistic effects with our Group companies in Japan and overseas, and by developing products with special characteristics on a sustainable basis. We will continue to expand our product range, application markets, and sales areas to achieve further growth.

Director and Managing Executive Officer
Head of the Chemical Products Company
Nobuyuki Omura

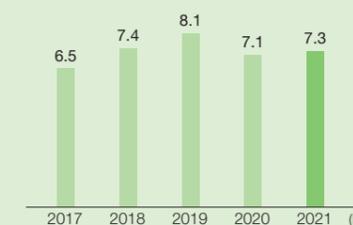


Business Performance

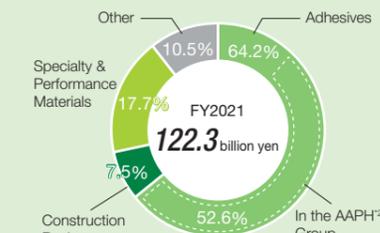
Net sales (billion yen)



Operating profit*1 (billion yen)



Sales by Product Range



FY2022 Target

Net sales **135** billion yen

Operating profit **8** billion yen*1

*1 Operating profit before deduction of unallocated operating expenses *2 AICA Asia Pacific Holding

FY2021 Results

Both sales and profits increased due to a steady recovery from the effects of the COVID-19 pandemic. Sales reached a record high due to growth in Japan adhesives driven by phenol formaldehyde resins for industrial use, significant growth in the AICA Asia Pacific Holdings Group, and the new consolidation of Aica Adtek Sdn. Bhd. Although profits did not reach the level of two years ago due to soaring raw material costs, increased sales led to a significant increase in profits.

Challenges

- Changes in the business environment, such as rising raw material costs and supply concerns
- Changing market needs and rise in societal demand to address climate change issues
- Cultivation of the next generation of large-scale core products
- Expansion of share in the growing Asian regional market
- Shortage of future production capacity due to growth in overseas markets

Responses

- Building a highly profitable structure in Japanese business
- Market launch, penetration and sales expansion of high-value-added products such as AS products and high-performance functional products
- Investment of management resources in the development of major new products and entry into new fields, new markets and growth markets
- Expansion of group synergies by strengthening collaboration among our sites
- Strengthening of production and sales structure for adhesives and resins in Asia

Improved Efficiency through New Organizational Structure

Previously, we had conducted our business activities in the chemical products segment through two separate business units, which were merged in April 2022 for reorganization into a more efficient structure. In particular, we have re-combined our in-house elemental technologies and human assets in Japan for mutual cross-utilization of commercial distribution and user information to develop new customers.

Price Revisions to Reflect Higher Raw Material Prices

In FY2021, the cost of raw materials soared at an unprecedented pace, and was not fully reflected in sales prices. In FY2022, we will consider further cost reductions and implement timely and appropriate price revisions.

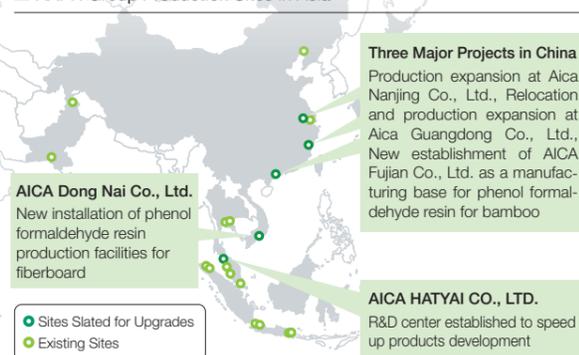
Adhesives

Further Business Expansion in the AAPH* Group

In FY2021, the AAPH Group achieved a major 153% increase in sales over the previous year, contributing significantly to AICA Group's sales growth. In addition to the three major projects currently under way in China, we plan to install production facilities for phenol formaldehyde resins for fiberboard at AICA Dong Nai Co., Ltd. in Vietnam to capture robust demand for phenol formaldehyde resins. Furthermore, AICA HATYAI CO., LTD. in Thailand is planning to establish a research and development base that will enable the company to respond to customer needs in a timely manner.

* AAPH: AICA Asia Pacific Holding

AAPH Group Production Sites in Asia



Construction Resins

Focus on Developing and Expanding Sales of High-Value-Added Products that Help Solve Social Issues

As one of the pillars of our management strategy, we focus on developing and expanding sales of AS products that help solve social issues. In order to promptly grasp the changes of the times, we uncover needs through communication with our customers and reflect them in our product development.

A Ceramic Siding Repair Method using JOLYPATE

This is a refurbishment method for ceramic siding on exterior walls that require periodic recoating. Unlike simple repainting, JOLYPATE features appealing patterns and a consistent, seamless finish that can significantly change the appearance of the exterior. In addition, our proprietary resin design technology has realized a coating film with both moisture permeability and water barrier properties, which reduces the burden on the building frame and improves durability.

Ceramic Siding Repair Method Diagram



Example of Clear Tough Resin Quick 1500 Application



The DYNAMICRESIN Clear Tough Resin Quick Series, for Concrete Chip Fall Prevention

Repair and reinforcement materials for concrete structures such as tunnels and bridges that are identified as aging infrastructure. In addition to its basic function of preventing concrete from falling by reinforcing the concrete with a tough resin, this series also features high transparency, allowing the change in the substrate to be checked over time and enabling brief installation times. In recognition of the novelty of these features, the product was registered with the Ministry of Land, Infrastructure, Transport and Tourism's New Technology Information System (NETIS) in February 2022.

Specialty & Performance Materials

Development of 3D Decorative Hard Coat Film for Automobile Exteriors Expected to Contribute to Decarbonization of the Automotive Industry

Amid the rapidly increasing demand to address climate change issues, reducing GHG emissions has become a major challenge for the automotive industry, which uses specialty and performance material products. In particular, it is said that 30% of the GHGs emitted in the manufacturing process originate from the painting process, which involves repetitive painting and drying. Decorative films are therefore attracting attention as an alternative to painting. In September 2021, we became the first in the industry to develop a paint-substitute 3D decorative hard coat film for automotive exteriors. The use of this product eliminates the need for evaporation, which can be expected to reduce GHG emissions by curbing energy use. It also eliminates the emission of volatile organic compounds, which is an issue in spray painting, thereby reducing impact on workers and the global environment.

Decorative molding on (actual) automotive hood





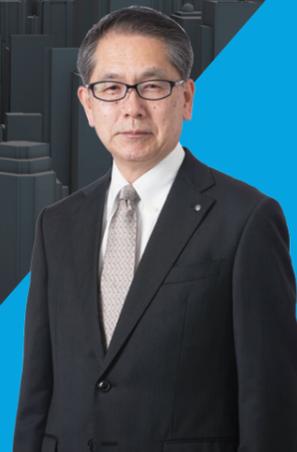
Laminates & Building Materials Segment

We aim for sustained growth in the Japanese market and increased presence in the Asian market by strengthening Group cooperation

To achieve sustainable growth in the Japanese market, we focus on developing and expanding sales of AS products that help solve social issues such as climate change, developing new applications for floors and ceilings, and capturing renovation demand, which is expected to increase in the future. We also aim to further enhance our presence in East Asia, ASEAN, the Middle East, and South Asia by strengthening cooperation among Group companies.

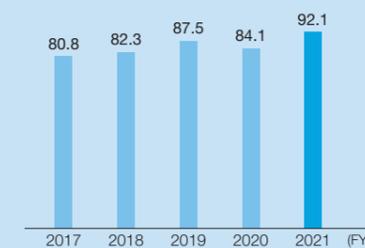
Director, Senior Managing Executive Officer
Head of the Laminates & Building Materials Company

Satoshi Toudou



Changes in Business Performance

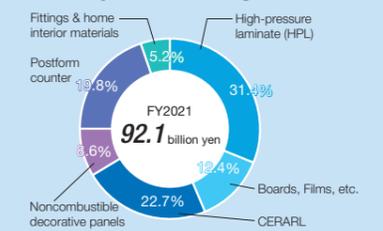
Net sales (billion yen)



Operating profit* (billion yen)



Sales by Product Range



FY2022 Target

Net sales **97** billion yen

Operating profit **17.1** billion yen*

*Operating profit before deduction of unallocated operating expenses

FY2021 Results

CERARL and postform countertops performed well amid recovery from the effects of the COVID-19 pandemic and growth in Japanese housing demand. In addition, the recovery of the Japanese non-housing market in the second half of the year and significant growth in Asian countries led to a significant increase in sales of our mainstay product, HPL. Furthermore, as a result of cost reduction activities and sales price revisions in response to soaring raw material costs, both sales and profits in the Laminates & Building Materials segment increased, which have reached record highs.

Issues

- A high dependence on profit from Japanese market, and of HPL and CERARL
- Changes in the business environment, such as rising raw material costs and supply concerns
- Changing market needs and rise in societal demand to address climate change issues
- Declining working-age population, insufficient future production capacity
- PMI and building of governance for newly established or acquired Group companies overseas

Responses

- Expansion of AS products in the Japanese business and introduction of products to capture the floor and ceiling market
- Expansion of product sales and optimization of procurement and production by leveraging the commercial distribution channels of Group companies
- Development of SDG-Oriented products to reduce CO₂, waste, etc.
- Strengthen BCP, improve productivity, and strengthen governance
- Reorganization of Group companies in the China area to improve efficiency and strengthen local production systems

Japanese Market

Housing Demand Recovered as Antiviral Building Materials Remained Strong

With housing starts recovering in Japan and the non-housing market also showing signs of recovery from the second half of the year, the antiviral building material Virutect performed well in response to the new lifestyles of the COVID-19 pandemic. In FY2021, the series as a whole increased by 21% over the previous year as a result of further item expansion, including the launch of Virutect Plus with added deodorant performance, and responsiveness to customer needs.



Example of installation: Roadside Station Ogata (KATA Farmers Market)

Sales Expansion of MELAMINE TILE

Sales of MELAMINE TILE were launched in 2019 to open up a new product segment in the flooring market. Although sales did not expand in FY2020 due to the COVID-19 pandemic, sales have been growing since the second half of FY2021. Sales expansion measures such as the addition of new pattern options have combined with recovery in the non-residential market to bring about an increase the use of this flooring in large commercial facilities, offices, restaurants, and the restrooms of these facilities.



Example of installation: Honda Cars SAGA Nambu Bypass Showroom

Overseas Markets

Sales Growth in Asian Countries, Aiming for Further Growth

In FY2021, sales growth was driven by the Wilsonart companies and Aica Laminates India. By market, we were able to increase sales in key markets such as China and India, as well as Thailand, Indonesia, and Vietnam. As a result, the company's overseas presence has steadily increased, growing to 1.2 times the previous year's level and more than double the level of the year before that.

Regarding overseas net sales in the Laminates & Building Materials segment, the company plans to reach 19 billion yen this fiscal year, 22 billion yen the following fiscal year, the final year of our Medium-Term Business Plan, and 30 billion yen in 2026, the final year of the 10 years Vision.

Additional Acquisition of Shares in Wilsonart Companies, Efficiency Improvement through Integration of Offices

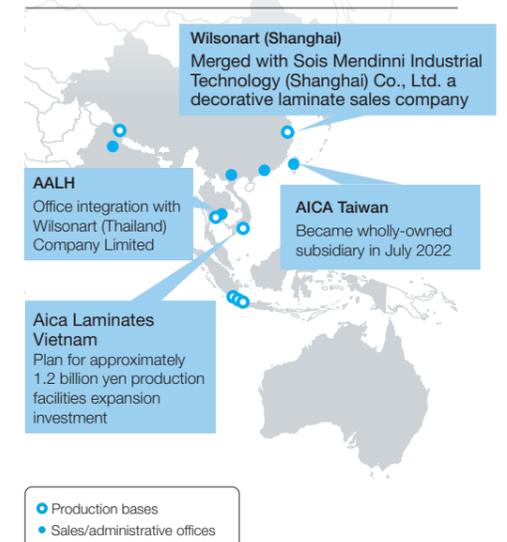
Additional shares of each Wilsonart company will be acquired from the joint venture partners to speed up the Group's management. In addition to promoting business associated with local production for local consumption by transferring Japan technology to Group companies overseas, we will work to strengthen our production system, utilize the sales channels of the Wilsonart companies, and further cultivate the market for Noncombustible decorative panels.

