

INTEGRATED REPORT 2024



Mission

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 valuable products that help realize a sustainable society.

Vision

A corporate group of outstanding values

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 values to society.

Values

To be sincere 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.

To serve 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.

To cooperate One-NCI

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

To create 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.



Cover Story

Seashells lying on a sandy beach may look ordinary, but no two are alike, and all sparkle beautifully. We contribute to a sustainable society by focusing on "Outstanding values= One & Only" that only we can provide.

Applicable Period

April 2023 through March 2024.
The Report includes activities and future goals for the period after April 2024.

Editorial Policy

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 "Value Creation Guidance"
IFRS Foundation "Integrated Reporting Framework"
Value Reporting Foundation (VRF) "International 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". Through our products and technologies, our Group aims to realize a sustainable society by contributing to global SDG initiatives.

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CEO MESSAGE

We contribute to a sustainable society by creating new values through a thorough focus on “Outstanding values= One & Only”, which only our Group can provide.

Representative Director & President
President & Chief Executive Officer

Sugiyama Takahisa

Importance of Quality Compliance

In recent years, there have been frequent reports of quality compliance violations, leading to a situation that threatens to shake the very foundations of trust in Japanese manufacturing. We believe that one of the causes of this situation is that people are following past practices without questioning them. For the past three years, we have been thoroughly checking the consistency of our work procedures with the contractual details and related laws and regulations, and have also been checking the consistency of our work procedures with the actual work. If even the slightest doubt arises, we will immediately report to and consult with the customer, and work to clarify specifications and methods. In order to instill the policy that “companies without compliance cannot survive”, since 2021, we have been holding quality compliance dialogue sessions between management and employees, including myself. In FY2023, a total of 104 dialogue sessions were held at 12 Group sites, with a total of

801 participants and sessions are continuing to be held this year too. In addition, I myself convey the importance of quality compliance at every opportunity through internal newsletters and meetings, and strongly urge employees to never follow any instructions even if they are told “it’s the boss’s orders” or “it’s the company’s policy”, if they feel they are not in compliance and to make use of the whistle-blowing system. We have also worked to foster a “Bad News First” culture so that bad news, not limited to quality-related information, is reported to management as soon as possible. The early arrival of bad news leads to the implementation of swift countermeasures, allowing the minimization of damage to all stakeholders, including society and customers. Therefore, we have been making efforts to ensure that all members of the Group understand that it is an important duty of management to listen to reports with a sense of gratitude when they are received.

What is “a corporate group of outstanding values”?

The Company was established in 1935 at the request of the Ministry of the Navy of Japan to produce benzol from acetylene derived from carbide. We aimed to contribute to the creation of an affluent society by producing a variety of daily necessities from carbide, which was made from limestone and coal, considered inexhaustible at the time, in electric furnaces by hydroelectric power that utilized the abundant water resources in Hokuriku. Our strong desire to contribute to society, as stated in our founding philosophy of “contributing to the welfare of mankind through ultimate research in the carbide industry,” became the driving force to enhance our technological capabilities to meet the needs of society. We have developed our “organic synthesis technology”, which we cultivated through the acetylene derivative industry using carbide, which was cutting-edge at the time, into three core technologies - “resin polymerisation technology”, “films and sheetings technology” and “ceramic firing technology” - while responding to the needs of the times and society, and have grown into a corporate group

that provides a wide range of products and services. The desire to contribute to society, which is part of our founding philosophy, has been passed down to our group mission of “Creating new value with our technological capability, we help make society more prosperous”. In creating new value and aiming for sustainable growth and contribution to society, businesses chasing the scale of commoditized products may fall into price competition, leading to a decline in profitability and a crisis of business continuity. For sustainable growth, it is essential to pursue “Outstanding values= One & Only”. In order to realize our group vision, “a corporate group of outstanding values”, we are thoroughly committed to creating “outstanding” value, that is, the One & Only high added value that only our group can provide. What is important is that the “outstanding” value must be “the value as seen and felt by the customer”. We always consider the “True KBF (Key Buying Factor),” which is the reason why customers choose our products, and pursue One & Only, including acquiring patents.

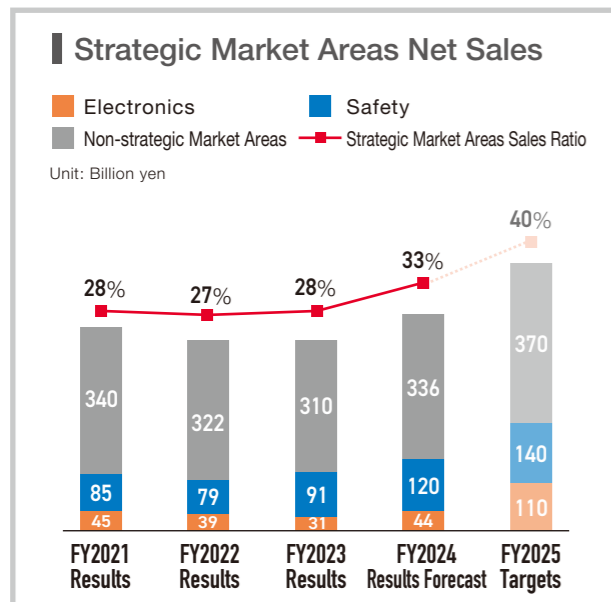
Progress of the Medium term Management Plan

FY2024 is the third year of our Medium term Management Plan, “NCI KIRARI 2025”. Although there is a possibility that the long-term slump in the semiconductor and electronic device markets, the continued sharp rise in raw material and resource prices, and rising labor costs, which were unforeseen at the time the plan was formulated, may affect our ability to achieve our FY2025 financial targets, we will strive to achieve our financial targets for FY2025 of 62 billion yen in net sales and 7 billion yen in operating income by first striving to achieve our FY2024 targets and then trying raising them even slightly. Figures for the products related to the semiconductor and electronic device sectors have fallen short of the plan.

However, in the semiconductor sector, we are particularly focusing on developing new customers from FY2022, and we believe that when market conditions recover, we can expect a higher growth rate than before. In the mobility field, one of the strategic market areas in the safety field, sales of retroreflective sheets for license plates and decorative films such as 3D emblems are recovering, narrowing the gap between the strategic market as a whole and the plan. Therefore, the key to achieving the plan is to further increase operating income in strategic market areas and improve profitability by strengthening the structure in non-strategic market areas, which are easily affected by market conditions. Specifically,

in the strategic market areas, we will focus on expanding sales of chemicals for semiconductor materials and additives for semiconductor photoresists, which are related to the semiconductor sector, as well as retroreflective sheets for number plates and other applications, which are related to the mobility sector.

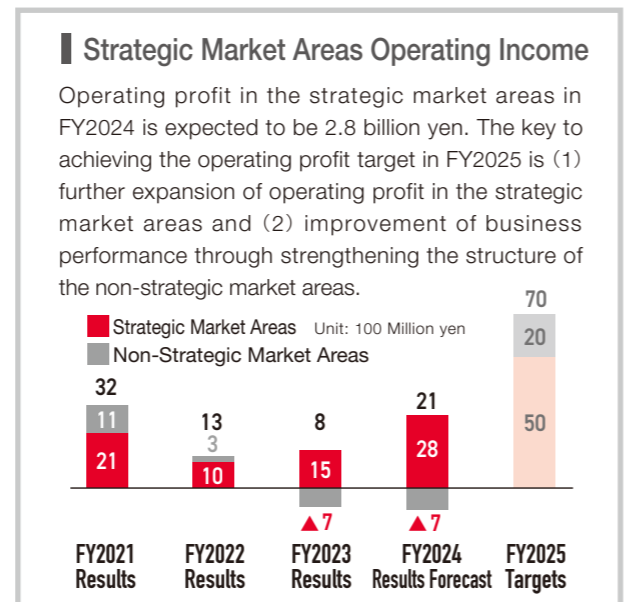
In non-strategic market areas, operating income is expected to be minus 0.7 billion yen in FY2024. In addition to making efforts for improved productivity and further price pass-through, in the field of display-related adhesives, we will work to develop new customers by accelerating development in China, where the market is growing, and in the field of ceramic substrates for electronic components, we will shift to high-value-added products by launching new products, etc., and in the field of retroreflective sheets for the graphic market, we will work to expand sales in the US market by utilizing major distributors. Under "NCI KIRARI 2025", we are promoting SDGs management, which leads to sustainability management, as an effort to create economic value as well as social value. With five main materiality targets identified as management challenges, we have established an SDGs Promotion Committee, which I chair and which includes all executive officers and the presidents of major group companies, and we are actively promoting activities to realize our materiality targets through the establishment of subcommittees as subordinate organisations.



With regard to one of our materiality targets, "Achieving carbon neutrality," we have created a Group-wide roadmap to reduce GHG emissions in 2030 by 46% from the fiscal 2013 level, or below 60,000 tCO₂, and are working to achieve this goal. At this point, we believe that achieving this goal is possible. By actively contributing to carbon neutrality, we will enhance our social value and strive to improve our corporate value in terms of both economic value and social value.

We are also working on DX promotion as one of the means to strengthen the competitiveness of the NCI Group in support of "NCI KIRARI 2025."

We have established our DX grand design consisting of five categories, namely, "Management," "Sales," "Production," "R&D," and "Back Office". In the "Management" category, we are visualizing management indicators in real time with an emphasis on management speed. In the "Production" category, we are promoting the visualization of facility status and the introduction of collaborative robots to realize a smart factory. In the "R&D" category, we began centralized data management and the construction of a new research platform in December last year to speed up R&D. We will continue to strengthen our competitiveness by promoting DX, and will make efforts to achieve our Mid Term Management Plan and sustainable growth.



Business Environment and Management Policy for FY2024

The outlook for the global economy remains uncertain due to the interest rate gap between Japan and the U.S. and continued measures to curb inflation, low growth in the Chinese economy, high raw material and fuel prices, and rising transportation and labor costs.

Within our Group, although there are some negative factors such as sluggish motorcycle sales due to rising interest rates in Vietnam and Thailand, we expect to maintain strong sales in Indonesia and Brazil and a full recovery in the semiconductor and electronic device markets from the second half of this fiscal year, and are determined to achieve our fiscal year

targets of 50 billion yen in net sales, 2.1 billion yen in operating income, and an operating income margin of 4.2%.

At present, we expect an increase in shipments of chemicals for semiconductor materials, additives for semiconductor photoresists, ceramic substrates for chip resistors, etc., and an increase in shipments of adhesives for displays in the Chinese market. In addition, an increase in shipments of retroreflective sheets for license plates and automotive decorative applications is expected due to a recovery in automobile sales.

Partly in response to the request of the Tokyo Stock Exchange, we are promoting initiatives aimed at achieving management that

is conscious of capital costs and share prices. Since PBR can be broken down into ROE x PER, in order to improve PBR, we are promoting measures from two perspectives: improving ROE, which indicates management efficiency and profitability and PER, which is a measure of future expectations. The actual ROE for FY2023 was approximately 3.1%, which was below the cost of shareholders' equity, and I consider the improvement of ROE to be the most important issue.

In addition to improving profitability through measures such as "business growth by expanding sales of growth drivers and

creating new growth drivers in strategic market areas," we are also working to improve capital efficiency through "sales of assets such as cross-shareholdings," "continuation of stable dividends as shareholder returns and consideration of the possibility of share repurchases." We plan to achieve ROE of 12% or more by the time we achieve our Medium term Management Plan "NCI KIRARI 2025," and we aim to achieve this goal by thoroughly focusing on products and services that only our Group can provide, in pursuit of "Outstanding values= One & Only".

Human Capital Management and Corporate Governance

Upon assuming the position of president, I conveyed my wish to the Group's employees: "I want to make this a company where everyone is truly happy to work here". We believe that this is the ultimate goal of human capital management and that human resources are the cornerstone of all our business activities. We are working to secure a diverse workforce, to ensure that each individual has confidence and pride in his or her work, to create synergy by cooperating with one another to maximize their abilities, and to actively engage in human resource development and career development, thereby creating a workplace environment in which employees can be active in their respective field while experiencing their own growth.

In addition, from this fiscal year, we have set targets to make it easier for all employees, including women, non-Japanese, people with disabilities, and the elderly, and to work and demonstrate their

abilities. The newly established DE&I (Diversity, Equity & Inclusion) Promotion Team will play a central role in achieving these targets. And in human resources and recruitment as well, we intend to launch measures to realize "Outstanding values= One & Only".

With regard to corporate governance, we have been actively making improvements. Our Board of Directors, including corporate auditors, consists of four internal directors and five external directors, and one of the six directors with voting rights is a woman. We believe that we have secured diversity and independence in our Board of Directors, as the ratio of outside directors is higher than that of inside directors. Going forward, we aim to achieve the government requirement for the ratio of female directors and executive officers for companies listed on the Tokyo Stock Exchange Prime Market, which is 19% or more in 2025 and 30% or more in 2030.

To our stakeholders

Our group's vision for 2030 is to be "a corporate group of outstanding values that contributes to a sustainable society". In order to realize this vision, we are committed to creating economic value and social value by focusing on "outstanding"

value and "One&Only", which only our Group can provide, to realize a corporate group that can contribute to a sustainable society. We would like to ask all of our stakeholders for their continued understanding and support of our Group.





CFO MESSAGE

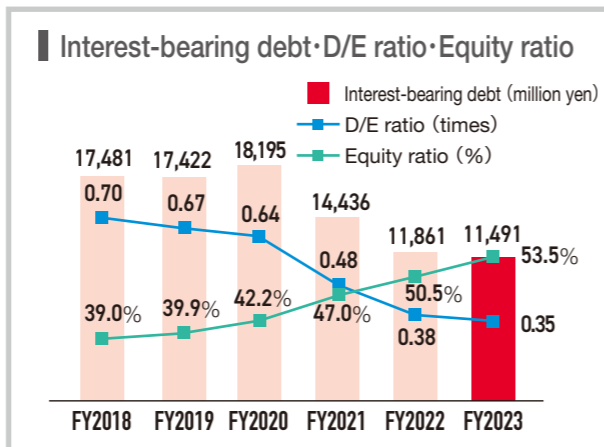
Aiming to become a corporate group of outstanding values by accelerating the strengthening of financial capital through active dialogue with shareholders and investors

Representative Director
Executive Vice President & CFO
Iguchi Yoshitada

"NCI KIRARI 2025," our four-year Medium term Management Plan announced in 2022, has finally entered the second half of its period. This year, we are approaching a point of change in monetary policy with the lifting of the Bank of Japan's negative interest rate policy. Meanwhile, there are signs of recovery in the electronics market, which had been stagnant since the second half of the year before last. As a result, we will continue to maintain our financial soundness and accelerate the strengthening of our financial capital to achieve our financial targets for FY2025.

Financial Soundness

We have been working to strengthen our financial capital through reduction of interest-bearing debt and other measures since the period of the previous Medium term Plan "NCI-2021". As a result, the D/E ratio for FY2023 was 0.35 times, compared to the current Medium term Plan target of 0.5 times or less, and the equity ratio was 53%. In the future, when investments for major future growth (including M&A) or other investments are necessary, we will consider the use of interest-bearing debt as well, while keeping in mind the cost of capital.



Capital Allocation

The capital allocation for FY2023 was 2.9 billion yen for capital investment mainly in strategic market areas, 0.6 billion yen for dividends, 0.2 billion yen for share buyback, 0.3 billion yen for repayment of borrowings, and 2.2 billion yen for cash and cash equivalents, with 5.4 billion yen from operating cash flow and 0.8 billion yen from sales of assets including cross-shareholdings. In FY2024, we will continue to allocate cash flow mainly from operating activities to investments in strategic market areas and shareholder returns.

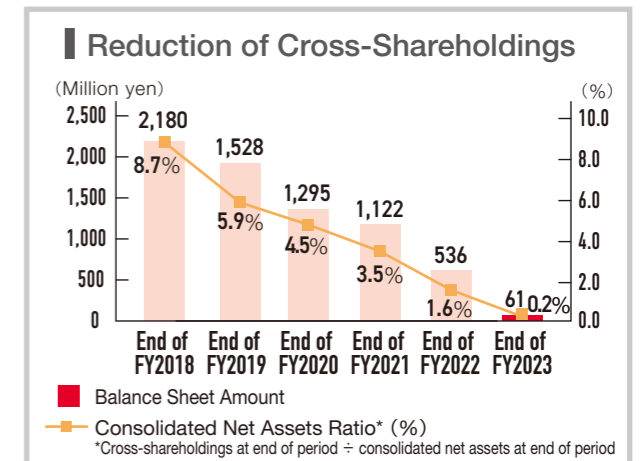
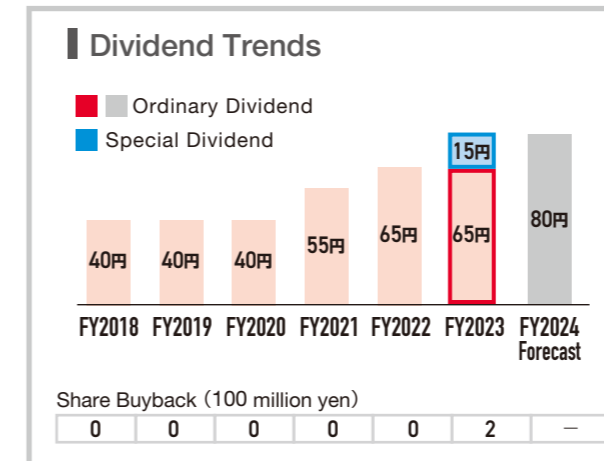
Measures to achieve management that is conscious of capital costs and stock prices

Our PBR for FY2023 was 0.54 times, an improvement of 0.14 times from the previous year, but it is still well below 1 time, and we recognise this as our most important challenge. Since PBR = ROE x PER, we need to promote measures from both the ROE and PER perspectives. First, with regard to ROE, it was sluggish in FY2022 and FY2023 due to the recording of impairment losses. In FY2024 and FY2025, we will focus on anticipated operating cash flow and we will also work to improve the efficiency of working capital, such as by reducing inventories and increasing factory operating rates, and we will actively allocate funds to growth investments aimed at achieving 'Outstanding values = One & Only' in strategic market areas, as well as to R&D investments and DX investments. We will also work to improve profitability by strengthening the structure of our low-profit core businesses.

