

NICHIAS Integrated Report

2023



The NICHIAS Philosophy

NICHIAS contributes to the Earth's bright future through our "TATSU-TAMOTSU™ (Insulation and Protection)" technologies.

Our Promise

We will abide by community standards and work together with the communities we serve.
 We will strive for customer satisfaction while never forgetting a sense of gratitude.
 We will believe in mutual trust and continue to grow together.

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Basic data of the fiscal year ending March 2023



Editing Policy

NICHIAS Integrated Report 2023 is issued with a purpose of disclosing the financial and non-financial major information and value-creation process in an easy-to-understand manner and deepening the understanding of stakeholders including customers, clients, shareholders, and investors.

Scope of Reporting

Information of the NICHIAS Group, focusing on NICHIAS Corporation and excluding the following items, is reported.

- Data of "rate of paid holidays taken," "average years of service," "employment rate of disabled people," "female employment rate," and "number of employees on temporary retirement and turnover rate" on P. 10 and data on P. 35-39 "Society" cover only NICHIAS Corporation.
- Regarding data of "CO₂ emissions" and "amount of discharged industrial waste" on P. 10 and P. 43-44, domestic manufacturing offices of the NICHIAS Group (NICHIAS' factories^{Note 1}, domestic consolidated manufacturing company^{Note 2}) are covered for Fiscal Year 2018 and before, and domestic and overseas manufacturing offices^{Note 3} of the NICHIAS Group are covered for Fiscal Year 2019 and beyond. Data on the pages "Environment" (P. 40-42) cover domestic manufacturing offices of the NICHIAS Group. In addition, data concerning the Energy and Industrial Plants Business and the Construction Department of the Building Materials Business is excluded.

Note 1) Tsurumi Factory, Ohji Factory, Koriyama Factory, Hashima Factory, Fukuroi Factory, Yuki Factory

Note 2) NICHIAS CERATECH CO., LTD., SAKAI NICHIAS CORPORATION (since FY2022 for Wakayama Factory), KOKUBU INDUSTRY CORPORATION, TATSUTA INDUSTRY CORPORATION, OHTA KASEI CORPORATION, FUKUSHIMA NICHIAS CORPORATION, METAKOTE INDUSTRY CORPORATION, KIMITSU ROCKWOOL CORPORATION (since FY2016), KUMAMOTO NICHIAS CORPORATION (since FY2019), NISHI-NIPPON NICHIAS CO., LTD. (since FY2019), NICHIAS MECHATECHNO CO., LTD. (since FY2019), APJ CORPORATION (since FY2022)

Note 3) NICHIAS FGS SDN. BHD., NT RUBBER-SEALS SDN. BHD., PT. NICHIAS ROCKWOOL INDONESIA, PT. NICHIAS METALWORKS INDONESIA, NICHIAS (THAILAND) CO., LTD., NICHIAS HAIPHONG CO., LTD., NAX MFG. S.A. DE C.V., NICHIAS AUTOPARTS EUROPE a.s., SUZHOU NICHIAS SEAL MATERIAL CO.,LTD., SUZHOU NICHIAS INDUSTRIAL PRODUCTS CO.,LTD., SUZHOU SHUANGYOU AUTOPARTS CO.,LTD., NICHIAS INDUSTRIAL PRODUCTS PRIVATE LTD.

Reporting Period

From April 1, 2022 to March 31, 2023

Timing of Report Issuance

December 2023 (once a year)

Editing and Publishing

CSR Team, NICHIAS Corporation

Notes about Future Outlook

The performance, prediction, and future plans of the NICHIAS Group are stated in this report. They are presumptions or judgments based on the information available at the time of publication and may differ from actual performance and activity results. We appreciate your understanding.

Until now and then, NICHIAS will contribute to the Earth's

bright future through our "TATSU-TAMOTSU™" technologies.

Establishment and Development of Business

NICHIAS, which started with manufacturing and sales of sealing materials and thermal insulation materials, has expanded its business as the industry grows and established the current five-business structures.

- 1896** Established as a pioneer of manufacturers of sealing materials and thermal insulation materials.
- 1920s** Disseminated thermal insulation technologies to the engineering field.
- 1950-60s** Thermal insulation materials were expanded to the building material field as the economy grew rapidly.
- 1980s** Established a manufacturing factory for manufacturing rubber-metal composite sealing materials and started business in the automobile market at full scale.
- 1980s** Developed fluoropolymer products for the semiconductor market.

From 2000s Contribution to Global Environmental Issues

Global environmental issues, including global warming, are in a serious state requiring global-scale measures such as energy saving.



Rigid urethane foam thermal insulation material FOAMNERT™ TN

2004
Acquired the Excellence, Ozone Layer Protection and Global Warming Prevention Award
It was highly evaluated for not containing chlorofluorocarbon-derived foaming agents.



Rock wool products

2014
Ministry of Economy, Trade and Industry
Acquired the Director-General, Industrial Science, Technology and Environment Policy Bureau Prize
Recycling through solidification of rock wool mineral fiber cotton (into bricks) in the manufacturing process won the admiration.



High performance thermal insulation material ROSLIM™ Board

2015
Acquired the Energy Conservation Grand Prize
The products were well received because they contribute to promoting energy saving of a wide variety of industrial furnaces, and their application is expected to expand, for example, for fuel cells.



Heat retention maintenance work "Overlapped Heat Retention method"

2018
Acquired the Energy Conservation Grand Prize
Our business model was valued, because it takes energy-saving measures in a comprehensive manner including diagnosis of heat loss, installation of heat retention materials, and confirmation of heat-loss-collection effect.

1923
Launch of NICHIAS TOMBO BRAND

Familiar TOMBO mark was trademarked in 1923. The shape of the "TOMBO mark" back then was different from that of today.



TOMBO mark in around 1924

1979
Entered overseas market for the first time.

1981
Changed the trade name to NICHIAS

1996
100th anniversary

1896
Establishment

1962
Listed on the first section of Tokyo Stock Exchange

2001
NICHIAS Environmental Charter Date of establishment

2005
Green Procurement Standard Date of establishment

2011
"The NICHIAS Philosophy" Date of establishment

2015
NKK (NICHIAS Kaizen Katsudo) started

2016
120th anniversary

2020
Established the NICHIAS Group Human Rights Policy.

2021
NICHIAS Group Carbon Neutrality Declaration
NICHIAS Group Health and Productivity Management Declaration

2022
Declaration of Partnership Building

2023
100th anniversary of the birth of the TOMBO BRAND

Hundred years have passed since the TOMBO corporate mark was trademarked in 1923. Now, it is familiarly known as the TOMBO BRAND. It will spread its wings around the world.



Five businesses of NICHIAS
For details, see the pages introducing our businesses ▶ P. 22-24



The NICHIAS Group grows with the changes of society and contributes to the bright future of the earth with our TATSU-TAMOTSU™ technologies.

Katsumi Kametsu
President and Chief Executive Officer

First, we would like to ask you about the external environmental recognition. How do you think environmental issues and social issues affect corporate management?

Since established in 1896, the NICHIAS Group has grown in a down-to-earth and steady manner. We take pride in the fact that NICHIAS, which is known for the products and services utilizing “TATSU-TAMOTSU (Insulation and Protection)” technologies unique to the Company, is considered “indispensable” and supported by each industry.

In the meantime, as you may know, environment surrounding corporations has changed significantly these days. For example, there are issues concerning global environment, resource depletion, declining birth rate and aging population, and social issues concerning diversity and respect for human rights. I have a sense of crisis that, under such environment, if

we keep doing the same thing, NICHIAS would not be selected as a company in a long-term perspective even though we could survive in the short term.

It is required to tackle those issues proactively to maintain the position of the NICHIAS Group as an “indispensable” company after 50 years.

Next, we would like to ask about materiality. What do you think is essential for the company to survive?

The NICHIAS Group is a manufacturing company, which manufactures products by using energy. And many types of resources are used as raw materials. Minimizing environmental burden related to product manufacturing is essential so that the NICHIAS Group continues to survive.

So, we set a target that the NICHIAS Group will have virtually no CO₂ emissions by 2050. As a milestone, under the target of reducing CO₂ emissions by 30% compared with Fiscal Year 2019 in Fiscal Year 2030, we are taking various measures. The details are shown on the feature article on P. 16-21. The measures include a shift to manufacturing method that enables the reduction of CO₂ emissions at the time of product manufacturing, the development of products that can be manufactured with low carbon, proactive use of renewable energies such as sunlight, and reduction of energy loss through improving productivity.

And, the limited resources need to be used efficiently. There are many issues like natural resource depletion, the impact on the environment at the time of mining, and the impact of plastic waste on the environment. The NICHIAS Group is committed to

reducing the use of natural resources through using recycled materials, developing recyclable products, and taking other measures.

It is also crucial to operate the businesses in an efficient manner. To this end, we will use the management resources efficiently, considering business selection and focus while sticking to profitability.

We also recognize that the declining birthrate and aging population, diversity, and respect for human rights are also important issues. Securing labor of young generation has become difficult year by year due to the impact of declining birthrate and aging population. While promoting reduction of number of workers by utilizing IT, we try to involve elderly people in a proactive manner. Regarding diversity and respect for human rights, we do not tolerate any discrimination, such as race and sex, based on the idea that human resources are the foundation of the company. In addition to the prohibition of unfair labor practices, we ensure safety and sanitation steadily and aim to realize “a company that is a good place to work and full of smiles”, which the NICHIAS Group advocates.

What kind of strategies would you apply to grow on a medium-to-long-term basis?

127 years have passed since the establishment of the Company. However, in the next 10 years, the company will face rapid social changes that are equivalent to the past 127 years. I think we are in the middle of an era of change. For the NICHIAS Group to grow on a medium-to-long-term basis, it is vital to accelerate the speed and enhance the efficiency to be adapted to the rapid environmental changes and solve environmental and social issues.

Those thoughts are the basis of the medium-term management plan, “Shikumi 130,” which was established by the NICHIAS Group in April 2022. To be specific, in the plan, we set KPIs for each of the five issues, “increase of profitability,”

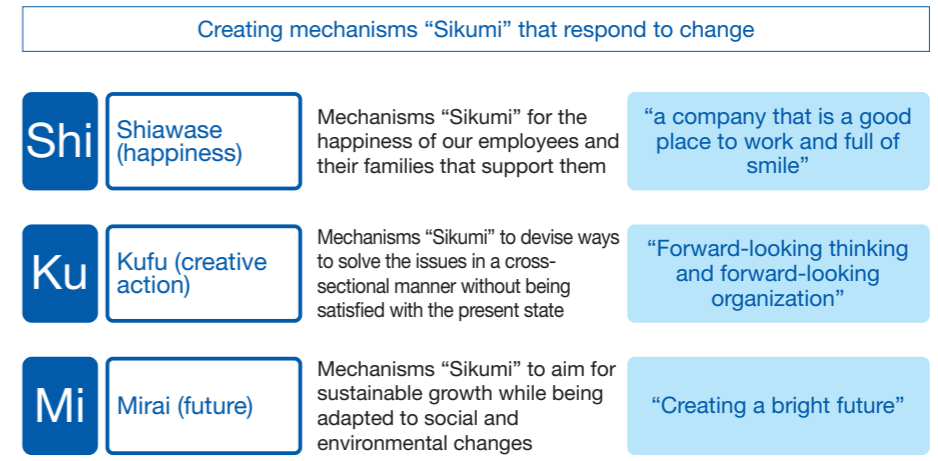
“business selection and focus,” “efficient operation,” “environmental responsiveness,” and “strengthening of foundation.” Achievement of “Shikumi 130” leads to the medium-to-long-term growth of the NICHIAS Group.

To achieve those issues, we also need to establish a good working environment for employees and improve their job satisfaction. In addition, the level of satisfaction with the NICHIAS Group of stakeholders, such as local communities, clients, investors, and employees’ families, is important. “NICHIAS Happiness Value Index,” which quantifies and assesses those items, was established in November 2022. For details, see P. 8.

Medium-Term Management Plan Slogan

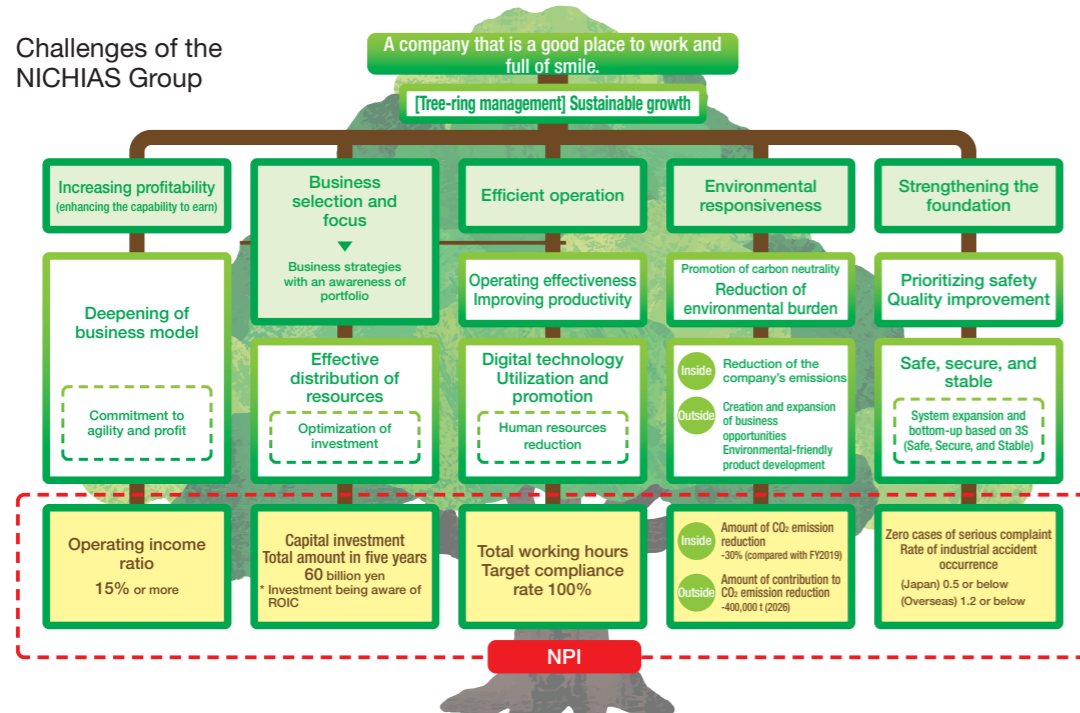


Medium-Term Management Plan
Five-year plan from FY2022 to FY2026



What is the target of the medium-term management plan, and how does it progress?

In the medium-term management plan, Shikumi 130, NICHIAS selected the five issues that we consider especially important and set the specific measures and numerical targets for each of the issues as NPIs, the KPIs of NICHIAS (NICHIAS Performance Indicators).



Numerical targets of the Group and results of FY2022

| Target | FY2022 Actual | FY2024 Target | FY2026 Target |
|---|---------------|---|---------------|
| Net Sales (100 million yen) | 2,381 | 2,400 | 2,500 |
| Overseas net sales (100 million yen) | 451 | 480 | 600 |
| Operating income ratio (%) | 12.6 | 13.0 | 15.0 |
| Capital expenditures (100 million yen) | 101 | Total amount in five years: 60 billion yen (rough figure) | |
| ROE (%) | 13.1 | 12.5 | 13.0 |
| ROIC (%) | 11.3 | 11.0 | 12.0 |
| EBITDA (100 million yen) | 374 | 400 | 450 |
| CO ₂ emissions*1 (10,000 t) | 22.6 | 19.4 | 18.7 |
| Amount of discharged industrial waste*1 (1,000 t) | 19.1 | 18.3 | 17.1 |
| Amount of contribution to CO ₂ emission reduction (10,000 t) | 26.0 | 20.0 | 42.0 |

*1: NICHIAS Group's manufacturing offices (including overseas offices)

Regarding the numerical target of the medium-term management plan of the entire NICHIAS Group, approx. 60 billion yen of capital investment is planned by Fiscal Year 2026. And, for Sales and profit level, 250 billion yen for Sales, 15% for operating income ratio, 13% for ROE, 12% for ROIC and 45 billion yen for EBITDA are set as targets. We operate the Group aiming to achieve such targets.

As its environmental targets, NICHIAS has established targets for reducing its CO₂ emissions and discharged industrial waste, helping realize a carbon-neutral society and recycling-oriented society. Concerning the reduction in CO₂ emissions brought about through the use of NICHIAS' products and services, we have set numerical targets.

For the results of Fiscal Year 2022, mid-term target of Fiscal Year 2024, and final target of Fiscal Year 2026, see the table on the right. We will ensure the medium-to-long-term growth through steadily achieving those targets.

For the final question, what are the roles and identities of NICHIAS based on the medium-to-long-term perspective?

Many of the NICHIAS Group's products and services realized by our "TATSU-TAMOTSU (Insulation and Protection)" technologies contribute to measures against global warming. We are confident that the technologies and knowledge we have accumulated can contribute to measures against global warming.

And, the NICHIAS Group is characterized by businesses that cover a wide variety of industries, such as chemistry and petrochemistry, electricity, semiconductor, automobile, medicine, and architecture, instead of covering only a part of

the industry. We have the unique function of proposing our "TATSU-TAMOTSU" technologies for customers' worries in each industrial field.

Satisfying the needs of customers from this unique standpoint and keeping to respond to their requests are the NICHIAS Group's role, and this is the way we should be.

We would like to thank our stakeholders for their continued support and to please look forward to the future of our Group.

NICHIAS Happiness Value Index

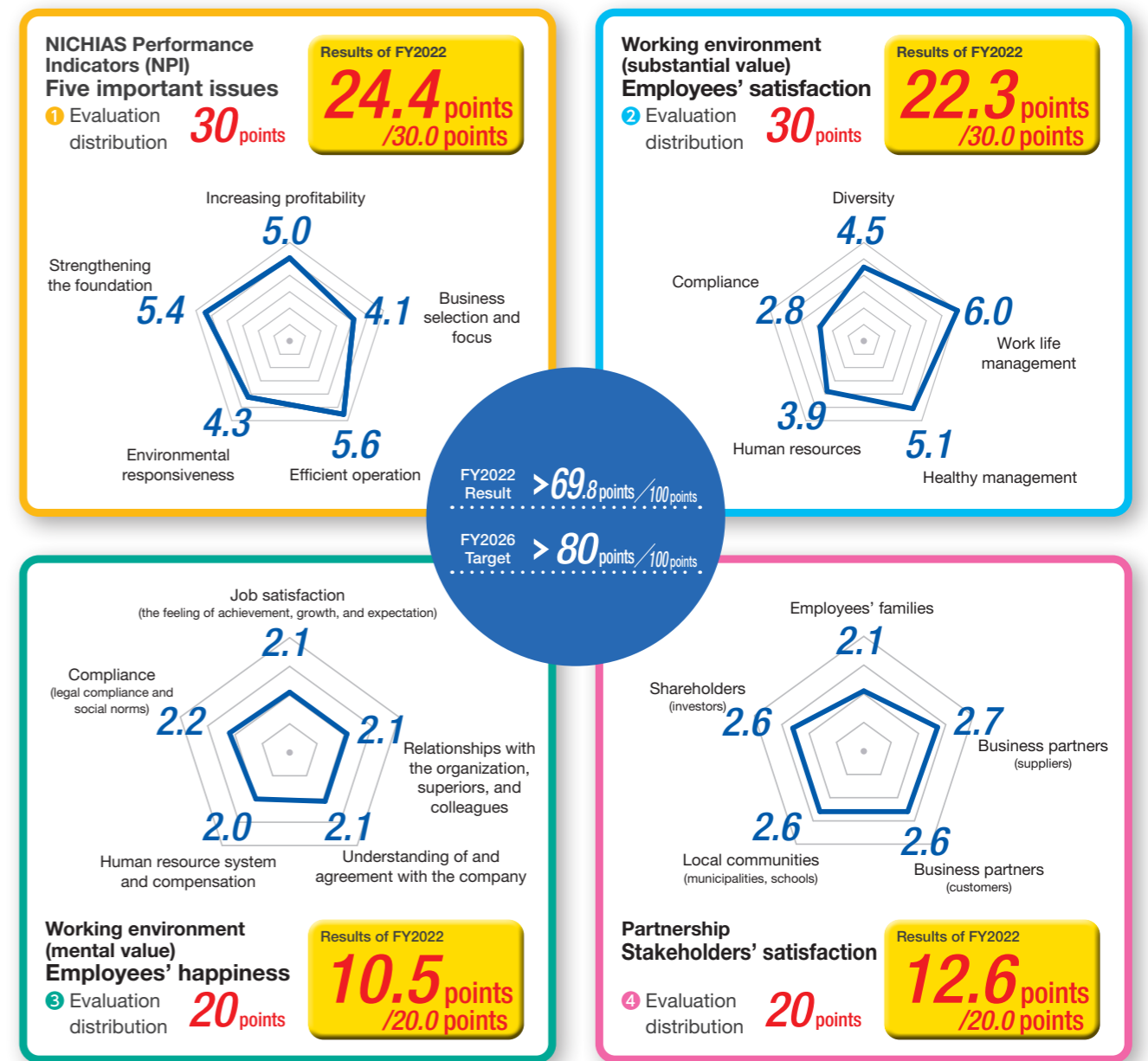
Performance record of NICHIAS for evaluating the level of realizing "a company that is a good place to work and full of smile."

We established the NICHIAS Happiness Value Index, a mechanism to evaluate the level of realization of "a company that is a good place to work and full of smile." which we set in November 2022.

NICHIAS Happiness Value Index is comprised of the following four elements.

