



INTEGRATED REPORT

2022

 **NIPPON CARBIDE INDUSTRIES CO.,INC.**

Contents

Corporate Identity



Cover Story

On the cover is a picture of Midoriga Pond, the crater lake of Tateyama, the pride of Toyama Prefecture. Our company was born in Toyama Prefecture and has grown into a global company, and we are still conducting research and development as well as manufacturing various products in the prefecture.

Applicable Period

April 2021 through March 2022.
The Report includes activities and future goals for the period after April 2022.

Editorial Policy

This is our first integrated report. This report is intended to provide relevant stakeholders with a better understanding of our company. We hope that this report will help you to be more interested in our business.

Main Reference Guidelines

Ministry of Economy, Trade and Industry "the Guidance for Collaborative Value Creation"
IFRS Foundation "Integrated Reporting Framework"



The 2030 Agenda for Sustainable Development, which includes the Sustainable Development Goals (SDGs), was unanimously adopted at the UN Summit in September 2015. The SDGs consist of 17 Sustainable Development Goals with 169 associated targets, with a commitment to "leave no one behind". Nippon Carbide Industries aims to realize a sustainable society by contributing to our customers' SDGs initiatives through our products and technologies.

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**Creating new value with our technological capability,
we help make society more prosperous.**

The needs of customers are the starting points of our efforts.
We refine and combine the technologies we have nurtured to provide a wide range of products
that help realize a sustainable society.



A Corporate Group of Outstanding Value

Our employees all have confidence and pride in their work,
achieving real personal growth as they strive to satisfy all the persons they deal with.
They aim to make NCI a corporate Group of outstanding value to society.



Sincerity

We guarantee that our stakeholders will be safe and free from worries and that we completely comply with high standards of business. We steadfastly carry out our responsibilities with sincerity and without compromise.

Service

Our chief thoughts are of what we can do for our customers, for society, and for the future, not what will benefit us. Being of service is our great joy.

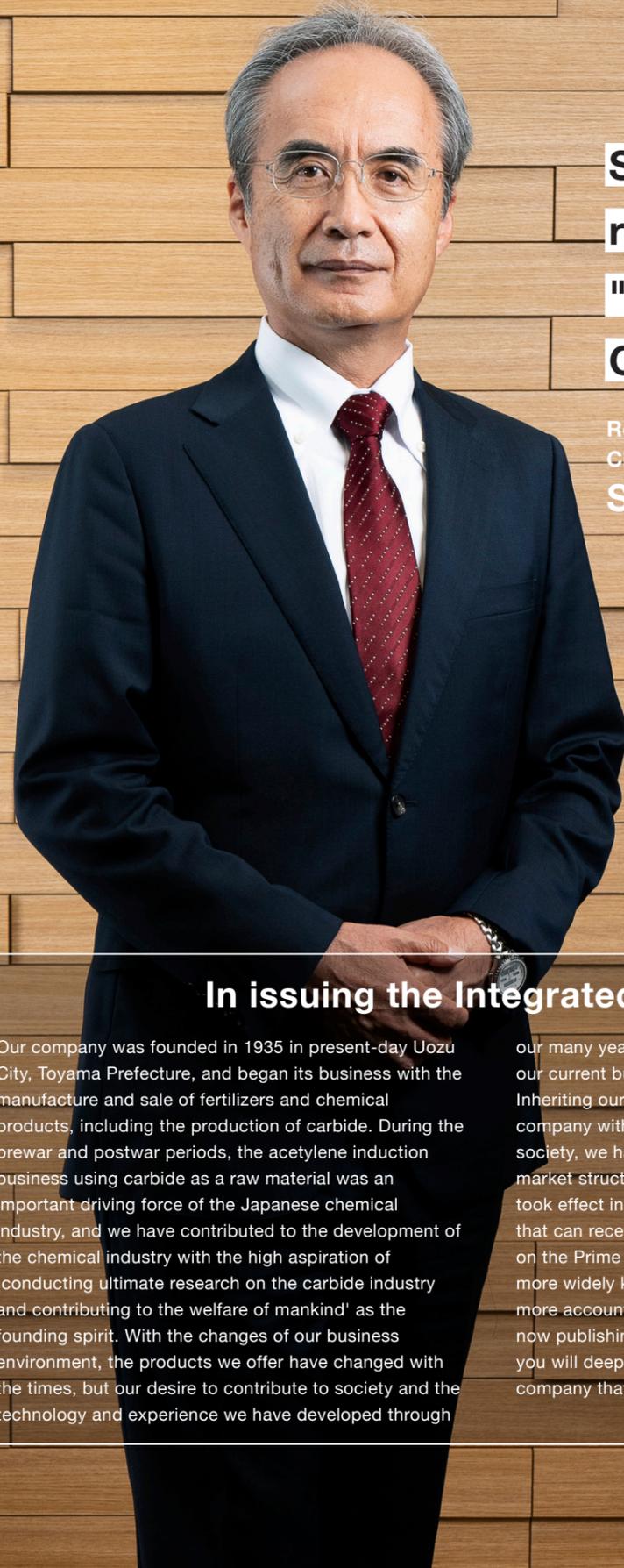
One-NCI(Cooperating)

Respecting the uniqueness of each employee, we form into closely cooperating teams, working as one to find solutions to all the challenges we face.

Innovation

We are not afraid of failure or change, fully exercising our imagination and initiative to create new value for a wide range of businesses. We continue to take up the challenge to reach ever-higher targets.

Message from the President



**Striving for the
realization to become
"A corporate Group of
Outstanding Value"**

Representative Director President
Chief Executive Officer
Sugiyama Takahisa

In issuing the Integrated Report

Our company was founded in 1935 in present-day Uozu City, Toyama Prefecture, and began its business with the manufacture and sale of fertilizers and chemical products, including the production of carbide. During the prewar and postwar periods, the acetylene induction business using carbide as a raw material was an important driving force of the Japanese chemical industry, and we have contributed to the development of the chemical industry with the high aspiration of 'conducting ultimate research on the carbide industry and contributing to the welfare of mankind' as the founding spirit. With the changes of our business environment, the products we offer have changed with the times, but our desire to contribute to society and the technology and experience we have developed through

our many years of business have been passed down to our current business. Inheriting our founding spirit and desiring to be a company with a strong presence that contributes to society, we have chosen the Prime Market in the new market structure of the Tokyo Stock Exchange, which took effect in April 2022. In order to become a company that can receive further support from our shareholders on the Prime Market, we need to make our company more widely known. Therefore, we feel the need to be more accountable than ever before, which is why we are now publishing our first integrated report. We hope that you will deepen your understanding of our Group as a company that is appropriate for the Prime Market.

Looking back on the results for FY2021

In fiscal 2021, the final year of our Medium-term Management Plan "NCI-2021" (hereafter, the previous Medium-term Management Plan), we were able to halt the decline in both sales and profits by increasing both sales and profits compared to the previous fiscal year. One of the factors contributing to this result was the strong performance of the electronic and functional products business, one of the four business segments in which we operate. Demand for materials for semiconductors and electronic devices increased, partly due to an increase in work from home operations throughout Japan in the wake of the spread of the COVID-19 infection. On the other hand, in the films and sheetings products business, compared to FY2020 when the business was affected by the COVID-19 disaster, the

two-wheeler and four-wheeler markets, the main markets for the business, showed a recovery trend in the first half, but stalled in the second half due to the effects of the global semiconductor shortage.

Under these circumstances, the electronic and functional products business, the films and sheetings products business, and the engineering business posted increases in both sales and revenue, while only the construction materials related business posted declines in both sales and revenue. This was due to the impact of the Tokyo Olympics and Paralympics, which caused delays in condominium construction and other projects compared to plans, as well as the significant impact of the sharp rise in raw material costs.

Formulation of the Medium-Term Management Plan "NCI KIRARI 2025"

Outline of "NCI KIRARI 2025"

In the previous Medium-term Management Plan, a three-year plan through FY2021, we were unable to achieve our financial targets for FY2021, despite having drawn up a growth strategy. On the other hand, we have strengthened our financial position by lowering our debt-to-equity ratio through a decrease in interest-bearing debt and increasing our equity ratio, and we have achieved increased dividends. As we are confident that the foundation for full-fledged growth has finally been laid, we have formulated the "NCI KIRARI 2025", a four-year Medium-term Management Plan ("current Medium-term Management Plan") announced in May 2022 to take a new step toward growth. Between FY2019 and FY2021, each of our businesses was significantly affected by external factors such as the U.S.-China trade friction, the COVID-19 pandemic crisis, and soaring raw material prices. However, by all rights, we must create a business foundation that will not be swayed by such unforeseen external factors even if they occur. The current

Medium-term Management Plan is designed to reflect a greater awareness of our business portfolio in order to ensure that our business operations will not be hindered by changes in the environment.

Currently, the main pillar of our profit-making business is the Electronic and functional products business, but we plan to develop the films and sheetings products business into the second pillar by FY2025. In the previous Medium-term Management Plan, we limited our core businesses to the Electronic and functional products business and the films and sheetings products business, and we sought to pursue synergies within these two businesses. However, under the current Medium-term Management Plan, we will seek to pursue synergies across all four business segments, which is a difference from the previous Medium-term Management Plan. By pursuing synergies, in FY2025, we aim for net sales of 62 billion yen, up 15 billion yen from 2021, and operating profit of 7 billion yen, up 3.8 billion yen from 2021.

Growth Strategy

In formulating a growth strategy to achieve the current Medium-term Management Plan, we have reviewed the Group's mission of "Creating new value with our technological capability, we help make society more prosperous," and defined a "more prosperous society" as "a more convenient society, a more secure and safer society".

Believing that the development of Electronic will contribute greatly to the realization of a "more convenient society," we have designated "Electronic" as a focus area and

positioned semiconductors and electronic devices as a strategic market field. On the other hand, we have designated "Safety," which contributes to a "safer and more secure society," as another focus area, and have identified the environment, life, and mobility as a strategic market sector. By establishing these strategic market areas, we have been able to restructure our business portfolio in a way that allows us to diversify risks in the event of changes in the external environment, and to supplement our business in other areas.



Regional Strategy

In the previous Medium-term Management Plan, Asia was the focus region, but in the current Medium-term Management Plan, regional strategies are defined for each strategic market area. Japanese companies have a large share of the raw materials and equipment used in the manufacturing process of semiconductors and electronic devices. We supply products to such companies and aim to continue to grow as a partner. In the mobility field, on the other hand, reflecting the fact that there are automobile plants all over the world, we believe that responding globally, especially in China and South and Southeast Asia, will lead to our growth.

Recently, with geopolitical risks becoming much more apparent, events such as Russia's invasion of Ukraine and the lockdown in China have resulted in supply chain disruptions. Considering our responses to geopolitical risks and supply chain risks, we have been focusing on domestic investments since last fiscal year. Although overseas sales in the final year of the current Medium-term Management Plan are expected to increase compared to FY2021, the ratio of overseas sales to total sales is expected to slightly decrease from 47% to around 45%.

Awareness of "Outstanding Value" and efforts toward improved profitability

The current Medium-term Management Plan emphasizes not only sales expansion but also profitability enhancement. In doing so, we felt that it was necessary to clarify the definition of "outstanding values" in our Group vision of "A group of companies with outstanding values". We defined "outstanding values" as "One & Only" in the sense that our outstanding values are our ability to provide unique products and services that can only be made by our Group. We believe that the conscious pursuit of "outstanding values" will lead us to the creation of high value-added products, which in turn will improve our profitability. Currently, the Group has some products that have a high market share in certain markets, but also products that do not make a high contribution to profits are seen here and there. We feel that this is due to the fact that our Group's employees themselves do not properly recognize the value of our products. Therefore, we have been trying to raise awareness of the need to always think about "why customers purchase our products". Rather than responding by capturing superficial needs of customers, it is important to accurately recognize and pursue the conditions that must never be lacking from the customer's point of view, out of the many conditions for purchase.

However, in order for us to truly become a group of companies with outstanding values, it is important to have not only such a market-in approach, but also a product-out approach, in which we provide value to our customers. We have technology and experience accumulated over many years. By analyzing the buying factors obtained from our market-in approach, and then adding a product-out approach that leverages our strengths, we aim to provide our customers with products with outstanding values. As for practical measures to improve profitability from a cost perspective, starting this fiscal year, the entire Group has been practicing business management with a stronger awareness of the break-even point. The business structure has been considerably strengthened by continuing to implement the PDCA cycle, in which monthly break-even sales performance is evaluated, feedback is provided, and actions for improvement are taken. Employees now have a much better understanding of the need to increase profitability, and we are beginning to see positive results, such as a return to profitability in a business that was continuously in the red during the previous fiscal year.

SDGs Management

At our Group, we believe that we can expand our corporate value by resolving social issues such as climate change and human rights, which have become common awareness in recent years. In the current Medium-term Management Plan, we have set five Materialities (key issues) that are closely related to the realization of our mission. One example is our efforts toward carbon neutrality. Our customers in the engineering business are mainly in the iron manufacture industry and the electric power industry. Customers in these industries face significant challenges in achieving carbon neutrality, and are actively developing and studying technologies to reduce CO2 emissions. We intend to contribute to the realization of carbon neutrality for such customers through our business activities.

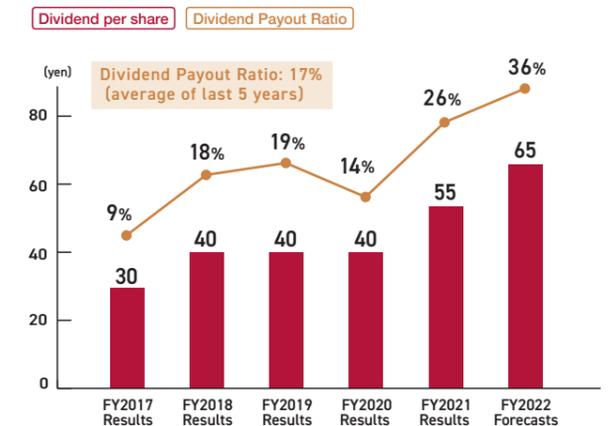
Human capital is indispensable to promote these business activities. Recognizing that increased employee satisfaction and feeling of being rewarded is an important issue, we have

a working team consisting mainly of young employees to come up with ideas for work style reforms to become a competitive corporate group in the new normal era. We are confident that by implementing these ideas one by one, we will get closer to the way our employees want to work. In addition, we have adopted a new evaluation system this year in order to make employees feel more rewarded for their work. This evaluation system is designed to reward the results of challenges, and we hope that it will stimulate each employee's willingness to take on new challenges in his or her work. Further, the promotion of diversity is set as one of the key issues in the current Medium-term Management Plan of our Group as a global company. In order to incorporate diverse ideas into management, we are working to increase the ratio of female managers and to actively promote non-Japanese and mid-career hires to core personnel.

Capital Strategy

Regarding capital strategy, we intend to use financial cash flow, which is assumed to be maintained at a D/E ratio of 0.5 times or less, and operating cash flow to fund investment cash flow and shareholder returns. Under the current Medium-term Management Plan, a total investment of 19 billion yen is planned, an increase of 11.7 billion yen from the previous Medium-term Management Plan (an average annual increase of 2.4 billion yen), of which approximately 60% will be allocated to strategic market areas. In addition, we plan to allocate approximately 12% of the 19 billion yen to achieve non-financial goals such as carbon neutrality and DX. We will also strengthen R&D for continued development into the future. We plan to increase R&D expenses by 5 billion yen compared to the previous Medium-term Management Plan (an average annual increase of 700 million yen) to 12 billion yen, of which 8 billion yen will be allocated to strategic market areas. As for shareholder returns, recognizing this as one of our highest priorities, we will aim for a stable dividend payout ratio of 30% or more. The full-year dividend per share for FY2022 is expected to be 65 yen, an increase of 10 yen from the previous fiscal year.

