

# Sustainability Management

**As a chemical manufacturer, we will take the lead in working to improve the sustainability of the global environment and society**

The chemical manufacturing industry, which includes the artience Group have been aiding industrial development and enriching people's lives by creating all kinds of materials that help create the plastics, semiconductors and electronic components that are indispensable in people's daily lives. However, in the past, the consumption of huge amounts of petrochemical resources and energy in these activities has negatively impacted the environment, polluted the air and contaminated the oceans and rivers with hazardous substances. We, the chemical manufacturers understand that this is why we must work ahead of all of the other business sectors to improve the sustainability of the global environment and society to fulfill our corporate responsibilities to the



present and the future. Our new medium-term management plan, artience 2027, started this fiscal year. It is oriented towards sustainability management that helps improve the sustainability of the global environment and society by offering value that resonates with the senses through products and corporate activities. In a collaborative structure that includes the Sustainability Committee and the companies of the Group, we will endeavor to achieve the targets in the plan.

## Formulation and penetration of the asv2050/2030 Sustainability Vision

In January 2022, we formulated the Sustainability Vision, asv2050/2030 (called TSV2050/2030 when established. Changed name in January 2024), to promote corporate activities from a medium to long-

term perspective. Going forward, we will review medium to long-term targets and material issues while working to instill awareness and achieve the goals of asv2050/2030.

### Sustainability Vision asv2050/2030

asv2030 Intermediate targets at milestone towards 2050 Corporate contributions to achieving the SDGs	asv2050 Direction leading to vision for 2050 Achievement of carbon neutrality	Vision for the target year (2050)
<b>1. Providing products and services that realize a sustainable society</b>		
<ul style="list-style-type: none"> <li>Sales ratio of sustainability-enhancing products will be 80%</li> <li>Increasing the number of products able to contribute to the reduction of CO<sub>2</sub> emissions throughout their lifecycle</li> </ul>	<ul style="list-style-type: none"> <li>Making all products sustainability enhancing products</li> <li>Helping customers achieve decarbonization</li> </ul>	All products and services provided contribute to sustainability
<b>2. Reducing the environmental impact of manufacturing</b>		
<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions: 35% reduction in Japan (from the FY2020 level) 35% reduction overseas (compared to the FY2030 BAU)</li> <li>Amount of waste treated off-site (Japan): 50% reduction (from the FY2020 level)</li> <li>Harmful chemical substance emissions (Japan): 30% reduction (from the FY2020 level)</li> </ul>	<ul style="list-style-type: none"> <li>Achieving net zero CO<sub>2</sub> emissions from production activities and minimizing their environmental impact</li> <li>Minimizing waste generation</li> <li>Realizing sustainable water use</li> </ul>	Minimizing the environmental impact of manufacturing
<b>3. Building a foundation for trust</b>		
<ul style="list-style-type: none"> <li>Sourcing raw materials in ways that are friendly to the environment and good for society</li> <li>Respecting the diversity of employees and co-existing in harmony with the natural environment and local communities</li> <li>Continually restructuring our governance system</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to reform and transform our supply chain, human resources, regional activities, and governance from the perspective of environmental and social contribution</li> </ul>	Being a company that can contribute to improving the sustainability of society

### Basic approach

Three basic policies were laid out in the artience 2027 medium-term management plan which began in January of 2024: (1) transform existing business groups into highly profitable business groups, (2) create strategic, high priority business groups, and (3) transform the Company's management foundation. It also clearly specifies sustainability management issues that should be addressed to (3) transform the Company's management foundation, such as the reform of the personnel development program, the maximization of capital efficiency, innovation in production processes, digital transformation and the establishment of a technological foundation for the Company.