- Five important issues that constitute NICHIAS Performance Indicators (NPI) (quantitative evaluation)
- Employees' satisfaction level (quantitative evaluation)
- Level of employees' happiness (survey evaluation)
- Level of stakeholders' satisfaction (survey evaluation)

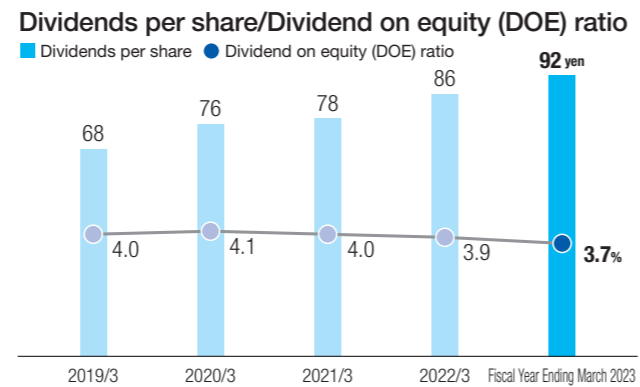
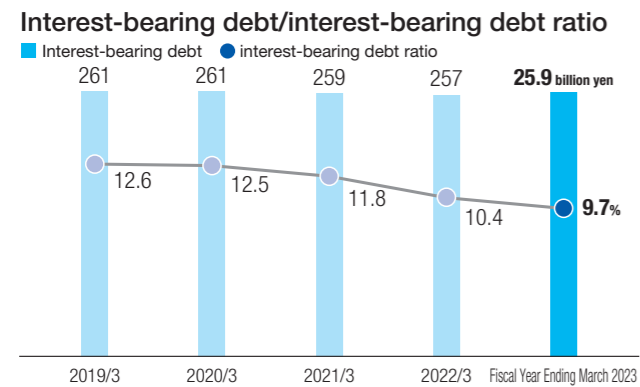
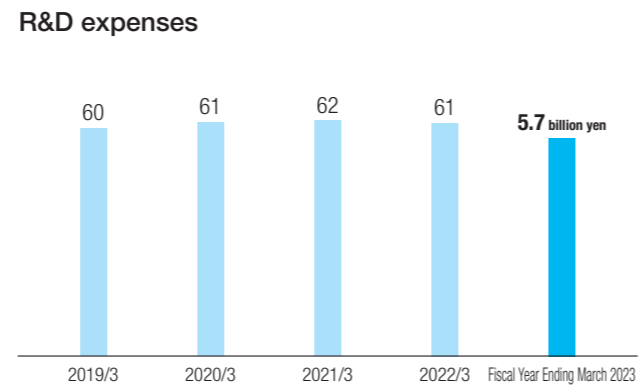
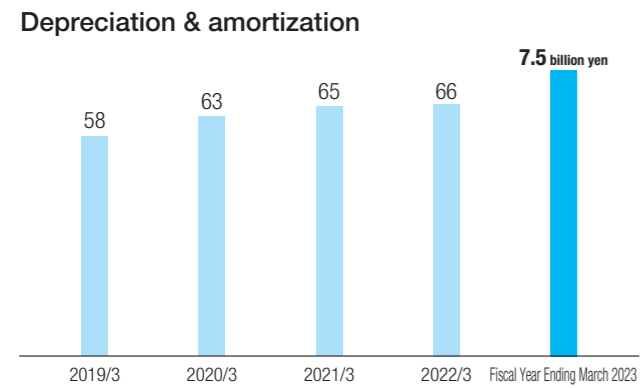
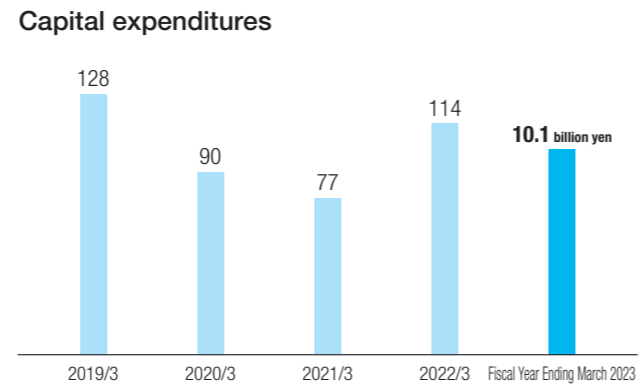
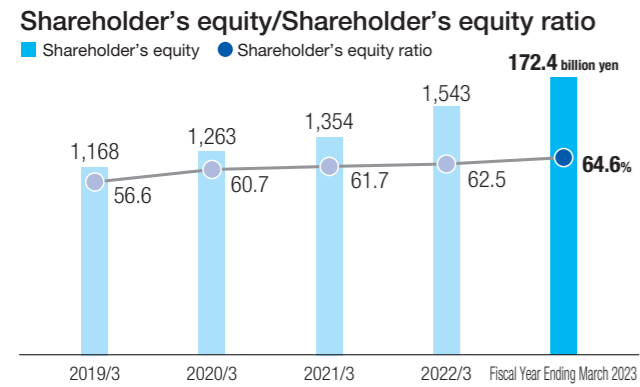
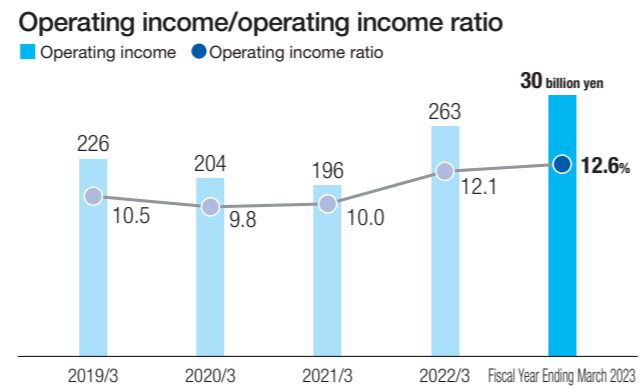
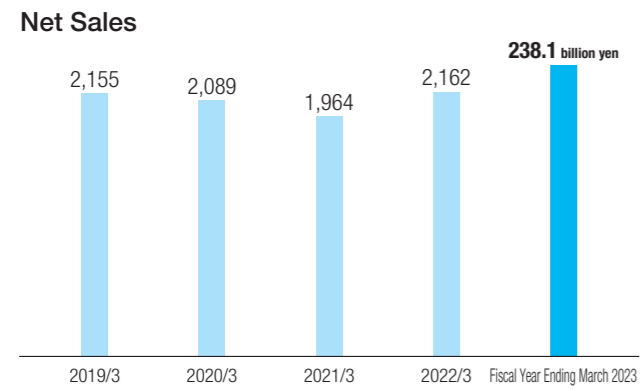
Our goal is to acquire 80.0 points out of 100 in Fiscal Year 2026. For details, please see the figure below.



The result of Fiscal Year 2022 was 69.8 points. In particular, we will focus on taking measures for compliance with ② Employees' satisfaction and ④ Stakeholders' satisfaction to make improvements. We will continue to make efforts to increase the points of the NICHIAS Happiness Value Index and further realize a company that is a good place to work and full of smile.

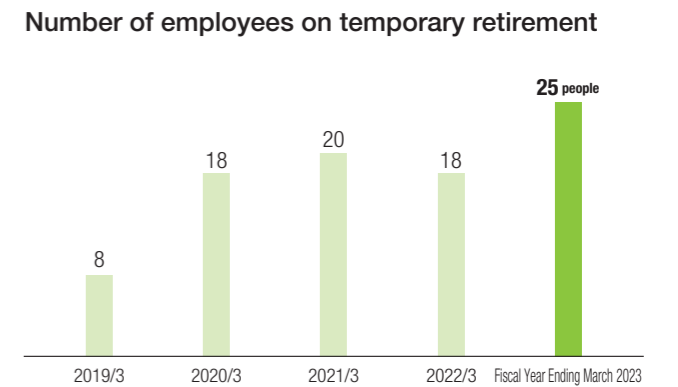
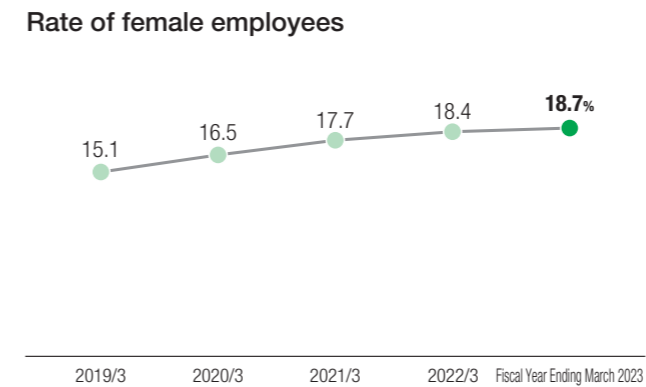
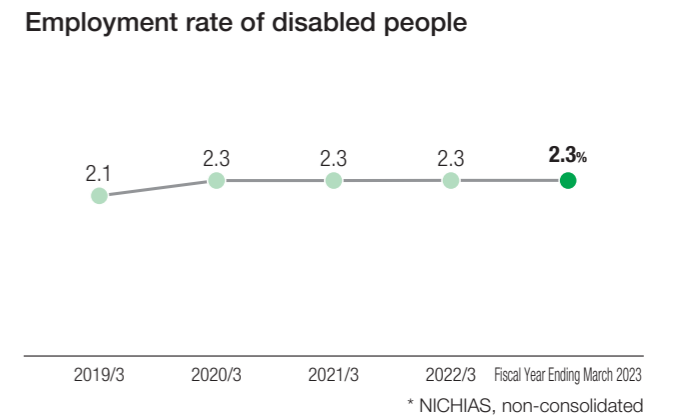
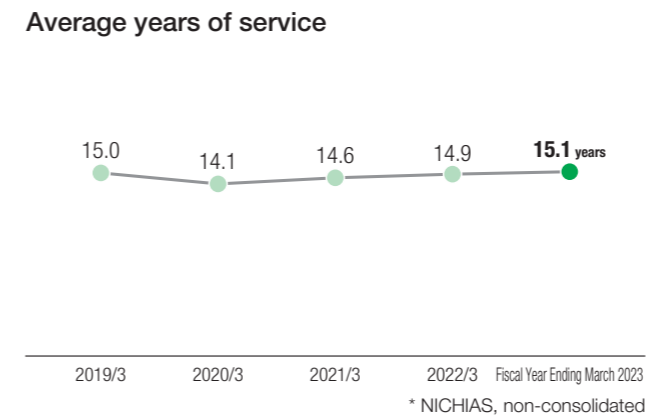
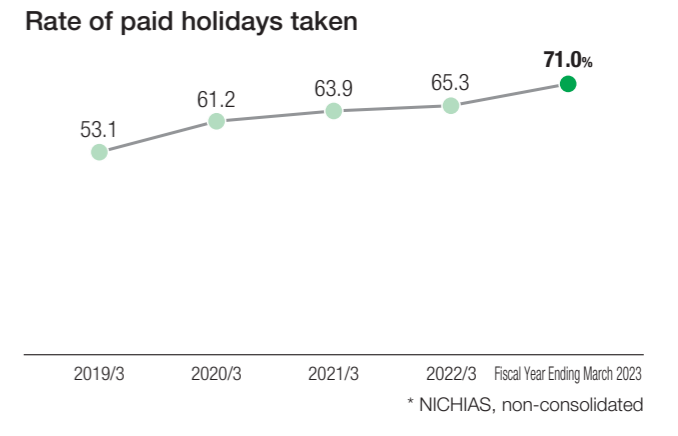
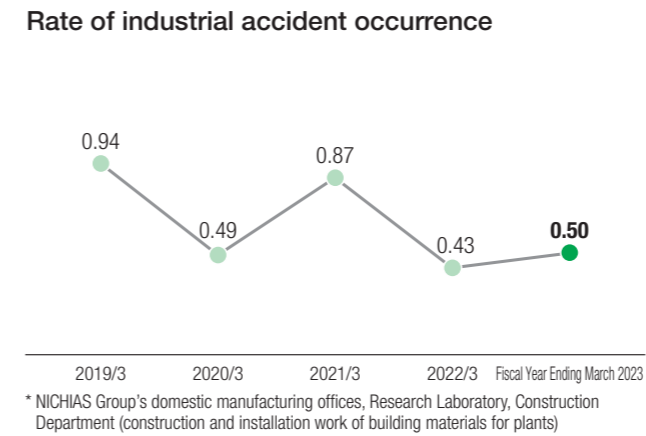
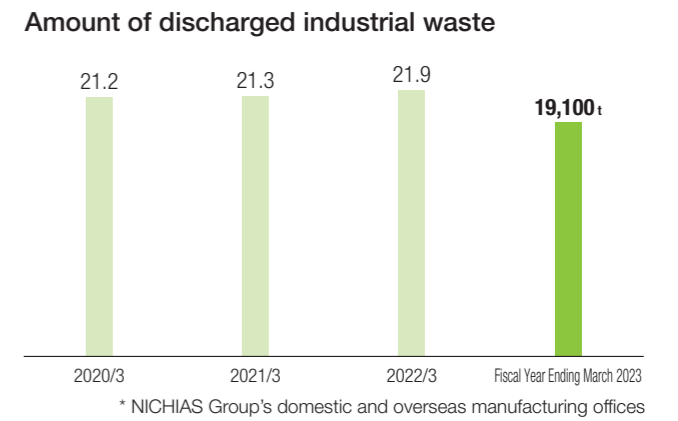
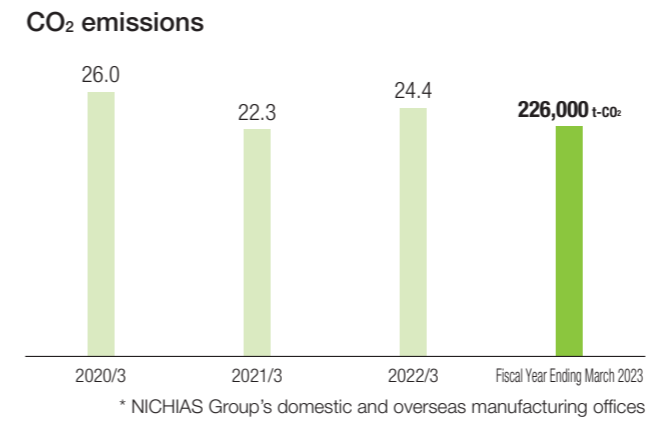
* Content announced in November 2022 was partially reviewed (changes to distribution).

Financial data (as of March 31, 2023)



* On October 1, 2018, the reverse share split was implemented at a ratio of one share for every two shares of common shares. Past figures are also retroactively converted to post-reverse share split figures.

Non-financial data (as of March 31, 2023)



Technologies, products, and services of NICHIAS that solve social issues

The NICHIAS Group provides products and services to a wide variety of fields including infrastructure that supports social foundation such as petrochemistry and electricity, automobiles supporting logistics and transportation of people, buildings and housing supporting lives, and semiconductor devices that support advanced information technologies.



Five businesses

- Energy and Industrial Plants Business
- Industrial Products Business
- Advanced Products Business
- Autoparts Business
- Building Materials Business

Six technologies of TATSU-TAMOTSU™

| | | |
|--|--------------------------------------|---|
| | Sealing technology | It prevents fluid leakage from pipe joints and supports the safe operation of the facility. |
| | Thermal insulation technology | This technology contributes to energy saving by maintaining the temperature of the item that is heated (or cooled down) and insulating the heat from outside and helps reduce CO ₂ emissions. |
| | Soundproofing technologies | Soundproofing technologies contribute to quiet and comfortable life through reducing the noise from factories and vibration sound from automobile brakes. |
| | Fireproof technology | It provides materials that protect industrial furnaces, incinerators, and buildings in fire from fire to secure safety. |
| | Corrosion-proof technology | The technology prevents corrosion and pollution caused by chemicals. For example, it plays an active role in the processes of manufacturing semiconductors and food, which have severe standards for cleaning and sanitizing control. |
| | Clean technology | It maintains cleanliness in processes that tolerate no impurity, such as semiconductor manufacturing. We pursue cleanliness to the extreme. |

1 For rockets

Fluoropolymer hose
NAFLON™ PFA pressure resistant hose
 Hoses made of fluoropolymer that are used for rocket launching platform equipment and facility-control lines.



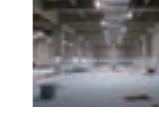
2 For logistics warehouses

Wrap-Type Fire-proofing Covering Materials
MAKIBEE™
 Fire-proofing covering materials used for beams and pillars of steel construction buildings. It also contributes to labor-saving in construction.



3 For refrigerated warehouses

Heat insulation work
 Construction work for installing heat retention and cold retention materials at such as -20°C large-scale refrigerated warehouses.



4 For nuclear power plants

Heat retention materials for nuclear power stations
Metallic heat retention material
 All-metal heat retention material, which does not generate dust and is used for pressure vessels and piping of atomic furnaces.



5 For food-manufacturing plants

Sealing materials for food
SANICLEAN™ GASKET
 Odor-free and contamination-proof sealing material used for filling lines in the food manufacturing process, etc.



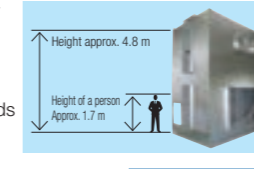
6 For semiconductor manufacturing factories

Fluoropolymer tube
NAFLON™ PFA-NE TUBE
 Fluoropolymer tubes for preventing discharging phenomena caused by friction while maintaining the cleanliness of high-purity chemicals used in semiconductor manufacturing processes.



7 For battery factories (of lithium ion batteries)

Volatile organic compound concentrator
SOLVENTCLEAN™
 Equipment for absorbing and collecting gas, including volatile organic compounds (VOC) emitted from factories.



Industrial dehumidification rotor

HONEYCLE™ EX-SG
 This is a dehumidification rotor that generates ultra-low dew-point air (dry air) that is sent into lithium-ion battery factories.



8 For automobiles, 9 EVs

High-performance brake shim material
METAPLUS™ Multi-Layer Shims
 A soundproofing part to be installed onto disc brake pads. Reduces unpleasant noise generated during braking.



10 For alkaline water electrolysis plants, 16 thermal power plants

Sealing materials for piping
GRASEAL™ VORTEX™ GASKET
 Sealing material with a spiral-shaped sealing part, which is used for piping and equipment like boilers and hydrogen gas turbines.



11 For buildings

Raised-Access Floor Systems
NICHIAS OMEGA FLOOR™
 Raised-access floor system of double-floor structure with the office floor. It has superior walking comfort and creates a comfortable office environment.



12 For LNG facilities, 15 ammonia hydrogen storage plants

Heat retention material for extremely low temperatures
FOAMNERT™ TN
 Polyurethane foam heat retention material used for piping in which low-temperature fluid flows.



13 For hospitals

Medical tube
NAFLON™ Multi-lumen tubes
 Tube made of fluoropolymer with only a diameter of around 1 mm, which is used as a part of medical equipment such as endoscopes that need to be clean.



14 For fuel-transporting vessels

Cold retention work
 Construction work for installing heat retention materials on the piping and tanks of LNG vessels in which low-temperature fluid flows.



17 For steelmaking plants

Thermal insulation material for high temperatures
FINEFLEX BIO™ Blanket
 Thermal insulation material used for boiler ceilings and furnace walls. It contributes to energy saving.



18 For petrochemical plants

Heat retention function recovering method
"Overlapped Heat Retention method"
 In this method, the heat retention performance is recovered through lap-winding new heat retention material without removing the deteriorated heat retention material.



GASKET 工房™

A truck that can be driven to the customer's factory and process gaskets on site. Speedy response is a feature of this service.



Value-Creation Process

Making most of the six resources and five strong points, the NICHIAS Group creates value in various industrial (Insulation and Protection) that have been developed since the establishment.

fields and contributes to the realization of a sustainable society with our unique technologies of TATSU-TAMOTSU™



Selection of Social Issues to be Solved and Issues to be Dealt With

The world we live in faces various social issues including environmental issues like climate change and human right issues.

Those social issues are getting serious year by year. As a result, solving and responding to the issues would be difficult if we did not deal with them as common issues for all humanity.

NICHIAS picked up five social issues that it considers important so as to pay attention to those issues.

Major risks and opportunities for the five social issues were identified, based on which NICHIAS' issues were set.

| Social issues NICHIAS considers important | Major risk | Major opportunity |
|---|---|--|
| Climate change | <ul style="list-style-type: none"> Rise of raw material prices, resulting from the introduction of carbon taxes, etc. Rise of energy prices | <ul style="list-style-type: none"> Expansion of demands for products and services related to decarbonization and environment protection |
| Depletion of resources Biodiversity Other environmental issues | <ul style="list-style-type: none"> Difficulties in procuring raw materials Stagnation of production activities | <ul style="list-style-type: none"> Acquisition of business opportunities through development of manufacturing methods not relying on natural resources |
| Large-scale disaster | <ul style="list-style-type: none"> Difficulties in procuring raw materials Stagnation of production activities | <ul style="list-style-type: none"> Establishment of a strong business foundation by reconstructing manufacturing bases. |
| Declining birthrate and aging population | <ul style="list-style-type: none"> Loss of the business opportunities caused by labor shortage Loss of held technologies | <ul style="list-style-type: none"> Improvement of productivity through development of work style reform Maintenance of competitiveness through effective dissemination of technologies |
| Diversity, respect for human rights | <ul style="list-style-type: none"> Accusation from stakeholders because of lack of consideration for diversity and human rights | <ul style="list-style-type: none"> Securing of diversified human resources Realization of worker-friendly company culture |

| NICHIAS' issues considering social issues | Related SDGs |
|---|---|
| Development, manufacturing, and sales of products and services that promote decarbonization | 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION |
| Shift from products and manufacturing methods that emit large amount of carbon | 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION |
| Development of recyclable products and services | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| Securing stable provision by BCP measures | 11 SUSTAINABLE CITIES AND COMMUNITIES |
| Efficient deployment of manufacturing bases | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| Promotion of smart factories by digital transformation | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 13 CLIMATE ACTION |
| Strengthening cooperation in the NICHIAS Group and with the supply chain | 17 PARTNERSHIPS FOR DEVELOPMENT |
| Strengthening of management of overseas Group bases | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION |
| Optimization of logistics | 13 CLIMATE ACTION |
| Efficient human resources development | 4 QUALITY EDUCATION |
| Development of products and technologies, and effective dissemination of manufacturing technologies | 4 QUALITY EDUCATION |
| Realization of the company that ensures job satisfaction | 3 GOOD HEALTH AND WELL-BEING, 8 DECENT WORK AND ECONOMIC GROWTH |

Initiatives for Carbon Neutrality



Information Disclosure Based on the Task Force on Climate-Related Financial Disclosures (TCFD)

NICHIAS Group's Perspective on Climate Change

Climate change has made an impact around the globe. For example, enormous disasters increase, and economic activities stagnate. Under such circumstances, the NICHIAS Group has contributed to the reduction of CO₂ emissions through products and services with functions such as heat retention, thermal insulation, and cold retention based on our TATSU-TAMOTSU™ (Insulation and Protection) technologies. The NICHIAS Group considers that climate change is a huge risk to the bright future of the earth. So, to promote the activities from the two aspects, mitigation of and adaptation to global warming, it established the Carbon Neutrality Declaration in April 2021 with the aim of reducing CO₂ emissions by 30% in Fiscal Year 2030 compared with Fiscal Year 2019. In June 2023, the Group agreed with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to respond to climate change issues more appropriately. Based on the recommendations of TCFD, we will grasp the risks and opportunities of the impact of climate change on business activities, reflect them in the business strategies, promote further decarbonization, and proactively disclose information concerning climate change.



