

Sustainability (E)

Environmental Management

Environmental Policy

We strive to reduce environmental loads, promote environmental conservation, and help solve social and environmental issues in our whole business activities, from development and design to manufacturing of electronic materials, industrial structural materials, electrical insulating materials, and display materials, to achieve sustainable growth.

- (1) To strive towards the prevention of environmental pollution by accurately determining the environmental impact of our business activities, products and services.

(2) To comply with environmental laws, regulations, agreements and other requirements to which we have agreed.

(3) To establish and carry out "Environmental Goals" and review them periodically in promoting environmental activities.

(4) To develop the products and technologies contributing to reducing environmental loads.

(5) To strengthen the management of hazardous chemical substances which might have an impact on the environment.

(6) To strengthen the management of air, water, and soil pollution and strive to maintain biodiversity.

(7) To work toward resource saving, energy saving, industrial waste reduction and recycling promotion.

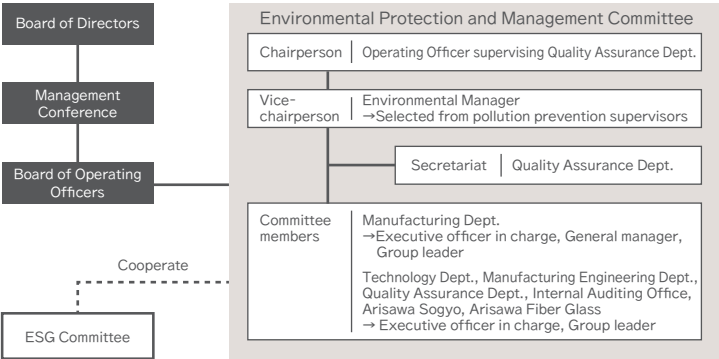
(8) To contribute to reducing greenhouse gas and creating a recycle-based society by introducing renewable energy and recyclable resources.

(9) To raise awareness of all employees through environmental education and enlighten them so that they will take responsible actions for a sustainable society.

(10) To continually improve the environmental management system by performing periodic internal environmental audits and management reviews.

Promotion Structure of Environmental Protection

Environmental protection activities are promoted as a whole by the factories and affiliates on the premises at three sites (Minami-honcho, Nakadahara, and Nakadahara-nishi) in Joetsu City. The Environmental Protection and Management Committee uses the PDCA cycle and is engaged in the protection activities in cooperation with the ESG Committee.



Material Balance

Our group strives to reduce environmental loads by understanding the balance between energy and resource inputs in business activities and CO<sub>2</sub> and waste emissions generated as a result.

INPUT		FY2022	FY2023
Energy inputs			
Fuel	Sum (crude oil equivalent)	7,332 kL	7,071 kL
	City gas	6,307k Nm³	6,091k Nm³
	LPG	4.0 ton	4.0 ton
Electricity (crude oil equivalent)		8,100 kL	7,181 kL
	Electricity	32,327 MWh	32,213 MWh
Purchased items			
Sum		9,009 ton	8,737 ton
	Raw materials	8,078 ton	7,896 ton
	Incl. organic solvent	608 ton	572 ton
	Secondary materials	931 ton	841 ton
Water inputs			
Total inputs		307.9k m³	325.0k m³
	Surface water	136.9k m³	123.9k m³
	Underground water	171.0k m³	201.1k m³

OUTPUT		FY2022	FY2023
CO <sub>2</sub> emissions			
Sum		26,681 ton	22,996 ton
	Fuel	14,165 ton	12,742 ton
Electricity		12,516 ton	10,254 ton
	Organic solvent air emissions		
Substances subject to the PRTR system		135 ton	134 ton
	Industrial emissions		
Sum		1,643 ton	1,522 ton
	Recycled (reused)	1,596 ton	1,432 ton
Landfill disposal		47 ton	90 ton
	Chlorofluorocarbon emissions		
Emissions due to errors in CFC replacement work		1.12 ton	— ton
Period covered: FY2023 (April 2023 to March 2024) Business sites: Joetsu Head Office and Minami-honcho Factory (including Arisawa Fiber Glass Co., Ltd. and Arisawa Sogyo Co., Ltd. within the premises) Nakadahara Factory (including Arisawa Sogyo Co., Ltd. within the premises) Nakadahara Nishi Factory (including Arisawa Sogyo Co., Ltd. within the premises)			

Environmental Targets, Results, and Assessment for FY2023

We have established the environmental management system in accordance with ISO 14001, and we identify and evaluate important environmental risks and opportunities through its operation and determine how to address environmental issues.

No.	Environmental Targets	Target Values	Results	Evaluation
1	Develop the products and technologies contributing to reducing environmental loads	Continue development by each Technical Division group	Confirmed all groups have continued development	Achieved
2	1) Survey environmental hazardous materials of existing purchased specifications	Obtain SDS and non-containment certificates of purchased materials, 10 per month	277	Achieved
	2) Make the CSR procurement policy known to suppliers and urge them to make improvements if no effective efforts have been made	Send the CSR questionnaire again to companies that did not reply in FY2022 and analyze the questionnaire results	Analyzed for all 116 companies	Achieved
3	Neither cause new environmental pollution or health damage, nor commit the material violations of laws and regulations to sustain biodiversity	Commit no material violation of laws and regulations	0	Achieved
4	1) Save energy (reduce electricity and city gas)	Save energy at Minami-honcho Factory Reduce energy amount kL by 1% compared to the past results, or reduce energy amount kl/processing output by 1% compared to the previous year	Reduced by 16.1 % compared to the past results Increased by 0.5 % compared to the previous year	Achieved
		Save energy at Nakadahara Factory and Nakadahara Nishi Factory Reduce energy amount kL by 1% compared to the past results, or reduce energy amount kl/processing output by 1% compared to the previous year	Reduced by 23.1 % compared to the past results Decreased by 6.2 % compared to the previous year	Achieved
	2) Achieve zero emissions (development and manufacturing)	Maintain a recycling rate of 95 % or higher (recycling rate = amount of recycling / amount of industrial waste disposal)	95.4%	Achieved
5	3) Reduce industrial waste	Reduce industrial waste by 3 % compared to FY2020	Reduced by 14.8 % compared to FY2020	Achieved
	Reduce CO <sub>2</sub> emissions (achieve carbon neutrality by FY2030)	Reduce CO <sub>2</sub> emissions by 32 % compared to FY2020	Reduced by 44.5 % compared to FY2020	Achieved
6	1) Conduct a general education and training	Conduct once a year at each department	Conducted	Achieved
	2) Conduct training for employees engaged in specified work	Conduct once a year at a relevant department	Conducted	Achieved
	3) Conduct training for hired and transferred employees	Conduct at hiring or transferring	Conducted as required	Achieved
7	1) Conduct volunteer activities	Conduct once a year or mor	Conducted once	Achieved
	2) Issue an environmental report	Publish on our website in October	Issued in October	Achieved

Environmental Compliance

In FY2023, we received two complaints regarding noise from the construction of a new parking lot on the north side of the Nakadahara Nishi Factory, and one complaint about the scattering of a soil conditioner from the nearby area. Regarding the noise, we installed a sound insulation sheet and provided an explanation of the construction schedule once again. As for the scattering of the soil conditioner, we instructed the construction company to consider the wind direction and speed, and also reiterated the construction schedule. We received the neighborhood's approval for both cases. We will continue to respond promptly to complaints regarding environmental issues through communication with the concerned parties.

Employee Education on Environment

We conduct general education every year aimed at increasing employees' environmental awareness, including compliance with environmental laws and regulations related to our business activities, sharing of information with stakeholders, and spread of our environmental targets. In addition, we have established the procedures for preparing for and responding to emergency, including the prevention of environmental pollution due to disasters and accidents, and conduct education and training every year at the factories and research facilities at high environmental risks. No incidents occurred that could have a major impact on the surrounding environment in FY2023. Furthermore, we are implementing measures to expand specialized knowledge, such as training ISO 14001 internal auditors and educating employees engaged in specific tasks.

TOPICS

Aota River cleaning mission

We have been participating in an environmental beautification project conducted by "Aota Gawa wo Aisuru Kai," an environment conservation group in Joetsu City, as a corporate member since FY2007. The Aota River runs near the Minami-honcho Factory. This group plays an active role in conserving the natural environment, including maintaining scenic beauty and improving water quality.



Sustainability (E)

Responding to Climate Change

We support the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). We have also participated in the TCFD Consortium, a platform where supporting companies and financial institutions discuss. We consistently improve our environmental protection activities by promoting the reduction of electricity and gas consumption, hazardous chemical substances, and industrial waste, etc., in accordance with our Environmental Policy. These activities are discussed by the Environmental Protection and Management Committee.

Under the philosophy that the solution of environmental issues leads to value creation for society as well as the reduction of business risks, we publicized "Carbon Neutral Initiatives" on our website in June 2021 because we especially recognize climate change as a pressing issue. While the government has set a goal of achieving carbon neutrality by 2050, we\* are striving to achieve it by 2030.

\*Minami-honcho Factory, Nakadahara Factory, and Nakadahara Nishi Factory (including affiliates within the premises)

ESG Policy

In all aspects of our business activities, we actively address a variety of issues related to environment, society and governance and aim to achieve sustainable growth.

Governance (Promotion Structure)

We established the ESG Committee in December 2021 in order to take the lead in addressing climate change issues. At the committee, a director and senior managing operating officer serves as a chairperson, and operating officers and general managers of each division serve as members, promoting the organized activities. The ESG Committee deliberates four times a year on themes, such as responding to climate change, realizing a decarbonized society, respecting human rights, considering for working environment, and having fair and appropriate transactions with business partners, in addition to enlightening and promoting sustainability-conscious management. Important matters to be deliberated and the status of the activities, etc. are regularly reported to the Board of Operating Officers, the Management Conference and the Board of Directors, and the Board of Directors makes the final decision. For details on the ESG promotion organization, see page 23.

assessing the climate change-related risks, upon identifying climate change factors in businesses, we assume the changes of future regulations, and societal, technological and climate conditions for each 1.5 °C and 4 °C scenarios.

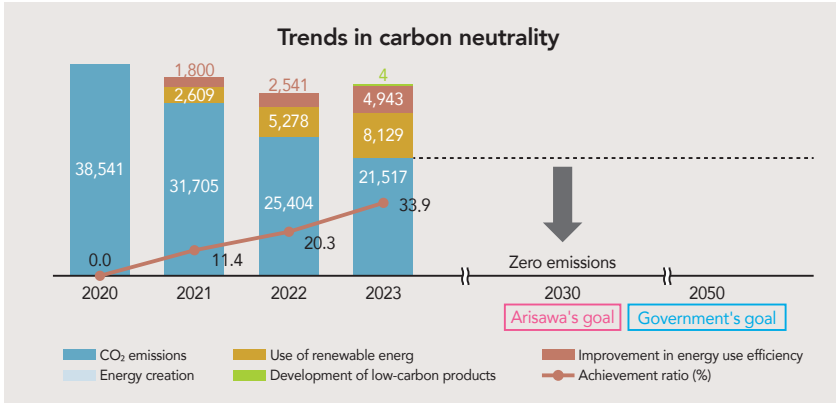
For details on the materiality and KGI, see page 24.

