

**NICHIAS**

Integrated Report

# 2024



The NICHIAS Philosophy

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

Basic data of the fiscal year ending March 2024



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\*TOMBO is a trademark or registered trademark of Nichias Corporation.  
 \*Names with a ™ symbol are trademarks of Nichias Corporation.

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

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

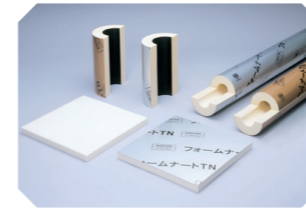
### Establishment and Development of Business

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.



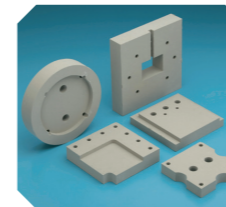
Rigid urethane foam thermal insulation material FOAMNERT™ TN

**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**  
TOMBO mark in around 1924

**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

Established the NICHIAS Group Human Rights Policy.

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

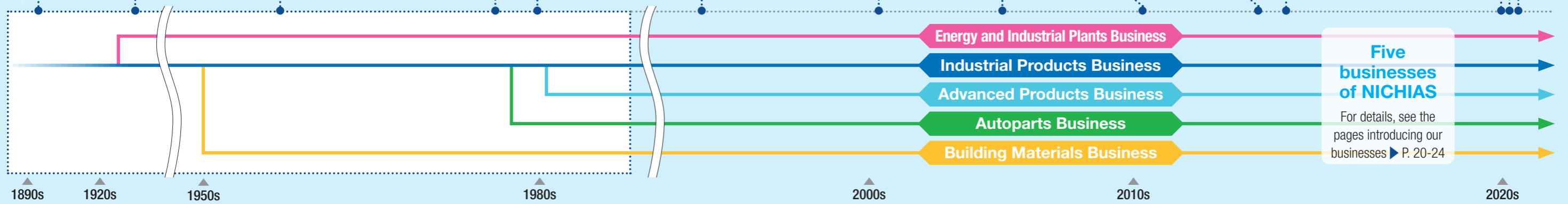
Declaration of Partnership Building

**2016**  
120th anniversary

**2020**  
**2023**  
100th anniversary of the birth of the TOMBO BRAND

**2024**  
NICHIAS Group Establishment of Sustainability Promotion Structure

For details, ▶ P19





The NICHIAS Group realizes a company that is a good place to work and full of smiles and contributes to the bright future of the earth with our TATSU-TAMOTSU™ technologies.

**Katsumi Kametsu**  
Representative Director  
President and Chief Executive Officer

**Q What do you think are the social issues that impact management?**

Using the original “TATSU-TAMOTSU (Insulation and Protection)” technologies, NICHIAS Group has offered products and services to many industrial fields.

I take pride in that, since its establishment in 1896, NICHIAS Group has contributed significantly to society by developing businesses tailored to the needs of the times with the support of stakeholders in its 128 years of history.

Today, social issues such as global warming, climate change, resource depletion, large-scale disasters, declining birthrate and aging population, diversity, and respect for human rights impact the NICHIAS Group.

In addition, the impact of rapid technological progress and change in the information society is significant, too. It is not too much to say that companies like the NICHIAS Group, which has a long history, would face difficulty surviving unless they keep coping with dramatic changes. To avoid such situations, it is important to review the company’s conventional management and direction and have the same goal for the NICHIAS Group and society to survive together in the future and keep growing sustainably.

**Q What are the challenges for the NICHIAS Group when confronting each social issue?**

First of all, the most significant social issue is climate change. The NICHIAS Group uses various kinds of energy in its businesses and emits greenhouse gases (GHG), including CO<sub>2</sub>. Against such a backdrop, we announced the NICHIAS Group Carbon-Neutral Declaration in 2021 and have been engaged in reduction activity, setting the goal of achieving net zero GHG emissions from the NICHIAS Group by 2050.

We now expect to achieve our set initial 2030 milestone of a 30% reduction in GHG emissions compared to FY2019 by the end of FY2024. So, to further reduce the environmental burden, we have reviewed this goal. As the details shown in P43, we are taking various measures to achieve the new goal.

Regarding resource depletion, the NICHIAS Group proactively takes measures to use limited resources, such as establishing mechanisms for not generating wastes, efficient

use of raw materials, recycled raw materials, and development of recyclable products.

We also recognize the declining birthrate and aging population, diversity, respect for human rights, and employees’ safety as important issues. In particular, we consider securing young human resources is imperative.

Diversification of ways of thinking and needs makes securing those human resources especially difficult in the future. Securing human resources that relate to the corporate culture of the NICHIAS Group and that will keep playing an active role greatly impacts the NICHIAS Group’s survival. To this end, we are now reviewing the idea of human resource strategies from scratch to clarify the picture of NICHIAS employees.

**Q What do you particularly focus on to realize a company that is a good place to work and full of smiles?**

To realize “a company that is a good place to work and full of smiles” the NICHIAS Group aims for, it is essential to establish the mechanism for resolving many issues mentioned above smoothly and efficiently, in addition to achieving the business results, which is the main purpose.

In January 2024, we set up a Sustainability Promotion Structure that encourages discussions on those issues. For details, please see P. 19, in which the mechanisms for permanent growth of NICHIAS Group and society are introduced.

To solve 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 October 2022. Evaluation is performed every year. For details, see P. 8.

As part of the activity to improve the NICHIAS Happiness Value Index, I visited each base myself to hold social gatherings with Group employees to hear real opinions from employees since I assumed the office of President. Based on the troubles I directly heard from the employees, I try to improve the workplace environment and review the mechanisms inside the company.

Under the Promotion Structure, the NICHIAS Group will steadily resolve issues to realize “a company that is a good place to work and full of smiles” while checking the achievement of the NICHIAS Happiness Value Index.

**Q How does the medium-term management plan progress?**

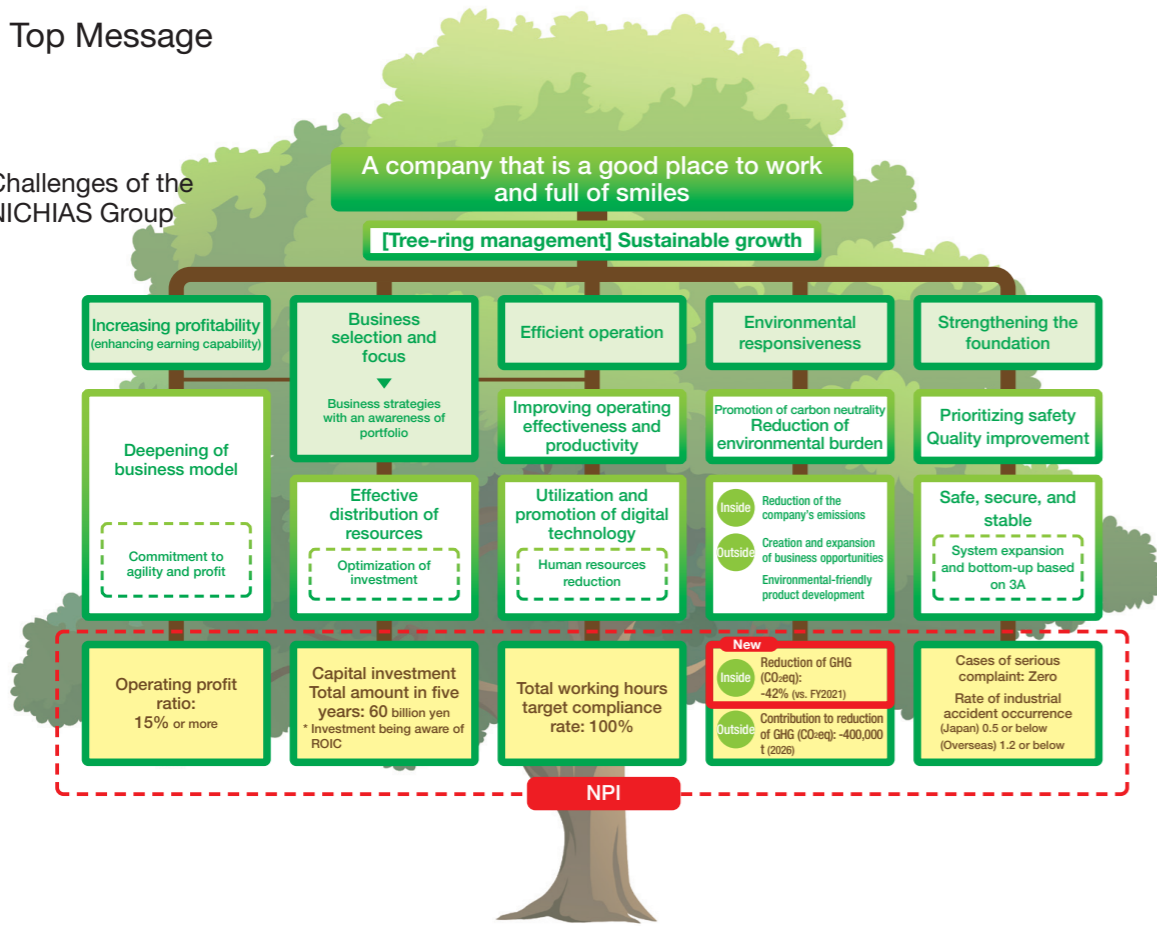
Let me talk about the five issues of “Shikumi 130” in the medium-term management plan for realizing “a company that is a good place to work and full of smiles,” specific measures for each issue, and NICHIAS Performance Indicators (NPI), the KPI for NICHIAS that we set as a quantitative target.

**Slogan for the medium-term management plan**



Creating mechanisms “Shikumi” that respond to change			
Shi	Shiawase (happiness)	Mechanisms “Shikumi” for the happiness of our employees and their families that support them	“A company that is a good place to work and full of smile”
Ku	Kufu (creative action)	Mechanisms “Shikumi” to devise ways to solve the issues in a cross-sectional manner without being satisfied with the present state	“Forward-looking thinking and forward-looking organization”
Mi	Mirai (future)	Mechanisms “Shikumi” to aim for sustainable growth while being adapted to social and environmental changes	“Creating a bright future”

Challenges of the NICHIAS Group



This year marks the third year of the medium-term management plan “Shikumi 130”, which started in April 2022. We regard the first three years as the first stage and the latter two years as the second stage.

Considering changes in the external environment and aiming for further improvement in the corporate value, we will review the medium-term management plan for the second stage.

Regarding the NPI for the five issues, approx. 60 billion yen of capital investment is planned by FY2026. For revenue and profit level, 250 billion yen for revenue, 15% for operating income ratio, 13% for ROE, 12% for ROIC, and 45 billion yen for EBITDA are set as targets. There is no change from FY2022.

We look back on FY2023 and further strengthen the promotion of sustainability, company-wide safety and health, enhancement in efforts for the environment and quality assurance, efforts for seeing the compliance-related issues as their personal issues, promotion of digitalization, and enhancement in sales capability.

Numerical targets of the Group and results of FY2023

Item		FY2023 results	FY2026 target value
Revenue	(100 million yen)	2,494	2,500
Overseas revenue	(100 million yen)	468	600
Operating income ratio	(%)	14.1	15.0
Capital investment	(billion yen)	111	Five-year total: 60 billion yen (rough figure)
ROE	(%)	14.5	13.0
ROIC	(%)	11.6	12.0
EBITDA	(100 million yen)	428	450
GHG emissions*1	(10,000 t-CO <sub>2</sub> e)	22.4	18.3
Amount of discharged industrial waste*1	(1,000 t)	23.2	17.1
Contribution to reduction of GHG emissions*1	(10,000 t-CO <sub>2</sub> e)	24.0	42.0

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

**Q** Please tell us about the sustainable growth of the NICHIAS Group and society.

Among the NICHIAS Group's products and services realized by the “TATSU-TAMOTSU (Insulation and Protection)” technologies, even only technologies to “insulate and protect heat” can directly contribute to the measures against global warming and are important technologies supporting society. They are indispensable in any age.

The NICHIAS Group's businesses confront a wide variety of industries, such as chemistry and petrochemistry, electricity, semiconductors, automobiles, 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.

Catching customers' needs widely and responding to their requests from this unique standpoint are the NICHIAS Group's social values, which are why we exist.

From this perspective, I am sure that the growth of the NICHIAS Group, in step with the times, will itself contribute to realizing a sustainable society.

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

Column

NICHIAS Happiness Value Index

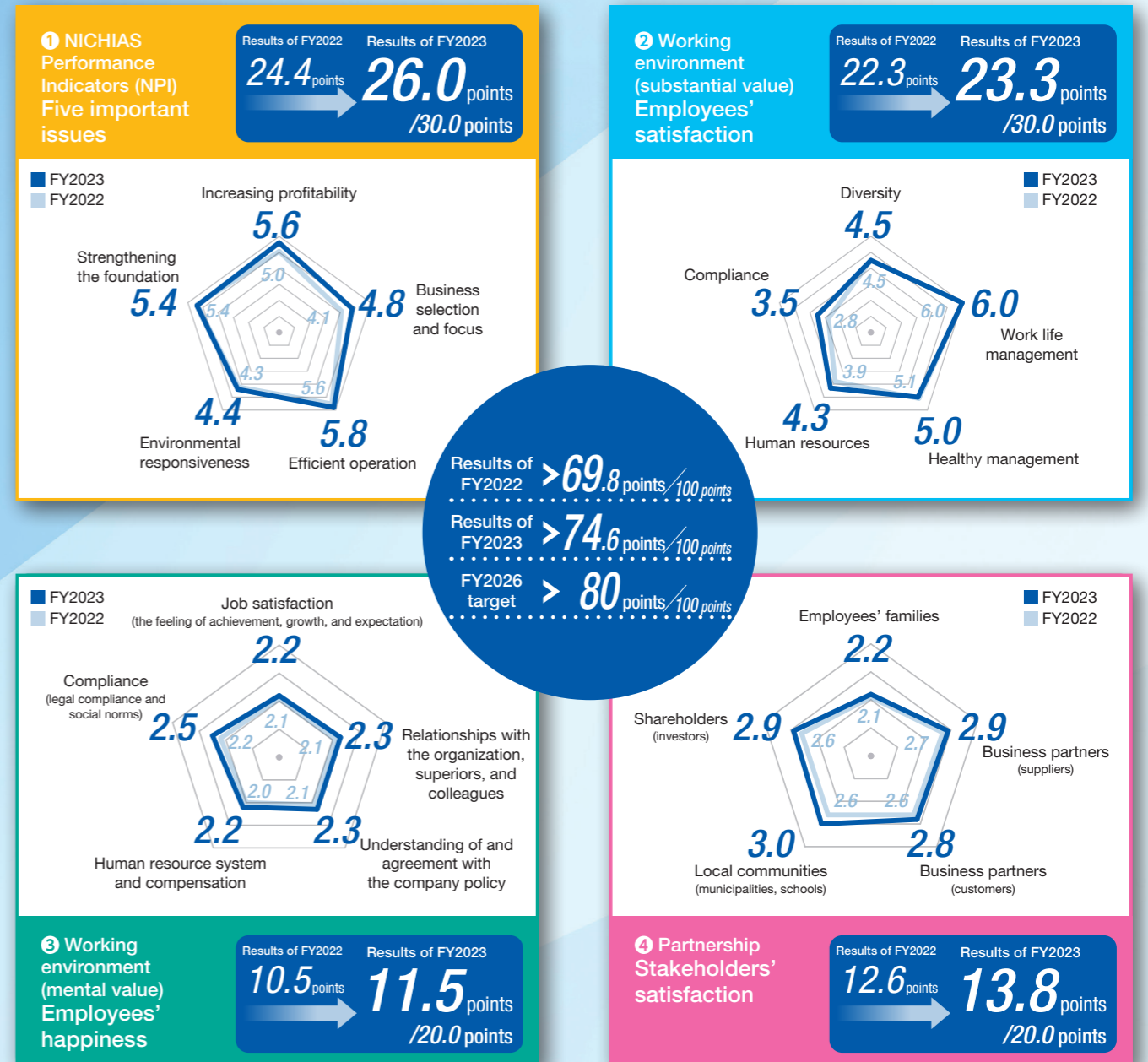
Performance record of NICHIAS for evaluating the level of realizing “a company that is a good place to work and full of smiles.”

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 smiles,” which we set in November 2022.

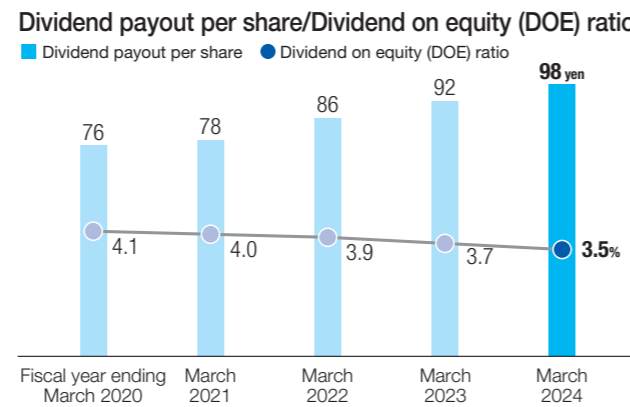
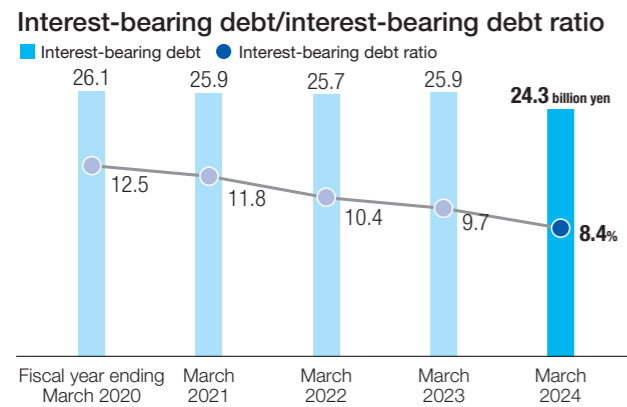
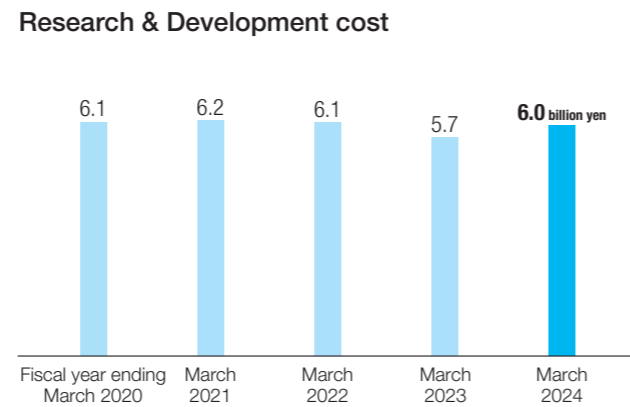
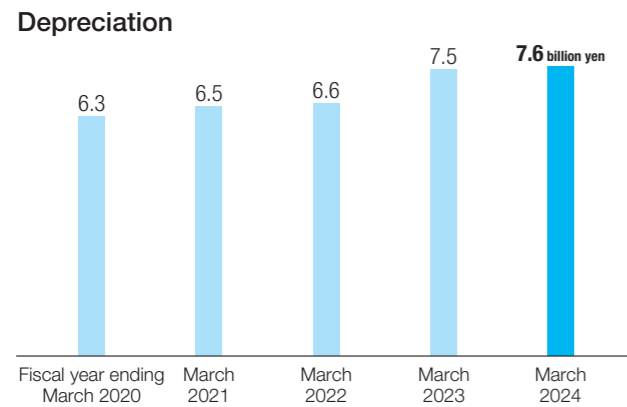
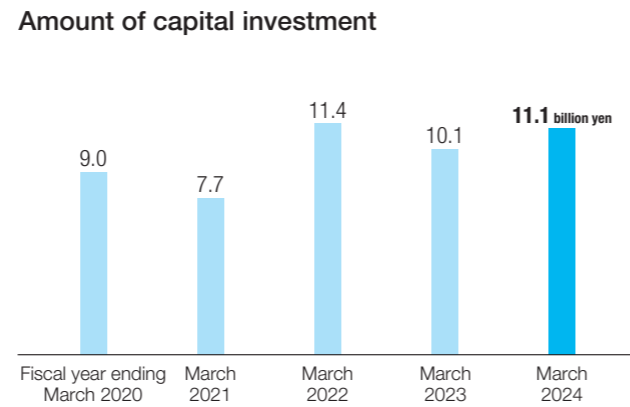
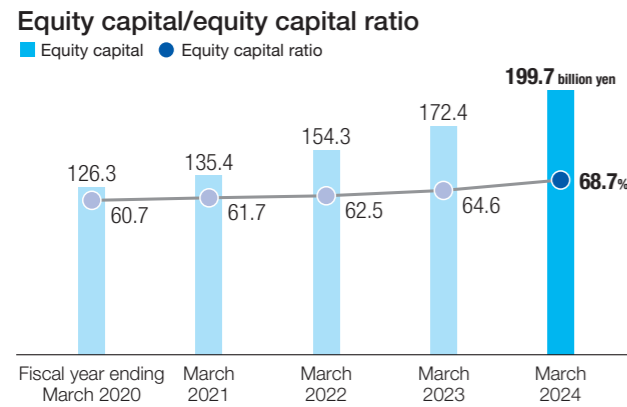
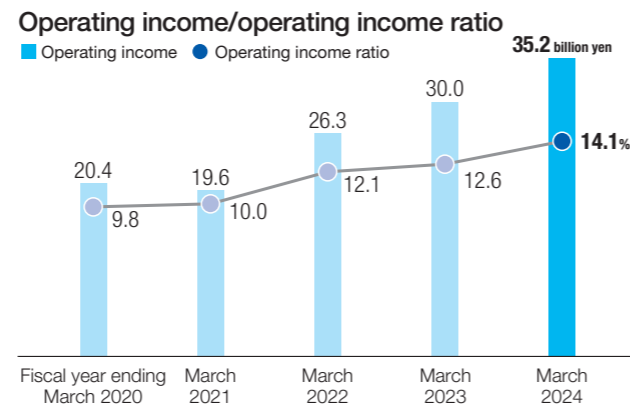
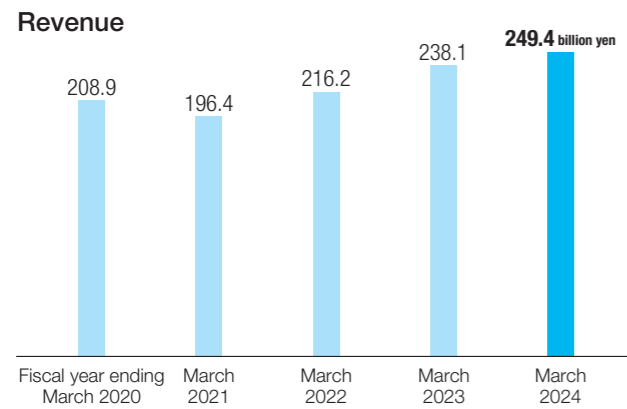
“NICHIAS Happiness Value Index” is comprised of the following four elements.