Governance

In the NICHIAS Environmental Charter, the NICHIAS Group declares that taking advantage of its TATSU-TAMOTSU technologies reduces environmental burden including global warming, and contributes to the realization of a society that grows sustainably. The Group considers the measures against climate change an important issue, and the Company-wide Environment Committee plays a leading role in promoting the development of products, reducing the environmental burden, and reducing the environmental burden of manufacturing offices.

Chaired by the President and Chief Executive Officer, the Company-wide Environment Committee is composed of Directors and General managers and is responsible for the analysis of risks and opportunities of issues concerning environmental issues of the NICHIAS Group, including climate change, planning and promotion of the initiatives, and formulation and management of the progress of the medium-term environmental policies. The Factory Sub-Committee, which is set under the Company-wide Environment Committee, supervises and instructs manufacturing offices by checking the achievement of decarbonization targets of each manufacturing office and discussing the improvement of the performance of the entire NICHIAS Group.

Company-wide Environment Committee meetings are held quarterly and discussed items are reported to the Board of Directors. Opinions at the Board of Directors meetings are reflected in the environmental measures such as response to climate change.

Risk Management

The NICHIAS Group, assuming Fiscal Year 2030, performs analysis using scenarios with the temperature ranges of 1.5°C and 4°C as the future temperature rises. Specifically, the Carbon Neutrality Promotion Office assumes each process of the entire supply chain of the NICHIAS Group to identify the climate change risks, perform the analysis, and respond to the phenomena that may cause a severe impact. Regarding the progress of the measures against the risk identified in the course of analysis, important risks are recognized at the quarterly meeting of the Company-wide Environment Committee and discussed at the Board of Directors meeting as needed to promote the measures for avoiding the risks and the activities for reducing the impact when the risk occurs.

Strategy

The NICHIAS Group assumes the status of Fiscal Year 2030 referring to the World Energy Outlook issued by the International Energy Agency (IEA) and performs the analysis based on the 1.5°C scenario in which the transition to low-carbon society proceeds (NZE scenario) and 4°C scenario in which climate change progresses. This is how risks and opportunities caused by climate change were assessed. The impact of the carbon price on CO₂ emissions and energy procurement in the 1.5°C scenario is significant. Consequently, approx. 26 billion yen is expected for the amount imposed on the NICHIAS Group for carbon tax* after implementation of the measures for reducing the CO₂ emissions in 2030, resulting in the possible increase in operation costs.

To deal with this issue, we steadily proceed with the plan for reducing the CO₂ emissions to realize carbon neutrality in 2050, while reflecting the market prices that are generated by the products highly contributing to the environment in the prices of our products and services.

* The calculation is based on 140 dollars/t-CO₂ for developed countries and 25 dollars/t-CO₂ for developing countries, which are stated in the information provided by World Energy Outlook 2022 [1.5°C-in-2030 scenario].



Risks and major measures

| Category | Risk | Major measures |
|-------------------------|------------------------------------|---|
| Transition Risk (1.5°C) | Governmental and legal regulations | <ul style="list-style-type: none"> Change of business of segments that emit large amount of CO₂ Improvement of energy-saving production, introduction of energy-saving facilities, conversion of fuel, promotion of renewable energy Change to stable supply and low-price materials Consolidation of logistics route, improvement of truck loading ratio, streamlining by elimination and consolidation of warehouses |
| | Reputation | <ul style="list-style-type: none"> Implementation of proactive measures against climate change so that reputation from customers and investors improves (including enhancement of information disclosure) Development of low-CO₂ products that reduce the use of materials at the stages of production design and process design |
| Physical Risk (4.0°C) | Acute | <ul style="list-style-type: none"> Strengthening of BCP and establishment of manufacturing facilities and systems responding to the environment increase opportunities for taking orders because of decreased costs by improved productivity and enhanced trust from customers |
| | Chronic | <ul style="list-style-type: none"> Improvement and creation of employee-friendly working environment realized by automation of operations with the help of robots, etc. |

* Items in bold frames in the table are items that the NICHIAS Group deems to be important as of the Report submission date.

Furthermore, the 1.5°C scenario's risks and opportunities as well as its impact on the business were calculated for each segment of the NICHIAS Group. The results are as follows. We will take appropriate measures for each impact that was calculated.

Risks and opportunities of each business in the "world of 1.5°C" and the countermeasures

| Business | Energy and Industrial plants | Industrial products | Advanced products | Auto parts | Building materials |
|----------------|---|--|---|--|---|
| Risk | <ul style="list-style-type: none"> Decrease of sales as a result of decrease of existing oil and petrochemical plants Decrease of sales because construction technologies products for plants using the new decarbonization energy are developed by other companies | <ul style="list-style-type: none"> For products with high CO₂ emissions, increase of costs due to change in manufacturing processes, rise in capital investment, and purchase of renewable energy | <ul style="list-style-type: none"> Decrease in sales if the business cannot respond to the shift to semiconductor manufacturing technologies advanced through technological innovation | <ul style="list-style-type: none"> Decrease in product sales for internal combustion engines as the share of electric vehicles increases as a result of CN policies of each country | <ul style="list-style-type: none"> For products with high CO₂ emissions, increase of costs due to change in manufacturing processes, rise in capital investment, and purchase of renewable energy |
| Major measures | <ul style="list-style-type: none"> Focus on the development of differentiated new methods and new products | <ul style="list-style-type: none"> Promotion of introduction of privately owned electrical power facilities using renewable energy Shifting to low-CO₂ emissions and energy-saving manufacturing method | <ul style="list-style-type: none"> Forward-thinking development realized by concentration of resources by selective investment in development and strengthening of marketing | <ul style="list-style-type: none"> Optimization of production of products for internal combustion engines by consolidation of production processes and bases | <ul style="list-style-type: none"> Establishment of new manufacturing methods Examination on introduction of energy-saving manufacturing facilities Shift of manufacturing energy Review of product lineup of high-CO₂ emissions |
| Opportunities | <ul style="list-style-type: none"> Generation of new sales opportunities as a result of creation of the market for experiment facilities using biomass, ammonia, hydrogen, SAF, CCU, and other low-carbon technologies | <ul style="list-style-type: none"> Increase of demand for industrial dehumidification filter products for lithium-ion-battery-manufacturing equipment, as a result of shift to electric vehicles | <ul style="list-style-type: none"> Increase of demand for power semiconductors due to diversification of power sources including renewable energy, electrification, and spread of smart city, resulting in an increase of sales for semiconductor-manufacturing equipment | <ul style="list-style-type: none"> Increase of need for new parts for new-generation vehicles replacing products for internal combustion vehicles, resulting in an increase in sales through developing and providing compatible products with noise/heat insulation and seal functions | <ul style="list-style-type: none"> Increase in sales due to commercialization of environment-friendly building materials because demand for low-carbon building materials increases |
| Major measures | <ul style="list-style-type: none"> Sales expansion of thermal diagnosis technology business Collaboration with suppliers of SAF, ammonia, etc. and consumers Development and launch of new construction methods and products | <ul style="list-style-type: none"> Acquisition of opportunities by expansion of services proposing thermal diagnosis and energy saving Promotion of development of high-performance dehumidification filters and securing of supplying capacities by capital investment responding to the market expansion Collaboration with suppliers of SAF, ammonia, etc. and consumers | <ul style="list-style-type: none"> Development and sales expansion of energy-saving products by proactive investment in development Establishment of a production system through appropriately grasping the market trend and making forward-thinking prior investment | <ul style="list-style-type: none"> Strengthening of investment in development for the next-generation vehicles to develop and expand sales of products with noise/heat insulation and sealing functions | <ul style="list-style-type: none"> Continued development of environment-friendly products Public relation of energy saving effect and low-CO₂ effect by the adoption of environment-friendly products |

* Items in bold frames in the table are items that the NICHIAS Group deems to be important as of the Report submission date.

Indicators and Targets

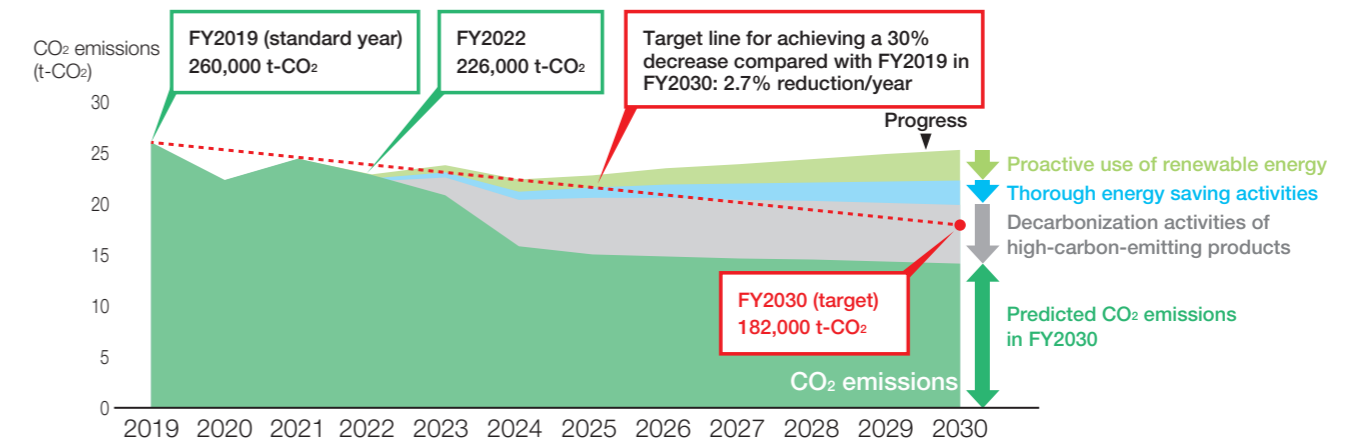
Carbon Neutrality Declaration

The NICHIAS Group declared in April 2021 that CO₂ emissions from all business offices will be reduced to practically zero (carbon neutrality) by 2050.

And, to ensure it achieves this declaration, as a milestone toward 2050, the NICHIAS Group sets the goal of "reducing its CO₂ emissions by 30% compared with Fiscal Year 2019 levels by Fiscal Year 2030" and has implemented activities based on the medium-term target.

To achieve the medium-term target, the NICHIAS Group undertakes three main initiatives: (1) shifting to manufacturing practices that lead to decarbonization, (2) thorough energy saving in the entire Group, and (3) proactive use of renewable energy.

Approach to achievement of medium-term target

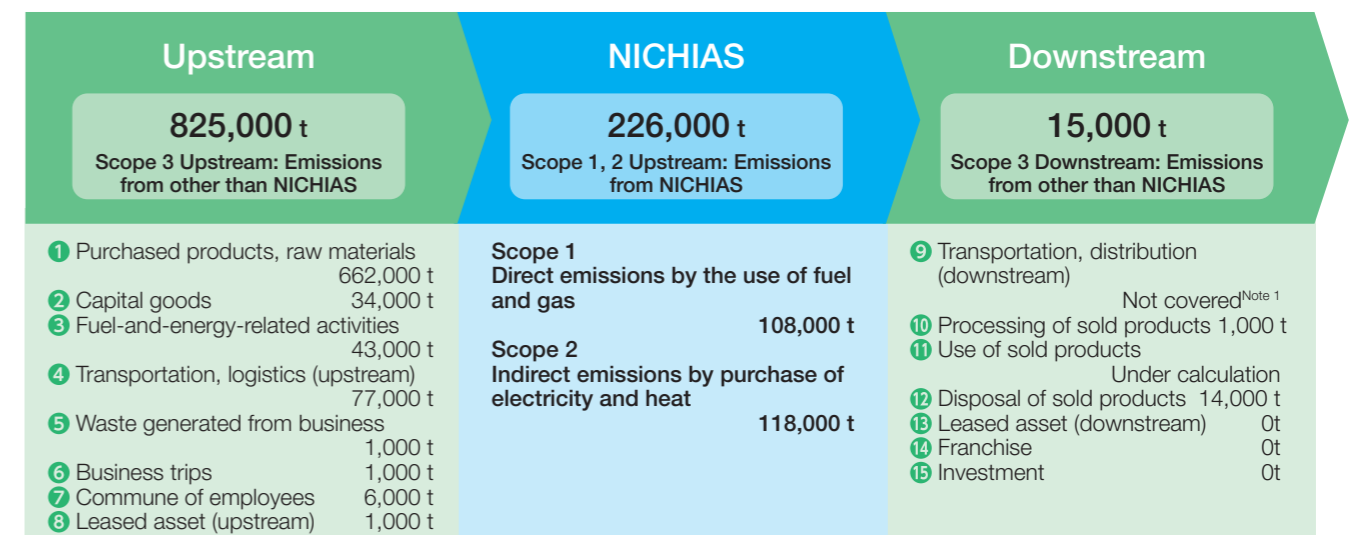


Results of FY2022

The CO₂ emissions of the entire NICHIAS Group in Fiscal Year 2022 were 226,000 t-CO₂, a 1.4% reduction compared with Fiscal Year 2019, the standard year.

In addition, we started the calculation of the CO₂ emissions of the entire value chain in Fiscal Year 2021. While total CO₂ emissions of Scope 1 and 2 in the NICHIAS Group in Fiscal Year 2022 are 226,000 t-CO₂, those of Scope 3 are 840,000 t-CO₂ in combination of upstream and downstream activities, accounting for approx. 79% of the overall emissions.

Calculation results of FY2022 CO₂ emissions in the supply chain



* Emissions of NICHIAS (Scope 1, 2) are calculated based on the Act on Promotion of Global Warming Countermeasures. Note 1: Since NICHIAS cannot trace the transportation and distribution (downstream), it is regarded as "not covered".

Specific activities for carbon neutrality

(1) Shift to manufacturing that will lead to decarbonization

NICHIAS sees products that have particularly large amounts of CO₂ emissions during the manufacturing process as a major issue toward achieving carbon neutrality and strives to reduce emissions throughout the company, beyond the boundaries of business departments, research and development departments, and manufacturing departments. While shifting to energies with low CO₂ emissions is NICHIAS' main goal, the Group is also examining methods that lower the amount of carbon. NICHIAS is also developing and shifting to products that are low in carbon emission through their life cycle.



Development of NICHIAS NOA FLOOR™ made of steel wood core

Regarding building materials using large amounts of natural resources, NICHIAS has controlled the excessive use of natural resources by using renewable materials generated in thermal power plants and paper factories effectively.

Aiming for sustainable buildings, we replaced the core material of the conventional ceramic flooring materials with clipboard to develop the NICHIAS NOA FLOOR.

NICHIAS NOA FLOOR was developed considering the environment throughout its lifecycle with respect to the followings.

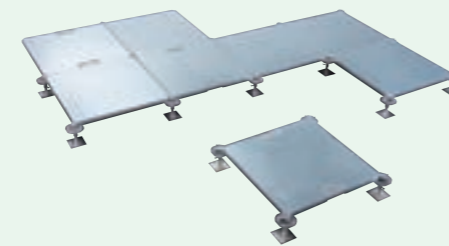
(1) Procurement of raw materials: The wooden material used as the core of this product is, in principle, made up of 100% wooden chips molded from waste wood collected when demolishing buildings. Wood holds 5-kg-CO₂ of absorbed, accumulated, and solidified CO₂ per flooring panel without discharging it outside.

(Guideline for Labeling of Carbon Stored in Wood Used for Buildings issued by Forestry Agency)

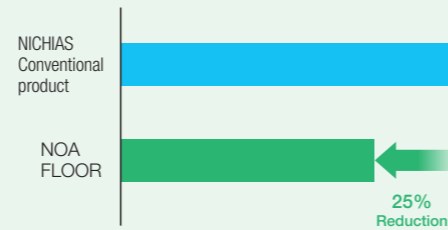
(2) Production: Production method using only electricity

(3) Transportation and construction site: Weight was reduced by 36% compared with NICHIAS' conventional ceramic flooring panels. With this effort, the burden on construction workers and CO₂ emissions at transportation are reduced.

As a result, NICHIAS NOA FLOOR could reduce CO₂ emitted from the processes of raw material procurement to disposal by 25% compared with NICHIAS' conventional products. And CO₂ emissions of approx. 4,000 t-CO₂ per year can be reduced at NICHIAS manufacturing offices.



NICHIAS NOA FLOOR



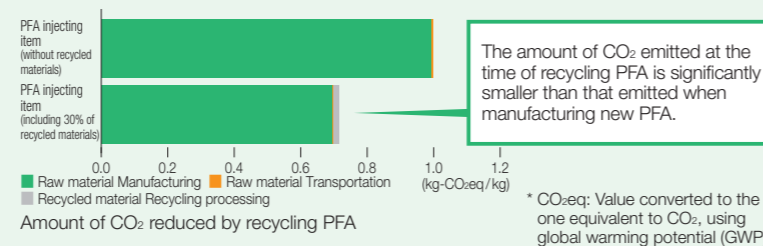
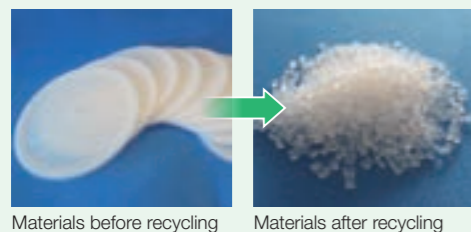
Reduction of CO₂ emissions at the time of manufacturing: 10kg-CO₂/m²

Amount of reduced CO₂ emissions at the time of manufacturing NICHIAS NOA FLOOR

Initiatives for using PFA renewable materials for semiconductor-manufacturing equipment

Starting with the marine plastic issues, initiatives for reduction of plastic use and material recycling have been promoted in Japan and overseas. In 2022, the Act on the Promotion of Effective Utilization of Resources was enforced, accelerating the reduction of the use of plastic and recycling of plastic.

Under such circumstances, NICHIAS started the initiatives for recycling fluoropolymer products, our key products. The use of recycled materials had not increased for large-scale fluoropolymer (PFA) injection molding processing products for semiconductor manufacturing equipment from the perspective of securing cleanliness. However, as a result of examining the recycled materials, it was confirmed that there would be no problem with the lining quality if the ratio of the recycled materials was 30%. And, since the amount of CO₂ emitted in the course of the recycling process is significantly smaller than that emitted at the time of manufacturing PFA resin, the raw material, it is confirmed that the use of recycled materials contributes to Scope 3 reduction of CO₂ emissions of NICHIAS and customers. We will promote the effective use of plastic in collaboration with customers.



(2) Thorough energy saving efforts in the entire Group

Although we have implemented energy saving activities, we re-started the activities with the target of achieving following items one by one.

- Use of own energy saving technologies and products
- Introduction of various energy saving equipment, update of facilities, shift of fuel
- Reduction of energy loss by activities to reduce failure at all manufacturing lines and to improve productivity
- Thorough daily energy saving efforts by improved awareness and action of all employees

We re-started the activities with the target of achieving following items one by one. To promote such efforts, in fiscal 2021, NICHIAS formulated Guidelines for Investing in Energy Saving Facilities. By adopting internal carbon pricing*, NICHIAS promotes investment that leads to reductions of CO₂ emissions.

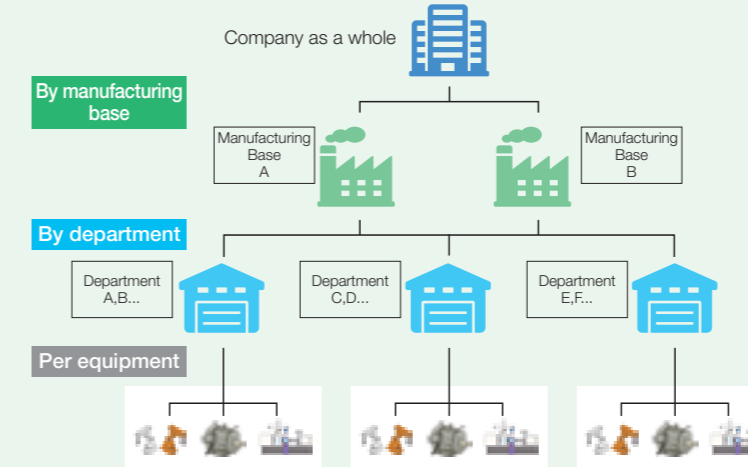
Thanks to the facilities invested in Fiscal Year 2022, a reduction of approx. 4,000 t-CO₂/year, which is equivalent to approx. 1.5% of the CO₂ emissions in the Fiscal Year 2019, the standard year of the CO₂ emission reduction target, is expected in Fiscal Year 2022 and beyond.

* For Fiscal Year 2022, the price was set 10,500 yen/t-CO₂, and for Fiscal Year 2023, 12,500/t-CO₂.