Risk Management

We recognize that climate change-related risks are important management issues. Therefore, the ESG Committee identifies and assesses the climate change-related risks, and reports to the Board of Operating Officers, the Management Conference and the Board of Directors, thereby defining key issues. We improve our risk management system by managing these risks. As for

Metrics and Goals

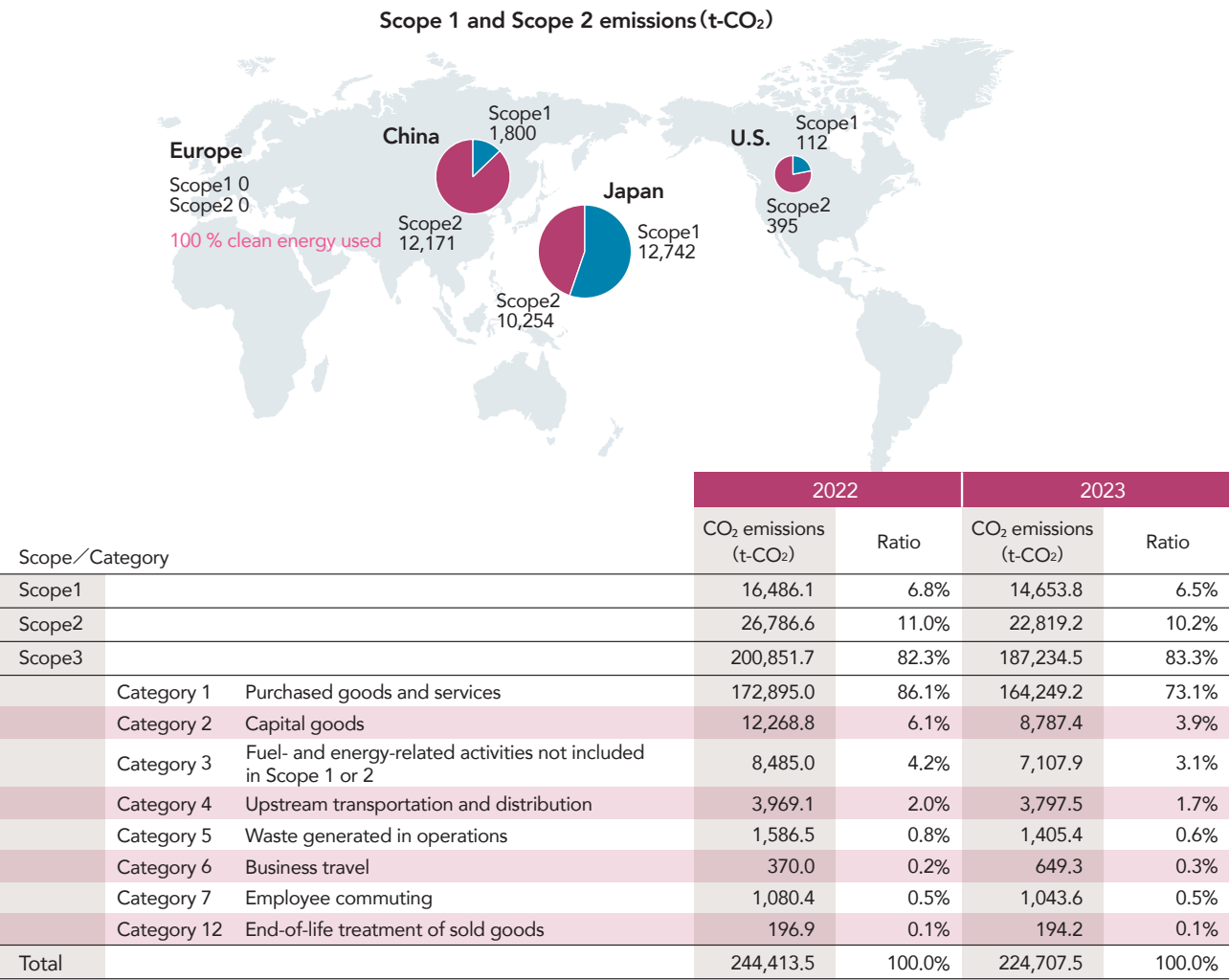
We have implemented various measures to improve energy use efficiency. From now on, we will not only expand the deployment of the measures, but also aim to achieve carbon neutrality in FY2030 (compared to CO<sub>2</sub> emissions in FY2020) in terms of direct emissions (Scope1) and indirect emissions (Scope2) by using renewable energy (purchasing renewable energy electricity and carbon neutral gas) and promoting the development of low-carbon products.



CN (carbon neutrality) achievement ratio = (Total of renewable energy, energy creation, low-carbon products, and energy use efficiency) / CO<sub>2</sub> emissions in FY2020  
Target sites: Minami-honcho Factory, Nakadahara Factory, and Nakadahara Nishi Factory (including affiliates within the premises)

Use of renewable energy (including energy creation)	Improvement in energy use efficiency	Development of low-carbon products
<b>Past initiatives</b> -Purchased renewable energy electricity and carbon neutral gas* (natural gas) since 2021 * First carbon neutrality gas introduced in Niigata  <b>Purchases in FY2023</b> Renewable energy electricity: 10.46 million kWh CN gas: 1.45 million m <sup>3</sup> - Introduced onsite PPA (solar energy generation) Launched in June 2024	<b>Past initiatives</b> - Upgraded the boiler at the Nakadahara Factory - Installed a waste heat recovery system on the coating machine (progressively) - Improved the efficiency of air-conditioners, air supply and exhaust fans, boilers, and compressors - Consolidated freezers and refrigerators - Consolidated production - Changed the production conditions (at lower drying temperatures and higher machining speeds)	<b>Basic concept</b> (1)Realization of lower energy in our production (low-temperature and high-speed machining, process reduction, etc.) (2)Realization of lower energy in clients' production (contribution to low-temperature and high-speed machining, process reduction, etc.) (3)Less-waste product design (including recycling) (Example: A coating machine without a separator, etc.) (4)Eco-friendly products (Example: EV, new energy, lightweight, etc.)
<b>Future issues for consideration</b> - Continuation and expansion of the above - Offsite PPA - Storage of electricity (energy)	<b>Future issues for consideration</b> - Continuation and expansion of the above - Completion of the Innovation Center (ZEB Ready) in 2025 - Eco-friendly factory (ZEF)	<b>Achievements in 2023</b> - Started mass production of new low-temperature and high-speed coating products made from electronic materials - Continued the development of eco-friendly products (Example: LED, hydrogen power generation, EV components, etc.)

Looking forward, the entire Arisawa Group understands Scope 3 emissions (indirect emissions from other than Scope 1 and Scope 2).



Sustainability (E)

Responding to Climate Change

Strategy

We analyzed the effects as of 2030 by using two scenarios, the 4 °C scenario\* and the 1.5 °C scenario\*, targeting at our whole supply chain from purchase, development, production to sales of products and services. Upon scenario analysis, the ESG Committee identified significant risks and opportunities related to climate change and assessed financial impacts that those would have.

\*Source: The Ministry of the Environment "Practical Guide for Scenario Analysis in line with TCFD Recommendations 3rd edition"

Risks				
Transition / Physical	Factors	Financial Impacts	Assessment	Responses
Transition Impact of transition to a decarbonized society	Carbon price (carbon taxes)	- Increase in operating costs due to the implementation of carbon taxes	[1.5 °C] Large	- Set targets for energy saving and CO <sub>2</sub> emissions reduction in the company-wide environmental targets
	Emissions trading	- Additional costs incurred for credit purchases, etc.	[1.5 °C] Large	- Set targets for achieving carbon neutrality by 2030
	Response to GHG emissions regulations	- Increase in costs for renewing equipment fixtures with high efficiency - Regulations on the use of chlorofluorocarbon	[1.5 °C] Large	- Save energy and purchase renewable energy
	Plastic regulations	- Increase in costs due to regulations on plastic packaging materials	[1.5 °C] Medium	- Set targets for a recycling rate
	Renewable energy policy	- Increase in energy costs due to higher renewable energy prices	[1.5 °C] Large	- Reduce energy consumption by productivity improvement
	Change in raw material costs	- Increase in procurement costs due to carbon taxes and other regulations - Increase in raw material costs due to soaring crude oil and copper prices	[1.5 °C] Large	- Consider renewing with energy-saving equipment in compliance with regulations
	Change in customer reputation	- Decrease in sales due to suspension in trading and market share loss when environmentally friendly corporate activities are not effectively carried out	[1.5 °C] Large	- Promote capital expenditure by introducing ICP
	Change in investor reputation	- Possible avoidance of investment and loan from financial institutions and investors when disclosing climate change-related information is delayed because environmental issues are not addressed	[1.5 °C] Large	- Reduce usage - Consider replacements - Recycle film winding shafts (plastic pipes)
Physical Impact of natural disasters	Increased severity of extreme weather events	- Increase in costs to deal with the suspension of operations and logistics functions - Delivery delay of procured materials - Increase in procurement (transportation) costs	[1.5 °C] Medium [4 °C] Large	- Set targets for energy saving and CO <sub>2</sub> emissions reduction in the company-wide environmental targets
	Rise in average temperature	- Increase in energy costs with increase in the frequency of the use of air-conditioners	[1.5 °C] Small [4 °C] Medium	- Promote investment in energy saving

Opportunities				
Transition / Physical	Factors	Financial Impacts	Assessment	Responses
Transition Impact of transition to a decarbonized society	Emissions trading	- Additional revenue when emission allowances are excess	[1.5 °C] Large	- Set targets for energy saving and CO <sub>2</sub> emissions reduction in the company-wide environmental targets - Set targets for achieving carbon neutrality by 2030 - Save energy and purchase renewable energy - Set targets for a recycling rate - Reduce energy consumption by productivity improvement - Renew with energy-saving equipment in compliance with regulations - Promote capital expenditure by introducing ICP
	Progress of low-carbon technologies	- Increase in sales of materials for electronic parts due to the increased demand for EV - Increase in sales of materials for fuel cell due to the increased demand for fuel-cell vehicles - Increase in sales of materials for hydrogen generation devices due to the increased demand for hydrogen energy - Increase in sales of carbon cloth prepregs and honeycomb materials due to the increased demand for the weight reduction of vehicles and aircraft	[1.5 °C] Large	- Develop and promote sales of high heat-resistant FPC materials for EV and high heat-dissipation/insulation adhesive sheets - Develop hydrogen generator-related materials and penetrate markets
	Change in customer reputation	- Increase in market share by receiving a high reputation in markets when some results are achieved through environmentally friendly corporate activities	[1.5 °C] Large	- Introduce our initiatives by externally delivering the Environmental Policy and issuing environmental reports - Publicize initiatives for ESG, TCFD, and carbon neutrality - Issue integrated reports
	Change in investor reputation	- Facilitate investment and loan from financial institutions and investors by reporting initiatives and achievements on environmental issues earlier than other companies	[1.5 °C] Large	
	Increased severity of extreme weather events	- Increase in sales of seawater desalination treatment devices due to the impact of water stress - Increase in demand for and sales of electronic devices due to lower human mobility	[1.5 °C] Large [4 °C] Large	- Promote sales in the electronic materials field and of filament winding products

Assessment (small, medium, large): Analyzing quantitatively and qualitatively, and assessing relative impacts.

