

Our Group's Medium-Term Management Plan, called "Shikumi 130," aims to make NICHIAS a "bright company where it is pleasant to work." We regard the first three years (FY2022–FY2024) as the first stage, and the latter two years (FY2025–FY2026) as the second stage.}}

As we commence second stage, we have established a philosophical framework and have printed new philosophy posters as part of our Group's efforts toward sustainable value creation (Figure 1).

In this special feature, we showcase our Group's initiatives for continuously creating sustainable value.

Figure1: Our new philosophy posters



Initiative I

The NICHIAS Group's new Philosophical Framework

The new philosophical framework being established at this time consists of our Corporate Philosophy (NICHIAS Philosophy), our Slogan, Our Promise, and our Sustainability Policy (Table 1).

Our Corporate Philosophy expresses the purpose and mission of the NICHIAS Group.

Our Slogan is a concise expression of our Corporate Philosophy – a rallying cry, to put it another way.

Our Promise describes the mindset and code of conduct for the employees of the NICHIAS Group and presents our vision for human resources.

At the same time, our employees need to be committed not only to the company but to society (the stakeholders) as well, and these four promises encompass that aspect as well.

Our Sustainability Policy has been established at this time for the purpose of achieving sustainable growth for our Group and a sustainable society. It serves as an overarching framework that encompasses a variety of policies and declarations.

Figure 2 is a conceptual diagram illustrating this philosophical framework and its positioning within our Medium-Term Management Plan. It represents our Group's employees as one family gathered under one roof.

The upper section of the house says "Corporate Philosophy," which represents the family's purpose and mission. The lower section says "Our Promise," which represents the aspirations of employees working to implement the Corporate Philosophy (1).

In the front yard of the house grows the Shikumi Tree, which symbolizes the Medium-Term Management Plan (2). The soil supporting the house's foundation and the Shikumi Tree is the corporate culture and work environment, which produce a bright company where it is pleasant to work (3).

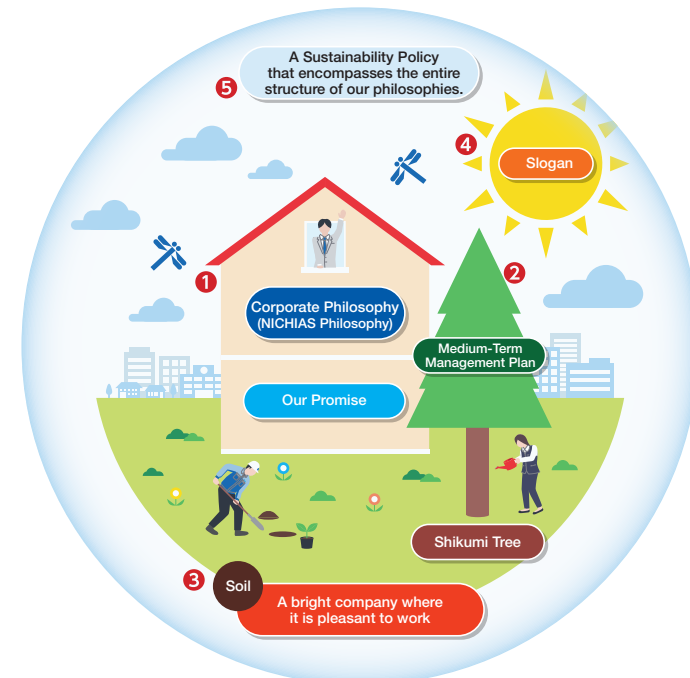
Our Slogan is represented by the sun, which continually shines over all of NICHIAS (4), and our Sustainability Policy is represented by the pleasant sky that surrounds everything (5).

Under this philosophical framework, we will build a bright, sustainable future for our Group and for society together with our employees.

Table 1. New Philosophical Framework

Corporate Philosophy (NICHIAS Philosophy)	We contribute to the Earth's bright future through our TATSU-TAMOTSU (insulation and protection) technologies.
Slogan	For a bright future with TATSU-TAMOTSU
Our Promise	<ul style="list-style-type: none"> ● We will provide value that is useful to society together with our partners. ● We are conscious of our role as members of society and will act responsibly. ● We will build a circle of trust that fosters gratitude and happiness. ● Our employees will grow together with the company by improving their skills and knowledge.
Sustainability policy	The NICHIAS Group aims to achieve a sustainable society and sustainable growth for the Group through the implementation of its corporate philosophy.

Figure 2. Diagram of the New Philosophical Framework



Initiatives and Numerical Targets for the Second Stage of Our Medium-Term Management Plan

During the first stage of our Medium-Term Management Plan, we focused on improving profitability and on selecting and focusing on our core businesses, and we promoted efficient business strategies along with effective allocation of investments. The NPI (NICHIAS Performance Index) for FY2024 showed generally favorable results across all items (Table 2).