Visualization of energy

NICHIAS has visualized the power consumption of domestic manufacturing bases to improve the awareness of all the employees toward energy saving and grasping the energy loss. Visualization of power consumption helps grasp the power consumption on a real-time basis and the consumption during the night time and at the time facilities stop, which visualizes the power loss and may reduce the power by taking countermeasures. In the future, we will reduce the electric power cost and save energy by using the energy most appropriately.

Whole picture of power-consumption visualization



What to do with visualization

- Early detection of the gap with the target
- Strategic optimization of power consumption (Standardization, demand response)
- Improvement in awareness of business offices toward energy saving (Air, air conditioning, lighting, and other shared facilities)

- Early detection of the gap with the target
- Selection of facilities for the measures for energy saving
- Analysis of the cause of abnormality
- Confirmation of the effect of countermeasures

- Implementation of energy saving measures in cooperation with facility operation
- Analysis of the cause of abnormality
- Confirmation of the effect of countermeasures

(3) Proactive use of renewable energy

NICHIAS proactively installs solar power generation equipment on the roofs of plant buildings. And, for the domestic bases, where they have already been installed, it implements activities with the target of reducing approx. 2,000 t-CO₂ per year by Fiscal Year 2025. NICHIAS promotes the purchase of renewable-energy-derived power and green power certificates. Consequently, in Fiscal Year 2022, the ratio of renewable energy to power consumption increased from 0.5% in Fiscal Year 2021 to 3.0% due to the purchase of solar power generation equipment and green power certificates.



KUMAMOTO NICHIAS CORPORATION, started operation in December 2022



Yuki Factory, started operation in September 2022



NICHIAS (THAILAND) CO., LTD., started operation in August 2022

Example of initiatives for decarbonization efforts of overseas factories (Malaysia)

NICHIAS FGS SDN. BHD. /NT RUBBER-SEALS SDN. BHD., one of the NICHIAS Group companies in Malaysia mainly manufactures sealing materials such as industrial gaskets, consuming a large amount of fuel and power in the manufacturing process.

In line with the activities to reduce CO₂ emissions promoted by the NICHIAS Group, this factory makes efforts to reduce CO₂ emissions.

Fuel of the furnace for METAKOTE™, a metal gasket for automobiles, was shifted from kerosene to LNG in June 2023, which is planned to reduce approx. 1,600 t-CO₂ per year of CO₂. At the end of Fiscal Year 2023, on-site solar power generation with a total system output of 1,920 kW will start the operation, too. We will keep implementing the decarbonization activities in a proactive manner as a member of the NICHIAS Group.



(1) Introduction of LNG storage facilities (NICHIAS FGS SDN. BHD. METAKOTE No.2 line)



(2) Introduction of solar panels (NICHIAS FGS SDN. BHD. 1,280kW)



(3) Introduction of solar panels (NT RUBBER-SEALS SDN. BHD. 640kW)



NICHIAS' Energy Saving Technologies That Contribute to Carbon Neutrality

Based on heat retention and thermal insulation technologies that has been fostered since its establishment and under the theme of "decarbonization starts from energy saving," the NICHIAS Group has a product lineup that realizes "thorough heat retention" and "highly effective thermal insulation" on the customers' site. Customers say they want to know how they should start responding to carbon neutrality and decarbonization and that it would be easier to deal with the issue if some advice were available.

NICHIAS responds to such opinions with the energy saving diagnosis system Thermofit™. Thermofit is an energy saving diagnosis system that performs comprehensive heat loss diagnosis including diagnosis of deterioration of the existing heat retention and thermal insulation materials. With Thermofit, NICHIAS provides proposals for countermeasures with the use of various heat retention and thermal insulation materials depending on the circumstances. For some cases of heat retention and thermal insulation materials used for the countermeasures, our easy detachable ENETHERMO™ is used. In each case, the flow is: Thermal diagnosis of the target, analysis of the results, proposal of countermeasures, installation, and confirmation of the effect.

While general energy saving diagnosis systems only measure the current status and propose general countermeasures, our Thermofit supports the entire process, from specific proposal of the countermeasures to confirmation of the effect of installation and improvement.

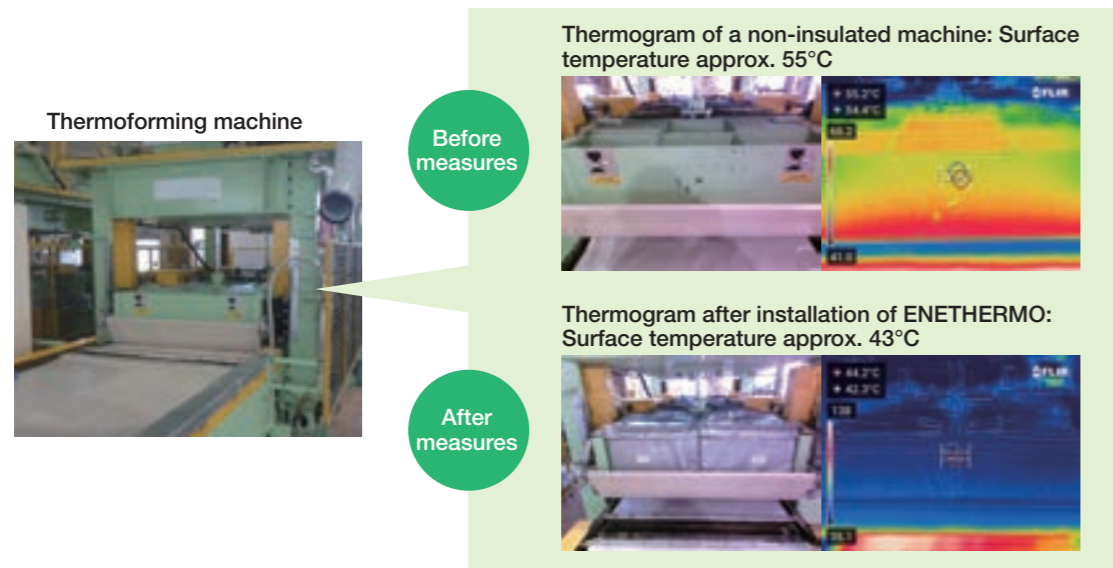
See P. 38

NICHIAS provides Thermofit not only for customers but its factories as a decarbonization tool. Currently, thermal diagnosis is performed at all the bases of the NICHIAS Group. If all of the countermeasures are taken, effect of reduction of more than approx. 1,000 t-CO₂ is expected. Here are some examples for the use.

NICHIAS' diagnosis team carried out a thermal diagnosis because, regarding the thermal molding machine newly installed in the manufacturing line, a responsible person of a factory said, "Heat retention measures can save energy because a large amount of heat is discharged from the facility, which makes the surrounding environment hot." Simulation results showed that 0.9 kWh per molding can be reduced by the heat retention measures, and 1.9 million yen of energy cost and 26 t-CO₂ emissions are expected to be reduced per year. For diagnosis and installation, we check the specific improvements after setting power meters and thermometers so that the effect of improvements can be measured.

As a result of installing ENETHERMO on the surface of a heat molding machine, it was confirmed that approx. 20% of power consumption was reduced+C1781:C1788 And, according to the actual measurement data, we also confirmed that there was no problem in the results of the thermal diagnosis simulation.

Those efforts contribute to a reduction of 33 t of CO₂ and approx. 2 million yen of energy costs per year in the business office. In addition, workers are pleased that heat dissipation prevention also serves as a measure against heat in the working environment.



Opinions from responsible person of the NICHIAS Group factories

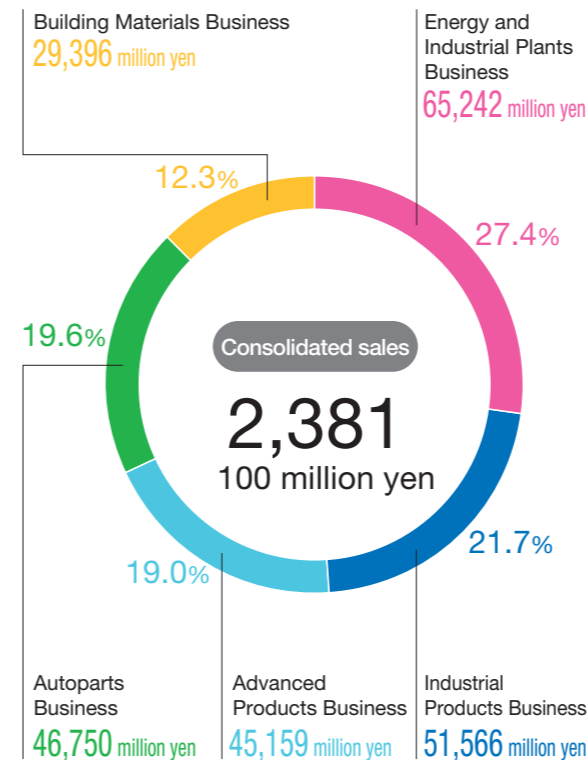
Hidenori Hara, Third Manufacturing Department, TATSUTA INDUSTRY CORPORATION

Facilities in which ENETHERMO was installed account for approx. 70% of the power consumption of this factory, showing that the installation of ENETHERMO contributes a lot to the reduction of power consumption. A worker gave an opinion about improvement of the working environment "Conditions of heat loss were so improved that we can actually feel the improvement." Another worker said "Productivity increased because it led to shortened heat-up time." Installation of ENETHERMO was well received.



Outline of Business NICHIAS' business supporting the industry with TATSU-TAMOTSU™ technologies

Five businesses responding to different markets take advantage of our TATSU-TAMOTSU (Insulation and Protection) technologies, support a wide variety of industries such as plants, semiconductors, automobiles, and building materials, and significantly contribute to the development of society.



Energy and Industrial Plants Business

Our business areas include the provision of heat retention and cold retention, fire-proofing, and soundproofing works, and products such as sealing materials and thermal insulation materials for applications from construction to maintenance of a wide range of plant industries such as energy-related facilities like oil refineries, petrochemical plants, thermal power stations, nuclear power plants, and liquefied natural gas stations, as well as steel mills and refrigerated warehouses.

Industrial Products Business

This Business meets the needs of a wide range of industries in Japan and abroad by selling products born from its "TATSU-TAMOTSU" technologies, such as sealing materials, thermal insulation material products, fluoropolymer products, and filter products. As well as supporting the growth of this business, it also plays the role of enhancing existing businesses and creating new businesses as the mother business throughout the NICHIAS Group.

Advanced Products Business

In the electronics industry, represented by semiconductors and flat panel displays (FPD), NICHIAS' main customers are semiconductor production equipment manufacturers, peripheral device manufacturers, and semiconductor manufacturers, to which NICHIAS supplies fluoropolymer products, sealing materials, filter products, and thermal insulation materials for equipment and device parts and semiconductor plant facilities.

Autoparts Business

With sealing materials that protect against leakage from the likes of vapor and liquids around engines, thermal insulation parts that protect against heat from engines, and soundproofing and vibration-damping parts that protect against the sound and vibrations of the brakes and on-board parts as the pillars of NICHIAS' autoparts business, NICHIAS supplies automobile manufactures and autoparts manufacturers in Japan and overseas.

Building Materials Business

The business is made up of the products sales department, which manufactures and sells building material products with features such as non-combustible, insulative, fireproof, and soundproof features for various buildings from housing residences to office buildings and factories, and the construction department, which handles construction work using NICHIAS' products.

Energy and Industrial Plants Business

Features of Business

- Provision of heat retention and cold retention, fireproofing, and soundproofing work, as well as products such as various sealing and thermal insulation materials for a wide variety of plants, including petrochemistry plants and power stations
- Establishment of long-term relationships of trust with customers, from construction to maintenance for the plant industry
- Implementation of unique total support services through development of manufacturing methods and products in the fields from extremely low to extremely high temperature and provision of insulation contract, installation, and products

Market environment

Respective customers of petroleum processing, petrochemistry, thermal/nuclear power plants, steel plants, and gas industries proceed with the shift of business structure in response to decarbonization and carbon neutrality. Under such circumstances, we continue to participate in the maintenance of the existing facilities and provide differentiated new manufacturing methods and products for capital investment in shift to the new fuels such as hydrogen and ammonia.

We contribute to reduction of environmental burden with our technologies and installation services covering the entire process, which support the infrastructure of society and respond to energy saving.

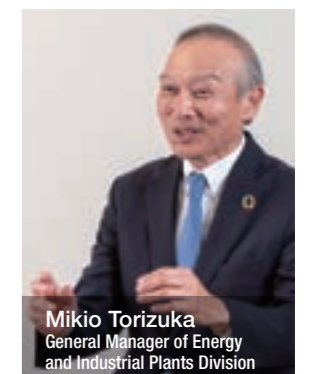
Segment Strategy

- Provide engineering services covering the entire process that take advantage of the strength of the construction and product sales departments.
- Reduce the environmental burden of customers through building differentiated mechanisms such as the energy saving diagnosis system
- Accelerate the development of new manufacturing methods and products for commercialization in association with carbon neutrality in 2030 and after

Future initiatives

For commercialization associated with carbon neutrality in 2030 and beyond, taking advantage of the strength of the construction department and the product sales department, we will provide energy saving diagnosis system Thermofit™ and other differentiated construction work and products using engineering service.

We aim to realize long-term sustainable growth by setting business issues that can contribute to customers' efforts to reduce environmental burden, tackling the issues to realize work style reform, and building the mechanisms that help stakeholders of the division work brightly and pleasantly.



Installation contracts of industrial thermal insulation contributing to carbon neutrality

Industrial Products Business

Features of Business

- It plays a role in creating new businesses, in addition to the improvement of the existing businesses, as the mother division for the entire company.
- It holds many groups of products, including sealing materials, thermal insulation materials, fluoropolymer products, and filter products.
- It provides parts for factory facilities and products used for various types of equipment for an extensive range of industrial fields.

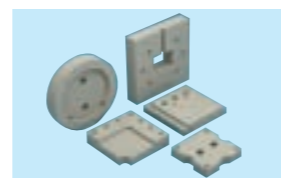
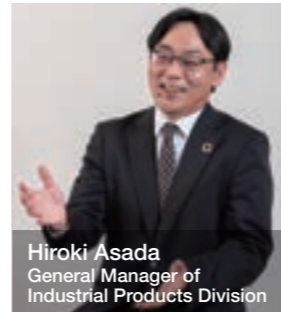
Market environment

In addition to the expected robust demand in the building, medical, food, and chemical plant industries, interest in energy-saving products (thermal insulation materials), one of our core product fields, is increasing in Japan as we work toward realizing carbon neutrality.

In other countries, growth is expected to continue, particularly in the semiconductor and electronic components markets. Demand for filter products is expected because of, for example, the spread of environmental regulations on volatile organic compounds and investment in industrial-dehumidification-related items associated with widespread electric vehicles.

Segment Strategy

- Maximization of sales opportunities by mixing up products
- Formulation of business strategies for each market and proactive investment in prospective growing markets
- Strengthening of cost competitiveness by promotion of activities to reduce costs
- Stable supply of products by multiplying the suppliers of raw materials and diversifying manufacturing bases



Energy saving-related products (thermal insulation material)

Future initiatives

As the mother division of the entire company, the Industrial Products Division sets the mission of “creating the new businesses” and formulates business plans and business strategies by dividing the division into four markets: electronic parts, environment, essential (indispensable industry), and industrial infrastructure, to achieve the mission. Positioning the electronic parts, environment, and essentials as the three prospective growth markets, we aim to be independent as a division after the business scale expands. In the meantime, we position the industrial infrastructure as the core business of the division, and therefore, improve the existing market and explore the new growth market at the same time.

Advanced Products Business

Features of Business

- Division related to electronics with customers such as manufacturers of semiconductor manufacturing equipment, peripheral equipment, and devices
- It provides fluoropolymer products, thermal insulation materials, sealing materials, and filter products to factories of parts for facilities and equipment as well as semiconductors.
- Indispensable business for the industry, which creates new value with differentiation (power of technology, response, and stability)

Market environment

In the first half of the Fiscal Year 2023, the semiconductor market was expected to enter the phase of adjustment due to a decrease in the demand for smartphones and PCs as well as reduced investment in semiconductor memories and strengthening of regulations on export from the US to China. It is assumed that demands will recover little by little from the latter half of Fiscal Year 2023, and in Fiscal Year 2024, demands stronger than Fiscal Year 2022 are expected to get back. From the medium-to-long-term perspective, the semiconductor market will grow due to the spread of IoT, AI, 5G, metaverse, and the accelerating data society.

Segment Strategy

- Establish relationships of trust with customers realized by thorough sales activity in close relationships with customers
- Create differentiated products by technology development that catch the needs in advance
- Avoid opportunity loss by establishing a production system that keeps up with changes in the market trend



Fluoropolymer tubes for semiconductor factory facilities

Future initiatives

In the semiconductor market, which grows from the medium-to-long-term perspective, we will be engaged in the business with aim of becoming the indispensable division for customers focusing on the four points. (1) Thoroughly customer-oriented total solution (2) Development of differentiated products and environment-friendly products (compatible with 3R and carbon neutrality) (3) Establishment of a stable production system (quality, production capacity, manufacturing technology) by making forward-looking business investments in the market that grows from the medium-to-long-term perspective (4) Further strengthening of response to BCP in the supply chain to diversify the production bases and stably procure the part materials.

Autoparts Business

Features of Business

- It develops and manufactures sealing materials that “TATSU (insulate)” leakage of fluids such as air and liquid around the engine for automobiles.
- It develops and manufactures thermal insulation and heat retention parts that “TATSU (insulate)” and “TAMOTSU (protect)” heat from the area around the engine for automobiles.
- It develops and manufactures soundproofing and vibration-damping parts that “TATSU (insulate)” noise and vibration of automobile brake parts and other vehicle parts.
- By building a framework that runs from material development right through to design, assessment, manufacturing, and quality assurance, it meets diverse needs.
- It improves production and sales systems that can respond to localization around the globe (a five-group system consisting of Japan, North and Mid America, Asia, China, and Europe)

Market environment

In the automobile industry field, response to carbon neutrality proceeds so rapidly that it is said “once-in-a-century paradigm shift.” It is expected that internal combustion engines (ICE) will decrease, and demand for so-called next-generation vehicles, such as electric vehicles and fuel cell vehicles, will increase.

And, the request for the shift to carbon neutrality in the production process of autoparts is also accelerated, which means initiatives for the reduction of CO₂ become more important.

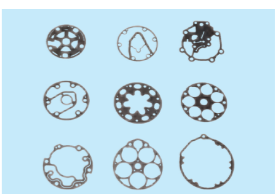
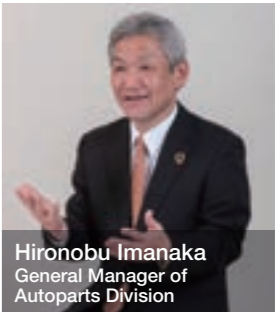
Segment Strategy

- Creation of differentiated products that catch the needs of the expanding next-generation vehicle market in advance
- Establishment of production systems adapted to the change in business environment trends
- Promotion of initiatives for product development and production improvement that aim for carbon neutrality

Future initiatives

Regarding the business of internal combustion engines, against the backdrop of the trend of electrification, a decrease in demand is expected. However, since the progress of electrification differs according to the energy situation of each region and country and the use of vehicles, we will try to optimize the production system to meet the demand.

Business for the next-generation vehicles tackles the product development aiming for carbon neutrality using NICHIAS’ TATSU-TAMOTSU (Insulation and Protection) technologies for electric vehicles and fuel cell vehicles, based on the technologies and products, and the trust from customers that have been accumulated. We will keep contributing to the development of the automobile industry.



Gasket for air-compressor

Building Materials Business

Features of Business

- Provision of building materials with functions such as incombustibility, thermal insulation, fireproofing, and soundproofing to various buildings
- Products sales department sells eco-friendly, non-combustible calcium silicate boards made of recycled materials, as well as rock wool products with excellent soundproofing and fireproofing performance and top-class energy saving benefits.
- The construction department installs and sells raised-access floor systems, which realizes under-floor wiring in office buildings and maintains comfortable space, and wrap-type fire-proofing covering materials made of rock wool, which have excellent design and protects steel structures against fires.

Market environment

New housing starts are expected to decrease in the future. So, the housing market is in the difficult situation. On the other hand, regarding the non-housing market, demand for warehouses remains well thanks to the growing EC market, and store and factory projects show a sign of recovery due to recovery from the coronavirus pandemic.

In addition, redevelopment in urban areas is expected to grow steadily.

Segment Strategy

- Make improvements in profit by reviewing each business with “selection and focus.”
- Increase the share through further expanding the differentiated products for the steadily growing non-housing market.
- Promote the initiatives for carbon neutrality through developing environment-friendly products and improving manufacturing technologies

Future initiatives

We will accelerate the reduction, elimination, and consolidation of housing-related products, whose profitability became lower due to the shrinking of the new housing market, to focus on tackling the non-housing market expected to generate profit. Our focus is especially placed on the expansion of share, which is expected to be realized by the introduction of new products of the raised-access floor system.

And, regarding wrap-type fire-proofing covering materials, we will promote various initiatives for increasing the number of products adopted for the office building projects, in addition to the warehouse projects, for which the products have been adopted frequently. We will also expand the overseas market, which has made an increasing number of inquiries recently, to increase the revenue.

We keep providing environment-friendly products and contribute to the realization of a sustainable society.



Wrap-type rock wool fire-proofing covering materials

▶▶ Manufacturing of NICHIAS

Research and development and production systems of the NICHIAS Group that generate products and services that are the embodiment of the TATSU-TAMOTSU™ technologies.

In collaboration with the business divisions, we are engaged in manufacturing that serves society.

Research & Development



Kiyoshi Sato
General Manager, Research & Development Division

Message from the General Manager of the Research & Development Division

Industries have changed rapidly. The recent changes include energy conversion like carbon neutrality, a shift to the sustainable industry, accelerating the development of information technologies, and medium-to-long-term expansion of the semiconductor industry that supports those changes. Expansion and sophistication of TATSU-TAMOTSU (Insulation and Protection) technologies are the methods the NICHIAS Group applies to respond to those changes in a technical manner.

