Integrated Report 2024

NIPPON FINE CHEMICAL CO., LTD.

Nippon Fine Chemical has long continued to carry out a range of activities based on our three-point Management Philosophy of contributing to society through chemistry, contributing to all people associated with us, and contributing to self-realization of our employees.

Moreover, we hold up “Smiles on Faces: The Power of KIREI” as our long-term vision, NFC VISION 2030, in which we declare our intention of "Helping the KIREI of the Earth, society, and the future" as we take the next step into a new future.

In addition, we have taken a fresh look at why our company exists, how we contribute to society, and why we provide products and services. As a result, we have defined our Purpose as “Contributing to the creation of a sustainable society filled with Smiles through the Power of Chemistry and KIREI,” which clearly lays out our reason for existence as we head into the future.

Company Name	NIPPON FINE CHEMICAL CO., LTD.
Established	February 1918
URL	https://www.nipponseika.co.jp/en/
Paid in Capital	5,933.22 million yen
Number of Employees	415 (as of June 26, 2024)
Listed stock exchange	Prime Market of the TSE
Representative Director, President	Hiroshi Yano

*Please see our website for the latest information.

CONTENTS

Towards ESG Management by Putting Our Management Philosophy into Practice

We were founded in 1918 as Nippon Camphor Co., Ltd. in order to integrate the camphor businesses in Japan.

Later, we started manufacturing fatty acids and other oil and fat-related products, and expanded our business lines by forging our own unique fields within chemistry. In 1971, we changed our name to Nippon Fine Chemical Co., Ltd., and have been working to develop products and businesses that stay ahead of people's needs as a fine chemicals manufacturer.

Today, we offer products in a wide range of fields. They are found in hygiene management products that make all our living environments more clean, safe, and comfortable, and form the raw materials both for pharmaceuticals that contribute to improving the quality of life (QOL) of us all and for cosmetics that are kind to both people and the environment. In addition, our functional materials are used not only in familiar daily-use products but also in electronic materials and high-performance resins.

We hold the following three points as our Management Philosophy.

- **Nippon Fine Chemical shall contribute to society through chemistry**
- **Nippon Fine Chemical shall contribute to all people connected with our company**
- **Nippon Fine Chemical shall contribute to the self-realization of our employees**

Based on this Management Philosophy, we shall aim to become a corporation that continues to deliver value to society through unceasing innovation, actively responding to the changing times.

Representative Director, President
Hiroshi Yano

To the next 100 years To the growth foundation strengthening stage through active investment

We celebrate the centennial of our founding on February 12, 2018. The 13th Medium-term Management Plan which started in April that year (the five years from FY2018 to FY2022) positioned "Stage to strengthen governance" under the slogan "To be a corporate group growing sustainably for the next hundred years," and we carried out a range of measures for this. We achieved listing on the TSE Prime Market in April 2022, and in tandem with this, we are working towards thorough responses to our Corporate Governance Code.

The 14th Medium-term Management Plan (the four years from FY2023 to FY2026) adds continuing to strengthen governance, and is positioned as the "Stage to strengthen growth foundation through aggressive investment." Specifically, we are working on the following.

- **Review business portfolio**
- **Establish strategic products (Phospholipids)**
- **Strengthen capital investment and invest in R&D**
- **Enhance measures for sustainability issues**

Vision of the Company's future self in 2030 Putting NFC VISION 2030 into practice

Nippon Fine Chemical positions our Management Philosophy as the universal and basic values and ethics as the basis from where our management plans are formulated and our business decisions are made. To reflect these into actual work, we have formulated the Employee Code of Conduct and the Code of Ethics.

In October 2021, we set "Smiles on Faces: The Power of KIREI" as our long-term vision, NFC VISION 2030, along with the following three sub-concepts.

- **Sustaining the KIREI of the Earth through sustainable manufacturing**
- **Sustaining the KIREI of communities through compliance, safety, and actions that ensure peace of mind**
- **Sustaining the KIREI of the future through diversity-driven innovation**

In addition, NFC VISION 2030 sets seven goals that specifically lay out where we aim to be in the future year of 2030.

- **Goal1** Diversity & Inclusion
- **Goal2** Fearless Organization
- **Goal3** Employee Engagement
- **Goal4** Marketing & Innovation
- **Goal5** Digital Transformation
- **Goal6** Social Responsibility
- **Goal7** Community Benefit

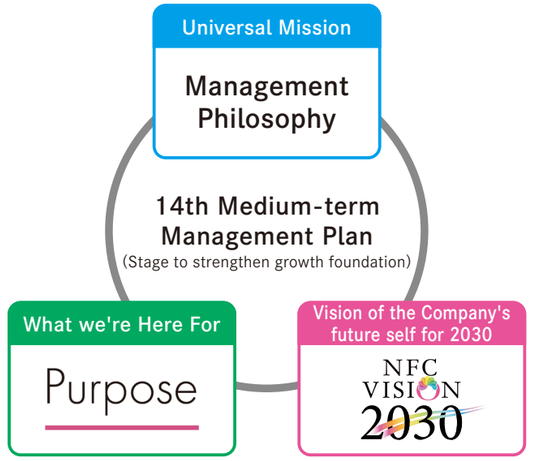
With the 14th Medium-term Management Plan (FY2023-FY2026), we have formulated a basic strategy to achieve these seven goals, and are working towards them.

Setting our current reason for existence, our Purpose

In addition, in March 2024 we formulated and made public our Purpose.

We have taken a fresh look at why our company exists, how we contribute to society, and why we provide products and services in contemporary society, with diversifying values and unclear paths ahead, where there no right answers waiting for us. As a result, we have now defined our Purpose as **"Contributing to the creation of a sustainable society filled with Smiles through the Power of Chemistry and KIREI."** Through this, our reason for existence today is made clear.

In this way, with our Management Philosophy as our ultimate source of values and ethics, we express our Vision of the Company's future self in 2030 in our NFC VISION 2030, lay out what we need to do now in order to achieve that in our Purpose, and are working as one to that end.



Overall summary of Year One of the 14th Medium-term Management Plan (FY2023)

Business activities

In FY2023, our 14th Medium-term Management Plan (the four years from FY2023 to FY2026) got under way. This is the overall summary of its first year.

First, we started by taking another look at our business portfolio. Specifically, we split them into the two segments of Functional Products and Environmental Hygiene Products. Functional Products has the sub-segments of Beauty care field, Health care field, Fine chemicals field, and Trading, while Environmental Hygiene Products has the Hygiene field. The net sales, operating profit, and earnings before interest, taxes, depreciation, and amortization (EBITDA) for each sub-segment were published in the FY2023 Financial Results Presentation Materials.

Next is the outline of our main four sub-segments.

In the Beauty care field, we saw the negative factor of reduced sales for our wool grease derivatives (lanolin and cholesterol) for cosmetics, but thanks to the vigorous demand from Western and other customers for sustainable materials, sales of functional esters for cosmetics in particular increased. In addition, domestically we saw steady business for our phospholipids for cosmetics and bioactive ingredients, with increased revenue and profit year-on-year.

We expect to see this vigorous demand continue, so have formed a project team to work on plans for constructing a cosmetic ingredients plant.

In the Health care field, we are making large-scale investments totaling some 5.3 billion yen to strengthen our competitiveness in pharmaceutical phospholipids and expand our business. Test production at the new plant, based on our alliance with Gilead Sciences, was completed in the first half of the year, with commercial production beginning in the second half. Progress is proceeding generally as planned. At the same time, while there has been an increase in depreciation for the new plant, our full-year net sales and EBITDA are both above last year's figures, and generally as forecast.

In our Shonan Laboratory, which opened last April, we have obtained new themes effectively. The Laboratory has been fulfilling the functions we expected of it as a base for open innovation. For example, last October it held a technology seminar hosted by Nippon Fine Chemical. I hope to be able to connect this to steady sales and profits in the future.

In the Fine chemicals field, there has been a drop in sales of cholesterol for feed for overseas markets and a drop in sales of fatty acid amides due to falling demand in China. Moreover, due to moving away from the contracted work business, which we have been working on since the end of the previous Medium-term Management Plan, there has been an impact from lower sales due to discontinued products as we move towards "selection and concentration" as a way to reassess the profitability of items that have supported revenue in the past, and overall we saw reduced profit and revenue.

On the other hand, we have made solid progress on mass producing materials for perovskite solar cells at Nippon Fine Chemical as they become more and more common.

Since the downgrading of COVID-19 under the Infectious Diseases Control Law, the Environmental Hygiene Products (Hygiene field) has seen a greater than expected shrinking of market for products designed to combat infection, along with readjustments of stock, and sales of hand sanitizer have dropped a long way.

As a measure for the second year and beyond, we will accelerate development of concentrated types and other sustainable products, as well as strengthen our synergy by mutually drawing on the resources of the Nippon Fine Chemical Group. In addition, we aim to acquire clients for products aimed at hospitals and care facilities, which are expected to see growth in future, as well as from expanding sales of differentiated products in the Food Business field.

Towards sustainable growth Strengthen R&D

Our three pillars of investment towards sustainable growth are investment in human capital, investment in facilities (capital investment), and investment in R&D. However, our base is the Basic Sustainability Policy, which aims to achieve both sustainable growth and to bring about a sustainable society.

In our Purpose as well, which was announced in March 2024, is the phrase "Contributing to the creation of a sustainable society." In other words, investment in business activities that contribute to a sustainable society is our absolute top priority.

Human capital investment is designed to enhance our human resources development and internal corporate environment. For investment in facilities, we expect to see this vigorous demand continue, so have formed a project team to work on plans for constructing a cosmetic ingredients plant.

Our actual R&D expenses for FY2023 were 900 million yen, 2.7% of our net sales, making it the highest ever. R&D themes with a particular focus are as follows.

- **Studies towards the commercialization of flow reactors (continuous synthetic)**
- **Introduction of a process simulator**
- **Development of sustainable cosmetic ingredients**
- **Development of phospholipids for pharmaceuticals (Open innovation at the Shonan Laboratory)**
- **Development of materials for perovskite solar cells**

Each of these is a theme that will contribute to the creation of a sustainable society, as laid out in our Purpose.

In FY2024, we plan to further increase R&D expenses to 1.02 billion yen, 2.9% of net sales, a new all-time high.

Returns to shareholders Our aim is to increase dividends for eight fiscal years running

Our dividends policy previously targeted 3.0% of DOE from FY2022, but in FY2023 we changed that to targeting 3.0% to 3.5%, which means a dividend of 70 yen per share. In FY2024, we expect our performance to recover, so are forecasting 74 yen per share. This means that we aim to increase our dividends eight fiscal years in a row. In our 14th Medium-term Management Plan, from FY2023 to FY2026, our total return ratio has a target of an average of 50% or more over four years.

Our actual figures from FY2023 are total dividends of approximately 1.59 billion yen, share buybacks of 350,000 shares for 990 million yen, and net income of 3.33 billion yen, resulting in a total return ratio of 77%.

With the reduction of cross-shareholdings, the actual sales amount of cross-shareholdings in FY2023 was 1.26 billion yen. The rapidly rising stock market meant our ratio of cross-shareholdings dropped 1% from FY2022, staying at 24%, but we are currently working towards reducing our ownership ratio to 17% by FY2026.

Continuing on from this, we hope to allocate funds gained through business operations through a good balance between investing in sustainable growth and shareholder returns, while securing the amount necessary to continue business, thus responding to the expectations of our stakeholders.

The chemicals industry is increasingly required to respond to sustainability for the future and co-existence with local communities. We shall put into practice the desire in our Basic Sustainability Policy of " Aiming for our sustainable growth and to bring about a sustainable society." This is not just revenue-based growth : we shall continue to tackle the challenge of aiming ever higher through repeated innovations into the future, based on our Management Philosophy of "Contributing to society through chemistry," while also fulfilling our responsibilities as a member of society.

Value Creation Story

Nippon Fine Chemical offers products in a wide range of fields. These are used as raw materials for pharmaceuticals that help improve health and convenience, for cosmetics that are kind to both people and the environment, and also as the functional materials used in electronics and various resins as well as in familiar daily-use products.

We shall continue to be a corporation that contributes to creating a society that offers beautiful, healthy, and prosperous lives, full of smiles, by providing functional, high added-value raw materials for cosmetics and pharmaceuticals, and functional raw materials.

Our Ideas

Universal Mission

Management Philosophy

Vision of the Company's future self for 2030

NFC VISION 2030

What we're Here For

Purpose

(See p.9)

Social Demands

KIREI for the Earth

- Measures to combat climate change
- Reduction of environmental impact
- Prevention of global warming

KIREI for society

- Strengthening compliance
- Prevention of workplace accidents
- Providing products that are safe and reliable

KIREI for the future

- Promotion of diversity
- Achieving a work-life balance
- Development of products that co-exist with the environment

Technology Fields NFC Has Strengths in

- Synthetic organic chemistry
- Oleochemistry
- Dermatology
- Polymer chemistry
- Surface science
- Nanotechnology

Business Fields/Outputs

Beauty care

- Phospholipids for cosmetics
- Functional esters for cosmetics
- Bioactive ingredients
- Natural polysaccharides
- Wool grease derivatives for cosmetics

Health care

- DDS materials/development and manufacturing support
- Pharmaceutical intermediates
- Pharmacology/safety testing
- Wool grease derivatives for pharmaceuticals

Fine chemicals

- Organic acid chlorides
- Materials for perovskite solar cells
- Functional Coatings
- Additives for resins
- Wool grease derivatives

Hygiene

- Hand soaps
- Hand sanitizers
- Products for public health
- Products for food hygiene
- Products for medical hygiene

Provided values

Cosmetics

Sustain your skin and hair KIREI (Beauty)

Pharmaceuticals

Supporting your body KIREI (Health)

Electronics

Supporting cutting-edge equipment KIREI (Performance)

Resources energy

Keeping resources KIREI (Sustainable)

Environmental hygiene

Keeping the environment KIREI (Clean)

Increasing the purity of our KIREI

"*Kirei*" is a Japanese word expressing the concept of "beautiful," "fine," "clear," or "clean," and can be used as an adjective, noun or verb.

Medium-term Management Plan

Basic policy

Nippon Fine Chemical positions our Management Philosophy, which is our universal mission, our Purpose, which clarifies our current reason for existence, and the NFC VISION 2030, which expresses where we want to be in the future year of 2030, as the basic policies that form the basis from where our management strategies are formulated and our business decisions are made. In addition, to share our basic values and ethics, and to reflect these into actual work, we have formulated the Employee Code of Conduct and the Code of Ethics.

Management Philosophy

- Nippon Fine Chemical shall contribute to society through chemistry
- Nippon Fine Chemical shall contribute to all people connected with our company
- Nippon Fine Chemical shall contribute to the self-realization of our employees

Purpose

Contributing to the creation of a sustainable society filled with Smiles through the Power of Chemistry and KIREI.

Purpose

NFC VISION 2030

Revising our business portfolio and setting strategic items

■Revising our business portfolio (revising segmentation)

We have reorganized our segments based on business fields to strengthen our business strategy. The main changes are the change of name from the old Industrial Products segment to the new Functional Products segment, and its subsequent finer division into beauty care, health care, fine chemicals, and trading, as well as the public release of net sales, operating profit, and earnings before interest, taxes, depreciation, and amortization (EBITDA) for each sub-segment.

■Setting strategic items (“Smile on Faces; The KIREI power of the Phospholipids, by Nippon Fine Chemical.”)

We have set phospholipids, a product made through our proprietary technology, as a strategic item (growth driver), and aim to strengthen the growth bases both for phospholipids for pharmaceuticals (health care) and phospholipids for cosmetics (beauty care). On top of that, we are working on the following strategies in each of our key segments.

Beauty care field

- Expansion of overseas sales through strengthening marketing activities aimed at overseas clients
- Acquire themes and expand sales through working jointly with clients in the Design & Creation Lab. (an open lab that opened in April 2024)
- Phospholipids for cosmetics: strengthen sales to Asian and Western markets, strengthen our search for new uses
- Continue active initiatives for sustainability and certification *(RSPO, Non-GMO, ISO16128, COSMOS)
- Move ahead with the plan to construct a new plant for cosmetics ingredients

Health care field

- For Gilead Sciences: Maintain a stable supply system
- High-purity Phospholipids for pharmaceuticals/liposomes/LNP (lipid nanoparticles): Acquire clients through differentiating our products as using our proprietary functional lipids, and increase efficiency through concentrating production at the new plant
- Promote open innovation at the Shonan Laboratory
- Wool grease derivatives for pharmaceuticals: Maintain a stable supply for existing clients
- Pharmaceutical intermediates: Focus on themes selected to continue as a result of selection and concentration, and expand sales

Fine chemicals field

- Continuation of “selection and concentration” and fostering future core businesses
- Wool grease derivatives: Move ahead with an efficient production system that fits the market environment
- Fatty acid amides: Expand sales for uses that contribute to a sustainable society
- Coatings: Acquire clients and expand sales in the Chinese and Taiwanese markets

Hygiene field

- Accelerate the development of sustainable products (concentrates, etc.) and strengthen Group synergy through mutual resource utilization
- Acquire clients with products for hospitals/care facilities
- Acquire clients through expanded sales of differentiated products in the Food Business field

*RSPO: Roundtable on Sustainable Palm Oil (certification system) / Non-GMO: Non-genetically modified organism / ISO16128: Natural Origin Index

Initiatives

■Strengthen capital investment and invest in R&D

We are boosting investment in the following issues, considered key issues in the Medium-term Management Plan.