- 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)

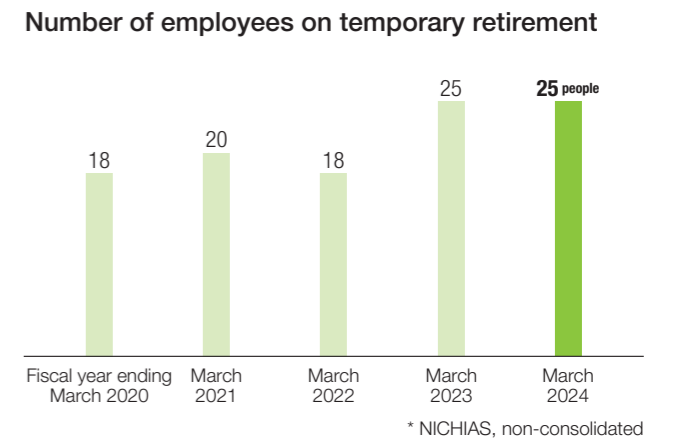
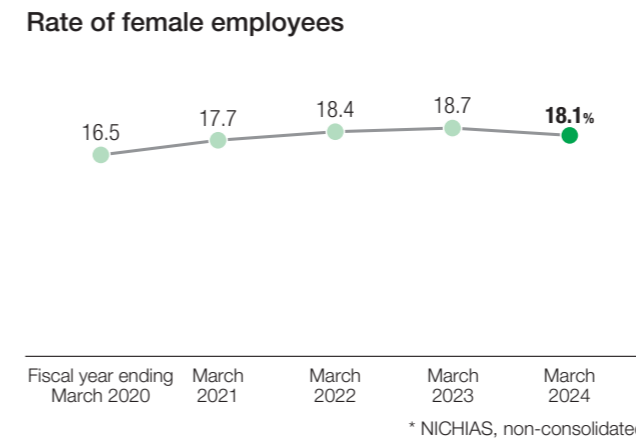
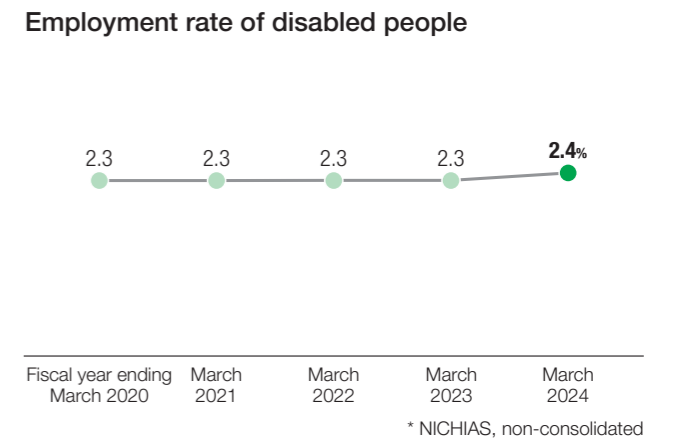
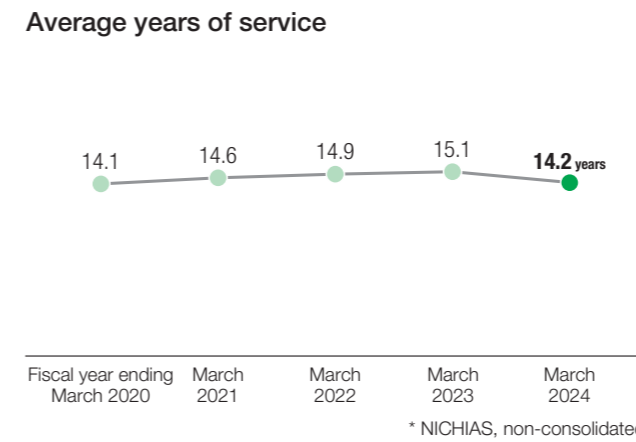
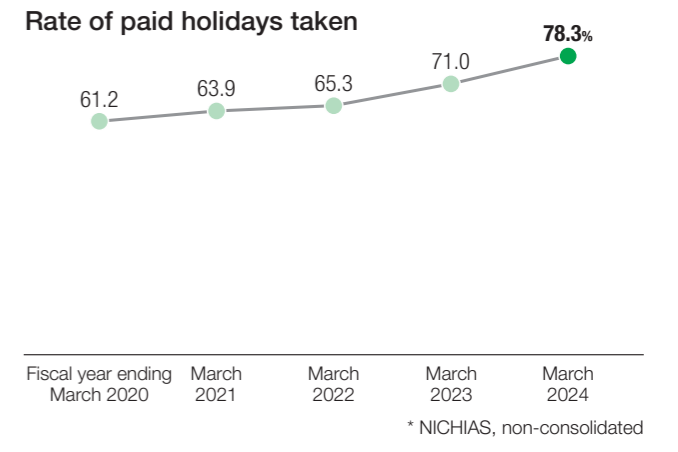
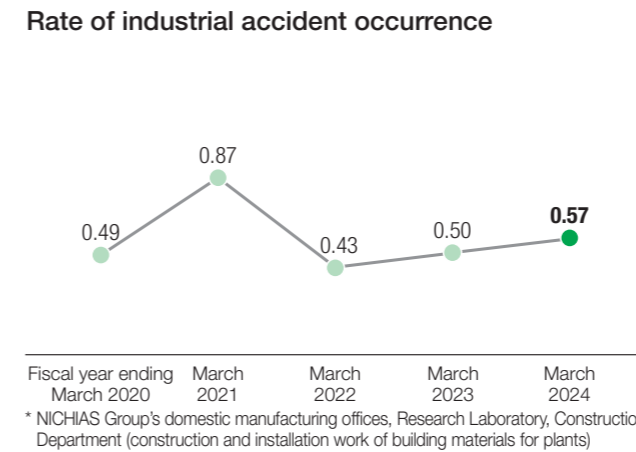
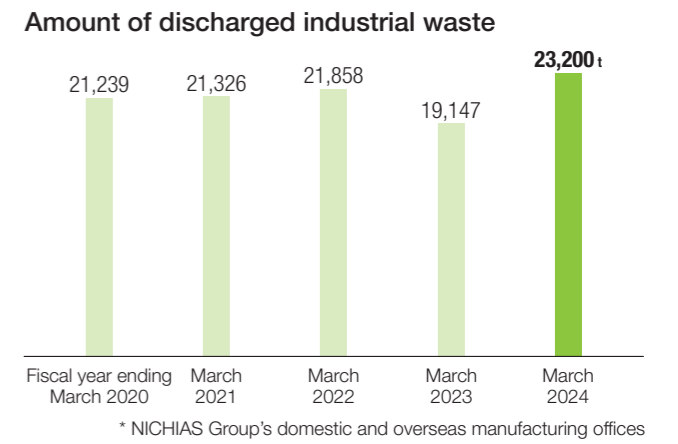
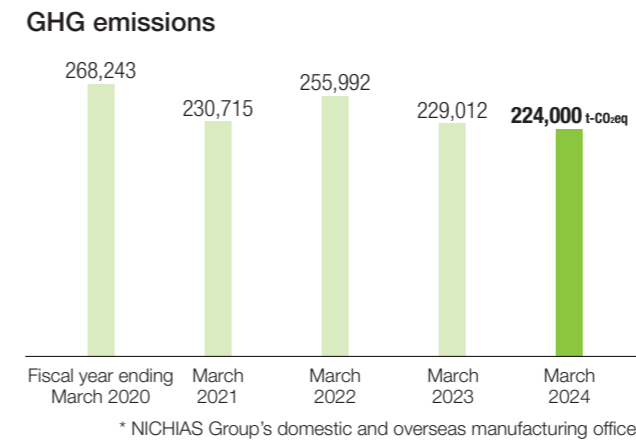
Our goal is to acquire 80.0 points out of 100 in Fiscal Year 2026. For details, please see the figure below. The score of FY2022 was 69.8 points, but we acquired 74.6 points in FY2023. Overall, the points improved compared to FY2022. In particular, the following improved significantly: 1) NICHIAS Performance Indicators (NPI), 2) Compliance and human resources in the employees' satisfaction, and 4) Community in the stakeholders' satisfaction. 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 smiles.



Financial data (as of March 31, 2024)



Non-financial data (as of March 31, 2024)



# Feature: Sustainably Contributed to the New Field with NICHIAS Group's "Six Technologies"!

We contribute to various markets while creating products and services with various element technologies to realize products and services based on the six technologies cultivated by the NICHIAS Group.

## TATSU-TAMOTSU™ (Insulation and Protection) technologies

## Composing materials and members

## Main product group (mainstay products)

## Main market



General-purpose seals  
High-temperature seals  
High-pressure seals  
Low-temperature seals  
Vacuum seals



High-temperature thermal insulation  
Low-temperature thermal insulation (cold storage)  
Extremely low-temperature thermal insulation  
High-performance thermal insulation  
Complexing of heaters



Sound insulation  
Sound absorption  
Vibration isolation



Corrosion-resistant resins  
Corrosion-resistant linings



Solvent-condensing filters  
Dehumidifying filters  
Clean tubes  
Clean materials



Non-combustible members  
Fire-resistant members



Raised access  
Floor members

- Rubber materials
- Rubber-covered metal plates
- Various fillers
- Metals

- Inorganic fibers
- Rock wools
- Alkali earth silicate wools (AES)
- Alumina fibers
- Silica nanoparticles
- Urethane foams
- Metallic plates

- Inorganic fibers
- Rubber-covered metal plates
- Metallic plates

- Fluororesins
- Various fillers

- Inorganic fibers
- Adsorption materials
- Fluororesins
- Various fillers

- Calcium silicate
- Inorganic fibers
- Rock wools

- Cements
- Wooden chips

## Various element technologies realizing mainstay products and services

### Manufacturing-related technologies

- Hydrothermal synthesis technology
- Paper-making technology
- Fiber-manufacturing technology
- Material-compounding, material-adhesion technologies
- Impregnating technology
- Dehydration-molding technology
- Welding technology
- Mixing technology
- Extruding-, stretching-molding technologies
- Sewing technology
- Injection molding technology
- Press-molding technology
- Machining-processing technology
- Coating technology

### Design-related technologies

- Thermal-design technology
- Material-design technology
- Function-design technology
- Structure-design technology
- Workability-design technology
- Form-design technology
- Environmentally-friendly-type-design technology

### Common technologies

- Analysis technology
- Thermal-measurement technology
- CAE technology
- Quality-assurance technology

### Analysis-related technologies

- Material-analysis technology
- Thermal-analysis technology
- Generated-gas-analysis technology
- CAE-analysis technology
- Inorganic-analysis, ultratrace-metal-analysis technologies
- Sound-insulation-, sound-absorption-, vibration-damping-analysis technologies

Fluorinated rubber O-rings (BLAZER™ series)  
Fluororesin rubber-covered gaskets (SANICLEAN™ gasket)  
Mobile service truck for gasket processing (GASKET KOBO™)  
Rubber-covered metallic gaskets (METAKOTE™)  
Rubber-covered metallic gaskets (METAFOAM™)  
Involved gaskets (VORTEX™ GASKET)

Semiconductor manufacturing factories  
Food-manufacturing plants  
Various plants  
Automobile, EV  
Various plants, automobiles

AES fiber molded products (FINEFLEX BIO™)  
Rock wool fiber molded products (MG product)  
Alumina fiber molded products (Rubil™ products)  
Alumina fiber mats (ECOFLEX™)  
Heat insulation materials with heater (ENETHERMO™)  
Method for recovering heat-insulation functionality (Overlapped Heat Retention method™ Method)  
Energy-saving diagnosis system (Thermofit™)  
Silica nanoparticle molded products (ROSLIM™)  
Hard urethane foam (FOAMNERT™) and cold-insulation-work metallic heat-insulating material, heat-insulating work

Various industrial furnaces, various plants  
Various industrial furnaces, iron-making plants  
Automobile  
Semiconductor-manufacturing factories, various factory facilities  
Various plants  
Various factory facilities  
LNG facilities, fuel-carrying vessels  
For nuclear power plants

Rubber-covered metallic laminated plates (METAPLUS™ laminated shim)  
Insulation composite metallic laminated plates (INSULCOVER™)

Automobile, EV  
Automobile

Fluororesins (NAFLON™ product)

Electronic component factories, semiconductor-manufacturing factories, various factories, various usages

Low-concentration organic concentrators (SOLVENT CLEAN™)  
Industrial dehumidification rotors (HONEYCLE™ desiccant)

Semiconductor manufacturing factories  
Battery factories

Fluororesin products (NAFLON™ tube, part)  
Fluororesin products (NAFLON™ multi-lumen tubes)

Semiconductor manufacturing factories  
Hospitals

Calcium silicate plates (ECOLUX™)  
Calcium silicate plates (LUMIBOARD™)  
Molded calcium silicates (LUMICAST™)

Building, various architectural structures  
Various factory facilities  
Semiconductor manufacturing factories

Rock wool fire-proofing covering materials (MAKIBEE™)

Distribution warehouses, buildings, various architectural structures

Cement-type flooring materials (NICHIAS OMEGA FLOOR™)  
Wood-core-type flooring materials (NICHIAS NOA FLOOR™)

Building, various architectural structures

**Example 1**  
**Make a revolution in high-speed communication with "low-thermal expansion PTFE film"!**

**Contribution point**  
 "Reduction of transmission loss by over 70%!" (vs. conventional product)

**What is PTFE Tape?**

Fluororesins are synthetic resins characterized by excellent heat resistance, chemical resistance, electrical insulation properties, non-adhesive properties, and weather resistance. They are appreciated in chemical, electric, electronic, semiconductor, automobile, and other industries. Since the start of the research on fluororesin-processed products, NICHIAS has developed products that take advantage of the properties of fluororesins. Among the products, PTFE, which is processed into a thin film state, is called "tape."

The manufacturing method for PTFE tape is as follows: First, the material, a PTFE billet (cylindrical block), is molded using compression molding. Then, it is shaved into a thin film state using a method called skiving. PTFE tape is used for a wide range of purposes. The examples include electric insulating film that takes advantage of PTFE's property of high insulating resistance, mold release agent using PTFE's properties of high melting point, temperature of continuous use, and non-viscous property, and print substrate materials using PTFE's low permittivity and dissipation factor. Demand for PTFE Tape, which has many properties, has increased these days.

**"low-thermal expansion PTFE film"**

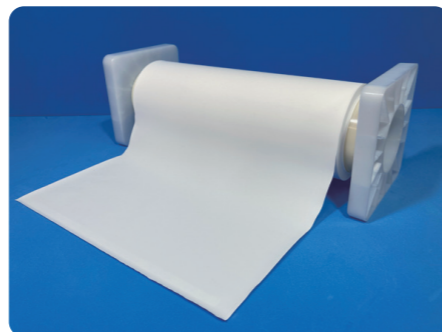
Recently, we hear the word "5G communication" often. However, we are developing "low-thermal expansion PTFE film," a material that will be an integral part of communication shortly, called 6G.

In the 6G world, advances in IoT will connect various things, enabling the transmission and reception of large volumes of data with low latency, and it is said that many new business models will be born. For this purpose, the data must be put on high-frequency radio waves called millimeter or sub-terra waves. However, conventional resin substrate materials have problems with slow signal propagation and significant decay of signal strength.

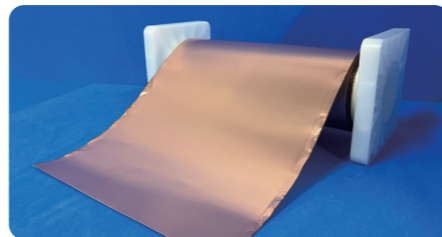
Now is the turn of fluororesin, which we are good at. Although fluororesins have the lowest dielectric constant (dielectric constant and dielectric dissipation factor are low), making it a promising 6G resin substrate material, there have been two problems in processing it into a substrate material: 1) It is difficult to adhere to other materials 2) Coefficient of linear expansion is too large.

NICHIAS has developed "low-thermal expansion PTFE film", which overcame those problems. We built relationships with the FCCL (Note1) manufacturer, FPC (Note 2) manufacturer, and set manufacturer, our exhibition customers, to proceed in commercializing the product.

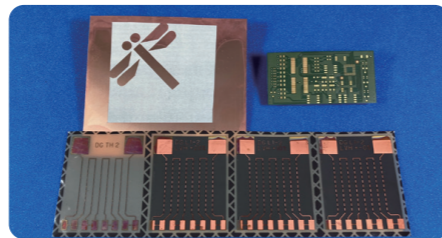
Note 1: Flexible Copper-Covered Laminate  
 Note 2: Flexible Printed Circuit



Low-thermal expansion PTFE film (developed product)



Copper-covered FCCL roll products



Substrate processed products

**Example 2**  
**Energy Saving Diagnosis System**  
**Thermofit™**

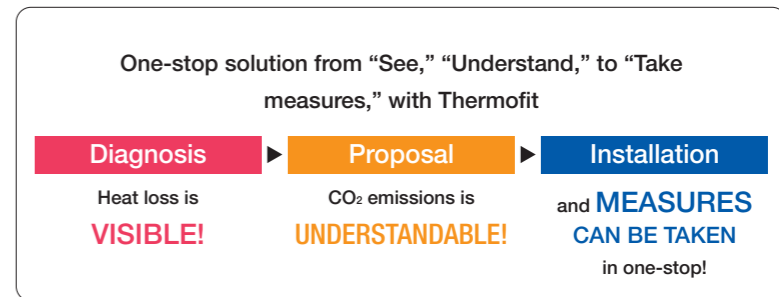
**Contribution point**  
 An energy-saving diagnosis system that makes you "See, Understand, and Take measures" in one-stop, taking advantage of the TATSU-TAMOTSU technology for heat

**Increased demand for Thermofit™, the energy-saving diagnosis system, in line with progress in energy-saving efforts**

In recent years, the realization of carbon neutrality has been rapidly required to prevent global warming. As a result, each company is urgently required to take measures to reduce GHG emissions, such as energy-saving measures for their facilities. Demand for our Thermofit service, which contributes to those measures, has increased yearly.

