

# Integrated Report

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# 2023

*A Hundred Years of History  
Passed down for more than a century,  
the DNA of innovation*



**NIPPON FINE CHEMICAL CO., LTD.**

Nippon Fine Chemical offers raw materials for pharmaceuticals, functional materials used in electronic materials and performance resins, and hygiene management materials, as well as raw materials for cosmetics used in products ranging from skin care to makeup and hair care.

We shall continue to hold contributing to a prosperous and flourishing society and to happy lives through chemistry as our Management Philosophy.



Company Name	NIPPON FINE CHEMICAL CO., LTD.
Established	February 1918
URL	<a href="https://www.nipponseika.co.jp/en/">https://www.nipponseika.co.jp/en/</a>
Paid in Capital	5,933.22 million yen
Number of Employees	398 (as of June 23, 2023)
Listed stock exchange	Prime Market of the TSE (as of April 4, 2022)
Representative Director, President	Hiroshi Yano

\*Please see our website for the latest information.



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## Top Message

# 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. We make cosmetic ingredients that are kind to both people and the environment, pharmaceutical ingredients that contribute to improving everyone's QOL (Quality of Life), hygiene management products that make everyone's environments clean, safe, and comfortable, and functional products used not just in day-to-day goods but in electronics and different types of 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

## Reaching our centennial, strengthening governance with a view to future dramatic growth

This is a general overview of our medium-term management plan for the five years from April 2018 to March 2023.

We celebrate the centennial of our founding on February 12, 2018. The medium-term management plan which started in April that year (the five years from FY2018 to FY2022) positioned, "Strengthening governance stage" 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.

In these five years, we have pursued the following three measures.

- Formulating NFC VISION 2030
- Dealing with sustainability
- Revising our business portfolio

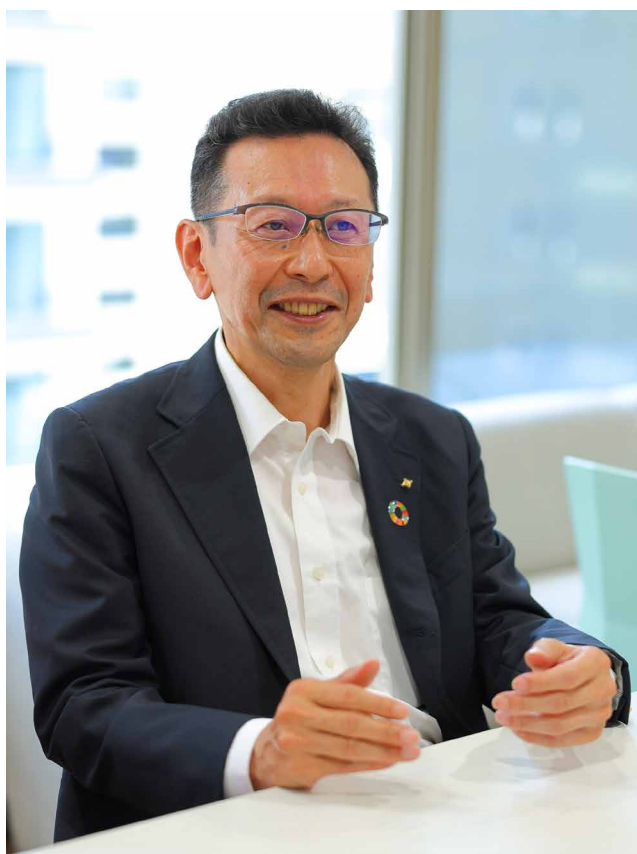
## Depicting our future image, what we need to do now: formulating NFC VISION 2030

When I was appointed President in June 2020, I offered the following five key items as necessary to achieve sustainable growth for our new hundred years.

- (1) Compliance and safety
- (2) Human resources training and working style reforms
- (3) Formulating a long-term vision
- (4) Multiplying our core businesses
- (5) Promoting digitalization

Our businesses vary by field, but to ensure further growth, I believe there needs to be a common theme running through each business. Also, the environment for our businesses is changing ever faster, becoming more difficult. I believe it is important for all employees to share the issues of "What do we want to be in the future? What do we need to do to get there?" in order to see changes in the environment, survive and thrive in a world which remains unpredictable. This is why we have worked on preparing a long-term vision, formulating the NFC VISION 2030 "Smiles on Faces: The Power of KIREI."

In our businesses, we provide raw materials for cosmetics to help you keep your skin and hair beautiful (KIREI), raw materials for pharmaceuticals to keep you healthy (KIREI), and functional materials to make the future global environment clean (KIREI). We experience the feeling of KIREI in many different ways,



making our customers happy. I want to bring more smiles to the people of the world with the power of KIREI, starting with the employees of our Group, their families, our clients, and raw materials suppliers. That is the hope contained within "Smiles on Faces: The Power of KIREI."

## ESG management and SDGs contributions

To support sustainability, we added three sub-concepts to NFC VISION 2030:

- (1) Sustaining the KIREI of the Earth through sustainable manufacturing,
- (2) Sustaining the KIREI of communities through compliance, safety, and actions that ensure peace of mind, and
- (3) Sustaining the KIREI of the future through diversity -derived innovation.

This shows our strong desire to contribute to ESG management and achieving the SDGs.

Our Management Philosophy of "Contributing to Society Through Chemistry" as well as the "Smiles on Faces: The Power of KIREI" in NFC VISION 2030, and our sub-concept of helping to sustain the three "KIREIs" of the Earth, society, and the future, form the basis of our Basic Sustainability Policy, which aims for both a sustainable society and sustained growth for us.

## Revising our business portfolio with an eye to sustainable growth

At the same time, we have been revising our business portfolio over the last five years with an eye to sustainable growth.

For our Lipid Division (phospholipids for pharmaceutical products) within our Fine Chemicals field, in the Industrial Products Business segment, we both made a large-scale investment totaling some 5.3 billion yen towards strengthening competitiveness and expanding the business field, and made the Lipid Division independent of the Fine Chemicals Business Division through organizational reform, establishing a system for strengthening our business activities.

In the same way, for Fine Chemicals field, we made the decision to withdraw from the leather oils business, with its high environmental impact and difficult business environment, and so we sold off our Chinese subsidiary, Taicang Nikka Fine Chemical Co., Ltd.

In this way, active investment in businesses where we can use our strengths, and the elimination of businesses which do not mesh with the perspectives of ESG management, have boosted the strength of our business foundation as we head to the future.

## Revenue base strengthened, with dividend increases for six fiscal years running

As quantitative targets, we set sales of 39 billion yen and operating profit of 3.9 billion yen, along with a total capital investment of 10 billion yen over five years, by the end of the medium-term management plan in the fiscal year ended March 2023. Of these, we failed to reach our sales objective as a result of sluggish sales for the Domestic Sales Department due to the impact of the novel coronavirus infections, but our operating profit was considerably above our target, at 5.1 billion yen. In



terms of capital investment, there was a slight lag due to issues such as the fact that some facilities did not start operating until April 2023, but it went largely as planned.

In addition, if we turn our eyes to capitalization strategy, we have worked to improve and stabilize dividend levels while working out a balance between capital efficiency and financial solvency. We have been using DOE (the consolidated dividend on equity ratio) as our dividends policy since FY2021, which has meant a large increase in dividend levels, and increases for six fiscal years running in tandem with the previous medium-term management plan. In addition, we have also been working to curtail our cross-shareholdings and reduce our equity, as well as buying back our own shares, which, along with improved performance, have increased our share price.

## Our new medium-term management plan is the “Attack stage”

As of April 2023, we have started a new Medium-term management plan, which will run for four years from FY2023 to FY2026).

As we head towards the realization of NFC VISION 2030, we are positioning these four years as the stage for actively investing to strength our growth foundation, altering our course from the “Defense stage,” where we worked to strengthen corporate governance, to the “Attack stage.”

Specifically, we will work on the following, and further accelerate our growth strategy.

- Strengthen our business portfolio through rebuilding our business segments
- Strengthen R&D and sales so that people say “when it comes to phospholipids, look no further than Nippon Fine Chemical”
- Strengthen our capital investment and R&D investment
- Strengthen our responses to sustainability

Our Group changed our business segments as of FY2023.

Segments that were all previously collected under “industrial products” have been reorganized as beauty care, health care, fine chemicals, and trading as organized under the domestic sales department, and we are strengthening disclosure. In addition, we also changed our segment name from Industrial Products to Functional Products.

At the same time, we changed the Household Products name to Environmental Hygiene Products (hygiene field) and made it Arbos-only. In addition to these, we hope to strengthen strategies suited to each business field by reorganizing the organizations of Nippon Fine Chemical on a functional department system basis, moving ahead with business portfolio management.

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

We have set phospholipids as a strategy product, as we can look forward to enjoying market competitiveness thanks to our proprietary technology. We are working on expanding sales with the goal being to have people say “when it comes to phospholipids, look no further than Nippon Fine Chemical.” We are working to help the general public get a better understanding, with a special section on our website that opened in January 2023.

Phospholipids are products related mainly to the fields of beauty care and health care.

In the field of beauty care, in addition to the Chinese market, which we have focused our efforts on since the previous medium-term management plan, we are also focusing on expanding sales in the North American and European markets, our main markets. We are planning to construct a new plant for phospholipids for cosmetics, as we expect there will be even further growth in demand.

In the health care field, we are strengthening our phospholipids for nucleic acid medicines, where growth is particularly expected, within the drug delivery systems field. As we can respond to the trend towards horizontal segmentation that is happening in the pharmaceuticals industry, we will also focus on being a CDMO for the development of pharmaceuticals. To that end, April 2023 we set up a the new Shonan Laboratory at Shonan iPark in Fujisawa, Kanagawa Prefecture.

In this way, we are pursuing liaisons outside the company through open innovation.

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

We are focusing our efforts for our Basic Sustainability Policy on the following points.

First, we will actively work on the following for achieving a sustainable society.

- For production processes, we will work on saving energy, reusing resources, and reducing waste
- In developing new technologies, we shall study enzyme synthesis technology and flow reactors which are continuous synthesis
- In raw materials procurement, we shall support various certification systems such as RSPO and non-GMO

Through initiatives such as these, we aim to become a chemical manufacturer that is selected by people around the world as we move towards achieving a sustainable society.



At the same time, we shall focus on key development themes that contribute to a sustainable society from the perspective of sustainable growth for our company.

Specifically, we shall move ahead with making our production processes sustainable in the phospholipids materials I discussed earlier, and work to further differentiate ourselves from our rivals.

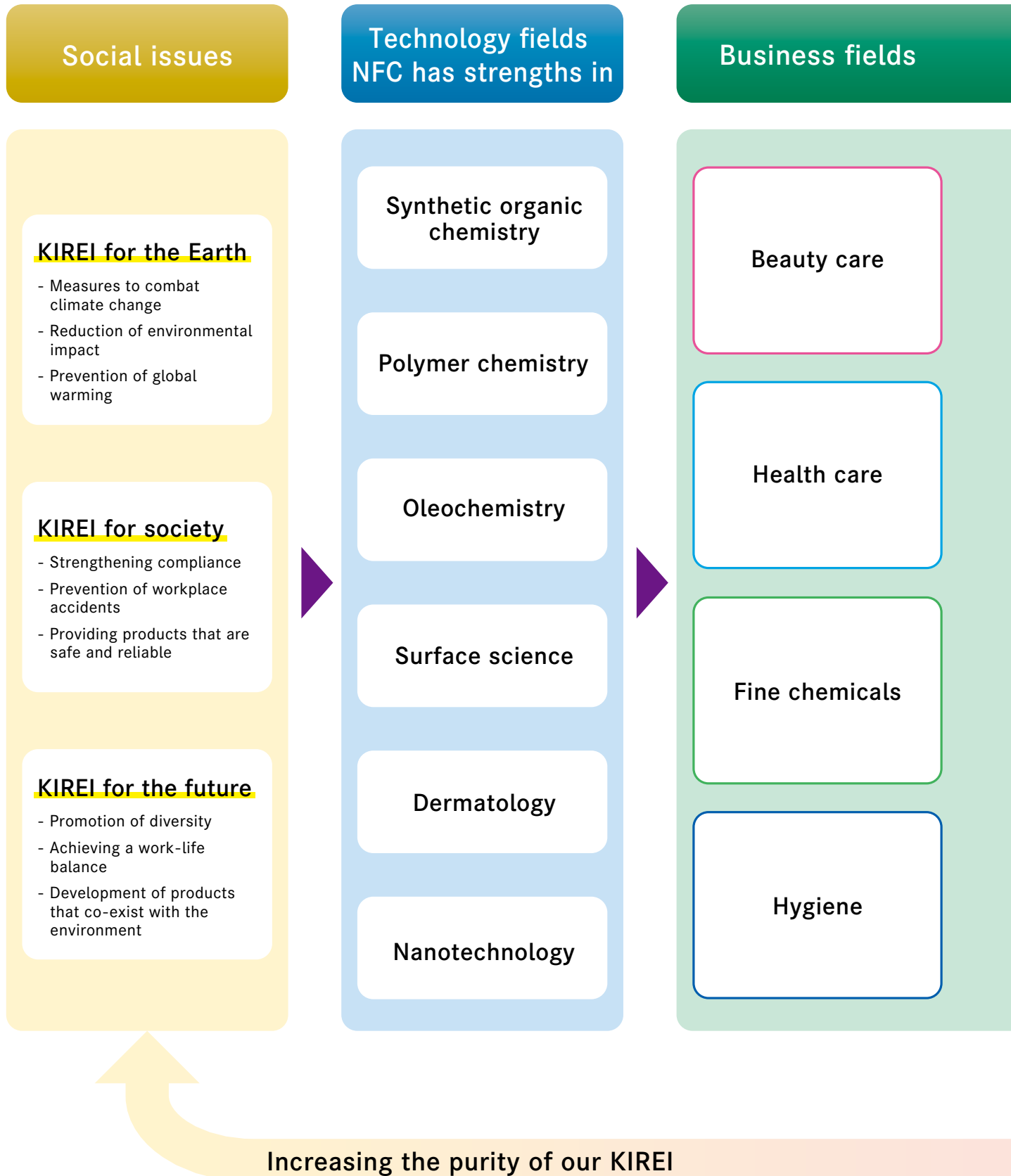
In addition, we have set the development of materials for perovskite solar cells as a large-scale development theme. Perovskite solar cells are a technology from Japan, and their primary feature is that they are lighter and more flexible compared to conventional solar cells. Being thinner and easily bendable, they should be able to be installed on walls or car roofs or other places where normal solar cells would be hard to install. The Kishida administration just announced in April that it would aim for early deployment within society to serve as a trump card for achieving a carbon-neutral society by 2050. We hope to contribute to a sustainable society by providing materials indispensable for perovskite solar cells to battery manufacturers.

