

The background of the cover features a series of overlapping, curved lines in various shades of blue and green, creating a sense of motion and depth. The lines are thicker and more vibrant in the lower-left quadrant, fading into a lighter, more ethereal blue as they curve towards the upper-right. The overall aesthetic is clean, modern, and professional.

AICA

AICA Group CSR Report **2018**

Company
principle

Challenge and Creation

Management
philosophy

Through a philosophy of symbiosis, the AICA Group will create new value and contribute to society through endless innovation.

Operating
Policy

1. **Chemistry and design**

We will create unique products through the power of chemistry and design, and contribute to the realization of a prosperous society.

2. **Group synergy**

We will pursue technology/material cooperation, channel utilization, and create group synergy.

3. **No.1**

We will expand the top-share products we have in our business fields and regions.

4. **Global**

We will improve on our production/sales bases and human resources overseas, and aim for sustainable growth in the global market.

5. **Human resources and organizations**

We will treat human resources as the most important management resource, and create vibrant human resources and organizations through mutual understanding and growth.

6. **Compliance management**

We will observe laws and regulations and the social order, and implement fair and transparent compliance management.

7. **Commitment to safety and security**

We place importance on communication with stakeholders, and promote “environmentally-friendly business activities.” and “securing quality that can be trusted”

Contents

AICA Group

Financial highlights	3
Non-financial highlights	4
Corporate history and changes in business fields	5
A message from the President	7
Two businesses that support AICA	11
Three driving forces for growth	15

A base to support AICA

Business infrastructure	23
Human resources	28
Environment	33
Relations with stakeholders	41

Third party opinions

Company Overview (As of end of March, 2018)

Company name	AICA Kogyo Co., Ltd.
Head office location	JP Tower Nagoya, 26F, 1-1-1 Meieki, Nakamura-Ku, Nagoya, Aichi, 450-6326, Japan
Founded	October 20, 1936
Representative	Yuji Ono, Representative Director & President
Number of employees	[Consolidated] 3,850 [Non-consolidated] 1,175
Business bases	[Production bases (consolidated)] 13 locations in Japan, 28 locations overseas [Development bases (non-consolidated)] 5 locations in Japan [Sales bases (non-consolidated)] 26 locations in Japan

Editorial policy

This report has been created to explain to stakeholders (customers, shareholders, business partners, local communities, and employees) about the AICA Group's corporate activities regarding CSR, in an easy-to-understand way using graphs and pictures.

Scope

This report summarizes the activities of AICA Kogyo Co., Ltd. and all group companies in FY2017 (April 1, 2017 to March 31, 2018), and also includes some activities from FY2018. The scope is given individually for each part of the report.

Reference guidelines

- Sustainable Development Goals (SDGs)
- ISO 26000
- Ministry of Environment "Environmental Reporting Guidelines (Fiscal Year 2012 Version)"
"The Guide for Reporting Contents and Miscellaneous Matters to be Disclosed in an Environmental Report"
- GRI G4*
*GRI Sustainability Reporting Guidelines, Ver. 4, issued by the GRI (Global Reporting Initiative), an international NGO

Contact for inquiries about this report

- Management Planning Department TEL 052-533-3136
- Safety Environment Department TEL 052-433-5941
- This report is also available on our web site.
<http://www.aica.co.jp/company/environ/report/>

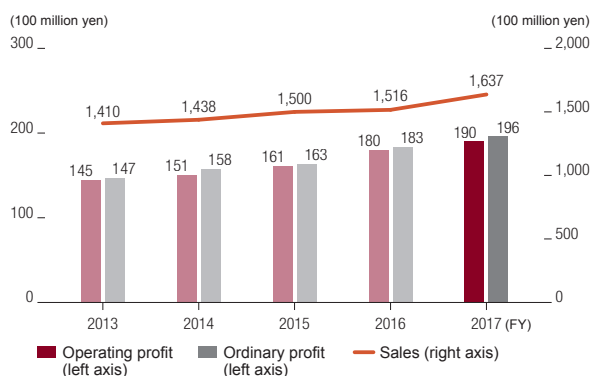


UN Global Compact

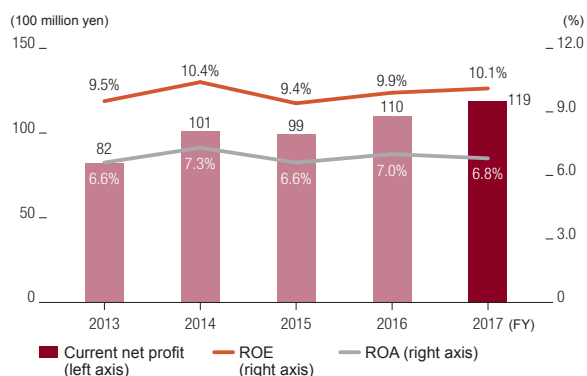
As a corporation expanding business globally, AICA Group has signed an agreement for the UN Global Compact in September 2018, which upholds a principle-based approach with regard to human rights, labor, the environment, and anti-corruption in order to promote and put into practice a high-quality CSR management.

Financial highlights

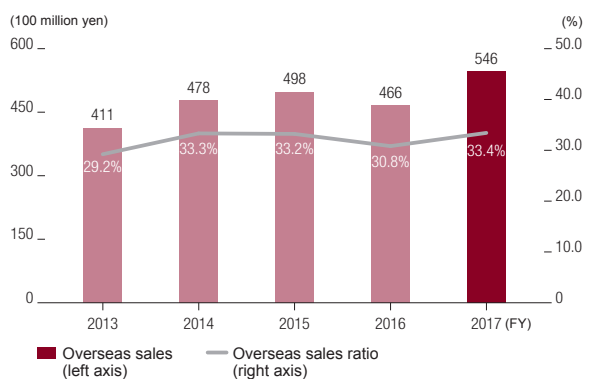
Sales/operating profit/ordinary profit



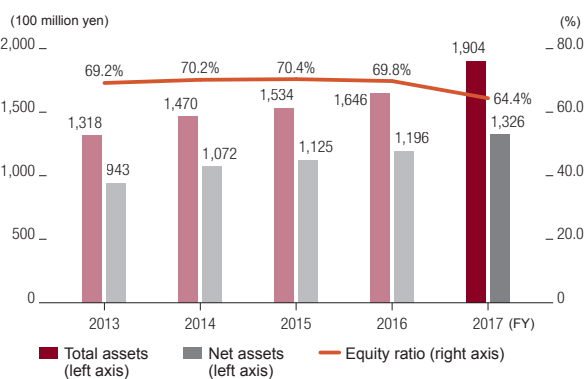
Net income attributable to parent company shareholders/ROE/ROA



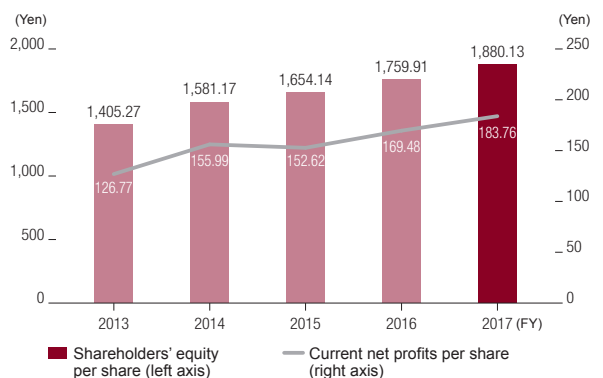
Overseas sales/overseas sales ratio



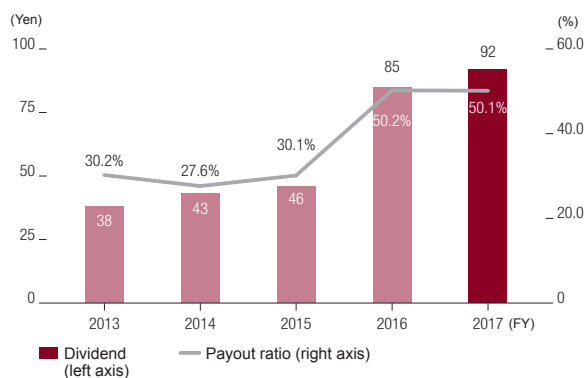
Total assets/net assets/equity ratio



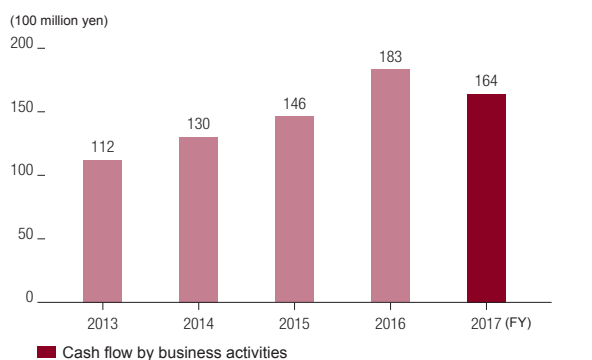
Current net profits per share/shareholders' equity per share



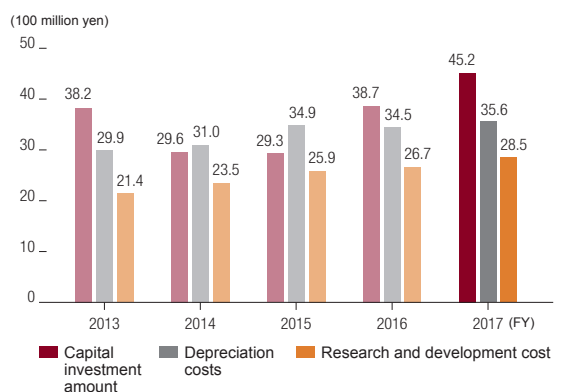
Dividend/payout ratio



Cash flow by business activities

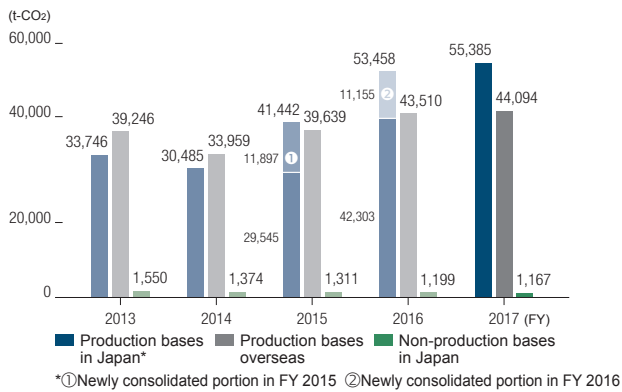


Capital investment amount/depreciation costs/research and development cost

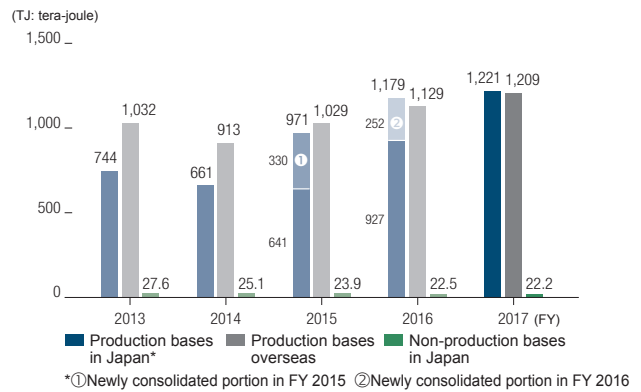


Non-financial highlights

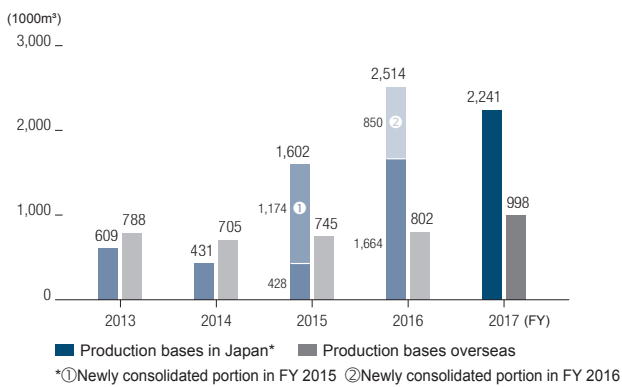
● Transitions in greenhouse gas emissions



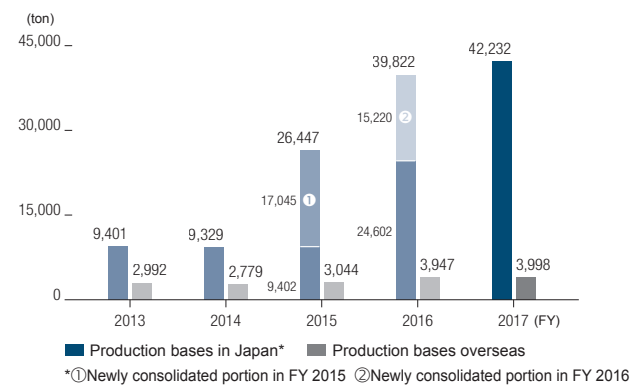
● Transitions in energy input



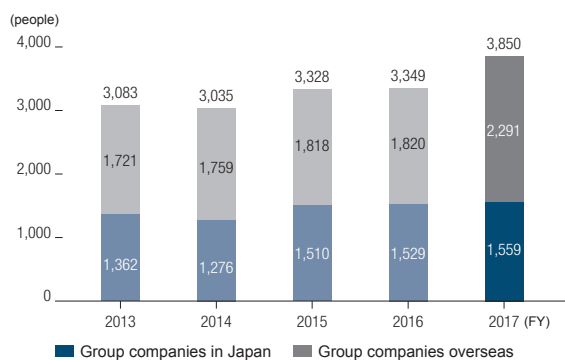
● Transitions in water use



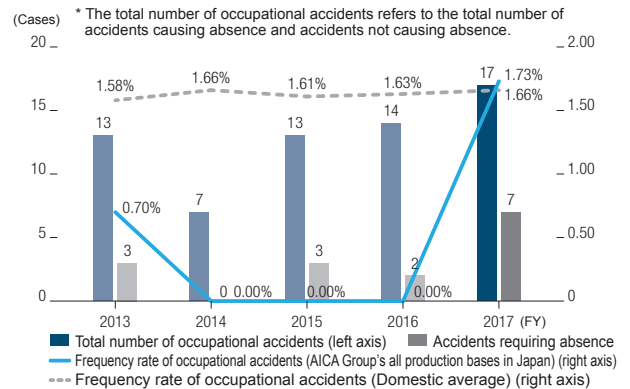
● Transitions in the amount of industrial waste



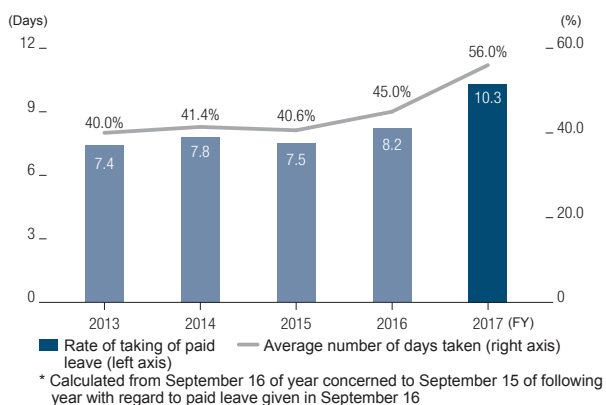
● Number of employees (in Japan/overseas)



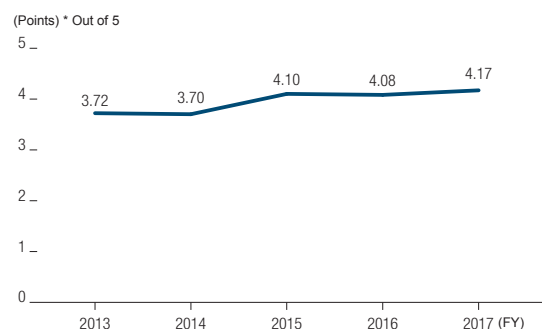
● Number of occupational accidents/frequency rate of occupational accidents



● Rate of taking of paid leave/average number of days taken*



● Customer satisfaction level See p.42 for details




AICA Group: Corporate history and changes in business fields

1 1936~1945 Foundation

Chemicals division of Aichi Tokei Denki Co., Ltd. spun off to create "Aichi Kagaku Kogyo" in October 1936. We aimed for mass production of chemicals and related products during wartime.

- ◆ Released Japan's first urea formaldehyde resin adhesive, "AICHI-MUTEKI-NORI".

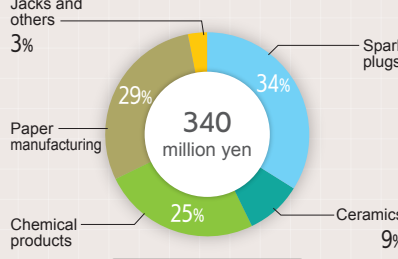


Obtained a patent for a urea formaldehyde resin adhesive "bonding agent"

2 1946~1954 Conversion

We aimed to transition from munitioning over to private demand in order to achieve post-war reconstruction. We entered paper manufacturing business and ceramics businesses

- ◆ Release of melamine formaldehyde resin baking paints

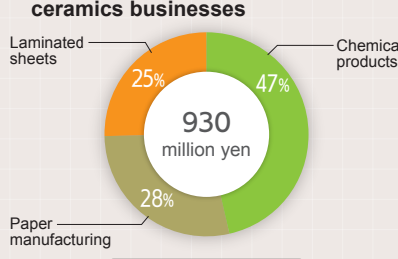


Sales in November 1954 term

3 1955~1964 Growth

We established business foundations in the background of a strong economy. We entered high pressure laminate (HPL) business and took great leap forward to become a comprehensive adhesive manufacturer.

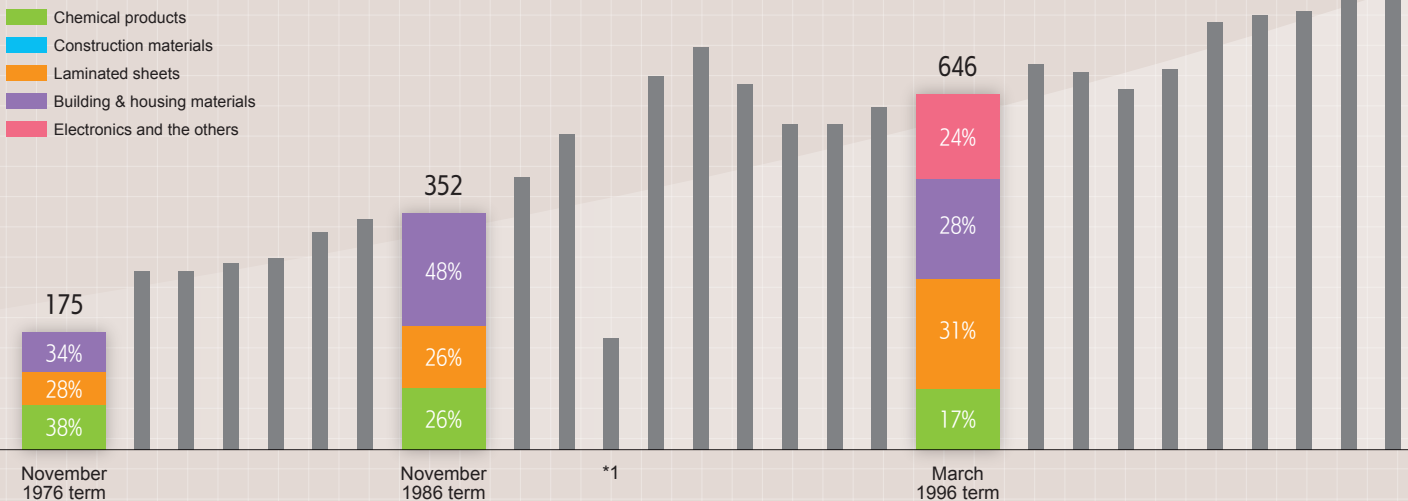
- ◆ Release of HPL "AICA"
- ◆ Withdrew from the spark plug and ceramics businesses



Sales in November 1961 term

We have adjusted to times and flexibly rearranged portfolios, centering our focus on resin synthesis technology which has been cultivated since the beginning of our foundation. The spirit of challenge and creation including approaching new business and making use of synergy has been passed down to each generation.

Transitions in sales (100 million yen)



5 1975~1984 Changes

We laid out the slogan "challenge and creation" (a current company principle) together with a new management plan, and worked towards strengthening management structure.