Shareholder Return Policy



To our stakeholders

Since our founding, we have experienced various hardships, but we have developed by reading customer needs and combining them with technology to create value for society. As changes and uncertainties in the business environment surrounding the Group continue to intensify, the Group is committed to do our utmost for achieving "NCI

KIRARI 2025" and realizing "A corporate Group of Outstanding Value that contributes to a sustainable society," which is our ideal vision for 2030. We would like to thank all of our stakeholders for their continued understanding and support of our Group.

History

Since our start as a carbide manufacturer in 1935, we have overcome many changes, including postwar reconstruction and technological innovations, to reach where we are now. Our progress up to the present day is a history of endless gratitude for the support and nurturing we have constantly received through "encounters" with our customers, and it is also none other than a history of technology that has continuously responded to the changing needs of each era.

1935
Nippon Carbide Industries was founded,
 with its Head Office at 751, Motoshin, Michishita-mura Shimoniikawa-gun, Toyama Pref.

1936
 We acquired Kokusan Hiryou KK. Our Uozu Factory operation started (Uozu City, Toyama Pre.)
We began production and sales of carbide and coal nitrogen.



1940
 Our Head Office moved to 2-1, 2-Chome Marunouchi, Kojimachi-ku, Tokyo.

1941
 Our Osaka Business Place was opened (renamed Osaka Branch).

1944
We began production and sales of melamine resin products.

1947
 Sanwa Kagaku Kogyo KK was founded (renamed Sanwa Chemical Co.).
We began production and sales of pharmaceutical products.



1949
 We were listed on the Tokyo Stock Exchange.

Carbide

Carbide is a compound of carbon and metallic element (chemical formula: CaC₂). Carbide is produced by heating quicklime obtained from limestone and coke (carbon) at high temperatures. In 1935, Nippon Carbide Industries was founded in Uozu City, Toyama Prefecture, where a stable supply of high-quality limestone could be procured and the power needed for the production could be obtained from hydroelectric power generation using the abundant water resources. At that time, the acetylene induction business was a promising new chemical industry.

1959
 Hayatsuki Factory (Namerikawa City, Toyama Prefecture) was constructed.



1962
 Vinyframe Industry Co., Ltd. was established.
We began the construction materials related business.



1963
We began production and sales of functional polymers.
 Our Head Office moved to 3-1, 3-Chome Marunouchi, Chiyoda-ku, Tokyo.

1965
We began production and sales of packaging materials films.

1969
 Diamond Engineering Co., Ltd. was established.
We began the engineering business.



1935 1940 Establishment and Deepening of In-house Technologies

1963 Development and Deployment of In-house Technologies

1976
We began production and sales of marking films.

1980
 We acquired equity ownership in Hokuriku Ceramics Co., Ltd.
We entered the ceramic substrate business.

1985
We began production and sales of additives for electric materials.

1988
 NIPPON CARBIDE INDUSTRIES (THAILAND) CO., LTD. was established in Thailand.
We began the sticker business.

ELECTRO-CERAMICS (THAILAND) CO., LTD. was established in Thailand.
We developed the ceramic substrate business.

1991
 NIPPON CARBIDE INDUSTRIES FRANCE S.A.S was established in France and NIPPON CARBIDE INDUSTRIES ESPANA S.A. was established in Spain.
We entered the retroreflective sheeting business.

1993
 NIPPON CARBIDE INDUSTRIES (NETHERLANDS) B.V. was established in the Netherlands.
We developed the retroreflective sheeting business.

1994
 PT ALVINY INDONESIA was established in Indonesia.
We developed the sticker business and the construction material businesses.

Nippon Carbide Industries (Hangzhou) Co., Ltd. was established in China.
We developed the retroreflective sheetings business, the sticker business and the packaging materials film business.

1997
 NCI (VIETNAM) CO., LTD. was established in Vietnam.
We developed the sticker business.

1999
 Our Head Office moved to 11-19, 2-Chome Konan, Minato-ku, Tokyo.
 NIPPON CARBIDE INDUSTRIES (South Carolina) INC. was established in the U.S.A.

2011
 NIPPON CARBIDE INDIA PVT. LTD. was established in India.
We developed the sticker business.

2014
 NIPPON CARBIDE INDUSTRIA DO BRASIL LTDA. was established in Brazil.
We developed the sticker business.

2015
 Our Head Office moved to 16-2, 2-Chome Konan, Minato-ku, Tokyo.



2017
 The R&D Center was completed (Namerikawa City, Toyama Prefecture). There were four research and development points in Japan, we combined them into a new Research and Development Center.



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2022
We moved to the Prime Market of the Tokyo Stock Exchange.

2022~
Medium-term Management Plan "NCI KIRARI 2025" has kicked off
 Pursuit of "Outstanding values = One & Only"
 Contribute to a sustainable society and achieve growth by pursuing technologies of outstanding values and providing products of outstanding values.

1976 Expansion of new businesses/overseas development

2011 Selection & Concentration

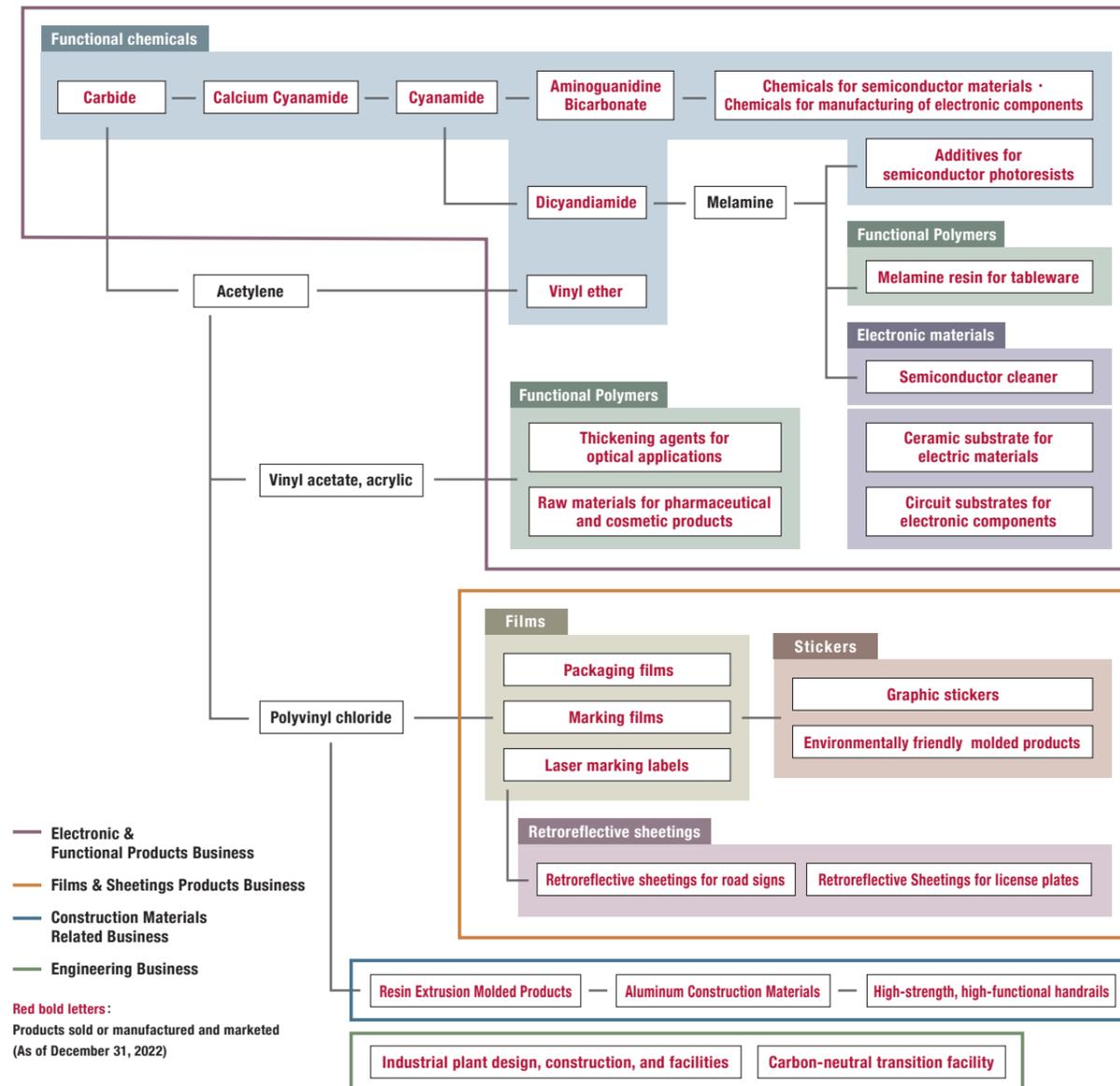
2022 Toward Sustainable Growth in the New Normal Era

Business Activities

We started our business based on "organic synthesis technology" in the acetylene derivative production industry using carbide as a raw material. Today, with our core technologies of "resin polymerizing technology", "films and sheetings technology", and "ceramic sintering technology," we are developing four businesses including Electronic and functional products business, films and sheetings products business, construction materials related business, and engineering business.

Product flow starting with carbide

Functional chemical products are derived from lime nitrogen and acetylene, which are derived from carbide. Originally, using carbide as a raw material, vinyl chloride and vinyl acetate were manufactured from acetylene. By polymerizing these materials, functional polymer products were produced. The polymers of vinyl chloride and vinyl acetate became marking films and packaging films through film making technology and printing technology. Further, retroreflective sheeting products were manufactured through sheetings molding technology and precision metal mold technology. Vinyl chloride was developed into aluminum construction materials for buildings and houses and resin extrusion molded products used in the construction materials related business. In addition, since we were selling carbide as a desulfurization agent to steel mills, this developed into an engineering business featuring powder conveying technology, etc.



Product lines in each business

Our business is divided into four segments, namely, the Electronic & Functional Products Business, the Films & Sheetings Products Business, the Construction Materials Related Business, and the Engineering Business, each of which develops and manufactures a variety of products.

Electronic & Functional Products Business

Functional Chemicals

Vinyl ether

Applications: High-performance fluorinated paints with weather resistance and stain resistance, raw materials for hologram printing, etc.

Characteristics: There are only a few manufacturers in the world, and we offer a wide variety of products.

Growth drivers

Chemicals for semiconductor materials/chemicals for electronic component manufacturing

Applications: Preventing metal from rusting as a surface treatment agent, and increasing the adhesion between resin and metal to make semiconductors more resistant to impact even when they are miniaturized, etc.

Characteristics: We possess high handling technology for raw materials with unstable physical properties (cyanamide).

Growth drivers

Additive for semiconductor photoresists

Applications: Additives for solidifying resist resins that form the image layer of semiconductor circuits.

Characteristics: We possess advanced demetalization technology and holds approximately 70% of the global market share for negative photoresist additives (according to our own research).



Functional Polymers

Thickening agents for optical applications

Applications: Thickening agents for polarizing plates and protective films for LCDs of TVs, smartphones, tablets, PCs, etc.

Characteristics: Thickening performance design tailored to applications and customer requirements

Growth drivers

Raw materials for pharmaceutical and cosmetic products

Applications: Poultice, materials for mascara products, etc.

Characteristics: Registered in the "Drug Master File (DMF)" and can be supplied for products



Melamine resin for tableware

Applications: Materials for tableware used in schools, hospitals, company cafeterias, theme parks, etc.

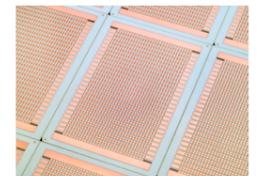
Characteristics: Light, strong, heat resistant, and easy to color.

Electronic materials

Ceramic substrates for electronic components

Applications: Base substrate for chip resistors, one of the electronic components

Characteristics: We have one of the largest share with approximately 20% of the global market share (according to our own research).



Growth drivers

Circuit Substrates for Electronic Components

Applications: Substrates for timing devices and fuse substrates for lithium-ion batteries

Characteristics: Printing electrodes, resistive elements, protective films, etc. on alumina ceramic substrates to make circuits.

Growth drivers

Semiconductor Mold Cleaner

Applications: Cleaning materials for molds used in the semiconductor manufacturing process

Characteristics: We have the largest share with approximately 50% of the global market share (according to our own research).



Films & Sheetings Products Business

Films

Marking films

Applications: For signboards, partial coloring of train cars, and as a substitute for automobile paints
 Characteristics: We have approximately 20% in domestic market for marking films for signboards (according to our own research).



Laser marking labels

Applications: Traceability and tamper-evident labels for automobile bodies and parts
 Characteristics: We offer films for tamper-evident labels by imparting self-destructive properties.



Packaging films

Applications: Food packaging
 Characteristics: Environmentally friendly as it does not produce dioxin when burned.

Stickers

Graphic Stickers

Applications: stickers for motorcycles and automobiles, stickers for outdoor use
 Characteristics: Flexible enough to be affixed to curved surfaces, high weather resistance and a wide range of color variations



Environmentally friendly molded products

Applications: Emblems for motorcycles and automobiles, emblems for outdoor use
 Characteristics: Flexible and excellent in following curved surfaces. Can be used for letters that are not in one continuous line but are separated one by one.



Retroreflective Sheetings

Retroreflection is light source reflected by the same path in which it entered.

Reflective Sheetings for Signs

Applications: Domestic and international road traffic signs, security products for road construction
 Characteristics: Retroreflecting the display portion of a sign with light from automobile headlights improves the visibility of signs and other items for drivers at night.



Reflective Sheetings for License Plates

Applications: Automobile license plates
 Characteristics: We have one of the largest share with approximately 30% of the global market share (according to our own research).



Aerial Display Applied to Claw Machine

A claw machine is installed at the entrance of our headquarters. While ordinary claw machines are operated with stick levers and buttons, our claw machine is operated with a non-contact touch panel (aerial display). The machine is very popular among visitors, partly due to its uniqueness. This technology is based on retroreflective technology, and related products are attracting attention in the field of entertainment as well as in the medical and food industries, in addition to their use in automobiles and other industrial products.



See video here:
<https://youtu.be/FU5ro5oq8ms>

Construction Materials Related Business

Resin Extrusion Molded Products

Applications: Components for auxiliary handrails, cover components for LED lightings
 Characteristics: Maximizes characteristics not found in wood or metal by simultaneously molding resins with different and contradictory properties, such as "soft and hard" and "transparent and opaque".



Aluminum Construction Materials

Applications: Aluminum construction materials, carports, etc.
 Characteristics: A wide variety of forms and colors are available to match the design taste of homes.



High-Strength, High-Function Handrails

Applications: For high-rise buildings such as tower condominiums
 Characteristics: High strength to withstand typhoons and other strong winds, and a wide variety of design variations.

Growth drivers

LED Coping win Good Design Award 2022

The "LED Coping", developed by our Group company, Viniframe Industry in cooperation with a partner company, has won the Good Design Award 2022. The product, while maintaining its conventional functionality, by framing buildings with light and serving as an eye-catcher, adds new color to the nighttime landscape.