The chemicals industry is increasingly required to respond to sustainability for the future and co-existence with local communities. We shall put into practice our desire to aim for both a sustainable society and sustainable growth for us. 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

Management Philosophy: Contributing to Society Through Chemistry

Basic Sustainability Policy: Aiming for our sustainable growth and to bring about a sustainable society





Nippon Fine Chemical offers raw materials in a variety of fields: for cosmetics that are kind to both people and the environment, for pharmaceuticals that help improve health and convenience, and for functional materials used not just in day-to-day products but also in electronics and different types of resins.

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.

## Outputs

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

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

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

- Handsoaps
- 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)

**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

We shall strengthen our growth base by active investment as we aim to reach where we want the company to be by 2030 as laid out in our long-term vision, NFC VISION 2030.

- Strengthen our business portfolio through restructuring our business segments
- Strengthen R&D and sales so that people say “when it comes to phospholipids, look no further than Nippon Fine Chemical”
- Strengthen our capital investment and R&D investment
- Strengthen our responses to sustainability

### NFC VISION 2030 Long-term vision

“Smiles on Faces: The Power of KIREI.” And, as subconcepts, we acclaim the power of KIREI to sustain the Earth, society, and the future, and express our unshakeable intent to pursue the course of Environmental, Social, and Corporate Governance (ESG) and, to ensure a sustainable society, contribute to the attainment of sustainable development goals (SDGs). Announced in October 2021.



## 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.

### ■ 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 sales of phospholipid materials for cosmetics and development of a system to increase production (boosting capital investment)
- Expansion of sales to overseas markets, especially the West and China, where high growth is expected
- Expanding sustainable products such as RSPO and non-GMO\*p17

#### Fine chemicals field

- Reorganization of low-profit products
- Establishment of next-generation technologies (such as perovskite solar cell materials)

#### Health care field

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

#### Hygiene field

- Listing of sustainable products on the market
- Promotion of differentiation through development of high value-added products

## Initiatives

### Strengthen capital investment and R&D investment

- Strengthen investment in technology development 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)

### Strengthen responses to sustainability

We shall 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.

## Management targets and capital policies (consolidated)

### Management target figures

We are continuing active investment to strengthen our growth base and also established indices that are aware of capital efficiency.

	Actual figures for FY2022	Plan for FY2023	Goals for FY2026	Goals for FY2030
Net sales (billion yen)	36.8	38.0	41.0	50.0
Operating profit (billion yen)	5.0	4.8	5.7	7.7
EBITDA*1 (billion yen)	6.0	6.1	7.7	11.1
ROIC*2	7.9%	-	8.0%	9.0%
Capital investment	-	Total of 12 billion yen over four years		-
Sales-to-R&D ratio	2.4%	-	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 FY2022	Plan for FY2023	Goals for FY2026	Goals for FY2030
DOE*3	3.0%	3.5%	3.5%	-
Dividend per share	57 yen	70 yen	80 yen	100 yen
Total return ratio*4	79%	Average of at least 50%		-
Cross-shareholding ratio*5	25%	-	17% or less	10% or less

\*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 23, 2023)

### 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, Chairman

#### Susumu Yano

(Born April 19, 1955)

April 1978 : Joined NFC  
April 2000 : General Manager of Pharmaceutical Manufacturing Department  
November 2002 : General Manager of Pharmaceutical Plant  
June 2003 : Corporate Officer  
Deputy Senior General Manager of Manufacturing & Technology Division and General Manager, Takasago Plant  
June 2004 : Director, Senior General Manager of Manufacturing & Technology Division  
June 2006 : Representative Director, President  
March 2016 : Outside Director of Nichirin Co., Ltd. (to present)  
June 2020 : Representative Director, Chairman  
June 2022 : Director, Chairman (to present)



Director, Executive Corporate Officer  
Executive Supervisor for Group Company  
Production Management

#### 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)



Director, Senior Corporate Officer  
Senior General Manager of Research & Development Division and Director,  
Research Laboratory

#### Yukihiko 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)



Directors (Outside)

#### Chihiro Murase

(Born June 17, 1945)

March 1968 : Joined Daito Chemix Corporation  
June 1992 : Director at Daito Chemix  
June 2000 : Managing Director at Daito Chemix  
April 2002 : Representative Director and President at Daito Chemix  
June 2002 : Representative Director and President,  
and Chief Executive Officer at Daito Chemix  
June 2008 : Director at NFC (to present)



Directors (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 of 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, YMC Co., Ltd. (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 Kinki 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.

## 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.

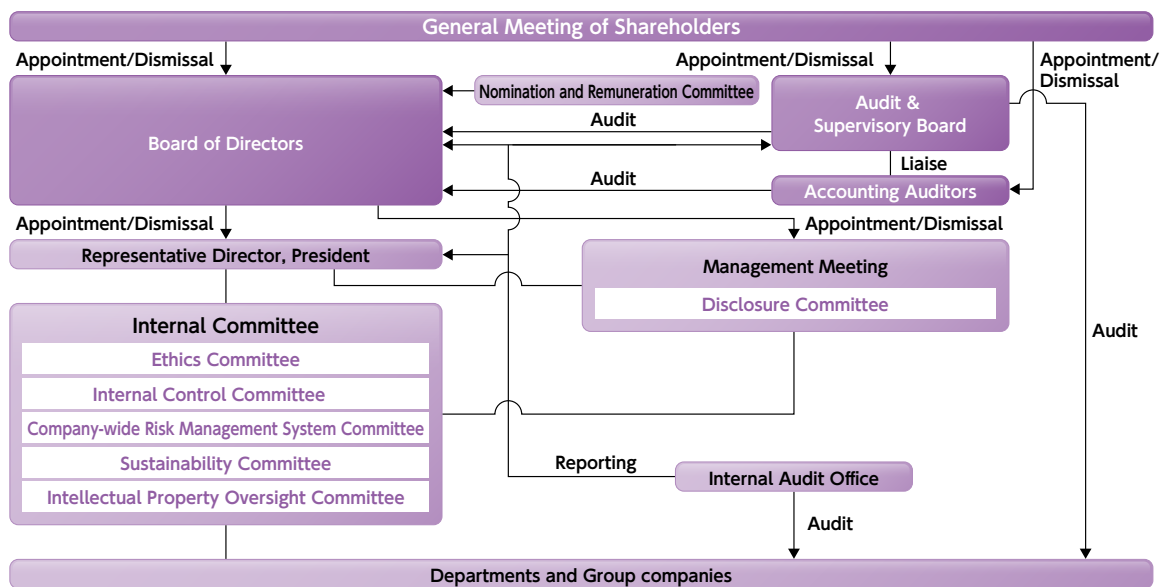
The Board of Directors is made up of six members, including two independent outside directors who are selected in order to further enhance the supervisory function.

As the highest decision-making organization for management, it 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 corporate 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.

The Audit & Supervisory Board is made up of four auditors, including two outside auditors. The 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.

### 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



## Content done in FY2022

### Highlights of governance from FY2022

- Number of Board of Directors meetings : 12
- Number of Audit & Supervisory Board meetings : 13
- Number of Nomination and Remuneration Committee meetings : 5

### Issues from FY2022

- Deepening discussions on sustainability, including TCFD responses and investment in human capital
- Further strengthening of risk management
- Increased efficiency of Board of Directors meetings by improving materials for these meetings

# 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.

1918-1929

1930s

1940s

1950s

1960s

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

Establishments/  
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), Nippon Fine Chemical continued working at the 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, now 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)

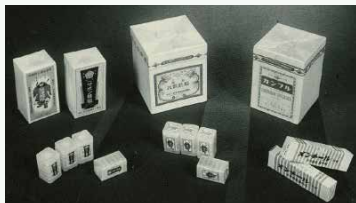
Products/  
Technologies

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)



LUSPLAN



Plandool

# History of Nippon Fine Chemical

## 1970s      1980s      1990s      2000s      2010 on

**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

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.



Former Head Office building

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 (now 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 plant (NLP) that can handle the increased demand for phospholipids for pharmaceuticals and a dedicated plant (LP3) based on an alliance with Gilead Sciences, Inc. in 2022.



NLP

LP3

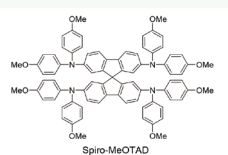
Developing the technologies we fostered in the fatty acid and oil-related products business, we started the production of a number of fine chemicals, including PNC-390, a monomer raw material for inflammable elastomers (1978); Solanesol, a raw material for the Q10 coenzyme (1979); DEET, a mosquito repellent (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 Spiro-MeOTAD, a material used in perovskite solar cells, is attracting a lot of attention.  
(See pp. 21-22)



NSC coatings



Spiro-MeOTAD structure

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 to handle the increasing demand for 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.23)



(L) Overall view of the plant and office building completed in FY2022

(R) Shonan Health Innovation Park, in which Nippon Fine Chemical has facilities

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.



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.24)