- ◆ Wall coating materials, "JOLYPATE" released
- ◆ HPL, "AICA Color System 105" released

6 1985~1994 Development

We were listed on the First Section of the Tokyo and Nagoya Stock Exchanges. We promoted the diversification of business such as advances to multi-layer printed wiring board business.

- ◆ We have the top-share of HPL in Japan
- ◆ Noncombustible decorative panels, "CERARL" released

7 1995~2004 Harmonization

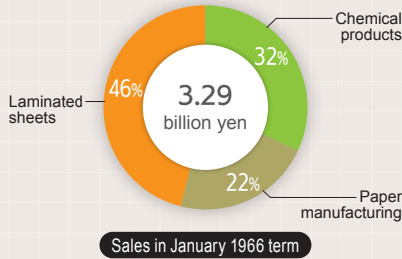
We deployed our QEO management system as "a trinity of activities". We promoted environmental management by means of strengthening group collaboration.

- ◆ "CERARL" was a big hit as a kitchen panel
- ◆ "Environmental Report" first published

4 1965~1974 Expansion

Whilst bearing the brand name of "Aica", we changed our company name to "Aica Kogyo Co., Ltd.™". We expanded the business contents by means of new products/new technologies.

- ◆ Postform and wood doors released
- ◆ First production base overseas established
- ◆ Withdrew from the paper manufacturing business



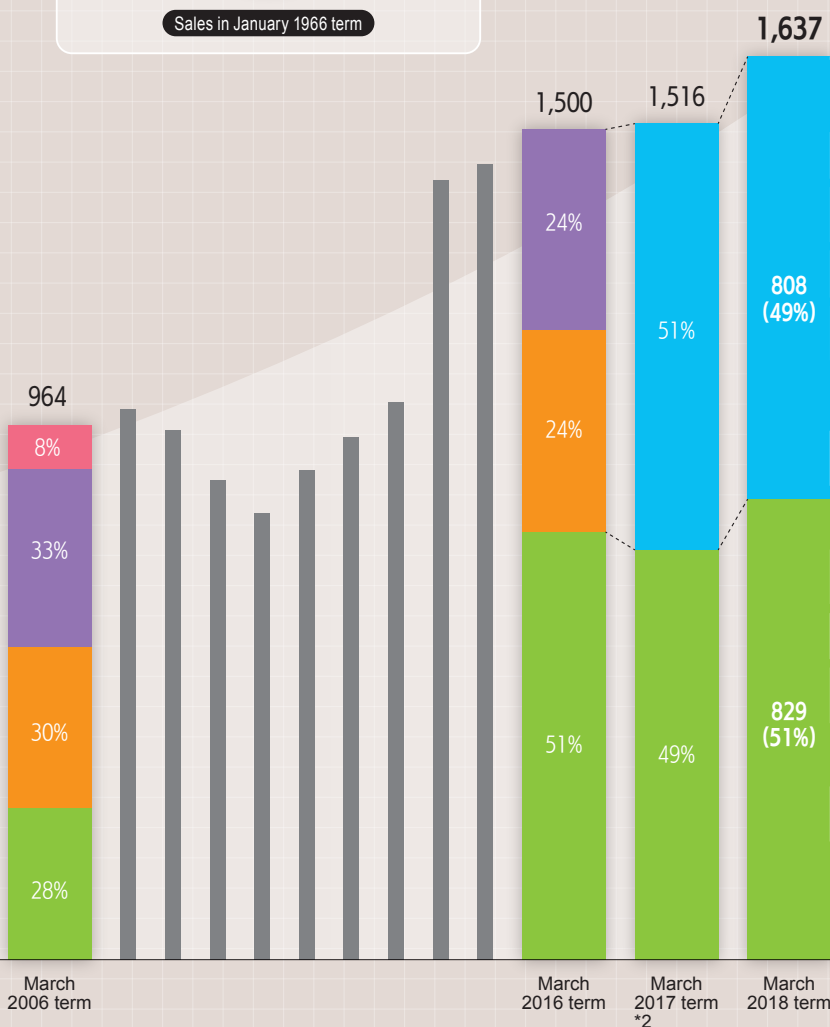
Construction materials business

High pressure laminate (HPL) released in 1960 made use of resin synthesis technologies which had been developed in the chemical products business. We aimed to stand out in terms in functionality and design, and a result, have the top share in Japan. We developed a line up of HPL and peripheral products, which gave color to a variety of spaces including residential facilities and non-residential facilities. [P.13](#)

We develop a multitude of products that make use of our core technology: Resin synthesis

Chemical products business

Since the development of the first urea formaldehyde resin adhesives in Japan, AICA's chemical product business has been leading with its polymer chemical technology. We are playing an active role in a wide variety of fields from woodwork/furniture, buildings to automobiles, electronic material, and cosmetics. We will continue to take on challenges in new fields by means of active chemical technology development. [P.11](#)



8 2005~ Coexistence

We strengthened active expansion overseas and activities for new businesses. In addition to environmental management, we focus on CSR activities.

- ◆ Printed wiring board business has been transferred
- ◆ Inherited the Asia Pacific Department from Dynea Chemicals and strengthened bases in Asia

*1. Along with a change of the account closing month, the accounting period for the March 1989 term is 4 months.

*2. We have merged the laminated sheets business and the building & housing materials business into the construction materials business since the March 2017 term.

Message from the President



We aim to be “a company that sustainably develops” by strengthening ESG activities

► Market environment and consolidated performance in March 2018 term

We have achieved increasing profits in consolidated operating income and consolidated ordinary profit for 9 terms consecutively.

AICA Group is promoting various measures for sustainable development, using all of our group's resources. For example, expansion of the product line “AS products” which contributes to the solution of social issues, developing and investing in focused-on fields that will carry the next generation on their shoulders. This includes also the sales expansion of adhesives and High Pressure Laminate(HPL) in Asia and Oceania regions, etc. on the basis of policies in the middle-term business plan “C&C 2000” from April 2017 to March 2021.

With regards to the consolidated performance in March 2018, sales increased to 163.7 billion yen (8.0% increase compared to the previous year), operating profit increased to 19.0 billion yen (5.5% increase compared to the previous year), ordinary profit increased to 19.6 billion yen (6.7% increase compared to the previous year), and net income attributable to parent company shareholders increased to 11.9 billion yen (8.4% increase compared to the previous year). Sales have been increasing for 8 consecutive terms, operating profit and ordinary profit have been increasing

for 9 consecutive terms, and net income attributable to parent company shareholders has been increasing for 2 consecutive terms.

In the construction field of the housing-related business in Japan, housing numbers started to decrease due to oversupply of rental houses etc. As a result, we were met with some notable challenges. On the other hand, in non-residential related business, vigorous capital investments from companies and inbound effects increased demand in new construction and repairs of plants, warehouses, hotels, etc. As a result, restoration of construction areas and the proactive introduction of new products was successful, which have in turn increased sales.

In the non-construction field, the Speciality & performance materials field of the chemical products business performed strongly, mainly in polymer beads.

In overseas business, we have incorporated the demand for adhesives and industrial resins in Asia, centered on AICA Asia Pacific Holding Group and have remained strong. We were also able to steadily increase sales in HPL in Southeast Asia.

Looking back, we think that this was a year we could maintain a base for achievement of the middle-term business plan “C&C 2000” by taking management measures that flexibly responded to changes in the market environment.

► The status of progress of the middle-term business plan and issues clarified

Developing and investing in focused-on fields that will carry the next generation on their shoulders and the promotion of activities related to reinforcing business infrastructure are future issues

AICA established the “AICA 10-year Vision” **P.9** as a goal for our 90th anniversary year (March 2027 term). The middle-term business plan “C&C 2000” summarizes the goals and basic management strategies to be achieved for the first four years.

Under the banner of our basic policies—pursuing and realizing three driving forces for growth, and reinforcing the business structure to support growth, we have set numerical goals for the year ending in March 2021. We aim to achieve 200.0 billion yen in consolidated sales, 22.0 billion yen in consolidated ordinary profit, 10% or more in ROE, and 35% or more in overseas sales ratio.

The result as of the end of March 2018 is shown in the table below. The targets were achieved both with consolidated sales and consolidated ordinary profit, and gave momentum to achieve the final target of the middle-term business plan.

► Middle-term management strategy

We shall implement efficient strategies and measures for a variety of aspects in business activities

It seems that a more hostile environment will come about such as a sudden rise in crude oil/naphtha price and logistic costs, a decrease in housing numbers with the accompanying population reduction, a demise of the Tokyo Olympics related economy boom, etc. when we look at the management environment by the March 2021 term. In order to respond to these changes of market environment and to achieve a variety of goals specified on the middle-term business plan, AICA Group will take measures as follows and pursue sustainable growth and maximization of corporate value.

For sales strategies, we shall focus on development of new markets/applications and expansion of sales areas.



Middle-term business plan (March 2018 term to March 2021 term)

Financial targets					
Item	March 2017 term (actual)	March 2021 term (plan)			
Consolidated sales	151.6 billion yen	200.0 billion yen			
Consolidated ordinary profit	18.3 billion yen	22.0 billion yen			
ROE	9.9%	10% or more			
Overseas sales ratio	30.8%	35% or more			
Basic policy					
1	Pursuing and achieving three driving forces for growth ❶ Sustaining growth of domestic core business through the enhancement of AS products* P.15-16 ❷ Developing and investing in focused-on fields that will carry the next generation on their shoulders P.17 (fields not related to construction, fields concerned with construction materials that have not yet been developed) ❸ Overseas deployment of Japanese technologies P.18		2	Reinforcing the business structure to support growth P.19 ❶ Growth of individuals through C&C activities* ❷ Improvement of CS and ES** by means of QEO management* ³ and IT foundation renewal ❸ Observing compliance	
Business performance					
Item	March 2017 term (actual)	March 2018 term (actual)	March 2019 term (plan)	March 2021 term (plan) ^{*5}	
Sales (100 million yen)	1,516	1,637	1,850	2,000	
Ordinary profit (100 million yen)	183	196	210	220	
ROE	9.9%	10.1%	10.6%	10.0%	
Investments				Total	
Capital investment (100 million yen)	38.7	45.2	80	220	
Business investment (100 million yen)	0	50.6	Undecided	180	
Research and development cost (100 million yen)	26.7	28.5	32.2	140	
Investments in human resources	Active recruitment/development of global human resources, work style reforms Professional human resources development/diversity promotion				

*1 AS products: Abbreviation for AICA Solution products. Products that solve a variety of social issues

*2 C&C activities: Small group activities for conducting management and improvement of quality with regard to products, services, work, etc. under the spirit of challenge and creation. They have been conducted since around 1970

*3 QEO management: A management system based on a trinity of Quality, Environment and Occupation health and safety

*4 CS and ES: CS refers to customer satisfaction and ES refers to employee satisfaction

*5 A goal which was set when the middle-term business plan was developed.

For purchasing strategies, we will integrate a purchasing function separated for each company into a newly established "Purchasing Department" to achieve highly efficient purchasing through centralized management of information and effective use of human resources. For human resources strategies, we will actively employ professionals. At the same time, we will strive to enrich the training and development programs in order to actively support the self-improvement of employees. For production strategies, we will introduce management resources to optimize production for all group companies. In addition, we will improve productivity by automation.

For M&A and capital alliance, we will consider acquisition and partnership where synergy creation can be expected in existing business areas and the surrounding fields. We

acquired Evermore Chemical Industry Group (EMC Group) in Taiwan in January 2018. As a result, we came to be able to engage in a full line of production using raw materials such as UV monomer and polyol to polymer synthesis as an AICA Group. From now on, we will expand sales channels for EMC Group's products and maximize the synergistic effect achieved through cooperation with each AICA Group company, by making use of sales networks and production bases of AICA Asia Pacific Holding Group. For our investment plan, we will continue investments which lead to business expansion such as an increase in production capacity, M&A, and research and development. The total amount of investments for 4 years is planned to be 54.0 billion yen.

Summary of Aica's 10 years vision



► Ways of thinking toward CSR and activity policies

We actively promote the Virtuous Cycle Model which helps us pursue both economic value and social value.

In September 2015, sustainable development goals (SDGs) were adopted in the UN Summit followed by the Paris Agreement in November 2016—an international framework dealing with issues of climate change starting in the year 2020—came into effect. Not only global trends, but also from dialog with stakeholders, we feel that there is a strong need for a sincere response to the environment, poverty, hunger, human rights, and governance from a global perspective. At the same time, there is also a strong demand for the business management that is compatible with non-financial goals (social values) and financial goals (economic value).

Given such trend, the AICA Group is enhancing its initiatives for E: Environment, S: Society, and G: Governance as CSR (Corporate Social Responsibility).

For example, we suggest and provide solutions to a variety of social problems by making use of the strengths of the AICA Group, and promote the Virtuous Cycle Model

which is linked to the improvement of business performance.

We focus on development and sales expansion of AS products (P.15) which make use of our technological strengths for issues like the deterioration of buildings and infrastructures, depletion of natural resources, and labor shortage. We will encourage activities by committees, and stimulate the evolution of the QEO management system. These measures will help reinforce business infrastructure in order to promote and accelerate the Virtuous Cycle Model. P.19

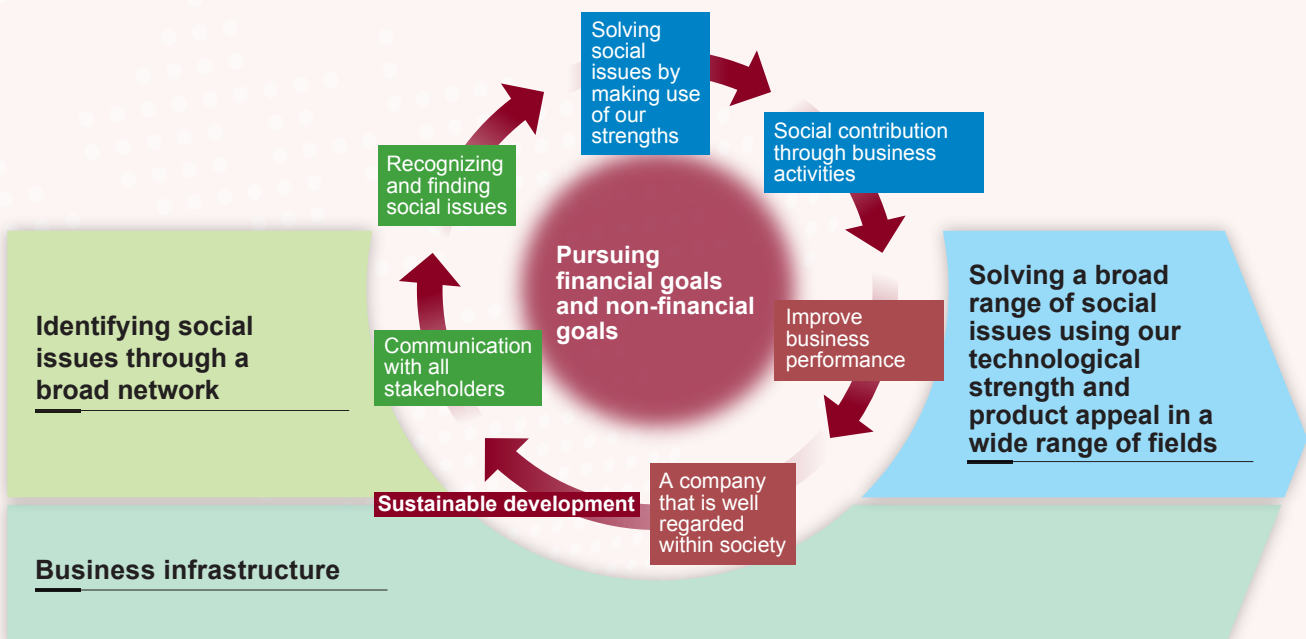
We recognize that, for the AICA Group, which is developing, producing, and selling its products all over the world, it is essential to fulfill the CSR in order for us to survive as a company, and is also a mission to fulfill for the society. We shall strive for a business entity that develops in a sustainable way, which is trusted and needed by stakeholders through steady profit growth—a financial goal, and initiatives for ESG—a non-financial goal.

We thank you for your understanding and encouragement for the management and business activities in AICA Group.

Representative Director & President

小野勇治

AICA's Virtuous Cycle Model

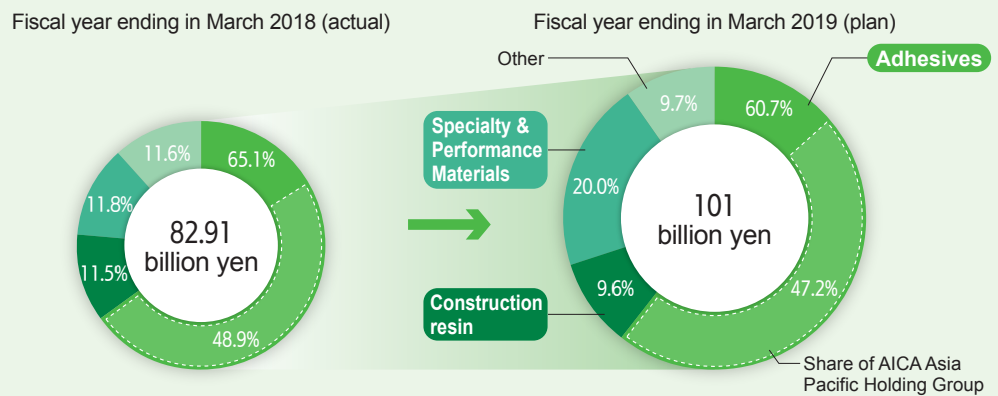


AICA Group: Two enterprises that support AICA

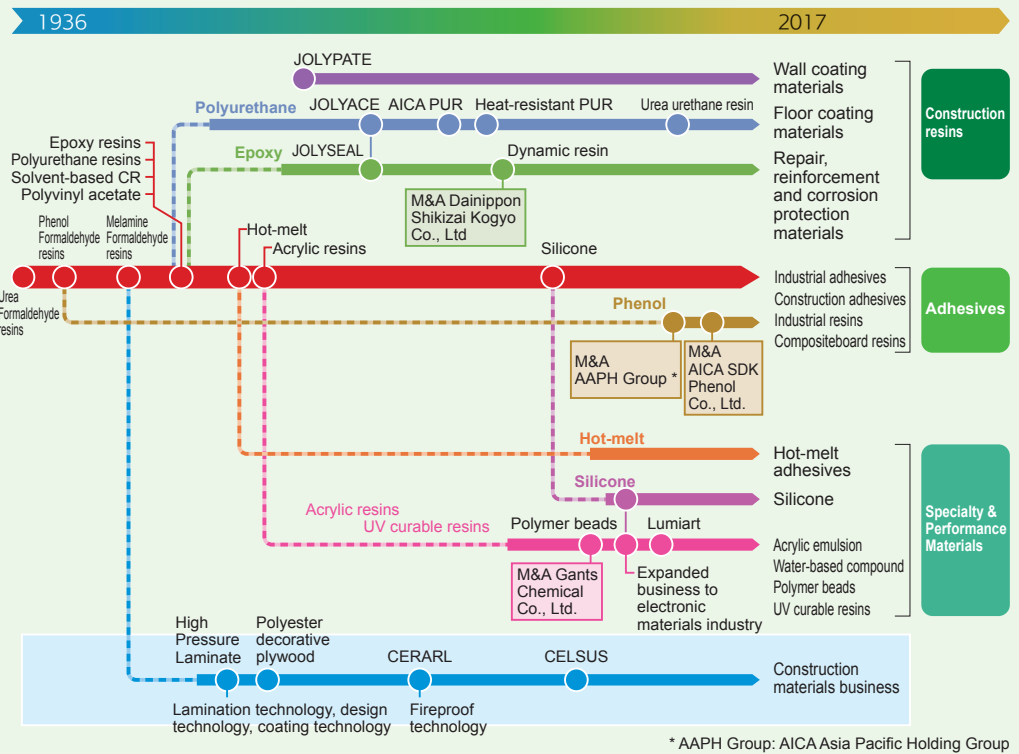
Chemical products business

Since the development of the first urea formaldehyde resin adhesives in Japan, AICA's chemical product enterprise has been leading with its polymer chemical technology. We are playing an active role in a wide variety of fields from woodwork/furniture, buildings to automobiles, electronic materials, and cosmetics. We will continue to venture into new fields through proactive development of chemical technologies.