- Strengthen investment in R&D such as the creation of future core technologies and making manufacturing activities sustainable.
- Development of an environment where employees can work easily (capital investment)
- Promotion of digitalization (such as updating core systems)

■Enhance measures for sustainability issues

We promote activities towards achieving our materialities and TCFD targets as we aim to realize the ideals of “Aiming for our sustainable growth and to bring about a sustainable society” in our Basic Sustainability Policy.

As shown in “Strengthen capital investment and invest in R&D” above, we will boost the sustainability of our production activities through carrying out materialities.

Actual figures for FY2023

■Capital investment: 1.77 billion yen

- Promotion of digitalization (updating core systems)
- Replacement investment due to aging facilities

■R&D investment: 900 million yen (2.7% of net sales)

- Making our production activities sustainable through carrying out the materialities
- Creation of future core technologies (such as studies on flow reactors)

Management targets and capital policies (consolidated)

■Management target figures

	Actual figures for FY2023	Target figures	
		FY2023	FY2026
Net sales (billion yen)	33.5	38.0	41.0
Operating profit (billion yen)	4.2	4.8	5.7
EBITDA*1 (billion yen)	5.5	6.1	7.7
ROIC*2 (%)	6.3	–	8.0
Capital investment (billion yen)	1.77	Total of 12 billion yen over four years	
Sales-to-R&D ratio (%)	2.7	2.6	2.7

*1. EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization (Operating profit + Depreciation)
*2. ROIC: Return On Invested Capital (After-tax operating profit ÷ (interest-bearing debt + equity))

■Capital policies

We aim to enhance our returns to shareholders, including stable dividends and buying back our own shares.

	Actual figures for FY2023	FY2024 forecast	Goals for FY2026
DOE*3 (%)	3.5	3.5 (target)	3.5 (target)
Dividend per share (yen)	70	74	80
Total return ratio*4 (%)	77	Average of 50% or more(1)	
Cross-shareholding ratio*5 (%)	24	–	17 or under

(1) Average of 50% or more during the term of the 14th Medium-term Management Plan

*3. DOE: consolidated Dividend On Equity ratio (Total annual dividends ÷ Consolidated net assets or Dividend payout ratio x ROE)(%)
*4. Total return ratio: (Total amount of dividends + Amount of treasury stock acquisition) ÷ Net income attributable to parent company shareholders
*5. Cross-shareholding ratio: Ratio of total amount recorded on the balance sheet for investment stocks held for purposes other than pure investment to consolidated net assets

Our Officers

Directors and Auditors (as of June 26, 2024)

Directors

Representative Director, President
Hiroshi Yano
(Born June 29, 1964)

April 1989: Joined NFC
September 2006: General Manager of Planning Office
June 2010: Corporate Officer
April 2011: General Manager of Corporate Planning Office
June 2015: Director
Senior General Manager of Fine Chemicals Department
April 2017: General Manager of Lipid Division
June 2020: Representative Director, President (to present)

Director; Executive Corporate Officer;
Executive Supervisor for Group Company Production Management and
In Charge of Plant Engineering Department
Masanobu Kawabayashi
(Born September 5, 1955)

April 1974: Joined NFC
March 2005: General Manager of Takasago Plant
June 2008: Corporate Officer
October 2008: Senior General Manager of Manufacturing & Technology Division
June 2010: Director (to present)
June 2015: Executive Corporate Officer (to present)
June 2017: Executive Supervisor for Group Company Production Management (to present)
April 2024: In Charge of Plant Engineering Department (to present)

Director; Executive Corporate Officer;
Executive Supervisor for Group Research and Development; Senior General Manager of Research Laboratory Division and
General Manager of Research Laboratory
Yukihiro Ohashi
(Born July 26, 1960)

September 2000: Joined NFC
September 2005: General Manager of Manufacturing Ingredients Research Laboratory Office
June 2006: General Manager of Manufacturing Ingredients Research Laboratory Department
June 2008: Corporate Officer
April 2009: Deputy Senior General Manager of Research Laboratory Division
April 2011: Senior General Manager of Cosmetic Ingredients Division
June 2011: Director (to present)
May 2013: General Manager of Research Laboratory (to present)
June 2021: Senior Corporate Officer (to present)
April 2023: Senior General Manager of Research & Development Division (to present)
June 2024: Executive Corporate Officer (to present)
Executive Supervisor for Group Research and Development (to present)

Director (Outside)
Susumu Ota
(Born October 13, 1952)

April 1975: Joined Toray Industries, Inc.
June 2006: Director at Toray Industries (Malaysia) Sdn. Bhd. and President of Penfibre Sdn. Bhd.
June 2013: CEO & COO, Kansai TEK Co., Ltd. (now Toray Engineering West Co., Ltd.)
January 2015: CEO & COO at Toray Engineering Co., Ltd.
June 2019: Advisor at Toray Engineering
June 2021: Director at NFC (to present)
June 2021: Outside Audit & Supervisory Board Member at YMC Co., Ltd. (to present)

Director (Outside)
Eriko Matsuwaka
(Born July 25, 1978)

October 2000: Joined ChuoAoyama Audit Corporation (now PwC Japan LLC)
April 2004: Registered as a Certified Public Accountant
November 2005: Joined Nippon Yusen KK
January 2017: Established Stand by C Woman Co., Ltd.; Representative Director and President (to present)
March 2020: Director and Audit and Supervisory Committee Member at Dynapac Co., Ltd. (to present)
June 2024: Director at NFC (to present)

Auditors

Standing Audit & Supervisory Board Member
Kiyoshi Horie
(Born August 7, 1952)

April 1979: Joined NFC
January 2000: General Manager of Household Products Research Laboratory
March 2000: General Manager of Kobe Plant
September 2001: General Manager of Industrial Chemicals Laboratory
April 2004: General Manager of Industrial Chemicals Division
June 2004: Corporate Officer
September 2005: General Manager of Development Laboratory
June 2006: Deputy Senior General Manager of Manufacturing & Technology Division and General Manager of Material Technology Department
June 2008: Senior General Manager of Manufacturing & Technology Division and General Manager of Kakogawa-higashi Plant
April 2009: Deputy General Manager of Manufacturing & Technology Division and General Manager of Kakogawa-higashi Plant
June 2011: Standing Audit & Supervisory Board Member (to present)

Standing Audit & Supervisory Board Member
Masanori Mitsuki
(Born January 20, 1958)

April 1982: Joined NFC
June 2007: General Manager of Environmental Safety & Quality Assurance Department
June 2017: Standing Audit & Supervisory Board Member (to present)

Audit & Supervisory Board Member (Outside)
Tetsuo Masuda
(Born October 29, 1945)

April 1970: Registered with the Osaka Bar Association
April 1992: Deputy Chairman of Osaka Bar Association
April 2004: Standing Director of Japan Federation of Bar Associations
April 2005: Chairman of Osaka Bar Association Deputy Chairman of Japan Federation of Bar Associations
January 2007: Representative Partner of Nakanoshima Chuo Law Office (to present)
April 2007: Chairman of Kinki Federation of Bar Associations Governor of Japan Federation of Bar Associations
June 2017: Audit & Supervisory Board Member at NFC (to present)
June 2019: Outside Auditor at Yanmar Holdings Co., Ltd.
March 2020: Outside Director of Ezaki Glico Co., Ltd. (to present)

Audit & Supervisory Board Member (Outside)
Kazufumi Suzuki
(Born February 11, 1976)

April 1998: Joined Nissho Iwai Corporation (now Sojitz Corporation)
October 2013: Joined Taiyo Koko Co., Ltd. as General Manager of Research & Development Department
June 2014: Director of Taiyo Koko, and General Manager of Research & Development
June 2015: Executive Corporate Officer of Taiyo Koko, and Branch Manager of Tokyo Office and General Manager of Research & Development
June 2015: Outside Director of Toho Kinzoku Co., Ltd. (to present)
June 2017: Vice-President and Director of Taiyo Koko
June 2018: Representative Director and President of Taiyo Koko (to present)
March 2019: Outside Director of Nichirin Co., Ltd. (to present)
June 2021: Audit & Supervisory Board Member at NFC (to present)

Corporate Governance

Nippon Fine Chemical is aware that enhancing corporate governance is a key issue required for improving corporate value over the mid to long term, and for sustainable growth. We are working to construct a corporate governance system and establish a sound, transparent, and highly effective management system, including meeting our management and explanatory responsibilities towards our shareholders and other stakeholders.

Issues for corporate governance in FY2023

- Setting the stage to be involved in fostering management candidates
- Deepening debate around sustainability and risk management
- More efficient management through optimizing the provision of information to outside directors and further improvements to briefing materials

Highlights

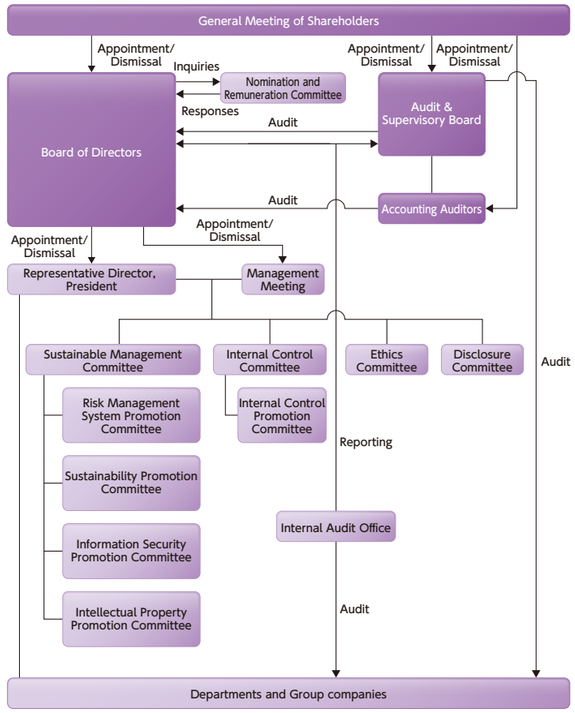
- Number of Board of Directors meetings: 12
- Number of Audit & Supervisory Board meetings: 13
- Number of Nomination and Remuneration Committee meetings: 6

Outline of the corporate governance system

Nippon Fine Chemical established an effective business execution system. The introduced corporate officer system separates the decision-making/supervisory function and the business executive function. The decision-making process of the matters for which business execution decisions are delegated to representative directors and/or other directors/corporate officers, is clarified based on the regulations.

As the highest decision-making organization for management, the Board of Directors determines matters related to laws and regulations and the Articles of Association as well as other key matters, and supervises the business execution of directors and executive officers. In addition, the Management Meeting, made up of the Representative Director and other full-time directors and corporate officers, deliberates referrals to the Board of Directors of key matters relating to management planning and management policy from multiple perspectives to ensure accurate decision-making.

Auditors audit the work of the directors through investigations into the financial status, work, and attendance at important meetings such as the Board of Directors meetings based on the audit policies and audit plans determined by the Audit & Supervisory Board.



■Status of initiatives to strengthen corporate governance

June: 2003	Introduction of corporate officer system
June: 2008	Abolition of the retirement benefit system for directors
June: 2010	Appointment of one independent outside director
December: 2019	Establishment of Nomination and Remuneration Committee
June: 2021	Increase of outside director ratio to 1/3
April: 2024	Establishment of the Sustainable Management Committee

In addition, to promote responses to sustainability issues, which are growing in importance, we have set up the new Sustainable Management Committee to oversee the four promotion committees (Risk Management System Promotion Committee, Sustainability Promotion Committee, Information Security Promotion Committee, and Intellectual Property Promotion Committee), and clarified the roles of the various committees and promotion committees, along with the Internal Control Committee, Internal Control Promotion Committee, Ethics Committee, and Disclosure Committee, to increase their effectiveness.

History of Nippon Fine Chemical

For a hundred years since our founding, we have contributed to the beauty and health, and prosperous lives of people.

We shall actively respond to upcoming changes in eras, always innovating, as we aim to become a corporation that grow sustainably for the next hundred years, a corporation that can continue to offer value to society.

History of Nippon Fine Chemical

	1918-1929	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010 on
World/Society	1918: World War One ends	1939: World War Two starts	1945: World War Two ends	1950: Korean War starts	1962: Prohibition of camphor monopoly	1973: First Oil Crisis	1986: Equal Employment Opportunity Law enacted	1995: Great Hanshin-Awaji Earthquake	2008: Lehman Brothers' bankruptcy 2011: Great East Japan Earthquake	2018: Nippon Fine Chemical celebrates its centennial 2020: COVID-19 coronavirus pandemic

Establishment/Facilities

On February 12, 1918, we were established as Nippon Camphor Co., Ltd. in Kobe, and expanded our business in a form that corresponded to the government policy to unify the camphor business.

As our domestic business developed and expanded, we moved into China and Taiwan, but by the close of WW2, the bulk of our domestic facilities had been destroyed, and our overseas facilities were requisitioned following the war.

We rebuilt part of our camphor plant the year after the war ended and restarted production, recovering along with the nation.

Nippon Camphor Co., Ltd.

Workers in the plant

A subsidiary was established with the purpose of manufacturing synthetic camphor (1941). In our business transformation period (1954), we continued working at our Kobe Plant and expanded into the fatty acid and other oil-related products business.

In the early 1960s, we added more production facilities to our Kobe Plant, and then built the new Kakogawa Plant (1969, later the Kakogawa-nishi Plant) and the Takasago Plant (1970), further developing our production facilities.

Research on manufacturing synthetic camphor

Motoyama Plant (Kobe Plant, former Oils Plant)

In 1971, we changed our company name to Nippon Fine Chemical Co., Ltd., signifying a new start with further aspirations for the future as a fine chemicals manufacturer.

In 1976, we relocated the Head Office from Kobe to Osaka, and in 1981, we set up a new laboratory in the Takasago Plant.

Head Office building (external view immediately after relocation)

Takasago Laboratory

In 1986, we established a pilot plant suitable for the manufacture of investigational drug intermediates for pharmaceuticals at the Takasago Plant, and then expanded our production facilities at the Takasago Plant, the Kakogawa Plant (later the Kakogawa-nishi Plant), and the Kakogawa-higashi Plant.

Along with these investments in facilities, we also accumulated more advanced technologies.

FPC Plant

Facility for producing phospholipids for pharmaceuticals

We added a dedicated plant (NLP) to manufacture phospholipids for pharmaceuticals and a dedicated plant (LP3) based on an alliance with Gilead Sciences in 2022.

NLP

LP3

In 2024, we opened "The Design & Creation Lab." (TDC Lab.) in our Head Office, aimed at creating new value and solving customer's jobs to be done. TDC Lab. often holds seminars with practical aspects on phospholipids and functional esters, two of our strengths, and is becoming a place where people can actually experience the appeal of our products.

TDC Lab.

Products/Technologies

Since our founding, our business has focused on camphor, which is used as a raw material for pharmaceuticals, insect repellents, and celluloid.

We maintained our international competitiveness by afforestation projects using camphor trees, which are where camphor comes from, and carrying out research and manufacturing of synthetic camphor, in addition to selling refined camphor.

Products that use camphor as their raw material include insect repellants such as Fujisawa Camphor, Camphor (1933) and so on for pharmaceutical use, and the Picolet series of air fresheners for toilets (1977).

The Picolet series was one of the main drivers of our household products business, along with camphor for insect repellent, right up to the 1990s, creating an era.

Camphor, etc.

Picolet series products

In 1954, the rapid advancement of petroleum-based plastics and overseas synthetic camphor meant that we had to develop new businesses, and so we started our fatty acid and oil-related products business.

Since then, we have started the production of fatty acid chlorides (1956), butyl stearate, IPM (isopropyl myristate), IPP (isopropyl palmitate) and other fatty acid esters (1957), and the production of Neutron, a fatty acid amide used for polyolefin film lubricants (1958). These products are almost monopolies within domestic demand, and have formed the driving force of our fatty acid and oil-related products business.

(See pp. 21-22)

Neutron

In 1966, we moved ahead with R&D and commercialization of cosmetics base materials as a new field, and started production of the Eselan series of special high-grade cosmetics bases.

