

## 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.



## 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.biz-partnership.jp/declaration/55691-05-08-osaka.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 investors, and we are dedicated to providing continued stable return for shareholders.

- We have a Public Relations 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.
- We've appointed a director in charge of public relations to oversee issues related to constructive dialog with shareholders and investors.
- We hold financial results briefings (twice a year) following the announcement of our full-year and second-quarter financial results, providing an opportunity for communication between top management and institutional investors. In addition, the director in charge of public relations handles individual interviews with institutional investors, either face-to-face or online, and engages in lively discussion on topics such as business growth strategies and shareholder returns. On May 10th, 2024, we announced our medium-term business plan, Vision 2030 Stage II along with the structural reforms we are making to our inorganic chemicals business, and institutional investors asked us a number of questions regarding these.

Trends in institutional investor IR coverage

	FY2020	FY2021	FY2022	FY2023	As of the end of June 2024
Domestic investors	39	71	51	61	18
Overseas investors	9	19	21	39	10
Total	48	90	72	100	28

No. of participants in financial results briefings (including online participants)

	FY2020	FY2021	FY2022	FY2023	FY2024
May	call off	35	35	39	54
November	22	38	34	41	—
Total	22	73	69	80	54

- For our General Shareholders' Meeting, we comply with the revised Companies Act which requires that materials for General Shareholders' Meeting be provided electronically, and we send out meeting documents physically and electronically earlier than is required by law. In addition, to improve convenience for shareholders and investors who do not speak Japanese, we translate the entire convocation notice, including the business report, into English.
- We host an annual roundtable with major shareholders with voting rights about topics such as our business performance and Corporate Governance initiatives. The views and information from those events are reported to the Board of Directors for the purposes of information sharing and for improving governance.



101st ordinary General Shareholders' Meeting (convened in June 2024)

## Communication with the Local Community

### Yokkaichi Plant

#### Plant Tour

On July 2<sup>nd</sup>, 2024, we held a plant tour for first-year students at the local Shiohama Junior High School. These tours were unavoidably suspended during the COVID-19 pandemic, so this was the first such plant tour that we have held in five years.

After boarding a bus for a tour of the entire plant, the students were told about the pollution prevention efforts at the Yokkaichi Plant, and, at the end of the tour, had the opportunity to observe experiments conducted using ISK products (titanium dioxide for MLCC, photocatalytic titanium dioxide, and HASClay<sup>TM</sup>). The students enthusiastically took part and asked many questions. Our hope is that this tour helped the students to better recognize the potential of chemical technology and fostered their interest in chemistry.

The teachers who came with the students were positive about the trip, commenting that “Ishihara Sangyo Kaisha's environmental initiatives and company policies were clearly communicated and understandable.”



A demonstration experiment using ISK products

#### Cleanup Activities

At the Yokkaichi Plant, we conduct cleanup activities twice a year along Ishihara Kaido, a municipal road that leads to the plant. These activities attract around 50 participants each time who want to contribute to the local community, such as by picking up trash.

In addition, the Yokkaichi Plant is a member of the Mie Prefecture Industrial Waste Management Promotion Council and takes part in annual beach cleanup activities organized by the council at Nasa Beach on Toshi Island, which is part of Toba City, Mie Prefecture.

We will continue to contribute to local communities through beautification efforts and other activities.



Clean-up activity at Nasa Beach on Toshi Island

### Central Research Institute

#### Comprehensive Disaster Drills

Comprehensive disaster drills are held for all personnel every year in the fall with the aim of raising awareness of disaster preparedness. In fiscal 2023, we conducted evacuation drills simulating an earthquake, and, with the cooperation of the fire department, who brought an earthquake simulation vehicle that allowed employees to experience the strong shaking that accompanies a powerful earthquake, provided comprehensive instruction in earthquake-related physical and mental preparations.

Additionally, in March, firefighting training was held for our Self Disaster Team. This training was a review of all the actions that should be taken in the unlikely event of a fire and included training on calling 119 and how to spray water using outdoor fire hydrants.

As a result of these efforts, we were commended by the Shiga Prefectural Fire Prevention and Safety Association as a Shiga Prefecture Fire Prevention and Safety Outstanding Business for fiscal year 2024 and were honored with a Governor's Award. We will continue to work to raise awareness about disaster prevention so that we can serve as a role model for the local community.



Earthquake experience using an earthquake simulation vehicle

#### Cleanup Activities

Twice a year, employees volunteer to clean up the surrounding area. In addition, they take part in other efforts, such as cleanup activities organized by the community association where our dormitory is located, in order to promote an understanding for our business activities that leads to a stronger relationship of trust between our company and the local community.



Community association cleanup activity

# Board of Directors and Executive Officers

## Board of Directors (As of June 30, 2024)



**Kenichi Tanaka**  
Director, Chairman

- 10 years
- 27,588
- 17/17 (100%)



**Hiroshi Okubo**  
Executive Director  
President & Chief Executive Officer  
Chief Compliance Officer (CCO)

- 2 years
- 12,330
- 17/17 (100%)



**Mikiya Horie**  
Executive Director  
Senior Managing Executive Officer  
Director of Biosciences Business  
Headquarters

- 2 years
- 7,046
- —

- Term of office as Director
- Number of shares held (as of March 31, 2024)
- Attendance at Board of Directors meetings (from June 28, 2023 to June 25, 2024)
- Attendance at Audit & Supervisory Board meetings (from June 28, 2023 to June 25, 2024)



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

- 5 years
- 21,465
- 17/17 (100%)



**Yoshio Nishiyama**  
Director  
Managing Executive Officer  
Director of General Affairs & Human  
Resources Headquarters

- —
- 5,690
- —



**Yoshiyuki Shimmyo**  
Director  
Managing Executive Officer  
Director of Inorganic Chemicals  
Business Headquarters

- —
- 6,146
- —



**Tatsuo Hanazawa**  
Outside Director

- 5 years
- 4,000
- 17/17 (100%)



**Satoshi Ando**  
Outside Director

- 4 years
- 2,000
- 17/17 (100%)



**Akemi Uchida**  
Outside Director

- 1 year
- 200
- 17/17 (100%)

## Audit & Supervisory Board Members (As of June 30, 2024)



**Yoshihito Akiyama**  
Audit & Supervisory Board Member

- 3 years
- 5,782
- 17/17 (100%)
- 12/12 (100%)



**Yoichi Kobayashi**  
Audit & Supervisory Board Member

- 1 year
- 10,700
- 17/17 (100%)
- 12/12 (100%)



**Norihisa Kusumi**  
Outside Audit & Supervisory Board  
Member

- 1 year
- 100
- 17/17 (100%)
- 12/12 (100%)



**Yasuhiro Koike**  
Outside Audit & Supervisory Board  
Member

- 1 year
- 500
- 17/17 (100%)
- 12/12 (100%)

## Skills Matrix, Reasons for Appointment (As of June 30, 2024)

	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 Director, Chairman	●	●		●	●	●		Mr. Tanaka has exhibited strong leadership since becoming executive director and president 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 is focused, as executive director and chairman, on increasing the effectiveness of the Board of Directors while overseeing the company's operations. He was appointed because of his knowledge in the external environment in which the ISK Group operates and in corporate governance.
	Hiroshi Okubo Executive Director President & Chief Executive Officer Chief Compliance Officer (CCO)	●	●	●		●		●	Mr. Okubo worked in various departments at ISK plants, including the production, environmental, and safety and health departments, and gained management experience at affiliated companies. He then served as the director of the Corporate Administration & Planning Headquarters before being appointed to the position of company director in June 2023, where, among other efforts aimed at increasing corporate value, he worked hard to accelerate the promotion of digital transformation. He was appointed to the position of executive director and president in April 2024, and as a central member of ISK management, is working to increase the corporate value of our Group in order to realize the medium-term business plan, Vision 2030 Stage II, which began around the same time as his appointment. He was selected because he has demonstrated strong leadership amidst a track record of experience and achievement.
	Mikiya Horie Executive Director Senior Managing Executive Officer Director of Biosciences Business Headquarters	●	●	●	●				After working mainly in organic chemistry sales and development departments, Mr. Horie was made an executive officer in 2018 and is currently responsible for running the Biosciences Business Headquarters as director, as well as for overseeing the development and commercialization of new agrochemicals and the promotion of greater cost competitiveness in agrochemicals production. He has extensive experience in global business and has been appointed because of his ability to apply his business knowledge and experience in the appropriate execution of his duties.
	Yasunobu Kawazoe Director Senior 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 has been appointed in order to leverage this experience and expertise in the planning of business strategy and other policies, deliberations, and operational oversight by the Board of Directors.
	Yoshio Nishiyama Director Managing Executive Officer Director of General Affairs & Human Resources Headquarters		●	●	●			●	After working in various departments at ISK plants, including the environmental, general affairs and labor departments, Mr. Nishiyama worked in the human resources department at the Head Office. In 2021, he was appointed to the position of executive officer and is currently responsible for managing the General Affairs & Human Resources Headquarters as its director. He has been appointed because of his ability to apply his extensive business knowledge and experience in the appropriate execution of his duties.
	Yoshiyuki Shimmyo Director Managing Executive Officer Director of Inorganic Chemicals Business Headquarters		●	●	●				After working in inorganic chemicals-related domestic and international sales, Mr. Shimmyo was appointed to the position of executive officer in 2022 and is currently responsible for the management of the entire Inorganic Chemicals Business Headquarters as its director. He has been appointed because of his ability to apply his extensive business knowledge and experience in the appropriate execution of his duties.
	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, 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 provides appropriate advice and supervision regarding our management from an outside perspective of objectivity and impartiality. Furthermore, she is proactive in sharing her opinions as a member of our Compensation Committee, Personnel Committee, and Evaluation Committee. She also provides us with valuable advice on issues such as diversity and inclusion, and she was appointed with the expectation that she would fulfill her role as an outside director from an independent perspective.	
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.

# Outside Director Roundtable



Outside Director  
Tatsuo Hanazawa

Outside Director  
Akemi Uchida

Outside Director  
Satoshi Ando

## Being Unconstrained in Boldly Taking Risks

With a new president and the launch of a new medium-term business plan, Vision 2030 Stage II, ISK is in a period of major change.

We asked our three outside directors about their expectations for ISK's new structure and their outlook for the future.

### Expectations for the New President

#### High Expectations for the President to Take the Mound and Rally His Team

**Hanazawa** I have known the new president, Mr. Okubo, since his appointment as deputy director of Corporate Administration & Planning Headquarters four years ago, and I feel that he is someone with a strong sense of duty. He also has extensive experience in crisis management and external relations for ISK. The previous president, Mr. Takahashi, set ISK on a difficult path towards halting production of titanium dioxide in sulfate process, and Mr. Okubo was his right-hand man. He took over just as everything was about to be put into action, which I imagine would be a difficult position to be in, but he seems to be taking everything in stride recently. After all, like they say, it is the position that makes the man.

**Ando** He was someone we expected to be a candidate for president for some time now. With ISK embarking on a new stage in

its medium-term business plan, now is the perfect time for him to take the mound. He is a bright, positive, and energetic person, and I believe he is the right person to lead everyone to expand ISK's business in the future.

**Uchida** I have only recently assumed my position as an outside director, so I do not know Mr. Okubo very well; however, I believe it is good that the person who becomes president is someone who has experience in running a company.

Mr. Okubo has been involved in the management of two subsidiaries, so I feel at ease in that regard.

**Hanazawa** My impression is that, ever since he became an executive at the Head Office, ISK has been preparing and developing Mr. Okubo, including as a successor. He often uses the word "acceleration," but he seems to realize that if he emphasizes it too much, it puts pressure on his subordinates; hence, he has currently adopted a more watchful posture. Personally, I would like him to be more assertive about leading the company in the way he thinks best.

**Ando** Right now the company is in a time of change. There will likely be various disagreements, but I would like Mr. Okubo to not worry about minor conflicts and, instead, have confidence in his ideas about how to tackle the challenges ISK faces.

**Uchida** There is a lot that needs to be done to carry out Stage II. It will require both strong leadership and prudence. I see him as someone who is very capable of getting everyone on board and involved, so I have high hopes.

### Stage I Assessment and Remaining Issues

#### Importance of Taking Seriously a Failure to Achieve Targets

**Hanazawa** During our previous medium-term business plan, Vision 2030 Stage I, the business environment changed significantly due to the spread of COVID-19 and the rise in raw material and fuel prices. It was a tough situation for Mr. Takahashi, I am sure, but the end result was a respectable ROE of 8%, and dividends have increased for three consecutive periods. ISK was also able to successfully increase base salaries for its employees. If we just look at target figures, consolidated net sales was the only target achieved, but I believe ISK demonstrated to its stakeholders a certain degree of success.

**Ando** I view the situation a little more critically. While I also recognize that there have been some positive results in terms of shareholder returns and progress in sustainability management, I think that, even though external factors played a large role, ISK still needs to take seriously the fact that it did not meet its targets. However, I think it was good that an unprecedentedly thorough review was carried out and that a detailed analysis of this was incorporated into Stage II.

**Uchida** Since targets are promises, we can also view they're not being met as a leftover issue to be addressed. However, a lot of different things were implemented in Stage I that, I think, can be made use of in Stage II. The essential challenge is that ISK is a manufacturing company that engages in true manufacturing and, because making quality products properly is the defining characteristic of the manufacturing industry, some aspects of it make change difficult to implement. That is the biggest challenge. I believe that real change is required in Stage II, and it needs to happen quickly.

**Ando** It is also important to not forget the lessons of the past. Based on past experience, ISK has continued to work to raise awareness about compliance, and these efforts have brought the company to where it is today. On the other hand, the members of ISK that went through the difficult times of the past are reaching retirement age, and their numbers are ever shrinking. In order to pass this compliance-oriented mindset on to the next generation, I believe what is needed is not only awareness on the individual level but on a systemic level as a company.