TOPICS

### Awarded for its energy-saving activities at the Nakadahara Factory

The energy-saving activities at the Nakadahara Factory were recognized, and on February 22, 2024, Arisawa received the Chairman Award of 2023 Tohoku 7 Prefecture Electricity Effective Use Promotion Committee.

This award was granted for the Nakadahara Factory's investment of 278 million yen in energy saving initiatives for three years, from FY2020 to FY2022, which resulted in a reduction of 1,008 kL (crude oil conversion) of energy.



The roadmap to carbon neutrality will soon reach its halfway point. We will launch full-scale energy generation activities alongside our energy-saving efforts. Specifically, starting with small-scale solar energy generation, we will further expand solar energy production on our premises and accelerate initiatives such as transitioning to alternative fuels in place of city gas.



Mr. Tanabe  
(Operating Officer: Manufacturing Engineering Department)



Sustainability (E)

Promotion of Circular Economy

Emission Policy

In order to realize a sustainable society, it is required to make an early transition to an economic system with less environmental impact; it is required to break away from an economic system (linear economy) that uses a large amount of natural resources and fossil fuels, produces and consumes a large quantity of industrial products, and disposes of these products in mass quantities and make a shift to a circular economic system by treating as "resourc-

es" industrial products which are considered "waste" in the conventional economic system and circulate those by recycling (Recycle), reusing (Reuse) and reducing (Reduce).  
We have been working to reduce and reuse emissions and waste generated by our business activities through the business activities. To strengthen this initiative, the Emission Subcommittee leads the activities.

Long Term Targets for the Emission Subcommittee

- [1] Reduce industrial waste emissions by 30 % compared to FY2020 by 2050.
- [2] Achieve the zero emissions of industrial waste related to development and manufacturing by 2050.

Toward these targets, we will continue to reduce waste and recycle industrial waste that is not currently recycled. This will curb global warming, natural resource depletion, and biodiversity loss, leading to a contribution to society.

Outsourcing Disposal of Hazardous Industrial Waste

We outsource the disposal of industrial waste to disposal operators. In compliance with laws and regulations, such as the "Act on Waste Management and Public Cleansing", we properly issue an industrial waste control documentation (manifest) and check the process up to the final disposal destinations. We also conduct on-site inspections (including document examinations) of disposal operators as needed to confirm that our emissions are disposed of properly.

Green Purchasing

We promote green purchasing\* to achieve environmentally friendly economic activities. The green purchasing ratio for paper, stationery, and office appliances in FY2023 was 89.9 % in value terms.i  
  
\*Products in compliance with the Act on Promoting Green Purchasing, labeled with the Eco Mark, Green Mark, or R Mark, or listed in the GPN database

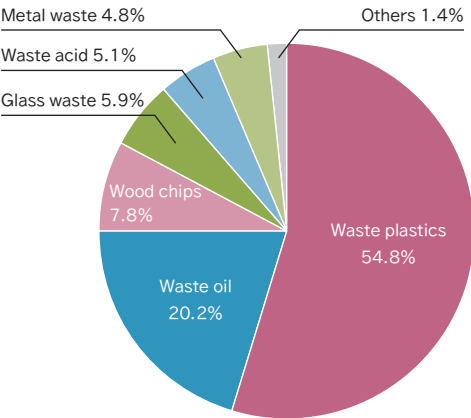
Activity Results

Regarding the reduction of industrial waste emissions, we conduct monthly waste patrols in our factories to identify items that may be subject to reduction. Regarding zero emissions, we investigate whether any new materials are available for recycling, and work toward a goal of achieving a recycling rate of 95 % or higher for a single year.

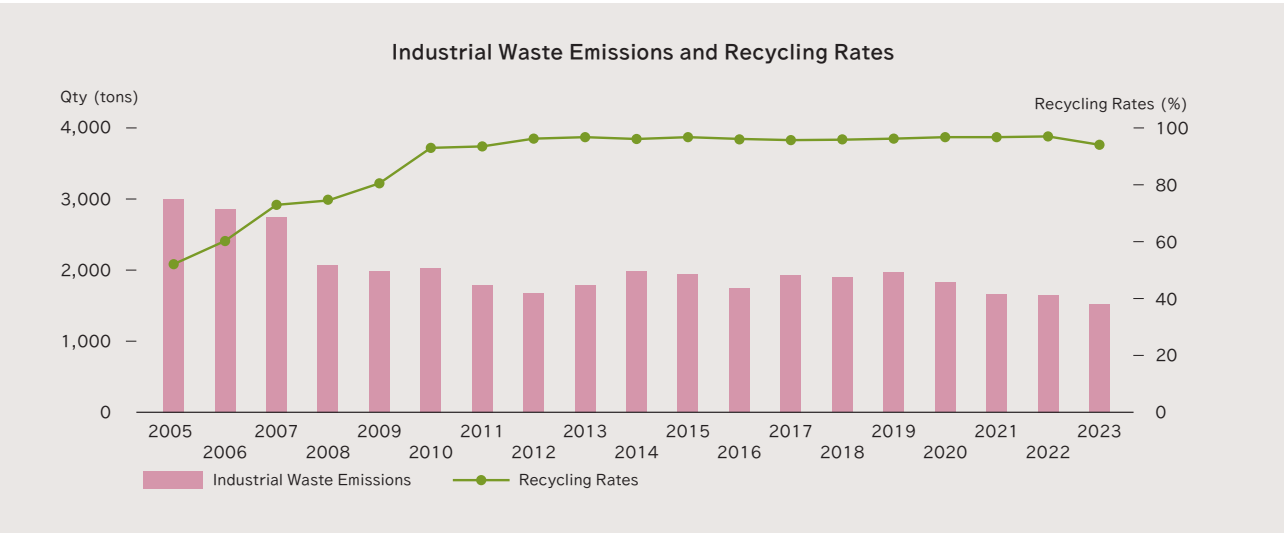
As a result, we started recycling PVC pipes and PVC cutting waste in FY2023. In FY2024, we have worked on recycling glass waste and FRP as one of our priorities.

Industrial Waste and Recycling Rate

Industrial waste emissions were 1,522 tons. The breakdown of the emissions is 54.8 % for waste plastic, 20.2 % for waste oil, 7.8 % for wood chips, 5.9 % for glass waste, 5.1 % for waste acid, 4.8 % for metal waste, and 1.4 % for others.  
Waste plastic emissions were reduced by 6.4 % from the previous year.  
In order to achieve the zero emissions of industrial waste related to development and manufacturing by 2050, we are continuing to promote active recycling (thermal recycling or material recycling), and the recycling rate in FY2023 was 94.1 %.



Types and Ratio of Industrial Waste



TOPICS

**Made used book-based donations to universities in Niigata**

Arisawa continues providing support to universities in Niigata. In FY2023, we made donations to Kishapon, a used book-based donation company (a donation system where recyclable books and DVDs are collected, appraised, and the value is donated). The donations will be used to strengthen education and research activities, as well as support student learning.

**Donated small electronic devices and home appliances (unwanted items) to welfare facilities**

Sakuraen Social Welfare Corporation in Joetsu City disassembles and sorts small electronic devices and home appliances donated by households to recycle them as resources. In support of this initiative, we donated electronic devices that reached their replacement period.

Sustainability (S)

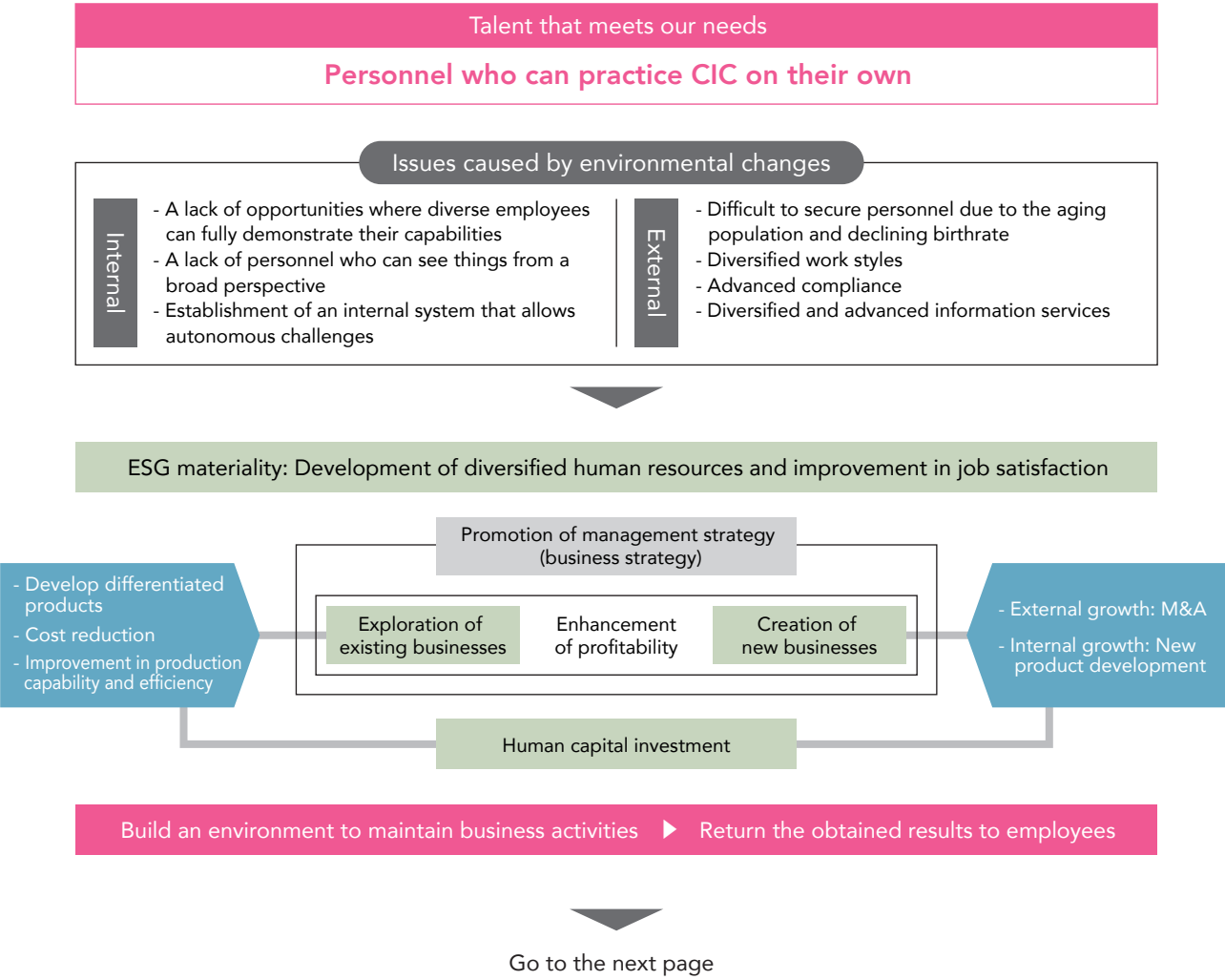
Human Resource Management

Human resources are the source of value creation and the driving force to achieve sustainable growth and development for our group. With growing attention to diversity, collaboration, and health management, we will continue to improve the working environment and update human resource development plans to create workplaces that we can be proud of and feel comfortable and are eager to work in. To further enhance our corporate value, we are focusing on attracting and developing diverse human resources, including creative and flexible leaders and human resources for DX.

