

Ensuring We Continue to Earn Society's Trust

It is important that ISK Group continue to earn society's trust so that we can grow in a sustained manner. We established the Multi-Stakeholder Policy on February 1, 2023 to build an even better trust-based relationship with our stakeholders.

We place importance on giving back to our employees and giving consideration to our business partners from the perspective of both contributing to the realization of a sustainable society and increasing corporate value through our business. Therefore, we have put into place the following policies to achieve this.

Trust-Based Relationships with Employees

We will concentrate on maximizing added value through sustainable growth and productivity improvement by investing management resources in growth areas, and by developing and boosting our employees' skills.

We strive to continuously return the earnings and results we generate to our employees by increasing salaries at appropriate times and with appropriate methods based on the social conditions and the company's situation, creating an inspiring, fulfilling work environment, and actively nurturing human resources who are innovative and can provide value to society.

Collaboration with Business Partners

We have endorsed the aims of the "the council on promoting partnership building for cultivating the future" promoted by the Government of Japan, The Small and Medium Enterprise Agency, and other organizations, and have released a Declaration on Building Partnerships.

We will strive to ensure all our suppliers and business partners related to our products and services understand and comply with our initiatives, and we aim to build new partnerships by promoting cooperation, coexistence, and co-prosperity with all business partners. Thus, we will fulfill our corporate philosophy of contributing to a better society, life and environment through chemical technologies; respecting shareholders, customers, suppliers, local communities and employees; and abiding by laws and regulations and maintaining transparency in business activities.



Declaration of Partnership Building (in Japanese)

https://www.iskweb.co.jp/cms_QvjyqMOahIEeY67QUd5y4guNNOnpbLYc/wp-content/uploads/2023/01/20221227_f4899c59931190576547cfb6edae0e04.pdf

Communication with Shareholders and Investors

We will help realize a sustainable society through our business activities while building trust-based relationships with society by communicating with all stakeholders, not just customers, suppliers, and employees.

We've put in place structures to promote dialog with shareholders, and we are dedicated to providing continued stable return for shareholders.

1. We have an IR Committee, which reports directly to the president, as an entity charged with formulating the policies and strategies that guide our IR activities, studying how information should be disclosed, and implementing associated measures.
2. We've appointed a director in charge of public relations to oversee issues related to constructive dialog with shareholders and investors.
3. We hold financial result briefings twice a year in spring and fall to provide a forum for communication between top management and institutional investors. During individual interviews with institutional investors, IR officers engage in lively discussions on growth strategies for each of our businesses, shareholder returns, and other topics. Web-based briefings have replaced face-to-face briefings and become standard since the pandemic, making it possible to flexibly respond to interviews.

Trends in institutional investor IR coverage

	FY2018	FY2019	FY2020	FY2021	FY2022
Domestic investors	77	48	39	71	51
Overseas investors	14	19	9	19	21
Total	91	67	48	90	72

No. of participants in company orientations (including online participants since FY2020)

	FY2018	FY2019	FY2020	FY2021	FY2022
May	42	36	call off	35	35
November	39	32	22	38	34
Total	81	68	22	73	69

4. We work to provide the materials we disclose in both Japanese and English to make it convenient for shareholders and investors who don't speak Japanese to learn about our operations. Shareholders' meeting convocations are translated into English in their entirety, including business reports. Those materials are made available on our website, the website of the Tokyo Stock Exchange, and the electronic voting platform used by institutional investors. System for electronic provision of materials for General Meetings of Shareholders starting with our 2023 shareholders' meeting. Related materials are provided electronically and in print earlier than legally required.
5. We host an annual roundtable with major shareholders with voting rights about topics such as our business performance and Corporate Governance initiatives. In addition to reporting views and information from those events to the Board of Directors and sharing them with directors and members of the audit and supervisory board, we use them to improve our governance.



2023 ordinary general meeting of shareholders

Communication with the Local Community

Safety and Disaster Preparedness

Yokkaichi Plant

In preparation for emergencies, Yokkaichi Plant conducts annual joint drills with the plant's Self Disaster Team and the local fire department, which are open to the local residents.

In fiscal 2020 and 2021, due to the impact of COVID-19, we cancelled the joint training with the fire department and the public was, and conducted emergency drills in-house only. But in fiscal 2022, for the first time in three years, we restarted joint drills with the local fire department. We work to improve our level of disaster preparedness each year by adding new elements (such as the use of drones) to the drills.



Joint drill by ISK's Self Disaster Team and the local fire department

Central Research Institute

Comprehensive disaster drills are held for all personnel every September to raise awareness of disaster preparedness. After the drill, the fire department provides us with feedback so we can conduct more effective drills. In fiscal 2022, we erected a smoke house to simulate the fear of smoke and experience evacuation in the event of fire with the cooperation of the fire department, and participants learned how to protect themselves from smoke.



Evacuation drill using a smoke experience house

Community Cooperation Activities

Yokkaichi Plant

We hold regular plant tours twice a year and special classes for students from local junior high school to build further trust with the local community. In terms of social contribution activities, we voluntarily carry out clean-up activities around the plant, and we also place importance on local events and participate in various community-organized events.

Central Research Institute

Employees volunteer to clean up the surrounding area and assist the community association where our dormitory is located to actively communicate with the local community and promote understanding for our business activities.

Blood Drives



Japanese Red Cross Society Silver Achievement Award presentation

Our Head Office in Osaka and the Central Research Institute hold two blood drives each year, while the Yokkaichi Plant holds three blood drives each year. Between the three of them, the sites attract a total of about 100 donors for each drive. The blood drives have earned ISK letters of gratitude from the governor and from the local branch of the Japanese Red Cross Society. In 2023, the Yokkaichi Plant received a Silver Achievement Award from the Society's Mie Prefecture Branch, making the site one of just 5 corporations in the prefecture to be recognized with the honor and highlighting the extent of its contribution. ISK will continue to hold blood drives as part of its community service program.

Family Day 2022 Event

The Central Research Institute organized a Family Day for its employees and their families. The event offered a social gathering with business managers, workplace tours, a lecture on agrochemicals, and chemical experiment workshops. The day was a valuable opportunity for participants to see their family members at work, and the event was a great success. The organizers were confident they especially conveyed the joys of chemistry to the children, who enthusiastically engaged in the experiments. After having their families watch them at work, the employees are more motivated and more engaged with their work.



Experiments to experience chemical reactions


Board of Directors (As of June 30, 2023)

- Term of office as Director
- Number of shares held (as of March 31, 2023)
- Attendance at Board of Directors meetings (from June 28, 2022 to June 27, 2023)
- Attendance at Audit & Supervisory Board meetings (from June 28, 2022 to June 27, 2023)



Kenichi Tanaka
Executive Director,
Chairman

- 9 years
- 25,727
- 20/20 (100%)



Hideo Takahashi
Executive Director
President & Chief Executive Officer
Chief Compliance Officer (CCO)

- 4 years
- 14,627
- 20/20 (100%)




Hiroshi Okubo
Director
Managing Executive Officer
Director of Corporate Administration &
Planning Headquarters

- 1 year
- 7,900
- 19/20 (95%)



Kiyomitsu Yoshida
Director, Senior Managing
Executive Officer, in charge of
Organic Chemicals Business

- 5 years years
- 10,963
- 20/20 (100%)



Yasunobu Kawazoe
Director
Managing Executive Officer
Director of Finance & Accounting
Headquarters

- 4 years
- 20,814
- 20/20 (100%)



Masaki Shimojo
Director
Managing Executive Officer,
Director of Inorganic Chemicals Sales &
Marketing R&D Strategy Headquarters
Assistant Director of R&D Strategy Headquarters

- 3 years
- 8,014
- 20/20 (100%)




Tatsuo Hanazawa
Outside Director

- 4 years
- 3,300
- 20/20 (100%)



Satoshi Ando
Outside Director

- 3 years
- 1,600
- 19/20 (95%)



Akemi Uchida
Outside Director

- New appointment
- -
- -

Audit & Supervisory Board Members (As of June 30, 2023)




Yoshihito Akiyama
Audit & Supervisory
Board Member

- 2 years
- 5,182
- 20/20 (100%)
- 12/12 (100%)




Yoichi Kobayashi
Audit & Supervisory
Board Member

- New appointment
- 10,600
- -
- -



Norihisa Kusumi
Outside Audit & Supervisory
Board Member

- New appointment
- -
- -
- -



Yasuhiro Koike
Outside Audit & Supervisory
Board Member

- New appointment
- -
- -
- -

Skills Matrix, Reasons for Appointment (at the 100th Ordinary General Meeting of Shareholders)

Name Position	Skills matrix							Reasons for appointment
	Vision		Business foundation		Management foundation			
	Corporate management, management strategy	Environment, society	R&D, production	Global business	Legal, risk management	Human resource strategy	Financial accounting	
Director								
Kenichi Tanaka Executive Director, Chairman	✓	✓		✓	✓	✓		Mr. Tanaka has exhibited strong leadership since becoming Executive Director in 2015. In addition to formulating medium-term business plans twice and Vision 2030, our long-term vision for 2030 which serves as the basis for the current medium-term business plan, and managing the entire ISK Group in a precise and efficient manner, he has focused on increasing the effectiveness of the Board of Directors and overseeing the company's operations since becoming Executive Director Chairman in June 2021. He was appointed because of his knowledge in the external environment in which the ISK Group operates and in corporate governance.
Hideo Takahashi Executive Director President & Chief Executive Officer Chief Compliance Officer (CCO)	✓	✓	✓	✓	✓			Mr. Takahashi became Executive Director in June 2021 after working in research, product development, and sales and serving as plant director and director of the R&D Strategy Headquarters. Since his appointment, he has carried out important operational responsibilities and demonstrated appropriate decision-making and supervision in the company's management based on his extensive experience and track record. He was appointed Executive Director with the expectation that he would be a driving force in the company's management through his experience, track record, and leadership towards realizing the Vision 2030 long-term vision.
Hiroshi Okubo Director Managing Executive Officer Director of Corporate Administration & Planning Headquarters	✓	✓	✓				✓	Mr. Okubo has worked in the production, environmental, and safety and health departments at our plant, as well as working in management at an affiliate. He is currently Director of Corporate Administration & Planning Headquarters, where he is in charge of furthering human rights due diligence and DX. He was appointed with the expectation that he would use this experience and expertise in the planning of business strategy and other policies, deliberations, and operational oversight by the Board of Directors.
Kiyomitsu Yoshida Director Senior Managing Executive Officer In charge of Organic Chemicals Business	✓	✓	✓	✓				Mr. Yoshida has worked primarily in areas such as sales, R&D, and research institute operations in ISK's organic chemicals segment. He has carried out important operational responsibilities and demonstrated appropriate decision-making and supervision in the company's management based on his extensive experience and track record. He has been head of ISK's organic chemicals segment since June 2021. He was appointed with the expectation that he would lead the planning of business strategy and other policies, deliberations, and oversight of operations in both bioscience and healthcare.
Yasunobu Kawazoe Director Managing Executive Officer Director of Finance & Accounting Headquarters		✓				✓	✓	Mr. Kawazoe has carried out important operational responsibilities and demonstrated appropriate decision-making and supervision in the areas of finance, accounting, and governance based on expertise in finance and accounting that he accumulated over many years at financial institutions, along with his extensive experience and track record. He has also managed corporate communications activities. He was appointed with the expectation that he would use this experience and expertise in the planning of business strategy and other policies, deliberations, and operational oversight by the Board of Directors.
Masaki Shimojo Director Managing Executive Officer, Director of Inorganic Chemicals Sales & Marketing R&D Strategy Headquarters Assistant Director of R&D Strategy Headquarters	✓	✓	✓	✓				Mr. Shimojo has worked primarily in sales, research, product development, and manufacturing in ISK's inorganic chemicals segment. He has carried out important operational responsibilities and demonstrated appropriate decision-making and supervision in the areas of R&D and domestic and international market expansion based on his extensive experience and track record. He was appointed with the expectation that he would use this experience and expertise in the planning of business strategy and other policies, deliberations, and operational oversight by the Board of Directors.
Tatsuo Hanazawa Outside Director		✓		✓			✓	Mr. Hanazawa offers appropriate advice and oversight, especially in the areas of domestic and international market expansion and the environment, based on his domestic and international experience, particularly in agricultural policy, and his experience in environmental matters. He also contributes actively as the chairperson of the Compensation Committee and as a member of the Personnel Committee and Evaluation Committee. He was appointed with the expectation that he would fulfill his role as an outside director from an independent perspective.
Satoshi Ando Outside Director					✓	✓		Mr. Ando draws on his highly specialized knowledge as an attorney and on his extensive experience and expertise in corporate law to offer appropriate advice and oversight of the company's management from an objective and legal perspective in the areas of law, risk management, finance, and accounting. He also contributes actively as a member of the company's Compensation Committee, Personnel Committee, and Evaluation Committee. He was appointed with the expectation that he would fulfill his role as an outside director from an independent perspective.
Akemi Uchida Outside Director	✓	✓			✓	✓	✓	Ms. Uchida has a wealth of experience in corporate administration and planning, human resources, risk management, finance, and administrative accounting, and has worked as a director of global companies developing, manufacturing, and selling in fields such as pressed car components and refrigeration devices. She was appointed with the expectation that she would support ISK's management through an outside perspective of objectivity and impartiality.
Audit & Supervisory Board Members								
Yoshihito Akiyama Audit & Supervisory Board Member	✓			✓	✓		✓	Mr. Akiyama has worked in administration and sales at ISK and has served as a director and Audit & Supervisory Board member at affiliates in Japan and overseas. He was appointed with the expectation that he would use this experience and expertise in carrying out appropriate auditing and supervision of ISK's business in an objective manner.
Yoichi Kobayashi Audit & Supervisory Board Member				✓	✓			Mr. Kobayashi's experience includes working in organic chemicals and legal at ISK and acting as a director at an overseas affiliate. He was appointed with the expectation that he would use this experience and expertise in carrying out appropriate auditing and supervision of ISK's business in an objective manner.
Norihisa Kusumi Outside Audit & Supervisory Board Member	✓				✓	✓	✓	Mr. Kusumi is well versed in corporate management, having amassed a wealth of knowledge in his many years, including as a director, at financial institutions. He was appointed with the expectation that he would audit ISK's business operations from an independent, fair standpoint.
Yasuhiro Koike Outside Audit & Supervisory Board Member					✓			Mr. Koike has amassed expertise and experience through his work as a lawyer, as well as significant knowledge about managing companies. He was appointed with the expectation that he would audit ISK's business operations from an independent, fair standpoint.



Career

I have been involved with corporate planning and management strategy for a long time and, in the course of that, have not only worked on strategy and numbers but also risk management and human resources strategy from a management perspective. In addition, I have experience with corporate acquisition, both in Japan and overseas, building internal control systems, dealing with scandals and conducting compliance activities. In particular, with regard to risk management, I have been involved with the creation, and subsequent operation, of systems and mechanisms which enable major risks to be addressed properly.