In China, Wilsonart (Shanghai) and Sois Mendinni Industrial Technology (Shanghai) have integrated their operations, and in Thailand, Wilsonart (Thailand) and the offices of its controlling company, AICA Asia Laminates Holding (AALH), have been merged. We will continue to make efforts to further improve management efficiency.

Decision to Invest in Facilities to Meet Strong Demand Growth in Asia

With a sales network established in the Asian region, where market growth is ongoing and demand is expected to increase, including in Japan, we have decided to make a capital investment at AICA Laminates Vietnam (ALV). The company will invest approximately 1.2 billion yen to expand its HPL manufacturing facilities, doubling its production capacity in the future. By leveraging the sales network, production bases, technology, and brand power we have acquired so far, we will capture demand not only in Vietnam but also in Asia, and establish ourselves as a leading company in the HPL market in the Asian region.

Laminates & Building Materials: Overseas Sites



Panoramic view of ALV's plant



Policy and Framework for Sustainability

Basic Approach to Sustainability

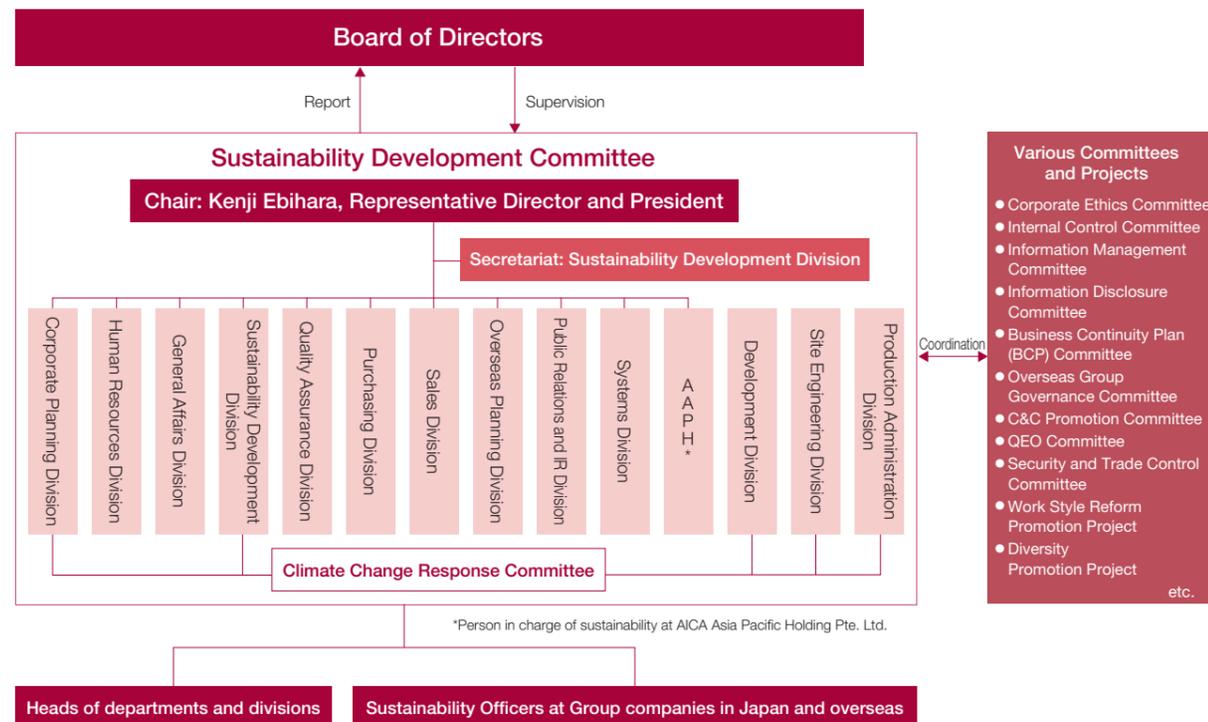
We recognize as our mission the fulfillment of the social responsibility demanded of corporations and the promotion of activities that will increase the sustainability, not just of our company, but of the entire global environment. In April 2021, we established a new Sustainability Policy. We will foster common Group values by clearly indicating our basic principles and policies for sustainability-oriented management and placing it on the same level as our Corporate Policy.

Sustainability Policy

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

Sustainability Development Framework

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



(As of October 2022)

Toward Integration of Business Activities and Sustainability

“Kyosei” is a word that we place at the core of our management 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.

In 2018, we began organizing the relevance between our individual materialities and the SDGs. Both within the company and to the outside world, we clarified the important business activities that the AICA Group should undertake for the solution of global social issues. For the first time, the materialities (material issues) were included in the Medium-Term Business Plan that began in April of 2021. By setting and steadily pursuing KPIs for each of them, we will contribute to the realization of a better, sustainable society.

*Please refer to page 6 for the meaning of kyosei

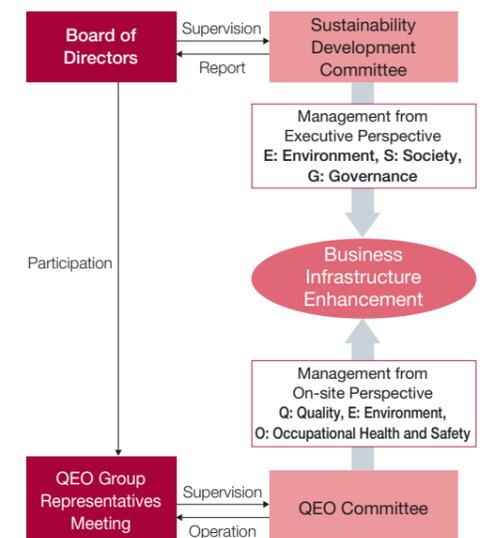


QEO Management System

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

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

Relationship between QEO Management System and Sustainability Activities



Toward the Strengthening of Initiatives toward Climate Change Issues

We consider “Responding to climate change,” which was included in the revised materialities with the formulation of the current Medium-Term Business Plan, to be an important issue that should be addressed with urgency. We will strengthen our activities, with the Climate Change Response Committee, which was incorporated into the Sustainability Development Committee in April 2021, playing the central role. We will also strive to identify the latest trends and be involved in government and social recommendations through participation in international frameworks and initiatives. (Please refer to pages 49-56 for details of specific initiatives.)

Endorsement of TCFD Recommendations

In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will further reflect initiatives to address climate change issues in our business strategies and pursue information disclosure based on the TCFD recommendations.



Participation in Climate Change Initiatives

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



Business Infrastructure

Interview: Appointment of the New President Background and Future Prospect

Yuji Ono

Representative Director and Chairman /
Chairman of Board of Directors



Kenji Ogura

External Director / Chairman of
Governance Committee



In April 2022, the presidency of AICA was handed over to Kenji Ebihara from Yuji Ono and the new regime has been started. The Board of Directors Chairman and the Governance Committee Chairman has revealed the discussion during the appointment process and their expectations toward New President.

Events Leading up to the Change of President

Ogura / Mr Ono, when your tenure had reached 10th year in 2019, the next presidency survey was attempted. Though it had been under the sole discretion of the incumbent president in the past, you proposed to carry out this survey to all the directors. On that initial survey, most of the directors had posted the opinions that no candidate might fit the position of the presidency and as a unanimous view, the Committee requested Mr. Ono to continue the position. Simultaneously Mr. Ebihara was selected as a member of the board as one of the candidate.

Mr. Ebihara increased his exposure amongst board members and developed his experience. Concurrently, the board members started to notice his intelligence. Finally Mr. Ebihara was nominated to be a President this year.

Ono / I had considered replacing the president at the 10-year mark of my tenure, but we were just then entering the COVID-19 pandemic and our performance was beginning to be affected. We also had not yet completed the major task of updating our core systems, so we think it is not appropriate to carry out such a

replacement amid the risks involved, and the Governance Committee decided to extend the President's tenure upon deliberation. The core systems update completed without any problems in last May, and with the recovery from the COVID-19 pandemic in sight by fall, we decided that the time was ripe. Most companies generally change presidents at their general shareholders' meetings, but we decided to do it on April 1, because we believe that the new fiscal year should begin with a new organizational framework.

Reasons for the Appointment of the New President, Mr. Ebihara, and the Required Attribute of a President

Ogura / Since AICA is a company supported by technology, I thought that the next President should have a wealth of technical knowledge. Having worked for a manufacturer myself, I understand firsthand the importance of manufacturing backed by technology. When determining the direction of the company, I believe it is very important to be able to have confidence backed

by technology. Therefore, I thought Mr. Ebihara was the right person for the job. Another key point was whether he/she would be able to continue President for a long time, since I believe that a manufacturing company, especially the one based on technology like ours, requires a certain number of years to produce results. In that sense, I thought a young person would be best.

Ono / The first attribute required of an AICA President is integrity. Besides, as Mr. Ogura mentioned, it is essential for a manufacturer to be well versed in how things are manufactured. In addition, since overseas sales ratio for nearly 50% of our total sales, the vitality to be able to launch overseas market more and more is required. The president can't just sit around at corporate headquarters, handing out instructions. I often tell Mr. Ebihara to go and feel the atmosphere at the actual sites.

What to Expect from the New President, Mr. Ebihara

Ogura / When I look at our existing businesses, I get the sense that the adhesives and construction resins businesses are becoming weaker in the Japanese chemical products segment. We have a lot of products that are highly rated, so I hope that he will do all he can without giving up, to expand and increase the sales of these products with considering how to add more value to them. Taking the No.1 position will of course make the product stronger, but even if we don't, we can still improve profitability through innovation. We can, for instance, improve the profitability by focusing on highly profitable products, replacing unprofitable ones with profitable ones. Since many of our products are for mature markets, it is very difficult to innovate, but if we give up, we will have no choice but to withdraw from the market. Because the President has a wealth of technical knowledge, I look forward to his reforms for the revitalization of these segments. In our efforts to innovate and establish a third pillar of innovative technology, I don't think we can accomplish anything by merely going along with our current plant and equipment. We are going to have to carry out reforms that will be accompanied by some pain. I believe that trying something new will have a positive impact on the existing business as a side effect, and strengthen its foundation. Mr. Ono declared "exploring fields next to building materials" and focused on non-construction fields as a market other than the building materials business when he was a president. In that process, I feel that we have been able to acquire new technologies, which has helped to strengthen our products in the construction field.

Ono / I hope that Mr. Ebihara will achieve the establishment of a third pillar of AICA. Considering his career to date, I have high expectations for him to be able to achieve. On the other hand, I myself regret that I was not able to fully turn around the Japanese business of the chemical products segment, and as Mr. Ogura pointed out, I believe it is a major responsibility of the new president. Since the President's authority is greater than the decision-making power of other executive officers, I hope that he will make drastic decisions, including those that could not be

implemented in his previous position, and quickly put the company on a course of restructuring. It might be needed to select people who can implement new ways of thinking, and get them initiate major improvement to existing ideas and operations. The overseas operations of the chemical products segment are on track, and although the Laminates & Building Materials segment faces some challenges, we can see what needs to be done. Overall, this is a good time to have certain foundation in place, with plenty thinks to be worked on.

What Do You See as Your Role in the New Organizational Framework

Ogura / There is no particular change in my position, but with Mr. Katagiri's retirement, I am now the only External Directors who has been involved in the manufacturing industry. I would like to continue in a supportive position toward manufacturing companies. One of the positive aspects of AICA's corporate culture is its willingness to respect and consider opinions, rather than oppose, even if they are from its External Directors. My impression is that they first take opinions seriously, compare them with their own ideas, and then come up with even better answers. As an External Director, I feel very comfortable expressing my opinions.

Ono / Although I am less involved in business execution, I believe that my role as Board of Directors Chairman is to correct a situation when it seems to be going in the wrong direction, and to give a strong push when it is moving in the right direction. Also, I have long believed that a manager's job is to put first priority to consider employees' happiness and company's value enhancement, so that every member can feel good to have joined. It is also important to increase the stock price as one of the indicators of AICA's value, to ensure the high market capitalization. This will gain the trust of our business partners and attract good employees.

