

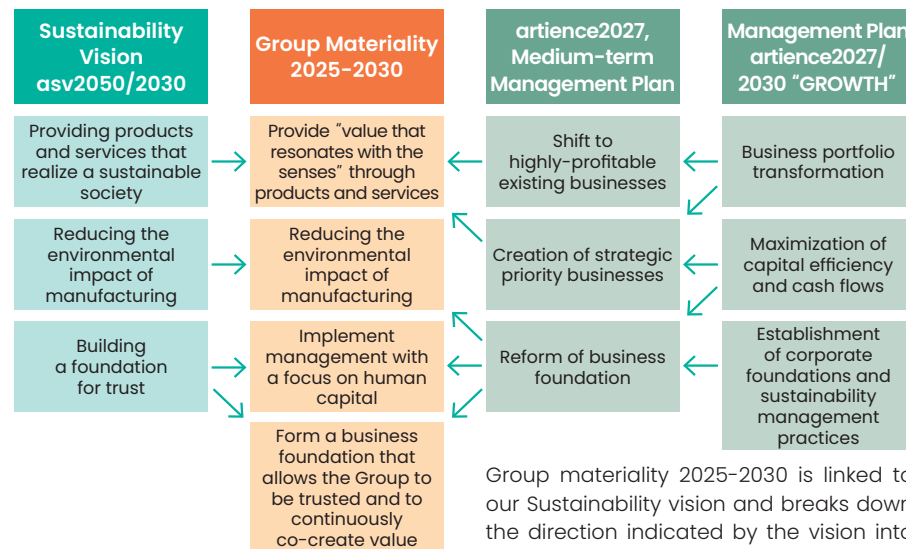
Group Materiality 2025–2030

After changing our company name and launching the new management plan in January 2024, we identified material issues (Group Materiality) that will significantly impact the artience Group's medium- to long-term value creation and the realization of its Sustainability Vision. We set targets for 2030, and began implementation in February 2025.

Background to the formulation of the new Group Materiality

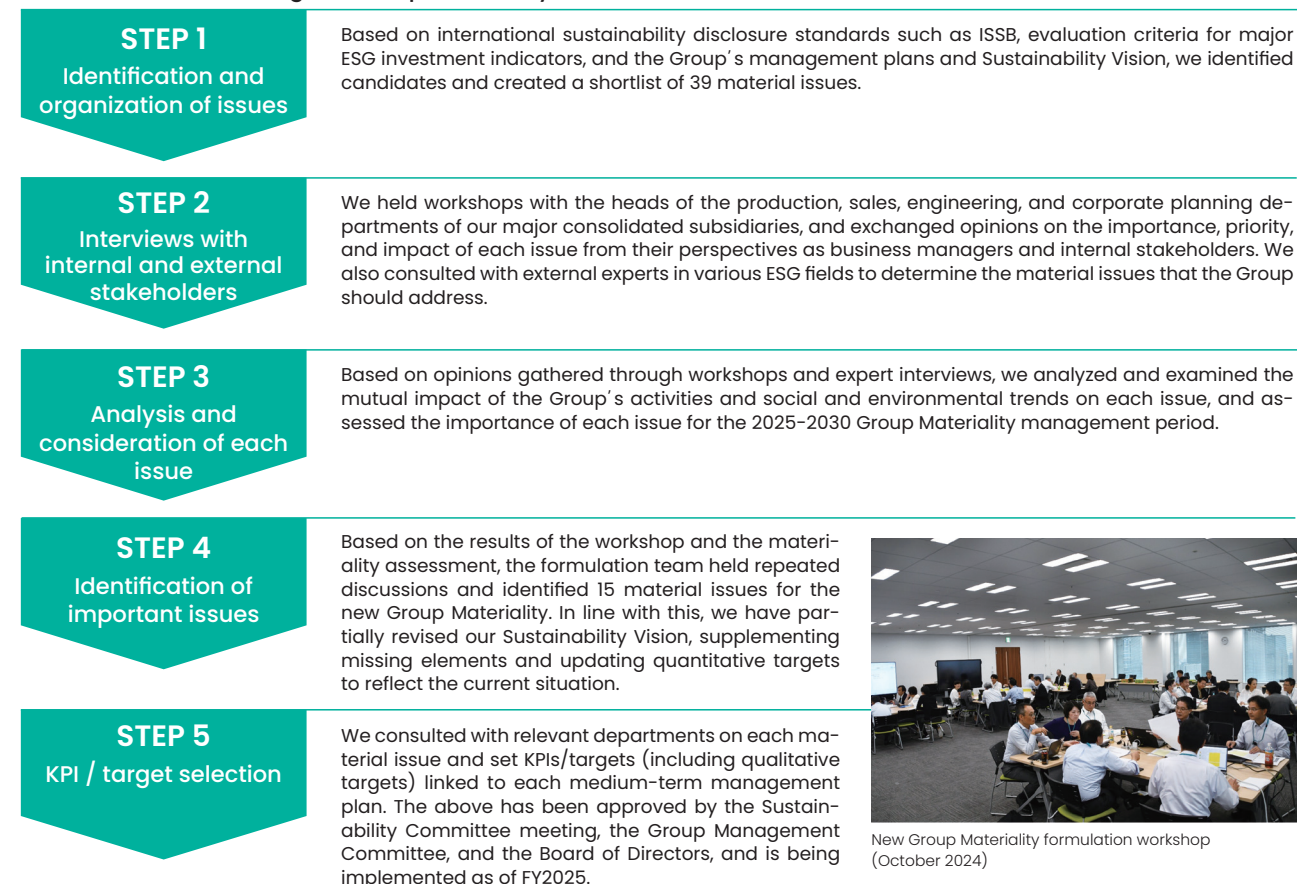
The situation surrounding solving corporate sustainability issues has changed significantly since the implementation of the previous material issues (2017.) This includes changes in social demands, increased reflection of non-financial issues in management strategies, disclosure of response measures, and increasing sophistication and complexity of issues. We established the new Group Materiality in response to these issues.