At the same time, we consider the distribution of profits to our shareholders to be an important responsibility, and we will continue to operate with an awareness of stable dividends, based on the basic policy of 'aiming to maintain stable

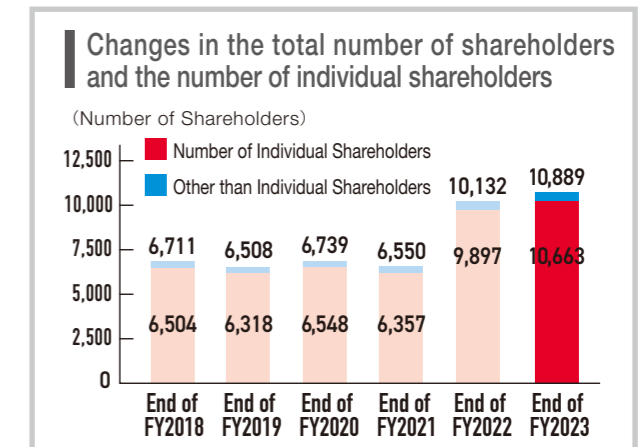
dividends with a payout ratio of 30% or more'. The annual dividend per share for FY2023 including special dividends, was set at 80 yen (an increase of 15 yen over the previous year). For FY2024, we are forecasting increases in both sales and operating income, and we plan to pay an annual dividend of 80 yen per share, the same amount as in FY2023.

We will also consider the possibility of share buybacks while taking into account capital efficiency, business performance, financial condition, and other factors. Regarding PER, we will actively engage in non-financial measures such as acceleration of SDGs management, including the use of renewable energy sources such as solar power generation and contribution to carbon neutrality through our engineering business, and investment in human capital through promotion of diversity, equity, and inclusion, improvement of workplace environment, securing a diverse range of human resources, human resource development, and career development, to achieve medium- to long-term corporate growth.



Active dialogue with shareholders and investors

The number of our shareholders increased by 62% to 10,889 at the end of March 2024 and the number of individual shareholders increased by 64% to 10,663, both compared to five years earlier, partly because we have chosen the prime market and conducted a secondary offering of shares in 2022. In FY2022, we conducted a "Shareholder Questionnaire" for shareholders, and in FY2023, we conducted a "Potential Shareholder Questionnaire" for individual investors (1,000 targeted persons). In FY2024, we will continue to promote active dialogue by holding financial results briefings for institutional investors and 1-on-1 meetings.



CTO MESSAGE

Developing accumulated knowledge and achievements into a new “Outstanding values =One & Only”

Director, Managing Executive Officer, CTO
 General Manager of the Research and Development Centre
 Officer in charge of Safety, Quality and Environmental Management Department
Hasegawa Yukinobu

Sources of Competitiveness and Growth Strategies

The origins of our Company name, carbide and acetylene, are the source of our Company, but our strength is that we have accumulated the technological capabilities to produce quality and products that meet the needs of society and our customers in the process of moving downstream from there. For example, we are one of the few companies in the world capable of mass-producing highly functional acetylene derivatives, which require advanced handling technology. The high-temperature sintering technology and film forming technology cultivated in the manufacture of carbide are utilized in the production of homogeneous and distortion-free ceramic substrates used in semiconductors and other devices. The technologies and achievements cultivated in our nearly 90-year history have led to developments that we did not initially expect. Carbide-derived products, used mainly as raw materials in the agricultural and pharmaceutical fields for insecticides, fungicides, etc., have since grown into products that contribute to improved performance in the semiconductor

field, where miniaturization and high functionality are becoming more and more competitive due to their high quality and proven track record. Similarly, one of our semiconductor-related products, a melamine-based semiconductor mould cleaning agent that removes resin contamination from the moulds used in our customers' manufacturing processes, is also a carbide-derived product, and its cleaning performance is highly rated by our customers. Moving further downstreams, in films and sheetings products, our starting point is vinyl chloride, and we provide products that meet a wide variety of needs by realizing outstanding performance in such areas as various colors, weather resistance, stain resistance, scratch resistance, and heat shielding properties through precise product design based on our accumulated knowledge of mass production technologies for thinness and uniformity of films, in addition to design concepts based on the selection and combination of materials. In recent years, as an environmental response, we have been

studying the reduction of air resistance using precision mold processing technology, one of our retroreflective sheetings manufacturing technologies.

In the field of adhesives such as acrylic resin, which is indispensable for LCD manufacturing, we have also developed and provided highly competitive products by pursuing superiority in terms of quality, productivity, and other factors. These are the result of the evolution of our technological capabilities in response to the needs of our customers.

As described above, we have technologies based on a variety of products, and we will not only continue to develop one technology in depth, but also combine multiple technologies to realize what other companies cannot do, thereby creating world-first products and products that are second to none in certain performance, and actively propose these products to our customers. Believing that this will lead to “Outstanding Values = One & Only,” we will continue to take on challenges for further progress by leveraging our strengths.

Human Resource Development and R&D Environment

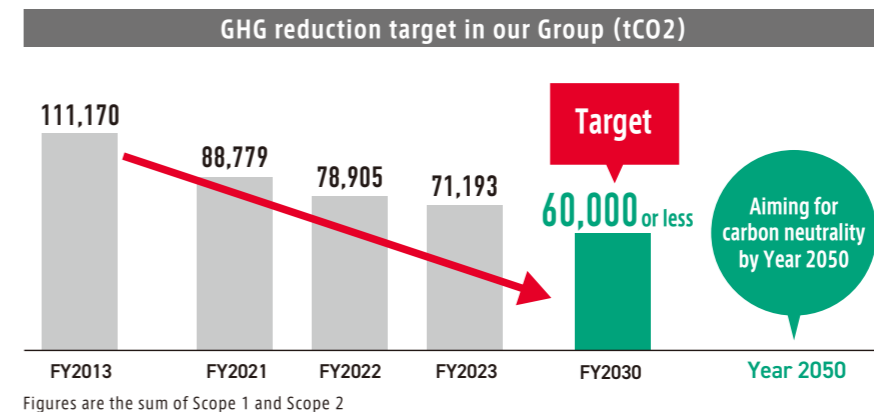
In the technical department, human resources development is carried out according to a five-year plan. In addition to training our human resources to acquire the technical skills to achieve the required quality specifications at or above the required level, we also train them to acquire a business mindset that enables them to work on development by focusing on what is truly required and how the developed products can solve essential problems for the customer. In addition, in order to efficiently develop technologies and

products with high future potential, the R&D departments have been centralised in one location in Toyama to create an open environment with no boundaries as an R&D centre, facilitating the exchange and sharing of information between research teams. Furthermore, we are actively working on centralised management and sharing of research themes, results and records through the promotion of DX, shortening development speed and improving evaluation technology through the introduction of MI (Material Informatics).

Promotion of Carbon Neutrality

The target of a 46% reduction in GHG emissions from a starting point of 111,170 tCO₂ in 2013 to 60,000 tCO₂ in 2030 has been established. As GHG emissions have been reduced to 71,193 tCO₂ in 2023, the emission reduction target is within reach. We intend to steadily implement initiatives to become carbon neutral by 2050. Solar power generation, which began in 2014, is being introduced at

overseas sites in Thailand and elsewhere, and all Group companies in Toyama are promoting the use of renewable energy, for example by using green electricity generated by hydroelectric power. We are also moving forward with efforts to disclose Scope 3 emissions in accordance with the GHG Protocol, with a view to collaborating with our business partners.



Thorough Compliance and Safety Initiatives

Aiming for zero occupational accidents, including minor ones, we investigate the root causes of accidents from both the operator's and manager's viewpoints, and share information throughout the Group to prevent recurrence. In addition to ensuring compliance with quality standards, we also hold quality compliance dialogue meetings at each business site, where the head of the business site

meets directly with employees to discuss and confirm how to improve and manage quality and whether there are any areas of concern, thereby continuing our efforts to raise awareness among all employees through dialogue. Since last fiscal year, we have also been working to raise awareness of safety in the same dialogue style.

Technology and Business Development

Starting out in 1935 as a carbide manufacturer, our Group has overcome numerous changes, including post-war reconstruction and technological innovation, to reach where we are today. Our history to date has been shaped by our boundless gratitude for the support and nurturing we have received through our encounters with local communities and customers, and by our technological capabilities, which have enabled us to continually respond to the changing needs of each era.

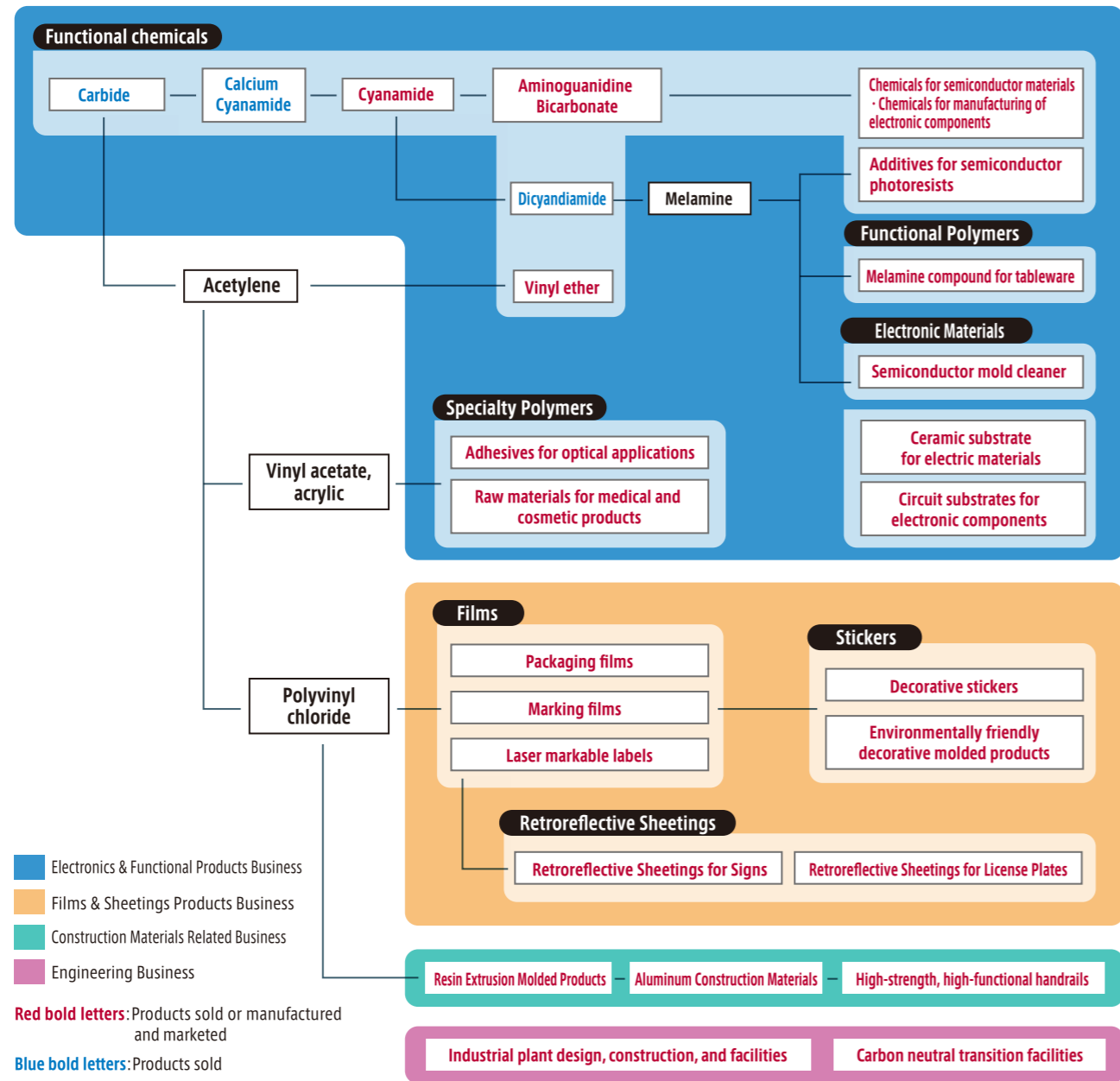


Product Deployment and Technology Strengths

Our Group started its business based on "organic synthesis technology" in the acetylene derivatives industry using carbide as a raw material. Today, with our core technologies of "resin polymerization technology," "films and sheetings technology," and "ceramic sintering technology," which are our strengths, we are developing four businesses: electronic and functional products business, film and sheetings products business, construction materials-related business, and engineering business.

Product flow starting with carbide

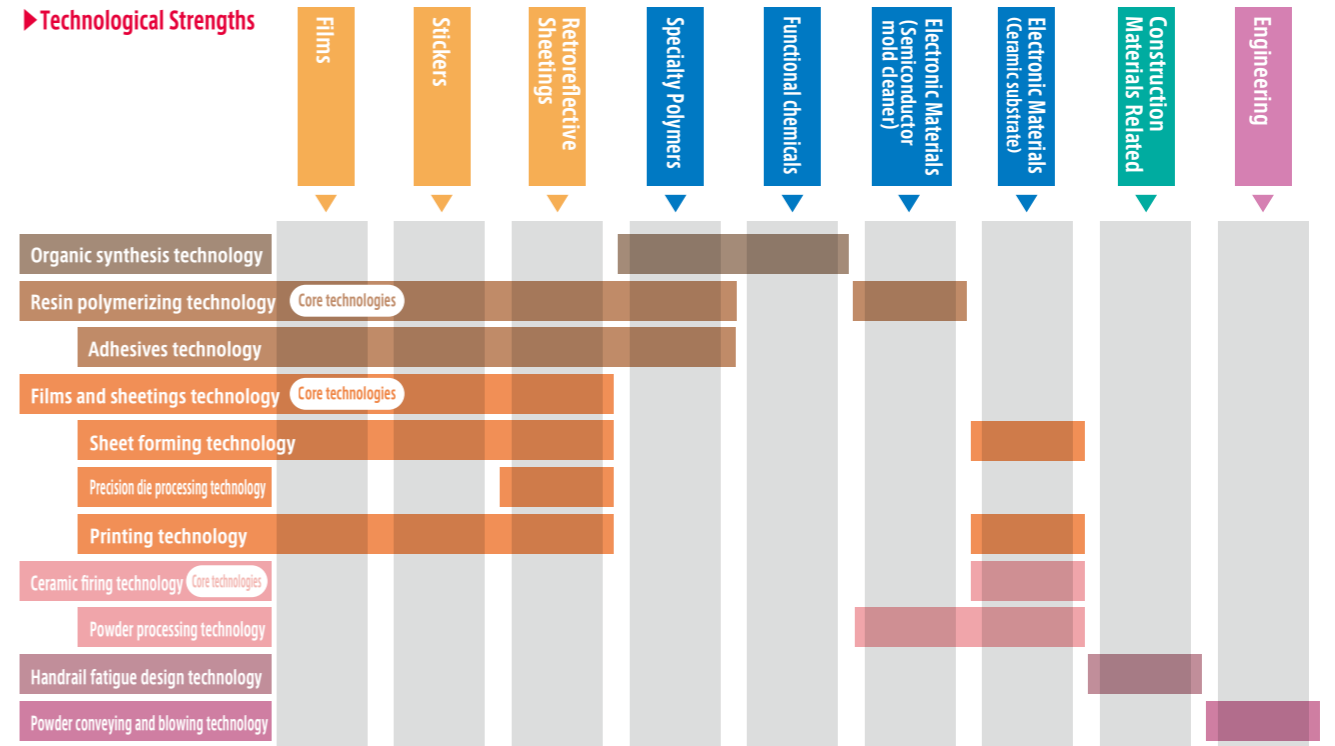
Functional chemical products are derived from calcium cyanamide and acetylene, which are derived from carbide. In addition, our Company has traditionally manufactured vinyl chloride and vinyl acetate from acetylene, and functional resin products were created by polymerising these. Vinyl chloride and vinyl acetate polymers have been used to create marking films and packaging films using film forming technology and printing technology. Furthermore, retroreflective sheet products have been manufactured using sheet forming technology and precision mould processing technology. Vinyl chloride has developed into a building material for buildings and houses, and plastic products for interior construction. In addition, since we were selling carbide as a desulfurisation agent for steel mills, we have developed into an engineering business characterised by powder transport and blowing technology.



- Electronics & Functional Products Business
- Films & Sheetings Products Business
- Construction Materials Related Business
- Engineering Business

Red bold letters: Products sold or manufactured and marketed

Blue bold letters: Products sold
(As of September 30, 2024)



Organic synthesis technology
Based on synthetic technology related to cyanamide derivatives derived from calcium carbide and vinyl ether monomers obtained by expanding these derivatives, as well as purification and demetalization technologies required for electronic material applications, we provide monomer raw materials for weather-resistant paints, agrochemicals and agrochemical intermediates, biochemical agents, pharmaceutical ingredients, flame retardants, crosslinking agents for electronic materials, and a wide range of other products.