Link to Management Strategy

Our mid-term management plan's policy is that "we aim to maximize our corporate value with both business strategy and financial strategy". To promote our business strategy, the talent that meets our needs is personnel who can practice CIC on their own. We have worked on nurturing human resources through

discussions with the Human Capital Subcommittee and have set basic conditions for new graduate and mid-career recruiting. We hope this will achieve a virtuous cycle in which our corporate value is increased, the obtained results are returned to each of our employees, and further value is created.



Major actions for solving issues and filling the gap to the talent that meets our needs and KPIs

Actions	KPI	Achievements in FY2023
Diversity and inclusion	Goals by the end of FY2024 Percentage of women in managerial positions: 20 % Ratio of gender wage gaps between men and women: 85 %	- Diversity training - Diversity conference with Senior Managing Operating Officer Takeshi Masuda, Outside Directors Hirotooshi Takada and Makiko Horie, and department managers - Female training and lunchtime training by external instructors - Mid-career recruitment - Expansion of the range of roles played by people with disabilities and their employment support
Evaluation and compensation Life-work balance	Goals by the end of FY2024 Ratio of male employees taking childcare leave: 60 % Percentage of annual paid leave taken: 75 %	- Review of allowances - Review of the teleworking system - Give company logo aprons to employees who have had a newborn baby or are on childcare/caregiver leave
Career development	Support for more autonomous career development in FY2024 (visualization of career development and establishment of a system to support human resource development)	- Level-based training by external instructors (mindset, self-understanding) - Training courses for department managers - Foreign language training (online English and Chinese lessons) (English writing seminar by Outside Director Kazuo Abiko) - Meeting among President Yuta Arisawa, Outside Directors Hirotooshi Takada and Makiko Horie, and female employees
Human resource portfolio	Goals by the end of FY2024 Determination of the portfolio direction (initiatives to increase knowledge from experience and personal communication)	- Identification of career path and issues to solve - Future vision by division and an action plan to fill the gap - Implementation of an internal internship
Engagement	Goals by the end of FY2024 Establishment of a policy based on the analysis results of an awareness survey	- Launch of an employee recognition survey (quantitative understanding of the "As is - To be" gap) - Issuance of a brand book - External publication through a rebranding project - Extension of enrollment age for defined contribution plans

Initiatives on Recruitment and Enhancing Diversity

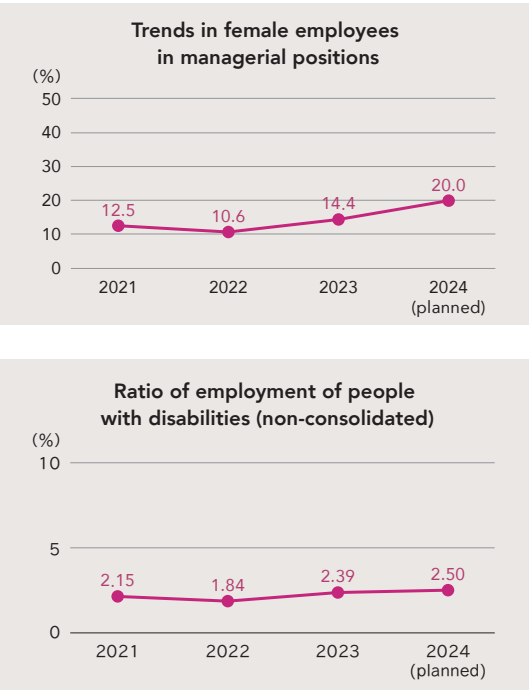
Our basic policy in recruitment is to enhance diversity, realize appropriate matching, and provide education that allows employees to clearly experience self-fulfillment. As a result, a diverse range of people can demonstrate their capabilities in our company, and the turnover ratio is also low.

The first female director was appointed in June 2021, and two of the directors are female as of June 2023 through the implementation of various development plans and efforts to promote the active participation of women. In addition, the first female operating officer was appointed in June 2022 through internal promotion, and the number increased to two in June 2024.

Additionally, in order to respond to environmental changes and take on new business challenges speedily, we also place emphasis on the mid-career hiring of professionals with advanced knowledge and experience in specialized fields. The number of mid-career hires is increasing every year, and they have breathed new life into their workplaces by leveraging their experiences and skills.

We believe that new ideas and solutions are created by people with different backgrounds and experiences getting together and thinking about things from each perspective, which will lead to an increased corporate value. Regarding diversity enhancement as an important management issue, we will continue to promote it.

We provide people with disabilities opportunities to work by leveraging their abilities, ensuring their job security and financial independence. By utilizing a service to support the employment of people with disabilities, we will increase the employment ratio of people with disabilities.



Sustainability (S)

Human Resource Management

Human Resource Development

We aim to enhance job satisfaction for each and every employee and improve organizational power by striving to provide a wide range of opportunities for skill development, including improvement of basic skills with position-based training, external training, and self-development with e-learning. New employees receive one-on-one guidance from an individually assigned trainer and learn their tasks in accordance with a new employee development plan. We develop personnel who can practice CIC on their own and future leader candidates and assign the right people to the right positions through consultation by a career consultant or

industrial counselor and conversations with executives and junior employees.

In FY2023, we created many opportunities for our employees to learn firsthand from instructors, including a woman who transitioned from being a full-time homemaker to becoming the president of a local factory. We also provided opportunities for discussions on diversity and mindset change between the President and female employees, as well as between outside directors and executives, with the aim of instilling the corporate philosophy and developing role models.



President Yuta Arisawa and participants



Training session conducted by Outside Director Makiko Horie



Diversity conference among Outside Directors Hirotohi Takada and Makiko Horie and department managers

TOPICS

Internal internship

aWe held a one-day work experience program before implementing a system that allows temporarily transfer to employees' desired departments where they can experience different tasks for their autonomous career development. A total of 32 employees participated in this program, gaining valuable experience in departments such as the Development Department, Manufacturing Engineering Department, and Analysis Center.

The purpose of the internal internship is to help employees who are interested in the tasks of other departments deepen their understanding and expand their internal network for future career development. We also expect a synergistic effect; participants in this internship program can gain experience that is useful for their original tasks, while employees hosting the interns can gain new perspectives and insights. We are currently working on establishing a full-scale internship program.



Evaluation sample preparation



Explanation of the production facility



Analysis sample preparation

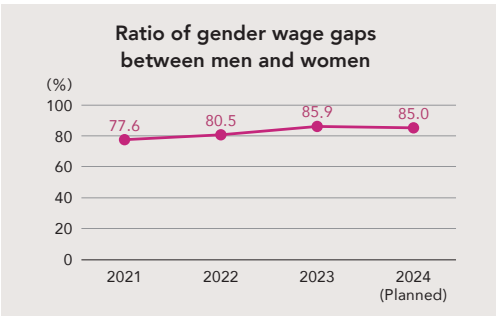


Explanation of the production system

Fair Evaluation and Treatment

We adhere to an ability-based grade system regardless of age, gender, or career in recruiting, promoting and appointing, and have introduced a system to encourage the growth of employees through multidimensional evaluation and feedback based on the management by objectives (MBO).

We also aim to build a strong organization through salary increases based on evaluations and an incentive system based on job responsibilities. Examples of the incentive system for employees include an employee stock ownership plan for employees in management positions, the allocation of bonuses based on performance evaluations, awards to employees for long service, excellent work efficiency, contributions to improving the company's performance, and a reward system for proposals that contribute to development of new technologies or new products (including eco-friendly products), and proposals for improvement in productivity.



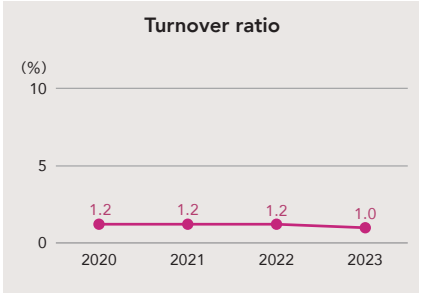
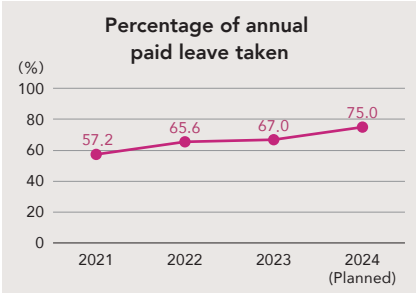
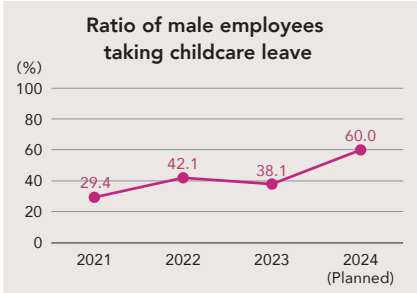
Promotion of Work-life Balance

We have adopted various systems, such as flextime, teleworking, and staggered working hours. Through seminars and individual consultations, the number of male employees taking childcare leave and the percentage of annual paid leave taken are on the rise. We continue to create an atmosphere that makes it easy for employees to take days off to improve the percentage.

We also support employee asset building through employee

shareholding associations and selective defined contribution plans.

It is a company's obligation to provide a comfortable work environment for its employees, and this contributes to high employee retention rates by making it easier to maintain work-life balance and improving operational efficiency.



Corporate Culture

We encourage employees to address each other as "●● san" (san is a Japanese honorific added to a person's name) within the company, rather than using titles that imply a hierarchical relationship, such as "boss" and "subordinate". We believe that this will

protect the health of our employees, create a comfortable workplace, and ultimately improve productivity and foster innovation, which will in turn increase corporate value.