Thermofit is NICHIAS's original system that enables you to investigate and review the heat-retention state, which causes heat loss. It has three flows that let the user "see," "understand," and "take measures."

Thermofit is a one-stop solution for enabling you to "see" the heat loss using a thermal imaging camera, "understand" the current status by quantifying the amount of heat loss and CO<sub>2</sub> emissions before and after the installation, and finally, "take measures" against heat loss.



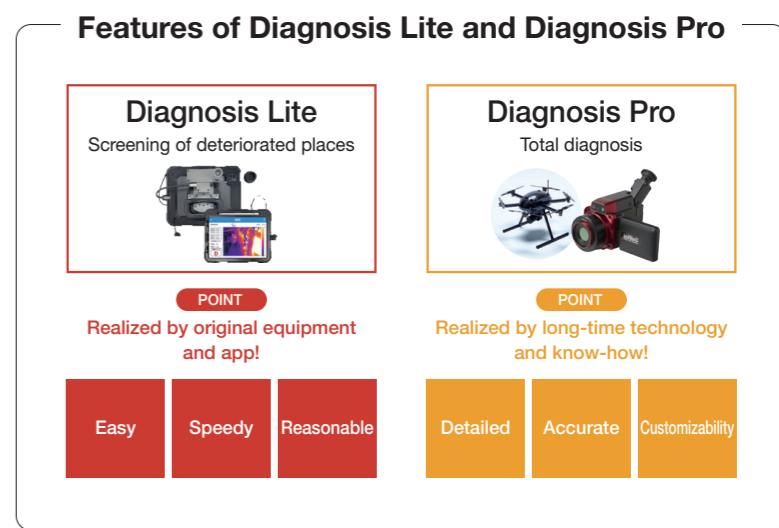
**Development of new service: Diagnosis Lite for expanding the scope of our business**

The diagnosis services of Thermofit are roughly divided into two. Diagnosis Pro can be customized in accordance with the customer's factory, while Diagnosis Lite can easily screen deteriorated places.

Diagnosis Pro is a service that seeks detailedness, accuracy, and customizability, taking advantage of over 30 years of achievement and expertise in diagnostics.

On the other hand, Diagnosis Lite features easiness of performing diagnosis and preparing reports, speediness, and reasonable price.

Diagnosis Lite was developed so that Thermofit becomes easier to introduce, targeting customers with medium-scale factories who could not decide to start the diagnosis, new customers, and those considering daily maintenance. The service started in 2024. We aim to expand the scope of the application of Thermofit and contribute to the realization of carbon neutrality for more customers.



**Technological development story**



Low-thermal expansion PTFE film technical development members

In the technological development, we ventured into two big challenges to use fluororesin (PTFE) as a material for flexible substrates.

For low-thermal expansion, we tackled the blending of PTFE and low-dielectric filler. Taking advantage of the mixing/distributed technologies that had been cultivated, we made the processing into long films possible.

The other big challenge, providing adhesion, was achieved by understanding the surface properties of PTFE from the processing manufacturer's viewpoint and constructing an adhesion mechanism with low-roughness copper foil.

Although we are in the middle of the development stage, our biggest mission is to commercialize it as the next-generation product and launch it at any cost. Please stay tuned to our future developments.

**Technological development story**

Diagnosis Lite was developed in response to the request from the people on site who wanted to submit the report to customers immediately.

Conventional diagnosis requires a high level of skill and expertise on the part of the measurer. However, thanks to the development of a simplified measuring device and the establishment of a licensing system, we could develop a diagnosis system that can be completed by a single person who deals with the entire process, from diagnosis to report writing. Over six months, we conducted more than ten field trials to develop and improve the equipment and dedicated app.

We will further engage in the development, including measures, so that more customers will use Thermofit. We would like to contribute to realizing carbon neutrality for our customers in any way possible.



Thermofit technology development members



# 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™

	<p><b>Sealing technology</b></p> <p>It prevents fluid leakage from pipe joints and supports the safe operation of the facility.</p>
	<p><b>Thermal insulation technology</b></p> <p>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<sub>2</sub> emissions.</p>
	<p><b>Soundproofing technologies</b></p> <p>Soundproofing technologies contribute to quiet and comfortable life through reducing the noise from factories and vibration sound from automobile brakes.</p>
	<p><b>Fireproof technology</b></p> <p>It provides materials that protect industrial furnaces, incinerators, and buildings in fire from fire to secure safety.</p>
	<p><b>Corrosion-proof technology</b></p> <p>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.</p>
	<p><b>Clean technology</b></p> <p>It maintains cleanliness in processes that tolerate no impurity, such as semiconductor manufacturing. We pursue cleanliness to the extreme.</p>

<p><b>1 For rockets</b></p> <p>Fluoropolymer hose <b>NAFLON™ PFA pressure resistant hose</b></p> <p>Hoses made of fluoropolymer that are used for rocket launching platform equipment and facility control lines.</p>	
<p><b>2 For logistics warehouses</b></p> <p>Wrap-Type Fire-proofing Covering Materials <b>MAKIBEE™</b></p> <p>Fire-proofing covering materials used for beams and pillars of steel construction buildings. It also contributes to labor saving in construction.</p>	
<p><b>3 For refrigerated warehouses</b></p> <p><b>Heat insulation work</b></p> <p>Construction work for installing heat retention and cold retention materials at such as -20°C largescale refrigerated warehouses.</p>	
<p><b>4 For nuclear power plants</b></p> <p>Heat retention materials for nuclear power stations <b>Metallic heat retention material</b></p> <p>All-metal heat retention material, which does not generate dust and is used for pressure vessels and piping of atomic furnaces.</p>	
<p><b>5 For food-manufacturing plants</b></p> <p>Sealing materials for food <b>SANICLEAN™ GASKET</b></p> <p>Odor-free and contamination-proof sealing material used for filling lines in the food manufacturing process, etc.</p>	
<p><b>6 For semiconductor manufacturing factories</b></p> <p>Fluoropolymer tube <b>NAFLON™ PFA-NE TUBE</b></p> <p>Fluoropolymer tubes for preventing discharging phenomena caused by friction while maintaining the cleanness of high-purity chemicals used in semiconductor manufacturing processes.</p> <p>Pipe heating and insulation jacket heater <b>ENETHERMO™ PH</b></p> <p>A jacket-type detachable heater that heats the equipment and pipes and keep them warm.</p>	
<p><b>7 For electronic part factories (of multi-layer ceramic condensers)</b></p> <p>Extremely high-temperature heat resistant board <b>RF BOARD™</b></p> <p>Heat-resistant board that is used in firing furnaces of multi-layered ceramic condenser (MLCC).</p>	
<p><b>8 For battery factories (of lithium ion batteries)</b></p> <p>Volatile organic compound concentrator <b>SOLVENTCLEAN™</b></p> <p>Equipment for absorbing and collecting gas, including volatile organic compounds (VOC) emitted from factories.</p> <p>Industrial dehumidification rotor <b>HONEYCLE™ EX-SG</b></p> <p>This is a dehumidification rotor that generates ultra-low dew-point air (dry air) that is sent into lithium-ion battery factories.</p>	

<p><b>9 For automobiles, 10 EVs</b></p> <p>High-performance brake shim material <b>METAPLUS™ Multi-Layer Shims</b></p> <p>A soundproofing part to be installed onto disc brake pads. Reduces unpleasant noise generated during braking.</p>	
<p><b>11 For alkaline water electrolysis plants</b></p> <p>Fluororesin tube <b>NAFLON™ PTFE tube processed products</b></p> <p>A fluororesin tube manufactured with special bending processing technology.</p>	
<p><b>12 For buildings</b></p> <p>Raised-Access Floor Systems <b>NICHIAS OMEGA FLOOR™</b></p> <p>Raised-access floor system of double-floor structure with the office floor. It has superior walking comfort and creates a comfortable office environment.</p>	
<p><b>13 For housing</b></p> <p><b>Furniture sliding material</b></p> <p>Fluororesin sliding material to be attached to the bottom of furniture to facilitate their movement.</p>	
<p><b>14 For LNG facilities, 18 ammonia hydrogen storage plants</b></p> <p>Heat retention material for extremely low temperatures <b>FOAMNERT™ TN</b></p> <p>Polyurethane foam heat retention material used for piping in which low-temperature fluid flows.</p>	
<p><b>15 For hospitals</b></p> <p>Medical tube <b>NAFLON™ Multi-lumen tubes</b></p> <p>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.</p>	
<p><b>17 For fuel-transporting vessels</b></p> <p><b>Cold retention work</b></p> <p>Construction work for installing heat retention materials on the piping and tanks of LNG vessels in which low-temperature fluid flows.</p>	
<p><b>16 Waste incineration plant, 19 thermal power plant, 20 steelmaking plants</b></p> <p>Thermal insulation material for high temperatures <b>FINEFLEX BIO™ Blanket</b></p> <p>Thermal insulation material used for boiler ceilings and furnace walls. It contributes to energy saving.</p>	
<p><b>21 For petrochemical plants</b></p> <p>Heat retention function recovering method <b>Overlapped Heat Retention method</b></p> <p>In this method, the heat retention performance is recovered through lap-winding new heat retention material without removing the deteriorated heat retention material.</p> <p><b>GASKET KOBO™</b></p> <p>A truck that can be driven to the customer's factory and process gaskets on site. Speedy response is a feature of this service.</p>	

# 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.

### INPUT

#### Six resources of NICHIAS

(as of March 31, 2024)

**Financial resources**

**Strong and stable financial base**

- Shareholder's equity ratio: 68.7%
- Total assets: 290.8 billion yen
- Liquidity in hand: 2.7 months

**Manufacturing resources**

**Global and diversified manufacturing bases**

- Number of manufacturing bases: 24 in Japan, 14 overseas
- Capital expenditures: 11.1 billion yen

**Intellectual resources**

**Supporting the six technologies of TATSU-TAMOTSU**

- R&D expenses: 6.0 billion yen
- Number of R&D personnel: 477
- Number of held patents: 381

**Human resources**

**Human resources that can play as a member of a team with NKK (NICHIAS Kaizen Katsudo)**

- Number of employees: 6,431

**A company that is a good place to work and full of smile culture**

- Rate of paid holidays taken: 78.3%
- Average years of service: 14.2 years

**Social and related capital**

**Relationships of trust with stakeholders and the power of the brand established in the course of the 128 years of history**

**Wide network in close relationship with customers**

- Number of sales bases: 69 in Japan, 9 overseas
- Number of permanent sites: 100 bases

**Coexistence with local communities**

- Number of social contribution activity cases: 380 in Japan, 107 overseas

**Natural capital**

**Manufacturing aiming for minimization of environmental burden**

- Amount of energy used: 68,071 kL (crude oil basis)
- Water consumption: 1,230,000m<sup>3</sup>

### Corporate philosophy

NICHIAS contributes to the Earth's bright future through our "Insulation and Protection" technologies.

### Management Policy

**Five strong points of NICHIAS**

- Centering on TATSU-TAMOTSU™, we operate in combination of various businesses.
- We provide products indispensable for the market.
- We maintain the largest share in the niche market.
- We have a wide network of customers and bases.
- We establish a long-term relationship of trust with customers.

**Six technologies of NICHIAS**

- Insulating from leaks
- Insulating heat
- Insulating noise & vibration
- Protecting from corrosion
- Protecting cleanliness
- Protecting from fire

**Social issues NICHIAS considers important**

- Major risk
- Major opportunity

**Climate change**

- Rise of raw material prices, resulting from the introduction of carbon taxes, etc.
- Rise of energy prices
- Expansion of demands for products and services related to decarbonization and environment protection

**Depletion of resources Biodiversity and other environmental issues**

- Difficulties in procuring raw materials
- Stagnation of production activities
- Acquisition of business opportunities through development of manufacturing methods not relying on natural resources

**Declining birthrate and aging population**

- Loss of the business opportunities caused by labor shortage
- Loss of held technologies
- Improvement of productivity through development of work style reform
- Maintenance of competitiveness through effective dissemination of technologies

**Large-scale disaster**

- Difficulties in procuring raw materials
- Stagnation of production activities
- Establishment of a strong business foundation by reconstructing manufacturing bases.

**Diversity, respect for human rights**

- Accusation from stakeholders because of lack of consideration for diversity and human rights
- Securing diverse human resources by realizing a worker-friendly company culture

### Medium-term management plan

**Management strategies to be achieved in five years from FY2022 to FY2026**

- Establishment of mechanisms "Shikumi" responding to changes in the world, with the aim of realization of a company that is a good place to work and full of smile
- Achievement of the quantitative target of NICHIAS
- Performance Indicators (NPI) for promoting the establishment of mechanisms "Shikumi"
- Improvement of NICHIAS Happiness Value Index

**SHI KU MI 13**

### The major foundation supporting the five businesses

- Development of products with a little burden on the environment
- Efficient production activity
- Reliable quality control system
- Thorough environmental management system
- Sales activities in line with customers' needs
- Corporate governance
- Development and fostering of human resources

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

### OUTPUT

#### NICHIAS Group businesses

See P. 20-24

**Energy and Industrial Plants Business**

Cold retention work, sales of sealing materials, and provision of services such as GASKET KOBO™

**Industrial Products Business**

Sales of thermal insulation materials such as ROSLIM™ Board and filter products such as SOLVENTCLEAN™

**Advanced Products Business**

Sales of fluoropolymer products such as NAFLON™ TUBE and piping heater products like ENETHERMO™ PH.

**Autoparts Business**

Sales of METAKOTE™ and other types of cylinder head gaskets and metallic covers such as INSAL COVER™

**Building Materials Business**

Sales and installation of fire-proofing covering materials like MAKIBEE™ and flooring materials for buildings such as NICHIAS OMEGA FLOOR™

### VISION

Realization of how it should be

NICHIAS contributes to the Earth's bright future through our "Insulation and Protection" technologies.

TATSU-TAMOTSU™ technologies for a brighter future

### IMPACT

**Major SDGs related to value creation**

**Example of economic value**

- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Creation of social effect by the use of various products and services of NICHIAS Group and that of economic effect by sales increase

**Example of social value**

- Contribution to the realization of a sustainable society, such as carbon neutral society
- 7 AFFORDABLE AND CLEAN ENERGY
- 13 CLIMATE ACTION
- Contribution to the realization of recycling-orientated society
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- Contribution to the prevention of air pollution
- 3 GOOD HEALTH AND WELL-BEING
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- Contribution to stakeholders' human-right protection
- 5 GENDER EQUALITY
- 10 REDUCED INEQUALITIES
- Realization of a friendly and bright company
- 3 GOOD HEALTH AND WELL-BEING
- 8 DECENT WORK AND ECONOMIC GROWTH


We have tackled the issues by establishing a Sustainability Promotion Structure so that the NICHIAS Group and society continue to grow sustainably.

**Sustainability Promotion Committee**

It is a challenge imposed on the NICHIAS Group to cope with various issues such as rapid technological progress, changes in information society, and environmental issues like climate change. The NICHIAS Group needs to set and tackle the challenges from a long-term perspective to grow sustainably.

Against such a backdrop, the NICHIAS Group launched the Sustainability Promotion Committee in January 2024 to grow sustainably and keep producing corporate values to realize “a company that is a good place to work and full of smiles.”

2024 is the year of launching NICHIAS's **sustainability initiatives**



Sustainability linked to management enhances corporate values and drives our growth

The Sustainability Promotion Committee sets various challenges that the NICHIAS Group confronts for sustainable growth and takes measures.

**Five subcommittees supporting the Sustainability Promotion Committee**

In the Sustainability Promotion Committee, five subcommittees, the Environment Subcommittee, Society and Personnel Subcommittee, (Corporate) Governance Subcommittee, Digital Subcommittee, and Strategy Subcommittee, set specific challenges with their expertise and tackle them.

Taking the initial letters of each subcommittee, the Committee established a system to promote the NICHIAS Group's sustainability initiatives as ESGD's by adding D (Digital) and S (Strategy) to ESG.



The Environment Subcommittee focuses on measures against climate change, such as reducing GHG emissions to achieve carbon neutrality. In addition, it sets the challenges concerning other environmental issues, including measures for circular economy and protection of water resources and biodiversity, and deals with these challenges.

In the Social and Personnel Subcommittee, members tackle the challenges by discussing the human resources strategies, diversity of work style, and promotion of healthy management to realize the personnel system in harmony with society.

The (Corporate) Governance Committee members discuss the review of the workability and evaluation method of the Board of Directors, response to BCP and risks of information security, and other matters concerning (corporate) governance that is the foundation of the Group. Regarding compliance, which is very important for NICHIAS, the Committee establishes the mechanism so that the Group companies, including those overseas, can achieve thorough observation.

The Digital Subcommittee strategically sets and discusses challenges, such as promoting AI and IoT, while looking ahead to the future so NICHIAS can respond to the recent rapid digitalization.

The Strategy Subcommittee deals with the challenges concerning the formulation of Sustainable Policy, identification of materiality of the NICHIAS Group, and establishment of the mechanism that enables the other four subcommittees to be managed without any trouble.

We will make efforts to realize sustainable management so that the NICHIAS Group and society can grow sustainably through solving various issues under the leadership of the Sustainability Promotion Committee.

**Energy and Industrial Plants Business**

The Energy and Industrial Plants Business provides heat-retention, cold-retention, fire-resistant, and soundproofing work, as well as various sealing materials and insulation products, and establishes a long-term relationship of trust with customers who belong to a wide variety of industries such as construction and maintenance. We will continue to contribute to the development of society by taking advantage of the strength of the Insulation Contract Department and Product Department for the commercialization of products and services associated with carbon neutrality and through implementing total support service by developing manufacturing methods and products as well as by insulation contract, installation, and provision of products.



**Mikio Torizuka**  
Division Director of Energy and Industrial Plants Division

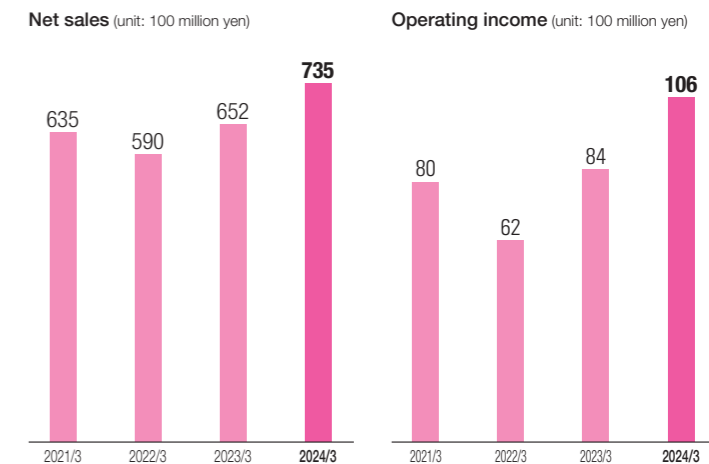
**Mainstay products, services**



Installation contract of Industrial thermal insulation | Heat retention function recovering method | Mobile service truck for gasket processing

**Looking back on FY2023**

In FY2023, consolidated net sales increased by 12.7% from the previous year to 73,518 million yen, and operating income increased by 25.6% to 10,580 million yen, achieving a record high in both sales and income. In particular, the results were driven by increased demand for safety measures contracts to restart nuclear power plants, maintenance for petroleum refineries and petrochemicals, and refrigerated freezer warehouses. In FY2024, it is expected that market environment for plants will grow steadily. While customers in each plant field have been transforming their business structure in response to carbon neutrality, our activities to participate in next-generation energy infrastructure projects, the challenges of this business, are making steady progress.