Engineering Business

Industrial plant design, construction and facilities

Applications: Manufacture and delivery of special valves (flow control valves, high-temperature and high-pressure valves) for hot metal pre-processing facilities and molten steel refining facilities for the iron manufacture industry, and powder coal conveying facilities for the electric power industry
 Characteristics: Lump-sum contracting services for industrial plant design, procurement, construction, equipment maintenance, etc. (EPC)



Carbon Neutral Transition Facilities

Application: Innovative development facilities for the iron manufacture industry/electric power industry
 Characteristics: We are expanding our contribution to CO₂ emissions reduction mainly through our high-precision powder conveying technology.

Growth drivers

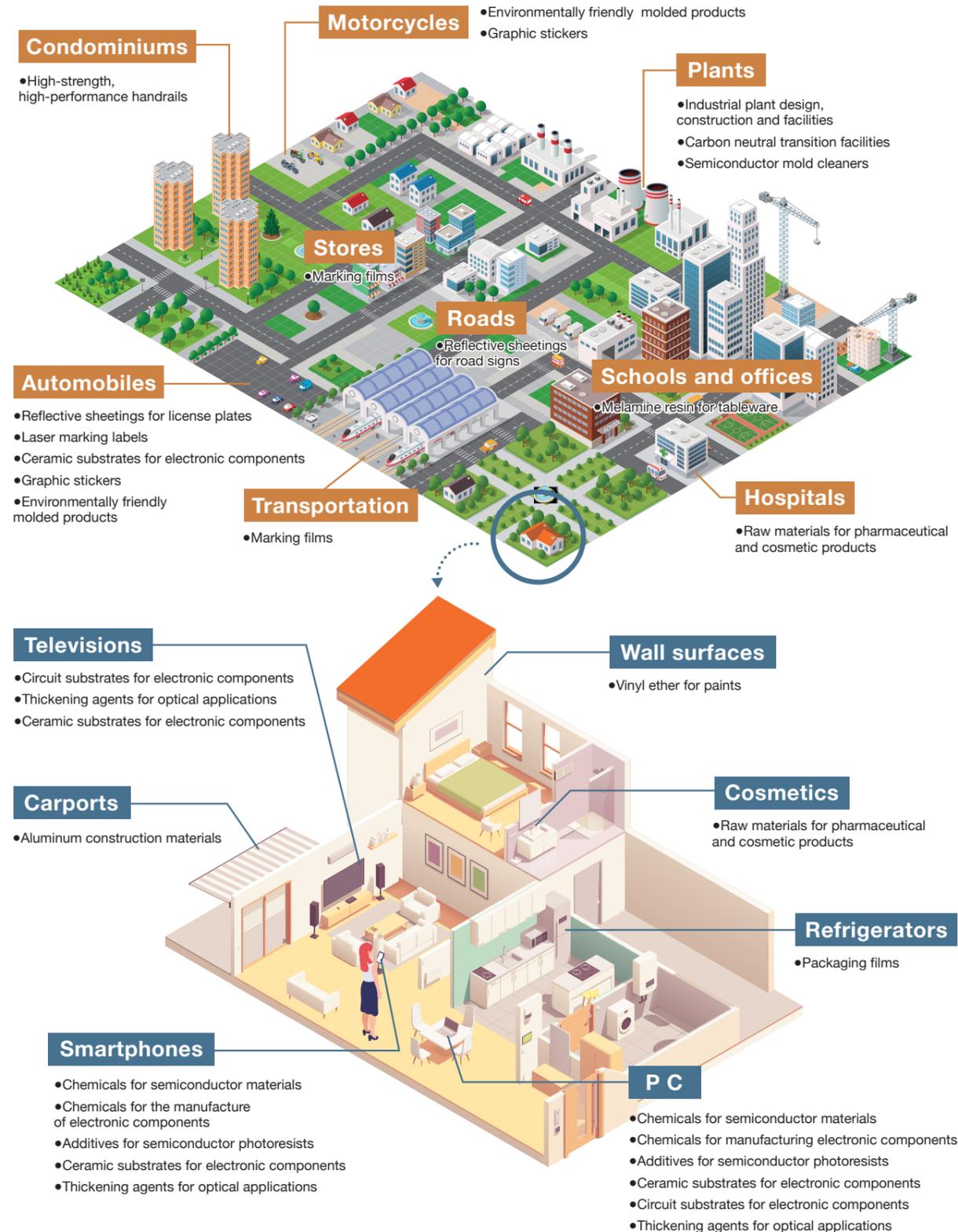
Powder Conveying Technology

The powder conveying technology of Diamond Engineering Co., Ltd., our group company, is used in a variety of facilities and is a key element in the stable operation of coal gasifiers, which is the most advanced thermal power generation technology. In a project for a test facility where solid fuel in the form of pellets made from waste plastics solidified from paper, fiber, and other waste materials is simultaneously blown into the gasifier with pulverized coal and gasified together, we proposed optimal facility conditions and our proposal was adopted.



Our Products for Everyday Life

Our Group's core technologies, "resin polymerization technology", "films and sheetings technology," and "ceramic sintering technology", are at the core of our business, and the products produced through integration of these technologies have been used throughout society and contribute to the lives of people around the world.



Business Overview (2021)

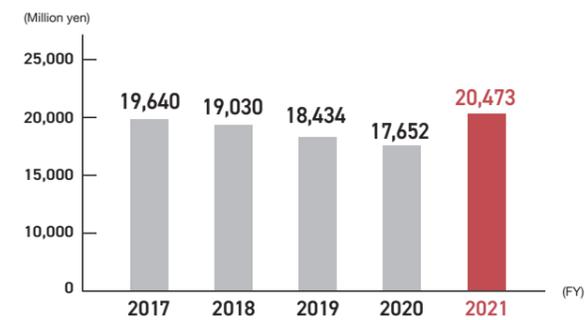
Electronic & Functional Products Business

Business Overview

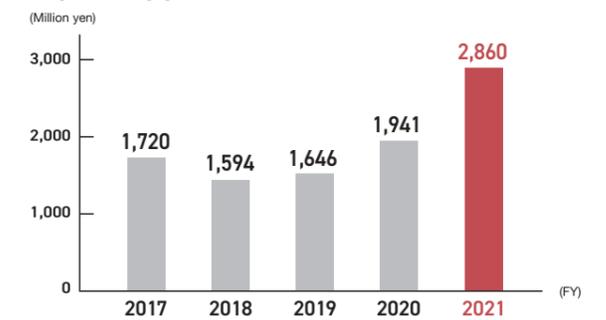
Sales and earnings of functional chemicals increased from the previous fiscal year due to steady shipments of surface treatment agents for electronic components and other products in line with the booming semiconductor market. In specialty functional polymers, although shipments of thickening and adhesive agents for optics-related fields remained strong, higher raw material prices and other factors resulted in higher sales and lower profits compared to the previous year. In the electronic and functional products business, shipments of ceramic substrates were strong due to a recovery in demand for car Electronic applications and electronic device-related applications, and sales of semiconductor mold cleaner were also strong due to the booming semiconductor market, resulting in year-on-year increases in both sales and profits. As a result, the Electronic & Functional Products Business achieved year-on-year increases in both sales and profit.

Performance Trend

•Net sales



•Operating profit



Business Performance by Product Category

Unit: Million yen

	FY2020	FY2021		
	Results	Results	Increase/decrease (vs. previous year)	Ratio of increase/decrease (vs. previous year)
Net sales	17,652	20,473	+2,821	+16.0%
Functional chemicals	2,763	3,739	+976	+35.3%
Functional polymers	8,192	9,560	+1,368	+16.7%
Electronic materials	5,967	7,174	+1,207	+20.2%
Adjustment	730	▲0	-	-
Operating profit	1,941	2,860	+919	+47.4%

Functional chemicals Increased incomes and profits

- + Increase in shipments of photoresist additives and surface treatment additives due to buoyancy in the semi-conductor market.
- + Increase in shipments of vinyl ether mainly due to recovery in the construction market in Europe and the USA.

Functional Polymers Increased incomes and decreased profits

- + Increase in shipments of thickening agents for the optical sector.
- + Increase in shipments of binder polymers for electronic materials due to buoyancy in the semiconductor market.
- Increase in costs due to rising naphtha prices.

Electronic materials Products Increased incomes and profits

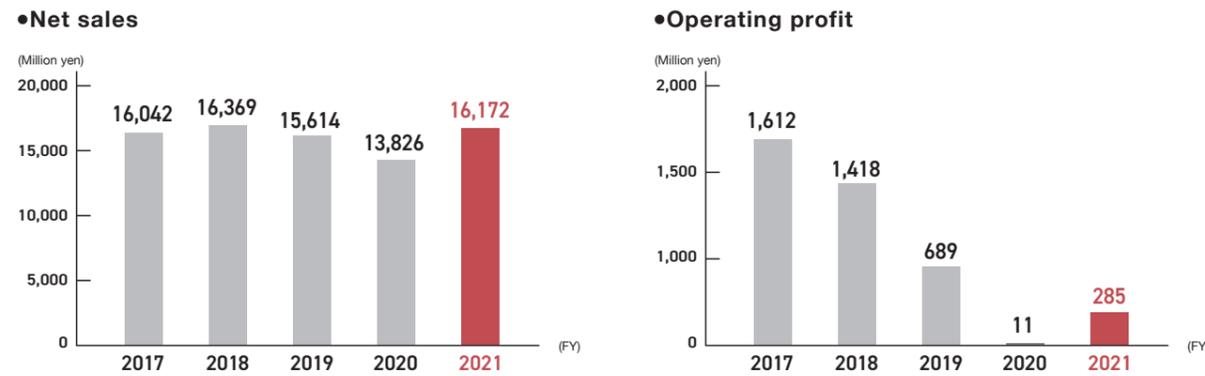
- + Increase in shipments of ceramic substrates, thick film printing substrates, and semiconductor mold cleaner due to buoyancy in the electronic component and semiconductor markets.
- + Increase in shipments of ceramic substrates due to investment in additional facilities in Thailand.

Films & Sheetings Products Business

Business Overview

In the films business, sales and profits increased from the previous fiscal year due to strong shipments to the automobile industry, but slowed down in the second half of the fiscal year due to the impact of a decline in automobile production caused by a shortage of semiconductors. The sticker business posted year-on-year increases in both revenue and profit due to the recovery of the motorcycle market in Southeast Asia and Brazil. In the retroreflective sheetings business, shipments for license plates in Europe were strong, but higher raw material prices and other factors resulted in higher and lower profits compared to the previous fiscal year. As a result of the above, the films and sheetings products business posted year-on-year increases in both sales and profit.

Performance Trends



Business Performance by Product Category

Unit: Million yen

	FY2020	FY2021		
	Results	Results	Increase/decrease (vs. previous year)	Ratio of increase/decrease (vs. previous year)
Net sales	13,826	16,172	+2,346	+17.0%
Films	2,342	2,759	+417	+17.8%
Stickers	4,525	5,270	+745	+16.5%
Retroreflective sheetings	6,773	8,144	+1,371	+20.2%
Adjustment	-	▲1	-	-
Operating profit	11	285	+274	+2499.6%

Films Increased incomes and profits

- + Increase in shipments of marking films and laser marking labels due to the recovery of the automobile market in Q1 and Q2.
- Decrease in shipments of the above products due to the impact of automobile production cuts caused by the shortage of semiconductors and other factors in Q3 and Q4.

Stickers Increased incomes and profits

- + Increase in shipments of materials for motorcycles in South-East Asia and Brazil due to recovery of the motorcycle market. In addition, shipments to the domestic and North American automotive markets began in Thailand.
- Social distancing policy due to the Covid-19 crisis in Vietnam has led to a decline in shipments of materials for motorcycles.

Retroreflective Sheetings Increased incomes and decreased profits

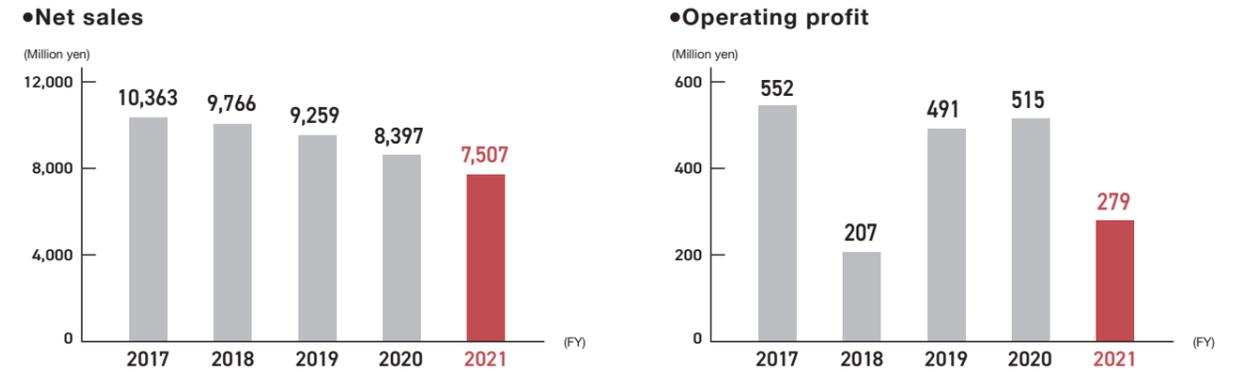
- + Increase in shipments of materials for car number plates to Europe and China due to recovery in the car market.
- Increase in costs due to higher raw material prices and higher freight costs caused by global container shortages.

Construction Materials Related Business

Business Overview

Incomes decreased with a steady decrease in the sales of aluminum construction materials, the mainstay of the company, due to delays in condominium construction plans as a result of the Covid-19 crisis and the Olympic and Paralympic Games. Profits in this segment decreased partly affected by the rise in aluminum metal prices.

