



The Mission of the NICHIAS Group – For a Brighter Future for Earth

Katsumi Kametsu

Representative Director

President and Chief Executive Officer

What is your perception of societal changes that are impacting the business of the NICHIAS Group?

The NICHIAS Group has offered products and services based on our "TATSU-TAMOTSU™ (Insulation and Protection)" technologies to many industrial fields since its establishment in 1896.

The current social environment is undergoing a period of transformation, and the impact of those changes will be significant. The various societal changes occurring both in Japan and overseas will naturally have a major impact on the business of our Group. I believe that identifying risks and opportunities and figuring out how to adapt to change are what is expected of management.

From a medium-to-long-term perspective, the most critical issue for us to monitor is global climate change. Greenhouse gases present a challenge for all companies. As a result, the structure of industry is undergoing significant change. Within our Group, environmentally conscious products and manufacturing equipment design have become urgent priorities; while at the same time, there has been an increase in opportunities to contribute to solving the problem of climate change, such as decarbonization, through our Group's products and service solutions.

The impact of recent economic trends is that energy costs, labor costs, and raw material costs remain high, so we need our customers to understand why it is necessary to pass on appropriate price increases. Furthermore, we cannot ignore the protectionist stance being pursued by the United States with its focus on tariffs. In any case, our approach to these challenges is clear: it involves enhancing the added value of our Group's products and services. To avoid the pitfalls of price wars, we need to consistently provide products and services with genuine added value that our customers truly desire.

The decline in the working-age population is also becoming an increasingly critical problem in Japan. To ensure that our business remains sustainable, we are pushing for smart factories through automation and systemization efforts that utilize digital technology. In addition, it is indispensable for us to create a pleasant work environment in order to secure human resources. We aim to be a company that continues to contribute to society while strengthening its efforts toward diversity, respect for human rights, and employee safety management.

Please review the Group's performance during the fiscal year ending March 2025 and your outlook for the next year.

The business environment is undergoing rapid change, but during the fiscal year ending March 2025, we achieved record-breaking results for the fourth consecutive year: net sales of 256.5 billion yen, operating income of 39.7 billion yen, ordinary income of 41.7 billion yen, and net income of 32.1 billion yen. This fiscal year's results were significantly influenced by growth in our plant construction and sales businesses. Although every segment has faced specific challenges, including a partial slowdown in the semiconductor segment and a slump in the Building Materials Department, I consider overall performance to be satisfactory.

Our numerical targets for FY 2026, as set forth in our current Medium-Term Management Plan, are as follows: sales of 275

billion yen, an operating profit margin of 17.3%, ROE of at least 15.0%, and ROIC of 14.0%. Although there are elements of uncertainty in the business environment, I believe these goals are generally achievable. In order to achieve further long-term growth, we have already begun investing in our future 10 years and 20 years down the road. As we look toward our next Medium-Term Management Plan, we will continue to focus on the hydrogen business and other areas where we can make progress toward carbon neutrality, as well as the semiconductor sector, where advancements in AI are expected to drive further demand increases. These efforts will provide a foundation for growth.

Could you explain what the April 2025 philosophical framework adjustment consists of and the purpose behind it?

We restructured our philosophical framework in April 2025 in order to foster sustainable value creation and to share our vision with a broad range of stakeholders. We have consolidated our traditional corporate philosophy, "contributing to the Earth's bright future through TATSU-TAMOTSU™ (insulation and protection) technologies," together with our Slogan, which express that philosophy concisely, Our Promise, which describes the mindset and principles that guide employee conduct, and our newly established Sustainability Policy, organizing all these elements under a single framework.

For details, please refer to the special feature in this report: "Initiatives for Sustainable Value Creation by the NICHIAS Group." We have created an illustration that encapsulates this reorganization of our philosophical framework. By providing a visual representation of our overall philosophical framework and communicating it clearly to stakeholders, we hope to foster a deeper understanding of our Group's business activities.

What progress has been made on the second stage of the Medium-Term Management Plan?

Our current Medium-Term Management Plan, called "Shikumi 130," commenced in April 2022. Shikumi is a slogan that combines elements from the Japanese words shiawase ("happiness"), which expresses support for our employees and their families, kufu (ingenuity), which describes interdepartmental collaboration for problem-solving, and mirai ("the future"), which represents the sustainable growth we are aiming for as we adapt to societal and environmental changes. By using ingenuity to create happiness and a better future, we are producing happiness in new ways. We always have this virtuous cycle in mind.

In our current Medium-Term Management Plan, we regard the first three years as the first stage and the latter two years as

the second stage. The NICHIAS Group has identified five particularly significant challenges to pursue as NPI (NICHIAS Performance index) items: improving profitability, selecting and focusing on our core businesses, efficient operations, environmental conservation, and strengthening our foundations. In order to implement these items, during stage one, we withdrew from unprofitable businesses, made growth investments with a medium-to-long-term perspective, and proceeded with manufacturing changes that would contribute to achieving carbon neutrality. I believe we were able to achieve solid results with regard to our FY2024 NPI items.