**Segment strategy**

- Provision of unique total support services through the development of new manufacturing methods and products and provision of insulation contracts, installation, and products
- Contribution to the reduction of the environmental burden of customers with differentiated engineering services like energy-saving diagnosis system
- Promotion of participation in the new-generation energy infrastructure projects and development of new manufacturing methods and products for carbon neutrality

**Future initiatives**

We offer insulation contracts and products for the energy-saving and maintenance demands of the existing facilities, taking advantage of the differentiated engineering services. For example, Thermofit™, the energy-saving diagnosis system, contributes to customers' reduction of CO<sub>2</sub> emissions by responding to the matter with a one-stop solution from identification of heat loss to countermeasures and confirmation of the effect. BT Master™, the flange joining skill diagnosis system, contributes to the safety and stable operations of plant facilities by developing operators engaged in flange joining works.

We develop new manufacturing methods and products that respond to new facilities for fuel conversion to hydrogen and ammonia, which customers proceed with to realize carbon neutrality.

We aim to value the long-term relationship of trust with customers and establish the mechanisms that all parties involved in this business to work brightly and happily and grow sustainably for a long time through engaging in the challenges of realizing the work-style reform.



Energy-saving diagnosis system (an example of Thermofit)

Flange joining skill diagnosis system BT Master

## Industrial Products Business

The Industrial Products Division, which is responsible for the Industrial Products Business, is positioned as the main business division of the entire company. Its most prominent feature is that it has many production groups, such as sealing materials, insulations, fluororesin products, and filter products, and provides products to a comprehensive range of industrial fields. In addition to enhancing our existing businesses, we will operate the businesses to fulfill our mission of creating new businesses by keeping an eye open for environmental changes and changes in the market, like technological innovations, and entering prospective growth industries.

### Mainstay products



Gasket



Rock wool MG products



Pipe lining



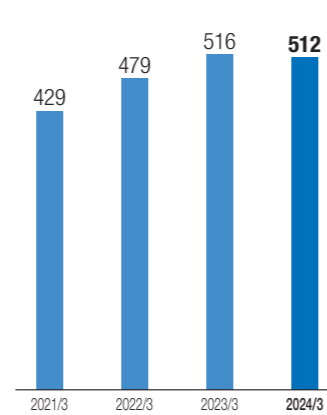
Hiroki Asada  
Division Director of Industrial Products Division

### Looking back on FY2023

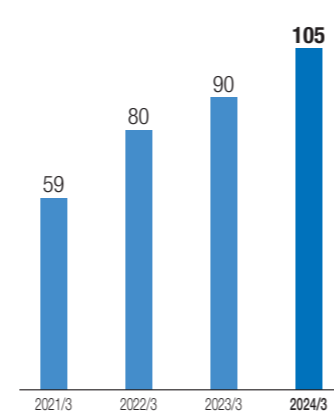
In FY2023, fields like sealing materials, rock wool MG products, medical equipment, and food manufacturing machines steadily grew. However, due to decreased demand for smartphones and PCs, semiconductor and electronic component markets continued sluggish. And, partly because of the slow economy in China, the market environment of fluororesin material and filter products were harsh. On the other hand, materials for semiconductors, which belong to the upstream semiconductor market, especially those related to high-purity drug-solution-manufacturing facilities, saw strong investment in anticipation of medium- to long-term market growth. Fluororesin pipe lining products performed well.

In the latter half of the fiscal year, since a sign of recovery became visible in the markets with a wider economy, such as automobile, semiconductor, and electronic components, we are preparing to minimize the opportunity loss in the future.

Net sales (unit: 100 million yen)



Operating income (unit: 100 million yen)



### Segment strategy

- Maximization of sales opportunities by strategy for 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

### Future initiatives

The Industrial Products Business has been expanding the filter business with China as its main target. However, new investment in automotive lithium-ion batteries is shifting from China to Europe and the US due to the EV-related policies of Europe and the US to protect their domestic industries. Demand for honeycomb products (dehumidification rotor) for industrial dehumidifiers is expected in this field. Therefore, we will shift the axis of our sales expansion activities to Europe and the US.

Various devices and equipment have been developed and verified in fields like fuel conversion and green hydrogen manufacturing, aiming to realize carbon neutrality. RF MOLD™ PH, a panel heater with a heat source embedded in ceramics, is a product that can be heated cleanly without emitting exhaust gases through electric heating. The product is attracting attention against a backdrop of decarbonization. Using these products and the generous product lineup of the Industrial Products Business, we will create new values by proposing insulations, sealing materials, fluororesin, and other products for prospective growth industries.



Dehumidification rotor



RF MOLD PH

## Advanced Products Business

The Advanced Products Business will offer the semiconductor market differentiated products and technical services. At the same time, we will make proposals that would lead to energy-saving for customers so that they can realize a sustainable society and will proactively be engaged in recycling and reuse. We aim to play an indispensable role for customers and the semiconductor market by surely receiving customers' requests, prioritizing the provision of the optimum solutions, and building a relationship of trust.

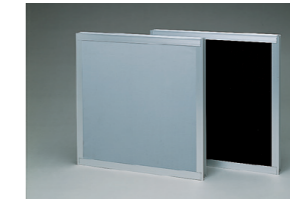
### Mainstay products



PFA for drug solution transportation



Piping heater



Chemical filter

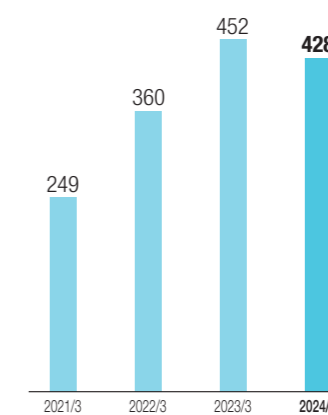


Yukinori Ryuko  
Division Director of Advanced Products Division

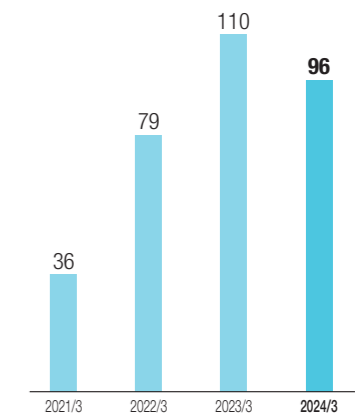
### Looking back on FY2023

In FY2023, the semiconductor market, especially the memory market, declined significantly due to sluggish demand for servers for data centers, PCs, and smartphones. However, the market did not show a decline as expected because it was supported by strong investment in the mature generation in the Chinese market. Although there was a decline in market conditions, we could improve productivity through automation and expansion of the production capability in preparation for the next increase in demand (capital investment, optimization of production base, etc.). Product development (energy-saving products, etc.) that will lead to future sales has progressed. In FY2024, we expect the market to recover significantly, especially from the second half onwards, driven by AI-related investments. We anticipate an increase in sales and profit compared to the previous term.

Net sales (unit: 100 million yen)



Operating income (unit: 100 million yen)



### 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

### Future initiatives

In the semiconductor market, which grows from a medium- to long-term perspective, we will be engaged in the business to become an indispensable division for customers more than ever, focusing on the following four points.

- 1) Establishment of a relationship of trust with customers through total solution
- 2) Development of differentiated products and environmentally-friendly products
- 3) Establishment of stable production structure through adopting automation in addition to advanced business investment
- 4) Strengthening of the response to BCP through establishing the supply chain aiming for distribution of production bases and stable procurement.



Utilizing Ohji Factory with the purpose of BCP and strengthening production of fluororesin processed products (New building 1, Ohji Factory)

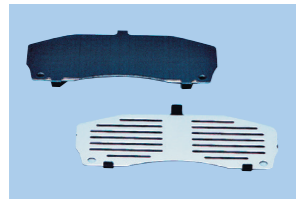


Expanded the production area of FUKUSHIMA NICHIAS CORPORATION as part of the efforts to strengthen the production of nonorganic insulation products. (Factory 8, FUKUSHIMA NICHIAS CORPORATION)

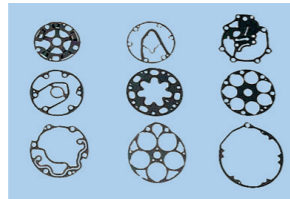
## Autoparts Business

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 in Japan and overseas. By building a framework that runs from material development right through to design, assessment, manufacturing, and quality assurance, Nichias meets diverse needs and receives high praise and trust from its customers. As the electrification of automobiles accelerates, we will proceed with product development, anticipating the needs of diversifying automobile manufacturers, reducing CO<sub>2</sub> emissions, and taking other measures.

### Mainstay products



Brake shims



Gasket for air-compressor



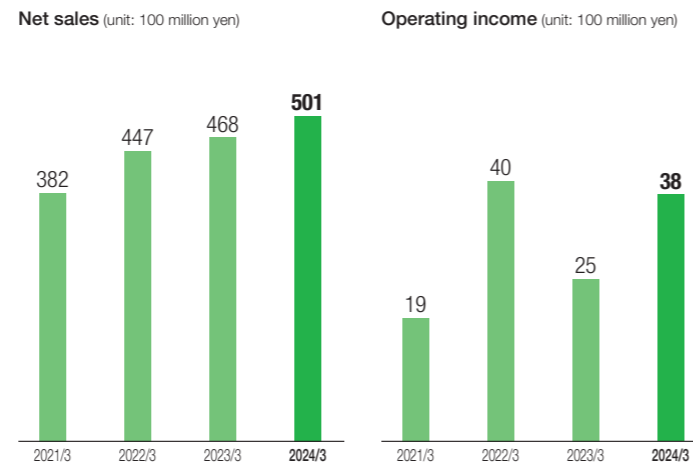
Resin parts for automobiles



Hironobu Imanaka  
Division Director of Autoparts Division

### Looking back on FY2023

The automobile industry, especially that of Japan, saw a recovery due to the elimination of the shortage of automotive semiconductors. As a result, the production volume of each automobile manufacturer showed a recovery trend. In China, the biggest market, production of internal combustion cars decreased due to increased demand for EVs. In such a market environment, net sales increased by 7.2% from the previous year to 50.1 billion yen due to increased global production volume. Operating income increased by 52% to 3.8 billion yen due to progress in passing on higher raw material and energy prices, in addition to increased sales and the effect of yen depreciation.



### 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

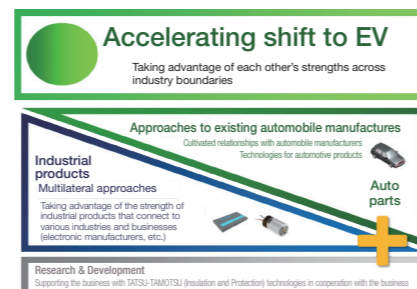
### Future initiatives

Regarding the business of internal combustion engines, against the backdrop of the electrification trend, a demand decrease 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.



Example of optimization: Aggregation of production in North American area (NAX MFG, S.A. DE C.V.)

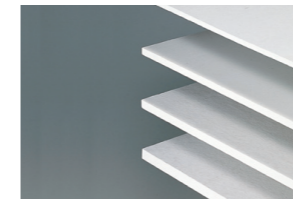


Development of next-generation business exploration project

## Building Materials Business

The Building Materials Business is responsible for developing, manufacturing, selling, and installing building materials products equipped with non-combustible function, heat insulation, fire resistance, sound insulation, and other functions in line with the characteristics of various buildings. We will keep seeking out the values that can be offered with "TATSU-TAMOTSU (Insulation and Protection)" technologies cultivated over a long history also in the construction industry, and will try to gain the trust of as many customers as possible. In the future, we will work hard to develop environmentally friendly products required in a decarbonization society.

### Mainstay products



Interior noncombustible materials



Wrap-Type Fire-proofing Covering Materials



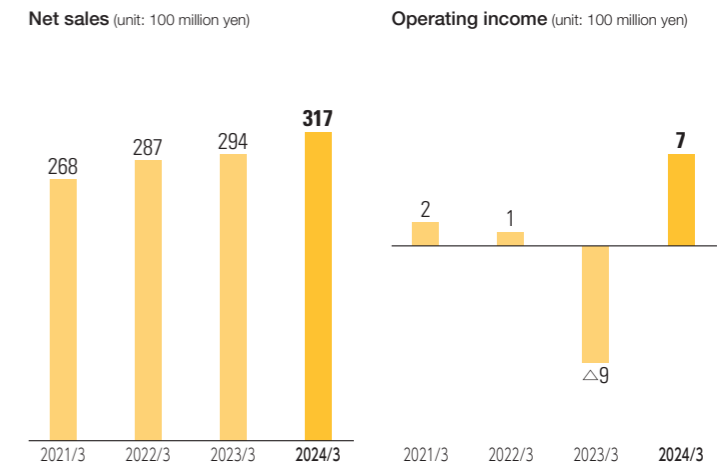
Raised-Access Floor Systems



Hiroyuki Tomimatsu  
Division Director of Building Materials Division

### Looking back on FY2023

In FY2023, the construction industry suffered from a harsh management environment because foreign exchange rate fluctuations, rising material costs, and labor shortages escalated, exerting upward pressure on costs. Despite such circumstances, sales of this business increased compared to the previous fiscal year thanks to the steady growth of the fire-proof covering business, the major part of this business, and increased product price associated with a rise in raw material price. Regarding profit and loss, operating income increased compared to the previous fiscal year, and revenue improved significantly due to the following reasons: withdrawal from the unprofitable rock wool insulation materials business in line with our policy of "selection and concentration of businesses" and, as mentioned above, the steady progress in raising product prices.

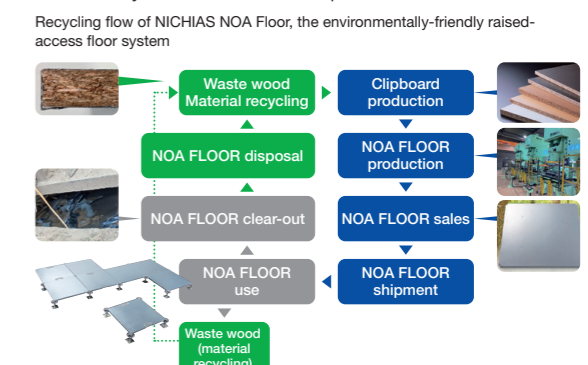


### Segment strategy

- Expansion of the market opportunities by developing new applications of the existing products and creation of new businesses through internal and external synergies
- Strengthening of resources to respond to technologies for expanding sales to overseas markets where demand is increasing and establishment of an efficient sales system
- Strategic business development of environmentally friendly products for realizing a decarbonized society and proactive approaches to the market

### Future initiatives

Wrap-type fire-proofing covering materials have been adopted by many large-scale logistics facilities, and we have been experiencing high demand for them. Now that construction of those facilities has slowed, we are trying to acquire market opportunities by strategically developing new applications and entering overseas markets. In the Raised-access Floor System business, we positioned NICHIAS NOA FLOOR™, an environmentally-friendly product launched in 2023, as a strategic product for realizing a decarbonized society and trying to strategically enter the market where reduction of environmental burden is required. To expand the next-generation business portfolio, we will enhance the foundation by increasing the opportunities to promote young human resources with diversified perspectives and expertise and focus on the development of new products and services through taking advantage of open innovation centering on the Business Development Department that was launched this year and promoting cooperation with external organizations and companies.



Research and development and production systems of the NICHIAS Group that generate products and services that are the embodiment of the TATSU-TAMOTSU™ (Insulation and Protection) technologies. In collaboration with the business divisions, we are engaged in manufacturing that serves society.

## Research & Development

### Message from the Division Director of the Research & Development Division

As significant changes have been made in various fields, the Research & Development Division is required to prepare the “seeds” for the next technologies. Environment-related challenges such as carbon neutrality and resource recycling for sustainable growth are restrictions and, at the same time, opportunities for taking on a challenge. The accelerated development of information communication represented by AI and semiconductor industries has spilled over into the supporting industries, demanding the evolution of components and materials. Technological assets of the NICHIAS Group that respond to them are the “TATSU-TAMOTSU (Insulation and Protection)” technologies. We consider that expanding and upgrading these technologies and applying them to the products are the methods that sustainably support the industry.

“TATSU-TAMOTSU (Insulation and Protection)” technologies have become the current six technologies as a result of responding to the requests of the times and market. We will continue to conduct activities to create new technologies by pursuing “TATSU-TAMOTSU (Insulation and Protection)” technologies in response to the requests of the times. For details, see the feature article on P. 11 to P. 12.



Kiyoshi Sato  
Division Director of Research & Development Division

## Production

### Message from the Division Director of Production Headquarter Division

In recent years, technological innovation has progressed in all fields. You must be all aware of the speed and magnitude of change. Also, in the business areas to which NICHIAS is related, we expect major changes to continue. For example, there will be a large-scale shift in energy sources and medium- to long-term expansion of demand for semiconductors in line with the growth of the AI market. I consider the success or failure of our response will lead to a corporate opportunity and risk. At the same time, initiatives such as reducing environmental burdens as a social role of the company and social issues, including response to labor shortage, are also essential. In manufacturing at NICHIAS, we are engaged in implementing production strategies and the evolution of manufacturing to respond to those issues promptly and appropriately. To this end, securing human resources, buildings, production facilities, and other production resources is indispensable. The NICHIAS Group will continue working on the proactive investment and technological evolution to secure these resources.



Satoshi Tanabe  
Division Director of Production Headquarter Division

### Main Initiatives

Let us introduce some representative actions regarding the development of “TATSU-TAMOTSU (Insulation and Protection)” technologies.

#### 1. Contribution to the shift to renewable energy

In Japan, where suitable areas for renewable energy production are limited, renewable energy needs to be converted into some kind of energy carrier for storage and transportation. Carriers suitable for importing energy from overseas include liquid nitrogen and ammonia. Liquefied hydrogen is an energy carrier that excels at volumetric efficiency, etc., but liquefaction requires cryogenic temperatures of -253°C. Here, we think there is an area where the NICHIAS Group can contribute and deal with the establishment of evaluation and design technologies for insulation and other materials. So far, in the area of high-temperature insulation, the NICHIAS Group has contributed to society not only in development but also in basic technologies, such as the establishment of ISO standards for thermophysical property measurements. We will master the “protection” technologies that people rely on in extremely low-temperature fields as well.

#### 2. Contribution to information communication and the semiconductor industry

The increase in the speed of information communication equipment knows no bounds. Fluororesin is a prospective

material for the next-generation 5G/6G substrate due to its low transmission loss. However, fluororesin has weaknesses in a high thermal expansion coefficient, poor adhesion, and difficulty in compositing with copper foil and other circuit materials. We now have a prospect for technical measures to overcome thermal expansion and adhesion problems, and we are accelerating the research and development. [See P. 13](#)

In the semiconductor industry, there are increasing requests for manufacturing device components in response to the technologies for miniaturization of semiconductor elements and conversion to 3D. The NICHIAS Group has been engaged in the development of fluorinated rubbers with excellent heat and corrosion resistance to refine our cross-linking technology. We are continuously working on rubber cross-linking technologies that realize higher performance.

#### 3. Contribution to carbon neutrality

Thermal insulation technologies directly respond to carbon neutrality by saving energy from heat-using equipment. We are engaged in (1) development of technologies to improve the performance and user-friendliness of thermal insulation and cryogenic insulation, (2) development of thermal diagnosis technologies that visualize the necessity of thermal insulation and cold retention, and other efforts. [See P. 14](#)

### Main Initiatives

In the medium-term management plan, the following four important policies are being addressed. The first policy is “creation of a safe and secure workplace.” Aiming to be a factory that can offer employees and local residents reassurance, we proactively improve safety and the environment. Our focus is also on updating and improving dilapidated buildings and facilities and measures for disaster prevention.

In addition, in terms of safe production, we are dedicated to strengthening the supply chain.

The second is “far-sighted securing of production resources.” We consider strategically securing buildings, facilities, and human resources to respond flexibly to changes in the business.

The third is “promotion of decarbonization.” In our production bases in Japan and overseas, we proactively install solar panels to restructure the business and convert and improve manufacturing methods considering decarbonization.

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



From left, New Building 1, New Building 2, New Building 3 of Ohji Factory (completed in June 2024)

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).