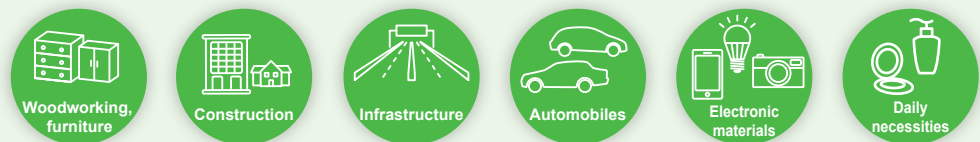
Sales composition and target



Business Fields



Market



Major Products

Adhesives



● Industrial adhesives

Industrial adhesives are used in production lines of manufacturers for plywood, laminated wood, furniture, construction materials, automobiles, electronic products, etc.

● Construction adhesives

Construction adhesives are for distributor markets, and mainly include products used at construction sites.



● Industrial resins

Industrial resin is used as a raw material for industrial products such as abrasives, casting dies, and adhesives.



● Composite board resins

Resin for fiberboards is used for joining wood particles or fibrous wood in order to mold them into MDF and particleboards.

Construction resin

● Wall coating materials

JOLYPATE



Being applied manually by craftsmen, Jolypate can be used to create a variety of expressions as finishing materials. Since their debut in 1975, the color variation, design, and function have been improved continuously. Yet, they are still being developed and improved to meet the market needs.

● Floor coating materials

Jolyace/Aica pur



These are used to protect concrete floors. Other functions can be added as necessary, including heat resistance, chemical resistance, and anti-static properties. They are used in a variety of facilities such as factories, logistics facilities, and kitchens.

● Repair, reinforcement and corrosion protection materials

DYNAMIC RESIN/Jolyseal

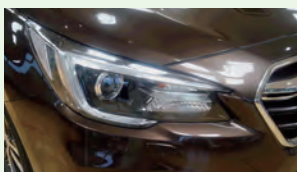


These are made of resin and used for repairing or reinforcing concrete buildings. In recent years, repairing roads and bridges has been regarded as one of the most important issues. For such repairs, we offer products and repair methods which are suitable for each deterioration level.

Specialty & Performance Materials

● Hotmelt adhesives

AICA MELT



AICA Melt is one types of hot melt adhesives which are solvent-free glue liquefying when heated and solidifying when cooled. They have excellent waterproof properties but not all hot-melt adhesive. This type of adhesives is used for automobile headlights and solar panels.

● UV curable resin, silicone

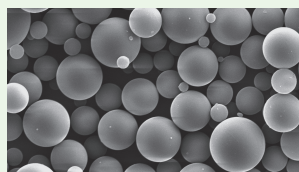
AICAITRON, Lumiart



We have a wide range of product lines including high-function films for displays, UV curable coatings for optical films, and pressure-sensitive adhesives. These products are widely used in a variety of industries, from electronic devices to industrial products. Silicones can be used for a wide range of products such as electronic and construction materials.

● Polymer beads

GANZPEARL



Organic particles are used in a variety of products, such as cosmetic ingredients and light diffusion agents. In the cosmetic market, GANZPEARL has a distinguished reputation for making skin look clear, and boasts a large market share.

● Acrylic emulsion, water-based compound

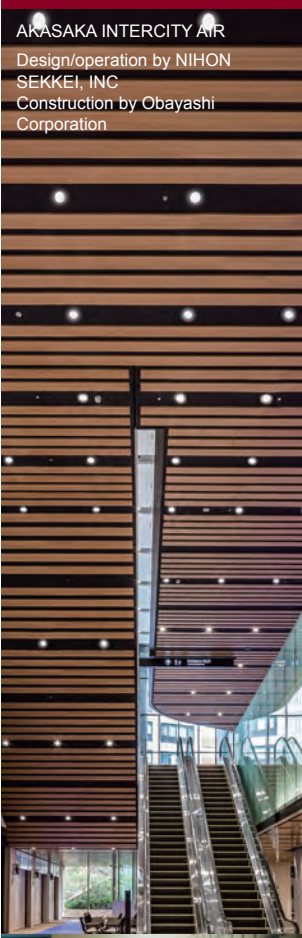
Ultrasol, CROSSLEN



They are synthetic resin mainly composed of acrylic resin and other components. They are used for painting, fiber, paper, daily necessities, building materials, and automobiles. Making use of our resin synthesis technology, we can add functions to meet the customer's needs.

AICA Group: Two enterprises that support AICA

AKASAKA INTERCITY AIR
 Design/operation by NIHON
 SEKKEI, INC
 Construction by Obayashi
 Corporation

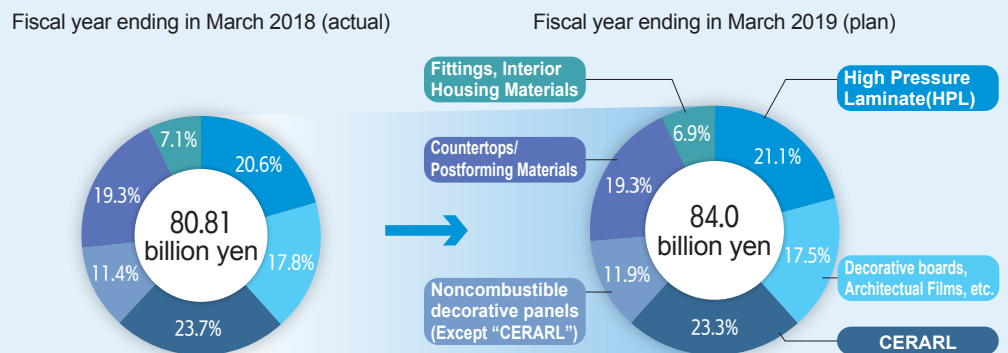


CUCINA Nagoya
 Mohly Shop Co., Ltd.

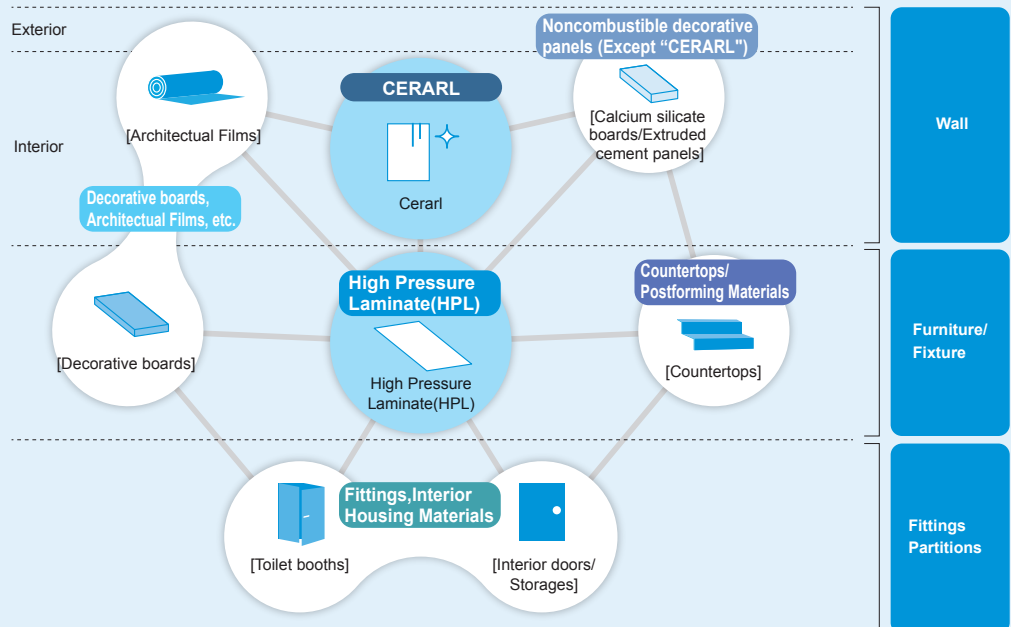
Construction materials business

High pressure laminate (HPL) released in 1960 made use of resin synthesis technologies which had been developed in the chemical products business. We aimed to stand out in terms in functionality and design, and a result, have the top share in Japan. We developed a line up of HPL and peripheral products, which gave color to a variety of spaces including residential facilities and non-residential facilities.

Sales composition and target



Business Fields



Market



Major Products

High Pressure Laminate(HPL)

●High Pressure Laminate(HPL)

CELSUS/FLARETECT



HPL are a durable material used as surface materials for tables and furniture. We have a wide variety of colors and patterns to choose from, our products are used in offices, commercial facilities, hospitals, and hotels.

CERARL

●Noncombustible decorative panels

CERARL



CERARL is a certified non-combustible wall material. In 1996, it was a big hit and used as kitchen panels for residential buildings. The product is now used for hospitals, schools, and transportation facilities as well.

Decorative boards, Architectual Films, etc.

●Architectual Films

Altyno



Altyno is a decorative film with pressure-sensitive adhesive mainly used for wall surfaces, doors. These films are used for new constructions and renovations for non-residential facilities, since they are easy to apply on various parts like wood based materials, metal surfaces, and curved surfaces directly on site.

●Decorative boards

AICA Poly/AICA Marless Boards

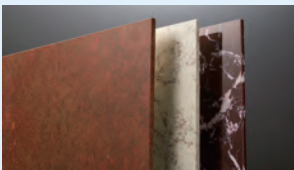


They are plywood materials laminated with polyester resin or reinforcement sheets, and used in furniture, wainscot, and doors.

Noncombustible construction materials

●Noncombustible decorative panels

ARDICA



ARDICA is a wall material made of a calcium silicate board laminated with resin or reinforcement sheets, etc. We have a wide range of product lineups from general-purpose items to items with exceptional design, and have a variety of patterns available.

●Extruded cement panels

MACE



MACE is a earthquake-resistant, weathers-resistant, and fire-resistant external wall material. It features beautiful base surface and diverse designs.

●Multi-functional construction materials

Moiss



Moiss is a multi-functional calcium silicate board. It features an excellent odor elimination and humidity adjustment function.

Countertops/Postforming Materials

●HPLcountertops

Post-form counter



Post-form counter is a countertop material that uses HPL. Melamine decorative panels are perfect for countertop boards thanks to its excellent durability.. We have a wide variety of colors, patterns, and sizes to choose from.

Countertops/Postform countertops

●Artificial marbles

CORIAN®



This material can be used as an original plate, and processed products such as countertops and wash-basins. There are a wide range of products tailored for different uses, including products for small children and for elderly people, and products developed for kitchens and bathrooms with a focus on female users.

●Engineered stones

Fiore Stone



Fiore Stone is a luxury artificial stone made of natural crystal. It is a durable product which successfully overcame the faults of natural materials while keeping the texture of natural stones. This product has the largest share in the quartz stone market in Japan.

Fittings, Interior Housing Materials

●Interior door

Melafusion Plain



Melafusion Plain is used for interior doors, storage, and sliding doors in welfare facilities. It is made of melamine decorative panels and decorative boards. We have functional products which also feature excellent design.

●Toilet booths

Pure Core Booth



Our toilet booths made a great use of original materials of AICA. We have an extensive range of goods that have various target uses, including products with elaborate designs, products for children, products that help prevent secret photography, and products for women in mind which have been developed for convenient use.

AICA Group: Three driving forces for growth

1 Sustaining growth of domestic core businesses through the expansion of AS products

We provide products which assist to solve not only environmental issues but also a variety of social issues as AS (Aica Solution) products. We aim to achieve a sustainable society and company by making use of the power of “chemistry and design” and expanding sales of high value-added products within growing fields.

Chemical products business

- Expansion of construction resin products centered on repair and reinforcement
- Development and promotion of environmentally-friendly products, highly durable products and labor-saving products

Construction materials business

- Strengthening and developing noncombustible goods business (expansion of applications, improve level of design)
- Expansion of easy-construction and functional products (deodorization, antifouling, high durability)

AS products which lead to social contribution

Strengths of AICA

Resin synthesis technology

High technical skills which have been cultivated for many years in the chemicals business

Design abilities

Propose colored patterns and development of shapes which improve usability and safety

Distribution system

Networks for shops and construction companies which expand all over Japan



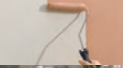










Value provided by AICA



Response to SDG's (Sustainable Development Goals)

Main AS products

	Extended service life of buildings	Safe town creation	Creation of a comfortable environment	Universal design	Maintenance of the natural environment	Waste reduction	Easy-construction products	CO ₂ reduction on transportation
 Repair, reinforcement and corrosion protection materials Dynamic Resin/Jolyseal	●	●				●		
 Adhesives for interior and exterior tiles AICA ECO-ECO BOND SE-35H		●						
 Wall coating materials Jolypate Fresh	●					●		
 Floor coating materials AICA Pure							●	
 Architectural Films Altyno					●	●	●	●
 Noncombustible decorative panels Ardica, etc.		●			●		●	●
 Laminated sheets for renovation Bath Fit Panel, MELATAACK	●				●	●	●	●
 Toilet booths Toilet booths with finger pinching prevention functionality, etc.		●	●	●				
 Multi-functional CERARL deodorization type, Mois, etc.		●	●			●	●	
 Artificial marbles Kid's washstand units, washstand counters that respond to wheelchairs, etc.				●				
 Engineered Stones Fiore Stone					●		●	●

Noncombustible laminated sheets are light-weight, easy to construct, and have a high level of design

ARDICA



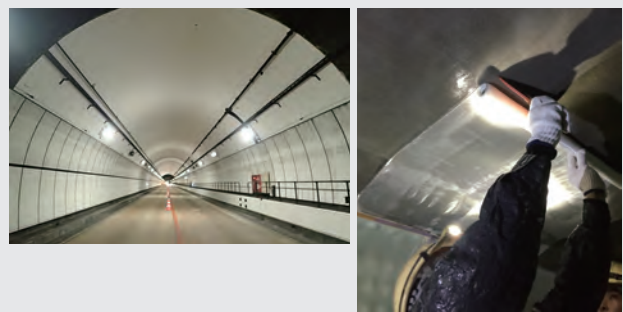
Increasing logistics costs and a chronic shortage of craftsmen have been becoming serious social problems in the construction industry. There were various drawbacks, as construction using stones and tiles required professional craftsmen, and the transportation loads were burdensome due to the weight.

Ardica uses the technologies of products for high resolution displays which can express the real texture of materials such as stone materials and tiles. It is light, the transportation load is low, and the construction does not require professional craftsmen.

It is the best noncombustible decorative panel in AICA. It is featured by bold and vivid designs and real textures that were reproduced by making use of advanced resin synthesis technology of the chemicals business and production technology of noncombustible panels of AICA-TECH KENZAI Co., Ltd.

A method to prevent concrete fragments from peeling off

Dynamic Resin Clear Tough Resin Method etc.



Accidents where concrete fragments peeled off inside viaducts and tunnels have occurred and the deterioration of infrastructures has become a social problem.

We focus on infrastructure repair and reinforcement related products by positioning them as "AS products." We also released the "Dynamic Resin Clear Tough Resin Method," "Dynamic Resin Strong Guard TNK Method" and "Jolyseal JB-318."

The Clear Tough Resin method has achieved "clear type": A first in Japan for infrastructure repair and reinforcement materials using urea formaldehyde resin. Generally, colored materials are painted for repair and reinforcement of concrete. However, it became an issue as it was difficult to check the deterioration condition of concrete. This method has been developed through our unique resin design technologies. It made observing degradation of surfaces possible.

AICA Group: Three driving forces for growth

2

Developing and investing in focus-on fields that will carry the next generation on their shoulders

We strengthen non-construction fields and build robust systems. In addition, we focus on the domestic construction market where construction materials have not developed.

Chemical products business

The Speciality & performance materials business focuses on fields for non-construction such as automobiles, electronic materials and daily necessities. Because of deceleration in growth in the domestic automobile and solar panel markets, we have taken on challenges toward new markets in recent years. We expect further growth in the future.

Promotion of overseas production and sales

We have strengthened overseas deployment of functional materials business, owing to the increase of overseas production rates for automobiles and electronic materials in Japanese companies, as well as an increase of the number of electronic material manufacturers in Asia

In addition to existing bases in China, we make use of the bases of Aica Asia Pacific Holding Group which joined the AICA Group in December 2012 to produce more items in overseas bases and expand our business into new countries and regions.

Challenges to cosmetics and sanitary materials

Cosmetics and sanitary materials (diapers and sanitary goods) made in Japan have attracted great support from people in Asia in recent years and production has been expanding.

Our Polymer beads gained high evaluations, as cosmetic materials made in Japan are adopted by both overseas products as well as Japanese products, and we expect continued growth in the future.

With regard to Hot-melts for sanitary materials, the high adhesive strength is highly valued, and sales are increasing because use of the product increased among Japanese manufacturers.

We will further expand our products and acquire new customers in the future.

Strengthening of polyurethane resin and UV curable resins

Evermore Chemical Industry Group (EMC Group) joined AICA Group in January 2018. EMC Group has high urethane synthesis technology and UV curable resins design technology, and has sales channels for electronic materials, textiles and shoes markets in Taiwan and China. It also carries out integrated production from upstream materials to resin products. We expect to fuse together the technology, products, and sales channels of each AICA Group company will demonstrate synergistic effects.

Construction materials business

We aim to expand business into fields where construction materials have not developed in order to achieve sustainable development in domestic construction markets where reductions are expected in the future. We aim for growth in the construction materials business as a whole due to the synergy effects with existing products that have a large market share.

Advances into the exterior wall field “Mace”

In October 2015, AICA-Tech Kenzai Co., Ltd. (ATK), which Mitsubishi Materials Kenzai Corp.’s construction materials business was transferred to, joined the AICA Group. ATK deals with “Mace”, an extruded cement panel for exterior walls. As a result, we made a full-scale entry into the exterior wall market. We will further strengthen cooperation, and promote product development by making use of our design properties, etc. in the future. We aim to expand sales by making use of synergistic effects.

3

Overseas deployment of Japanese technologies

We will build a sales network mainly in Asia, reinforce brand strength, and promote overseas deployment of high value-added products.

Chemical products business

The demand for high quality products is increasing due to heightening interests in social issues surrounding the environment and improvement of safety in Asia. We have developed products that are considerate to people's health and the environment which are represented as "ECO-ECO BOND."

We strengthen product power in foreign countries by deploying high value-added products and technologies, and aim for further growth.

Deployment of environmentally friendly products

We have carried out research and development for phenol formaldehyde resin as an adhesive application and High Pressure Laminate for many years. We obtained the novolac phenolic formaldehyde resin which has excellent performance for environmental aspects by inheriting the phenolic formaldehyde resin business department from Showa Denko K.K. in September 2015. We could also expand on product groups for automobiles, iron and steel, paints, electronic materials, etc. besides construction use.

The demand for novolac phenolic formaldehyde resin like this is has been increasing in recent years mainly in Asia. Consequently, we promote the overseas deployment of products which have been developed and sold in Japan.

Accelerating deployment by means of M&A

We actively make use of M&A for the purpose of carrying out swift overseas deployment. Aica Asia Pacific Holding Group (AAPH Group), which joined the AICA Group in December 2012, has a strong sales channel in the Asia-Pacific region, optimal production bases, excellent technical skills and wonderful human resources. AAPH Group and AICA Kogyo both have strengths in the adhesive technology fields. Taking all of the group's market strengths and customers into consideration, we develop synergies by making use of the products, technologies and bases of each group.

Overseas deployment of "Jolypate"

Jolypate, which has a history of more than 40 years in Japan, has added color to building walls in Japan for many years using high design. Local production and sales in China have started over 10 years ago, and awareness has gradually increased. We will actively advance into regions where the products have not been adopted yet.

Construction materials business

We succeeded in establishing a steady brand as a manufacturer which colors interiors. We achieved this through product deployment, focusing on "High Pressure Laminate" having the top market share in Japan. We will promote responding to local needs and strengthening systems in order to deploy this product overseas in the future.

Diversification of demands

The demand for High Pressure Laminate(HPL) is diversifying in Asia in recent years, and in turn, quality of Japanese products have been gathering attention as they stand out. For example, we will promote the overseas deployment of high value-added product groups (which were well regarded even in Japan) such as "CELSUS", a HPL where fingerprints are unnoticeable, "Cerarl", a noncombustible decorative panel, and "Pure Core", a HPL which accommodates beautiful cross-section cutting.

