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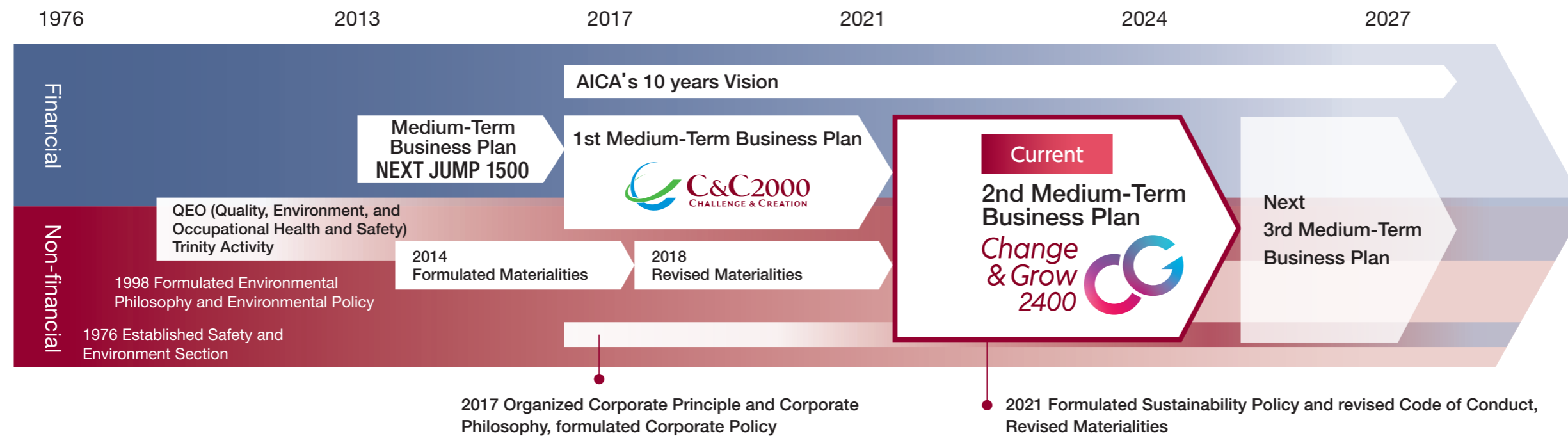


AICA Kogyo Co., Ltd. AICA Report 2021

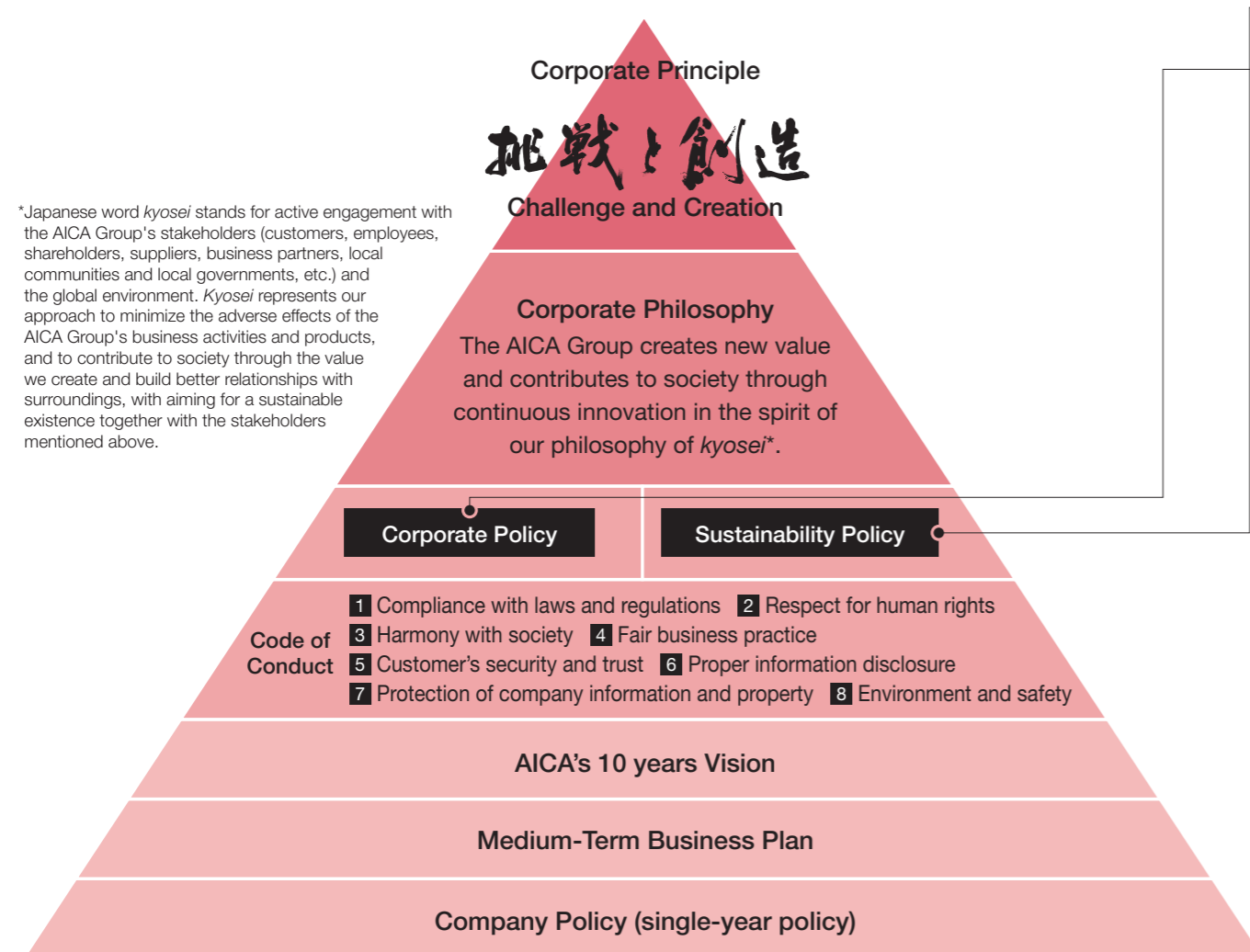


This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals. We welcome feedback on its contents.

AICA Report 2021



Overall Image of AICA Policies



*Japanese word *kyosei* stands for active engagement with the AICA Group's stakeholders (customers, employees, shareholders, suppliers, business partners, local communities and local governments, etc.) and the global environment. *Kyosei* represents our approach to minimize the adverse effects of the AICA Group's business activities and products, and to contribute to society through the value we create and build better relationships with surroundings, with aiming for a sustainable existence together with the stakeholders mentioned above.

Corporate Policy

- 1. Chemistry and Design**
We create uniquely original products through the power of chemistry and design, to contribute to the achievement of a prosperous society.
- 2. Group Synergies**
We create group synergy through collaboration in technologies and market network.
- 3. Leading Products**
Throughout the specific domains and regions of our business, we enhance and expand our market-leading products.
- 4. Global Presence**
We strive to achieve sustainable growth in global markets by enhancing the capabilities of our overseas operations and participating in the higher growth sectors.
- 5. Human Resources and Organizations**
Viewing human resources as the most vital resource of our company, we nurture motivated human resources and organizations through mutual understanding and development.
- 6. Compliance Management**
We practice fair and transparent management in accordance to all relevant laws, regulations, and social order.
- 7. Commitment to Safety and Security**
We ensure trusted quality and engage in environmentally considerate business activities by focusing on our communication with stakeholders.

Sustainability Policy

- 1** We address social issues through our business activities to contribute to the creation of a better society.
- 2** We have established "Compliance with laws and regulations," "Respect for human rights," "Harmony with society," "Fair business practice," "Customer's security and trust," "Proper information disclosure," "Protection of company information and property," and "Environment and safety" as the basic principles of the Code of Conduct, and we base our actions on these principles as shared values for all employees.
- 3** We emphasize dialogue with stakeholders, including customers, employees, shareholders, suppliers, business partners, local communities, and local governments, and respond promptly to social needs and changes.
- 4** We identify material issues from the perspectives of both corporate management and stakeholders, address those issues alongside our business activities, and disclose our progress in addressing them.

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Editorial Policy
This report has been prepared with the intention of communicating the AICA Group's Sustainability-related activities to our stakeholders (customers, employees, shareholders, suppliers, business partners, local communities, and local governments) in easily understood ways, using graphs, photographs, and other means.

Reference Guidelines

- ISO26000
- Ministry of the Environment Environmental Reporting Guidelines (2018 Edition)
- GRI Standards
- IIRC International Integrated Reporting Framework

Target Period/Scope
This report is a summary of the activities of the AICA Group in FY2020 (from April 1, 2020 to March 31, 2021). It also includes information about some activities from FY2021. The target scopes can be found in the content of the report.