Following that, we have produced Arbutin, a raw material for high added-value whitening cosmetics (1990), the Presome C series of phospholipids for cosmetics that add new functions to protect the skin and encourage its revitalization (1990), the LUSPLAN series of high-gloss, high-adhesion liquid functional esters (2001), the Plandool series of high-foaming paste functional esters (2002), and the Neosolue series of cosmetics esters that dissolve in both water and oil (2007).

Today, we are still developing a variety of products, including those with hair damage repair functions and those with physiological functions derived from renewable natural raw materials.

(See pp. 17-18)

Liposome skin lotion (skin lotion containing Presome)

LUSPAN

Plandool

Developing the technologies we fostered in the lipid business, we started the production of a number of fine chemicals, including PNC-390, a monomer raw material for inflammable elastomers (1978); Solanesol, a raw material for the Q10 coenzyme (1979); DEET, a mosquito repellent (1981); NSC, a plastic surface hardener (1982); Albath, a tablet-type bath salt (1985); and Squalane, an LD oil refined from shark oils (1986). These products supported the company during the 1980s.

Based on the synthesizing and evaluation technologies we have built up this way over many years, we continue to supply raw materials and intermediates for pharmaceuticals, functional resins, electronic materials, and a variety of other industrial fields.

Today, our Spirokite-NS, a material used in perovskite solar cells, is attracting a lot of attention.

(See pp. 21-22, p.33)

NSC coatings

Spirokite™-NS

We started researching lipids for pharmaceuticals to increase the added value of our fatty acid and oil-related products business, and in 1986 we started providing the market with our first phospholipid product, dipalmitoylphosphatidylcholine (DPPC). Since then, we have not stopped with high-purity lipids or cholesterol lipid products, but have continued to manufacture and sell Presome, our unique lipid admixture, and our core product groups meet the GMP international standard for the manufacture and quality control of pharmaceuticals.

In recent years, to handle the changing medical industry, which is seeing things like the development of nucleic acid medicine/lipid nanoparticle formulation as shown in the COVID-19 vaccine, in 2022 we completed construction of a plant dedicated to manufacturing phospholipids for pharmaceuticals and a dedicated plant based on an alliance with Gilead Sciences, along with a special office building where we will bring together various functions so that we can smoothly handle responses. Moreover, in April 2023, we opened the Shonan Laboratory, which is aimed at promoting open innovation, within the Shonan Health Innovation Park. We are always evolving.

(See pp.19-20, p.25)

Overall view of the plant and office building completed in FY2022

Photo of Shonan iPark, where our research facility is located

In 1990, we acquired shares in a company which manufactured and sold medical soap liquids, and the following year we changed its name to ARBOS Co., Ltd.

ARBOS manufactures and sells a range of commercial cleansers, pharmaceuticals, non-pharmacy products, cosmetics and more. In the recent COVID-19 pandemic, it contributed greatly by delivering hygiene products to homes, companies, facilities, and other areas where they were needed.

(See pp. 23-24)

ARBOS products

In 1995, we merged with Yoshikawa Oil and Fat Co., Ltd., manufacturers of lanolin for raw materials used in cosmetics and pharmaceuticals.

Along with inheriting their expertise in the lanolin, cholesterol, and other derivatives businesses, the business has evolved to form one of the core businesses of Nippon Fine Chemical.

(see p.26)

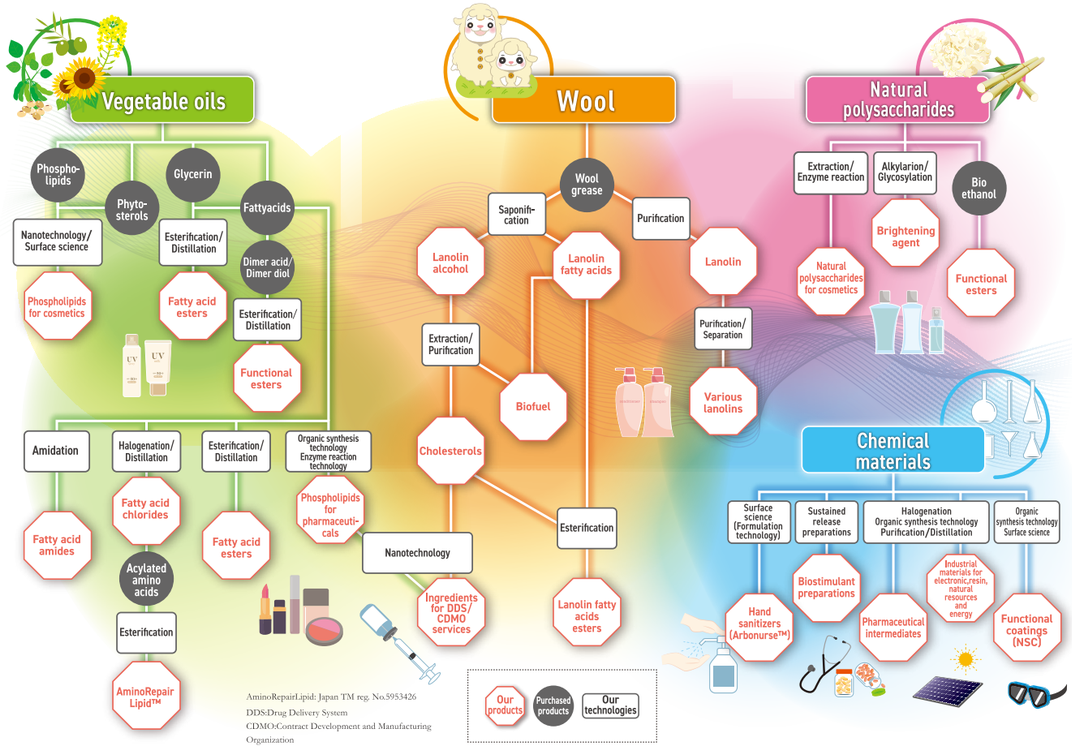
Nippon Fine Chemical Group Businesses

Our businesses cover the two segments of Functional Products and Environmental Hygiene Products, and four key fields.

Business segments

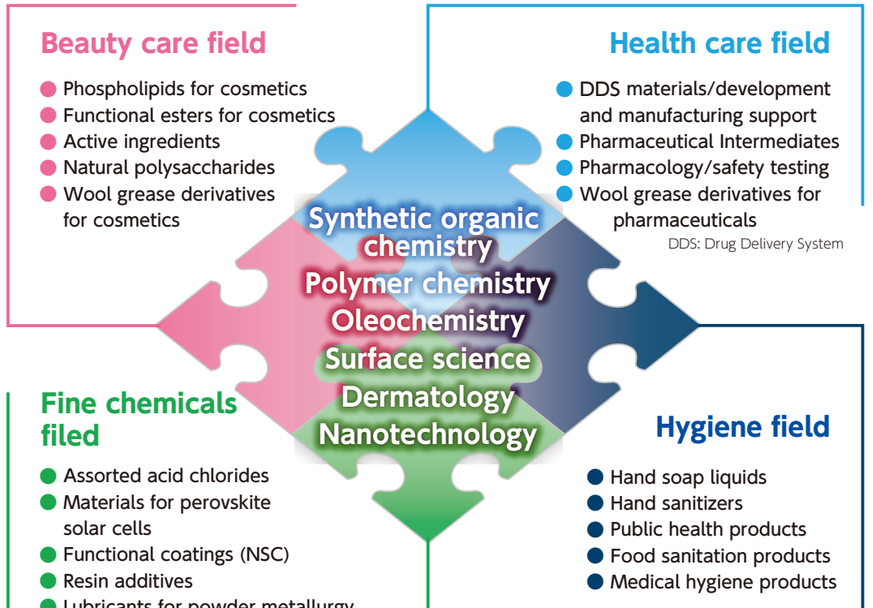
Business segments	Group companies	Business fields
Functional Products	● NIPPON FINE CHEMICAL CO., LTD. ● Nissei Bilis Co., Ltd. ● Oleotrade International Co., Ltd. ● NISSEI PLAS-TECH CORPORATION ● Sichuan Nipo Fine Chemical Co., Ltd. ● Zillion Fine Chemicals International Co., Ltd.	Beauty care field Health care field Fine chemicals field Trading
Environmental Hygiene Products	● ARBOS Co., Ltd.	Hygiene field
Other	● Nissei Bilis Co., Ltd.	Real estate

Core technologies that support our businesses

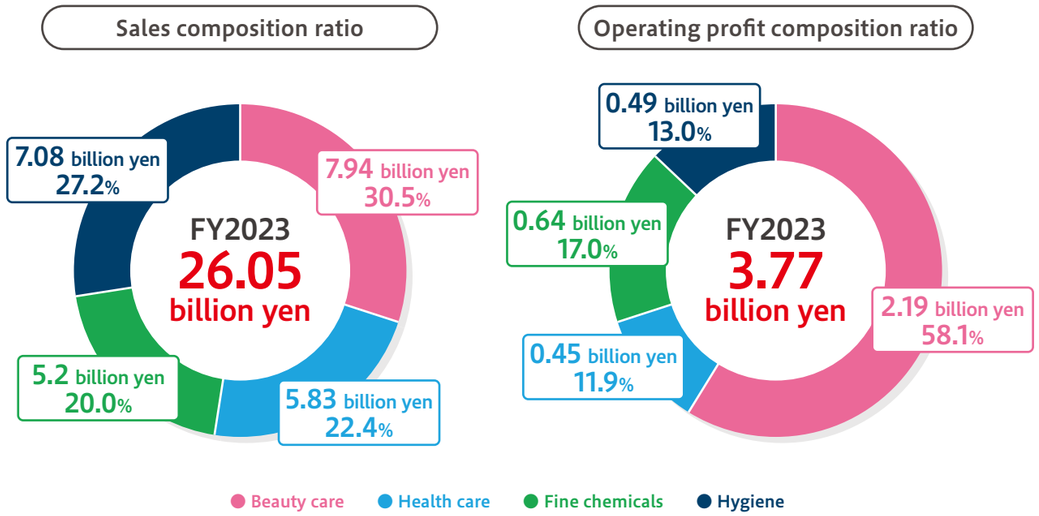


AminoRepairLipid: Japan TM reg. No.5953426
DDS:Drug Delivery System
CDMO:Contract Development and Manufacturing Organization

Four key business fields



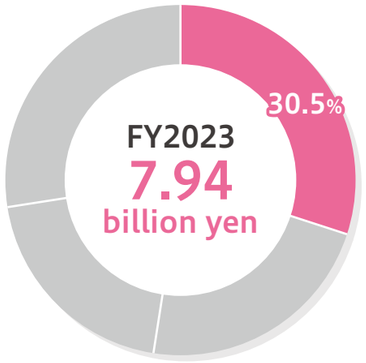
Comparison of key business fields



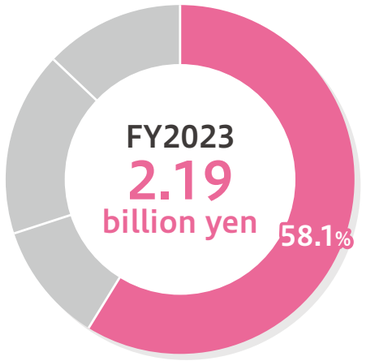
Functional Products: Beauty Care Field

Sustaining KIREI, creating a society full of smiles.

Sales composition ratio



Operating profit composition ratio



Medium-term management plan　Basic policy

For the beauty care field, we have positioned “Phospholipids for cosmetics,” “Functional esters for cosmetics,” and “Active ingredients” as the three fields to focus on, which we do so based on the following basic policy.

- Expansion of sales of phospholipid materials for cosmetics and development of a system to increase production (Strengthen capital investment)
- Expansion of sales to overseas markets, especially the West and China, where high growth is expected
- Expanding sustainable products such as RSPO, non-GMO, and ISO16128 (Natural Origins Index)
  (RSPO: Roundtable on Sustainable Palm Oil (certification system) / Non-GMO: Non-genetically modified organism)
- Developing a system for increased production (considering capital investment)

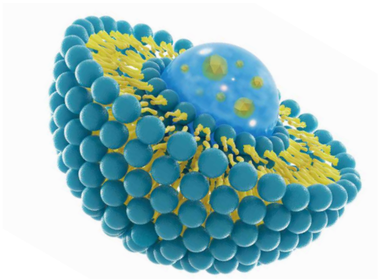
Phospholipids for cosmetics

Main products

●Liposome precursors
- Phytopresome™ series
- Presome™ series

●Natural origin emulsifiers
- Phytocompo™ series
- Composite series

●Bioactive lipids
- PrimeLipid™ series



In our Liposome precursors, we offer the Phytopresome™ and Presome™ series. We have received high praise from customers who have used lotions and serums containing active ingredients such as ceramides and astaxanthin.

In our Natural origin emulsifiers, we offer the Phytocompo™ and Composite series.

These find use in emulsions, creams, sunscreens, and in hypoallergenic cosmetics that can be used even by people with sensitive skin.

Our PrimeLipid™ series offers new value for phospholipid materials based on solid evidence.

Functional esters for cosmetics

Main products

●Functional esters
- Neosolue™ series

●Plant derived esters
- Plandool™ series
- LUSPLAN™ series

●Highly soluble esters
- FineNeo™ series

●Products for haircare
- NanoRepair™ series
- Erucalactone series

At Nippon Fine Chemical, we offer a range of sustainable materials made from carefully selected plant oils, which are highly regarded by customers not just in Japan, but around the world. We shall continue aiming to increase the share of overseas sales.

In addition, we offer a diverse lineup that covers skin care, hair care, make-up, and sunscreens, accurately identifying customer issues in these areas, and offering a full support system right from prescription development.

Active ingredients

Main products

●Skin brightening agent
- Arbutin
- Ethyl ascorbic acid
- Tranexamic acid

●Polysaccharides
-Tremoist™ series
- Inulin-SC

At Nippon Fine Chemical, we also offer unique bioactive substances.

In skin brightening agents, our lineup covers the three types of Arbutin, Ethyl ascorbic acid which is a Vitamin C derivative, and Tranexamic acid. We offer support from prescription development to pharmaceutical applications to suit our customers’ development concepts.

In addition to the Tremella fuciformis polysaccharide Tremoist™ series, a fungus which the famed beauty Yang Guifei is said to have favored, we also provide Inulin, which fixes the microbiome, as a raw material for cosmetics.

The Design & Creation Lab. (TDC Lab.)

The Design & Creation Lab. (TDC Lab.) has been opened on the first floor of our Head Office building.

TDC Lab. is a place where people can actually experience the appeal of our products, and often holds seminars with practical aspects on phospholipids and functional esters, two of our strengths.

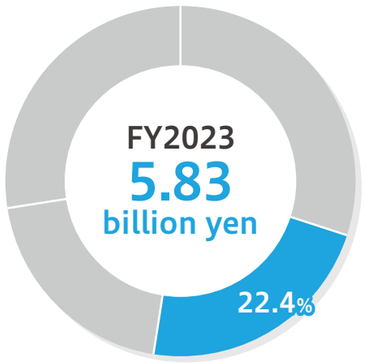
From a space where people can assemble and share a range of ideas, we contribute to solving the problems our customers face and creating new value.

The TDC Lab. is also a place where we create digital content to ensure the appeal of our products can be readily understood via the internet.

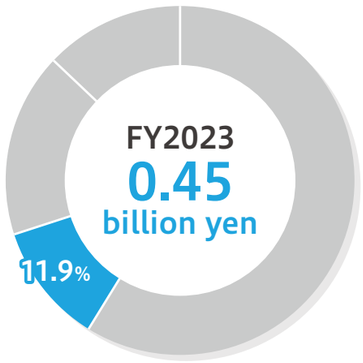
Functional Products: Health Care Field

Contributing to “Health: KIREI” and to a society full of smiles through chemistry.

Sales composition ratio



Operating profit composition ratio



Medium-term management plan　Basic policy

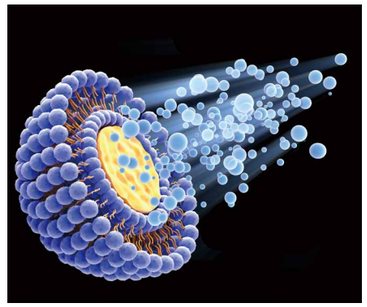
In the health care field, our focus areas are pharmaceutical lipids such as phospholipid materials and cholesterol, which we carry out based on the following basic policy.

- Solid startup of production based on large-scale investment in phospholipids for pharmaceuticals
- Expansion of business from being focused on small molecular pharmaceuticals to areas such as nucleic acid pharmaceuticals where high growth is expected
- Focus on being a CDMO for the development of pharmaceuticals

Lipids and cholesterol for pharmaceuticals

Main products

●**A range of lipids for pharmaceuticals**
- Phospholipids for pharmaceuticals
- Cationic lipids
- High purity cholesterol
- Lipids for liposome/LNP formulations



At Nippon Fine Chemical, we manufacture a range of phospholipids for pharmaceuticals using our proprietary production process.