Strengthening of sales and production systems

In January 2018, we established Aica Asia Laminates Holding (AALH) in Thailand (which is the biggest HPL consumption area in Asean) as a presiding company for overseas business centered in Asia related to the construction materials business. We will promote the localization of business (expansion of local employees, strengthening of local collaboration, orientation towards local matters) mainly in this presiding company, and aim for rapid growth of the construction materials business in the Asia region.

We also established Aica Laminates Vietnam (ALV) as the manufacturing base as the 4th country followed by Japan, Indonesia and India in December 2017. We are building a new plant now and will commence production in April 2019.

A base to support AICA

We believe that fulfilling CSR (corporate social responsibility) is indispensable for a company to survive, and is a mission that a company should fulfill for the benefit of society at large.

It is essential to reinforce the infrastructure that supports our CSR activities. We will establish a structure for its promotion and continuously strive to improve it.

Promotion system

	Promotion organization	Details	Purpose	Department in charge
Risk management	Corporate Ethics Committee	P25	Promotion of compliance observance, investigation of unappropriated actions/ corrective actions	President
	Internal Control Committee	P23	Maintenance of internal control, preservation/improvement of effectiveness	President
	BCP (Business Continuity Plan) Committee	P26	Formulation of BCP/implementation of improvement instructions and training	Management Planning Department
	Security Trade Control Committee	—	Maintenance of export management systems/audits/education	General Affairs Department/ Legal Department
	Information Management Committee	P27	Management/maintenance of confidential information in the company	Management Planning Department
	Information Disclosure Committee	—	Management of appropriate and fair disclosure at appropriate times for company information	Management Planning Department
Improvement and reform promotion	CSR Promotion Committee	1	Promotion/internal dissemination of CSR activities, strengthening of ESG responses	Safety Environment Department/ Management Planning Department
	C&C Promotion Committee	2	Consideration/implementation of plans toward improvement activities and department target achievements by a small group	Quality Assurance Department
	QEO Committee	3	Promotion of quality (Q), environment (E) and occupational safety and health (O)	Safety & Environment Department
	Diversity promotion project	P29	Formation of a base where a variety of human resources can play an active role	Personnel Department
	Work style reforms promotion project	P30	Reduction of long working hours and climate reform	Personnel Department
	Equipment automation project	—	Promotion of equipment automation, productivity improvement	Production Innovation Group

1 CSR Promotion Committee

Each department takes charge of an item based on the CSR guidance, and does activities to achieve KPI targets which are set to 'materiality' (please refer to the right).

Constructing department	Department in charge	Main item in charge
Purchasing Department		Value chain
Human Resources Department		Sociality
General Affairs Department		Governance
R&D Center		AS products (products for solving social issues)
Sales and Marketing Division		
Overseas Business Group		Overseas group companies
Corporate Planning Department	●	Business strategy, public relations, IR
Safety & Environment Department	●	Environment/occupational safety and health

2 C&C activities

We are putting our heads together using a scientific approach such as the QC method by a small group, considering achievement plans for improvement activities and department policies, and are discussing specific action plans.

We are holding a C&C convention where we award an honor to excellent circles, make example presentations, and aim to share effective procedures for small group activities and improvement know-how every year. The sales department and indirect department, which had not been notably active previously, have started to participate in the C&C convention since FY 2017. As a result, it became an extremely meaningful convention.


3 QEO management system

It is a management system which operates based on a trinity of Quality (Q: ISO9001), Environment (E: ISO14001) and Occupation health and safety (O: OHSAS18001).

We conduct compliance, risk hedge and improvement activities for both aspects of "risk and opportunity." We

also promote quality improvements, improvement of environmental indicators (reduction of greenhouse gases and industrial waste, strengthening of water management, etc.) and the creation of a safe and comfortable workplace environment, and aim to contribute to management.

For each certification acquisition situation, please visit the website link below.

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

Response to SDGs (Sustainable Development Goals)

"SDGs", which is an international goal to achieve a sustainable world by 2030 in the "United Nations Sustainable Development Summit" (held in the United Nations headquarters in New York) was adopted in September 2015.

It consists of 17 goals and 169 targets covering social problems in areas including poverty, hunger, energy, climate change, and peace in society. AICA Group have advocated these goals and started initiatives toward their solution.





































Sign the UN Global Compact

AICA Group signed for the "UN Global Compact" in September 2018, which holds action principles with regard to human rights, labor, environment, and anti-corruption in order to promote/achieve high-quality CSR activities.

AICA Group's materiality and KPI

Since FY 2016, the AICA Group has started to select materiality (important issues). In May 2018, materiality was reviewed with reference to various guidelines. The progress is monitored by the CSR Committee and QEO Committee, for the purpose of pursuing performance results for AICA Group as a whole.

ESG	Important issues in our company	FY 2017			FY 2018		Pages	Items corresponding to the SDGs
		Target	Result	Evaluation	Target			
G	Corporate performance (Economic performance)	Sales: 156.0 billion yen Ordinary profit: 18.8 billion yen	Sales: 163.7 billion yen Ordinary profit: 19.6 billion yen	○	Sales: 185.0 billion yen Ordinary profit: 21 billion yen	From P7		
G	Corporate governance	Improvement of internal control correction items that have not been completed: 0	0	○	0	From P23		
ESG	Business infrastructure	Integration of management and CSR	Clearly specify the QEO Management in the middle-term business plan	Stated	○	Clearly specify the ESG promotion in the company's annual policy	  	
ESG		Strategic deployment of CSR at overseas bases	Hold CSR study meetings	All bases in Japan: once a year All overseas bases: once a year	Implemented Partially implemented	○ △		Once Once
SG		Code of conduct for human rights and human rights education	Development of code of conduct where respect for human rights is clearly stated	Development	○	Disclosure of code of conduct and multilingualization	 	
ESG		Thorough compliance	Hold compliance workshops All production bases in Japan (13 places): once a year	Implemented	○	Once a year in 15 bases or more (Target: Production / sales bases in Japan and overseas)		
ESG			Assembling everyone, and reading the action guidelines aloud together	Implemented	○	Assembling everyone, and reading the code of conduct and action guidelines aloud together All bases: once a year		
S		Improvement of employee satisfaction	Less than 10% of an employee turnover rate who joined the company within 3 years*2, *3	3.8% *4	○	10% or less		
S		Enhancement in human resources development / education and training systems	Implementation of training for second-year, third-year, middle-ranking staff and new managers *2	Implemented	○	Development of a new education system		
S		Promotion of a work-life balance	Increase in the rate of using paid leave*2, *5	52.5% or more	56%	○	60% or more	
S			Reduction of overtime work*1	Thorough implementation of advance application for permission to work overtime Continuation and thorough implementation of No Overtime Days	Year-on-year comparison of overtime hours: 100.2%	×	20% reduction compared to the previous year	
S		Diversity in human resources and equal opportunities	Proportion of female recruits*2	More than 30% in general career-track positions for new recruits who have just finished university by FY2018	26%	—	30% or more	
S			Employment of persons with disabilities*2	Proportion of persons with disabilities: 2.2% or more	2.2%	○	2.2% or more	
S	Improvement of industrial safety and health	Reduction in frequency rate of industrial accidents*2	Less than half of the national average (National average in FY 2017: 1.66)	1.73	×	Less than half of the national average		
ES		Development and expansion of AS products	Sale proceeds of AS products*2 11.23 billion yen	9.79 billion yen (An increase of 22% compared to the previous year)	×	14.0 billion yen	     	
E		Global warming prevention	Greenhouse gas emissions*6, *7 34.6 t - CO ₂ / 100 million yen or less in sales	33.8 t - CO ₂ / 100 million yen in sales	○	Develop a middle-term reduction plan 32.8 t - CO ₂ / 100 million yen in sales	  	
E		Industrial waste reduction	Amount of industrial waste generated*6, *7 25.8 t / 100 million yen or less in sales	25.8 t / 100 million yen in sales	○	Develop a middle-term reduction plan 25.3 t / 100 million yen in sales	  	
E		Reduction of water use	—	Recycling in two bases in Japan	—	Develop a middle-term reduction plan	 	
E		Promotion of responsible care	Lawsuits regarding the environment, and guidance from administration: 0	1 (Tamba Plant)	×	0		
S			Improvement of customer satisfaction levels	Customer satisfaction level*2 An increase of 2% compared to the previous year (4.16 points or more out of 5)	An increase of 2.3% (4.17 points)	○	An increase of 2% compared to the previous year (4.25 points or more)	 
ES	Enhancement of value through value chain cooperation		Developing the AICA Group CSR Procurement Guideline	Development	○	Conducting a CSR questionnaire survey and on-site review on the suppliers		
SG	Product responsibility		Additional creation of a BCP (business continuity plan) in six bases in Japan and two bases overseas	Creation in progress	△	Develop BCP for all bases in Japan and two bases overseas.		
SG			Hold BCP training at all bases where BCP has been created: once a year	Implemented	○	Hold training at all bases where BCP has been created (All bases in Japan and two bases overseas)		
SG	Lawsuits regarding quality, and guidance from administration: 0		0	○	0	—		
S	Communication with local communities	Cooperation with local activity organizations	11	—	13	P45		
S	Communication with shareholders and investors	Hold briefing meetings for institutional investors twice a year	Twice a year	○	Renewal of the IR website Hold a ESG small meeting once or more	P44		

*1: Excluding the newly consolidated portion in FY 2018 *2: AICA Kogyo non-consolidated *3: Calculated on the basis of college graduate and graduate-school graduate employed people
*4: Turnover rate of employees who entered the company on April 01, 2014 as of April 1, 2017

*5: Calculated from September 16, 2016 to September 15, 2017 with regard to paid leave given in September 16 *6: Per unit of sales. *7: For production bases in Japan.

A base to support AICA

CSR activities at bases overseas

This year, we will focus on human resources and the environment.

Overseas production sites

	Company name	Location	Major production items
Chemical products business	Kunshan AICA Kogyo Co., Ltd.	China	Wall coating materials (Jolysand), water-based compound, Hot-melts
	Shenyang AICA-HOPE Kogyo Co., Ltd.	China	Industrial adhesives
	AICA Vietnam Co., Ltd.	Vietnam	Floor coating materials (Jolyace)
	AICA ASIA PACIFIC HOLDING Group	China, Indonesia, Thailand, Vietnam, Malaysia, Singapore, New Zealand	Industrial adhesives, Construction adhesives, Industrial resins, Composite board resins
	EVERMORE CHEMICAL INDUSTRY Group.	Taiwan, China	Polyurethane products, crosslinking agent, UV-curable resins, polyol, UV monomer/oligomer
Construction materials business	AICA Laminates India Pvt. Ltd.	India	High pressure laminate(HPL)
	P.T. AICA Indonesia	Indonesia	High pressure laminate(HPL) noncombustible decorative panels (CERARL), Industrial adhesives
	P.T. Techno Wood Indonesia	Indonesia	Polyester decorative plywood
	Aica Laminates Vietnam (operation scheduled for April 2019)	Vietnam	High pressure laminate(HPL) Noncombustible decorative panels (CERARL)




= Environment



= Human resources

Kunshan AICA Kogyo Co., Ltd. (China)

- Response to stricter environmental regulations 



The Chinese government has tightened its regulations especially on pollutant emissions, hazardous processes, energy use and others, focusing on plants which handle chemical goods. Companies which do not meet the said environmental standards are forced to shut down operations and a response is required.

In order to stably operate the plants under such circumstances, we are pursuing environmental responsiveness and legal compliance by utilizing the QEO management system.



Kunshan AICA Kogyo Co., Ltd.

P.T. AICA Indonesia (Indonesia)

- Sharing disposal methods and equipment management 
- Employee education 



The equipment management manual has been deployed to overseas bases for sharing the manual. The improvement of steam drain leakage was also conducted after an investigation. In addition, we are trying to reduce the amount of waste by solidifying waste resin.

Training mainly regarding ISO was held for the purpose of employee education. It attracted favorable comments from employees, such as “I gained new knowledge.”



P.T. AICA Indonesia

EVERMORE CHEMICAL INDUSTRY Group (Taiwan / China)

- Reduction of amount of waste liquid discharge 
- Active support of employees for their qualification acquisitions and self-improvement 

By separating waste liquid at two bases with extra work, we have drastically reduced the disposal amount processed through outsourcing.

In addition, the persons in charge of production have acquired the required qualification, and strictly manage the situation of qualification acquisition in accordance with the laws and regulations. The persons in charge of development actively attend external training sessions for self-improvement.



EVERMORE CHEMICAL INDUSTRY Group.


AICA Asia Pacific Holding Group (China, Indonesia, Thailand, Vietnam, Malaysia, Singapore, New Zealand)

•A survey on employee satisfaction was conducted for active communication 

The survey on employee satisfaction has been conducted annually since December 2016. By creating an open communicative environment, we share knowledge, and foster employee growth and improvement / reform activities. Evaluation items are as follows.



AICA Laminates India Pvt. Ltd. (India)

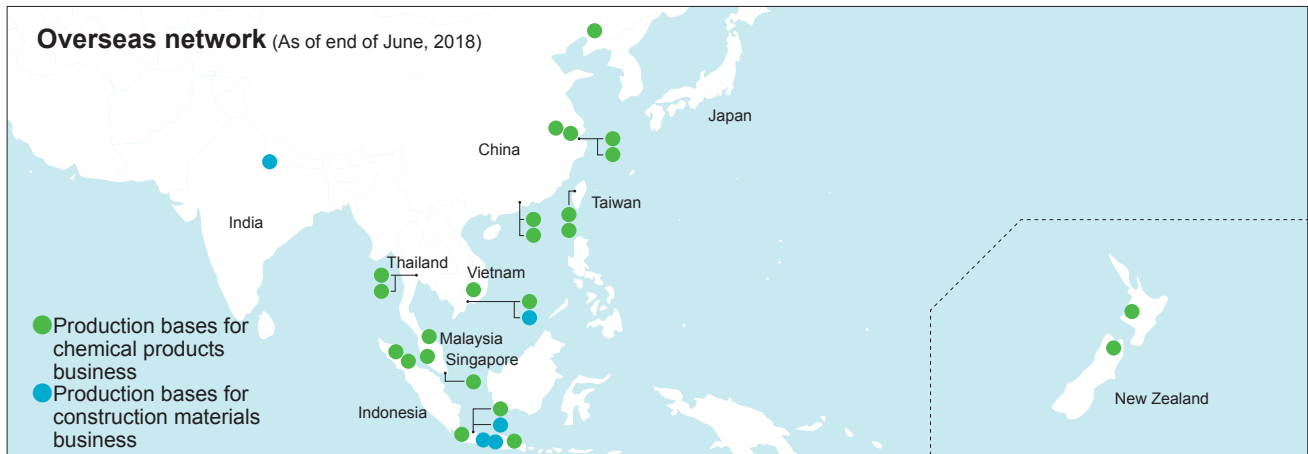
•The promotion of proliferating safety activities 

We recognize raising safety awareness is an important issue, and organize weekly safety / 5S patrols conducted by the persons in charge of the entire process. This is in order to improve safety activities and improve the work environment inside the plant.

We hold a safety committee meeting every quarter (in April, July, October, and January), and promote improvements after discussing current problems. In addition, fire drills are conducted regularly in order to minimize the damage at times of crisis.



AICA Laminates India Pvt. Ltd.





Corporate governance

AICA Group consists of 45 companies including both domestic and overseas subsidiaries (as of July 2018). Through the enhancement of corporate governance, we aim to secure and improve the value of the company and the common interests of shareholders.

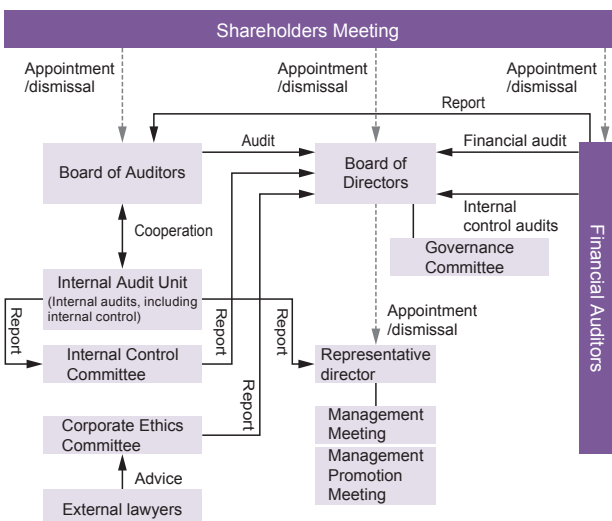
We are a company with a Board of Auditors. The Board of Directors decides on management policies, items set by laws and regulations and other important issues regarding management, and supervises the executive situation of business for the enhancement of corporate governance. In order to stimulate deliberations and ensure the clarity and objectivity of management, the Board of Directors consists of 5 internal directors, who have thorough knowledge of company business, and 2 external directors, who have originality, objectivity and expertise.

Our company had adopted the executive officer system in order to separate the supervisory function and execution function of directors. However, internal directors had key business related execution functions. Therefore, from June 2018, we decided to have the internal directors serve as executives as well, and made the segregation of duties in executive functions among the executives clearer so that business executions could be further accelerated.

The Board of Auditors consist of 4 members including two external auditors, and audits the execution of director's duties, operations and financial conditions of the entire group.

In addition, the Governance Committee was established as a voluntary advisory committee in April, 2016. It mainly consists of external board members and aims at the sustained development of the company and the further improvement of governance.

Corporate Institutions of our Company (As of April 1st, 2018)



Effectiveness of the Board of Directors

In order to verify the effectiveness of the Board of Directors, we have conducted an annual survey on all of the directors and auditors since January 2017, regarding the structure and operation of the Board of Directors and the system which supports them. The effectiveness of the Board of Directors is evaluated based on the results of the survey. In the survey conducted on January 2018, we have received answers of "appropriate or reasonably appropriate" in all items. In addition, deliberations at the Board of Directors had been actively conducted and it received a high evaluation. Therefore, it was confirmed that the Board of Directors in our company was properly functioning in most cases and their effectiveness was guaranteed.

On the other hand, there were also improvements surrounding the Board of Directors, including the diversity of the members and deliberations on appointments and dismissals of management executives. We will conduct further improvements for their effectiveness.

Internal control activities

In compliance with the Companies Act, AICA Group has adopted the Basic Policy for Establishment of Internal Control Systems at a meeting for its Board of Directors. It is reinforcing supervisory functions of the Board of Directors, risk management systems, and creating structures for improving the effectiveness of compliance. An internal audit unit assesses the development and operational circumstances of audit activities and related departments through a hearing, and confirms the effectiveness of our internal control system. An internal control committee was adopted in order to respond to the internal control evaluation reporting system for financial reporting of the Financial Instruments and Exchange Law. Maintenance, management and self-inspection are conducted by the control committee that is in charge of four main control processes. In addition, an internal audit evaluation is conducted by the internal audit unit to maintain and improve the reliability of financial reporting.

Every year, the conditions of internal control is reported at the internal control committee based on the financial report of Financial Instruments and Exchange Law, and the activity plan for this fiscal year is approved.

Directors' remuneration

The directors' remuneration received from our company consists of a basic remuneration and a performance remuneration. The former considers work responsibility, job position, and job tenure. The latter is decided according to the accomplishment status of business plans from each director, based on the corporate business performance. The amount of remuneration is decided by the representative director based on the standards and other factors set by the company within the scope of limit which is resolved in the shareholders meeting.

Major Meetings

• Management Meeting

Our company holds management meetings which consist of directors, executive officers and persons in charge for the execution of business. The management meetings are held once a month as a general rule. The meeting has the function of conducting preliminary reviews of agendas that will be discussed at the Board of Directors, and to make final decisions based on the company's rules. The meeting conducts rapid deployment of decisions made at the Board of Directors, and carries out deliberations and reporting regarding the execution of business.

• Management Promotion Meeting

The heads of the execution of business department including directors, auditors, executive officers and persons in charge for the execution of business participate in a management promotion meeting. As a general rule, the meeting is held every half a year and reports regarding the execution of business, problem solving and other matters are conducted in order to monitor business content and execution situations.

List of Board Members (As of October, 2018)

• Directors (male: 7, female: 0)

Representative Director and President

Yuji Ono

Director and Senior Managing Executive Officer

Satoshi Toudou

Person in charge of accounting supervision, Director of the Management Planning Department, Director of the Information Systems Department, person in charge of the Logistics Department, and person in charge of the Business Management Department.