We did not have all six technologies in our TATSU-TAMOTSU technologies from the beginning. The six technologies are the outcomes of the research and technologies NICHIAS proceeded in response to the request from the time and market. Expansion of sophistication of TATSU-TAMOTSU technologies—sealing, thermal insulation, soundproof, fireproof, corrosion-proof, and cleanliness—will continue to be the direction the NICHIAS Group's research and development take.

We proceed with the activities to create new products and services by multiplying the new TATSU-TAMOTSU technologies by the request from the market.

Production system

Message from the General Manager of the Engineering Division

For the sustainable management of a manufacturer, a flexible production system that can deal with the change of business environment is expected. As a measure to realize such management, we try to establish smart factories.

We aim for highly efficient factories that flexibly respond to variations of production and respond to a decrease in the working population by automating the production line as much as possible. Mechanization of operations will help people concentrate on works that require a high level of skill or creativity that can be done only by people, which will lead to people-friendly factory buildings. In smart factories, energy efficiency improves by visualization. Consequently, they are effective in promotion of carbon neutrality.

As another measure, we focus on improvement activities led by people on the site. Improvements lead not only to cutting costs but also to creating an environment in which people can work without stress and a sense of satisfaction is fostered. And those efforts lead to human resources development.

This is how we strengthen the capability to respond to changes and keep contributing to society with manufacturing.



Satoshi Tanabe
General Manager, Engineering Division

Main Initiatives

Here are representative activities of the development of our TATSU-TAMOTSU technologies, the basic technologies of NICHIAS.

Contribution to carbon neutrality

Thermal insulation and cold retention technologies directly meet the needs of carbon neutrality by saving energy. We (1) improve the performance and user-friendliness of thermal insulation and cold retention materials and (2) develop thermal diagnosis technologies that visualize the necessity of thermal insulation and cold retention.

Contribution to the shift to renewable energy

As a means to store and transport energy, energy carriers such as liquefied hydrogen and ammonia have attracted attention. This is where cold retention technologies play an active role. We proceed with research and development to expand the cold retention technologies and thermophysical property measuring technologies, which have been accumulated for years, to the cryogenic range.

Contribution to development of information communication technologies

As 5G/6G communication devices and millimeter-wave radar spread and develop, fluororesin, which has less transmission loss even at higher frequencies, has attracted attention as a material for circuit boards. We accelerate research and development by dealing with various issues to apply fluororesin to circuit boards.



Hamamatsu Research Laboratory/Hamamatsu Technical Center (left)
Tsurumi Research Laboratory/Advanced analytical equipment at Tsurumi Technical Center (right)

Future Challenges and Outlook

Electrification of power has been accelerated rapidly in the automobile industry. Conventional internal combustion engines have been a power source that works well with TATSU-TAMOTSU technologies in terms of sealing technology and thermal insulation technology. Electrification is, in other words, a crustal movement that changes this composition. The NICHIAS Group seeks the new answer by multiplying "TATSU-TAMOTSU" technologies by electrification.

And, regarding the products that emit a large amount of carbon at the time of manufacturing, we proceed with research and development to improve the manufacturing methods. Thanks to those efforts, we could remove coke in the process of rock wool manufacturing. We try to provide thermal insulation

and refractory materials needed for energy saving, safety, and reassurance with low emissions of carbon.

Digital transformation of research and development as well as human resources development are also important issues. Consolidating the research and development information by using the information-management and sharing tools, we try to streamline the process. We also pay attention to Materials Informatics *(MI), which has made considerable progress these days, and examine how to use it in a NICHIAS Group's way. Even though it is an excellent information tool, it is people who use it. We continue to provide technical human resources in the NICHIAS Group by carefully educating them at the research laboratory to provide products and services that help people in society.

* Utilizing digital technologies for developing materials.

Main Initiatives

In the medium-term plan, the following four important policies are being addressed.

The first policy is "creation of a safe and secure workplace." Aiming to secure the quality trusted by customers and realizing the factory that gives reassurance to employees and community people, we tackle to improve safety and environment proactively. Focus is also placed on the update and improvement of dilapidated buildings and facilities and measures for disaster prevention.

The second is "far-sighted securing of production resources." We are committed to securing buildings, facilities, supply chains, and human resources that bear the future to respond to the change of the business flexibly. In terms of buildings, we deal with relocation and reconstruction of the manufacturing bases.

The third is "promotion of decarbonization." In the domestic manufacturing bases, we proactively installed solar panels. According to the medium-term plan, 7,000 t/year of CO₂ emission reduction is planned to be achieved. And, with decarbonization in mind, we also reconstruct the business and convert and improve manufacturing methods.

The fourth is "evolution of manufacturing." We make proactive efforts to automate processes, digitalize the

information flow, and introduce AI so we can respond to a decrease in the working population in Japan and changes in business in a proactive manner. In addition, we aim to further enhance the capability of improvement on the production site and further improve working productivity through NKK (NICHIAS Kaizen Katsudo).



Yuki Factory office building (top)
Yuki Factory NOA Floor production line (bottom)
Tsurumi Factory automated welding machine

Future Challenges and Outlook

Many changes are expected to be made in the future society, such as acceleration of electrification of vehicles with the idea of carbon neutrality, energy conversion, an increase of disaster risks caused by climate change, difficulty in securing supply chain due to unstable world affairs, and shortage of labor due to a decrease in working population. Against this backdrop, there are many issues for the production system. We try to realize smart factories by responding to changes in the business environment, making efforts for decarbonization, and further incorporating digital transformation and AI. One of the indispensable elements is securing and development of human resources. We would like to proactively employ experienced people to secure human resources specialized in production

technologies and digital technologies, establish the human-resources education system, and secure and develop the human resources that bear the next generation.

In collaboration with each of the related divisions and all the manufacturing bases, we aim for "human- and earth-friendly manufacturing."

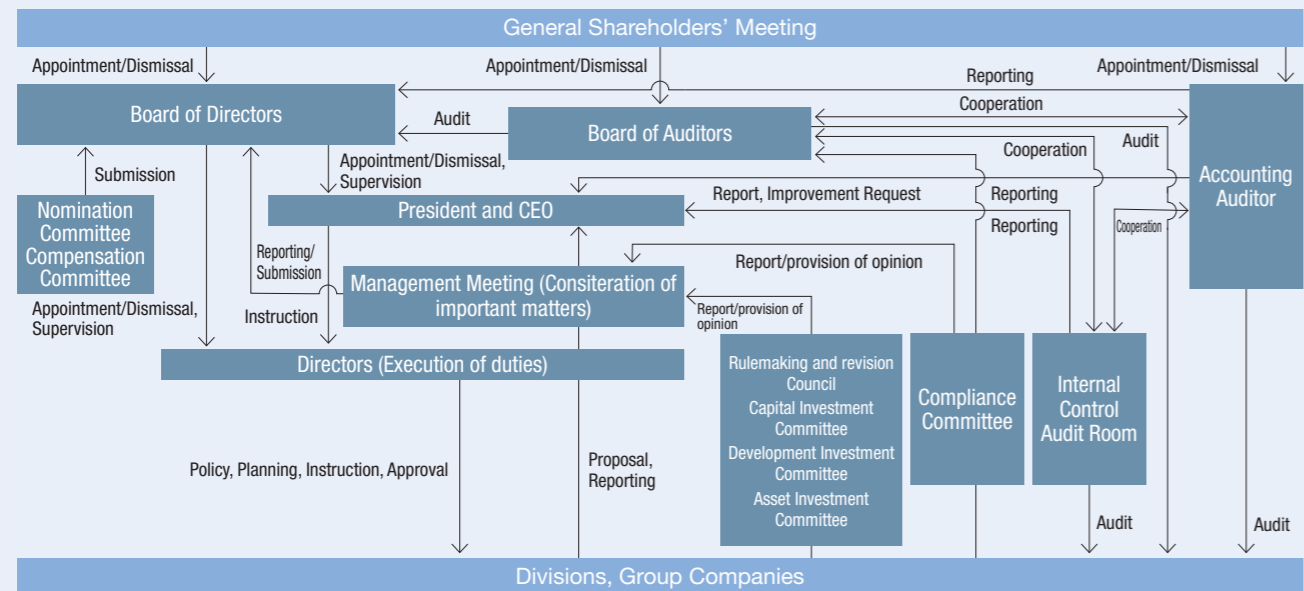
» G: Governance

The NICHIAS Group strives to improve the transparency, fairness, and efficiency of its business and increase its corporate value over the long term in a stable manner by strengthening corporate governance.

Corporate Governance

Corporate governance is an important issue that supports the foundations of the NICHIAS Group. Throughout the entire Group, NICHIAS builds and strengthens its governance framework that increases the transparency, fairness, and efficiency of the decision-making process of top management including the Board of Directors.

Corporate governance system chart



Board of Directors

The Board of Directors decides the direction of the Group's corporate strategy and makes important decisions from a medium-to-long-term perspective. Regular Board of Directors meetings are held, in principle, once a month. Ad hoc Board of Directors meetings are also held as and when necessary. In Fiscal Year 2022, 14 meetings were held (excluding resolutions in writing). The Board of Directors is made up of directors with various knowledge, experience, and abilities. The Board of Directors is run in such a way as to make fair and sound decisions through open and active discussions. [See P. 29](#)

Board of Auditors

NICHIAS is a company with a board of the company's auditors. The Board of Auditors consists of five auditors (two Audit & Supervisory Board Members and three Outside Auditors). The Board of Auditors plays a part in corporate governance by executing the audit activities following the audit policies and the plan set by the Board of Auditors. In addition to holding monthly regular Board of Auditors meetings, the Board of Auditors has extraordinary Board of Auditors meetings to pass a resolution of, discuss, and report the critical issues concerning the audit. Auditors attend Board of Directors meetings, Management Meetings, and other important meetings and exchange opinions with the Representative Director and Directors regularly to provide views on management from a fair and neutral standpoint proactively.

| Name | Position | Status of attendance to Board of Auditors meetings (time) |
|------------------|----------------------------------|---|
| Junichi Nakasone | Audit & Supervisory Board Member | 12/12 |
| Hiroaki Seki | Audit & Supervisory Board Member | 12/12 |
| Isao Iwabuchi | Outside Auditor | 10/12 |
| Sachiko Murase | Outside Auditor | 12/12 |
| Nobuhiko Takano | Outside Auditor | 12/12 |

Nomination Committee

The Nomination Committee was set up as an advisory body to the Board of Directors to ensure the objectivity and validity of the process for deciding potential directors. The Nomination Committee is made up of members that include Outside directors and Outside auditors. In fiscal 2022, the committee was held once where it selected potential directors.

Members as of June 29, 2023

Chair: Katsumi Kametsu (President and Chief Executive Officer)

Members: Tsukasa Yamamoto (Representative Director), Yoichi Eto (Outside Director), Yoshito Hirabayashi (Outside Director), Mitsuru Nose (Audit & Supervisory Board Member), Isao Iwabuchi (Outside Auditor)

Remuneration Committee

The Remuneration Committee, which is made up of members that include outside directors and corporate auditors, was set up as an advisory body to the Board of Directors to ensure the objectivity and validity of decisions regarding the remuneration of directors and increase the effectiveness of corporate governance. In Fiscal Year 2022, the Remuneration Committee meeting was held once, with active discussions regarding the remuneration system and remuneration levels for directors.

Members as of June 29, 2023

Chair: Katsumi Kametsu (President and Chief Executive Officer)

Members: Tsukasa Yamamoto (Representative Director), Yoko Wachi (Outside Director), Hiroaki Seki (Audit & Supervisory Board Member), Sachiko Murase (Outside Auditor), Nobuhiko Takano (Outside Auditor)

Activity status of Board of Directors and Appointment Committee/Remuneration Committee in this fiscal year

In Board of Directors meetings, the following items are discussed and deliberated, focusing mainly on building materials business: Improvement of profitability, effective operation, response to the environment, strengthening of infrastructure, and other measures based on the five-year medium-term management plan Shikumi 130, whose initial year is fiscal year ending March 2023; and selection and focus of the businesses. And, the progress of specific investment cases, response to climate change, response to cyber security, and other issues are also monitored periodically.

In Appointment Committee/Remuneration Committee meetings, the following are the main issues that are mainly discussed carefully: The selection of candidates for Directors and Executive Officers, the career and performance record of the candidates, the composition of the entire Board of Directors, term of office of each Director, and other issues; and for determination of the remuneration, performance, evaluation, etc. of each Director and Executive Officer.

Following are the records of attendance at Board of Director meetings and Appointment/Remuneration Committee meetings.

| | Name | Attendance status | | |
|----------|-------------------------------|-----------------------|----------------------|------------------------|
| | | Board of Directors | Nomination Committee | Remuneration Committee |
| Director | Katsumi Kametsu | 100% (14/14 meetings) | 100% (1/1 meeting) | 100% (1/1 meeting) |
| | Tsukasa Yamamoto | 100% (14/14 meetings) | 100% (1/1 meeting) | 100% (1/1 meeting) |
| | Shoichi Yonezawa | 100% (14/14 meetings) | – | – |
| | Satoshi Tanabe | 100% (14/14 meetings) | – | – |
| | Kiyoshi Sato | 100% (14/14 meetings) | – | – |
| | Yukinori Ryuko | 90% (9/10 meetings) | – | – |
| | Yoichi Eto (outside) | 100% (14/14 meetings) | 100% (1/1 meeting) | – |
| | Yoshito Hirabayashi (outside) | 100% (14/14 meetings) | 100% (1/1 meeting) | – |
| Auditor | Yoko Wachi (outside) | 100% (14/14 meetings) | – | 100% (1/1 meeting) |
| | Junichi Nakasone | 100% (14/14 meetings) | 100% (1/1 meeting) | – |
| | Hiroaki Seki | 100% (14/14 meetings) | – | 100% (1/1 meeting) |
| | Isao Iwabuchi (outside) | 86% (12/14 meetings) | 0% (0/1 meeting) | – |
| | Sachiko Murase (outside) | 100% (14/14 meetings) | – | 100% (1/1 meeting) |
| | Nobuhiko Takano (outside) | 100% (14/14 meetings) | – | 100% (1/1 meeting) |

*1 Parenthesized figures indicate the number of attendance/number of meetings while in the post.

*2 Regarding the number of the Board of Directors meetings held, meetings of resolutions in writing based on Article 370 of Companies Act are excluded.

Management Meetings

To ensure prompt decision-making, Management Meetings deliberate business management matters for which the authority is delegated by the Board of Directors. Management Meetings are, in principle, held once a week, and are attended by directors, full-time auditor(s), and executive officers & division managers. In fiscal 2022, a total of 47 Management Meetings were held. The Management Meetings are run in such a way that attendees can engage in open and active discussions. Decisions made at the Management Meeting are reported to the Board of Directors.

Skill matrix of the Board of Directors* (As of June 29, 2023)

| Name | Position | Specialty, strategy | | | | |
|---------------------|---------------------------------------|--------------------------------|---------------------|---------------------------|------------------|----------------------------|
| | | Corporate management, strategy | Finance, accounting | Legal affairs, compliance | Sales, marketing | Manufacturing, development |
| Katsumi Kametsu | President and Chief Executive Officer | ○ | ○ | ○ | ○ | |
| Tsukasa Yamamoto | Representative Director | ○ | ○ | ○ | | |
| Satoshi Tanabe | Director | ○ | | ○ | | ○ |
| Kiyoshi Sato | Director | ○ | | ○ | | ○ |
| Yukinori Ryuko | Director | ○ | | | ○ | ○ |
| Yoichi Eto | Outside Director | | ○ | ○ | | |
| Yoshito Hirabayashi | Outside Director | ○ | | | ○ | ○ |
| Yoko Wachi | Outside Director | | ○ | ○ | | |

* The above skill matrix only states the fields that are especially expected instead of all the expertise and experiences.

Officer Remuneration

At NICHIAS, the Board of Directors decides the details of officer remuneration. An outline of this is as follows:

- a The remuneration of NICHIAS' Directors consists of fixed financial remuneration and stock-based remuneration to provide incentives. However, regarding the remuneration of Outside Directors, considering their job responsibilities, only fixed remuneration shall be paid.
- b The amount of the fixed remuneration shall be set within 32 million yen per month. Stock-based remuneration shall be in the form of shares subject to a certain period of restricted transfer, with an annual amount not exceeding 100 million yen, which is to be calculated separately from the fixed remuneration, and a maximum number of shares not exceeding 40,000 per year.
- c The remuneration of each Director is based on the standard amount according to the position of the Director, with the specific amount decided after discussions at the Remuneration Committee meeting with attendance of Outside Directors and Outside Auditors, and consultation with the Board of Directors as to the outcome of the discussions at the Remuneration Committee meeting, taking into account the factors such as business performance and importance of duties and responsibilities of each director.
- d Each of the total amount of the fixed remuneration and stock-based remuneration of all the Directors shall be determined within a range of the maximum limit specified by the resolution at the general meeting of shareholders.

The table below shows the total amount of remuneration, etc. for each officer category and the total amount of remuneration, etc. by type, as well as the number of applicable officers*

| Category | Total amount of remuneration, etc. | Total amount of remuneration, etc. by type Fixed remuneration | Number of officers covered |
|---|------------------------------------|--|----------------------------|
| Directors (excluding Outside Directors) | 275 million yen | 275 million yen | 9 people |
| Auditors (excluding Outside Auditors) | 44 million yen | 44 million yen | 2 people |
| Outside Director | 39 million yen | 39 million yen | 3 people |
| Outside Auditor | 19 million yen | 19 million yen | 3 people |

* The number of people that receive the compensation, the total amount of compensation, etc., include those for three directors who retired due to termination of the term as of the conclusion of the 206th General Meeting of Shareholders held on June 29, 2022.

Workability Assessment of Board of Directors

In Board of Directors meetings, the workability of the Board of Directors is analyzed and assessed every year based on the self-assessment of each Director. Following is the outline of the Board of Directors workability assessment.

(1) Analysis, assessment method

Following is the outline of the analysis and assessment methods.

- 1) Carry out a survey concerning the composition and operation status of the Board of Directors, targeting all the Directors (nine).
- 2) Submit the survey results to Outside Directors and Board of Auditors.
- 3) Finalize the assessment of the workability of the Board of Auditors based on the survey results and opinions of The Board of Outside Directors and Auditors after discussing the matter at the Board of Auditors meeting.

(2) Outline of assessment items

Following is the outline of assessment items. Each question is rated on a one-to-five scale accompanied by a comment section. Additional explanations or opinions shall be stated in this section as needed.

- 1) Composition of Board of Directors
- 2) Roles and duties of Board of Directors
- 3) Operation and deliberation of Board of Directors
- 4) Job responsibility of Board of Directors
- 5) Arbitrary advisory meeting, etc.

(3) Outline of assessment results

In the Board of Directors meeting held in June 2022, the workability of the Board of Directors was analyzed and assessed based on the results of the above survey. As a result, it was confirmed that the workability of the Board of Directors as a whole is sufficiently secured.

Compliance

In running the company and as a member of society, the NICHIAS Group engages in compliance efforts based on social norms and common sense, as well as complying with laws and regulations and the Articles of Incorporation, in order to build good relationships with its many stakeholders.

The activities of the NICHIAS Group's Compliance Committee are based on the monthly Head Office Committee meetings and quarterly Branch Committee meetings that are held by each business office and Group company.

The NICHIAS Group formulates the NICHIAS Group Compliance Policy, which shows a "basic attitude concerning compliance, which all stakeholders of the NICHIAS Group are required to observe," such as conformity to changes of social conditions and revision of law revisions, awareness-raising activities toward violations, and response to the report made to the contact for whistle-blowing.

Compliance Framework Based on Worksite

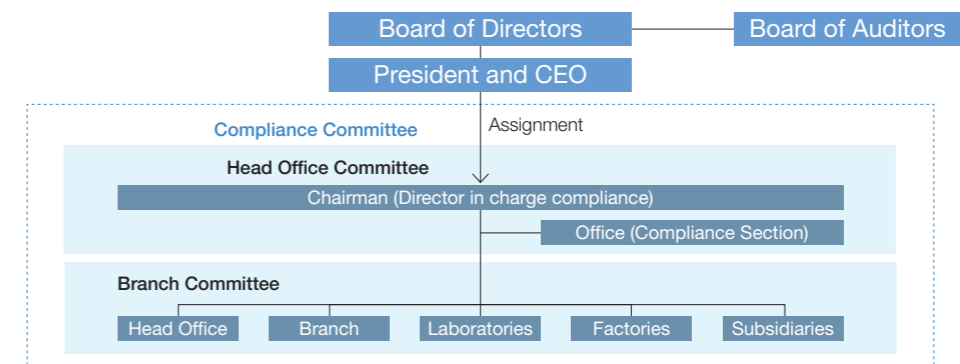
Branch Compliance Committees are organized at each business office and group company in Japan and overseas to facilitate compliance, and efforts are taken in a proactive spirit, such as formulating and educating everyone on unique action guidelines that address the issues of each workplace.

To promote compliance from a Group-wide perspective, NICHIAS has established, as a specialized organization, a Compliance Section under its Corporate Administration Division.

In addition to planning and implementing specific measures in line with NICHIAS' Compliance Activities Policy, the Compliance Section ascertains the state of compliance at each workplace, makes suggestions and gives advice on issues, and deals with feedback and matters sent to the compliance counters (whistleblower hotline) in a fair and honest manner.

Also, in 2022, from the perspective of measuring compliance at a specific point in time, a survey of all employees is carried out roughly every three years to ascertain compliance throughout the NICHIAS Group to see if there are any compliance-related issues.

Compliance Framework Chart



Educational Efforts to Increase Compliance Awareness through Continuous Communication of Information

To foster a greater understanding and practice of compliance, information is posted regularly on the Compliance Portal Site on NICHIAS' in-house intranet platform.

The Compliance Portal Site contains contents to understand the essence of compliance through occasional activities, related topics, and real-life examples. These efforts are led by the Compliance Support Committee of each business office and Group company and made known to all employees.