These phospholipids are manufactured in compliance with GMP standards, and thus enjoy high levels of trust among customers both in Japan and overseas. Our lipids have been used in a large number of pharmaceuticals.

In addition, one of our strengths is being able to manufacture high-purity cholesterols in-house.

In addition to these core products, we have lately been focusing our efforts on the development of “Only One” raw materials such as developing cationic lipids. We also provide materials for LNP* formulations, which have been attracting attention in COVID-19 vaccines and liposomes.

*LNP: Lipid Nano Particle

Support for the development and manufacture of pharmaceuticals

Main products and services

●**DDS materials/CDMO services**
- Presome™
- Liposome preparation technology
- LNP preparation technology

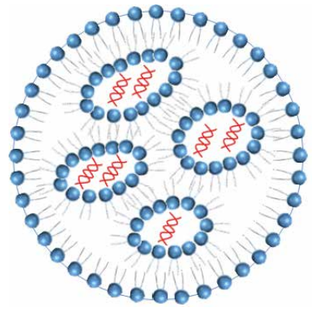
There is increasing segmentation of fields within the medical industry in recent years.

At Nippon Fine Chemical, we actively engage in CDMO* services to support drug development using our liposome technology as our weapon.

With the proprietary liposome technology developed by Nippon Fine Chemical, we can quickly respond to our customers’ requests.

In addition, we carry a wide range of phospholipids essential for LNP formulations, such as the COVID-19 vaccine, from general-purpose materials to proprietary materials, allowing us to assist in the development of oligonucleotide therapeutics, a field that is attracting interest for next-generation pharmaceuticals.

*CDMO: Contract Development Manufacturing Organization



LNP schematic diagram

This is a formulation in which particles containing a nucleic acid as a drug substance enveloped in cationic lipids are contained in a capsule made of phospholipids and cholesterol.

Open innovation: Shonan Laboratory

In April 2023, we opened the Shonan Laboratory within the Shonan Health Innovation Park to promote open innovation for phospholipids for pharmaceuticals. In addition to R&D, it serves as a place from where Nippon Fine Chemical can provide information to the pharmaceutical industry, such as by hosting seminars.

Pharmacology/safety testing

Main services
- Drug efficacy pharmacology testing for pharmaceuticals
- Safety testing/safety pharmacology testing
- Non-clinical testing of regenerative medicine products
- Mock usage testing of medical devices

In the contract business department of Nissei Bilis Co., Ltd., we work on pharmacology/safety testing within the pharmaceuticals field.

We contribute to maintaining people's health and the social environment by evaluating the safety and effectiveness of pharmaceuticals, medical devices, regenerative medicine products, and more.

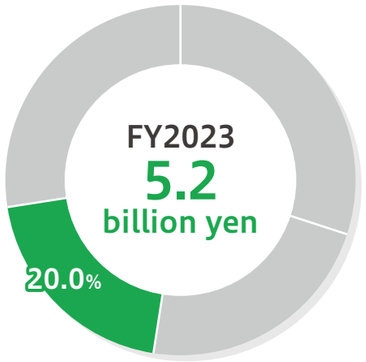
In addition, we will also have an animal-friendly laboratory that meets international standards and adheres strictly to the 3Rs* principle.

*3Rs:
- Refinement : reducing the suffering of animals
- Reduction : reducing the number used
- Replacement : finding replacements

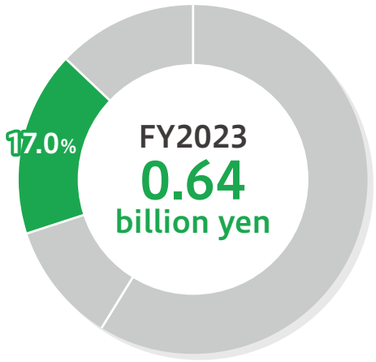
Functional Products: Fine Chemicals Field

Our high purity, high quality new materials help make the future KIREI.

Sales composition ratio



Operating profit composition ratio



Medium-term management plan　Basic policy

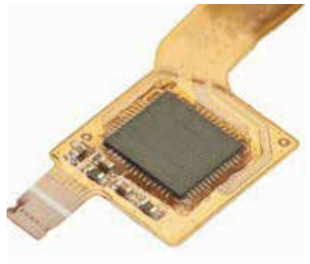
In the Fine Chemicals field, we use the organic synthetic chemistry that is one of Nippon Fine Chemical's strengths to provide a range of materials. The medium-term management plan is run in accordance with the following basic policy.

- Development and sales expansion of hole transport materials for the commercialization of perovskite solar cells.
- Development and exploring uses of materials that contribute to a sustainable society.
- Improving profit margins through selection and concentration and exploring core businesses.

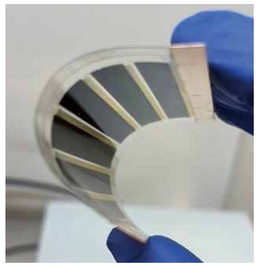
Materials related to electronics and resource energy

Main products

- **●Materials for perovskite solar cells**
  - Spirokite™ series
- **●Resin additives**
  - Release agents, lubricants
- **●A range of materials for engineering plastic**
  - High-purity organic acid chloride



Substrates for high-speed communication



Perovskite solar cells
(Photo credit:
Toin University of Yokohama)

At Nippon Fine Chemical, we can offer a range of acid chlorides by utilizing our specialty halogenation technology.

These acid chlorides are essential materials for engineering plastics such as polyimide and polyamideimide.

In addition, the fields where Nippon Fine Chemical materials are used are expanding more and more even in the resources and energy fields, such as for perovskite solar cells.

Fatty acid amides

Main products

●Fatty acid amides　- Neutron™ series

One of Nippon Fine Chemical's top products is our fatty acid amides.

These are produced by Sichuan Nipo Fine Chemical, an affiliate located in Sichuan Province, China.

By adding these to the surfaces of shopping bags, it is easier to separate the two surfaces when they are stuck together. This is just one of the ways these amides are used as plastic additives.

There has been a large increase in environmentally-friendly plastics recently.

We are focusing on expanding sales to target markets like this.

Functional coatings (NSC)

Main products

- Hard coatings for helmet visors
- Hard coatings for medical goggles
- Anti-fogging coatings
- Hydrophilic coatings

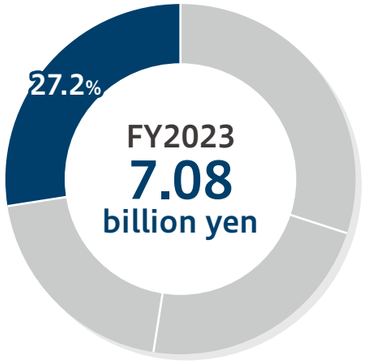
Coatings to prevent scratches or fogging for medical goggles or helmet visors also use Nippon Fine Chemical products, helping people see more KIREI.

We will focus on this segment, where we expect more and more demand in future for products like anti-fogging or hydrophilic coatings.

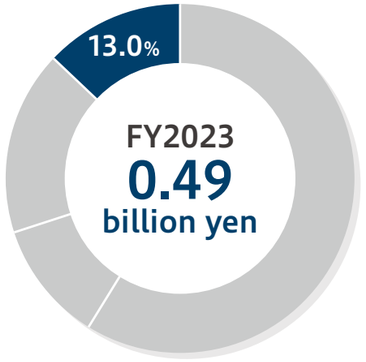
Environmental Hygiene Products: Hygiene Field

Our high purity, high quality new materials help make the future KIREI.

Sales composition ratio



Operating profit composition ratio



Medium-term management plan　Basic policy

The Hygiene field provides growth and increased revenue in the three fields of Food Business, Medical, and Amenities based on the basic policy below.

- Development and sales of new high-added-value products that use processing technologies such as concentration
- Strengthen our lineup of products related to cleaning, sterilizing, and disinfecting, and our hygiene management support system
- Development and fostering of our new “ECOFESSIONAL” brand rooted in environmental friendliness

Products to prevent infectious diseases (hand sanitizers, hand soaps, etc.)

Main products

- ●Hand sanitizer (designated quasi-drug)
  - ARBONURSE
  - ARBONURSE LL
- ●Hand soaps
  - ARBOS SOAP SOLUTION i G-N
  - ARBOS SOAP SOLUTION ECO
  - HANDWHIP™ (biomass bottle)
  - ARSUCKTOR™ A

Our ARBONURSE hand sanitizer is highly regarded for how it protects the skin from damage, leading to a lot of repeat business.

In addition, we offer a wide lineup of products such as ARBONURSE LL, which is suited for long-term storage in case of disasters, ARSUCKTOR™ A scrubbing hand soap, which uses no microplastics due to concerns about their effect on ecosystems, and ECOFESSIONAL, which uses RSPO-certified products and a biomass-derived bottle.

Cleansers for the food business

Main products

- ●Detergent for automatic dishwashers
  - AUTOCLEAN SERIES
- ●Dishwashing detergent
  - ARUFINE™ SERIES
- ●Fruit and vegetable cleanser
  - ARVEGE
- ●Disinfecting cleanser
  - FOAM DETERGENT BF™
- ●Degreasing cleanser
  - POWER ZAK™
  - ARBOS SANITIZER C

At ARBOS, we offer a full range of cleaning and hygiene and cleaning items, from products that suit each usage scenario to gloves and paper towels.

In our product development and improvement, we aim to create products that anyone can easily use by making them lighter and more concentrated. We also try to expand our business with an awareness of the SDGs and environmental friendliness, such as by reducing workloads and waste where our products will be used.

In addition, we work with our customers to create safer, more pleasant environments through supporting hygiene management, such as by providing manuals on using our products, or holding lecture sessions on hygiene inspections and hygiene.

Cleansers for medical or long-term care use

Main products

- ●Hand soaps
  - CAREMILD
- ●Hand disinfectants (Class 3 OTC drug)
  - ARBONURSE PRO
  - ARBONURSE PRO GEL
- ●Cleaning equipment cleanser (for medical instruments)
  - NEOARBEST SERIES
- ●Hair care, body care
  - ARCHARM™ SERIES

At ARBOS, we develop products helpful for implementing standard precautions in medical and care facilities. We have an extensive lineup that covers the entire medical and care field, including hand soaps, hand sanitizers, and cleansers for medical equipment.

In our product development, we also carry out joint research with universities to obtain data that can be used to both improve the value of existing products and to develop new products.

Focus Material

Phospholipids

The power inherent in our phospholipids helps make things KIREI.

Smile on Faces; The KIREI power of the Phospholipids, by Nippon Fine Chemical.

We shall boost our R&D and sales for phospholipids in the fields of beauty care and health care, where we expect to see further market growth in the future, aiming have people say “when it comes to phospholipids, look no further than Nippon Fine Chemical.”

Beauty care field

Markets

- Skin care forecast to grow 7.5% CAGR in the global market (2020-2030)
- The market drivers will be the United States, China, and Europe

Initiatives

- Strengthening sales overseas
- Expand production capacity to expand sales
- Utilize up-cycled raw materials and expand uses

Health care field

Markets

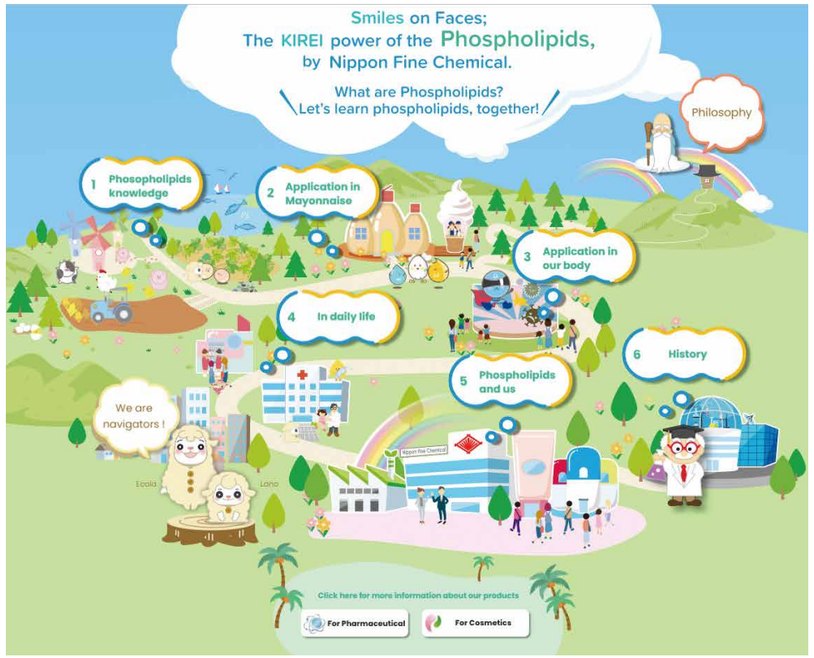
- Nucleic acid medicine forecast to grow 16.6% CAGR (2022-2030)
- Segmentation of pharmaceuticals development

Initiatives

- Differentiation through LNP/liposome technology
- Solid maintenance and expansion of existing businesses
- Maintain GMP-compliant production and assurance system

We have published a special site for phospholipids.
With plenty of illustrations, it is a fun way to easily learn about phospholipids.

https://www.nipponseika.co.jp/en/phospholipid/



Focus Material

Lanolin and Cholesterol

Sustainable materials from wool

Lanolin is a natural oil obtained by purifying wool grease, the lipid components adhering to wool. Lanolin contains many components similar to human epidermal lipids such as cholesterol and branched fatty acids.

Lanolin is not an internal fat (subcutaneous fat) like lard or tallow. Rather, it is obtained from wool sheared every year and does not harm animals. It is a recyclable, **sustainable material** that is safe and people-friendly, sheep-friendly, and environment-friendly.

These characteristics are leveraged to use it in a wide variety of applications in the functional products segments of beauty care, health care, and fine chemicals.

Beauty care field

Main products

Ecolano™ series

- Lanolin for cosmetics
- Cholesterol for cosmetics
- Cholesterol derivatives for cosmetics

Main uses

- Skin care: barrier functions
- Hair care: hair surface modification oils
- Make-up: pigment dispersion/gloss

Health care field

Main products

- Lanolin for pharmaceuticals
- High-purity cholesterol

Main uses

- Ointments for pharmaceuticals
- Liposome/LNP* formulations

*LNP: Lipid Nano Particle

Fine chemicals filed

Main products

- Rust prevention/lubricants (LanoAce™ series)
- Cholesterol for LCDs
- Cholesterol for animal feed

Main uses

- Rust inhibitors for car bodies and lubricants for metals
- LC displays
- For shrimp feed

Our lanolin/cholesterol mascots:
Ecola (L) and Lano (R)

Sustainability Directions and Information Disclosure

Basic ideas

At Nippon Fine Chemical, we have set basic management policies for the environment, safety, and quality(see p.35, p.41, and p.42), and a basic policy for sustainability (see p.39, p.40), and all employees independently and continuously make improvements based on these basic policies, fulfilling our social responsibility.

Basic sustainability policy

Aiming for our sustainable growth and to bring about a sustainable society

Nippon Fine Chemical's Basic Sustainability Policy has been set based on the following ideas.

- Contributing to society through chemistry
  (Nippon Fine Chemical Management Philosophy)
- Smiles on Faces: The Power of KIREI
  (NFC VISION 2030 Company Statement)
- Helping to sustain the three "KIREIs" of the Earth, society, and the future
  (NFC VISION 2030 Sub-concept)

To carry out this basic policy properly, we have established a Sustainability Office and Sustainability Promotion Committee, set goals and KPIs (key performance indicators), and are working on special related initiatives.

We shall continue to ensure sustainability awareness reaches each and every employee, and, through each of our initiatives, brings about the three "KIREIs" of the Earth, society, and the future, contributing to the smiles of everyone who is part of our company.

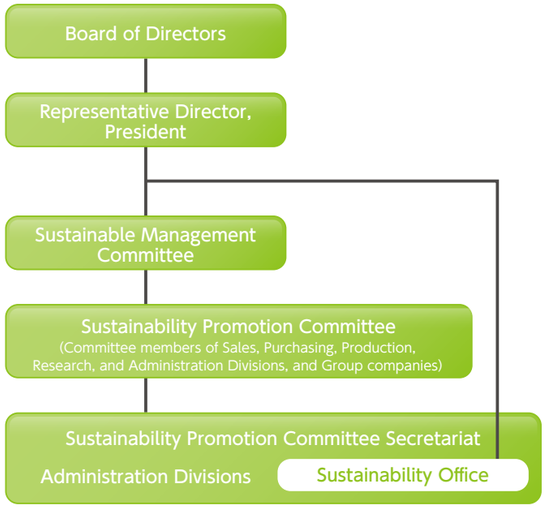
Sustainability organizations

In FY2024, Nippon Fine Chemical has established a Sustainable Management Committee chaired by the Representative Director, President in order to promote responses to sustainability issues, which are growing increasingly important.