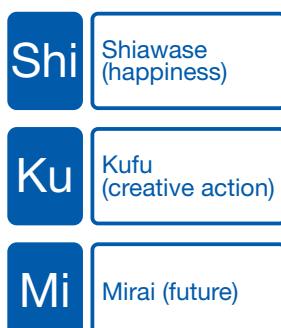
FY2025 is the first year of the second stage, which will be the culmination of our efforts so far. For our NPI during the

- Slogan for the medium-term management plan



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

Creating mechanisms "Shikumi" that respond to change



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"

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"

Mechanisms "Shikumi" to aim for sustainable growth while being adapted to social and environmental changes

"Creating a bright future"

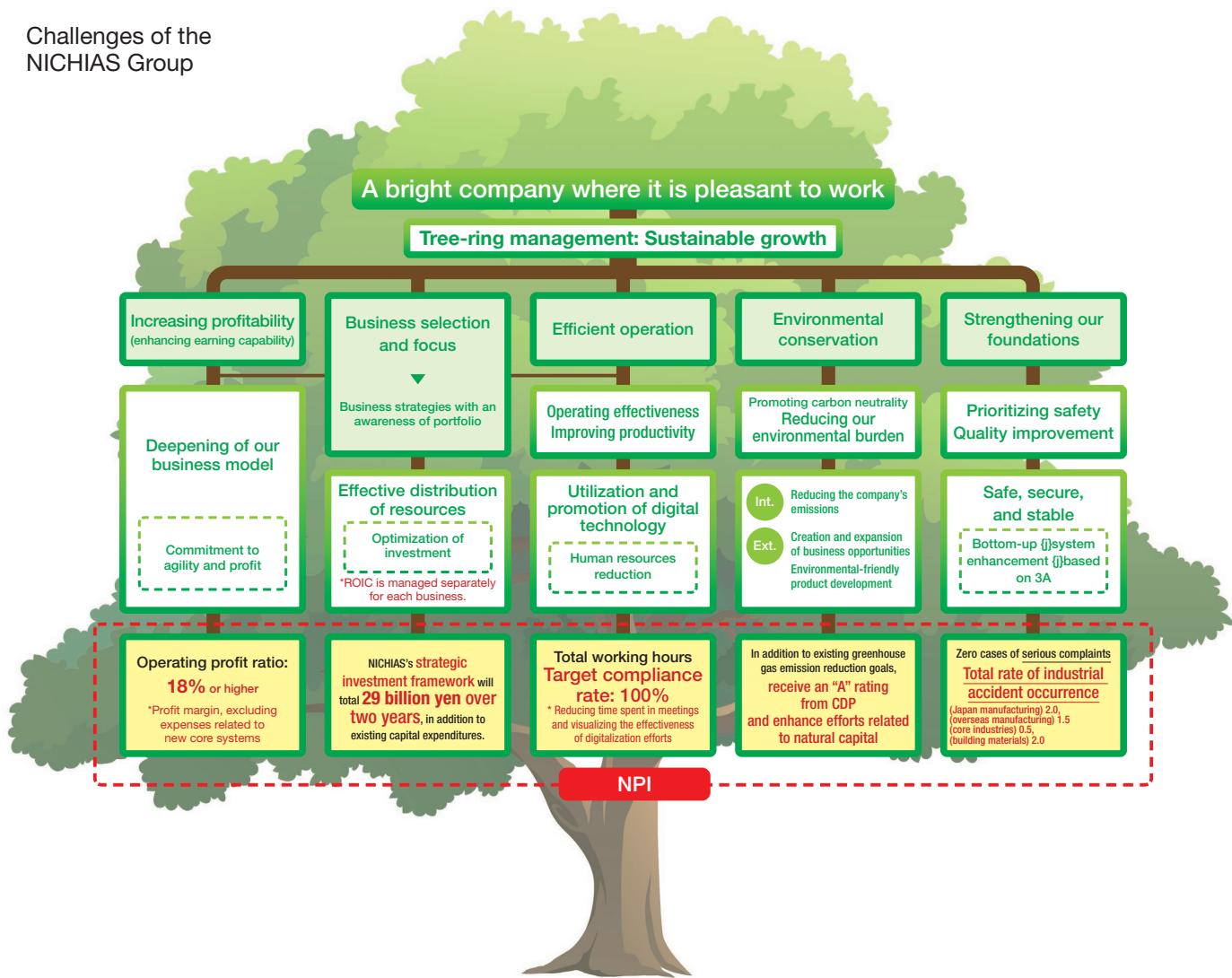


second stage, we are reviewing target numbers and items in addition to the earlier challenges. We will pursue new NPI items in key areas by making new investments in human resources and technology and by enhancing our adoption of new core systems, our promotion of business-specific evaluations through the use of ROIC, our compliance with regulations related to total working hours, and initiatives to strategically reduce greenhouse gas emissions.