In Fiscal Year 2022, on the theme of "Eradicating Power Harassment," NICHIAS implemented case studies using four-panel comics to provide training by way of an internal instructor at each business office and each Group company to spark a greater understanding of power harassment (workplace bullying) to foster a workplace environment based on sound communication where harassment does not occur.

The NICHIAS Group has also engaged in various other compliance-related educational activities such as encouraging the submission of compliance slogans and implementing e-learning programs for all employees.



Compliance awareness using four-panel comics



FY2022 Compliance Slogan
The Grand Prix winner poster

Establishment of a Compliance Report and Consultation System

To facilitate reports and consultations regarding compliance, a compliance hotline was set up on the NICHIAS website in addition to the general compliance hotline (NICHIAS Group Corporate Ethics Hotline), an external hotline (contact point at a law firm), internal hotlines (compliance officer and labor union hotline), and each compliance counter (whistleblower hotline) at the contact points for handling "important management matters" (auditor hotline). With a more transparent compliance framework in place, NICHIAS strives to operate its business in a compliance-orientated manner. A comment box has also been set up at each workplace, making it easier for employees to speak out.

Reports received by the compliance counters are checked at the Compliance Committee by sufficiently investigating the truth behind reports and interviewing those concerned to resolve any compliance issues. In the case of reports for which the whistleblower clearly states their name, the outcome of the action taken as a result of the investigation will, without fail, be fed back to the whistleblower. Even in the case of an anonymous report, the facts will be investigated if the department where the incident occurred is identified and action is taken to resolve the problem. We also hold internal training programs.

There were 76 whistleblower reports in fiscal 2022. Appropriate action was taken for each report.

Risk Management

Furthermore, to minimize diversifying risks, the NICHIAS Group works to enhance and strengthen its risk management by assigning specialized departments to deal with risks in each field.

Internal Control Assessment

We have established a system to identify the risks that influence the overall management activities of the entire NICHIAS Group and to deal with the risks, and have built a mechanism to assess them. To clarify fairness and independence, NICHIAS set up an internal control Audit Section under the direct control of the president to systematically implement internal auditing of the NICHIAS Group based on the Regulations on Internal Audit.

In Fiscal Year 2022, some audits were switched to remote-based ones. Internal audit was carried out for six bases of NICHIAS and 12 bases of the Group companies. We have confirmed that the management conditions in each of these business units are excellent. We also drafted and submitted an "Internal Control Report" determining that the internal controls concerning financial reporting of the NICHIAS Group were effective.

Business Continuity Planning (BCP) Measures

We see fulfilling its responsibility to supply products to its customers as a critical company appraisal standard and implementing various BCP measures, such as for its production facilities, buildings, and raw materials, as a countermeasure to minimize the impact of a potential large-scale natural disaster or an infectious diseases on the company's production. (For details, see Stable Distribution of Products & Services on P. 38.)

Information Security

NICHIAS acknowledges the importance of information assets in its corporate activities, understands the risks relating to information security, and engages in measures against such risks. The basis of the measures is thorough compliance with the information security rules in the Group, establishment of the governance structure, and continuous review of the system measures. And, NICHIAS endeavors to understand the trends of cyber attacks that become more advanced and intricate each year and to promote and improve the preparation for the threat from outside.

Intellectual Property Strategy

We proactively promote the acquisition of the rights of new technologies created by research and development. When a new product goes to market, the NICHIAS Group respects the intellectual property rights of others, conducts the appropriate surveys to check that there are no infringements of rights, and responds appropriately.

In Fiscal Year 2022, we tried to strengthen the capabilities to respond to the operations related to intellectual properties by reviewing the structure of the intellectual-property-related departments and making a shift from a section system to a department-and-section system.

Fair Competition and Transactions

The NICHIAS Group focuses its efforts on training programs on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and the Unfair Competition Prevention Act. Each year, it incorporates training about these laws into its educational curriculum for new employees and newly appointed managers.

In Fiscal Year 2022, the NICHIAS Group conducted face-to-face training by the level of seniority, explaining laws and regulations in detail and precautions to prevent violations, as well as checking that the law is familiar to everyone in NICHIAS and that its staff complies with laws and regulations. In addition, NICHIAS also organized e-learning training for the officers and employees of the Company. During this training, matters that staff members need to be careful of were explained using specific case studies as the subject of the training material.

And, NICHIAS announced the Declaration of Partnership Building and has made proactive efforts to comply with desirable trade practices with subcontracting businesses. Through those activities, the NICHIAS Group ensures fair competition and transactions.

Communication with stakeholders

Investor Relations Activities

The NICHIAS Group recognizes the importance of taking opinions from all its shareholders and investors seriously and making effective use of them in its management. Therefore, it has established an IR team to serve as a department in charge of enhancing communication with shareholders and investors from the perspective of fair disclosure.

For example, in addition to holding financial results briefings for analysts and institutional investors, factory study tours, and company briefings for individual investors, the NICHIAS Group also conducts daily meetings and participates in conferences sponsored by brokerage companies, as well as visiting institutional investors overseas. The opinions acquired from such exchanges with analysts and institutional investors lead to in-house feedback from the people in charge of IR at Management Meetings, etc., and are useful in improving management and business activities. NICHIAS will continue its efforts to strengthen its communication with shareholders and investors both inside and outside Japan, as well as forming a broad spectrum of shareholders.



A scene of an IR meeting

IR Efforts during the Coronavirus Pandemic

In order to ensure timely and appropriate communication with analysts and institutional investors, the NICHIAS Group holds financial results briefings upon the announcement of end-of-term and second-quarter-term financial results. In Fiscal Year 2022, the Group held financial results briefings online from the perspective of preventing the spread of the novel coronavirus, in which it explained management policies, management strategies, the outline of its business operations, and financial information, as well as provide opportunities for executives and investors to meet and talk.

In Fiscal Year 2022, factory visits and overseas IR meetings were canceled. Although it was very difficult to communicate face-to-face with investors, we continued to hold IR meetings daily using online conferencing and conference call systems. As a result, we held 141 meetings in total in Fiscal Year 2022.

NICHIAS will continue to enthusiastically engage in dialogues regarding not only financial information, but such non-financial information as the environment, society, governance, etc.

List of Officers

(As of June 29, 2023)

Director



Katsumi Kametsu
President and Chief Executive Officer

Mar-85 Joined NICHIAS
Jun-13 Executive Officer of NICHIAS
Jun-16 Director Executive Officer of NICHIAS
Jun-19 Director & Managing Executive Officer of NICHIAS
Jun-22 President and Chief Executive Officer of NICHIAS (current position)



Tsukasa Yamamoto
Representative Director,
Senior Executive Officer

Mar-86 Joined NICHIAS
Jun-18 Executive Officer of NICHIAS
Jun-21 Director Executive Officer of NICHIAS
Jun-22 Representative Director, Senior Executive Officer of NICHIAS (current position)
June of the same year Responsible for internal control, compliance, CSR, accounting (current position)



Satoshi Tanabe
Director & Managing Executive Officer

Apr-89 Joined NICHIAS
Jun-13 Executive Officer of NICHIAS
Apr-14 General Manger of Engineering Division (current position)
Jun-19 Director Executive Officer of NICHIAS
Jun-21 Director & Managing Executive Officer of NICHIAS (current position)



Kiyoshi Sato
Director Executive Officer

Jun-03 Joined NICHIAS
Jun-16 Executive Officer of NICHIAS
Apr-18 General Manager of Research & Development Division of NICHIAS (current position)
Jun-21 Director Executive Officer of NICHIAS (current position)



Yukinori Ryuko
Director Executive Officer

Sep-88 Joined NICHIAS
Jun-17 Executive Officer of NICHIAS
Jun-21 General Manager of Advanced Products Division (current position)
Jun-22 Director Executive Officer of NICHIAS (current position)



Yoichi Eto
Outside Director

Apr-78 Registered as attorney (current position)
Apr-10 President of Daiichi Tokyo Bar Association, Vice President of Japan Federation of Bar Associations
Jun-11 Outside Auditor of NICHIAS
Jun-15 Outside Director of NICHIAS (current position)



Yoshito Hirabayashi
Outside Director

Apr-68 Joined Seiko Epson Corporation
Apr-87 Director, General Manager of Factory in U.K. of Technofer Ltd.
Nov-93 President and Representative of Technofer Ltd.
Jun-08 Outside Auditor of NICHIAS
Apr-13 Chairman & Director of Technofer Ltd. (current position)
Jun-16 Outside Director of NICHIAS (current position)



Yoko Wachi
Outside Director

Apr-89 Registered as attorney (current position)
April of the same year Joined Kajitani Law Office (current position)
Jun-15 Outside Auditor of NICHIAS
Jun-19 Outside Director of NICHIAS (current position)
Jun-23 Outside Director of S.T. CORPORATION (current position)

Auditor



Hiroaki Seki
Audit & Supervisory Board Member

Mar-80 Joined NICHIAS
Jun-15 Executive Officer of NICHIAS
Jun-20 Audit & Supervisory Board Member of NICHIAS (current position)



Mitsuru Nose
Audit & Supervisory Board Member

Mar-86 Joined NICHIAS
Jun-23 Audit & Supervisory Board Member of NICHIAS (current position)



Isao Iwabuchi
Outside Auditor

Apr-68 Joined Yawata Iron & Steel Co., Ltd. (current NIPPON STEEL CORPORATION.)
Oct-03 Managing Director, Furukawa Sky Corporation (current UACJ Corporation)
Jun-05 Representative Director, Senior Executive Officer of the company
Apr-06 Representative Director and Vice President of the company
Jun-16 Outside Auditor of NICHIAS (current position)



Sachiko Murase
Outside Auditor

Apr-95 Joined NICHIIHA CORPORATION
Sep-08 Registered as attorney (current position)
Nov-15 BUNKYODO GROUP HOLDINGS CO., LTD. External Auditor (current position)
Sep-18 Joined Kudanzakaue Law Office (current position)
Jun-19 Outside Auditor of NICHIAS (current position)
Jun-20 Outside Director, Maxell Holdings Corporation (current Maxell, Ltd.) (current position)



Nobuhiko Takano
Outside Auditor

Apr-75 Employed at Fukuoka Regional Taxation Bureau
Jul-16 Head of Kumamoto Regional Taxation Bureau
Aug-17 Registered as accountant (current position)
August of the same year President, Nobuhiko Takano Accountant Office (current position)
Mar-18 Outside Director of TOAGOSEI CO., LTD. (Auditor, etc. Committee member) (current position)
Jun-20 Outside Auditor of NICHIAS (current position)

Message from an Outside Director

Safety measures for factories are important issues for NICHIAS, which is engaged in the manufacturing business. In Board of Directors meetings, participants discuss the causes of accidents that occurred on the site of factories in Japan and overseas and measures for preventing the accidents regularly. The Board of Directors has tried to take measures to prevent accidents permanently on worksites, where more than 1,000 cases of near-miss accidents occurred four years ago.

There had been officers' meetings that patrol the factories several times a year. However, such meetings were cancelled due to the impact of the spread of the novel coronavirus. Despite the cancellation, I had a strong impression that explanation was very clear, because the documents prepared for the discussion were so well-considered that it was easy to understand the state of the worksite.

Issues concerning governance provoked a lively argument, which made me think we do not have enough time for the Board of Directors meetings. I think such animated discussions that encourage participants to express their opinions without hesitation have a great impact on the governance of the entire company.

Many opinions on compliance have been released from factories and other worksites. I think necessary measures are taken.

I have an experience as Factory Manager. So, I always try to express my opinions, taking advantage of that experience. Following are roles I

would like to play in terms of environment, safety, and quality.

- Opinions on technical measures
- Opinions on important matters in daily communication
- A sense of unity in the workplace and one-on-one communication with young members to maintain their mental conditions

Since global circumstances change rapidly, there is no such thing as a stable management environment.

In a world that is experiencing radical changes in the automobile field in terms of semiconductors, etc., I would like to connect the determination of each time with the medium-to-long-term outlook appropriately so as to make the most of our unique characteristics of "TATSU-TAMOTSU" technologies.



Yoshito Hirabayashi
Outside Director

» S: Society

The Nichias Group not only carries out corporate social responsibility (CSR) efforts within the Group but also contributes to society by providing products and services that are reliable, safe, and useful for its customers.



Message from the General Manager of Corporate Administration Division

What the NICHIAS Group is aiming for is a company that is a good place to work and full of smile.

The objective of the Corporate Administration Division in the medium-term management plan is “to provide the environment where employees think they feel no stress in working, feel a sense of satisfaction, and think they are pleased that they work there.” If every aspect of the working environment is prepared, the employees “feel no stress in working,” and they improve themselves and satisfy their self-actualization needs to feel “a sense of satisfaction,” they will look back and think they are “really pleased that they worked in NICHIAS Group” in the future. This idea will improve the engagement.

People are indispensable for a company. We value people (employees) who are the source of creation. Under the idea of “human resource,” we consider people as resources and foster them in an established environment to draw out their potential capacity to the full and enhance the value of human resources.

Through enhancing our human resources, which are our infinite assets, we try to sustainably increase corporate value.



Hironori Matate
General Manager of Corporate Administration Division

Human resources

The NICHIAS Group considers human resources to be the greatest asset to improve the corporate value sustainably and promote the establishment of an in-house environment where diversified human resources gather, everyone works with peace of mind, and each person can play an active role.

Regarding the diversification of human resources, we set the recruitment objective to raise the ratio of full-time female employees and, with a medium-to-long-term perspective, examine the development program for the candidates for management employees.

For the establishment of the working environment, while trying to keep the work-life balance to control the long working hours and encourage employees to take paid holidays, we try to support the performance of each one of the employees through promoting the health program targeting not only the employees but also their family.

Indicators and targets concerning human resources

| Item | FY2020 | FY2021 | FY2022 | FY2026 target |
|-------------------------------------|------------|------------|------------|-------------------|
| Ratio of full-time female employees | 17.7% | 18.4% | 18.7% | 25.0% or more |
| Rate of paid holidays taken | 63.9% | 65.3% | 71.0% | 70.0% or more |
| Average overtime work per month | 12.3 hours | 14.8 hours | 13.8 hours | Within 15.0 hours |

Promotion of Healthy Management

NICHIAS Group Health and Productivity Management Declaration

The NICHIAS Group regards the health and safety of its employees as the basis of its corporate activities and believes that because each member of staff's physical and mental health is in good shape, the NICHIAS Group is a company full of smiles where its staff can work enthusiastically.

Based on those policies, the Group established the NICHIAS Group Health and Productivity Management Declaration in April 2021 to manage the health of employees.

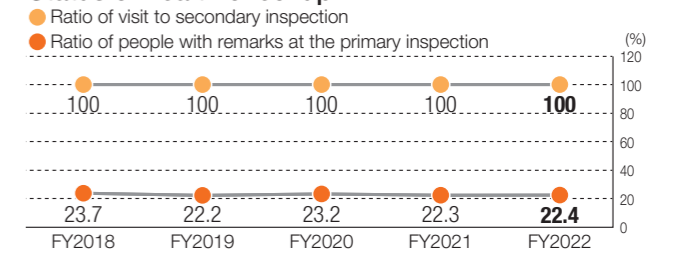
In the Declaration, three items: health of the workplace, physical health, and mental health, are positioned as the prioritized measures.

Health Management Status

To maintain healthy conditions, NICHIAS supports influenza vaccination in cooperation with the NICHIAS Health Insurance Association, hold sports events, and support optional physician visits at the time of health checkup to encourage and support employees 35 or older to have a comprehensive medical examination.

And, we set the target concerning the health conditions and lifestyle habits for the entire company to tackle health management.

Status of health checkup



Mental Healthcare

Putting importance on mental health as well, NICHIAS concluded the industrial-doctor contract with a psychologist. Interviews are set regularly for those who do not feel well, and we continue to interview them even after they return to work. We also support their superior as needed.

And, mental-health education is always included in the in-house training for new employees and new managers, improving the awareness toward line care and self-care.

Stress checks were conducted for approximately 5,300 people in the 25 NICHIAS Group companies. Group analysis is also carried out. Group analysis is also carried out. This is how NICHIAS tries to create a more pleasant workplace.

Improvement of Employees' Health Literacy

We consider that employees need to acquire correct knowledge about health to maintain their mental and physical health themselves. A column written by the industrial doctor to raise employees' awareness toward health is on Tombo no wa, the Group's journal, which serves as a tool to improve health literacy.

Employees' Safety

Safety and Sanitation Efforts

The NICHIAS Group implements health and safety activities as a team to prevent industrial accidents. In Fiscal Year 2022, we focused on “fall” and “roll over” in addition to “being caught,” which may cause serious accidents at all the manufacturing factories, identified the risks, carried out the risk assessment, and tried to reduce the risks through essential/engineered measures.

In Fiscal Year 2023, we will establish the mechanisms for self-sustaining management of chemicals and aim to create a workplace where each employee can work safely with a sense of security.

Basic Safety and Sanitation Policy

- With the strong leadership from the top and involvement of all the employees, NICHIAS facilitates proactive health and safety efforts and aim to embed a “safety first” attitude.
- NICHIAS creates pleasant work environments to ensure the well-being of everyone.

Fiscal Year 2023 Health and Safety Slogan

“Point and call before operations! Secure the safety of the workplace. OK!”

Promoting Work-Life Balance

Promoting the Taking of Paid Holidays

As part of efforts to create workplaces where employees can work with peace of mind, NICHIAS actively promotes the taking of paid holidays. By having employees establish an annual plan for taking paid holidays beforehand, NICHIAS increases awareness around taking holidays and creates workplaces where it is easier for staff to take them.

See P. 10

Introduction of a Remote Work System

NICHIAS started the operation of the revised work-from-home system in June 2023. While the previous system only covered the employees who are pregnant, child-raising, or nursing, the revised system does not limit the target employees. A work-from-home system is now an option for work style. In the future, while flexibly adopting the opinions of employees who work from home, we will make improvements to the system so that the performance of the employees will further be enhanced.

Respecting Human Rights

NICHIAS Group Human Rights Policy

The NICHIAS Group refers to international human rights standards such as the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights, and promotes universal human rights. In February 2020, the NICHIAS Group Human Rights Policy was established.

NICHIAS Corporation sees the following as particularly important human rights issues: (1) eliminating discrimination (eliminating discrimination based on race, age, gender, nationality, creed, etc., promoting diversity, and eradicating harassment), (2) prohibiting improper labor (prohibiting forced labor and child labor in all regions and managing labor with an emphasis on work-life balance), (3) safety and sanitation (maintaining and improving the provision of safe and reliable products as well as safety and sanitation in the workplace and considering the manufacturing process' impact on the environment). By also educating each workplace and its employees through various training and so on, NICHIAS Corporation will continue its efforts to embed the idea of respecting human rights among all staff.

Diversity Initiatives

Promoting the Hiring of Persons With Disabilities

NICHIAS recruits people with disabilities at its business offices all over Japan. We implement initiatives for creating an environment where people with disabilities can work for a long time with peace of mind through receiving apprentices from special-needs schools, supporting them after joining the company and communicating with supporting organizations. People with disabilities are engaged in office work, general affairs, and light-duty work not only in the Tokyo Head Office but also in the branches, offices, and factories throughout Japan. As of March 2023, NICHIAS' employment rate of persons with disabilities is 2.3%. [See P. 10](#)

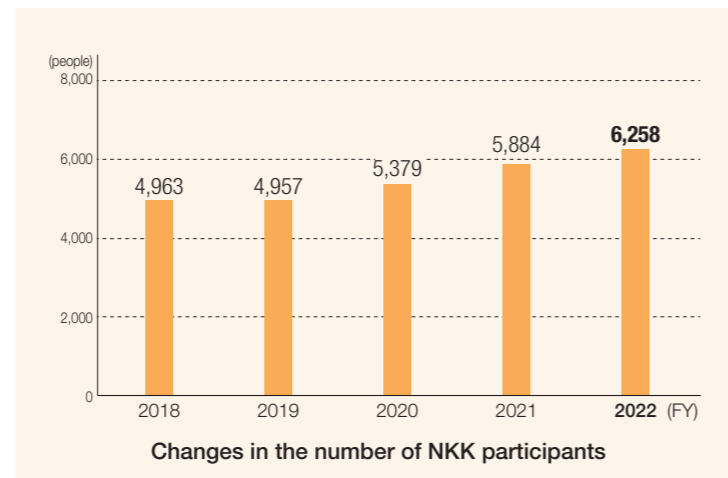
Development and Training of Staff

Training Staff to Resolve Problems and Accomplish Challenges

NICHIAS Group has implemented the Group-wide improvements initiative, NKK (NICHIAS Kaizen Katsudo (Improvement Activities)), since 2015 to embed making improvements as a company culture not only in the production departments but also in the entire workplace and balance employee satisfaction and improvements to productivity.

This initiative establishes "Attempt," "Nurture," and "Gratitude" as its three principles, and encourages the active participation of NICHIAS employees. By continuing to implement this initiative, NKK has become the "culture" of the NICHIAS Group and contributes to achieving NICHIAS' vision of being "a good place to work and full of smile."

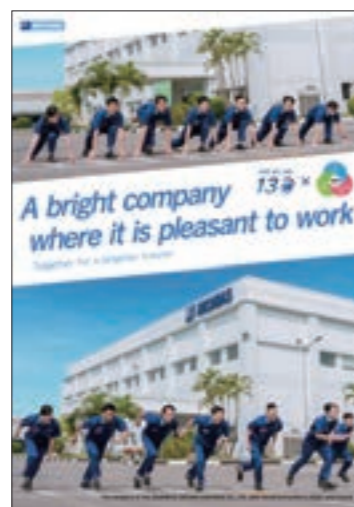
At present, NKK involves approximately 737 teams with approx. 6,300 members from Japan and overseas. NKK is an extremely useful initiative in training personnel who can identify problems on their own and think and resolve problems by themselves.