Director and Managing Executive Officer

Nobuyuki Omura

Head of the Chemical Products Company, Deputy General Manager of the Sales Administration Division.

Director External

Kenji Ogura

Expected role

Mr. Kenji Ogura has been engaging in corporate management for years, and has abundant experience and wide knowledge as a manager. He has no stake in our company, and we believe that he would fulfill the duty of an external director with a position of objectivity and independence.

Director and Senior Managing Executive Officer

Yukihiro Iwase

Head of the Construction Materials Company, Executive Manager of the Sales Administration Division.

Director and Managing Executive Officer

Ryoji Mori

Person in charge of Production, Director of the Procurement Department

Director External

Toshiiku Hanamura

Expected role

Mr. Toshiiku Hanamura has abundant experience and expert knowledge as a lawyer. He has no stake in our company, and we believe that he would fulfill the duty of an external director with a position of objectivity and independence.

• Auditors (male: 4, female: 0)

Full-time auditor

Terutoku Iwata

Auditor External

Masakazu Kato

Expected role

Mr. Masakazu Kato gives advice and proposals from the independent and expert views of finance and accounting as a certified accountant. He has no stake in our company, and we believe that he would fulfill the duty as an external auditor with a position of objectivity and independence.

Full-time auditor

Hisashi Kosemura

Auditor External

Kiyoshi Katagiri

Expected role

Mr. Kiyoshi Katagiri has abundant experience and expert knowledge as a business entrepreneur. He has no stake in our company. We believe that he would fulfill the duty as an external auditor with a position of objectivity and independence.



Compliance

We are taking every step to conduct business activities in compliance with laws in an ethical way. AICA Group's Employee Code of Conduct, which was newly established last year forms the basis of the compliance program of AICA Group. The following contents have been stipulated in the basic policies for the purpose of realizing the company's management philosophy and business plan in accordance with its company creed—"Challenge and Creation."

We have also established specific action standards in the "Action Guidelines" in adherence with the purpose of the "Code of Conduct." To increase awareness of compliance among employees, our group conducts reading the action guidelines in each workplace at bases in Japan and overseas every year. Reading the "Code of Conduct" has been added since FY 2018. This training provides thorough orientation in align with the Code of Conduct and Action Guidelines, and raises awareness of the meaning and necessity of compliance.

In addition, the Legal Department visits sales offices, plants and subsidiaries to conduct compliance training and instruct employees about the significance of compliance. Issues discovered during these visits are developed into company-wide improvement activities.

AICA Group Code of Conduct Basic Principle

- [1] Compliance
- [2] Respect for human rights
- [3] Harmony with society
- [4] Fair and just dealings
- [5] Customers' security and trust
- [6] Appropriate information disclosure
- [7] Employment/labor affairs and labor-management relations
- [8] Protection of company information and property
- [9] Environment and safety

Response to antisocial forces

AICA Group clearly states in its Code of Conduct that it refuses to have any relationship with antisocial forces.

In the event that antisocial forces contact us, we respond firmly and decisively through the entire group while cooperating with the police as necessary.

Corporate Ethics Committee

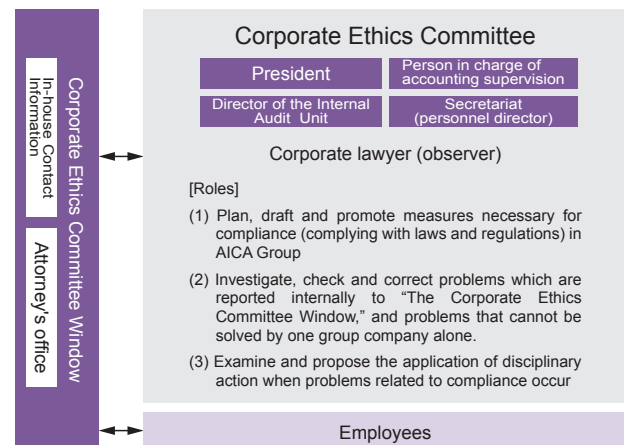
AICA Group has established the Corporate Ethics Committee for the purpose of developing and promoting necessary measures for compliance, and investigating, confirming, and taking corrective measures for cases that are reported by whistle-blowers to the Window to Corporate Ethics Committee.

The Corporate Ethics Committee will immediately investigate and deal with any cases of whistle-blowing, and take corrective measures as necessary. In addition, their details are regularly reported to the auditors and top management of the company.

Whistle-blowing system

In order to act quickly to potential risks of moral violation at the workplace, such as a violation of laws and company rules, bribery and corruption, and harassment, AICA Group has established the Window to Corporate Ethics Committee, a place of contact for whistle-blowers, at the company offices and external attorney's offices. In- or outside of Japan, AICA Group employees can report, and ask for advice about problems and questions that they may have about corporate ethics and compliance through phone calls or e-mails at any time, without worrying about suffering any disadvantages. This system also ensures secrecy, and accepts reports from anonymous sources.

Conceptual diagram: Corporate Ethics Committee and internal reporting system



■ Number of inquiries to the Window to Corporate Ethics Committee: 4 (FY2017)

Compliance Information

The statement related to the code of conduct, action guidelines, bribery and anti-corruption are published on our website.

<http://www.aica.co.jp/company/envirn/compliance/>

Risk management

As a response to when AICA Group faces a managerial risk, we have specified the Risk Management Rules, which require employees to act in a calm and organized manner, on the basis of the following basic policies: ① Secure the safety of employees and their family members; ② Help reduce the impact on society and the economy; ③ Fulfill the obligations of providing products to customers; and ④ Support the community. Furthermore, we regularly review the specific details that are defined as a “risk” and the rules that correspond to them.

Risk Management Rules

Rules	Details
Earthquake Disaster Prevention Rules	Response in the event of an earthquake disaster
Wind and Flood Disaster Prevention Rules	Response in the event of a wind and flood disaster
Product Safety Management Rules	Response to complaints regarding products which are involved with an accident
MS Emergency Response Rules	Response in the event of a plant fire or environmental problem
Information Management Rules	Response in the event of a leak of confidential information
Action Plan for New-strain Influenza Countermeasures	Response in the event of an outbreak of a new-strain of influenza
Basic Policy on Corporate Control, and Countermeasures for Large-scale Purchases of Company Stock	Response in the event of a third party buying up our stock

Countermeasures and safety confirmation in the event of a large-scale earthquake



Earthquake Disaster Prevention Card

On the basis of the Earthquake Disaster Prevention Rules, we distribute an Earthquake Disaster Prevention Card which summarizes what to do in the event of a large-scale earthquake.

In August 2014, we revised the card with additional information on preparation for a Nankai Trough earthquake.

In addition, we have introduced a Safety Confirmation System so that we can quickly confirm the safety of employees, and are conducting drills regularly.

The Safety Confirmation System automatically sends e-mails to the cell phones of AICA Group employees in Japan in the event of an earthquake of intensity 5 or higher, and the employees who receive the e-mail can reply to confirm their own safety and the safety of their families through an easy procedure with their supervisors.

BCP (Business Continuity Plan)

A business continuity plan (BCP) is a plan which aims to avoid disruption of critical business even in the event of a disaster or accident, in order to protect the company from loss of customer transactions to competitor companies, reduction in market share, fall in company value, etc. It also aims to restart critical business activities within a target restoration time using the remaining capacity available in the event that business activities have been disrupted. In AICA Group, the BSP Committee plays a main role in drafting and developing plans and conducting drills on the basis of said developed plans.

In the event of the Great East Japan Earthquake in March 2011, all employees poured their efforts into recovery from the earthquake under the direction of the president, and on the basis of the Earthquake Disaster Prevention Rules, which define how to respond in the event of an earthquake disaster. The recovery effort started with confirming the safety of employees, and also included gathering information on raw materials suppliers and customers.

In AICA Group, we develop BCP's that cover disaster prevention and conduct drills in order to roll out the BCP's to our production bases throughout Japan. The roll out is not only for the major bases but also group companies in Japan.

In FY2017, we reconfirmed the BCP's and identified the remaining issues for the bases that are new to AICA Group. At Nagoya Plant and Jimokuji Plant, we also conducted a drill for earthquakes that could occur at night, and read through the implementation plan together that included a specific alternative production system.

BCP's in overseas group companies are also developed one after another, and the AICA Asia Pacific Holdings Group decided its basic policy for BCP's in FY2017 and will develop a concrete plan in FY2018.

We will enhance and develop BCP's in all AICA Group bases, conduct drills, and establish a system to ensure that they are feasible in the event of a disaster or accident.



Kumamoto earthquake - Shipping relief supplies

A base to support AICA: Business infrastructure



Security and Disaster Prevention

AICA Group produces useful products by using numerous hazardous substances as either raw materials or as auxiliary materials. Mishandling hazardous materials could cause major accidents and have a serious impact on employees' health, on the proper function of production equipment, and on the local community.

We conduct fire drills at each production base, in cooperation with local fire departments. At Nagoya Plant, we conducted a joint fire drill with the Nishi Kasugai Fire Department, received training on how to use an AED, and learned about activity methodologies for assisting injured persons. At Jimokuji Plant, we conducted water discharge training using a fire hydrant under the guidance of the Amatobu Fire Department, so employees could acquire skills which will be helpful in the event of an emergency.

Information Security

Through management of "Information Management Rules" and the "Information Management Committee," we have established rules on the use and management of information, and thereby ensure customers' privacy.

We have reviewed the control categories and security rules relating to private information, including customers' privacy, and have reflected them in the Information Management Rules.

We have also prepared and managed a response manual to be followed in the event of an information leak.

Furthermore, we aim to firmly establish employee awareness with regard to internal information management, through continuous in-house information security audits and information management training.

Examples of security measures

- Logins are authenticated using employee ID cards to prevent access by third parties. Furthermore, log in passwords to the in-house system are renewed periodically.
- The security level of our external network has been diagnosed by after parties (interested parties, security management subcontractors), and has been assessed as having no problems.
- In order to check the operation management status at our main systems development subcontractor, we perform information security audits.
- Data in "PCs taken outside the company" is encrypted, and secure network connections are implemented.
- We distribute notices to keep anti-virus software and security patches for PCs up to date.
- We have installed and operate a main server at the data center, including BCP response.
- We have enhanced information management by completely prohibiting the use of USB memory devices on PCs connected to all internal networks.

Content defacement due to unauthorized access to our website

We confirmed the possibility of the defacement of our website from our web server due to unauthorized access from October 6 up to October 24, 2017.

After taking preventive steps along with a survey and a security diagnosis by a third party, we reopened our web page on November 20, 2017.

We will endeavor to prevent such a serious accident from happening again by considering the introduction of further security measures and strengthening operations.

Content defacement due to unauthorized access to our website

•Causes

It is believed that an inadequate set-up of access controls and vulnerabilities of SSH security resulted in defacement of our website.

•Situation of damage

We confirmed that users who accessed our home page were lead to a rogue website where they were misled into downloading ransomware. However, we did not receive complaints relating to defacement due to ransomware. Furthermore, illegal operations other than defacement of our web page (such as information leaks) have not occurred.

•Preventive measures

We have controlled access, corrected the monitoring log and user account management, installed additional content theft detection and anti-virus software, and enhanced preventions against vulnerabilities. Furthermore, we received a diagnosis from a third party, stating that we had taken "appropriate and effective preventive measures."



Human resource development

We are highly conscious of self-improvement and being future-oriented, developing human resources who move forward and work to embody our creed, "Challenge and Creation." We recognize that employees are important for changing our company and enhancing corporate value. With this in mind, we seek to develop human resources so that each employee can fully demonstrate their capabilities.

Education and training systems 1

In the three years since I joined the company, we have developed employees into "independent human resources" who can think and act for themselves. We are currently working to develop human resources with a combination of OJT and the mentor program, and hold a training plan for improving skills for new, second-year, and third-year employees.

With regard to self-improvement, we offer a support system for correspondence education system and obtaining official qualifications. In order to develop next generation and management leaders, we are promoting training for employees in each employment rank and for employees in management positions.

We also offer employees language training programs to study abroad, dispatch employees to overseas subsidiaries, hold video conference meetings with subsidiaries outside Japan, and integrate language courses into our training for new, second-year and third-year employees. In these and other ways, we are pouring our energy into developing global human resources.

Employee's Attitude Survey 2

As senses of values in society grow more diverse, employees' way of thinking towards companies, and attitudes towards working environment are also changing and diversifying.

Recognizing that taking surveys of employees' attitudes are essential in order to bring the company to the next level, we implemented an attitude survey in November 2016, outsourcing it to an external organization.

As some time had passed since the previous survey (2008), 2016 survey started from a review of questions. We added and improved questions about compliance, women's participation, ways of working, etc., and set questions about working in our company, including "contentment" and "pride."

The results showed overall satisfaction was 3.58, which exceeded compared to the previous result, and we received a report from the survey company stating that it is "marginally higher" compared to the average results for surveys in other companies. Of course, the survey results vary depending on age and job type. We shall analyze the details and use the results for various measures, including future personnel systems. We will also conduct periodic surveys in order to take measures to increase employee satisfaction surrounding mid- and long-term perspectives.

Number of employees in the AICA Group

	End of March 2016	End of March 2017	End of March 2018
Total	3,328	3,349	3,850

Number of AICA Kogyo employees

	End of March 2016	End of March 2017	End of March 2018
Male	935	926	993
Female	161	171	182
Total	1,096	1,097	1,175

AICA Kogyo labor union participation rate

	End of March 2016	End of March 2017	End of March 2018
Total	80.2%	80.2%	80.5%

AICA Kogyo number of new-graduate employees

	April 2016	April 2017	April 2018
Male	27	32	38
Female	10	9	16
Total	37	41	54

Employee turnover rate 3 years after entering the company *

	April 2016	April 2017	April 2018
Employee turnover rate 3 years after entering the company	7.1%	3.8%	13%

* Calculated on the basis of college graduate and graduate-school graduate employed people

1 Status of implementing main trainings^{*1}

Content	Participants	required time ^{*2}
Second year training	35 people	20 hours/person ^{*3}
Third year training	31 people	21 hours/person
Middle-ranking staff training	106 people	16 hours/person
Newly-assigned management position training	12 people	16.5 hours/person

*1 FY2017 plan details, partially implement in FY2018

*2 Training hours per participant

*3 Implemented on section bases, average

2 Overall satisfaction

3.58 (Out of 5)

Previously (2008): 3.38



Diversity

We are promoting diversity as a response to the globalization of business and to various market demands. With regard to active participation by women in particular, we established the Women's Participation Promotion Project in June 2013, and poured our energy into activities and environmental improvements to take full advantage of women's capabilities in the management of our business. In recognition of this activity, we received an "Award for Excellence" from the "Nagoya City System of Certification and Recognition for Companies that Promote Active Participation by Women." which is sponsored by Nagoya City.

We changed the name to "Diversity Promotion Project" in FY 2018 and are working on the promotion of securing a base where a variety of human resources can play an active role.

In-house workshop

To date, we have planned and held training for "male managers having female subordinates" and "females having general career-track positions".

Following increasing interests in in-house awareness, we held a workshop in December 2017 for women with production skills and female clerical staff working on the front line of the manufacturing.

As a goal for women's workplaces, we thought about improvements for both job duties and the workplace environment in order to allow for women to take on more active roles at factory sites.



Status of certification

Acquisition of Nagoya City's certification for companies that promote active participation by women (January 2016)



This is a certification for companies who take initiatives to create an enjoyable work environment for women, and also public acknowledgment for a company that offers the best approach.

Acquisition of the Ministry of Health, Labour and Welfare's "KURUMIN" certification



If the Minister of Health, Labour and Welfare certifies companies as living up to certain standards such as for childcare-support, they have a license to use the "KURUMIN" symbol for advertisements or products, etc.



◆ Launch of women's participation promotion project magazine "Kirari"

◆ Target and progress of women's participation promotion project

Target categories	Target as of the end of March 2019	Progress as of June 2018	Status
① Increasing the proportion of female employees	Proportion of women among hiring of new college graduates for general career-track positions: 30%	In April 2018, a total employees: 40 (including 14 women 35%) (Reference: Joining the company in April 2017 = 26%) A total of 14 women of the 40 employees	Achieved
	Establishment and revision of support systems: 3 targets	Revision of the paid leave reserving system Time shift system newly established Comeback entry system newly established 3/3	Achieved
② Increasing the proportion of female manager positions	2.4%*	A total of 7 women in managerial positions out of the total 225 managerial positions 3.1%	Achieved
③ Expansion of job areas	New assignments to 5 departments	9 departments 9/5	Achieved
④ Reform of company culture	Rate of taking paid leave: 60%	Rate of taking paid leave: 56.0% (Reference: 45.0% in FY 2016)	Ongoing
	Launch of magazine: Once per year	Launch of magazine "Kirari" in April, 2016 Launch of magazine "Kirari" in October, 2017	Ongoing

* According to The Ministry of Health, Labour and Welfare for average values in other manufacturing industries, "The average ratio by industry of female employees in managerial positions" (During 2016)

Expansion of balance support system [comeback entry system]

We recently established a comeback entry system for employees who had to retire due to child care, nursing, the relocation of his/her spouse, etc.

Applicable retirement reasons

- ① When you have to retire without being able to let your child enter a nursery school after the child care leave period is ended
- ② When you have to retire after the family care leave period is ended without being able to solve the reasons for application
- ③ When you have to retire because of a job transfer by your spouse and you cannot continue your employment

When you are no longer bound by such restrictions and you are in an environment where you are able come back to work, we would warmly welcome you back to work through employment selection (a registration system / within 5 years from the time of retirement)

Re-employment system, employment of handicapped persons

With regard to the amendments to the Act for Stabilization of Employment of Older Persons which came into force on April 1, 2006 (making it mandatory to provide continued employment opportunities until the age of 65,) a part of it was revised on April 1, 2013, against the background of a rapidly declining birthrate and aging population.

We substantially revised our re-employment system, both in response to the amendments to the Act and in order to increase motivation among employees and give them securities in their lives. We shall continue to work on the development of an environment where people can work with peace of mind.

With the aim of continual employment of disabled persons, we are identifying work that disabled persons can do and are promoting the retention of their employment. We will continue to work actively on measures for further expansion of employee numbers, such as participating in job interview conventions for disabled persons.

Transitions in the number of new employees hired through the re-employment system

FY2015	FY2016	FY2017
14	16	18

Transition in the number of employees with a disability

End of March 2016	End of March 2017	End of March 2018
17	17	21

Workstyle reforms

While long working hours become a social issue and the government promotes work style reforms, we have started up the "Work Style Reforms Promotion Project" on April 1, 2017. We are actively working to change people's way of thinking and create a culture in which people are not made to work long hours through activities such as promoting no-overtime days and reducing the amount of overtime. Through C&C activities [P.19](#), the whole company is working on awareness reforms and work style reforms in order to reduce long working hours. For example, we are promoting improvements on equipment and work styles, and increased multi-functionality. We are also promoting planned use of paid leave and have enhanced our child and family care support systems.

AICA Kogyo Co., Ltd. Situation regarding the use of paid leave

	FY2015	FY2016	FY2017
Average number of days taken	7.5 days	8.2 days	10.3 days
Average rate of use	40.6%	45.0%	56.0%

* Calculated from September 16, 2017 to September 15, 2018 with regard to paid leave given in September 16

Our activities were adopted in the following media.

- NHK Hot Evening (March 1, 2017)
- NHK Ohayo Nippon (March 2, 2017)
- NHK Navigation (April 28, 2017)
- NHK Ohayo Nippon (May 17, 2017)
- Nihon Keizai Shimbun (evening newspaper on May 26, 2017)



Occupational safety and health

We established a Safety & Health Committee based on the Industrial Safety and Health Act, and carry out investigations and discussions regarding important matters such as measures that should become foundations to prevent danger or health problems of workers.

In labor contracts between our company and AICA Kogyo Labor Union, we clearly stated that labor and management shall cooperate on safety and health, and have discussions as necessary.

Preventing occupational accidents 1

So that we do not forget the serious accident happened at Jimokuji Plant on January 17, 2006, we have established January 17 as "All AICA Safety Day." We held silent prayers and morning safety meetings, and the 12th AICA Group Occupational Safety and Health Convention on January 17, 2018. We reconfirmed and analyzed occupational accidents happened in the past, and confirmed that we would strengthen safety measures by conducting education and equipment improvement activities closely together. In the plant manager training after the convention, we discussed measures for improving safety awareness in workplaces, policies for strengthening safety management systems (in cooperative companies) together with safety and health consultants on the premises, and shared effective examples.