Resin polymerizing technology Core technologies
This technology encompasses technologies based on organic synthesis technology, mainly for designing and polymerising acrylic resin-based resins, and for polymerising initial condensation products of melamine resin, etc. Using these technologies, we provide adhesives such as water-based adhesives, solvent-based adhesives, non-aqueous resins, etc., as well as compounds for manufacturing melamine tableware and semiconductor mould cleaning materials.

Adhesives technology
This technology encompasses resin design, resin blending, and resin evaluation methods for acrylic resin-based water-based adhesives and solvent-based adhesives. Using this technology, we provide a wide range of products, including adhesives, marking films, retroreflective sheets and sticker products.

Films and sheetings technology Core technologies
This technology encompasses solution film forming technology using resin solutions and melt film forming technology using resin pellets. By using these technologies to form thin and uniform film sheets and to laminate the resulting films, we provide retroreflective sheets, marking films, and sticker products. This technology is also applied to the manufacturing of ceramic substrates.

Sheet forming technology
This technology is used to form optical prism sheets using molds made by precision mold processing technology, and to form film sheets by pressure molding and other methods. Using this technology, we offer prismatic retroreflective sheet products, reflectors for aerial displays, three-dimensional emblems, and other products.

Printing technology
We provide retroreflective sheet products, marking film products, and sticker products by using inkjet printing, screen printing, and gravure printing technologies for film sheets.

Precision mold processing technology
This technology is related to mold design and precise, fine mold processing. Using molds made with these technologies, we offer products such as prismatic retroreflective sheets and reflectors for aerial displays.

Ceramic firing technology Core technologies
This technology is used to produce small, dimensionally accurate ceramic substrates by kneading powder into a sheet, processing it into a predetermined shape, and then burning it. We use this technology to provide electronic components for chip resistors and other products.

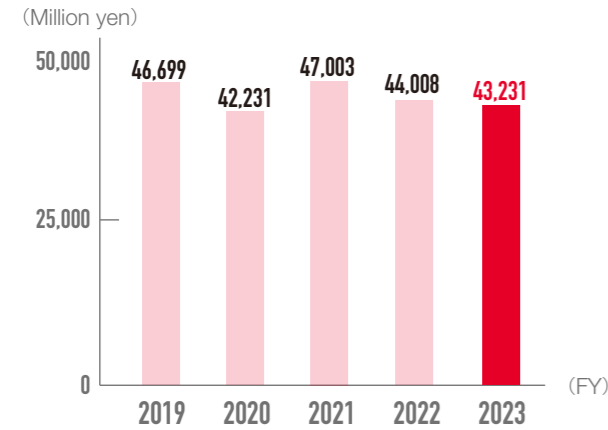
Powder processing technology
This technology is related to powder mixing, molding, and granulation. Using these technologies, we provide products such as compounds for melamine tableware, mold cleaning materials for semiconductors, and ceramic substrates.

Fatigue design technology for handrails
This is a technology for evaluating the effect of wind forces on aluminum handrails. Since handrails installed in high-rise condominiums are strongly affected by wind, this evaluation technology enables us to supply highly safe handrails that can withstand wind repeatedly.

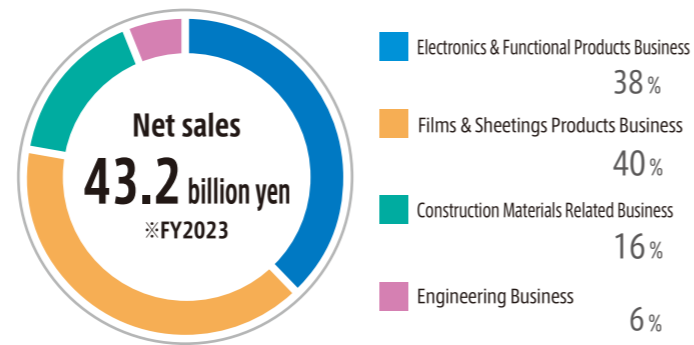
Powder conveying and blowing technology
This is a technology for continuously and stably blowing a variety of powders and granules while maintaining high metering and distribution accuracy. We provide the optimum equipment to meet the various needs of our customers, such as blowing pressure and temperature conditions and the use of multiple powders and granules.

Financial Highlights

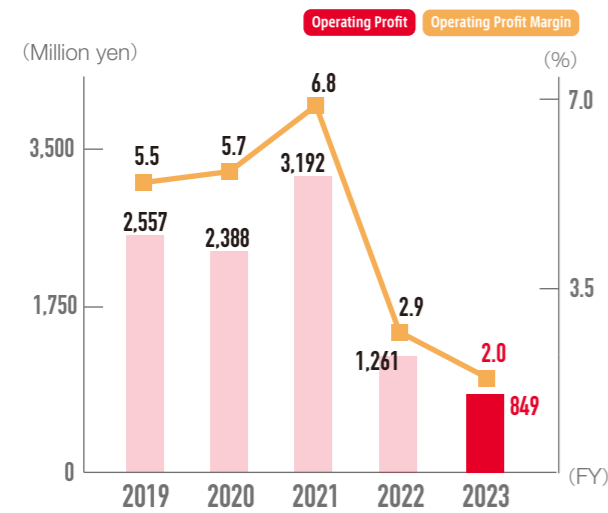
Net sales



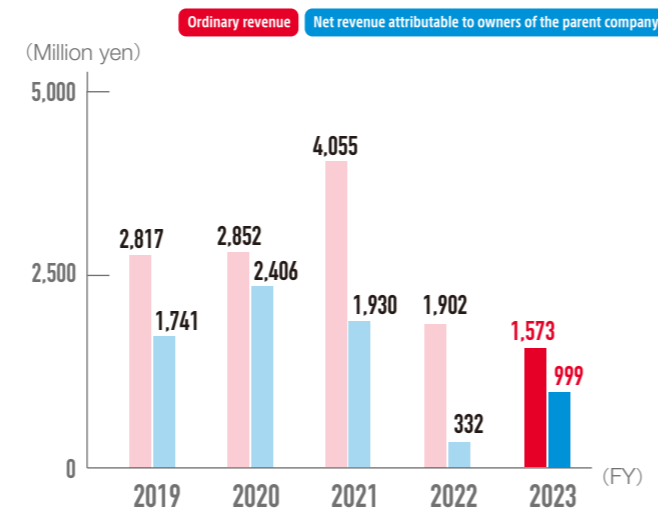
Sales Ratio by Business



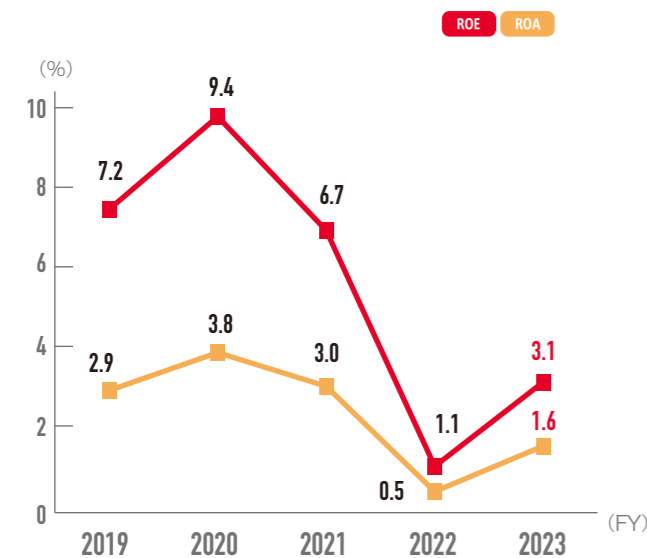
Operating Profit/Operating Profit Margin



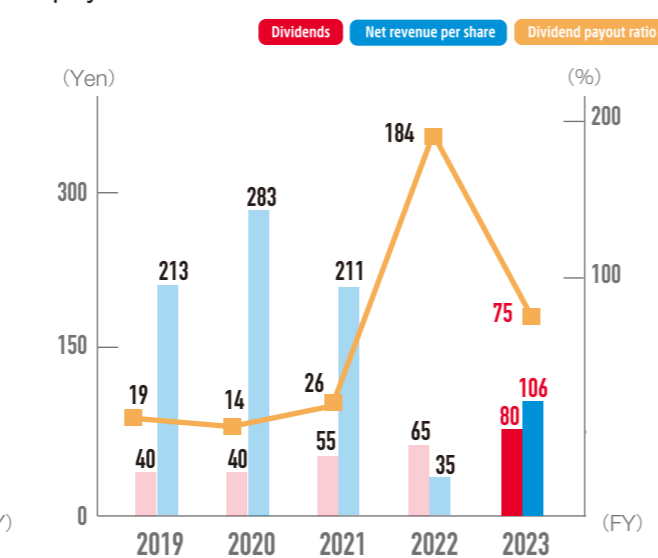
Ordinary revenue/Net revenue attributable to owners of the parent company



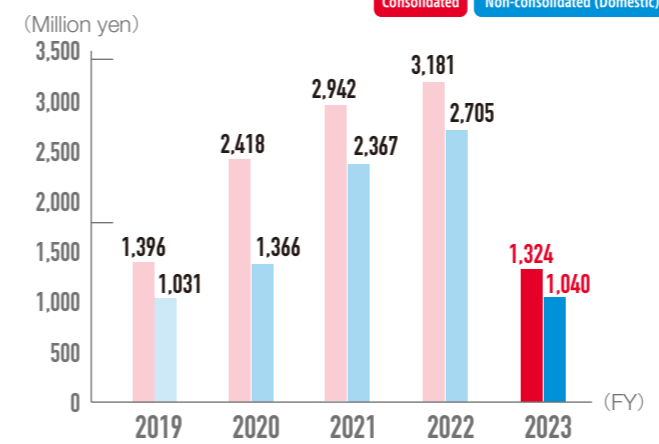
ROE / ROA



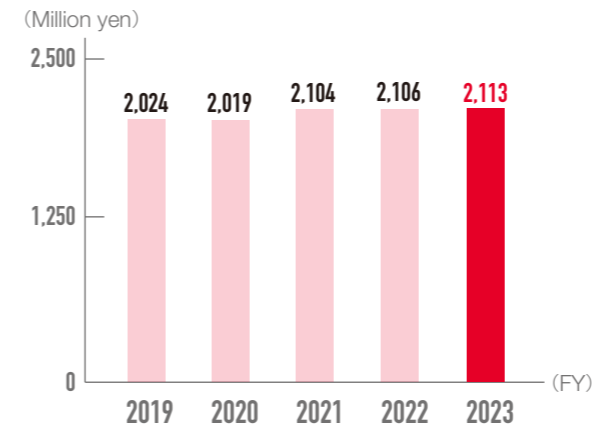
Dividends / Net revenue per share / Dividend payout ratio



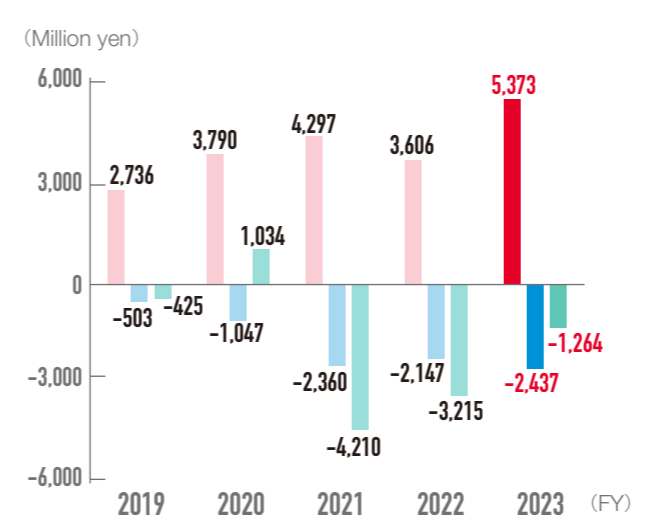
Capital investment



R&D expenditure

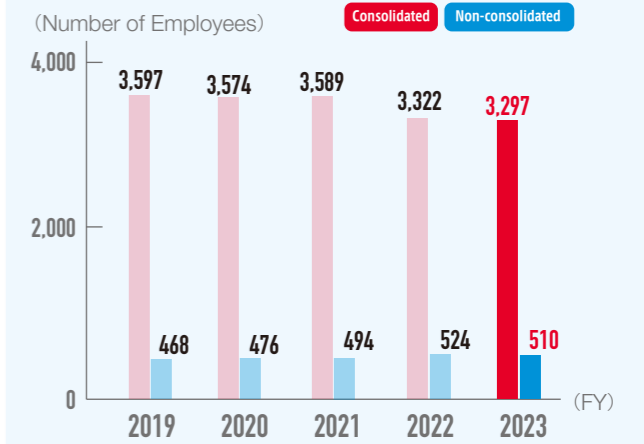


Cash Flow Trends

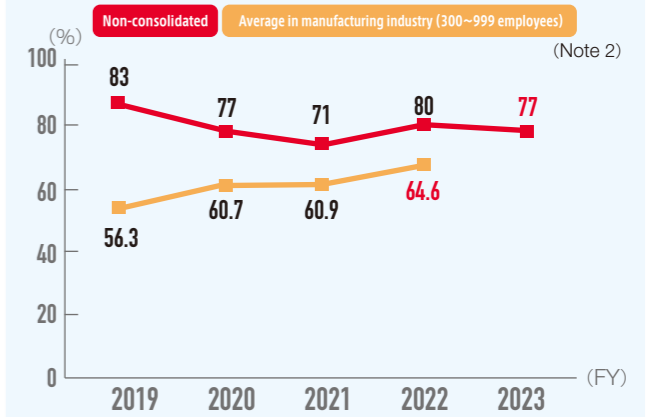


Non-Financial Highlights

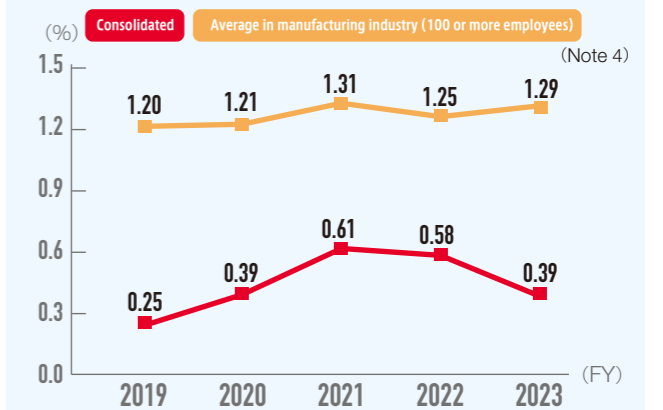
Number of Employees



Annual Leave Acquisition Rate (Note 1)



Frequency of occurrence of industrial accidents (Note 3)



(Note 1) "Usage Rate" is total number of days of annual paid leave taken/total number of days granted x 100 (%). "Number of days of paid leave taken" is the number of days actually taken in a single year. "Number of days granted" excludes the number of days carried over.

(Note 2) Source: [Ministry of Health, Labor and Welfare] General Survey on Working Conditions: Manufacturing Industry (300-999 employees)

(Note 3) Number of fatalities and injuries due to industrial accidents per million total working hours.

(Note 4) Source: [Ministry of Health, Labor and Welfare] Survey on Industrial Accidents for 2022/2023 (Survey on establishments (with 100 or more employees) and survey on general construction)

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.

Inputs *As of March 31, 2024 *Figures are consolidated

Financial Capital

Adequate financial strength
Net assets: 34,623 million yen
Equity ratio: 53.5%

Manufacturing Capital

Global manufacturing base structure
Number of overseas manufacturing bases: 7
Number of domestic manufacturing bases: 8

Intellectual Capital

Core technologies: Resin polymerization technology, films and sheetings technology, ceramic sintering technology
Number of registered patents: 715

Human Capital

Diverse human resources to support value creation
Total number of employees: 3,297
Number of employees at overseas offices: 2,320
Ratio of female employees: 40% / Ratio of female managers: 13%

Social Capital

Long-standing relationships of trust cultivated with stakeholders and local communities in each country
Wide range of business partners: semiconductors, electronic devices, automobiles, pharmaceuticals, steel, electric power, construction, etc.
Number of business partners: Approximately 5,000 companies

Natural Capital (For FY2023)

Energy consumption
Total electricity consumption: 82,860 MWh
Water consumption: 5,044,000 t

Medium term Management Plan

"NCI KIRARI 2025"

Business Segment



Focus area



Electronics and Functional Products



Films and Sheetings Products



Construction Materials Related



Engineering

Electronics



Semiconductors



Electronic Components

Safety



Environment



Life



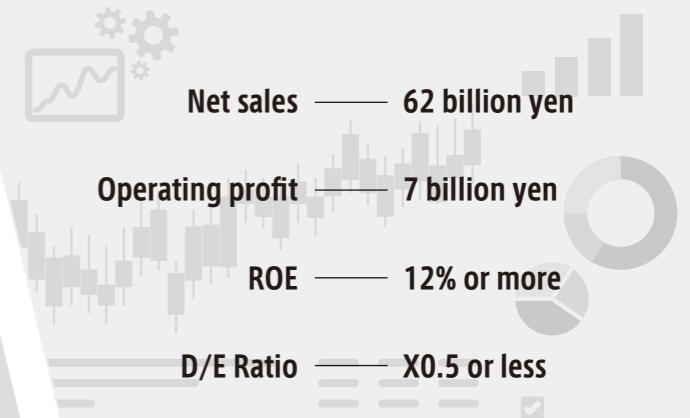
Mobility

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.