**Hanazawa** In terms of the environment, while ISK is sensitive to the burden that it itself places on the environment, I believe that its efforts to improve the environment through its products and other means are still lacking. I have been involved in the food industry for over a decade, and I have found that industry to be sensitive to society's expectations and to what consumers are thinking and, thus, has a strong desire to always be half a step ahead of consumers. ISK is weak in this regard.

**Uchida** The Inorganic Chemicals Business Headquarters has also adopted a divisional system to put more focus on customers; so, I am looking forward to seeing what changes this brings in the future.

## How to Proceed with Stage II

### A Change in Mindset to Strengthening All ISK Business into Primary Sources of Profit

**Ando** I think the Stage II content itself is good. The most important thing is to stick to the plan. It is important that ISK proceed with structural reform of its inorganic chemicals business and steadily develop its healthcare business into a pillar business.

**Hanazawa** Up until now, when it came to profitability, either the biosciences business would do well while the inorganic chemicals business would do poorly or vice versa. To improve this, ISK must make systemic changes that will enable each business to steadily generate profit without being affected by market conditions. What is important is, as Mr. Okubo says, changing the company's mindset in order to strengthen all ISK business into primary sources of profit.

**Ando** It is time to change ISK's policy of emphasizing sales. This is a good direction to go.

**Hanazawa** I have been an outside director for six years now, but when I first took up this position, the company was always talking about achieving 100 billion yen in sales, and I kept wondering if that was all that was needed. That has all changed fundamentally with Stage II.

**Ando** I understand that manufacturers in the equipment industry have to deal with operating costs, hence sales are very important, but it sometimes seemed like the crucial discussion of profit was getting lost somewhere.

**Hanazawa** Also, the initial plan for structural reform of the inorganic chemicals business was to reorganize the Yokkaichi Plant. A team of executives and mid-level employees was formed which came up with a number of proposals which were then submitted to us. Ultimately, though, no matter what was proposed, it wasn't going to make money. As we discussed this, everyone gradually came around to the fact that ISK should stop with those things that aren't making a profit. I think it was great that everyone was able to analyze the situation and come to this realization on their own.

**Uchida** I also think the development process for Stage II was appropriate. When the secretariat's draft was about 60% to 70% complete, we held several meetings to solidify the content. However, perhaps because ISK is a B2B company, we felt that there was somewhat of a lack of marketing-related analysis, which I think is an issue that needs to be addressed going forward.

**Ando** Compared to the development of past medium-term plans, we spent more time discussing this in meetings of the Executive Management Committee and Board of Directors, during which we were able to bring attention to ROE, shareholder returns, and capital costs. We also thoroughly analyzed the reasons why past plans could not be achieved. It seems that management at ISK is confident about achieving the current plan.

**Hanazawa** The source of their confidence is likely the thorough discussion that has taken place between all of the business headquarters and the Corporate Administration & Planning Headquarters regarding the selection of targets to be achieved and the creation of a schedule. It was Mr. Okubo, before he became president, in charge of developing this plan.

**Uchida** In any case, it's the execution that counts. Reaching these targets will require an aggressive management strategy, so I would like to see to what extent the management team is willing to take "positive risks," such as investment in new business. Naturally, because there is a possibility of failure, we will tend to hesitate, but I believe that companies that cannot take risks will not grow.

**Ando** There will be times when the company runs into various obstacles. Partly because of past experiences, ISK has long been reluctant to take risks, but, as outside directors, we want to support Mr. Okubo by providing advice that makes use of our respective expertise.

**Hanazawa** Finally, dividends have stabilized and the company's equity capital is solid. The director of the Finance & Accounting Headquarters has also stated at meetings of the Executive Management Committee and elsewhere that a sufficient amount of new funds has been secured, but there is still a difference in enthusiasm between him and the business headquarters. Now that ISK has the money to utilize, I want the business headquarters to take risks. I think that is what the Tokyo Stock Exchange means by "capital efficiency." And, of course, we are here to help.



Outside Director  
**Tatsuo Hanazawa**

Mr. Hanazawa began his career in the Ministry of Agriculture and Forestry (now the Ministry of Agriculture, Forestry and Fisheries) and has served as an executive officer at independent administrative institutions and foundations, among others. He has extensive knowledge of both domestic and international agricultural policy. He serves as the Chairperson of ISK's Compensation Committee.



Outside Director  
**Satoshi Ando**

Mr. Ando is a lawyer. He also serves as an outside director for Toho Co., Ltd. He has extensive knowledge of corporate law.



Outside Director  
**Akemi Uchida**

Ms. Uchida was appointed to the position of director following a career from which she has accumulated a wide range of experience in such areas as corporate planning, risk management and human resources strategy at business corporations. She also currently serves as an outside director for Iriso Electronics Co., Ltd. and Stella Chemifa Corporation.

## 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 Sustainability Promotion Committee, which is under the Board of Directors, is responsible for deliberations, decision-making and control over important management issues related to the sustainability of our Group.

## Board of Directors

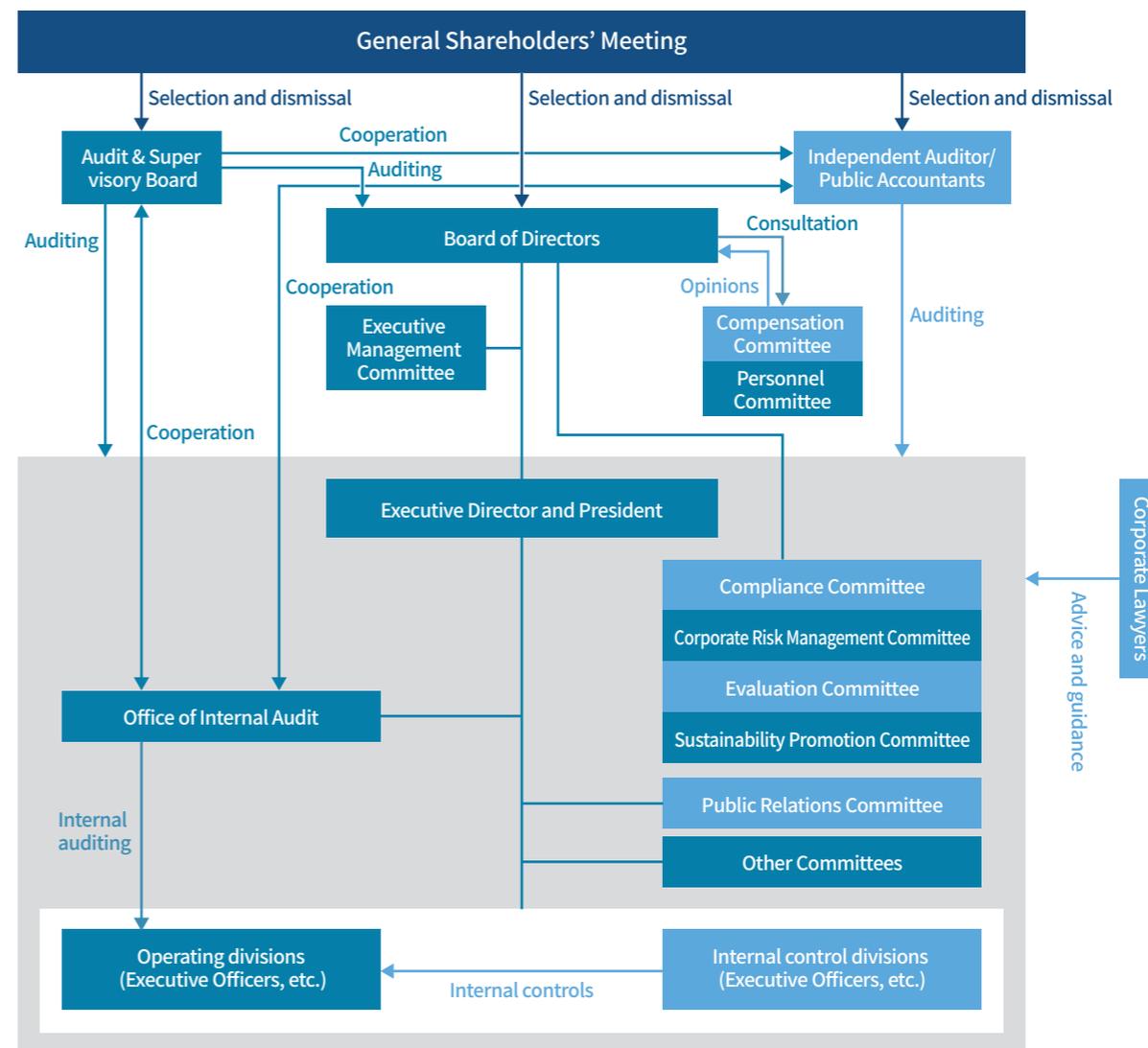
Pursuant to the Board of Directors Regulations and other rules, our Board of Directors clearly defines the scope of matters to be resolved by the Board of Directors and sets the scope of authority delegated to management. Based on this, the Board of Directors discusses, and makes decisions on, basic management policies and other important matters, including business plans, sustainability management, corporate governance, and risk and compliance-related issues. In addition, as part of ISK Group management, the Board also makes resolutions regarding the basic management policies of our Group subsidiaries.

We strictly supervise the execution of business matters decided by the Board of Directors and conducts appropriate evaluations. Through these efforts we promote transparent and reliable management with the aim of achieving sustainable growth and increased corporate value.

Major Matters Discussed and Reported at Board of Directors Meetings (June 28, 2023 to June 25, 2024)

<p><b>Business Plan</b></p> <ul style="list-style-type: none"> <li>• Medium-term Business Plan, Stage II</li> <li>• Capital cost and stock price-focused management policies, shareholder return policies</li> <li>• Restructuring of the inorganic chemicals business</li> <li>• Construction plan for the Technology Research Center, Hyogo-Ono</li> <li>• Capital investment/funding plan</li> <li>• Affiliate company investment and management</li> </ul>	<p><b>Sustainability Management-related Matters</b></p> <ul style="list-style-type: none"> <li>• Updating of KPIs for sustainability-related materialities</li> <li>• Handling of TCFD</li> <li>• Human resources management policy</li> <li>• Participation in various initiatives</li> <li>• Employee engagement</li> <li>• Investor dialog-related activities</li> </ul>
<p><b>Corporate Governance-related Matters</b></p> <ul style="list-style-type: none"> <li>• Effectiveness evaluation of the Board of Directors</li> <li>• Evaluation of the internal control system</li> <li>• Cross-shareholdings policy</li> </ul>	<p><b>Risk and Compliance-related Matters</b></p> <ul style="list-style-type: none"> <li>• Risk management activities</li> <li>• Compliance program</li> <li>• Internal auditing</li> </ul>

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	19 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	12 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	13 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, Audit & Supervisory Board Members, 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	2 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 executive director and 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 Audit & Supervisory Board member	
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.				
Personnel Committee	Functions	Responds to inquiries from the executive director and 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	3 times		
	Composition	Chairperson	Independent Outside Audit & Supervisory Board member	
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.				
Sustainability Promotion Committee	Functions	Undertakes initiatives to address climate change, human rights, diversity and inclusion, health and productivity management, and DX		
	Times convened	2 times		
	Composition	Chairperson	Executive Director and President	
Members		Inside Directors, Headquarters Directors, and others		
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	

## 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 2023, as well, an evaluation of the Board of Directors' overall effectiveness was carried out in accordance with this policy. (Content publicly released May 2024)

### Method of Evaluation

#### About the Questionnaire

Since it is appropriate to compare and evaluate the results for fiscal 2022 and fiscal 2023, we essentially continued with the questionnaire from fiscal 2022.

However, the following changes were made and taken into consideration.

The question regarding the Executive Management Committee was removed from the questionnaire because the position and role of the Executive Management Committee have been clarified through amendments to the Executive Management Committee rules. In addition, "Self-evaluation regarding ensuring the effectiveness of the Board of Directors" was removed from the questionnaire because it was determined that the evaluation criteria were not clear and, although this is a self-evaluation, it would be difficult to assign a score.

Questions covering multiple topics were broken down into individual questions about each topic.

We adjusted the achievement values to ensure the greatest possible accuracy when comparing the fiscal 2022 and 2023 results.

#### Use of Anonymity in Implementation

The Board of Directors evaluation-related rules stipulate that responses should be completed anonymously on the questionnaire, and, on this year's questionnaire, we asked each director and Audit & Supervisory Board member to respond anonymously. However, because the evaluation needed to be divided among four categories (i.e., all officers, the Inside directors, the outside directors and Audit & Supervisory Board member, and the directors), respondents were asked to state their job title in their answers.

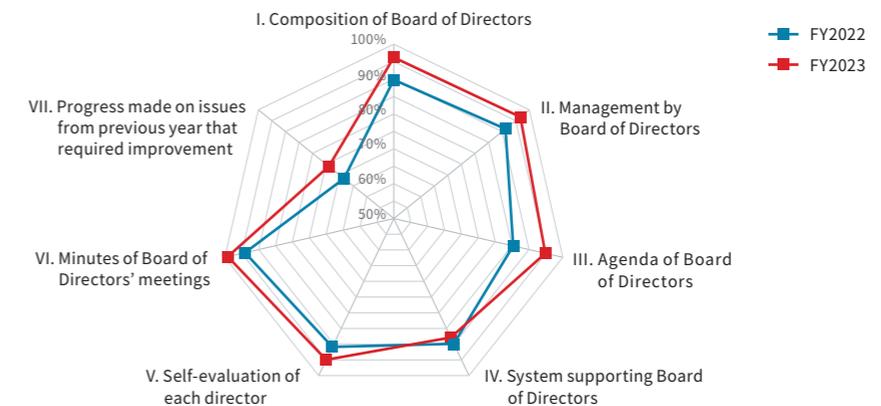
#### Implementation of Written Interviews

As the questionnaire responses were anonymous, it was not possible to conduct individual interviews based on the results of the responses; thus, written interviews were conducted with all directors. The interviews consisted of two questions for each of the areas where achievement was low: internal audit-related, Group company supervision-related, and portfolio-related.