Performance Trends

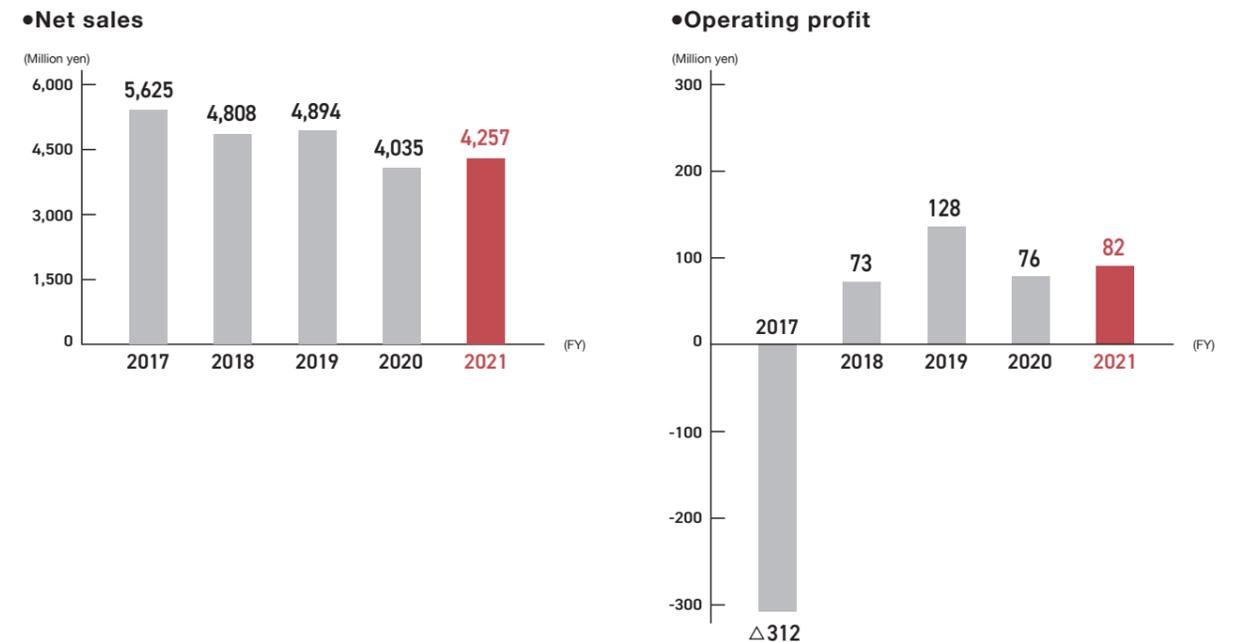


Engineering Business

Business Overview

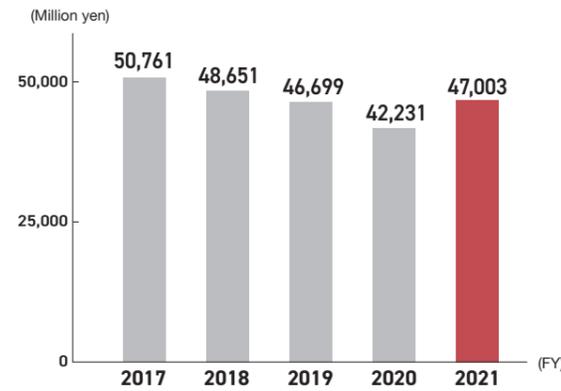
This segment saw a year-on-year increase in due to an increase in the completion of construction projects for the domestic market, and profit increased due to the effect of increased revenue as well as lower manufacturing costs.

Performance Trends

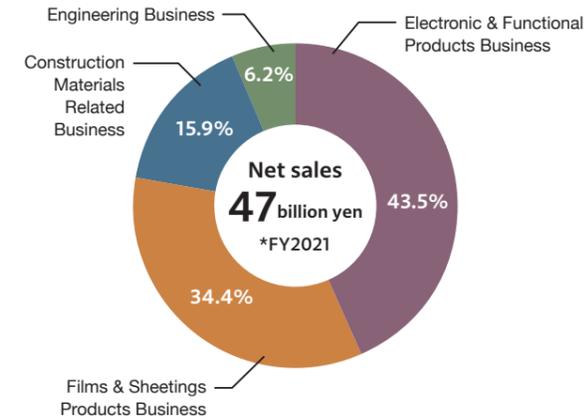


Financial and Non-Financial Highlights

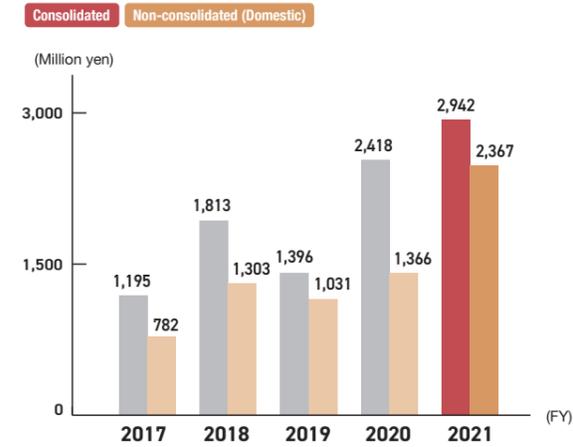
•Net sales



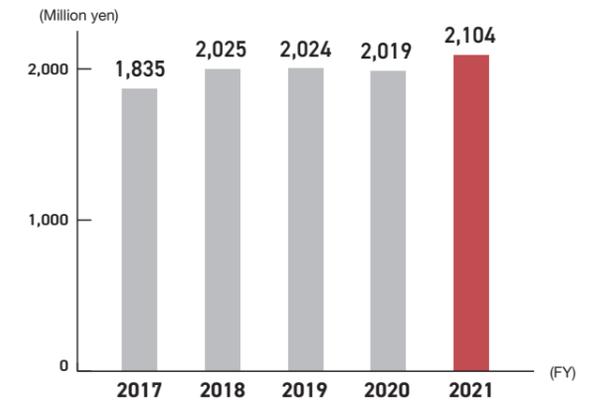
•Sales Ratio by Business



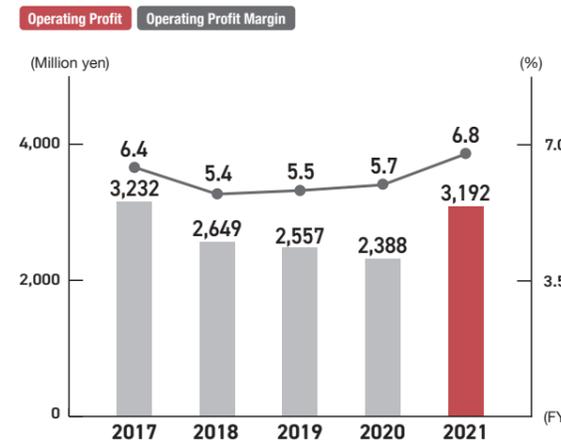
•Capital investment



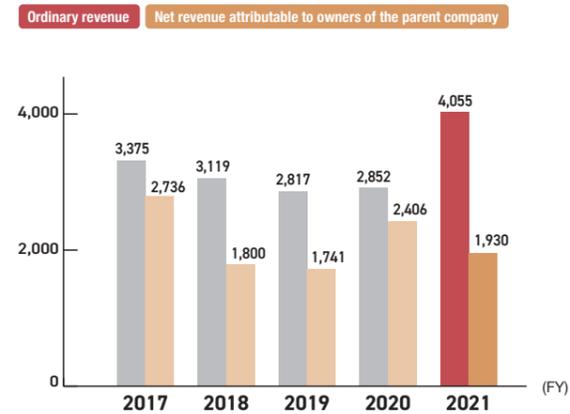
•R&D expenditure



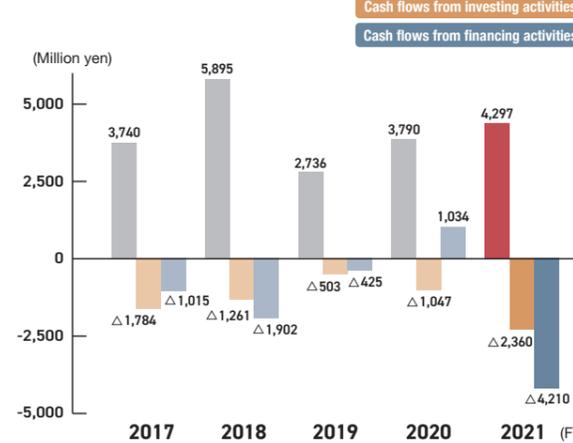
•Operating Profit/Operating Profit Margin



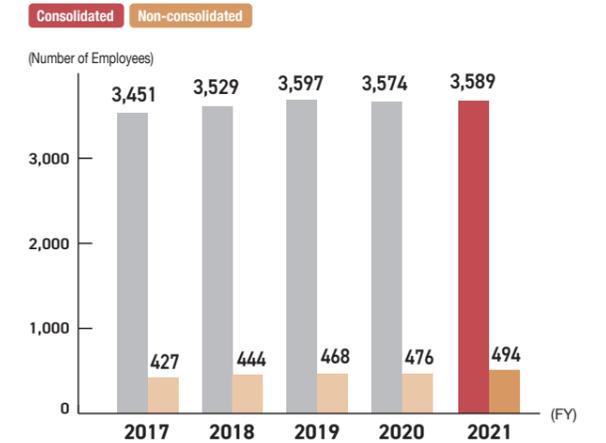
•Ordinary revenue/Net revenue attributable to owners of the parent company



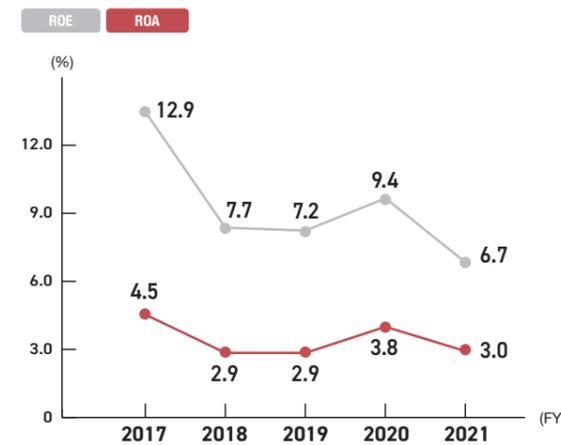
•Cash Flow Trends



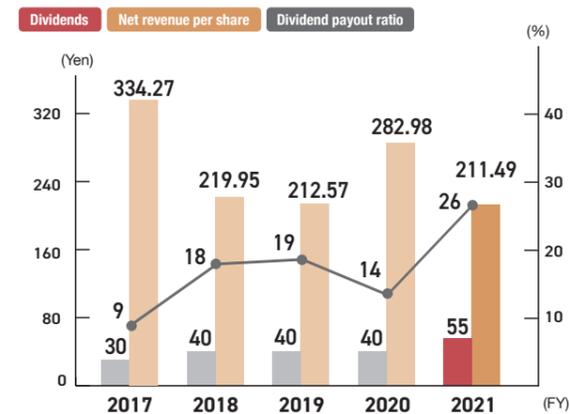
•Number of Employees



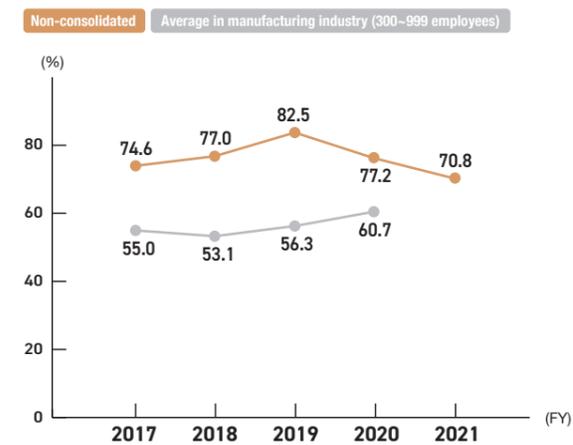
•ROE/ROA



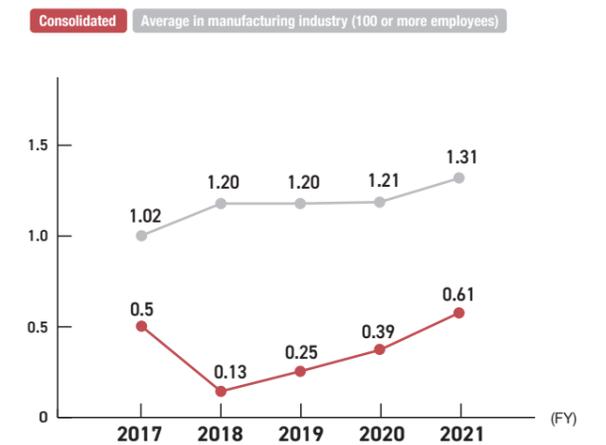
•Dividends / Net revenue per share / Dividend payout ratio



•Annual Leave Acquisition Rate



•Frequency of occurrence of industrial accidents

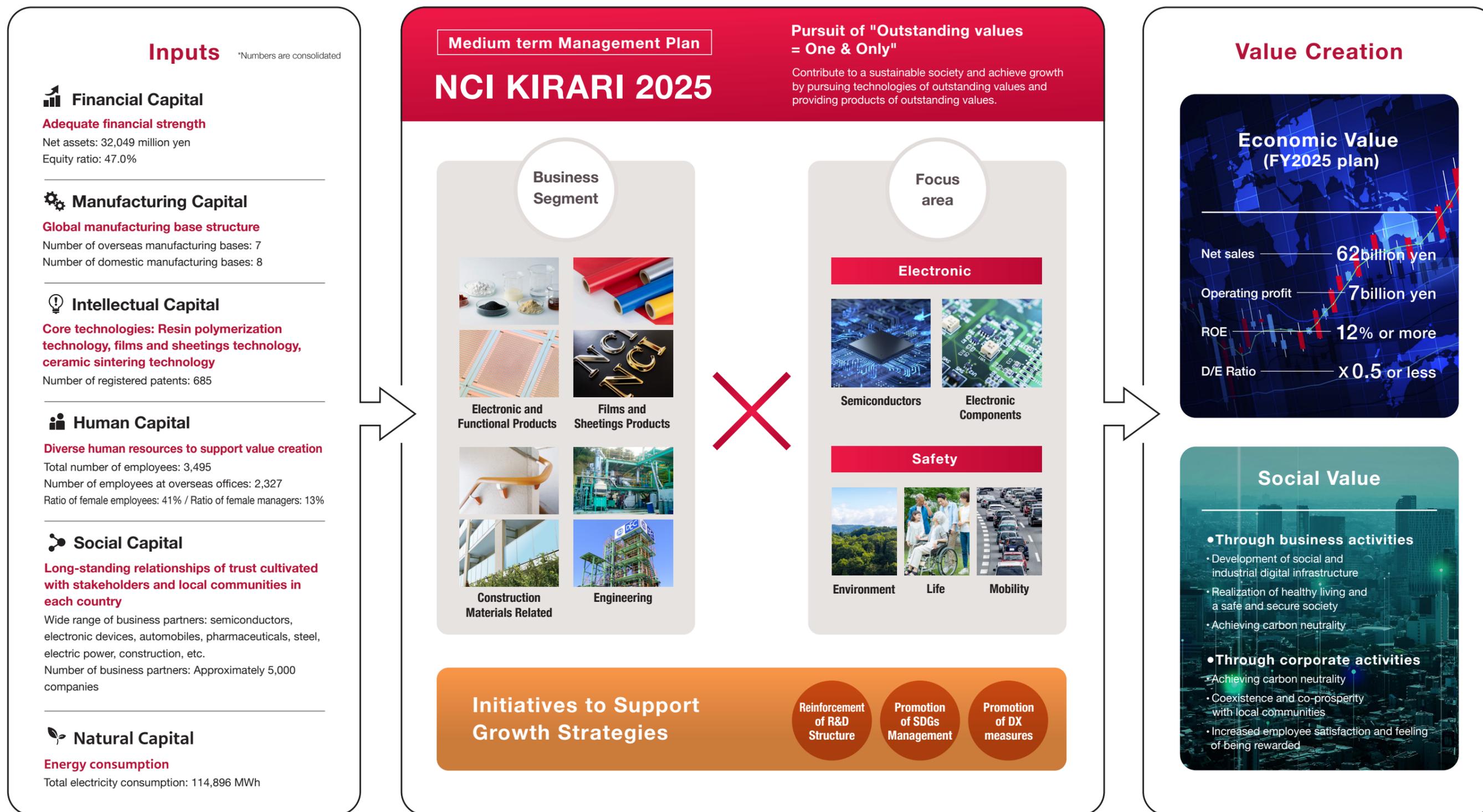


(Note 1) "Usage Rate" is total number of days of annual paid leave acquired/total number of days granted x 100 (%). (Note 2) "Usage Rate" is the number of days actually acquired in a single year. (Note 3) "Number of days granted" excludes the number of days carried over. (Note 4) Source: [Ministry of Health, Labor and Welfare] General Survey on Working Conditions: Manufacturing Industry (300-999 employees) (Note 5) Source: [Ministry of Health, Labor and Welfare] Survey on Industrial Accidents for 2020/2021 (Survey on establishments (with 100 or more employees) and survey on general construction) (Note 6) Number of fatalities and injuries due to industrial accidents per million total working hours.

