

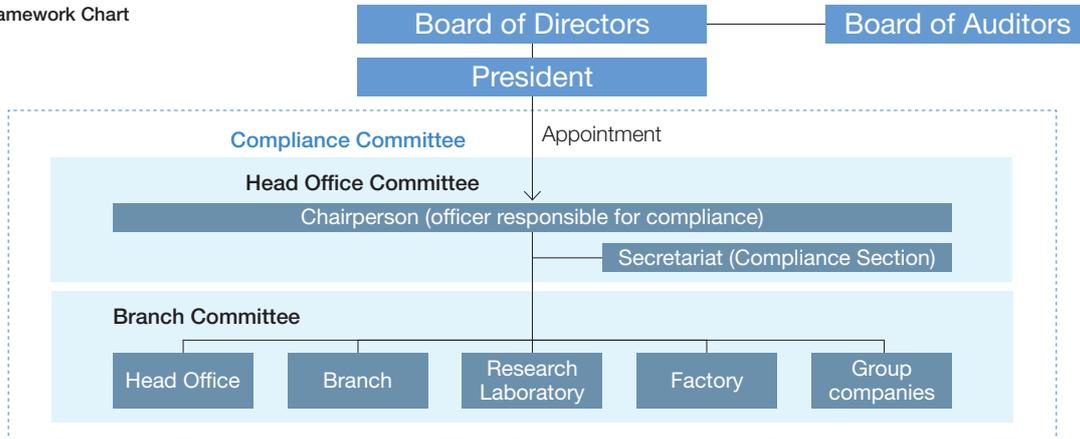
## Framework

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.

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



## Whistleblowing 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 Reporting and Response Council 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 63 whistleblower reports in FY2024. Appropriate action was taken for each report.

## Risk Management

For risks that could have a significant impact on management, it is essential to detect them at an early stage and respond appropriately. To minimize diversified risks, the NICHIAS Group is working to strengthen and enhance its risk management system, with each specialized division taking the lead based on its expertise.

## Quality Assurance

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 R&D, Technology Development, Sales, Manufacturing, Quality Assurance, Safety, Environment, and Facilities Engineering departments work together from their respective areas of expertise to rigorously review product quality, safety, and reliability, as well as the validity of production processes.

## Stable Distribution of Products & Services

### Stable Distribution of Products & Services

The NICHIAS Group recognizes that production stoppages caused by equipment failures or large-scale disasters can significantly affect the supply of products and services, and we are strengthening both the resilience of our production facilities and our recovery systems accordingly.

### Securing Raw Materials

To mitigate the procurement risks of raw materials arising from natural disasters, accidents, or conflicts, we are strengthening the resilience of our supply chain. For raw materials deemed to have high procurement risk, we are working on measures such as diversifying procurement sources and securing inventory.

**Securing of Employees' Safety**

To provide products and services stably, securing the safety of employees who support the business activities is important. To promptly ascertain the safety of employees, we have introduced a safety confirmation system and conduct safety confirmation drills regularly (at least twice a year). In addition, District Disaster Prevention Committees have been established at all domestic Group companies to strengthen preparedness against natural disasters and fires in each region, and these committees conduct disaster or fire evacuation drills (at least once a year) and review potential concerns that may arise in the event of a disaster. Starting in FY2025, District Disaster Prevention Committees are also being established at overseas sites, enabling all Group companies, both in Japan and overseas, to engage in disaster prevention and mitigation activities.

**Information Security**

The NICHIAS Group ensures thorough and appropriate management of information assets entrusted to us by customers and business partners, as well as those owned by NICHIAS itself, in order to protect them from a wide range of threats such as leaks and unauthorized access.

To this end, we have established a Basic Information Security Policy and are continuously working on strengthening our information security framework. This includes building a management structure that involves senior management, ensuring compliance with relevant laws and regulations, maintaining and operating internal rules, reinforcing technical measures, and providing ongoing education and training for employees.

In addition, taking into account changes in threats such as cyberattacks and the tightening of standards in relevant guidelines, we regularly review and improve our information security systems. Particular emphasis is placed on strengthening IT-based technical measures and enhancing internal education and training through e-learning and hands-on programs, with the scope and content of these initiatives expanding year by year.

**Growth Strategy**

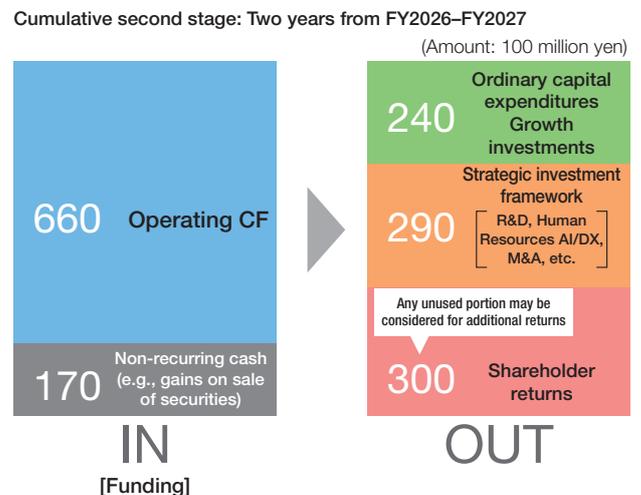
**Financial Strategy**

**Improving capital efficiency**

For the second stage of the Medium-Term Management Plan “Shikumi 130” (FY2026–FY2027), our financial strategy will focus on operating with an awareness of improving capital efficiency. We will maintain a liquidity target equivalent to 1.5 to 2.0 months of working capital. The equity ratio will not be increased beyond the current level, and we will work to reduce the ratio of policy-holding stocks to net assets. In addition, we will newly introduce ROIC management by segment and begin evaluating the cash conversion cycle, thereby driving transformation from our conventional financial structure.

**Capital allocation**

With respect to capital allocation, we have formulated the cumulative uses of funds for the second stage of the Medium-Term Management Plan (two projects). In addition to conventional capital expenditures, we have established a new strategic investment framework of 29 billion yen to enable more future-oriented investments. With regard to shareholder returns, we have set a total of 30 billion yen, and in the event that there are unused portions within the strategic investment framework, we will consider providing additional returns to shareholders. [See right-hand chart]



**Shareholder Return Policy (Dividend Policy)**

Our basic policy on shareholder returns is to maintain a total return ratio of 50% or more. With regard to dividends, we adhere to a policy of progressive dividends with a DOE of 5.0% or higher, and will continue to provide stable dividends going forward. In addition, we will carry out share repurchases while maintaining a balance with dividends. As a guideline, the upper limit of treasury stock holdings is set at 10% of shares outstanding, and repurchased shares will be retired as appropriate.

**Intellectual Property Strategy**

The NICHIAS Group strengthens its businesses by carrying out activities related to intellectual properties (hereinafter “intellectual property activities”) from both offensive and defensive perspectives, taking into account changes in the business environment and our future vision. In particular, for technologies newly created through research and product development, we actively promote the acquisition of rights such as patents and the management of know-how, thereby securing competitive advantages. At the same time, we respect the intellectual property rights of others and appropriately address IP risks, such as by conducting investigations and confirmations to prevent infringement when launching new products.

In intellectual property activities, the Intellectual Property Department plays a central role, advancing various initiatives in cooperation with relevant departments and external partners under smooth communication with the responsible executive officer. In FY2024, initiatives included revising and increasing invention rewards to strengthen incentives for innovation, piloting IP landscape analysis using AI-based patent analysis tools, and developing mechanisms to manage know-how that contributes to competitive advantage.