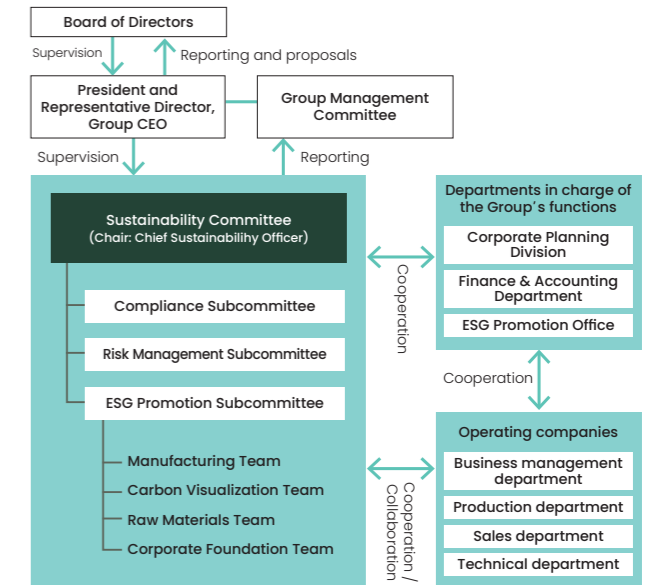
As an entire Group, we also address the many different issues on the path towards the establishment of a sustainable society, such as actions to address climate change, carbon neutrality and actions to help achieve the sustainable development goals (SDGs) with our asv2050/2030 Sustainability Vision that we established for conducting corporate activities from a medium- and long-term perspective.

For more than 120 years since its founding, the Group has continued to provide value demanded by customers and society by leveraging its unique core technologies. The Group seeks to implement sustainable management that ensures that diverse personnel can have job satisfaction and exert their potential in a workplace environment where they can work with peace of mind, that we will continue to provide products and services wanted by customers and society and that we will create new value in collaboration with customers. We will continue to promote sustainability management by implementing management strategies under the artience 2027 medium-term management plan and steadily executing measures to address material issues, and the goals of asv2050/2030 that lie beyond.

### Promotion system

The Sustainability Committee is chaired by the Group's Chief Sustainability Officer, with the Group CEO as chief supervisor. The committee formulates plans, implements, evaluates, and follows up on all Group-wide sustainability-related activities. It also reports regularly to senior management at meetings of the Group Management Committee and the Board of Directors, and receives instructions on how to respond as necessary. The three subcommittees of the Sustainability Committee and the administrative departments of each domestic Group company play a central role in supporting the sustainability activities of the entire Group from their various perspectives, and are working to drive activities on a global scale.

#### Sustainability promotion system (FY2024)



#### Sustainability Committee's main activity themes, their achievements, and future activities (FY2023)

Main activity themes	Measures and achievements
<ul style="list-style-type: none"> <li>Instilling the sustainability concept in the Group</li> <li>Construction of a system for implementing ESG practices</li> <li>Establishment, revision and disclosure of policies regarding sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Holding of groupwide sustainability meetings (September), appointment of ESG management promoters within individual operating companies and education to improve ESG activities</li> <li>Establishment of the ESG Promotion Office and a structure to enable the committee and divisions to collaborate</li> <li>Revision of the Sustainability Charter and policies relating to individual sustainability issues and the formulation of new policies (the Code of Ethical Conduct, policies on risk management, anti-corruption, tax, etc.)</li> </ul>
<ul style="list-style-type: none"> <li>Continuous promotion of compliance within the Group</li> <li>Actions to properly incorporate the cost of labor into prices</li> <li>Whistleblowing system</li> </ul>	<ul style="list-style-type: none"> <li>Meetings at bases in Japan and overseas (April to June and October) and the continued organization of workshops on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade and the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (April to September)</li> <li>Surveys of business partners on the proper incorporation of the cost of labor into prices</li> <li>Expanding the scope of descriptions for whistleblowing cases (human rights infringements, discrimination, harassment, breach of intellectual property rights and other issues), and establishing an internal whistleblower hotline exclusively for the base in South Korea (November)</li> </ul>
<ul style="list-style-type: none"> <li>BCP</li> <li>Cyber security</li> <li>Business risk management</li> </ul>	<ul style="list-style-type: none"> <li>Understanding the preparedness status of the BCPs at each Group company, sharing of information about good practices and improving the entire Group's BCP activities</li> <li>Establishment and start of use of the artience-CSIRT system</li> <li>Reidentification of business risks and reassessment using frequency-impact mapping</li> </ul>
<ul style="list-style-type: none"> <li>Responding to climate change</li> <li>Promoting sustainable procurement</li> <li>Human rights due diligence</li> <li>Improving information disclosure and communication</li> </ul>	<ul style="list-style-type: none"> <li>Formulating a roadmap for the reduction of CO<sub>2</sub> emissions per base (80% in Japan and 50% overseas) and the visualization of organizational CO<sub>2</sub> emissions (calculation of the emissions in each Scope)</li> <li>Expansion of the scope of target suppliers (addition of 248 raw materials suppliers for bases in Japan)</li> <li>Holding of gender diversity training for officers, managers of departments and employees wishing to receive it</li> <li>Expansion of disclosure of non-financial information in securities reports, continued publication of the Sustainability Data Book and enhancement of information disclosure</li> </ul>

