NICHIAS Group's Philosophical Framework and Sustainability

NICHIAS Group's Philosophical Framework

The NICHIAS Group has established a policy framework built on three pillars: "NICHIAS Philosophy," "Our Promise," and "Sustainable Policy." This framework encompasses a range of policies and declarations (Figure 1).

"NICHIAS Philosophy" outlines the purpose and mission of the NICHIAS Group. "Our Promise" outlines the mindset and principles of conduct expected of NICHIAS Group employees.

"Sustainable Policy" was established to support the NICHIAS Group's continuous growth and a sustainable society. It serves as a framework for our wide-ranging policies and declarations.



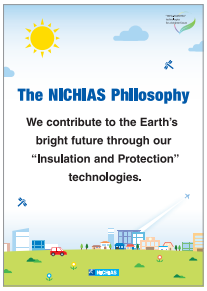
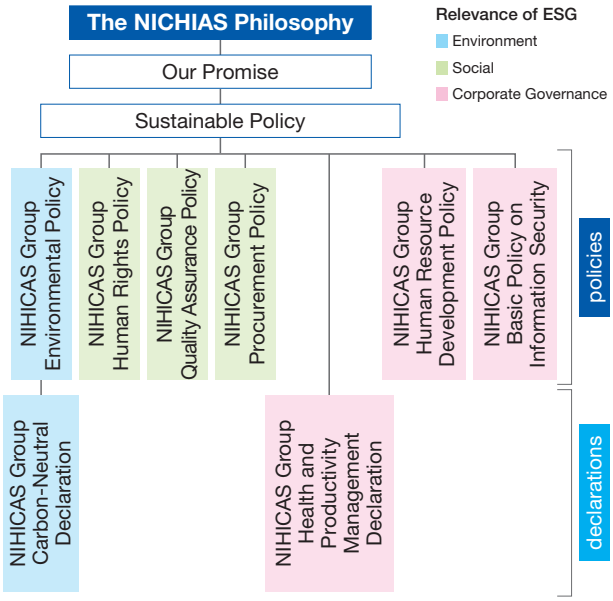




Figure 1: NICHIAS Group's Philosophical Framework



NICHIAS Group sustainability

The Sustainability Promotion Committee establishes the NICHIAS Group's overall policies and goals in accordance with our "Sustainable Policy" and is responsible for advancing the Group's sustainability.



The Sustainability Promotion Committee comprises five subcommittees: the Environment Subcommittee, the Society and Personnel Subcommittee, the (Corporate) Governance Subcommittee, the Digital Subcommittee, and the Strategy Subcommittee. Each sets its own policies, strategies, and priorities and promotes related activities.

The Environment Subcommittee addresses environmental issues, including climate change and biodiversity. The Society and Personnel Subcommittee addresses human resources issues, including human resource strategy and initiatives to enhance employee engagement. The (Corporate) Governance Subcommittee addresses management issues such as governance and compliance. The Digital Subcommittee deals with information-related issues, including digital transformation (DX) and the effective use of artificial intelligence (AI). The Strategy Subcommittee is responsible for aligning each subcommittee's activities with corporate management and ensuring their smooth implementation.

Table 1 lists the key issues for each subcommittee. To achieve NICHIAS Group's sustainable growth and a sustainable society, we will continue to address these issues.

Table 1: Key Priorities for Each Subcommittee

Subcommittee	Key Issues in FY2025	Key Issues in FY2026
Environment Subcommittee	■ Development of an environmentally conscious design system ■ Climate change response ■ Resource circulation measures ■ Human-wildlife coexistence measures ■ Disclosure of information on international initiatives	■ Revitalization of activities for harmony with nature ■ Strengthening branding of environmental value (introduction of an environmentally conscious design system, etc.)
Society and Personnel Subcommittee	■ Creation of the desired employee profile ■ Establishment of human resource development policy ■ DEI initiatives	■ Formulation of human resource strategies linked to management strategy ■ Implementation of measures to improve employee engagement ■ Preparations for developing a company-wide training system
(Corporate) Governance Subcommittee	■ Effective implementation of corporate governance ■ Establishment of a risk management system	■ Support and reinforcement of governance at domestic and overseas subsidiaries ■ Penetration and establishment of the emergency response manual
Digital Subcommittee	■ DX vision and development of DX policy ■ Visualization of digital investments ■ Development of DX talent	■ Roadmap development and promotion of DX issues ■ Development of DX talent
Strategy Subcommittee	■ Awareness-raising activities for the renewed philosophy framework ■ Support for certifications and indices	■ Preparation and awareness activities for SSBJ-related implementation ■ Initiatives for inclusion in the FTSE Blossom index ■ Enrichment and sophistication of integrated reports

Progress on NICHIAS Group's Key Indicators (1)

Medium-term Management Plan

The medium-term management plan spans the five-year period from fiscal year 2022 to fiscal year 2026. The first two years (fiscal years 2022–2024) constitute the "1st stage," while the final two years (fiscal years 2025–2026) constitute the "2nd stage."