AICA Website [CSR Activities]
Supplementary information and PDF data of the AICA CSR Report
<http://www.aica.co.jp/company/enviro/>

Message from the President



Aica Group will strength our ESG performance to become a highly sustainable corporate entity in order to realize a sustainable society.

Yuji Ono

Representative Director and President

Looking Back on the year of COVID-19 Pandemic

Firstly, I would like to extend our heartfelt sympathies to all the people affected by the COVID-19. Secondly, we would also like to show our gratitude for the healthcare staff and those who are making efforts to prevent the spread of infections.

Measures and Initiatives to Combat the Impact of COVID-19 Pandemic

Most importantly, we had put a great deal of thought to the safety of our employees and its families as well as customers. We had applied various measures at each business site; work from home (WFH) and staggered working hours (SWH), limit business trips, prohibit business dinners, make the most of on-line meetings and events, dispersed seating arrangements, and encourage commuting by private vehicles. Moreover, in order to secure maximum profits even in the drop in sales and lower capacity utilization, we considered and implemented all kinds of profit improvement measures, including the reduction of SG&A (selling, general and administrative) expenses, and focused on more aggressive cost reduction activities. We also focused on expanding sales of products that support new lifestyles; known as the antiviral building material “Virutect” series, and UV-curable resin for electronic materials that grew in volumes following increased demand among those staying at home.

The Impact of the COVID-19 Pandemic and Awareness

The Aica group’s business performance for FY2020 was sluggish due to the impact of the COVID-19 pandemic. To shift to resilient business structure capable of riding through demanding situations like this, we thoroughly identified waste in operations and expenses and worked to improve them. We also took the opportunity to renew our awareness of the importance of BCP measures. The BCP measures we had previously implemented for sourcing raw materials proved to be a success, and we were able to fulfill our responsibilities for supplying AICA products in FY2020. Yet in this age of globally connected supply chains, several issues became evident with the systems we had in place. We shall enhance our BCP measures more than ever by coordinating efforts throughout group companies to devise the optimum locations of production sites and shift to multiple suppliers to source our raw materials.

FY 2020 Overview

Consolidated business results for FY2020 were net sales of 174,628 million yen (-8.8% vs LY), operating profit of 17,991 million yen (-13.7% vs LY), ordinary profit of 18,438 million yen (-13.6% vs LY), and profit attributable to owners of parent (hereafter, net profit) of 10,759 million yen (-15.5% vs LY). Our net sales have dropped for the first time in the last 11 years;

it was also the first decrease in operating profit and ordinary profit in the last 12 years, and the second consecutive year of lower net profit. Both domestic and overseas sales remained sluggish until the second quarter under the severe market environment caused by COVID-19 pandemic. From the third quarter, the demand in Japanese market recovered from the third quarter onwards, mainly on the back of our “AS (Aica Solution) product range” that aims to resolve social problems whereas overseas’ performance recovered in AICA Asia Pacific Holding Group (AAPH Group), and Evermore Chemical Industries Group (EMC Group), as well as the companies of Wilsonart that joined the AICA Group in December 2019. Activities implemented throughout the entire AICA Group aimed at enhancing business, improving production efficiency, and cutting back various costs have also been successful, and we achieved the best operating profit and ordinary profit we have ever recorded for the second half of the year. We also successfully achieved two M&As, which would build a strong foothold for further expanding our business performance from the next fiscal year onward.

10 Years Vision and New Medium-Term Business Plan “Change & Grow 2400”

In April 2017, we drew up “AICA’s 10 Years Vision” that sets out our goal by FY2026, the 90th anniversary of our company. The first step to achieve this goal, the medium-term business plan “C&C 2000” (covering FY2017 to FY2020), has come to an end. In April 2021, we have set the new medium-term business plan “Change & Grow 2400” (covering FY2021 to FY2023) as the second step. We shall implement various measures to achieve the specified financial targets; ROE of 10%, ordinary income of 24 billion yen, and net sales of 240 billion yen, as well as non-financial targets that would help strengthen our business infrastructure.

New Medium-Term Business Plan Financial Targets

	FY2020 Achievement	FY2023 Plan
ROE	8.1%	Around 10%
Net sales of Overseas and Specialty & Performance Materials *	81.2 billion yen	115 billion yen
Net sales of AS Products *	15.5 billion yen	21 billion yen
Ordinary profit	18.4 billion yen	24 billion yen
Net sales	174.6 billion yen	240 billion yen

* Accumulated net sales prior to consolidation elimination

Creation and Expantion of Growth Businesses (Expanding AS Products)

While AICA’s chief market segment—the domestic construction market—is expected to remain stagnant, we believe that we can maintain growth by developing and expanding sales of our “AS (Aica Solution) product range” that is aimed at resolving

Message from the President

social issues. This high value-added product range leverages our strengths of “Chemistry” and “Design” to resolve a broad range of social issues, including labor shortages throughout the construction industry, deteriorating infrastructure, shifting to a low-carbon society, and adapting to lifestyles that changed with the spread of coronavirus, and we are planning to expand net sales of AS Products to 21 billion yen in three years’ time.

Creation and Expansion of Growth Businesses (Businesses in Non-construction Markets and Overseas Businesses)

In the previous medium-term business plan, the Specialty & Performance Materials Business and overseas business were positioned as growth businesses, and efforts were focused on developing their business infrastructures. The new medium-term business plan “Change & Grow 2400” aims to grow these businesses dramatically, with plans to expand net sales by 1.4 times.

In the Specialty & Performance Materials Business, the urethane manufacturing company “U-BEST VIET NAM POLYMER INDUSTRY CO., LTD.” and “VIET NAM SUM YAD TECHNOLOGY LIMITED”, and the UV curing coating material production plant for overprint varnish “Covestro Resins (Taiwan) Ltd. (former DSM Coating Resins Ltd.) Dayuan plant” joined the EMC Group. Their production equipment, expertise with technology and sales channels in new fields will be harnessed our further expand business in non-construction fields.

In the Chemical Products Business overseas, the hot melt adhesive manufacturing and sales company “Aica Adtek Consolidated Sdn. Bhd.” in Malaysia became part of the AAPH Group. This will serve to strengthen business in the high-growth hot melt adhesive for hygiene products field and harnessing its sales channels will also help boost our presence in the hot melt adhesive market throughout Southeast Asia as well as Africa, North America, and European regions. At AAPH Group’s production sites in China, we have plans in place for three major capital investment projects with the aim of increasing their production capacity significantly. Efforts are being made to tap into the growing demand for PF resins throughout Asia with the aim of achieving further growth.

In the Construction Materials Business overseas, we made significant progress in developing platforms for expanding with recent M&As and plant construction. We will be actively establishing propulsive our brand in the Asia Pacific region by utilizing the sales networks, production sites and human resources that we have acquired.

Strengthening of Profit Foundations

The business environment is expected to undergo further sudden changes, including changes in demand for housing due to the shrinking population, lower birthrate and aging population, different lifestyles following the COVID-19 pandemic, and acting on climate change. To ensure that we remain a company that our various stakeholders need despite such changes, we

are focusing on reducing costs in various areas, implementing DX*, streamlining logistics networks and improving production efficiency as we build a resilient management system. We are moving toward building a stronger AICA capable of adapting to such management changes and will be setting aside a total of 40 billion yen over three years for capital investment and business investments with a focus on capital costs, with plans to expand operating profit to 23.5 billion yen after three years. Our efforts shall focus on ROE while maintaining a well-balanced capital structure based on growth and financial health potential. *DX: Digital Transformation

Profit Base Enhancement

There are increasing demands from stakeholders to ensure that our company fulfills its social responsibility for resolving social issues that are growing in severity and complexity on a global scale. In response to this, we devised the medium-term business plan after reviewing our Materialities (material issues). Until now, management plans had focused mainly on financial affairs, while the inclusion of non-financial matters and efforts toward achieving each specified KPI is a way that we believe we can further boost our corporate sustainability.

Materialities consist of seven categories: (1) Provide economic value; (2) Resolve social issues with products; (3) Human resources and organizational development; (4) DX Implementation; (5) Responding to climate change; (6) Strengthen governance; and (7) Quality assurance and occupational safety; and we specified KPIs for each category (see P. 29-30 for details.) The categories of “DX Implementation” and “Responding to climate change” in particular are viewed as challenges that urgently need to be addressed, and are areas that we are focusing our efforts on.

DX Implementation

In May 2021, we overhauled the core systems responsible for receiving orders, production, purchasing and financial operations, and developed a platform that will facilitate a greater shift to the digital realm. There has been remarkable progress in digital technologies in recent years and incorporating such technologies into our systems will help reform our business activities. We are increasing productivity with automation and laborsaving methods at our production plants, and this also serves to address future shortages in labor. We are also storing, analyzing and utilizing various forms of data as a way of boosting business efficiency, and the results of these efforts are also being applied to product development and marketing. DX is providing the impetus to revolutionize working styles, not only at our company but also our stakeholders, and we will be leveraging this to give our company a competitive edge.