Material issues and progress of our activities

In FY2021 to FY2023, we engaged in activities in line with KPIs and targets during SIC-II (FY2021 to FY2023,) matching the period of activities for the SIC-II, the previous medium-term management plan. In particular, the numerical environmental targets for Material Issue 2 (reducing of CO<sub>2</sub> emissions, information disclosure based on TCFD recommendation) and social targets for Material Issue 4 (promoting health and productivity management, increasing female manager ratio to 8%) are equivalent to "Promotion environmental management" and "Reform workstyles and per-

sonnel systems" under Basic Policy 3 of SIC-II "Enhance the value of management resources for sustainable growth (change of the corporate structure,)" and we focused our efforts on them. Consequently, we achieved positive results regarding the reduction of CO<sub>2</sub> emissions, the improvement of the percentage of female managers, workstyle reform, the acceleration of DE&I and other efforts roughly as planned. In the future, we will review our material issues (targets and KPIs) in the new medium-term management plan to improve and accelerate our sustainability activities.

Material issues and actions

Evaluation: A as Progress beyond plan, B as Progress as planned, and C as Further efforts required

Material issues	Ideal state	Relevant SDGs goals	KPIs and targets during SIC-II (FY2021 - 2023)	Achievements in FY2023	Evaluation for FY2023
Material Issue 1 Provide value that exceeds customer expectations and contribute to society	We provide value that contributes to innovations and the solution of issues in society, through creative products and services that exceed customers' expectations. Through these activities, we win the trust of a wide range of stakeholders and contribute to developing a sustainable society.		<ul style="list-style-type: none"> <li>Creation of products, services and technologies that contribute to provision value to society</li> <li>Initiatives to improve quality: Operation of the Quality Global Standard at all production bases around the world</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new products and services with a view toward the creation of value (construction of networks for the mass production and supplying of LIB materials in North America, Europe, China and Japan with a view toward the establishment of a decarbonized society, the implementation of joint development projects for the establishment of a circular society leveraging high quality plastic recycling)</li> <li>Website renovation to improve the findability of product information and reinforcing information distribution</li> <li>Selection as an AAA website in the all markets category of the All Japanese Listed Companies' Website Ranking for 2023 by Nikko Investor Relations</li> </ul>	B
Material Issue 2 Co-exist in harmony with the environment through innovative technologies	With innovative environmental technologies, we have become a leading company in society in the aspects of both products and services. In addition, we contribute greatly to harmonizing society with the environment and improving the sustainability of society through initiatives we take in overall business, from the upstream to the downstream.		<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 67,500t (down 12% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 165.0L/t (down 3% from the FY2020 level)</li> <li>Reduction of chemical emissions (Japan)*: 118.2t (down 10% from the FY2020 level)</li> <li>Reduction of amount of waste treated off-site (Japan): 10,500t (down 19% from the FY2020 level)</li> <li>Increasing of sales ratio of environmentally friendly products: 70.0% (up 4.0 percentage points from the FY2020 level)</li> <li>Conservation of forest and aquatic ecosystems: Tree-planting, ecological surveys, strengthening of water intake / drainage management at production bases with high water risks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (Japan): 59,669t (down 22.4% from the FY2020 level)</li> <li>Improvement of specific energy consumption (overseas): 156.5 L/t (down 8.1% from the FY2020 level)</li> <li>Reduction of chemical emissions (Japan): 102.1t (down 22.2% from the FY2020 level)</li> <li>Amount of waste treated off-site (Japan): 10,625 t (down 17.6% from the FY2020 level)</li> <li>Sales ratio of sustainability-enhancing products: 53.6%</li> <li>Sales ratio of environmentally friendly products: 60.2%</li> <li>Information disclosure based on the TCFD recommendations (expanding the range of information disclosed on our website)</li> </ul>	B