In the "1st stage," we focused on "improving profitability" and "selecting and concentrating on our core businesses," and we promoted efficient business strategies and optimized our investment allocation. In the "2nd stage," we increased our investment in new areas, including human resources, AI, and DX, in line with our corporate philosophy. We also reviewed the Group's key priorities and began implementing measures to address them.

Progress on NPI (NICHIAS Performance Indicators)

As shown in Figure 2, the "Mechanism Tree," we divided the NICHIAS Group's issues into five categories and assigned a Nichias Performance Indicators (NPI) to each. We promote activities based on these indices.

Amid growing global economic uncertainty, the company achieved sales of 251.9 billion yen and an operating profit margin of 14.7% in fiscal year 2025, the first year of the "2nd stage" of the medium-term management plan, as part of its "Increasing profitability" initiatives.

Regarding "Business selection and focus," capital expenditures totaled 11 billion yen, ROE was 13.9%, ROIC was 10.7%, and EBITDA was 44.3 billion yen. We have also started tracking ROIC by business segment.

Regarding "Efficient operations," we shortened meeting times and visualized the effectiveness of digitalization. As a result, we achieved a 98.9% compliance rate for total actual working hours.

For "Environmental conservation," we received a "B" score in the climate category and a "B" score in the water category in the CDP scores. We reduced our GHG emissions by 15,000 t-CO2eq compared with the previous fiscal year, bringing our total to 165,000 t-CO2eq.

For "Strengthening our foundations," there was one serious quality complaint, and the occupational accident frequency rate in domestic manufacturing was 3.07. Table 2 shows NIPs and other key indicators.

The medium-term management plan will conclude at the end of fiscal year 2026. We will continue to work diligently to meet each indicator and lay the groundwork for the next five-year medium-term management plan, which is currently under development.

Figure 2: Shikumi Tree

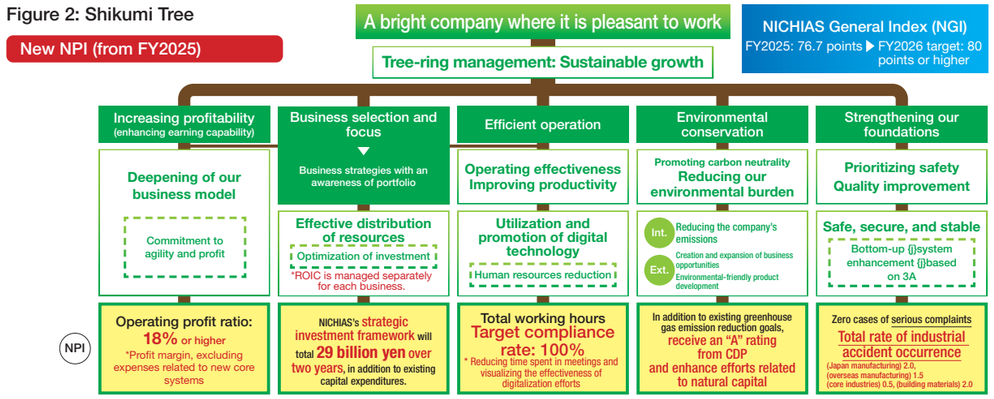


Table 2. NPI (NICHIAS Performance Index) and other numerical targets of the NICHIAS Group as well as past results

Item			NPI	FY2025 results	FY2026 target value (Second stage)	
Increasing profitability	Revenue	(100 million yen)		2,519		2,750
	Overseas revenue	(100 million yen)		518		580
	Operating income ratio	(%)	○	14.7		17.3(18.0*1)
Business selection and focus	Capital investment	(100 million yen)	○	110	Total investment amount	240*2
					Strategic investment framework	290*2
	ROE	(%)		13.9		≧15.0
	ROIC	(%)	○	10.7		14.0
	EBITDA	(100 million yen)		443		550
Efficient operation	Total working hours compliance rate	(%)	○	98.9		100
	Total working hours (average of the entire company)	(hours)		1,920		—
Environmental conservation	GHG emissions*3	(10,000 t-CO_2eq)	○	16.5		17.0
	Amount of discharged industrial waste*3	(1,000 t)		13.9		17.1
Strengthening our foundations	Total rate of industrial accident occurrence (domestic production)	–	○	3.07		2.0
	Total rate of industrial accident occurrence (overseas production)	–	○	1.40		1.5
	Total rate of industrial accident occurrence (core industries)	–	○	1.64		0.5
	Total rate of industrial accident occurrence (building materials)	–	○	2.65		2.0
	Cases of serious complaints	(number of cases)	○	1		0

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

Progress on NICHIAS Group's Key Indicators (2)