The benefit of all this for me was that, at a young age, I was able to be involved in both offensive and defensive aspects of corporate strategy creation and risk management at the same time, giving me a real sense of what management itself is like.

Risk Management

The most important part of risk management, I believe, is corporate culture.

Although I have only just become an outside director for ISK, my first impression has been that, with regard to integrity, which is of utmost importance in risk management, all of the directors at ISK, starting with Chairman Tanaka and President Takahashi, demonstrate great integrity in how they handle matters. A substantial range of information is reported to the Board of Directors meeting, which both inside and outside directors thoroughly discuss through a free and open exchange of opinions.

When developing systems to prevent scandals, accidents and other such situations, an overly strict system will prevent problems from

occurring but at the expense of any dynamic freedom in conducting corporate activity. Of course, you need to create systems which will head off potential scandals, but I feel that an important consideration is the sincerity with which problems are addressed when they do occur. Getting this wrong will impact a company's fortunes.

To ensure corporate longevity, I believe it is important to reduce these sorts of negative risks as much as possible and, when the occasion arises during discussions among the Board of Directors meeting, I would like to respond to such risks by stopping whatever needs to be stopped and promoting whatever needs to be promoted.

Diversity

I am ISK's first female director, but that does not mean I think we should just go out and get a bunch of female employees for whatever reason. This is because I believe diversity means creating an environment where it is considered normal to have all sorts of different people with all sorts of different characteristics, including young and old, men and women, LGBTQ, different nationalities, etc.

Why do we even focus on diversity in the first place? Because we want to grow our business, plain and simple. When we consider Japanese steadily declining working population, and when we think about it from a global business perspective, does it seem like a good idea to employ only men, only Japanese? In order to expand our business around the world, is it not essential that we incorporate more diverse ways of thinking? I also feel it is important that we give attention to those who are underrepresented.

Nearly all of my corporate life has been a series of firsts as a minority member of a company: the first female manager, the first executive or the first director who has transferred, etc. Because minorities are sometimes the only ones who are different and have different opinions to everyone else, they must always be able to explain and persuade others of their view.

No doubt this is an experience commonly encountered by employees who are posted overseas. Views which are taken for granted in your own country may be treated as incomprehensible by those around you while you are posted overseas. Hence, you will regularly need to explain and persuade others of your views. Personally, I have those sorts of experiences even within my own country. I have found this sort of minority experience to be useful when pursuing business globally, capitalizing on it in the course of operations following acquisition of an American company.

I feel that ISK already has a diversity-friendly foundation in place; so, I would like to focus first on increasing opportunities for meeting and dialoging with a variety of different people.

New Business

At the company I was with most recently, one of the things I was working on as a corporate officer was branding for IT-related equipment. We had a keyboard with advanced functionality aimed at specialists, namely programmers and researchers, and, although it was a niche brand, we were attempting to increase awareness among general users about the advantages of the keyboard's functions.

I believe that pursuing new business is an important part of management. I also feel that there is something appealing about creating something new. Although the business which ISK is involved with differs from that which I was directly involved with previously, I am interested in digging deeper into problems in marketing. I am keen to put my B to C experience to use in whatever form.

Building an Effective System Without Having a False Sense of Security

Outside Audit & Supervisory Board Member
Norihisa Kusumi



I joined The Daiwa Bank, Limited (now Resona Bank, Limited) in 1987, and after 33 years of working for banks and three years working for a bank-related company, I came to ISK thanks to a connection I have with this company.

I worked at five group banks and holding companies and gained first-hand experience working as a branch manager at a variety of locations in Osaka. At the head office, I worked in various departments, including corporate governance, human resources and auditing.

My impression of ISK as an outsider was that it was a historically trailblazing company. I felt that it was a company possessed of great foresight and the strong determination to stick to its convictions. It was also evident that, following the unfortunate incident of the past, the company was pulling together as one to restore people's trust in it.

The company I come from, Resona Holdings, Inc., is a company which has experienced a management crisis.

"Stop thinking that banks are somehow special. You are part of the service industry!" That was the harsh change of mindset which the outside officers appointed to rebuild corporate management brought with them following our acceptance of public funding.

In terms of control system, we transitioned to being a company with a nominating committee. This was done to strengthen and ensure the thoroughness of our corporate governance. I cannot forget the tension of the Board of Directors, the majority of which was made up of outside directors.

While many companies in recent years actively pursue corporate governance as an "offensive measure" essential for sustainable growth and not simply as a means of preventing scandals, the key to achieving this is focusing on the development of systems which are effective without having a false sense of security. I believe this requires, first, "fostering a healthy awareness of crisis," second, a "shared awareness down to the smallest structural detail," and, third, a "organizational culture of openness in which people don't overlook changes."

I will do my utmost to use my experience for the benefit of ISK.

Cultivating a Culture Inconducive to Compliance Violations

Outside Audit & Supervisory Board Member
Yasuhiro Koike



I have been involved in ISK compliance-related duties as an outside attorney since 2011, including serving as a member of ISK's Compliance Committee and serving a contact person for the ISK legal hotline. The first time I heard the word "compliance" was around 1998 while working in connection with a finance-related organization. My appreciation of how important compliance is for companies came later as I worked on a criminal case involving food fraud. A quarter of a century has passed since then, and, although the meaning of "compliance" may continue to change, its importance only grows.

Up until now I have only ever observed ISK as an outsider, and my impression was that the majority of ISK's various department heads and managers were extremely polite, professional, smart, and not pushy with their opinions (although there were, of course, exceptions). However, since my appointment as an audit and supervisory board member, I have been a witness to the honest and uncompromising exchange of opinions which takes place during important company meetings, particularly meetings of the Board of Directors and Executive Management Committee. At these meetings I get a real sense of a culture of openness. I would like for this culture of openness to be pervasive company-wide.

Reports of harassment, such as power harassment, made via the ISK legal hotline and other reporting avenues available to employees are rare compared with other companies; however, that does not mean that there is no power harassment at ISK. Power harassment can be factor which leads to employees committing, or being unable to prevent, serious compliance violations, such as when an employee commits an illegal act because his or her superior has imposed an unreasonable quota, or when an employee knows of an illegal activity taking place but is unable to tell anyone about it. Power harassment is something which can happen all around us and which is often linked with serious compliance violations.

It is from that perspective that I want, first, to eliminate power harassment at ISK in order to facilitate the cultivation of a corporate culture which is inconducive to compliance violations.

Basic Policy

In addition to making contributions to social development, protection of life and environmental preservation, ISK strives constantly to respect our shareholders, customers, suppliers, local communities and employees while maintaining transparency in business activities abiding by laws and regulations.

In order to enhance corporate value by maintaining steady business growth and securing profitability, efforts to improve business transparency, reliability and corporate health are among management's most important concerns, and we have worked hard to strengthen Corporate Governance through business management and enhanced internal controls founded on compliance.

Corporate Governance Structure

Structurally, we operate as a company with an Audit & Supervisory Board. In addition, we set Executive Management Committee under the Board of Directors in order to speed up decision-making by the Board of Directors and efficiently monitor and assess progress in important activities and projects. We have also introduced Executive Officer system with the aim of speeding up decision-making related to business activities.

Furthermore, we have the committees listed on the following page in order to strengthen our Corporate Governance.

The supervision and solving of important issues related to climate change, digital transformation (DX), and human capital are carried out on a company-wide basis by the Sustainability Promotion Committee, which is chaired by the Executive Director and President.

Sustainability Promotion Committee Activities

The committee convened three times in fiscal 2022 and has met twice so far in fiscal 2023. The following matters have been deliberated on in the past year.

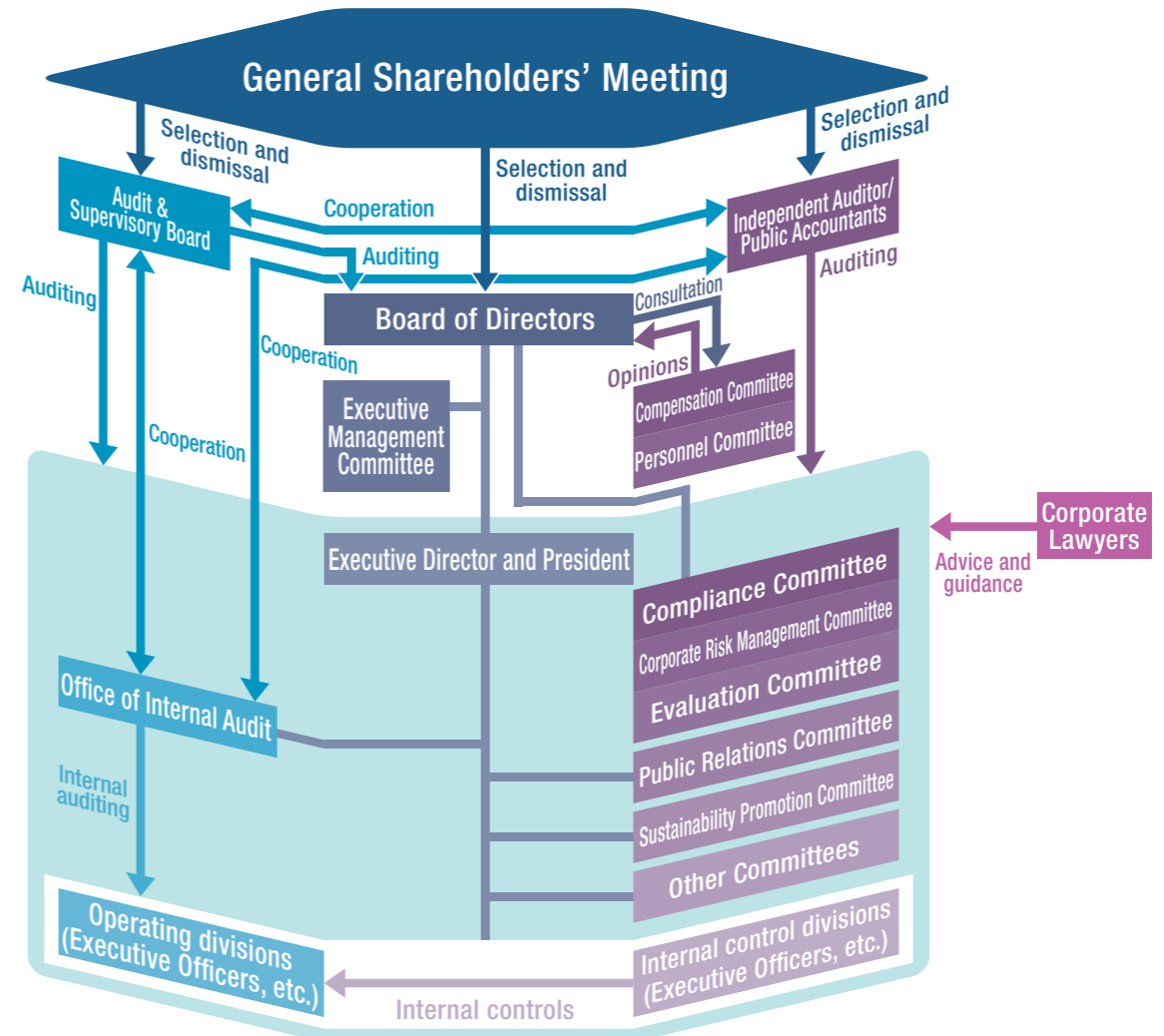
- Identifying priority risks in human rights measures
- Expansion of scope of coverage of TCFD

In addition to existing initiatives [climate change, human rights due diligence, health and productivity management, our Integrated Report, and digital transformation (DX)], we have begun pursuing human capital-based management.



Sustainability Promotion Committee

Corporate Governance Structure



Major Organizational Entities Related to Corporate Governance

Board of Directors	Functions	The Board of Directors meets at least once a month to make decisions concerning important matters, report on the progress of operational execution and action plan implementation, review performance, and discuss and make decisions about how to deal with related issues.	
	Times convened	18 times	
	Composition	Chairperson	Executive Director and President
Members		Directors	
Executive Management Committee	Functions	The Executive Management Committee under the Board of Directors in order to speed up decision-making by the Board of Directors and efficiently monitor and assess progress in important activities and projects.	
	Times convened	13 times	
	Composition	Chairperson	Executive Director and President
Members		The chairperson may require the attendance of such personnel as deemed necessary.	
Audit & Supervisory Board	Functions	Audits the Board of Directors' execution of its responsibilities, for example by attending Board of Directors and other important bodies and visiting departments regularly to exchange views in accordance with an audit plan adopted by the Audit & Supervisory Board, at least half of whose membership consists of independent Outside Audit & Supervisory Board members.	
	Times convened	12 times	
	Composition	Chairperson	Inside Audit & Supervisory Board member
Members		Inside Audit & Supervisory Board members, independent Outside Audit & Supervisory Board members	
Compliance Committee	Functions	Develops compliance structures based on the corporate philosophy and promotes corporate management predicated on compliance, for example by conducting compliance education and responding to the issues that come from its whistleblowing system.	
	Times convened	2 times	
	Composition	Chairperson (CCO)	Executive Director and President
Members		Directors, Headquarters Directors, Outside lawyer, ISK Labor Union chairperson Directors of major subsidiaries	
Corporate Risk Management Committee	Functions	Assesses and manages corporate risk incurred in the course of operations, formulates countermeasures, and deals with risks that have manifested themselves	
	Times convened	2 times	
	Composition	Chairperson	Executive Director and President
Members		Inside Directors, Headquarters Directors	

Evaluation Committee	Functions	Analyzes and evaluates the overall effectiveness of the Board of Directors		
	Times convened	1 times		
	Composition	Chairperson	Independent Outside Audit & Supervisory Board member	
Members		Independent Outside Directors, Inside Audit & Supervisory Board members, Independent Outside Audit & Supervisory Board members		
Note: Five of seven positions on the committee (71%) are filled by independent Directors and Audit & Supervisory Board members.				
Compensation Committee	Functions	Offers views in response to requests for advice from the President, who is delegated by the Board of Directors about concerning the remuneration of directors and executive officers.		
	Times convened	2 times		
	Composition	Chairperson	Independent Outside Director	
Members		Independent Outside Directors, Independent Outside Audit & Supervisory Board members		
Note: All five positions on the committee (100%) are filled by independent officers.				
Personnel Committee	Functions	Responds to inquiries from the President, who is delegated by the Board of Directors about the appointment of CEO's successor and candidates for new Director or Audit & Supervisory Board member positions, as advising the Board of Directors		
	Times convened	5 times		
	Composition	Chairperson	Independent Outside Director	
Members		Independent Outside Directors, Independent Outside Audit & Supervisory Board members		
Note: All five positions on the committee (100%) are filled by independent Directors and Audit & Supervisory Board members.				
Public Relations Committee	Functions	Ensures transparency by disclosing information to investors in a timely manner, ensures the timely disclosure of information from Yokkaichi Plant to the local community, and promotes communication between our stakeholders and the company		
	Composition	Chairperson	Executive Director and President	
		Members	Directors, Representatives of Branches, Headquarters Directors, and others	
Sustainability Promotion Committee	Functions	Undertakes initiatives to address climate change, human rights, diversity and inclusion, health and productivity management, and DX		
	Times convened	3 times		
	Composition	Chairperson	Executive Director and President	
Members		Inside Directors, Headquarters Directors, and others		

Board of Directors Effectiveness Analysis, Evaluation, and Results

In view of the responsibilities for Boards of Directors stipulated in the Corporate Governance Code, and in order to improve the functioning of the Board of Directors, an Evaluation Committee comprised of Outside Directors and Audit & Supervisory Board members has been established under ISK Board of Directors and in line with Board of Director evaluation-related rules. Every year since fiscal 2016, this committee has analyzed and evaluated the overall effectiveness of the Board of Directors and provided the Board with its results for deliberation and approval, after which an outline of those results is released publicly. In fiscal 2022, as well, an evaluation of the Board of Directors' overall effectiveness was carried out in accordance with this policy.