During the second stage, following the establishment of our new philosophical framework, we will accelerate our activities by intensifying our investments in human resources, AI (artificial intelligence), DX (digital transformation), and other areas, while we revise our Group target planning, which includes NPI.

Medium-Term Management Plan

Five-year plan from FY2022 to FY2026

SHI KU MI
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Key Initiatives During Our Medium-Term Management Plan, and Future Outlook

With regard to our “Shikumi Tree,” which will include NPI during the second stage, although we continue to address previous challenges, we have also raised our target values and added new items (Figure 3).

In terms of increasing profitability, we will increase our target for operating profit margins to 18%, taking into account the costs of introducing and developing new key systems.

In terms of business selection and focus, we will promote management and operations using business-specific ROIC as one of our business mechanisms for evaluating efficiency.

In terms of efficient operation, we will improve operational efficiency by reducing meeting time, leveraging digital technologies, and evaluating their effectiveness, while adhering to guidelines for total working hours.

In terms of environmental conservation, we will strategically promote the reduction of greenhouse gas emissions and aim to achieve an A rating under CDP certification.

In terms of strengthening our foundations, our metric will be revised to a total frequency rating that includes non-work-related accidents within its assessment scope.

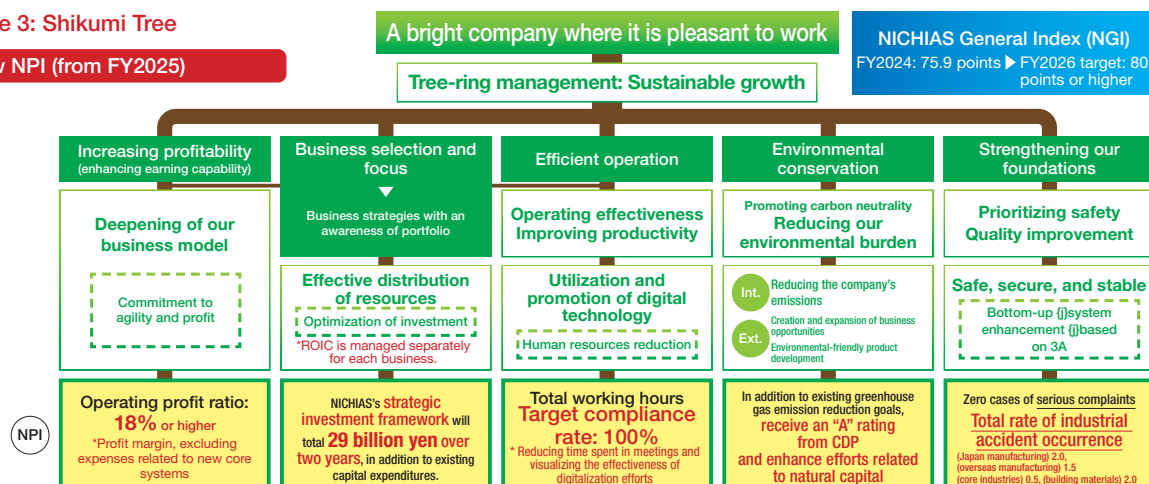
Aside from these NPI target revisions, we will also launch new activities during second stage. These will include organizational restructuring aimed at personnel system reform and productivity improvement, expanding the scope of items related to NKK (NICHIAS Kaizen Katsudo), commencing the operation of new key systems, establishing a new visitor showroom at our headquarters building, and developing the concept for a central research institute. Stay tuned for what's next from the NICHIAS Group.

Table 2. NPI (NICHIAS Performance Index) and other numerical targets of the NICHIAS Group as well as past results

Item			NPI	FY2024 results	FY2026 target value
					Second stage
Increasing profitability	Revenue	(100 million yen)		2,565	2,750
	Overseas revenue	(100 million yen)		530	580
	Operating income ratio	(%)	○	15.5	17.3 (18.0*)
Business selection and focus	Capital investment	(100 million yen)	○	68	Total investment amount 240*2 Strategic investment framework 290*2
	ROE	(%)		15.5	≥15.0
	ROIC	(%)	○	12.2	14.0
	EBITDA	(100 million yen)		474	550
Efficient operation	Total working hours compliance rate	(%)	○	99.5	100
	Total working hours (average of the entire company)	(hours)		1,921	—
Environmental conservation	GHG emissions*3	(10,000 t-CO ₂ eq)	○	18.0	17.0
	Amount of discharged industrial waste*3	(1,000 t)		18.0	17.1
Strengthening our foundations	Total rate of industrial accident occurrence (domestic production)	—	○	2.4	2.0
	Total rate of industrial accident occurrence (overseas production)	—	○	1.9	1.5
	Total rate of industrial accident occurrence (core industries)	—	○	1.0	0.5
	Total rate of industrial accident occurrence (building materials)	—	○	0	2.0
	Cases of serious complaints	(number of cases)	○	3	0

*1: Value excluding costs related to the new core system *2: Total for 2 years *3: Covering the overseas manufacturing sites of the NICHIAS Group.

