



Sustainability Report 2023

Sustainability Report 2023



Top Message



Overview



Financial Highlights



Philosophy



To Achieve Sustainability



Governance

| | | |
|----------|--|-----------|
| 1 | Top Message | 1 |
| 2 | Overview of Fuso Chemical Group | 2 |
| 3 | Financial Highlights | 2 |
| 4 | Philosophy | 4 |
| 5 | To Achieve Sustainability | 5 |
| | Creation of Corporate Value of Which Fuso Chemical Thinks | 5 |
| | Fuso Chemical's Strengths and Social Issues | 5 |
| | Fuso Chemical's Corporate Value Creation Cycle..... | 5 |
| | Medium-Term Management Plan "FUSO VISION 2025" | 7 |
| | Identification of Materialities | 8 |
| | Initiatives of Each Business Unit for Materialities and Social Issues..... | 9 |
| | Investment Strategy for the Establishment of the Third Pillar..... | 14 |
| | Sustainability Management | 15 |
| | Sustainability Fundamental Policy | 15 |
| | Organizational Structure | 15 |
| | Participation in Initiatives | 16 |
| | Information Disclosures under the TCFD Framework | 17 |
| | Status and Views on the TCFD Proposed Disclosure Items | 17 |
| | Climate Change Risk Response Schedule | 18 |
| | Risks and Opportunities | 18 |
| | Financial Impacts of Climate Change | 20 |
| 6 | Governance | 21 |
| | Corporate Governance | 21 |
| | Organizational Structure | 21 |
| | Board of Directors | 22 |
| | Board of Directors' Effectiveness Evaluation..... | 22 |
| | Response to Internal Control..... | 23 |
| | Audit System and Audit Status..... | 24 |
| | Compliance | 25 |
| | Compliance System..... | 25 |
| | Quality Control System..... | 26 |
| | Risk Management | 27 |
| | Risk Management System | 27 |
| | Safety and Health Management | 28 |
| | HR Strategy | 29 |
| | Human Resources Development Policy | 29 |
| | Management Goals, and the Human Resources Development System to Support Self-Fulfillment | 30 |
| | Intellectual Property Strategy | 31 |
| | Intellectual Property Strategy Initiatives | 31 |



Environment

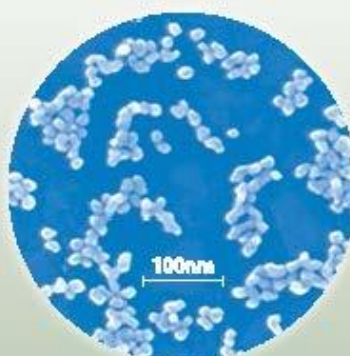


Social

| | |
|--|-----------|
| 7 Environment | 32 |
| Environmental Policy | 32 |
| Energy Reduction Efforts..... | 32 |
| CO ₂ Emissions Initiatives..... | 32 |
| Water Environment Conservation | 35 |
| Resource Conservation / Waste Reduction | 35 |
| Chemical Disposal and Recycling..... | 35 |
| Biodiversity Conservation..... | 35 |
| Other Environmental Initiatives | 35 |
| 8 Social | 36 |
| For a Better Work Environment | 36 |
| Health and Productivity Management | 36 |
| Labor Relations | 38 |
| Employee Engagement Survey | 38 |
| Supporting Diverse Ways of Working..... | 39 |
| Promote Women's Active Participation | 39 |
| Supporting Child-Rearing..... | 40 |
| Support for Active Participation of Seniors..... | 41 |
| Social Contribution Activities | 41 |
| Local Community Activities | 41 |
| Education Support Activities | 42 |
| Other Support and Donations | 42 |
| Editorial Policy | 43 |



LIFE SCIENCE



ELECTRONIC MATERIALS &
FUNCTIONAL CHEMICALS

To our customers, business partners, communities, and other stakeholders: thank you for your constant support.