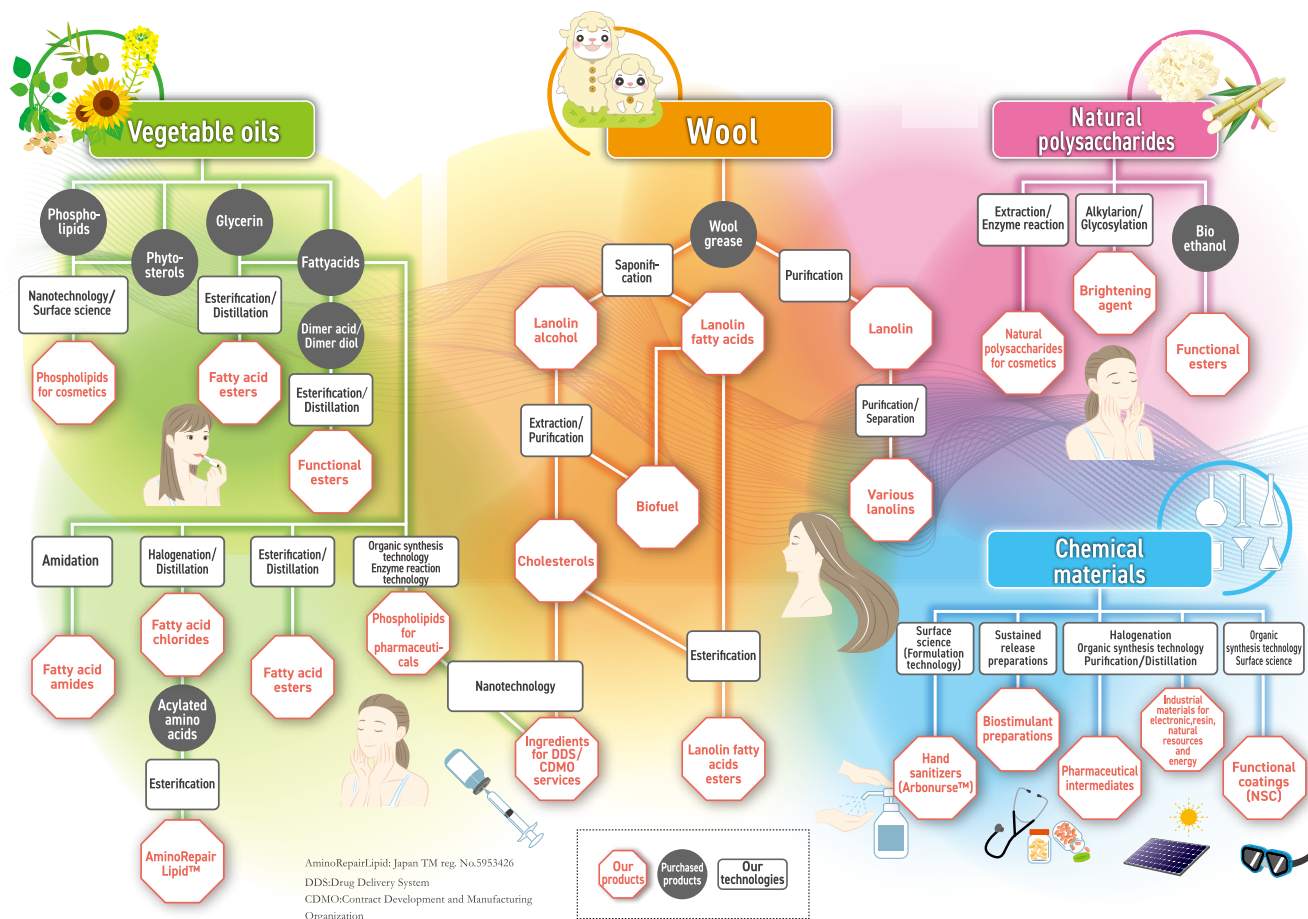
# Nippon Fine Chemical Group Businesses

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

## Business segments

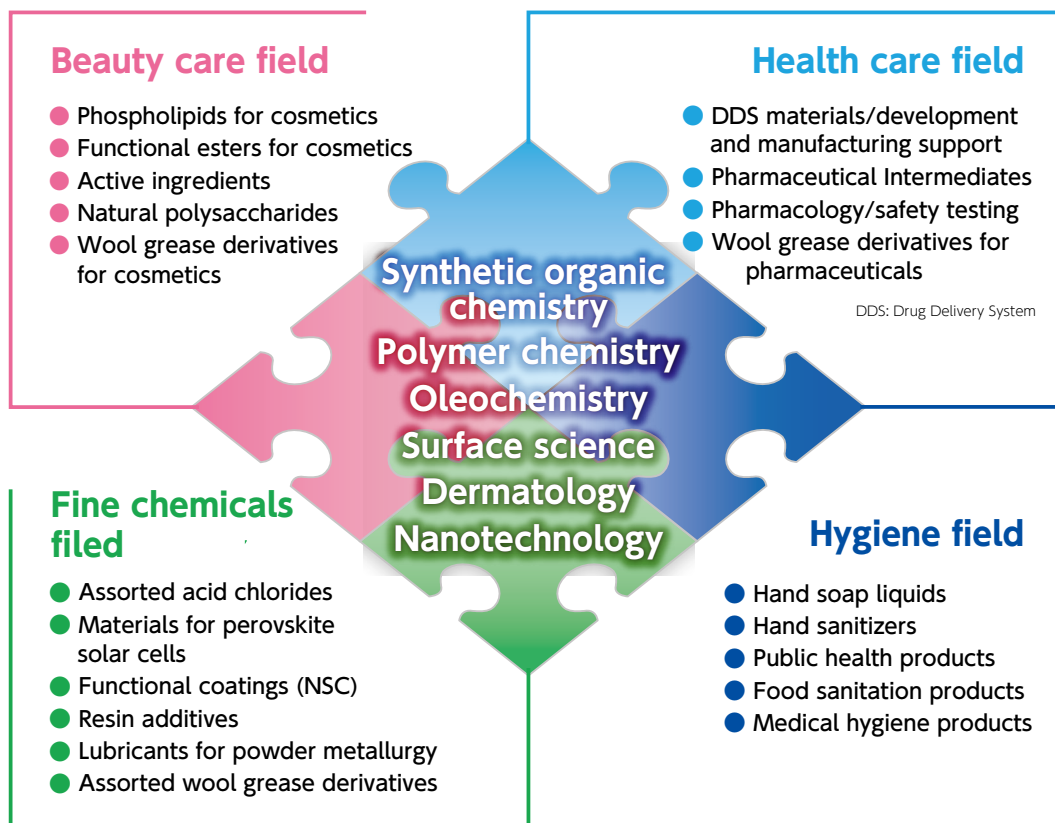
Business segments	Group companies	Business fields
Functional Products	<ul style="list-style-type: none"> <li>● NIPPON FINE CHEMICAL CO., LTD.</li> <li>● Nissei Bilis Co., Ltd.</li> <li>● Oleotrade International Co., Ltd.</li> <li>● NISSEI PLAS-TECH CORPORATION</li> <li>● Sichuan Nipo Fine Chemical Co., Ltd.</li> <li>● Zillion Fine Chemicals International Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Beauty care field</li> <li>Health care field</li> <li>Fine chemicals field</li> <li>Trading</li> </ul>
Environmental Hygiene Products	<ul style="list-style-type: none"> <li>● Arbos Co., Ltd.</li> </ul>	Hygiene field
Other	<ul style="list-style-type: none"> <li>● Nissei Bilis Co., Ltd.</li> </ul>	Real estate

## Core technologies that support our businesses

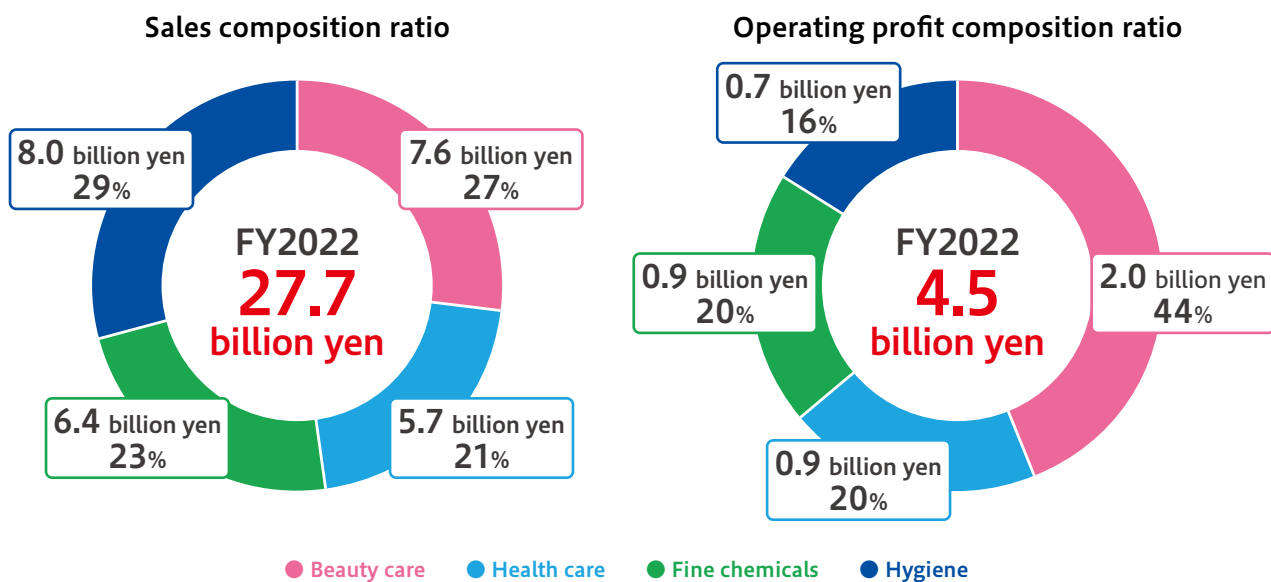




## Four key business fields



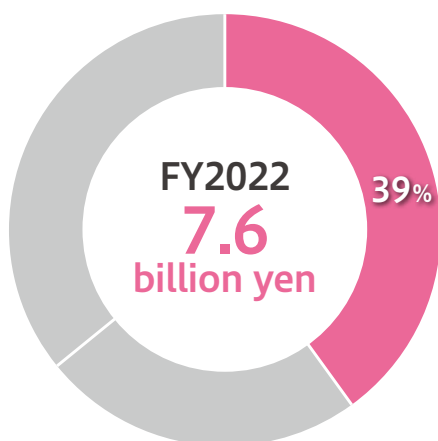
## Comparison of key business fields



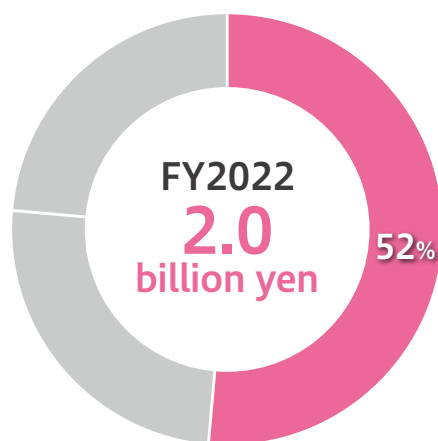
# Functional Products: Beauty Care Field

Sustaining KIREI, creating a society full of smiles.

Functional products segment  
Sales composition ratio



Functional products segment  
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 (boosting capital investment)
- Expansion of sales to overseas markets, especially the West and China, where high growth is expected
- Expanding sustainable products such as RSPO and non-GMO\*

\*RSPO: Roundtable on Sustainable Palm Oil (certification system)  
Non-GMO: Not genetically-modified organisms

## Phospholipids for cosmetics

### Main products

#### ●Liposome precursors

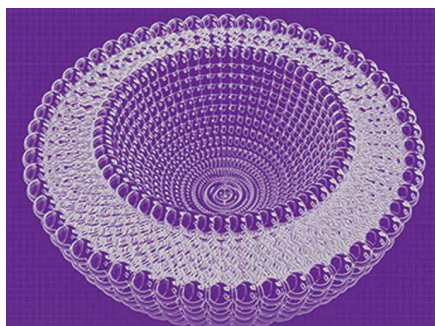
- Phytopresome™ series
- Presome™ series

#### ●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

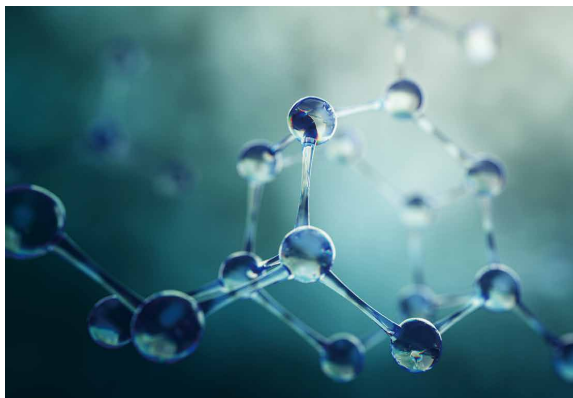
### Main products

#### ● Skin brightening agent

- Arbutin
- Ethyl ascorbic acid
- Tranexamic acid

#### ● Polysaccharides

- Tremella fuciformis polysaccharide Tremoist™ series
- Inulin-SC



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

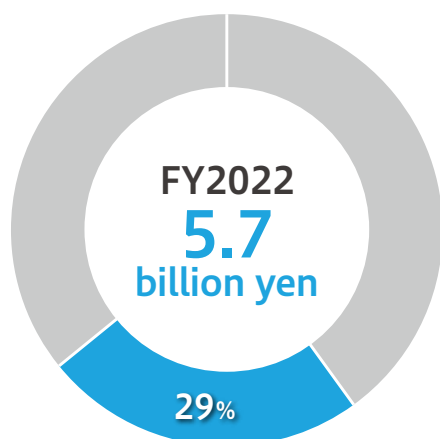
In skin brightening agents, our lineup covers the three types of Arbutin, Ethyl ascorbic acid which is a Vitamin C derivative, and Tranexamic acid. We offer support from prescription development to pharmaceutical applications to suit our customers' development concepts.

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.