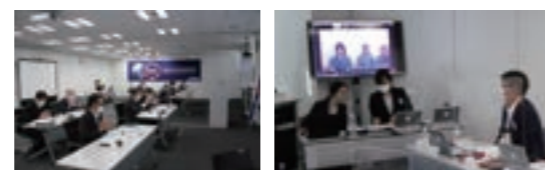
About NKK

Results of the improvement activities achieved in the course of NKK are announced in the annual world convention. However, it was canceled in Fiscal Year 2020 because of the spread of the novel coronavirus. In Fiscal Years 2021 and 2022, although it was not possible to hold the event with each team coming together in person, by adopting a remote-style event where attendees could watch videos of the presentations, it was possible to hold a world convention where NICHIAS employees shared their efforts just as they had always done.

In addition, the NKK initiative is partly promoted by producing posters modeling the Gold Prize winner team, the best team at the world convention.



Poster modeled after a Gold Prize winner team at the NKK world convention



FY2022 NKK world convention FY2022 NKK domestic block convention



Commemorative photos taken at the convention

Providing Safe and Reliable Products

Efforts Toward Quality Our Customers Can Rely On

To continuously provide products that its customers can use safely and with peace of mind, NICHIAS Corporation has systems to review each stage of the production process from planning and designing products right up to their disposal.

The Development, Design, Engineering, Manufacturing, Products Sales, Quality Assurance, Environment, and Safety departments combine their various expertise and thoroughly review product quality, safety, and reliability, as well as the appropriateness of the production process.

Quality Management System

The NICHIAS Group has created its own quality management system that combines ISO 9001 with its system cultivated over its 127-year history, and promotes quality assurance activities for a wide range of projects and diverse product groups. Additionally, many manufacturing offices, including factories in Japan and overseas, as well as subsidiaries, have acquired ISO9001 certificates. Also, officially approved products have a specialized organization that manages their compatibility.

Stable Distribution of Products & Services

The NICHIAS Group provides products and services that are indispensable to a wide range of industries.

Therefore, Business Continuity Planning (BCP) measures for continuously undertaking business activities without interruption to the supply of products and services is an extremely important management issue.

NICHIAS endeavors to secure product and service supplies by assessing, for example, the degree of impact on customers from the interruption of product supplies caused by natural disasters, etc.; the degree of importance of products in the market; and the possibility of replacements even with different companies' products. It is also very important to ensure the safety of employees, who are the key supporters of NICHIAS' corporate activities. The NICHIAS Group formulates and implements BCP measures on the basis of these two key points.

Securing of provision of products and services

Regarding procurement of raw materials, we carry out a "CSR Procurement Survey" every year to explore the activity status of clients. Through checking the results, we grasp each supply chain's state of BCP measures and ask for improvement as needed. In Fiscal Year 2022, it was confirmed that there was no problem with the state of BCP measures.

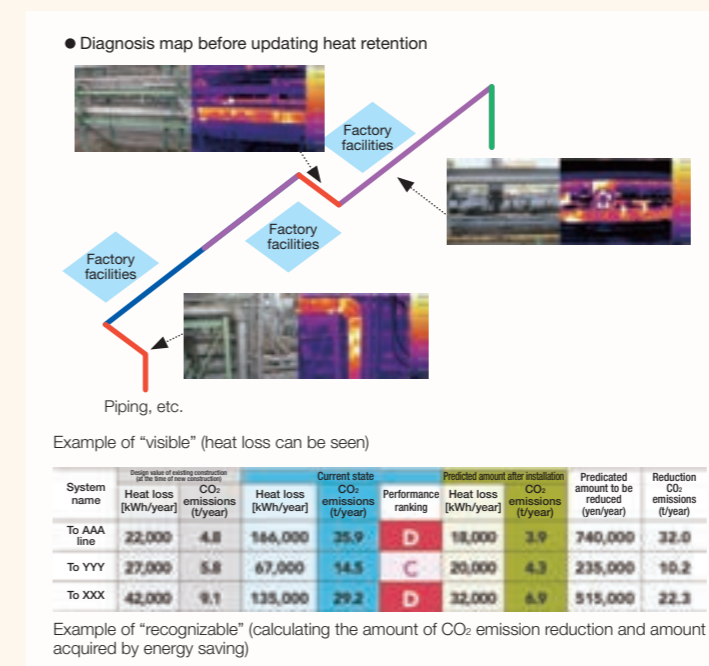
Securing of employees' safety

To provide products and services stably, securing the safety of employees who support the business activities is important. NICHIAS has introduced a safety confirmation system to confirm the safety of the employees without delay. And, training is conducted regularly to ensure that the system operates for sure in case of emergency.

Energy Saving Diagnosis System Thermofit™

Thermofit™ is a service that can "visualize, make recognizable, and make possible to take countermeasures" the issues concerning the heat loss from plant facilities all by itself.

It contributes to the achievement of carbon neutrality in society through, with the use of thermography, etc., visualizing (make visible) the heat loss from plant facilities, calculating (make recognizable) the present state of heat loss and reduced CO₂ emissions and amount acquired by energy saving as a result of the countermeasures, and formulating the measures and installing the equipment (make possible to take countermeasures).



Example of "possible to take countermeasures" (formulation of measures and installation)

Social Contribution Activities at Each Base

The NICHIAS Group has many production and sales bases all over the world. Each business office strives for harmony between its employees and the local community and engages in various initiatives to prosper together.

In Fiscal Year 2022, 425 cases of activities and initiatives were implemented by 74 business offices.

Crab Egg Release activity

THAI NICHIAS INTERNATIONAL CO., LTD. (Thailand)

THAI NICHIAS INTERNATIONAL CO., LTD. conducted a Crab Egg Release activity, in which they brushed off eggs from crabs, collected them, and went offshore by boat to release them into the ocean. This helps fishermen who capture and sell crabs in the local community. While being careful not to get hurt by crab claws, adults and children enjoyed the activity.



A scene in the Crab Egg Release activity

Junior high school students experienced the workplace

NICHIAS CERATECH CO., LTD.

NICHIAS CERATECH CO., LTD. received a request from a junior high school in Iizuna Town, where our head office Mure and Omotecho factories are located, to provide a work experience project for junior high school students. Through the experience of creating an article on recruiting new graduates, we provided an opportunity for the students to think about working and their future career choices. We contribute to the local community by taking part in developing children who will lead the next generation.



Work Experience

Support for Area Affected by Disasters

NICHIAS

NICHIAS, to support the area affected by disasters, provided donations via the Japan Red Cross for torrential rains in August 2022 and the earthquake in Turkey and Syria.

Participation in autumn festival of Tatsuta Shrine

TATSUTA INDUSTRY CORPORATION

The autumn festival of Tatsuta Shrine was held for the first time in three years. A total of twelve employees of TATSUTA INDUSTRY CORPORATION participated in carrying the mikoshi (portable sacred shrine). Community exchange events that had been suspended due to the coronavirus pandemic are gradually resuming, and this was a good opportunity to deepen friendships with the residents. We will keep conducting such community-based activities.



TATSUTA INDUSTRY CORPORATION employees carrying the mikoshi

Collection of plastic bottle caps

NAX MFG, S.A.DE C.V. (Mexico)

NAX MFG, S.A.DE C.V. has collected plastic bottle caps as part of CSR activities since 2021. While our CSR activities were not progressing as expected due to the coronavirus pandemic, we have been steadily implementing CSR activities that we can do internally.

Proceeds from the sales of collected plastic bottle caps are donated to children suffering from cancer. We will continue the CSR activities with all employees.



Collection of plastic bottle caps

Examples of CSR activities of overseas business offices

| Company name | Country | Activity |
|--------------------------------------|-----------|---|
| PT. NICHIAS SUNIJAYA | Indonesia | Donation of 1,000 mangroves and tree-planting activity |
| PT. NICHIAS ROCKWOOL INDONESIA | Indonesia | Donation to KIKC industrial park on the occasion of the earthquake in Indonesia |
| PT. NICHIAS METALWORKS INDONESIA | Indonesia | Provision of metal scrap to neighboring areas |
| NICHIAS FGS SDN. BHD. | Malaysia | Donation of construction panels to schools, religious facilities, etc. |
| NT RUBBER-SEALS SDN. BHD. | Malaysia | Donation of cat food to a shelter for cats |
| NICHIAS SOUTHEAST ASIA SDN. BHD. | Malaysia | Visit to a nursing home and donation of food |
| NICHIAS SINGAPORE PTE. LTD. | Singapore | Donation to a nursing home |
| NICHIAS HAIPHONG CO., LTD. | Vietnam | Visit to an orphanage and holding of a sports event |
| NICHIAS (THAILAND) CO., LTD. | Thailand | Participation in a blood donation event hosted by an industrial park |
| THAI NICHIAS INTERNATIONAL CO., LTD. | Thailand | Donation of shopping vouchers and rice to ethnic minority |
| THAI-NICHIAS ENGINEERING CO., LTD. | Thailand | Donation to neighbors |
| SUZHOU SHUANGYOU AUTOPARTS CO.,LTD. | China | Donation to neighbors |
| NICHIAS AUTOPARTS EUROPE a.s. | Czech | Support for a wine event in a local town, Mikulov |
| NAX MFG, S.A.DE C.V. | Mexico | Donation of fluorescent lights |

E: Environment

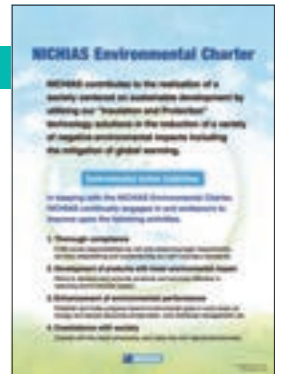
The NICHIAS Group engages in efforts to reduce the Group's impact on the environment and provides products and services that mitigate its customers' impact on the environment, thereby contributing to society's conservation of the environment.

NICHIAS Environmental Charter

The NICHIAS Group has contributed to reducing various environmental burdens, such as the prevention of global warming and air pollution, through developing heat retention and thermal insulation materials and filter products in the five business fields utilizing our six "TATSU-TAMOTSU (Insulation and Protection)" technologies.

And, in April 2001, to make the environmental improvement activities company-wide, the NICHIAS Group established the NICHIAS Environmental Charter and Environmental Action Guidelines that have become its environmental policies. In April 2017, the content was revised per society's needs for the environment.

In compliance with the NICHIAS Environmental Charter, each department makes efforts to implement continuous activities to reduce the environmental burden. For example, business departments will develop products that further reduce the environmental burden, administration departments will establish the system and implement environmental education to make the activities company-wide, and manufacturing departments will improve the environment inside and outside the business offices and reduce energy consumption and amount of discharged waste.



NICHIAS Environmental Charter

NICHIAS Group Environmental Structure

NICHIAS Corporation has set up a NICHIAS Group Environmental Committee to apply the NICHIAS Environmental Charter & Environmental Action Guidelines to specific activities and implement them. This committee is made up of the three sub-committees of Products, Management, and Factories.

Products Sub-Committee examines products and manufacturing methods that contribute to decarbonization and the recycling of resources and discusses matters related to the implementation of the environmental assessments and management of chemical substances, such as the selection of chemical substances prohibited from and the status of use of alternatives to hazardous chemical substances. Administration Sub-Committee discusses energy saving of offices and waste discharged from the offices. Factory Sub-Committee checks the status of compliance with environmental laws and regulations and discusses activities to save energy and resources.

NICHIAS' Products with Environment-friendly Design

Since Fiscal Year 2021, the NICHIAS Group has mandated the Group companies to carry out a product environmental assessment when developing new products and changing the design.

In the product environmental assessment, two points, "risk" and "environment-friendliness," are assessed. The purpose of "risk" assessment is to comply with environmental regulations and minimize the impact on the surrounding environment of the manufacturing office. We identify the environmental issues that would prevent the launch of new products if not resolved, such as green procurement of raw materials and use/disposal of them at the time of production and the customers', and make improvements as needed.

In the meantime, "environment-friendliness" assesses the product with a sheet indicating what efforts can make the product environment-friendly in each stage of the product life cycle. As a result of the assessment, it turned out that 39% of the products that went through the assessment fall into the category of being environment-friendly, which reduces waste and CO₂ emissions through reviewing the product functions and manufacturing method.

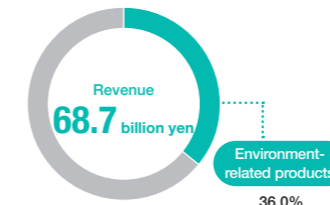
Assessment point of products with environment-friendly design

| Process | Description | SDGs |
|------------------------------------|---|---------------------------|
| Procurement of raw materials | <ul style="list-style-type: none"> Recycled raw material usage ratio Reduction of use of natural mineral The place where the raw material, which serves as the main component, was acquired Reduction of product weight Non-use of NICHIAS restricted substances | 3, 6, 8, 9, 11, 12, 13 |
| Manufacturing process | <ul style="list-style-type: none"> Yield rate Environmental-protection property Air, water quality, noise, vibration, odor Energy reduction rate Water consumption reduction rate Waste reduction rate | 3, 6, 7, 8, 9, 11, 12, 13 |
| Distribution | <ul style="list-style-type: none"> Transportability of the product (weight, reduction of dimension) | 7, 12 |
| At the time of use by the customer | <ul style="list-style-type: none"> Energy-saving property Environmental protection property Air, water quality, noise, vibration, odor Product life | 3, 6, 7, 8, 9, 11, 12, 13 |
| Disposing | <ul style="list-style-type: none"> Recycling after the use of the product | 9, 12 |
| Others | <ul style="list-style-type: none"> Environment-friendliness of the installation method Use of recycled resources for packaging materials Other things considered for environment-friendliness | 9, 12 |

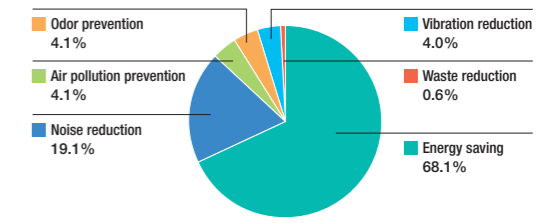
NICHIAS' environment-related products

The NICHIAS Group defines the products and services that help society and customers reduce the environmental burden through saving energy, preventing noise, etc. as "NICHIAS environment-related products."

FY2022 Sales (non-consolidated) and ratio of NICHIAS environment-related products



FY2022 Ratio by item of NICHIAS environment-related products



Environment Management System

The NICHIAS Group will be committed to various environmental issues and aim for the realization of environmental management based on the Environment Charter and Carbon Neutrality Declaration.

Among the NICHIAS Group companies, NICHIAS' factories and major companies in Japan and overseas acquired ISO14001 and have strengthened the initiatives for reducing the environmental burden to establish a sustainable society.

For the ISO14001 certification statuses, see → https://www.nichias.co.jp/sustainability/environmental_efforts/environment_policy

Environmental risk management

Initiatives for Management of Chemical Included in Products

The NICHIAS Group continues the initiatives for thorough compliance with chemical regulations in each stage of the product, from development design, procurement, and manufacturing to sales.

In Fiscal Year 2022, updating of the Database for Management of Chemicals Included in Products was completed. Using this database, we build the mechanisms that enable us to respond to the Safety Data Sheet (SDS), which has been issued, product labels, and regulations on chemicals, and provide customers with information about chemicals included in products.

Environment Patrol

With the purpose of coexisting with the local communities, the NICHIAS Group has implemented environmental patrol since 1990. In this activity, employees patrol the area around the business office to check the four points, that are, "beauty of the view," "air (dust, odor)," "noise and vibration," and "discharged water" according to the characteristics of the business office. In Fiscal Year 2022, the patrol was conducted 89 times by the entire Group, and 219 cases pointed out were improved. We continue this activity to reduce the environmental risk, if only a little, by doing what we can.

Case Pointed out by Outside

In Fiscal Year 2022, regarding the noise, dust, and foul odor discharged from the manufacturing office, there was one case pointed out for all the Group companies. The NICHIAS Group announced this case and countermeasures to and share the information with the entire Group and make sure that the same case will not occur again. In addition, we have formulated an Environment-related Risk Map at each manufacturing office and make efforts to prevent the occurrence and reoccurrence through implementing activities to check in advance the facilities and operations that caused or may cause complaints and informing members in the workplace of the results in the environment month. And, the state of our response to what was pointed out and improvement measures are reported to and communicated with the related local governments and residents in the neighboring area of the business office.

Activities for Raising Awareness toward Environment

In Fiscal Year 2022, the NICHIAS Group continued to issue the Health and Safety Journal, the monthly in-house newspaper, to disseminate information about the health and safety environment in and out of the company to all employees. In addition, an environment e-learning program is implemented in August every year to raise employees' awareness of the environment.

Environment Audit Structure

In the manufacturing offices, environmental reviews are executed by the following three: (1) internal audits in the manufacturing office, (2) audits by the environment departments of the Head Office, and (3) audits by an outside organization. In Fiscal Year 2022, also, in the course of continued activities for ISO14001 integrated certification for the factories, we conducted a mutual internal audit with other business offices.

As a result of the audit cases, there was no serious violation of law although there was noise that exceeds a certain level at the property line.

Environmental Accounting

Amount invested in environment protection facilities*1 in the business activities is 8.02 million yen, accounting for 7.9% of the amount of capital investment of the entire Group. It was an 182-million-yen increase YoY due to investments made for reducing CO₂ emissions, including installation of solar panel generation systems and updates to energy-saving equipment. The NICHIAS Group will continue to install solar power generation systems, adopt energy-saving equipment, and take other proactive measures to reduce CO₂ emissions.

And, environment protection costs*2, which include operation costs, maintenance costs, and labor costs of environment preservation-related equipment, was 5.22 million yen, a 77-million-yen decrease YoY.

*1 The calculation covers the NICHIAS Group's domestic manufacturing offices.

*2 The calculation covers only NICHIAS' factories. (Calculation covering the entire Group is under examination.)

| Capital investment concerning environmental protection (NICHIAS Group's domestic manufacturing offices/FY2022) | | (million yen) |
|--|------------|---------------|
| Classification | Amount | |
| Cost inside the business area | | |
| Cost for pollution prevention | 67 | |
| Cost for protection of global environment | 467 | |
| Cost for resource cycling | 63 | |
| Cost for management activities | 205 | |
| Total | 802 | |

| Cost for environment protection (manufacturing factory of NICHIAS/FY2022) | | (million yen) |
|---|------------|---------------|
| Classification | Amount | |
| Cost inside the business area | | |
| Cost for pollution prevention | 206 | |
| Cost for protection of global environment | 22 | |
| Cost for resource cycling | 220 | |
| Cost for management activities | 74 | |
| Total | 522 | |

Environmental Performance

* All the data on this page refers to the NICHIAS Group's domestic manufacturing offices.

The NICHIAS Group grasps the amount of energy, chemicals, water resources, and other substances used in the business activities as well as CO₂ emissions and discharged industrial waste; sets specific targets to reduce them; and implements the PDCA cycle to reduce the environmental burden.

* From this fiscal year, the data of APJ and SAKAI NICHIAS CORPORATION (Wakayama Factory) are added.

INPUT

| Energy | | Water resource | | Substances subject to PRTR* | |
|----------------------|-------------------------|-------------------|--------------------------|-----------------------------|--------|
| Type | Consumption | Type | Quantity of water intake | Type total | |
| Electricity | 178,460,000kwh | Clean water | 251,000m ³ | Consumption | 53 |
| Petroleum-based fuel | 8,000kL | Industrial water | 635,000m ³ | | 2,387t |
| Gaseous fuel | 8,400,000m ³ | Underground water | 221,000m ³ | | |
| Coke | 9,000t | | | | |

* Act on the Assessment of Releases of Specified Chemical Substances in the Environment and the Promotion of Management Improvement

OUTPUT

| CO ₂ | | Discharged water | | Substance subject to PRTR | |
|-----------------|--------------------------|------------------|-----------------------|---------------------------------|-----------|
| Type | Emissions | Type | Emissions | Substance name | Emissions |
| CO ₂ | 155,000t-CO ₂ | Discharged water | 490,000m ³ | Toluene | 158.0t |
| | | | | Xylene | 1.1t |
| | | | | Ethylene Glycol Monoethyl Ether | 1.5t |
| | | | | Formaldehyde | 2.0t |
| | | | | Triethylamine | 1.1t |
| | | | | Phenol | 3.1t |

| Air pollutant | |
|----------------|-----------|
| Type | Emissions |
| Sulfur oxides | 11.4t |
| Nitrogen oxide | 67.5t |
| Dust | 11.3t |

| Water pollutant | |
|-----------------------|-----------|
| Type | Emissions |
| Suspended solids (SS) | 19.2t |

| Industrial waste | |
|------------------|-----------|
| Type | Emissions |
| Industrial waste | 11,197t |

Record of Energy Use and Discharge of Unnecessary Substances and Industrial Waste

The NICHIAS Group established the Carbon Neutrality Declaration in April 2021. Setting the medium-term environmental target of reducing the CO₂ emissions and amount of discharged industrial waste by 30% compared with Fiscal Year 2019 by Fiscal Year 2030, we have implemented the activities since Fiscal Year 2022.

Regarding energy use, crude oil equivalent energy consumption in Fiscal Year 2022 was reduced by 14% compared with Fiscal Year 2019 thanks to the updates to energy-saving equipment on each site, improvement of production efficiency, and promotion of energy saving activities. And, crude oil equivalent energy consumption production unit was reduced by 16% compared with Fiscal Year 2021.

Regarding industrial waste, although emissions increased in some business offices due to an increase in production, emissions in Fiscal Year 2022 were reduced by 25% compared with those in Fiscal Year 2019 because of the improvement of yield rate on each site and the promotion of reduction of industrial waste (i.e., selling waste as valuables). And, discharged industrial waste production unit was reduced by 35% compared with Fiscal Year 2019. 58% of the unnecessary substances of the NICHIAS Group*1 are recycled*2.

The NICHIAS Group continues the proactive reduction activities to realize carbon neutrality and circular economy.

*1 Waste discharged from the NICHIAS Group, including those sold as valuables.

*2 Intermediate treatment recycling excluding permanent disposal (landfill), selling waste as valuables, and in-house recycling are defined as "recycling".