Our business, which began from curiosity and passion for chemistry, has steadily grown while keeping up with the needs of the times. This business, which we have carefully developed with the management resources entrusted to us by our various stakeholders, was selected for the Global Niche Top Companies Selection 100 in 2014 for its unique ideas and technological capabilities. Since then, we have continued to grow and develop toward the realization of a sustainable society based on our management philosophy of “contributing to the nation and society through technology.”

Our operations are sustained by the Life Science Business and the Electronic Materials & Functional Chemicals Business. The Life Science Business, as a general manufacturer of fruit acids, uses the power of acids to expand their use not only in the beverage and food industries, but also in the healthcare, industrial, agricultural, and digital industries. The Electronic Materials & Functional Chemicals Business provides indispensable materials for the semiconductor manufacturing process.

Shinichi Sugita,
Representative Director &
President
FUSO CHEMICAL CO., LTD.

We have prepared the FY2023 edition of our Sustainability Report, updating the contents of last year’s Sustainability Report. It contains a summary of our efforts to enhance corporate value by building an organizational structure to achieve business growth and a sustainable society toward the goals of the medium-term management plan.

Through the commitment of every employee to our company motto, “Limitless Progress and Creation,” our business aims to realize a sustainable society and to forever be a company that is needed by society.

Thank you for your continued support.



Company Profile



Trade Name: FUSO CHEMICAL CO., LTD.
Date of Establishment: June 24, 1957
Location of Head Office: 5-29, Kitahama 3-chome, Chuo-ku, Osaka
Representative: Shinichi Sugita, Representative Director & President
Capital: 4,334,047,500 yen
Number of Employees: 567 (non-consolidated), 892 (consolidated) (as of March 31, 2024)
Number of Consolidated Subsidiaries: 6
HP: <https://fusokk.co.jp/eng/>



Financial Highlights

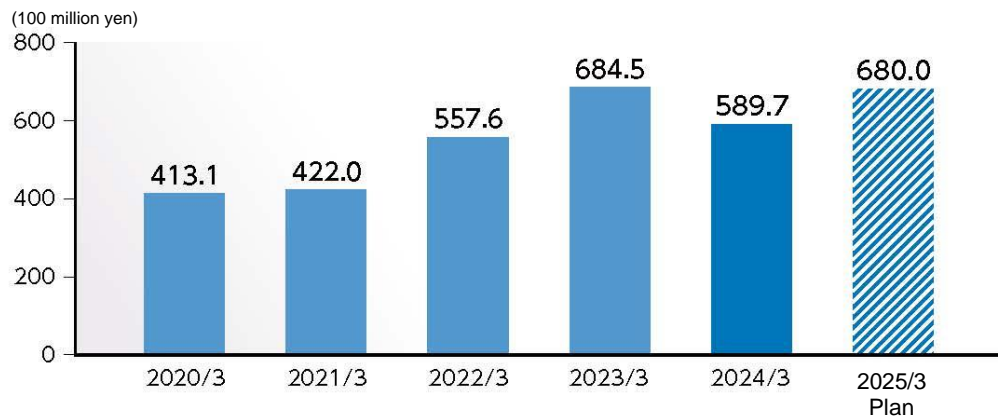
Financial Results for the Fiscal Year ended March 31, 2024

Consolidated net sales for the fiscal year ended March 31, 2024 were 58,970 million yen (down 9,489 million yen or 13.9% year-on-year). Operating profit was 11,083 million yen (down 7,846 million yen or 41.4% year-on-year), ordinary profit was 11,883 million yen (down 7,857 million yen or 39.8% year-on-year), and profit attributable to owners of parent was 8,343 million yen (down 5,786 million yen or 41.0% year-on-year).