Value Creation

Economic Value (FY2025 plan)



Social Value

- **Through business activities**
 - Development of social and industrial digital infrastructure
 - Realization of healthy living and a safe and secure society
 - Achieving carbon neutrality
- **Through corporate activities**
 - Achieving carbon neutrality
 - Coexistence and co-prosperity with local communities
 - Increased employee satisfaction and feeling of being rewarded

Initiatives to Support Growth Strategies

Reinforcement of R&D Structure

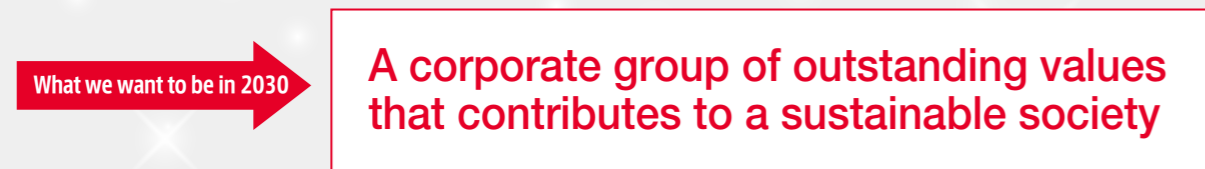
Promotion of SDGs Management

Promotion of DX measures

Progress of the Medium-term Management Plan “NCI KIRARI 2025”

Outline

In order to realize our vision for 2030, “a corporate group of outstanding values that contributes to a sustainable society,” we have formulated a Medium-term Management Plan “NCI KIRARI 2025” in May 2025. Under “NCI KIRARI 2025”, we will contribute to a sustainable society in the new normal era and achieve growth through the pursuit of technologies of Outstanding values and the provision of products of Outstanding values.



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

By steadily executing business strategies in each business segment, we aim to achieve our financial forecasts for FY2024 and return to a growth trajectory, thereby achieving the financial targets for FY2025 set forth in our Medium-term Management Plan “NCI KIRARI 2025”.

	FY2023 Results	FY2024 Results Forecast	FY2025 Targets
Net sales	43.2 billion yen	50 billion yen	62 billion yen
Operating profit	800 million yen	2.1 billion yen	7 billion yen
ROE	3.1%	3.1%	12% or more
D/E Ratio	x0.35	x0.35	x0.5 or less

Please refer to pages 24 to 26 for information on our business strategy for achieving our financial targets for FY2025.

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.

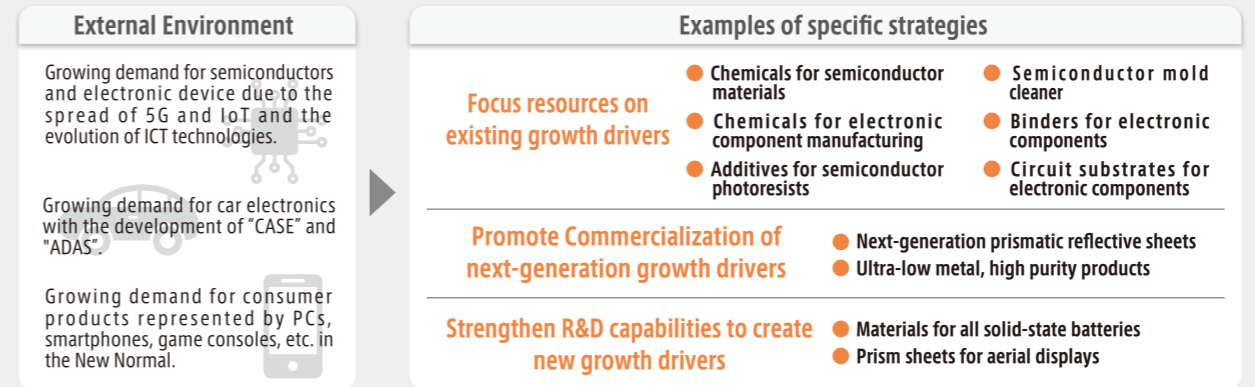
Focus area	Strategic Market	Growth Strategy
Electronics	Semiconductors Electronic Components	Business growth by strengthening our ability to respond to high value-added products in high-growth markets.
Safety	Environment Life Mobility	Improved profitability by deploying engineering technologies and establishing a solid business foundation.



Strategies in Focus Areas

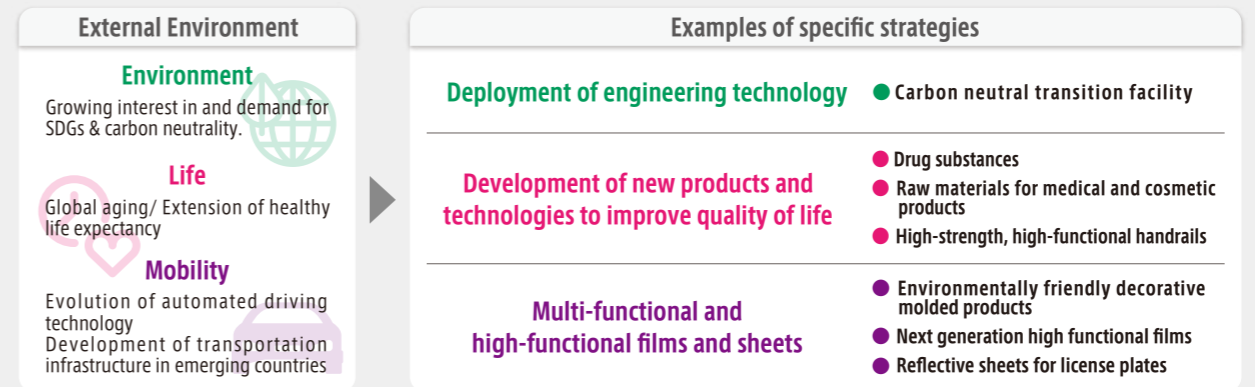
Electronics

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.



Safety

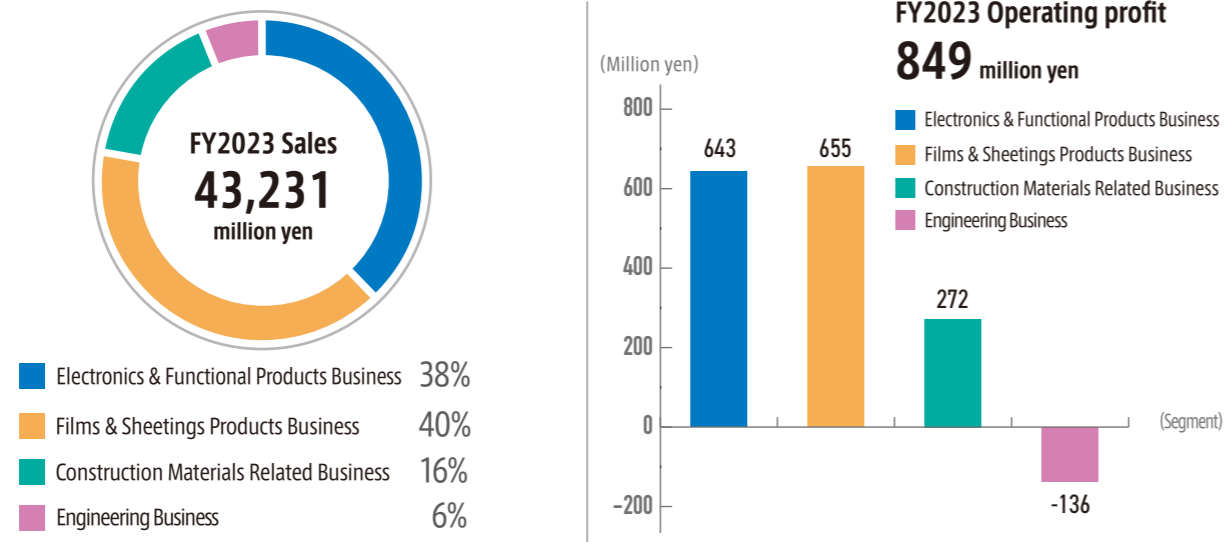
We aim to contribute to the development of a safe, secure and sustainable society through high value-added film functions and the application of engineering technology to carbon neutral transitions in order to respond to external environment.



at a glance

Our Group business is divided into four segments, namely, the Electronics & 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.

Four Businesses Supporting the NIPPON CARBIDE INDUSTRIES GROUP



Electronics & Functional Products Business

FY2023 Sales 16,545 million yen

Electronic Materials	32%
Functional Chemicals	18%
Functional Polymers	50%

- Functional Chemicals**
 - Vinyl ether
 - Chemicals for semiconductor materials/chemicals for electronic component manufacturing
 - Additive for semiconductor photoresists
- Functional Polymers**
 - Adhesives for optical applications
 - Raw materials for medical and cosmetic products
 - Melamine compound for tableware
- Electronic Materials**
 - Ceramic substrates for electronic components
 - Circuit Substrates for Electronic Components
 - Semiconductor Mold Cleaner

Films & Sheetings Products Business

FY2023 Sales 17,498 million yen

Retroreflective Sheetings	55%
Films	8%
Stickers	37%

- Films**
 - Marking films
 - Laser markable labels
 - Packaging films
- Stickers**
 - Decorative Stickers
 - Environmentally friendly decorative molded products
- Retroreflective Sheetings**
 - Retroreflective Sheetings for Signs
 - Retroreflective Sheetings for License Plates

Construction Materials Related Business

FY2023 Sales 7,112 million yen

- Resin Extrusion Molded Products
- Aluminum Construction Materials
- High-Strength, High-Function Handrails

Engineering Business

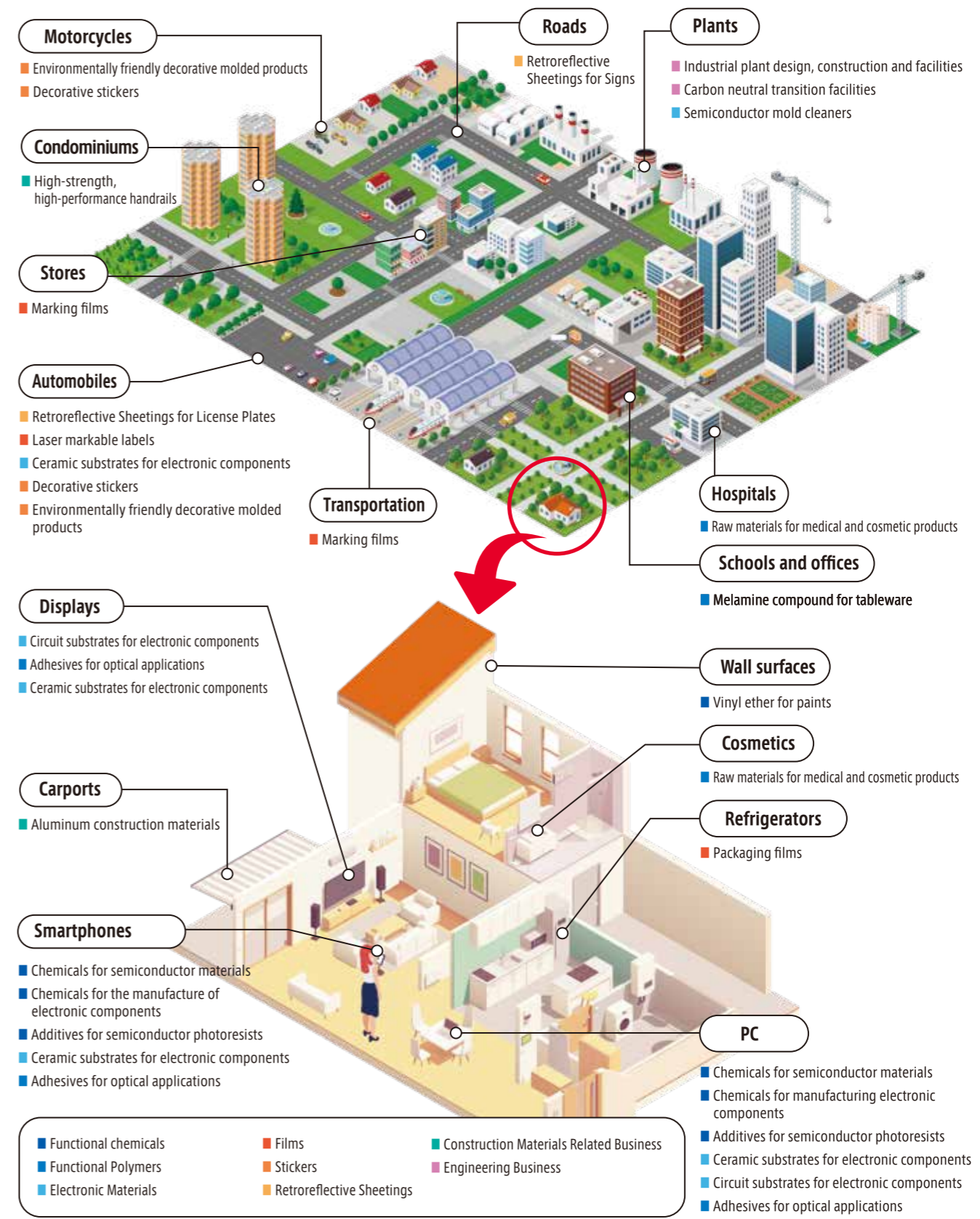
FY2023 Sales 2,491 million yen

- Industrial plant design, construction and facilities
- Carbon Neutral Transition Facilities

*The products listed are major products.

Our Products for Everyday Life

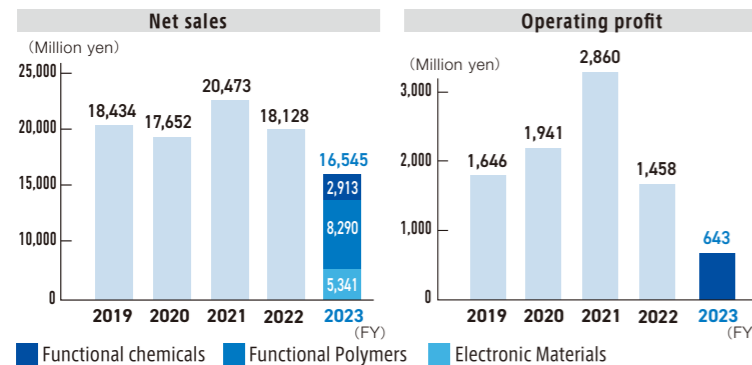
Our Group's products have been created through the fusion of our core technologies of "resin polymerization technology," "films and sheetings technology," and "ceramic sintering technology". Our products are used throughout society and contribute to the lives of people around the world.



Business Performance by Segment

▶ Electronics & Functional Products Business

Performance Trend

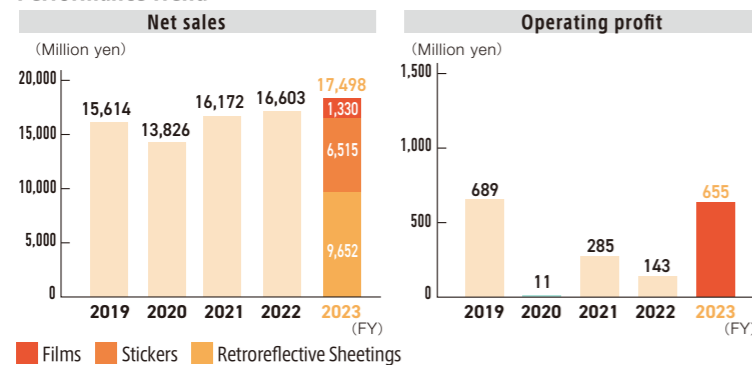


Overview

This segment saw a year-on-year decrease in both sales and profits. In functional chemicals, sales and profits decreased year-on-year due to a decrease in shipments of products for semiconductors and electronic components. In functional resins, sales decreased year-on-year but profits increased due to price revisions in response to rising raw material prices, despite a decrease in shipments of products for electronic components. In electronic materials, sales and profits decreased year-on-year due to a decline in shipments of high-value-added products for electronic components such as PCs, servers and communications equipment, as well as a decrease in shipments of semiconductor mold cleaning materials.

▶ Films & Sheetings Products Business

Performance Trend

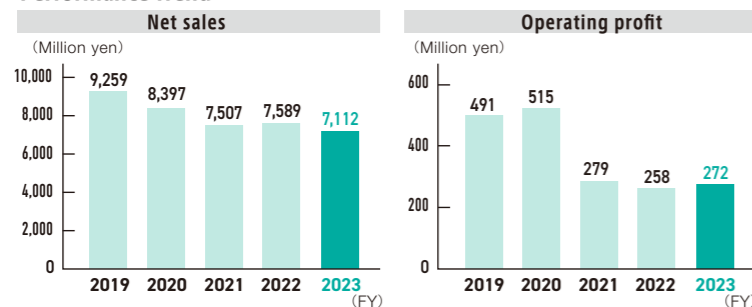


Overview

This segment saw a year-on-year increase in both sales and profits. In the film business, although the global automobile production volume is on a recovery trend, the digestion of distribution inventories is lagging, and shipments of automobile-related products have decreased, resulting in a year-on-year decrease in sales and profit. In the case of stickers, although shipments of motorcycle-related products increased due to an increase in the number of motorcycles produced in Brazil and Indonesia, shipments of 3D emblems for motorcycles decreased due to a decrease in the number of motorcycles produced in Vietnam, resulting in an increase in sales but a decrease in profits compared to the previous year. Retroreflective sheeting saw an increase in sales and profits year-on-year, due to an increase in shipments of number plate products as a result of a recovery in car sales in Europe, the US and China.