TOPICS

New menu options available in the cafeteria

To promote health and improve work efficiency, the company cafeteria started offering a rotating weekly menu, such as healthy options, hearty options, and local ramen noodles. We've received favorable comments about these new menus.



Healthy meal



Hearty meal

Gives an apron to employees who are on childcare or caregiver leave

To encourage employees who are on childcare or caregiver leave for a certain period, we give company logo aprons as gifts. Their supervisors give them an apron along with a message to encourage them. Arisawa will support all employees who strive to achieve a good balance between work and personal life.



Arisawa Family Day

We want to give children the opportunity to see their fathers and mothers working with pride and dedication. With that in mind, we held a Family Day.

We invited elementary school children, and the event included 3D activities as well as tours of the factory and cold storage warehouse. We received positive comments such as, "It was so much fun! Hope to go there again!" and "When I grow up, I want to join Arisawa".





Sustainability (S)

Occupational Health and Safety

Under the "Safety Declaration" and "Our Action Guideline", all of our employees and the employees of our subcontractors who work with us participate in promoting safety activities with the aim of achieving zero accidents.

Safety Declaration	Our Action Guideline	Priority Goals of Occupational Health and Safety for FY2023
<div>1. We will aim to be a good company that places safety first, live up to the trust of our customers, and fulfill social responsibilities.</div> <div>2. We will build a safe and comfortable workplace through a zero accident campaign in which all employees participate, always keeping safety awareness in mind.</div> <div>3. We will not do or let anyone do risky behavior. We will build a disciplined workplace that follows standard work and rules.</div>	<div>We give the highest priority to safety, and fulfill our own roles and responsibilities for zero accidents.</div>	<div>1. Visualize unseen danger verbally and share insights to prevent accidents.</div> <div>2. Thinking "This could be fine" is a big mistake. Comply with the standards to protect yourself.</div> <div>3. Safety greetings and pointing and calling are carried out by all.</div>

Promotion System of Occupational Health and Safety

At each workplace, group leaders take the lead in carrying out decisions as a workplace safety and health promoter. A director and general manager acts as a general occupational health and safety manager, who reports on important matters to and is monitored and supervised by the Board of Directors.

In addition, under the management policy of labor-management cooperation, we hold regular meetings with the union on occupational health and safety and outsourcing safety meetings to raise the safety awareness of all employees.

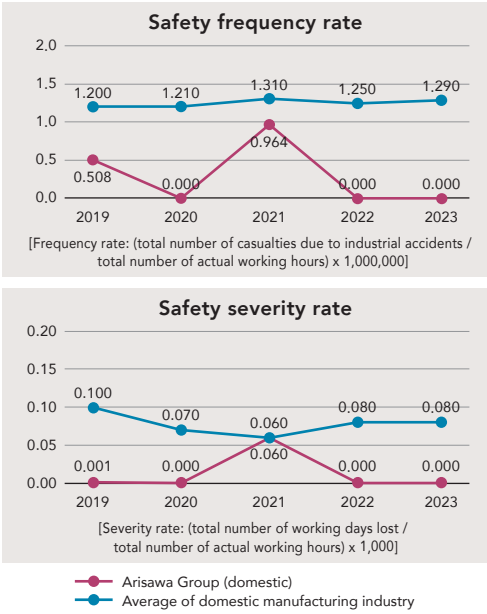
Occupational Health and Safety Initiatives

To achieve the goal of "no accidents", we continue to engage in daily safety activities, such as safety patrols, safety education and training, and occupational health and safety risk assessments as well as report on near-miss (hiyari-hatto) incidents at each workplace, hazard prediction training, 4S activities (4S stands for Seiri, Seiton, Seisou, and Seiketsu, or Sorting, Setting-in-Order, Shining, and Standardizing), and rotational safety announcements.

In order to prevent accidents and disasters, it is important to ensure the safety of manufacturing processes and the soundness of facilities and to continue stable operations. At each factory, we make plans to inspect and renew facilities, prioritize them according to risk and importance, and carry out inspections, repairs, and renewals in sequence. In addition, we are proceeding with risk assessments when installing facilities as a measure to prevent similar accidents from happening again, besides confirming the effectiveness of countermeasures using past accident cases. Regarding consecutive days with zero accidents, departments and group companies (in Joetsu City) are awarded according to the number of days achieved.

As a response to emergencies, we have in place a disaster prevention system for self-protection at each business facility and conduct various disaster prevention drills in accordance with the annual plan in case an accident occurs. Specifically, we conduct company-wide fire drills, joint fire drills with a fire department, and company-wide earthquake drills (BCP activation drills).

Since FY2024, we have also promoted exchanges among Arisawa and our domestic group companies to share information and applied safety and other measures to them.



**TOPICS**

**Introduced a VR safety material**

Now that the number of work-related accidents has decreased due to the improvement in facilities, environments, and work procedures at work sites, we rarely experience real accidents. It is getting difficult even for workers to see what is dangerous and what causes danger. That is why we purchased 2 VR terminals for safety education. This is a safety material that gives users a new experience through various content and 360-degree video. We previously provided experience-based training, such as accidents of getting caught in a roll or getting an electric shock. However, this material can simulate accidents, such as a machine operation accident and flammable solvent fire, so that workers can experience them anywhere.

Supply Chain Management

In 2022, we established the Procurement Subcommittee and announced the CSR Procurement Policy with the aim of procuring environmentally friendly products and services and building a supply chain free of social issues related to human rights, health, ethics and so forth. We will actively promote CSR activities in order to fulfill social responsibilities through business activities. Through those activities, we will work to address a variety of issues and aim at sustainable growth in continuing our business activities.

CSR Procurement Policy

- 1. Establishing a Company Structure to Facilitate CSR (Corporate Social Responsibility)**

  - Develop management policies and action guidelines on CSR.
  - Establish an organizational structure which promotes CSR.

**2. Fair Trade**

  - Prohibit the offering and receiving of inappropriate profits and advantages.
  - Conduct trading through fair and free competition.

**3. Human Rights, Ethics, and Legal Compliance**

  - Prohibit human rights abuses (harassment, discrimination, abuse, and corporal punishment) and respect human rights.
  - Prohibit forced labor and overwork, and appropriately manage working hours and days off.
  - Have no relationships with anti-social forces (individuals and groups) and do not engage in transactions with such forces.
  - Identify and comply with laws, regulations and rules applicable to business activities.

**4. Ensuring Quality and Safety**

  - Establish and implement a quality management system, and promote quality assurance activities.
  - Comply with laws and ensure sufficient product safety regarding internally designed products.
  - Identify risks, such as potential accidents, earthquakes, fires and flood damage, and establish a safe working environment.
- 5. Environmental Consciousness**

  - Acquire a certification, such as the one of Environmental Management Systems (EMS), and promote environmental activities systematically.
  - Comply with laws and regulations related to environmental protection pertaining to air, water quality, soil, and chemical substance.
  - Work on environmental load reduction in our business activities (biodiversity conservation, and resource saving and energy saving).
  - Appropriately manage and dispose of waste generated in operations in accordance with laws and regulations. Promote recycling and set a continuous reduction goal.

**6. Information Management and Contribution to Society**

  - Establish and appropriately manage an information security system.
  - Take measures against internal and external threats, such as computer virus.
  - Actively participate in social contribution activities.

**7. Business Continuity Plans (BCP)**

  - Establish BCP, and build and raise awareness about a risk management system to prepare for unforeseen situations.
  - Promote BCP initiatives to suppliers.

**8. Responsible Mineral Procurement**

  - Prohibit and monitor the use of minerals which might serve as a source of funds for groups involved in internal conflicts and disputes.

Procurement Initiatives

Based on the CSR procurement policy, we conduct a supplier survey using a questionnaire. We ask our major existing suppliers to complete a survey once every five years, and new suppliers, in principle, to complete a survey before starting business. Of the approximately 300 suppliers of our raw materials, we conducted a questionnaire survey of approximately 150 suppliers and received responses from 116 companies (which accounts for about 70 % of the purchase amount in FY2023). As a result of totalizing the self-diagnosis, the average score was 87 (on a scale of 100), and there were no suppliers that needed to be improved promptly in matters such as human rights.

In FY2024, we are conducting follow-up, such as adding requirements for improvement.

Category	Number of questions	Question example
CSR promotion	7	Presence of a CSR policy, promotion system, employee education, whistleblower protection, request for suppliers to establish a CSR system, etc.
Trading principles	10	Policy on fair and transparent trading, management, problem reporting, prohibition of trading by abusing a superior bargaining position, prohibition of inappropriate provision and receipt of benefits, etc.
Law observance and ethics	21	Understanding of and compliance with laws and regulations, export and import in compliance with legal regulations of each country, respect for and protection of intellectual property, presence of a policy on respect for fundamental human rights, prohibition of forced and child labor, working hours, holidays, prohibition of connection with antisocial forces, whistleblower system, etc.
Safety and health	15	Promotion system, persons in charge, employee education, periodic safety and health patrols, safety screening for introduced equipment, equipment and device maintenance, medical checkups, etc.
Information management	7	Acquisition of JIS Q 27001 certification, information security rules, confidential information handling, employee education, problem recovery procedure and system, etc.
BCP	13	Presence of BCP, recovery manual, backup production site in times of emergency, information data backup, means of communication with clients and media in times of disaster, etc.
Social contribution	1	Presence of activities that contribute to the development of society and regions and solving environmental issues
Total	74	

Human Rights Policy

Our group formulated an action guideline, a quality policy, and an ESG policy based on the management policy with the motto of "Create, Innovate, and Challenge".

We also understand that our group's business may impact human rights in all business activity fields, from raw material procurement to product development, production, distribution, consumption, disposal, and recycling. To contribute to a sustainable society and improve the corporate value of our group, it is essential for us to prevent and mitigate negative impacts on human rights that could be brought about by business activities and promote business activities that respect human rights.

To understand the human rights of all people and fulfill our responsibility to respect human rights, we established the "Human Rights Policy of Arisawa Group" on May 23, 2024. For details on the "Human Rights Policy of Arisawa Group", visit the following URL.

<https://www.arisawa.co.jp/jp/csr/sustainability.html#human-rights>

Respect for Human Rights

The CSR questionnaire includes questions on the reporting system for violations of basic human rights and legal and ethical violations, the consultation service, and the disciplinary policy and procedure. In the FY2023 survey, there were no negative responses regarding human rights due diligence, so we did not request any measures to prevent, mitigate, or suspend such issues. Furthermore, we believe that conducting surveys and interviews with individual employees of the suppliers will be one of our future tasks.

Regarding the working environment of the suppliers, we conduct fact-finding surveys on the production environment at the time of quality audits.