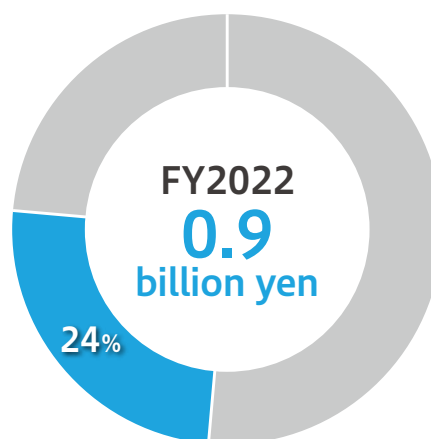
# Functional Products: Health Care Field

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

Functional products segment  
Sales composition ratio



Functional products segment  
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

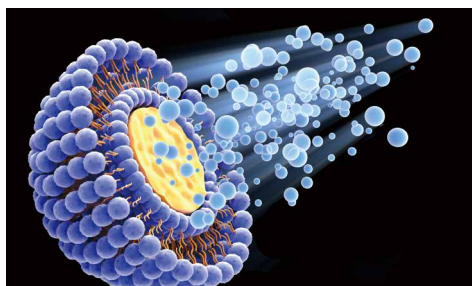
## Lipids and cholesterol for pharmaceuticals

### Main products

● A range of lipids for pharmaceuticals

- Phospholipids for pharmaceuticals
- High purity cholesterol
- Cationic lipids for nucleic acid medicines

Note: Supports GMP



At Nippon Fine Chemical, we manufacture a range of phospholipids for pharmaceuticals using our proprietary production process. One of our strengths is being able to manufacture high purity cholesterols in-house.

Our lipids are manufactured according to GMP, and 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 to our core products, we offer liposome materials that can easily carry out cationic lipid and drug repositioning, which are essential for the LNP formulations that gained note in the COVID-19 vaccine.

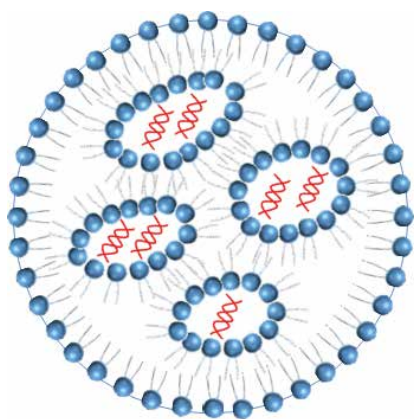
[Abbreviations] LNP : Lipid Nano Particle  
CDMO : Contract Development Manufacturing Organization  
GMP : Good Manufacturing Practice

## Support for the development and manufacture of pharmaceuticals

### Main products and services

#### ● DDS materials/CDMO services

- Presome™
- Liposome preparation studies
- LNP preparation studies



#### 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

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 lipid nanoparticle production technology as our base technology.

In addition to the liposome technology independently developed by Nippon Fine Chemical, 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 the field of nucleic acid pharmaceuticals.

We can respond to customer requests quickly.

## Pharmacology/safety testing

### Main services

- Drug efficacy pharmacology testing for pharmaceuticals
- Non-clinical testing of regenerative medicine products
- Safety testing/safety pharmacology testing
- 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.

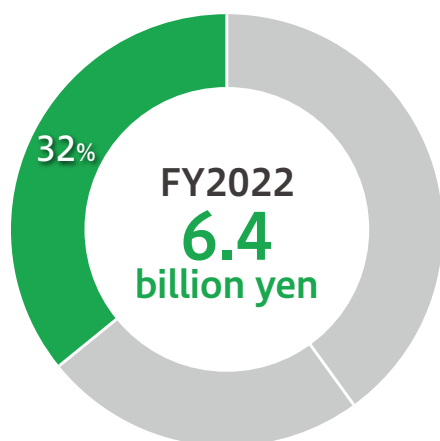
#### \*3Rs:

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

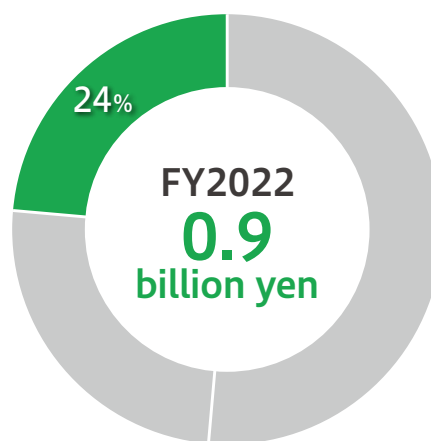
# Functional Products: Fine Chemicals Field

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

Functional products segment  
Sales composition ratio



Functional products segment  
Operating profit composition ratio



## Medium-term management plan Basic policy

In the fine chemicals field, we utilize our organic synthesis technologies in the two fields of electronics and resources/energy to offer a range of materials. The medium-term management plan is run in accordance with the following basic policy.

- Contributing to the commercialization of perovskite solar cells (Resources & Energy)
- Expansion of sales of materials for high dielectric constant resins used in next-generation communication technologies (Electronics)
- Reorganization of low-profit products

## Materials related to electronics and resource energy

### Main products

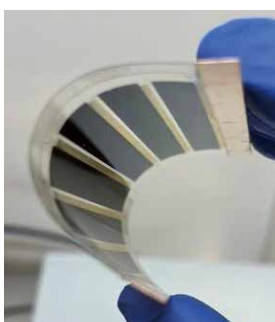
●Materials for perovskite solar cells

●A range of materials for engineering plastic  
- High-purity organic acid chloride

●Resin additives  
- Release agents, lubricants



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.

We will focus on the electronics market, where demand for products such as substrates for high-speed communication is expected to increase even further.

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.

## 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 (2020-2026)
- 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.

See: <https://www.nipponseika.co.jp/en/phospholipid/>





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 in any way. 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 field

### 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 Philosophies and Framework

## Basic sustainability policy

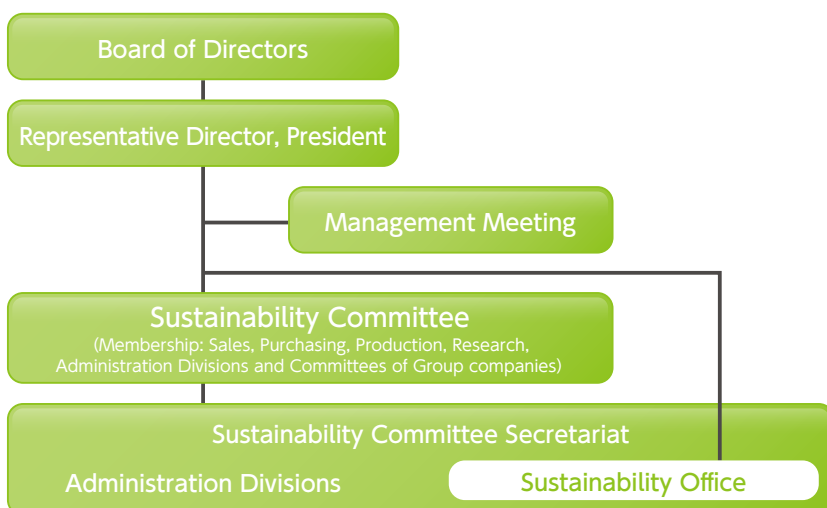
Our Management Philosophy of "Contributing to Society Through Chemistry" as well as the "Smiles on Faces: The Power of KIREI" in our long-term vision, the NFC VISION 2030, and our sub-concept of helping to sustain the three "KIREIs" of the Earth, society, and the future, form the basis of our basic sustainability policy, "Aiming for our sustainable growth and to bring about a sustainable society".

To carry out this basic policy properly, we have established a Sustainability Office and Sustainability Committee, set 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



We have established a Sustainability Committee, chaired by our Representative Director, President and composed of members selected from each division and Group company.

The Committee identifies materialities (key issues), plans out promotion activities, and manages progress. The progress results are reported to the Management Meeting and the Board of Directors, and the Board of Directors supervises the progress of activities. Operations are handled by the secretariat, which is Administration Divisions, and the Sustainability Office.

## Basic management policy on environment, safety, and quality

At Nippon Fine Chemical, we have set basic policies for the environment, safety, and quality as follows, and all employees independently and continuously make improvements based on these basic policies, fulfilling our social responsibility.

<b>Environment</b>	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 global environment.
<b>Safety</b>	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.
<b>Quality</b>	Nippon Fine Chemical will continue to provide quality products and services that satisfy customers and are reliable.

## Participation in initiatives and information disclosure

### Initiatives in line with TCFD recommendations

Nippon Fine Chemical uses raw materials derived from fossils and fossil fuel as energy sources in the manufacture of many of our products. Based on our recognition that risks and opportunities due to climate change are key management issues, in December 2021, we declared our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We are using scenario analysis to assess the risks and opportunities of the impact of climate change on our business. Going forward, we will recognize its significance, strengthen the resilience of our strategies by reflecting such impact in our management measures and strengthen relationships of trust with our stakeholders. In addition, we have joined the TCFD Consortium, and are working to collect and share information related to TCFD.

See: [https://www.nipponseika.co.jp/en/sustainability/pdf/tcfdreport\\_2023.pdf](https://www.nipponseika.co.jp/en/sustainability/pdf/tcfdreport_2023.pdf)



### Participation in the United Nations Global Compact

Nippon Fine Chemical supports 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), and continues striving to achieve them. (see p.29)



### Transition to the TSE Prime Market

In April 2022, Nippon Fine Chemical moved from the First Section to the Prime Market of the Tokyo Stock Exchange. With this, we actively began working on further strengthening our corporate governance and internal management system.



### Information disclosure on platforms

Nippon Fine Chemical discloses and shares financial and non-financial information on platforms such as CDP, EcoVadis, and Sedex, striving to increase our management transparency and build trusting relationships with our stakeholders.

#### CDP

This is an NGO run by a British charity organization for managing environmental impacts. Nippon Fine Chemical responded to their climate change questionnaire and their water security questionnaire in FY2022.



#### EcoVadis

This is a provider of rankings founded in France, and Nippon Fine Chemical obtained a Silver Medal in FY2022.



#### 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.



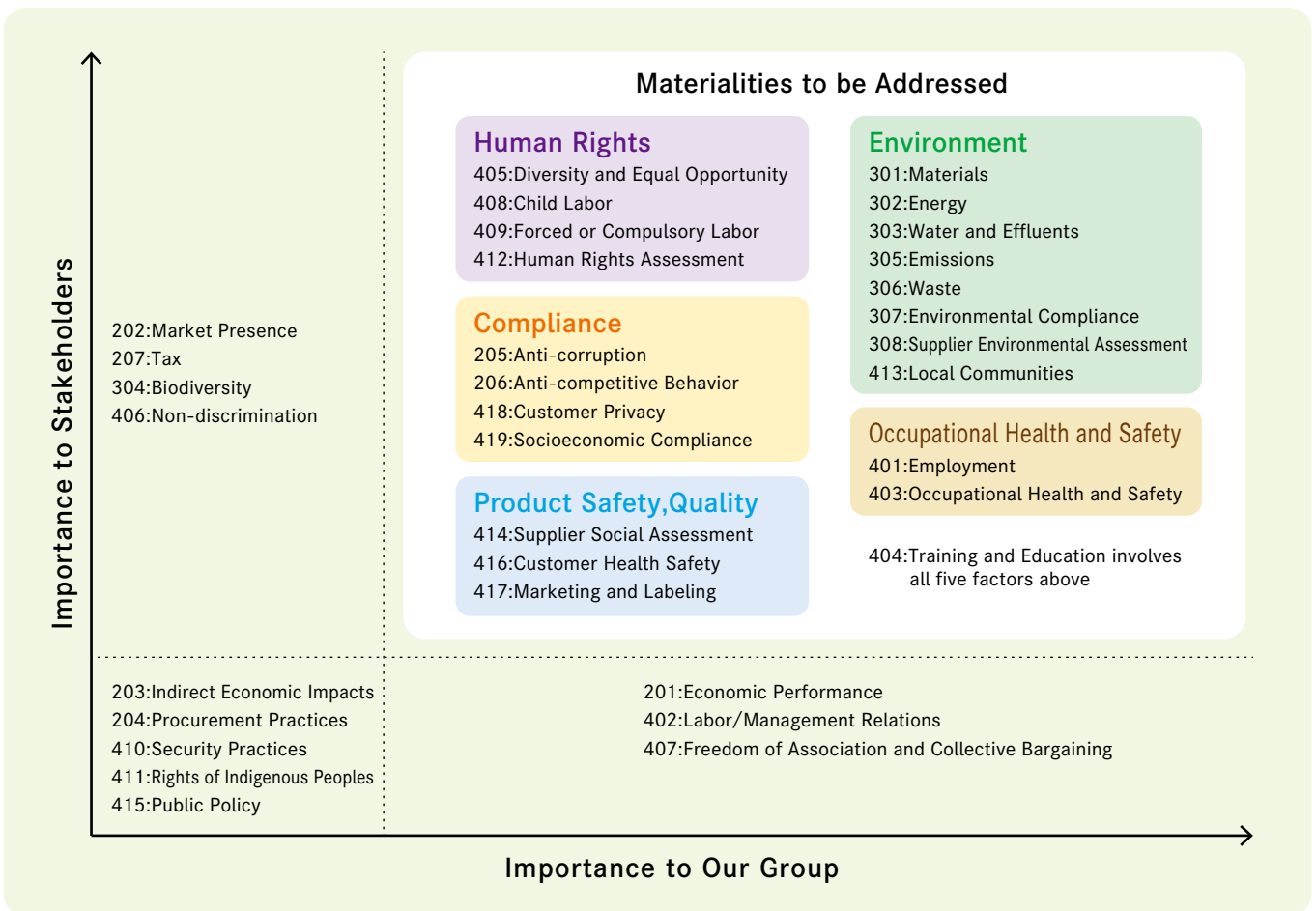
# Materialities

## Identifying materialities

At Nippon Fine Chemical, we identify materialities related to sustainability using the following steps.