▶ Construction Materials Related Business

Performance Trend

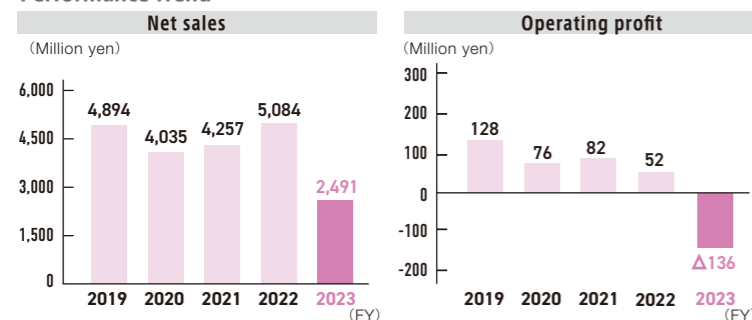


Overview

Due to a decrease in the number of housing starts in Japan, sales of aluminium building materials decreased, and sales in this segment decreased year-on-year. Segment profit increased year-on-year due to price revisions in response to rising raw material prices.

▶ Engineering Business

Performance Trend



Overview

Sales in this segment declined due to delays in the completion of construction projects for the steelmaking sector and a decrease in construction projects for group companies, resulting in a year-on-year decline in net sales and a year-on-year decline in segment profit.

Business Strategy by Segment

▶ Electronics & Functional Products Business



Electronics & Functional Products Division

Senior General Manager Yukihiro Takeda



Main Products

Functional chemicals

- Chemicals for semiconductor materials
- Chemicals for electronic component manufacturing
- Additive for semiconductor photoresists
- Vinyl ether

Functional Polymers

- Adhesives for optical applications
- Raw materials for medical and cosmetic products
- Melamine compound for tableware

Electronic Materials

- Ceramic substrate for electric materials
- Circuit substrates for electronic components
- Semiconductor mold cleaner



Business Strategy

We will thoroughly pursue "Outstanding values = One&Only" and promote high value-added products in the focused electronics area and the creation of new products in the focused safety area by deepening our proprietary technologies.



Key Challenges and Actions toward Achieving "NCI KIRARI 2025"

Areas	Key challenges	Actions toward FY2025
Strategic Markets	<ul style="list-style-type: none"> Expanding sales of high value-added products, mainly semiconductor material chemicals Expanding sales of mold cleaning materials for semiconductors in the Chinese market 	<ul style="list-style-type: none"> Discovering new needs through technical exchanges with customers Strengthening the customer support system in China to respond to market expansion
Non-Strategic Markets	<ul style="list-style-type: none"> Expanding sales of optical adhesives and other products in the Chinese market 	<ul style="list-style-type: none"> Strengthen R&D backup structure in Japan and technical services in China



Growth drivers

	Applications	Characteristics
Chemicals for semiconductor materials/chemicals for electronic component manufacturing ■ Functional chemicals	Surface treatment agents for semiconductor substrates and additives for encapsulating resins. Prevents metal surfaces used for wiring from rusting and improves adhesion to resin, thereby contributing to improved reliability of semiconductors, which are becoming finer and more multilayered.	Our refining and particle shape control technologies achieve the high purity and high quality demanded by our customers.
Additive for semiconductor photoresists ■ Functional chemicals	Additives to photoresists used in the formation of wiring patterns for semiconductor integrated circuits	We have de-metallisation technology at the ppb (parts per billion) level and have a global market share of approximately 70% (according to our own research) for negative photoresist additives.
Raw materials for medical and cosmetic products ■ Functional Polymers	Poultice, materials for mascara products, etc.	Registered in the "Drug Master File (DMF)" and can be supplied for medical products
Circuit Substrates for Electronic Components ■ Electronic Materials	Substrates for timing devices and fuse substrates for lithium-ion batteries	Printing electrodes, resistive elements, protective films, etc. on alumina ceramic substrates to make circuits.
Semiconductor Mold Cleaner ■ Electronic Materials	Cleaning materials for molds used in the semiconductor manufacturing process	We have the largest share with approximately 50% of the global market share (according to our own research).

Films & Sheetings Products Business



Advanced Film Division
Senior General Manager Hiroshi Miyake

Main Products

Films · Marking films · Laser markable labels · Packaging Materials	Stickers · Graphic stickers · Environmentally friendly decorative molded products	Retroreflective Sheetings · Retroreflective Sheetings for Signs · Retroreflective Sheetings for License Plates
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Business Strategy

We will thoroughly pursue "Outstanding values = One&Only" to expand sales of films and sheetings products with an eye on the global market, and promote the creation of new products that can contribute to a sustainable society.

Key Challenges and Actions toward Achieving "NCI KIRARI 2025"

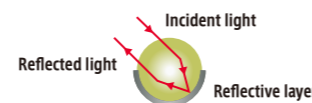
Areas	Key challenges	Actions toward FY2025
Strategic Markets	· Expanding new business in next-generation high-performance films · Expanding sales of products for license plates in the Japanese market	· Launching highly functional products for automobiles, motorcycles, and electronics through the use of multilayer wide film production facilities · Improving the quality and stable supply of products for license plates
Non-Strategic Markets	· Expanding sales of retroreflective sheetings for the graphic arts market in the U.S.	· Collaborating with major distributors · Adapting to a wide variety of substrates by improving adhesion performance

Growth drivers

	Applications	Characteristics
Laser markable labels (next-generation highly functional film) ■ Films	Traceability and tamper-evident labels for automobile bodies and parts	We offer films for tamper-evident labels by imparting self-destructive properties.
3D Emblems (Environmentally friendly decorative molded products) ■ Stickers	Emblems for motorcycles and automobiles, emblems for outdoor use	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 for License Plates ■ Retroreflective Sheetings	Automobile license plates	We have one of the largest share with approximately 30% of the global market share (according to our own research).

What is retroreflection?

A reflection phenomenon in which incident light returns to the direction of incidence



Construction Materials Related Business



Vinyframe Industry Co., Ltd.
President Katsuichi Kumakura

Main Products

- Resin Extrusion Molded Products
- Aluminum Construction Materials
- High-strength, high-functional handrails

Business Strategy

We will supply products that support safe and secure living by utilizing fatigue design technology for handrails, and promote the creation of new environmentally friendly products that contribute to a sustainable society.

Key Challenges and Actions toward Achieving "NCI KIRARI 2025"

Areas	Key challenges	Actions toward FY2025
Strategic Markets	· Expanding sales of high-strength, high-functional handrails for high-rise buildings	· Differentiating through product designs with high safety features for high floors application
Non-Strategic Markets	· Expanding sales of carport products for EVs · Expanding sales of LED lighting products (handrails and copings) to stores and commercial facilities	· Adding value to products through the exploration of customer needs

Growth drivers

	Applications	Characteristics
High-strength, high-functional handrails	For high-rise buildings such as tower condominiums	High strength makes it resistant to damages caused by typhoons and other strong wind, and there are many design variations.

Engineering Business



Diamond Engineering Co., Ltd.
President Kunihiko Takao

Main Products

- Industrial plant design, construction, and facilities
- Carbon neutral transition facilities

Business Strategy

We will contribute to carbon neutral transition with our unique powder conveying and blowing technologies, and respond to a wide range of customer needs.

Key Challenges and Actions toward Achieving "NCI KIRARI 2025"

Areas	Key challenges	Actions toward FY2025
Strategic Markets	· Expanding business by capturing opportunities in carbon neutral transition field	· Promoting response to customer needs by leveraging our powder conveying and blowing technologies cultivated over many years.
Non-Strategic Markets	· Expanding the EPC (Engineering, Procurement, and Construction) contract business	· Strengthening the cooperative relationships with customers through permanent presence at the facility

Growth drivers

	Applications	Characteristics
Carbon neutral transition facilities	Innovative development facilities related to carbon neutral transition for the iron manufacture industry/electric power industry.	We are expanding our contribution to CO ₂ emissions reduction mainly through our high-precision powder conveying technology.

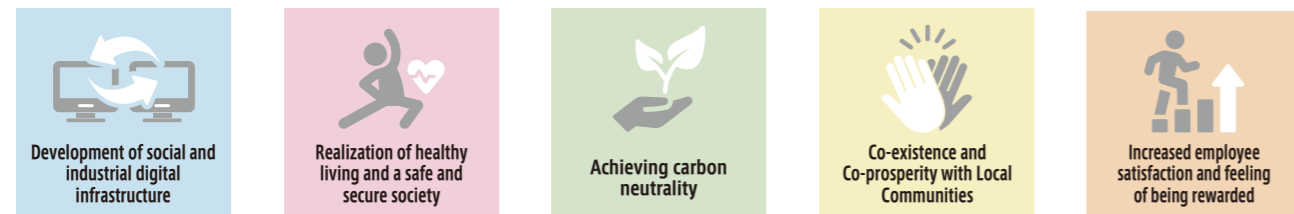
SDGs Management Initiatives

Sustainability Approaches and Initiatives

In order to realize our vision for 2030, "a corporate group of outstanding values that contributes to a sustainable society," we have formulated a Medium-term Management Plan through "NCI KIRARI 2025". Under the Plan, we consider the SDGs as an important goal for sustainability management, and have established materialities that are closely related to our mission of "Creating new value with our technological capability, we help make society more prosperous," and that will lead to our contribution to the SDGs. We will provide a wide range of valuable products by mastering and integrating the technologies we have cultivated over the years, and by realizing the materialities, we will strive to sustainably enhance our corporate value and realize a sustainable society.

Five Materialities

We have identified five materialities (important issues) that are closely related to the realization of our Group's mission (Creating new value with our technological capability, we help make society more prosperous), based on our understanding of changes in social interests and needs.



About the SDGs Promotion Committee

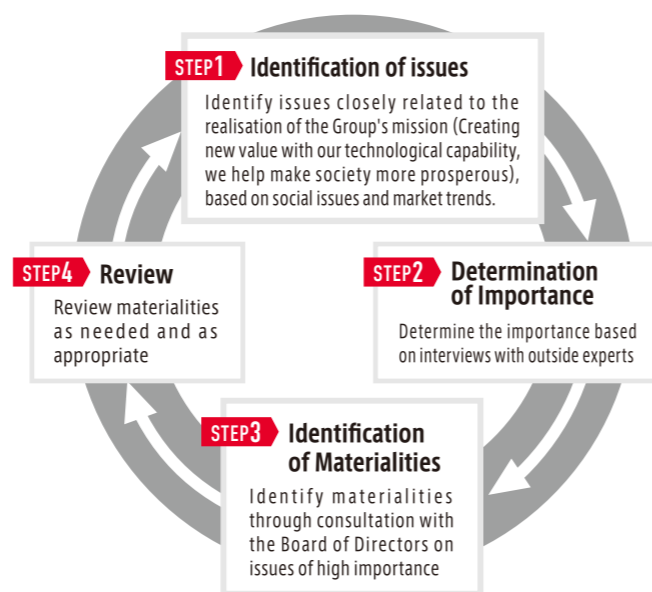
To achieve the materialities, we are working on SDGs management through the establishment of SDGs Promotion Committee in FY2023, chaired by the President and CEO and comprising all executive officers and presidents of major Group companies as well as the subcommittees under the Committee to study the realization of each materiality. The subcommittees, which include Group companies, comprise members at the executive level from organisations related to each materiality across different organisations. In principle, subcommittee meetings are held every two months to manage issues and progress towards achieving the themes for each member by implementing the PDCA cycle. The activities of the subcommittees are reported twice a year to the SDGs Promotion Committee, which discusses the direction and progress of the activities, and the content discussed by the SDGs Promotion Committee is reported to the Board of Directors for discussion and progress management.

SDGs Promotion Committee Structure

SDGs Promotion Committee	
Chairman	President & Representative Director
Vice-Chairman	Representative Director & Vice President
Committee Members	All executive officers, presidents of major group companies

Subcommittees	Development of social and industrial digital infrastructure
	Healthy life, safe and secure society
	Achieving carbon neutrality (opportunity)
	Achieving carbon neutrality (risk)
	Co-existence and Co-prosperity with Local Communities
	Increased employee satisfaction and feeling of being rewarded

Materiality Identification Process

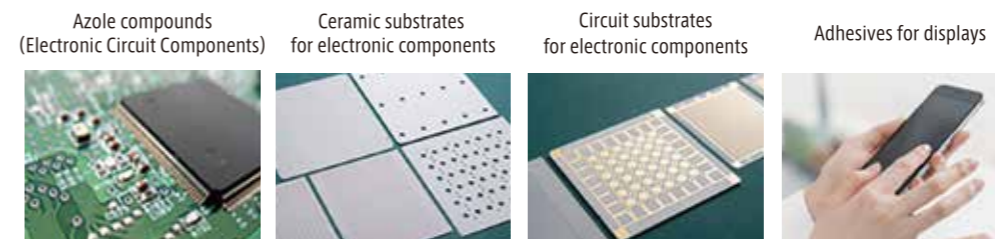


Business Activities

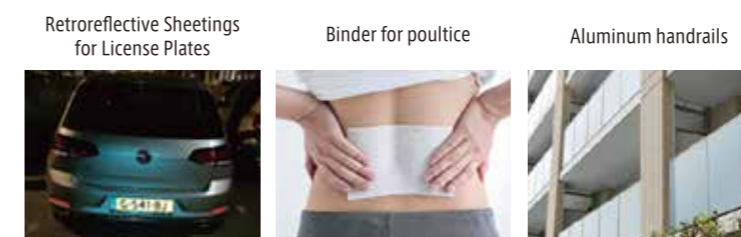
Social Interests and Needs	Materialities	Details of Initiatives	Relevant SDGs Targets
<ul style="list-style-type: none"> Development of automated driving and control technology Development of ICT society 	<p>Development of social and industrial digital infrastructure</p>	<ul style="list-style-type: none"> Identification of products contributing to information and communication equipment essential for a digital society. Confirmation of contribution to specific materialities Setting the target KPIs (sales figures for target products) and checking the progress <p>(Product examples: semiconductor materials, electronic device materials)</p>	
<ul style="list-style-type: none"> Responding to infectious diseases Increasing healthy life expectancy 	<p>Realization of healthy living and a safe and secure society</p>	<ul style="list-style-type: none"> Identification of products that contribute to healthy living and a safe and secure society. Confirmation of contribution to specific materialities Setting the target KPIs (sales figures for target products) and checking the progress. Promoting initiatives to reduce industrial waste as a corporate activity. <p>(Product examples: active pharmaceutical ingredients, solvent-free adhesives, high-performance construction materials)</p>	
<ul style="list-style-type: none"> Use of renewable energy Popularization of EVs 	<p>Achieving carbon neutrality (opportunity)</p>	<ul style="list-style-type: none"> Identification of products that lead to GHG emission reductions Setting the target KPIs (GHG reductions and sales etc.) and checking the progress Confirmation of the basis for calculation of GHG emission reductions Consideration of new business opportunities <p>(Product examples: carbon-neutral engineering equipment, EV components, biomass materials, high-performance building materials)</p>	

Specific Product Examples

Development of social and industrial digital infrastructure













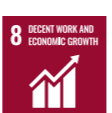
Realization of healthy living and a safe and secure society



Achieving carbon neutrality (opportunity)



Business Activities

Social Interests and Needs	Materialities	Details of Initiatives	Relevant SDGs Targets
<ul style="list-style-type: none"> ● Consideration for the natural environment ● Reduction of environmental impact ● Disclosure of environmental indices 	<p>Achieving carbon neutrality (risk)</p> 	<ul style="list-style-type: none"> ● Establishment of roadmap to reduce GHG emissions by 46% in FY2030 compared to FY2013 ● Quantification of migration risk/physical risk and study of countermeasures ● Study of calculation methods for emissions from each product ● Confirmation of progress in GHG emissions reduction efforts 	   
<ul style="list-style-type: none"> ● Revitalization of local community ● Creation of local employment ● Regional environmental response 	<p>Coexistence and co-prosperity with local communities</p> 	<ul style="list-style-type: none"> ● Promotion of activities that contribute to community vitality, safety, environment, health, and education ● Setting the policies and annual goals for each contribution activity and checking the progress ● Expansion of awareness of the Group through community interaction 	
<ul style="list-style-type: none"> ● Human capital management ● Achieving work-life balance ● Promotion of diversity ● Promotion of "KENKO Investment for Health" 	<p>Increased employee satisfaction and feeling of being rewarded</p> 	<ul style="list-style-type: none"> ● Promotion of human capital management (diversity, human resources development, personnel system reform) ● Promotion of "KENKO Investment for Health", reformation of work styles, and improvement of workplace environment ● Setting the targets and fiscal year for achievement of initiatives for each theme, and checking the progress 	  

Initiatives to reduce GHG emissions



Solar power generation equipment installed at a manufacturing factory in China

As part of our efforts to reduce GHG emissions, in addition to the installation of solar power generation facilities at our Uozu and Hayatsuki factories (Toyama Prefecture) and our factory in Thailand (ECT), which have been in operation for some time, we have also installed solar power generation facilities at our China factory, which began operation in December 2023. These facilities will reduce GHG emissions by approximately 2,000 tCO₂ per year.



Solar panels installed at Uozu Factory



Solar panels installed at a factory in Thailand (ECT)

In addition, we are planning to install new solar power generation facilities at our factories in Vietnam, Thailand (NCI Thailand), and Japan. In addition, Group companies in Brazil and Toyama Prefecture are actively working to reduce GHG emissions by switching to green power.

Environment



We shall actively work to preserve the global environment and strive to preserve the environment in all of our 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 "We shall comply with environmental laws and regulations, always pay attention to environmental preservation, and cooperate with the company's measures to reduce the burden on the environment at every stage of our operations, from technology development, product design, procurement, production, sales, transportation, use and disposal, to recovery."

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

Climate change-related issues are discussed by the Risk Management Committee and reported regularly to the Board of Directors. The Risk Management Committee has put in place a system to deal with climate change in an appropriate manner by establishing the TCFD Promotion Team as a working-level discussion and response organization to deal with climate change-related issues. The Board of Directors receives the reports, conducts monitoring and continuously supervises activities aimed at addressing climate change, and setting and achieving GHG reduction targets.