Figure 3: Shikumi Tree



Initiative III

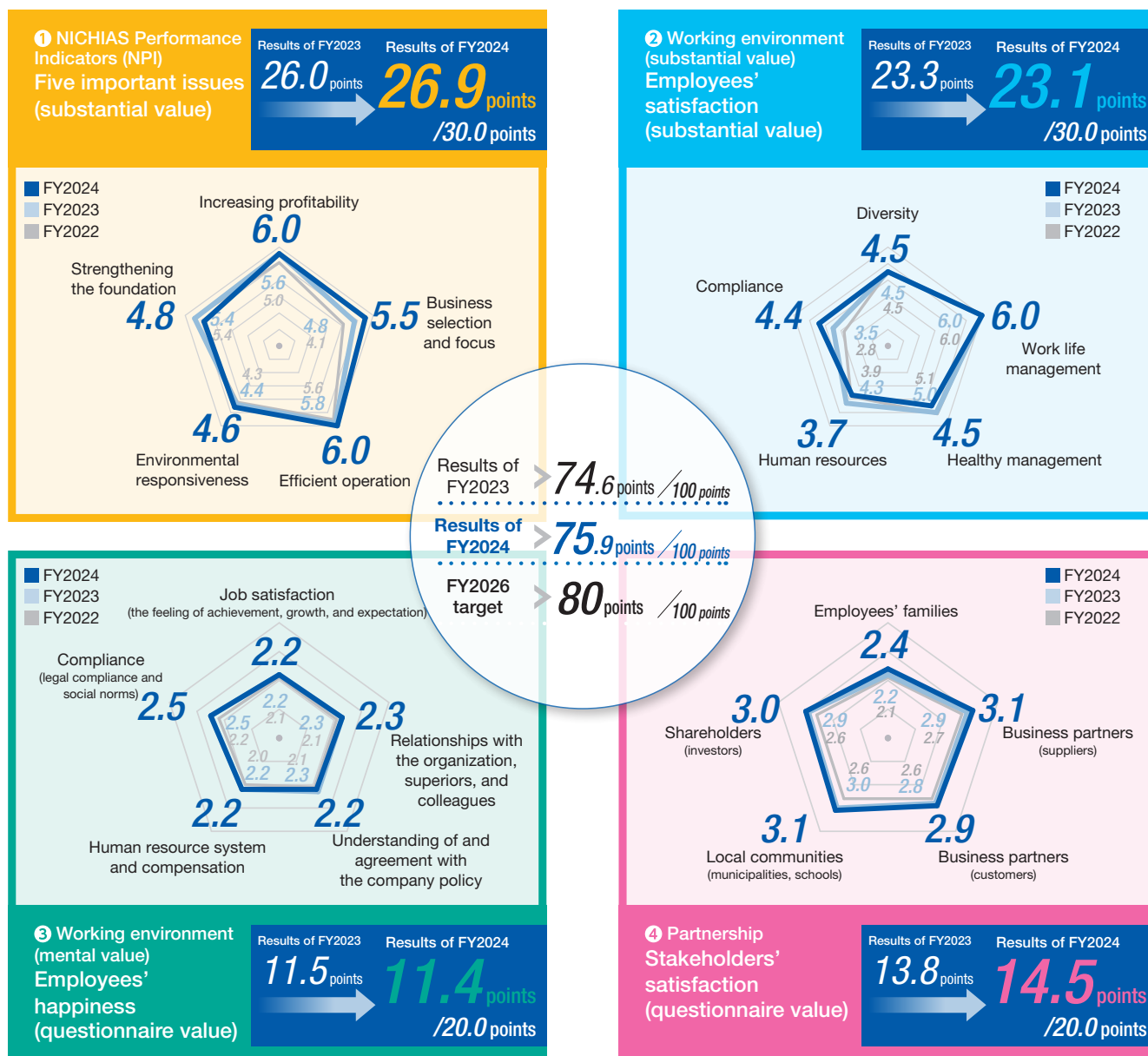
FY2024 NICHIAS General Index – Results and Improvement Measures

At the NICHIAS Group, we've been promoting NICHIAS General Index evaluations since FY2022 as a performance record to evaluate the degree to which we have become a “bright company where it is pleasant to work.”

The NICHIAS General Index consists of four evaluation elements: ❶ the NICHIAS Performance Index (NPI), ❷ employee satisfaction, ❸ employee happiness, and ❹ stakeholder satisfaction.