Our Sustainability Promotion Committee is chaired by the Senior Corporate Officer, General Manager of Administration Division and composed of members selected from each division and Group company.

The Committee identifies sustainability-related materialities (key issues), plans measures, and manages progress. It also uses scenario analysis to assess the importance of risks and opportunities related to climate change issues. Committee operations are handled by the secretariat, which is Administration Divisions, and the Sustainability Office.

The progress and results of our activities are reported to the Sustainable Management Committee and the Board of Directors, and the Board of Directors is responsible for overseeing the status of activities.



Participation in initiatives and information disclosure

With globally increased interest in sustainability activities, numerous organizations and companies are working on initiatives towards sustainability. For this reason, Nippon Fine Chemical is in agreement with the Task Force on Climate-related Financial Disclosures (TCFD) declaration and the Ten Principles related to the four fields of Human Rights, Labour, the Environment, and Anti-Corruption as stated by the United Nations Global Compact (UNGC) (see p.32), and continues striving to achieve these.

Information on our initiatives related to sustainability is published on our website, as well as in our securities report, TCFD Report and Integrated Report. In addition, we disclose information for our stakeholders on multiple platforms. Through this, we strive to increase the transparency of our management and build relationships of trust with our stakeholders.

Initiatives in line with TCFD recommendations

At Nippon Fine Chemical, we manufacture a diverse range of products, and we use fossil-derived raw materials and fuels in the manufacturing process for these. We consider the risks and opportunities from climate change to be a key management issue, and so in December 2021 we signified our agreement with the TCFD Declaration.

We use scenario analysis to assess the risks and opportunities of the impact of climate change on our business. Going forward, we will recognize its significance and strengthen the resilience of our strategies by reflecting this impact in our management measures. These initiatives are published in our TCFD Report. In addition, we have joined the TCFD Consortium, and are working to collect and share information related to TCFD.

https://www.nipponseika.co.jp/en/sustainability/pdf/tcfdreport_2024.pdf

Information disclosure via platforms

Nippon Fine Chemical discloses a wide range of information, including that related to the environment and human rights, on internationally shared platforms such as CDP, EcoVadis, and Sedex.

CDP

An NGO run by a British charity organization for managing environmental impacts. At Nippon Fine Chemical, we responded to their climate change questionnaire and their water security questionnaire in FY2023.

EcoVadis

A provider of rankings founded in France. Nippon Fine Chemical was given their Silver Medal in FY2022, and their Gold Medal in FY2023.

Sedex

A UK-based NPO, it enables the sharing of CSR self-assessment questionnaire results and audit results on an electronic platform. Nippon Fine Chemical is one of its users.

RSPO certification and score

Nippon Fine Chemical provides a lot of products that use plant-derived raw materials. In particular, our products made using palm oil obtained RSPO certification in 2020, certifying their sustainable production and use, and we are working on increasing the number of compliant products. As part of this, we were given a high score of 8.3 on the SR Scorecard.*

*SR Scorecard: Shared Responsibility Scorecard. This shows what stage we are at in our initiatives for sustainability based on the RSPO Shared Responsibility framework (transparency and legality, social, environmental and resourcing). Score out of 10/ Average score of all RSPO members is 2.1.

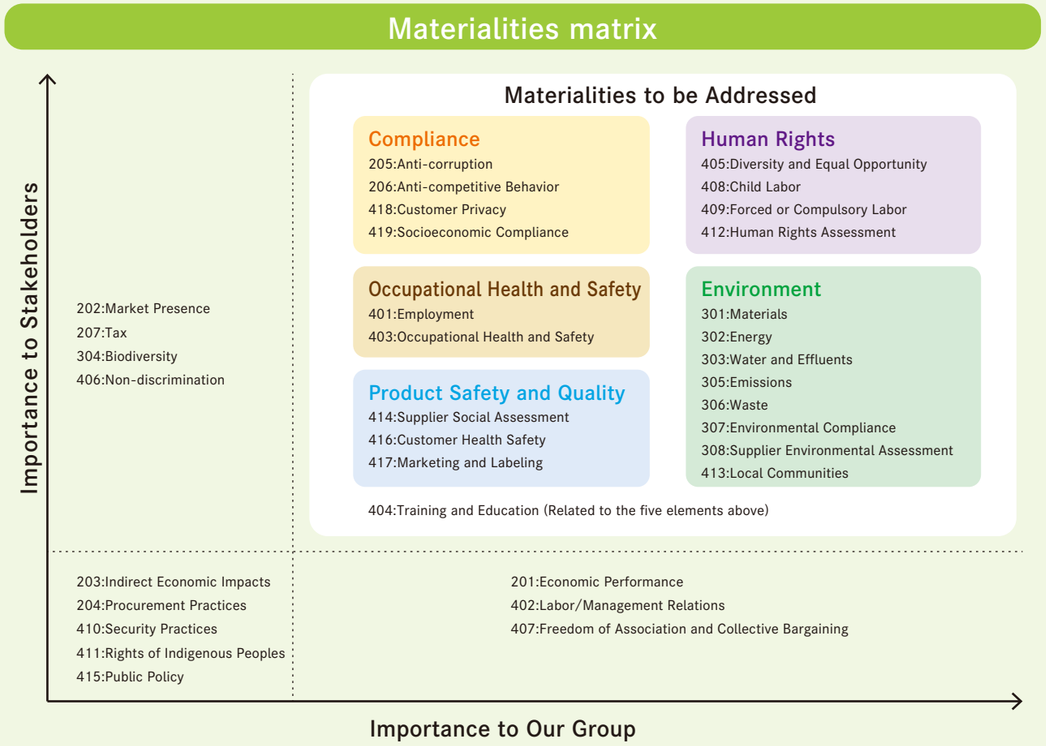
2-0947-19-100-00

Materialities

Identifying and classifying materialities

At Nippon Fine Chemical, we have used the GRI Standard to create a matrix with the two axes of “Importance for our Stakeholders” and “Importance for our Group.” This was used to identify materialities following discussions by the Sustainability Promotion Committee. Finally, we created a matrix of materialities we need to address classified into the five categories of Human Rights, Environment, Compliance, Occupational Health and Safety, and Product Safety and Quality.

Materialities matrix



Determining initiative details

The initiative details of 22 materialities in 5 categories we need to address are categorized into the three sub-concepts in Nippon Fine Chemical’s long-term vision, NFC VISION 2030.

We set a KPI and numerical goal for each initiative, and the Nippon Fine Chemical Group then works with a range of departments and Group companies to plan and work daily towards achieving these targets.

Our initiatives for FY2023 are shown in the table on the next page. Please refer to the following web page for details of past initiatives and initiatives to FY2024.

https://www.nipponseika.co.jp/en/sustainability/materiality/

NFC VISION 2030 Sub-concept

Sustaining the KIREI of the future through diversity-driven innovation
KIREI of the future

Sustaining the KIREI of the Earth through sustainable manufacturing
KIREI of the Earth

Sustaining the KIREI of communities through compliance, safety, and actions that ensure peace of mind
KIREI of society

Status of initiatives for FY2023

Theme	Initiatives (NFC VISION 2030)	KPIs (Key Performance Indicators)	Numerical Goals	Performance	SDGs
Human Rights	Be a company where women can play an active role (KIREI of the future)	- Ratio of female employees - Ratio of females in management	- With the aim of having 30% or more ratio of females in management by the 2030s, the goals are to have 20% or more ratio of female employees, as well as 15% or more ratio of females in management and management candidate by FY2027.	- Ratio of females in management: 2% - Ratio of female employees: 18% - Ratio of females in management and management candidate: 8%	4, 5, 8, 10
	Be a workplace where people can work equally regardless of disability (KIREI of the future)	- Ratio of disabled people hired*1	- The goal is to have 2.5% or more ratio of disabled people hired by the end of FY2023.	- Ratio of disabled people hired: 3.0%	
	Achieve work-life balance by supporting child-rearing and long-term care (KIREI of the future)	- Ratio of child-care leave taken*1 - Specific measures for long-term care	- The goal is to take 70% or more ratio of child-care leave by the end of FY2025. - The specific measures for long-term care are considered.	- Ratio of child-care leave taken: 53%	
Environment	Develop products that can co-exist with the environment (KIREI of the future and Earth)	- Amount of R&D investment - Number of patents	- The goal is to have 4.4% of sales or more amount of research and development investment every fiscal year during FY2023 to FY2026. - The goal is to apply 75 patents over the five years between FY2022 and FY2026.	- R&D investment rate: 4.6% - Number of patents: 28 (cumulative number since FY2022)	6, 7, 9, 12, 13, 14, 15
	Reduce emissions of substances targeted by the PRTR System (KIREI of the Earth)	- Amount of emissions of substances targeted by the PRTR System	- With the aim to reduce the amount of movement by 50% or more compared to FY2020 by the end of FY2030, the specific studies are carried out.	- Amount of movement of substances targeted by the PRTR System: 35% reduction	
	Contribute to achieving a carbon-neutral society (KIREI of the Earth)	- Amount of greenhouse gas emissions*1	- The specific studies are carried out to meet the government target of reducing CO_2 emissions in the industrial sector by 38% of FY2013 levels by 2030, based on the goal of achieving carbon neutrality by 2050.	- Amount of CO_2 emissions: 42% reduction	
	Reduce industrial waste and promote resource recycling (KIREI of the Earth)	- Amount of industrial waste generated*1 - Recycling rate*1	- The specific studies are carried out to reduce the generated amount of industrial waste by 20% or more compared to FY2019 by the end of FY2030. - The specific studies are carried out to achieve 90% or more recycling rate by the end of FY2030.	- Amount of industrial waste generated: 20% reduction - Recycling rate: 93%	
	Strengthen the effective use of water resources (KIREI of the Earth)	- Amount of water used*1 - Amount of effluent*1	- The specific studies are carried out to reduce the used amount of water by 10% or more compared to FY2019 by the end of FY2030. - The specific studies are carried out to reduce the amount of effluent by 10% or more compared to FY2019 by the end of FY2030.	- Amount of water used: 20% reduction - Amount of effluent: 17% reduction	
Compliance	Strengthen compliance (KIREI of society)	- Number of serious compliance violations*2 - Rate of compliance training session attendance	- The goal is to achieve zero occurrence of a serious compliance violation. - The goal is to achieve 100% attendance rate of compliance training session.	- Number of serious compliance violations: 0 - Rate of compliance training session attendance: 100%	12, 16
Occupational Health and Safety	Prevent workplace accidents and ensure health and safety for workers (KIREI of society)	- Number of workplace accidents*1 - Rate of stress check implementation	- The goal is to achieve zero occurrence of workplace accidents every fiscal year. - The goal is to achieve 90% or more implementation rate of stress check every fiscal year.	- Number of workplace accidents: 4 - Rate of stress check implementation: 97%	
Product Safety and Quality	Contribute to society through safe and reliable products (KIREI of society)	- Number of quality claims	- The goal is to reduce the number of quality claims by 50% from that of previous fiscal year in each fiscal year.	- Number of quality claims: 33% increase	

*1 The KPI including ARBOS Co., Ltd.
*2 Newly set KPI in FY2023

Respect for Human Rights

Basic ideas

The Nippon Fine Chemical Group set the Nippon Fine Chemical Group Human Rights Policy in March 2023. This is in accordance with our principle of respecting the rights of all persons involved with our business activities and avoiding any and all discriminatory treatment, and based on the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Ten Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights.

Our Human Rights Policy lays out the Group's policies vis-a-vis all our officers and employees, as well as our business partners and suppliers with the expectation that they will participate in similar initiatives. We shall continue to encourage and collaborate with them in order to promote initiatives that respect human rights.

https://www.nipponseika.co.jp/en/company/compliance/

Initiatives

Initiatives for Human Rights Due Diligence

Our Group is working on Human Rights Due Diligence in order to identify negative effects on human rights, and prevent or mitigate them. Using a risk assessment method that references various guidelines on human rights, we have identified and evaluated risks that could create negative effects on human rights (human rights risks), and which could come about through our Group's business activities.

In addition, based on this we have specified priority risks our Group will deal with.

Priority risks

Our Group has set the following eight priority risks. We strive to be aware of the current situation and take such measures as may be needed.

These priority risks will be continually revisited.

Priority risks	Groups affected	Main risks
Access to relief offices	All stakeholders	Inappropriate responses when infringements of human rights are noticed
Employee privacy	Nippon Fine Chemical employees	Leaking of employees' personal information
HR and labor for employees	Nippon Fine Chemical employees	Unpaid wages, interference with freedom of association and collective bargaining, and undeveloped disciplinary systems
Health and safety of employees	Nippon Fine Chemical employees	Dangers, harsh working environments, fires/explosions
Health and safety of local communities	Local communities	Damage to local communities and health impacts from fires, explosions, or chemical leaks
Health and safety of clients and consumers	Clients, Consumers	Obstruction of client/consumer choice due to lack of appropriate product information
Health and safety in the supply chain	Suppliers	Dangers, harsh working environments, fires/explosions
Child labor in the supply chain	Suppliers	Child labor, dangerous work assignments, harsh working conditions

Participation in the United Nations Global Compact

In March 2023, Nippon Fine Chemical announced we would become a signatory to the United Nations Global Compact (UNGC) and support the UNGC as a participating company.

Designed to create a sound global society, the UNGC is the world's biggest sustainability initiative. The signatory companies and groups agree to uphold its ten principles related to the four areas of human rights, labor, the environment, and preventing corruption, and are required to continually work towards achieving these.

Nippon Fine Chemical has a Basic Sustainability Policy which aims to achieve both sustainable growth and to bring about a sustainable society, and promotes ESG management in line with the Ten Principles of the UNGC as a way to achieve the SDGs that aim to create a sustainable society.

Freedom of association and the right to collective bargaining

The Nippon Fine Chemical Labor Union is present at Nippon Fine Chemical. Since its 1971 founding, it has developed soundly to this date, and contributed to improving working conditions and our corporate expansion.

In addition, in our Corporate Code of Conduct, we state "we respect the right of employees to organize, bargain collectively, and act collectively, and we promote dialogue with our employees to maintain and improve a safe, clean, and healthy workplace." As such, we work together on initiatives while ensuring mutual communication to improve working conditions and the workplace environment.

Enacting harassment prevention measures

The Nippon Fine Chemical Group is working to ensure sound workplace environments without discrimination or harassment from a stance of "Do not do, do not cause, do not allow" harassment such as power harassment, sexual harassment, maternity harassment and so on.

At Nippon Fine Chemical, we hold harassment study sessions aimed at officers and managers/supervisors, and carry out employee questionnaires on how mentally and emotionally safe our organizations are. We are working to ensure our stance on harassment reaches people, and strive to prevent it or detect it in the early stages.

Smile Farm (hiring the disabled)

Nippon Fine Chemical considers being "A company where a range of people can play active roles" as one of the goals of NFC VISION 2030. One of these is the hiring of the disabled.

At the same time, we are a business that handles chemicals products, so there are many situations where it is hard to provide employment to the disabled. So in June 2022, we participated in the social farm of S-Pool Plus, Inc. and opened Nippon Fine Chemical Co., Ltd. Smile Farm in Yodogawa Ward, Osaka.

At Smile Farm, which has the watchword, "Smiles for everyone through the power of vegetables," two NFC employees serve as farm managers, working alongside six disabled NFC employees to hydroponically grow vegetables. The harvested vegetables are provided to children's cafeterias in Osaka and Hyogo prefectures, helping us ensure ESG management.

Product Development and Environmental Considerations

Product development and manufacture

Nippon Fine Chemical is working on the development and manufacture of a range of environmentally-friendly products, as shown here.

Research and development using renewable raw materials with low environmental impact

Development of products using plant-derived raw materials

To achieve a sustainable society, Nippon Fine Chemical has a strong focus on research and development of raw materials for cosmetics that use plant-derived raw materials, and provides a large number of such products. From our concerns for the safety of the environment and living things, we are expanding our lineup of products that do not use genetically-modified plant-derived materials (non-GMO) and that meet Roundtable on Sustainable Palm Oil (RSPO) certification standards (RSPO certification obtained in June 2020). Moreover, we are working on developing products that improve our natural origin index (ISO16128), the international index standard for natural and organic products, developing highly biodegradable products such as phospholipids, and promoting acquiring certification from COSMOS, the standard for organic or natural cosmetics.