Risk Management

The Risk Management Committee, with the Corporate Planning Department acting as its secretariat, has established a system to appropriately address important risk issues related to sustainability in general. The Risk Management Committee identifies important risks each year and determines which departments and divisions are responsible for addressing them. The Risk Management Committee meets four times a year to receive reports on countermeasures, action plans, progress, etc., for each issue from the department or division in charge, and to reduce risks through deliberations at meetings attended by all executive officers. 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 activities, including basic risk management policies, identification of important risks, determination of important measures, monitoring of measures and instructions for improvement.

Strategies

Our Group aims to grow sustainably with society through contributing to resolutions of issues related to climate change impacts and mitigation and other climate change-related issues, and recognizes that addressing climate change is an important sustainability issue. We have examined the risks and opportunities of climate change impacts under the scenarios of average temperatures of "4°C" and "less than 2°C." As a result, we have identified risks including the introduction of carbon tax, increased energy costs, increased investment in renewable energy and energy-saving facilities, and damage to facilities due to more severe natural disasters. In addition, we are expecting opportunities including increased demand for decarbonization facilities and zero-carbon steel, increased EV-related demand, and increased demand for hydrogen fuel production facilities.

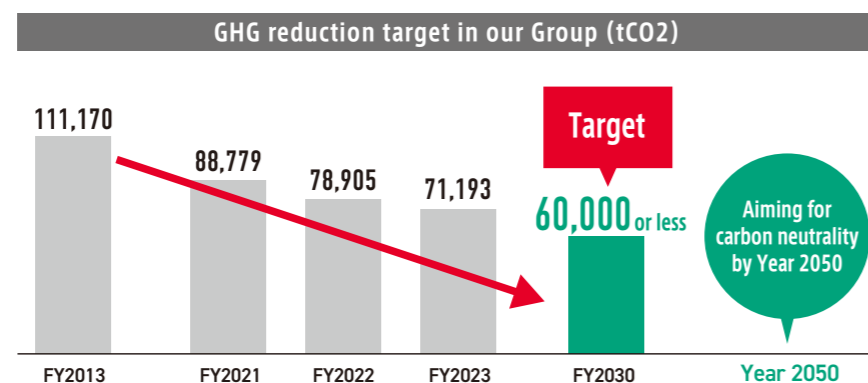
Our Group will continue to mitigate risks by responding in a timely manner to changes in global warming policies and other factors, and aim for sustainable growth and increased corporate value through initiatives that contribute to further mitigating the effects of climate change.

Overview of risks and opportunities related to climate change

Type	Description		Impact	Response
Transition risk	Policy and Regulation	<ul style="list-style-type: none"> Rise in energy and raw material costs due to the introduction of carbon tax 	Medium	<ul style="list-style-type: none"> Active promotion of energy-saving activities Introduction of solar power generation Conversion to renewable energy Scope 3 reductions through collaboration with suppliers Price pass-through
		<ul style="list-style-type: none"> Increase in capital investment and other costs to implement measures in order to achieve GHG emission reduction targets 		<ul style="list-style-type: none"> Formulation of systematic capital investment plan
	Market	<ul style="list-style-type: none"> Increase in technical and cost competition with original manufacturers to establish new manufacturing methods for key products Increase in logistics costs due to higher energy prices 	Medium	<ul style="list-style-type: none"> Study and establishment of new manufacturing methods with the risks listed on the left in mind. Encouraging delivery companies to adopt EVs Review of delivery methods
		<ul style="list-style-type: none"> Increase in costs to respond to the introduction of new energy-saving and renewable energy technologies Increase in R&D expenses for new technologies, etc. 		<ul style="list-style-type: none"> Simultaneous consideration of cost reduction
Reputation	<ul style="list-style-type: none"> Decrease in demand for products due to delay in GHG emission reductions, as client companies become more aware of the need to reduce GHG emissions 	Small	<ul style="list-style-type: none"> Certain achievement of GHG emission reduction targets 	
Physical Risks	Chronic	<ul style="list-style-type: none"> Increase in cooling costs due to higher average temperatures Inundation of production sites and supply chain disruption due to flooding 	Large	<ul style="list-style-type: none"> Increase in cooling efficiency (e.g., by switching equipment) Identification of risk areas and consideration of countermeasures
	Acute	<ul style="list-style-type: none"> Inundation of production sites due to flooding caused by extreme weather conditions 	Large	<ul style="list-style-type: none"> Assumption of disaster level at each site Study and reinforcement of disaster prevention measures tailored to each disaster level
Opportunities	Resource efficiency	<ul style="list-style-type: none"> Energy cost increases due to the introduction of new energy-saving and renewable energy technologies. 	Medium	<ul style="list-style-type: none"> Achieving increased competitiveness through proactive introduction of new technology
	Reputation	<ul style="list-style-type: none"> Increase in sales by switching to a product lineup with higher added value in terms of environmental aspects 	Medium	<ul style="list-style-type: none"> Timely product development Preparation of production capacity to meet demand
	Products, Services, etc.	<ul style="list-style-type: none"> Increase in EV-related demand Increase in demand for solid state batteries Increase in demand for decarbonization equipment and zero-carbon steel Increase in demand for hydrogen fuel production facilities 	Medium	<ul style="list-style-type: none"> Indicators and Targets Preparation of production capacity to meet demand

Indicators and Targets

As part of our efforts to prevent global warming, our Group aims to reduce GHG emissions and achieve carbon neutrality. 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 GHG emissions by 46% from the fiscal 2013 level by FY2030 and to become carbon neutral by 2050.



Figures are the sum of Scope 1 and Scope 2

Human Rights

Views on Human Rights

The Group aims to contribute to the sustainable development of society by creating value through its outstanding technological capabilities, and understands that respect for human rights is an indispensable element for the sustainable development of society. The Group has established a Human Rights Policy to ensure that it understands the human rights of all people involved in its business activities and that it fulfills its responsibility to respect human rights.

(see our "Human Rights Policy" at <https://www.carbide.co.jp/corporate/csr/>)

Respect for Human Rights

To ensure that our Group's business activities do not negatively impact the human rights of our various internal and external stakeholders, in addition to ensuring that we ourselves do not commit human rights violations, we will strive to reduce the risk of human rights violations by our stakeholders, including our business partners. The Group understands the purpose of the United Nations International Bill of Human Rights, the Guiding Principles on Business and Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, etc., and respects human rights.

Human Rights Due Diligence

In order to respect human rights, the Group will conduct human rights due diligence on identified human rights issues. In addition to ensuring that we ourselves do not commit human rights violations, we will strive to reduce the risk of human rights violations by our stakeholders, including our suppliers and other business partners. If it becomes clear that the Group has caused or encouraged human rights violations, we will work to correct and remedy such violations.

Human rights issues related to business activities

We will promote efforts to address the following human rights issues related to the Group's business activities.

- Discrimination
- Harassment
- Forced labor
- Child labor
- Freedom of association and right of collective bargaining
- Occupational health and safety
- Working hours and wages
- Mineral procurement

Complaint Handling Mechanism

In response to any actual or suspected violation of human rights in the Group's business activities, we have established a whistleblower hotline, which is available to internal and external stakeholders. Upon receiving a report or allegation that human rights are not being respected, we will conduct an appropriate investigation and take initiatives and approaches to correct the situation.

Dialogue with Stakeholders

The Group will address issues related to human rights by utilizing outside expertise and engaging in ongoing dialogue with relevant internal and external stakeholders.

Education and Awareness-raising Activities

The Group will work to raise awareness of human rights, strive to ensure that its officers and employees have a correct understanding of human rights and issues related to human rights, and provide necessary education and skills development to its officers and employees.

Human Resources



Human Resources Policy

Based on the belief that human resources are the cornerstone of all our business activities, our Group is actively working to improve the workplace environment, secure diverse human resources, develop human resources, and promote career development so that our diverse workforce will have confidence and pride in their work, and through mutual cooperation, can maximize their abilities and create synergy to realize growth and success. We are actively working on securing diverse human resources, human resource development, and career development.

Human Resources Strategy

In order to realize our vision for 2030 and achieve full-fledged growth, the Group has established the basic policy for our Medium-term Management Plan as the pursuit of "Outstanding values= One & Only," and we will contribute to a sustainable society and achieve sustainable growth by mastering technologies of outstanding values and providing products of outstanding values.

To this end, it is important to improve our technology level, add value to our products, expand our supply capacity through capital investment, and develop new markets and create new products in the strategic markets of our focus areas. We will also focus on market development using our global bases.

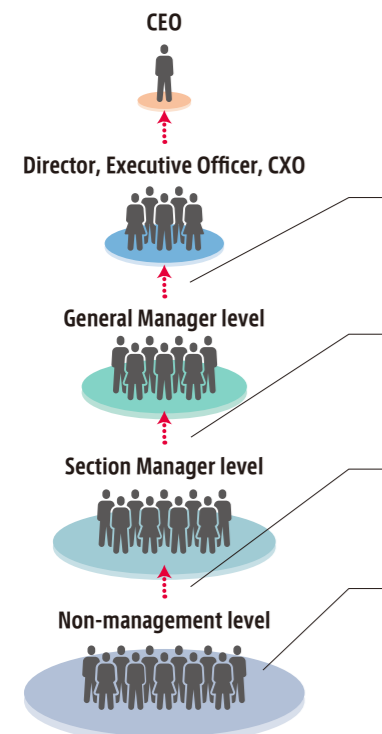
In order to realize these business strategies, we will steadily implement the following measures: "systematic development of business leaders and global leaders," "securing excellent human resources and ensuring human resource development," "fostering an organizational culture that takes on the challenge of new initiatives and accomplishes them with 'One-NCI'," and "creating a comfortable work environment where employees can fully demonstrate their abilities."

Systematic development of business leaders and global leaders

For the expansion of our Group's business, it is essential to develop business leaders and global leaders who can explore new markets and create new products. We are developing business leaders and global leaders through the Next Generation Management Development Program and the Global Human Resource Development Program.

Next Generation Management Development Program (starting in FY2021)

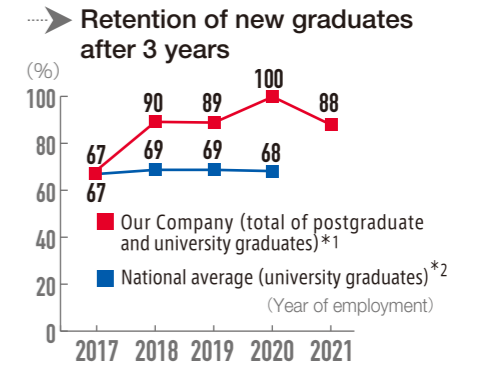
Training Steps	Objective	Key to development (example)	Results	Cumulative Target	
			FY 2021-2023	FY2025	FY2030
STEP 4 3 years	Management development (Succession of CEOs, CXOs, and Executive Officers)	<ul style="list-style-type: none"> Change industry/company Practice business transformation/business creation Direct education of CEOs, mentoring of board members 	20	30	50
STEP 3	Leader development (Succession of CEOs, CXOs, and Executive Officers)	<ul style="list-style-type: none"> Change business Practice vision formation/strategic thinking Rotation (overseas, different fields, affiliated company executives, etc.) 	13	33	53
STEP 2	Management of strengthened managers	<ul style="list-style-type: none"> Change workplace Practice problem finding/problem solving Rotation (overseas, different fields, etc.) 	0	60	100
STEP 1	Identification and development of high-potential human resources	<ul style="list-style-type: none"> Change job Practice logical/hypothetical thinking Basics of problem finding/problem solving Rotation (e.g., overseas experience) 	42	62	122
The number of participants in the program is the cumulative total number of participants.			Total	75	325



Securing excellent human resources and ensuring human resource development

Recruiting excellent human resources (Recruitment and Retention)

In the midst of fierce competition for human resources and the ever-increasing mobility of human resources, we intend to make our Company a place where diverse and talented people can gather. When conducting new graduate and career recruitment, we will continue to carefully provide job applicants with the information each of them need to know so that they can join the Company with a sense of satisfaction. In addition, we are strengthening mid-career recruitment in order to hire personnel with diverse experience, knowledge, and expertise. Furthermore, we have introduced a reemployment system in FY2022. We will continue to improve our system so that we can respond to the needs of our employees who wish to experience multiple companies and then choose a Company where they can work for a long time. In addition, we aim to increase the ratio of female employees to more than 30% as a target to ensure diversity in our workforce.



*1 Percentage of new graduates hired in April of each year who are still with the Company 3 years later.
 *2 Ministry of Health, Labour and Welfare, Job Turnover of New Graduates (March 2020 Graduates) (Published in October 2023) (figures are rounded to the nearest whole number)

Ensuring human resource development

The Company is working in unison from the person in charge of education to all executive officers to develop young employees through the operation of the young employee development program and other measures aimed at fostering top-notch engineers and other excellent human resources.

Young Employee Development Program

To help young employees grow into first-class human resources, we have implemented a young employee development program. We set individual mid- to long-term future visions (outlines) for training, create a one-year training plan each year, and provide daily work guidance by the person in charge of education. In addition, based on the policy that the entire Company, including management, is responsible for training young employees, once a year, we have young employees present their achievements for the year and the person in charge of education present the training policy and the progress of the training plan at a debriefing session attended by all executive officers. Executive officers confirm the growth of young employees and provide necessary advice and guidance to young employees and persons in charge of training, thereby strengthening the Company's training capabilities.

Human Resource Development Initiatives at R&D Centers

In order to pursue outstanding technologies, we are making efforts to improve our technical capabilities through R&D discussion meetings, technical study sessions, patent education, and CI activities.

- R&D Discussion Meetings**
This is an activity for researchers up to mid-career to present the contents and issues of the development theme they are in charge of and receive opinions and advice from other researchers.
- Technical study sessions**
Researchers of mid-career and above are invited to conduct research on products, technologies, and markets of interest to them, as well as technologies that could be used by the Company to create new products, and to present their findings. The purpose of this activity is to deepen technological knowledge outside of one's own field of expertise and to take advantage of synergies.
- Patent education**
In order to achieve the target number of patent applications by 2025, we provide patent education for young researchers up to their third year with the company, with the goal of filing applications.
- CI (Creation/Innovation) activities**
We conduct free research activities with the goal of creating new themes that will become new growth drivers for the Company. (In principle, activities are conducted on an approximately one-year basis.)

Fostering an organizational culture that takes on the challenge of new initiatives and accomplishes them with One-NCI

Ensuring Diversity


We believe that in order to innovate, increase corporate value, and achieve sustainable growth, it is important to respect the individuality of each employee, and to enable human resources with diverse experience, knowledge, and expertise to freely express their ideas and play an active role, regardless of gender, nationality, or age. We further believe that it is important for employees to be able to exercise their abilities to the fullest by providing support and fair opportunities that take into consideration the differences of each employee and his/her situation. We will work to foster an organizational culture and strengthen our organizational structure to realize these goals.

Establishment of KPIs to ensure diversity

One of the key issues in our medium-term management plan is "promotion of diversity," and we have set KPIs for the utilization of female, non-japanese, and career hires. In addition, the ratio of women in management positions needs to be improved, and we are working to increase the ratio of women in management positions to 30% or more when hiring, and have established a new DE&I Promotion Team to support the careers of female employees.

Establishment and activities of the DE&I Promotion Team

We have established a DE&I Promotion Team with the aim of promoting DE&I (Diversity, Equity & Inclusion) in 2023. We will work to promote DE&I, including activities to support the career development of female employees.



Ensuring Diversity

Operation of childcare/nursing care leave system

We have implemented a childcare/nursing care leave system to prevent career discontinuation due to childbirth, childcare, or nursing care. In accordance with the revision of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members in 2022, we are promoting the use of childcare leave for male employees by revising regulations in accordance with the changes in the Act and by informing employees of the revised Act. The childcare leave utilization rate for FY2023 is as follows.
Company: 100% for female employees, 86% for male employees
Group: 100% for female employees, 76% for male employees

Initiatives for Employment of the Elderly

We have a re-employment system in place for employees who retire at the age of 60, and who wish to continue working until the age of 65. We re-employ them in positions where they can make use of their many years of experience, and we evaluate them in the same way as our younger employees, and reflect the results of these evaluations in their remuneration. Furthermore, while we do assume that there will be a generational change, we also make use of personnel regardless of age, and we appoint people over the age of 60 to important positions such as department manager, based on the idea that the right person should be in the right place. Furthermore, from April 2024, we have changed our system so that employees who are 65 years old or older and who have been specially approved by the Company can be rehired until they are 70 years old, if they are deemed necessary for the Company's business operations.

Diversity KPI

Ratio of female managers

Classification	Actual number			Target	
	FY2021	FY2022	FY2023	FY2025	FY2030
Our Group	13%	13%	13%	15%	20%
Our Company	2.6%	2.4%	2.2%	5%	10%

A personnel system that places importance on challenges

We provide fair personnel treatment through a personnel system that motivates employees to take on challenges, so that each and every employee can feel a sense of fulfillment and work with vitality. In addition, we have an internal entry system, internal job openings, and self-assessment sheets that enable the right people to take on the work they want to do at the right place at the right time.

Revision of Personnel Performance Evaluation System

We have revised our personnel performance evaluation system with the aim of fostering a corporate culture that encourages employees to take on challenges. We have incorporated target management into our personnel performance evaluation system, which allows employees to receive points not only for the degree of achievement of goals, but also for the degree of difficulty of goals, effort and ingenuity, and contribution to the company. From FY2022, the system has been revised and put into operation, including an increase in points awarded for difficulty, in order to appreciate the willingness to take on challenging goals.