### Analysis and Evaluation Results of Overall Board of Directors Effectiveness

Evaluation Results of the Effectiveness of the Board of Directors (fiscal 2023)

	FY2022	FY2023	Increase/Decrease
I. Composition of Board of Directors	89.8%	96.2%	+6.4P
II. Management by Board of Directors	91.2%	96.7%	+5.5P
III. Agenda of Board of Directors	85.3%	94.8%	+9.5P
IV. System supporting Board of Directors	89.8%	87.8%	▲2.0P
V. Self-evaluation of each director	90.8%	94.9%	+4.1P
VI. Minutes of Board of Directors' meetings	94.0%	99.1%	+5.1P
VII. Progress made on issues from previous year that required improvement	68.4%	74.0%	+5.6P
[For reference] Overall average (adjusted)	84.9%	89.0%	+4.1P



### Awareness of Issues

Amidst the significant environmental change that surrounds our Group, we recognize that, in addition to promoting sustainability management (focused on the environment, society and the economy), transitioning to management that is fully aware of capital costs and return on capital is an urgent issue. In order to increase the corporate value of our Group, it is essential that we prioritize return on capital while drawing up growth strategies for each business, along with investment prospects for capital investment in manufacturing, enhancing human capital, and expanding new businesses. Speedy action will be taken with regard to the operation of the Board of Directors to ensure these issues are addressed earnestly and that the evaluation of effectiveness helps lead to sustainable growth and improvement of corporate value over the medium- to long-term for ISK.

## 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 2024, which it is proactively pursuing in order to achieve substantial improvement in its overall effectiveness.

- 1 In order to realize our Group's purpose, we must utilize this purpose as the starting point for expanding our business around our core competence of chemical technologies by leveraging our three strengths, which are the ability to develop proprietary technologies, the ability to accommodate quality and environmental requirements, and the ability to collaborate globally, along with leveraging our management capability which underpins those strengths. In particular, because strengthening technological development capabilities is a source of growth, in our organic chemicals business, we will, starting from the Central Research Institute and the currently under construction Organic Production Technology Research Institute (provisional name), further strengthen our technological development capabilities and reduce product costs. In our inorganic chemicals business, we will integrate sales, development, and production for each product to identify product needs and speed up development, and we will shift from general products to high value-added products. Through these and other measures, we will develop our business with an emphasis on revenue.
- 2 With regard to the development of new business, the Business Creation Committee will hold free and open discussions that incorporate various perspectives, such as market-in/product-out and design thinking, to come up with new products.
- 3 Regarding business portfolio, we have discussed profitability and growth potential for each of our inorganic and organic chemical business sections but have had insufficient discussion from the perspective of optimal allocation of management resources. In May of last year, we established the Committee for Inorganic Business Restructuring and are currently considering structural reforms involving human resources across the organization in order to make our inorganic business a sustainable and stable business in the future. We want to incorporate specific growth strategies into our Stage II medium-term business plan.
- 4 Substantive strengthening of the functions of our internal audit departments and ensuring collaboration between directors and members of the Audit & Supervisory Board are being achieved through communication with internal audit departments. To further enhance this, we will increase the frequency of meetings between directors and internal audit departments and will also make other improvements, such as conducting reviews of items to be audited. Furthermore, in order to actively supervise the management of Group companies, we will require them to report on risks and issues on a regular basis and will also conduct audits of overseas subsidiaries, thereby strengthening our involvement in the supervision of business execution and 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 will continue to provide sufficient oversight of their peers' performance of their responsibilities.
- 6 Regarding issues related to sustainability, the Sustainability Promotion Committee will thoroughly discuss the state of progress and deliberate on items requiring discussion and, while communicating the content of those discussions with outside directors and members of the Audit & Supervisory Board, will disseminate information as appropriate through the Integrated Report.

## 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.

Company: [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?t=240627](https://www.iskweb.co.jp/company/pdf/corporate_governance.pdf?t=240627)

## 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 Each Type 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, 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.

### ||| Matters Relating to the Delegation of Decision-making Regarding Details of Each Director's Compensation

At ISK, determination of each director's compensation is done by the executive director and president, who is delegated the authority based on a resolution of the Board of Directors and who consults with the Compensation Committee. In order to ensure that the executive director and president exercises this authority appropriately, the details of compensation for each director are determined through consultation with the Compensation Committee, which is composed of independent outside directors and independent outside Audit & Supervisory Board members. The Compensation Committee provides advice and recommendations based on information from an executive remuneration survey conducted by a third-party institution and with the input of each committee member.

Remuneration of Directors in Fiscal 2023

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)	224	180	34	8	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	36	36	—	—	3
Outside Directors	55	55	—	—	8
Total	315	272	34	8	17

# Risk Management

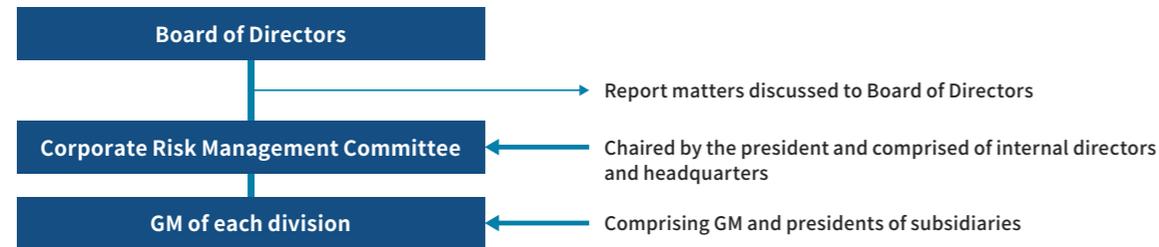
## Basic Policy

The ISK Group pursues 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.

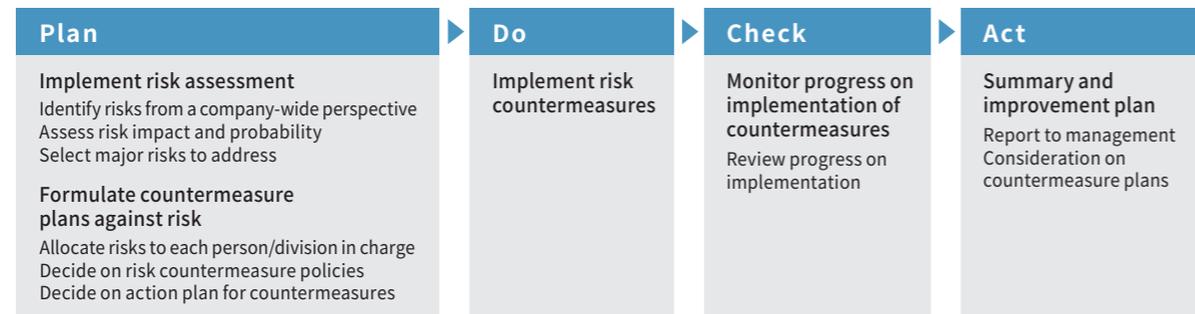
## Risk Management System

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.



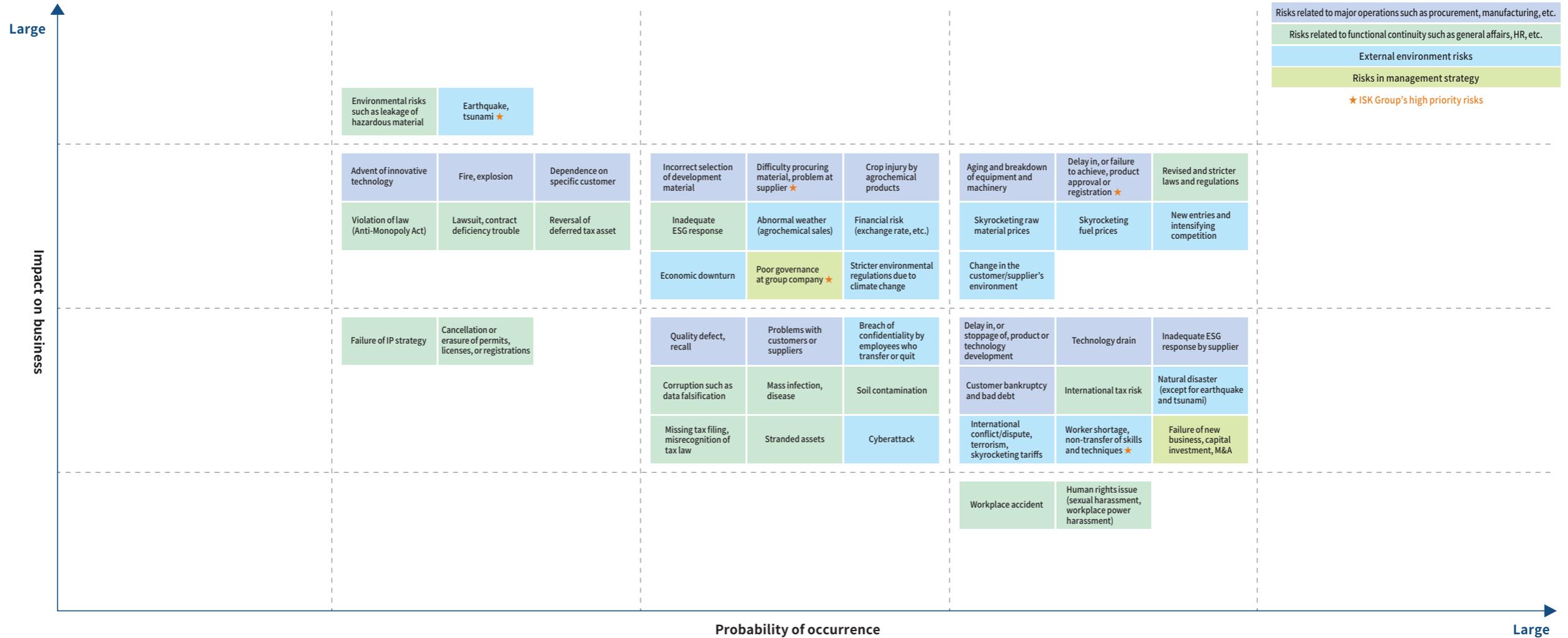
## Risk Management Process



## High Priority Risk

Major Risk	Explanation of Risk	Major Measures
Delay in, or failure to achieve, product approval or registration (Agrochemicals)	As legal regulations regarding agrochemicals become stronger around the world, we may be unable to bring new agrochemical products under development to market as scheduled, and sales may be postponed or we may be forced to abandon their launch, which could have an adverse effect on our business performance.	<ul style="list-style-type: none"> <li>Take proper approach to countries’ registration agencies and authorities</li> <li>Assess other companies’ agrochemicals registration and survey their registration status</li> <li>Secure personnel with expertise in highly specialized fields, ensure handover of registration know-how</li> </ul>
Delay in, or failure to achieve, product approval or registration (Animal health products)	If full regulatory approval in the United States or approval by regulatory authorities in Europe is rejected or delayed, sales may fall far short of expectations, which could have an adverse effect on our business performance.	<ul style="list-style-type: none"> <li>Use consultants and other means to gather information on trends related to the rules and approval of the regulatory authorities</li> <li>Team up with contract manufacturers or sales partners</li> </ul>
Earthquake, tsunami	The Yokkaichi Plant, which is a manufacturing base for titanium dioxide, is located in an area expected to be affected by a Nankai Trough earthquake. In the event of a major earthquake and serious damage caused by a tsunami, liquefaction, etc., this could result in damage to the Yokkaichi Plant’s facilities and products, a suspension of production and business operations at the plant, and/or human casualties, which could have an adverse effect on the business performance of the Group.	<ul style="list-style-type: none"> <li>Provide aging facilities at our Yokkaichi Plant with seismic reinforcement</li> <li>Step up product storage at multiple bases (at elevated locations, etc.) in Yokkaichi City</li> <li>Update business continuity plans</li> <li>Get business interruption insurance to cover business continuity expenses as a response after earthquake (Yokkaichi Plant)</li> <li>Sign committed line of credit with financial institutions, which is applied to earthquake disasters</li> </ul>
Difficulty procuring material, problem at supplier	We source many of our raw materials from overseas. The Group’s business performance may be adversely affected if we are unable to procure specific raw materials due to factors such as suspension of production in producing regions or countries as a result of operational accidents, political instability or stricter environmental regulations. Also, with regard to overseas subcontractors, factors such as stricter legal regulations in the country of the subcontractor or operational accidents at a business partner may hinder procurement. As a result, this could mean increased procurement costs and production delays, which could have an adverse effect on our business performance.	<ul style="list-style-type: none"> <li>Purchase from various suppliers in multiple countries</li> <li>Closely coordinate with subcontractors and suppliers</li> <li>Perform rapid planning adjustment and proper inventory control</li> <li>Expand the range of usable raw materials</li> </ul>
Poor governance at group company	We strive to ensure proper Group management through affiliate company management regulations, internal audits, and other means; however, if accounting fraud, bribery, quality fraud, etc., are discovered due to insufficient control over overseas Group companies, it may have an adverse effect on the business performance of our group.	<ul style="list-style-type: none"> <li>Organize and clearly stipulate the functions and roles of Three Lines model (business divisions, back-office divisions, internal audit division)</li> <li>Refine and publicize rules for group companies</li> <li>Strengthen internal auditing</li> </ul>
Worker shortage, non-transfer of skills and techniques	If we are unable to secure the necessary human resources or ensure that skills are transferred from experienced workers to younger workers due to factors such as the declining birthrate and aging population, changes in the supply and demand balance of the labor market, or increasing labor mobility, planned operations may not proceed as planned, and expected revenues may fall far short, which could have an impact on the business performance of the Group.	<ul style="list-style-type: none"> <li>Hire new graduates and experienced professionals through diverse channels</li> <li>Compile know-how (visualization)</li> <li>Train human resources, and study ways to make work environment more pleasant and expand employee support systems so as to retain employees</li> </ul>

## Risk Map



Risks related to major operations such as procurement, manufacturing, etc.