Material Issue 3 Co-exist and co-prosper with the supply chain and fulfill the trust of stakeholders	We have built a firm relationship of trust with the supply chain toward co-existence and co-prosperity, by respecting the supply chain on an equal footing and stimulating each other. Based on this relationship, we continue to take on further challenges through mutual cooperation with the supply chain.		<ul style="list-style-type: none"> <li>Implementation of major supplier assessments based on Criteria for Selecting Suppliers: Continuation of 100% implementation rate</li> <li>Conducting a sustainability surveys for major suppliers: Implementation rate 100%</li> <li>Promoting efficiency and sustainability improvements through collaboration in logistics</li> <li>Continuation human rights education during overseas assignment training: Attendance rate 100%</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of major suppliers in Japan and dissemination of the Sustainable Supply Chain Guidelines: Implementation rate 100%</li> <li>Conducting a sustainability surveys for major suppliers: Implementation rate 100%</li> <li>Promoting efficiency and sustainability improvements through collaboration in logistics</li> <li>Number of employees who took human rights education during overseas assignment training: 20 employees (attendance rate 100%)</li> <li>Promotion of diversity (publication of a guidebook for understanding LGBTQ+ issues and support and sponsorship of various events)</li> <li>Distribution of human rights information in electronic in-house newsletters and activities to increase awareness of human rights</li> </ul>	B
Material Issue 4 Value employees and pursue their happiness and job satisfaction	We have established a corporate climate where the personality of each employee and their diversity are respected and employees pursue job satisfaction and self-actualization. In addition, our open, family-like workplace environment serves as the base for creating innovations at home and abroad.		<ul style="list-style-type: none"> <li>Continuing to be selected as <i>White 500</i> company by promoting health and productivity management</li> <li>Continuing acquirement <i>Eruboshi</i> certification by promoting women's employment and active participation: Continuing 30% female recruitment ratio in Japan, and female manager ratio in Japan to be 8%</li> <li>Continuing acquirement <i>Kurumin</i> certification promoting childcare and nursing care support: Continuing 80% childcare leave acquisition (10 days or more) rate for male employees in Japan</li> <li>Zero serious accidents</li> </ul>	<ul style="list-style-type: none"> <li>Continued to be selected as a <i>White 500</i> company, acquired <i>Eruboshi</i> certification.</li> <li>artience Co., Ltd. acquired <i>Platinum Kurumin</i> certification, a higher level of certification than <i>Kurumin</i>, for the first time. Three core operating companies newly acquired <i>Kurumin</i> certification.</li> <li>Maintenance of Gold certification in PRIDE Index 2023 for LGBTQ+ initiatives</li> <li>Percentage of female new graduates hired in Japan: 37.0%</li> <li>Percentage of female managers: 5.5% (as of January 2024)</li> <li>Percentage of male employees in Japan taking childcare leave for 10 days or more: 100%</li> <li>Continued zero serious accidents</li> </ul>	B
Material Issue 5 Build a solid base that underpins trust	We have established a solid base that underpins the trust of stakeholders through compliance, communications, and other practices. In addition, this base serves as a secure foundation for the Group to survive until its 200th anniversary while maintaining its traditions.		<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Comprehensive implementation and content enhancement of compliance meetings in each site</li> <li>Formulation of the compliance seminars tailored to local circumstances of each site of the Group, and continuing implementation of education (Anti-monopoly Act, Subcontract Act, bribery prevention, privacy protection regulations, etc.)</li> <li>Promoting activities for communication with local communities</li> <li>Promoting educational / cultural activities in local communities</li> <li>Promoting social contribution activities: Volunteer activities or their support, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Zero serious compliance violations</li> <li>Held compliance meetings in each site (3,386 participants during the first half of the year; 3,479 participants during the Improvement Month)</li> <li>Held various compliance seminars (Anti-monopoly Act: 11 seminars with a total of 408 participants, Subcontract Act: 16 seminars with a total of 272 participants)</li> <li>Held compliance meetings in each site using Code of Business Ethics and its explanatory materials which are translated into local languages</li> <li>Responded appropriately to natural disasters (earthquakes, typhoons, heavy rain, etc.)</li> <li>Conducted risk assessments (100% of locations in Japan, 92% of locations overseas)</li> <li>Safe driving workshops and safety education leveraging e-learning programs at all production bases</li> <li>Bases in Japan and overseas donating to research institutions and providing educational materials and equipment to local schools</li> <li>Social contribution through the volunteer leave system (One employee took volunteer leave)</li> <li>Donation of disaster relief supplies and money to southeastern Turkey which was struck by an earthquake</li> </ul>	B

\* The KPIs and targets have been revised due to a revision in the operation of the data collection system and review of the chemical substances subject to collection.