For details, see Figure 4. Our score in FY2024 was 75.9 points out of 100, and we are pushing toward a target of 80.0 points by FY2026.

Figure 4 FY2024 NICHIAS Happiness Value Index



Initiatives Toward Index Score Improvement Based on FY2024 Results

Our results for FY2024 showed overall improvements in the scores for ❶ the NICHIAS Performance Index (NPI) and ❹ stakeholder satisfaction. However, declines were seen in the scores for the “human resources” and “health management” categories under ❷ employee satisfaction and the “understanding and sympathy toward company policies” category under ❸ employee happiness.

To improve these metrics, in FY2025 we are advancing concrete measures such as developing a desired candidate profile under our personnel strategy, expanding events like walking challenges to promote health, and rolling out awareness activities for our new philosophy framework.

We are also expanding our employee benefits programs, such as enrolling in services intended to improve the satisfaction of employees' family members.

We will continue to implement various measures aimed at improving our NICHIAS General Index scores as we endeavor to become a “bright company where it is pleasant to work.”

Sustainability Promotion Activities

Sustainability Promotion Structures

When our Group considers sustainability, there are five key elements we prioritize: the environment; society and personnel; governance; digital, which connects everything together; and strategy, which encompasses the whole. We refer to these by their initials as ESGD's (Figure 5).

Our Group's Sustainability Promotion Committee establishes major policies and identifies challenges related to the five aforementioned elements (overall sustainability).

Based on these policies and challenges, five specialized committees under the umbrella of the Sustainability Promotion Committee — the Environment Subcommittee, the Society and Personnel Subcommittee, the (Corporate) Governance Subcommittee, the Digital Subcommittee, and the Strategy Subcommittee — establish various policies, formulate concrete strategies, identify challenges, and carry out activities (Figure 6).

Figure 5 ESGD's

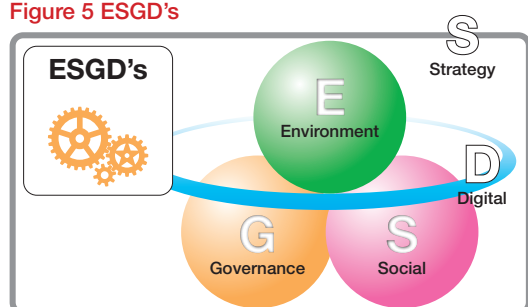


Figure 6 Sustainability Promotion Committee



Establishing Sustainability Policies

Our Sustainability Policy was established in April 2025 for the purpose of achieving sustainable growth for our Group and a sustainable society. This policy also serves as an overarching framework that encompasses a variety of policies and declarations, and it forms the operational guidelines for the Sustainability Promotion Committee, which commenced its activities in 2024. The results of the activities of the Sustainability Promotion Committee are extremely important in order for us to become a “bright company where it is pleasant to work.”

Sustainable Policy

The NICHIA Group is committed to achieving continuous growth and fostering a sustainable society through the practice of its corporate philosophy.

Sustainability-Related Activities

Table 3 shows the main activities and challenges that were being considered by each subcommittee in FY2024.

The Environmental Subcommittee obtained environmental certifications, including those for measures related to climate change. The Society and Personnel Subcommittee established a personnel strategy that included the development of a desired candidate profile.

Furthermore, the (Corporate) Governance Subcommittee developed regulations for Japanese and overseas Group companies and expanded our BCP. The Digital Subcommittee formulated the NICHIA Group Information Security Basic Policy and established the Digital Investment Committee. The Strategy Subcommittee restructured our philosophy framework, including the establishment of our sustainability policy, and conducted a thorough review and clarification of materiality topics.

In FY2025, we will further refine these activities and proactively pursue measures to increase employee engagement, including the formulation of personnel-related policies in particular.

Through these activities, we will build a foundation for the sustainable prosperity of our Group and society.

Table 3. Subcommittee activities in FY2024

Environment Subcommittee	<ul style="list-style-type: none"> Achievement of environmental certification; disclosure of information and preparation for natural capital Definition of environmentally friendly products and establishment of a system for their evaluation
Society and Personnel Subcommittee	<ul style="list-style-type: none"> Establishment of a desired candidate profile as part of their personnel strategy, and establishment of training and hiring policies Consideration of diverse work styles
(Corporate) Governance Subcommittee	<ul style="list-style-type: none"> Development of regulations for Japanese and overseas Group companies Expansion of Business Continuity Planning (BCP) measures
Digital Subcommittee	<ul style="list-style-type: none"> Establishment of digital policies Establishment of a Digital Investment Committee
Strategy Subcommittee	<ul style="list-style-type: none"> Restructuring of our philosophical framework and establishment of a sustainability policy Scrutiny and identification of materiality