Risks related to functional continuity such as general affairs, HR, etc.

External environment risks

Risks in management strategy

★ ISK Group's high priority risks

Notes:

1: 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.

2: 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>

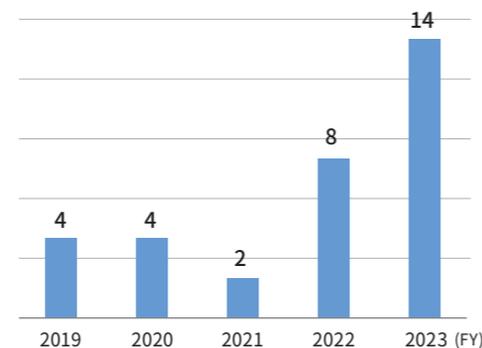
## Compliance Promotion System

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 executive director and president (as CCO), and comprises directors (excluding outside directors), audit and supervisory board members, directors of each headquarters, directors of affiliated subsidiaries, 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 2024 marking the 36th session.

The following are activities which have been undertaken in recent years and the numbers of compliance-related whistleblowing reports and consultations.

- 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  
Clarification of measures to be taken against those who commit violations and disciplinary action to be taken against those who act unjustly towards a whistleblower

Numbers of Compliance-related Whistleblowing Reports and Consultations



## Fiscal 2023 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.

In fiscal 2023, many ISK Group members participated in training.

Classification	Target	Content	No. of Participants
Job grade-specific	New employees and mid-career hires	Online learning and e-learning	171
	Newly appointed chiefs	Text-based self-study and review tests	23
	Newly appointed managers	Group training	18
	Recent hires (new graduates, mid-career hires)	Group training	165
Topic-specific	Members*	Power harassment prevention / anonymous survey	1,175
	Line managers	Power harassment prevention / group training	146
	Manufacturing workers (daytime and shift workers)	Power harassment prevention / group training	356
	Executives	Group training	39
By workplace	Members	Specialized law seminars / video training	4,255



Group training for executives



Group training for recent hires

\*Excluding some domestic Group companies who implemented it in previous years

## Stronger Measures Against Workplace Harassment

In order to strengthen measures against power harassment, which has become a problem in recent years, the Act on Comprehensively Advancing Labor Measures (commonly known as the Power Harassment Prevention Act) was enacted in June 2020. Our Group has been working on awareness-raising activities to prevent harassment, but, in recent years, the number of consultations and reports to the compliance hotline has been increasing.

In fiscal 2023, we conducted an anonymous survey of our Group members to ascertain the actual situation regarding power harassment and we published the results internally.

We also conducted group training for line managers and manufacturing staff to promote understanding of harassment and provide an opportunity for each employee to reflect on their daily behavior and words. We ask managers to disseminate the content of this training to their departments.

Furthermore, we created posters and business card-sized cards within the company stating, "Don't keep it to yourself; talk to someone" and conducted awareness-raising activities to help with harassment prevention.

We plan to continue holding group training sessions on harassment every few years and will continue to conduct the survey in fiscal 2024 as well.

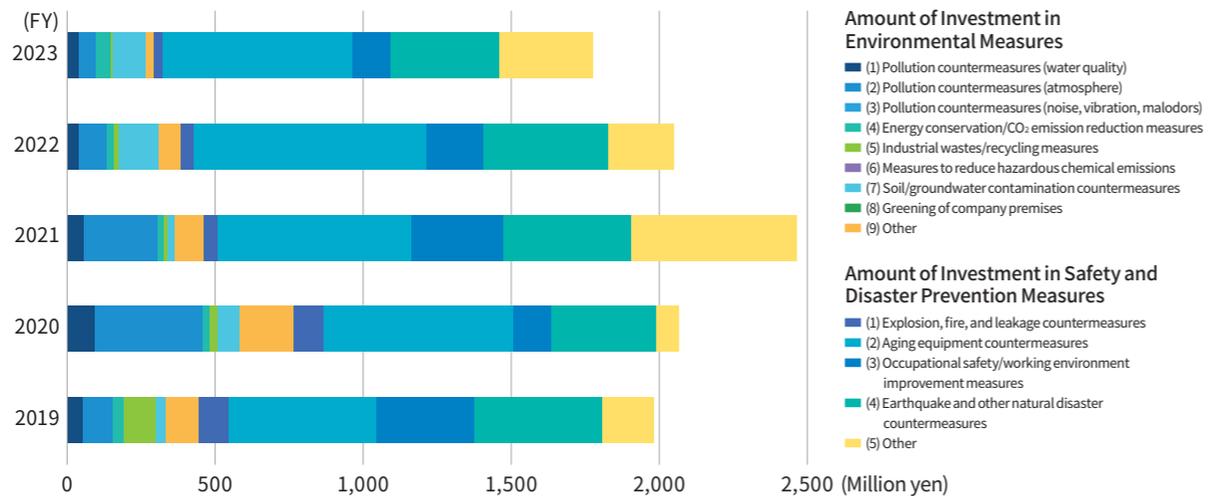
## ISK's Responsible Care

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 safety and health, along with dialog with society, common to many different industries.



## Investment in Environmental Measures and Safety and Disaster Prevention Measures

Most investment is allocated to the Yokkaichi Plant. The graph below shows the trends of investment in environmental measures and investment in safety and disaster prevention. In fiscal 2023, we invested intensively to replace aging equipment, prepare for earthquakes and other natural disasters, boost occupational safety, and improve working environments.



## 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 2023

RC Code	Fiscal 2023		
	Objectives	Achievements	Evaluation
Environmental protection	Planned emission reduction of PRTR-listed materials	The amount getting into public water areas was reduced.	●
	Reduce energy intensity by 1% year-on-year	Energy intensity decreased by 3.3% year-on-year, thus achieving the 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 was one plant accident.	×
Occupational safety and health	Achieve "zero lost time accidents" at each ISK site	There was one lost-time accident due to a fall at the Osaka Head Office, and one lost-time accident which occurred on the way to work.	×
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

Within the ISK Group, we recognize climate change action is an urgent issue, and we are making efforts focused on “Dealing with climate change, reducing environmental impacts” as a 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

Our climate change-related efforts are overseen by the Sustainability Promotion Committee, which is established under the Board of Directors. The Office of Sustainability Promotion, headed up by an executive officer, plans measures which will then be implemented by the Climate Change Team underneath it. 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

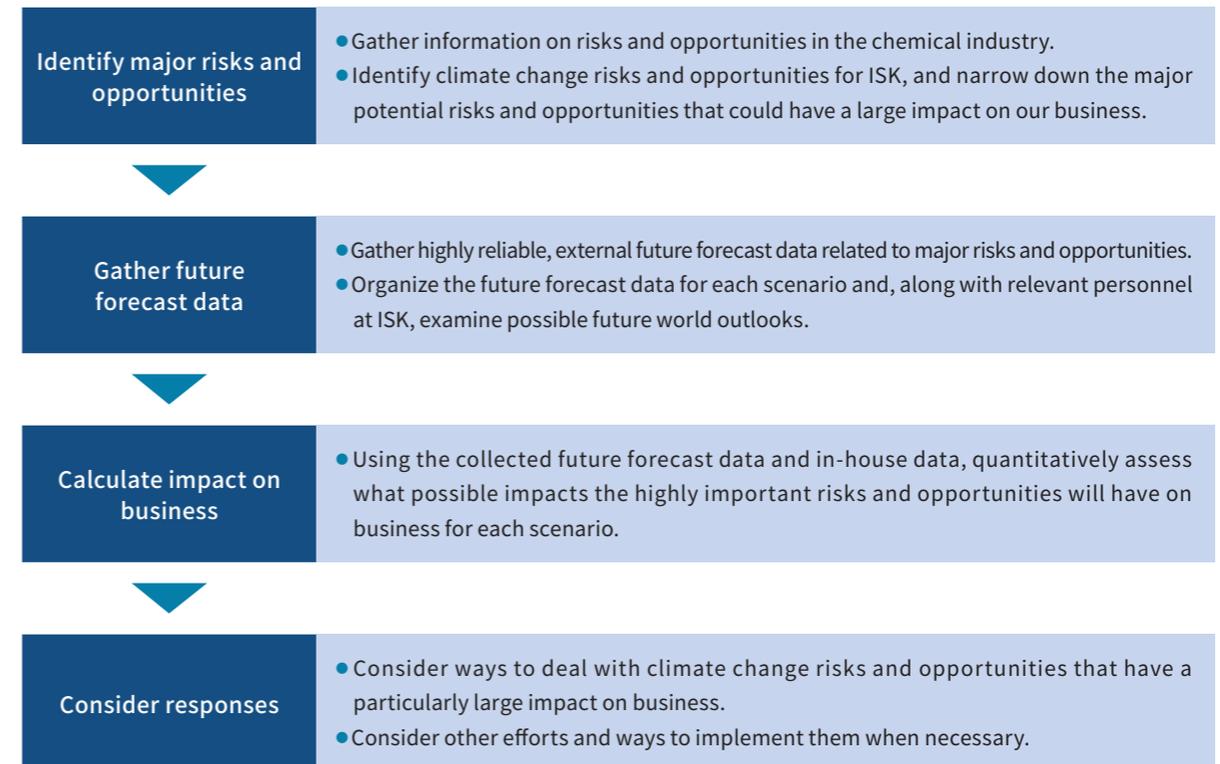
#### Chosen Climate Change Scenarios

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.

\*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, and the physical risks and opportunities caused by climate change, 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 CO<sub>2</sub> emissions.

Therefore, recognizing the importance of reducing CO<sub>2</sub> emissions across the entire ISK Group, we will proceed with various planned measures towards achieving carbon neutrality by 2050.

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

Time horizon: Short term: 2025,  
medium term: 2030, long term: 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 Office of Sustainability Promotion.

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:

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 <sub>2</sub> emission regulations	Organic chemicals/ Inorganic chemicals	Increased operating costs due to the imposition of a carbon tax on CO <sub>2</sub> emissions (For 1.5°C: Cost increase of approx. 17.2 billion yen in 2050*)	Medium-long		<ul style="list-style-type: none"> <li>Shift boiler fuel away from coal</li> <li>Rebuild manufacturing systems</li> <li>Implement carbon capture and use renewable energy</li> </ul>
	Technologies	Shift to meeting consumer needs for low-carbon products	Organic chemicals/ Inorganic 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"> <li>Expand sales of electronic components (semiconductors etc.), materials (IPM products), and others that reduce environmental impact</li> <li>Create new technologies and products (Organic: Develop IPM products with a view to smart agriculture using AI and IoT, etc.)</li> <li>Utilize subsidies and subsidy systems for capital investment and product development</li> </ul>
	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"> <li>Increase yields and reduce waste</li> <li>Reduce CO<sub>2</sub> in procurement through cooperation with suppliers and the industry</li> </ul>
		Energy cost fluctuations	Organic chemicals/ Inorganic chemicals	Sharp price fluctuations in coal, fuel oil, gas, and electricity	Short-medium		<ul style="list-style-type: none"> <li>Diversify the energy sources</li> <li>Pursue thorough energy savings</li> </ul>
	Reputation	Greater awareness of environmental consciousness among customers	Organic chemicals/ Inorganic chemicals	Fewer product orders and lower investor ratings due to delay in decarbonization	Medium	—	<ul style="list-style-type: none"> <li>Proactively strive to reduce environmental impact</li> <li>Pursue thorough information disclosure</li> </ul>
Physical risks	Acute	Rise in severity of extreme weather events such as typhoons and floods	Organic chemicals/ Inorganic chemicals	Property damage and lost profits due to disasters	Short		<ul style="list-style-type: none"> <li>Expand and improve BCPs, conduct drills</li> <li>Increase the number of suppliers</li> <li>Consider a backup manufacturing system</li> </ul>
			Organic chemicals/ Inorganic chemicals	Rise in insurance costs due to higher risks of disaster striking bases	Short		<ul style="list-style-type: none"> <li>Revise terms of insurance contracts</li> </ul>
			Organic chemicals	Decrease in sales of agricultural materials due to farmers' damage from floods	Short		<ul style="list-style-type: none"> <li>Develop materials that solve new issues arising from extreme weather (rain-resistant materials, biostimulants that counter heat stress, and others)</li> <li>Select certain countries for priority development and marketing based on predictions of changes in uncertain ecosystems (pests, weeds, etc.)</li> </ul>
	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		

\*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

Our Group's greenhouse gas (GHG) emissions (Scope 1 and 2) remained at the same level as the previous year. Additionally, our Scope 3 emissions, which are emissions from the supply chain, increased due to such factors as increased raw material procurement costs, outsourcing costs, and capital investment.

Our Group has established targets for reducing CO<sub>2</sub> emissions (Scope 1 and 2). At the Yokkaichi Plant, which has the highest CO<sub>2</sub> emissions, the company is not only promoting energy-saving activities but also tackling a variety of other issues, including the use of renewable energy derived from biomass, the introduction of low-energy-load equipment, the verification of technologies to improve thermal efficiency, and the development of mass production of heat storage materials.