CERTIFIED SUSTAINABLE PALM OIL™
RSPO
2-0947-19-100-00

Nippon Fine Chemical's lanolin mascots

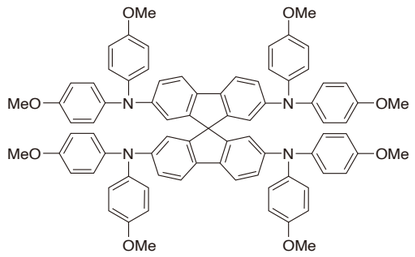
Lanolin and cholesterol

Lanolin is a natural oil obtained by purifying wool grease, the lipid components adhering to wool. It is made from the wool shorn from sheep each year, and does not harm animals. Nippon Fine Chemical provides lanolin products, which are renewable and sustainable, to a range of customers.

Development of materials for use in perovskite solar cells (next-generation solar cells)

The world's attention has recently turned to perovskite solar cells, seeing them as next-generation solar cells that could provide both high energy generation efficiency and low manufacturing costs. Due to being a thin, lightweight and very flexible film, it is expected to be used in a wide range of applications where installation has been difficult, such as on building walls and windows, automobiles, and aircraft/drones.

Nippon Fine Chemical is working on initiatives for the development and commercialization of Spirokite™-NS, which is used in perovskite solar cells.



Spirokite™-NS

Study manufacturing methods using a continuous production system

In the pharmaceuticals and fine chemicals industries, there is a spreading movement towards switching from the conventional batch production method to a continuous production method. The continuous production method is a way to consolidate and automate production operation units. In addition to improving and stabilizing production efficiency and product quality, it is expected to contribute to carbon neutrality through reducing waste and saving energy. At Nippon Fine Chemical, we have brought in testing lab-grade equipment. Moreover, we are working on studies on the forecast and analysis methods required for production design, and have started studies on production methods such as for healthcare products.

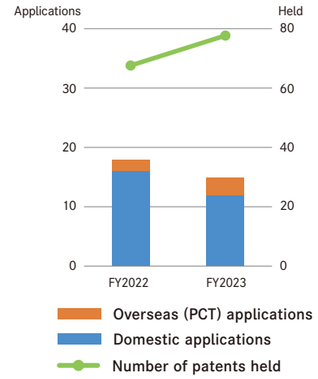
Development of readily biodegradable products

People are paying close attention to the environmental impact of plastic waste, which remains in the environment even when disposed of. Which is why scrubbing agents, which are used as skin cleansers to remove dirt and excess sebum from the skin, are made with amides rather than plastics.

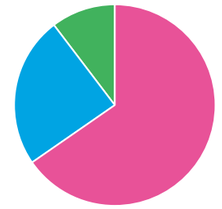
Initiatives for intellectual property

At Nippon Fine Chemical, we have established an Intellectual Property Promotion Committee, which works with various R&D departments to propose and execute strategies related to intellectual property. In addition, as one of our materiality (key issues) KPIs (Key Performance Indicators), we have announced a target of a total of 75 patent applications over the five years between FY2022 and the end of FY2026. Our patent applications for FY2023 can be seen in the figure to the right. In the fields of beauty care, health care, and fine chemicals, we apply for the patents, trademarks, and so on needed to expand those businesses in a timely manner, expanding our rights.

Patent application/patents held numbers



Ration of held patents by field (FY2023)



Environmental Preservation

Basic environmental policy

Nippon Fine Chemical is independently and continuously developing environmental impact assessment and reduction activities in all processes, from product development to manufacturing, use, and disposal, as well as complying with laws and regulations related to business activities, in its effort to protect the globe.

Environmental management system

At the Kakogawa-higashi Plant and Takasago Plant, Nippon Fine Chemical's main sites, we have obtained ISO14001 Environmental Management System (ISO14001:2015) certification, and are promoting environmental preservation through our business activities in accordance with specific environmental policies.

In addition, we have been inspected by the certification body for conformity with the standards every year since obtaining certification. Most recently, we were re-examined in March 2024, and our certification was renewed.

We shall keep making continuous improvements and carry out effective activities.

Environmental policy

Nippon Fine Chemical's Kakogawa-higashi Plant and Takasago Plant manufacture raw materials for cosmetics, for pharmaceuticals, and for functional ingredients, etc. To continue pursuing production operations, policies concerning the environment have been established as follows, and we are working towards continuous improvement.

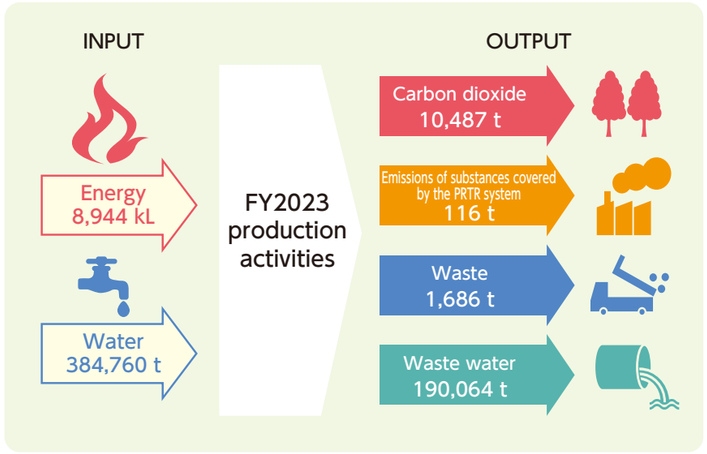
1. Our production is designed to understand and comply with environmentally-related laws and regulations, and ensure there are no serious effects on the environment in or outside our company.
2. We are reducing the usage of chemical substances that impact the environment and using raw materials that consider sustainability to provide environmentally-friendly products.
3. Specific targets, goals, and periods are set, energy-saving activities are done in a planned fashion, and we save resources and reduce the amount of waste generated.
4. We work to suppress or mitigate the dispersion of bad smells (waste water, raw materials, or other bad smells arising from production) to co-exist with the community.

Material flow

The material flow of our production activities for FY2023 is as shown in the diagram to the right.

We are always striving to produce more products efficiently using less raw material, energy and water, while producing less waste.

Note: For "Energy" here, city gas, electricity and other energy sources are used, so the energy conversion coefficient as per the Act on the Rational Use of Energy is used and the unit standardized as KL.



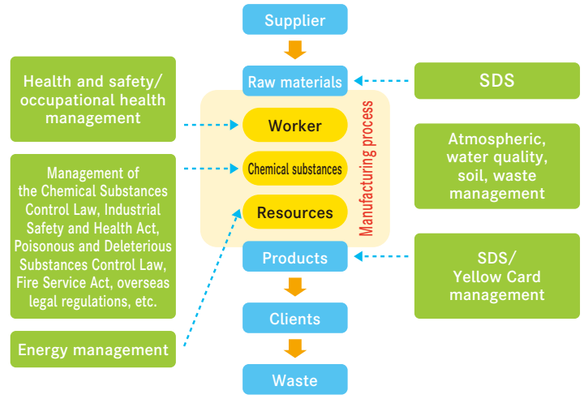
(Target) NFC alone

Initiatives for the appropriate management of chemical substances

The manufacture and sale of chemical substances is governed by an extremely large set of laws and regulations, including the Act on the Regulation of Manufacture and Evaluation of Chemical Substances, the Industrial Safety and Health Act, Poisonous and Deleterious Substances Control Law, the Fire Services Act, the Air Pollution Control Act, and the Water Pollution Prevention Act.

Nippon Fine Chemical complies with these various environmental laws and regulations, as well as the bylaws and agreements of various local authorities.

In addition, to minimize the environmental burden, the harm to humans, and the danger of our production processes, we carry out comprehensive management of environmentally hazardous chemical substances.



Initiatives to reduce environmental impacts

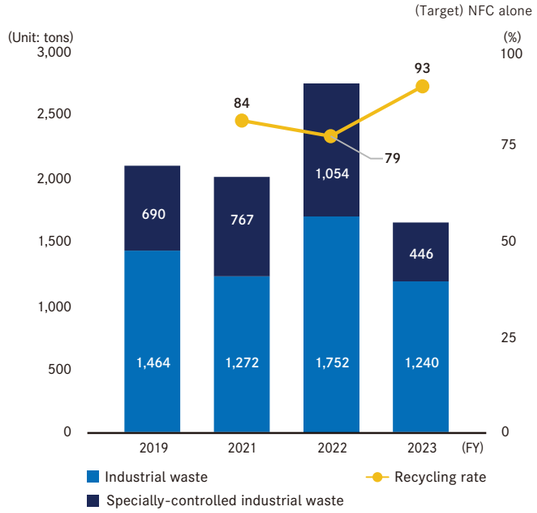
Initiatives for improving waste reduction and recycling rates

At Nippon Fine Chemical, we are promoting activities throughout all our companies, with a focus on the 3Rs (Reduce, Reuse, Recycle), aiming to reduce our industrial waste output by more than 20% over FY2019 by the end of FY2030, and reach a recycling rate of at least 90%.

Some of our efforts in FY2023 focused on internal reuse and reduce activities, and on turning waste solvents into valuable resources through improving processes. We managed to get our industrial waste amount down to 1,685.6 tonnes (22% less than FY2019), and reached a recycling rate of 92.8%.

We shall continue to promote the reuse of waste solvents and reducing their waste, strive to outsource processing that allows thermal and material recycling, and work to further reduce emissions and improve our recycling rate.

Industrial waste generation, recycling rate



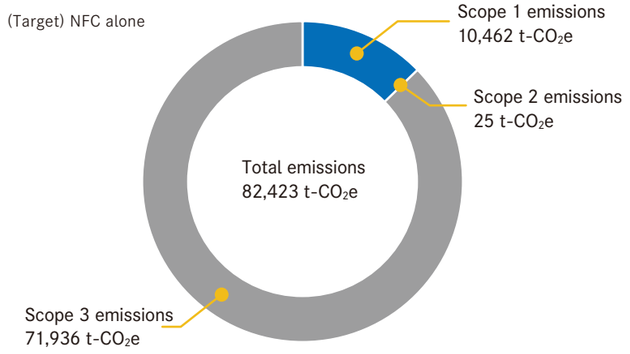
Recycling rate: (Amount of recycled materials + Amount of valuable resources) / (Total amount of industrial waste + Amount of valuable resources)

Initiatives to reduce GHG emissions

As of FY2023, Nippon Fine Chemical has started grasping how much indirect emissions (Scope 3) we generate, and discloses this information.

The emissions our supply chain generated in FY2023 were a total of 82,423 tonnes in carbon dioxide equivalents.

We shall continue to remain aware of our Scope 3 emissions at the detailed level, and work towards reducing carbon dioxide emissions over our supply chain and achieving increased work efficiency.



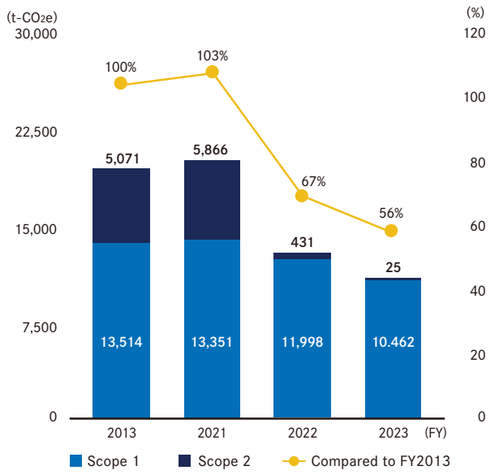
Scope category		Emitted amount (t-CO_2e)
Scope 1		10,462
Scope 2		25
Scope 3	Category 1	60,109
	Category 2	8,087
	Category 3	1,997
	Category 4	379
	Category 5	582
	Category 6	199
	Category 7	583
	Category 8	–

Scope 1: Direct GHG emissions from an operator's own fuel combustion
Scope 2: Indirect GHG emissions from the use of electricity and heat supplied by other companies
Scope 3: Indirect emissions other than Scope 1 or 2 (emissions from other companies related to the business entity's activities)

*For Category 8, the emissions from the use of leased assets are calculated using Scopes 1 and 2, so is excluded from the calculations.
*Categories 9 to 15 are hard to ascertain, so are excluded from the calculations.

Changes in Scope 1 and 2 emissions

(Target) NFC alone



The greenhouse gases (GHG) we emit are largely carbon dioxide from our energy usage. Regarding Scope 1 and Scope 2, within the overall target of a 46% reduction from FY2013 of greenhouse gases in Japan by FY2030, industry is required to reduce by 38% in carbon dioxide equivalents. Therefore, NFC has set a target of a 38% reduction by FY2030 over FY2013.

In FY2023, we reached our target with a 44% reduction compared to FY2013 through energy-saving production made possible by revising our production plans, operating our boilers to save energy, and so on.

*Until FY2020, carbon dioxide emissions were calculated based on the Act on Rationalization of Energy Use and Shift to Non-fossil Energy and the Act on Promotion of Global Warming Countermeasures. From FY2021, calculations are based on the GHG Protocol standards.

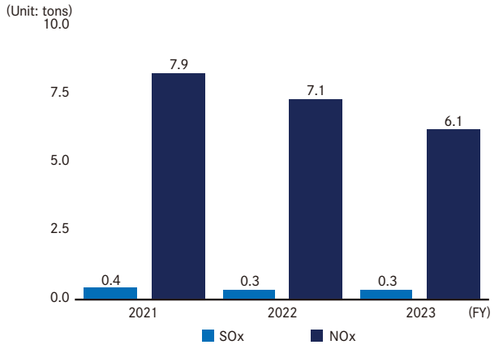
Initiatives for preventing atmospheric pollution

For boiler emissions, Nippon Fine Chemical measures the amounts of sulfur oxides (SOx) and nitrogen oxides (NOx), and operates them to comply with the regulation values.

SOx have been dropping since our switch from heavy oil to city gas started in 2016. We maintain low emissions for NOx.

SOx and Nox emissions

(Target) NFC alone



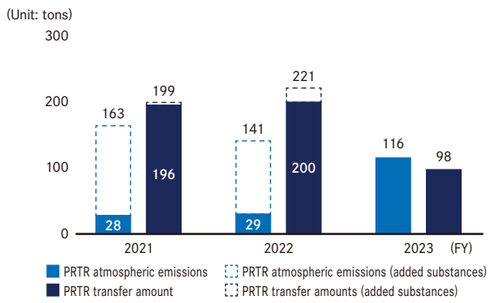
Initiatives for the PRTR system

Nippon Fine Chemical submits notices of the emissions and transfer amounts for PRTR substances* and manages the chemical substances in question.

We promote the effective use of idle equipment, machinery maintenance, and the conversion of waste into valuable materials as ways to reduce our atmospheric emissions and transfer amounts. Revisions to the law mean that the targeted substances have changed as of FY2023, so the number of atmospheric emissions reports has increased, but if the added substances are included with past reports, then there has been a substantial decline in emissions.

PRTR emissions, transfer amounts

(Target) NFC alone



*Substances covered by the PRTR system:
Chemical substances as defined by law that may be harmful to human health or the ecosystem.

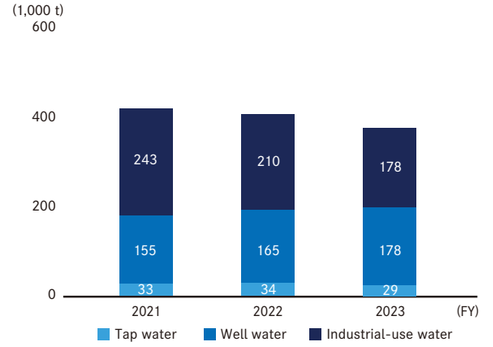
Initiatives for protecting water resources

Nippon Fine Chemical's water sources include tap water, well water, and industrial-use water. Waste water from our plants is treated at waste water treatment facilities and then discharged into public water bodies and sewers.

We are seeing effects from promoting the effective use of water resources, such as reusing plant cooling water or revising how we wash equipment in order to save water.

Amount of intake

(Target) NFC alone



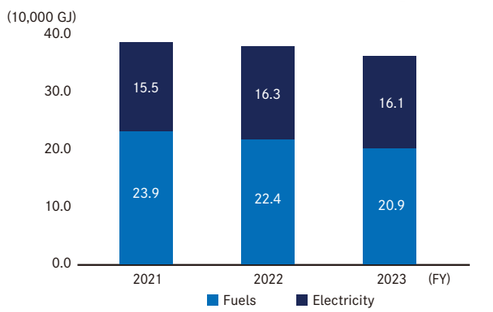
Initiatives for reducing energy consumption

Nippon Fine Chemical is working on saving energy through an environmental management program.

In FY2023, we were able to see results from our energy-saving activities that included reducing the amount of materials we use, studying and then implementing energy-saving boiler operation, working to prevent steam leaks to reduce the amount of steam used, and encouraging the use of LED lighting equipment.