Introduction of an internal entry system and an internal open recruitment system

In order to ensure that employees are able to take up the jobs they want, to increase their sense of satisfaction with their work, and to achieve a more rewarding and appropriate allocation of human resources, we began operating an internal entry system and internal recruitment system in FY2023. From FY2024, the application conditions were shortened from three years of employment to one year (excluding new employees and those transferred through the internal entry and recruitment system).

Creating a comfortable work environment in which employees can fully demonstrate their abilities

Creating a comfortable work environment

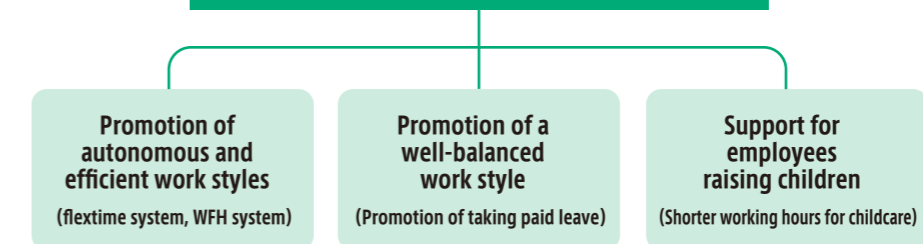
We promote the creation of a comfortable work environment in which employees can fully demonstrate their abilities. We conduct employee satisfaction surveys on a regular basis, and based on the results, implement workplace improvement activities to make the workplace a better place to work. We also promote the realization of work-life balance through the promotion of autonomous, efficient, and well-rounded work styles and support for employees with childcare or other circumstances.

Employee satisfaction surveys and workplace improvement activities

We conduct an employee satisfaction survey once every three years to check how satisfied employees are with their organization, work environment, and job content. The results of the employee satisfaction survey are reported to the Board of Directors, and a summary of the results is shared with employees through internal newsletters and other means. Based on the results of the employee satisfaction survey, we are implementing workplace improvement activities to improve the workplace, change the corporate culture to one that encourages employees to take on new challenges, and raise awareness of compliance and safety in the workplace. 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.



Promotion of work-life balance



Creating a safe and secure work environment

Safety, quality, environment, and compliance are the basic premise of our business activities, and we cannot operate without safety. The Group not only complies with the Labor Standards Act and other labor-related laws and regulations, but also works to ensure the safety of all employees.

Health Management Initiatives

We are committed to health management, as we want each and every one of our employees to be healthy both physically and mentally so that they can maximize their abilities.

Initiative toward obtaining certification as a Health and Productivity Management Organization

We believe that it is necessary to respond to the aging of our employees in line with the progress of employment of the elderly and to strengthen our response to those with mental health problems, and we intend to further enhance our KENKO Investment for Health efforts in the future. As part of these efforts, we aim to be certified as a Health and Productivity Management Organization.

Consultation service for various concerns

We have established an external consultation service as a preventive measure before mental disorder becomes apparent and as a measure to alleviate mental disorder. Mental disorders are the result of various stresses and worries. We ensure that employees and their families can consult with counselors and other specialists at any time on a wide range of issues, including workplace problems, family problems, interpersonal relationships, health problems, and any other kind of problems.

Supply Chain Management

Basic Purchasing Transaction Policy

The Group will conduct fair and equitable procurement activities based on the following Basic Purchasing Transaction Policy.

Basic Purchasing Policy

- 1 Fairness, Impartiality, Transparency**
 We provide our business partners with fair and impartial opportunities for trade. We select our business partners based on appropriate criteria, taking into account their cost competitiveness, ability to ensure stable supply, technical capabilities, and corporate stance (including their efforts to comply with laws and social norms, consideration for the environment, and respect for human rights).
- 2 Partnership**
 We aim to establish business relationships with all our business partners that will lead to mutual prosperity. To this end, we place great importance on communication with our business partners and strive to build stronger relationships of trust.
- 3 Respect for Human Rights**
 To ensure that our Group's business activities do not negatively impact the human rights of our various internal and external stakeholders, in addition to ensuring that we ourselves do not commit human rights violations, we will strive to reduce the risk of human rights violations by our stakeholders, including our business partners. The Group understands the purpose of the United Nations International Bill of Human Rights, the Guiding Principles on Business and Human Rights, and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, etc., and respects human rights.
- 4 Compliance with Relevant Laws and Regulations and Consideration for Safety and the Environment**
 In carrying out our purchasing activities, we will act in good faith in accordance with the laws and regulations of each country and international norms, and will give appropriate consideration to safety, the environment, resource conservation, etc.

In addition, in accordance with the above Basic Purchasing Policy, the Group also requests that its suppliers who make up its supply chain take the same approach.

Approach to and Initiatives regarding Conflict Minerals

We will not procure minerals traded around the world if there is clear evidence or a high risk of involvement by armed groups, serious human rights violations, environmental destruction, etc., regarding their mineral resources.

We recognise that these issues related to minerals are important social issues, and we will work to procure minerals responsibly based on whether or not there is involvement in conflicts or human rights violations in conflict zones and high-risk areas.

The Purchasing Department will monitor the efforts of suppliers to address these issues through means such as the Green Procurement Guidelines and questionnaires related to sustainable procurement.

In addition, we will work with our business partners to ensure that procurement activities do not lead to conflict or human rights violations, through the following initiatives.

Details of mineral surveys conducted

- 1** If conflict minerals (tin, tantalum, tungsten and gold) are contained in products, we request that suppliers take steps to reduce risk by using raw materials and materials from CFS ConflictFree Smelter certified smelters.
- 2** If minerals such as cobalt and natural mica are sourced from high risk areas (CAHRAs), we request an investigation into the presence or absence of risks described in OECD Guidance Annex II (e.g. human rights abuses including child labor, money laundering, etc.).

With respect to target minerals and areas of origin, we confirm information on laws, regulations, etc. and review the scope of the mineral survey on a regular basis.

Contribution to Local Communities



One of our materialities is "co-existence and co-prosperity with local communities". The Company strives to contribute to economic, social, and cultural development as a good corporate citizen through cooperation with local communities toward a sustainable society. Further, the Company continues to contribute to the revitalization of local communities through environmental activities and support for the inheritance of traditional culture.

Proide on-site classes on aerial imaging technology at a children's center

In order to familiarize local children with our Company, we held several classes on aerial imaging technology at a children's center in Uozu City, Toyama Prefecture. Approximately 120 elementary school students in the city participated in the classes, where they had the opportunity to operate touch panels and clocks that use our aerial imaging technology, and to draw their own pictures and make them float in the air.

(November 27 and 29, 2023)



Hayatsuki Factory Concluded an Agreement with Namerikawa City regarding the Supply of Drinking Water in Times of Disaster.

In order to secure drinking water for citizens in Namerikawa City, Toyama Prefecture, where our Hayatsuki Factory is located, in the event of an earthquake, windstorm, flood, or other disaster, we have concluded an agreement with the city government and companies in the city that have a dedicated water supply system to cooperate in the prompt and smooth supply of drinking water. Securing drinking water in the event of a disaster is an important issue, and drinking water will be provided to residents of Namerikawa City and neighboring areas, as well as to citizens who wish to be supplied with water.

(December 5, 2023)



Held a Youth Baseball Tournament

Diamond Engineering Corporation (DEC), one of our Goup companies, held the first "DEC Cup for Uozu City Youth Baseball Autumn Rookie Tournament," a tournament for local youth baseball teams. At the awards ceremony following the tournament, the winning team was presented with the DEC Cup and medals.

(November 3-5, 2023)



Participated in the Kathina Festival held at a local temple

NCI Thailand, one of our Group companies, participated in the Kathina Festival, a ceremony held at a local temple to dedicate special vestments called "Kathina robe" to monks who have completed their ascetic training, donated offerings such as Kathina trees, and distributed free food to festival participants using paper trays, banana leaves, and other environmentally friendly containers. The company employees also participated in a parade with local residents and picked up trash around the temple after the festival.

(November 5, 2023)



Donated stationery and other items to nearby elementary schools and support groups

NCI Indonesia, one of our Group companies, donated stationery to approximately 600 students at two public elementary schools in the vicinity. The company also donated daily necessities and stationery to an organization that provides support to children who have difficulties in living and education due to family circumstances.

(December 21, 2023)



Participated in "GOMIZERO" environmental activity

Employees of NCI Brazil, one of our Group companies, participated in the environmental activity "GOMIZERO (Garbage Zero)" organized by the Environmental Committee of the Japanese Chamber of Commerce and Industry. Together with Japanese companies in Manaus, they cleaned up the port near the industrial park.

(June 8, 2024)



Messages from our Outside Directors

Towards the establishment of solid governance and the improvement of employee engagement

As a lawyer, I have been involved in legal consultations for financial companies and small and medium-sized enterprises. During this time, I became interested in information management, and I spent two years working at the Secretariat of the Personal Information Protection Commission, where I was able to deepen my expertise in this field and gain the opportunity to see up close the operations of a government organisation and the discussions that take place at commission meetings. What I strongly felt through this experience was that, whether it be laws or internal organisational rules, rules are meaningless unless they are designed to function, but actually making them function is extremely difficult. In terms of this rule-making and actual implementation, I feel that NCI is taking a down-to-earth approach at the moment. Of course, it is necessary to make constant improvements in response to the changing society, and we are constantly making trial and error efforts, but I feel that the way in which NCI is tackling each issue with sincerity is reassuring.

In addition, I have a different background to the other members of the board in terms of age, gender and experience of running a company, and I try to make it a habit to provide different perspectives and clarify tacit knowledge in the discussions at board meetings. During the Board of Directors' discussions, I am particularly concerned about the low ratio of female managers in the Company as a whole, and the fact that companies with low ratios of female managers generally tend to have low employee engagement. I am of an age where I am not sure whether I want to become a manager, and I also face labour issues in my day-to-day work as a lawyer. Therefore, I would like to express my honest opinions so that our Company can become one that women and relatively young people want to work for.



Outside Director
Yoshioka Satsuki

Support appropriate risk management and transparent management

Over the years, I have been involved in product development, business operations and corporate management, mainly in the automotive parts business. Using the knowledge and experience I have gained, I would like to contribute to the realisation of our vision of 'a corporate group of outstanding values' based on our mission of 'creating new value with our technological capability, we help make society more prosperous' by making active inquiries and proposals regarding the management strategy of our Group.

From the perspective of an outside director, I will support the Company in achieving highly transparent management by providing objective and fair advice that is not constrained by the internal logic of the Company. In addition, in the current fast-changing and unpredictable business environment, it is very important to understand the risks facing the Company and to establish an appropriate risk management system. By supporting these efforts, I hope to contribute to ensuring stable corporate management. Furthermore, we intend to support the formulation and implementation of business and management strategies based on the technological capabilities of our Group. We hope to contribute to the creation of a valuable corporate Group that stands out in society by helping each member of our Group to take pride and confidence in their work, to feel their own growth, and to pursue the satisfaction of all those involved.



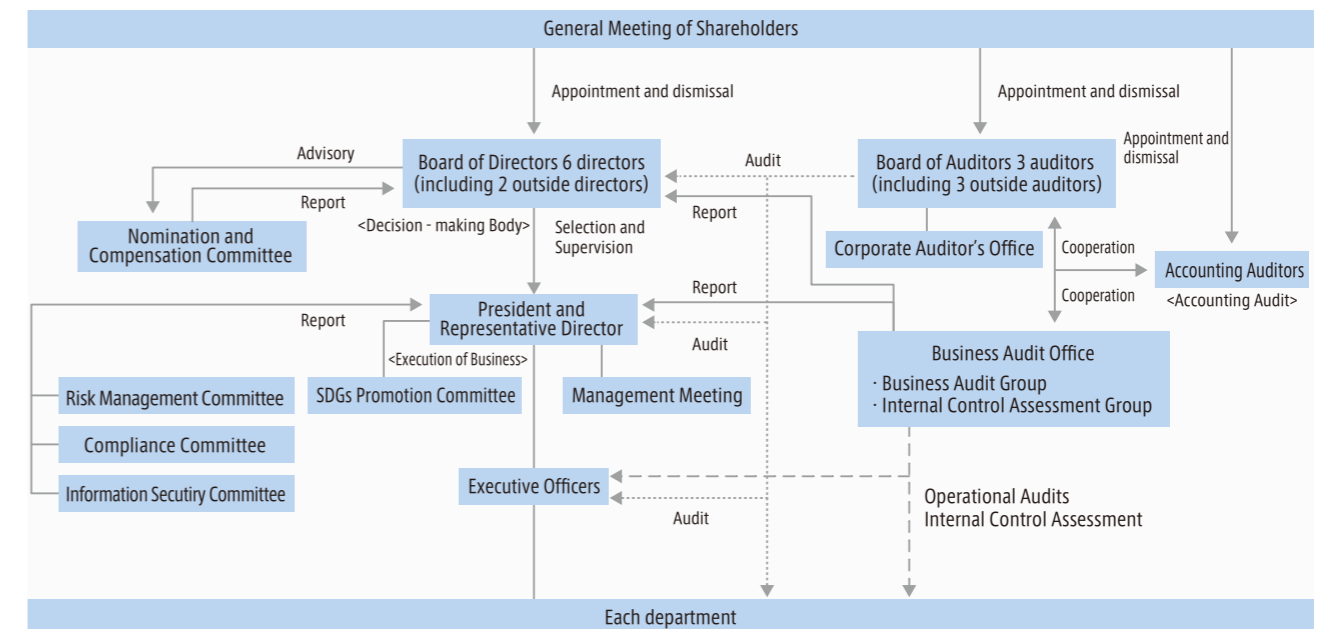
Outside Director
Kadomukai Yuzo

Corporate Governance

Basic Approach

Our basic approach toward corporate governance is to strive for sustainable growth and increased corporate value by ensuring fair and highly transparent management and a system that enables swift management decisions and business execution in a rapidly changing business environment, and by ensuring that internal checks and balances function effectively, thereby fulfilling our responsibilities to our shareholders and other stakeholders.

Corporate Governance Structure



Here is the link to the Corporate Governance Report. <https://www.carbide.co.jp/ir/info/>

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 ensure opportunities for appropriate involvement and advice from outside directors in considering important matters such as the selection and dismissal of directors, compensation and succession planning, as well as to enhance corporate governance by strengthening the fairness, transparency and objectivity of procedures related to the selection and dismissal of directors, compensation and other matters.

- 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
Yoshioka Hatsuki (Committee Chairman)	Outside Director	9	9
Kadomukai Yuzo (Director)	Outside Director (assumed office in June 2024)	2	2
Sugiyama Takahisa (Representative Director)	Representative Director	10	10

*April 2023 - July 2024

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	Position	Business Management	Finance & Accounting	Legal & Compliance	Sales & Marketing	R&D/Production Technology	International Affairs	Risk Management
Sugiyama Takahisa	Representative Director President & CEO	●			●		●	●
Iguchi Yoshitada	Representative Director Vice President & CFO	●	●	●				
Hasegawa Yukinobu	Director & CTO	●			●	●		
Yokota Yuichi	Director	●			●			●
Yoshioka Satsuki	Outside Director			●				●
Kadomukai Yuzo	Outside Director	●				●	●	
Hayashi Fumiaki	Full-time Corporate Auditor (Outside)	●						●
Sawada Masahiro	Full-time Corporate Auditor (Outside)		●				●	
Emi Mutsuo	Corporate Auditor (Outside)		●					●

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 Medium- to Long-term Incentive Stock Compensation Plan

We have introduced a medium- to long-term incentive stock compensation plan (restricted stock unit) for our directors with the aim of continuously improving the corporate value of our Group and further promoting value sharing with our shareholders.

Evaluation of the Effectiveness of the Board of Directors

With regard to the evaluation of the effectiveness of the Board of Directors, the Company employed an external consultant to conduct a survey in March 2024 of all directors and all corporate auditors on 33 items, including the composition and operation of the Board of Directors, and the results of the survey were discussed at a meeting of the Board of Directors. As a result of the discussions, it was concluded that the effectiveness of the Board of Directors was generally maintained, but there were also new issues pointed out, such as measures to deepen discussions at the Board of Directors level regarding management that is conscious of the cost of capital. Based on these points, the Company will implement further measures and create an environment to enhance the effectiveness of the Board of Directors.

Amount of performance-linked compensation

The amount of performance-linked compensation will, in principle, vary within a range of 0% to 180% 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.

Indicators for Performance-Linked Remuneration

As we place importance on enhancing business profitability and generating cash, we use operating income (degree of achievement against targets and degree of growth over the previous year) and operating cash flow (degree of growth over the previous year) as indicators for performance-linked remuneration. The actual amount of operating income for the current fiscal year was 850 million yen, compared to the target of 2 billion yen. Operating income decreased from the previous fiscal year. Operating cash flow increased from the previous year.

Compliance/Risk Management

Compliance

Basic Approach

The Group has established "Basic Guidelines for 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/corporate/behavior/>)

Promotion System

To promote compliance, we conduct training and other activities to ensure that all officers and employees conduct business operations in accordance with the Compliance Rules and Regulations. In addition, we take a firm stance against antisocial forces that threaten the order and safety of civil society, and have established an internal system to prevent any relationship with such forces. Furthermore, 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 President and Chief Executive Officer provides guidance for improvement. In addition to the Legal Office, we have also set up a whistleblower system (hotline) that allows employees to consult with and report to external lawyers.