Responding to Climate Change

Countries around the world are now making concerted efforts to achieve net zero greenhouse gas (GHG) emissions, and

we believe that companies unable to adapt to such efforts will be left behind in the market. Our aim is to achieve a corporate entity that continues to be selected in the age of net zero emissions, by thoroughly “Proposing long-term strategies with a view to 2050 net zero GHG emissions” and “Reducing GHG emissions” while properly identifying the risks and opportunities associated with the climate change.

As a company taking an active stance to combat challenges related to climate change, we established the Climate Change Response Project in April 2020. We then moved the Climate Change Response Committee to make it part of the Sustainability Development Committee in April 2021 with the aim of further solidifying our efforts. Efforts are being ramped up to increase the efficiency of energy usage and introduce energy-efficient methods throughout the group, and we will place an even greater focus on reducing Scope 1 & Scope 2 emissions resulting from business activities. Activities will also turn to reducing Scope 3 and seizing business opportunities related to climate change. We believe that the role of our company is to act on combating climate change with manufacturing that harnesses our expertise in chemistry and design. The new Development Planning Department that was launched in April 2021 also forms a part of the Climate Change Response Committee to achieve faster product development. The role of this department—joint development with universities, research institutes and businesses in different industries—is leveraged as part of group-wide efforts to reduce GHG throughout the entire life cycle of products.

Disasters arising because of extreme climate conditions are on the rise on a global scale in recent years, and we are acutely aware of the risks that these pose to our businesses. We shall be reinforcing the scope of our BCP measures, as these extreme weather events continue to increase in frequency and severity.

Toward Achieving Sustainability

AICA has released new policies related to sustainability in line with the newly released medium-term business plan “Change & Grow 2400.” The AICA Group’s approach to sustainability has been valued for a long time and is embodied in our Corporate philosophy and Corporate policy. Yet we determined that the core philosophies and policies related to sustainability management should be outlined more clearly. Prior to releasing these policies, in April 2021 we renamed the committee responsible for these policies from the CSR Promotion Committee to the Sustainability Development Committee, with myself appointed as chair. I shall be taking the lead to ensure that the efforts we plan to strengthen our corporate structure are done in a sustainable manner. The previous “CSR Report” that covered information related to non-financial matters has also been renamed to the “AICA Report,” and will cover our “value creation model” and other topics based on our integrated thinking for the first

time. We will continue to make efforts to enhance the disclosure of AICA’s sustainability information.

Adoption of Restricted Stock (RS) Remuneration System for Directors and Employee Stock Ownership Plan (J-ESOP)

From 2021, a restricted stock (RS) compensation system has been made available for AICA directors (excluding directors who are members of the Audit and Supervisory Committee and external directors). In addition to providing an incentive for achieving sustained growth in corporate value, the system aims to foster a greater sense of shared value with shareholders.

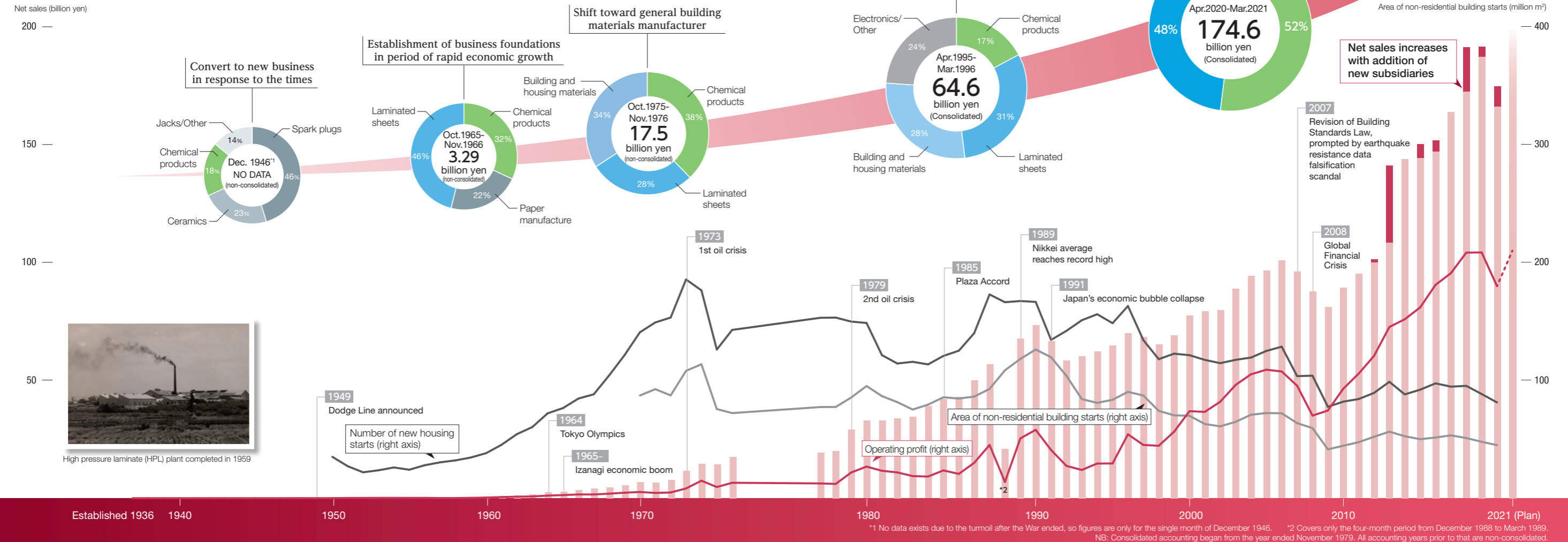
An incentive plan has also been introduced that provides company stocks to employees in management positions at AICA and group companies. The plan forms a greater correlation between employee benefits and long-term stock prices or business achievements and is aimed at fostering sustainable corporate growth by providing employees a sense of ownership in line with that of management.

We will be using these remuneration system to form a corporate culture where AICA Group directors and employees are able to work together toward the goal of enhancing long-term corporate value.



Transformation of Value Creation

With the resin synthesis technologies that we have cultivated since our foundation at the core, we have re-organized our portfolio of businesses flexibly in line with the times. Our spirit of "Challenge and Creation," including challenges in new businesses and the use of synergies, has been passed down from the past to the present.



- | 1936~1945 | 1946~1954 | 1955~1966 | 1967~1976 | 1977~1986 | 1987~1994 | 1995~2009 | 2010~ |
|---|--|---|--|---|---|---|---|
| <ul style="list-style-type: none"> Launched Japan's first urea-based resin adhesive "AICHI-MUTEKI-NORI" (1939) | <ul style="list-style-type: none"> Launched melamine resin-baked paint (1951) | <ul style="list-style-type: none"> Launched "AICA" high pressure laminate (HPL) (1960) | <ul style="list-style-type: none"> Launched "AICA POSTFORM" (1968) Launched wall coating material, "JOLYPATE" (1975) | <ul style="list-style-type: none"> Launched premium wooden door, "EASTERN CHERRY DOOR" (1978) Launched high pressure laminate (HPL), "AICA COLOR SYSTEM 105" (1984) | <ul style="list-style-type: none"> Captured top share of Japanese HPL market Launched melamine noncombustible decorative panel, "CERARL" (1989) | <ul style="list-style-type: none"> "CERARL" became a huge success as kitchen panel (1996-) Inaugural edition of "Environmental Report" (1999) | <ul style="list-style-type: none"> Acquired shares in subsidiary of Dyne's Asia-Pacific division (2012) Acquired shares in EVERMORE CHEMICAL INDUSTRY CO., LTD. (2018) Acquired shares in Wilsonart subsidiary in Asia-Pacific region (2019) |

Social Background and Products Created by the AICA Group

1936
Development of Japan's first synthetic resin adhesive
We developed a urea-based resin adhesive with strong adhesive properties and water resistance. This drove the shift from natural adhesives to high-performance synthetic resin adhesives.



1960s-1970s
Contribution to development of odorless plywood
To increase productivity of plywood in response to expanding demand, we developed a no-clamp melamine urea formaldehyde resin adhesive. We encouraged increased use of this adhesive, which has low formaldehyde detection, and odorless plywoods were born.

Late 1980s
Use of rubber trees that had been discarded as scrap
Rubber tree wood left over from the sap extraction process was recycled into laminated lumber and turned into stair components and counters. This attracted attention as a pioneering concept in the effective use of forest resources.



1990s-2000s
Compliant to sick house syndrome
From the 1990s, hypersensitivity to chemical substances, as exemplified by sick house syndrome, became a serious social problem. In response to the Revised Building Standards Act of 2003 and the Ministry of Health, Labor and Welfare guidelines of 2002, we launched AICA ECO-ECO BOND, a healthy-housing adhesive that contained no restricted substances such as formaldehyde, toluene, and xylene.