Method of Evaluation

In fiscal 2022, the number of questions on the evaluation was changed to 38 from 39 in fiscal 2021. Regarding this change, the number of issues to deal with in fiscal 2022 decreased, and for one issue each question was divided into three items, with the other 30 items being the same as the questions in fiscal 2021.

Again this year, we invited participants to freely offer their opinions of the Board of Directors' overall effectiveness as part of the self-evaluation, and we increased the size of the space for participant comments to better solicit views from directors and Audit & Supervisory Board members.

The Evaluation Committee gave this questionnaire to all Directors and Audit & Supervisory Board members. The responses were analyzed and evaluated, after which all 9 Directors were interviewed. Based on the evaluation results report from Evaluation Committee, our Board of Directors made a determination on the evaluation of the overall effectiveness of the Board of Directors for fiscal 2022.

Analysis and Evaluation Results of Overall Board of Directors Effectiveness

1. Areas, participants' evaluations and factors

- (1) Comparing the fiscal 2021 and 2022 assessments of the areas, except for one area (composition of Board of Directors), fiscal 2022 achievement was higher in all seven areas. Of these, achievement level exceeded 90.0% in three areas.
- (2) Average overall achievement for participants increased from 76.9% (90-99% for three participants, 80-89% for three, 70-79% for two, and 60-69% for five) in fiscal 2021 to 84.4% (90-99% for four participants, 80-89% for six, and 70-79% for three) in fiscal 2022. Analysis shows that the reason for this increase is that ISK pursued improvement and reform against a background of higher expectations for boards of directors of companies; for example, satisfying the principles required by the Prime Market (both principles and supplementary principles), and management in line with the SDGs and ESG.

2. Ensuring the Board of Directors' Overall Effectiveness

While the goal is to ensure overall Board of Directors effectiveness, the results differed significantly for inside directors (90.0%) and Evaluation Committee members (80.3%). This worked out to an overall average of 84.8%, almost the same as the average for participants of 84.4%. This indicates that the Board of Directors' overall effectiveness is being assured.

Awareness of Issues

Based on the promise we made to stakeholders in our Integrated Report, we have formulated a strategy to create value in the ISK Group. To achieve the foundation for this, we are aware that we must continue to raise the viability of the entire Board of Directors. To this end, we must focus on issues where there has been low achievement for the past seven years: by strengthening the practical functions of the internal audit departments, and by strengthening collaboration between internal audit departments and Directors and Audit & Supervisory Board members. The Board of Directors is looking earnestly at these issues and will continue to ensure that higher evaluation of viability will lead to sustainable growth for the company and increase our medium- and long-term corporate value.

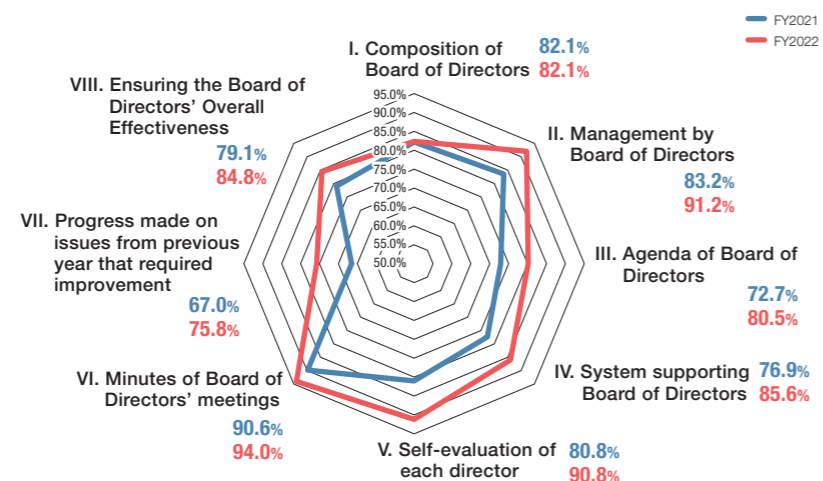
Future Initiatives

Based on the analysis and evaluation results of the overall Board of Directors effectiveness, the Board of Directors has identified the following six priority initiatives for fiscal 2023, which it is proactively pursuing in order to achieve substantial improvement in its overall effectiveness.

- (1) An issue dealt with last year was how the Board of Directors and Executive Management Committee operate in terms of their positioning and roles. The Executive Management Committee is where important matters are first deliberated on, and here directors and Audit & Supervisory Board members put forth opinions upon. This results submitted to the Board of Directors as the final bill, then the Board of Directors discuss. At the Board of Directors, the Executive Management Committee members explain their main points, point out effects on business performance and risks that have manifested themselves, make rational decisions towards formulating a bill, and strive for prompt, effective decision-making. Meetings are also held with Outside Directors in order to provide them with the comprehensive information they require on important matters.
- (2) The ISK Group's corporate purpose is "To continue contributing to better living environments through chemical technologies." This purpose is the starting point for our core competence of chemical technologies, around which we have our three strengths: the ability to develop proprietary technologies; the ability to accommodate quality and environmental requirements; and the ability to collaborate globally. These are supported by our management capabilities, which we leverage to expand our business. To continue growing, we believe it is crucial to make maximum use of our ability to develop proprietary technologies to foster new businesses and strengthen our management foundation. The Business Creation Committee, a cross-organizational committee chaired by the President, studies matters intensively on a short-term basis. However, we will further speed up processes towards the start of new businesses and new products by engaging in free and vigorous discussion.

- (3) We will work to substantively strengthen the functions of our internal audit departments and to ensure collaboration between directors and members of the audit and supervisory board. We will also actively use the results of internal audits and other investigations to inform advice and action so that directors can contribute not only in their own area of responsibility, but also to management as a whole.
- (4) To ensure active oversight of group companies' operations, we will require regular reporting on risks and issues while working to ensure sufficient oversight of directors' performance of their responsibilities and contributions to overall management.
- (5) In addition to pursuing their own studies, for example to acquire necessary knowledge so that they can fulfill their own roles and responsibilities, directors must provide sufficient oversight of their peers' performance of their responsibilities.
- (6) We will address issues related to sustainability, ensuring that the state of their progress and matters requiring discussion are deliberated by the Sustainability Promotion Committee, communicated clearly to outside directors and members of the audit and supervisory board, and included in the form of general information in the Integrated Report.

• Evaluation Results of the Effectiveness of the Board of Directors (fiscal 2022)



Policy on Cross-Shareholdings

ISK maintains an amount of cross-shareholdings deemed to build a smooth, stable, and ongoing relationship with business partners, in line with our business strategy. The status of cross-shareholdings is disclosed in our securities report. Other shareholdings have been appropriately reduced.

Independence Criteria for Outside Directors

Independence criteria have been established for Outside Directors and Audit & Supervisory Board members. These appear on the ISK website.

About ISK: Corporate Governance

<https://www.iskweb.co.jp/eng/company/governance.html>

Basic Policy for the Internal Control System

We are continually working to expand and improve our Group internal control systems in order to ensure the appropriateness of subsidiary governance as well as the maintenance of compliance systems. For details, please refer to ISK Corporate Governance Report.

Corporate Governance Report (in Japanese)

https://www.iskweb.co.jp/company/pdf/corporate_governance.pdf?

Remuneration of Directors

Policies for Determining Amount and Calculation of Each Director's Compensation

Compensation for ISK directors is stipulated in the Officer Compensation Regulations adopted by the Board of Directors and comprises base remuneration, which is based on job position, and performance-based remuneration. Base remuneration is paid according to the Officer Compensation Regulations to directors and executive officers according to their role and position. Outside directors are paid only base remuneration due to their independent position in executing duties.

Policies for Determining the Nature of Performance Indicators and for Calculating the Amounts and Quantities of Performance-Based Remuneration and Other Compensation

The performance-based portion of directors' remuneration (excluding Outside Directors) consists of annual performance-based remuneration and long-term performance-based remuneration, which are structured to ensure both objectivity and a connection with corporate performance in line with the Officer Compensation Regulations approved by the Board of Directors. Annual performance-based remuneration is calculated based on a comprehensive consideration of the company's performance, for example in the form of net income attributable to owners of parent, which is the final result of corporate activities, together with individual performance evaluation.

Policies for Determining Non-Monetary Remuneration and for Calculating Associated Amounts and Quantities

The non-monetary portion of directors' remuneration (excluding Outside Directors) consists of transfer-restricted shares, and the total amount of monetary claims necessary to grant those shares to directors (excluding Outside Directors) may not exceed ¥90 million per year (excluding the employee portion for officers who also serve as employees). In addition, the total number of normal shares newly issued or disposed by the company may not exceed 95,000 per year. (However, if it becomes necessary to adjust the total number of normal shares that are issued or disposed of as transfer-restricted shares, for example due to a stock split or reverse split involving normal shares, including any gratis allocations, the total number may be adjusted within reason.) The Board of Directors is responsible for determining the specific timing and distribution of such awards to directors.

Relative Proportions of Remuneration and Other Compensation for Individual Directors

The relative proportions of base remuneration and performance-based remuneration and other compensation is determined by the Board of Directors after consultation with the Executive Director and Chairman, taking into account advice sought from the Compensation Committee by the Executive Director and President, to whom the Board delegates the task of considering each year's performance and other factors.

Policies for Determining the Timing and Conditions of Remuneration and Other Compensation for Directors

The Officer Compensation Regulations adopted by the Board of Directors stipulate that base remuneration is calculated on a monthly basis and paid on the same day as employees' monthly salaries, while performance-based remuneration and other compensation is paid on the same day as employees' summer bonus.

• Remuneration of Directors in Fiscal 2022

Director category	Total remuneration (Million yen)	Total remuneration by type (Million yen)			Applicable Directors (Persons)
		Base remuneration	Performance-based remuneration	Transfer-restricted share compensation	
Directors (excluding Outside Directors)	237	179	51	6	7
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	2
Outside Directors	55	55	—	—	5
Total	329	271	51	6	14

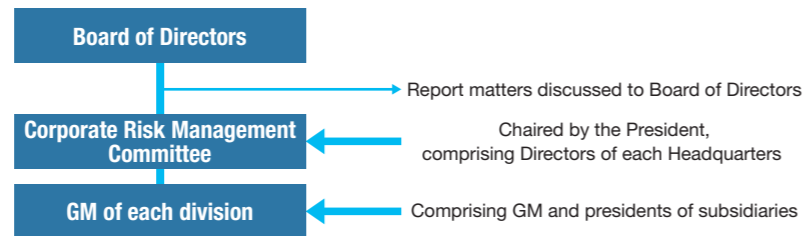
Basic Policy

We in the ISK Group pursue risk management with the aim of preparing for various risks that could seriously impact the smooth operation of our business, and in the event of an emergency, appropriately and swiftly addressing it in order not to harm the health, safety, or interests of stakeholders, restoring our business operations as soon as possible, protecting our corporate resources, and minimizing the damage to our business.

Risk Management System

We have “risk management regulations” governing our basic policy on risk management and risk management system. We have also established the Corporate Risk Management Committee, aimed at appropriately managing and preparing for various risks surrounding our business. The Corporate Risk Management Committee is held twice a year, or whenever necessary, summarizing risk assessments, selecting major risks with high priority, discussing plans for risk countermeasures, and confirming progress on those countermeasures.

The Sustainability Promotion Committee’s jurisdiction includes priority issues (Materiality), climate change risk, and human rights risk, for which it advances their measures in coordination with the Corporate Risk Management Committee.



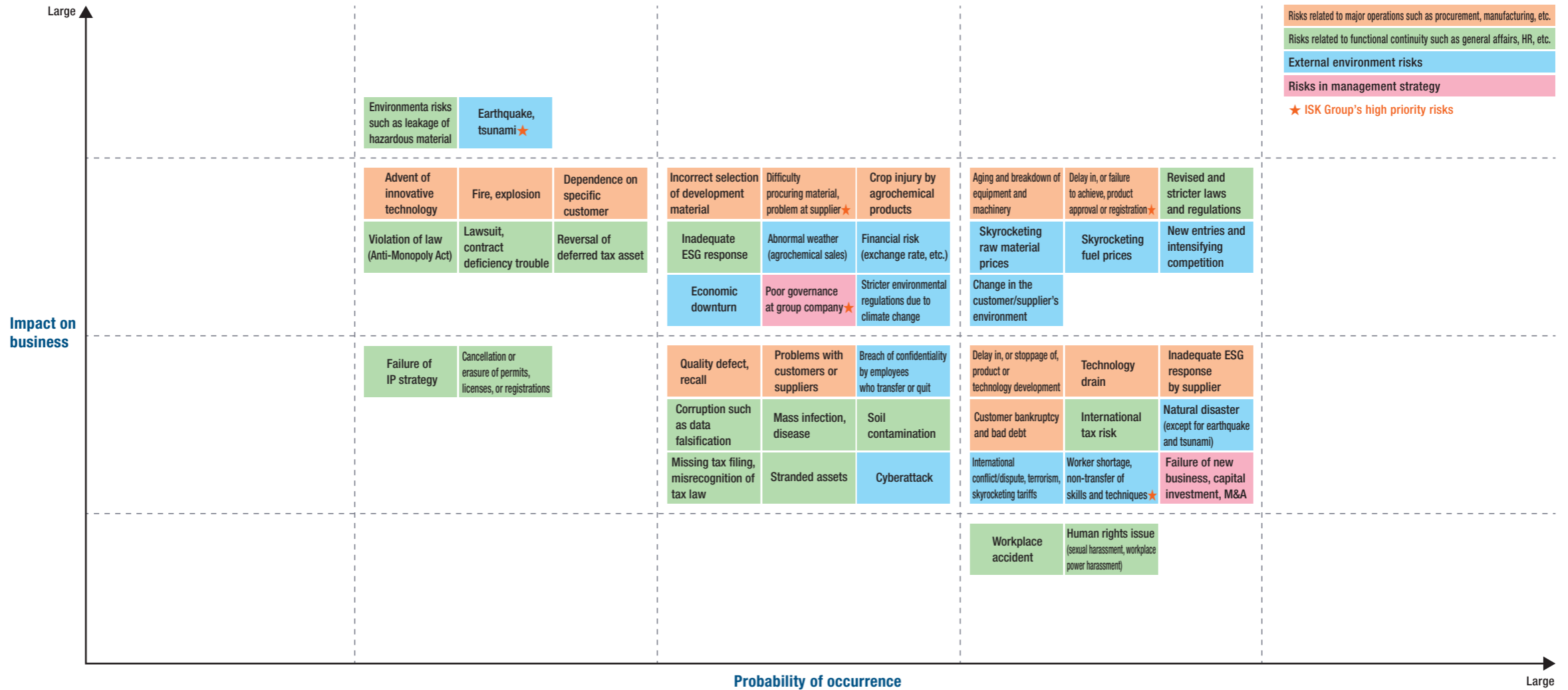
Risk Management Process

Plan	Do	Check	Act
<ul style="list-style-type: none"> ■ Implement risk countermeasures Identify risks from a company-wide perspective Assess risk impact and probability Select major risks to address ■ Formulate countermeasure plans against risk Allocate risks to each person/division in charge Decide on risk countermeasure policies Decide on action plan for countermeasures 	<ul style="list-style-type: none"> ■ Implement risk countermeasures 	<ul style="list-style-type: none"> ■ Monitor progress on implementation of countermeasures Report to management Review progress on implementation 	<ul style="list-style-type: none"> ■ Summary and improvement plan Report to management Consideration on countermeasure plans