Initiatives for efficient use of energy

Crude oil equivalent energy consumption production unit
Target: 1% reduction compared with FY2021.

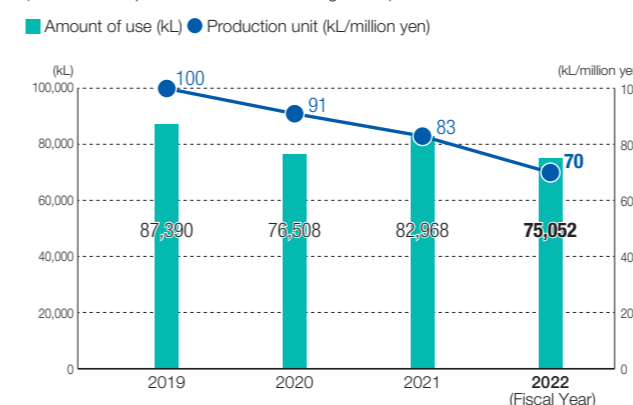
FY2022 results
16% reduction

Initiatives for reduction of unnecessary substances and industrial waste

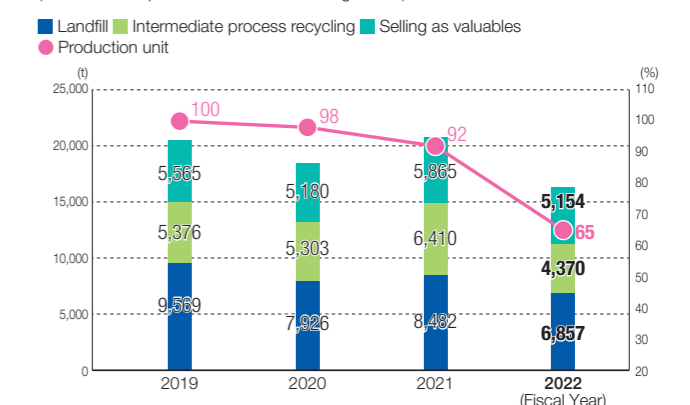
Amount of discharged industrial waste
Target: 30% reduction compared with FY2019 in FY2030

FY2022 results
25% reduction

Transition of crude oil equivalent energy consumption and production unit (NICHIAS Group's domestic manufacturing offices)



Transition of amount of discharged unnecessary substances and industrial waste (NICHIAS Group's domestic manufacturing offices)



Financial data (as of March 31, 2023)

| (Unit) | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Financial Information | | | | | | | | | | | |
| Net Sales (million yen) | 137,008 | 147,118 | 158,939 | 170,430 | 180,363 | 197,495 | 215,495 | 208,876 | 196,372 | 216,236 | 238,116 |
| (of which, overseas net sales) (million yen) | 15,451 | 20,815 | 25,776 | 30,381 | 29,300 | 34,464 | 38,579 | 35,958 | 33,574 | 40,304 | 45,145 |
| Cost of sales (million yen) | 107,486 | 115,251 | 124,529 | 131,271 | 135,346 | 149,545 | 164,869 | 160,719 | 150,307 | 162,856 | 180,107 |
| Selling, general and administrative expenses (million yen) | 20,107 | 21,650 | 22,919 | 24,054 | 25,416 | 26,592 | 27,996 | 27,730 | 26,448 | 27,115 | 28,055 |
| Operating income (million yen) | 9,414 | 10,216 | 11,490 | 15,104 | 19,600 | 21,357 | 22,629 | 20,427 | 19,616 | 26,264 | 29,954 |
| Profit attributable to owners of the parent (million yen) | 5,936 | 6,317 | 7,532 | 6,669 | 13,409 | 14,956 | 15,861 | 14,674 | 10,715 | 22,034 | 21,398 |
| Capital expenditures (million yen) | 6,537 | 8,299 | 2,788 | 4,287 | 9,775 | 12,772 | 12,816 | 8,978 | 7,703 | 11,355 | 10,069 |
| Depreciation & amortization (million yen) | 3,260 | 3,802 | 4,659 | 4,598 | 3,969 | 4,800 | 5,760 | 6,274 | 6,536 | 6,616 | 7,454 |
| R&D expenses (million yen) | 5,189 | 5,545 | 5,602 | 5,460 | 5,446 | 5,692 | 5,976 | 6,132 | 6,168 | 6,110 | 5,715 |
| Net cash provided by (used in) operating activities (million yen) | 11,076 | 4,636 | 8,571 | 13,424 | 24,798 | 18,122 | 15,833 | 20,094 | 18,683 | 25,073 | 18,650 |
| Net cash provided by (used in) investing activities (million yen) | △ 7,240 | △ 8,807 | △ 4,115 | △ 4,443 | △ 10,617 | △ 14,370 | △ 11,818 | △ 9,036 | △ 6,799 | △ 5,523 | △ 8,651 |
| Free cash flow (million yen) | 3,835 | 4,170 | 4,456 | 8,981 | 14,181 | 3,751 | 4,014 | 11,057 | 11,884 | 19,550 | 9,998 |
| Net cash provided by (used in) financing activities (million yen) | 3,185 | △ 4,254 | △ 1,556 | △ 3,717 | △ 4,965 | △ 6,221 | △ 4,197 | △ 5,667 | △ 5,469 | △ 5,881 | △ 6,368 |
| Total assets (million yen) | 135,401 | 141,311 | 156,234 | 154,922 | 175,999 | 197,839 | 206,426 | 208,076 | 219,602 | 246,924 | 266,907 |
| Interest-bearing debt (million yen) | 36,289 | 33,825 | 33,830 | 25,840 | 23,976 | 23,818 | 26,065 | 26,077 | 25,861 | 25,652 | 25,892 |
| Shareholder's equity (million yen) | 61,291 | 67,276 | 78,132 | 84,879 | 97,367 | 109,195 | 116,786 | 126,297 | 135,429 | 154,286 | 172,359 |
| Financial indicator | | | | | | | | | | | |
| Return on sales (ROS) (%) | 6.9 | 6.9 | 7.2 | 8.9 | 10.9 | 10.8 | 10.5 | 9.8 | 10.0 | 12.1 | 12.6 |
| Return on equity (ROE) (%) | 10.3 | 9.8 | 10.4 | 8.2 | 14.7 | 14.5 | 14.0 | 12.1 | 8.2 | 15.2 | 13.1 |
| Shareholder's equity ratio (%) | 45.3 | 47.6 | 50.0 | 54.8 | 55.3 | 55.2 | 56.6 | 60.7 | 61.7 | 62.5 | 64.6 |
| Dividend on equity (DOE) ratio (%) | 2.7 | 2.8 | 2.8 | 3.3 | 3.8 | 3.9 | 4.0 | 4.1 | 4.0 | 3.9 | 3.7 |
| Return on invested capital (ROIC) ratio (%) | 6.5 | 6.4 | 7.1 | 6.0 | 11.6 | 11.8 | 11.5 | 9.9 | 6.8 | 12.9 | 11.3 |
| EBITDA (100 million yen) | 127 | 140 | 162 | 197 | 236 | 262 | 284 | 267 | 262 | 329 | 374 |
| Data per share <small>Note 1</small> | | | | | | | | | | | |
| Net income per share (EPS) (JPY) | 99.6 | 105.8 | 125.7 | 103.8 | 200.8 | 222.7 | 238.7 | 221.2 | 161.5 | 332.2 | 322.6 |
| Dividend (JPY) | 26 | 30 | 34 | 42 | 52 | 60 | 68 | 76 | 78 | 86 | 92 |
| Dividend payout ratio (consolidated) (%) | 26.1 | 28.4 | 27.1 | 40.5 | 25.9 | 26.9 | 28.5 | 34.4 | 48.3 | 25.9 | 28.5 |
| Book value per share (BPS) (JPY) | 1,027.49 | 1,126.21 | 1,294.73 | 1,279.10 | 1,436.01 | 1,629.24 | 1,760.51 | 1,903.93 | 2,041.63 | 2,325.95 | 2,598.45 |
| Other financial information | | | | | | | | | | | |
| Price-to-earnings ratio (times) | 11.1 | 12.5 | 11.0 | 13.0 | 11.1 | 12.1 | 9.2 | 9.1 | 17.4 | 7.6 | 8.2 |
| Price-book value ratio (times) | 1.1 | 1.2 | 1.1 | 1.1 | 1.6 | 1.7 | 1.2 | 1.1 | 1.4 | 1.1 | 1.0 |
| Stock information | | | | | | | | | | | |
| Share price at fiscal year end (JPY) | 555 | 662 | 693 | 673 | 1,119 | 1,352 | 2,192 | 2,024 | 2,810 | 2,527 | 2,661 |
| Market capitalization <small>Note 2</small> (100 million yen) | 694 | 828 | 867 | 894 | 1,518 | 1,834 | 1,486 | 1,373 | 1,906 | 1,714 | 1,804 |

Note 1 As of October 1, 2018, the reverse share split is implemented at a ratio of one share for every two shares of common shares.

Past figures are also retroactively converted to post-reverse share split figures.

Note 2 Market capitalization is calculated including the owned shares.

* Partial Amendments to Accounting Standards for Tax Effect Accounting, etc., have been applied since the beginning of Fiscal Year 2018.

* Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of Fiscal Year 2021.

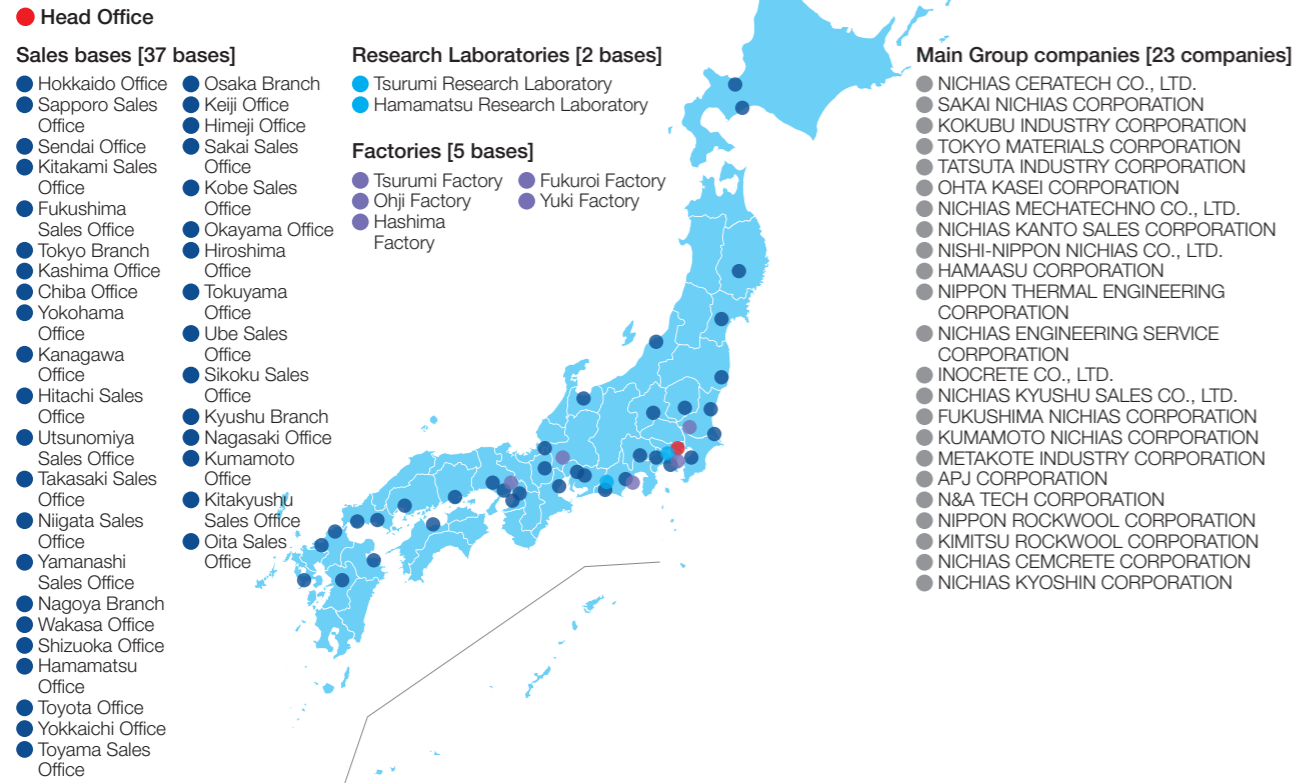
Non-financial data (as of March 31, 2023)

| (Unit) | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Work-style-related | | | | | | | | | | | |
| Number of employees (people) | 4,665 | 4,813 | 5,062 | 5,155 | 5,523 | 5,784 | 6,036 | 6,260 | 6,337 | 6,402 | 6,445 |
| Number of NKK participants <small>Note 3</small> (people) | — | — | — | 2,582 | 4,114 | 4,333 | 4,963 | 4,957 | 5,379 | 5,884 | 6,258 |
| Environment-related | | | | | | | | | | | |
| CO ₂ emissions <small>Note 4</small> (t-CO ₂) | 157,366 | 164,145 | 170,289 | 180,382 | 184,720 | 179,940 | 187,135 | 259,613 | 223,240 | 244,461 | 225,960 |
| Amount of industrial waste discharge <small>Note 4</small> (t) | 8,631 | 9,740 | 10,448 | 10,687 | 13,074 | 11,159 | 12,578 | 21,239 | 21,326 | 21,858 | 19,147 |

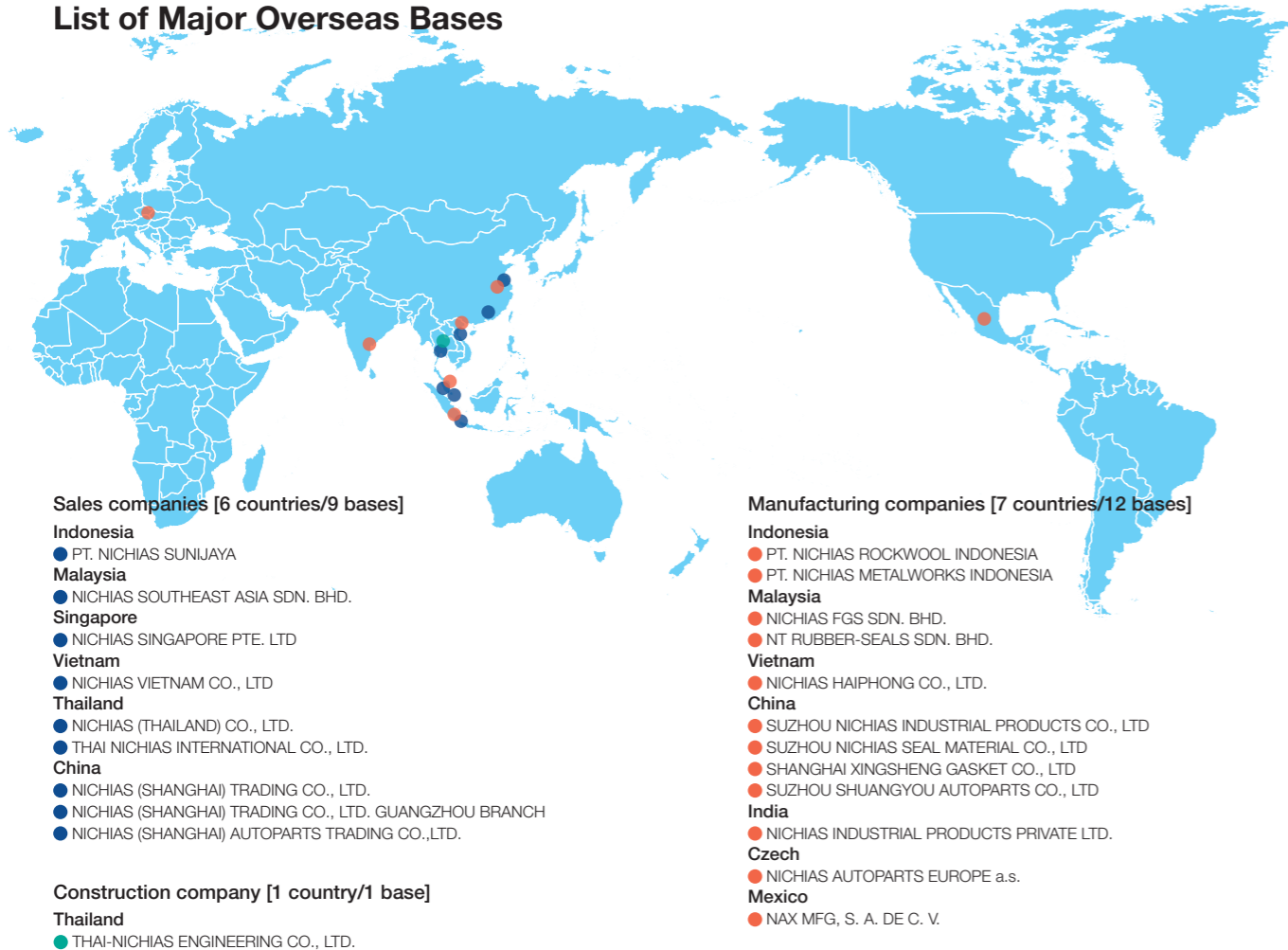
Note 3 NKK (NICHIAS Kaizen Katsudo) conventions have been held since Fiscal Year 2015.

Note 4 Data of CO₂ emissions and that of industrial waste before Fiscal Year 2018 cover domestic manufacturing bases of the NICHIAS Group. For Fiscal Year 2019 and after, overseas manufacturing bases of the NICHIAS Group are covered.

List of Major Domestic Bases



List of Major Overseas Bases



Corporate Profile

| | |
|-------------------------|--|
| Company name | NICHIAS Corporation |
| Company name in English | NICHIAS Corporation |
| Establishment | April 9, 1896 |
| Capital fund | 12,128 million yen |
| Major businesses | Energy and Industrial plants, industrial products, advanced products, autoparts, building materials |
| Number of employees | 6,445 people (consolidated)/1,730 people (non-consolidated) |
| Head Office | 1-6-1, Hatchobori, Chuo-ku, Tokyo 104-8555, Japan |
| Branch | Tokyo Branch (Chuo-ku, Tokyo) Nagoya Branch (Minami-ku, Nagoya City) Osaka Branch (Chuo-ku, Osaka City) Kyushu Branch (Chuo-ku, Fukuoka City) |
| Factory | Tsurumi Factory (Tsurumi-ku, Yokohama City) Ohji Factory (Kitakatsuragi-gun, Nara) Hashima Factory (Hashima City, Gifu) Fukuroi Factory (Fukuroi City, Shizuoka) Yuki Factory (Shimotsuma City, Ibaraki) |
| Research Laboratory | Tsurumi Research Laboratory (Tsurumi-ku, Yokomaha City) Hamamatsu Research Laboratory (Kita-ku, Hamamatsu City) |
| Consolidated companies | 42 companies |
| Equity method affiliate | 2 companies |

Status of Stock

Number of shares and shareholders

| | |
|---|--------------------|
| Total number of issuable shares | 120,000,000 shares |
| Total number of Issued shares ^{Note} | 67,811,917 shares |
| Number of shareholders | 12,907 people |

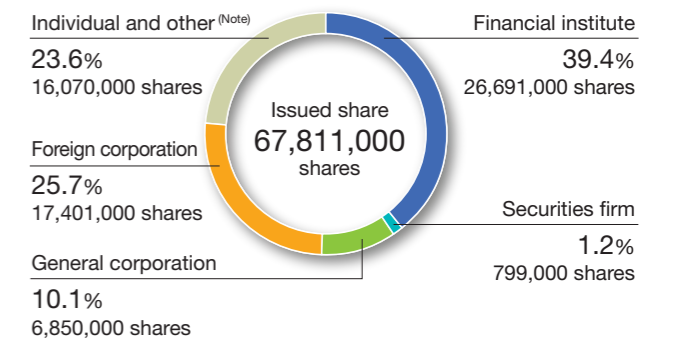
(Note) Among the shares, 1,480 shares are held by the Company as owned shares.

Major shareholders

| Shareholder name | Number of shares held (1,000 shares) | Stock ownership ratio (%) |
|---|--------------------------------------|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Account in trust) | 8,743 | 13.18 |
| Custody Bank of Japan, Ltd. (Account in trust) | 5,833 | 8.79 |
| NICHIAS holding company | 5,688 | 8.58 |
| Sumitomo Mitsui Banking Corporation | 2,097 | 3.16 |
| Mizuho Trust & Banking Co., Ltd. Employee pension trust Mizuho Bank, Ltd. account, re-trust trustee Custody Bank of Japan, Ltd. | 2,090 | 3.15 |
| Sumitomo Mitsui Trust Bank, Limited | 1,557 | 2.35 |
| Sumitomo Life Insurance Company | 1,437 | 2.17 |
| Nippon Life Insurance Company | 1,259 | 1.90 |
| Toyota Motor Corporation | 1,237 | 1.87 |
| NICHIAS Own Share Investment Group | 1,048 | 1.58 |

(Note) Stock ownership ratio is calculated after deducting owned shares (1,480 shares).

Status of holder distribution



About the cover photo

NICHIAS has used the dragonfly (or tomo as it is known in Japanese), which symbolizes Japan, as its symbol mark for many years. Dragonfly-themed photographs are solicited from the NICHIAS Group's employees to include them in the Integrated Reports. Seventy-two people applied in 2023. The cover photo, which was inspired by "harmony with nature" won the best prize.

Comment by the photographer

I was both happy and surprised when I was informed that the photo I had taken was selected for the cover of the Integrated Report. During the days of the coronavirus, not allowed to go out freely, I was looking around the garden and spotted a dragonfly resting its wings. This is a shot I took while hoping for it to "stay there for a while" when pressing the shutter button.

FUKUSHIMA NICHIAS CORPORATION Nobuo Abe



1-6-1, Hatchobori, Chuo-ku, Tokyo 104-8555, Japan

Tel. 03-4413-1194 (CSR Team Secretariat)

<https://www.nichias.co.jp/en>

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