2010
Support forest resources protection
We were the first Japanese manufacturer of high pressure laminates (HPL) to obtain Forest Sustainability Council (FSC/PEFC) certification for certain of our HPL products. Subsequently, we were awarded the Biomass mark for those same products and for some of our decorative board products.

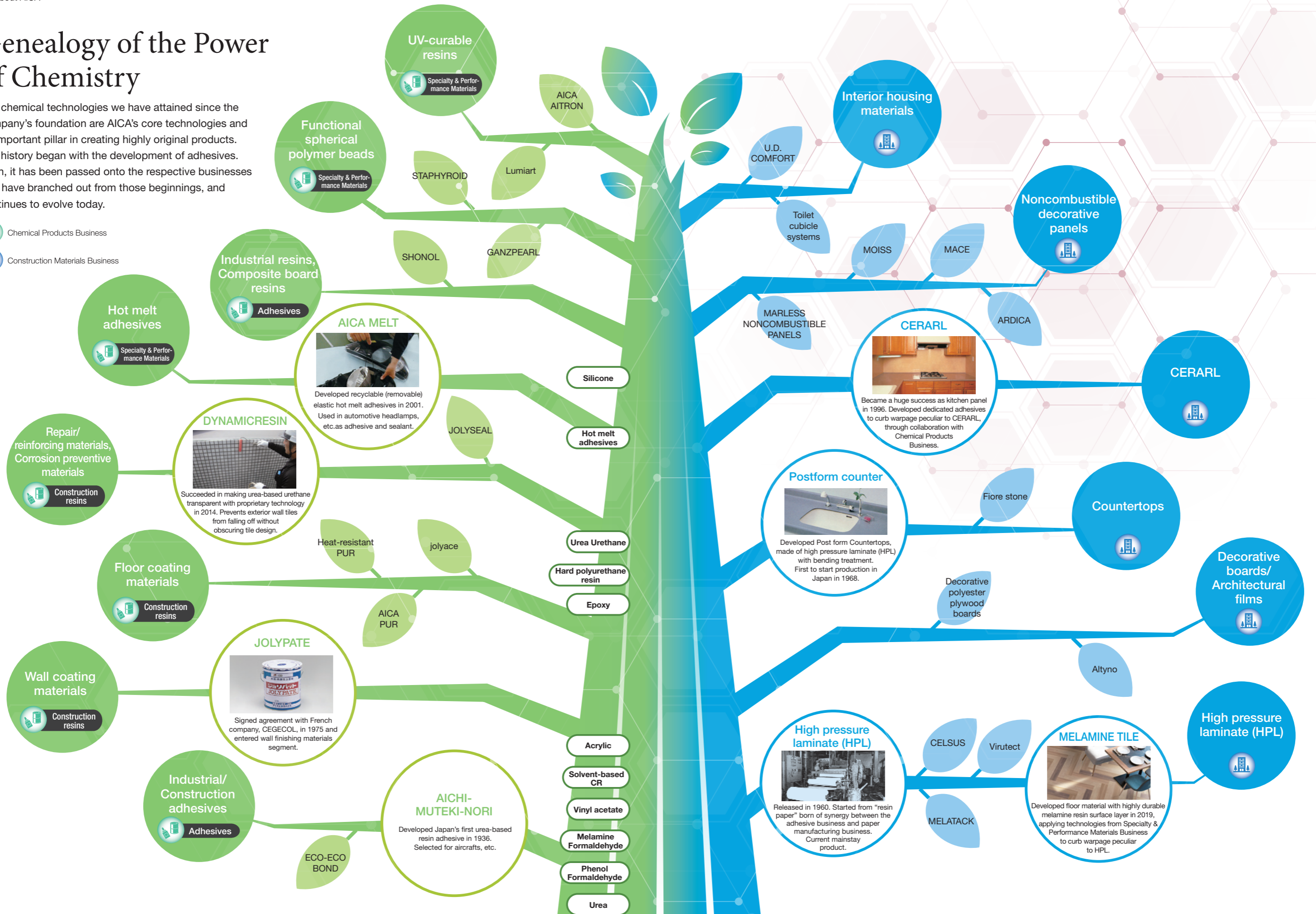


2017-
Development and expansion sales of AS products
We positioned product ranges that contribute to the solution of social issues as AS (Aica Solution) products and concentrated our efforts into developing and expanding sales of those product ranges. The objectives of those products are many and diverse, including alleviating labor shortages, reducing waste, and building safe cities.

Genealogy of the Power of Chemistry

The chemical technologies we have attained since the company's foundation are AICA's core technologies and an important pillar in creating highly original products. Our history began with the development of adhesives. Then, it has been passed onto the respective businesses that have branched out from those beginnings, and continues to evolve today.

- Chemical Products Business
- Construction Materials Business



Our Businesses



Chemical Products Business

For all settings in daily life

- Stick (adhesives)
- Decorate (construction resins)
- Protect (specialty & performance materials)

*Operating profit before deduction of unallocated operating expenses

Main Products

Adhesives



Industrial and Architectural adhesives

Adhesives used in the manufacture of wooden furniture products and building materials and on construction sites.



Industrial resins

Resins used as a raw material in plywood and laminated lumber, abrasives, casting molds, adhesives, and other industrial products.



Composite board resins

Resins used to form boards made by binding together wooden materials that have been turned into chips or fibers.

Construction resins



Wall coating materials (JOLYPATE)

Acrylic-based architectural coating used on interior and exterior walls in housing, shops, public facilities, etc.

Residential Non-residential



Floor coating materials (jolyace)

Synthetic resin floor coating materials used on areas that require high durability and heat resistance, such as factories and warehouses.

Residential Non-residential

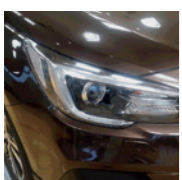


Repair/reinforcing materials, Corrosion preventive materials (DYNAMICRESIN)

Resin products including repair materials for concrete structures, materials to prevent falling tiles.

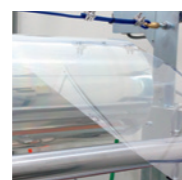
Residential Non-residential

Specialty & Performance materials



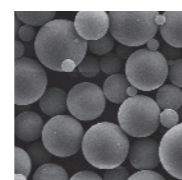
Hot melt adhesives

Adhesives and sealants used in automotive headlamps and photovoltaic panels due to their superior waterproof properties.



UV-curable resins

Instant-curing resins used in electronic products such as smartphones and PCs, building materials, etc.



Polymer beads

Highly refined bead-shaped resin products used as ingredients in cosmetic products, light diffusers, and modifying agents.

Composition of net sales by product



Construction Materials Business

Various parts of diverse buildings

- Furniture & countertops
- Interior walls & floor
- Exterior walls
- Fittings & interiors



Saitama Prefectural Children's Medical Center
Design / Kume Sekkei Co., Ltd.
Construction / SHIMIZU CORPORATION



*Operating profit before deduction of unallocated operating expenses

Main Products

High pressure laminates (HPL) (AICA Viritect, CELSUS)



With their abundant range of colors and patterns and their superior durability, these are used as surface for tables and furniture used in shops, hospitals, offices. We hold a more-than-70% share of the Japanese market for these products.

Residential Non-residential

Boards, Films, etc. (AICA POLY, Altyno)



Decorative boards, which are plywood with a decorative surface created with polyester resin, etc., are used predominantly for furniture and wall surfaces. Architectural films are used mainly on wall surfaces and for fittings.

Residential Non-residential

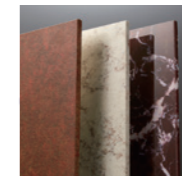
Melamine noncombustible decorative panels (CERARL)



HPL for wall surfaces that are certified as noncombustible. Since 1996, These products became a major hit for residential kitchen panels. These are used in hospitals, schools, transport facilities, due to their robustness, design, and easy-to-install.

Residential Non-residential

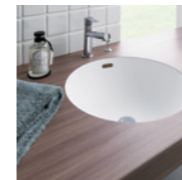
Noncombustible decorative panels (ARDICA, LUNALITE, MACE, MOISS)



Noncombustible panels for walls. They include wall finishing materials made by decorating calcium silicate boards with resin or sheets, extruded cement panels for exterior walls, and interior wall materials with humidity regulation and deodorant properties.

Residential Non-residential

Counter tops (Postform, Artificial marble, Engineered stone)



From counters made with HPL to acrylic-resin artificial marble and engineered stone made with natural crystals, we have an extensive line-up of the major counter materials.