1. Set the 34 GRI Standard items the basic materialities.
2. Create a matrix based on the two axes of "Importance to Stakeholders" and "Importance to Our Group."
3. Following discussions at the Sustainability Committee, the materialities are finally categorized into five elements (22 items), the "Materialities to be Addressed."

### Materialities matrix



## Initiatives and KPIs

The identified 22 materialities to be addressed are categorized into the three sub-concepts in Nippon Fine Chemical's long-term vision, "NFC VISION 2030", and then specific actions, KPIs (key performance indicators), and numerical goals have been set as shown in the table.

### NFC VISION 2030

#### KIREI of the future

Sustaining the KIREI of the future through diversity-driven innovation














#### KIREI of the Earth

Sustaining the KIREI of the Earth through sustainable manufacturing

#### KIREI of society

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

# Status of materiality initiatives for FY2022

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 FY 2027.	- Ratio of females in management: 0% - Ratio of female employees: 15% - Ratio of females in management and management candidate: 7%	 
	Be a workplace where people can work equally regardless of disability (KIREI of the future)	- Ratio of disabled people hired	- The goal is to have 2.3% or more ratio of disabled people hired by the end of FY 2023.	- Ratio of disabled people hired: 2.67%	 
	Achieve work-life balance by supporting child-rearing and long-term care (KIREI of the future)	- Ratio of child-care leave taken - Specific measures for long-term care	- The goal is to take 70% or more ratio of child-care leave by the end of FY 2025. - The specific measures for long-term care are considered.	- Ratio of child-care leave taken: 38%	
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 750 million yen of research and development investment in FY 2022. - The goal is to apply 75 patents over the five years between FY 2022 and 2026.	- Amount of R&D investment: 780 million yen - Number of patents: 16	 
	Reduce emissions of substances targeted by the PRTR System (KIREI of the Earth)	- Amount of emissions of substance targeted by the PRTR System	- With the aim to reduce the amount of movement by 50% or more compared to FY 2020 by the end of FY 2030, the specific studies are carried out.	- Amount of emissions of substance targeted by the PRTR System: 33% increase	 
	Contribute to achieving a carbon-neutral society (KIREI of the Earth)	- Amount of greenhouse gas emissions - Amount of renewable energy used	- The specific studies are carried out to meet the government target of reducing CO <sub>2</sub> emissions in the industrial sector by 38% of FY 2013 levels by 2030, based on the goal of achieving carbon neutrality by 2050. - The goal is to achieve 100% renewable energy for purchased electricity by the end of FY 2023.	- Amount of greenhouse gas emissions: 33% reduction - Amount of renewable energy used: 100%	 
	Reduce industrial waste and promote resource recycling (KIREI of the Earth)	- Amount of industrial waste generated - Recycling rate	- The specific studies are carried out to reduce the generated amount of industrial waste by 20% or more compared to FY 2019 by the end of FY 2030. - The specific studies are carried out to achieve 90% or more recycling rate by the end of FY 2030.	- Amount of industrial waste generated: 30% increase - Recycling rate: 69%	
	Strengthen the effective use of water resources (KIREI of the Earth)	- Amount of water used - Amount of effluent	- The specific studies are carried out to reduce the used amount of water by 10% or more compared to FY 2019 by the end of FY 2030. - The specific studies are carried out to reduce the amount of effluent by 10% or more compared to FY 2019 by the end of FY 2030.	- Amount of water used: 15% reduction - Amount of effluent: 18% reduction	
Compliance	Strengthen compliance (KIREI of society)	- Rate of compliance training session attendance	- The goal is to achieve 100% attendance rate of compliance training session.	- Rate of compliance training session attendance: 100%	
Occupational Health and Safety	Prevent workplace accidents and ensure health and safety for workers (KIREI of society)	- Number of workplace accidents - Rate of training session attendance (chemical substance, safety training) - Rate of stress check implementation	- The goal is to achieve zero occurrence of workplace accidents every fiscal year. - The goal is to achieve 100% attendance rate of trainee session for chemical substances/safety training, etc. every fiscal year. - The goal is to achieve 85% or more implementation rate of stress check every fiscal year.	- Number of workplace accidents: 6 - Rate of training session attendance (chemical substance, safety training): 100% - Rate of stress check implementation: 93%	 
Product Safety & 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: 45% reduction	

\*The goals and the performances are of Nippon Fine Chemical alone.

# 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.

## Initiatives

### 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.

We promote 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, based on our basic sustainability policy which aims to achieve both sustainable corporate growth and to bring about a sustainable society.

### Initiatives for Human Rights Due Diligence

The Nippon Fine Chemical 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

The Nippon Fine Chemical Group has specified the following eight priority risks. We shall work to be aware of the current situation and take such measures as many be needed. These priority risks will be continually revisited.

#### Priority risks

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

## 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 our employees' diverse values into account, we are developing systems that make it easier to work, such as bringing in a teleworking system or working interval system. In addition, we are working to develop a safe, secure, and comfortable workplace environment to allow our employees to make full use of their abilities.

### ■ Support for balance

By improving the quality of employees' work-life balance, we can increase engagement with work, which leads to company expansion. To that end, we are promoting initiatives towards supporting employees who work while balancing child-raising, caregiving, and so on.

## Freedom of association and the right to collective bargaining

At Nippon Fine Chemical, the Nippon Fine Chemical Workers' Union was formed in 1971 as an employees' union, and remains active today. About 76% of all employees are organized.

We are working to maintain and further strengthen sound, smooth labor-management relations through frequent dialogues and respecting each other's position.

## 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.

## Smile Farm (hiring the disabled)

Nippon Fine Chemical identifies hiring the disabled as one of the points in Diversity & Inclusion one of the goals of NFC VISION 2030, and is promoting their employment.

At the same time, we are a chemicals products plant, and 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.



# Environmental Preservation

## Basic ideas

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 ISO 14001 Environmental Management System (ISO14001:2015) certification, and are promoting environmental preservation through our business activities in accordance with specific environmental policies.

In addition, since obtaining certification, we have been inspected annually by the certification organization to confirm our compliance with standards, and we are working on ongoing improvements and effective activities.

## Environmental policy

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

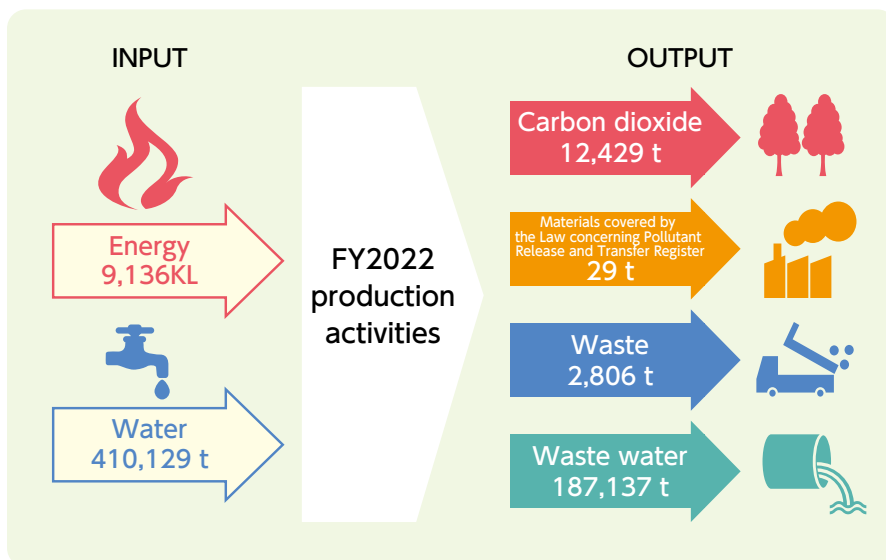
1. Our production is designed to understand and comply with environmentally-related laws and regulations, and ensure there are no serious effects on the environment in or outside our company.
2. We are reducing the usage of chemical substances that impact the environment and using raw materials that 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 FY2022 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.

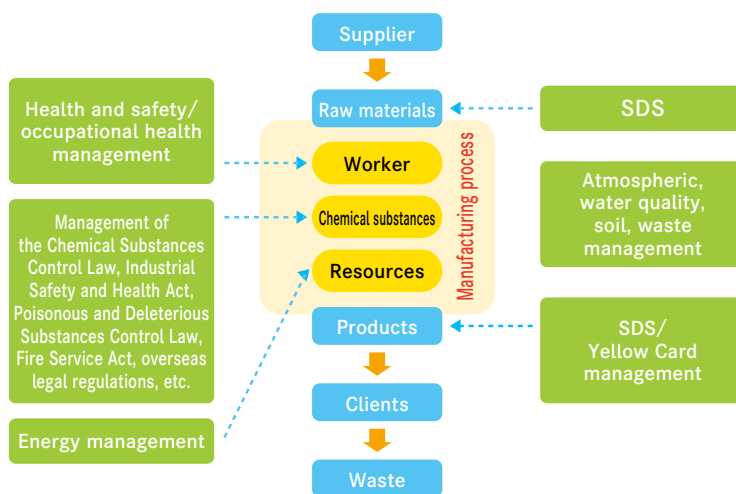




# Initiatives for the appropriate management of chemical substances

The manufacture and sale of chemical substances is governed by an extremely large set of laws and regulations, including the Chemical Substances Control Law, 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.



## Low concentration PCB waste treatment

For PCBs (polychlorinated biphenyls), which are hazardous substances, low-concentration PCBs are subject to the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes (PCB Special Measures Act), which requires that they be treated by March 31, 2027.

The waste contained PCBs held by Nippon Fine Chemical is stored and managed properly in accordance with this act, and we have been treating it appropriately.

Starting in September 2022, we began to remove low-concentration PCB waste remaining at our Takasago Plant. The final treatment was completed in February 2023. This work means that all PCB waste held by NFC has been treated.



Takasago Plant low-concentration PCB waste treatment work under way



Takasago Plant low-concentration PCB waste treatment work completed

# Initiatives to reduce environmental impacts

## GHG emissions

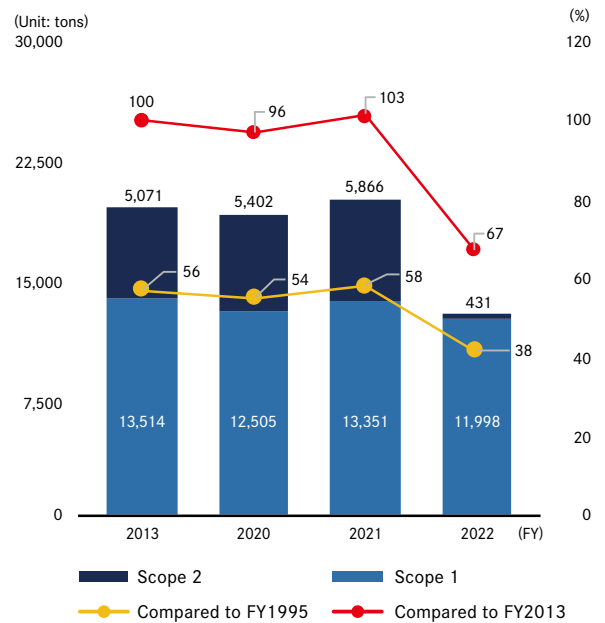
The greenhouse gases (GHG) emitted by Nippon Fine Chemical are largely carbon dioxide from our energy usage. Regarding Scope 1 and Scope 2, within the overall target of a 46% reduction from FY2013 of greenhouse gases in Japan by FY2030, industry is required to reduce its energy-based carbon dioxide emissions by 38%. Therefore, NFC has set a target of a 38% reduction by FY2030 over FY2013 in our own carbon dioxide emissions.

The graph shows Scope 1 and Scope 2 emissions as well as the emissions ratios based on FY1995, the year of the merger with Yoshikawa Oil and Fat Co., Ltd., and FY2013.

In FY2022, we switched to 100% renewable energy for our purchased energy, reducing Scope 2 emissions by around 5,400 tonnes year-on-year.

We achieved a 33% reduction compared to FY2013 in both Scope 1 and Scope 2 total emissions.

We now intend to calculate the supply chain emissions, including Scope 3, and work to reducing GHG emissions throughout the entire supply chain so that we can achieve carbon neutrality.