Mr. Ogura has given us a lot of meaningful input, and I would like to ask for his continued support as a specialist with presidential experience.

As for the direction AICA should take, we need to first complete the Medium-Term Business Plan goals and then consider how to achieve our 10 years Vision beyond it. The ongoing depreciation of the yen is a good example, but the world are moving fast, and the senior corporate administrators including managers must raise their awareness in order to keep up with this trend. It is important to have good sensitivity to information and prepare in advance what actions are necessary to address concerns for the future. This will ensure for us to be able to properly addressed toward problems when they actually arise.

Business Infrastructure

List of Directors (As of June 24, 2022)

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



Yuji Ono
Representative Director and Chairman
Born August 24, 1956

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



Kenji Ebihara
Representative Director and President
Born April 15, 1967

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



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

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



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

- Apr. 1988 Joined MITSUI & CO., LTD.
- Jan. 2009 Joined AICA Kogyo
- Apr. 2009 General Manager, Overseas Business Dept.
- Jun. 2009 Director
- Apr. 2011 General Manager, New Business Office
- Apr. 2015 Director and Chairman, AICA Asia Pacific Holding Pte. Ltd.
- Jun. 2017 Managing Director
- Apr. 2018 Head of the Chemical Products Company
- Jun. 2018 Director (present)
- Apr. 2020 Senior Managing Executive Officer (present)
- Apr. 2020 Head of Specialty & Performance Materials Company
- Apr. 2022 Head of the Chemical Products Company
- Apr. 2022 Deputy General Manager, Sales Administration Division (present)



Kenji Ogura
External Director
Born October 01, 1947

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



Ayako Shimizu
External Director
Born June 06, 1972

- Apr. 1999 Registered as attorney, joined Ishihara Law Office (present)
- Apr. 2015 Deputy Chair, Aichi Bar Association Director, CHUBU Federation of Bar Associations
- Apr. 2016 Member, Aichi Dispute Coordinating Committee
- 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 External 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 (present)
- Mar. 2021 External Director, SYNCLAYER, Inc. (member of Audit and Supervisory Committee) (present)
- Aug. 2021 Chairperson, Aichi Prefecture Committee for Adjustment of Construction Work Disputes (present)
- Sep. 2021 Member of the Subcommittee on Civil Litigation Law (IT-related), Legislative Council

Directors Who are Members of the Audit and Supervisory Committee (2 males, 1 female)



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

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



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

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

- 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., Ltd.
- Jul. 2020 Senior Advisor (full-time), Persol Tempstaff Co., Ltd. (present)
- Jun. 2021 Auditor (part-time), Meijo University (present)
- Jun. 2021 External Director, Chuo Spring Co., Ltd. (Present)
- Jun. 2022 External Director, AICA Kogyo (member of Audit and Supervisory Committee) (present)

AICA Kogyo, Reasons for Appointment of External Directors

Duties	Name	Reason for Appointment	Reason for Designation as Independent Director
External Director	Kenji Ogura (Independent Director)	Mr. Kenji Ogura has extensive experience and knowledge as a corporate executive, which we believe he can leverage to enhance AICA's management structures.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
External Director	Ayako Shimizu (Independent Director)	Ms. Ayako Shimizu will be able to leverage her extensive expert knowledge and experience as an attorney in the supervision of AICA's management. We also believe that, as an External Director, she will be able to offer advice based on diversity perspectives.	Because she has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, she has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, she has been designated as an Independent Director.
External Director/ Member of Audit and Supervisory Committee	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.	Because he has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, he has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, he has been designated as an Independent Director.
External Director/ Member of Audit and Supervisory Committee	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.	Because she has no background at any of AICA's subsidiaries, major shareholders, or major trading partners, she has no particular stake in AICA, and we believe that no conflict of interest with general shareholders would arise. For these reasons, she has been designated as an Independent Director.

Corporate Governance

Basic Approach to Corporate Governance

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

In June 2020, we transitioned from a Company with a Board of Auditors to a Company with 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 compliance management. In this way, we aim to strengthen our corporate governance further and also to build a framework that will more appropriately meet the expectations of our stakeholders in Japan and overseas.

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

Corporate Governance Structure and Internal Control Systems (as of June 24, 2022)



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 results of this survey.

In the survey, conducted in January to February 2021, responses of "appropriate" or "reasonably appropriate" were obtained for all except two of the matters surveyed. Based on this positive feedback, we confirmed that our Board of Directors is generally functioning appropriately and that its effectiveness is being ensured. On the other hand, although no items were raised as issues (which requires three or more respondents answering "Inadequate" or "Inappropriate"), one respondent each answered "inadequate" for the following two items, which were also raised as issues in the previous year. This can be taken to indicate the need for continued improvement. We will continue to make improvements to further improve the effectiveness of the Board of Directors.

Items Identified as Issues in the Previous Year and Measures to Address Them

Items	Details of Improvements
Explanation of terminology in Board of Directors meeting materials, prior explanation of history, past agenda items, and important matters, and time for prior review	Provide notes on terminology, history of past meetings and their agenda items, and advance explanation of key projects from the January 2021 Board of Directors and Management Committee meetings
Discussion of the senior management's appointment and dismissal at Board of Directors meeting	Explain the reasons for the appointment and dismissal of senior management, including those discussed by the Governance Committee, at the Board of Directors meeting, then deliberate

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 Audit and Supervisory 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 has held six times during the 122nd fiscal year (April 2021 - March 2022). With our transition to being a Company with an Audit and Supervisory Committee system, we ensure the division of roles between Audit and Supervisory Committee and the Governance Committee, by ensuring there is no duplication of content between two committees, and also the Governance Committee shares its deliberations with the Audit and Supervisory Committee in order for the Audit and Supervisory Committee to exercise its right to express its opinions.

Directors' Remuneration

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

Determination of basic remuneration is based on a standard amount for each position and also takes into account publicly announced levels of remuneration at other companies, the Company's business performance, and other factors. Performance-based remuneration is determined at around 15% to 20% of total remuneration, depending on the director's role. In FY2021, performance-based remuneration accounted for 14.7% of total remuneration of Company directors (excluding Directors who are Audit and Supervisory Committee Members and External Directors).

Please refer to the Notice of Convocation of the 122nd Annual General Meeting of Shareholders for details of remuneration of Directors. Adoption of Restricted Stock (RS) Remuneration System was introduced in 2021. The objectives of this system are to provide an incentive for the sustainable enhancement of corporate value and to promote greater sharing of value with shareholders. 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.

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

Strengthening of Overseas Group Companies' Governance

Given the current situation in which there has been a sharp increase in the number of Group companies overseas acquired by M&As in recent years, we have been working to strengthen governance of our Group companies overseas by establishing an Overseas Group Governance Committee attended by representatives of the Overseas Planning Department, General Affairs Department, Legal Department, Internal Audit Unit, Finance Department, Human Resources Department, Quality Assurance Department, Sustainability Development Department, Corporate Planning Department, Systems Department and overseas business holding companies. The committee has set specific themes and schedules for highly important items such as compliance, authority, quality, environment and safety, BCP, markets, human resources, finance, IT, and audits, and is applying the PDCA cycle accordingly.

Through the activities of this committee established in FY2020, we have made progress in strengthening our management system, including by setting up a three lines defense system by the business, management, and audit departments. We plan to increase the number of overseas site visits while closely monitoring the status of COVID-19. 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.

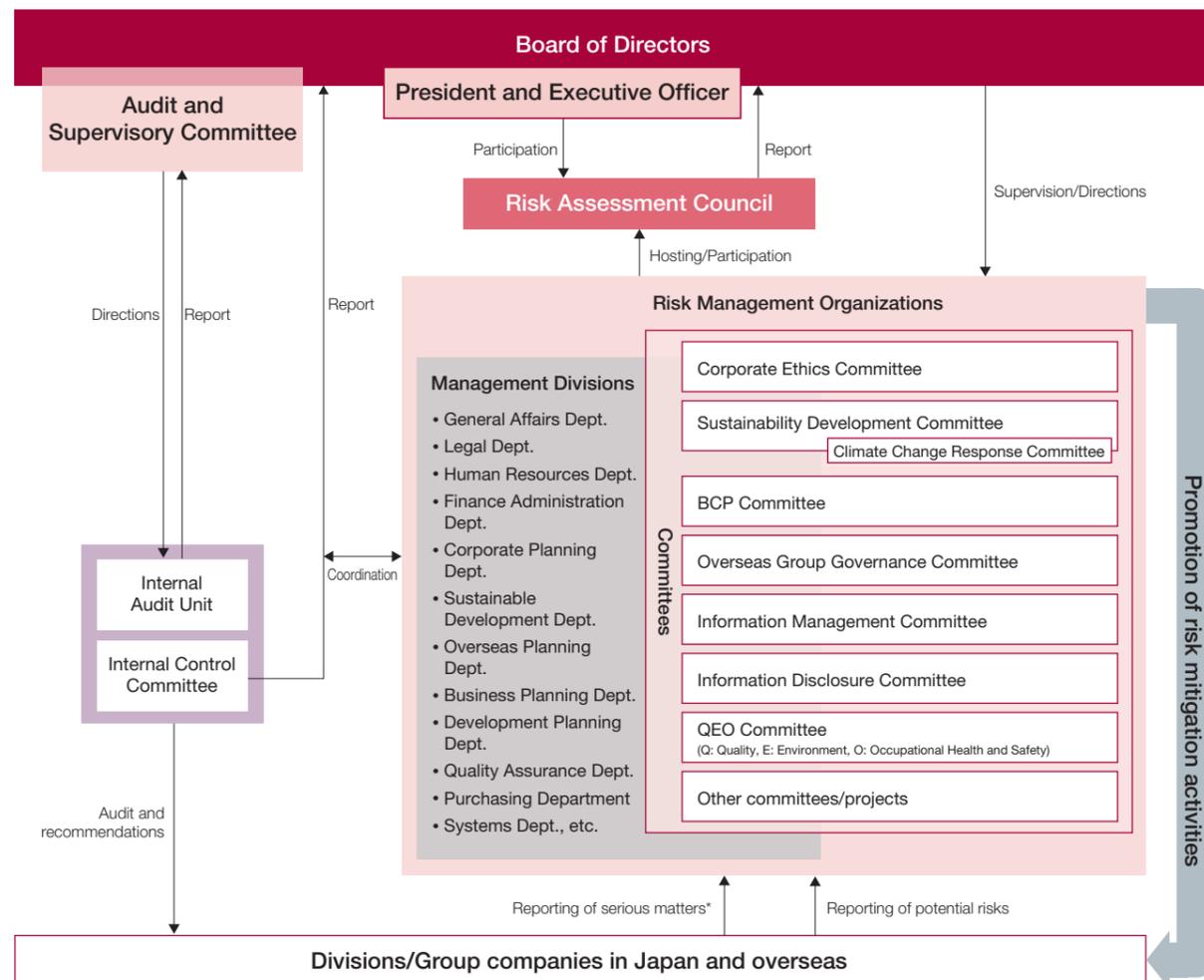
Risk Management

Basic Approach to Risk Management

In order to mitigate losses due to unforeseen events, we have conducted a company-wide risk survey once a year, including Group companies, and we have compiled and reported the results to the Board of Directors. In FY2022, we established a Risk Assessment Council, which is attended by the President and organizations in charge of each risk. It is established to improve the risk assessment process by deliberating the pertinence of risks' likelihood of occurrence and the magnitude of their impact reported by each company and division, before developing the information into the form of a report to the Board of Directors. Significant risks identified through this process are listed as "Business Risks" in our Annual Securities Report and at our website. In the future, we plan to further strengthen the process for checking the status of response to risks identified at Risk Assessment Council and for corrective action.

Environmental Risk Management

(As of October 2022)



*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).

Supplementary materials on risk management are available at our website.

HOME Sustainability Governance Risk Management
<https://www.aica.co.jp/company/sustainability/governance/risk-management/>

Business risks

- [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 OTIF Management
- [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 assets
- [18] Risks related to information security and IT infrastructure
- [19] Risks related to compliance

*For details on various risks, please refer to our website.