Residential Non-residential

Fittings & Interior housing materials



Finished products such as doors, sliding doors, storage, and toilet booths made with materials such as HPL and decorative boards. Our strengths lie in the abundant range of colors and patterns as well as our universal design. Our strengths lie in the abundant range of colors and patterns that only a material manufacturer can offer, as well as our universal design.

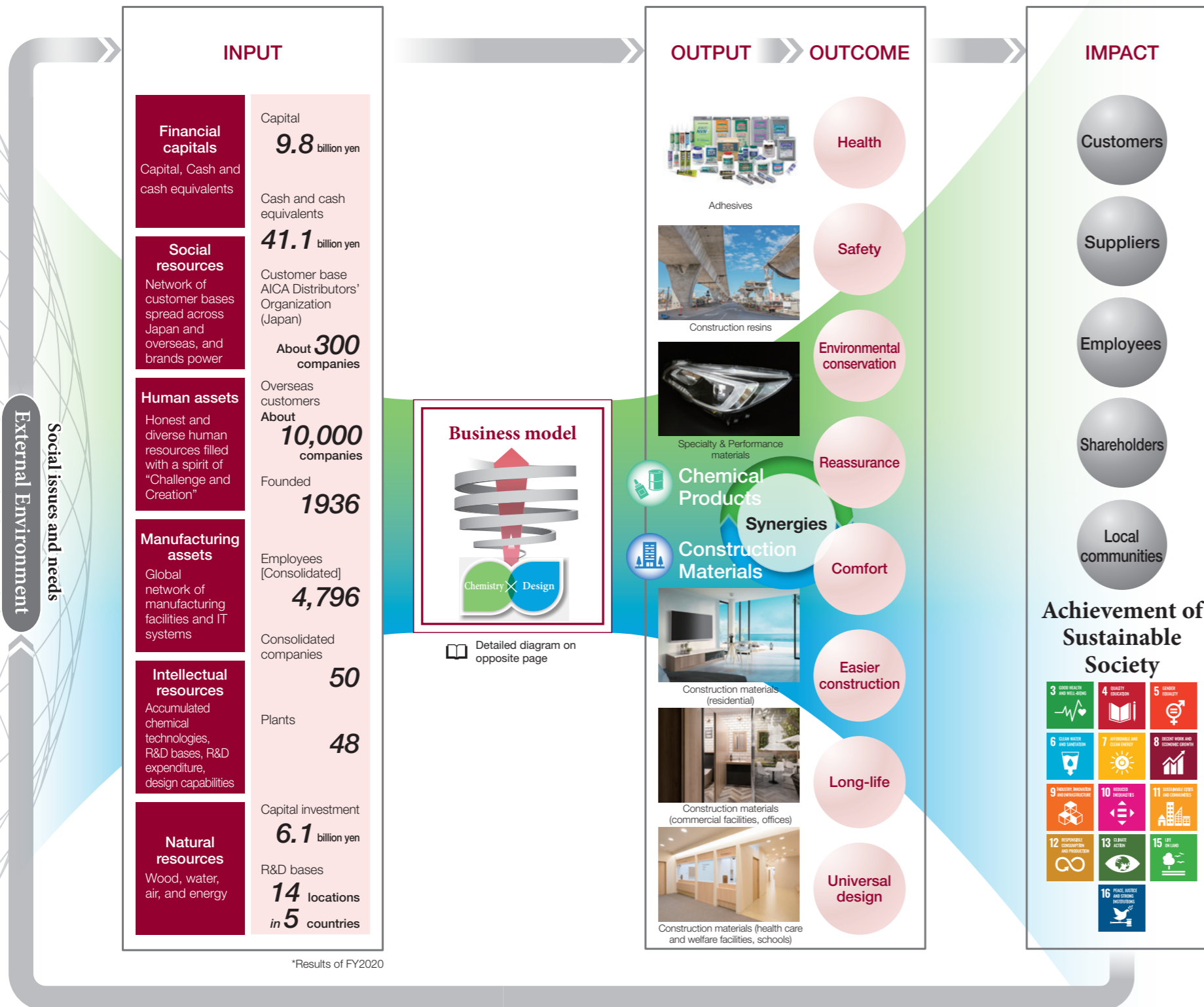
Residential Non-residential

Composition of net sales by product

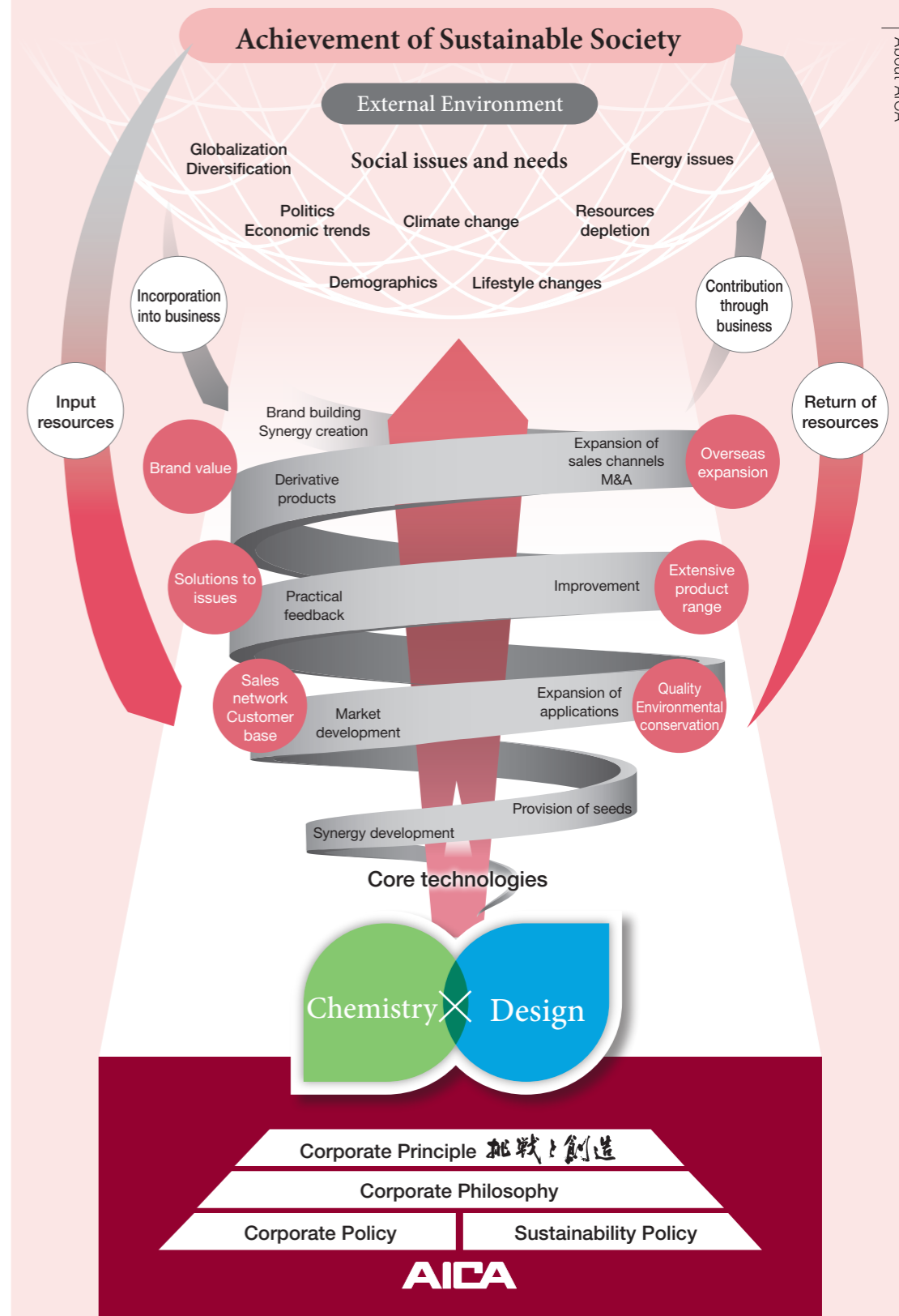
AICA's Value Creation Model

The source of AICA's Value Creation Model lies in our development capabilities that use core technologies based on chemistry and design, domestic and overseas sales network and customer base, capabilities in the solution of social issues developed through dialogue with stakeholders, range of high-quality products and brand value generated from those capabilities, excellent human assets, and a healthy financial base. We resolve social issues through our business activities by creating synergies between the Chemical Products Business and Construction Materials Business, and continuing the cycle of improving and expanding these strengths. Guided by a philosophy of *kyosei** that places importance on dialogue with stakeholders, AICA creates new value and contributes to society through continuous innovation.