Sustainability (S)

Quality Improvement Initiatives

Quality Policy

Under our quality policy "Arisawa pledges to supply the high quality product that meets the reliability and needs of the customer by standing in the customer's viewpoint", we will implement the following activity guidelines. We believe that for a company to survive and develop sustainably, it is absolutely necessary to comply with laws and regulations and provide products of the quality that customers expect. In order to ensure thorough quality compliance, we will promote measures, such as enhancing education and strengthening quality fraud checking functions.

Activity Guidelines

1. We will regularly review our quality management system and continually improve its effectiveness in order to meet the requirements of ISO 9001/JIS Q 9100.

2. We will monitor our manufacturing processes and strengthen control through our quality management system to ensure that the products we provide meet the needs of our customers and society and increase customer satisfaction.

3. We will set the following quality targets and do our best in order to achieve the quality policy.

(1) Reduction of complaints that are caused by the company

(2) Reduction of internal percent defective

(3) Proper operation and management of measuring instruments

4. We will set quality targets on a yearly basis and review them as necessary.

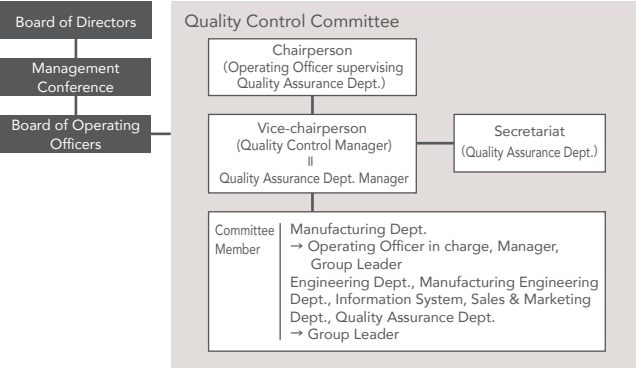
5. We will conduct internal audits to confirm the effectiveness of our quality management system, and strive to maintain and improve it.

6. We will provide education and training to all employees to ensure that they are fully aware of our quality policy in order to effectively utilize our quality management system.

Quality Control System

We have acquired ISO 9001 (target sites: Arisawa Mfg. Co. and Arisawa Fiberglass) and JIS Q 9100 (target products: aircraft materials). Based on the quality assurance system we have established, we will work to improve the quality of our products and services.

In addition to the Company-wide Quality Control Committee (once a year), Factory Quality Control Committee (once a year), and Line Quality Committee (twice a year), which are held regularly, the Individual Quality Control Committee deliberates individual cases. The structure of the Company-wide Quality Control Committee is shown in the figure on the right.



Quality Control Initiatives

In the mass production of new products, the Quality Assurance Department and other related departments are involved from the design and development stages, conducting risk assessments and accompanying process risk patrols prior to the transfer of production. For existing products, the Quality Assurance Department and the Manufacturing Department jointly conduct the quality patrols of each process to identify potential risks and thereby prevent complaints.

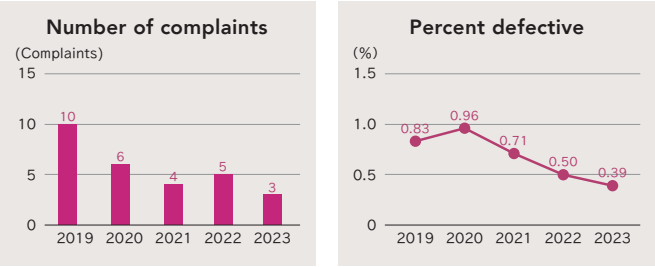
In order to incorporate customer needs and improve customer satisfaction, we make improvements by reflecting evaluations and complaints from stakeholders in each process. This cycle enables us to improve our quality management system. Additionally, in order to maintain and improve the quality management system, we conduct internal audits twice a year to check the operational status.

Targets and Results of Initiatives for FY2023

(1) Zero complaints that are caused by the company

By identifying potential risks and taking countermeasures with the use of FMEA\* and risk assessment, we not only reduce the risk of complaints, but also strive to raise the quality awareness of each and every employee and reduce human errors, such as careless mistakes, through quality education. In addition to complaints, we also took seriously and examined carefully the points raised by our customers and have worked to correct them and prevent their recurrence in the same way as complaints.

\*Failure Mode and Effects Analysis



(2) Reduction of Internal Percent Defective

Each manufacturing group set targets for major products and worked to reduce percent defective. Specifically, through interviews during the process patrols, we identified quality risks that operators and inspectors perceived on a daily basis from the bottom up, and prevented defects from occurring.

(3) Collaboration with Suppliers

We regularly evaluate suppliers for quality-related nonconformities and their responses on a regular basis and conduct supplier audits as necessary. We also hold regular quality meetings with the suppliers of major raw materials and raw materials used in important products to share customer and company requirements, and are promoting quality improvement initiatives.

(4) Customer Satisfaction Survey

We conduct customer satisfaction surveys twice a year to check requirements for us regarding technical support, delivery schedules and so forth, and are working to improve customer satisfaction from various aspects.

(5) Proper Operation and Management of Measuring Instruments

We keep our measuring instruments in proper condition at all times by sounding an alarm at each calibration cycle through the operation of the instrument management system.

(6) Management and Promotion of Quality Plans

We achieved 100 % of the company-wide quality target for FY2023. To handle quality defects more from the standpoint of clients, we reviewed the definition of complaints and established a system to regard any small quality defect as a complaint. We have used this system since FY2024 to further improve customer satisfaction. Standards are kept up-to-date and can be viewed by each department through the document management system.

(7) Quality Education

We conduct general education every year to disseminate company-wide and group-wide quality targets. Additionally, we conduct "education to provide products with higher quality" aimed at fostering quality awareness among all employees in the Manufacturing Department, as well as product safety and counterfeit product prevention training in departments subject to JIS Q 9100.

We strive to improve and strengthen our quality management system through close exchange of opinions with stakeholders, and by promoting employee education, we aim to instill in all employees an awareness of emphasizing quality from the perspective of stakeholders.





Sustainability (G)

Board of Directors

Approach to the Board of Directors' Diversity

The company's basic approach is to have the Board of Directors composed of individuals with a wealth of experience, deep insight, and a high level of expertise, within the limits of 15 directors and four corporate auditors set forth in the Articles of Incorporation, while taking into consideration their balance of

knowledge, experience, and abilities related to each business and operation. Regarding diversity, we have appointed multiple directors who have extensive experience in international business and who have experience as managers at other companies. The composition also takes gender and age into consideration.

Skill Matrix

In the medium-term business plan, we set the goal of aiming to maximize corporate value by executing a cycle of business strategies and financial strategies. We will pursue the business strategies to strengthen profitability by exploring existing businesses and creating new businesses and the financial

strategies to improve capital efficiency by converting non-business assets into business assets and returning profits to shareholders. The Board of Directors is comprised of individuals with the skills and insight necessary to achieve these goals.

Name	Corporate Management	Business strategy / marketing	R&D/ technological strategies	Finance / accounting / financial market	HR / labor / HR development	Legal / risk management	International experience
Representative Director Yuta Arisawa	○	○	○	○			○
Director Takeshi Masuda				○	○	○	
Director Osamu Nakajima		○	○				○
Director Makoto Tai		○	○				
Outside Director Koji Nakamura	○	○					○
Outside Director Kazuo Abiko	○				○		○
Outside Director Hirotooshi Takada	○	○					○
Outside Director Miho Numata	○				○	○	
Outside Director Makiko Horie				○			○
Corporate Auditor Hisashi Masumura				○	○	○	
Outside Corporate Auditor Koichiro Tanaka	○			○			○
Outside Corporate Auditor Koichi Yokota	○			○			

Policy on Appointment and Dismissal of Directors

In nominating candidates for executive managers and directors and corporate auditors, we select those who have extensive experience, deep insight, and a high level of expertise, suitable for executive managers or directors or corporate auditors in the company. The Board of Directors determines the nomination of candidates for directors based on the report of the Nomination and Compensation Advisory Committee, and candidates for corporate auditors by getting consent of the Board of Corporate Auditors.

Dismissal will occur in the event that any of the following cases is applicable: (1) a relationship with antisocial forces is found, (2) laws, regulations, or articles of incorporation are violated, causing a significant loss to our group, (3) the execution of duties is significantly impeded, or (4) it becomes clear that the requirements of the appointment criteria are not met. In that case, after deliberation by the Board of Directors, a decision is made to dismiss a position or to submit a proposal for dismissal to the general meeting of shareholders.

Outside Directors

A majority of five members out of the nine directors is independent outside directors as defined by the Tokyo Stock Exchange and the Board of Directors is engaged in constructive discussions, including their objective opinions from an independent standpoint. The outside directors, who have a wealth of experience and a wide range of insight, also provide advice and recommendations to ensure the appropriateness and legitimacy of the Board of Directors' decision-making.

On the other hand, we support outside directors in the performance of their duties by collecting and providing them with

information on economic conditions, industry trends, relevant laws and regulations, corporate governance, financial accounting, and other matters necessary for them to fulfill their roles and responsibilities. Specifically, we arrange seminars for outside directors provided by external organizations, where our operating officers in charge regularly provide explanations on business plans and strategies, the status of various businesses, business environment, and management issues, while arranging inspection tours of product manufacturing processes.

Name	Reasons for Appointment and Expected Role	Attendance Rate
Koji Nakamura	Koji Nakamura, an Outside Director, has been involved in corporate management in Japan and overseas for many years, having served as Senior Executive Managing Officer of Mitsui & Co., Ltd. and as Director at Sanko Gosei Ltd. The Company has appointed him because we deem that he has extensive insight and knowledge regarding global management from his experience as a managing officer at a global company and that he will deliver opinions from an outside perspective with regard to the overall management of the Company, particularly in the area of business strategy, and increase the rationality and transparency of the Company's management.	100%
Kazuo Abiko	Kazuo Abiko, an Outside Director, who graduated from Graduate School of California State University, was appointed the General Manager of Tokyo Studio and General Manager for Northeast Asia at Associated Press while also working as the President of Foreign Correspondents' Club of Japan. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management by leveraging his knowledge of international communication and standards and ethics of journalism, including his work as a part-time lecturer at Tokyo University of Foreign Studies and Sophia University thereafter.	100%
Hirotooshi Takada	Hirotooshi Takada, an Outside Director, has served the Representative Director of NIPPON SEIKI CO., LTD. and as Chairman, etc. of overseas subsidiaries, has been engaged over many years in sales and product planning, etc. in the automobile industry; has a deep knowledge of that industry. The Company has appointed him because we deem that he will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by leveraging his abundant experience and broad knowledge as a manager of a global company in the manufacturing industry.	100%
Miho Numata	Miho Numata, an Outside Director, is Representative of NUMATA LAW OFFICE, and by serving as Civil Conciliation Commissioner of Tokyo Summary Court and as Outside Corporate Auditor of Tokyo Boeki Holdings Corporation, while managing the law office, she has a well-balanced career. The Company has appointed her because we deem that she will deliver opinions from an outside perspective and increase the rationality and transparency of the Company by using her in-depth knowledge and experience as a legal expert who has worked as an attorney at law for many years, and her sophisticated knowledge relating to governance and compliance, etc.	100%
Makiko Horie	Makiko Horie, an Outside Director, was engaged in sales to institutional investors, company surveys, and operation related to the Japanese stock market at a global financial institution, and also involved in management consultation and launching of start-ups. The Company has appointed her because we deem that she can reflect on management strategies the status of the Company that investors expect by leveraging her experience and increase the rationality and transparency of the Company.	100%

Evaluation of the Effectiveness of the Board of Directors

We self-evaluate and analyze the effectiveness of the Board of Directors with the aim of raising our corporate value by improving its functioning.