On the worksite level, we continuously conduct risk prediction training, activities to prevent potentially dangerous minor incidents, and risk source improvement activities, all through "small group activity" units. To maintain and enhance these steady activities, we appoint persons in charge of safety for "small group activities" as "safety instructors." Through these actions, we work to eradicate occupational accidents completely.

Improvement of the working environment 2

We conduct work environment measurements twice a year in indoor workplaces where organic solvents, specified chemical materials and mineral powders are used, and in waste incineration facilities where particles and incinerated ash that contain dioxins are handled. We added new results of Isesaki Plant and 3 plants of AICA Tech Kenzai Co., Ltd. to the previous result since this fiscal year report portion, so the number of target workplaces has increased. In particular, the number of target workplaces using mineral powders has increased and a ratio of the 2nd and 3rd management categories have also increased. We shall aim to improve these working environments.

Results of work environment measurements (FY2016 ~ FY2017)

Target: Organic solvents, specialized chemical materials, mineral powders, dioxins

	The number of applicable workplaces (total)	1st management category	2nd management category	3rd management category
Nagoya Plant	8~14	8~14	0~0	0~0
Jimokuji Plant	40~40	36~39	4~1	0~0
Fukushima Plant	40~39	40~39	0~0	0~0
Hiroshima Plant	20~20	18~18	2~2	0~0
Ibaraki Plant	4~2	2~2	2~0	0~0
Tamba Plant	23~24	20~24	2~0	1~0
Isesaki Plant	0~5	0~4	0~0	0~1
Group companies in Japan ^{*1}	10~50	9~16	1~11	0~23
Total	145~194	133~156	11~14	1~24

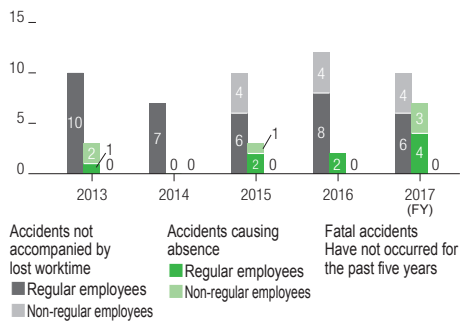
* Added Isesaki Plant of AICA Kogyo Co., Ltd. and 3 plants of AICA Tech Kenzai Co., Ltd. to the target on the above list from this fiscal year

*1 AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd., AICA Tech Kenzai Co., Ltd.

1 Occupational accidents

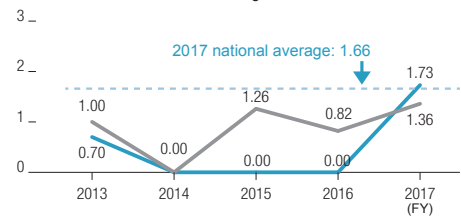
Scope
All AICA Group production bases in Japan: AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd. All production bases of AICA Harima Kogyo Co., Ltd. and AICA Tech Kenzai Co., Ltd.

Occurrence of occupational accidents (cases)



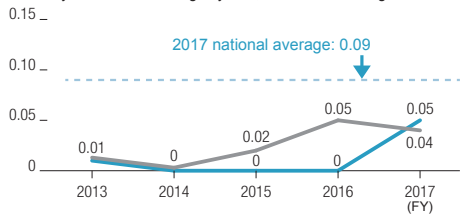
Frequency rate transitions

* Frequency rate = Number of casualties due to occupational accidents x 1,000,000 ÷ Total working hours



Severity rate transitions

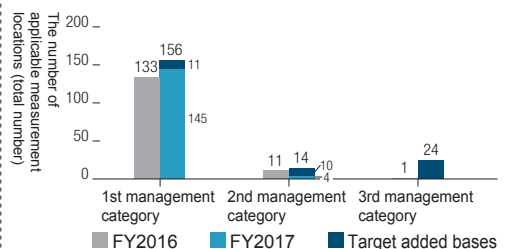
* Severity rate = Lost working days x 1,000 ÷ Total working hours



— AICA Kogyo Co., Ltd. All production bases in Japan (non-consolidated)
— All AICA Group production bases in Japan (consolidated)

* AICA SDK Phenol CO., Ltd. is calculated as a production base of AICA Kogyo Co., Ltd. (Isesaki Plant) from FY2017.

2 Work environment measurement results



1st management category: Work environment management is judged to be appropriate
2nd management category: Work environment management is judged to have room for improvement
3rd management category: Work environment management is judged to be inappropriate

Traffic accident prevention 3

<p>実行宣言カード</p> <p>私は安全活動、安全運転、エコドライブに積極的に取り組む事を宣言します。</p> <p>年 月 日</p> <p>部署名: _____</p> <p>氏名: _____</p> <p>1. 安全活動</p> <p>①職場で決めた指差し呼称を確実に実行します。</p> <p>②決められた手順は必ず守ります。</p> <p>③作業前には必ずKYを実施します。</p> <p>④稼働中の機械には絶対に手を触れません。</p> <p>⑤危険な作業は積極的に改善します。</p> <p>⑥守らない人は誰でも注意します。</p>	<p>2. 安全運転</p> <p>①運転中は携帯電話を使用しません。</p> <p>②交差点では安全確認を徹底します。</p> <p>③時間に余裕を持って運転します。</p> <p>④車間距離の維持、一時停止を徹底に行います。</p> <p>⑤駐車場では後方確認を徹底します。</p> <p>3. エコドライブ</p> <p>①急加速をせずにゆっくり加速します。</p> <p>②減速時にはアクセルを離します。</p> <p>③車内に不要物を積みません。</p> <p>④駐車場で必ずエンジンを止めます。</p> <p>アイカ工業株式会社 アイカインテリア工業株式会社 アイカリノア工業株式会社 産業システム株式会社 アイカソフト開発株式会社</p> <p>このカードは常に発行し、作業前、運転前に確認します</p>
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Execution declaration card

in visual confirmation”, “crashing into the shoulder of a road” and “inner wheel differences” has increased.

The number of car accidents in FY2017 (involving negligence by the party from our company or by both parties) was 26, which was unfortunately an increase of 3 incidents compared to the previous year.

The number of accidents causing injury or death tends to be decreasing, so the number of accidents caused by poor driving skills such as “making a mistake

Main car accident countermeasures

- ① We will introduce telematics, drive recorders, etc., check and give feedback to target groups for driving aptitude, and aim to raise awareness toward driving skills improvement.
- ② Those who caused accidents must submit a report, and prevent recurrence in order to promote awareness reform.
- ③ Sharing causes in the whole company by using KYT (risk prediction training) sheets based on actual accident cases

Mental health

With fiercer competition in the market and rapid economic environment changes, workers are feeling more and more stressed, and it is becoming a serious social issue.

We are taking a variety of measures in order to keep employees’ “mental and spiritual” health in good shape as well as physical health. Stress check is being held once a year from FY2016, we give feedback results to individuals. In addition, we give feedback analysis results to HOD of each department, in order to promote activities that can improve workplaces. We have also established “mental and physical health consultations” in which an external organization has been used as a consultation counter where privacy is ensured.

Regular health checkups

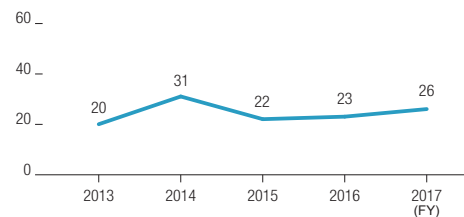
As a result of the amendment of the Health Insurance Law, in FY2008, the Ministry of Health, Labour and Welfare presented a plan to introduce a new medical examination system to prevent and improve metabolic syndrome, and made it an obligation for health insurance unions to implement metabolic syndrome countermeasures. Our company has incorporated “medical examinations for lifestyle related illnesses” into its “mandatory medical examinations,” organizing them by age and gender and making them compulsory.

Being able to select a “gynecological examination” is a standard, and we are strengthening the health care management functions for employees. Since FY2014, the cost of influenza vaccinations has been partly subsidized by our company in order to promote the prevention of illness.

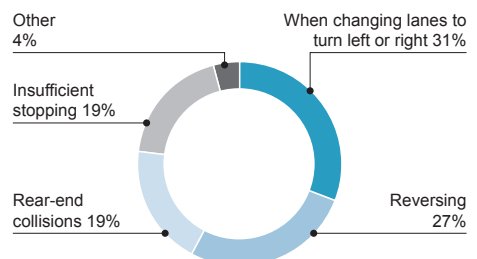
3 Traffic accidents

Scope
Negligence by the party from AICA Kogyo or by both parties

Transitions in the number of car accidents (cases)



Number of accident occurrences for each accident type in FY2017 (%)



A base to support AICA: Environment



The World Economic Forum (WEF), which is an international institute for improvement of global situations presents a “Global Risks Report” every year. In the FY2018 version, we reported that “abnormal weather,” “natural disasters,” “failures to easing and adoption of climate change,” etc. were in a higher rank as a possibility to happen and possess negative impacts.

AICA Group recognizes the importance of such risks, and is constructing an environmental management system based on ISO14001 in order to achieve a sustainable society. We also actively promote global warming prevention (action for climate change problems) and reduction of environmental burdens (action for problems related to resources and pollution).

Scope: A scope is clearly stated for each item. The breakdown of bases is as follows.

- All domestic production bases of AICA Group: All production bases in AICA Kogyo Co., Ltd., AICA Interior Kogyo Co., Ltd., AICA Harima Kogyo Co., Ltd. and AICA Tech Kenzai Co., Ltd.
- All overseas production bases of AICA Group: P.T. AICA Indonesia, P.T. Techno Wood Indonesia, Kunshan AICA Kogyo Co., Ltd., Shenyang AICA-HOPE Kogyo Co., Ltd., AICA Laminates India Pvt. Ltd., AICA Vietnam Company Limited, AICA Asia Pacific Holding Pte. Ltd.

Environmental targets and progress status

Scope All | AICA Group production bases in Japan

The FY2017 track record is deteriorating because recycled waste is being disposed as landfill. In FY2018, we will strive to achieve targets by creating closer relationships between the existing group and new companies in terms of information that include this matter, and sharing each other's knowhow.

	Target item	FY2017				FY2018	FY2020
		Target	Performance	Evaluation	Main activity situation	Goal ^{*4}	Goal ^{*4}
Global warming prevention	Reduction of greenhouse gas emissions P.34	Reduce emissions per unit of sales by 2% compared to the previous year	33.8 t - CO ₂ / 100 million yen in sales (4.25% decrease)	○	Energy saving in line with the production status, increasing efficiency by means of equipment replacement	Reduce emissions per unit of sales by 3% compared to the previous year	Reduce emissions per unit of sales by 3% compared to the previous year
	Reduce transportation energy ^{*1} P.35	Reduce energy for freight per ton-kilometer unit by 1% compared to the previous year	44.58 kℓ / ton-kilometers (1% decrease)	○	Improve regular-service loading ratios, enhance modal shifts for truck transportation, improve efficiency for double-handling services	Reduce energy per unit by 1% compared to the previous year	Reduce energy per unit by 1% compared to the previous year
Reduce environmental load substances	Reduce the amount of PRTR discharge/transfers P.36	1% reduction on performance in the previous year	69 tons (0.5% decrease)	×	Increase yield rates, suppress discharges, change specifications to alternative substances	Reduce energy by 1% compared to the previous year	Reduce energy by 1% compared to the previous year
Industrial waste reduction	Reduce the amount of industrial waste generated P.36	Reduce emissions per unit of sales by 2% compared to the previous year	25.8 tons / 100 million yen in sales (2% decrease)	○	Reduce waste by means of reduction in the number of in-process defects	Reduce emissions per unit of sales by 2% compared to the previous year	Reduce emissions per unit of sales by 1% compared to the previous year
	Reduce the ratio of landfill disposal P.36	1.0% or less	5.2%	×	Promote recycling and convert to valuable resources	5.0% or below	1% or below
Solving social issues	Sales expansion ^{*3} for AS products ^{*2} P.15-16	Sales amount of AS products 11.23 billion yen	9.79 billion yen	×	Offer products that contribute to social issues, and identify additional fields where we can make a contribution	Sales amount 14 billion yen	Sales amount 16.15 billion yen
Green purchasing	Promote green procurement in cooperation with suppliers	Green procurement proposals: 15	Green procurement proposals adopted: 18	○	Review raw materials and how they are transported	Green procurement proposals: 15	Green procurement proposals: 25
Contribute to local communities	Cleanup activities around plants P.45	At least once a month at each site	At least once a month at each site	○	Cleanup activities around plants, river clean-up activities, etc.	At least once a month at each site	At least once a month at each site
Information disclosure	Issue CSR reports All pages	Once a year	Once a year (July 2017)	○	Disclosure of information by the AICA Group consolidation, response to the Third Party Opinion	Once a year	Once a year
	Conduct environmental accounting P.39	Once a year	Once a year (July 2017)	○	—	Once a year	Once a year

*1 Scope is for domestic transportation

*2 AS products: Abbreviation for AICA Solution products. Products that solve a variety of social issues

*3 Scope is AICA Kogyo non-consolidated

*4 Excluding the newly consolidated portion

Global warming prevention <An action for climate change problems>

Reduction of greenhouse gas emissions (energy saving) 1

The priority issue to protect the global environment is to slow the progression of global warming. The "Paris Agreement" which is a new global legal framework was adopted at the 21st United Nations Framework Convention on Climate Change (COP21) in December 2015. Following this, the USA announced withdrawal from the Paris Agreement in July 2017. However, a negotiation for implementation guidelines of the Paris Agreement continued at COP23 held November 2017 in Germany. A "long term low carbon vision" was compiled in March 2017 in Japan and activities for global warming measures have been promoted. The target for Japan is to achieve a 26% reduction by 2030 compared to 2013 and achieve an 80% reduction by 2050. The AICA Group has been actively working to achieve a reduction of greenhouse gas emissions. We have also laid out a target aiming to reduce emissions per unit of sales by 3% compared to the previous fiscal year, every year, until FY2030.

AICA SDK Phenol Co., Ltd. (count as an Isesaki Plant of AICA Kogyo Co., Ltd. Since FY2017) and AICA Tech Kenzai Co., Ltd. joined our group in September and October 2015 respectively, and because about half a year's worth of emissions were added for FY2015 and one year worth emissions were added for FY2016, the total amount of emissions for the group in Japan has increased.

Main activities in FY2017 on each website of the domestic group are as follows. Having made the visualization of energy the main theme, we have worked toward grasping the current status, and eliminating waste and making improvements. In FY2018, we will continue to bring issues out into the open, and carry on promoting management and equipment improvements from a mid-term perspective.

	Target in FY2017	FY2017 result
Greenhouse gas emissions (Production bases in Japan)	34.6 t - CO ₂ / 100 million yen or less (Per unit of sales)	33.8 t - CO ₂ / 100 million yen (Per unit of sales)

Main activities in FY2017

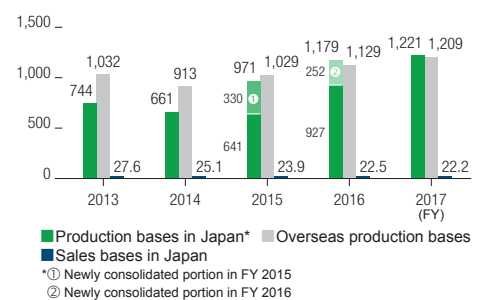
Nagoya Plant	Heat exchange efficiency in resource recovery boilers
Jimokuji Plant	Improvement of the cooling efficiency on the polyurethane manufacturing line
Tamba Plant	Improvement of efficiency; upgrading the drum for the raw materials freezer, improvement of continuous production efficiency in silicone particles drying process
AICA Interior Kogyo Co., Ltd.	Improvement of efficiency; upgrading boilers (heavy oil → city gas)
AICA Harima Kogyo Co., Ltd.	Improvement of efficiency; upgrading air conditioners, improvement of efficiency by means of upgrading boilers
AICA-Tech Kenzai Co., Ltd.	Improvement of autoclave filling rate (improvement of steam efficiency), improvement of efficiency; upgrading the transformers in Ichikawa Plant
Each plant base	Promote the shift to the use LED illumination, improve production efficiency; reduction of defect rate (Use of QC method), promotion of power saving in processes
P.T. AICA Indonesia	Recover the steam drain from drying machines (impregnation process)
Dynea (Guangdong) Co., Ltd. (AAPH Group) *	Change heavy oil boilers into gas boilers
AICA Dong Nai Co., Ltd. (AAPH Group) *	① Change from high pressure sodium lights to LED lights ② Improve efficiency by adding steam to pressure washing machines ③ Change existing electric water heaters to surplus steam heaters

* AAPH Group: AICA Asia Pacific Holding Pte. Ltd.

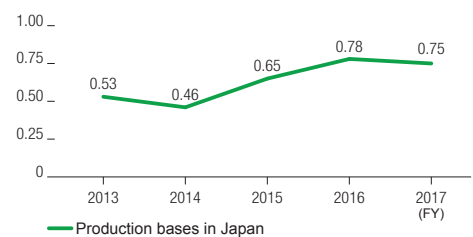
1 Transitions in energy input and greenhouse gas emissions

Scope
All AICA Group production bases in Japan
All AICA Group overseas production bases
AICA Group sales bases in Japan: 22 sales offices

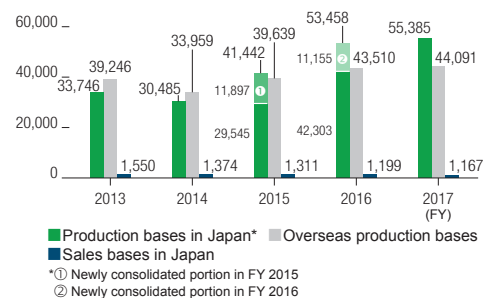
Transitions in energy input (TJ)



Transitions in energy input per unit of sales (TJ / 100 million yen)

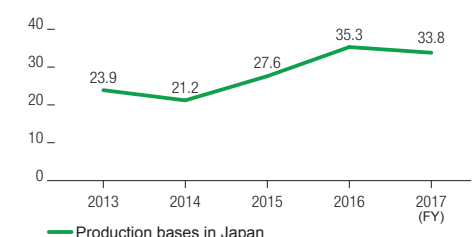


Transitions in greenhouse gas emissions (t-CO₂)



Greenhouse gas emissions

Transitions in emissions per unit of sales (t - CO₂ / 100 million yen)



A base to support AICA: Environment



Green Logistics 1

Reduction of greenhouse gas emissions generated during transportation is one issue imposed on a company.

In AICA Group, employees who are in charge of logistics in main shipment bases in Japan worked in cooperation with the sales department, and continuously implemented improvements for efficiency of modal shifts, truck cargo transportation. As a result, energy consumption (equivalent in heavy oil) per ton kilometer of cargo transportation which is a management indicator was reduced by 1% compared to the previous fiscal year and became 44.58kl.

The total amount of cargo transportation has been reduced by 7.6% compared to the previous fiscal year, and it is still in need of more efficient improvements. We plan to improve regular-service loading ratios and expand regular-service delivery areas (San-in region route and Tohoku area).

Scope 3 2

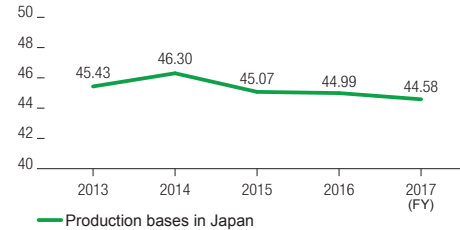
Not only does the Energy Conservation Act in Japan require companies to manage Scope 1 emissions (fossil fuels, liquefied natural gas) which includes greenhouse gas (GHG) emissions emitted by companies themselves, and Scope 2 emissions (electrical power) which includes indirect emissions by companies. In recent years, there has been an increasing movement toward the management and external disclosure of Scope 3 emissions (production, transportation, business travel, commuting) as GHG emissions through their supplier (business partner companies). This movement includes, for example, the Carbon Disclosure Project (CDP).