[Chapter 2] Value Creation Strategy

Value Creation Process

The NCI Group is committed to creating values through its business and corporate activities in order to contribute to a sustainable society. Under the Medium-term Management Plan "NCI KIRARI 2025," we have defined focus areas and strategic markets as our growth strategy and are promoting our business plan.



✳ Medium term Management Plan

Medium term Management Plan "NCI KIRARI 2025"

Outline

We have formulated the Medium-term Management Plan "NCI KIRARI 2025" in order to realize what we want to be in 2030, "A corporate group of outstanding value that contributes to a sustainable society". During the implementation of the previous Medium-term Management Plan "NCI-2021," the environment surrounding society and our Group changed drastically due to the U.S.-China trade friction, the COVID-19 pandemic crisis, and other factors. Under "NCI KIRARI 2025," we will contribute to a sustainable society in the new normal era and achieve growth through the pursuit of outstanding technologies and the provision of products of outstanding values.

What we want to be in 2030

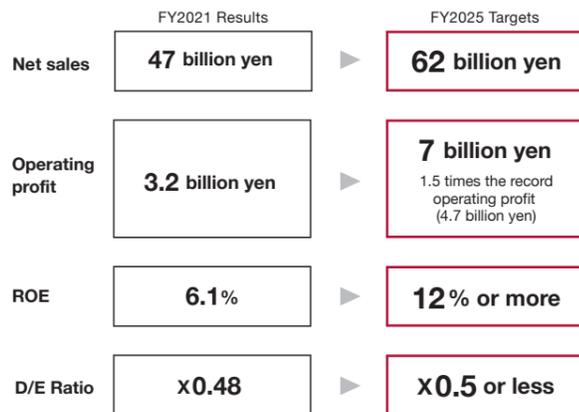
A corporate group of outstanding value that contributes to a sustainable society

New Medium-term Management Plan "NCI KIRARI 2025" has been established with an aim at "Sustainable Growth in the New Normal Era"

Pursuit of "Outstanding values = One & Only"
Contribute to a sustainable society and achieve growth by pursuing technologies of outstanding values and providing products of outstanding values.

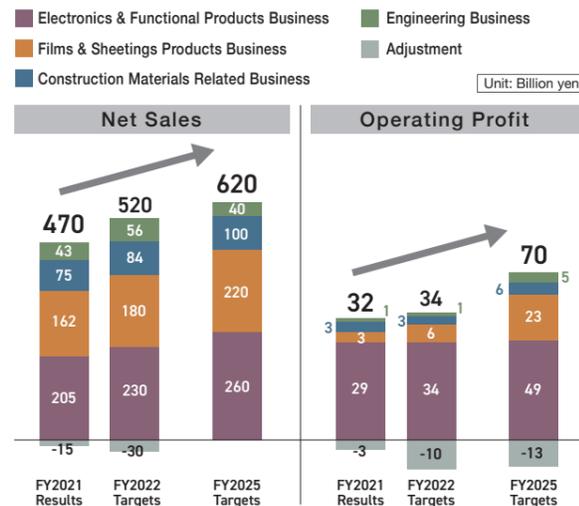
Financial Targets

The company aims to achieve net sales of 62 billion yen in FY2025, up from 47 billion yen in FY2021, and operating revenue of 7 billion yen in FY2025, up from 3.2 billion yen in FY2021. The operating revenue target figure is 1.5 times the previous record operating revenue of 4.7 billion yen, which was recorded in FY 2007.



Growth Image

The four-year growth image for "NCI KIRARI 2025" is to focus on improving profitability along with sales growth, aiming to increase operating profit by 2.2 times compared to FY2021.



Strategy

Chemical electronics materials used in the manufacturing process of semiconductors and electronic devices that make the world more convenient. Film materials that play an active part in the drug substance and safe-mobility markets that contribute to the safety and security of the world. We have designated these products, which are the Group's strengths, as growth drivers, and have set "Electronics" and "Safety" as our focus areas.



Initiatives to Support Growth Strategies: Reinforcement of R&D Structure, Promotion of SDGs Management, Promotion of DX Measures

Strategies in Focus Areas

Electronics

For chemical electronics materials, which support high functionality in semiconductors and electronic devices, we aim to expand the scale of business by further improving the level of technology and expanding supply capacity.

External Environment

- Growing demand for semiconductors and electronic device due to the spread of 5G and IoT and the evolution of ICT technologies.
- Growing demand for car electronics with the development of "CASE" and "ADAS".
- Growing demand for consumer products represented by PCs, smartphones, game consoles, etc. in the New Normal.

Examples of specific strategies

- Focus resources on existing growth drivers:**
 - Chemicals for semiconductor materials
 - Chemicals for manufacturing of electronic components
 - Additives for semiconductor photoresists
 - Semiconductor mold cleaner
 - Binders for electronic components
 - Circuit boards substrates for electronic components
- Promote Commercialization of next-generation growth drivers:**
 - Next-generation prismatic retro reflective sheetings
 - Ultra-low metal, high purity products
- Strengthen R&D capabilities to create new growth drivers:**
 - Materials for all solid-state batteries
 - Prism sheet ings for aerial displays

Safety

We aim to contribute to the development of a safe, secure and sustainable society through high value-added film functions and the application of engineering technology to carbon neutral transitions in order to respond to external environment.

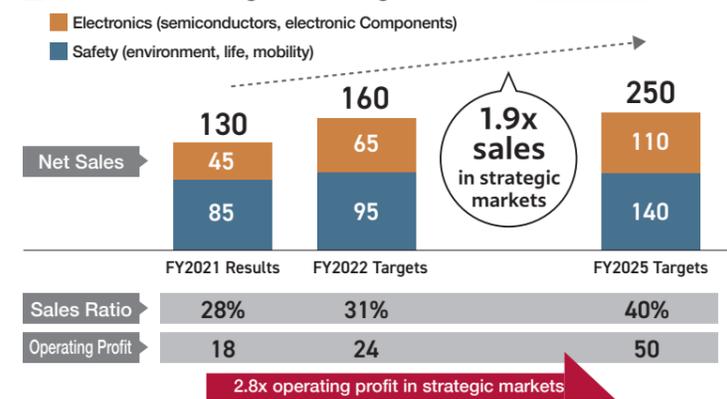
External Environment

- Environment:** Growing interest in and demand for SDGs & carbon neutrality.
- Life:** Global aging/ Extension of healthy life expectancy
- Mobility:** Evolution of automated driving technology, Development of transportation infrastructure in emerging countries

Examples of specific strategies

- Deployment of engineering technology:** Carbon neutral transition facility
- Development of new products and technologies to improve quality of life:** Drug substances, Raw materials for medical and cosmetic products
- Multi-functional and high-functional films and sheets:** Environmentally friendly decorative molded products, Next generation high functional films, Retror effective sheet ings for license plates

Performance Image of Strategic Markets



Sales

We target the sales of 11 billion yen in the "electronics (semiconductors, electronic devices)" strategic market, 14 billion yen in the "safety (environment, life, mobility)" strategic market, and combined sales of 25 billion yen for the strategic markets as a whole FY2025, as compared to 13 billion yen in sales for FY2021.

Sales Ratio/Operating Profit

By achieving 1.9 times sales, we aim to increase the ratio of sales in all strategic markets as a percentage of total sales from 28% in FY2021 to 40% in FY2025. In addition, we aim to achieve an operating revenue of 5 billion yen for the strategic markets as a whole in FY2025, 2.8 times the 1.8 billion yen achieved in FY2021.

Regional Strategies

In view of the need to address country and supply chain risks, the ratio of overseas sales to total sales is expected to fall slightly from 47% in 2021 to 45%.

Japan: Electronics

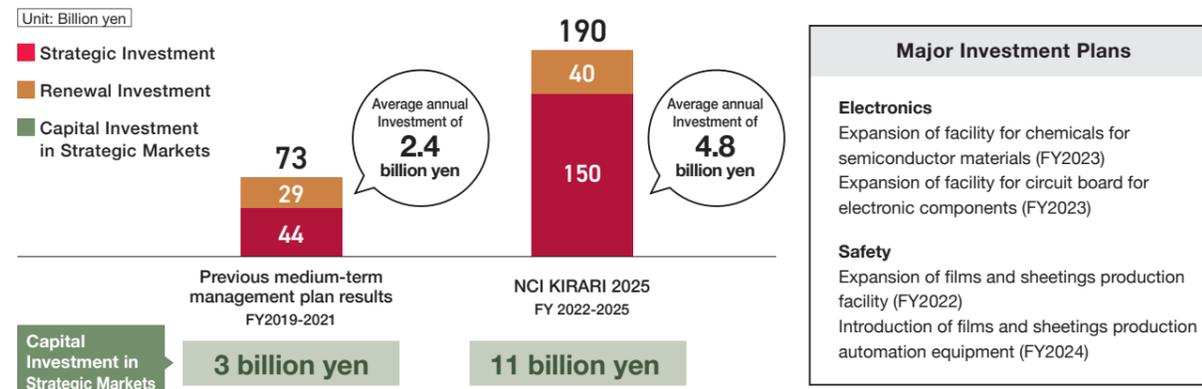
Japanese companies with high technology level have large shares in semiconductor material and electronic component markets, and our Group will continue to aim for growth in the electronics field as a partner company.

China/South Asia & Southeast Asia: Safety, Electronics

Mobility-related business will be developed with an eye on the global market due to the progress of global motorization. In China, we will fully utilize our local production bases to meet the needs of thickening and adhesive agents for the electronics field.

Capital Investment

We plan the total investment during the period of the present Medium-term Management Plan to be ¥19 billion, with average annual investment doubling from the previous Medium-term Management Plan period to 4.8 billion yen. As a breakdown, we plan an aggressive investment of 11 billion yen in strategic markets of electronics and safety. In addition, we plan to invest about 12% of our total investment of 19 billion yen in DX and carbon neutrality.

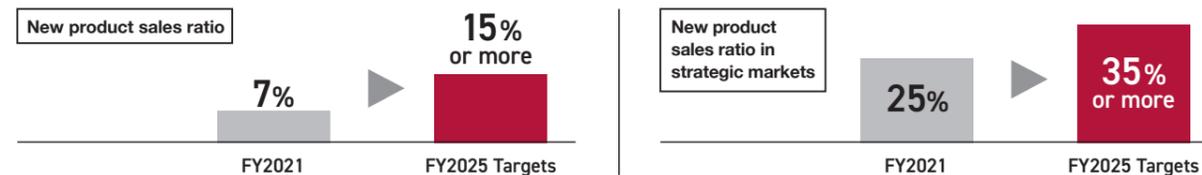


R&D

Reinforcement of R&D Structure is one of the pillars of efforts to support the growth strategy in the Medium-term Management Plan "NCI KIRARI 2025".

Reinforcement of R&D Structure

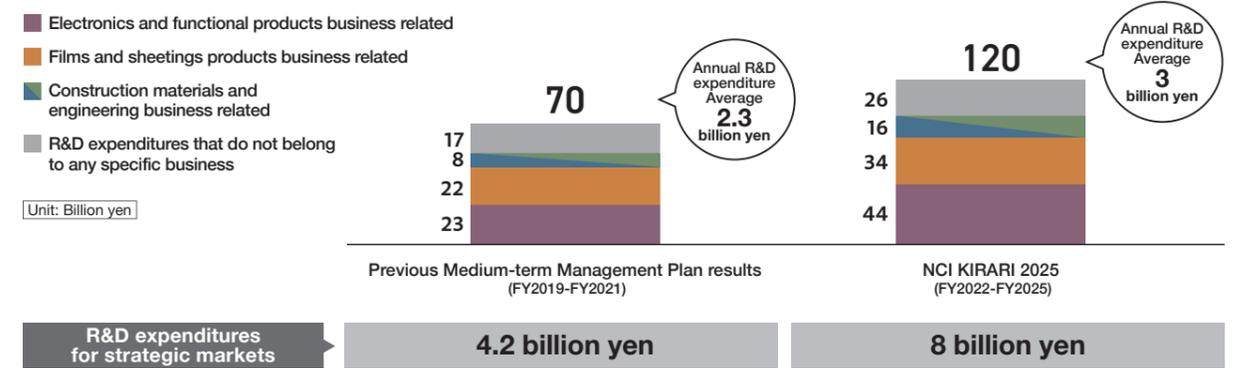
We will promote the development of new products, particularly in strategic markets, with the aim of increasing the ratio of new product sales and the ratio of new product sales in strategic markets.



R&D expenditure

We plan to make investment of 8 billion yen in R&D expenditure for strategic markets over 4 years starting in 2022.

Actual and Targeted R&D Expenditures

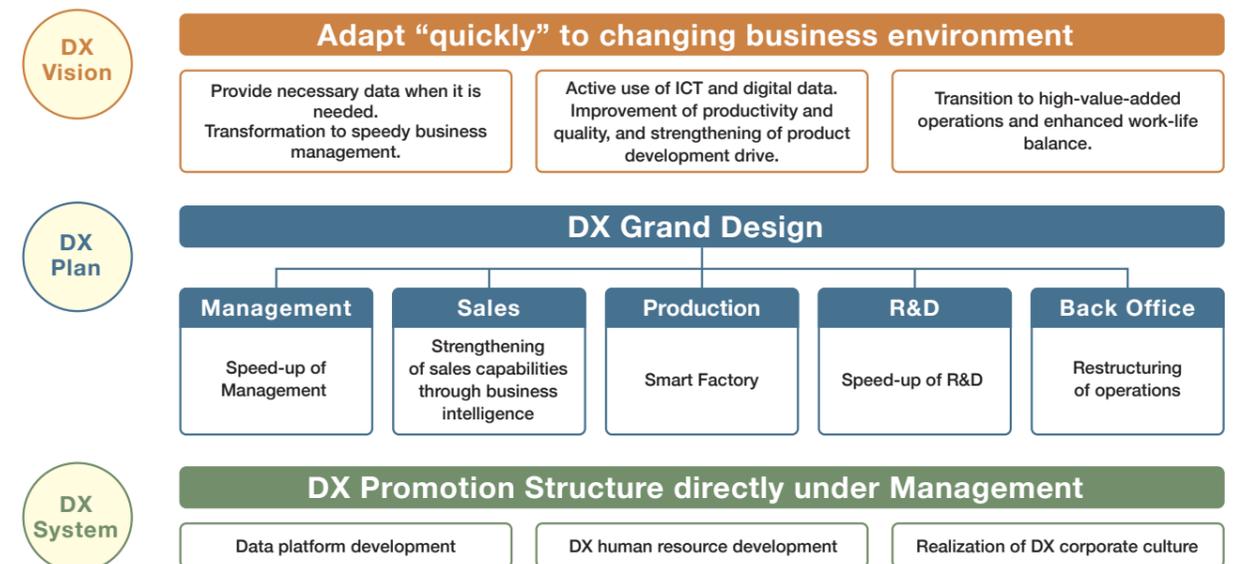


DX (Digital Transformation)

By promoting DX as a pillar of initiatives to support our growth strategy, and adapting "quickly" to the changing business environment and establishing a competitive advantage, we aim to achieve the goals of the Medium-term Management Plan "NCI KIRARI 2025".