*Please refer to page 1 for the meaning of kyosei



Source of Value Creation (Business Model)



AICA's Strengths Supporting Value Creation

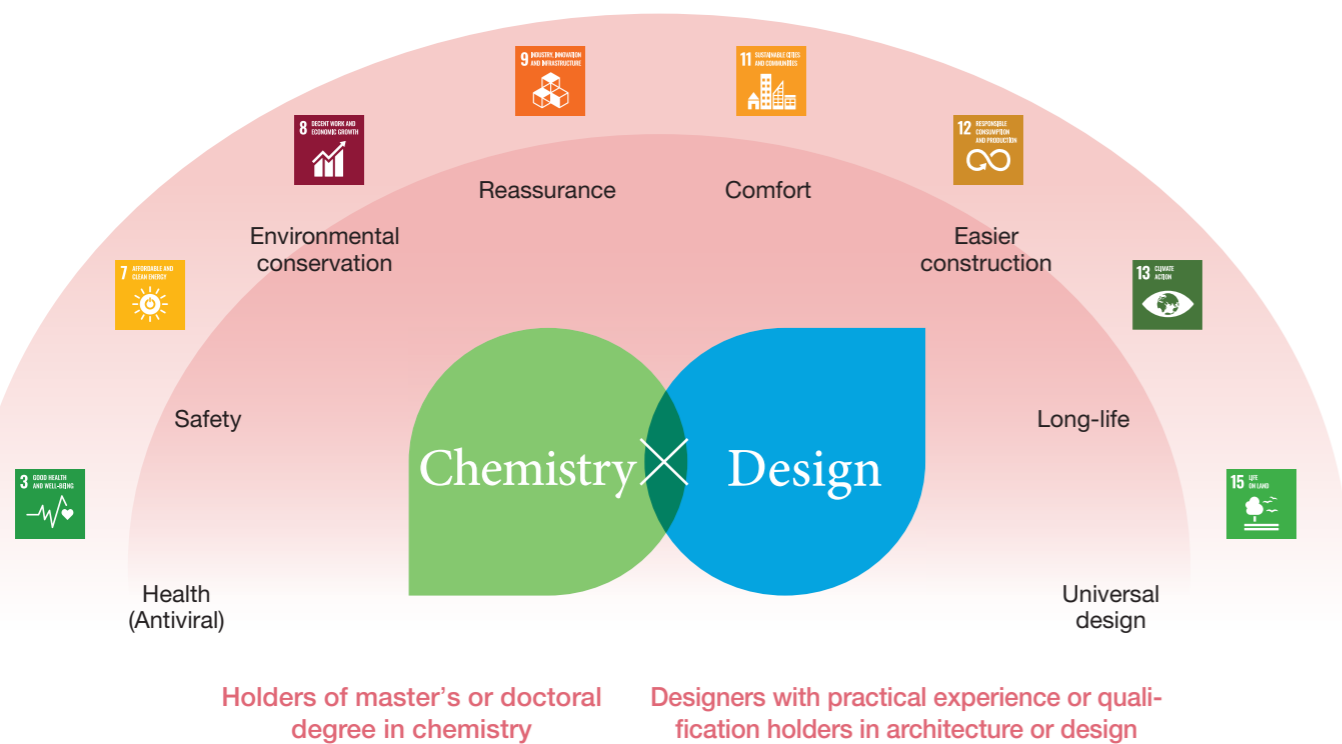
AICA's strengths lie in our extensive product range that leverages the advantages in chemistry and design, as well as a solid customer base which supports that product range, overseas business bases, brand value, excellent human assets, the trust of society backed by high quality and environmental conservation, and a healthy financial base. We will improve our corporate sustainability by emphasizing dialogue with stakeholders and continuing to enhance these strengths.

Using the power of chemistry and design to resolve social issues

AICA's most distinctive feature is our ability to respond to social issues and needs by delivering unique products through synergies between performance created by our core technologies: synthetic chemistry technologies and resin design technologies, and design in the broader sense, including ease of use and communication as well as beauty of color and pattern.

Related resources and assets

Human assets	Natural resources
Social resources	Manufacturing assets
Intellectual resources	



Holders of master's or doctoral degree in chemistry

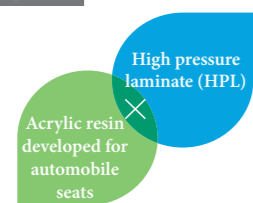
Designers with practical experience or qualification holders in architecture or design

107*

35*

*AICA Kogyo Co., Ltd. [Non-consolidated]

Examples of development

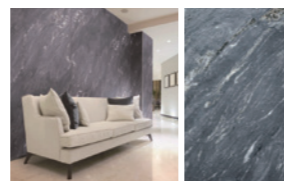
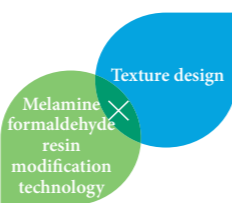


Development of a completely new flooring material, "MELAMINE TILE"



- No need for waxing
- Superior durability
- Easier construction
- Heel mark resistance

Development of "CERARL CELLENT," the best fake marble and wood, to protect natural resources



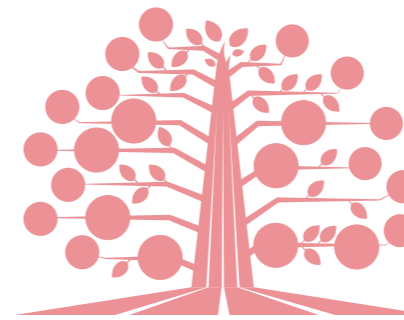
- Design excellence
- Superior durability
- Easier construction
- Certified noncombustible
- Antiviral specs

Extensive product range

In both the chemical products and construction materials fields, we provide products that service multiple domains, including housing, construction, civil engineering, household goods, electronic materials, and automobiles. In doing so, we create synergies in cross-selling and technology.

Related resources and assets

Intellectual resources
Manufacturing assets
Natural resources



Please refer to pages 9-12 for the details of our business domains.

Overseas expansion

In recent years, we have continued to grow by expanding our business domains and networks, with a focus on growth markets in Asia. Through aggressive M&As, we acquire qualified talent overseas to enhance our competitiveness.

Related resources and assets

Human assets
Social resources
Manufacturing assets
Natural resources



Customer base

With its deep understanding of AICA products, the AICA Distributors' Organization supports the distribution of our HPL, which boast the top share of the Japanese market. We have also established a solid customer base with more than 10,000 companies overseas.

Related resources and assets

Social resources
Human assets



Brand value

The name "AICA" is synonymous with high-pressure laminates, as is the name "JOLYPATE" with wall coating materials, and no cosmetic product developer is unfamiliar with the name "GANZPEARL." These are some of our many strong-performing brands that boast high market shares in their respective industries.

Related resources and assets

Intellectual resources
Human assets
Social resources



Quality / Environmental conservation

Constantly receptive of customer feedback, we provide high-quality, environmentally-friendly products. We also proactively address environmental issues such as climate change and contribute to the creation of a sustainable society.

Related resources and assets

Human assets
Social resources
Intellectual resources
Natural resources



Healthy financial base

We have established a healthy financial base, with a high equity ratio supported by stable operating cash flow. This leads to a virtuous cycle that enables active growth investment and return of profits.

Related resources and assets

Financial capitals
Manufacturing assets

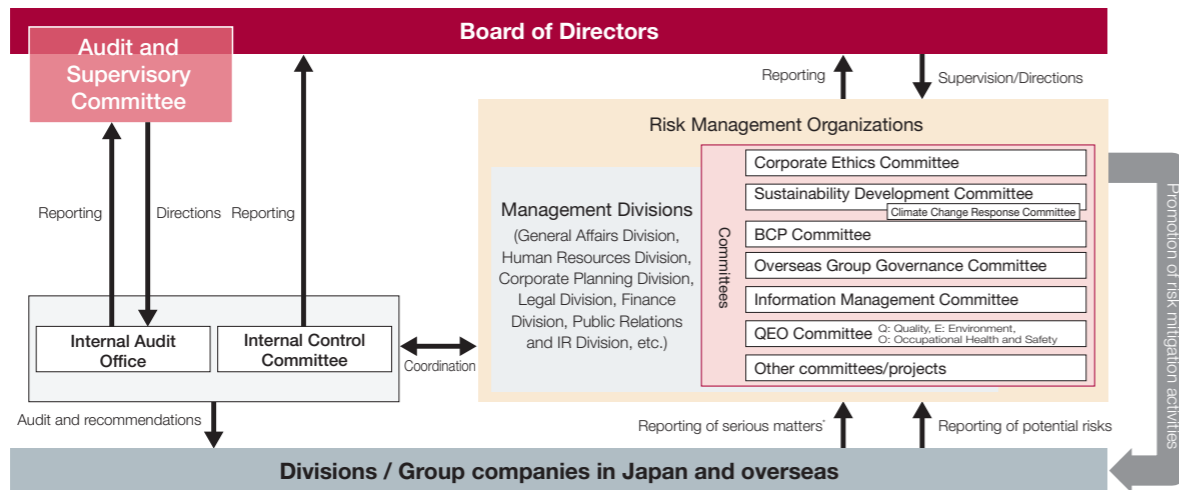


*1 Results of FY2020 *2 Results of FY2019

Risk Management

To ensure the mitigation of losses due to unforeseen circumstances, certain departments have been assigned to address the various risks surrounding the management environment. After verification of the various risks, rules and guidelines are established as necessary. Further, a company-wide risk assessment is conducted once a year to identify potential risks, the results of which are reported to the Board of Directors and Audit and Supervisory Committee. The Board of Directors and the Audit and Supervisory Committee deliberate on the various risks as necessary and, in the event that a judgment of a legal nature is required, it undertakes measures such as seeking the opinion of in-house counsel and others. Reporting rules to be followed in the event of a crisis are formulated, and swift and appropriate actions, such as setting up a crisis response headquarters, are taken to minimize the damage. In addition, appropriate information is communicated outside the Company at the appropriate timing.