Starting in 2006, AICA Kogyo has been working on assessing and calculating the CO₂ emissions resulting from its product manufacturing, and we have made a preliminary calculation for Scope 3, in line with the movement discussed above. As a result, we have worked out that the processes that have an impact differs, depending on the product. The products with a high emission ratio of CO₂ in their procurement process are our chemical-blend products, and the products that emit large amounts of CO₂ in their production process are our high-pressure decorative panels, which require many different processes to produce.

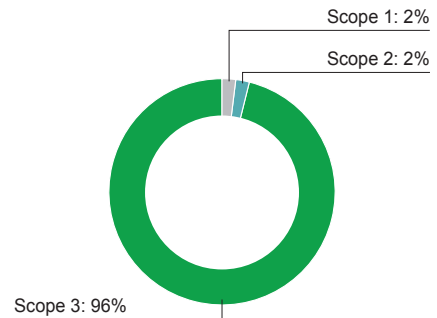
The data base used for calculations is mostly old hence, we do not calculate it every year. However, we will update it in FY2018.

Category	Overview	Calculated value	Details and method of calculation
Scope 1	Resulting from fuel used	16,400 t-CO ₂	Calculated by multiplying the amount of purchased fuel consumed by the emission intensity. The emission coefficients in Aichi Prefecture's regulations on the conservation of the living environments of citizens, as of 2006, were used to calculate emission intensity.
Scope 2	Resulting from electrical power used	16,700 t-CO ₂	Calculated by multiplying the amount of electrical power consumed by the emission intensity. The emission coefficients in Aichi Prefecture's regulations on the conservation of the living environments of citizens, as of 2006, were used to calculate emission intensity.
Scope 3	Items relating to business activities besides those coming under Scope 1 and Scope 2	702,400 t-CO ₂	Calculated by category

1 Transitions in energy consumption per unit regarding transportation (kL / million ton kilometer)



2 Scope 3: CO₂ amount in calculated value for each category (%)



Application and calculated value for each category in Scope 3

Category	(t-CO ₂)
1 Purchased goods, services	659,200
2 Capital goods	4,100
3 Fuel and energy related activities	20,300
4 Transportation and distribution (upstream)	Included in Category 1
5 Waste arising from business	4,200
6 Business travel	1,200
7 Commuting of employees	
8 Lease credits (upstream)	Not applicable
9 Transportation and distribution (downstream)	13,400
10 Processing of products that have been sold	Not applicable
11 Use of products that have been sold	Not applicable
12 Disposal of products that have been sold	Included in Category 1
13 Lease credits (downstream)	Not applicable
14 Franchises	Not applicable
15 Investments	Not applicable

Reduction of environmental burdens <Action towards resource and pollution problems>

AICA Group aims for reduction of environmental burdens and effective use of resources, it works on management of chemical materials, reduction of industrial waste, recycling and effective use of water resources, and considers improvement of productivity and weight reduction of products. AICA Group also promotes changes of specifications which replace environmental load substances for alternative substances.

Management of chemical substances 3

Our company recognizes that reducing the amount of discharged and transferred chemical materials including volatile organic compounds (VOC) is an important responsibility of a chemical manufacturer. We have promoted the reduction of target substances in the PRTR Law since 2002, and have made reductions by about one fifth 10 years later in 2012. Since then, discharge amount and transfers have been seesawing as a result of increases in facility numbers (by means of M&A) and decreases arising from reduction activities. (The data for AICA SDK Phenol Co., Ltd. has been included with Iseaki Plant of AICA Kogyo Co., Ltd. since 2017, and the data for AICA-Tech Kenzai Co., Ltd. since 2015.)

It is a system that we assess, calculate, and announce data including which generation sources discharge a vast number of harmful chemicals, how much is discharged to the environment, or how much is included in waste and brought outside of offices, in accordance with the “Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof” (PRTR Law).

Industrial waste reduction and recycling 4

We began specific activities to reduce industrial waste in 1998, and have set this as an important environmental guideline for the entire group.

Data for AICA SDK Phenol Co., Ltd. (which has been calculated as Iseaki Plant of AICA Kogyo Co., Ltd. since 2017) and AICA-Tech Kenzai Co., Ltd. has been calculated since the middle of FY2015, and one year's worth of data has been added for FY2016, the values have been affected significantly.

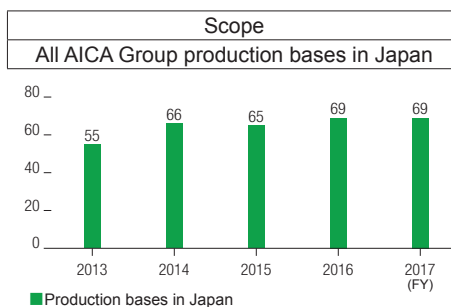
Also, materials that were recycled as roadbed materials became landfill disposal in 2017. As a result, the landfill disposal rate has increased. We are now selecting valuable resource processing destinations and considering a path for effective use.

	Target in FY2017	FY2017 result
Amount of industrial waste (Production bases in Japan)	25.8 t / 100 million yen or less (Per unit of sales)	25.8 t / 100 million yen (Per unit of sales)
Ratio of landfill disposal (Production bases in Japan)	1.0% or less	5.2%

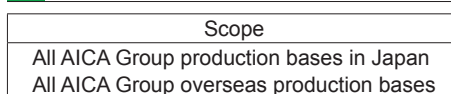
Main activities in FY2017

Fukushima Plant	Reduction of plastic waste with resin by means of process improvement
Ibaraki Plant	Conversion of scrap metal into valuable resources, improvement in product yield by means of collection of surplus materials
Tamba Plant	Improvement in yield of polymer beads products
Iseaki Plant	Reduction of in-process incinerated material amount generated
AICA Harima Kogyo Co., Ltd.	Reduction of foreign object defects by adding a partition between buildings, etc.
AICA-Tech Kenzai Co., Ltd.	Reduction of timber offcuts generated due to re-examining standard sizes, and increasing product recovery due to an update to timber offcut grinders
Each plant base	Promotion of emissions reduction by improving reject rates and improving efficiency (Use of QC method)

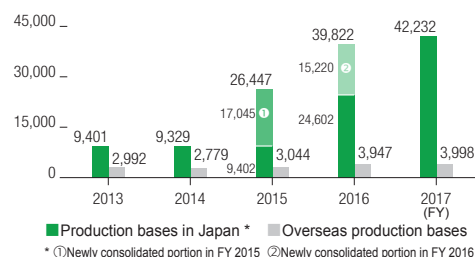
3 Transitions in the amount of discharged and transferred PRTR-controlled substances (ton)



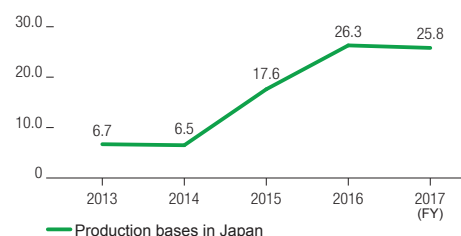
4 Transitions in the amount of industrial waste and in the landfill disposal ratio



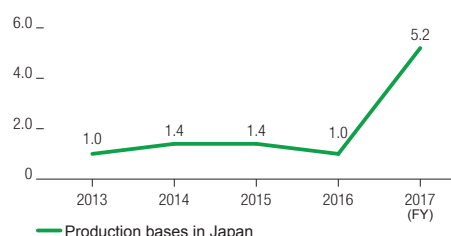
Transitions in the amount of industrial waste (ton)



Transitions in the amount of industrial waste per unit of sales (ton / 100 million yen)



Transitions in the landfill disposal ratio at production bases in Japan (%)



A base to support AICA: Environment



Reduction of water consumption rate 1

In production bases in Japan, industrial water and groundwater is used. In Nagoya and Jimokuji Plants, water recycling is promoted. AICA SDK Phenol Co., Ltd. (calculated as Isesaki Plant of AICA Kogyo Co., Ltd. since 2017) is located near a rich Tone River system, and the abundant water resources are utilized there, but we will strive to reduce water consumption in the future.

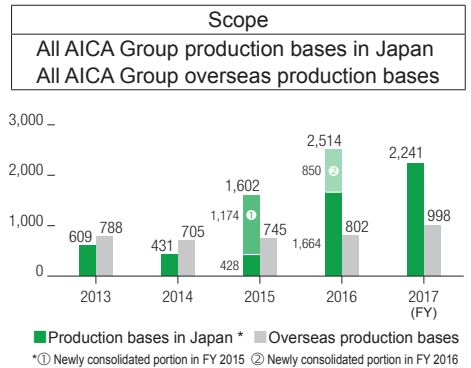
In overseas production bases, industrial water and groundwater is also used, but efficient use is promoted because some regions are short of water.

In AICA Laminates India Pvt. Ltd., which is located in the north of India, water recycling is conducted in the manufacturing process. Wastewater is treated in facilities in the plant and is used for gardening.

Main activities in FY2017	
AICA Singapore Pte. Ltd. (AAPH Group)	After checking the quality, wastewater generated in the synthesis process for urea formaldehyde resins is reused as a material for formalin. About 300 tons and 50 thousand Singapore dollars were saved.
AICA Dong Nai Co., Ltd. (AAPH Group)	We changed a method for removing deposits found on pipes by letting water from boilers and chilling machines flow through using non-chemical cleaning equipment, and consequently eliminated wastewater thanks to the said cleaning process.

* AAPH Group: AICA Asia Pacific Holding Pte. Ltd.

1 Transitions in water use (1000 m³)

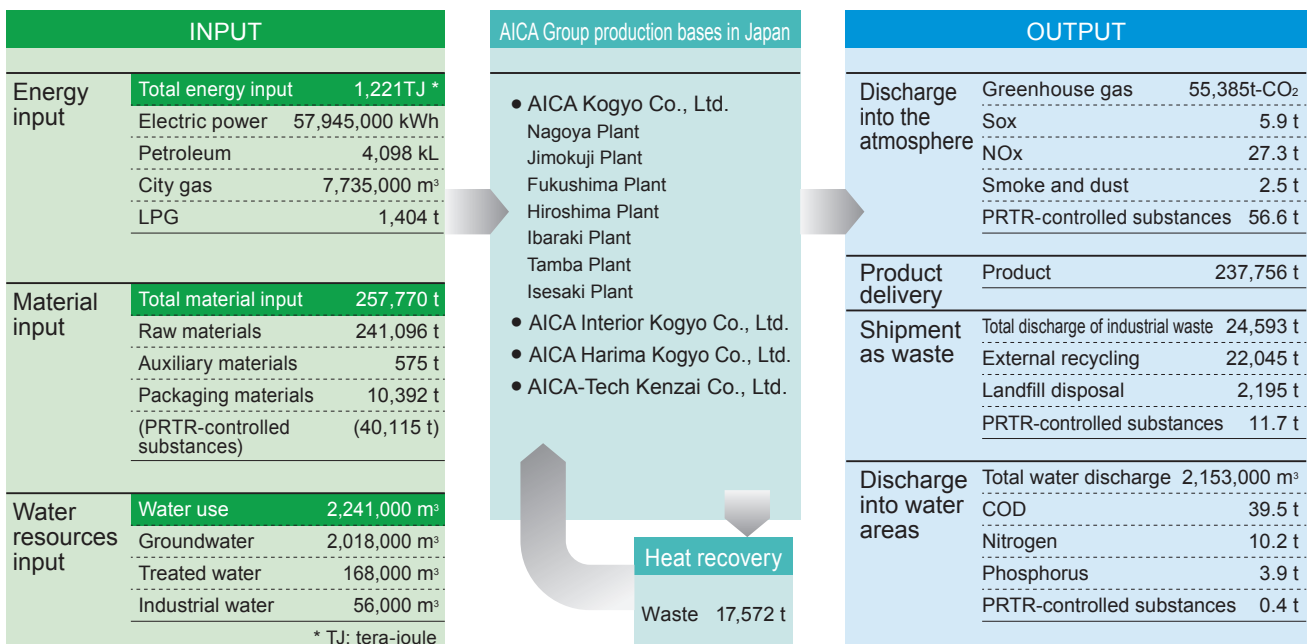


FY2017 material balance

The amount of materials and energy being used has been increasing along with an increase in production volume compared to FY2016.

However, we are taking a variety of measures as mentioned above in order to improve efficiency. The ingredient evaluation (of the pulp portion) for some product's processing powder is becoming strict, and the process of recycling industrial waste is being scrapped in preference for landfill disposal. As a result, landfill disposal of industrial waste is increasing significantly. In AICA Interior Kogyo Co., Ltd., the shift from groundwater to treated water is being conducted.

Scope	All AICA Group production bases in Japan
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Environmental risk management

Soil and groundwater research 2

Some of AICA Kogyo Co., Ltd. and Group companies' plants in Japan have a history of using organic chlorine solvents, harmful heavy metals, etc. They conducted voluntary research into soil and groundwater in FY2001, and was completed by FY2003 (please refer to the information on the right).

Status of PCB possession/management

Polychlorinated biphenyls (PCBs) was used for ballast in fluorescent lamps. As a result of the Kanemi Yusho incident in 1968, their toxicity became a public concern, and their production was banned in 1972. Following this, despite the private sector's attempt to establish 39 treatment facilities nationwide, none of them were approved by local communities. PCB has remained undisposed for more than 30 years.

In March 2016, in order to breakthrough on this matter, the Cabinet made the decision to conduct necessary institutional countermeasures in order to secure the completion of PCB disposal as soon as possible before the deadlines set for each business site (the shortest of which by the end of FY2018) expired.

We store PCB in accordance with the storage standards for specially controlled industrial waste in Nagoya Plant, Ibaraki Plant and Isesaki Plant, and we are aiming to dispose of the PCBs as soon as possible through discussion with treatment operators.

Status of adherence to environmental regulations

In FY2017, despite the fact that AICA Group was not involved in any legal actions in relation to the environment, we were deficient with regard to the following points, and corrected them accordingly.

Exceeding the effluent standards at Tamba Plant

Sampling of discharge water in the sewage systems conducted by the Tamba City Water Supply Division in May 2018 showed that the measurement value of phosphorus concentration was exceeding the sewage effluent standards.

It is because specific products using phosphorus materials increased rapidly and they could not be removed using coagulation sediment treatment in ordinary waste water treatment facilities.

We corrected the situation to make the value below the standard by adjusting the pH level when conducting coagulation sediment treatment and reducing the degree of phosphorus solubility of treated water.

Complaints from neighboring residents, and responses

There were no complaints or requests from neighboring residents of plants in FY2017.

Occurrences of environmental accidents 3

Although were no environmental accidents which could have affected outside our premises in 2017, there were emergency situations on the premises (Please refer to the right) We will deploy information sharing measures horizontally to prevent disruption of neighbourhood residents and people who are **involved with regulatory authorities**.

2 Soil and groundwater research

Name of office and company		Results of voluntary research
AICA Kogyo Co., Ltd.	Nagoya Plant	Conformity with environmental standards
	Jimokuji Plant	Conformity with environmental standards
	Hiroshima Plant	Conformity with environmental standards
	Ibaraki Plant	Conformity with environmental standards
AICA Interior Kogyo Co., Ltd.		Conformity with environmental standards (Note)
AICA Harima Kogyo Co., Ltd.	Head Plant	Conformity with environmental standards
	Kasai Plant	Conformity with environmental standards

(Note) When we conducted inspection of only the surface area at a factory site obtained by AICA Interior Kogyo Co., Ltd., it was found that fluorine in one area (10 m x 10 m) exceeded the acceptable standard. We therefore carried out rain seepage prevention work.

* As Fukushima Plant and Tamba Plant have never used and do not currently use any substances for which environmental quality standards for soil pollution have been set, they are excluded from the research.

3 Contents of environmental accidents

Site name / Occurrence month

Nagoya Plant/September 2017

Accident details

When waste resin drums (200 L x 2) were being carried using a forklift, the pallet became tilted due to a dent in the road's surface and a drum fell down. The drum's contents spilled onto the road's surface on the premises.

Countermeasures

- Drums are fixed to the mast of forklifts using bands in order to prevent them from falling.
- The recessed part of the road's surface has been repaired.

Site name / Occurrence month

Jimokuji Plant / February 2018

Accident details

A hose which is put into the upper opening part on the 1t container where acrylic emulsion-based cleaning liquid is collected was removed due to wind, and the liquid consequently spilled onto the road surface and nearby ditch. (It occurred while the hose was under repair, and a thin temporary hose was used as a replacement)


Countermeasures

- Renewed the hose with a hard one

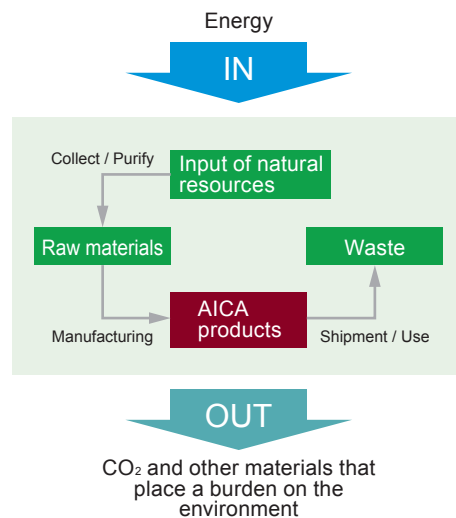
A base to support AICA: Environment

Use of LCA

We have introduced and now using life cycle assessment (LCA.) Melamine laminated sheets, our main product, is an environmentally-friendly product which generates a lower amount of CO₂ emissions compared to artificial marble or PVC steel plates. Furthermore, our laminated sheet related products are highly durable, making them environmentally-friendly as they have a long life cycle.

We use the LCA of the product to evaluate which category has the highest CO₂ emissions (evaluation for Scope 3 ) among the company's lines of business.

1 Concept diagram of life cycle assessment (LCA)



Environmental accounting

Environmental accounting has two objectives.

The first objective is for us to use it as an in-house management tool to achieve maximum effects with minimum cost, by achieving a quantitative understanding of the cost accounted for by environmental conservation activities and of the effects of environmental measures.

The second objective is for us to use it as a tool for external communication, in order to become a company that is trusted by society as an “environmentally-friendly company,” by actively publishing and disclosing information on AICA Kogyo's environmental initiatives.

On the basis of the above concept, our company has been releasing environmental accounting reports since the second half of FY1999, prompted by the publication of guidelines for understanding and releasing environmental conservation costs by the Ministry of Environment in March 1999.

Basic thinking for calculations

Target term

April 01, 2017 to March 31, 2018

Scope of calculation

All AICA Group production bases in Japan (including a part of sales bases)

Calculation standards for environmental conservation costs

- **Capital investment:**
Calculate the amount of capital investment related to environmental conservation in the fiscal year. In cases where a part of the investment is carried over to the following fiscal year, only the current term is to be added.
- **Expenses:**
 - Labor costs**
Calculated in every department by multiplying the time required for environmental conservation activities by the annual average hourly wage.
 - Depreciation costs**
Equipment related to environmental conservation activities which was obtained after April 1, 1997 is subject to depreciation. It is calculated by the same method as in financial accounting in our company.
 - Other costs**
Calculated according to the categories in the FY2005 version of the guidelines issued by the Ministry of the Environment.

Environmental conservation costs

(Million yen)

Category	Details of main activities	Capital investment amount			Expenses		
		Previous term	Current term	Year-on-year	Previous term	Current term	Year-on-year
Environmental conservation costs required to suppress environmental burdens which arise within business areas as a result of production/service activities (In-business-area costs)		152	224	147%	526	527	100%
(1) Breakdown	① Pollution control costs	43	116	270%	121	120	99%
	② Global environment conservation costs	103	100	97%	115	116	101%
	③ Resource circulation costs	6	8	133%	290	291	100%
(2) Costs incurred in suppressing environmental burdens which occur in upstream or downstream as a result of production/service activities (Up/downstream costs)	- Promotion of green procurement	0	0	—	13	14	108%
(3) Environmental conservation costs in management activities (Management activity costs)	- Preparation of CSR Report 2017 - Survey of materials contained in products, and response to the need for reporting - Education in Environment ISO study meetings and morning meetings	1	4	400%	114	131	115%
(4) Environmental conservation costs in research and development activities (Research and development costs)	- Consideration and development of a manufacturing and filling methods for improving the yield rate during production - Support for development, and increased sales of environmentally-friendly products and AS products - Consideration and development of specifications that help make the separation of waste after being used by customers easier	26	19	73%	510	548	107%
(5) Environmental conservation costs in social activities (Social activity costs)	Costs arising from environmental conservation activities (volunteer activities)	0	0	—	0	0	—
(6) Costs incurred in responding to environmental damage (Environmental damage costs)	Payment of a levy on pollution burdens	0	0	—	1	1	100%
(7) Other costs		0	0	—	1	0	—
Total environmental conservation costs		179	247	138%	1,165	1,221	105%

Effects of environmental conservation

Details of effects	Effects of environmental conservation			
	Previous term	Current term	Year-on-year	
(1) Environmental conservation effects which arise within business areas (In-business-area effects)	Total energy input	1,179 TJ	1,221 TJ	91%
	Material input	272,091 t	257,770 t	93%
	Water consumption	2,514,000 m ³	2,241,000 m ³	89%
(2) Environmental conservation effects related to environmental loads and waste discharged from business activities (main items)	Amount of waste	39,822 t	42,232 t	106%
	Amount of waste disposed of in landfill	411 t	2,195 t	534%*
	CO ₂ emissions	54,656 t-CO ₂	56,552 t-CO ₂	103%
	Amount of discharged and transferred PRTR law-controlled substances	69 t	69 t	99.5%
(3) Environmental conservation effects related to goods and services produced from business activities				
(4) Other environmental conservation effects				

* The amount of product processing powder in AICA-Tech Kenzai is increasing significantly because the recycling of industrial waste disposal is changing to landfill disposal.