High Priority Risk

Major Risk	Explanation of Risk	Major Measures
Delay in, or failure to achieve, product approval or registration (agrochemicals and animal health products)	[Agrochemicals] Risk of postponement, or abandonment, of launch of new agrochemicals due to stricter agrochemical-related regulations	<ul style="list-style-type: none"> • Take proper approach to countries’ registration agencies and authorities • Assess other companies’ agrochemicals registration and survey their registration status • Secure personnel with expertise in highly specialized fields, ensure handover of registration know-how
	[Animal health products] Although PANOQUELL™-CA1 has received conditional approval from the FDA in the U.S., there is a risk that final approval will be denied or postponed in the U.S., or that approval will be denied or postponed in Europe	<ul style="list-style-type: none"> • Use consultants and other means to gather information on trends related to the rules and approval of the regulatory authorities • Team up with contract manufacturers or sales partners
Earthquake, tsunami	Risk of damage to facilities and products, suspension of production and business operations, and human casualties if the plant should suffer serious damage due to tsunami, liquefaction, or other factors resulting from a large-scale earthquake	<ul style="list-style-type: none"> • Provide aging facilities with seismic reinforcement • Step up product storage at multiple bases(at elevated locations, etc.) • Update business continuity plans • Get business interruption insurance to cover business continuity expenses as a response after earthquake • Sign committed line of credit with financial institutions, which is applied to earthquake disasters
Difficulty procuring material, problem at supplier	Risk of supply shortage for specific raw materials due to operational accidents, political instability, or stricter environmental regulations in producing regions or countries. In the case of overseas toll manufacturers, risk of limitations on procurement due to stricter regulations in the country or their operational accidents	<ul style="list-style-type: none"> • Purchase from various suppliers in multiple countries • Closely coordinate with subcontractors and suppliers • Perform rapid planning adjustment and proper inventory control • Expand the range of usable raw materials
Poor governance at group company	Risk of accounting fraud, bribery, or quality fraud because of lack of thorough control over overseas group companies	<ul style="list-style-type: none"> • Organize and clearly stipulate the functions and roles of Three Lines model (business divisions, back-office divisions, internal audit division) • Make rules for group companies • Refine and publicize internal rules, strengthen internal auditing
Worker shortage, non-transfer of skills and techniques	Risk of not securing human resources, or skills and techniques not being passed from the experienced to younger employees, due to fewer young people, an aging population, change in the supply-demand balance of the labor market, and increased job mobility	<ul style="list-style-type: none"> • Hire employees through diverse channels • Compile know-how • Train human resources, and study ways to make work environment more pleasant and expand employee support systems so as to retain employees

Risk Map



Notes:

- Regarding level of effect on business and probability of occurrence, we set risk scenarios and assess each risk impact or damage in order for assessors to have a common understanding. The risk scenario used here is a worst-case scenario, i.e. the biggest threat among the possibilities.
- ISK defines risk as any possibility of physical or economic damage to ISK, loss of trust, or others causing disadvantages.

Basic Philosophy

ISK Group places the utmost importance on compliance. We have formulated a code of conduct in order to carry out business rooted in our corporate philosophy, with the aim of thoroughly complying with laws and regulations, conducting fair and equitable business practices, and maintaining a high level of corporate ethics.

Because a company cannot exist without society's trust, we have launched a Compliance Committee towards fulfilling our corporate responsibility and contributing to society. The committee puts compliance front and center and ensures that we promptly report any compliance violations.

ISK Group Code of Conduct

<https://www.iskweb.co.jp/eng/compliance/observance.html>

Compliance Promotion System (Overview)

Based on our reflection on the Ferosilt problem, in November 2005 we appointed a Chief Compliance Officer (CCO) and established the Compliance Committee. This committee operates under the Board of Directors and is chaired by the President (as CCO), and comprises directors (excluding outside directors), directors of each headquarters, audit and supervisory board members, affiliate presidents, a labor union representative, an outside lawyer, and the secretariat. In addition, each division has a compliance promotion manager and a compliance leader. The Compliance Committee has met about twice a year. It currently meets every March and September, with March 2023 marking the 34th session.

Highlights from recent years include the following.

- Discussion and revision of the ISK Group Code of Conduct
- Discussion of and response to whistleblowing and requests for consultation in relation to compliance violations
- Preparation and monitoring of compliance training plans
- Report on and discussion of compliance activities in each division
- Training for board members, held every second year, led by outside instructors
- Establishment of Whistleblowing Rules

Rules state that any person acting unjustly towards a whistleblower will be subject to disciplinary action.

As for the number of cases of whistleblowing or consultation related to compliance in recent years, there were two in fiscal 2018, four in fiscal 2019, four in fiscal 2020, two in fiscal 2021, and eight in fiscal 2022.

Video on ISK's History of Compliance Activities

In order to keep past instances of compliance violations in mind, a video called "ISK Group Compliance History" was created and has been viewed by all constituents. The video shows what ISK has been doing to regain the public's trust and conveys the importance of being in compliance.

Fiscal 2022 Compliance-Related Training and Awareness-Raising at ISK

ISK Group carries out compliance-related training in accordance with an annual plan, which is discussed and approved by the Compliance Committee. Besides job grade-specific training, training on specific topics is planned and carried out according to social conditions. Many ISK Group members joined training.

■ Online learning and e-learning for new employees and other employees

Focus: General compliance-related basic training

ISK: 60 employees, Affiliates: 13 employees Total: 73

■ Advanced compliance training for newly appointed assistant managers

Focus: Development of human resources who facilitate compliance-based management

ISK: 8 employees, Affiliates: 1 employees Total: 9

■ Group training for newly appointed managers

Focus: Acquisition of compliance knowledge required by managers

ISK: 11 newly appointed managers

■ E-learning on personal information protection laws for ISK Group managers

Focus: Understand what personal information is and learn what rules company employees should abide by

ISK: 364 ISK Group managers

■ Workplace-specific specialized law seminars

- These seminars give participants knowledge on laws covering their particular division with the goal of strengthening adherence to laws, the basis of compliance.
- Managers select specialized laws that relate to their division and about twice a year lead seminars in their division.
- Workplace members take turns being the instructor in sessions in which they explain specialized laws, thus raising workplace knowledge from the bottom up.

■ Compliance library training program

- Employees watch videos about compliance issues that they face every day at work. Videos format examples include 3-minute dramatizations and instructional videos made in-house.
- Instructors in the program are senior position managers in each workplace in turn.
- In fiscal 2022, a cumulative total of 819 sessions were held, including the specialized law seminars and library training, with a cumulative total of 10,483 participants.

Road to Rebuilding Trust as the New Ishihara Sangyo

It has been fifteen years since the comprehensive compliance audit conducted in March 2008. We have learned much from reflecting on our response to the series of environmental scandals which began with the Ferosilt problem. As we head towards Vision 2030 Stage II, we will examine what ISK's approach will be and what efforts have been made thus far.

The Ferosilt Problem and the Comprehensive Compliance Audit

Ferosilt, a soil backfilling material developed as means for reducing industrial waste, had been on the market since 2001. However, when amounts of hexavalent chromium and other substances exceeding environmental standards were detected in areas where Ferosilt was used, we did our utmost to carry out a voluntary recall of the product. The amount of Ferosilt sold was 720,000 tons in total, but, because it was mixed in with sand and soil at the backfilling sites, the amount of material collected was more than twice that, approximately 1,880,000 tons. All Ferosilt was collected at a total cost of around 60 billion yen. Final disposal of the material was completed in 2015, ten years after collection began.

In 2008, the ISK Group conducted a comprehensive compliance audit based on a questionnaire survey of all Group members. From the results, we identified seven cases of past misconduct that had a significant external impact, and, after disclosing these, undertook corrective action and improvement.

Completion of Removal of Illegally Buried Waste at the Yokkaichi Plant

In 2017, we began removing to a disposal site waste which was illegally buried at the Yokkaichi Plant (two locations on that grounds of the northeastern part of the plant and the plant site embankments) and discovered through a comprehensive compliance audit. Under normal circumstance, this illegally buried waste should have been removed immediately, but, given the complications surrounding the Ferosilt problem situation, it took a long time until all the waste was removed.

In March 2022, all removal work was completed, a Completion Report for the Removal of Waste Buried at the Yokkaichi Plant was submitted to Mie Prefecture, and land leveling work in the area was also completed.



2018
Removal work is underway



2023
Land leveling work is completed

Working to Regain Lost Trust

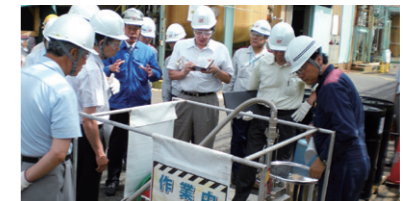
In the wake of the Ferosilt problem, we have worked to improve our corporate structure, company operations and internal culture for the primary purpose of revising our compliance system and building an organizational structure possessing a culture of openness.

(1) Active disclosure of information

With the aim of greater plant transparency, we provide tours of the Yokkaichi Plant to local residents. Also, we have established voluntary emission standards which are stricter than legal and regulatory standards for wastewater, waste gas, wastes and various other environmental impact substances, and, in addition to displaying actual values in real-time on an environmental information bulletin board in front of the Yokkaichi Plant's main gate, we disclose environmental data on our homepage and elsewhere (in Japanese).

(2) Establishment of an Environmental Expert Committee

In 2008, we established an Environmental Expert Committee, chaired by an outside expert, in response to the identification of contaminated soil and underground water at the Yokkaichi Plant site. In line with the Committee's guidance, we implemented various measures, including ascertaining the status of contamination on the plant premises, installing barrier wells and pumping up underground water. We have confirmed that the installation of barrier wells prevents contaminated underground water from spreading beyond the premises via the underground water vein. Also, in 2022, we began enclosing high-concentration pollution sources with purification agents (hot spot measures) and are monitoring progress.



Inspection of barrier wells by the Environmental Expert Committee

Environmental Expert Committee website (in Japanese)

<https://www.iskweb.co.jp/kankyou/>

(3) Conducting compliance education

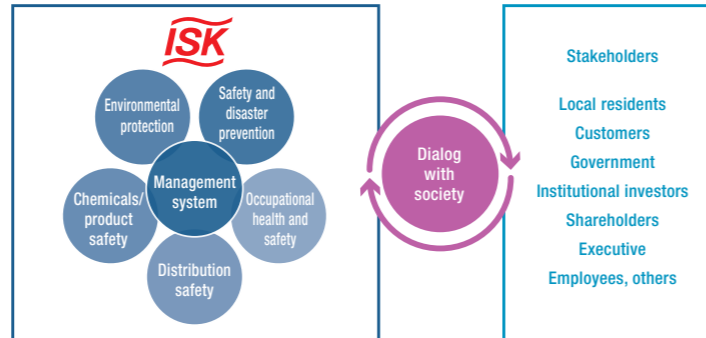
To ensure that the lessons of past problems are not forgotten, we conduct compliance education aimed at ISK Group members. In recent years, we have conducted job grade-specific training, online learning, and group training for newly appointed managers. Also, with regard to health and safety, process safety and disaster prevention, environmental protection, and other topics, we regularly conduct training which is run by outside and in-house instructors.

Tackling the Challenges of a New Stage

In fiscal 2019, after a difficult road of addressing scandals and rebuilding trust from society, ISK issued dividends for the first time in fourteen years. After a "defensive" period during which we worked hard to return our company to a state of normalcy, we are now on the "offensive," pursuing future-focused business development. All ISK Group members are actively engaged in business, having their eyes set on Vision 2030, and with the absolute imperativeness of our corporate philosophy to "abide by laws and regulations; maintain transparency in business activities" etched in our minds.

ISK's Responsible Care

ISK undertakes Responsible Care (RC) activities aimed at environmental, health, and safety assurance. In particular, our activities encompass chemical product and distribution safety specific to the chemical industry, as well as environmental protection, process safety and disaster prevention, and occupational health and safety, along with dialog with society, common to many different industries.



ISK Makes Presentation on Safe Handling of Chemicals at 8th Responsible Care Yokkaichi Forum

The Japan Chemical Industry Association (JCIA), of which ISK is a member, carries out responsible care activities including the holding of discussion forums with local residents in areas where there are chemical plants. After the COVID-19 pandemic forced the temporary stoppage of these gatherings, on October 28, 2022 the JCIA was able to hold the 8th Responsible Care Yokkaichi Forum, the first such meeting in four years.

The approximately 100 attendees included local residents and participant from local government and companies at the venue, with other such representatives taking part online. ISK was one of the companies making a presentation, on the topic of efforts to ensure the safe handling of chemical substances. With Yoshihito Takeda, a professor at Hokkaido University as the moderator, a question-and-answer session and discussion were held between corporate representatives and local residents.



ISK makes a presentation at the forum

What is Responsible Care?

Companies that handle chemicals voluntarily undertake Responsible Care activities to provide environmental, health, and safety assurance covering everything from chemical substance development to production, distribution, usage, final consumption, disposal, and recycling.

The results of these activities are shared and discussed with stakeholders. Responsible Care originated in Canada in 1985 and has subsequently spread to companies around the world.