GHG (Greenhouse Gas) Emissions of ISK Group (1,000 t-CO<sub>2</sub>)

GHG emissions	FY2019 (base year)	FY2020	FY2021	FY2022	FY2023
Scope1	471	408	488	476	479
Scope2	20	19	23	22	24
Total	490	427	511	498	504

GHG emissions calculated based on GHG Protocol

GHG Emissions of Scope3 (1,000 t-CO<sub>2</sub>)

Scope3	Category	Calculated Scope	Calculation Basis	FY2023
Category 1	Purchased goods and services	Non-consolidated	Calculated from raw material procurement costs and outsourcing costs	483.62
Category 2	Capital goods	Consolidated	Calculated from capital investment amount and emissions intensity	24.11
Category 3	Fuel and energy-related activities not included in Scope 1 or Scope 2	Consolidated	Calculated from Scope 1 and 2 energy consumption	51.93
Category 4	Upstream transportation and distribution	Non-consolidated	Calculated based on specified shipper periodic reports	4.28
Category 5	Waste generated in operations	Consolidated (in Japan)	Calculated from the amount of disposed general and industrial waste	1.94
Category 6	Business travel	Consolidated	Calculated from number of employees and emission intensity	0.24
Category 7	Employee commuting	Non-consolidated	Calculated from employee commuting expenses	0.49
Category 8	Upstream Leased assets	Not included in Scope 3 because all leased properties are subject to Scope 1 and 2 calculations		—
Category 9	Transportation/distribution or delivery (downstream)	Not applicable due to the wide range of product usage, making it difficult to ascertain		—
Category 10	Processing of sold products	Not applicable based on WBCSD Chemical Sector Guidance		—
Category 11	Usage of sold products	Not applicable based on WBCSD Chemical Sector Guidance		—
Category 12	End-of-life treatment of sold products	Not applicable due to the wide range of product usage, making it difficult to ascertain		—
Category 13	Downstream leased assets	Not applicable as there are no leased assets held for rental purposes		—
Category 14	Franchises	Not applicable as there is no franchise business		—
Category 15	Investments	Not applicable as there are no profit-making investment activities		—
Total of GHG Emissions of Scope3				566.60

## 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 (identified materiality) and aims to become carbon neutral by 2050.

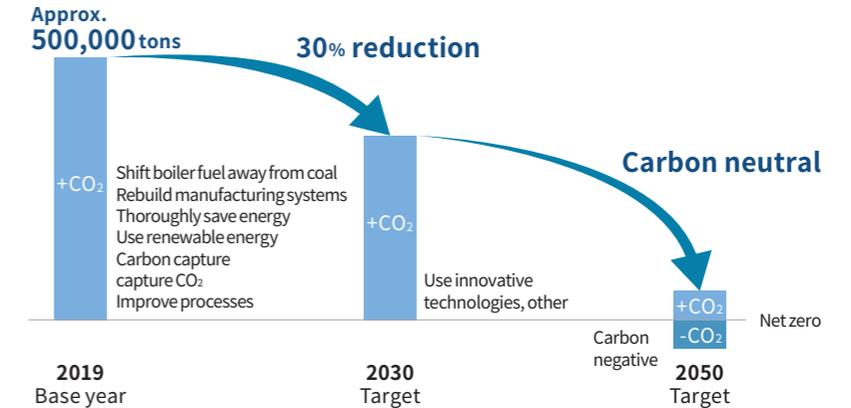
### Reduction Targets

2030: Target CO<sub>2</sub> emissions reduction by 30% (against FY2019)

2050: Challenge carbon neutrality (net zero emissions)

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

CO<sub>2</sub> Emission Reduction Road Map



## Energy Saving Diagnosis Conducted at Yokkaichi Plant

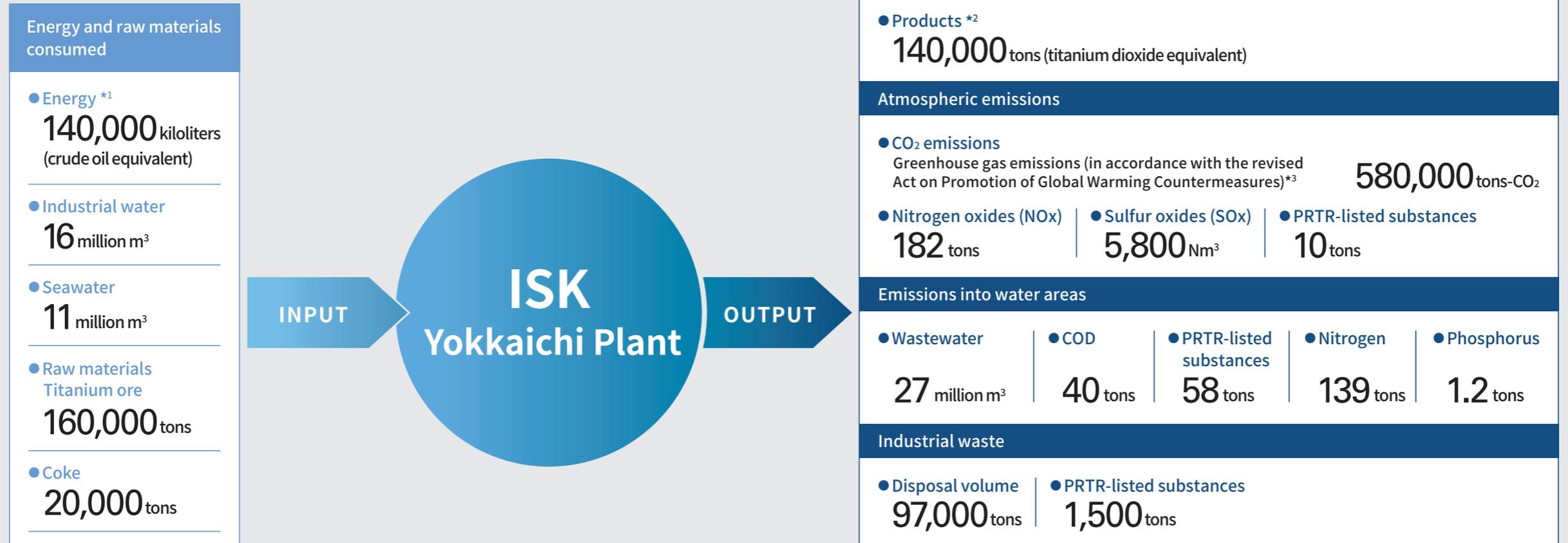
One of the ways we are working to reduce the Group's CO<sub>2</sub> emissions is to "pursue thorough energy conservation." At our Yokkaichi Plant, we have set up an Energy Working Group made up of all production departments under the Environmental Protection Committee, and we are working on energy conservation on a daily basis; however, it is becoming increasingly difficult to achieve ongoing reduction in energy consumption. Therefore, in order to find opportunities for implementing new measures, we commissioned the Energy Conservation Center, Japan to conduct an energy saving diagnosis. This diagnosis resulted in 11 suggested improvements, and we are currently prioritizing and working on these with the aim of further reducing energy consumption.



Steam trap leakage measurement

## Environmental Protection

### Yokkaichi Plant's Material Balance in FY 2023



\*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 Act on the Rational Use of Energy.

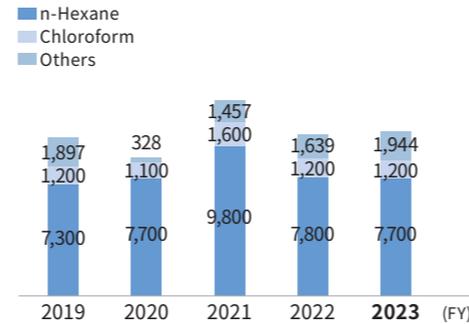
\*2 Beside titanium dioxide, we produce functional materials, chemical, organic, and other products. These have all been converted to titanium dioxide production figures using energy consumption intensity under Act on the Rational Use of Energy.

\*3 The amount of carbon dioxide equivalent calculated from product production volume based on the revised Act on Promotion of Global Warming Countermeasures has been added to the amount of carbon dioxide emissions from energy sources based on the Act on the Rational Use of Energy.

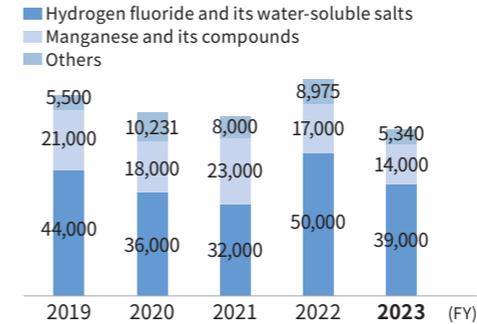
## Release and Transfer of PRTR-Listed Chemical Substances to Environment

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 Institute handle 27 substances and 3 substances 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.

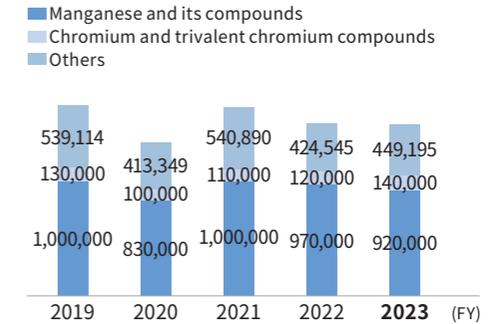
Atmospheric Emissions (kg)



Discharge into Public Water Areas (kg)



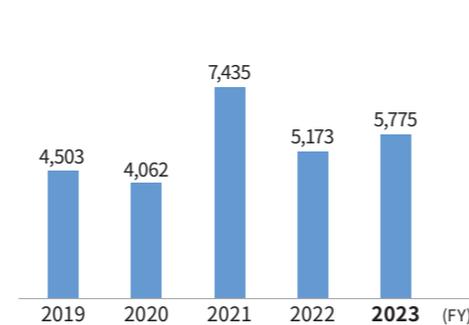
Amount Transferred Off-Site (kg)



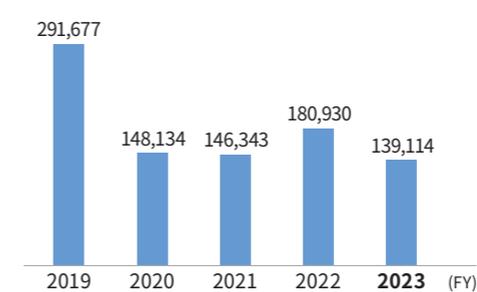
## Reducing Environmental Impact on Atmosphere and Water Areas

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

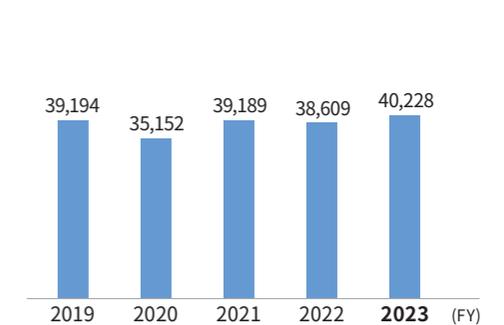
SOx Emissions (Nm<sup>3</sup>)



Nitrogen Pollutant Load into Public Water Areas (kg)



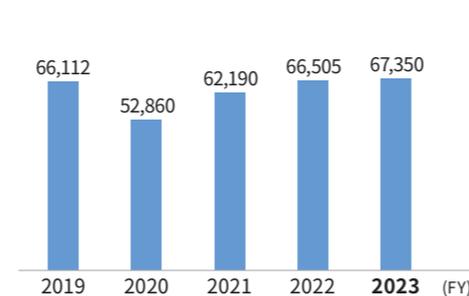
COD in Public Water Areas (kg)



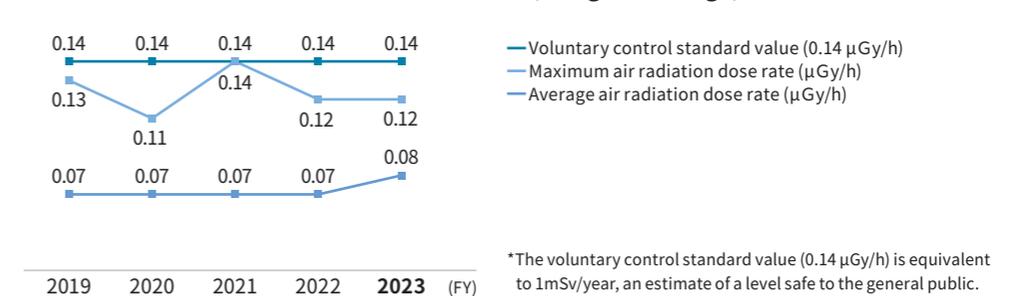
## Reduction of By-product Inorganic Sludge

Unnecessary by-product solids (inorganic sludge), generated by each production activity such as titanium dioxide, are properly transported to an industrial waste disposal site.

Disposed Volumes of Inorganic Sludge (tons)



Air Radiation Dose Rate Originating from Radionuclides Contained in Industrial Waste (Inorganic Sludge)



## 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.

\*The voluntary control standard value (0.14 μGy/h) is equivalent to 1mSv/year, an estimate of a level safe to the general public.

## 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 2024 President-directed Environmental, Safety and Health Goals for the Yokkaichi Plant (safety and health-related only)

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

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.

### Thorough Management of Chemical Substances

Recently, the Industrial Safety and Health Act has been amended to include new chemical substance regulations, and chemical substance management has shifted from the previous "individual regulation" model to "autonomous management." The Yokkaichi Plant handles many chemical substances, so preventing exposure is important to keep workers from getting sick. We conduct risk assessments for the chemical substances we handle, evaluating the risks based on their harmfulness (hazards) and usage conditions, and then taking measures\* as necessary. We have appointed a chemical substance manager in each department that handles chemical substances, and it's his or her responsibility to implement risk assessments and oversee countermeasures, among other duties. In addition, to manage protective equipment, which is an effective means of preventing exposure, we appoint multiple protective equipment managers according to the size of the department, and we ensure that workers wear protective equipment appropriately.

\*Measures (methods to reduce exposure)  
 (1) Utilization of alternatives and other safer options  
 (2) Installation and operation of equipment to seal emission sources, local exhaust ventilation systems, or general ventilation systems  
 (3) Improvement of operational methods  
 (4) Utilization of effective respiratory protection

### Heatstroke Prevention

As the heatwaves become more intense, we are taking basic steps to prevent heatstroke, such as by improving the working environment, managing the physical condition of workers, and managing working hours. In order to ensure product quality, some work is done indoors, which may result in high temperatures and humidity. In order to more effectively prevent heatstroke, we conducted a trial run of a heatstroke prevention wearable device\* last year and are now fully introducing it this year as an additional measure against heatstroke.

\*It is worn on the wrist like a watch and prevents heatstroke by detecting an increase in core body temperature (heat buildup) and then sounding an alarm.