In January 2024, we conducted a questionnaire survey (a total of 28 questions, seven of which are comment-based answers) to all directors and corporate auditors, which are members of the Board of Directors. To ensure anonymity, questions were answered directly to an external organization. Based on the report by the external organization, we analyzed, discussed, and evaluated the survey results at the Board of Directors meeting held in May 2024. The summary of the results is as follows.

The questionnaire results (an average of 4.3 out of 5) show broadly positive reviews of our Board of Directors. Respondents noted that discussions at the meetings were not formal but open and constructive, which leads us to recognize that the effectiveness of the entire Board of Directors is ensured. In light of the previous effectiveness evaluation, which highlighted issues such as

discussions on group company management, we have begun focusing on discussing measures to prevent misconduct from reoccurring and improving the reporting of the status of internal controls for group companies. These efforts have steadily yielded results.

The expressed opinions are as follows: There is ample room for improvement in the approach to important group companies, and further efforts are required. Additionally, there is room for improvement in the frequency of meetings of the Nomination and Compensation Advisory Committee, as well as how discussions at the committee are shared with the Board of Directors. We also discussed ways to further improve the functioning of the Board of Directors and energize discussions.

Based on this effectiveness evaluation, we will carefully consider the issues and address them promptly at the Board of Directors meeting in order to continue our initiatives to improve the functioning of the Board of Directors.

Sustainability (G)

Board of Directors

Policy on Determination of Amount of Remuneration for Directors

We have in place the Nomination and Compensation Advisory Committee consisting of five outside directors and the President for a total of six members and chaired by an independent outside director in order to improve the independence, objectivity and transparency of the procedures for determining the remuneration of directors and to enhance corporate governance. A decision policy of individual remuneration for directors is determined at the Board of Directors meeting based on deliberations and reports by the Nomination and Compensation Advisory Committee.

Basic Guidelines for Remuneration System for Directors

- The system should encourage the executive directors to improve their performance through associating the performance with remuneration and to exercise their solid entrepreneurship for sustainable development of the company.
- The system should reflect not only financial performance but also appreciation for proactive initiative for taking on challenges with the corporate philosophy "CIC Better today than yesterday better tomorrow than today".
- The system should attract excellent human resources for management who can contribute to sustainable development and enhancement of corporate value of the company.

Remuneration Structure

In the case of 100 % achievement of KPI, the ratio of remuneration to executive directors is as follows.



Stock-based remuneration is provided in the form of restricted stock-based remuneration (programmed to lift restrictions of transfer upon retirement) for the purpose of sharing interests with shareholders.

Outside directors are paid only basic remuneration in consideration of their role of supervisory function that they play.

Details, Selection Reasons, and Calculation Method of the Key Performance Indicators (KPI) for Performance-Based Remuneration and Results

Consolidated operating profit for the previous single fiscal year is adopted as the Key Performance Indicators for performance-based remuneration, and such remuneration is paid according to the degree of achievement of target values. The reasons for selecting the Indicator are that i) it is a financial indicator which represents the results of the primary business activities of companies, ii) it is net operating profit less adjusted taxes (NOPLAT) to calculate ROIC which is a target figure to be achieved of the medium-term business plan, and iii) it is a financial index used in the bonus system for employees. The results were 2.228 billion yen.

Out of amount of carbon dioxide emission reduction held up in our Carbon Neutral Project, the company added goal attainment levels with respect to reduced usage resulted from improving energy use efficiency to the Performance Indicators. The results were 2,541 t-CO<sup>2</sup> (target: 2,441 t-CO<sup>2</sup>, achievement ratio: 104.10 %).

Matters Concerning Determination of Individual Remuneration for Directors

The Nomination and Compensation Advisory Committee is consulted on individual remuneration for directors based on a consultation with the Board of Directors. The details of the consultation include basic remuneration amounts for each director and the evaluation allocation based on the performance of a division of which each director is in charge of the performance-based remuneration. Then, reports are submitted to the Board of Directors. The Board of Directors determines remuneration for each director pursuant to the report of the Nomination and Compensation Advisory Committee.

Stock compensation for each director, including the number of allotted shares, is also determined by the Board of Directors meeting based on the report of the Nomination and Compensation Advisory Committee.

Verification of Reasonableness and Validity of Individual Remuneration of Directors

The Nomination and Compensation Advisory Committee confirms that the individual remuneration of directors is calculated in accordance with the above policy, verifies its validity, and submits reports to the Board of Directors. The Board of Directors verifies the reasonableness and validity of the reports and decides the remuneration.

The Nomination and Compensation Advisory Committee uses an objective and multifaceted benchmark analysis of remuneration based on the "Management Remuneration Database" run by an outside remuneration consultant, Willis Towers Watson (WTW).

Remuneration of Corporate Auditors

The company's basic policy is to pay an appropriate level of remuneration to each corporate auditor for the performance of his or her duties.

The remuneration for corporate auditors is determined through discussions among the corporate auditors, taking into consideration whether they work full-time or part-time and the division of audit work. The remuneration for corporate auditors is fixed remuneration only, which is paid on a monthly basis, with an emphasis on strengthening their independence from management.

The aggregate amount of remuneration, etc. of each category of directors and corporate auditors, the breakdown of such aggregate amount by the type of remuneration, etc., and the number of directors and corporate auditors covered

Category of directors and corporate auditors	Aggregate amount of remuneration, etc.	Breakdown by the type of remuneration, etc.			Number of directors or corporate auditors covered
		Fixed remuneration	Performance-based remuneration	Non-monetary remuneration, etc.	
Directors (excluding Outside Directors)	199.26 million yen	107.00 million yen	47.26 million yen	45.00 million yen	5
Corporate Auditors (excluding Outside Corporate Auditors)	13.01 million yen	13.01 million yen	—	—	1
Outside Directors and Outside Corporate Auditors	31.00 million yen	31.00 million yen	—	—	8

Cross-shareholdings

Method of Verifying the Reasonableness of Shareholding

Regarding cross-shareholdings, the Board of Directors yearly gives comprehensive consideration to quantitative analysis of transaction performances and returns, etc., qualitative analysis of status of business, business strategies, background of acquisition, etc., as well as risk of shareholding, and then verifies and evaluates the propriety of such shareholdings.

Following items are verified through the quantitative analysis:

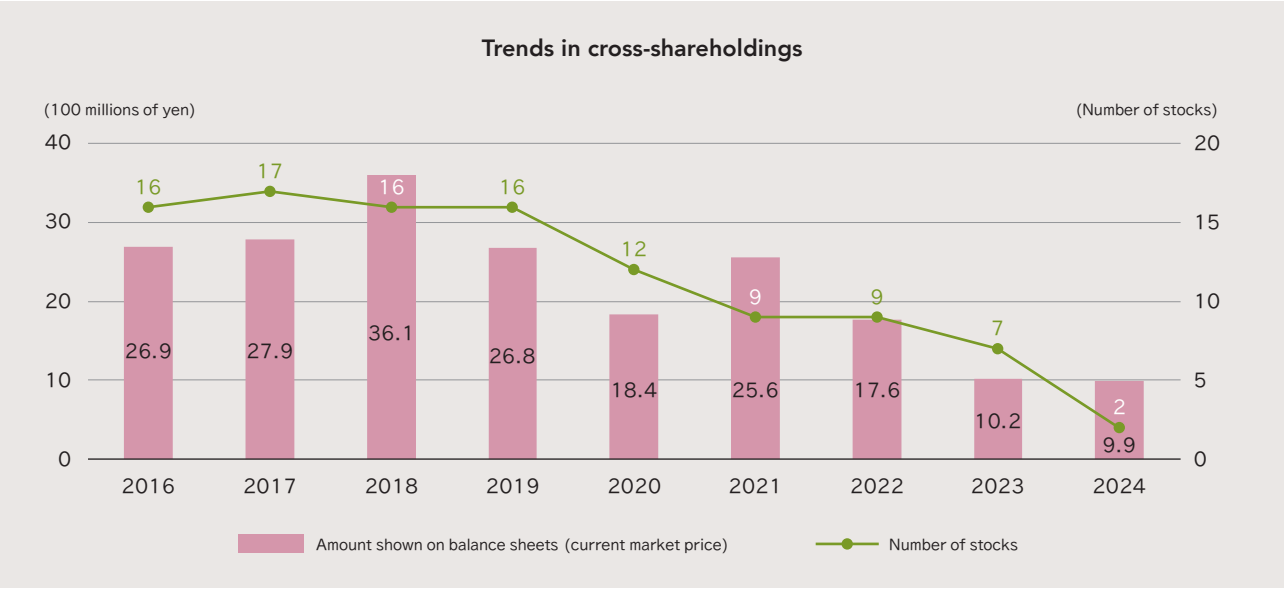
- 1  
Balance of dividend earning rate and capital cost
- 2  
Annual amount of transaction and amount of profits
- 3  
Profit or loss from valuation of stock

Reduction of Cross-shareholdings

Regarding cross-shareholdings, the company passed a resolution at the Board of Directors held on May 12, 2023, to progressively sell off and reduce the stocks with a reduced need to be held to maintain business relations.

Specifically, at the fiscal year ended on March 31, 2024, the company sold off six stocks out of seven held at the end of March 2023. We will continue to scrutinize the need to hold the stocks and sell off and reduce the stocks with a reduced need to be held.

Due to selling off some of the stocks held as ones of subsidiaries and affiliates at the end of March 2024, their category changed from stocks of subsidiaries and affiliates to investment securities. Therefore, the number of stocks we hold increased by one to two.