Economic benefits of environmental conservation measures

(Million yen)

Details of effects	Amount		
	Previous term	Current term	Year-on-year
Energy-saving effects of heat recovery	155	197	127%
Effects of recycling	17	14	82%
Effects of improved logistics efficiency	79	80	101%
Total economic benefits	251	291	116%

A base to support AICA: Stakeholder relations



We specify that “observing laws and regulations and the social order, and implementing fair and transparent compliance management” and “communication with stakeholders” are important as a company that is broadly trusted by society and in a management policy. Under the banner of our basic policies, we disclose company information fairly and timely to all stakeholders based on the operating policy.

Relations with customers

Voluntary code of conduct in relation to product safety

We strongly believe that “the most important issue in quality management is to deliver safe and reliable products to customers.” To put this idea into practice, we have established a voluntary code of conduct on product safety, and we disclose information and strive to secure product safety.

Response to customers 1.2

The number of inquiries received by the Inquiry Center in FY2017 has been on the increase year after year. There have been 77,355 cases (an increase by 117% compared to the previous year).

Customers pointed out that it is difficult to connect to customer service representatives as a response in customer satisfaction surveys. As a measure to address the issue, we have introduced a “call center system” since April 2018. Using the system has improved reception efficiency of staff and has improved the response rate from 74% to 90%. We not only receive questions regarding reception contents, but also make appropriate product suggestions, etc. By doing so, we are striving for improvement of proposal skills so that we are more useful to customers.

We have further expanded business contents since May, and have tentatively started business activities by means of “telemarketing” for the West of Japan. We carry out sales calls from each office according to requests, and strengthen a system where we can respond to a variety of needs from customers.

Value Chain collaboration 3


There are those who run “shops” and “construction shops” as stakeholders on the Value Chain. In order to build a strong network with these stakeholders, we will establish an “AICA Distributors’ Organization” as an organization of “companies which mainly deal in AICA products” (encompassing sales aspects). Additionally, we will strive to share sales and product strategies, and encourage healthy communication among shops. In aspects regarding construction, we will establish a “meeting for various construction shops” set as an organization of “companies which have responsibilities related to the construction of AICA products,” and engage in information sharing related to improvement of construction quality, and product improvement/development.

Basic principle of voluntary code of conduct on product safety

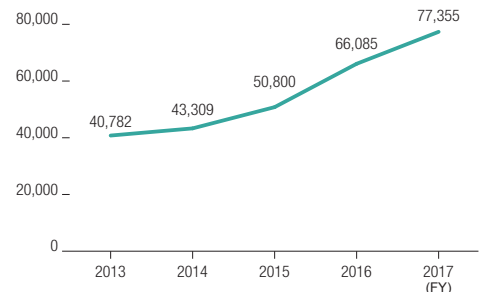
- [1] Adherence to laws and regulations
- [2] Initiatives to secure product safety
- [3] Responses to product accidents

Voluntary code of conduct for product safety

You can see further details on the AICA website.

 [http://www.aica.co.jp/company/ environ/principle/](http://www.aica.co.jp/company/environ/principle/)

1 Transitions in the number of inquiries received by the Inquiry Center (Cases)



2 Response rate by means of the Inquiry Center

FY2016 FY2017
74% → 90%

3 East of Japan AICA Distributors' Organization in 2018



Image of a company policy briefing meeting

Customer satisfaction surveys ▶

We have been conducting customer satisfaction surveys continuously since 2002, in order to measure the level of satisfaction by hearing from stakeholders (customers). The 16th survey was conducted in FY2017, and we asked main agents and users in each segment and “architects and designers” to participate.

The questions have a simple configuration so that measures can easily be taken from the survey results. We have eliminated the response of “unable to say either way”, and evaluate the question content through a four-level evaluation system of “satisfied (5 points),” “mostly satisfied (4 points),” “a little unsatisfied (2 points),” and “unsatisfied (1 point)” so that questions can be answered clearly. The response method was changed to via website, so response rate of this time has significantly been improved to 83%.

In many items, the score became raised compared to the previous survey, but some items still maintain at low score. We will continue to take measures to improve and strive to receive higher evaluations.

4 Summary of customer satisfaction surveys

		2 years ago	Previous year	This year
Evaluations for products	Quality	4.29	4.24	4.31
	Delivery times	3.86	3.83	3.95
	Pricing	3.48	3.48	3.64
	Product strength	4.19	4.21	4.29
Evaluations for business activities	Product knowledge / proposal skills	4.18	4.12	4.29
	Responsiveness	4.03	4.07	4.16
	Number of visits / visiting manners	4.55	4.59	4.60
	Response to complaints	4.19	4.22	4.25
	Homepage	3.91	3.94	4.07
Average score		4.08	4.08	4.17

* Maximum score: 5 for each item
 Number of valid responses to the survey: 555 companies (of which 227 companies are members of the AICA Distributors' Organization)
 Survey period: January 2018

AICA Seminar in Contemporary Architecture

We have been committed to contributing to the improvement and development of architectural culture through the provision of trustworthy products.

One of the initiatives we have been working on in order to aim at further contributions is the organization of the “AICA Seminar in Contemporary Architecture.” It was started in 1983, in which we invite famous architects from Japan and overseas to talk about a wide range of themes, such as housing, and environmental and urban problems. The seminar is free, and a wide variety of people, from architects to students and members of the general public participate.

We will invite Hiroshi Naito, and hold the 64th AICA Seminar in Contemporary Architecture with the theme “Architectural aesthetics in the turning period” in October and November 2018.





Relations with the supply chain

We think it is essential that stakeholders understand and cooperate with us in order to achieve CSR (corporate social responsibility) that AICA Group should assume.

In procurement activities, we take responsible actions as one of AICA Group companies, promote the cooperation of business partners, and encourage CSR activities.

Based on this way of thinking, we significantly revised a conventional procurement policy, and developed an “AICA Group CSR Procurement Guideline” in June 2017. We will notify suppliers to consent to this guideline, implement questionnaires regarding CSR, put an actual condition survey into practice, and carry out on-site surveys by means of our employees as when necessary. When matters where corrections are required come to light, we will provide guidance and support to the suppliers. We have conducted on-site surveys in five companies as of September 2018. After having interviews about the response contents of questionnaires, we gave guidance regarding matters where corrections were required. We will continue to aim to improve mutual levels by maintaining communication with suppliers in the future.

When starting new transactions, we carry out research into business partners, and make reevaluations on a regular basis

BCP (Business Continuity Plan) for stable supply

In order to ensure a stable stock supply when disasters and accidents occur, we purchase main raw materials from multiple suppliers and bases, and secure suppliers for material replacements.

With regard to our products, we take various measures by building a production system in multiple bases, securing a standard level of stock etc.

Provision of product safety information 1·2

Concern over chemical substances continues to grow, as seen for example, in the the amended Building Standards Act which was brought into force, the revision of the standards for school environment sanitation, and regulations on chemical substances overseas.

We actively provide information as a manufacturer which handles chemicals, and the number of cases where we received requests from customers and provided safety information in FY 2017 is 1,376 and is still increasing.

The breakdown of these requests were for surveys regarding chemical substances specified by users in the value chain which accounted for 600 cases (44%,) or nearly half, and these were followed by matters related to the submission of MSDS-Plus and chemSHERPA *1, to the EU's REACH Regulation (SVHC*2), to documents required by the Export Trade Control Order, and to other matters. Through inquiries regarding laws and regulations established in each country, and by, for example, requesting surveys and providing information regarding new chemical substances, etc., we will respond promptly and appropriately by working together with the relevant departments as a manufacturer.

*1: Communicating information about chemical substances contained in products

*2: Abbreviation for Substances of Very High Concern. Substances specified as “substances to be approved and registered” under article 57 of the EU's REACH Regulation.

The basic principles of the AICA Group CSR Procurement Guideline

- [1] Human rights
- [2] Safety and health
- [3] Environment
- [4] Fair transactions and ethics
- [5] Quality and safety
- [6] Information security
- [7] Social contribution

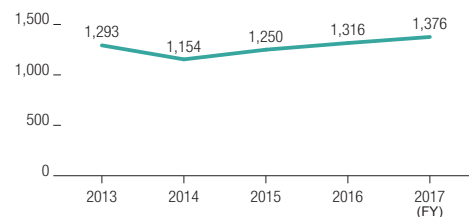
AICA Group CSR Procurement Guideline

You can see further details on the AICA website.

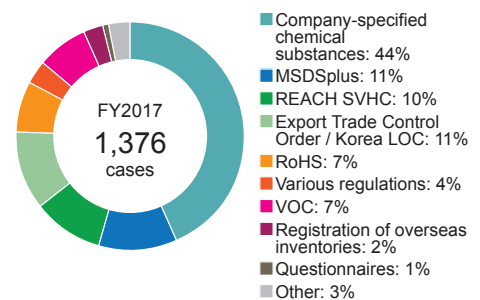


<http://www.aica.co.jp/company/envIRON/>

1 Transitions in the number of cases for provision of product safety information (Cases)



2 Breakdown of provision of product safety information



Relations with shareholders

Appropriate information disclosure and securing transparency 3

We disclose company information fairly to all stakeholders as a company that is broadly trusted by society based on the operating policy. We adhere to related laws and regulations such as the Companies Act and Financial Instruments and Exchange Law and timely disclosure rules stipulated by the Stock Exchange where our stock is listed, and conduct information disclosure based on a disclosure policy.

With regard to information which does not come under the related laws and regulations and timely disclosure regulations, we disclose information which is regarded important for investment decisions of shareholders and investors, after considering fairness and timeliness.

Communication with shareholders and investors 4

We conduct active measures with a reasonable scope in order to achieve constructive communication with shareholders. Opinions obtained through communication will be reported to the Board of Directors and reflected in future management and IR activities.

In order to obtain an understanding and fair evaluation with regard to our company, as well as shareholders meetings and social gatherings after the meetings, we hold biannual settlement briefing meetings for analysts and institutional investors, with the representative director as a speaker. The Public Relations / IR Group responds to applications for individual meetings and telephone interviews. The information disclosed in these is approved by the representative director and directors in charge beforehand.

Increased returns to shareholders 5

In order to achieve profit return for our shareholders and continuous growth of the company, we distribute dividends by comprehensively taking into consideration the consolidated performance for each term, the payout ratio and retained earnings. In the current mid-term business plan, "C&C 2000," we will implement a performance-based return to shareholders with the target of a consolidated payout ratio of 50%.

On the basis of the basic policies, we distribute the midterm dividend and the year-end dividend (twice a year.)

With regard to the use of retained earnings, we will consider investment efficiency from a long-term perspective, for example using them preferentially for investments to enhance our future corporate value, such as capital investments to expand existing core businesses and M&A.

Selected as one of the JPX-Nikkei Index 400 names 6

Our company's shares have been selected to be included in the "JPX-Nikkei Index 400," a share price index developed by the Japan Exchange Group/Tokyo Stock Exchange and Nikkei, for 5 consecutive terms.

3 Various information disclosure documents

- Earnings briefings
- Financial statements and quarterly reports
- A notice of a general meeting of shareholders
- Business report
- Corporate governance report
- Documents regarding settlement briefing meetings

AICA website

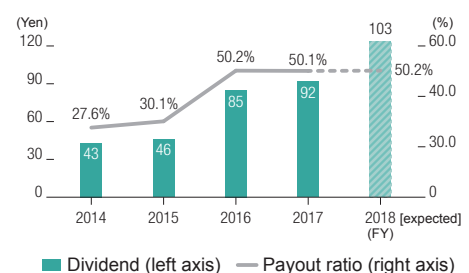


<http://www.aica.co.jp/company/ir/>

4 The number of individual communication cases with institutional investors in 2017

140 cases

5 Dividend amount and payout ratio



6 JPX-Nikkei Index 400



JPX-NIKKEI 400

Selection for FY2013 to FY2017

A base to support AICA: Stakeholder relations



Community relations

AICA Group has bases in Japan and around the world. The group cherishes connections with local communities and is undertaking contribution activities.

Our production and sales bases clean up their local neighborhood once a month. They also take part in volunteer and contribution activities in cooperation with local organizations.

● Nagoya Plant (Kiyosu City, Aichi Prefecture)

Nagoya Plant takes part in environmental conservation activities for nearby rivers. We participated in the following activities this year.

Name of activity	Number of participants from the company
Simultaneous cleanup activities for Shinkawa River and Gojo River ①	8
Simultaneous cleanup activities for Shinkawa River and Gojo River ②	5
Big spring cleanup at Fujimae Tidal Flat	10
Big fall cleanup at Fujimae Tidal Flat	8



● Jimokuji Plant (Ama City, Aichi Prefecture)

Upon request from neighboring elementary schools, the plant has been organizing plant tours as part of social education activities every year for the last 10 years.

We welcomed 15 pupils from Jimokuji Elementary School, and an entire class of third-graders from Jimokuji Minami Elementary School, and showed them our manufacturing site.

● Fukushima Plant (Iwase County, Fukushima Prefecture)



Fukushima Plant is a member of the Sukagawa Iwase Infrastructure Recovery and Decontamination Group, a non-profit organization, and is

undertaking activities with the subsidies granted to those affected by the Great East Japan Earthquake.

We not only aim to reconstruct the company's business operations but also intend to make greater use of the subsidies to contribute to the community.

As a member of the group, we took part for the first time last year in the "Joint Cleaning Mission," a cleanup activity at Midorigaoka Park in Sukagawa City which is conducted by a local volunteer group every year.

● Hiroshima Plant (Mihara City, Hiroshima Prefecture)

The plant participated in a night-time disaster prevention patrol led by the Mihara City Crime Prevention Association. We have taken part in the patrol every year for over 15 years, and have contributed to the community's crime prevention activities.

● Iseki Plant (Iseki City, Gunma Prefecture)

In September 2017, we held a summer night festival in joint cooperation with Showa Denko K.K. About 400 people gathered for the festival, including the employees and their families of both companies, partner companies, neighborhood residents, and more. The festival's entertainment included a performance of Yagibushi by a local community group, which is a traditional folksong from Gunma Prefecture, and it ended on high note.

AICA SDK Phenol Co., Ltd. (which was established through the transfer of Showa Denko's phenol formaldehyde resin business to AICA in September 2015) has been merged into AICA Kogyo Co., Ltd. in October 2017, and started operations as Iseki Plant.

We will continue to hold the summer night festivals that have been held as a tradition since the organization was part of Showa Denko K.K.



Initiatives taken by group companies

● AICA-Tech Kenzai Co., Ltd., Akeno Plant (Chikusei City, Ibaraki Prefecture)

● AICA-Tech Kenzai Co., Ltd., Nagoya Plant (Oharu Town Ama County, Aichi Prefecture)

The two plants accept high school students for internships. In FY2017, Nagoya Plant accepted two interns (for two days), and Akeno Plant accepted three interns (for five days).

● P.T. AICA Indonesia (Indonesia)

The company accepts interns for three months upon requests from local high schools. In 2017, five students participated in the internship.

● AICA Asia Pacific Holding Pte. Ltd. (Singapore)

Employees of AICA Asia Pacific Holding Pte. Ltd. and its subsidiary AICA Singapore Pte. Ltd. took part in cleanup activities at Jurong Lake as part of an environmental preservation program. Jurong Lake, which is located in western Singapore, is a famous spot for tourists, and an oasis for the local citizens of Singapore. 25 employees cleaned up the lake while enjoying the greenery in the surrounding area, and collected 38 kg trash in total.



Anticipating evolution to a comprehensive report where it is possible to see into developments



Hiromitsu Kumetani
President and CEO of the
Nord Institute for Society
and Environment
Representative of the
Workers Club for Eco-
harmonic Renewable
Society

In preparation for writing this column for a third party opinion, I sat in on the first session of the annual meeting for the materiality review. This year's report is still titled the same as last year's, but its content has greatly evolved.

First and foremost, the structure has changed. While last year's report was structured in line with the seven core themes of the ISO 26000, this year's report's underlying theme is the materiality of AICA Group as a whole. The opening introduction of the group concerning its financial highlights, too, shows the history of AICA Group and the changes within its business field, including changes in its sales composition with concrete numbers. The report was easy to understand, and focused on ESG investment. The message from the President states that the company's aim is to become an entity that develops in a sustainable way through enhancing its initiatives in ESG. It explains the C&C 2000 and AICA 10 Years Vision, along with mid-term management plans, in concrete terms. Their details are certainly conscious of the total strategic development of CSR and the company's management. AICA aims to pursue both economic value and social value, and both financial goals and non-financial goals, and its Virtuous Cycle Model is the prime representation of these values.

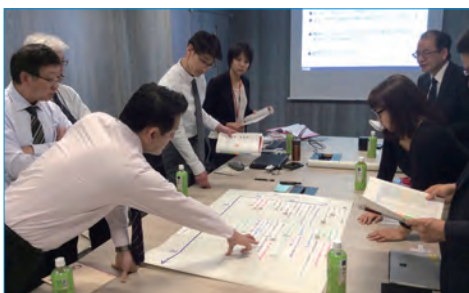
Within the explanations of two business that AICA Group is involved in, each specific product category has an explanation of the social value as well as technological value that they offer. The diagram of "The strength of AICA" in "Sustaining growth of domestic core business through the enhancement of AS products" (which is listed first in the "three driving forces for growth",) gives us a glimpse of AICA Group's value creation process.

Viewing this all-inclusively, I can say that this report is steadily evolving from a CSR report to a comprehensive report.

Although we cannot see in detail for ourselves since there is no comparison chart to the GRI standards, the area of disclosure covers an extensive range of information, and it is highly comprehensive. There are also some honest disclosures regarding negative information, including website defacement due to unauthorized access of the group's website, car accidents, and environmental accidents.

The tasks that point towards becoming a comprehensive report include explaining AICA Group's value creation process in a way that is easier to understand, and setting KPIs that provide insight into mid-to long-term future developments. The group has established materiality and corresponding KPIs in each area—business infrastructure, human resources, environment, and stakeholders—which is integrated into the "AICA 10-year Vision" of this report. These are set on the basis of a forecast as of FY2017. What will be required is setting future-oriented KPIs that will lead innovation in mid- and long-term periods. It is an ideal for AICA Group to first set an ambitious goal for its KPIs for the fiscal year ending March 2027, which is a goal year of the "AICA 10-year Vision," and then set KPIs for each year, backcasting the progress to achieve this said goal.

As the evaluation of performance in FY2017 shows, the group did not achieve some goals, including reduction of overtime working hours, reduction of the frequency rate of industrial accidents, sales of AS products, and promotion of responsible care. I expect the group to take strategic actions for improvement in these areas and set an ambitious goal for the fiscal year ending in March 2027, referring to the goals and targets under the SDGs which are associated with materiality for each factor.



Our response to the Third Party Opinion

We are fully aware of the necessity of setting ambitious goals for the fiscal year ending in March 2027 with reference to the goals and targets set under the SDGs for integrating the CSR with company management. For the goals that were not achieved in FY2017 in terms of materiality, we will fully investigate the reasons why we could not achieve them, and take appropriate actions.



Giving Back to the Earth through Technology

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