DX Grand Design

Upholding the DX visions of "Provide necessary data when it is needed. Transformation to speedy business management.", "Active use of ICT and digital data. Improvement of productivity and quality, and strengthening of product development drive.", "Transition to high-value-added operations and enhanced work-life balance", under the DX Promotion Structure directly under Management, we will work on data platform development, DX human resource development, and realization of DX corporate culture



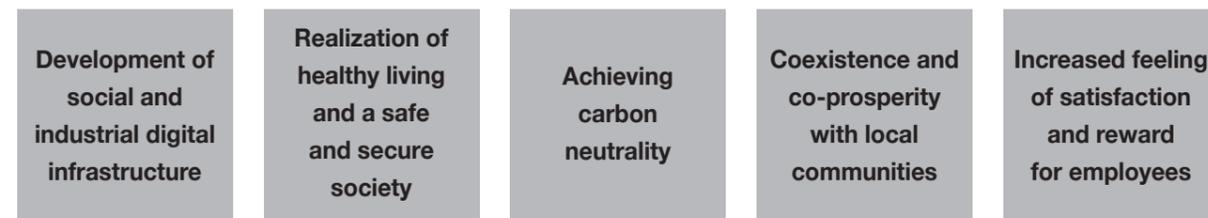
[Chapter 3] Sustainability

SDGs Management

Under the mission "Creating new value with our technological capability, we help make society more prosperous", our Group regards the SDGs (Sustainable Development Goals) adopted by the United Nations as important targets and continues to contribute to a sustainable society in the future by providing a wide range of valuable products through the mastery and integration of accumulated technologies.

5 Materialities

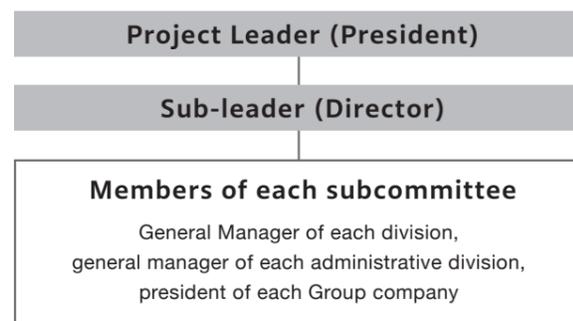
In view of the changing interests and needs of society, five Materialities (key issues) have been identified that are closely related to the realization of the Group's mission.



Our Mission Creating new value with our technological capability, we help make society more prosperous.

Establishment of SDGs Promotion Project

We have established a project to promote the SDGs, with the president as project leader, directors who also serve as executive officers as subcommittee leaders for each Materiality, and the participation of senior management from each division. Meetings are held once a month to ensure Group-wide awareness of SDGs management and to discuss specific goals, plans, and measures to realize Materialities.



Business and corporate activities with respect to the five Materialities

Materiality	Approach to Materiality	Business and Corporate Activities of the Group	Related SDG Targets
Development of social and industrial digital infrastructure	In order to meet the society's needs to respond to the new normal, promote DX, develop automated driving and control technologies, and develop an ICT society, we will contribute to the development of industrial infrastructure by providing materials for semiconductors, substrates for electronic devices, high-intensity reflective sheets, and other components.	<ul style="list-style-type: none"> •Materials for semiconductors •Substrates for electronic devices •High-intensity retroreflective sheets 	
Realization of healthy living and a safe and secure society	In order to meet the society's needs to cope with infectious diseases and extend healthy life expectancy, we will contribute to healthy living through drug substances and binders for medical and cosmetic products. Further, we will also contribute to the realization of a safe and secure society through products such as high-strength, high-functional construction materials and retroreflective sheetings.	<ul style="list-style-type: none"> •Drug substances •Binders for medical and cosmetic products •High-strength, high-functional construction materials •Retroreflective sheetings 	
Achieving carbon neutrality	In response to the global challenge of achieving carbon neutrality, we will make contributions through powder conveying technology at the carbon-neutral engineering facilities. Further, in response to society's needs for consideration for the natural environment, reduction of environmental impact, and disclosure of environmental indices, we will make contributions through initiatives such as switching to energy-efficient equipment, use of renewable energy, reduction of greenhouse gas emissions, and compliance with the TCFD.	<ul style="list-style-type: none"> •Carbon-neutral engineering facilities •Use of renewable energy •Reduction of greenhouse gas emissions •Compliance with the TCFD 	
Coexistence and co-prosperity with local communities	In response to the society's needs for revitalization of local community, creation of local employment, and addressing environmental issues in local community, we aim to be a corporate group trusted by the community by fulfilling the role required by the community through initiatives such as contribution to community interaction and safety and security in community.	<ul style="list-style-type: none"> •Securing employment in local community. •Recognition of NCI through community interaction •Elimination of environmental accidents 	
Increased feeling of satisfaction and reward for employees	We will implement measures to meet social needs including but not limited to human capital management, achieving work-life balance, promotion of diversity, and promotion of health management, and aim to be a company where each employee is highly productive and achieves a high level of customer satisfaction as well as their own satisfaction.	<ul style="list-style-type: none"> •Increasing value through human resources development. •Appropriate staffing and work style reform. •Use of personnel of diverse nationalities, genders and ages. •Development of a safe and secure working environment. 	

Environment

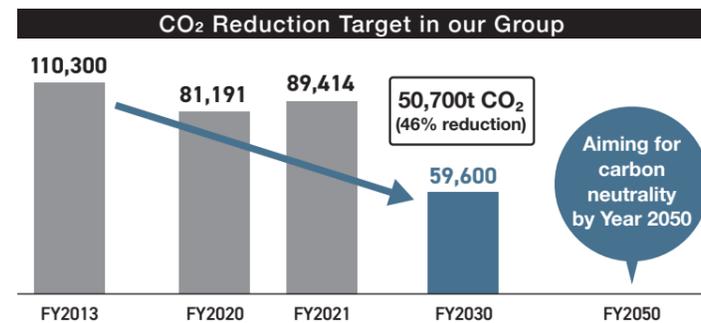
Environmental Policy

Commit itself to action to protect the global environment, and make every effort to protect the environment in all of its corporate activities.

Based on this environmental policy, our Group's code of conduct regarding the environment, which all directors and employees must comply with, is "In addition to complying with environmental laws and regulations, we shall always pay attention to environmental prevention and cooperate with company's measures to reduce environmental impact at every stage such as technology development, product design, procurement, production, sales, transportation, use and disposal and collection."

Initiatives toward realization of carbon neutrality

Our Group aims to reduce CO₂ emissions and achieve carbon neutrality as part of its efforts to prevent global warming. By promoting initiatives such as the use of renewable energy from solar power generation and other sources, promotion of process efficiency reforms, recovery and reuse of waste heat, fuel conversion, switching to energy-efficient equipment, and conversion to green power, we aim to reduce CO₂ emissions by 46% from the fiscal 2013 level by FY2030 and to become carbon neutral by 2050.



Disclosures of Information on Climate Change Response

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group conducts appropriate information disclosures on "Governance," "Risk Management," "Strategy," and "Indicators and Targets". By recognizing and analyzing the risks and opportunities of climate change, we will take concrete measures and take action toward the early realization of a decarbonized society.

Governance

Our Group has a system under which important issues such as minimizing the impact of climate change and policies for dealing with climate change-related issues are appropriately addressed by the TCFD Promotion Team established within the Risk Management Committee. The TCFD Promotion Team is a working-level discussion and response organization for climate change-related issues, and is composed of members of the Corporate Planning Department and other divisions promoting climate change measures. The results of the TCFD Promotion Team's deliberations are reported to the Board of Directors after deliberations at the Risk Management Committee and other meetings attended by all executive officers. The Board of Directors receives the reports and conducts monitoring on a regular basis and is continuously involved in activities aimed at addressing climate change and achieving GHG reduction targets.



Risk Management

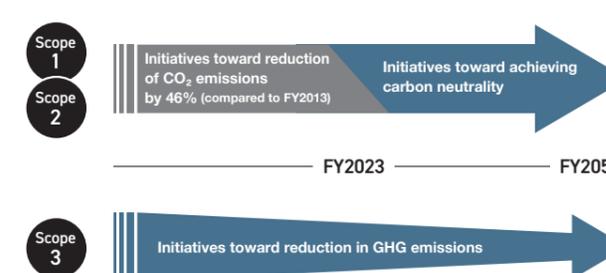
The Group manages risks related to climate change appropriately by centrally identifying and assessing risks together with other risks that may have a significant impact on management, and taking countermeasures according to priority.

Strategies

The Group aims to grow sustainably with society through mitigating the effects of climate change and contributing to solving climate change-related issues, and recognizes that responding to climate change is an important management issue. Since the effects of climate change will become apparent over a long period of time and will be affected by global trends in global warming prevention, there are various scenarios when considering responses to climate change. The Group has examined risks and opportunities for the "4°C" and "<2°C" average temperature scenarios, which are representative scenarios at present. The Group will continue to mitigate risks by responding to changes in global warming policies in a timely manner, and aim for sustainable growth and increased corporate value through efforts to contribute to further mitigation of the effects of climate change.

Type	Description		Impact
Transition risk	Policy and Regulation	<ul style="list-style-type: none"> Increased energy and raw material costs due to the introduction of a carbon tax Increased costs to meet GHG reduction targets, such as capital investment costs 	Medium
	Market	<ul style="list-style-type: none"> Intensifying technological and cost competition with competing manufacturers to establish new manufacturing methods for key products 	Medium
	Technology	<ul style="list-style-type: none"> Increased response costs due to the introduction of new energy-saving and renewable energy technologies Increase in R&D costs for new technologies, etc. 	Medium
	Reputation	<ul style="list-style-type: none"> Decrease in demand for products using non-sustainable raw materials due to increased awareness among client companies 	Small
Physical Risk	Chronic	<ul style="list-style-type: none"> Lowered productivity due to increased heat stroke and global warming-related illnesses caused by rising average temperatures Inundation of production facilities and disruption of supply chains caused by floods 	Large
	Acute	<ul style="list-style-type: none"> Damage to production facilities, impact on procurement of raw materials and delivery of products, suspension of operations and reduction in production due to severe climate disasters 	Large
Opportunities	Resource Efficiency	<ul style="list-style-type: none"> Decreased energy costs due to introduction of new energy-saving and renewable energy technologies 	Medium
	Reputation	<ul style="list-style-type: none"> Strengthened competitiveness through increasing use of raw materials with consideration for environmental aspects and switch to a product lineup with high added value in terms of environmental aspects 	Medium
	Products, Services, etc.	<ul style="list-style-type: none"> Expansion of EV-related demand Increase in demand for all solid-state batteries Increase in demand for decarbonization facilities and zero-carbon steel Increase in demand for hydrogen fuel production facilities Increase in sales of product lines with insulation and blocking effects, and medical and disease testing products that contribute to the treatment of diseases 	Medium

Indicators and Targets



We have set our GHG emission reduction targets for Scope 1 and Scope 2 as 46% reduction of CO₂ emissions in FY2030 (compared to FY 2013) and carbon neutrality in 2050. As for Scope 3 emissions, we have started data collection and tabulation in this fiscal year. At this point, we have not yet completed the compilation of Scope 3 emissions. For the time being, we will work on collecting detailed data and improving the accuracy of data compilation with the aim of disclosing the data as soon as possible. For Scope 3, we are also studying the reduction of emissions, and will consider specific reduction targets in the future.

✦ Contribution to Local Communities

One of the Group's Materialities is "coexistence and co-prosperity with local communities". We will strive to contribute to the development of economy, society and culture as a good corporate citizen in cooperation with local communities toward a sustainable society. We will contribute to the revitalization of local communities through environmental activities and support for the transmission of traditional culture.

Safety and Sanitation-related activities in Toyama Prefecture

Environmental Cleaning Activities around the Factory

Twice a year, in spring and fall, our employees clean the area around the factory as part of the city environmental cleaning campaign of the Namerikawa City Factory Club, of which the Hayatsuki Factory is a member.



Contribution to Traffic Safety for Local Children

Every year, we donate our retroreflective stickers to prevent traffic accidents to new first-year elementary school students in eastern part of Toyama Prefecture.



Contribution to the Preservation and Transmission of Traditional Performing Arts

Uozu Serikomi Choroku, a folk song representative of Uozu City, Toyama Prefecture, has been handed down since the Edo period. Every year, our employees participate in the "Serikomi Chororoku Machi Nagashi" dance to the intense rhythm of this marching song, contributing to the preservation and passing on of this traditional art form.



Regional Contribution in Thailand

Donation of Beds to Hospital and Regular Participation in Blood Donation Activities

One of our group companies, Electro-Ceramics (Thailand) Co., Ltd. (ECT), has been making donations to Lamphun Hospital, a national hospital in Lamphun Province, Thailand, since 2018 as part of its community contribution activities. In 2022, the fifth year of the activities, ECT donated beds to the Hospital. In addition, the Thai Red Cross has visited the company every three months since 2015 to conduct blood donation drives, with about 50 employees participating each time. ECT will continue its activities to contribute to the health of the local people.



Presentation ceremony held at ECT



Blood donation activity

✦ Human Resources

Approach to Ensuring Diversity

Our Group has always been striving to ensure diversity in our workforce, making it a basic policy to recruit and appoint human resources regardless of race, gender, religion, nationality, etc. As the social and business environment changes rapidly, we believe it is of utmost importance to ensure "diversity" through the utilization of human resources with diverse values and backgrounds in order to realize our Group's mission and vision and achieve sustainable growth. Based on this belief, we have set "promotion of diversity" as one of the key issues in our Medium-term Management Plan, and we will promote efforts to respect and utilize the individuality of each of our diverse employees, including women, non-Japanese, and mid-career employees.

Current status of ensuring diversity and setting of voluntary and measurable goals

Promotion of female employees to management positions



Action Plan

- 1 We will increase the ratio of female employees in new hires, maintaining it at 30% or higher in Japan, and actively promote the recruitment of women for career positions, thereby increasing the number of female managers and candidates for managerial positions.
- 2 We will further improve the work-life balance by promoting and improving the use of existing systems such as maternity/paternity leave, nursing care leave, and shorter working hours, and by promoting childcare leave for male employees.
- 3 We will enhance career support by introducing a system to reinstate human resources who have left the company due to marriage, childcare, or other unavoidable reasons.



Human Resource Development and Workplace Environment Improvement to Ensure Diversity

Based on the belief that human resources are the cornerstone of all business activities, our Group is actively working to improve the workplace environment, secure diverse human resources, foster human resources, and develop their careers so that diverse human resources can come together and grow and play an active role with the Group, each of them maximizing their abilities. Specifically, through the following initiatives, we are working on promoting the development of human resources, including next-generation management personnel, globally capable personnel, and top-notch engineers, as well as proactively responding to the work styles of the new normal era and improving the workplace environment.