### Future Challenges and Outlook

To accelerate the sophistication of material technologies, we started to use a high-brightness synchrotron radiation facility, NanoTerasu, which was set up at Tohoku University this April. NanoTerasu is the world’s most advanced X-ray facility for materials analysis. It was established by the Japanese government to strengthen the country’s research capabilities and increase productivity. In addition to the capability of NanoTerasu, we also endorsed the mechanisms of “coalition” that produce results in partnership between industry and academia. The NICHIAS Group joined it in March 2024. The NICHIAS Group has used various evaluation facilities, including devices using X-rays to analyze materials. NanoTerasu will be a powerful addition to our tools. We will further accelerate the development of our materials and new products.

The evolution of research and development by digital transformation is also an important issue. 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) and examine how to use it in a NICHIAS Group’s way. There may be excellent information analysis tools and AI technologies. However, whether to use it depends on people’s ability. In the Research Laboratory, we are committed to developing not only human resources that can utilize information technologies but also those who can use “TATSU-TAMOTSU (Insulation and Protection)” technologies. We continue to provide technical human resources in the NICHIAS Group, which will help us offer products and services that help people in society.

\* Utilizing digital technologies for developing materials.



NanoTerasu

### 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, shortage of labor due to a decrease in working population, and expansion of semiconductor industry.

Although there are many challenges to be imposed on our production system, we will strengthen systemization from automation and digitalization more than ever and promote manufacturing to become a smart factory.

One of the indispensable elements is securing and development of human resources. We would like to proactively employ those with experience in factory internships and 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 would like to aim for “human- and earth-friendly manufacturing.”

# List of Officers (as of June 27, 2024)

## Director



**Katsumi Kametsu**

Representative Director President & 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 Representative Director President and Chief Executive Officer of NICHIAS (current position)



**Tsukasa Yamamoto**

Representative Director & Senior Managing Executive Officer

Mar-86 Joined NICHIAS  
 Jun-18 Executive Officer of NICHIAS  
 Jun-21 Director & Executive Officer of NICHIAS  
 Jun-22 Representative Director & Senior Managing Executive Officer of NICHIAS (current position)  
 June of the same year In charge of internal control, compliance, CSR, accounting  
 Oct-23 In charge of internal control, compliance, sustainability and Accounting of NICHIAS (current position)



**Satoshi Tanabe**

Director & Senior Managing Executive Officer

Apr-89 Joined NICHIAS  
 Jun-13 Executive Officer of NICHIAS  
 Apr-14 Division Director of Technical Division of NICHIAS  
 Jun-19 Director & Executive Officer of NICHIAS  
 Jun-21 Director & Managing Executive Officer of NICHIAS  
 Oct-23 Overseeing Production, Safety and Health, Environment, and Quality Assurance Departments of NICHIAS (current position)  
 Apr-24 Division Director of Production Headquarter Division of NICHIAS (current position)  
 June of the same year Director & Senior Managing Executive Officer of NICHIAS (current position)



**Kiyoshi Sato**

Director & Managing Executive Officer

Jun-03 Joined NICHIAS  
 Jun-16 Executive Officer of NICHIAS  
 Apr-18 Division Director of Research & Development Division of NICHIAS (current position)  
 Jun-21 Director Executive Officer of NICHIAS  
 Oct-23 In charge of Research & Development and Digitalization Promotion of NICHIAS (current position)  
 Apr-24 Director & Senior Executive Officer of NICHIAS  
 June of the same year Director & Managing Executive Officer of NICHIAS (current position)



**Yukinori Ryuko**

Director & Senior Executive Officer

Sep-88 Joined NICHIAS  
 Jun-17 Executive Officer of NICHIAS  
 Jun-21 Division Director of Advanced Products Division (current position)  
 Jun-22 Director & Executive Officer of NICHIAS  
 Oct-23 In charge of Sales Department of NICHIAS (current position)  
 Apr-24 Director & Senior Executive Officer of NICHIAS (current position)



**Yoichi Eto**

Outside Director

Apr-78 Registered as lawyer (current position)  
 Apr-10 President of Daiichi Tokyo Bar Association and Vice President of Japan Federation of Bar Associations  
 Jun-11 Outside Audit & Supervisory Board Member of NICHIAS  
 Jun-15 Outside Director of NICHIAS (current position)



**Yoko Wachi**

Outside Director

Apr-89 Registered as lawyer (current position)  
 April of the same year Joined Kajitani Law Office (current position)  
 Jun-15 Outside Audit & Supervisory Board Member of NICHIAS  
 Jun-19 Outside Director of NICHIAS (current position)  
 Jun-23 Outside Director of S.T. CORPORATION (current position)



**Yasushi Manabe**

Outside Director

Apr-79 Joined Hitachi, Ltd.  
 Apr-17 Vice President and Executive Officer, Deputy Director General Corporate Sales & Marketing Group, CMO of Industry & Distribution Business, Water & Urban Business of the company  
 Jun-21 Outside Director, MGC (current position)  
 Jun-24 Outside Director of NICHIAS (current position)

## Auditor



**Mitsuru Nose**

Full-time Audit & Supervisory Board Member

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



**Kazuyuki Motohashi**

Full-time Audit & Supervisory Board Member

Oct-89 Joined NICHIAS  
 Jun-24 Full-time Audit & Supervisory Board Member of NICHIAS (current position)



**Sachiko Murase**

Outside Audit & Supervisory Board Member

Apr-95 Joined NICHIIA Co., Ltd.  
 Sep-08 Registered as lawyer (current position)  
 Nov-15 Outside Audit & Supervisory Board Member of BUNKYODO GROUP HOLDINGS Co., Ltd. (current position)  
 Sep-18 Joined Kudanzakaue Law Office (current position)  
 Jun-19 Outside Audit & Supervisory Board Member of NICHIAS (current position)  
 Jun-20 Maxell Holdings, Ltd. (currently Maxell, Ltd.)  
 Outside Director (current position)  
 Jun-24 Outside Director of NIPPON CHUZO.K.K. (current position)



**Nobuhiko Takano**

Outside Audit & Supervisory Board Member

Apr-75 Joined Fukuoka Regional Taxation Bureau  
 Jul-16 Regional Commissioner, Kumamoto Regional Taxation Bureau  
 Aug-17 Registered as certified public tax accountant (current position)  
 August of the same year President, Nobuhiko Takano Accountant Office (current position)  
 Mar-18 Outside Director (Audit & Supervisory Committee Member) of Toagosei Co., Ltd. (current position)  
 Jun-20 Outside Audit & Supervisory Board Member of NICHIAS (current position)



**Masatoshi Deguchi**

Outside Audit & Supervisory Board Member

Apr-82 Joined Sumitomo Corporation  
 Apr-17 Executive Officer and General Manager of Internal Auditing Department of the company  
 Apr-19 Managing Executive Officer of Sumitomo Precision Products Co., Ltd.  
 Jun-20 Representative Director, Senior Managing Executive Officer, and General Manager of Corporate Management Division of the company  
 Sep-23 Outside Director (Audit & Supervisory Committee Member) of TechnoPro Holdings, Inc. (current position)  
 Jun-24 Outside Audit & Supervisory Board Member of NICHIAS (current position)



### Message from an Outside Auditor

#### Sachiko Murase

Outside Audit & Supervisory Board Member

— **What do you think of the way an auditor should be as a function to check the Board of Directors?**

As an auditor, I focus on active discussion from an independent and objective standpoint at Board of Directors meetings. Since I am an Outside Auditor, I try to give appropriate opinions based on the external perspective.

— **From the perspective of an audit, do you think NICHIAS's Board of Directors functions?**

Internal and external officers can speak freely and take sufficient time in discussion in an open environment where participants respect each other's opinions. Materials for the Board of Directors meeting, which show the agenda clearly, are distributed in advance. Outside officers also regularly participate in the factory manager's meetings to experience the atmosphere of the business. I believe those facts contribute to the active deliberations.

— **What do you think are the challenges NICHIAS faces in corporate governance?**

I think effective corporate governance is realized in NICHIAS at the moment. The Nomination Committee and Remuneration Committee, the advisory bodies of the Board of Directors, consist of members including more than one outside officer and offer opportunities for open discussions. Apart from the Board of Directors meetings, opportunities for exchanging opinions are set regularly for outside officers and Representative Directors so that they can actively discuss the challenges to be tackled by NICHIAS to realize sustainable growth from a mid-to-long-term perspective. Be that as it may, realizing effective corporate governance is an endless effort. So, I would like to keep paying attention to it.

— **How do you take advantage of your career and experience as an Outside Auditor? And how do you plan to fulfill your role?**

I try to stimulate the discussions by giving opinions from a multilateral perspective, taking advantage of the experience and knowledge acquired as a lawyer and outside officer of other companies. I will continue to fulfill my responsibilities as an Outside Auditor, always keeping in mind what is necessary to improve the corporate value of the NICHIAS Group.

The NICHIAS Group emphasizes the active role of diverse human resources, aiming to strengthen human capital. Since the success of female employees is also an important element, I participated in a roundtable discussion with female employees together with Outside Director Wachi and exchanged opinions open-heartedly. I would like to keep communicating with employees as needed and further deepen my understanding of the NICHIAS Group to improve the workability of the audit.

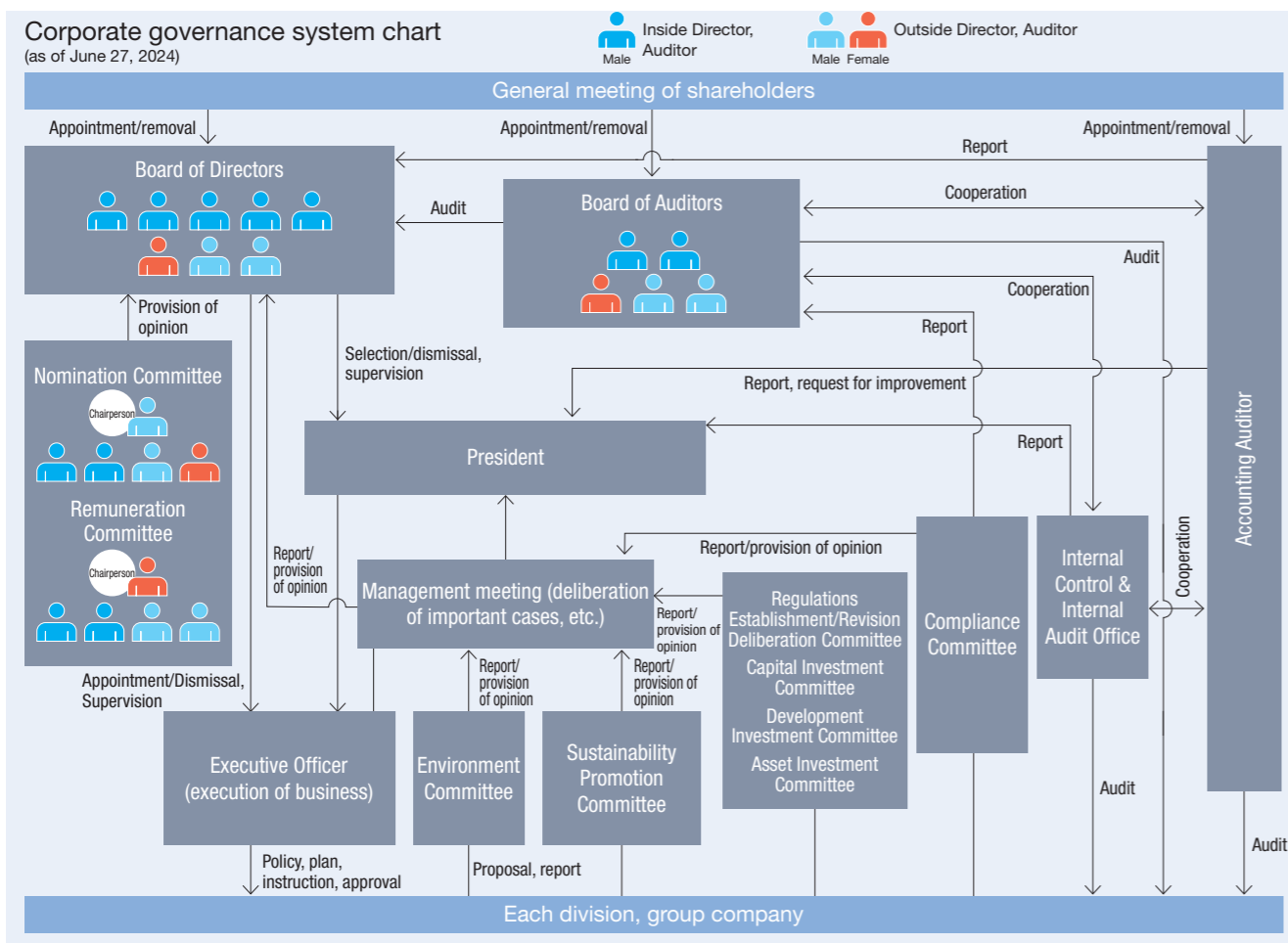
— **Please provide us with your opinion regarding the expectations and challenges of the NICHIAS Group for realizing sustainable growth.**

One of the important management challenges for contributing to the earth's bright future through the Group's TATSU-TAMOTSU (Insulation and Protection) technologies and realizing sustainable growth is to execute business selection and focus without hesitation from the mid-to-long-term perspective. To this end, sufficient examination from a multilateral perspective is required. I would like to do my best and utilize my experience as an outside officer at other companies.

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.



Outline of Board of Directors, Board of Auditors, Nomination Committee, Remuneration Committee (FY2023 results)

	Name	Attendance status of each meeting			
		Board of Directors	Board of Auditors	Nomination Committee	Remuneration Committee
Director	Katsumi Kametsu	15/15 meetings	—	1/1 meeting	1/1 meeting
	Tsukasa Yamamoto	15/15 meetings	—	1/1 meeting	1/1 meeting
	Shoichi Yonezawa	5/5 meetings	—	—	—
	Satoshi Tanabe	15/15 meetings	—	—	—
	Kiyoshi Sato	15/15 meetings	—	—	—
	Yukinori Ryuko	15/15 meetings	—	—	—
	Yoichi Eto	15/15 meetings	—	1/1 meeting	—
	Yoshito Hirabayashi	15/15 meetings	—	1/1 meeting	—
	Yoko Wachi	15/15 meetings	—	—	1/1 meeting
Auditor	Junichi Nakasone	5/5 meetings	—	—	—
	Hiroaki Seki	15/15 meetings	12/12 meetings	—	1/1 meeting
	Mitsuru Nose	10/10 meetings	10/10 meetings	1/1 meeting	—
	Isao Iwabuchi	15/15 meetings	12/12 meetings	1/1 meeting	—
	Sachiko Murase	15/15 meetings	12/12 meetings	—	1/1 meeting
	Nobuhiko Takano	15/15 meetings	12/12 meetings	—	1/1 meeting

### 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. 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 the figure below](#)

In Fiscal Year 2023, 15 meetings were held (excluding resolutions in writing). 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.

### 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.

### 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 majority of the chairperson and Committee members consist of Outside Directors and Outside Auditors.

In FY2023, the committee was held once where it selected potential directors. When selecting the candidates for Directors and Executive Officers, the career and performance record of the candidates, the composition of the entire Board of Directors, the term of office of each Director, and other issues were discussed carefully.

Members as of June 27, 2024  
 Chairperson: Yoichi Eto (Outside Director)  
 Committee member: Katsumi Kametsu (Representative Director President & Chief Executive Officer), Mitsuru Nose (Full-time Audit & Supervisory Board Member), Yasushi Manabe (Outside Director), Sachiko Murase (Outside Audit & Supervisory Board Member)

### Remuneration Committee

The Remuneration Committee, in which the majority of the chairperson and other Committee members consist of Outside Directors and an Outside Auditor, 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 2023, the Remuneration Committee meeting was held once, with active discussions regarding the remuneration system and remuneration levels for directors.

Members as of June 27, 2024  
 Chairperson: Yoko Wachi (Outside Director)  
 Committee member: Katsumi Kametsu (Representative Director President & Chief Executive Officer), Kazuyuki Motohashi (Full-time Audit & Supervisory Board Member), Nobuhiko Takano (Outside Audit & Supervisory Board Member), Masahiko Deguchi (Outside Audit & Supervisory Board Member)

### Management Meetings

To ensure prompt decision-making, Management Meetings deliberate business management matters for which the Board of Directors delegates the authority. Management Meetings are, in principle, held once a week, and are attended by directors, audit & supervisory board member(s), and executive officers & division managers. In FY2023, a total of 49 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 27, 2024)

	Name	Expertise and experience of Directors (skill matrix)	Expertise and experience of Directors (skill matrix)				
			Corporate management, strategy	Finance, accounting	Legal affairs, compliance	Sales, marketing	Manufacturing, development
Director	Katsumi Kametsu	Representative Director President & Chief Executive Officer	○	○	○	○	○
	Tsukasa Yamamoto	Representative Director, Senior Managing Executive Officer	○	○	○	○	○
	Satoshi Tanabe	Director & Senior Managing Executive Officer	○	○	○	○	○
	Kiyoshi Sato	Director & Managing Executive Officer	○	○	○	○	○
	Yukinori Ryuko	Director & Senior Executive Officer	○	○	○	○	○
	Yoichi Eto	Outside Director	○	○	○	○	○
	Yoko Wachi	Outside Director	○	○	○	○	○
	Yasushi Manabe	Outside Director	○	○	○	○	○

\* The 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 compensation and stock-based compensation to provide incentives. However, regarding the remuneration of Outside Directors, considering their job responsibilities, only fixed compensation shall be paid.
- b. The amount of the fixed compensation shall be set within 32 million yen per month. Stock-based compensation 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 compensation, 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 compensation and stock-based compensation 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 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\* (FY2023 results)

Category	Total amount of compensation, etc.	Total amount of compensation, etc. by type		Number of officers covered
		Fixed compensation	Stock-based compensation	
Directors (excluding Outside Directors)	258 million yen	237 million yen	21 million yen	6 people
Auditors (excluding Outside Auditors)	41 million yen	41 million yen	—	3 people
Outside Director	40 million yen	40 million yen	—	3 people
Outside Auditor	21 million yen	21 million yen	—	3 people

\* The number of people that receive the compensation, the total amount of compensation, etc., include those for a director and an auditor who retired due to termination of the term as of the conclusion of the 207th General Meeting of Shareholders held on June 29, 2023.

### Workability Assessment of Board of Directors (FY2023)

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.
- 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 Outside Directors and the Board of 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 2023, 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

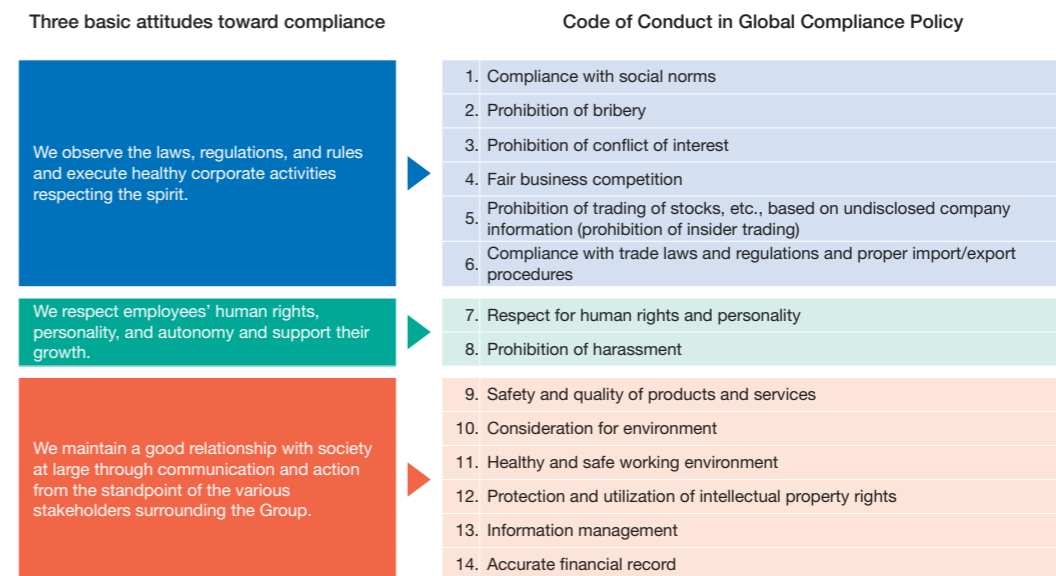
In running the company and as a member of society, the NICHIAS Group engages in compliance efforts based on social norms and common sense, as well as complying with laws and regulations and the Articles of Incorporation, in order to build good relationships with its many stakeholders.