In formulating the Group Materiality, we made efforts to (1) ensure consistency and co-ordination with our management plans and asv2050/2030, (2) reflect trends in social demand, and (3) identify issues specific to artience, using our own criteria and perspectives.



Group materiality 2025–2030 is linked to our Sustainability vision and breaks down the direction indicated by the vision into more specific target areas and goals. Furthermore, by linking it to our management, it supports the promotion of business strategies and the implementation of measures linked to sustainability.

Process of formulating the Group Materiality



New Group Materiality formulation workshop (October 2024)

Formulating new material issues linked to management plans

Tetsuaki Sato

Director in charge of Quality Assurance, Production and Environment, Sustainability, Purchasing and Logistics



Improving effectiveness through internal instillment

In FY2024, the artience Group reviewed its Group Materiality (material issues) for the first time in seven years.

To review our material issues, we held a group-wide workshop in October 2024. Department heads from the corporate planning, production, sales, and engineering departments were invited to share their opinions and suggestions. During the discussions, many teams expressed awareness of the importance of coexisting with society, which was particularly impressive since it reflects the values of our Brand Promise. We also interviewed experts in finance, diversity, equity, and inclusion (DE&I) and the environment, and reflected their insights in the formulation of our Group Materiality.

To increase effectiveness, quantitative indicators have been established for each material issue wherever possible. For issues that are difficult to quantify, we try to use expressions that each responsible employee can easily understand, even if they are qualitative. We also emphasize the importance of internal instillment, so that everyone can understand and relate to the material issues. Currently, around two-thirds of our Group employees are overseas personnel. At the Global Management Forum (GMF,) which is held twice a year and attended by executives from overseas bases, simultaneous interpretation is provided in English and Chinese. We are also focusing on communication with regard to sustainability. We also feel that it is crucial to reflect the opinions of employees working at overseas locations, and are currently developing a system to do so.

Driving toward our goals together with stakeholders

Human capital—one of the pillars of the new Group Materiality—was a key point in this review. Building on our previous Group Materiality, which focused on coexistence and co-prosperity with the supply chain, as well as employee happiness and motivation, we have revised our material issues from a human perspective. This clearly demonstrates our commitment to valuing everyone involved in the Group's business activities.

I have been the manager of a manufacturing plant for a long time, but I still feel that there are many issues to be addressed in the workplace. Driving automation and labor saving, creating a safe and secure working environment, and improving productivity through DX are all issues that require immediate action.

There are also many other elements that have been incorporated into this revision. We have incorporated environmental items that are still insufficient, such as resource recycling, water management, and Scope 4 emissions, as well as themes that we want to develop further, such as DX and fostering a culture of co-creation.

There are many challenges involved in promoting sustainability that are difficult for the Company to tackle alone. As a chemical manufacturer, our company has always contributed to society by supporting customers' businesses and services from behind the scenes. With a history spanning 129 years since our founding, we will continue moving forward toward our goals by cherishing the relationships we have built with our customers, business partners, local communities, and other stakeholders, while at the same time seeking to collaborate with new partners.