Crisis Management Regulations

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

Regulations Related to Crisis Management

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

Business Continuity Plan (BCP)

We have formulated a Business Continuity Plan (BCP) to put emergency measures ensuring important business operations are not interrupted by major disasters or accidents, and even if business activities are interrupted, the remaining capacity will be sufficient for us to resume important operations by the target recovery time.

The Great East Japan Earthquake that occurred in March 2011 gave rise to our establishment of the BCP Committee, which plays a central role in strengthening disaster prevention measures and formulating our BCPs. Formulation of the plans has begun at our main production bases, both in Japan and overseas, and drills are conducted regularly at those bases that have already formulated their plans.

Based on the lessons learned from the flood damage to our Hiroshima Plant resulting from the torrential rains of July 2018, we have conducted BCP drills for flooding at four sites (Nagoya, Jimokuj, and Hiroshima plants of AICA Kogyo and Nagoya plant of AICA TECH KENZAI CO., LTD.). We are also expanding the scope of BCP drills with the cooperation of our Group companies overseas and major production contractors.

We will conduct drills in a more in-depth manner, and determine who will make what moves at what time by designing more specific assumed disaster scenarios. We will also clarify the competencies required in the event of a disaster and focus on human resource development to enable faster recovery and alternative production from disasters or accidents.

Risk Management in M&A (Due Diligence)

We actively utilizes M&A as an effective means of expanding business and improving profitability. However, 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. To minimize such risks, the President, the Executive Officer in charge, and the Corporate Planning, Legal, and Finance Departments assemble 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, legal, financial, environmental, and compliance aspects (labor conditions, health and safety, corruption, human rights issues, etc.).

Information Security

AICA Kogyo Co., Ltd. and our subsidiaries are 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.

*Please refer to our website regarding the Basic Policy on Information Security.

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

In 2022, we are issuing the AICA Compliance Casebook. The AICA Compliance Casebook is an easy-to-understand explanation of the AICA Group Code of Conduct, designed to help all employees working for the AICA Group make sure that they always act correctly.

All AICA Group employees must work to fully understand the contents of the AICA Compliance Casebook, raise awareness among their peers, and act responsibly and properly in compliance with laws and regulations, as well as the AICA Group Code of Conduct and Activity Guidelines at all times and in all situations.

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

In addition, the Corporate Ethics Committee, the Legal Department, and the Internal Audit Unit play a central role in traveling around to all of the sales 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.



AICA Compliance Casebook

Corporate Ethics Committee

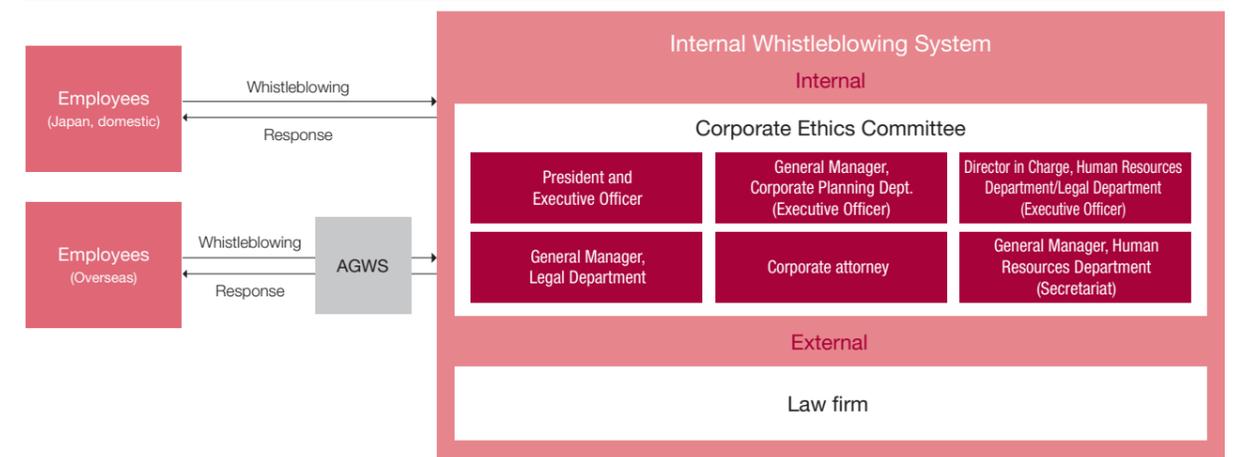
AICA has established a Corporate Ethics Committee, whose objectives include the development and promotion of necessary policies for compliance. It also pursues the investigation, confirmation, and implementation of corrective action regarding whistleblowing reports made to the internal whistleblowing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

Internal Whistleblowing System

To ensure that potential risks of breaches of workplace morals, such as infringements of laws and company regulations, bribery and corruption, and harassment, can be addressed promptly, we have established an internal whistleblowing system inside the company and at a law firm outside the company. Employees of the AICA Group are able to report to or seek advice from the internal whistleblowing system about any problems or concerns they may have regarding corporate ethics and compliance. The telephone number and e-mail address of the internal whistleblowing system are included on the AICA Group Employees Code of Conduct Card that is distributed to employees, and employees confirm how to use the system at the annual Group-wide training. This system assures anonymity so that whistleblowers do not suffer any disadvantages, since whistleblowing reports are accepted anonymously.

As the AICA Group expands our business domain around the world, more and more members have diverse values. Given these circumstances, we have decided to strengthen the whistleblowing system and mechanism at our overseas offices, and established a new global whistleblowing system, the AICA Global Whistleblowing System (AGWS) in April 2022. The contact point is available 24 hours a day, 7 days a week, and is multilingual.

Internal Whistleblowing System Concept Diagram



*Number of cases brought to the Internal Whistleblowing System in FY2021: 4

Human Resources

Basic Approach to Human Resources

Our Corporate Policy is to regard “human resources as the most vital resource of our company, we nurture motivated human resources and organizations through mutual understanding and development.” 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. By building a workplace where diverse human resources can recognize each other and play active roles, we aim to achieve mutual growth for both the company and our employees.

Human Resource Management and Engagement

Basic Approach to Human Resource Management and Engagement

We believe that by properly understanding the skills and experience of our employees and enhancing management, as well as by improving engagement and deepening mutual understanding, we can enrich this source of value creation for the company. We take a variety of measures to maintain good relations with employees.

Measures Introduced or Planned in Recent Years at AICA Kogyo Co., Ltd.

FA System	We operate an in-house FA system to improve the skills, abilities, and motivation of employees, to assign the right person to the right job, and to revitalize the organization.
Skills List for Important Positions	We visualize the skills required for important positions. In doing so, we plan to assist in the formation of Training Schemes and career paths for the positions to be pursued.
Talent Management System	We will implement a management system to visualize employee talent in terms of abilities, qualifications, skills, and experience. We plan to use the data to help assign the right people to the right positions.

Employee Survey

As social values have become more diverse, how employees who work at a company think about that company and their mindset toward their work have changed and diversified. Recognizing that employee surveys are essential for the further development of the company, we commission an outside organization to conduct Employee Surveys on a regular basis. In the latest of these surveys, conducted in July 2019, the research firm reported that among our employees, “general satisfaction” with the company was slightly higher than the average for companies in general. In FY2022, the AICA Group Employee Satisfaction Survey was newly implemented to include domestic and overseas group companies in its boundary. We will reflect the results of these surveys in our various policies, including our personnel system, and take measures to improve employee engagement from a medium- to long-term perspective.

Labor-Management Relations

Formed in 1947, the AICA Kogyo Labor Union has maintained a good understanding of AICA Kogyo Co., Ltd. and good labor-management relations. To deepen mutual understanding, the top three executives of the union and the Human Resources Department hold meetings once a month to exchange information. The union also meets with the senior executives several times a year, including at labor-management negotiations, to discuss corporate policy, the progress of the Medium-Term Business Plan, the general situation in individual businesses, and the various programs and schemes.

Each AICA group company respects the rights of its employees under the laws and regulations of its country or region, and strives to build favorable relations with employees through close communication.

Human Resources Development

Basic Approach to Human Resources Development

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

Training Schemes

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

The AICA Kogyo Co., Ltd. Training Schemes

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

Overview of Major Training Programs

New Employee Training, Years 2, 3	This training is designed to develop self-reliant human resources who can think and act on their own. Combined with the OJT and mentoring systems, the department to which the new employee is assigned and the Human Resources Department work together to develop the new employee.
Global Human Resources Development Program	This educational program promotes basic language learning and cross-cultural understanding in English and Chinese. We also offer an overseas trainee course, which enables trainees to gain practical experience at Group companies overseas and nurture human resources who can be immediately effective in their overseas postings.
Correspondence education and Assistance to Obtain Qualifications	We have also established support programs for correspondence education and obtaining public qualifications, and we encourage employees’ individual study endeavors by covering costs and offering incentive bonuses.

Diversity and Work-life Balance

Basic Approach to Diversity and Work-life Balance

We promote diversity in response to the globalization of business and the diversification of market needs. In the area of women's participation in particular, we launched a Women's Participation Promotion Project in June 2013 and have focused efforts on initiatives and the development of an environment in which the power of women can be put to use in the management of the company. The name of this initiative was changed to the Diversity Promotion Project in FY2018 and we are working to promote the establishment of foundations in which more diverse personnel can participate actively in the workplace. We are also focusing on expanding systems that support a balance between personal and professional life, enabling more flexible work styles.

Certification Status

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

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



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

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



Diversity Promotion Activity Goals

Target boundary: AICA Kogyo Co., Ltd. non-consolidated Target initiative period: April 1, 2022 to March 31, 2025

Target Categories	Target Figures	Current Status (As of End-Mar. 2022)
Increase Percentage of Female Employees	Percentage of women recruited to new-graduate career-track positions: 30% or more	32.0% (new-graduate recruits joining in April 2022)
	New proposals/revision of work-life balance assistance scheme: 3 or more	3
Increase Percentage of Female Managers	5.8% or more	3.3% (7 female managers out of a total of 213 managers)
Improve Rate of Recruitment of People with Disabilities*	2.3% or more	2.47%
Promotion of Mid-Career Hirees to Management Positions	Maintain at 20% the ratio of mid-career hirees promoted to management positions	20.7%
Cultural Reform	Percentage of available paid leave taken: 70% or more	63.6% (FY2021 Result)

*According to statutory calculation methods

Re-Employment Scheme

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

FY2019	FY2020	FY2021
14 people	15 people	21 people

Employment of People with Disabilities

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

Ratio of Employees with Disabilities at AICA Kogyo Co., Ltd.*

FY2019	FY2020	FY2021
2.35%	2.66%	2.47%

*Calculated according to the method for the statutory employment rate.

Work Style Reform

As the issue of excessively long working hours has become a social problem and the entire nation is pursuing work style reform, we launched our own Work Style Reform Promotion Project on April 1, 2017. We are working actively to create a culture and change mindsets to discourage employees from working excessively long hours. Initiatives include "No Overtime" days and the reduction of overtime. In March 2020, we urgently introduced a work-from-home scheme due to the impact of the spread of COVID-19. This led to the establishment of the Work Improvement Committee in April 2020 as an organization within the Work Style Reform Promotion Project in order to promote further diversification of work styles, among other improvements.

Through C&C Activities*, a small group activity in which all employees of Aica Kogyo participate, we are making improvements to equipment and operations, pursuing a shift to multi-skilled workers, and striving across the entire company to reform operations to maintain appropriate working hours.

*C&C Activities: Small-group activities in which all employees of Aica Kogyo in all divisions participate. These groups discuss and implement specific action plans, using QC methods and other scientific approaches, to consider ways of achieving operational improvements and implement division policies. These activities have a long history, with their predecessor, the ZD (Zero Defects) Campaign, starting in 1965 with the objective of raising productivity. The initial aim of that campaign was to achieve "zero mistakes" in our work through careful attention and innovative efforts by individual employees. From 1979, the C&C Campaign was rolled out, taking the initials of our present Corporate Principle, Challenge & Creation. The campaign took on a broader meaning that includes the promotion of initiatives for the achievement of management goals, which has been passed down to today's C&C Activities.