- 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)

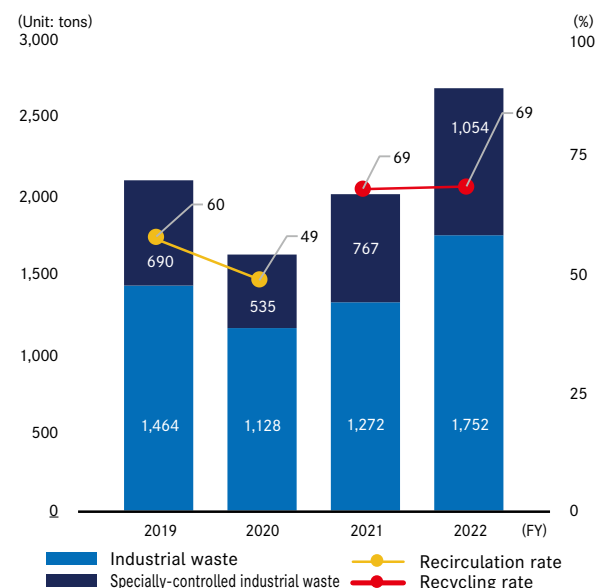
Note: Until FY2020, carbon dioxide emissions were calculated based on the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. From FY2021, they are based on the GHG Protocol Standard.

## Reducing waste, recycling

At Nippon Fine Chemical, we are working company-wide to promote the 3Rs (Reduce, Reuse, Recycle). The amount of waste we generated in FY2022 grew by 766 tonnes due to the increased production of specific products.

Normally, the ratio of generated industrial waste used for recycling has been shown as "Recirculation Rate." However, we have defined a new "Recycling Rate" that includes valuable resources, and so we are working to achieve at least a 90% recycling rate by the end of FY2030.

We shall continue to promote the reuse and conversion of waste solvents into valuable resources, strive to outsource processing that allows thermal and material recycling, and work to reduce emissions and improve our recycling rate.



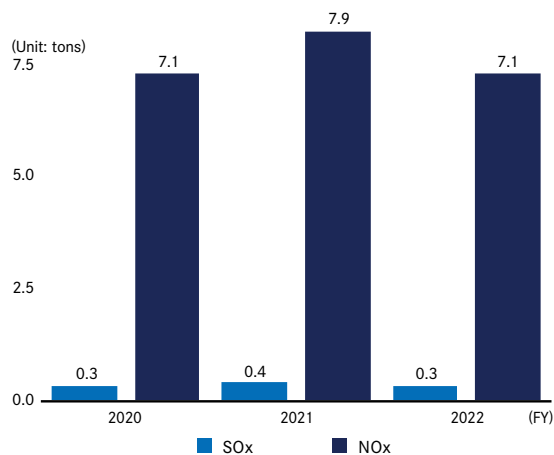
Recirculation rate: (Amount of recycled materials) / (Total amount of industrial waste generated)

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

## SOx and NOx emissions

For boiler emissions, we measure the amounts of sulfur oxides (SOx) and nitrogen oxides (NOx), and operate them to comply with the regulation values.

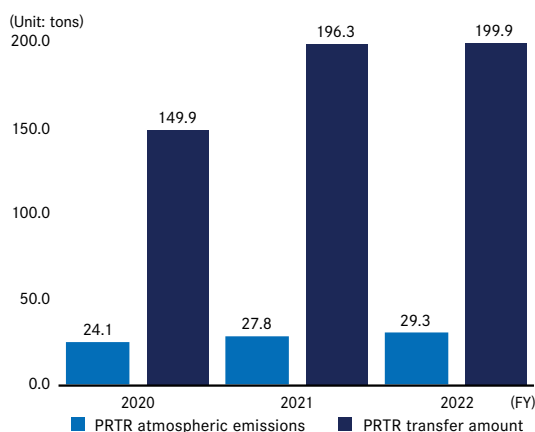
SOx have been dropping since our switch from heavy oil to city gas started in 2016. We are maintaining our low emission levels of NOx.



## Emissions of substances covered by 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 have promoted the effective use of idle equipment, machinery maintenance, and the conversion of waste into valuable resources, as well as worked to reduce our atmospheric emissions and transfer amount. However, in FY2022 our emissions were 1.5 tonnes higher, and transfer amount 3.6 tonnes higher, due to the increase in production of specific products.

We shall continue to strengthen management still further, working to reduce our emissions and transfer amounts.

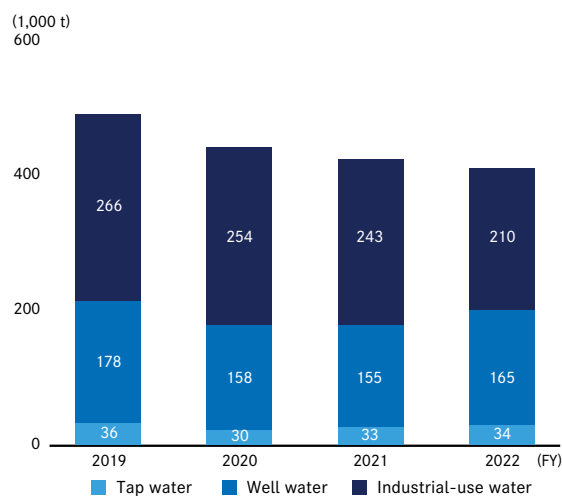


\*Substances covered by the PRTR system: Chemical substances as defined by law that may be harmful to human health or the ecosystem.

## Amount of water used

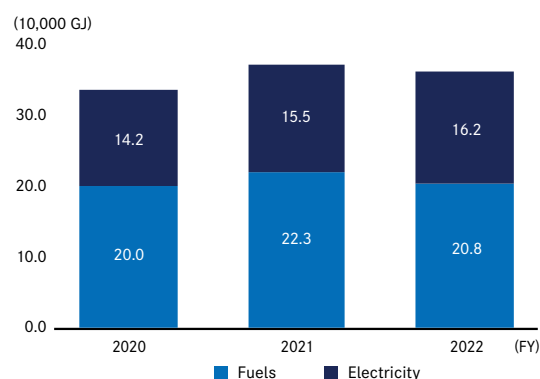
Our water sources include tap water, well water, and industrial-use water. Waste water from our plants is treated at waste water treatment facilities and then discharged into public water bodies and sewers.

We have brought in recover and reuse systems for steam drain water and cooling water in plants, and by skipping the washing step in our manufacturing processes and bringing in boiler wastewater neutralization equipment, we have been able to use water more efficiently, reducing our water intake in FY2022 by 21,000 tonnes year-on-year.



## Amount of energy used

Nippon Fine Chemical is working on reducing energy usage through environmental management programs. We have updated our high-efficiency steam boilers, strengthened management of steam traps, and worked to reinforce maintenance of steam piping and so on, achieving results in reducing energy consumption. Moreover, we are actively using low-power, high-efficiency motors and inverters, updating to high-efficiency freezers, and replacing bulbs with LEDs as ways to reduce the amount of electricity we use.



# Environmentally-Friendly Product Development

## Basic Ideas

At Nippon Fine Chemical, we have specified our basic policy regarding quality<sup>p25</sup>, and all employees will carry out constant, autonomous, sustained improvements based on this policy, fulfilling our social responsibility.

## 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.

We obtained ISO 9002 in 1996, and, following the later move to ISO 9001, have extended the number of covered products. In March 2023, we completed extending application at the Kakogawa-higashi Plant and the Takasago Plant, which means all Nippon Fine Chemical products are now managed in accordance with ISO 9001 requirements.

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.

In the fields of pharmaceuticals and pharmaceutical intermediates, we assure quality by complying with GMP (Good Manufacturing Practice, a quality assurance system for pharmaceuticals) standards. We shall continue to maintain these high quality assurance systems, providing high-quality products into the future.

## Activities for product safety

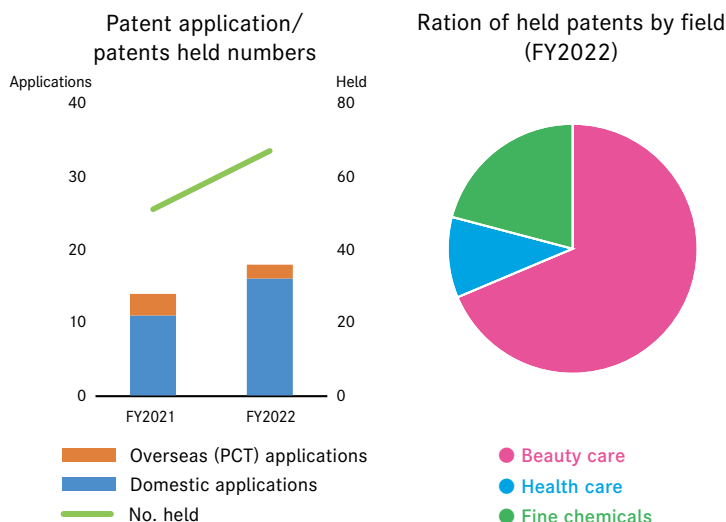
Nippon Fine Chemical prepares product safety data sheets (SDSs) in accordance with the Japanese Industrial Standards (JIS). In addition, for products that include substances covered by the labeling requirements of the Industrial Safety and Health Act, we use the Globally Harmonized System of Classification 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 intellectual property

At Nippon Fine Chemical, we have established an Intellectual Property Oversight Committee, which works with the 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 FY2022 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.



# Product development

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

## Research and development using renewable raw materials with low environmental impact

### ■ RSPO certification

Nippon Fine Chemical has a strong focus on research and development of raw materials for cosmetics that use plant-derived raw materials, and already provides a large number of such products.

In particular, our products made using palm oil obtained RSPO certification in June 2020, certifying their sustainable production and use, and we are working on increasing the number of compliant products.



### ■ 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.



Nippon Fine Chemical's lanolin mascots

## Development of non-GMO products

As progress is being made on developing products that use plant-derived raw materials as a way to bring about a sustainable society, we are actively working on the development of non-GMO products from a desire to ensure environmental and biological safety. We are switching existing products to non-GMO equivalents, and promoting the development of new products that take non-GMO into account.



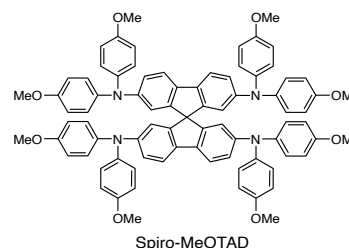
## Development of readily biodegradable products

We are focusing on the development of environmentally-friendly products such as those that do not remain in the environment even when discarded. People are paying close attention to the environmental impact of plastic waste. Scrubbing agents that are used as skin cleansers to remove dirt and excess sebum from the skin are made with amides rather than plastics. We also develop highly biodegradable products made using phospholipids from natural sources.

## 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. They are expected to be used for multiple applications due to being thin, light, and very flexible, nor requiring as much installation space as older types.

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



## The MATSURI environmentally-sustainable industrial creation project



We are an industry-structuring partner with MATSURI, which is a project to create environmentally-sustainable industries based on algae, run by Chitose Laboratory Corp. MATSURI is a project that brings together companies to create new industries that utilize algae in order to bring about a carbon-neutral society. In promoting the search and evaluation of algae-based materials and the development and sale of algae-based materials and products such as sustainable raw materials for cosmetics or distinctive chemical products, we will provide values that support the health and beauty of people, and prosperous lifestyles, with the goal of being a vital part of society.

# Compliance and Labor Environment

## Compliance

The Nippon Fine Chemical Group positions compliance as one of our most crucial issues. To ensure compliance, we have established our Code of Ethics, which 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.

In addition, we distribute a handbook on Code of Ethics to all officers and employees, and get them to read this when they join the company and annually thereafter. This is one of the ways in which we carry out continual education to ensure that what the Nippon Fine Chemical Group thinks is normal does not stray from what society thinks is normal.



### Fostering an awareness of compliance

Nippon Fine Chemical carries out training on compliance and ethics to fostering an awareness of compliance among officers and employees.

- Ethics education during on-boarding training
- Listing cases of compliance violations on the internal intranet (quarterly)
- Workplace discussions on cases of non-compliance (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.

### Relations with suppliers

Nippon Fine Chemical has established the basic purchasing policy shown to the right, 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 green procurement 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

When selecting and evaluating business partners, we assess quality, delivery time, price, service, reliability, safety, etc. in a comprehensive manner.

##### (3) Legal compliance and rejection of antisocial organizations

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

##### (4) Green procurement

We conduct purchasing operations based on resource protection and environmental protection in the selection of purchases.

##### (5) Promotion of CSR procurement

We strive to fulfill our social responsibilities by working on CSR throughout the supply chain, including business partners involved in our business activities, promoting CSR procurement.

# Labor environment

## Basic ideas

Nippon Fine Chemical considers our basic safety policy to be continuing to operate free of accidents or disasters, ensuring the safety of our employees and the local communities, clarifying product properties and handling methods, and protecting the health and safety of all people using our products, including our customers, and to that end, we are engaged in the following activities.

## 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.



BCP evacuation drill (held at Takasago Plant, Jan 11, 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 ProductivY" 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

Three workplace accidents requiring at least one day of leave happened in 2022. Following the five workplace accidents requiring at least one day of leave that happened in 2021, safety supervisors 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.

These efforts have helped ensure that, as of the end of September 2023, there have been no accidents causing lost time.