Directors and Officers

Directors



**CAREER HISTORY**

Apr. 1992 Joined Mitsubishi Electric Corporation  
Feb. 2002 Joined JPMorgan Securities Japan Co., Ltd.  
Aug. 2003 Joined the Company  
Apr. 2007 Assistant General Manager, Manufacturing Dept.  
Apr. 2009 Operating Officer of the Company  
Jun. 2010 Director and Senior Operating Officer of the Company  
Jun. 2011 Director and Senior Managing Operating Officer of the Company  
Jun. 2014 President, Representative Director of the Company (current)  
Jun. 2015 Chief Operating Officer (COO) of the Company  
Jun. 2017 Chief Executive Officer (CEO) of the Company (current)



**CAREER HISTORY**

Apr. 1986 Joined Alps Electric Co., Ltd. (currently Alps Alpine Co., Ltd.)  
Oct. 1990 Joined the Company  
Nov. 2003 Group Leader, Administration Planning Group  
Jul. 2008 Assistant General Manager, Manufacturing Dept.  
Oct. 2010 General Manager, Corporate Planning Dept.  
Jun. 2011 Operating Officer of the Company supervising Corporate Planning Dept.  
Jun. 2015 Operating Officer  
Jun. 2021 Director and Senior Operating Officer of the Company  
Jun. 2023 Director and Senior Managing Operating Officer of the Company (current)



**CAREER HISTORY**

Apr. 1989 Joined Mitsui & Co., Ltd.  
May 2011 Department Manager, Solar Business Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.  
Apr. 2013 Department Manager, Advanced Materials Div., Functional Chemicals Business Unit of Mitsui & Co., Ltd.  
Jul. 2014 Department Manager, Business Development Div., Basic Chemicals Business Unit of Mitsui & Co., Ltd.  
Oct. 2015 Joined the Company as Operating Officer of the Company supervising Electronic Materials Sales & Marketing Dept.  
Jun. 2016 Director and Senior Operating Officer of the Company (current)



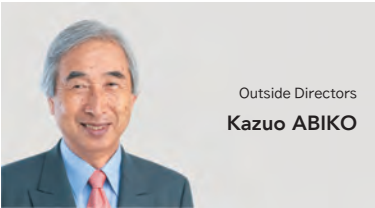
**CAREER HISTORY**

Apr. 1988 Joined Daiichi Denko Co., Ltd. (currently Sumitomo Electric Wintec, Inc.)  
Mar. 2002 Joined the Company  
Jul. 2006 Group Leader, Electronic Materials Group, Research & Development Dept.  
Apr. 2010 Assistant General Manager, Electronic Materials Dept.  
Apr. 2012 General Manager, Research & Development Dept.  
Jun. 2015 Operating Officer of the Company supervising Electronic Materials Research & Development Dept.  
Jun. 2019 Operating Officer  
Jun. 2023 Director and Senior Operating Officer of the Company (current)



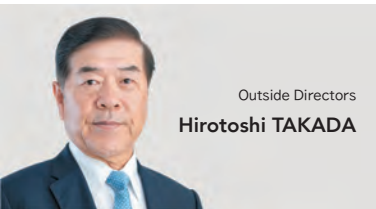
**CAREER HISTORY**

Apr. 1973 Joined Mitsui & Co., Ltd.  
Apr. 2004 Managing Officer; Chief Operating Officer of Synthetic Resins and Inorganic Chemicals Business Unit  
Apr. 2006 Executive Managing Officer; Chief Operating Officer of Chemicals Business Unit II  
Apr. 2009 Senior Executive Managing Officer; Chief Operating Officer of EMEA (Europe, the Middle East and Africa) Business Unit  
Mar. 2011 Retired as Senior Executive Managing Officer  
Aug. 2011 Corporate Auditor, SANKO Co., Ltd. (current)  
Aug. 2016 Outside Director, Sanko Gosei Ltd. (current)  
Jun. 2020 Director of the Company (current)



**CAREER HISTORY**

Nov. 1978 Joined Associated Press  
May 1985 Deputy General Manager of Tokyo Studio  
Jul. 2001 President, Foreign Correspondents' Club of Japan  
Apr. 2004 General Manager of Tokyo Bureau, Associated Press  
Jul. 2004 General Manager for Northeast Asia  
Feb. 2010 Advisor  
Sep. 2010 Part-time lecturer at Tokyo University of Foreign Studies  
Sep. 2011 Part-time lecturer at Sophia University  
Apr. 2015 Visiting Professor at Kanda University of International Studies  
Jul. 2018 Auditor, Foreign Correspondents' Club of Japan  
Jun. 2020 Director of the Company (current)



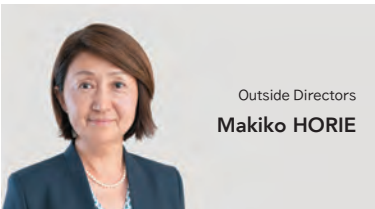
**CAREER HISTORY**

Mar. 1977 Joined NIPPON SEIKI CO., LTD.  
Apr. 2003 Director and President, UK-NSI Co., Ltd.  
Jun. 2005 Director, NIPPON SEIKI CO., LTD.  
Jun. 2008 Managing Director  
Apr. 2011 Representative Senior Managing Director  
Apr. 2011 General Manager, Sales Division  
Jun. 2011 Chairman, Wuhan Nissei Display System Co., Ltd.  
Mar. 2012 Chairman, Nissei Display Sales and Development Co., Ltd. (Shanghai)  
Mar. 2013 President and Representative Director, NIPPON SEIKI CO., LTD.  
Mar. 2014 Chairman, Dongguan Nissei Electronics Co., Ltd.  
Apr. 2014 Chairman, Hong Kong Nippon Seiki Co., Ltd.  
Jun. 2015 President and Representative Director, Executive Officer, NIPPON SEIKI CO., LTD.  
Jul. 2015 Chairman, Hong Kong Ek Chor Nissei Co., Ltd.  
Jul. 2015 Chairman, Shanghai Nissei Display System Co., Ltd.  
Mar. 2016 Chairman and Director, Thai Nippon Seiki Co., Ltd.  
Jun. 2017 Vice Chairman and Director, Executive Officer, NIPPON SEIKI CO., LTD.  
Jun. 2021 Director of the Company (current)



**CAREER HISTORY**

Dec. 2009 Registered as an attorney at law and joined NUMATA LAW OFFICE  
Jun. 2016 Representative (current)  
Apr. 2018 Civil Conciliation Commissioner, Tokyo Summary Court (current)  
Jun. 2020 Outside Corporate Auditor, Tokyo Book Holdings Corporation (current)  
Jun. 2021 Director of the Company (current)



**CAREER HISTORY**

Apr. 1990 Joined Nomura Securities Co., Ltd.  
May 1995 Joined Merrill Lynch Investment Managers Ltd. (currently BlackRock Japan Company, Ltd.)  
May 2016 Joined Value Create Inc.; Partner  
Oct. 2021 Joined SDG Impact Japan Inc.; Partner (current)  
Jun. 2023 Director of the Company (current)

Corporate Auditors



**CAREER HISTORY**

Nov. 1985 Joined Tanabe Engineering Corporation  
Nov. 1987 Joined the Company  
Jul. 2005 Group Leader, Human Resources Group, Human Resources Dept.  
Jul. 2008 Group Leader, Administration Planning Group, Corporate Planning Dept.  
Oct. 2010 Assistant General Manager, Manufacturing Dept.  
Apr. 2012 General Manager of Human Resources Dept.  
Apr. 2018 General Manager of Human Resources Dept. and General Affairs Dept.  
Oct. 2020 General Manager, General Affairs Dept.  
Jun. 2022 Full-time Corporate Auditor of the Company (current)



**CAREER HISTORY**

Oct. 1987 Joined Tohmatsu Aoki & Sanwa (presently Deloitte Touche Tohmatsu LLC)  
Mar. 1991 Registered as Certified Public Accountant  
Aug. 1998 Resident Representative of Dalian Office, U.S. Deloitte Touche Tohmatsu (Office Head)  
Sep. 2002 Managing Director of the Japanese Operations Dept. in South China of Shenzhen Office in China, Deloitte Touche Tohmatsu Limited  
Jun. 2003 Partner  
Sep. 2003 Returned to Auditing Department of Tokyo Office, Deloitte Touche Tohmatsu LLC  
Dec. 2003 Director and Executive Officer; Partner supervising China Business and in charge of Public Communication, Corporate Finance Dept. of Deloitte Touche Tohmatsu (presently Deloitte Tohmatsu Financial Advisory LLC)  
May. 2005 Registered as Tax Accountant  
Jul. 2014 Established Tanaka Sogo Accountant Office, Representative Director (current)  
Mar. 2017 Outside Corporate Auditor, ODAWARA ENGINEERING CO., LTD. (current)  
Jun. 2018 Auditor, Japan Automobile Research Institute (current)  
Jun. 2020 Corporate Auditor of the Company (current)  
Jun. 2023 Outside Corporate Auditor, Ten Allied Co., Ltd. (current)



**CAREER HISTORY**

Nov. 1996 Registered as Certified Public Tax Accountant  
Apr. 2003 Director, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association  
Jan. 2004 Head, Yokota Accountant Office (current)  
Apr. 2019 General Manager, Takada Branch of Kanto-Shinetsu Certified Public Tax Accountant's Association  
Jun. 2020 Corporate Auditor of the Company (current)  
Apr. 2021 Managing Director, Niigata Prefecture Branch Federation of Kanto-Shinetsu Certified Public Tax Accountant's Association (current)

Operating Officer (excluding those serving concurrently as directors)

<p><b>Yoshifumi ARA</b></p> <p>Senior Operating Officer supervising Performance Materials Sales &amp; Marketing Dept.; Deputy Division Chief, Business Promotion Div.</p>	<p><b>Takeshi AIZAWA</b></p> <p>Senior Operating Officer supervising Procurement Dept. and Quality Assurance Dept.; Deputy Division Chief, Administration Div.</p>	<p><b>Shuichi FUJITA</b></p> <p>Senior Operating Officer supervising Functional Films Development Dept., Laminate Materials Development Dept., Molding Materials Development Dept. and Process Technology Dept.; Deputy Division Chief, Innovation Promotion Div.</p>
<p><b>Takao MOCHIZUKI</b></p> <p>Senior Operating Officer supervising Manufacturing Dept. (principal) and Innovation Center Preparatory Office (sub); Deputy Division Chief, Manufacturing Div.</p>	<p><b>Shuichi KUBOTA</b></p> <p>Operating Officer supervising Corporate Strategy Dept.; Deputy Division Chief, Administration Div.</p>	<p><b>Takahito TANABE</b></p> <p>Operating Officer supervising Manufacturing Engineering Dept. and Manufacturing Dept. (sub); Deputy Division Chief, Manufacturing Div.</p>
<p><b>Kazumi IKEDA</b></p> <p>Operating Officer supervising General Affairs Dept.; Deputy Division Chief, Administration Div.</p>	<p><b>Kenji TADA</b></p> <p>Operating Officer supervising Business Promotion Div.; Deputy Division Chief, Electronic Materials Sales &amp; Marketing Dept.</p>	<p><b>Kiyoko AKUTAGAWA</b></p> <p>Operating Officer supervising General Affairs Dept.; Deputy Division Chief, Human Resources Dept.</p>