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 Occupational Health and Safety 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 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, Kiken Yochi Training or "risk prediction training" (KYT) activities, hiyari-hatto (near-miss) activities, and risk-source improvement activities are conducted in the small-group activities (C&C Activities, p. 46). To enhance these low-key, steady efforts, since FY2018, the KYT activities being undertaken by the individual small groups are being assessed under a point rating system. Pursuing improvements so that training is not just a formality, but will be something meaningful that leads to greater awareness of safety, we are striving to eliminate industrial accidents.

Achievement Trends

Target boundary: All AICA Group production sites in Japan

Number of Industrial Accidents

	FY2017	FY2018	FY2019	FY2020	FY2021
(accidents)					
Fatal Accidents	0	0	0	0	0
Lost-Time Accidents	7	6	7	6	5
Of Which, Those Involving People Other than Full-Time Employees	3	6	4	4	2
Non-Lost-Time Accidents	10	12	13	6	12
Of Which, Those Involving People Other than Full-Time Employees	4	7	6	1	4

Major Initiatives in FY2021

- ▶ Occupational Health and Safety Convention (Jan. 2022)
- ▶ Plant manager training (Jan. 2022)



AICA Group Occupational Health and Safety Convention (FY2019)

Risk Assessment

Risk assessment is a method for discovering potential risks and hazards in the workplace and eliminating or mitigating them. We conduct risk assessments under internal regulations based on our Occupational Health and Safety Management System at major AICA Group production sites in Japan. We conduct risk 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 cars 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 in our efforts to prevent traffic accidents.

Last year, there were many minor accidents caused by poor driving skills, such as parking lot accidents by less experienced drivers, and self-incurred accidents. We will continue to focus on eliminating such accidents and improving driving skills.

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

	FY2017	FY2018	FY2019	FY2020	FY2021
(accidents)					
	26	22	25	10	11

Health Management

Basic Approach to Health Management

In a Japanese 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 it is essential for the sustainable development of our company, which in turn helps resolve social issues, 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. With this in mind, we have formulated our Health Declaration for 2022, while also clearly stating our key priorities. To realize our Corporate Principle and Corporate Philosophy, we will strengthen our efforts by incorporating priority items into our medium- to long-term business plan, and strive to increase our corporate value and employee retention rate.

Mental Health

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

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

Regular Health Check-ups

In addition to the health check-ups mandated by law, we also provide a combination of Lifestyle Disease Check-ups and Gynecological Check-ups tailored to employees' age, gender, and preferences. In this way, we are strengthening our employee health management functions. Since FY2014, the company has covered part of the cost of influenza vaccinations, including for family members, to step up efforts to prevent our workers falling ill. In June 2021, we made it possible for employees to take special or official leave to be vaccinated against COVID-19 and if they are unwell from side effects of the vaccine.

Environment

Supplementary materials on the environment are available at our website.

HOME Sustainability Environment

<https://www.aica.co.jp/company/sustainability/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 (P.32). To realize a sustainable society, we engage actively in addressing environment-related issues.

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

Environmental Philosophy

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

Environmental Policy

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

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

- AICA Group production sites in Japan: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD.
- AICA Group production sites overseas: All production sites of PT. AICA Indonesia, PT. Techno Wood Indonesia, Aica Laminates India Pvt. Ltd., Aica Laminates Vietnam Co., Ltd., AICA Asia Pacific Holding Group, Evermore Chemical Industries Group, and Wilsonart companies

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, "extreme weather" and "climate action failure," both related to climate change, were perceived as the highest likelihood risks and highest impact risks. Extreme weather events are also increasing on a global scale. AICA Kogyo has sustained damage several times in recent years from disasters caused by such events, and we feel keenly that climate change is a major business risk. With this recognition, we incorporated materialities (material issues), including "responding to climate change," in the Medium-Term Business Plan that began in April 2021. We have set concrete KPIs for each of the materialities. In responding to climate change, we have declared targets for GHG emissions, industrial waste, and water use. We will thoroughly manage progress toward these targets and pursue them steadfastly.

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

Toward Expanded Disclosure Based on TCFD Recommendations

In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For the expansion of disclosures under these recommendations, we first conducted interviews with our stakeholders to predict how the environment surrounding our company will change in the future due to the impact of climate change. We have organized a compilation of the risks and opportunities associated with the effects of climate change, and what we should do to address it. In the first half of FY2022, we used external scenarios to conduct qualitative impact assessments for each of the identified risks and opportunities at 2030 and 2050 given 1.5°C and 4°C global scenarios. We will also proceed with a quantitative financial impact assessment of risks and opportunities from climate change impacts during this fiscal year. We plan to use these assessments to develop a climate transition plan and incorporate longer-term strategies into our business strategy.

Qualitative Evaluation Results through scenario analysis

Scope of Scenario Analysis

- Transition risks and opportunities: domestic construction market
- Physical Risks: AICA Group production sites in Japan and overseas

Overview of Possible Scenarios

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

Qualitative Evaluation Results

Risks Related to Climate Change

Category	Changes in External Circumstance	Impact on Our Company	Scenario Analysis Results			
			Likelihood of Occurrence		Degree of Impact	
			2030	2050	2030	2050
Stricter Regulation	New carbon tax, emissions credit system introduced	Increased raw material costs due to pass-through of carbon taxes on suppliers, higher energy costs, and increased capital expenditures to reduce GHG emissions	Large	Large	Moderate	Large
		Increased costs due to taxation of own-company GHG emissions	Large	Large	Moderate	Moderate
		Increased electric power costs due to taxation of electricity generation with carbon emissions and higher electricity generation costs	Large	Large	Small	Moderate
		Decline in demand of our products for construction due to a shrinking construction market, as clients become less willing to build due to higher taxes and stricter regulations related to climate change	Moderate	Moderate	Small	Moderate
Technology	Progress with low-carbon technologies (hydrogen, CCS, etc.)	Stricter plastic waste regulations	Small	Large	Small	Moderate
		Delays in implementing low-carbon technologies our plants result in unsatisfactory reductions in our GHG emissions and reduced demand for our products	Large	Large	Small	Moderate
Markets	Increasing demand from business partners to reduce GHG emissions	Failure to meet business partners' demands results in a decrease in sales due to suspension of transactions	Moderate	Moderate	Small	Large
		Increase in R&D expenditure and capital investment for development of new products that meet market needs, and for conversion of manufacturing methods from existing products	Large	Large	Moderate	Large
		Cost increase due to conversion of raw materials to biomass that does not generate CO ₂ during waste combustion	Large	Large	Small	Moderate
		Decrease in demand for non-recyclable products due to growing demand to reduce GHG emissions generated when products are disposed of after use	Small	Large	Small	Moderate
		Naphtha price hikes due to lower gasoline demand	Small	Moderate	Small	Large
		Changes in demand for lumber, including substitution of fossil-derived fuels and raw materials	Small	Moderate	Small	Moderate

Physical risk Assessment of Impact under the 4°C Scenario, in which Larger Impacts are Expected

Category	Changes in External Circumstance	Impact on Our Company	Scenario Analysis Results			
			Likelihood of Occurrence		Degree of Impact	
			2030	2050	2030	2050
Acute	Frequent occurrence of typhoons and torrential rain	Damage to our plants resulting in damage to equipment, disposal of inventory, and delivery delays, leading to extraordinary losses and a drop in sales due to shutdown	Large	Large	Large	Large
		Damage to supplier plants resulting in decreased production volume due to difficulty in obtaining raw materials and other purchased items	Large	Large	Moderate	Moderate
Chronic	Increase in average temperatures	Increased forest fires boost wood procurement costs	Small	Moderate	Small	Moderate

Opportunities Due to Climate Change

Increased Impact Scenario	Category	Changes in External Circumstance	Impact on Our Company	Scenario Analysis Results			
				Likelihood of Occurrence		Degree of Impact	
				2030	2050	2030	2050
1.5°C 4°C	Increase in resource efficiency	Improved energy use efficiency	Reduction of energy costs and avoidance of carbon tax payments through self-review of production processes and promotion of efficient production processes in the industry, etc.	Small	Large	Small	Moderate
1.5°C 4°C	Products/Services	Increased demand for products adaptive to climate change	Increased demand for the following products that contribute to climate change adaptation: low-carbon products, products using biomass materials, recyclable products, products that contribute to the utilization of wood resources, products that help reinforce buildings, easier construction products, heat insulation-related products, antiviral products, etc.)	Large	Large	Moderate	Large
1.5°C 4°C	Markets	Widespread customer understanding of additional costs	Increased selling prices lead to increased sales due to a better understanding of the new costs of climate change impacts	Moderate	Moderate	Moderate	Large
1.5°C 4°C	Resilience	Existing customers' increased expectations for companies promoting climate action	Increase in demand for the our products due to strengthening of relationships with existing customers through promotion of climate change response	Small	Moderate	Small	Large
1.5°C 4°C		Insurance coverage for increased extreme weather events	Reduction of flood and other damage impacts through insurance coverage	Large	Large	Large	Large

Actions We Should Take

Having recognized the need to address these risks and opportunities, we have initiated the following actions. In FY2021, we focused on efforts to reduce GHG emissions. Please refer to page 53 for details.

Passive Response

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

Examples of measures to prepare for risks

- Strengthen BCP against natural disasters
- Strengthen BCP for raw materials procurement
- Deliberation and implementation of drastic measures to reduce GHG emissions
- Optimization of energy use and composition
- Waste reduction/recycling
- Effective use of resources
- Appropriate information disclosure and engagement

Active Response

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

Examples of products responsive to climate change

- Low-carbon products
- Products using biomass materials
- Recyclable products
- Products that contribute to the utilization of wood resources
- Products that help to reinforce buildings
- Easier construction products
- Heat insulation-related products
- Anti-viral products

Reduction of GHG Emissions (energy saving)

Basic Approach of Reduction of GHG emissions

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

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

Medium- and Long-Term Targets

In the Medium-Term Business Plan launched in April 2021, AICA set targets for the reduction of GHG emissions. For Scope 1 and Scope 2, we set the goal of conducting scenario analysis aimed at achieving net zero GHG emissions by 2050 in response to the Japanese government's declaration on net zero GHG emissions by 2050. We recognize that our current numerical target (reducing GHG emissions revenue intensity by 26% from FY2013 levels) for the halfway point of FY2030 is insufficient. As such, we are engaging in repeated discussion about raising our target alongside conducting this scenario analysis. We are not yet at the point of setting targets for Scope 3, but we will steadily work toward the establishment of calculation methods on a Group basis and on developing emissions reduction measures.

Scope 1 and Scope 2 (From AICA's own activities)

- Reduce GHG emissions revenue intensity by 10%, compared to FY2020, by FY2023
- Conduct simulations aimed at net zero GHG emissions by 2050, and develop measures

Scope 3 (From other companies' activities related to AICA's own business activities)

- Establish calculation methods for Scope 3 emissions and develop emissions reduction measures

Please refer to pages 17-26 for an overview of the Medium-Term Business Plan.

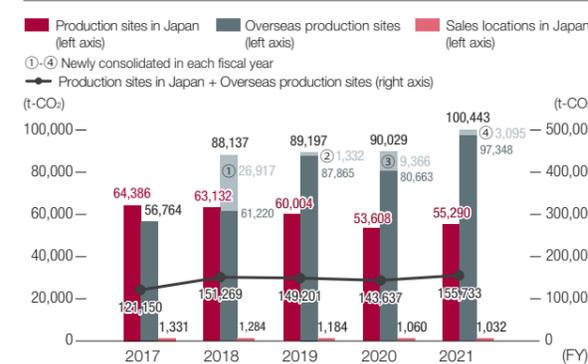
FY2023 Targets	FY2021 Result	Increase/Decrease Factors
AICA Group GHG emissions revenue intensity 10% decrease from FY2020	12% decrease from FY2020	The increase in net sales significantly exceeded the increase in energy consumption from increased production, resulting in lower emissions revenue intensity.