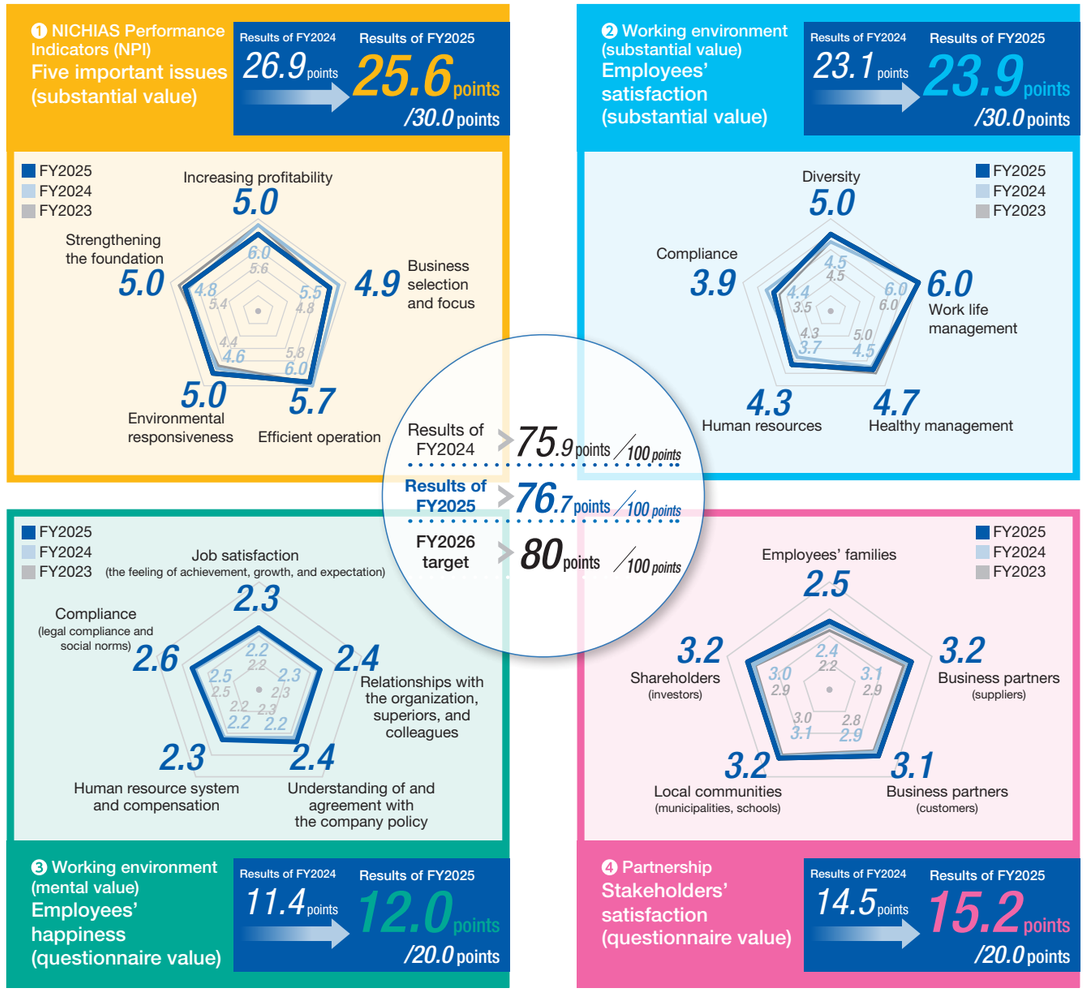
FY2025 NICHIAS Happiness Value Index – Results and Improvement Measures

At the NICHIAS Group, we've been promoting NICHIAS General Index evaluations since FY2022 as a performance record to evaluate the degree to which we have become a "a bright company where it is pleasant to work" (Figure 3).

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

For details, see the figure below. Our score in FY2025 was 76.7 points out of 100, and we are pushing toward a target of 80.0 points by FY2026.

Figure 3 FY2025 NICHIAS Happiness Value Index



Initiatives Toward Index Score Improvement Based on FY2025 Results

Regarding ①Nichias Performance Index (NPI) results for FY2025, we observed a decline in the "Improving profitability" category score. By contrast, the scores for ②Employee satisfaction, ③Employee happiness, and ④Stakeholder satisfaction improved.

However, as was the case last fiscal year, the scores for "job satisfaction" under ③Employee happiness and for "employees' families" under ④Stakeholder satisfaction remain low.

To address this issue, we will take the necessary measures in fiscal year 2026 to increase employee engagement and help employees visualize their career goals. At the same time, we will work to enhance the satisfaction and happiness of our stakeholders and employees. For example, we plan to organize more company events for employees and their families.

We will continue to implement various measures aimed at improving our NICHIAS Happiness Value Index scores as we endeavor to become a "worker-friendly and cheerful company."