Amount of energy used

(Target) NFC alone



Compliance

Basic principles and the Code of Ethics

At the Nippon Fine Chemical Group, we consider compliance to be one of our most important issues, and have established our Code of Ethics to ensure it is practiced.

The Code of Ethics is made up of our Corporate Code of Conduct, laying out the universal ideas and is the code of conduct to ensure all officers and employees working at NFC put into practice our Management Philosophy, and our Corporate Standards of Conduct, which presents how we should act in order to practice the Corporate Code of Conduct in the workplace.

Its contents are reviewed on a regular basis to keep up with social changes, and to ensure that what is seen as commonsense for the NFC Group does not diverge from what society sees as commonsense.

Fostering an awareness of compliance

At Nippon Fine Chemical, we have prepared a Code of Ethics Handbook to help foster an awareness of compliance among our officers and employees. This is distributed to all officers and employees working at NFC. Along with creating opportunities to completely read it each year, we also hold regular training sessions on compliance and ethics.

- Ethics education during on-boarding training
- Regularly reading through the Code of Ethics (annually)
- Listing cases of compliance violations on the internal intranet (quarterly)
- Workplace discussions on cases of compliance violations (biannually)

Whistle-blower system

The Nippon Fine Chemical Group has an internal whistle-blower system in the event anyone discovers compliance violations or suspicious actions. In order to maintain and operate a sound whistle-blowing system, the Ethics Committee, Internal Audit Office and auditors work together to protect whistle-blowers and those who talk with us, investigate the facts of their reports, and take corrective measures.

In addition, to ensure awareness of our whistle-blower system, we regularly carry out activities aimed at ensuring NFC Group employees are aware of our whistle-blower contact point.

Basic policy on human capital

Part of the Management Philosophy of Nippon Fine Chemical is contributing to the self-realization of our employees. In addition, the NFC VISION 2030 includes the goals of being a company where a range of people can play active roles, of working to increase job efficiency through systems that make it easy to work here, and of connecting job satisfaction to personal and company growth. In this way, based on being amply aware of the importance of people, one part of our management capital, we are carrying out ongoing initiatives from the two fronts of developing human resources and developing internal environments as we work towards maximizing our human capital.

Human resources development policy

Depict a human resources portfolio that can contribute to achieving business strategies and creating innovation, and work on the diversity of knowledge and experience within an organization towards this. In addition, we will contribute to the realization of a culture in which each and every employee can sense their growth and continues to work towards self-actualization.

Diversity

The NFC VISION 2030 includes “Sustaining the KIREI of the future through diversity-driven innovation.” We are implementing a range of different initiatives to achieve the targets we have set for promoting the empowerment of women.

Developing human resources

Based on the idea that the growth of each and every employee is connected to the sustained development of our company, we shall contribute to the proactive career development of individual employees, starting with support for rank-specific group training and independent learning for employees' own growth.

Policy for developing the internal environment

We shall contribute improving both the work and life of each and every employee, working closely with the diverse values of workplace members, with the aim of creating a company of smiles through work, where people can take pride in being a Nippon Fine Chemical employee.

A workplace environment that is easy to work in

To work towards improving the work-life balance in a way that takes our employees’ diverse values into account, we are developing systems that make it easier to work, such as bringing in a flex-time system, a working interval system, and a teleworking system. In addition, to allow our employees to make full use of their abilities, we have been striving to create workplace environments that are safe, secure, and comfortable. Some ways we do this are by renovating our offices, strengthening safety measures/heatstroke prevention measures in production workplaces, as well as providing regular harassment training for managers and supervisors.

Support for balance

Based on our awareness that improving the quality of our employees’ work-life balance increases their work engagement, and that in turn leads to corporate growth, we are promoting initiatives to support our employees’ ability to balance work with childcare, nursing care, and so on.

Relations with suppliers

Nippon Fine Chemical has established the Basic purchasing policy shown below, and the Flow up to the transaction start, and published them on our website.

In line with our basic policy for purchasing, while complying with the relevant laws and regulations, we open our gates widely to all suppliers, both in Japan and around the world, in the name of equal opportunities. In addition, our purchasing activities are done with an awareness not just of economic rationality in the selection of items, but CSR purchasing as well.

Basic purchasing policy

(1)Equal opportunities / fairness / justice

We welcome domestic and international business partners in pursuit of equal opportunity, and deal fairly and justly with all customers.

(2)Economic rationality

The selection and evaluation of business partners is based on a comprehensive consideration of their overall quality, technology, price, delivery time, service, reliability, safety, and CSR activities. Our decisions are based on economic rationality, and assume that appropriate quality control and assurance are always thoroughly implemented.

(3)Legal compliance and rejection of antisocial organizations

We comply with relevant laws and their spirit in the course of purchase transactions.

(4)Promotion of CSR procurement

As we move towards bringing about a sustainable society, we have established the Nippon Fine Chemical CSR Procurement Guidelines, which lay out what we want our business partners to actively work on, in order to meet our social responsibilities throughout our entire supply chain.

The Nippon Fine Chemical CSR Procurement Guidelines are formed around eight core items that are based on the ten principles of the United Nations Global Compact.

1. Human Rights
2. Labor
3. Environment
4. Fair Corporate Activities
5. Quality and Safety
6. Information Security
7. Supply Chain
8. Relations with Local Communities

Labor Environment

Basic safety policy

Nippon Fine Chemical will continue to run operations without accidents and disasters to ensure the safety of employees and local communities.
Nippon Fine Chemical specifies the properties of products and how to handle them to protect the safety and health of all users including customers.

Initiatives for safety and peace of mind

Initiatives for security and accident prevention

We hold evacuation drills and fire prevention drills every year to ensure quick and smooth initial responses to emergencies such as major earthquakes or fires.
In addition, we also hold planned drills that assume a leak of combustible raw material or solvent, etc. on the premises to ensure its impact can be kept to a minimum.

Disaster drill (held at Takasago Plant, Nov 13, 2023)

RECPY activities

At our plants, Nippon Fine Chemical carries out environmental beautification (safety) and productivity improvement through RECPY activities. Improvements are done using small-group activities, and each group reports on what it has done. We are working to continuously improve the work environment by recognizing outstanding activities.

*This stands for “REformation of Clean and ProductivitY” and refers to activities carried out by the company with the aim of improving company beautification and productivity.

Internal proposals

Nippon Fine Chemical makes improvements by having employees offer proposals for methods to improve daily task efficiency or improve hidden risks through their ideas and creativity as they carry out their work.

Business Continuity Plan (BCP)

Nippon Fine Chemical is formulating and developing a system for operating a business continuity plan (BCP), one that prioritizes the safety of our employees and their families, in order to minimize the effects on our stakeholders and reduce the long-term impact of a business stoppage even when business continuance is difficult due to large-scale disasters such as major earthquakes or epidemics.

Lost-time accidents

Following the five workplace accidents requiring at least one day of leave that happened in 2021, safety managers were stationed at the Takasago Plant and the Kakogawa-higashi Plant to work full-time on health and safety, and we are working to strengthen the safety management system for plants. In parallel with investigating the causes of workplace accidents and studying countermeasures, we will carry out safety education that goes back to the basics, working to eradicate workplace accidents. This helped us have no lost-time accidents during FY2023.

Lost-time accident rate

	CY2020	CY2021	CY2022	CY2023
Nippon Fine Chemical	0.00	8.35	6.36	0.00
All industries	1.95	2.09	2.06	2.14
Chemicals industry	0.93	1.07	1.16	1.04

Lost-time accident severity rate

	CY2020	CY2021	CY2022	CY2023
Nippon Fine Chemical	0.00	0.15	0.02	0.00
All industries	0.09	0.09	0.09	0.09
Chemicals industry	0.02	0.02	0.06	0.03

Lost-time accident rate =
1,000,000 x (number of lost-time accident victims) / (total hours worked)
Lost-time accident severity rate =
1,000 x (Total number of lost work days / Total number of working hours)
Nippon Fine Chemical: aggregate of lost-time accidents requiring at least one day off
Statistics from: January to December
All industries/Chemicals industry: Taken from the occupational accident statistics on the Workplace Safety Website.

Product Safety and Quality

Basic quality policy

Nippon Fine Chemical will continue to provide quality products and services that satisfy customers and are reliable.

Activities for product safety

Nippon Fine Chemical prepares product safety data sheets (SDSs) in accordance with the Japanese Industrial Standards (JIS). In addition, for products that include substances covered by the labeling requirements of the Industrial Safety and Health Act, we use the Globally Harmonized System of Classification and Labelling of Chemicals (GHS), and show the GHS picture on labels as needed, providing our customers with safety and hazard information.

To enhance the contents of these SDSs, in April 2021 we started operating our new chemical substances management system and are expanding it to all our products.

We strive to ensure our management of chemical substances is done safely: we actively work to comply with the various laws and regulations on chemical products in countries around the world, Japan included, and to ensure management of chemical products throughout our supply chain.

Initiatives for quality assurance

Nippon Fine Chemical works unceasingly to prepare and strengthen our company-wide quality assurance system so that we can provide top-quality products that will satisfy our customers.

Pharmaceuticals and pharmaceutical intermediates field

We assure quality by complying with GMP (Good Manufacturing Practice) standard, a quality assurance system for pharmaceuticals. We shall continue to maintain these high quality assurance systems, providing high-quality products into the future.

Cosmetics and chemicals field

We obtained ISO9002 in 1996, and, following the later move to ISO9001, have extended the number of covered products. Expansion of applicability to the Kakogawa-higashi Plant and Takasago Plant was completed in March 2023. This means that all Nippon Fine Chemical products in the cosmetics and chemicals field are managed in accordance with ISO9001.

Along with implementing planned employee training, we use both internal audits and examinations by external audit organizations to help us continually improve and increase our level.

Digitalization of quality assurance work through the introduction of a new system

Nippon Fine Chemical has brought in a new system, and is making work more efficient by promoting the digitalization of quality assurance work. Using this system, we constructed a workflow that has given us strengthened data integrity, improved security, prevented human error, and other effects.

In addition, being able to use remote viewing contributes to improved work-life balance for employees.

Outline of Consolidated Financials Over the Last Decade

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Profit and Loss (MY)											
Net sales		25,865	25,867	25,153	27,598	28,084	29,047	30,509	33,448	36,838	33,531
Operating profit		2,094	2,383	2,369	2,749	3,199	3,641	3,939	4,881	5,057	4,197
Ordinary profit		2,307	2,611	2,560	2,902	3,503	3,920	4,154	5,127	5,389	4,452
Profit attributable to owners of parent		1,422	1,799	1,815	2,014	2,303	2,621	2,758	3,472	4,079	3,327
Financial status (financial year-end data, MY)											
Total assets		36,841	37,924	40,066	46,118	48,214	47,561	53,265	54,807	56,672	59,450
Equity		29,748	30,733	32,846	36,449	37,093	37,749	42,116	43,732	45,266	46,647
Cash flow (MY)											
Cash flows from operating activities		3,038	2,070	2,851	3,626	3,434	3,061	4,698	2,285	1,439	6,278
Cash flows from investing activities		△ 348	△ 1,081	△ 1,135	△ 541	△ 598	△ 1,817	△ 2,418	△ 2,741	△ 1,779	△ 634
Cash flows from financing activities		△ 561	△ 593	△ 621	△ 609	△ 741	△ 894	△ 874	△ 1,399	△ 3,320	△ 2,545
Cash and cash equivalents at end of period		5,417	5,766	6,837	9,329	11,411	11,720	13,187	11,410	7,766	10,937
Other (MY)											
Capital investment amount (tangible)		348	1,552	991	699	1,379	1,676	2,228	2,716	2,575	1,534
Depreciation		1,017	1,003	1,028	976	1,107	1,205	1,064	1,070	950	1,436
R&D expenses		467	535	555	609	675	717	712	824	893	901
Indices											
Operating profit ratio (%)		8.1	9.2	9.4	10.0	11.4	12.5	12.9	14.6	13.7	12.5
Return on equity (ROE) (%)		5.1	6.1	5.8	5.9	6.3	7.0	6.9	8.1	9.2	7.2
Equity-to-asset ratio (%)		78.6	79.2	80.3	77.5	76.9	79.4	79.1	79.8	79.9	78.5
Net income per share (JPY)		59.88	75.76	76.45	84.83	96.98	110.37	116.17	146.32	174.42	146.40
Net assets per share (JPY)		1,219.50	1,263.99	1,354.12	1,504.66	1,562.03	1,589.64	1,773.54	1,851.84	1,984.58	2,074.07
Dividends per share (JPY/year)		21	23	23	28	30	33	35	54	57	70
Dividend payout ratio (consolidated) (%)		35.1	30.4	30.1	33.0	30.9	29.9	30.1	36.9	32.7	47.8
Overseas sales ratio (%)		24.6	22.3	20.1	21.8	20.2	21.9	21.4	24.8	25.2	25.2
Number of employees (persons)		583	585	594	606	631	665	671	684	717	719
Performance by business segment (MY)											
Industrial products/ Functional products as of FY2022 (Scope varies within segment as well)	Net sales	19,079	18,551	17,772	19,931	20,323	20,573	19,306	23,601	28,448	26,195
	Operating profit	1,472	1,708	1,659	1,956	2,401	2,748	2,293	3,622	4,161	3,603
	Operating profit ratio (%)	7.7	9.2	9.3	9.8	11.8	13.4	11.9	15.3	14.6	13.8
Household products/ Environmental hygiene products as of FY2022 (Scope varies within segment as well)	Net sales	5,737	6,246	6,438	6,606	6,686	7,337	10,070	8,646	8,073	7,083
	Operating profit	446	494	519	522	540	620	1,423	928	743	487
	Operating profit ratio (%)	7.8	7.9	8.1	7.9	8.1	8.4	14.1	10.7	9.2	6.9
Real estate	Net sales	396	389	*The real estate business segment has been incorporated under "Other" as of FY2016.							
	Operating profit	113	142								
	Operating profit ratio (%)	28.6	36.6								
Other (Scope varies within segment as of FY2022)	Net sales	654	682	944	1,062	1,075	1,137	1,134	1,201	316	252
	Operating profit	64	39	192	271	259	274	223	333	152	106
	Operating profit ratio (%)	9.8	5.7	20.3	25.5	24.0	24.1	19.7	27.7	48.1	42.3
Total	Net sales	25,865	25,867	25,153	27,598	28,084	29,047	30,509	33,448	36,838	33,531
	Operating profit	2,094	2,383	2,369	2,749	3,199	3,641	3,939	4,881	5,057	4,197
	Operating profit ratio (%)	8.1	9.2	9.4	10.0	11.4	12.5	12.9	14.6	13.7	12.5

*For this year's Report, it was calculated from the scope in the new segment starting from FY2022, but in last year's report it was calculated from previous segments for everything, so the values for FY2022 are not the same as those in this year's Report.