Responsible Care Achievements in Fiscal 2022 (Summary)

Category	Fiscal 2022		
	Objectives	Achievements	Evaluation
Environmental protection	Planned emission reduction of PRTR-listed materials	The volume of emissions into the air and transferred off-site was reduced, but the volume of discharge into public water areas increased.	-
	Reduce energy intensity and electricity demand leveling assessment intensity by 1% year-on-year	Energy intensity increased by 4.7% year-on-years, thus failing to achieve 1% reduction target.	-
	Reduce, reuse, and recycle waste	Continued reducing industrial waste by reusing and recycling materials with recoverable value.	✓
Process safety and disaster prevention	Eliminate plant accidents (fire, explosion, leakage)	There were no plant accidents.	✓
Occupational health and safety	Achieve "zero lost time accidents" at each ISK site	There was one lost-time accident at the Yokkaichi Plant.	-
Distribution safety	Implement emergency response card (so-called Yellow Card), GHS label, and SDS management	Yellow Cards, GHS labelling, and SDSs were appropriately implemented.	✓
Chemicals/product safety	Properly manage chemical substances and provide customers with SDSs	We appropriately notified the authorities on the use of chemical substances and provided SDSs.	✓
Dialog with community	Provide information to community Interact more with local communities	More two-way communication was carried out with local citizens.	✓

Dealing with Climate Change

ISK Group has pursued and strengthened sustainable management initiatives from the perspective of SDGs for medium-term business plan, Vision 2030 Stage I. In view of emergency and importance, ISK Group is making efforts toward the “Dealing with climate change, reducing environmental impacts” as an identified priority issues (Materiality). ISK Group strives to analyze, examine, and disclose the information related to the climate change issues under the TCFD recommendations, and in carrying out business activities, ISK Group will contribute to address environmental and social issues to realize a sustainable society and improve its corporate value.

Sustainability Dealing with climate change

<https://www.iskweb.co.jp/eng/environment/climate.html>



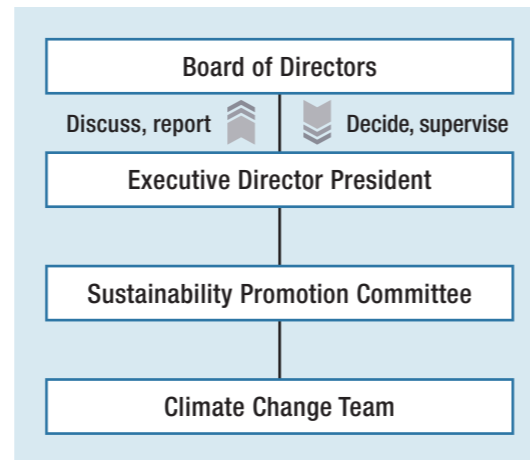
Governance

Concrete efforts in response to climate change are carried out by our Climate Change Team. This team operates under the Sustainability Promotion Committee, which reports directly to the President.

The team comprises people from factory management, manufacturing divisions, administrative department, and ISK affiliates.

The efforts and measures the team comes up with are deliberated on at Sustainability Promotion Committee meetings held at least twice a year, and those approved are consulted on and passed by the Board of Directors.

The progress of activities by the Sustainability Promotion Committee, including the Climate Change Team, is reported every three months to the Board of Directors, which supervises these activities.



Strategy

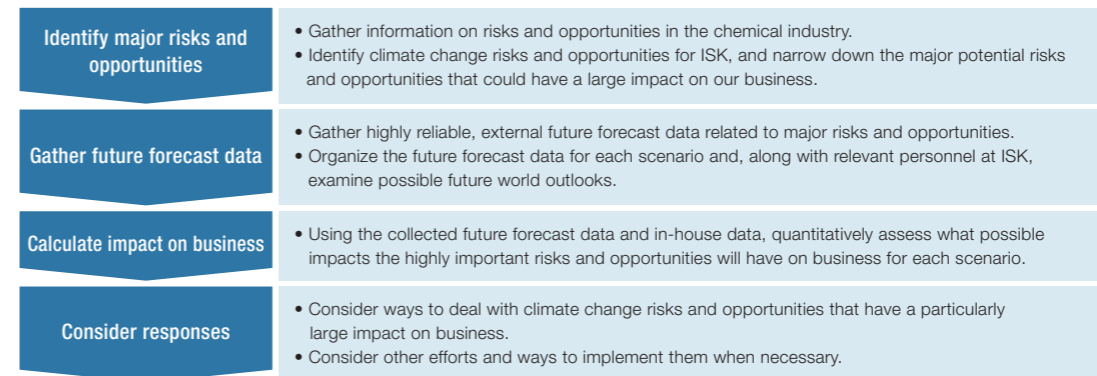
Chosen Climate Change Scenarios

Referencing climate change scenarios published by the IEA (International Energy Agency) and IPCC (Intergovernmental Panel on Climate Change), we selected scenarios of a rise of 1.5–2°C and 4.0°C. Recognizing that climate change’s impact on business becomes more evident in the medium- and long-term, we analyzed the impact of climate change until 2050, as the time horizon. Analysis of the scenario for fiscal 2023, we extends to the organic chemicals business. All businesses of the ISK Group (inorganic chemicals/organic chemicals) were analyzed under the scenarios.

*Referenced climate change scenarios

- 1.5–2°C scenario: Scenario with sustainable development and climate policy to keep temperature rise under 2°C compared to pre-industrial levels but to also aim to keep it to 1.5°C or less (IEA NZE 2050, IEA SDS, SSP1-2.6, RCP2.6)
- 4°C scenario: Maximum emissions scenario with no climate policy and development dependent on fossil fuels (IEA STEPS, SSP2-4.5, RCP8.5)

Scenario Analysis Process



Scenario Analysis Results

The ISK Group used external information to analyze the main climate change risks and opportunities in our business, and gathered future forecast data related to each risk and opportunity.

Based on this, we considered the risks and opportunities that arise from the transition to the carbon neutral society under each of the 1.5–2°C and 4°C scenario. We then analyzed the major risks and opportunities that could impact our business up until 2050.

As a result, for the 1.5–2°C scenario, we identified risks such as greatly increased operating costs due to the imposition of a carbon tax on CO₂ emissions.

Therefore, recognizing the importance of reducing CO₂ emissions across the entire ISK Group, we will proceed with various planned measures towards achieving carbon neutrality by 2050.

Risk Management

One of the eight priority issues (materiality) that the ISK Group has identified is “dealing with climate change and reducing environmental impacts.”

In recognition of the urgency of climate change, the ISK Group has established the Climate Change Team under the Sustainability Promotion Committee. This team identified climate change risks, the results of which are assessed and controlled by the Sustainability Promotion Committee. When necessary, matters are reported to the Corporate Risk Management Committee.

On major opportunities: Financial impact more than one billion yen: Financial impact less than one billion yen:
 On major risks: Financial impact more than minus one billion yen: Financial impact less than minus one billion yen:

Business Risks and Opportunities Identified through Risk Level Assessment and Scenario Analysis

Time horizon: Short term: 2025, medium term: 2030, long term: 2050

Major Risks and Opportunities		Covered business	Explanation of risks and opportunities			Responses aimed at reducing risks and seizing opportunities	
			Explanation	Time horizon	Financial impact (2050)		
Transition risks	Policies/regulations	Introduction of carbon tax, stricter CO ₂ emission regulations	Inorganic chemicals Organic chemicals	Increased operating costs due to the imposition of a carbon tax on CO ₂ emissions (For 1.5°C: Cost increase of approx. 17.2 billion yen in 2050*)	Medium–long		<ul style="list-style-type: none"> Shift boiler fuel away from coal Rebuild manufacturing systems Implement carbon capture and use renewable energy
	Technologies	Shift to meeting consumer needs for low-carbon products	Inorganic chemicals Organic chemicals	Developing low-environmental impact products and strengthening manufacturing systems (Calculation of evaluation of financial impact includes rise in semiconductor demand)	Medium		<ul style="list-style-type: none"> Expand sales of electronic components (semiconductors etc.), materials (IPM products), and others that reduce environmental impact Create new technologies and products (Organic: Develop IPM products with a view to smart agriculture using AI and IoT, etc.) Utilize subsidies and subsidy systems for capital investment and product development
	Markets	Rising raw material prices (titanium ore, coke, others)	Inorganic chemicals	Increased procurement costs, rising material prices due to limited availability	Medium		<ul style="list-style-type: none"> Increase yields and reduce waste Reduce CO₂ in procurement through cooperation with suppliers and the industry
		Energy cost fluctuations	Inorganic chemicals Organic chemicals	Sharp price fluctuations in coal, fuel oil, gas, and electricity	Short–medium		<ul style="list-style-type: none"> Diversify the energy sources Pursue thorough energy savings
Reputation	Greater awareness of environmental consciousness among customers	Inorganic chemicals Organic chemicals	Fewer product orders and lower investor ratings due to delay in decarbonization	Medium	–	<ul style="list-style-type: none"> Proactively strive to reduce environmental impact Pursue thorough information disclosure 	
Physical risks	Acute	Rise in severity of extreme weather events such as typhoons and floods	Inorganic chemicals Organic chemicals	Property damage and lost profits due to disasters	Short		<ul style="list-style-type: none"> Expand and improve BCPs, conduct drills Increase the number of suppliers Consider a backup manufacturing system
			Inorganic chemicals Organic chemicals	Rise in insurance costs due to higher risks of disaster striking bases	Short		<ul style="list-style-type: none"> Revise terms of insurance contracts
			Organic chemicals	Decrease in sales of agricultural materials due to farmers' damage from floods	Short		<ul style="list-style-type: none"> Develop materials that solve new issues arising from extreme weather (rain-resistant materials, biostimulants that counter heat stress, and others)
	Chronic	Rise in average temperature, extreme change of weather patterns	Organic chemicals	Increasing sales opportunities provided by selling of materials that respond to ecosystem changes	Medium–long		<ul style="list-style-type: none"> Select certain countries for priority development and marketing based on predictions of changes in uncertain ecosystems (pests, weeds, etc.)

*Financial impact evaluation uses carbon pricing in each country under the 1.5°C scenario (IEA NZE 2050) for the calculation of cost impact (Scope 1, 2). Note that the organic business includes subcontractors (Scope 3).

Indexes and Targets

For Scope 1 and 2 GHG (greenhouse gas) emissions, in addition to those disclosed last year at ISK Group companies in Japan, we also calculated those at overseas group companies so as to understand emissions for the entire ISK Group. Scope 3 (supply chain) emissions were also calculated in order to grasp the overall state of GHG emissions from ISK Group business activities. To reduce Scope 2 GHG emissions, the Yokkaichi Plant has begun including renewable energy from biomass in the electricity that it purchases.

GHG (Greenhouse Gas) Emissions of ISK Group (1,000 t-CO₂)

GHG emissions	FY2019 (base year)	FY2020	FY2021	FY2022
Scope1	471	408	488	476
Scope2	20	19	23	22
Total	490	427	511	498

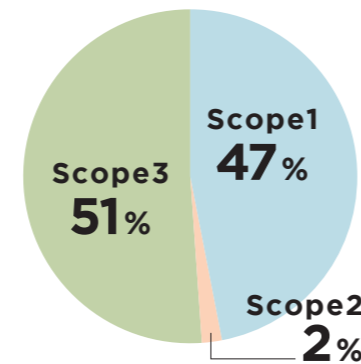
GHG emissions calculated based on GHG Protocol

GHG Emissions of Scope3 (1,000 t-CO₂)

Scope3	Category	Calculated Scope	FY2022
Category 1	Purchased goods and services	Non-consolidated	444.23
Category 2	Capital goods	Consolidated	14.55
Category 3	Fuel and energy-related activities not included in Scope 1 or Scope 2	Consolidated	52.71
Category 4	Upstream transportation and distribution	Non-consolidated	4.33
Category 5	Waste generated in operations	Consolidated (in Japan)	3.00
Category 6	Business travel	Consolidated	0.23
Category 7	Employee commuting	Non-consolidated	0.47
Total of GHG Emissions of Scope3			519.52

Scope 1, 2, 3 GHG Emissions Share

Scope 1, 2: ISK Group
Scope 3: Set for each category



Scope1,2,3 Total 1,017.43 (1,000 t-CO₂)

ISK Group Aiming for Carbon Neutrality by 2050

With climate change becoming a major worldwide issue, the ISK Group has identified dealing with climate change and reducing environmental impacts as priority issues (materiality) and aims to become carbon neutral by 2050.

<Reduction Targets>

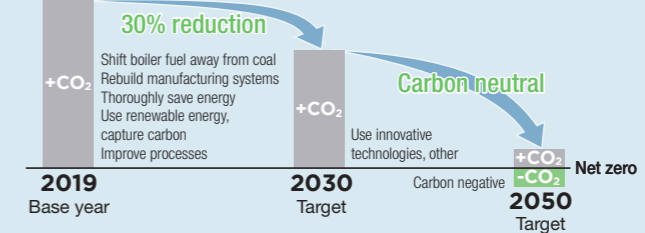
2030: Target CO₂ emissions reduction by 30% (against FY2019)

2050: Challenge carbon neutrality (net zero emissions)

The ISK Group has set the reduction targets for CO₂ emissions (Scope 1 and Scope 2). We will continue to strive for reduced emissions and carbon neutrality in order to promote Climate Change Mitigation and Adaptation.

• CO₂ Emission Reduction Road Map

Approx. 500,000 tons



Challenge by using developing proprietary technologies

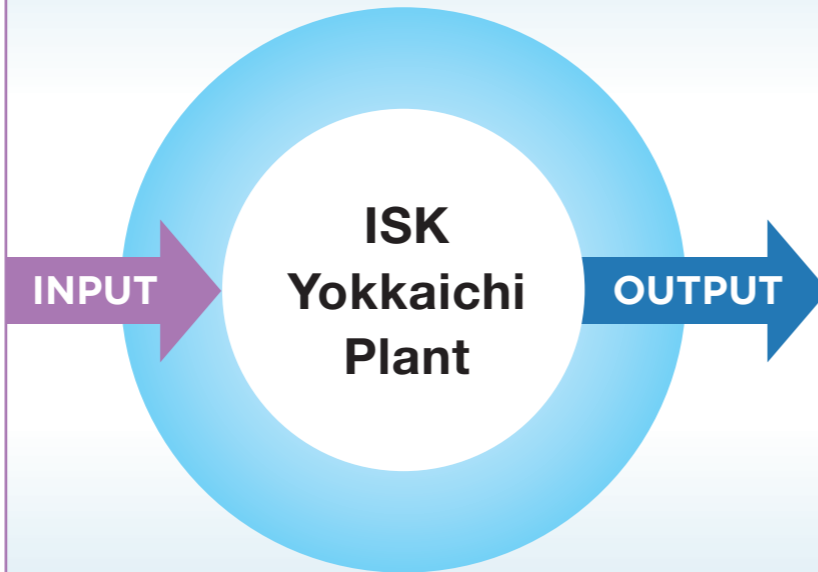
In order for ISK to continue contributing to better living environments through chemical technologies, we strive to develop manufacturing and product technologies that contribute to energy savings and carbon neutrality. In manufacturing technologies, when aging manufacturing equipment needs to be upgraded or new plants have to be built, we make concrete proposals that realize the installation of equipment that uses minimal energy. For example, for processes that require large amounts of energy, such as pulverization and calcination, we gather as much information as possible about the latest equipment and conduct testing before installing the actual equipment. We are also studying technologies to make existing equipment more heat efficient and have been obtaining promising results on the effects. We also offer technical support in the procurement and selection of environmentally friendly raw materials. On the product technologies side, we are in the process of developing mass-production technologies for highly functional heat storage material based on HASClay™, developed by the National Institute of Advanced Industrial Science and Technology. The aim is to put this heat storage material to effective use in systems that capture waste heat from power generation facilities and plants and use it for drying, air conditioning, and agriculture climate control.