"CNRIA" wearable device for preventing heatstroke

### Workplace Accidents at Fuji Titanium Industry and Prevention of Reoccurrence

In May of last year, a serious workplace accident occurred at the Kobe plant of Fuji Titanium Industry, an ISK Group company, in which a worker's arm was caught in rotating machinery. Under guidance from the Labor Standards Inspection Office, the plant is taking measures to prevent reoccurrence and is also identifying similar dangerous areas and implementing safety measures. Since the accident, we have shared information and are working together with the Yokkaichi Plant to prevent reoccurrence through such means as conducting reciprocal plant visits, inspections, and opinion exchange meetings. The entire Group will continue to work together to create safe, accident-free workplaces.

## Respect for Human Rights

We have 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.

In line with this policy, we pursue efforts to further respect human rights at all our worldwide bases.

### Sustainability: Respect for Human Rights

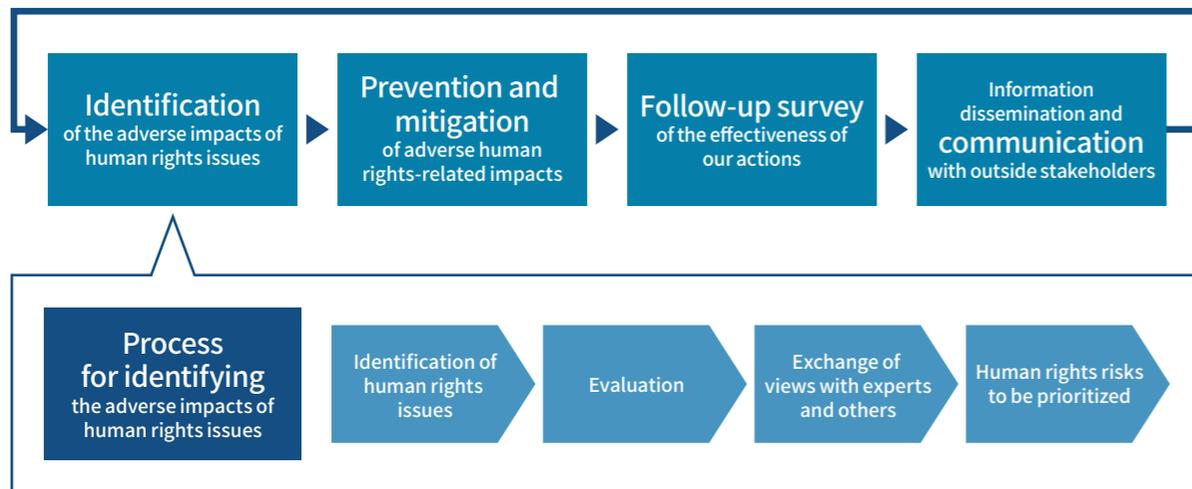
[https://www.iskweb.co.jp/eng/environment/human\\_rights.html](https://www.iskweb.co.jp/eng/environment/human_rights.html)

## 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 2023, with the cooperation of outside experts, we developed specific prevention and mitigation measures and schedules for each relevant department to implement for identified priority risks in human rights measures.

### Steps in Human Rights Due Diligence



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

### Conducting Supplier CSR Survey of Business Partners

In fiscal 2023, we conducted a Supplier CSR Survey between November 2023 and January 2024 to address the risks associated with having an insufficient understanding of the actual situation of suppliers and business partners. We requested participation in this survey from 18 companies with which we transact one billion yen or more in business, including irreplaceable business partners, and we received responses from all of them. From the survey, no suppliers were found to require immediate improvement, but we will continue to strengthen risk management in our supply chain.

Message from the Director of General Affairs & Human Resources Headquarters

## Our Vision Towards 2050

A global company that is cherished by people and society, achieving healthy and fulfilling lives



Director of General Affairs & Human Resources Headquarters  
**Yoshio Nishiyama**

Vision 2030 Stage II seeks to realize our purpose—to continue contributing to better living environments through chemical technologies—by combining business activities with sustainability in order to implement a more sophisticated approach to sustainability management.

Our Vision Towards 2050 is to become “a global company that is cherished by people and society, achieving healthy and fulfilling lives.” To formulate this vision, the Company’s executive management, department leaders, Sustainability Promotion Committee members, and other participants engaged in serious discussions about their vision for the future based on the Company’s purpose, corporate philosophy, business portfolio, external-environment megatrends, and other information, leading them to identify the following key items in order to realize the vision: “Challenges and innovation,” “Create society,” and “Organizational and human evolution.”

To realize them, in addition to improving corporate value through strategic management undertaken from a medium- to long-term perspective, we must earn the empathy, support, and social praise of customers and business partners, society as a whole, shareholders, employees, and other stakeholders. For customers and business partners, we will serve as a unique company by providing safe, secure, and highly satisfying products and services through exceptional chemical technologies; For local communities, we will act as a trusted company thanks to initiatives to protect the regional environment and foster the development of the local economy while considering society, life, and the environment; for shareholders, we will increase shareholder satisfaction through robust business performance while continuing to earn the support of all shareholders; For employees, we will realize a company where employees feel fulfillment in work by supporting individual growth and offering a highly engaging environment.

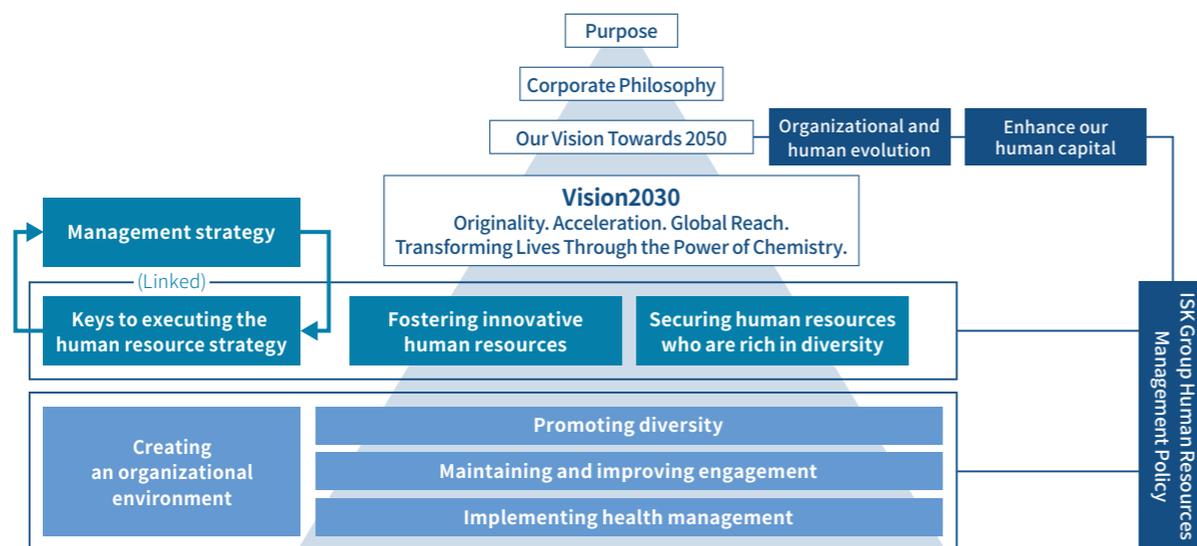
With regard to “Organizational and human evolution” in particular, we will emphasize the diversity of employees, who comprise human capital, and build mechanisms that foster motivation by empowering them to make the most of their skills and act in an autonomous manner, allowing both the Company and its human resources to grow as a result.



## A human resource strategy linked to management strategy

The Group considers human resources to be an important type of capital that creates new value. The environment in which the Company operates is undergoing significant change, and the Group's overall human resource strategy is also embarking on a period of major transition. This also applies to shifting job methods, labor market conditions, living environments, and the diversification of personal values. The types of human resources we need are changing as we work to transform strategy throughout the Group, and we need to train human resources to create a human resource strategy that's linked to management strategy and to create new business domains.

We believe the keys to executing our human resource strategy will be fostering innovative human resources and securing human resources who are rich in diversity. First, we will awaken an appetite for growth by encouraging employees to develop their careers in an autonomous manner so as to spur their own growth and thereby foster the professionals with a high level of specialization. In addition, we will aim to cultivate an organizational culture that can innovate consistently by taking advantage of collaboration between our global organic and inorganic chemicals businesses and spurring human resource exchanges that go beyond individual businesses. In this way, we will work to further increase the Group's overall corporate value by securing human resources who are rich in diversity and fostering innovative human resources.



### Human capital investment value (non-consolidated)

**Investments in human resources and organizations: 131.7 million yen (including outside matchup training\* of 10.6 million yen)**

Job grade-specific training, compliance training, DX training, self-development support (SD School), hiring activity expenses, talent management system deployment expenses, top management training, management leadership training, ISK Business School, etc.

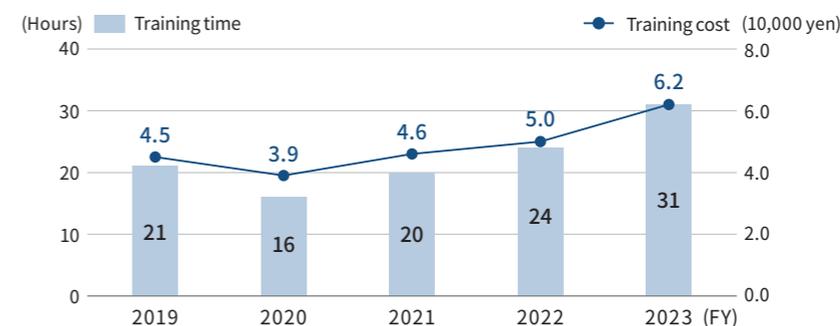
\*Outside matchup training comprises an approach to learning that focuses on repeated discussions and output with people of various ages from multiple industries outside the Company.

Note: Includes FY2023 results as well as measures that have been implemented or finalized during the current fiscal year.

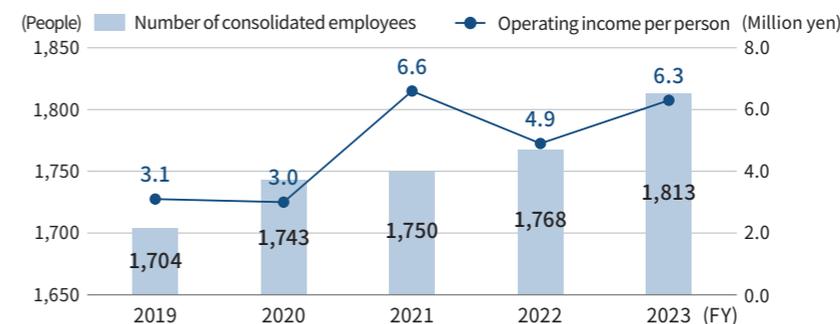
**Investment in environment development: 106.3 million yen**

Evaluator training, engagement survey expenses, mental health survey expenses, health management implementation expenses, etc.

### Training time and cost per person (non-consolidated)



### Consolidated operating income per person



Keys to executing the human resource strategy

## Fostering innovative human resources

### Learning based on an awareness of outside matchup training

We emphasize training human resources who possess business skills that are relevant in all settings and who can work in a way that cuts horizontally across society. In particular, we want employees with a strong appetite for growth to master the business skills needed to provide value outside the Company and use them to foster innovation. We value external learning through outside matchup training, a process where repeated discussions and output with people of various ages from multiple industries allow employees to gain not only knowledge, but also stimulation in the form of new ways of thinking that they may have lacked previously and new frames of mind, preparing them to serve as core human resources for the Company.

#### Mastering a comprehensive range of business skills at ISK Management School

I mastered a wide range of business skills at ISK Management School, including technical skills in the form of data analysis and creation of materials, human skills that seek to improve communication, and conceptual skills that help one see through to the essence of issues. As one example of how that training has proven useful, being able to communicate effectively while studying where the Company should focus its resources in the future while working with participants from other companies on issues that involved analyzing other companies' financial statements and businesses was an extremely valuable experience. Going forward, I look forward to helping improve our corporate value by implementing Vision 2030, our long-term vision, and taking advantage of what I've learned as soon as possible, for example by exchanging views with other stakeholders, both at the Company and elsewhere, and leveraging my analytical skills.