Financial Statements

Consolidated balance sheet

(Unit: Millions of JPY)

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Assets		
Current assets		
Cash and deposits	8,937	**12,856**
Notes and accounts receivable- trade	8,855	**9,172**
Merchandise and finished goods	4,001	**4,394**
Work in process	2,290	**2,207**
Raw materials and supplies	4,718	**3,204**
Other	788	**195**
Allowance for doubtful accounts	△0	**△0**
Total current assets	29,590	**32,031**
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,960	**15,207**
Accumulated depreciation	△8,223	**△8,718**
Buildings and structures, net	6,737	**6,488**
Machinery, equipment and vehicles	14,401	**16,201**
Accumulated depreciation	△13,115	**△13,493**
Machinery, equipment and vehicles, net	1,285	**2,708**
Land	3,719	**3,719**
Construction in progress	1,794	**754**
Other	3,535	**3,719**
Accumulated depreciation	△2,845	**△2,989**
Other, net	690	**730**
Total property, plant and equipment	14,227	**14,401**
Intangible assets	521	**778**
Investments and other assets		
Investment securities	12,017	**11,861**
Retirement benefit assets	67	**117**
Other	247	**261**
Total investments and other assets	12,332	**12,240**
Total non-current assets	27,081	**27,419**
Total assets	56,672	**59,450**

(Unit: Millions of JPY)

	Previous consolidated fiscal year (March 31, 2023)	Current consolidated fiscal year (March 31, 2024)
Liabilities		
Current liabilities		
Notes and accounts receivable- trade	4,256	**3,954**
Accounts payable - other	839	**812**
Income taxes payable	607	**1,351**
Provision for bonuses	717	**718**
Provision for bonuses for directors (and other officers)	79	**41**
Provision for environmental measures	–	**426**
Accounts payable - facilities	459	**983**
Asset retirement obligations	–	**82**
Other	655	**1,067**
Total current liabilities	7,615	**9,437**
Non-current liabilities		
Deferred tax liabilities	2,655	**2,186**
Retirement benefit liability	144	**127**
Long-term accounts payable - other	15	**19**
Long-term guarantee deposits	102	**92**
Asset retirement obligations	9	**5**
Other	27	**21**
Total non-current liabilities	2,955	**2,453**
Total liabilities	10,571	**11,891**
Net assets		
Shareholders' equity		
Share capital	5,933	**5,933**
Capital surplus	6,821	**6,870**
Retained earnings	28,513	**30,368**
Treasury shares	△3,171	**△4,117**
Total shareholders' equity	38,097	**39,055**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,469	**6,613**
Deferred gains or losses on hedges	3	**4**
Foreign currency translation adjustment	697	**947**
Remeasurements of defined benefit plans	△1	**26**
Total accumulated other comprehensive income	7,169	**7,592**
Non-controlling interests	834	**911**
Total net assets	46,101	**47,559**
Total liabilities and net assets	56,672	**59,450**

Consolidated statement of income and comprehensive income

(Unit: Millions of JPY)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Net sales	36,838	**33,531**
Cost of sales	25,882	**23,602**
Gross profit	10,956	**9,929**
Selling, general and administrative expenses	5,899	**5,731**
Operating profit	5,057	**4,197**
Non-operating income		
Interest income	34	**34**
Dividend income	297	**307**
Miscellaneous income	41	**60**
Total non-operating income	373	**402**
Non-operating expenses		
Interest expenses	1	**1**
Foreign exchange losses	22	**15**
Depreciation	–	**125**
Miscellaneous losses	17	**6**
Total non-operating expenses	40	**147**
Ordinary profit	5,389	**4,452**
Extraordinary income		
Gain on sale of non-current assets	81	**1**
Gain on sale of investment securities	212	**932**
Total extraordinary income	294	**933**
Extraordinary losses		
Loss on sale of non-current assets	–	**0**
Loss on retirement of non-current assets	24	**10**
Impairment losses	–	**32**
Loss on sale of investment securities	16	**–**
Loss on valuation of investment securities	–	**43**
Provision for environmental measures	–	**426**
Other	–	**7**
Total extraordinary losses	40	**519**
Profit before income taxes	5,643	**4,867**
Income taxes - current	1,383	**1,992**
Income taxes - deferred	94	**△544**
Total income taxes	1,477	**1,448**
Profit	4,165	**3,419**
Profit attributable to		
Profit attributable to owners of parent	4,079	**3,327**
Profit attributable to non-controlling interests	85	**91**
Other comprehensive income		
Valuation difference on available-for-sale securities	684	**144**
Deferred gains or losses on hedges	△34	**1**
Foreign currency translation adjustment	29	**328**
Remeasurements of defined benefit plans	△7	**27**
Total other comprehensive income	671	**501**
Comprehensive income	4,836	**3,920**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,747	**3,750**
Comprehensive income attributable to non-controlling interests	89	**169**

Consolidated statement of changes in shareholders' equity

■ Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023) (Unit: Millions of JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,933	6,803	25,790	△1,296	37,230
Changes during period					
Dividends of surplus			△1,346		△1,346
Profit attributable to owners of parent			4,079		4,079
Purchase of treasury shares				△1,885	△1,885
Disposal of treasury shares		18		11	29
Employee welfare benefit fund			△10		△10
Net changes in items other than shareholders' equity					
Total changes during period	–	18	2,722	△1,874	866
Balance at end of period	5,933	6,821	28,513	△3,171	38,097

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,784	34	675	6	6,501	828	44,560
Changes during period							
Dividends of surplus							△1,346
Profit attributable to owners of parent							4,079
Purchase of treasury shares							△1,885
Disposal of treasury shares							29
Employee welfare benefit fund							△10
Net changes in items other than shareholders' equity	684	△31	22	△7	667	6	674
Total changes during period	684	△31	22	△7	667	6	1,540
Balance at end of period	6,469	3	697	△1	7,169	834	46,101

■ Current consolidated fiscal year (from April 1, 2023 to March 31, 2024) (Unit: Millions of JPY)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,933	6,821	28,513	△3,171	38,097
Changes during period					
Dividends of surplus			△1,460		△1,460
Profit attributable to owners of parent			3,327		3,327
Purchase of treasury shares				△986	△986
Disposal of treasury shares		48		40	89
Employee welfare benefit fund			△11		△11
Net changes in items other than shareholders' equity					
Total changes during period	–	48	1,855	△946	958
Balance at end of period	5,933	6,870	30,368	△4,117	39,055

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	6,469	3	697	△1	7,169	834	46,101
Changes during period							
Dividends of surplus							△1,460
Profit attributable to owners of parent							3,327
Purchase of treasury shares							△986
Disposal of treasury shares							89
Employee welfare benefit fund							△11
Net changes in items other than shareholders' equity	144	1	249	27	423	76	500
Total changes during period	144	1	249	27	423	76	1,458
Balance at end of period	6,613	4	947	26	7,592	911	47,559

Consolidated statement of cash flows

(Unit: Millions of JPY)

	Previous consolidated fiscal year (from April 1, 2022 to March 31, 2023)	Current consolidated fiscal year (from April 1, 2023 to March 31, 2024)
Cash flows from operating activities		
Profit before income taxes	5,643	**4,867**
Depreciation	950	**1,436**
Impairment losses	–	**32**
Increase (decrease) in allowance for doubtful accounts	△1	**△0**
Increase (decrease) in retirement benefit liability	33	**△17**
Decrease (increase) in retirement benefit assets	△40	**△50**
Increase (decrease) in provision for environmental measures	178	**426**
Interest and dividend income	△331	**△341**
Interest expenses	1	**1**
Foreign exchange losses (gains)	△6	**△25**
Loss (gain) on sales of investment securities	△195	**△932**
Loss (gain) on valuation of investment securities	–	**43**
Loss (gain) on sale and retirement of property, plant and equipment	△57	**9**
Decrease (increase) in trade receivables	△147	**△260**
Decrease (increase) in inventories	△2,586	**1,301**
Increase (decrease) in guarantee deposits received	△0	**△10**
Increase (decrease) in trade payables	361	**△312**
Decrease (increase) in consumption taxes refund receivable	△465	**524**
Increase (decrease) in accrued consumption taxes	4	**298**
Other	△118	**215**
Subtotal	2,864	**7,204**
Interest and dividends received	331	**341**
Interest paid	△1	**△1**
Income taxes paid	△1,756	**△1,266**
Net cash provided by (used in) operating activities	1,439	**6,278**
Cash flows from investing activities		
Payments into time deposits	–	**△636**
Proceeds from withdrawal of time deposits	290	**–**
Purchase of property, plant and equipment	△2,606	**△851**
Proceeds from sale of property, plant and equipment	286	**5**
Purchase of intangible assets	△150	**△414**
Purchase of investment securities	△1	**△1**
Proceeds from sale of investment securities	401	**1,264**
Net cash provided by (used in) investing activities	△1,779	**△634**
Cash flows from financing activities		
Dividends paid	△1,346	**△1,460**
Dividends paid to non-controlling interests	△79	**△89**
Purchase of treasury shares	△1,885	**△986**
Other	△8	**△8**
Cash flows from financing activities	△3,320	**△2,545**
Effect of exchange rate change on cash and cash equivalents	16	**72**
Net increase (decrease) in cash and cash equivalents	△3,644	**3,171**
Cash and cash equivalents at beginning of period	11,410	**7,766**
Cash and cash equivalents at end of period	7,766	**10,937**

Human Resources Information

■ Employees

(Target) NFC alone

Indices	FY2021	FY2022	**FY2023**
Number of employees	386 persons	416 persons	**432 persons**
Percentage of female employees	15.8%	16.6%	**18.3%**
Average age/average years of service of full-time employees	40.0years old/ 13.5 years	39.6years old/ 12.7 years	**39.5 years old/ 12.6 years**
Percentage of females in management positions	0.0%	0.0%	**1.8%**
Percentage of females in management positions and candidates for management positions among full-time employees	6.0%	7.0%	**7.9%**

■ Recruitment/Promotion to full-time employee

(Target) NFC alone

Indices	FY2021	FY2022	**FY2023**
Percentage of female employees	23.5%	26.8%	**38.9%**
Percentage of female employed as full-time employees	16.1%	18.6%	**38.9%**
Ratio of mid-career employees among full-time employees	77.4%	81.4%	**83.3%**
Number of people promoted from contract employees to full-time employees	1 person	2 persons	**3 persons**
Number of dispatch employees promoted to full-time employees	0 person	1 person	**1 person**

■ Work-life balance(Average per person of all employees, including management level)

(Target) NFC alone

Indices	FY2021	FY2022	**FY2023**
Total actual working hours per person per year	1,991.02 hours	1,979.38 hours	**1,979.58 hours**
Average overtime hours per month	18.70 hours	18.96 hours	**18.48 hours**
Number of paid leave days taken per person per year Annual paid leave take-up rate per person	12.1days 73.0%	13.6days 82.4%	**13.7days** **82.0%**
Number of people using child-care leave (including post-partum leave for fathers) and take-up rate (male/female)	0 person/1 person 0%/100%	4 persons/2 persons 28.6%/100%	**5 persons/3 persons** **41.7%/100%**
Number of people taking nursing care leave (male/female)	0 person/0 person	1 person/0 person	**0 person/0 person**

■ Lost-time accident rate

(Target) NFC alone

	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	**CY2023**
Nippon Fine Chemical	0.00	2.31	2.15	2.08	0.00	1.87	0.00	8.35	6.36	**0.00**
All industries	1.66	1.61	1.63	1.66	1.83	1.80	1.95	2.09	2.06	**2.14**
Chemicals industry	0.76	0.81	0.88	0.81	0.90	0.94	0.93	1.07	1.16	**1.04**

■ Lost-time accident severity rate

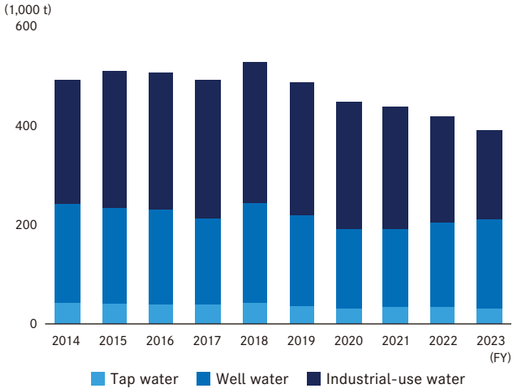
(Target) NFC alone

	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	**CY2023**
Nippon Fine Chemical	0.00	0.00	0.02	0.01	0.00	0.00	0.00	0.15	0.02	**0.00**
All industries	0.09	0.07	0.10	0.09	0.09	0.09	0.09	0.09	0.09	**0.09**
Chemicals industry	0.17	0.04	0.03	0.09	0.06	0.02	0.03	0.02	0.06	**0.03**

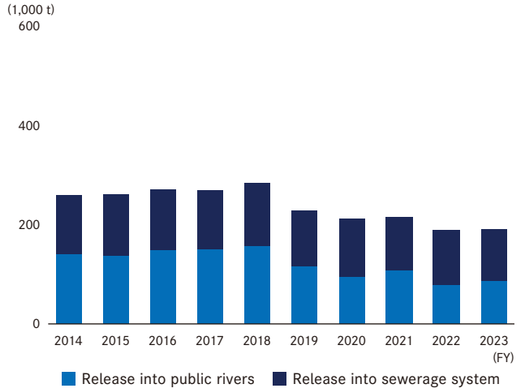
*Lost-time accident rate = 1,000,000 x (number of lost-time accident victims) / (Total number of working hours)
Lost-time accident severity rate = 1,000 x (Total number of lost work days/Total number of working hours)
Nippon Fine Chemical: aggregate of lost-time accidents requiring at least one day off
Statistics from: January to December
All industries/Chemicals industry: Taken from the occupational accident statistics on the Workplace Safety Website.

Safety and Environment Information

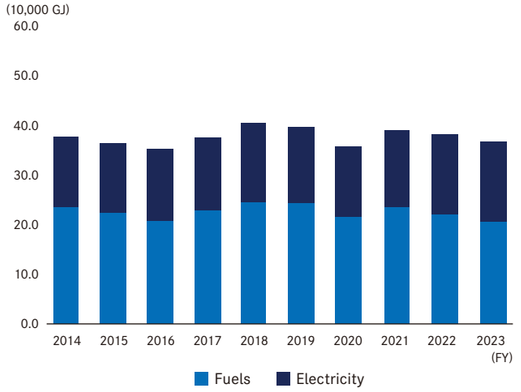
Amount of water used (Target) NFC alone



Amount of waste water (Target) NFC alone



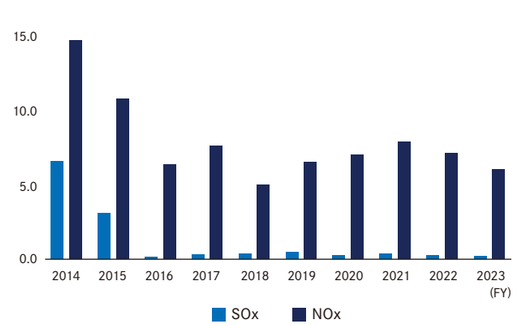
Amount of energy used (Target) NFC alone



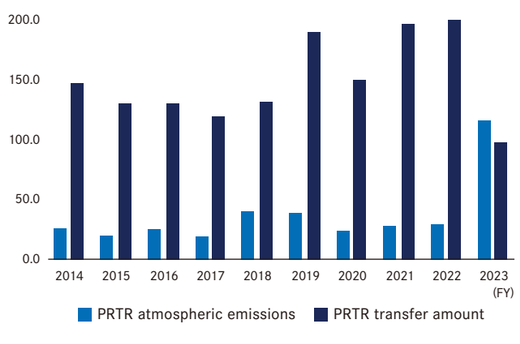
Waste amounts and recycling rate (Target) NFC alone

Recycling rate: (Amount of recycled materials + Amount of valuable resources) / (Total amount of industrial waste + Amount of valuable resources)

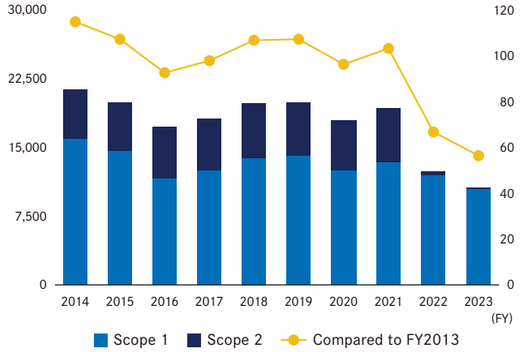
SOx and NOx emissions (Target) NFC alone



PRTR transfer amount, emissions (Target) NFC alone



GHG emissions (Target) NFC alone



Changes in chemical substances with large amounts of atmospheric emissions (Target) NFC alone (Unit: tons)

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	**FY2023**
Toluene	14.6	8.2	13.4	17.4	22.7	31.5	18.1	23.2	26.1	**19.4**
Chloroform	3.7	1.4	0.4	0.5	0.3	2.6	5.2	4.0	2.5	**3.7**
Chlorodifluoromethane	3.3	0.0	4.2	0.0	8.4	1.7	0.0	0.0	0.0	**0.0**
Dichloromethane	2.7	0.1	4.2	0.5	6.9	2.2	0.4	0.0	0.3	**0.4**
Cyclohexane*	—	—	—	—	—	—	—	—	—	**27.0**
Heptane*	—	—	—	—	—	—	—	—	—	**65.6**

*Notification of release/transfer amounts required from April 1, 2023.

Purpose

Contributing to
the creation of a sustainable society
filled with Smiles
through the Power of **Chemistry** and **KIREI**.

NIPPON FINE CHEMICAL CO., LTD.

Editorial Policy
Nippon Fine Chemical issues an Integrated Report as of FY2023, which replaces the RC Report, CSR Report, and Sustainability Report. This report includes management strategies, a business overview, financial information, sustainability initiatives information, and so on.
We hope to this report is able to pass on to as many stakeholders as possible our efforts to improve our corporate value as well as give an overall picture, so that they will take an interest in our company.

Period Covered
FY2023 (April 2023 to March 2024)
Some data from FY2024 has also been included.

Scope
Most of this information refers to NFC alone, but in some areas it includes information from consolidated Group companies.
(as of March 31, 2024)

Date of Issue
February 2025

Published Information about Nippon Fine Chemical
Basic information about Nippon Fine Chemical is published on our website.
■Nippon Fine Chemical website
https://www.nipponseika.co.jp/en/
■TCFD Report
https://www.nipponseika.co.jp/en/sustainability/report/
■Securities Report
https://www.nipponseika.co.jp/investors/securities/

Note regarding forecasts
This report not only describes the past and current status of the Company, including certain Group companies, but also includes future projections and plans based on currently available information. These results may differ or change due to various factors such as changes to the business environment.