Messages from experts

Mr. Komei Harada

Representative Director of Sustainability Technology Design Organization, Inc.
Representative of Circular Economy & Wide-area Multi-Value Circulation Research Group



- artience's sustainability activities seem to focus heavily on reducing negative impacts. I believe this is why your business and sustainability activities are not fully integrated. I would like to see you demonstrate how your products and services contribute to sustainability and societal transformation, and incorporate the challenges of seizing opportunities into your material issues.
- By consuming resources and energy to produce and supply products and services, manufacturers contribute to reducing society's overall environmental impact and improving the lives of consumers. Aiming to increase your positive impact will enable you to contribute to sustainability through your business.

Ms. Mari Yoshitaka

Representative Director of General Incorporated Association Virtue Design
Visiting Professor, Faculty of Arts and Sciences, University of Tokyo



- It would be best to consider materiality for each business. Even for the same issue, the reasons for selection and approach may vary depending on the business, resulting in unique material issues that are specific to artience. Investors prioritize materiality to compare with peer competitors.
- It is essential to address human capital issues. The necessary human resources will change in line with revisions to your business portfolio. Given your company's high percentage of overseas personnel, I would also like you to focus on addressing gender issues.
- I think it would be beneficial to set quantitative targets (KPIs) that can easily be compared with those of other companies. At the same time, set qualitative targets that express your company's uniqueness.
- It is important to clearly outline a growth strategy based on governance.

Group Materiality 2025–2030 (formulated in February 2025)

The Group’s new Group Materiality consists of 15 material themes (areas of the issue) identified based on the assessments of internal and external stakeholders, corresponding actions (to be taken to address the issue,) KPIs/2030 targets (quantitative targets,) and measures (qualitative targets.) It also outlines SDGs targets relating to each material issue, and correspondences with

the artience2027/2030 “GROWTH” Management Plan, the artience2027, Medium-term Management Plan, and the Sustainability Vision asv2050/2030. We have also designated departments responsible for achieving the targets we have set, in order to ensure that they are achieved in a steady manner.

<https://www.artiencegroup.com/en/corporate/sustainability/strategy/materiality/>
https://ssl4.eir-parts.net/doc/4634/yuho_pdf/S100VGQE/00.pdf