Chief  
Corporate Planning Division  
Corporate Administration &  
Planning Headquarters  
**Maki Adachi**

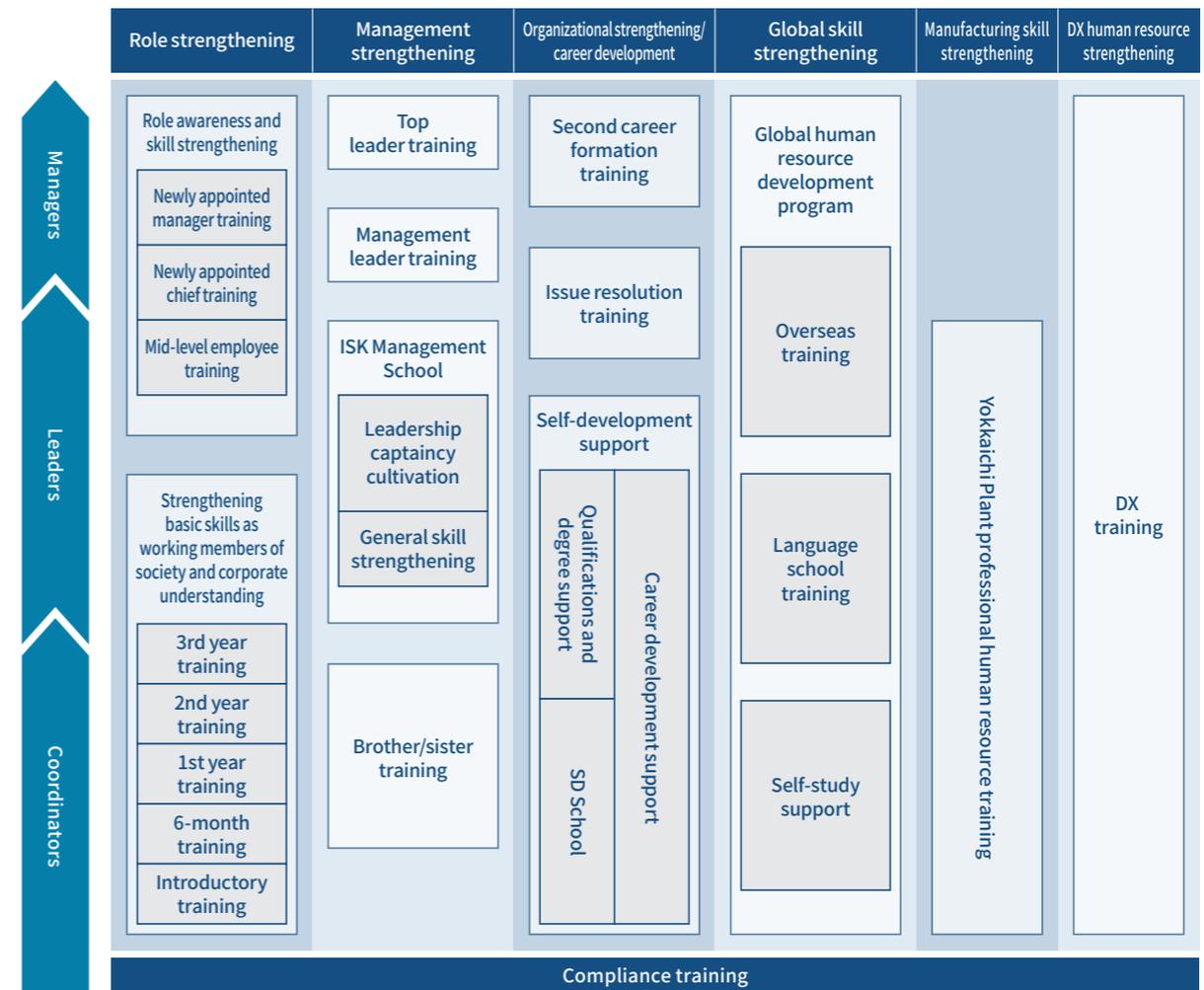
#### Embracing the challenges of multicultural understanding and global business through foreign-language training

During the summer of my second year at ISK, I took advantage of an in-house language training program to study at a language school in Philippine for two months. During those two months, I stepped back from my work responsibilities in Osaka and instead spent weekdays in all-day instruction and often spent time with foreign roommates after class and on days off. It was an extremely meaningful experience in an environment that let me concentrate exclusively on my English studies. In addition, I learned about and experienced different nationalities' and countries' differences in values and thinking as well as cultural differences while meeting people of a variety of nationalities at the language school and seeing how locals actually lived. I'll take advantage of not only my English training, but also multicultural understanding in the future in my product development, marketing, and sales work in the Americas. The training awakened a new appetite for learning, and I look forward to continuing to learn in the future.



Americas Group  
Product Development &  
Marketing Division  
Bioscience Business Headquarters  
**Yuka Minami**

### Training and educational programs



## Training professional human resources at the Yokkaichi Plant

The Yokkaichi Plant has long faced the challenge of creating mechanisms to facilitate the unified management of the skills necessary for its operation and for the general enhancement of its human resources through systematic education and training.

The facility has set the goal of “improving overall skill levels and building a sustainable plant by training the professional human resources who will be responsible for the Yokkaichi Plant’s future.” In 2022, the plant rebuilt its educational and training system and offered internal training and e-learning focusing on basic-foundational knowledge to augment existing job grade-specific training, experience-based safety education, and other programs in an effort to enhance the range of learning opportunities available to young human resources.

Going forward, the plant will work to train as many professional human resources as possible by continuing these initiatives.

## Career support

Employees have numerous options with regard to the direction of their careers, and individuals make different choices based on their values and thinking. The Group believes that when employees search for a career by asking what they wish to accomplish through their job, which is to say, when they take the initiative to develop their own career, individual employees realize personal growth, which ultimately helps create an innovative organization.

Employees’ drive to embrace their jobs yields a motivating environment and an experience of growth. Salary, income, benefits, and other forms of compensation offer a certain level of effectiveness in terms of worker retention, but few employees wish to continue working at a company where they can’t grow. We consider creating an environment where employees can work in their own way while maximizing their performance to be a priority in its human resource strategy. During Stage II of the medium-term business plan, we’re working to create a strong organization through further strengthen the entire Group’s growth and human resources’ growth. It is important for every employee to shape their own career to foster independence. To support them, we provide each skill map.

### Self-reporting program

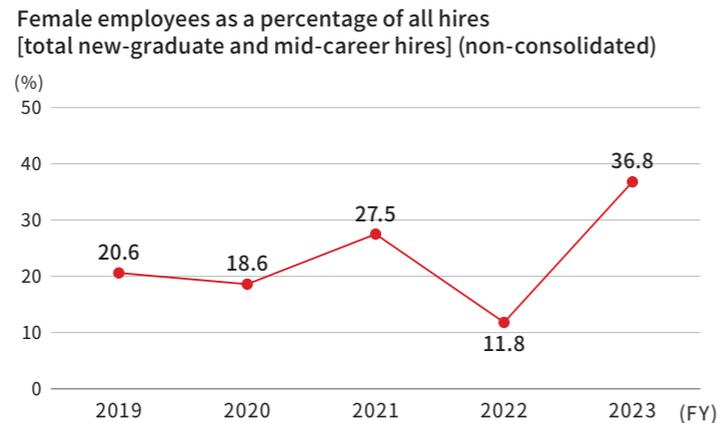
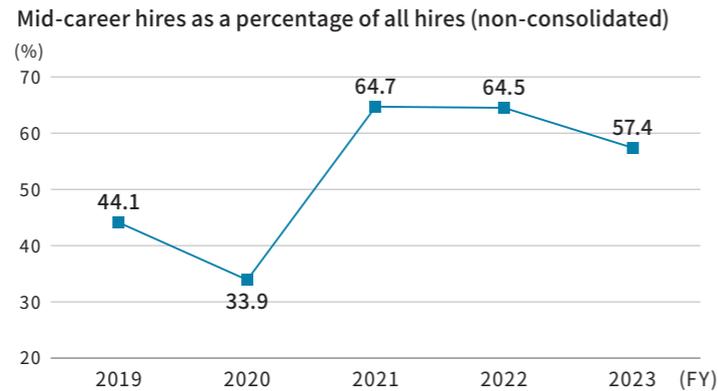
This program lets employees seek advice from their supervisor concerning problems and issues they face in the course of fulfilling their responsibilities so that they can better align their actual course with their career plan. By facilitating free consultation and feedback without a direct link to the employee evaluation process, the program helps foster a sense of psychological safety.

The Yokkaichi Plant’s professional human resource training program

Target	Level-specific education	Required training				Other	
		Shared	Operations	Administrative staff	Selective		
Leaders (supervisors)	Life design and second careers	Evaluators	Plant law education		In-basket training, internal instructor training	Support for earning necessary qualifications Company, product, and industry knowledge Self-development support (SD School) Departmental cross-cutting knowledge study session regarding understanding the plant through hours of other processes	
	Leadership			Independent maintenance technician Level 1	Logical thinking		Beginner managers
	Lifelong career development			QC examination Level 2	Mentoring		Plant leadership training, SV candidates
Mid-level (role awareness)	10th year	Harassment prevention	Construction safety guidance	SkilUp Operations 2, motion board Sequence 2	Negotiation		Risk assessment, safety management
	5th year			Production meister Level 3	Listening		Facilitation, OJT trainers
“Working adult” basics	3rd year	Evaluation program education, hazard experience, environmental law education		SkilUp Operations 1, sequence 1, plant processes/QCD	Statistics basics		Production control, foreman skill enhancement, team leaders/evaluators
	2nd year			QC examination Level 3, independent maintenance technician Level 2		Presentations	FTA/FMEA introduction, business writing, computer skill application
	New employees			Safety education for new employees	SDS basics, SkilUp chemistry and math	Autonomy, PDCA	Basic computer skills

## Securing human resources rich in diversity

Reflecting our belief that a diversity of backgrounds fuels innovation, we embrace mid-career hires. We've described our ideal employee as "someone who possesses fundamental understanding and who can change in order to make changes in practice." In short, we seek professional human resources who can adapt to environmental changes, who possess a high level of specialization and creativity, and who can continually refine their own skills in order to create new value.



## Implementing global customer service that takes advantage of diversity

Originally from South Korea, I joined the company as a new graduate in 2019 and spent my first three years in the laboratory conducting toxicity evaluation-related research on the agrochemicals developed in-house. I was assigned to the Head Office in 2022, and in my current department I am responsible for customers in China and Korea. I am responsible for over 20 companies, and these are existing customers in China and Korea with whom we have been doing business for decades.

With regard to the relationships we have with these longstanding customers, I continue to work hard every day to earn the same level of trust that my predecessors had developed. We do not simply sell them products; rather, we emphasize the importance standing alongside our customers in the "buying" process, so as to grow together with them.

At the same time, we are also focused on approaching new customers and place importance on clearly communicating our Group's purpose, vision, and strengths to them before we explain our products. We also seek to truly understand the purpose, vision and strengths of new customers so that we can then provide recommendations that are optimal for them. In this way, we aim to provide global customer service that takes capitalizes on diversity to build better relationships of trust.



East Asia Group  
Product Development &  
Marketing Division  
Biosciences Business Headquarters

**Kim Junhyeong**

### "Come-back" program

As part of our efforts to promote diversity, we've put in place a "come-back" program. This program helps employees who have temporarily left their positions, for example to give birth, fulfill parenting responsibilities, or care for a family member, or to pursue personal circumstances to their career design goals, to return to the Company. The goal is to allow people who understand the Company's culture and have related expertise return to work again at the Company, bringing with them new experiences and knowledge.

In addition to putting in place a worker-friendly workplace environment that can accommodate employees' diverse life and career stages, the program helps us secure human resources who can contribute to the Company's growth.

Creating an organizational environment

## Promoting diversity

Our starting point for diversity lies in people-centric management. People are the source of corporate competitiveness, and we believe that having diverse human resources who recognize one another's differences and accept and respect various ways of thinking and values helps create new value and boost the organization's capabilities.

Human resources have value that cannot be measured quantitatively using KPIs, and they play an indispensable role in the organization's growth and development.

We will practice diversity management that helps spur innovation and improve our organizational capabilities and competitiveness by making use of each and every employee's individuality and abilities.

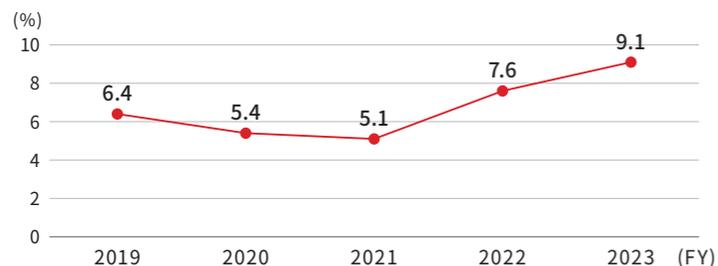
### Initiatives to realize gender equality and balance work with personal responsibilities

Having more women in the workforce and making the organization more diverse help spur innovation, and increasing the number of women who are involved in important decision-making will be essential in order to ensure the Company's sustained growth. We're offering a broader range of opportunities to highly motivated employees and helping employees who are eager to grow.

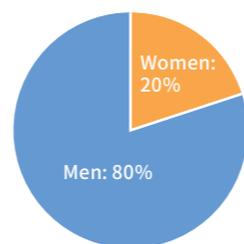
In addition, we help employees balance their work and household responsibilities to help maximize the performance of motivated employees, regardless of gender. Our challenge is to help employees balance their work with personal responsibilities so that they don't feel they have to interrupt their career in order to give birth, raise children, or care for a family member and so that all employees can flourish professionally while making the most of their skills and abilities.

In particular, we strive to ensure that all employees can achieve work-life balance, and we recommend that male employees take advantage of parenting leave programs. In this way, increasing their workplace's overall productivity.

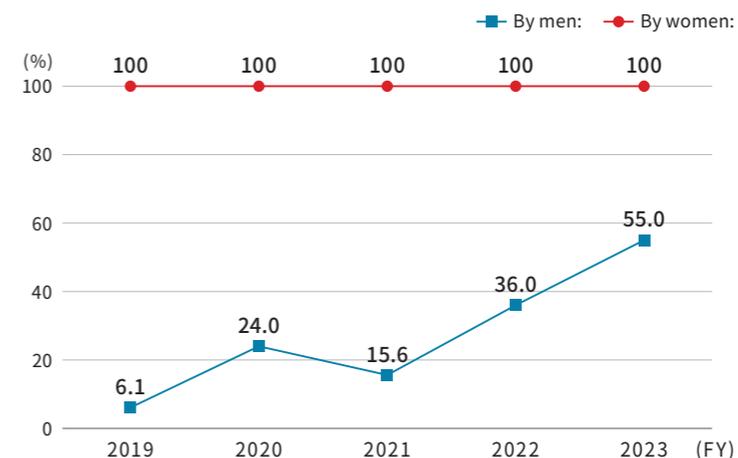
Female manager ratio (non-consolidated)



R&D employees by gender (non-consolidated, FY2023)



Utilization of childcare leave (non-consolidated)



### A new leadership perspective from taking childcare leave

I took four weeks of childcare leave right after my second child was born. In fact, the birth happened almost a month sooner than my wife's due date, but everything went comparatively smooth since I had consulted with my supervisor about six months prior, and because my coworkers were understanding and cooperative.

Having actually taken the leave, I feel that it was a precious experience to be able to be so close to our new child during that first, remarkable month of growth. It was a rewarding time, as I was able to spend time with my older child, for example by dropping them off at daycare and then picking them up, and spend more time communicating with my partner.