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.

#### Establishment of Global Compliance Policy

The NICHIAS Group has, based on the NICHIAS Philosophy, positioned the execution of compliance as the most important management issue in performing global and healthy management. The important items to be observed by the entire NICHIAS Group have been put together into the Global Compliance Policy.

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



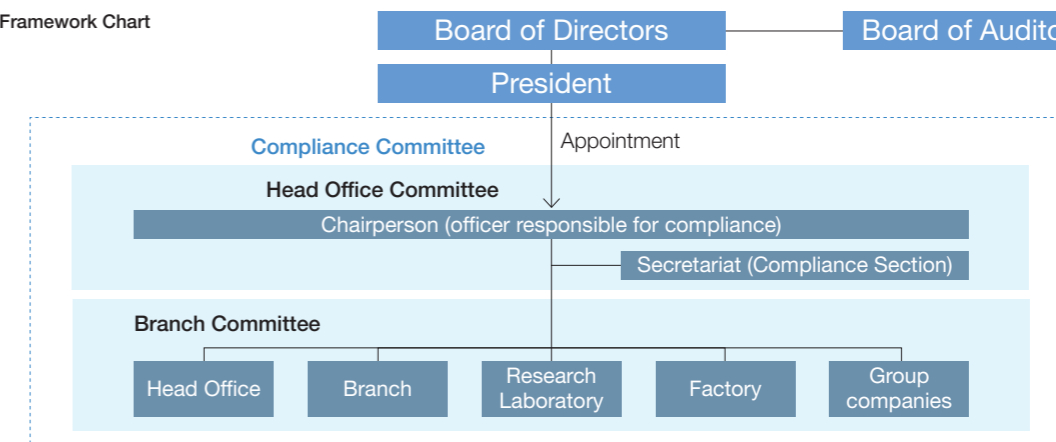
#### Compliance Framework Based on Worksite

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.

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 FY2023, considering the prevention of compliance-related risks, we conducted training programs by internal lecturers who belong to the respective office and Group companies, prepared the structure to promote the awareness-raising activities of each work place, and gave e-learning programs targeting all employees like the previous year, to stimulate each work place's efforts for seeing the compliance-related issues as their personal issues.



Compliance awareness using four-panel comics



FY2023 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, 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 75 whistleblower reports in FY2023. Appropriate action was taken for each report.

**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 FY2023, in addition to rank-specific training, training to understand the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade through case studies was conducted as part of compliance education held at each location. In the training, we explained the details of these laws and regulations and precautions to prevent violations and ensured awareness of and compliance with laws and regulations. And, NICHIAS also organized e-learning training for the officers and employees of the Company. During this training, matters that staff members must be careful of were explained using specific case studies as the subject of the training material.

Furthermore, NICHIAS is actively working to achieve desirable business practices with its subcontractors through, for example, disseminating the guidelines announced by the Fair Trade Commission regarding price negotiations for appropriate ways of passing the labor cost on the price. Through those activities, the NICHIAS Group ensures fair competition and transactions.

**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 auditing office under the president's direct control to systematically implement internal auditing of the NICHIAS Group based on the Regulations on Internal Audit. The audit results are reported to the management and Board of Directors meetings.

In FY2023, an internal audit was performed targeting four bases of NICHIAS itself and 10 of the Group companies (four in Japan and six overseas). We have confirmed that the management conditions in each of these bases are good. We also drafted and submitted an "Internal Control Report" determining that the internal controls concerning financial reporting of the NICHIAS Group were effective.



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 safe, reliable, and useful for its customers.

**Message from the Division Director of Corporate Administration Division**

"To provide the environment where employees feel no stress in working, feel a sense of satisfaction, and think they are pleased that they work there." This is the objective of the Corporate Administration Division in the medium-term management plan.

To achieve this objective, we will enhance the system for diverse work styles, place the right people in the right positions more effectively, improve motivation, prepare appropriate working infrastructure, and take other measures to establish an unconventional future-oriented "worker-friendly environment."

In addition, we will try to make employees grow further through their work, find self-fulfillment, and improve engagement by offering an "environment providing job satisfaction," that is, a well-established training system in which employees can feel their growth, a personnel system that evaluates them properly when they make efforts willingly in practice, work innovation with digital transformation, etc.

With those initiatives, we discover employees' potential and further develop human capital that creates new values to continue to create an "environment that makes employees think 'I'm glad to work here.'"



Hironori Matate  
Division Director 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 promote 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	FY2021	FY2022	FY2023	FY2026 target
Ratio of full-time female employees	18.4%	18.7%	18.1%	25.0% or more
Rate of paid holidays taken	65.3%	71.0%	78.3%	70.0% or more
Average overtime work per month	14.8 hours	13.8 hours	13.6 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. Positioning the health of the workplace, body, and mind as three important items that require measures, we build the "mechanisms" of health and are proactively engaged in the health management of employees.

**Certification of “Company of Excellent Healthy Management 2024 (Large-scale Company)”**

NICHIAS was certified as a “Company of Excellent Healthy Management 2024 (Large-scale Company)”, which the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi rewarded. We have been rewarded for three consecutive years since 2022.

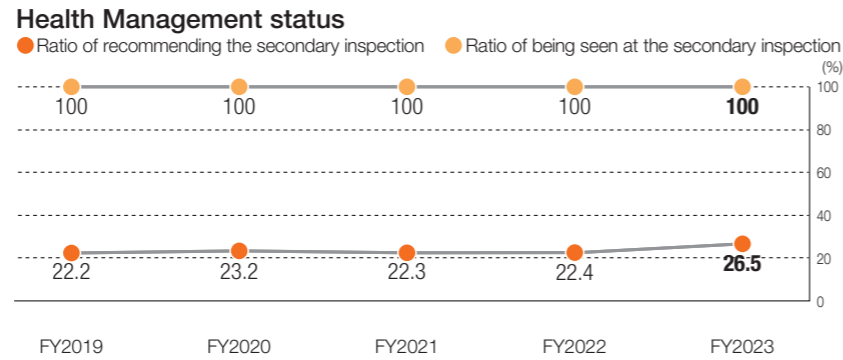


We will keep building the mechanisms for improving health and health literacy to improve the performance of employees.

**Health Management Status**

NICHIAS recommends a secondary inspection when a recheck is required at the periodic health checkup to maintain health. And, NICHIAS supports influenza vaccination in cooperation with the NICHIAS Health Insurance Association, holds sports events, and supports optional inspections during health checkups to encourage and support employees 35 or older to have a comprehensive medical examination.

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



**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.

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

Stress checks were conducted for approximately 5,300 people in the 25 NICHIAS Group companies, including those with less than 50 employees. 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 FY2023, we again focused on protecting employees from disasters caused by “not-safe status” and conducted “activity to eliminate not-safe facilities.” Not being satisfied with conventional safety measures, we were engaged in the activity to make facilities safer under the two concepts of “Be serious more than ever!” and “Secure safety with facilities!” You cannot secure safety only with the idea of “relying on human attention.” Based on understandings like “people make mistakes” and “people take shortcuts,” we are making improvements so that facilities ensure safety without fail.

In FY2024, to prevent disasters caused by “not-safe actions” of employees, we try to create a safer and more secure working environment by reexamining safety education mechanisms and enhancing all employees’ sensibility to danger.

**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 2024 Health and Safety Slogan**

**“Immediately improve workplace risks, secure safety by observing the rules, and go!”**

**Promoting Work-Life Balance**

**Status of taking paid holidays**

As part of creating an environment where employees can work with peace of mind, we manage total working hours to control long working hours and set the target for annual paid holidays so that employees proactively take paid holidays. Employees are asked to plan to take annual paid holidays for the year in advance and share the plan with colleagues. In this way, in addition to raising their awareness of the need to take paid holidays, we, as an organization, pay attention to creating an atmosphere in which it is easy to take annual paid leave.

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, nursing, or in other situations in their personal lives that impose a burden on them, the revised system does not limit the target employees. A work-from-home system is now an option for flexible work styles. In the future, while flexibly adopting the opinions of employees who work from home, we will improve the internal system to improve the work-life balance further.

**Respecting Human Rights**

**Respecting Human Rights**

To respect the human rights of every stakeholder, 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 established NICHIAS Group Human Rights Policy to promote universal human rights.

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 2024, NICHIAS’ employment rate of persons with disabilities is 2.4%.

See P. 10

**Development and Training of Staff**

**Training system**

Based on the idea that developing the capabilities of “people” and enhancing those of “organization” is very important for a company to grow sustainably, NICHIAS provides various training programs, as shown in the figure below. A wide variety of training programs, which are divided into three categories, “by rank,” “by objective,” and “in cooperation with the main office,” offer the opportunities to develop “human skills” and “conceptual skills” that are said to be difficult to cultivate only in OJT at the workplace. This is how we improve the capabilities of employees of various levels and jobs, from new employees to management level.

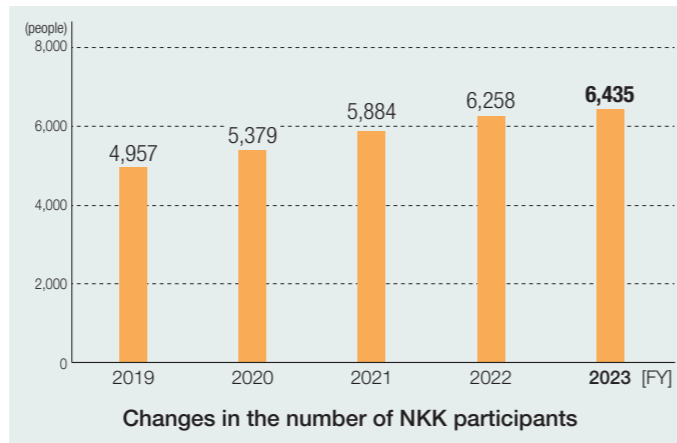
Level	Type		
	By rank	By objective	In cooperation with main office
Management level	New-manager training	Training for superiors of new employees	Manager-enhancement training
			Next-generation leader training
Middle level, team-leader level	Fifth-year training for supervisor level 3	Training for persons in charge of new-employee development	Training for production-site leader
	Training for new supervisor level 3		
New employees, young employees	Training for new supervisor level 2	Second-year training	Group training for young technical employees
	Second-year training		
	New-employee training		
			Cross-division sales training for Business Division

### 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 company that is a good place to work and full of smiles.”

At present, approximately 737 teams, with a total of approximately 6,450 members from Japan and overseas, participate in NKK a year. 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

Achievement of improvement activities through NKK is presented in the annual World Convention. In FY2023, approximately 150 people visited the World Convention, realizing the face-to-face event for the first time in four years. The presentations showed us the enhanced activities, thanks to the relaxation of movement restrictions.

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



FY2023 NKK world 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 128-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 2023, 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.

### 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.

#### 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.

#### Information Security

As part of the information security efforts, we have identified security risks and continue to take measures to prevent cyber-attacks and leaks of information assets.

As a basic approach, the Group is committed to thorough compliance with information security rules and establishing a governance system. We are also working to improve, inspect, and audit our preparedness for external threats by anticipating increasingly complex and sophisticated threats from various perspectives and understanding cyber-attack trends.

#### 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 FY2023, under the newly transferred department and division system of intellectual property departments, in addition to conducting rank-specific training programs for technical employees and promoting the establishment of mechanisms for invention/discovery activities, we have prepared in-house copyright guidelines to strengthen compliance and reinforce our business in all areas.

### Efforts for Improving Corporate Value

The NICHIAS Group places importance on shareholders’ profit and aims for sustainable improvement of corporate values and profit return. We believe this will contribute to management that takes into account capital costs and stock prices.

We will continuously improve the operating income ratio, ROE, and ROIC through executing the Group challenges such as “increasing profitability” and “business selection and focus,” which are included in the medium-term management plan. NICHIAS’s basic policy on profit return is to maintain DOE of 3.5% or higher and to pay progressive dividends while considering expeditious share buybacks in light of capital efficiency.

### 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 help improve 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.



Financial results briefing

#### FY2023 IR activities

In order to ensure timely and appropriate communication with analysts and institutional investors, the NICHIAS Group held financial results briefings online upon the announcement of end-of-term and second-quarter-term financial results. These financial results briefings provided good opportunities to explain the management policies and strategies, outline its business operations, and provide financial information. Also, dialogue between executives and investors was held proactively.

In our daily work, we held 139 IR meetings in FY2023, including in-person, online, and via teleconference system. And, as COVID-19 settled, factory and Research Laboratory tours restarted.

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



Small meeting



Factory and Research Laboratory tour

**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 FY2023, 78 business offices implemented 487 cases of activities and initiatives.

**Cleaned the neighboring area of the Sales Office Sales bases (NICHIAS)**

Cleanup activities are conducted regularly in the neighboring area of each sales base. We will keep conducting such community-based activities.



Cleanup activities around the office (From left, Kashima Office, Shikoku Sales Office)

**Visited an orphanage and held a sports festival for the children**

**NICHIAS HAIPHONG CO., LTD. (Vietnam)**  
NICHIAS HAIPHONG CO., LTD. employees visit an orphanage in Haiphong City to hold a sports festival every year. Smiles on the children's faces make us happy. We are glad to hear them say, "Please come back next year," every time we say goodbye, waving our hands.



Sports festival

**Participated in national park conservation activity**

**THAI NICHIAS INTERNATIONAL CO., LTD. (Thailand)**  
THAI NICHIAS INTERNATIONAL CO., LTD. employees and their families fed protected animals in the national park and participated in forest seed shooting (planting tree seeds in the forest). It was an excellent opportunity to think about environmental conservation with all the family members while feeling about nature.



Feeding animals

**Distributed beetles for free**

**APJ CORPORATION**

APJ held the event of offering children and grandchildren of employees adult rhino beetles raised by the volunteering members of employees. This time, we invited local children via the neighborhood community association to participate from outside the company.



Beetle-distributing event

**Held a tour for local elementary school students**

**Hamamatsu Research Laboratory (NICHIAS)**  
Hamamatsu Research Laboratory invited 12 upper grade students from a local elementary school to a tour. On the tour, the students seemed to be curious as they experienced experimental facilities like an anechoic room, which is usually not accessible.



Company tour

**Preparation of vegetable garden**

**THAI-NICHIAS ENGINEERING CO., LTD. (Thailand)**

This is a scene from the CSR activity conducted at an elementary school in a suburb of Rayong where THAI-NICHIAS ENGINEERING CO., LTD. is located. Employees plowed the ground and planted vegetables together to make a garden for growing vegetables for elementary school lunch. This activity reflects the hope and efforts of employees who want to support local society, improve children's nutrition, and enhance food sustainability.



Preparation of vegetable garden

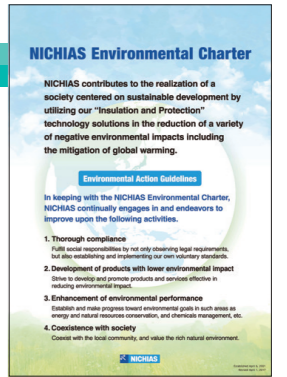
The NICHIAS Group grasps the amount of energy, chemicals, water resources, and other substances used in business activities as well as GHG emissions and discharged industrial waste; sets specific targets to reduce them; and implements the PDCA cycle to reduce the environmental burden.

**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' 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 raw material procurement (green procurement) 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 the entire product life cycle.

As a result of the assessment, products that are more eco-friendly than conventional products account for 30% of the assessment completed products.

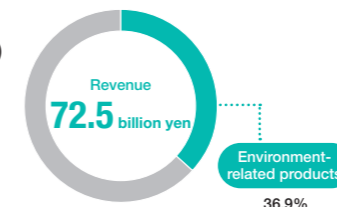
**Assessment points of environment-friendly design**

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

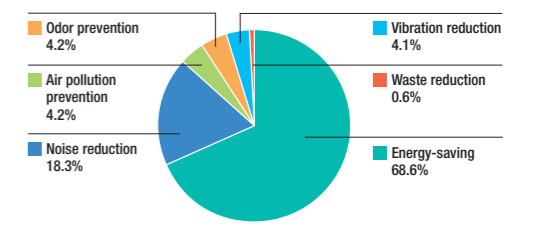
**NICHIAS' environment-related products**

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."

**FY2023 Sales (non-consolidated) and ratio of NICHIAS environment-related products**



**FY2023 Ratio by item of NICHIAS environment-related products**



Addressing Recommendations by Task Force on Climate-Related Financial Disclosures (TCFD)

In June 2023, the NICHIAS Group agreed with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to respond to climate change issues appropriately. We will further promote the decarbonization activity and proactively disclose climate change information.

Status of initiatives for TCFD recommendations

Item	Description
Governance	<ul style="list-style-type: none"> <li>Considering the response to climate change as an important matter, we promote reduced environmental burden in product development and at manufacturing bases, centering on the Company-wide Environment Committee.</li> <li>Issues concerning environmental problems, including climate change, are discussed at quarterly Company-wide Environment Committee meetings. Other matters to be discussed are managed and supervised at Board of Directors meetings.</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>We analyzed the transition risks, opportunities, and physical risks using 1.5°C and 4°C scenarios.</li> <li>In response to the risks and opportunities, we will reflect the results of scenario analysis in our business strategies and make up-front investments in shifting to low-carbon manufacturing methods, developing new products, promoting the introduction of renewable energy, reducing GHG emissions by promoting energy-saving efforts, developing new technologies and building production systems necessary to address these issues and other initiatives.</li> <li>The impact of the identified risks and opportunities on our businesses will be reviewed. And the response to climate change will be strengthened.</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Anticipating the 1.5°C and 4°C scenarios, we have analyzed the future risks of NICHIAS.</li> <li>The Carbon Neutral Promotion Group is leading in identifying the climate change risks.</li> <li>Progress of the measures against the identified risk is reported at Company-wide Environment Committee meetings and discussed at Board of Directors meetings as needed to promote measures to avoid risks and activities to reduce the impact when the risk occurs.</li> </ul>
Indicators and Targets	<ul style="list-style-type: none"> <li>Since the mid-term decarbonization target set in 2021, reducing GHG emissions by 30% compared to FY2019 in FY2030 is expected to be achieved by the end of FY2024, we set new targets that conform to the 1.5°C target of the Paris Agreement in April 2024. <a href="#">See P. 43</a></li> </ul>

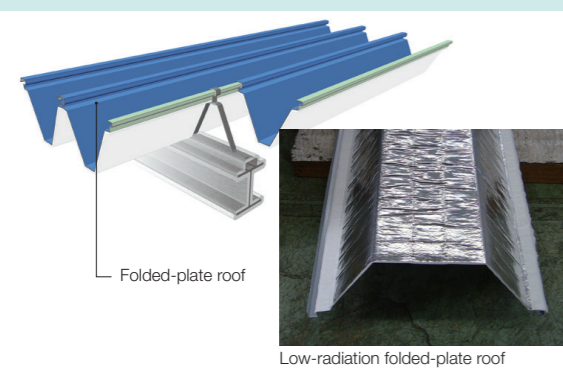
Strategy

The demand for energy-saving is expected to increase toward 2030, as we are in the transition stage for carbon neutrality. The NICHIAS Group's wide variety of insulation product lineup and related services contribute to climate change issues. In addition, in the longer term, we are developing related products and technologies to spread hydrogen, ammonia, and other types of next-generation energy.

Contribution to measures against heatstroke in factories

Topics 1

Extremely hot days are increasing yearly due to global warming, resulting in a high risk of indoor heatstroke. Against such a backdrop, DAIWA HOUSE INDUSTRY CO., LTD. has developed a low-radiation folded-plate roof with aluminum thermal barrier sheets bonded to NICHIAS's Super Felton™ II. Applications to factories and warehouses as measures against heatstroke are increasing.