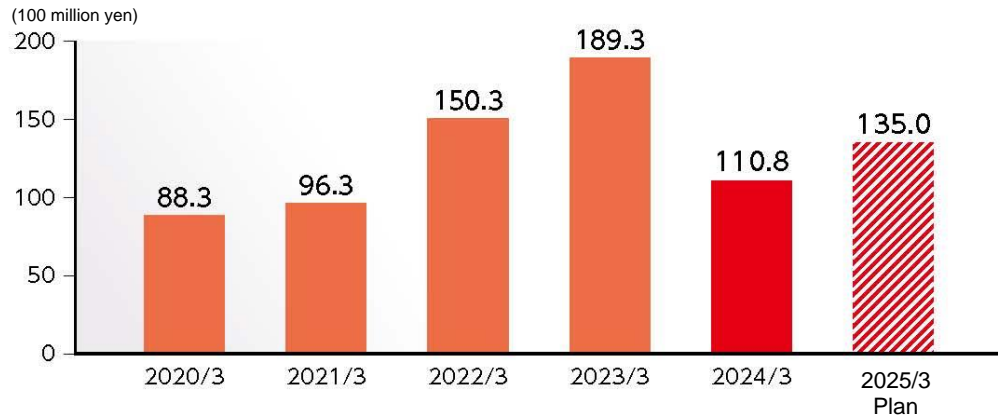


Performance Trends and Plans

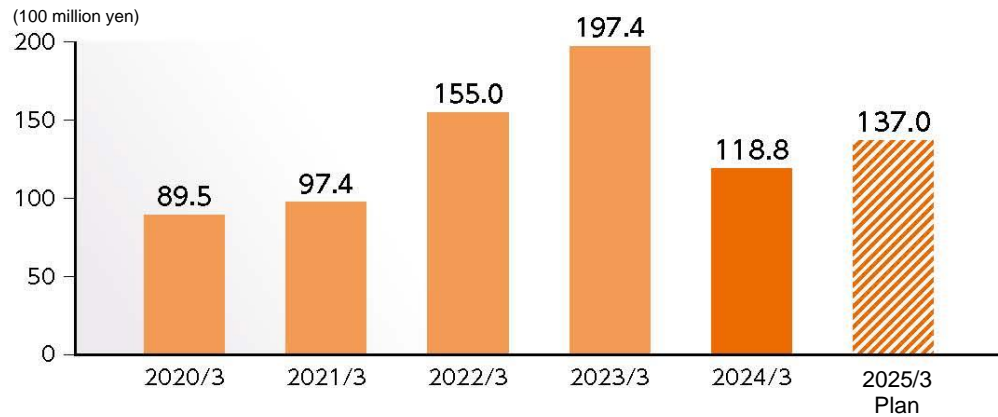
■ Net sales



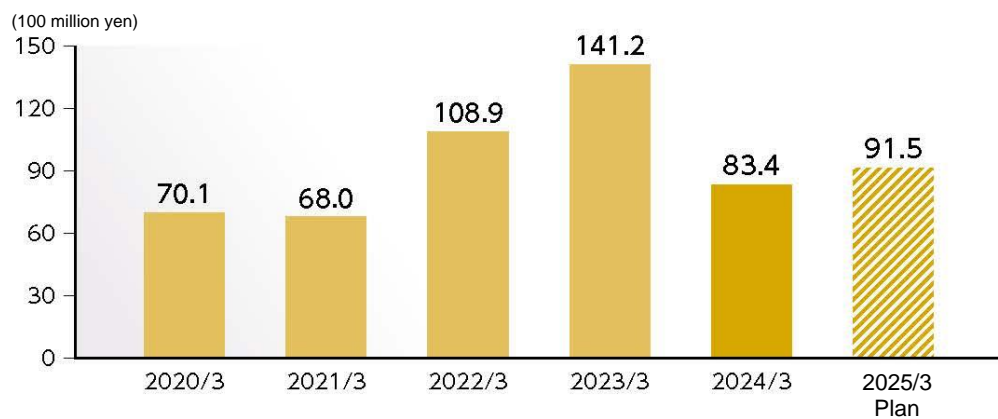
■ Operating profit



■ Ordinary profit



■ Profit attributable to owners of parent





■ Company Motto

We operate a distinctive business within a niche area. Our motto is to always look to the future and strive for progress and creation.

■ Management Philosophy

Our company motto and management philosophy, formulated by our founder Shozo Akazawa, are consistent with what is now known as purpose management, and define our relationship with our business partners, nation and society, and employees as well as the goals to be achieved.