I planned things carefully before going on leave so that my team wouldn't be hindered, and I think it was a positive in terms of my experience as a leader. I would wholeheartedly recommend that men actively take childcare leave, even if it's only for a short time. The addition of another child means I have more responsibilities at home, and I'm also feeling more motivated at work since I'm currently participating in a new project. I look forward to contributing more and more while drawing energy from both home and work.



Manager  
Process Research Group  
for Organic Synthesis  
Production Technology Division  
Biosciences Business Headquarters

Tatsuya Jukurogi

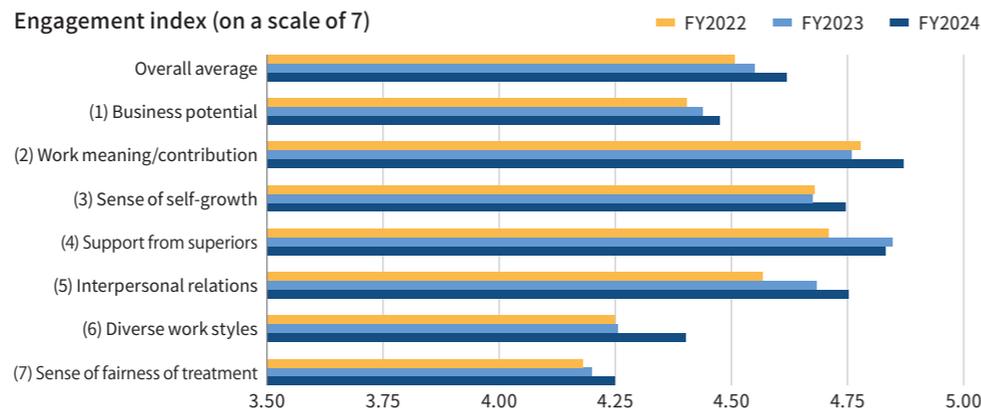
## Maintaining and improving engagement

We tap human resources as the source of our competitiveness and strive to ensure our purpose and their vision of their career coincide so that we can grow together. We also strive to create workplaces where a willingness to embrace challenges and an ability to act are recognized and rewarded, where human resources' growth is supported, and where diversity is emphasized. In this way, we strive to increase engagement while maintaining and improving the workplace environment so that all employees will feel fulfillment in work. Moreover, by providing an environment where each and every employee can be aware of and pursue autonomy in their own career and make the most of their potential, the Company strives to realize sustainable growth.

### Measures originating in the engagement survey

We consider it important to maintain an environment where each and every employee can make the most of their skills and abilities and work while gaining a sense of fulfillment. We adopt a flexible, active approach to accommodating rapidly changing workstyles and environments and actively administer an engagement survey as one way to facilitate growth of both employees and the company.

Currently, our engagement survey consists of an engagement questionnaire and a multifaceted behavioral survey. Furthermore, we value employee feedback and use findings from the self-reporting program as an important reference resource. Based on the data we obtain from these surveys, we implement improvement measures designed to deepen insight into employees' level of satisfaction and motivation as well as the workplace environment. Specifically, we're working to



improve communication by strengthening management training, undertaking initiatives to promote inclusion by respecting diversity, enhancing our mental health care, and implementing other workstyle reforms.

Moreover, we consider enhancing our career support program to be an important priority going forward, and we are committed to helping each and every employee grow and pursue their chosen career. Through these ongoing initiatives, we will pursue the Company's sustainable growth while proving a workplace environment in which all employees can realize their own growth as well as the Company's development while enjoying a high level of satisfaction.

### Improving engagement and realizing sustained growth: Challenges embraced by the Yokkaichi Plant

At the Yokkaichi Plant, the Group's largest facility, improving human resources' growth and organizational capabilities is essential in order for the Company to realize sustained growth. To that end, the plant is working to improve its manufacturing capabilities and focusing on building an approach to management that can foster the development of professional human resources while accommodating change. We're working to create a workplace where employees feel fulfillment in work by maintaining and improving engagement.

Specifically, the plant conducted interviews and questionnaires independently with consultants based on the results of its engagement survey to assess employee awareness and needs and to align with the Company's direction. The structure of problems are analyzed and causal structures are organized based on the data obtained from that process.

Thereby, we work to improve the workplace environment by studying and implementing measures to improve engagement in an ongoing manner.

Going forward, the plant will continue to develop its organization so that it can maximize human resources' potential and build a worker-friendly environment. In addition, we will strengthen the plant's human resource capabilities in a sustained manner and build a foundation capable of supporting improvements in the facility's manufacturing capabilities and the growth of the entire Group. Through these initiatives, we will continue to work to accommodate change at all times and realize sustainable development as we look to the future.



Professional human resources at the Yokkaichi Plant who support manufacturing

## Health & Productivity Management Promotion

We recognize that employee health is the basis for the Company's continued growth, and consider health management to be an important management strategy. Since being announcing our Health Declaration in October 2021, we've worked to create an environment where employees can do their jobs energetically and in good health, and we've implemented a variety of related measures. These efforts led to ISK's recognition as a Health & Productivity Management Outstanding Organization (largescale corporate sector) in 2024 for the second year in a row.

Managing employees' health and making it easier for them to do their jobs are important priorities that are directly connected to the strengthening of the Company's competitiveness and its sustained growth. Improving mental healthcare and health literacy are particularly important as keys that underpin the Company's growth. We've created the Human Capital Management Promotion Team as part of the Office of Sustainability Promotion, which reports directly to the president, and put in place structures to implement related measures through the collaboration of industrial physicians, public health nurses, the health insurance union, and the labor union.



### Health management initiatives

#### Maintaining and improving health

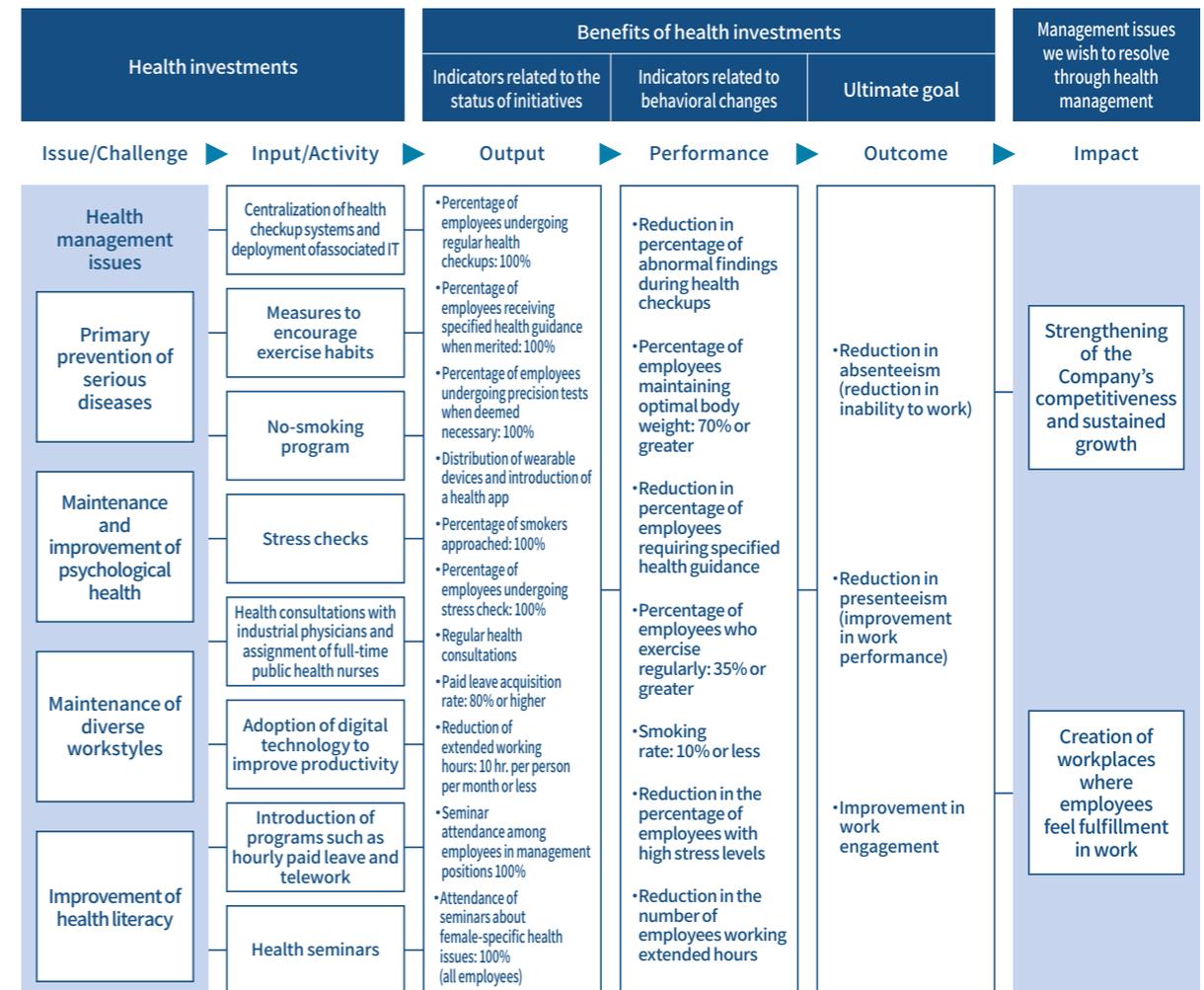
To prevent adult-onset diseases, the Company is working actively with the health insurance union to promote a collaborative health program. In addition to orchestrating a no-smoking program that utilized outside partners in an effort to lower smoking rates, we introduced a self-care health improvement service in June 2024 to help employees manage parameters including their daily steps, weight, diet, and exercise with an app in order to help them adopt healthy habits. We also distributed wearable devices to interested employees so that they can visualize their daily activity level and sleep quality. By increasing employees' interest in their own health and encouraging behavioral changes by means of these tools, employees are ascertaining their own state of health, setting health goals, and taking action as part of an ongoing PDCA cycle.

#### Improving health literacy

Continuing a program that began last year, we offered e-learning to all employees. By helping all employees understand unique female health issues rather than limiting this information to female employees, we're working to deepen understanding throughout the workplace.

In addition to addressing health management in training for newly assigned managers, we're providing more and more health education and information with each passing year, for example by making available videos of health talks by in-house public health nurses.

Health management strategy map



## Initiatives to strengthen sustainability management and build new structures

During Vision 2030 Stage I, the Group strengthened and implemented sustainability management initiatives from an ESG and SDGs perspective and worked to lay a foundation for future efforts in this area. During Stage II, which started this fiscal year, we're seeking to combine our business and sustainability activities.

To achieve this goal, we reformed our structures in June 2024, shifted authority over the Sustainability Promotion committee from the office of the president to the Board of Directors, improved oversight functions, and strengthened governance. At the same time, we created the Office of Sustainability Promotion, which is led by an executive officer and tasked with planning, formulating, and implementing a range of sustainability-related activities, as a structure for strengthening sustainability management in an ongoing manner. The office analyzes the impact of societal needs and environmental changes on our businesses and the impact of our businesses on society and the environment and undertakes a variety of measures from the standpoint of opportunities and risks. Specific measures such as climate change countermeasures and human rights due diligence are carried out by five implementation teams consisting of members of various departments, overseen by the Office of Sustainability Promotion. Going forward, we will continue to embrace the challenge of taking action to help realize a better environment and society.

In addition, we changed the name of the department responsible for checks and oversight in the Group in the areas of environment, safety and health, and quality assurance to the Office of Environment, Safety and Quality Administration and placed it under the leadership of a managing executive officer. The office sets policies and targets related to the environment, safety and health, and other related areas and implements measures, corrective action, and improvements as necessary while assessing the status of activities through reporting and audits from various departments. By building structures to facilitate close cooperation between the Office of Sustainability Promotion and the Office of Environment, Safety and Quality Administration, we will enable sustainability-related initiatives throughout the Group to complement one another so that we can maximize overall results. By leveraging this new structure to accelerate sustainable management in a way that integrates its business and sustainability activities and working to realize additional growth and improved corporate value, the Group will seek to earn the trust of stakeholders worldwide.



Executive Director of  
Office of Sustainability  
Promotion

**Makiko Sano**

Executive Director of  
Office of Environment,  
Safety and Quality Administration

**Shigeru Mitani**

## Signing the United Nations Global Compact

We signed a declaration endorsing the United Nations Global Compact (UNGC) and registered as a participating company in Global Compact Network Japan (GCNJ), an organization dedicated to realizing the UNGC's principles in Japan, in June 2024.

As the world's largest sustainability initiative, the UNGC seeks to bring the UN and the private sector (companies and organizations) together to build a robust global society. Companies and organizations that are signatories to the UNGC endorse 10 principles in the four areas of human rights, labor, environment, and anti-corruption, and they're called upon to work towards their realization.

In keeping with its purpose of "to continue contributing to better living environments through chemical technologies," the Group supports the UNGC's 10 principles and seeks to realize a sustainable society by working to resolve societal issues through its business activities.



## Earning certification under the Roundtable on Sustainable Palm Oil

Palm oil, a vegetable oil produced from palm fruit, is used in a wide range of applications, including food, detergents, and pharmaceuticals. Expanding production in Indonesia and Malaysia, which are major producers of palm oil, has brought deforestation, worker rights issues, and other problems. The Roundtable on Sustainable Palm Oil (RSPO), a non-profit established in 2004, has established a series of requirements for sustainable palm oil and introduced a certification system for production and supply chains.

Our Yokkaichi Plant (in Yokkaichi, Mie Prefecture) uses palm oil to produce ultrafine particle size titanium dioxide for use in cosmetics. As an initiative to ensure sustainable procurement of palm oil, the plant recently earned RSPO SCCS (mass balance) certification.

We're currently putting in place structures that will enable us to manufacture mass balance-certified products and supply them to customers. Going forward, we will work to expand our line of products manufactured using certified raw materials.