#### Lost-time accident rate

	CY2020	CY2021	CY2022	January - September 2023
NIPPON FINE CHEMICAL	0.00	8.35	6.36	0.00
All industries	1.95	2.09	2.06	—
Chemicals industry	0.93	1.07	1.16	—

Lost-time accident rate = 1,000,000 x (number of lost-time accident victims) / (total hours worked)

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.

# Outline of Consolidated Financials Over the Last Decade

	FY2013	FY2014	FY2015	FY2016	
<b>Profit and Loss (MY)</b>					
Net sales	24,528	25,865	25,867	25,153	
Operating profit	1,584	2,094	2,383	2,369	
Ordinary profit	1,907	2,307	2,611	2,560	
Profit attributable to owners of parent	1,129	1,422	1,799	1,815	
<b>Financial status (financial year-end data, MY)</b>					
Total assets	33,860	36,841	37,924	40,066	
Equity	26,674	29,748	30,733	32,846	
<b>Cash flow (MY)</b>					
Cash flows from operating activities	1,943	3,038	2,070	2,851	
Cash flows from investing activities	557	△ 348	△ 1,081	△ 1,135	
Cash flows from financing activities	△ 512	△ 561	△ 593	△ 621	
Cash and cash equivalents at end of period	3,208	5,417	5,766	6,837	
<b>Other (MY)</b>					
Capital investment amount (tangible)	487	348	1,552	991	
Depreciation	1,122	1,017	1,003	1,028	
R&D expenses	466	467	535	555	
<b>Indices</b>					
Operating profit ratio (%)	6.5	8.1	9.2	9.4	
Return on equity (ROE) (%)	4.4	5.1	6.1	5.8	
Equity-to-asset ratio (%)	78.8	78.6	79.2	80.3	
Net income per share (JPY)	47.57	59.88	75.76	76.45	
Net assets per share (JPY)	1,123.17	1,219.50	1,263.99	1,354.12	
Dividends per share (JPY/year)	20	21	23	23	
Dividend payout ratio (consolidated) (%)	42.0	35.1	30.4	30.1	
Overseas sales ratio (%)	22.3	24.6	22.3	20.1	
Number of employees (persons)	581	583	585	594	
<b>Performance by business segment (MY)</b>					
Industrial products business	Net sales	17,869	19,079	18,551	17,772
	Operating profit	971	1,472	1,708	1,659
	Operating profit ratio (%)	5.4	7.7	9.2	9.3
Household products business	Net sales	5,679	5,737	6,246	6,438
	Operating profit	492	446	494	519
	Operating profit ratio (%)	8.7	7.8	7.9	8.1
Real estate	Net sales	362	396	389	*The real estate
	Operating profit	111	113	142	
	Operating profit ratio (%)	30.8	28.6	36.6	
Other	Net sales	620	654	682	944
	Operating profit	10	64	39	192
	Operating profit ratio (%)	1.7	9.8	5.7	20.3
Total	Net sales	24,528	25,865	25,867	25,153
	Operating profit	1,584	2,094	2,383	2,369
	Operating profit ratio (%)	6.5	8.1	9.2	9.4



FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
27,598	28,084	29,047	30,509	33,448	36,838
2,749	3,199	3,641	3,939	4,881	5,057
2,902	3,503	3,920	4,154	5,127	5,389
2,014	2,303	2,621	2,758	3,472	4,079
46,118	48,214	47,561	53,265	54,807	56,672
36,449	37,093	37,749	42,116	43,732	45,266
3,626	3,434	3,061	4,698	2,285	1,439
△ 541	△ 598	△ 1,817	△ 2,418	△ 2,741	△ 1,779
△ 609	△ 741	△ 894	△ 874	△ 1,399	△ 3,320
9,329	11,411	11,720	13,187	11,410	7,766
699	1,379	1,676	2,228	2,716	2,575
976	1,107	1,205	1,064	1,070	950
609	675	717	712	824	893
10.0	11.4	12.5	12.9	14.6	13.7
5.9	6.3	7.0	6.9	8.1	9.2
77.5	76.9	79.4	79.1	79.8	79.9
84.83	96.98	110.37	116.17	146.32	174.42
1,504.66	1,562.03	1,589.64	1,773.54	1,851.84	1,984.58
28	30	33	35	54	57
33.0	30.9	29.9	30.1	36.9	32.7
21.8	20.2	21.9	21.4	24.8	25.2
606	631	665	671	684	717
19,931	20,323	20,573	19,306	23,601	27,184
1,956	2,401	2,748	2,293	3,622	3,959
9.8	11.8	13.4	11.9	15.3	14.6
6,606	6,686	7,337	10,070	8,646	8,272
522	540	620	1,423	928	675
7.9	8.1	8.4	14.1	10.7	8.2
business segment has been incorporated under Other as of FY2016					
1,062	1,075	1,137	1,134	1,201	1,382
271	259	274	223	333	424
25.5	24.0	24.1	19.7	27.7	30.6
27,598	28,084	29,047	30,509	33,448	36,838
2,749	3,199	3,641	3,939	4,881	5,057
10.0	11.4	12.5	12.9	14.6	13.7

# Financial Statements

## Consolidated balance sheet

	(Unit: Millions of JPY)			(Unit: Millions of JPY)	
	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)		Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and deposits	12,862	<b>8,937</b>	Notes and accounts receivable- trade	3,928	<b>4,256</b>
Notes and accounts receivable- trade	8,703	<b>8,855</b>	Accounts payable - other	757	<b>839</b>
Merchandise and finished goods	3,087	<b>4,001</b>	Income taxes payable	985	<b>607</b>
Work in process	2,116	<b>2,290</b>	Provision for bonuses	778	<b>717</b>
Raw materials and supplies	3,216	<b>4,718</b>	Provision for bonuses for directors (and other officers)	92	<b>79</b>
Other	239	<b>788</b>	Provision for environmental measures	61	-
Allowance for doubtful accounts	△2	△0	Accounts payable - facilities	362	<b>459</b>
Total current assets	30,224	<b>29,590</b>	Other	646	<b>655</b>
<b>Non-current assets</b>			Total current liabilities	7,611	<b>7,615</b>
Property, plant and equipment			<b>Non-current liabilities</b>		
Buildings and structures	11,548	<b>14,960</b>	Deferred tax liabilities	2,267	<b>2,655</b>
Accumulated depreciation	△8,043	△8,223	Provision for environmental measures	117	-
Buildings and structures, net	3,505	<b>6,737</b>	Retirement benefit liability	111	<b>144</b>
Machinery, equipment and vehicles	14,359	<b>14,401</b>	Long-term accounts payable - other	15	<b>15</b>
Accumulated depreciation	△13,043	△13,115	Long-term guarantee deposits	103	<b>102</b>
Machinery, equipment and vehicles, net	1,315	<b>1,285</b>	Asset retirement obligations	9	<b>9</b>
Land	3,644	<b>3,719</b>	Other	11	<b>27</b>
Construction in progress	3,775	<b>1,794</b>	Total non-current liabilities	2,635	<b>2,955</b>
Other	3,312	<b>3,535</b>	<b>Total liabilities</b>	10,247	<b>10,571</b>
Accumulated depreciation	△2,780	△2,845	<b>Net assets</b>		
Other, net	532	<b>690</b>	<b>Shareholders' equity</b>		
Total property, plant and equipment	12,772	<b>14,227</b>	Share capital	5,933	<b>5,933</b>
Intangible assets	307	<b>521</b>	Capital surplus	6,803	<b>6,821</b>
Investments and other assets			Retained earnings	25,790	<b>28,513</b>
Investment securities	11,205	<b>12,017</b>	Treasury shares	△1,296	△3,171
Retirement benefit assets	26	<b>67</b>	Total shareholders' equity	37,230	<b>38,097</b>
Other	271	<b>247</b>	<b>Accumulated other comprehensive income</b>		
Total investments and other assets	11,503	<b>12,332</b>	Valuation difference on available-for-sale securities	5,784	<b>6,469</b>
Total non-current assets	24,583	<b>27,081</b>	Deferred gains or losses on hedges	34	<b>3</b>
<b>Total assets</b>	54,807	<b>56,672</b>	Foreign currency translation adjustment	675	<b>697</b>
			Remeasurements of defined benefit plans	6	△1
			Total accumulated other comprehensive income	6,501	<b>7,169</b>
			<b>Non-controlling interests</b>	828	<b>834</b>
			<b>Total net assets</b>	44,560	<b>46,101</b>
			<b>Total liabilities and net assets</b>	54,807	<b>56,672</b>

## Consolidated statement of income and comprehensive income

(Unit: Millions of JPY)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
<b>Net sales</b>	33,448	<b>36,838</b>
<b>Cost of sales</b>	23,170	<b>25,882</b>
<b>Gross profit</b>	10,278	<b>10,956</b>
<b>Selling, general and administrative expenses</b>	5,396	<b>5,899</b>
<b>Operating profit</b>	4,881	<b>5,057</b>
<b>Non-operating income</b>		
Interest income	29	<b>34</b>
Dividend income	235	<b>297</b>
Miscellaneous income	38	<b>41</b>
Total non-operating income	303	<b>373</b>
<b>Non-operating expenses</b>		
Interest expenses	1	<b>1</b>
Foreign exchange losses	56	<b>22</b>
Miscellaneous losses	0	<b>17</b>
Total non-operating expenses	58	<b>40</b>
<b>Ordinary profit</b>	5,127	<b>5,389</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	37	<b>81</b>
Gain on sale of investment securities	0	<b>212</b>
Total extraordinary income	37	<b>294</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	54	<b>24</b>
Impairment losses	89	<b>-</b>
Loss on sale of investment securities	2	<b>16</b>
Total extraordinary losses	147	<b>40</b>
<b>Profit before income taxes</b>	5,017	<b>5,643</b>
<b>Income taxes - current</b>	1,444	<b>1,383</b>
<b>Income taxes - deferred</b>	9	<b>94</b>
<b>Total income taxes</b>	1,454	<b>1,477</b>
<b>Profit</b>	3,562	<b>4,165</b>
<b>Profit attributable to</b>		
Profit attributable to owners of parent	3,472	<b>4,079</b>
Profit attributable to non-controlling interests	90	<b>85</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	△890	<b>684</b>
Deferred gains or losses on hedges	29	<b>△34</b>
Foreign currency translation adjustment	406	<b>29</b>
Remeasurements of defined benefit plans	9	<b>△7</b>
Total other comprehensive income	△444	<b>671</b>
<b>Comprehensive income</b>	3,118	<b>4,836</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	2,927	<b>4,747</b>
Comprehensive income attributable to non-controlling interests	190	<b>89</b>

## Consolidated statement of changes in shareholders' equity

### ■ Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022) (Unit: Millions of JPY)

	Shareholders' equity					Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of period	5,933	6,803	23,358	△1,025	35,069		
Changes during period							
Dividends of surplus			△1,032		△1,032		
Profit attributable to owners of parent			3,472		3,472		
Purchase of treasury shares				△271	△271		
Employee welfare benefit fund			△7		△7		
Net changes in items other than shareholders' equity							
<b>Total changes during period</b>	–	–	2,432	△271	2,160		
<b>Balance at end of period</b>	5,933	6,803	25,790	△1,296	37,230		

	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	6,675	7	365	△3	7,046	730	42,846
Changes during period							
Dividends of surplus							△1,032
Profit attributable to owners of parent							3,472
Purchase of treasury shares							△271
Employee welfare benefit fund							△7
Net changes in items other than shareholders' equity	△890	26	310	9	△544	97	△447
<b>Total changes during period</b>	△890	26	310	9	△544	97	1,713
<b>Balance at end of period</b>	5,784	34	675	6	6,501	828	44,560

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

	Shareholders' equity					Non-controlling interests	Total net assets
	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							
<b>Total changes during period</b>	–	18	2,722	△1,874	866		
<b>Balance at end of period</b>	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
<b>Total changes during period</b>	684	△31	22	△7	667	6	1,540
<b>Balance at end of period</b>	6,469	3	697	△1	7,169	834	46,101