Environmental Protection

Yokkaichi Plant's Material Balance in Fiscal 2022

Energy and raw materials consumed

- Energy*1
140,000 kiloliters (crude oil equivalent)
- Industrial water
16 million m³
- Seawater
10 million m³
- Raw materials
Titanium ore
150,000 tons Others



Production

- Products*2 ▶ **130,000** tons (titanium dioxide equivalent)

Atmospheric emissions

- CO₂ emissions ▶ CO₂ emissions from energy used in production activities **400,000** tons-CO₂
- Nitrogen oxides (NOx) ▶ **184** tons
- Sulfur oxides (SOx) ▶ **5,200** Nm³
- PRTR-listed substances ▶ **11** tons

Emissions into water areas

- Wastewater ▶ **26** million m³
- COD ▶ **39** tons
- PRTR-listed substances ▶ **84** tons
- Nitrogen ▶ **181** tons
- Phosphorous ▶ **1.1** tons

Industrial waste

- Disposal volume ▶ **95,000** tons
- PRTR-listed substances ▶ **1,500** tons

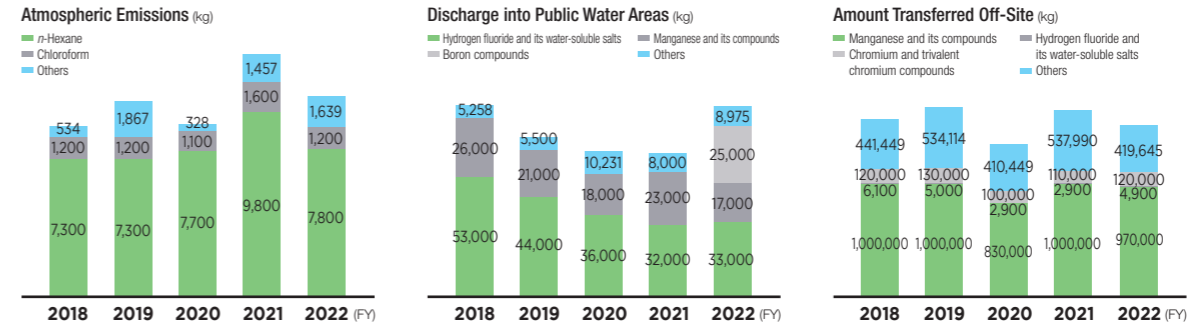
*1 Heavy oil, LNG, steam, and electricity are used as energy sources. The combined usage volume is expressed as a crude oil equivalent figure under Japan's Energy Conservation Act.

*2 Besides titanium dioxide, we produce functional materials, chemical, organic, and other products. These have all been converted to titanium dioxide production figures using energy consumption intensity under Japan's Energy Conservation Act.

Release and Transfer of PRTR-Listed Chemical Substances to Environment

The PRTR (Pollutant Release and Transfer Register) is a system under which the government announces, from where, to where and how much chemical substances are released and transferred that may be harmful to human health and ecosystems. It also aims to encourage companies to exercise self-restraint through disclosure. The Yokkaichi Plant and the Central Research Laboratory handle 39 substances and one substance covered by the PRTR, respectively. These have been reported to the government.

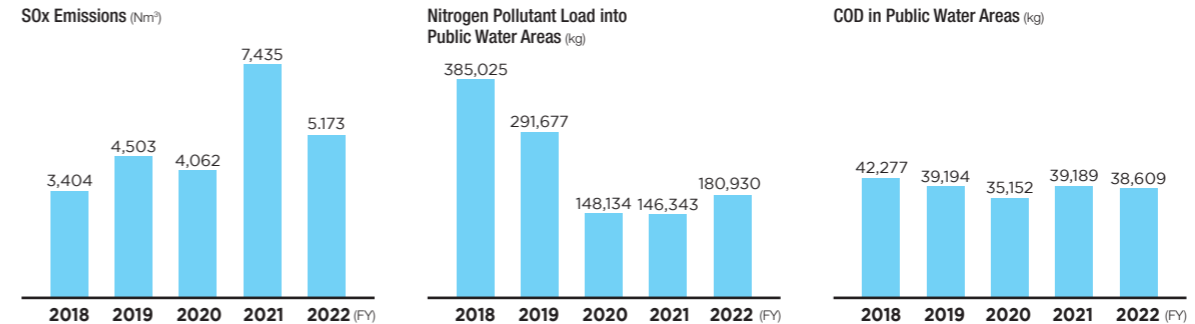
The graphs show the change in the amounts released and transferred at the Yokkaichi Plant in the past five years.



Reducing Environmental Impact on Atmosphere and Water Areas

The graphs show the amounts of substances, covered by total mass emission control, discharged into the atmosphere and public waters at the Yokkaichi Plant.

The plant has voluntary control standards that are stricter than the total mass emission control values set under Japan's Air Pollution Control Act and Water Pollution Control Act.

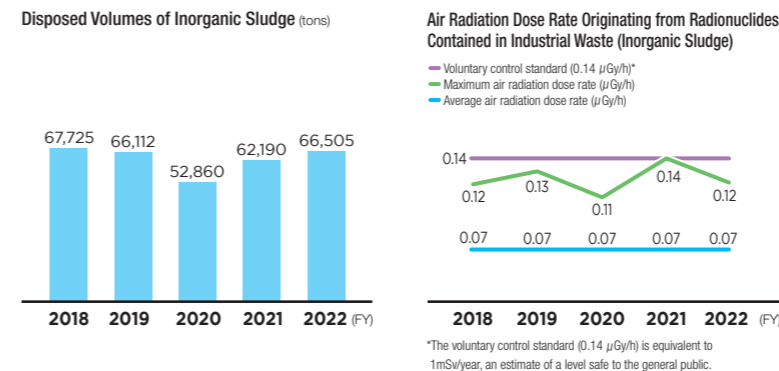


Reduction of By-product Inorganic Sludge

Unnecessary by-product solids (inorganic sludge), generated by each production activity such as titanium dioxide, are properly transported to an industrial waste disposal site. After periodic maintenance of the Yokkaichi Plant in October 2016, we switched to a new method to reduce the generation of the inorganic sludge and it has been decreased.

Controlling Air Radiation Dose Rate of Inorganic Sludge

Ore, used as a raw material for titanium dioxide, contains trace amounts of radioactive impurities such as uranium and thorium, and these are treated and disposed of as waste. Prior to being transferred as industrial waste, radiation levels are measured in accordance with a voluntary control standard to ensure that they are safe.



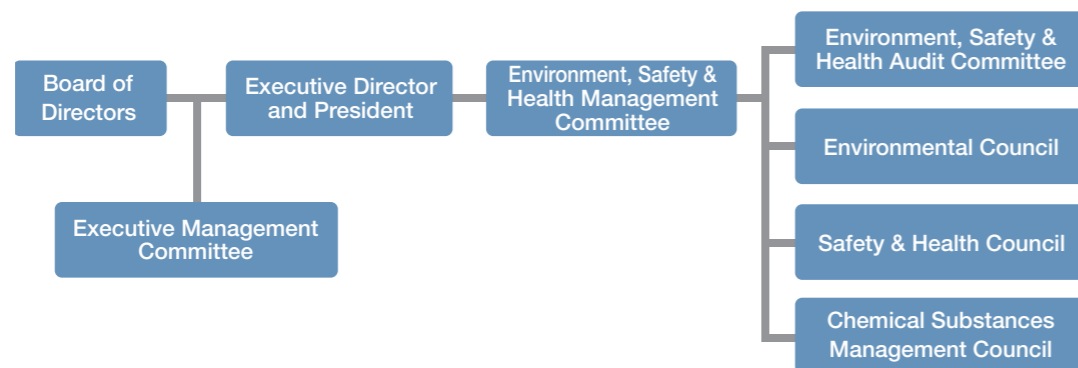
Occupational Safety and Health

Basic Policy

ISK's safety and health policy is to ensure the safety, security, and health of employees and local residents by complying with safety and health-related laws, preventing accidents and disasters, building a pleasant work environment, and constantly raising the level of safety and health. Additionally, we have established "occupational safety and health, operation safety, and disaster prevention" as one of our Group's key issues (materiality) and are promoting initiatives aimed at achieving a lost injury frequency rate and severity rate of zero.

Safety and Health Management Structures

In line with our "Basic Policies on Environmental Protection and Safety & Health Promotion," we have established the Environment, Safety & Health Management Committee under the purview of the Office of President to deliberate on the highest level policy proposals relating to safety and health, the environment and chemical substance management. Below this is the Safety and Health Council which, in addition to the organizations that promote environmental conservation and undertake chemical substance management, promotes occupational safety and health promotion awareness.



Safety and Health Management System

At ISK, we have established "president-directed environmental, safety and health goals" which reflect the characteristics of operation at each business location, and, in order to achieve these goals, key initiatives are set at the beginning of each fiscal year. Here, we will look at the initiatives of our sole plant, the Yokkaichi Plant.

Fiscal 2023 President-directed Environmental, Safety and Health Goals for the Yokkaichi Plant (safety and health-related only)

1. Eliminate plant accidents (fire, explosion, leakage, etc.)
2. Achieve zero workplace accidents (zero lost-time accidents)
3. Improve health awareness and prevent health disorders
4. Promote safety and health and health measures for older workers
5. Achieve zero lost-time accidents involving commuting employees' vehicles

To achieve these goals, the Yokkaichi Plant has formulated, and is implementing, an action plan. Some of the initiatives from this plan are presented below.

(1) Implementation of various risk assessments relating to new and existing processes

Because the Yokkaichi Plant handles amount of high pressure gas, it has been designated as a special disaster prevention area for petroleum complexes in accordance with the Act on the Prevention of Disaster in Petroleum Industrial Complexes and Other Petroleum Facilities.

As part of risk management for such important locations, we conduct risk assessments with What-If Scenario Analysis to identify potential sources of danger.

(2) Normalization of pointing and calling

Pointing and calling involves stopping, observing a target, pointing, calling (vocalizing), and listening in order to prevent operational errors. However, pointing and calling for every area to be checked is hard to do during operation.

Therefore, a checkpoint-specific level system has been adopted.

Level 1 Visual check

Level 2 Visual and pointing check

Level 3 Visual, pointing and calling check

Level 4 Stopping (adopting proper posture) and performing visual, pointing, and calling check

Level 4 pointing and calling is used at the plant entrance in particular in order to raise awareness.



(3) Promotion of autonomous management of chemical substances

In response to the stipulations regarding "autonomous management of chemical substances" in the amended Order for Enforcement of the Industrial Safety and Health Act, we are working to prevent health problems through both legally mandated and voluntarily adopted management methods, which include appointing chemical substance managers and protective equipment managers, conducting risk assessments, and implementing measures to reduce exposure, in a systematic way.

(4) Promotion of falling accident prevention

With employees getting older, falling accidents are becoming more common and can result in lost worktime. As a countermeasure, we are removing the steps around workers as well as painting them in easily noticeable colors. We have also introduced safety shoes with increased toe spring (the distance that the tip of the toe rises from the floor when the shoe is placed on a level floor) which make it harder to trip.

The progress of these activities is assessed during monthly meetings of the Safety and Health Committee, at which countermeasures and other actions are reviewed and revisions made as needed. In addition, departmental and plant-wide reviews are conducted at the end of each fiscal year; activity summaries for each are created and provided to each other, including ISK Group companies, at the Safety & Health Council; information is shared and issues are sorted out; and then those issues are escalated to the Environment, Safety & Health Management Committee for deliberation.

After reflecting on the initiatives of the current fiscal year, the Environment, Safety & Health Management Committee sets goals for the next fiscal year, and new initiatives are planned at each business location; thus a PDCA cycle is implemented to foster an upward spiral in occupational health and safety and health promotion awareness.

Respect for Human Rights

ISK Group Policy on Human Rights

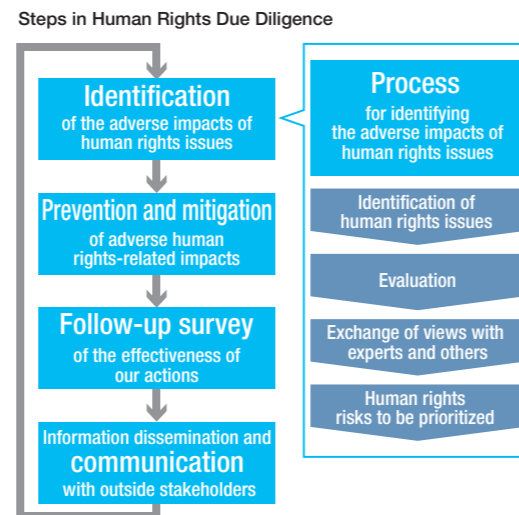
We formulated the ISK Group Policy on Human Rights to further our efforts in respecting individuals. Based on international human rights standards such as the International Bill of Human Rights, the policy proclaims ISK’s dedication to preventing discrimination and harassment and respecting individual privacy. It also details how we implement education and training to effectively achieve these goals and conduct due diligence, as well as disclose pertinent information. The ISK Group Policy on Human Rights will guide our efforts to further respect human rights at all our worldwide bases. The policy, which was formulated with advice from outside experts, was approved by the Board of Directors on April 8, 2022.

Sustainability Respect for Human Rights

https://www.iskweb.co.jp/eng/environment/human_rights.html

Implementation of Human Rights Due Diligence

The ISK Group is working to build mechanisms to identify and prevent or mitigate human rights issues negatively impacting society. In fiscal 2022, with the cooperation of outside experts, we examined our principal businesses and associated value chains, identified and evaluated human rights issues that could have a negative impact on human rights through our business activities, and then designated those human rights risks to be prioritized.



Designation of Human Rights Risks to Be Prioritized

Placing the highest priority on human life, the ISK Group has identified initiatives to address as priority human rights risks. These include responding to the fact that our major manufacturing sites are located in areas expected to be damaged by a Nankai Trough earthquake, enhancing our response to geopolitical risks, responding to workplace-specific risks like long working hours and harassment, and responding to increasingly sophisticated information security risks.

We also believe that it is necessary to understand the current state of human rights at suppliers and business partners and communicate with them in order to further increase transparency.

Human Rights Risks to Be Prioritized	Affected Group	Major Human Rights Risks
Health and safety	Workers at ISK’s group companies	<ul style="list-style-type: none"> Large-scale earthquakes, pandemics, etc. Protest activities, terrorism and kidnappings in regions with geopolitical risks and at our overseas sites
Long working hours	Workers at ISK’s group companies	<ul style="list-style-type: none"> Normalization of long working hours due to personnel shortages, diversification of work styles, etc.
Harassment / abuse / corporal punishment	Workers at ISK’s group companies	<ul style="list-style-type: none"> Occurrence of harassment accompanying the diversification of work and human relationships
Leakage of personal information or invasion of privacy	Workers at ISK’s group companies Customers	<ul style="list-style-type: none"> Diversification of risk factors, such as unauthorized access and cyberattacks, accompanying the development of information technology
Human rights issues at suppliers and business partners	Workers at suppliers and business partners	<ul style="list-style-type: none"> Insufficient understanding of the actual state of human rights

Human Rights Education and Training for Employees

In fiscal 2023 we conducted video training aimed at all Group employees in order to ensure their foundation of knowledge regarding human rights in business, as well as to deepen their understanding of the human rights-related initiatives undertaken by the ISK Group.