1 | Next Generation Management Personnel Development Program

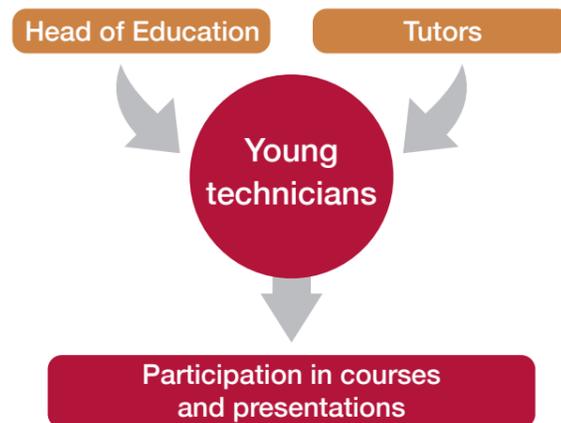
With the aim of developing human resources who can serve as managers in the future and who are diverse, we implement the Next Generation Management Personnel Development Program. Under the program, we systematically develop and select human resources through four levels of hierarchical training, etc., to ultimately develop human resources capable of managing a company.

2 | Global Human Resource Development Program

With the aim of cultivating human resources who are capable of working globally, we implement the Global Human Resources Development Program. Under the program, we select employees from among those who have a high awareness of working overseas and those who are deemed suitable to work overseas, and train them to acquire a global mindset, skills, knowledge, etc.

3 | Young Engineer Development Program

With the aim of supporting the growth of young engineers into first-class technicians, we implement the Young Engineer Development Program. Young engineers are provided with daily guidance on themes by education managers and tutors, and are also encouraged to acquire broad insight into specialized technologies through participation in in-house specialized courses and external academic conferences and technical presentations.



4 | New Normal Work Styles Working Team Proposal Activities

The New Normal Working Team was established to encourage young employees to proactively make proposals on the work styles that will help them win in the new normal era. Motivated young employees were invited from within the company to participate in the team, deliberated on and discussed work styles that would win in the new normal era, and proposed the results to the Executive Officer. Many proposals were selected for adoption and the departments in charge are currently implementing measures toward their realization.

5 | Implementation of Workplace Improvement Activities

We are implementing workplace improvement activities to improve the workplace, build a culture in which everyone can take on new challenges, and raise awareness of compliance and safety in the workplace. Based on the results of employee satisfaction surveys and other data, meetings are held at each workplace to sort out issues faced by the workplace, discuss countermeasures, and implement initiatives in accordance with the action plan.



6 | Improvement of Personnel Evaluation System

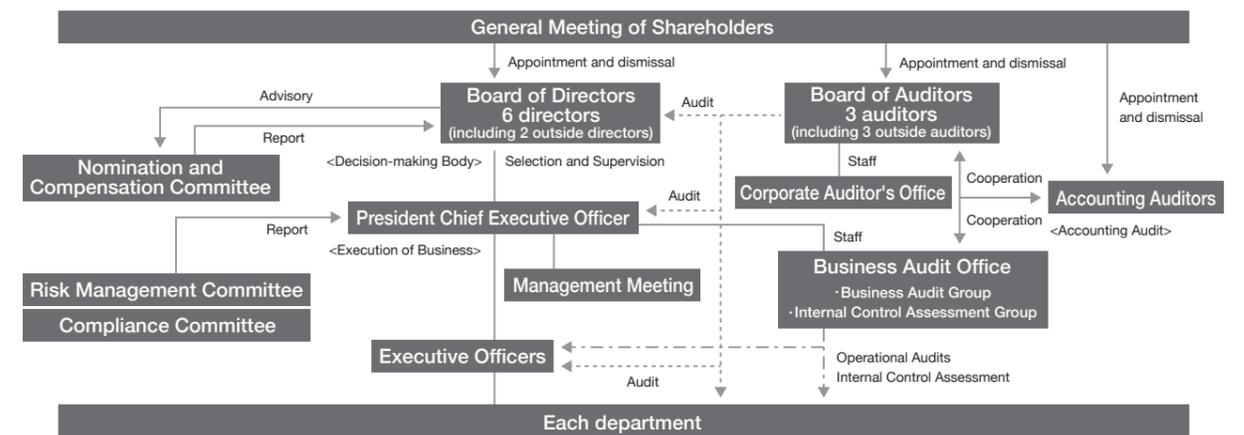
With the aim of building a culture in which everyone can take on new challenges, we have revised our personnel performance evaluation system. We have incorporated target management into our personnel performance evaluation system, which allows us to assign points not only for the degree of achievement of goals, but also for the degree of difficulty of goals, as well as degrees of effort, ingenuity, and contribution. Recently, we have improved the system by raising the points awarded for difficulty in order to appreciate the challenge of taking on difficult goals.

Corporate Governance

Basic Approach

Our basic approach to corporate governance is to ensure a system that enables fair and highly transparent management, and prompt management decisions and business execution in a rapidly changing business environment, and at the same time to ensure that internal checks and balances are functioning effectively to achieve sustainable growth and increase corporate value, and to fulfill our responsibilities to our shareholders and other stakeholders.

Corporate Governance Structure



Here is the link to the Corporate Governance Report. <https://www2.jpx.co.jp/disc/40640/140120221115567384.pdf>

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors in order to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to the nomination and compensation of directors and others.

- The Nomination and Compensation Committee shall, in response to the Board of Directors' inquiries, deliberate on matters relating to the nomination and compensation of directors and others, and report to the Board of Directors.
- The Nomination and Compensation Committee shall consist of at least three directors selected by a resolution of the Board of Directors, a majority of whom shall be independent outside directors. In this regard, the chairman of the Committee shall be selected by a resolution of the Board of Directors from among the members who are independent outside directors.

Committee member name	Inside and outside directors	Number of committee meetings	Number of committee meetings attended
Endo Naoko (Committee Chairperson)	Outside Director	10	10
Shirai Hitoshi	Outside Director	10	10
Sugiyama Takahisa	Representative Director	10	10

*January - November 2022

Appointment of Directors

The Company considers it fundamental that the Board of Directors, including outside directors, with different expertise and experience, be able to effectively demonstrate their abilities and that the Board of Directors be highly effective in terms of the scale of the Company. In addition, a skill matrix listing the skills that each director should possess is included in the notice of the Ordinary General Meeting of Shareholders and disclosed on the Company's website. For appointment of directors, the Nomination and Compensation Committee, the majority of whose members are independent outside directors, deliberates and reports to the Board of Directors, and the Board of Directors makes decisions based on the committee's report.

Skills Matrix

Name	Business Management	Finance & Accounting	Legal & Compliance	Sales & Marketing	R&D/Production Technology	International Affairs	Risk Management
Sugiyama Takahisa	○			○		○	○
Yoshitada Iguchi	○	○	○				
Yukinobu Hasegawa	○			○	○		
Yuichi Yokota	○			○			○
Endo Naoko			○				
Shirai Hitoshi	○					○	○

Independence of Outside Directors

The Company selects candidates for independent outside directors based on whether they meet the criteria for independence set forth by the Tokyo Stock Exchange as well as whether they have broad business experience and knowledge. Based on this, the Company has notified the Tokyo Stock Exchange of the two outside directors as independent directors as stipulated by the Tokyo Stock Exchange. There is no business relationship between the two outside directors and the Company.

Compensation for Directors

The compensation of the Company's directors is determined by the Nomination and Compensation Committee, which, after deliberating the policy for determining the amount of compensation, etc. of directors and the details of individual compensation, etc. based on this policy, reports to the Board of Directors, which, after discussion, passes a resolution on the amount of compensation within the annual amount approved by the General Meeting of Shareholders.

Composition of Directors' Compensation

The Compensation of the Company's Directors, within the annual amount resolved at the General Meeting of Shareholders, is calculated based on the duties and responsibilities of each individual Director, taking into account the general standards, and generally consists of fixed Compensation (monthly Compensation: 65% of the amount paid), performance-linked Compensation (bonus: 25% of the amount paid) and stock-based Compensation (10% of the amount paid) on a standard payment basis. In this regard, however, performance-linked Compensation and stock-based Compensation are not paid to outside directors. Compensation for corporate auditors, within the annual amount resolved at the general meeting of shareholders, is determined through consultation of the corporate auditors based on the duties and responsibilities of each individual auditor.

Introduction of a medium- to long-term incentive stock compensation plan

At the 123rd Ordinary General Meeting of Shareholders held on June 29, 2022, we have introduced a new medium- to long-term incentive stock compensation (restricted stock) system for the purpose of giving our directors incentives to continuously improve the corporate value of our Group and to promote further value sharing with our shareholders.

Amount of performance-linked compensation

The amount of performance-linked compensation will, in principle, vary within a range of 0% to 150% of the standard payment amount, depending on the performance evaluation for a single fiscal year. In addition, in the process of determining the amount of performance-linked compensation, the Nomination and Compensation Committee prepares a compensation proposal based on a comprehensive evaluation of the degree of achievement of the indicators related to performance-linked compensation and the contribution of each director to the Company's performance and reports to the Board of Directors, which, after discussion, passes a resolution on the amount of performance-linked compensation for each director.

Performance-Linked Compensation-Related Indicators

The performance-linked compensation-related indicators are operating income (degree of achievement related to target and year-on-year growth) and operating cash flow (year-on-year growth), as emphasis is placed on increasing business profitability and generating cash. The target for operating income in the fiscal year ending March 31, 2023, is 3.4 billion yen.

Evaluation of the Effectiveness of the Board of Directors

The Company employs an outside consultant to evaluate the effectiveness of the Board of Directors. In April 2022, all directors and auditors were asked to respond to a questionnaire covering 31 questions (an increase of two items from the previous survey), including the composition and operation of the Board of Directors, and the results were used to evaluate the effectiveness of the Board of Directors through discussion by the Board of Directors. As a result of the discussion, the Board of Directors evaluated that the effectiveness of the Board of Directors was generally maintained this time as well, but some new issues were pointed out regarding efforts to deepen discussions at the Board of Directors meetings. Based on these issues pointed out, the Company will implement further measures and improve its environment to enhance the effectiveness of the Board of Directors.

Compliance/Risk Management

Compliance

Basic Approach

The Group has established "Basic Guidelines for on Corporate Activities" and "Code of Conduct" as its compliance regulations. The President and Chief Executive Officer is in charge of compliance, and the Compliance Committee is in charge of operations for compliance with laws, regulations, and corporate ethics.

Code of Conduct

Based on the "Basic Guidelines for Corporate Activities", the Group has established a Code of Conduct to be followed by all the officers and the employees of the Group. (For more information, please visit our website at <https://www.carbide.co.jp/en/corporate/csr/>)

Promotion Structure

For promotion of compliance, we conduct training and other activities to ensure that all officers and employees below them are conducting business operations in accordance with the Compliance Regulations. In addition, we take a resolute stance against antisocial forces that threaten the order and safety of civil society, and we have established an internal system to block any relationship with such forces. Further, the Business Audit Office, which is in charge of internal audits, monitors the execution of business operations in accordance with laws, regulations, and company rules, and the Representative Director provides guidance for improvement. In addition, we have established an internal reporting system (hotline) for consultation and reporting, which includes the Legal Office and an outside attorney as a contact person.

Risk Management

Basic Approach

As for the risk management of the Group, the Risk Management Committee, whose secretariat is the Corporate Planning Department, evaluates and prioritizes risks based on the Risk Management Basic Policy, and instructs relevant departments to take appropriate measures to reduce risks in day-to-day business activities. The Board of Directors is in a position to supervise the Risk Management Committee, receiving reports twice a year from the Committee, and is involved in overall risk management activities, including basic risk management policies, identification of important risks, determination of important measures, monitoring of measures and giving instructions for improvement.

Major Business Risks

The major risks that the Group recognizes as having the potential to materially affect its financial position, operating results, and cash flows are as follows. (1) Sudden changes in market conditions in core businesses, (2) fluctuations in raw material prices, (3) fluctuations in exchange rate, (4) declines in the value of fixed assets, (5) geopolitical risks, (6) re-spread of COVID-19 infection, (7) accident disasters, (8) natural disasters, (9) litigation etc., (10) intellectual property rights, (11) product liability, (12) compliance with environmental regulations and response to climate change, and (13) system risks. (For more information, please visit our website: Financial Report for the Year Ended March 31, 2022, page 12: https://ssl4.eirparts.net/doc/4064/yo_ho_pdf/S1000JV4/00.pdf)

Basic Guidelines on Corporate Activities

- The Nippon Carbide Industries Group shall observe any and all laws and ordinances applicable to its corporate activities, faithfully follow the principles of social ethics, and carry out corporate activities with sound judgment.**
- The Nippon Carbide Industries Group shall strive to accurately grasp the needs of the market and customers, and provide excellent products and services in terms of quality, price, safety, and other aspects.**
- The Nippon Carbide Industries Group shall respect humanity, encourage each employee, as a corporate custom, to "develop his or her own ideas and put them into practice", and make every effort to secure the good health and safety of employees at their working places, and improve their comfort and richness in life.**
- The Nippon Carbide Industries Group shall commit itself to action to protect the global environment, and make every effort to protect the environment in all of its corporate activities.**
- The Nippon Carbide Industries Group shall establish good relations of mutual trust and cooperation with entities having relationships with this company, such as the stockholders, customers, local communities, etc., and strive for mutual prosperity in coexistence.**
- The Nippon Carbide Industries Group shall contribute to society and culture a good corporate citizen.**
- The Nippon Carbide Industries Group shall contribute to society and culture a good corporate citizen.**

Board Members and Executive Officers

Directors



**Representative Director & President
Chief Executive Officer
Sugiyama Takahisa**

April 1982 Asahi Glass Co., Ltd. (current company name: AGC Inc.)
July 2005 Unit Manager, Planar Device Unit, Photonics Components Division, Electronic & Energy General Division, Asahi Glass Co., Ltd.
July 2006 Unit Manager, Planar Device Unit, Electronics & Energy General Division, Asahi Glass Co., Ltd.
January 2008 General Manager, Photonics Components Division, Electronics & Energy General Division, Asahi Glass Co., Ltd.
July 2009 General Manager, Photonics Components Division, Electronics General Division, Electronics Company, Asahi Glass Co., Ltd.
January 2015 General Manager, Electronic Materials General division, Electronics Company, Asahi Glass Co., Ltd.
January 2016 Executive Officer; General Manager, Electronic Materials General division, Electronics Company, Asahi Glass Co., Ltd.
March 2020 Advisor of the Company
June 2020 Representative Director & President; Chief Executive Officer (present post)



**Representative Director
Senior Managing Executive Officer
Chief Financial Officer
Iguchi Yoshitada**

April 1982 Joined Mitsubishi Bank, Ltd. (current company name: MUFG Bank, Ltd.)
January 2001 General Manager, Ikebukuro Higashiguchi Branch, Bank of Tokyo-Mitsubishi(BTM)
April 2004 General Manager, Ebisu Branch, BTM
January 2006 Deputy General Manager, Corporate Banking Department II, MUFG Bank
May 2007 General Manager, Shinbashi Branch, MUFG Bank
May 2009 General Manager, Financial Institutions Department, MUFG Bank
June 2011 Managing Executive Officer, Mitsubishi UFJ Research and Consulting Co., Ltd.
January 2019 Advisor of the Company
April 2019 Managing Executive Officer; Overall Business Management (Corporate); General Manager, Corporate Planning Department
June 2019 Director; Managing Executive Officer; Overall Business Management (Corporate); General Manager, Corporate Planning Department
April 2020 Director; Managing Executive Officer; Overall Business Management (Corporate)
April 2021 Director; Senior Managing Executive Officer; Overall Business Management (Corporate)
June 2021 Representative Director; Senior Managing Executive Officer; Chief Financial Officer; Overall Business Management (Corporate)(present post)