We are making steady progress in our efforts toward becoming a “bright company where it is pleasant to work,” as we emphasized in last year’s Integrated Report. Through organizational restructuring aimed at personnel system reform and productivity improvement, we achieved a score of 75.9 on the NICHIAS General Index in FY2024. However, in areas such as human resource development and career planning, a gap between the mindset of our management and employees can be seen. We intend to achieve our FY2026 target score of 80 by eliminating these issues.

The target year of our Medium-Term Management Plan is approaching quickly, but by strategically executing on each policy, we will continue to deliver tangible business growth.

Challenges of the NICHIAS Group



What key challenges are you focused on with regard to sustainability management, which is promoted through ESGD's?

In addition to business growth, the sustainability of the NICHIAS Group and society is an essential element for enhancing long-term corporate value. We have been engaged in full-scale sustainability management since 2024, which was "sustainability year one."

For our Group, our core sustainability policy is called ESGD's, which combines ESG (environment, society, and governance) with D for digital, which facilitates our ESG efforts, and S for strategy, which encompasses the whole thing. Currently, under our Sustainability Promotion Committee, we have five specialized subcommittees – Environment, Social & Personnel, (Corporate) Governance, Digital, and Strategy – that are establishing various policies and advancing related activities.

With regard to environmental issues, in recent years, we have begun to emphasize not only greenhouse gas emission reductions but also the protection of water resources and ecosystems. The NICHIAS corporate logo includes a depiction of a dragonfly, which is an insect associated with victory. However, dragonfly populations have been declining in recent years, so our Group has undertaken the Dragonfly Protection Project as part of our biodiversity conservation activities. Creating habitats that are suitable for dragonflies could be considered one of the benchmarks of our business and social contribution activities.

A staunch partner in this field is the Hiroshima Dragonflies, a professional basketball team for which our company is a Diamond Partner as of the current fiscal year. The team's name is inspired by the Miyajima dragonfly, which inhabits the island of Miyajima in Hiroshima Prefecture. The team logo also incorporates a dragonfly. The shared use of a dragonfly, which also appears in our own logo, is what led to us forming a partnership agreement. Going forward, we plan to undertake a conservation project to create habitats in which dragonflies can thrive, giving shape to something that both parties are passionate about. It is my hope that our employees, the community, and the world at large will arrive at a deeper understanding of biodiversity through these efforts.

In the domain of human capital, we have prioritized employee job satisfaction and comfortable workplaces, and we have introduced engagement surveys. In addition to conducting detailed opinion surveys of our employees, I actively participate in group meetings at each workplace in order to get workplace feedback that cannot be captured by surveys alone. We have established a system under which all employee questions are answered as a matter of principle, and I feel that a corporate culture of openness has been cultivated through the establishment of a system in which specific requests related to workplace environment improvements and similar topics can be addressed.

In terms of governance, we have pursued structural improvements by ensuring balanced representation by outside directors and female executives in each committee. The training of future executives and adjustments to the current management team's compensation structure are taking place under the oversight of diverse viewpoints in order to enhance the transparency and fairness of our decision-making.

Sustained enhancement of corporate value also requires us to address new challenges. To strengthen information security in response to growing customer demand, we formulated the NICHIAS Group Information Security Basic Policy under the authority of the Sustainability Promotion Committee's Digital Subcommittee and established the Digital Investment Committee. The new core systems currently under development also prioritize enhanced security alongside productivity improvements as major areas of focus. Our measures concerning natural disasters are also critical. Our Business Continuity Planning (BCP) Measures up to this point have mainly focused on earthquake preparedness, but we are now advancing measures to deal with wind and water damage resulting from climate change at our facilities both in Japan and overseas.

I look forward to seeing how the integration of these sustainability management initiatives with our business and social contribution activities will lead to a new form of value creation for NICHIAS.

Tell us what your vision as a leader is for the future beyond FY2026.

The various initiatives we're pursuing under our Medium-Term Management Plan are designed to prepare the company for future changes in the business environment. Once we have completed our "business selection and focus" initiative and optimized our business portfolio, growth will accelerate in the next phase.

The NICHIAS philosophy of "TATSU-TAMOTSU (Insulation and Protection)" will continue to be at the heart of our corporate values. TATSU-TAMOTSU (insulation and protection) technologies have contributed to industry in keeping with the times, in areas that include shipbuilding, power generation, construction, and automobiles. These technologies now underpin the semiconductor and hydrogen sectors, and I'm confident that they will be essential in industries that are central in the future. In order to maintain our contributions to society in the future, I will fulfill my duties as executive while prioritizing the "TATSU-TAMOTSU" philosophy.

The support of stakeholders is indispensable for the business activities of the NICHIAS Group. I ask for your continued support as we strive toward a brighter future for earth.