The training was divided into three components: “What are human rights?” “Worldwide Trends Regarding Business and Human Rights,” “Initiatives of the ISK Group.” This training serves to raise awareness among employees about respect for human rights, and this, in turn, leads to increased corporate value.

Disclosure of Human Rights Risks to Be Prioritized

Message from an Outside Expert

I welcome the fact that the ISK Group has begun to undertake human rights due diligence.

The potential negative impact of business activities on human rights (human rights risks) is identified with a focus on stakeholders, who are rights holders of human rights, and is evaluated with the severity of the impact on human rights used as a priority indicator. Listing the health and safety of the ISK Group employees as a human rights risk to be prioritized is in line with the latest trends in the international community. The International Labour Organization adopted its core labor standards in 1998, and added “promoting safe and healthy working environments” to them in 2022. Thus, the importance of occupational safety and health was reaffirmed as fundamental human rights.

Regarding long working hours and harassment, the protection of the lives and physical and mental health of workers is required by domestic laws and regulations. However, the United Nations Guiding Principles on Business and Human Rights require initiatives which go beyond compliance with domestic laws and regulations. For example, companies are required to confirm whether work style is being reformed or harassment countermeasures are taken among suppliers or business partners. In addition, I believe that it is necessary to deal with personal information and privacy in accordance with international standards in order to prevent serious situations that threaten the lives, bodies, and livelihoods of individuals, while taking into account differences in the privacy protection laws of the countries where your company operates.

I have understood that the ISK Group will work on future initiatives to identify concrete human rights issues at suppliers and business partners and to promote dialogue with stakeholders in the process of human rights due diligence. The ISK Group promotes initiatives related to environmental impact, including waste disposal, and advocates process safety, disaster prevention, and environmental protection activities in the Multi-Stakeholder Policy that ISK formulated in 2023. A measure to be taken would be to reconsider environmental issues faced by suppliers and business partners from the perspective of human rights through dialogue with local communities.

Initiatives on human rights that lead the chemical industry will help increase productivity and secure and maintain excellent human resources through the improved job satisfaction of employees, gain support from business partners and customers, and strengthen relationships of trust with them. I believe that such initiatives will bear fruit in the form of an increase in the evaluation of corporate value by domestic and foreign shareholders and investors, and will surely contribute to the further development of the ISK Group.

I look forward to the progress of human rights due diligence in the future.



Attorney, New York State-licensed attorney
Member, Steering Committee,
Business and Human Rights Lawyers Network Japan

Emi Omura

Note: The above comments represent the views of Ms. Omura as an individual attorney. They do not reflect the views of any law offices or organizations to which she belongs, or of any organizations for which she serves as a director or officer.

Sustainable Procurement

Within the ISK (Ishihara Sangyo Kaisha, Ltd.) Group, we pursue socially responsible procurement activities through our business operations, in collaboration with suppliers and contractors, as specified in our Code of Conduct and Policy on Human Rights. We hereby adopt the Policy on Procurement in order to promote such socially responsible procurement activities.

ISK Group Policy on Procurement

1. Legal Compliance

ISK Group complies with laws and regulations of each country and region and conducts procurement activities sensibly in accordance with social ethics.

2. Fair and Reasonable Transactions

ISK Group provides opportunities openly to both domestic and overseas suppliers and contractors and is committed to fair transactions. ISK Group conducts reasonable procurement activities by considering multiple elements in a comprehensive manner, including quality, price competitiveness, supply stability and capacity for technological development.

3. Establishing Partnerships

ISK Group strives to promote mutual understanding with suppliers and contractors and to strengthen partnerships by building relationships based on trust.

ISK Group will take reasonable and appropriate steps to determine to the best of its knowledge that its suppliers and contractors practice the values espoused by ISK Group as set forth in the Appendix.

4. Promoting Social Responsibility

ISK Group respects human right as a member of the international community and conducts procurement activities in consideration of various aspects of sustainability such as environment and safety.

In addition, ISK Group will actively participate in international initiatives such as Responsible Care activities, management of conflict minerals (3TG, cobalt) and procurement of sustainable palm oil.

The ISK Group will publicize initiatives concerning procurement activities pursuant to this Policy via the ISK Group website and/or Integrated Reports.

Sustainability Sustainable Procurement

<https://www.iskweb.co.jp/eng/environment/procurement.html>

Message from the Director of General Affairs & Human Resources Headquarters

Sympathize company's vision and Achieve personal career vision

Within the ISK Group, we have codified, in line with our Vision 2030 long-term vision, the "Purpose" that we want our Group to serve in contributing to society. While maintaining core competitive strength through our chemical technology, we will rely on our corporate philosophy, the willingness to embrace challenges which is part of our founding DNA, our "Value Creation Core" including our ability to develop proprietary technologies, our ability to collaborate globally, our ability to accommodate quality, and environmental requirements, and our management capability etc., express our Group's commitment to delivering better living environments to the people of the world. It is our purpose, which resonates with all Group employees and provides a more tangible sense of connection with society, that will serve as the compass indicating the direction of our future efforts.

I believe that by fostering individual contemplation and action about what one can do for society and how to go about realizing the ISK Group's purpose, while at the same time aligning the ISK Group's purpose with each individual's career vision, a sense of motivation and rewarding challenge is created which will, ultimately, lead every employee to say, "I'm happy I joined the ISK Group."

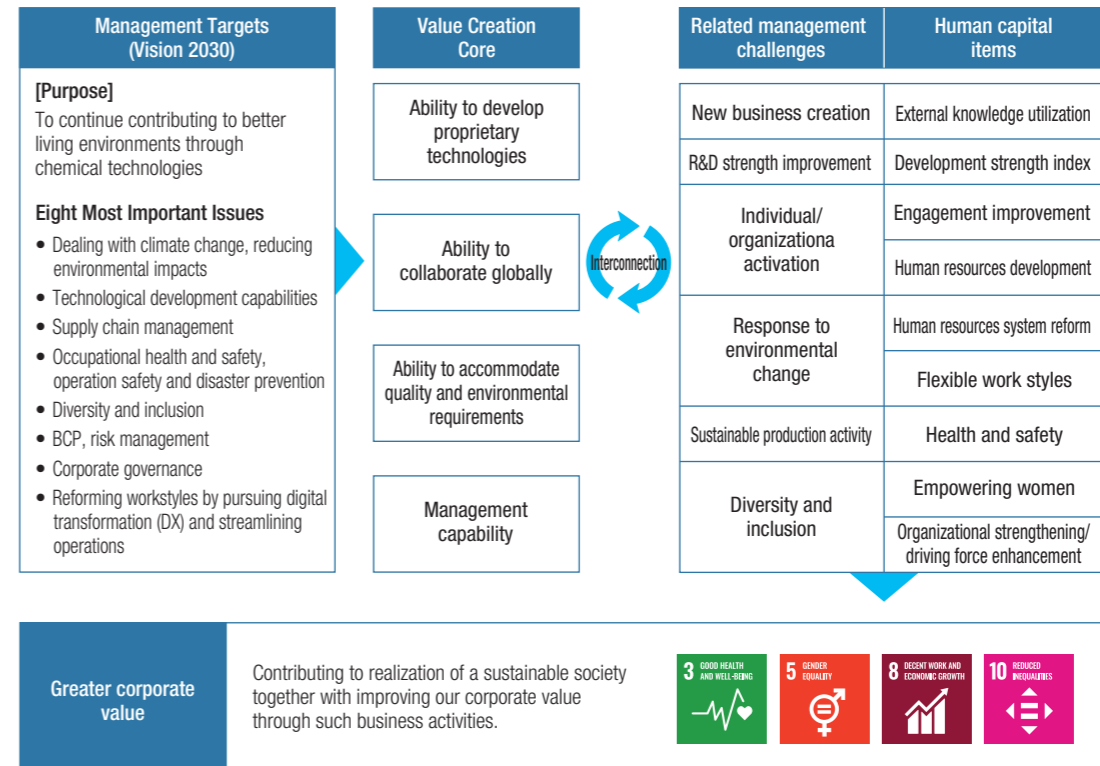
– Cultivating Diverse Human Resources to Tackle the Challenge of Value Creation –



Director of General Affairs & Human Resources Headquarters
Yoshio Nishiyama

Within the ISK Group, we consider people to be our greatest asset and regard human resources as company capital. We believe that "human resources are the source of our competitive strength," and, thus, invest in human resources is indispensable to increasing our medium- to long-term corporate value.

In order to link human capital with value creation, we foster the growth of the autonomous "individual," which leads, also, to the growth of the organization and, by extension, the growth of the company as a whole. This allows each employee to have a sense of his or her contribution to increasing corporate value, thereby furthering the growth of the "individual" and creating a virtuous spiral. And, in order to maintain this crucial upward spiral, we believe it is essential to link human resource strategies and personnel measures based on management



and business strategies. We will continue to develop ourselves as an organization in which all employees aspire to address the challenges facing society, which attracts diverse and specialized human resources, and that exists as a group in which all employees are empowered to demonstrate their individual talents and skills. Towards that end, we will promote training to help employees acquire those abilities and qualities that all employees should possess, as well as those abilities required for the performance of specific roles, and we will also bolster systems which encourage self-improvement and tackling challenges in order to foster independent skills development and self-growth.

– Human Capital Investment Initiatives –

We will implement five human resources strategies to realize value creation and personal and organizational growth.

1. Optimal placement of human resources

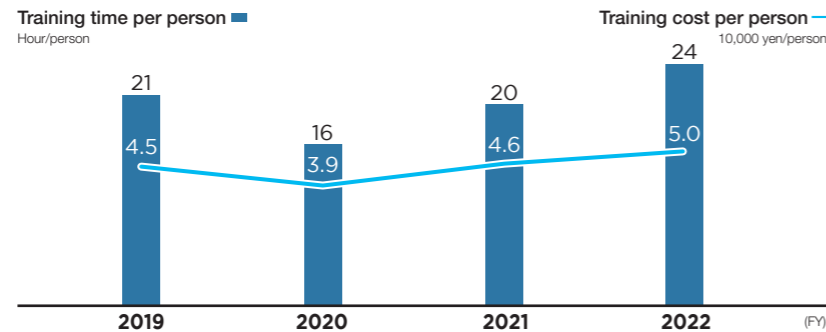
We will secure a necessary and sufficient number of human resources to implement our business strategies and place them in accordance with our business strategic priorities. We are focusing on mid-career hiring as part of our efforts to acquire highly specialized human resources, such as management personnel and DX personnel, and to strengthen diversity in terms of gender and nationality. Mid-career hires utilize the skills and experience they have cultivated externally, while leveraging our corporate resources, to contribute to their own success and that of the company. In fiscal 2022, 64.5% of all hires were mid-career hires.

2. Skill acquisition and strengthening

We prepare training programs to help employees acquire the skills and expertise necessary to execute business strategies, and we provide them with a variety of opportunities for experience, both domestically and internationally, inside and outside the company. We have courses to improve their global business skills, such as online courses they can take at home. They can also go to a language school to learn foreign languages as well as take part in overseas training and other options.

In particular, we engage in active human resources investment to facilitate skill-building among those personnel with the will and desire to grow, and to facilitate acquisition among promoted employees of the skills necessary to produce better results. Specifically, we carried out top leader training (training of next generation of executives), management leader training (middle management layer), newly appointed manager training, and ISK management school (selective), for each job level, and also Training independently selected by each department. In fiscal 2022, we invested an average of 50,000 yen for all employees.

• Time and Money Invested in Employee Training Programs (non-consolidated)



(Included training to improve employee capabilities, annual training by job level, career training, next-generation executive training, etc.)

Experiencing Cross-cultural Exchange via Overseas Training

I made use of the in-house training program to receive language training in India for six months.

This training was a valuable opportunity to not only learn the language but also to learn about the lives and dispositions of the local people. In particular, I feel that having an understanding of their proactive approach and attitude towards things will be extremely important for smooth communications with them in the future. Currently, I am in charge of product development, marketing and sales in the South Asia region and apply what I learned in language training to my daily work.



Product Development & Marketing Division,
Biosciences Business Headquarters
Asia Pacific Group

Jun Sawano

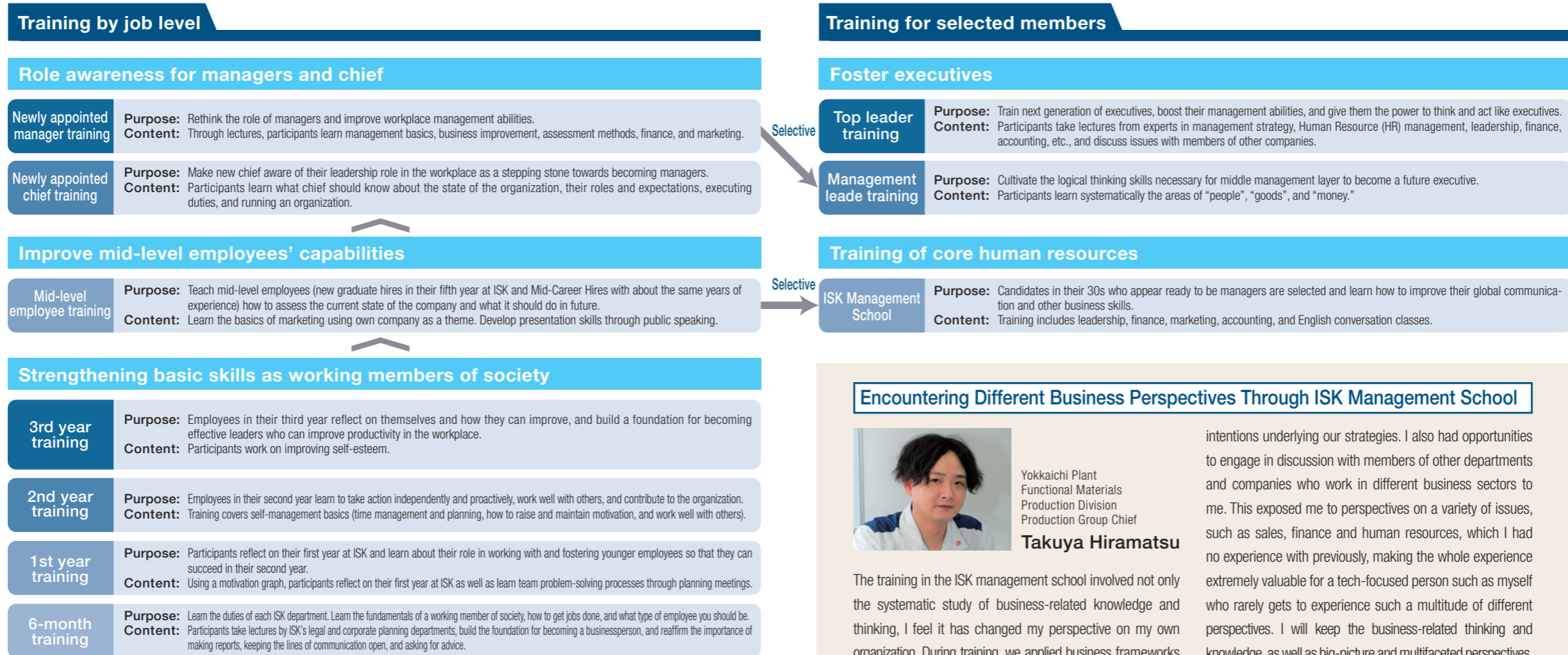
Development of an Education and Training System and Launch of Relevant Initiatives at the Yokkaichi Plant

In 2022, we established an education and training system and launched relevant initiatives with the aim of cultivating outstanding future personnel and fostering skill-building for everyone that will ensure the Yokkaichi Plant is a sustainable business location. In addition to providing training by job level, hands-on safety training and other training, we conduct in-house training in “foundational knowledge” and have introduced e-learning in order to raise the skill level of young personnel, in particular, to foster operational improvement based on fundamental rules and principles that will ensure we are a sustainable plant.