**Director
Managing Executive Officer
Hasegawa Yukinobu**

April 1985 Joined the Company
April 2016 General Manager Specialty Polymers Division Operational Headquarters of Functional Products / General Manager Osaka Branch
June 2016 Executive Officer General Manager Specialty Polymers Division Operational Headquarters of Functional Products / General Manager Osaka Branch
April 2017 Executive Officer Deputy Senior General Manager Operational Headquarters of Functional Products / General Manager Specialty Polymers Division
April 2018 Executive Officer Senior General Manager Films and Sheets Division
June 2018 Director Executive Officer Senior General Manager Films and Sheets Division
April 2020 Director Executive Officer Senior General Manager Electronic and Functional Products Division
April 2021 Director Executive Officer Chief Technical Officer Factory Manager Uozu and Hayatsuki Factory
June 2021 Director Executive Officer Chief Technical Officer Factory Manager Uozu and Hayatsuki Factory, General Manager Research and Development Center
April 2022 Director Managing Executive Officer Chief Technical Officer Factory Manager Uozu and Hayatsuki Factory, General Manager Research and Development Center



**Director
Executive Officer
Yokota Yuichi**

April 1985 Joined the Company
April 2001 Manager, Second Electronic Materials Group, Electronic Materials Division
April 2004 General Manager, Printed Wiring Boards Business Unit Electronic Materials Division
April 2012 General Manager, Ceramic Substrates Business Unit Electronic Materials Division
April 2013 General Manager, Optical Products Business Promotion Division Operational Headquarters of Electronic and Optical Products
April 2015 General Manager, Electronic Materials Division Operational headquarters of Electronic and Optical Products
April 2018 Executive Officer: General Manager, Planning and Manufacturing Management Department Electronic and Functional Products Division
April 2020 Executive Officer: General Manager, Planning and Manufacturing Management Department Electronic and Functional Products Division / General Manager Osaka Sales Office
April 2021 Executive Officer; General Manager, Corporate Planning Department
June 2021 Director; Executive Officer; General Manager, Corporate Planning Department (present post)



**Outside Director
Endo Naoko**

April 2001 Joined The Dai-ichi Mutual Life Insurance Company (current company name: The Dai-ichi Life Insurance Company, Limited)
March 2004 Resigned from the said company
November 2007 Appointed as a legal apprentice
December 2008 Registered as attorney-at-law (present) Joined Ono Sogo Legal Profession Corporation
June 2019 Director of the Company (present post)



**Outside Director
Shirai Hitoshi**

April 1979 Joined Hitachi, Ltd.
April 1998 Chief Researcher, Hitachi Research Institute
October 1999 Department Manager, e-Government Project Development Center, Government and Public Corporation Information Systems Division, Hitachi, Ltd.
April 2003 Department Manager, Business Development Department, Urban Planning and Development Systems Group, Hitachi, Ltd.
June 2005 Deputy General Manager, Hitachi Research Institute
October 2009 Deputy Managing Director, Hitachi Asia
October 2010 Director, Hitachi Global Storage Technologies, Ltd.
June 2011 Director and General Manager, Hitachi Research Institute
April 2013 President and Representative Director, Hitachi Research Institute
April 2020 Director, Hitachi Research Institute; Senior Strategist, Hitachi, Ltd.
June 2020 Director of the Company (present post)
April 2021 Executive Member, Board of Trustees, J. F. Oberlin University and Affiliated Schools (present post)

Corporate Auditors



**Full-time Corporate Auditor
Kubo Hideaki**

April 1982 Joined Mitsubishi Bank, Ltd. (current company name: MUFG Bank, Ltd.)
January 2001 General Manager, Mejiro Branch, Bank of Tokyo-Mitsubishi(BTM)
February 2003 General Manager, Yaesu-Dori Branch, BTM
October 2004 General Manager, Ogikubo Branch, BTM
October 2006 General Manager, Umeda-Chuo Branch, MUFG Bank
June 2008 General Manager, Kashiwa-Chuo Branch, MUFG Bank
May 2011 President and Representative Director, Mitsubishi UFJ Loan Business Inc.
June 2016 President and Representative Director, MUTS Inc.
June 2020 Full-time Corporate Auditor of the Company (present post)



**Full-time Corporate Auditor
Hayashi Fumiaki**

April 1984 Joined Asahi Glass Co., Ltd. (current company name: AGC Inc.)
January 2015 General Manager, Material Purchase & Logistics Department Division, Asahi Glass Co., Ltd.
January 2017 Executive Officer; General Manager, Material Purchase & Logistics Department Division, Asahi Glass Co., Ltd.
January 2021 Executive Officer; Assistant to the President CEO, AGC Inc.
March 2021 Retired as Executive Officer of AGC Inc.
June 2021 Full-time Auditor of the Company (present post)



**Corporate Auditor
Emi Mutsuo**

March 1992 Registered as a certified public accountant (present post)
February 1996 Joined Century Audit Corporation (current company name: Ernst & Young ShinNihon LLC)
May 2001 Partner, ShinNihon Audit Firm (current company name: Ernst & Young ShinNihon LLC)
July 2008 Senior Partner, ShinNihon LLC (current company name: Ernst & Young ShinNihon LLC)
July 2013 Deputy Head of Finance Department, ShinNihon LLC (now Ernst & Young ShinNihon LLC)
July 2014 Head of Financial Business Department, ShinNihon LLC (now Ernst & Young ShinNihon LLC)
February 2016 Managing Director (in charge of financial business), ShinNihon LLC (now Ernst & Young ShinNihon LLC)
October 2019 Internal Council Member, Ernst & Young ShinNihon LLC
June 2021 Corporate Auditor of the Company (present post)
July 2021 Executive Director of Professional Regulation Division, The Japanese Institute of Certified Public Accountants (present post)

Global Network

Domestic Offices and Domestic and Overseas Group Companies

Domestic Network

- Head Office**
16-2, 2-Chome Konan, Minato-ku, Tokyo 108-8466, JAPAN
TEL+81-3-5462-8200 FAX+81-3-5462-8244
- Osaka Sales Office**
6-1, 3-Chome, Hirano-cho, Chuo-ku, Osaka-shi, Osaka 541-0046, JAPAN
TEL+81-6-6233-0500 FAX+81-6-6233-0510
- Uozu Factory**
751, Motoshin, Uozu-shi, Toyama 937-8567, JAPAN
TEL+81-765-24-1100 FAX +81-765-22-0223
- Hayatsuki Factory**
530, Ojima, Namerikawa-shi, Toyama 936-8555, JAPAN
TEL+81-76-471-2211 FAX+81-76-471-2041
- Kyoto Manufacturing Site**
8-1, Minamikanamura, Kaide-cho, Kyoto-shi, Kyoto 617-0004, JAPAN
TEL+81-75-921-5347 FAX+81-75-931-1649
- Research and Development Center**
530, Ojima, Namerikawa-shi, Toyama 936-8555, JAPAN
TEL+81-76-471-0221 FAX+81-76-471-0225

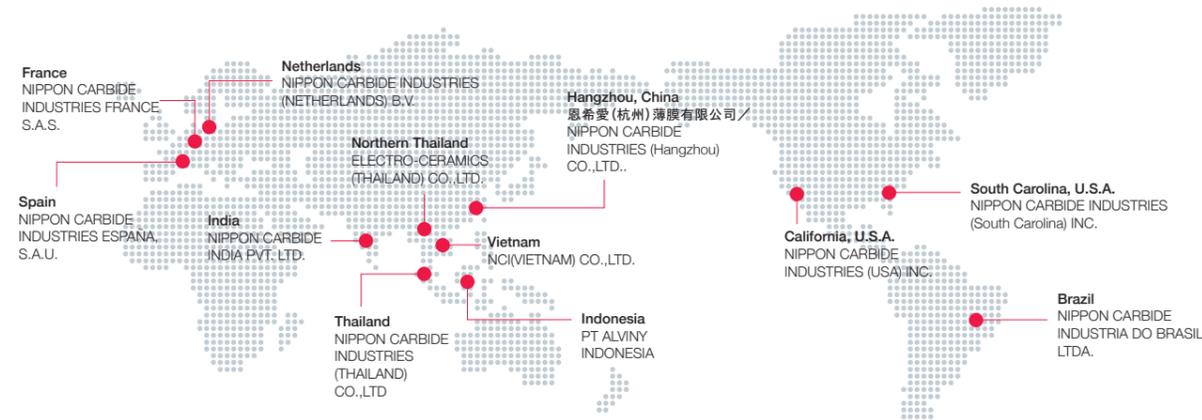


Major domestic subsidiaries

- VINNYFRAME INDUSTRY CO., LTD.**
[Corporate Activities] Manufacturing and Sales of Aluminum construction Materials and Resin Products, etc.;
Manufacturing and Sales of Aluminum Building Materials and Resins Products, etc;
Sales of Property Insurance
[Head Office/Factory] 616, Kitaonie, Uozu-shi, Toyama 937-8566, JAPAN
TEL +81-765-24-1032 FAX +81-765-24-1051
[Sales office] Sapporo, Sendai, Tokyo, Uozu, Nagoya, Osaka, Okayama, Hiroshima, Fukuoka, Miyazaki
- SANWA CHEMICAL CO., LTD.**
[Corporate Activities] Manufacturing and Sales of Chemical Products and Medicine
[Head Office/Factory] 24-8, 9-chome, Tamura, Hiratsuka-shi, Kanagawa 254-0013, JAPAN
TEL +81-463-55-3140 FAX +81-463-54-0203
- HOKURIKU CERAMICS CO., LTD.**
[Corporate Activities] Manufacturing and Sales of Ceramic Substrates and Thick Film Printing Substrates
Manufacturing and Sales of Ceramic Substrates
[Head Office / Factory] 143-3, Yokomakura, Uozu-shi, Toyama 937-0044, JAPAN
TEL +81-765-24-7387 FAX +81-765-24-6654
- DIAMOND ENGINEERING CO., LTD.**
[Corporate Activities] Design, Supervision, Construction, Maintenance and Analysis of Industrial Plants
[Head Office] 7-22, 1-chome, Shakado, Uozu-shi, Toyama 937-0067, JAPAN
TEL +81-765-24-5670 FAX +81-765-23-9210
- USK-Human CO., LTD.**
[Corporate Activities] Business contract, General worker dispatch business
[Head Office] 751, Motoshin, Uozu-shi, Toyama 937-0068, JAPAN
TEL +81-765-22-3620 FAX +81-765-22-7806

Major Overseas Subsidiaries

- 恩希愛(杭州)薄膜有限公司 / NIPPON CARBIDE INDUSTRIES (Hangzhou) CO.,LTD.**
Films & Sheetings Products Business
Electronic & Functional Products Business
- NIPPON CARBIDE INDUSTRIES (USA) INC.**
Films & Sheetings Products Business
Electronic & Functional Products Business
- NIPPON CARBIDE INDUSTRIES(South Carolina) INC.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDIA PVT. LTD.**
Films & Sheetings Products Business
- PT ALVINY INDONESIA**
Films & Sheetings Products Business
Construction Materials Related Business
- ELECTRO-CERAMICS (THAILAND) CO.,LTD.**
Electronic & Functional Products Business
- NIPPON CARBIDE INDUSTRIES (THAILAND) CO.,LTD**
Films & Sheetings Products Business
- NCI(VIETNAM) CO.,LTD.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIA DO BRASIL LTDA.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES (NETHERLANDS) B.V.**
Films & Sheetings Products Business
Electronic & Functional Products Business
- NIPPON CARBIDE INDUSTRIES FRANCE S.A.S**
Films & Sheetings Products Business
Electronic & Functional Products Business
- NIPPON CARBIDE INDUSTRIES ESPAÑA, S.A.U.**
Films & Sheetings Products Business



Company Information/Stock Information

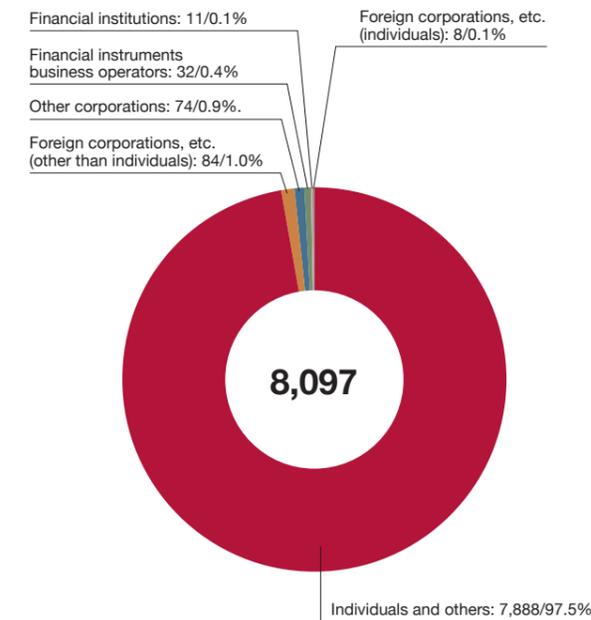
Corporate Outline

Name	NIPPON CARBIDE INDUSTRIES CO., INC.
Head Office	16-2, 2-Chome Konan, Minato-ku, Tokyo 108-8466, JAPAN TEL +81-3-5462-8200 FAX +81-3-5462-8244
Established	8th October, 1935
Listed Stock Exchange	Tokyo Stock Exchange: Prime Market
Capital Stock	7,789,101,730YEN*
Total number of shares issued	9,406,826*
Employees	Consolidated: 3,495* Non-consolidated: 514*
Group Business Activities	Electronic and Functional Products Business, Films and Sheetings Business, Construction Materials Related Business, Engineering Business

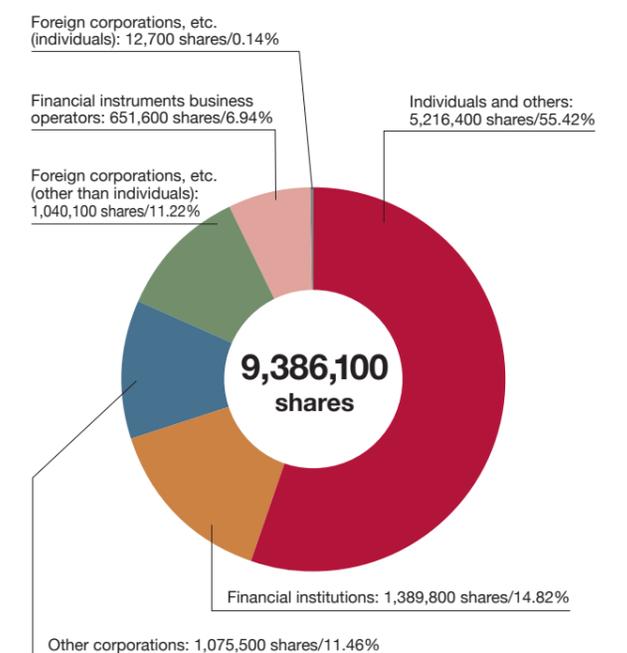
* As of September 2022

Shareholder and Share Distribution (as of September 3, 2022)

Distribution of shareholders by type of ownership



Distribution of shares by type of shareholder



*Figures in the graph do not include shares less than one unit.

 **NIPPON CARBIDE INDUSTRIES CO.,INC.**