Value trust, and make it a principle to be reliable

We provide products that harmonize the balance of speed, cost, and quality required by our customers at a high level. Rather than focusing on corporate expansion, we first fulfilled our responsibility to supply products, and have been striving to meet the demands and expectations of our customers. Going forward, we will continue to provide products that our customers choose “because it’s FUSO.”

Contribute to the nation and society through technology

With “curiosity and challenge” as our engine, our company has grown. Our products are only “one material” in the market and are consumed in the manufacturing process, or exist only in very small quantities by the time they reach the consumer. However, we are proud that advances in this “one material” can support industrial development and society. Through the accumulation of thoughts about what future society will be like and how we can shape it, we can create a society that is different from what it was 10 years ago.

Achieve employee fulfillment through prosperous business

We will fulfill our corporate responsibility and contribute to society through our business for our partners, shareholders, local communities, and various stakeholders.

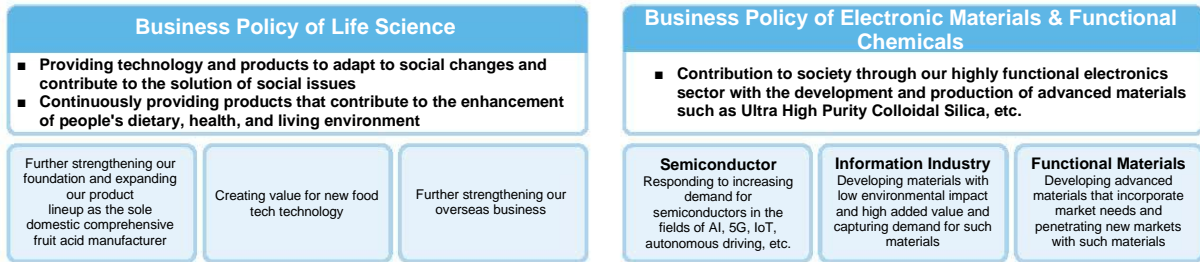
This cycle is created by our employees, who are themselves stakeholders. We are committed to upholding a solid management strategy for the happiness of our employees and their families.



Creation of Corporate Value of Which Fuso Chemical Thinks

Fuso Chemical's Strengths and Social Issues

Our products are used by our many business partners inside and outside Japan and their business activities using our products help achieve a sustainable society. We are committed to accomplishing our mission of achieving a sustainable society by responding to requests from our business partners. We have summarized our business cycle and what kinds of social issues our company could address, as follows.



Fuso Chemical's Corporate Value Creation Cycle

We have created value based on the following 5 basic approaches in business management. We will continue to focus on these approaches and work to create value for further development.

1. Ensuring of rights and equality of shareholders

In order to substantially secure shareholders' rights, ensure that shareholders can exercise these rights, and ensure substantive equality between the shareholders, we work to promptly disclose information using websites, etc., appropriately determine the date and location of the General Meeting of Shareholders, avoid a capital policy that may impair the rights of existing shareholders, and manage transactions with relevant parties.

2. Appropriate collaboration with stakeholders other than shareholders

We understand the social responsibility that we should assume while striving every day to improve our corporate value over the medium to long term. Since our establishment in 1957, we have stated in its management philosophy that we value corporate trust and have worked to establish good collaborative relationships to ensure that we can earn the trust of all the stakeholders. While we are proud of our history, we will invariably look to the future without being satisfied with our current situation and work to pursue sustainable growth and improvements in our new corporate value by continuing our activities with a focus on trust.

3. Appropriate information disclosure and ensuring of transparency

In order to be trusted by our shareholders, investors and other stakeholders and build an amicable collaboration framework, we believe that proactive disclosure of information, be it financial information or not, is required. Based on this policy, we work to proactively disclose accurate information on our website and through other means.