Employee Training Programs and Career Development Support

Once employees enter ISK, the company develops their capabilities by holding courses company-wide at certain points in their careers in order to make them aware of their roles in society and the company and to boost various skills.



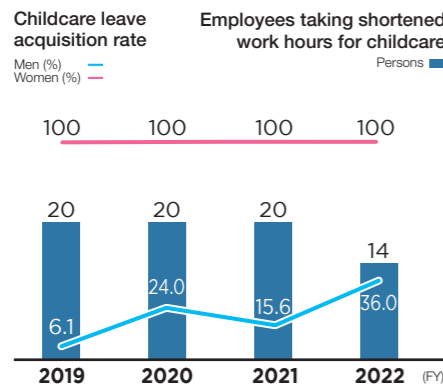
3. Empowering women

We are working from a medium- to long-term perspective to create an environment where women's participation is common and expected. Specifically, we are actively recruiting female recent graduates and mid-career hires, as well as promoting female managers, and, in terms of balancing work with child care, regardless of gender, we are cultivating workplaces where there is workplace-wide understanding of, and support for, the life events, thereby fostering the development of a corporate culture which empowers women to pursue their careers without interruption. In fiscal 2022, childcare leave acquisition rate was 36% for male employees and 100% for female employees.

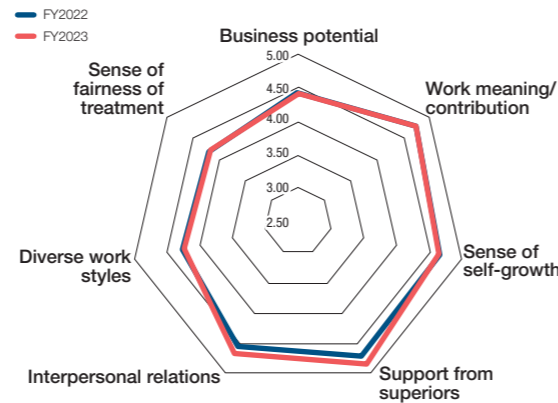
4. Improving engagement

In order to enable individuals to demonstrate their full potential and contribute to increased productivity and corporate value amidst an increasingly diverse range of attitudes and needs employees have with regard to lifestyle and career development, it is important that we cultivate employee-friendly work environments which improve the motivation of every employee. We hope that, as we accommodate a diverse workforce with flexible work style options, such as by introducing work-from-home and flex-time systems to facilitate work-life balance, this will contribute to a greater awareness of individual work efficiency.

• Increasing Support for Work-Life Balance (Non-consolidated)



• Engagement Survey Results



Tackling the Challenge of the Management Promotion Exam



Central Research Institute
Research Management Division
Planning Group Manager
Sekimi Morino

At the Central Research Institute, my responsibilities include performing technical surveys prior to patent application and coordinating with external organization regarding contract work. My supervisor always advise me to pursue my work "as if you were in a higher position;"

so, last year, I took the management promotion exam. After returning from childcare leave in 2019, I shifted to morning work using the flex-time system to be able to go and pick up my child thank to coordinating with my husband. Within the department, when it is time to go home, my superior is considerate of that fact and encourages me with a call of "It's time!" I am also currently utilizing a variety of systems offered within the company, such as work-from-home two days a week. My job involves working outside my department as well, and I intend to capitalize upon this to gain a more diverse perspective as I accumulate experience so that I can continue working in an ever-broader capacity.

5. Cultivating DX personnel

The aim of DX is not to introduce IT (information technology) but, rather, to facilitate the co-evolution of D (data and digital technology utilization) and X (operational and business model transformation). Although a DX mindset has not yet been cultivated company-wide, we are conducting training for all employees intended to improve their overall skills, and we are working to improve IT literacy as well as strengthen the development of DX personnel.

Digital Transformation (DX) Initiatives

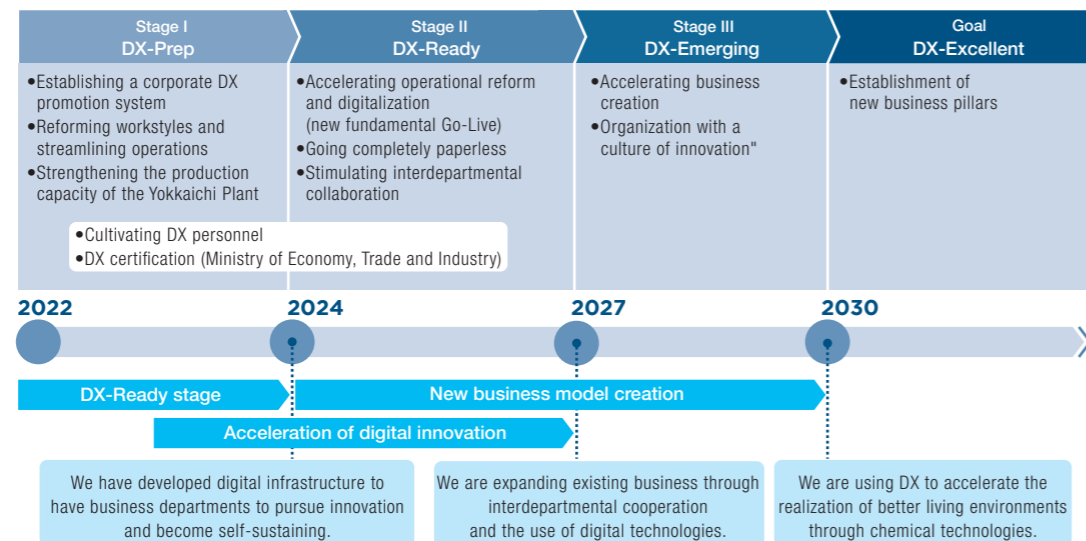
One of the priority goals for medium-term business plan ,Vision 2030 Stage I, is Reforming workstyles by pursuing digital transformation (DX) and streamlining operations.

We will promote digital technology-driven, company-wide DX and strengthen our business foundations with the aim of expanding existing business and creating new business adapted to customers' and society's changing needs and the changing business environment.

DX Strategy and Roadmap

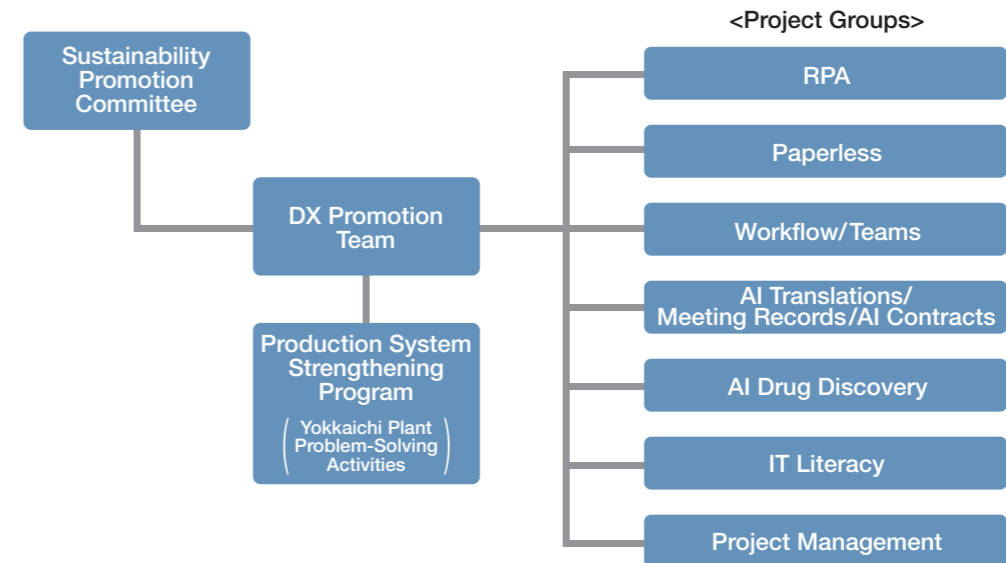
With a vision of utilizing DX to accelerate the realization of better living environments through chemical technologies, we are promoting DX in accordance with the following strategic policies. While our initial goal is to finish a DX-Ready stage, as we work toward Vision 2030, we will foster increasing maturation over the medium- to long-term to transform ourselves into an organization which leverages advanced digital technology.

1. Expanding existing business and creating new business adapted to customers' and society's changing needs
2. Reforming workstyles and strengthening manufacturing systems by pursuing streamlining operations
3. Improving IT literacy of all employees and utilization of digital technology and data
4. Reforming to the environment and culture where innovative idea can be attempted and implemented easily and swiftly



DX Promotion Structures

In order to realize our DX vision, we have established a DX Promotion Team which is under the purview of the Sustainability Promotion Committee. We are working to improve labor productivity and achieve workstyle reform by establishing themed project groups to focus implementation on those areas closely tied to business operations and, thereby, produce results while accumulating small success stories.



Cultivating DX personnel

With the aim of building a system which makes business departments to independently pursue DX, we first define the necessary DX personnel our company needs and then provide individually tailored training in order to cultivate human resources who possess operational knowledge and a certain level of IT skill.

DX Environment Development

In order to promote DX, we need to develop an environment where a shared awareness exists of the importance of moving away from existing ways of doing things and of embracing challenge. The DX Promotion Team is responsible for developing a system "DX Verification Promotion Plan" to address the provision of consultations and cost-related support when starting DX activity verification (with a small start), as well as strengthening both the IT infrastructure system and hardware environment.

Health & Productivity Management Promotion

At ISK, we treat health and productivity management as part of our management strategy and, thus, endeavor to create a workplace where the individual mental and physical health of employees is promoted, enabling them to work to their full potential. Our Health & Productivity Management Promotion System is overseen by the Human Capital Management Promotion Team established under the purview of the Sustainability Promotion Committee, where overall health and productivity management planning and operation is primarily handled by human resources departments (including on-staff public health nurses), the health insurance union and the labor union, jointly. Additionally, the progress of initiatives is regularly reported to the Board of Directors and Sustainability Promotion Committee, who discuss what further initiatives should be taken.

In fiscal 2022, we promoted health and productivity management from the two perspectives of “improving health literacy” and “maintaining and improving physical and mental health.” To improve health literacy, we conducted e-learning aimed at managers (100% participation rate), and survey results showed that it had a helpful impact on how they approach employees’ health management.

In the future, we will conduct e-learning and other training on the topics of “food” and “sleep.” Additionally, to help employees in maintaining and improving their mental and physical health, we make use of not only the “Brief Job Stress Questionnaire” but also the “New Job Stress Questionnaire,” which includes additional questions about work engagement, workplace unity and whether the workplace is free of harassment. In order to improve psychological safety at workplaces where there are many employees with high levels of stress, we contract an external organization to implement a workplace improvement program as part of our efforts to provide emotional care and better workplaces.

ISK has been recognized as a Health & Productivity Management Outstanding Organization (largescale corporate sector) in 2023 under the Certified Health & Productivity Management Outstanding Organizations Recognition Program overseen by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi.

The Yokkaichi Plant, which accounts for more than 80% of our employees, was also recognized as a “Mie Tokowaka Health Management Company (White Mie)” in 2023.

In the first half of fiscal 2023, our domestic Group companies also formulated health declarations in the name of each company’s representative director and made them known to their employees. All of the ISK Group will continue to work together to promote the health and productivity of its employees.



Introduction of Transfer-restricted Share Incentive System

In fiscal 2022, in order to improve employee benefits and facilitate sustained growth in corporate value, we introduced to the Ishihara Sangyo Kaisha Employee Stock Ownership Association a transfer-restricted share incentive system aimed at supervisors. We believe this will lead to greater “stakeholder-focused management” by facilitating an alignment of interests between supervisors and stakeholders, such as by fostering a management-participation mindset wherein the supervisors who assist with the running of the company think about corporate value creation from the same perspective as the shareholders and investors and by ensuring wealth realization through economic benefits derived from the long-term growth in ISK share value.

In fiscal 2023, we also introduced this system for supervisors at our domestic Group companies in order to strengthen the Group management mindset and foster a sense of unity. Through this, we will further leverage the Group’s collective strength towards achievement of the Vision 2030 goals and improvement of our corporate value.

[Purpose]

Continuing to Contribute to Better Living Environments through Chemical Technologies

– Connecting Our Purpose with Employees' Aspirations –

The purpose of the ISK Group encompasses a “willingness to embrace challenge in order to provide the indispensable.” We provide opportunities for purpose-related talks amongst the employees themselves to guarantee that this purpose resonates with our employees and encourages them to contribute to society through ISK's business activities.



Training for managers



Choosing managers who have been through training to serve as instructors



Communicating personal experiences with one another



Sharing future actions to be taken as a group

To help employees adopt this purpose as their own, we conduct workshop-style training which uses employees as facilitators. Participants engage in a voluntary exchange of opinions about the direction of the company from an internal rather than external perspective, as well as share their experiences and aspirations with one another. This is an opportunity for employees to think deeply about the significance of what they do at ISK, thus not only fostering a connection between the company's purpose and the work employees do, but also, with the values each employee holds.

This training has been conducted approximately 60 times company-wide and adopts a cross-functional format at each business location. Allowing employees to engage in opinion exchange with members of different departments that they would not normally interact with helps to give them new insights and awareness.



In-house enlightening poster

Voice of a Training Participant



Yokkaichi Plant
Titanium Dioxide Production Division Finishing Process Group
Assistant Unit Leader

Hisanori Ban

To be perfectly honest, prior to this training, I had no idea what relationship ISK Group's purpose has with my day-to-day operations. After taking the training and thinking about it for myself, I felt that the best thing I could do was start by trying to connect this purpose with my daily duties.

I have also come to understand that in the modern society, companies cannot simply pursue profit, they need to think deeply about their purpose in order to ensure that they are seen by society as essential.