Result Trends (Scope 1 & 2)

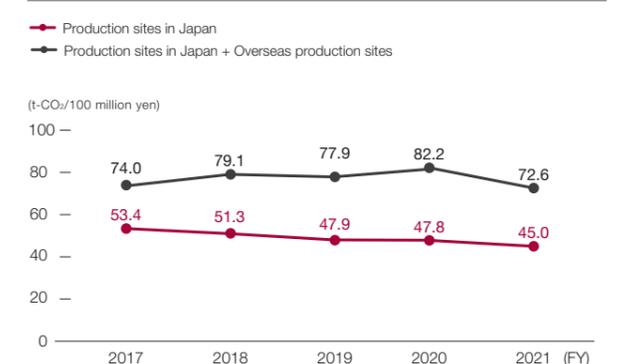
Third-party assurance has been obtained for some environmental indicators, e.g. GHG emissions. Please refer to the Environmental Data at the back of this booklet (pages 63-64) for details.

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

GHG Emissions



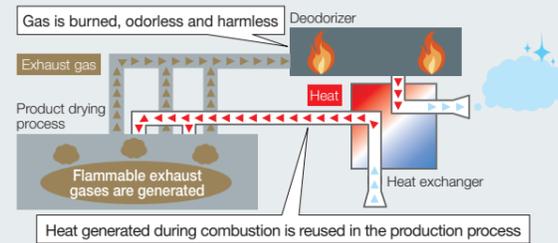
GHG Emissions Revenue Intensity



Major Initiatives in FY2021

▶ Efficient operation of deodorization equipment and effective use of waste heat

Exhaust gas generated in the manufacturing process is discharged into the atmosphere after combustion and removal of toxic substances by deodorization equipment. The heat generated during combustion is reused in the drying process and other processes, thereby reducing energy use.



▶ Introduction of internal carbon pricing program

To encourage the adoption of equipment that helps reduce GHG emissions, we have introduced an Internal Carbon Pricing (ICP) program for our internal capital investment. We encourage environmental investment, the effectiveness of which can be difficult to see, by converting GHG emission reductions from equipment installation and renewal into monetary values, and incorporating them into investment decision criteria to visualize future value. The ICP unit price is based on the International Energy Agency (IEA) carbon price forecast for the 1.5°C target scenario for developed countries, and varies depending on the timing of equipment installation and the service life of the installed equipment.

Name of Site	Measures	GHGs Annual Reduction	GHG Reduction Rate at Each Site
AICA Kogyo Co., Ltd. Hiroshima Plant	Adoption of renewable energy	350t-CO ₂	29% reduction
AICA Kogyo Co., Ltd. Fukushima Plant	Installation of solar power generation equipment	135t-CO ₂	23% reduction
AICA Harima Kogyo Co., Ltd. Kasai Plant	Fuel conversion from heavy oil to liquefied natural gas (LNG)	1,200t-CO ₂	18% reduction

▶ Decision on three environmental investment projects

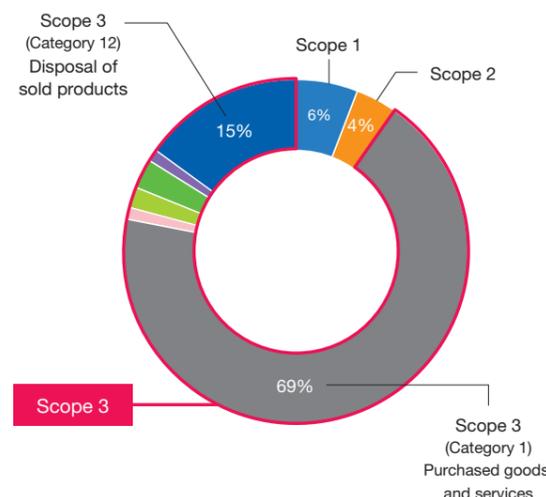
The Climate Change Response Committee took the lead in planning investment projects that will contribute to the reduction of GHG emissions, and it was decided to execute the three capital investments listed on the right. In the future, the ICP system will be used to promote the introduction and operation of further measures that contribute to GHG reduction.

Scope 3 Emissions

We have been working to identify and calculate GHG emissions related to product manufacture (LCA) since 2006. 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). By FY2023, we plan to lay the groundwork for expanding the boundary of calculation to include Group companies overseas, as well as to study reduction measures.

Please refer to pages 63-66 for third-party assurance status.

Breakdown of FY2021 GHG Emissions at AICA Group Production Sites in Japan



Breakdown of Scope 3 Emissions at AICA Group Production Sites in Japan (t-CO₂)

Category	Emissions
1 Purchased goods/services	391,915
2 Capital resources*	3,199
3 Fuel, etc. not included in Scope 1 and 2	9,363
4 Transportation and delivery (upstream)*	15,965
5 Waste from business	5,725
6 Business travel*	425
7 Employee commuting*	194
12 Disposal of sold products	83,911
13 Leased assets (downstream)	192

*The boundary of calculation is AICA Kogyo Co., Ltd. non-consolidated. Note: Categories 8, 10, 11, 14, and 15 are excluded from the calculation. See the Environmental Data page (P63-64) for reasons 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 Result

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

FY2021 Target	FY2021 Result	FY2022 Target
1% year-on-year decrease 44.77 kl/million t-km or less	1.2% year-on-year decrease 44.70 kl/million t-km	1% year-on-year decrease 44.25 kl/million t-km or less

▶ Result Trends

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

T-Km Energy Use Intensity in Transport

(kl/1 million t-km)

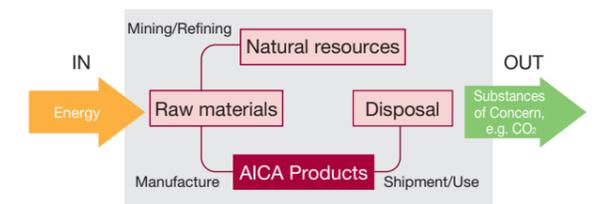
FY2017	FY2018	FY2019	FY2020	FY2021
44.58	44.12	43.44	45.23	44.70

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.

LCA Concept



Reduction of Industrial Waste and Effective Use of Resources

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

We began concrete initiatives for the reduction of industrial waste in 1998. This is an important environmental indicator for the entire Group. In addition to activities aimed at reducing the volume of waste generated, such as volume reduction and improvement of product defect rates, we also actively recycle waste in order to realize a recycling-oriented society. 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 Result

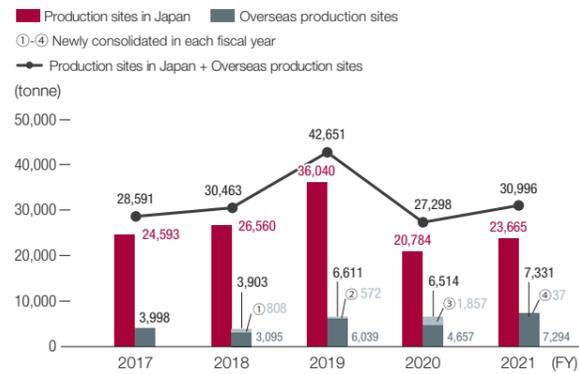
FY2023 Target	FY2021 Result	Increase/Decrease Factors
AICA Group Industrial waste emissions revenue intensity 10% decrease from FY2020	7% decrease from FY2020	Activities to reduce industrial waste emissions resulted in lower emissions revenue intensity, as the increase in net sales exceeded the increase in emissions associated with the increase in production volume.

Environment

Supplementary materials on the environment are available at our website.
[HOME](#) [Sustainability](#) [Environment](#)
<https://www.aica.co.jp/company/sustainability/environment/>

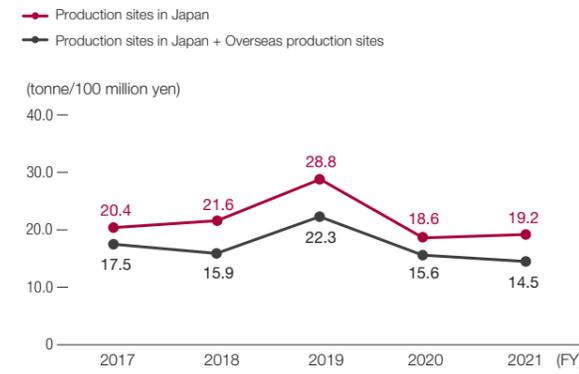
Result Trends

Industrial Waste Emissions



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

Industrial Waste Emissions Revenue Intensity



Major Initiatives in FY2021

- Improvement of product defect rate
- Conversion of used film into a valuable resource
- Effective use of calcium silicate panel scraps
- Improving the material recycling rate of extruded cement board
- Oil-water separation of liquid waste to produce valuable resources

Initiative to Recycle Unwanted Materials in Japan

Collaborating and Outsourcing Companies	Recycling Details
Companies with patented sludge drying technology	Sludge drying accelerator
Fertilizer sales company	Fertilizer for agricultural crops
Solid fuel sales company	Solid fuel

Reduction of Water Use

Basic Approach to Reduction of Water Use

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

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

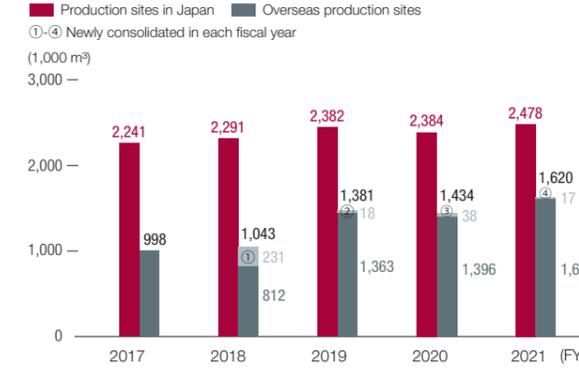
Some of our overseas production sites are located in countries with grave water situations. Each of our business sites is taking the necessary measures and managing its water usage with the recognition that water is a finite resource. With reference to AQUEDUCT, which is released by the World Resources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

Targets and Result

FY2023 Target	FY2021 Result	Increase/Decrease Factors
Water use revenue intensity in high-risk areas 6% decrease from FY2020	24% year-on-year decrease 5.94 m ³ /million yen	With activities to reduce water usage have significantly reduced usage per revenue intensity, as the increase in net sales significantly exceeded the increase in usage rate associated with the increase in production volume.

Result Trends

Water Usage



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

Actual Water Consumption in FY2021 in High-Risk Areas¹

Name of Site	Location	Consumption
Aica Laminates India Pvt. Ltd.	Northern India	32,968 m ³
PT. AICA Indonesia PT. Techno Wood Indonesia	Cikampek (Indonesia)	32,588 m ³
PT. AICA INDRIA (AAPH ² Group)	Pasuruan (Indonesia)	36,277 m ³
Shenyang AICA-HOPE KOGYO Co., Ltd.	Northeastern China	3,572 m ³

¹ Sites assessed as at “extremely high” risk in WRI Aqueduct’s Overall Water Risk.
² AAPH: AICA Asia Pacific Holding

Environmental Risk Management

State of Compliance with Environmental Laws

In FY2021, one case was raised by the regulatory authorities against the AICA Group in Japan, and the Company responded as follows.

Location of Occurrence	Description	Overview
AICA Kogyo Co., Ltd. Hiroshima Plant	Wastewater COD concentration	The results of an on-site inspection of the plant by the regulatory authority indicated that the effluent COD concentration was 1 mg/L higher than the standard. The supply channel for unloaded water was adjusted, improving water emission conditions.

Neighborhood Complaints and Responses

In FY2021, AICA responded as follows to neighborhood complaints received by the AICA Group in Japan.

Location of Occurrence	Description	Overview
AICA Kogyo Co., Ltd. Nagoya Plant	Careless handling of cigarette butts in the neighborhood	An employee parked their car on a nearby street after work and behaved carelessly. The relevant person was identified, and reeducation was carried out. A no-parking sign was also placed near the site.
Aikatech Kenzai Co., Ltd. Nagoya Plant	Late-night noise	Continued maintenance, including repairs to the bearings in the silo, the presumed source of the outbreak.
AICA Kogyo Co., Ltd. Nagoya Plant	Noise during installation of construction scaffolding	Since the work was being performed after the posted allowable time for construction work, the contractor was reminded to complete the work within the established time span.