Company's Risk Management Framework (as of April 1, 2021)



*As rules for the reporting of serious matters, the Company has two regulations—an internal whistleblowing system (to report compliance issues to the Corporate Ethics Committee Window) and the Company's own reporting rules (urgent reporting of critical matters to the President).

Business risks

The major risks that may have a significant impact on AICA Group's financial position, management performance, and cashflow situation are as follows. Matters concerning the future in this text are based on the assessment of the Group as of March 31, 2021. Please note that business risks are not limited to these.

Risk	Description	Response
1 Changes in economic conditions	Demand for the AICA Group's products may be affected by the economic conditions of the respective countries where our products are sold. Hence, economic recession in global markets and decline in demand due to such economic slowdowns may affect our business performance.	We monitor the economic situation and engage third-party services. We strive to identify emerging risks of each country to enable risk management.
2 Dependence on construction and renovation demand in specific sectors	Our products are part of the final products which are commonly used in a wide range of sectors. Therefore, our business performance is not significantly affected by any specific market environment. Our products in the Construction Materials Business represent over half of the group sales. They are primarily being used in the homes, shops, hospitals and other facilities both for construction and renovation application purposes. Also, both exterior and interior finishing coating products and floor coating products in the Chemical Products Business are being used as housing construction materials. Therefore, if the demand for construction and renovation declines, it may affect the performance of both Construction Materials Business and Chemical Products Business.	In the Construction Materials Business, while maintaining the competitiveness of our existing products, we will develop new and resilient markets. This will enable us to be less affected by the decline of construction and renovation market. We are also focusing on investing in more resources in the Specialty & Performance Materials Business, which targets at the non-construction sectors. We will develop more overseas market for hot melt adhesives, UV-curable resins, and silicone adhesives. Overseas automotive and electronic markets are expected to deliver higher growth in the coming years. Through this, we aim to dramatically expand the Specialty & Performance Materials Business.

Risk	Description	Response
3 Fluctuations in major raw materials prices, procurement of major raw materials and components	The AICA Group conducts business with a balance between cost competitiveness and stable supply in mind. However, with the soaring price of crude oil and other commodity chemicals and global supply chain imbalance and disruption, we may face difficulties in securing stable supplies at competitive price at times. This will affect our profitability and the sustainability of the business.	We strive to build stable supply frameworks by purchasing from multiple suppliers and partnership with our main suppliers.
4 Product quality, product liability	The AICA Group manufactures and ships its various products in accordance with ISO9001, the international quality management system standard. However, there is no guarantee that all products will be free from defects or that no complaints will be made in the future. Despite our product liability insurance, our business performance could be affected if there are any defects in our products that cannot be fully covered by insurance.	In addition to the enhancement of in-house testing at the development and design stages, third-party organizations undertake testing and inspection if necessary to maintain quality and keep defects to a minimum.
5 Response to changes in the market and customer needs	The AICA Group pursues new product development technologies with originality that are competitive, to address the changing needs of the markets and customers globally, and yet considering the safety, security, health and energy-saving for the end-users. We have been gaining momentum with industry-academia-government collaboration to accumulate and create next-generation elemental technologies, which is part of our business strategies. We are also working on sharing and using technologies through M&As and collaborations, strengthening our technological development capacities as an organization through the development of technical sales personnel, and strengthening our capabilities in the development of new products that will bring greater values in the future.	
6 Information security	The AICA Group holds a large volume of personal data and confidential information related to our business operation. We have instituted a secured system for the handling of such information. If the system is compromised through cyberattacks could be a significant cost burden and affecting stakeholder's trust in us. This would pose significant risk to our business performance.	We are taking measures against information leaks by thoroughly enforcing internal rules based on the Information Management Regulations, reinforcement of information security, and the reinforcement of monitoring systems and firewalls.
7 Environmental well-being	Some raw materials used in the manufacturing products in the Chemical Products Business and Construction Materials Businesses contain substances that are harmful to human health and ecosystems. The AICA Group complies with laws and regulations related to environmental protection and works to prevent environmental pollution such as soil and water contamination. However, in the unlikely event of environmental pollution resulted from our activities, apart from significant cost penalty imposed by the authorities, we may face damages to public's trust and AICA reputation. This will affect our business performance.	We have built environmental management systems based on ISO14001 and are working on reducing our environmental footprint, as well as complying with laws and regulations.
8 Overseas business development	The AICA Group is actively expanding overseas business with the objectives of developing overseas markets and globalizing its production and procurement. For this reason, it is a fact that there are unforeseen and unavoidable risks in the countries we do business in. This includes unforeseen and drastic changes in the laws and regulations, social and political stability, war and terrorism and natural disasters. If such events were to occur, it may impact Group's business performance.	AICA Group sets up overseas holding companies to strengthen risk management of the subsidiaries.
9 Fluctuations in exchange rates	Foreign currency income and expenses are increasing with the expansion of business in overseas. Fluctuations in currency exchange rates could cause major increases or decreases in the amounts of income and expenses in foreign currencies when converted into Japanese yen, which could affect our business performance. Particularly, if the Japanese yen appreciates while foreign currencies depreciate in the countries where our group companies are located, the amounts converted into yen could lose value, which would affect our business performance.	We strive to optimize our portfolio of currencies held to reduce the impact of fluctuations in single currencies as much as possible by executing forward-exchange contracts for the purpose of risk reduction and to minimize the impact of fluctuations in a single currency as much as possible.
10 Large-scale disasters and accidents*	The AICA Group has formulated a Business Continuity Plan (BCP) and put emergency countermeasures in place with the objective of avoiding material business disruptions due to large-scale disasters, accidents, epidemics of infectious diseases, and to resume important business by the target recovery time with the ability to remain when business activities are disrupted. However, our business may be disrupted due to equipment failure, disrupted supply of raw materials, disrupted services and infrastructure. This will affect our business performance.	We prepare for immediate response to emergencies through the implementation of crisis management regulations and the formulation BCP. Moreover, we are striving to minimize the impact through purchasing from multiple suppliers, maintaining multiple production sites, earthquake-resistant construction in preparation for large-scale earthquakes, and anti-inundation construction in preparation for floods.
	<p>*Risks associated with COVID-19</p> <p>In response to COVID-19, AICA Group has placed the health and safety of our employees, their families, and customers as a top priority. We have undertaken a range of measures including the following: work-from-home in regions where the virus has been spreading; restrictions on business travel; daily temperature checks and washing/sanitization of hands; the temporary repatriation of some expatriates; suspension or restriction of factory tours, sales activities, and other events where large numbers of customers would gather; and distribution of masks among group companies. We comply with the BCP and strive to maintain stable procurement of raw materials and frameworks for the stable supply of finished products in our efforts to minimize the impact of the pandemic.</p> <p>Meanwhile, since February 2020, just when the COVID-19 outbreak was starting, inquiries about our "Virutect" series of antiviral building materials increased. By incorporating this antiviral feature into various products and expanding the product line-up, we will capture the demand for antiviral building materials for new lifestyles.</p> <p>Our view is that AICA Group has been recovering gradually from the impact of the pandemic since January 2021. However, we are also cautious that we must continue to respond flexibly to the outbreak of new variants and the lockdowns and other restrictions that are still in place in various countries. In such cases, it could affect actual business performance because of various factors, including the timing of the containment of COVID-19, and economic trends overseas and in Japan. Should there be any information that requires disclosure regarding forecasts of business performance for the current fiscal year, such shall be announced in a timely manner.</p>	