Theme (area of the issue)		Relevant SDGs goals	Actions (to be taken to address the issue)		KPI/targets (FY2030) or measures (qualitative targets)	Relevant management plans
1. Provide “value that resonates with the senses” through products and services						
1-1	Products & Services	    	● Increase sales of Sustainability-Enhancing Products, mainly in the strategic priority businesses		● Operating profit ratio of the strategic priority businesses (consolidated): 40% or more ● Sales ratio of Sustainability-Enhancing Products: 80% ● Expanding the lineup of Sustainability-Enhanced Products (environmental / lifestyle value products)	artience2027/2030 “GROWTH” Management Plan: 1. Business portfolio transformation artience2027, Medium-term Management Plan: 1. Shift to highly-profitable existing businesses 2. Creation of strategic priority businesses Sustainability Vision asv2050/2030: 1. Providing products and services that realize a sustainable society
1-2	Decarbonization		● Promote GHG emissions reduction and decarbonization throughout the value chain		● Initiate and promote calculation of Scope 4 (contribution to reducing GHG emissions downstream in the supply chain) ● Established in-house carbon footprint (CFP) calculation system based on international rules and completed application to specific product categories ● Step up supplier engagement for the purpose of reducing Scope 3 emissions	
2. Reducing the environmental impact of manufacturing						
2-1	Climate Change	 	● Tackle to reduce GHG emissions taking every possible measures and contribute to mitigating climate change		● Scope 1 and 2 emissions (global): 26% reduction from FY2020 level [CO ₂ emissions: 35% reduction in Japan from the FY2020 level, 35% reduction overseas compared to the FY2030 BAU] ● Carry out initiatives to reduce Scope 3 emissions	artience2027/2030 “GROWTH” Management Plan: 2. Maximization of capital efficiency and cash flows 3. Establishment of corporate foundations and sustainability management practices
2-2	Water Management		● Improve water use at production sites and contribute to preserving the natural and living environment		● Carry out water resources conservation activities at sites located in water-risk areas (droughts, floods, lacking purified water) ● Promote water recycling activities and calculate the recycling ratio	artience2027, Medium-term Management Plan: 3. Reform of business foundation Sustainability Vision asv2050/2030: 2. Reducing the environmental impact of manufacturing
2-3	Wastes / Resource Circulation	    	● Reduce waste from production sites and offices and encourage resource circulation in the value chain		● Achieved zero emissions (final waste disposal rate of 1% or less for total production sites) by promoting 3Rs (reduce-reuse-recycle) throughout production activities ● Carry out initiatives for plastic resource circulation and plastic waste reduction	
2-4	Pollution Prevention / Chemical Substances	   	● Prevent air, water and soil pollution and aim for production activities with zero-environmental pollution		● Harmful chemical substance emissions (Global): 30% reduction (from the FY2020 level) ● Number of violations of laws and regulations related to pollution prevention: Zero cases continued	
3. Implement management with a focus on human capital						
3-1	SCM	   	● Construct a supply chain that realizes responsible procurement of raw materials		● CSR procurement rate: 80% (Coverage: 70%) ● Guideline consent rate: 85% (Coverage: 70%) ● Carry out initiatives for a sustainable supply chain, including logistics, raw material transactions and the contracting of services	artience2027/2030 “GROWTH” Management Plan: 2. Maximization of capital efficiency and cash flows 3. Establishment of corporate foundations and sustainability management practices
3-2	Respect for Human Rights / DE&I	   	● Create a working environment that respects human rights and diversity and that has no gender gap		● Percentage of women in managerial positions (on a consolidated basis in Japan): 10% ● Implementation rate of human rights due diligence for employees (global): 100% ● Employment rate for people with disabilities (employment of special subsidiary applied to the Group in Japan): 3% ● Promoting DE&I activities (addressing gender, disabilities, senior employees, etc.)	artience2027, Medium-term Management Plan: 3. Reform of business foundation Sustainability Vision asv2050/2030: 3. Building a foundation for trust
3-3	Human Capital	   	● Accelerate employees’ career development efforts and engagement through personnel training that supports their challenges		● Increase in average investment in employee education and training (Japan) ● Accelerate the creation of independent career development programs (in-house staff recruitment and in-house job hunting in Japan) ● Achieve higher scores in employee engagement surveys ● Strengthen support for employees’ challenges (support for people entering Business Idea Contests, reward programs, etc.)	
3-4	Occupational Safety / Health & Productivity Management	 	● Improve labor safety in workplaces and improve employees’ health to establish a working environment where employees feel secure		● Number of lost-workday injuries in Japan, including injuries incurred by contractors working on our premises: Zero ● Reduce lifestyle-related disease risks in Japan: Risk of obesity: 21.3%, risk of hypertension: 9.7%, risk of diabetes: 9.1%, risk of dyslipidemia: 31.0% ● Percentage of employees taking childcare leave or leave for childcare purposes in Japan: 100% continued ● Promote initiatives that contribute to employee occupational safety and health / health improvement	
4. Form a business foundation that allows the Group to be trusted and to continuously co-create value						
4-1	Corporate Governance / Financial Foundation	 	● Promote to ensure the transparency of management and improve the soundness of our financial foundation		● Increase the diversity (in terms of gender, skills) of officers (directors and operating officers) ● Reform of the remuneration system for officers (increasing transparency in the determining process, reflection of non-financial results, information disclosure of compensation amounts, etc.) ● ROE (Profit attributable to owners of parent / net worth): 10% or more	artience2027/2030 “GROWTH” Management Plan: 3. Establishment of corporate foundations and sustainability management practices
4-2	Compliance / Risk Management / Information Security	   	● Continuously review compliance and risk management systems to improve their effectiveness		● Raising awareness of the Code of Ethical Conduct and the whistleblowing system ● Number of serious compliance violations (violations of laws and regulations and other conduct for disciplinary action): Zero continued ● Building overseas information security systems (implementation of common rules, customization for individual bases, vulnerability testing / corrective activities, etc.)	artience2027, Medium-term Management Plan: 3. Reform of business foundation Sustainability Vision asv2050/2030: 3. Building a foundation for trust
4-3	Product Safety / Quality Assurance	 	● Strengthen the product safety and quality assurance system to improve our credibility as a manufacturing company		● Enrichment of the Global Quality Standard Network (unification and control of quality standards, sharing of quality assurance information, etc.) ● Number of serious incidents regarding product safety and quality (violation laws and regulations, human damages, economic loss beyond a certain level): Zero continued	
4-4	Promoting Digital Transformation		● Accelerate digital transformation, the use of artificial intelligence (AI,) and digitalization of operations to bolster the Group’s ability to adapt to changes in business environment and improve labor productivity		● Promote “Generative AI Native 500” project (the development of generative AI core talent and utilization promoting talent): Developing 500 employees by FY2027 ● Promoting digital transformation in each of the production, sales, engineering and administrative fields	
4-5	Co-creation Culture / Community	    	● Foster a corporate culture that realizes value co-creation through the establishment of partnerships with other organizations and co-existing with local communities		● Promoting partnership building with governments, companies and research institutes (business co-creations, joint R&D projects, etc.) ● Increase communication with local communities ● Conduct social contribution activities (such as disaster reliefs, cultural and educational supports, environmental conservation, donations, local employment)	