Environmental Accidents

In FY2021, there were no incidents in the domestic AICA Group that had a significant impact outside of the premises, but the following event occurred in April 2022, which was considered an incident. We share information and roll out responses horizontally across the Group to ensure that no inconvenience is caused to any concerned parties or to the government agencies with jurisdiction.

Location of Occurrence	Description	Response
Nagoya Plant	During repair work at the facility, a welding spark fell into an underground pit beneath it, igniting combustible materials and causing a small fire.	Clean out the pit, removing combustible materials, and continue maintenance. Procedures were also modified to ensure thorough perimeter coverage during welding and increased monitoring of water jets, pits, etc.

Engagement with Stakeholders

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

HOME Sustainability Engagement with Stakeholders

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

Basic Approach to Engagement with Stakeholders

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

Involvement with Customers

Voluntary Action Guidelines Concerning Product Safety

We believe that the most important challenge in quality management is to deliver safe and reliable products to our customers. To put this into practice, we have established voluntary action guidelines regarding product safety and strive to ensure product safety and information disclosure.

- Product Safety Voluntary Action Guidelines - Basic Principles**
- [1] Compliance with laws and regulations
 - [2] Initiatives for ensuring product safety
 - [3] Response to product-related incidents

Provision of Product Safety Information

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

To fulfill our responsibilities as a member of the supply chain, such as inquiries about new legislation in various countries, and requests for investigation and provision of information about new chemicals, the relevant departments work together to provide prompt and more accurate responses.

Collaboration with Distributors and Builders

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

AICA Support Center

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

Customer Satisfaction Survey

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

Cultural Activities

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

Engagement with Suppliers

Basic Approach to Engagement with Suppliers

To fulfill the AICA Group's corporate social responsibility (CSR), we believe that it is essential that we obtain the understanding and cooperation of our stakeholders. In our procurement activities, in addition to acting responsibly as the AICA Group, we also pursue CSR activities with the cooperation of our suppliers.

Based on these ideas, we formulated the "AICA Group CSR Procurement Guidelines" in June 2017, and issued them in April 2022 with partially revised title and content as the "AICA Group Sustainability Procurement Guidelines." We have obtained the consent of our suppliers in Japan and overseas to these Guidelines, for the further mutual improvement of our CSR activities.

Communicating with Suppliers

We held a Purchasing Policy Briefing in June 2019 as a forum for communication with our suppliers, at which we shared our company policies and purchasing policies.

Further, with the objective of sharing our CSR procurement philosophy and investigating the actual situation, we have conducted self-evaluation questionnaire surveys since FY2018. For the targets of this survey, we selected suppliers that cover approximately 70% of the total value of AICA Kogyo's raw materials procurement, with a particular focus on our main suppliers.

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



At the Purchasing Policy Briefing

Business Continuity Plan (BCP) in Procurement Activities

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

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

Communication with Shareholders and Investors

We take proactive steps, within a reasonable extent, to achieve constructive dialog with our shareholders. 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. 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. The Public Relations and IR Group responds to requests for individual interviews and telephone press inquiries. Any information to be disclosed in such cases is approved by a Representative Director and the Officer responsible for the matter at hand. Briefings for individual investors are also held on an irregular basis.

Individual Dialogs
with Institutional
Investors During
FY2021

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Shareholder Returns

To realize the return of profits to our shareholders and the sustainable growth of the company, we issue dividends with consideration for the consolidated performance of each period, payout ratios, and internal reserves. As a result, through FY2021, we have increased its dividend for 13 consecutive years and has not reduced it for 24 consecutive years.

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

Based on this policy, we plan to pay a dividend of 109 yen per share in FY2022, an increase of 1 yen.

Dividend and Payout Ratio					
	FY2018	FY2019	FY2020	FY2021	FY2022 (projected)
Payout Ratio	50.5%	54.4%	64.9%	53.8%	52.5%
Dividend	103 yen	106 yen	107 yen	108 yen	109 yen

External Evaluation

We have been selected for inclusion in the FTSE4Good Index Series and the FTSE Blossom Japan Index for four consecutive years since we were first selected in 2019 for these two leading ESG indexes developed by FTSE Russell.



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



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.

Starting to Build an Educational Program for Learning About SDGs through School Desk Renovation

In order to improve the educational environment within a limited budget while taking the global environment into consideration, we have long been proposing the repair of study desktops by overlaying MELATAACK, a HPL with pressure-sensitive adhesive, as a repair method. Since the repair can be done by simply overlaying sheets of about 1 mm instead of replacing the top panel itself, it not only reduces the amount of waste compared to replacing the top panel, but also contributes to fostering an awareness of the importance of taking care of things. Since this activity is packed with various educational elements, including efforts to address the SDGs, we have begun building an educational program utilizing the refurbishment of school desk tops with MELATAACK in collaboration with Sanwa Manufacturing Co., Ltd. which is responsible for the development and distribution of educational materials and teaching tools for schools, and the All Japan School Materials and Teaching Tools Cooperative Association (JKK).

From December 2021 to March 2022, trials of the program were conducted at seven municipal elementary and junior high schools in Kuki City, Saitama Prefecture. In some schools, the graduation project did more than create memories at the end of the school year. It also played an educational role as the culmination of learning as the students went about the work with consideration for their younger schoolmates. Kaoru Yanagida, principal of Kuki Kita Elementary School in Kuki City, described her impressions of the activity: "I am glad that the children were able to create memories this way as events were being canceled due to COVID-19. It was a very enriching learning experience to see the desks being passed down from one grade to the next, so that they could be used with care."

Based on the feedback from the educational field that we obtained through this trial, we will create a program that can operate smoothly while deepening the educational element as we aim to expand the system nationwide.

GOOD DESIGN AWARD 2020



The Virutect series, including MELATAACK Virutect, received the Good Design Award in FY2020 for its ability to reduce the number of specific viruses on products and for its expected long-term effectiveness.

11-Year Financial Summary

AICA Kogyo Co., Ltd. and consolidated subsidiaries

(Accounting FY)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Management Results (million yen)											
Net sales	95,071	101,353	141,096	143,843	150,061	151,633	163,726	191,363	191,501	174,628	214,514
[Net sales by segment] ^{*1}											
Chemical Products	32,569	33,594	69,316	75,081	77,269	74,881	82,911	109,062	103,945	90,446	122,323
Laminates & Building Materials	56,590	62,539	67,016	68,762	72,791	76,752	80,815	82,300	87,555	84,182	92,191
Electronics	5,911	5,219	4,762	—	—	—	—	—	—	—	—
Operating profit	10,564	12,069	14,527	15,181	16,184	18,099	19,092	20,834	20,850	17,991	20,348
Ordinary profit	10,771	12,640	14,748	15,885	16,352	18,374	19,600	21,249	21,333	18,438	21,840
Profit attributable to owners of parent	5,986	7,633	8,221	10,137	9,962	11,064	11,996	13,316	12,732	10,759	13,117
[Profit by segment] ^{*1 *2}											
Chemicals	2,154	2,471	4,258	4,673	5,417	6,223	6,537	7,444	8,123	7,109	7,376
Construction Materials	9,843	11,320	12,160	12,602	12,838	14,488	15,623	16,169	15,874	13,751	16,379
Electronics	581	475	430	—	—	—	—	—	—	—	—
Capital investment	2,004	2,828	3,829	2,960	2,934	3,876	4,522	7,896	8,487	6,113	7,110
Depreciation	2,514	2,216	2,998	3,100	3,491	3,458	3,569	4,173	4,632	5,683	6,411
R&D expenditure	1,878	2,012	2,146	2,356	2,597	2,672	2,856	3,208	3,454	3,327	3,453
Total assets	102,997	119,301	131,812	147,017	153,434	164,634	189,626	191,025	206,439	207,363	240,388
Net assets	76,191	85,006	94,389	107,226	112,501	119,685	132,616	136,116	146,221	150,505	162,734
Interest-bearing debt	747	1,342	2,746	3,376	1,898	2,041	5,152	5,298	7,194	7,671	17,059
Cash and cash equivalents	30,114	18,981	23,772	35,220	37,449	47,622	48,896	45,379	40,644	41,185	44,997
Cash flow from operating activities	8,402	9,479	11,228	13,080	14,612	18,331	16,436	13,275	18,240	19,713	11,685
Cash flow from investing activities	(4,386)	(18,312)	(4,851)	(143)	(7,025)	(3,269)	(7,950)	(8,147)	(16,798)	(9,756)	(8,342)
Cash flow from financial activities	(2,403)	(2,363)	(1,950)	(1,912)	(4,849)	(4,587)	(7,406)	(7,557)	(6,210)	(9,179)	(1,114)
Free cash flow	4,015	(8,833)	6,377	12,936	7,586	15,062	8,485	5,127	1,442	9,957	3,342
Per Share Data											
Earnings per share (yen)	92.78	117.95	126.77	155.99	152.62	169.48	183.76	203.95	195.01	164.79	200.90
Net assets per share (yen)	1,166.27	1,263.11	1,405.27	1,581.17	1,654.14	1,759.91	1,880.13	1,936.87	1,994.03	2,064.24	2,223.98
Dividend per share (yen)	34.00	36.00	38.00	43.00	46.00	85.00	92.00	103.00	106.00	107.00	108.00
Payout ratio (%)	37.1	30.8	30.2	27.6	30.1	50.2	50.1	50.5	54.4	64.9	53.8
Financial Indicators											
Overseas sales ratio (%)	6.6	7.2	29.2	33.3	33.2	30.8	33.4	42.0	40.7	42.7	49.2
Operating profit margin (%)	11.1	11.9	10.3	10.6	10.8	11.9	11.7	10.9	10.9	10.3	9.5
Return on equity (ROE) (%)	8.2	9.7	9.5	10.4	9.4	9.9	10.1	10.7	9.9	8.1	9.4
Return on assets (ROA) (%)	6.1	6.9	6.5	7.3	6.6	7.0	6.8	7.0	6.4	5.2	5.9
Net debt-to-equity ratio (times)	0.010	0.016	0.030	0.033	0.018	0.018	0.042	0.042	0.055	0.057	0.124
Equity ratio (%)	73.2	68.6	69.2	70.2	70.4	69.8	64.7	66.2	63.1	65.0	60.4
Other Indicators											
Japanese naphtha price (yen)	54,500	55,100	65,300	69,700	46,000	32,800	40,500	51,000	42,000	33,000	50,000
Exchange rate (JPY/USD) ^{*3}	79.77	79.93	97.11	106.37	120.99	110.29	112.38	110.56	109.37	106.67	109.84
Number of new housing starts in Japan (10,000 units)	84.1	89.3	98.7	88.0	92.0	97.4	94.6	95.2	88.3	81.2	86.5
Area of non-residential building starts in Japan (1,000 m ²)	47,522	52,031	56,438	52,612	49,988	51,334	53,313	51,016	47,979	44,921	48,055

*1: With the sale of the Electronics Business in FY2014, some sections of the Electronics Business were transferred to the Chemical 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