Risk Management

Risk	Description	Response
11 Legal regulations	The AICA Group is subject to various laws and regulations in its business operations, including laws, tax systems, and permits and approvals in each country. We conduct training for employees to adhere with these statutory regulations and comply with them. However, our business performance may be affected by increases in the cost of compliance or our business activities may be restricted due to changes to such laws and regulations or the tightening of regulations.	We conduct training within the Group, collect information from third-party organizations, and work to identify signs of changes in regulations at an early stage and respond accordingly.
12 M&A	The AICA Group pro-actively engages in M&A as a strategic approach in expanding our business and improving profitability. We conduct due diligence (financial status, contracts, and other factors) on potential entities carefully before deciding on acquisition. However, if problems that we are unaware of become apparent after the acquisition, or in the event that the anticipated profits or synergies cannot be obtained as a result of significant changes in the business environment of the acquired company, impairments to the resulting goodwill could be recorded, which may affect our business performance.	We strive to maximize synergies and deal with issues with pro-active measures by sharing information through reports and analysis of subsidiaries' business through our overseas holding company.
13 OTIF Management (On Time Delivery In Full)	The AICA Group acts to satisfy orders received from our customers based on the sales agreements. However, our business performance could be affected by large cost burdens or loss of trust as a result of delivery delays caused by the receipt of orders in excess of supply capacities due to changes in the production capacities of our competitors.	We strive to achieve on time delivery through effective supply chain management involving sales, production, purchasing and logistics functions.
14 Climate change	(1) In the event of climate change related disasters such as typhoons, floods, and heatwaves at catastrophic level, the continuity of business activities will be affected as a result of damages such as temporary shut down to the functioning of the operating sites. Moreover, if the average temperature rises and impact on water resources due to changes in rainfall levels gradually progresses due to the effects of climate change, it will affect our business environment and business performance. On the other hand, (2) Depending on the situation in the transition to a low carbon society, stakeholders' demands for low-carbon products may increase, leading to more investment in R&D in this area, increases in capital investment for the introduction of new technologies, and rising prices of raw materials. And if regulations for the mitigation of climate change are tightened and we are unable to respond appropriately, our operations would probably be restricted, which could lead to the imposition of new tax burdens and increases in costs accompanying the shift to renewable energies and the capital investment accompanying efficiency improvements in production capacities.	(1) In response to physical risks due to climate change, the BCP Committee analyzes and monitors the situation, pursues preventive measures, and reports to the Board of Directors. (2) A Climate Change Response Committee is responsible for the transition to a low-carbon society. This committee consists of members from the relevant divisions, Sustainability Development, Production, Research and Development, and Sales. They consider and pursue concrete response measures, whereas the Sustainability Development Committee reports directly to the Board of Directors, monitors progress, discloses information, and incorporates these measures in business plans. We are expanding and pursuing responses to these risks from medium to long-term perspectives.

Additional information on climate change

In May 2020, we declared our endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For the expansion of disclosures under these recommendations, we first conducted interviews with our stakeholders to predict how the environment surrounding our company will change in the future due to the impact of climate change. Targeting the domestic construction market, which is AICA's main market, we interviewed concerned parties in a wide range of fields, including raw material suppliers, construction companies, design firms, developers, and industry bodies, from November 2020 to March 2021. Based on these interviews, we acknowledged the risks and opportunities due to the impact of climate change and the matters AICA should address to respond to climate change, as shown in the table at the top of the opposite page.

Going forward, we will check these risks and opportunities against scenarios and analyze them from the financial aspect, monitor climate change as part of company-wide risk management, and take appropriate measures.

Please refer to pages 49-53 for details of specific initiatives

Risks and opportunities of climate change revealed through interviews

Category	Risks	Opportunities	
Transition scenarios ¹	Increase in carbon tax	<ul style="list-style-type: none"> Cost increases due to introduction of carbon tax 	<ul style="list-style-type: none"> Increase in demand for products that help reduce greenhouse gas emissions
	Energy conservation and low carbon regulations/policies	<ul style="list-style-type: none"> Stricter regulations on the use of raw materials derived from fossil sources Increase in energy costs Increase in costs of purchasing emissions allowances Decline in clients' motivation to build due to tax increases, causing contraction of the construction market Increase in waste disposal costs due to stricter regulations on plastic waste 	<ul style="list-style-type: none"> Revitalization of the construction market due to increase in ZEH³ and ZEB⁴ subsidies Increase in demand for products that use raw materials derived from non-fossil sources Increase in demand for recyclable products
	Replacement with low-carbon products	<ul style="list-style-type: none"> Delays by AICA in responding to low-carbon technologies Increase in capital investment and R&D investment 	<ul style="list-style-type: none"> Increase in demand for products derived from non-fossil sources Increase in demand for low-carbon products
	Changes in consumption behavior	<ul style="list-style-type: none"> Decrease in demand for products derived from fossil sources Decrease in demand for non-recyclable products 	<ul style="list-style-type: none"> Increase in demand for products derived from non-fossil sources Increase in demand for recyclable products Increase in demand for the practical use of wood
	Increase in raw materials costs	<ul style="list-style-type: none"> Reduction of naphtha production and soaring prices Cost increases due to transition to biomass feedstock Increase in wood procurement costs due to changes in wood demand 	
	Criticism of industry	<ul style="list-style-type: none"> Growing criticism of companies that use raw materials derived from fossil sources 	<ul style="list-style-type: none"> Earning trust by promoting appropriate environmental indicators and social issue-resolving products
Physical scenarios ²	Changes in reputation among stakeholders	<ul style="list-style-type: none"> Requests from suppliers and customers to reduce greenhouse gas emissions 	<ul style="list-style-type: none"> Improvement of corporate evaluation by strengthening initiatives
	Frequent occurrence of typhoons and torrential rain	<ul style="list-style-type: none"> Damage and operation shutdowns caused by disasters Supply chain disruptions Increase in insurance premium 	<ul style="list-style-type: none"> Expansion of business opportunities with disaster countermeasure products
	Change in rainfall patterns	<ul style="list-style-type: none"> Increase in freshwater procurement costs due to decline in groundwater 	<ul style="list-style-type: none"> Increase in demand for products that help to reinforce buildings
	Increase in average temperatures	<ul style="list-style-type: none"> Increase in employees' risks of heat stroke Increase in energy costs due to increased use of air-conditioning 	<ul style="list-style-type: none"> Increase in demand for products offering greater ease of construction due to decline in labor productivity at construction sites Increase in demand for insulation-related products
	Rising sea levels	<ul style="list-style-type: none"> Increase in disaster risks at sites near sea and rivers 	
	Infectious diseases	<ul style="list-style-type: none"> Increase in frequency of infectious disease outbreaks 	<ul style="list-style-type: none"> Increase in demand for antiviral products due to infectious disease epidemics Change in construction demand due to work-style transformations

¹ Transition scenarios: Scenarios that accompany transition to a low-carbon society, including stricter regulations related to climate and responses to transition to decarbonization technologies ² Physical scenarios: Scenarios that accompany increases in physical damage caused by growing frequency of natural disasters due to climate change and normalization of abnormal weather ³ ZEH: Net zero energy house ⁴ ZEB: Net zero energy building

Actions AICA should take

Passive response

We will take measures to minimize the impacts of climate change and to prepare for risks to business continuation.

– Examples of measures to prepare for risks –

- Strengthening BCP against natural disasters
- Strengthening BCP for raw materials procurement
- Deliberation and implementation of drastic measures to reduce greenhouse gas emissions
- Optimization of the use and mix of energy
- Efficient use of resources
- Appropriate information disclosure and engagement
- Reduction and recycling of wastes

Active response

We will strive to develop and expand sales of products that respond to climate change and contribute to society with the aim of the sustainable development of AICA and society.

– Examples of products for adaption to climate change –

- Low-carbon products
- Recyclable products
- Products that help reinforce buildings
- Insulation-related products
- Antiviral products
- Products derived from biomass materials
- Products that help utilize wood resources
- Products that offer greater ease of construction

Greenhouse gas emissions reduction targets

In the New Medium-Term Business Plan "Change & Grow 2400" launched in April 2021, AICA set the following targets for the reduction of greenhouse gas emissions. For Scope 1 and Scope 2, in addition to numerical reduction targets, we set a goal of conducting a concrete scenario analysis aimed at net zero greenhouse gas (GHG) emissions, in response to the Japanese government's declaration on net zero GHG emissions by 2050. We recognize that our current numerical target (reducing GHG emissions revenue intensity by 26% from FY2013 levels) for FY2030, the halfway point to achieving net zero by 2050, is insufficient and plan to engage in repeated discussions about raising our target in line with this scenario analysis.

Scope 1 and Scope 2 (From AICA's own activities)	<ul style="list-style-type: none"> Reduce GHG emissions revenue intensity by 10% by FY2023 (compared to FY2020) Conduct simulations aimed at net-zero GHG emissions by 2050, and develop measures
Scope 3 (From other companies' activities related to AICA's business activities)	<ul style="list-style-type: none"> Establish calculation methods for Scope 3 emissions and develop emissions reduction measures