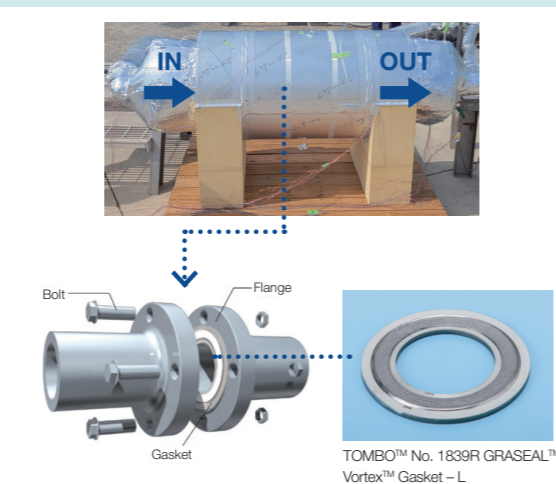


NICHIAS Technical Report No.402 in Japanese Introduction of low-radiation folded-plate roof

For increasing demand of liquid hydrogen

Topics 2

Liquid hydrogen is expected to be a next-generation energy carrier. One of the technical issues for upscaling is "sealing liquid hydrogen at flange joints with no problem." We conducted verification tests in cooperation with the Japan Aerospace Exploration Agency (JAXA). Using an 8-inch spiral-shaped gasket made by NICHIAS as specimens, we repeatedly distributed and stopped liquid hydrogen and confirmed, with the help of a hydrogen detector, that there was no hydrogen leakage.



Risks and opportunities for transition to carbon neutral society (1.5°C scenario)

	Expected scenario	Impact on businesses	Financial impact	Time axis	Major measures	Related businesses					
						Plants	Industrial products	Advanced products	Auto parts	Building materials	
Policies and legal regulations	Manufacturing costs increase due to the introduction of carbon taxes and response to environmental issues.	Increase in energy costs used for manufacturing processes of the company's factories	Risk	Middle	Mid term	- Reduction of GHG emissions by transforming businesses and manufacturing methods of high CO <sub>2</sub> emission segment - Promotion of energy-saving activities - Proactive introduction of renewable electricity	○	○	○	○	○
		Increase in costs due to carbon tax imposed on suppliers and costs for response to environmental issues passed on	Risk	Small	Mid term	- Replacement with low-CO <sub>2</sub> emission products - Improvement of yields	○	○	○	○	○
Reputation	Investment and purchasing actions of investors and customers considering the climate change risks expand.	Less credibility from stakeholders due to delay in response to climate change and passive attitude toward information disclosure	Risk	Middle	Mid term	- Setup of new targets for reducing GHG emission that conforms to the Paris Agreement - Promotion of acquiring SBT certification	○	○	○	○	○
Market	Demand for energy-saving products in the transition stage for carbon neutrality increases.	Increase in demand for heat diagnosis and proposal for energy-saving, expansion of demand for energy-saving, high thermal insulation products	Opportunities	Middle	Short to mid term	- Expansion and enhancement of heat diagnosis and proposal for saving energy - Development and launch of energy-saving, high thermal insulation products	○	○	○	○	○
		Electrification spreads due to green transformation, and smart city initiatives are strengthened.	Increase in sales for semiconductor manufacturing devices due to increase in the demand for power semiconductors	Opportunities	Large	Short to mid term	- 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			○	
	The need for environment-friendly products increases because environmental awareness is enhanced.	Increase in demand for low-GHG-emission products considering the life cycle of the product and resource-recycling products	Opportunities	Middle	Short to long term	- Launch of products contributing to reduction of GHG emissions in the entire life cycle - Launch of resource-recycling products - Promotion of eliminating organic solvents		○		○	○
		The ratio of internal combustion cars decreases due to the transition to EVs and FCVs.	Decrease in sales of products for internal-combustion cars	Risk	Large	Mid to long term	- Launch of parts with sound, heat, and sealing functions for next-generation automobiles - Enhancement in development and production capability of high-performance dehumidifying filters for lithium-ion manufacturing devices		○		○
	Fossil fuels like petroleum and coal are replaced with sustainable fuels like ammonia and hydrogen.	Decrease in sales of installation/maintenance parts for petroleum refinery, petrochemistry, and oil-fired thermal power	Risk	Middle	Mid to long term	- Development of new manufacturing methods and new technologies for the low-carbon energy market (ammonia, hydrogen, biomass, SAF, and CCU) - Launch of products for water electrolysis devices and strengthening of the capability to produce them	○	○			
		Creation of opportunities due to the expansion of low-carbon energy market, such as ammonia, hydrogen, biomass, SAF, and CCU	Opportunities	Middle	Mid to long term						
Increase in demand for water electrolysis devices due to expansion of green-hydrogen-manufacturing market		Opportunities	Middle	Mid to long term			○				

Physical risks that arise when climate change becomes obvious (4°C scenario)

	Expected scenario	Impact on businesses	Financial impact	Time axis	Major measures	Related businesses					
						Plants	Industrial products	Advanced products	Auto parts	Building materials	
Acute	Due to severe wind and flood damage, infrastructure disruption, human casualties, and property damage will increase.	Operations stop due to supply chain disruptions and factory damage, resulting in decreased sales and restoration costs, etc.	Risk	Small	Short to long term	- Reinforcement of BCP and establishment of manufacturing facilities and systems that suit the environment - Decrease in cost due to improved production efficiency	○	○	○	○	○
Chronic	The average temperature rises.	Costs increase due to reduced productivity and increased air conditioning costs at factories and construction sites, especially during the summer.	Risk	Small	Short to long term	- Improvement and creation of employee-friendly working environment realized by automation of operations with the help of robots, etc.	○	○	○	○	○

1. "Financial impact" is shown in the following three categories, based on the expected impact on profits and costs during the period shown under "Time axis." Small: less than 1 billion yen; middle: 1 billion to less than 5 billion yen; large: 5 billion yen or above  
2. The following periods are assumed for the time axis.  
Short term: until FY2026 (final fiscal year of the current medium-term management plan)  
Mid term: until FY2030 (mid-term target fiscal year for the GHG emission reduction)  
Long term: until FY2050 (target fiscal year for achieving carbon neutrality)

## NICHIAS Group Carbon-Neutral Declaration

The NICHIAS Group established the Carbon-Neutral Declaration in April 2021. In this Declaration, we set the mid-term target of “reducing CO<sub>2</sub> emissions in FY2030 by 30% compared to FY2019”. However, since it is expected that we can achieve this target in advance by the end of FY2024, we set new targets conforming to the 1.5°C target of the Paris Agreement in April 2024 to reduce the environmental burden further.

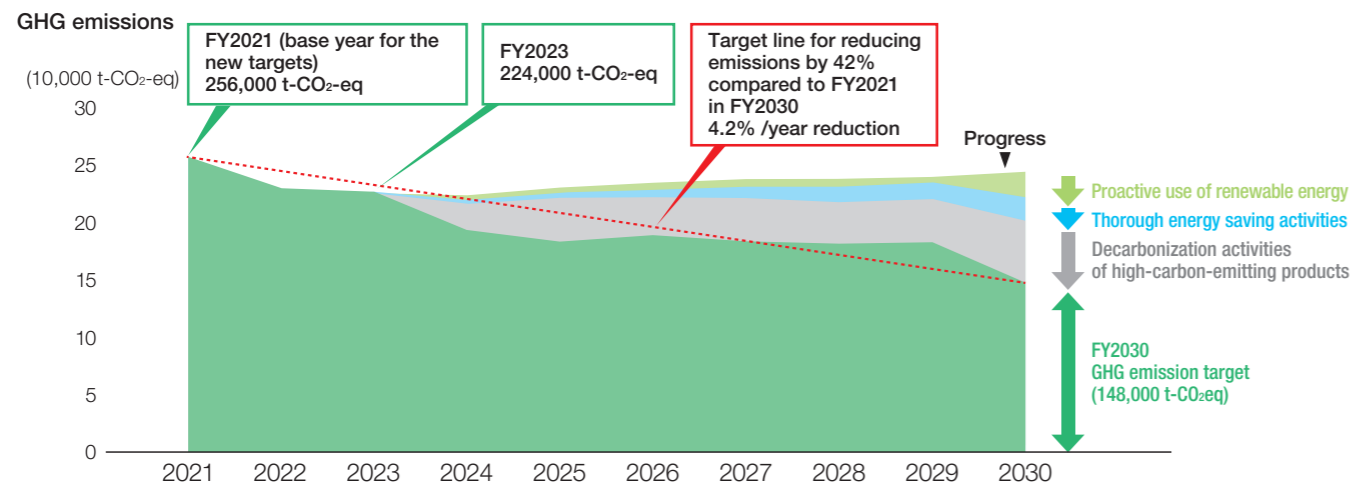
Until now, the NICHIAS Group’s CO<sub>2</sub> emissions had been calculated based on the Act on Promotion of Global Warming Countermeasures, but in line with the change in the Group’s mid-term targets, we have changed to a calculation method based on the GHG Protocol, which is an international standard.

### New mid-term targets

<b>Emissions of NICHIAS (Scope 1 and 2)</b>	Reduce GHG emissions by 42% compared to FY2021 by FY2030 Achieve carbon neutrality (net zero) by FY2050
<b>Supply chain emissions (Scope 3)</b> * Target category: 1, 3, 11	Reduce GHG emissions of the target category by 25% compared to FY2021 by FY2030

Scope 3 reduction targets were selected from categories 1 and 11, which have large emissions, and category 3, which can be reduced in combination with Scope 1 and 2 emissions. The sum of these categories is equivalent to 86% of Scope 3.

### Approach to the achievement of the new mid-term targets of NICHIAS’s emissions (Scope 1 and 2)

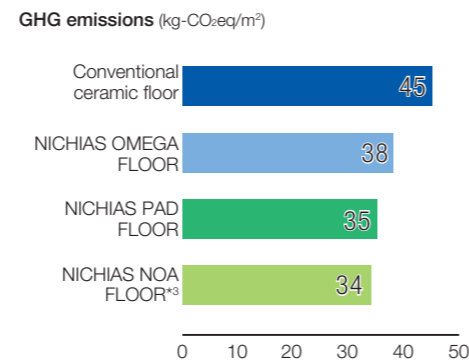


### Acquisition of EPD certification for building material products

In the construction industry, which accounts for approximately 40% of the global GHG emissions, initiatives for reducing emissions are promoted with the spread of ZEB<sup>\*1</sup>. In recent years, people have paid attention not only to GHG emissions during occupancy but also to reducing GHG emissions generated in the entire process, from procuring raw materials to disposal.

So, NICHIAS, which manufactures and sells construction materials, considers it an important social issue. Last year, the NICHIAS Group developed NICHIAS NOA FLOOR<sup>TM</sup>. This material was changed from the conventional ceramic flooring material to a clipboard (made from waste wood). It confirmed that the LCA method reduced GHG emissions from procuring the product’s raw materials to disposal by 25%. We have also calculated the GHG emissions of two other raised-access floor system products (NICHIAS PAD FLOOR<sup>TM</sup> and NICHIAS OMEGA FLOOR<sup>TM</sup>) and confirmed their superiority to conventional ceramic floors. Therefore, we acquired SuMPOEPD certification<sup>\*2</sup> for the above three products and announced the results.

The NICHIAS Group considers that acquiring certification is the first step in our efforts to reduce environmental impact. And, taking advantage of the LCA method, we will continue to develop products that lead to reduction not only in GHG emissions but also in the entire life cycle, including other environmental impacts, thereby contributing to the reduction of GHG emissions and other environmental impacts in the construction industry as a whole.



\*1 ZEB (Net Zero Energy Building): A building that aims to achieve a zero annual primary-energy balance consumed by the building.  
\*2 SuMPO EPD certification: An EPD certification, which indicates that the LCA calculation results are highly reliable and have undergone third-party verification in accordance with ISO 14025.  
\*3 Since the NICHIAS NOA FLOOR is made of wood, it has a fixation effect of 20kg-CO<sub>2</sub> per square meter, apart from the above calculation results.

## Environmental Performance

\* All the data on this item refer 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 GHG emissions including CO<sub>2</sub> and discharged industrial waste; sets specific targets to reduce them; and implements the PDCA cycle to reduce the environmental burden.

### INPUT

<b>Energy</b>		<b>Water resource</b>		<b>Substances subject to PRTR*</b>	
Type	Consumption	Type	Quantity of water intake	Type total	64
Electricity	163,520,000kwh	Clean water	311,000m <sup>3</sup>	Consumption	2,949t
Petroleum-based fuel	7,000kL	Industrial water	578,000m <sup>3</sup>		
Gaseous fuel	8,120,000m <sup>3</sup>	Underground water	341,000m <sup>3</sup>		
Coke	7,000t				

### OUTPUT

<b>CO<sub>2</sub></b>		<b>Discharged water</b>		<b>Substance subject to PRTR</b>	
Type	Emissions	Type	Emissions	Substance name	Emissions
CO <sub>2</sub>	145,000t-CO <sub>2</sub>	Amount of discharged water	560,000m <sup>3</sup>	Toluene	158.8t
				Xylene	0.6t
				Ethylene Glycol	
				Monoethyl Ether	3.0t
				Formaldehyde	1.5t
				Triethylamine	1.2t
				Phenol	4.0t

### Efforts for Reducing GHG Emissions

As important measures for reducing GHG emissions, we encourage further promotion of energy-saving in the entire Group and proactive use of renewable energy such as sunlight.

Scope 3 Upstream: Emissions from other than NICHIAS		Scope 1, 2 Upstream: Emissions from NICHIAS		Scope 3 Downstream: Emissions from other than NICHIAS		
543,000t		224,000t		498,000t		
Category 1	Purchased products, raw materials	371,000t	Scope1 108,000t *Direct emissions by the use of fuel and gas	Category 9	Transportation, distribution (downstream)	Not covered
Category 2	Capital goods	26,000t		Category 10	Processing of sold products	1,000t
Category 3	Fuel-and-energy-related activities	43,000t		Category 11	Use of sold products	479,000t
Category 4	Transportation, logistics (upstream)	82,000t		Category 12	Disposal of sold products	18,000t
Category 5	Waste generated from business	6,000t		Category 13	Leased asset (downstream)	0t
Category 6	Business trips	4,000t		Category 14	Franchise	0t
Category 7	Commune of employees	9,000t		Category 15	Investment	0t
Category 8	Leased asset	2,000t				
		Scope2 116,000t *Indirect emissions by purchase of electricity and heat				

### Proactive use of renewable energy

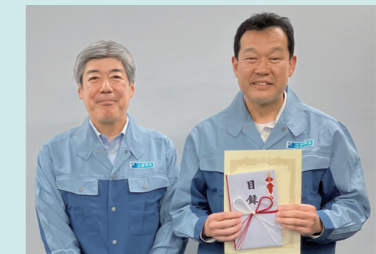
In FY2023, we introduced a solar panel generation system and procured electricity derived from renewable energy sources. As a result, we have achieved a 100% renewable energy ratio for electricity at our main office building, Kumamoto NICHIAS, and other business sites. We aim to achieve a 25% renewable energy ratio by FY2030 for the entire NICHIAS Group.



Solar-power-generation system facilities of Kumamoto NICHIAS

### Launch of factory energy-saving award system

In FY2023, we started an award system for excellent energy-saving activities at factories. The goal of reducing CO<sub>2</sub> emissions by 1% or more compared to the previous year and the voluntary efforts of each employee led to a reduction of approximately 5,600 t-CO<sub>2</sub> for the entire NICHIAS Group in FY2023. It is equivalent to 3.7% of the CO<sub>2</sub> emissions in the previous fiscal year.



The winner of the No. 1 CO<sub>2</sub> reduction ratio was KUMAMOTO NICHIAS CORPORATION. They achieved an 11.5% reduction compared to the previous fiscal year. Left: Katsumi Kametsu, President of NICHIAS Right: Masahiro Ida, President of KUMAMOTO NICHIAS CORPORATION

## Initiatives for recycling resources

\* All the data on this item refer to the NICHIAS Group's domestic manufacturing offices.

Regarding industrial waste, although emissions increased in some business offices due to increased production, emissions in FY2023 were reduced by 26% compared with those in FY2019 because of the improvement of yield rate on each site and the promotion of reduction of industrial waste. And, discharged industrial waste production unit was reduced by 39% compared with Fiscal Year 2019. 68% of the unnecessary substances of the NICHIAS Group\*1 are recycled\*2.

In each manufacturing office, we will conduct initiatives to reduce waste during manufacturing and efficiently use resources.

\*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".

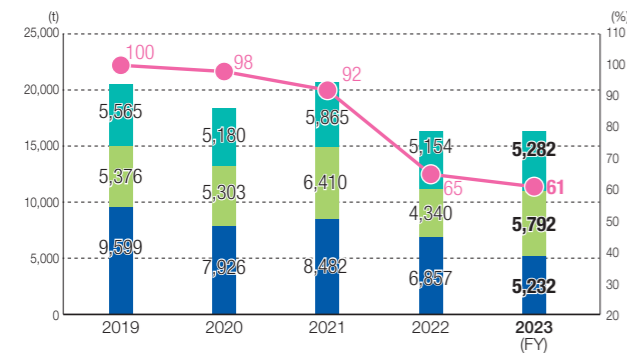
### Initiatives for reduction of unnecessary substances and industrial waste

Amount of discharged industrial waste  
Target: 30% reduction compared with FY2019 in FY2030  
**FY2023 results**  
**26% reduction**

#### Transition of amount of discharged unnecessary substances and industrial waste

(NICHIAS Group's domestic manufacturing offices)

■ Landfill ■ Intermediate process recycling ■ Selling as valuables  
● Production unit



## Efforts for Reducing Substances Subject to PRTR

\* All the data on this item refer to the NICHIAS Group's domestic manufacturing offices.

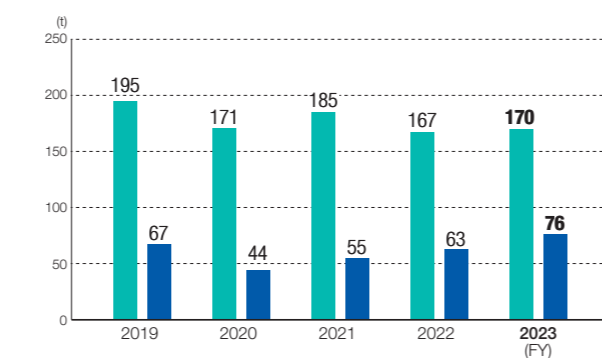
The use of substances subject to PRTR in business activities in FY2023 was 2,949 t, resulting in a 562-t increase compared to the previous fiscal year, partly because of increased production. On the other hand, although it increased slightly from the previous fiscal year, emissions remained mostly unchanged. The amount of consumption and emissions are largely attributable to production volume. However, each production site continues steady activities such as yield improvement and conversion to auxiliary materials that do not contain PRTR substances to reduce environmental impact, if only a little.

For drastic reduction, we are also working to create products that do not contain PRTR substances and have started to switch from solvent-based to water-soluble agents for some of the products. We will continue the activities to reduce waste emissions and improve products.

#### Transition of emissions of substances subject to PRTR and amount of waste

(NICHIAS Group's domestic manufacturing offices)

■ Emissions ■ Transitioned amount



## Environment Management System

The NICHIAS Group will be committed to various environmental issues and aim to realize environmental management based on the Environment Charter and Carbon-Neutral Declaration.

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

Please check here for the status of acquiring ISO14001.



### Collection of used gloves

As part of the efforts for recycling resources, at manufacturing offices, we are promoting resource recycling by stopping the disposal of gloves used at the time of manufacturing and instead sorting and collecting them.

We will continue to promote reduction activities step by step, even on a small scale.



Rubber glove collection box

## 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.

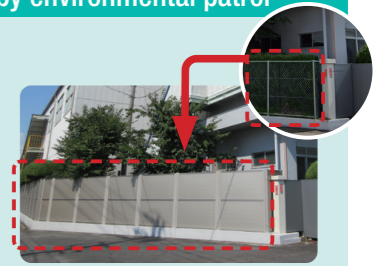
Taking advantage of the "database for managing chemical substances contained in products" established in FY2022, we respond to the Safety Data Sheet (SDS), product labels, and regulations on chemicals and provide customers with information about chemicals contained in products.

### 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 2023, the patrol was conducted 81 times by the entire Group, and 245 cases pointed out were improved. We continue this activity to reduce the environmental risk, if only a little, by doing what we can.

### Examples of consideration by environmental patrol

Hashima Factory changed the material of factory fences from wire mesh to soundproof walls so that the factory noise does not impact the surrounding environment. We will continue to execute factory environment management considering the neighboring area and surrounding environment.