# Consolidated statement of cash flows

(Unit: Millions of JPY)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,017	5,643
Depreciation	1,070	950
Impairment losses	89	–
Increase (decrease) in allowance for doubtful accounts	1	△1
Increase (decrease) in retirement benefit liability	△20	33
Decrease (increase) in retirement benefit assets	△26	△40
Interest and dividend income	△265	△331
Interest expenses	1	1
Foreign exchange losses (gains)	△8	△6
Loss (gain) on sales of investment securities	2	△195
Loss (gain) on sale and retirement of property, plant and equipment	17	△57
Decrease (increase) in trade receivables	△757	△147
Decrease (increase) in inventories	△1,816	△2,586
Increase (decrease) in guarantee deposits received	4	△0
Increase (decrease) in trade payables	△62	361
Other	△38	△757
Subtotal	3,207	2,864
Interest and dividends received	265	331
Interest paid	△1	△1
Income taxes paid	△1,185	△1,756
Net cash provided by (used in) operating activities	2,285	1,439
<b>Cash flows from investing activities</b>		
Payments into time deposits	△96	–
Proceeds from withdrawal of time deposits	–	290
Purchase of property, plant and equipment	△2,813	△2,606
Proceeds from sale of property, plant and equipment	143	286
Purchase of intangible assets	△14	△150
Purchase of investment securities	△1	△1
Proceeds from sale of investment securities	40	401
Net cash provided by (used in) investing activities	△2,741	△1,779
<b>Cash flows from financing activities</b>		
Dividends paid	△1,032	△1,346
Dividends paid to non-controlling interests	△90	△79
Purchase of treasury shares	△271	△1,885
Other	△4	△8
Net cash provided by (used in) investing activities	△1,399	△3,320
Effect of exchange rate change on cash and cash equivalents	78	16
Net increase (decrease) in cash and cash equivalents	△1,776	△3,644
Cash and cash equivalents at beginning of period	13,187	11,410
Cash and cash equivalents at end of period	11,410	7,766

# Human Resources Information

## ■ Employees

Indices	FY2020	FY2021	FY2022
Number of employees	372 persons	386 persons	416 persons
Percentage of female employees	15.6%	15.8%	16.6%
Average age/average years of service of full-time employees	40.1 years old/ 13.8 years	40.0 years old/ 13.5 years	39.6 years old/ 12.7 years
Percentage of females in management positions	0.0%	0.0%	0.0%
Percentage of females in management positions and candidates for management positions among full-time employees	4.4%	6.0%	7.0%

## ■ Recruitment/Promotion to full-time employee

Indices	FY2020	FY2021	FY2022
Percentage of female employees	19.4%	23.5%	26.8%
Percentage of female employed as full-time employees	14.7%	16.1%	18.6%
Ratio of mid-career employees among full-time employees	73.5%	77.4%	81.4%
Number of people promoted from contract employees to full-time employees	1 person	1 person	2 persons
Number of dispatch employees promoted to full-time employees	2 persons	0 person	1 person

## ■ Work-life balance

Indices	FY2020	FY2021	FY2022
Total actual working hours per person per year	1,969.15 hours	1,991.02 hours	1,979.38 hours
Average overtime hours per month	15.34 hours	18.70 hours	18.96 hours
Number of paid leave days taken per person per year Annual paid leave take-up rate per person	11.5 days 67.6%	12.1 days 73.0%	13.6 days 82.4%
Number of people taking childcare leave (male/female)	0 person/2 persons	0 person/1 person	4 persons/2 persons
Number of people taking nursing care leave (male/female)	0 person/0 person	0 person/0 person	1 person/0 person

## ■ Lost-time accident rate

	CY2013	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023 January-September
Nippon Fine Chemical	4.55	0.00	2.31	2.15	2.08	0.00	1.87	0.00	8.35	6.36	0.00
All industries	1.58	1.66	1.61	1.63	1.66	1.83	1.80	1.95	2.09	2.06	—
Chemicals industry	0.82	0.76	0.81	0.88	0.81	0.90	0.94	0.93	1.07	1.16	—

Lost-time accident rate = 1,000,000 x (number of lost-time accident victims) / (total hours worked)

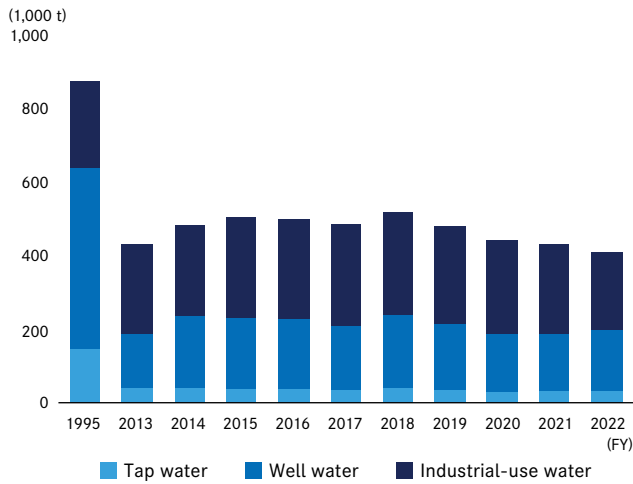
Nippon Fine Chemical: aggregate of lost-time accidents requiring at least one day off

Statistics from: January to December

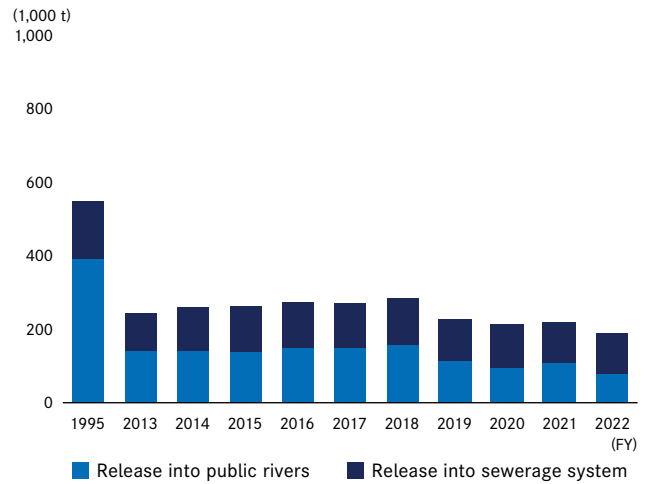
All industries/Chemicals industry: Taken from the occupational accident statistics on the Workplace Safety Website.

# Safety and Environment Information

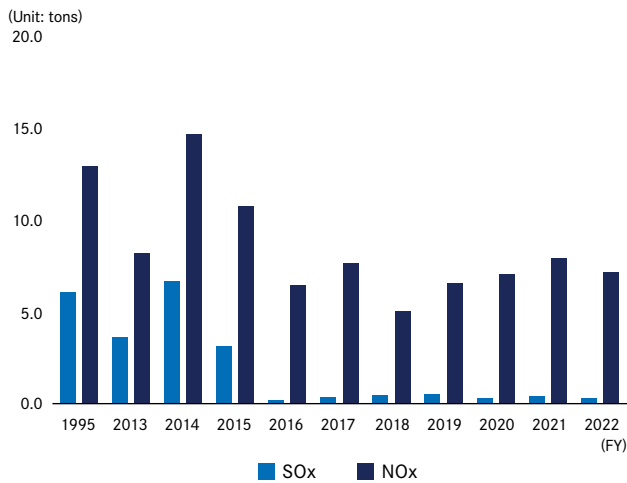
■ Amount of water used



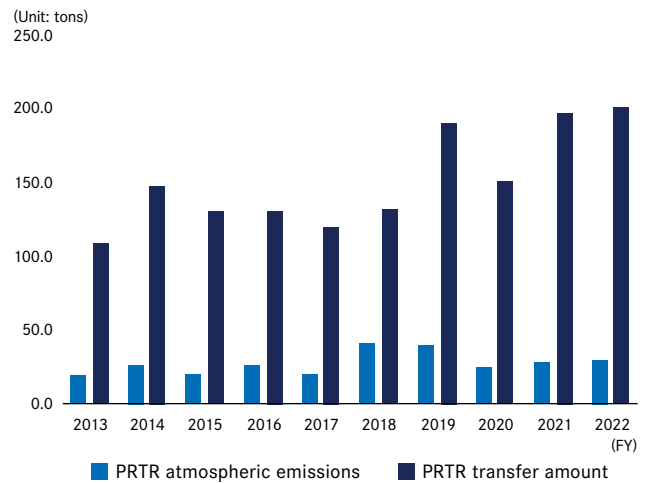
■ Amount of waste water



■ SOx and NOx emissions



■ PRTR transfer amount, emissions

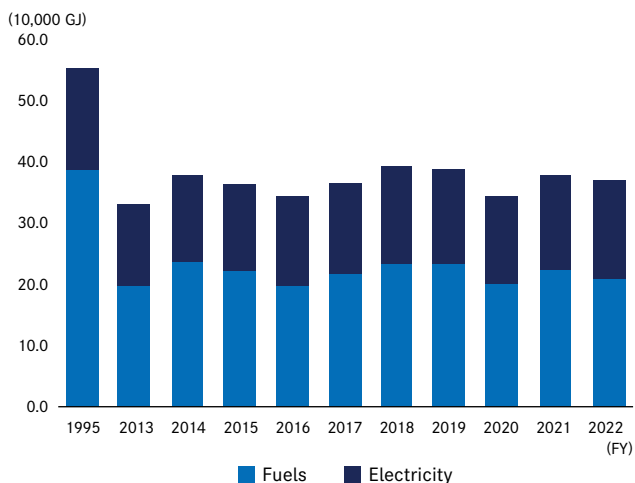


■ Changes in chemical substances with large amounts of atmospheric emissions (Unit: tons)

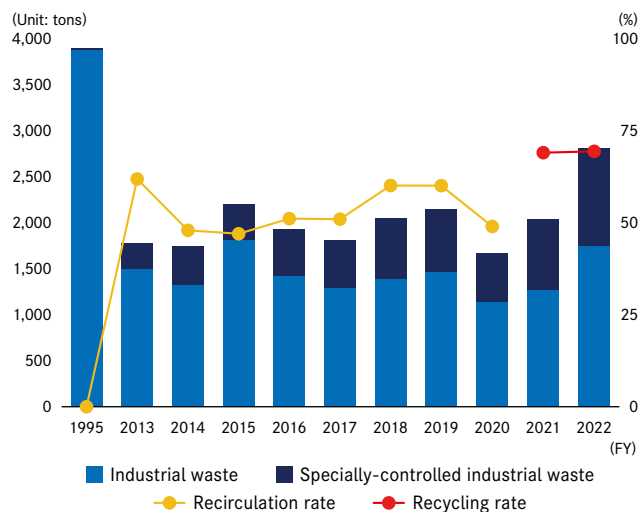
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Toluene	16.2	14.6	8.2	13.4	17.4	22.7	31.5	18.1	23.2	26.1
Chloroform	1.5	3.7	1.4	0.4	0.5	0.3	2.6	5.2	4.0	2.5
Chlorodifluoromethane	0.0	3.3	0.0	4.2	0.0	8.4	1.7	0.0	0.0	0.0
Dichloromethane	0.7	2.7	0.1	4.2	0.5	6.9	2.2	0.4	0.0	0.3



### Amount of energy used



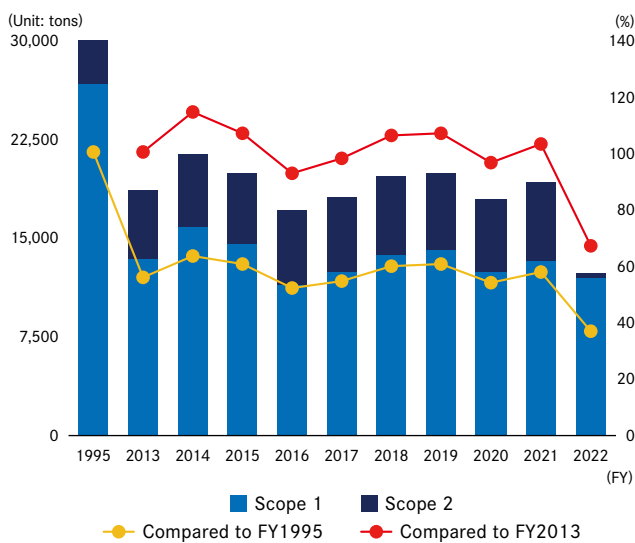
### Waste amounts and recirculation rate



Recirculation rate: (Amount of recycled materials) / (Total amount of industrial waste generated)

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

### GHG emissions



NFC  
VISION  
2030  
Smiles on Faces:  
The Power of KIREI



**NIPPON FINE CHEMICAL CO., LTD.**

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**Editorial Policy**

Previously, Nippon Fine Chemical has issued separate RC Reports, CSR Reports, and Sustainability Reports, but from this business year, we are merging these all into one integrated report. This report includes management strategies, a business overview, financial information, environmental, social, and governance information, and so on. We hope to take this opportunity 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**

FY2022 (April 2022 to March 2023)

Some data from FY2023 has also been included.

**Scope**

The primary information is regarding Nippon Fine Chemical alone. Within the four main business segments, the hygiene field is handled by Arbos Co., Ltd., a Group company, so this field has been omitted from the introduction to the individual fields in this report. In addition, it contains some information from Group companies covered by consolidation (Value Creation Stories, medium-term management plan businesses [Portfolio, Management Targets and Capital Policies], Nippon Fine Chemical Group businesses, and financial information). (as of March 31, 2023)

**Date of Issue**

March 2024

**Guidelines Used for Reference**

"International Integrated Reporting Framework," International Integrated Reporting Council (IIRC)

"Environmental Reporting Guidelines," Ministry of the Environment

**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.