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) Accident disasters
- (7) Natural disasters
- (8) Litigation etc.
- (9) Intellectual property rights
- (10) Product liability
- (11) Compliance with environmental regulations and response to climate change
- (12) System risks
- (13) Securing of human resources

(For more information, please refer to pages 24 and 25 of the Annual Securities Report for the year ended March 31, 2024 at <https://www.carbide.co.jp/ir/info/>)

Basic Guidelines on Corporate Activities

- 1 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.
- 2 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.
- 3 The Nippon Carbide Industries Group shall respect humanity, nurture human resources, and foster a corporate culture in which "each and every employee can develop his or her own ideas and put them into practice", ensure the health and safety of employees in the workplace and strive to promote their comfort and affluence in life.
- 4 The Nippon Carbide Industries Group shall actively work to preserve the global environment, and make every effort to protect the environment in all of its corporate activities.
- 5 The Nippon Carbide Industries Group shall establish relationships of mutual trust and cooperation with all the stakeholders including but not limited to shareholders, business partners, and local communities, and strive for co-existence and co-prosperity.
- 6 The Nippon Carbide Industries Group shall strive to contribute to society and culture as a good corporate citizen.
- 7 The Nippon Carbide Industries Group shall take a firm stance against antisocial forces that threaten the order and safety of civil society.

Board Members and Executive Officers

● Directors



Representative Director & President Chief Executive Officer

April 1982 Asahi Glass Co., Ltd. (now AGC Inc.)
 July 2005 General Manager, Planar Device Department, Optical Components Business Division, Electronics & Energy Business Group, Asahi Glass Co., Ltd.
 July 2006 General Manager, Planar Devices Department, Electronics & Energy Division, Asahi Glass Co., Ltd. January 2008 General Manager, Optical Components Division, Electronics & Energy Business Group, Asahi Glass Co., Ltd.
 January 2008 General Manager, Optical Components Division, Electronics & Energy Business Group, Asahi Glass Co., Ltd.
 July 2009 General Manager, Optical Components Business Division, Electronic Company Electronics Business Group, Asahi Glass Co., Ltd.

Representative Director, Vice President, Executive Officer & CFO



April 1982 Joined Mitsubishi Bank, Ltd. (now MUFG Bank, Ltd.)
 January 2001 Branch Manager, Ikebukuro Higashiguchi Branch, Mitsubishi Bank
 April 2004 Branch Manager, Ebisu Branch, Mitsubishi Bank
 January 2006 Deputy General Manager, Corporate Banking Department II, Mitsubishi Bank
 May 2007 Branch Manager, Shinbashi Branch, Mitsubishi Bank
 May 2009 General Manager, Financial Institutions Department, Mitsubishi Bank
 June 2011 Managing Executive Officer, Mitsubishi UFJ Research and Consulting Co., Ltd.
 January 2019 Advisor of the Company
 April 2019 Managing Executive Officer; Officer in charge of Administration Division; General Manager, Corporate Planning Department

Director Managing Executive Officer & CTO



April 1985 Joined the Company
 April 2016 General Manager, Specialty Polymers Business Department, Functional Products Business Division; General Manager, Osaka Branch
 June 2016 Executive Officer; General Manager, Specialty Polymers Business Department, Functional Products Business Division; General Manager, Osaka Branch
 April 2017 Executive Officer; Deputy General Manager, Functional Products Business Division; General Manager, Specialty Polymers Business Department
 April 2018 Executive Officer; General Manager, Films & Sheetings Business Division
 June 2018 Director; Operating Officer; General Manager, Films & Sheetings Business Division
 April 2020 Director; Operating Officer; General Manager, Electronics & Functional Products Business Division
 April 2021 Director; Operating Officer; Officer in charge of Technology; General Manager, Uozu and Hayatsuki Factories

Director Executive Officer



April 1985 Joined the Company
 April 2001 Second Manager in charge of Electronic Materials, Electronic Materials Division
 April 2004 Leader, Print Substrate Business Department, Electronic Materials Division
 April 2012 Leader, Ceramic Substrate Business Department, Electronic Materials Division
 April 2013 General Manager, Optical Products Business Promotion Department, Electronic & Optical Products Business Division
 April 2015 General Manager, Electronic Components Business Department, Electronic & Optical Products Business Division

Sugiyama Takahisa

January 2015 General Manager, Electronic Company Electronic Component Business Group, Asahi Glass Co., Ltd.
 January 2016 Executive Officer; General Manager, Electronic Company Electronic Component Business Group, Asahi Glass Co., Ltd.
 March 2020 Advisor of the Company
 June 2020 Representative Director & President; Chief Executive Officer
 June 2022 Representative Director & President; President & Executive Officer (CEO) (present post)

Iguchi Yoshitada

June 2019 Director; Managing Executive Officer; Officer in charge of Administration Division; General Manager, Corporate Planning Department
 April 2020 Director; Managing Executive Officer; Officer in charge of Administration Division
 April 2021 Director; Senior Managing Executive Officer; Officer in charge of Administration Division
 June 2021 Representative Director; Senior Managing Executive Officer; Officer in charge of Administration Division
 June 2022 Representative Director; Senior Managing Executive Officer; CFO; Officer in charge of Administrative Division
 April 2024 Representative Director; Vice President; Executive Officer & CFO; Officer in charge of Administrative Division (present post)

Hasegawa Yukinobu

June 2021 Director; Executive Officer; Officer in charge of Technology; General Manager, Uozu and Hayatsuki Factories; General Manager, Research & Development Center
 April 2022 Director; Managing Executive Officer; Officer in charge of Technology; General Manager, Uozu and Hayatsuki Factories; General Manager, Research & Development Center
 June 2022 Director; Managing Executive Officer; CTO; General Manager, Uozu and Hayatsuki Factories; General Manager, Research & Development Center; Officer in charge of Safety, Quality, and Environmental Management Department
 April 2024 Director; Managing Executive Officer & CTO, General Manager, Research & Development Center, Officer in charge of Safety, Quality and Environmental Management Department (present post)

Yokota Yuichi

April 2018 Executive Officer; General Manager, Planning & Manufacturing Management Office, Electronics & Functional Products Business Division
 April 2020 Executive Officer; General Manager, Planning & Manufacturing Management Office, Electronics & Functional Products Business 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



Outside Director Yoshioka Satsuki

November 2010 Joined the Legal Training and Research Institute of the Supreme Court of Japan
 December 2011 Completed the same
 December 2011 Registered as an attorney-at-law
 December 2011 Joined Ono Sogo Legal Profession Corporation
 June 2021 Transferred to the Personal Information Protection Commission, Government of Japan as a government employee with term of office
 June 2023 Returned to Ono Sogo Legal Profession Corporation
 June 2023 Director of the Company (present post)



Outside Director Kadomukai Yuzo

April 1983 Joined Hitachi, Ltd.
 June 2001 General Manager, Machinery Research Laboratory No. 5, Hitachi, Ltd.
 July 2009 General Manager, Design & Development Division, Engine Mechanism Business Unit, Hitachi Automotive Systems, Ltd.
 April 2010 President & Director, UNISIA OF GEORGIA CORPORATION
 April 2019 Representative Director, Executive Vice President Executive Vice President, General Manager of Japan Headquarters, Hitachi Automotive Systems, Ltd.
 January 2021 Senior Vice President, General Manager of Japan Headquarters, Hitachi Astemo, Ltd.
 April 2022 Executive Advisor, Transformation Office, Hitachi Astemo, Ltd.
 June 2024 Director of the Company (present post)

● Corporate Auditor



Full-time Corporate Auditor Hayashi Fumiaki

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



Full-time Corporate Auditor Sawada Masahiro

April 1986 Joined Sony Corporation (currently Sony Group Inc.)
 November 2001 General Manager, Planning & Administration Department, Digital Camera Business Division, Sony Corporation
 November 2004 General Manager, Planning & Administration Department, Connect Company (in-house venture), Sony Corporation
 September 2006 Director, Audio Marketing Europe, Sony UK
 January 2010 General Manager of Planning & Administration Department, Sales & Marketing Division, Sony Corporation
 June 2013 General Manager of SCM Strategy Department and Planning Department, Operations Division, Sony Corporation, Director of Sony/Taiyo Corporation
 February 2017 Auditor for Sony Marketing Inc., Sony Visual Products Inc. etc.
 June 2020 Executive Officer & CFO, Frontage Inc.
 September 2023 Executive Officer & CFO, Sony Group Inc. (Retired)
 June 2024 Full-time Corporate Auditor of the Company (present post)



Corporate Auditor Emi Mutsuo

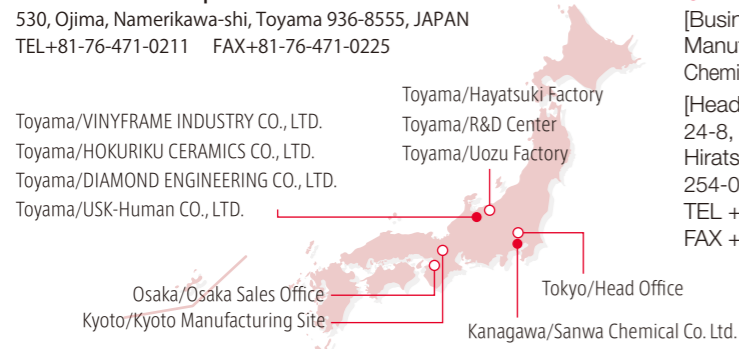
March 1992 Registered as a certified public accountant (present post)
 February 1996 Joined Century Audit Corporation (now Ernst & Young ShinNihon LLC)
 May 2001 Partner, Century Audit Corporation
 July 2008 Senior Partner, Century Audit Corporation
 July 2013 Deputy Head of Finance Department, Century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

Global Network

Domestic Offices and Domestic and Overseas Group Companies

Domestic Offices

- 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, Muko-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+81-76-471-0211 FAX+81-76-471-0225



Major domestic subsidiaries

- VINYFRAME INDUSTRY CO., LTD.**
[Business Activities] Manufacturing and Sales of Aluminum construction Materials and Resin 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
- HOKURIKU CERAMICS CO., LTD.**
[Business Activities] Manufacturing and Sales of Ceramic Substrates and Thick Film Printing 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.**
[Business 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.**
[Business 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
- SANWA CHEMICAL CO., LTD.**
[Business 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

Major Overseas Subsidiaries

- 恩希愛(杭州)薄膜有限公司 / NIPPON CARBIDE INDUSTRIES (Hangzhou) CO.,LTD.**
Films & Sheetings Products Business
- PT NIPPON CARBIDE INDUSTRIES INDONESIA**
Films & Sheetings Products Business
Construction Materials Related Business
- NIPPON CARBIDE INDUSTRIA DO BRASIL LTDA.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES (NETHERLANDS) B.V.**
Films & Sheetings Products Business
- ELECTRO-CERAMICS (THAILAND) CO.,LTD.**
Electronics & Functional Products Business
- NIPPON CARBIDE INDUSTRIES (USA) INC.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES (THAILAND) CO.,LTD.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES FRANCE S.A.S.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES (South Carolina) INC.**
Films & Sheetings Products Business
- NCI (VIETNAM) CO.,LTD.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDUSTRIES ESPAÑA, S.A.U.**
Films & Sheetings Products Business
- NIPPON CARBIDE INDIA PVT. LTD.**
Films & Sheetings Products Business
- Netherlands NIPPON CARBIDE INDUSTRIES (NETHERLANDS) B.V.**
Films & Sheetings Products Business
- Hangzhou, China 恩希愛(杭州)薄膜有限公司 / NIPPON CARBIDE INDUSTRIES (Hangzhou) CO.,LTD..**
Films & Sheetings Products Business
- South Carolina, U.S.A. NIPPON CARBIDE INDUSTRIES (South Carolina) INC.**
Films & Sheetings Products Business
- France NIPPON CARBIDE INDUSTRIES FRANCE S.A.S.**
Films & Sheetings Products Business
- Northern Thailand ELECTRO-CERAMICS (THAILAND) CO.,LTD.**
Electronics & Functional Products Business
- California, U.S.A. NIPPON CARBIDE INDUSTRIES (USA) INC.**
Films & Sheetings Products Business
- Spain NIPPON CARBIDE INDUSTRIES ESPAÑA, S.A.U.**
Films & Sheetings Products Business
- India NIPPON CARBIDE INDIA PVT. LTD.**
Films & Sheetings Products Business
- Vietnam NCI (VIETNAM) CO.,LTD.**
Films & Sheetings Products Business
- Thailand NIPPON CARBIDE INDUSTRIES (THAILAND) CO.,LTD.**
Films & Sheetings Products Business
- Indonesia PT NIPPON CARBIDE INDUSTRIES INDONESIA**
Films & Sheetings Products Business
- Brazil NIPPON CARBIDE INDUSTRIA DO BRASIL LTDA.**
Films & Sheetings Products Business

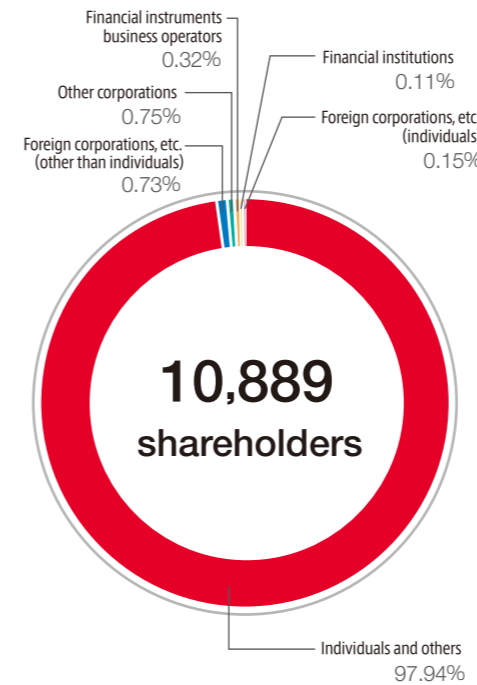
Company Information/Stock Information

Corporate Outline

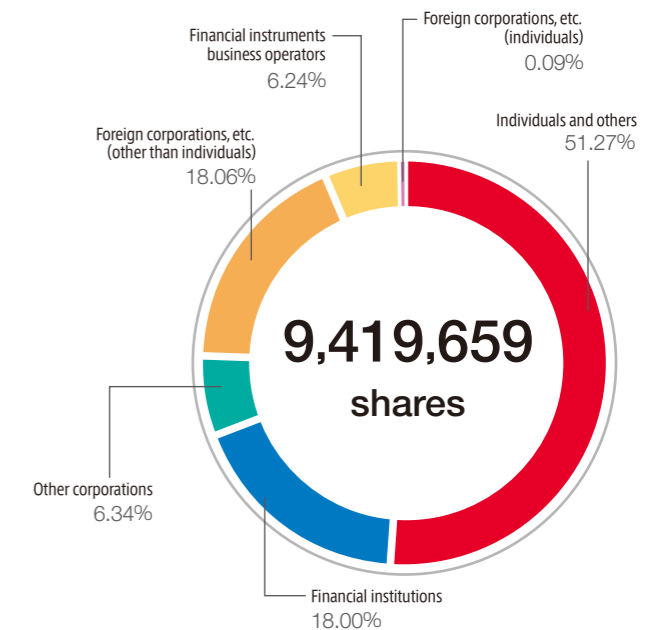
Name	NIPPON CARBIDE INDUSTRIES CO., INC.	Employees	Consolidated: 3,297 Non-consolidated: 510 (as of March 31, 2024)
Head Office	16-2, 2-Chome Konan, Minato-ku, Tokyo 108-8466, JAPAN TEL +81-3-5462-8200 FAX +81-3-5462-8244	Group Business Activities	Electronic and Functional Products Business, Films and Sheetings Business, Construction Materials Related Business, Engineering Business
Established	8th October, 1935		
Listed Stock Exchange	Tokyo Stock Exchange: Prime Market		
Capital Stock	7,797,898,752 yen (as of March 31, 2024)		
Total number of shares issued	9,419,659 shares (as of March 31, 2024)		

Shareholder and Share Distribution (As of March 31, 2024)

Distribution of shareholders by type of ownership

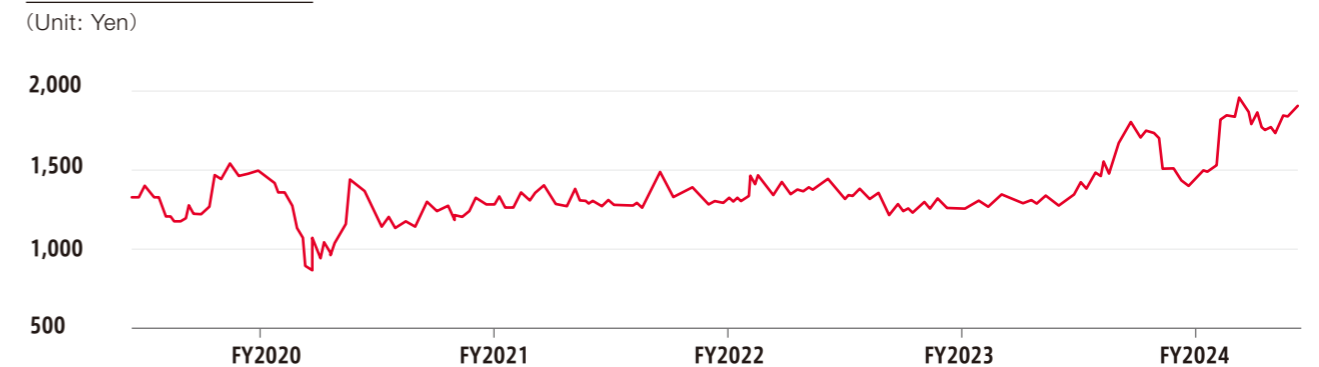


Distribution of shares by type of shareholder



Shareholding ratio is calculated excluding treasury stock.

Stock prices



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