	Boundary of Calculation	FY2017	FY2018	FY2019	FY2020	FY2021
Energy Use						
Energy inputs (TJ: Terajoules)	AICA Group	2,429	3,029	1,971	1,939 [Ⓐ]	2,088 [*]
	Group in Japan	1,221	1,200	808	758	796
	Group overseas	1,208	1,829	1,163	1,181	1,292
Atmospheric Emissions						
GHG emissions Scope 1 (t-CO ₂)	AICA Group	54,684	69,353	63,933	61,243 [Ⓐ]	65,337 [*]
	Group in Japan	34,718	34,570	32,167	30,608	31,731
	Group overseas	19,966	34,783	31,766	30,635	33,605
GHG emissions Scope 2 (t-CO ₂)	AICA Group	66,466	81,916	85,269	82,394 [Ⓐ]	90,396 [*]
	Group in Japan	29,668	28,562	27,838	23,000	23,558
	Group overseas	36,798	53,354	57,431	59,394	66,838
GHG emissions Scope 3 (t-CO ₂)	Group in Japan				479,442 ¹	510,889
Category 1	Group in Japan				358,145 ^{1*}	391,915 [*]
Category 5	Group in Japan				5,062 ^{1*}	5,725 [*]
Category 12	Group in Japan				75,069 ^{1*}	83,911 [*]
Total of all other categories ²	Refer to calculation criteria				41,166 ¹	29,338
SOx (tonne)	Group in Japan	5.9	5.4	5.3	5.9	6.1
NOx (tonne)	Group in Japan	27.3	25.4	26.9	31.9	27.7
Soot and dust (tonne)	Group in Japan	2.5	3.7	9.4	9.3	1.9
Substances subject to PRTR (VOC atmospheric emissions) (tonne)	Group in Japan	56.6	56.5	52.1	53.6	55.7
Use of Substances						
Substance inputs (tonne)	Group in Japan	257,770	317,041	305,457	247,158	277,979
Raw materials (tonne)	Group in Japan	241,096	279,580	284,565	231,117	261,650
Ancillary materials (tonne)	Group in Japan	575	625	629	538	593
Containers and packaging materials (tonne)	Group in Japan	10,392	31,555	15,147	11,576	11,225
Substances subject to PRTR (tonne)	Group in Japan	(40,115)	(30,274)	(40,582)	(25,458)	(15,023)
Product Shipment						
Product shipment volumes (tonne)	Group in Japan	237,756	255,093	268,552	216,818	241,778
In-house Recycling of Waste						
Heat recovered (thermal recycling) (tonne)	Group in Japan	17,572	16,445	17,203	12,224	13,723
Industrial Waste Emissions						
Industrial waste emission volumes (tonne)	AICA Group	28,591	30,463	42,651	27,298	30,996
	Group in Japan	24,593	26,560	36,040	20,784	23,665
	Group overseas	3,998	3,903	6,611	6,514	7,331
External recycling (tonne)	Group in Japan	22,045	25,836	24,708	19,376 ¹	22,395
Landfill disposal (tonne)	Group in Japan	2,195	589	11,309	1,399 ¹	1,269
Substances subject to PRTR (amount of waste transferred) (tonne)	Group in Japan	11.7	13.1	15.1	12.6	12.9

*: Indicators for which third-party assurance was obtained for the values published in this booklet (AICA Report 2022)

Ⓐ: Indicators for which third-party assurance were obtained in prior years

¹: To improve the accuracy of the figures, the figures in the AICA Report 2021 have been retroactively revised.

²: Please refer to page 53 for details on the Scope 3 breakdown.

	Boundary of Calculation	FY2017	FY2018	FY2019	FY2020	FY2021
Use of Water Resources						
Water withdrawal volume (1,000 m ³)	AICA Group	3,239	3,334	3,763	3,818	4,098
	Group in Japan	2,241	2,291	2,382	2,384	2,478
	Group overseas	998	1,043	1,381	1,434	1,620
Ground water (1,000 m ³)	AICA Group	2,314	2,385 ¹	2,468	2,425	2,586
Industrial water (1,000 m ³)	AICA Group	582	143 ¹	172	1,106 ¹	1,206
Municipal water supply (1,000 m ³)	AICA Group	343	806	1,123	287 ¹	306
Released into Waterways						
Total wastewater discharged (1,000 m ³)	Group in Japan	—	—	—	1,908	1,981
COD (tonne)	Group in Japan	39.5	22.3	11.8	31.2	3.3
Nitrogen (tonne)	Group in Japan	10.2	15.8	5.6	11.7	1.2
Phosphorous (tonne)	Group in Japan	3.9	3.3	6.9	6.1	0.5
Substances subject to PRTR (tonne)	Group in Japan	0.4	0.5	0.6	0.5	0.5

Boundary and Criteria for Calculation of Environmental Indicators

• Target boundary

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

Group in Japan: All production sites of AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., and AICA TECH KENZAI CO., LTD.

Group overseas: All production sites of PT. AICA Indonesia, PT. Techno Wood Indonesia, Aica Laminates India Pvt. Ltd., Aica Laminates Vietnam Co., Ltd., AICA Asia Pacific Holdings Group, Evermore Chemical Industry Group, and Wilsonart companies

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

• Energy use

Energy input is calculated by multiplying the amount of fuel used by the calorific value of each fuel. (For unit calorific values, we used the Ministry of the Environment's Calculation Methods and List of Factors for Calculation, Reporting, and Publication Programs.) Electricity was calculated as 1 kWh = 3.6 MJ, and steam was calculated by converting the amount of energy due to steam quality according to the purchased quantity.

• Greenhouse gas emissions

– For Scope 1 and 2 calculations, we calculated the energy-derived CO₂ emission/non-energy-derived GHG emission volumes based on the Ministry of the Environment/Ministry of Economy, Trade and Industry's Greenhouse Gas Emissions Calculation and Reporting Manual (Ver.4.8). For electric power emissions factors, we used the adjusted emission factors for general transmission and distribution companies from the List of Emissions Factors by Power Supplier (For 2022 Submission) (Ministry of the Environment/Ministry of Economy, Trade and Industry) for Japanese sites. For overseas sites, we used finalized values from the International Energy Agency's (IEA) Emissions Factors (2021).

– Scope 3 calculations were made in line with the Basic Guidelines for Calculation of Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.4) published by the Ministry of the Environment. The details of calculation methods for each category are as described below. Emissions factors are taken from these Guidelines unless otherwise stated in the following.

Category 1:	Target boundary: Group in Japan Weight or value of raw materials, products, etc. purchased in the reporting year multiplied by the emissions factor. For emissions intensity, we used either (1) the LCI Database IEDA version 2.3 (National Institute of Advanced Industrial Science and Technology [AIST], Safety Science Research Division Research Group for Society and LCA, and the Sustainable Management Promotion Organization [SuMPO]) or (2) Emissions Intensity Database for Calculation of Organizations' Greenhouse Gas Emissions, etc. Throughout the Supply Chain (Ver. 3.2) (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 encompass 90% of total purchased raw materials in weight or value base are included in the calculation, although items with minute purchase volumes are excluded.	Category 7:	Target boundary: AICA Kogyo Co., Ltd. non-consolidated Commuting subsidy expenses during the reporting year, multiplied by the emissions factor.
Category 2:	Target boundary: AICA Kogyo Co., Ltd. non-consolidated Amount of capital investment in the reporting year multiplied by the emissions factor.	Category 8:	Lease assets are minor and have been excluded from calculations.
Category 3:	Target boundary: Group in Japan Power and fuel volumes purchased during the reporting year, multiplied by the emissions factor. (For fuels, emission factors at the time of the study were used from the LCI database IEDA version 2.3, in accordance with the guidelines.)	Category 9:	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 4:	Target boundary: AICA Kogyo Co., Ltd. non-consolidated Calculated based on tonne-km of logistics (transportation, cargo handling, and storage) for the reporting year in which AICA Kogyo Co., Ltd. was the shipper	Category 10:	Identified as relevant, but emissions have not been calculated due to the difficulties of calculating emissions for the individual processes of our many and diverse products.
Category 5:	Target boundary: Group in Japan Industrial waste emission volumes during the reporting year, multiplied by the emissions factor.	Category 11:	No GHGs are emitted in the use of our products.
Category 6:	Target boundary: AICA Kogyo Co., Ltd. non-consolidated Travel expenses during the reporting year, multiplied by the emissions factor.	Category 12:	Target boundary: Group in Japan Calculated by multiplying weight of products sold during the reporting year by the emissions factor allocated for each product category. For some products that include volatile substances, product weight excluding the weight of those volatile substances was substituted for calculation purposes.
		Category 13:	Power use accompanying use of leased buildings during the reporting year, multiplied by emissions factor.
		Category 14:	No applicable business operations.
		Category 15:	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 and Labor)

	Scope of Calculation	FY2017	FY2018	FY2019	FY2020	FY2021
Employment (as of end of fiscal year unless otherwise indicated)						
Employees [Consolidated] ¹	AICA Group	3,850	3,920	4,781	4,796	4,949
Employees [Non-consolidated] ¹	AICA Kogyo Co., Ltd.	1,175	1,194	1,239	1,228	1,211
Male	AICA Kogyo Co., Ltd.	993	991	1,026	1,011	1,002
Female	AICA Kogyo Co., Ltd.	182	203	213	217	209
Number of non-regular employees	AICA Kogyo Co., Ltd.	166	234	248	239	243
Percentage of non-regular employees	AICA Kogyo Co., Ltd.	12.3%	16.3%	16.6%	16.2%	16.7%
Number of new-graduate recruits ²	AICA Kogyo Co., Ltd.	54	61 ⁹	36	21	31
Male	AICA Kogyo Co., Ltd.	38	49 ⁹	28	18	23
Female	AICA Kogyo Co., Ltd.	16	12	8	3	8
Newly engaged employees under the re-employment scheme	AICA Kogyo Co., Ltd.	18	27	14	15	21
Number of employees with disabilities	AICA Group	23	24	28	31	28
	AICA Kogyo Co., Ltd.	21	22	24	26	25
Percentage of employees with disabilities ³	AICA Group	0.6%	0.6%	0.6%	0.6%	0.6%
Statutory employment rate of people with disabilities ⁴	AICA Kogyo Co., Ltd.	2.26%	2.26%	2.35%	2.66%	2.47%
Years of Service (as of end of fiscal year unless otherwise indicated)						
Average years of service ⁵	AICA Kogyo Co., Ltd.	15.5	15.4	15.5	16.1	16.5
Male	AICA Kogyo Co., Ltd.	16.0	16.0	16.1	16.6	16.8
Female	AICA Kogyo Co., Ltd.	12.8	12.5	12.8	13.7	14.6
Staff turnover rate ⁶	AICA Kogyo Co., Ltd.	2.26% ⁹	3.39% ⁹	2.91% ⁹	2.44% ⁹	2.56%
Staff turnover rate after 3 years ⁷	AICA Kogyo Co., Ltd.	8.7% ⁹	16.1%	16.1%	17.5%	8.8%
Union Membership (as of end of fiscal year)						
Rate of union membership	AICA Kogyo Co., Ltd.	80.5%	80.4%	80.9%	80.7%	79.9%
Paid Leave Utilization⁸						
Average days taken	AICA Kogyo Co., Ltd.	10.3 days	11.3 days	12.1 days	10.3 days	11.8 days
Average rate of leave taken	AICA Kogyo Co., Ltd.	56.0%	61.7%	66.7%	55.9%	63.6%
State of Industrial Accidents						
Fatal accidents	Group companies in Japan	0	0	0	0	0
Lost-time accidents	Group companies in Japan	7	6	7	6	5
Of which, those involving people other than full-time employees	Group companies in Japan	3	6	4	4	2
Non-lost-time accidents	Group companies in Japan	10	12	13	6	12
Of which, those involving people other than full-time employees	Group companies in Japan	4	7	6	1	4

*1 Excludes temporary workers (non-regular employees).

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

*3 Obtained by dividing the number of employees with disabilities by the total number of employees. This differs from the calculation method for the statutory employment rate.

*4 Calculated according to the method for the statutory employment rate.

*5 Figures are for permanent employees.

*6 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.

*7 Calculated for graduates of university and graduate school.

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

*9: To improve the accuracy of the figures, the figures in the AICA Report 2021 have been retroactively revised.

Third-Party Assurance

Independent Assurance Report

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

We were engaged by Aica Kogyo Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with * (the "Indicators") for the period from April 1, 2021 to March 31, 2022 and for the period from April 1, 2020 to March 31, 2021 included in its AICA Report 2022 (the "Report") for the fiscal year ended March 31, 2022.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report which are derived from the GRI Standards, the Environmental Reporting Guidelines of Japan's Ministry of the Environment and ISO26000.

Our Responsibility

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

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of two of the Company's factories selected on the basis of a risk analysis, as alternative procedures to site visits.
- Evaluating the overall presentation of the Indicators.

Conclusion

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

Our Independence and Quality Control

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

Shinnosuke Kayumi

Shinnosuke Kayumi, Director
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
December 14, 2022

AICA Group Network

(As of end-Aug. 2022)