Factory fences were replaced from wire mesh to soundproof type as a measure against noise

### Case Pointed out by Outside

In FY2023, no case was pointed out for any of the Group companies regarding the noise, dust, and foul odor discharged from the manufacturing office. In the future, it will be more important than ever to pay attention to small matters of concern and minor changes and to respond to what is pointed out by external parties. So, we will prevent the occurrence and recurrence of troubles by preparing a "risk map of complaints about the environment" that visualizes the facilities and works with risks that could lead to complaints, continuously checking the status, and, in the workplace, making sure that all employees are aware of the fact.

### Activities for Raising Awareness toward Environment

In FY2023, the NICHIAS Group continued to issue the Health and Safety Journal, the in-house journal, 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 2023, 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. Items pointed out at the time of the audit will be shared with other offices, which will lead to the environmental improvement of the Group.

## Environmental Accounting

Amount invested in environment protection facilities\*1 in the business activities is 8.04 million yen, accounting for 7.2% of the amount of capital investment of the entire Group. It was a 2-million-yen increase YoY due to investments to reduce CO<sub>2</sub> emissions, such as installing solar power generation systems, replacing new energy-efficient air-conditioners, and installing visualization facilities to improve energy-use efficiency. The NICHIAS Group will continue to update facilities, install solar power generation systems, adopt energy-saving equipment, and take other proactive measures to reduce GHG emissions.

And, environment protection costs\*2, which include operation costs, maintenance costs, and labor costs of environment preservation-related equipment, was 548 million yen, a 26-million-yen increase YoY.

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

\*2 The calculation covers only NICHIAS' manufacturing factories.

#### Capital investment concerning environmental protection (NICHIAS Group's domestic manufacturing offices/FY2023) (million yen)

Classification		Amount
Cost inside the business area	Cost for pollution prevention	68
	Cost for protection of global environment	581
	Cost for resource cycling	8
Cost for management activities		147
Total		804

#### Cost for environment protection (manufacturing factory of NICHIAS/FY2023) (million yen)

Classification		Amount
Cost inside the business area	Cost for pollution prevention	213
	Cost for protection of global environment	23
	Cost for resource cycling	241
Cost for management activities		71
Total		548



Financial data (As of March 31, 2024)

(Unit)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Financial Information</b>											
Net Sales (million yen)	147,118	158,939	170,430	180,363	197,495	215,495	208,876	196,372	216,236	238,116	249,391
(of which, overseas net sales) (million yen)	20,815	25,776	30,381	29,300	34,464	38,579	35,958	33,574	40,304	45,145	46,780
Cost of sales (million yen)	115,251	124,529	131,271	135,346	149,545	164,869	160,719	150,307	162,856	180,107	184,626
Selling, general and administrative expenses (million yen)	21,650	22,919	24,054	25,416	26,592	27,996	27,730	26,448	27,115	28,055	29,555
Operating income (million yen)	10,216	11,490	15,104	19,600	21,357	22,629	20,427	19,616	26,264	29,954	35,208
Profit attributable to owners of the parent (million yen)	6,317	7,532	6,669	13,409	14,956	15,861	14,674	10,715	22,034	21,398	26,961
Capital expenditures (million yen)	8,299	2,788	4,287	9,775	12,772	12,816	8,978	7,703	11,355	10,069	11,117
Depreciation & amortization (million yen)	3,802	4,659	4,598	3,969	4,800	5,760	6,274	6,536	6,616	7,454	7,593
R&D expenses (million yen)	5,545	5,602	5,460	5,446	5,692	5,976	6,132	6,168	6,110	5,715	6,037
Net cash provided by (used in) operating activities (million yen)	4,636	8,571	13,424	24,798	18,122	15,833	20,094	18,683	25,073	18,650	19,167
Net cash provided by (used in) investing activities (million yen)	△ 8,807	△ 4,115	△ 4,443	△ 10,617	△ 14,370	△ 11,818	△ 9,036	△ 6,799	△ 5,523	△ 8,651	△ 12,897
Free cash flow (million yen)	4,170	4,456	8,981	14,181	3,751	4,014	11,057	11,884	19,550	9,998	6,270
Net cash provided by (used in) financing activities (million yen)	△ 4,254	△ 1,556	△ 3,717	△ 4,965	△ 6,221	△ 4,197	△ 5,667	△ 5,469	△ 5,881	△ 6,368	△ 11,107
Total assets (million yen)	141,311	156,234	154,922	175,999	197,839	206,426	208,076	219,602	246,924	266,907	290,788
Interest-bearing debt (million yen)	33,825	33,830	25,840	23,976	23,818	26,065	26,077	25,861	25,652	25,892	24,286
Shareholder's equity (million yen)	67,276	78,132	84,879	97,367	109,195	116,786	126,297	135,429	154,286	172,359	199,681
<b>Financial indicator</b>											
Return on sales (ROS) (%)	6.9	7.2	8.9	10.9	10.8	10.5	9.8	10.0	12.1	12.6	14.1
Return on equity (ROE) (%)	9.8	10.4	8.2	14.7	14.5	14.0	12.1	8.2	15.2	13.1	14.5
Shareholder's equity ratio (%)	47.6	50.0	54.8	55.3	55.2	56.6	60.7	61.7	62.5	64.6	68.7
Dividend on equity (DOE) ratio (%)	2.8	2.8	3.3	3.8	3.9	4.0	4.1	4.0	3.9	3.7	3.5
Return on invested capital (ROIC) ratio (%)	6.4	7.1	6.0	11.6	11.8	11.5	9.9	6.8	12.9	11.3	11.6
EBITDA (100 million yen)	140	162	197	236	262	284	267	262	329	374	428
<b>Data per share</b> <sup>Note 1</sup>											
Net income per share (EPS) (JPY)	105.8	125.7	103.8	200.8	222.7	238.7	221.2	161.5	332.2	322.6	406.6
Dividend (JPY)	30	34	42	52	60	68	76	78	86	92	98
Dividend payout ratio (consolidated) (%)	28.4	27.1	40.5	25.9	26.9	28.5	34.4	48.3	25.9	28.5	24.1
Book value per share (BPS) (JPY)	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	3,039.26
<b>Other financial information</b>											
Price-to-earnings ratio (times)	12.5	11.0	13.0	11.1	12.1	9.2	9.1	17.4	7.6	8.2	10.0
Price-book value ratio (times)	1.2	1.1	1.1	1.6	1.7	1.2	1.1	1.4	1.1	1.0	1.3
<b>Stock information</b>											
Share price at fiscal year end (JPY)	662	693	673	1,119	1,352	2,192	2,024	2,810	2,527	2,661	4,070
Market capitalization <sup>Note 2</sup> (100 million yen)	828	867	894	1,518	1,834	1,486	1,373	1,906	1,714	1,804	2,760

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.

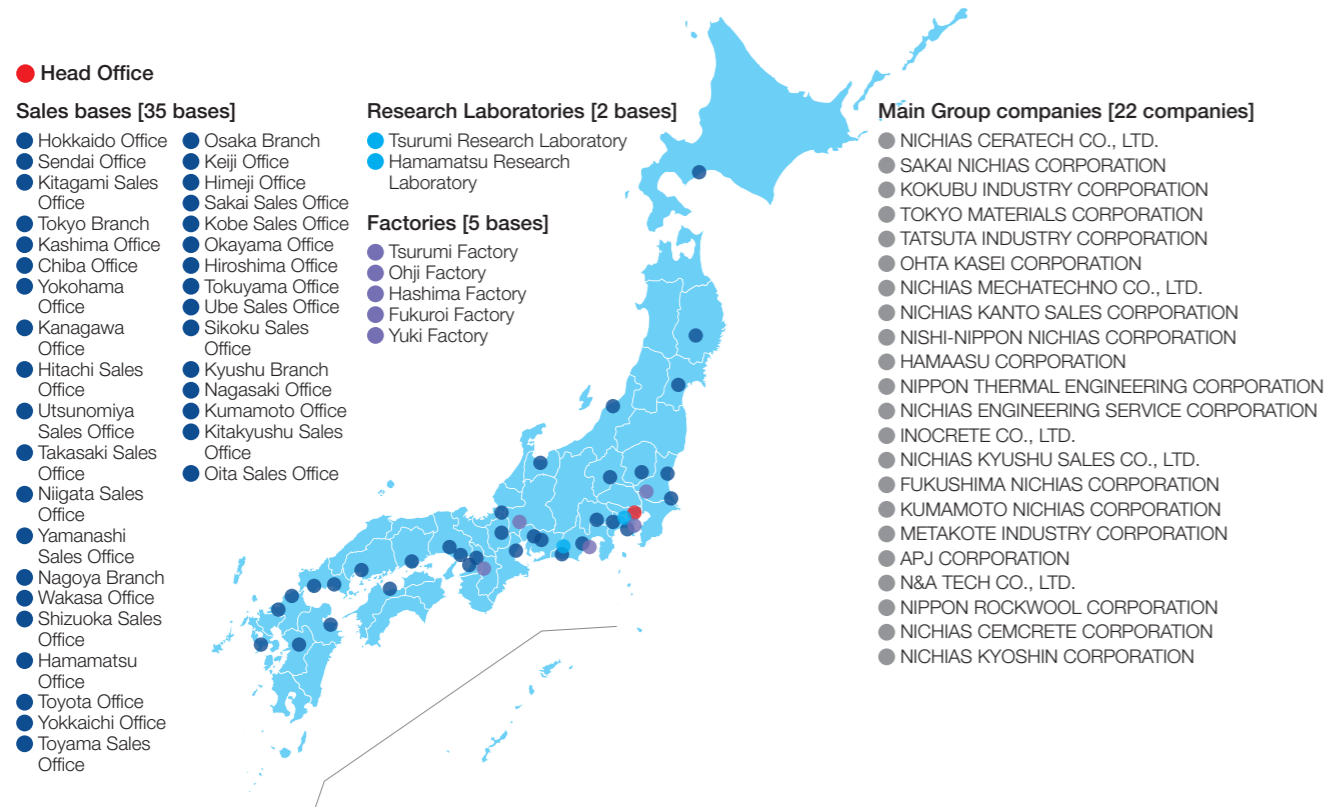
\* Partial Amendments to Accounting Standards for Tax Effect Accounting, etc., have been applied since the beginning of Fiscal Year 2018.  
 \* Accounting Standards for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. have been applied since the beginning of Fiscal Year 2021.

Non-financial data (As of March 31, 2024)

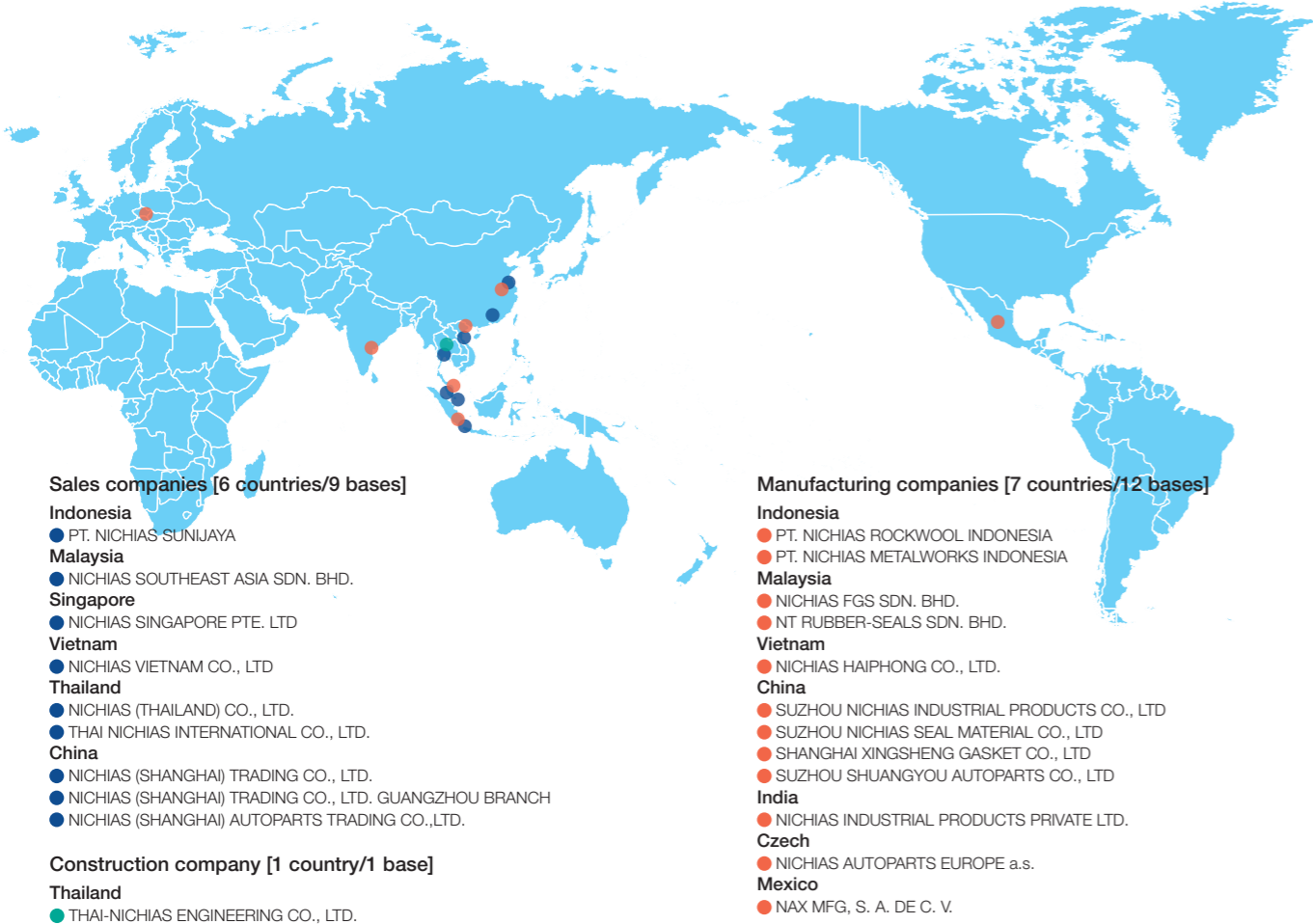
(Unit)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
<b>Work-style-related</b>											
Number of employees (people)	4,813	5,062	5,155	5,523	5,784	6,036	6,260	6,337	6,402	6,445	6,431
Number of NKK participants <sup>Note 3</sup> (people)	—	—	2,582	4,114	4,333	4,963	4,957	5,379	5,884	6,258	6,435
<b>Environment-related</b>											
CO <sub>2</sub> /GHG emissions <sup>Note 4, Note 5</sup> (t-CO <sub>2</sub> /t-CO <sub>2</sub> eq)	164,145	170,289	180,382	184,720	179,940	187,135	268,243	230,715	255,992	229,012	223,989
Amount of industrial waste discharge <sup>Note 4</sup> (t)	9,740	10,448	10,687	13,074	11,159	12,578	21,239	21,326	21,858	19,147	23,182

Note 3: NKK (NICHIAS Kaizen Katsudo) activities started in FY2015.  
 Note 4: The data for FY2018 and before covers the domestic manufacturing bases of the NICHIAS Group. The data for FY2019 and after also covers the overseas manufacturing bases of the NICHIAS Group.  
 Note 5: The data for FY2018 and before covers CO<sub>2</sub> emissions. The data for FY2019 and after covers GHG emissions.

List of Major Domestic Bases



List of Major Overseas Bases



Corporate Profile

Company name	NICHIAS Corporation	Branch	Tokyo Branch (Chuo-ku, Tokyo) Nagoya Branch (Minami-ku, Nagoya City) Osaka Branch (Chuo-ku, Osaka City) Kyushu Branch (Chuo-ku, Fukuoka City)
Company name in English	NICHIAS Corporation	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)
Establishment	April 9, 1896	Research Laboratory	Tsurumi Research Laboratory (Tsurumi-ku, Yokohama City) Hamamatsu Research Laboratory (Hamana-ku, Hamamatsu City)
Capital fund	12,128 million yen	Consolidated companies	42 companies
Major businesses	Energy and Industrial plants, industrial products, advanced products, autoparts, building materials	Equity method affiliate	2 companies
Number of employees	6,431 people (consolidated)/1,829 people (non-consolidated)		
Head Office	1-6-1, Hatchobori, Chuo-ku, Tokyo 104-8555, Japan		

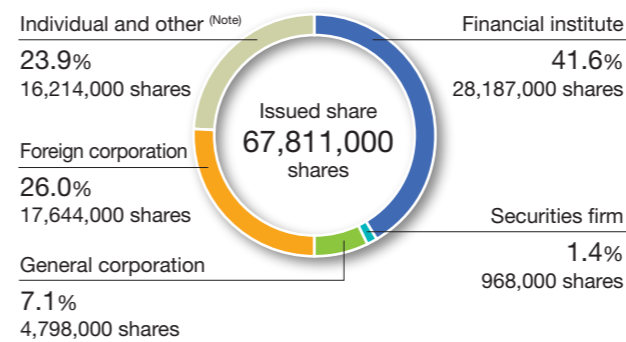
Status of Stock

Number of shares and shareholders

Total number of issuable shares	120,000,000 shares
Total number of Issued shares <sup>(Note)</sup>	67,811,917 shares
Number of shareholders	12,368 people

(Note) Among the shares, 2,111,000 shares are held by the Company as owned shares.

Status of holder distribution



(Note) "Individual and others" includes 2,111,000 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)	9,435	14.36
Custody Bank of Japan, Ltd. (Account in trust)	8,204	12.49
NICHIAS holding company	5,572	8.48
Sumitomo Mitsui Banking Corporation	1,677	2.55
Sumitomo Life Insurance Company	1,437	2.19
Nippon Life Insurance Company	1,259	1.92
Mizuho Trust & Banking Co., Ltd. Employee pension trust Mizuho Bank, Ltd. account, re-trust trustee Custody Bank of Japan, Ltd.	1,254	1.91
Sumitomo Mitsui Trust Bank, Limited	1,246	1.90
NICHIAS Own Share Investment Group	1,025	1.56
STATE STREET BANK WEST CLIENT – TREATY 505234	880	1.34

(Note) Stock ownership ratio is calculated after deducting owned shares (2,111,000 shares).

Editing Policy

NICHIAS Integrated Report 2024 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" on P. 10 and data on P. 34-39 "Society" cover only NICHIAS Corporation.
- Regarding "CO<sub>2</sub> /GHG emissions" and "amount of discharged industrial waste" on P. 10 and P. 47-48, the data for FY2018 and before covers the domestic manufacturing offices of the NICHIAS Group (NICHIAS' factories Note 1, domestic consolidated manufacturing company Note 2). The data for FY2019 and after covers the domestic and overseas manufacturing offices Note 3 of the NICHIAS Group. Environmental Performance, Initiatives for Recycling Resources, and Efforts for Reducing Substances Subject to PRTR stated in the "Environment" pages (P44, 45) 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 (for Wakayama Factory, from FY2022), KOKUBU INDUSTRY CORPORATION, TATSUTA INDUSTRY CORPORATION, OHTA KASEI CORPORATION, FUKUSHIMA NICHIAS CORPORATION, METAKOTE INDUSTRY CORPORATION, KIMITSU ROCKWOOL CORPORATION (from FY2016), KUMAMOTO NICHIAS CORPORATION (from FY2019), NISHI-NIPPON NICHIAS CORPORATION (from FY2019), NICHIAS MECHATECHNO CO., LTD. (from FY2019), APJ CORPORATION (from 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, 2023 to March 31, 2024

Timing of Report Issuance

September 2024 (once a year) (Previously issued in September 2023)

Editing and Publishing

Sustainability Promotion Committee, 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.



### 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. Fifty-four people applied in 2024. The cover photo, which was inspired by "harmony with nature" won the best prize.

### Comment by the photographer

Thank you for choosing my photo among so many. I am overwhelmed by the thought that the photo I took appears on the cover of the Integrated Report. This is such an honor. There were many dragonflies around the lake I visited at the end of this summer for sightseeing. Then, I happened to see two of them cuddling up and gazing at each other. It was as if they cared for each other, which was healing and made me feel warm inside.

**Aki Anjo, TATSUTA INDUSTRY CORPORATION**



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