4. Responsibilities of the Board of Directors, etc.

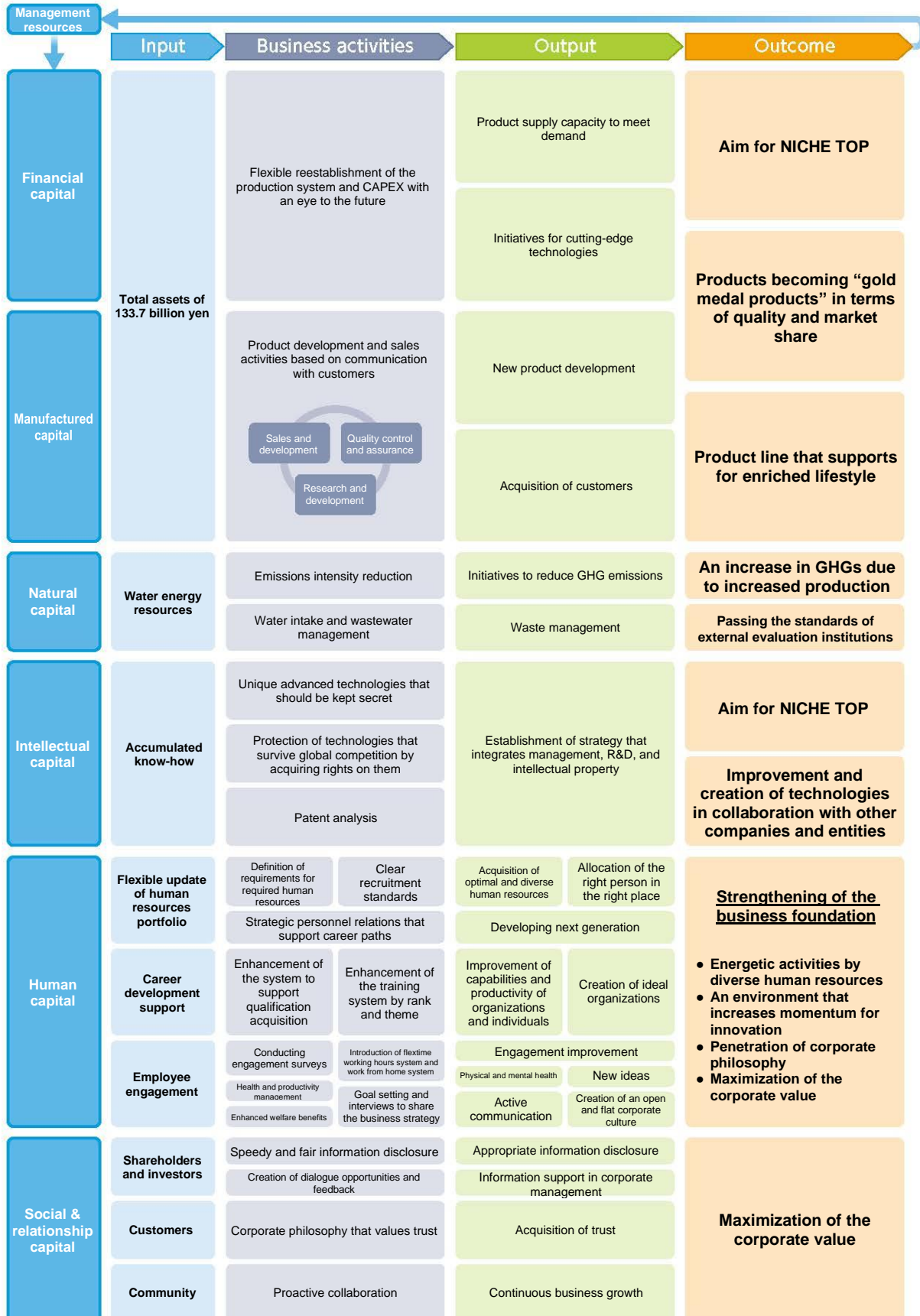
The Board of Directors determines the direction of its corporate strategy, etc., based on which Executive Directors execute their duties. We also have developed an environment that supports risk-taking by having in place the Board of Directors Regulations, the Rules on Division of Duties, the Rules on Delegation of Authority, and other rules and regulations to clarify responsibilities and authorities of respective positions including Directors and respective organizations. The Board of Directors ensures a highly effective framework to supervise Directors by procuring the attendance by External Directors, including Independent External Directors, and Directors who are the Audit and Supervisory Committee Members, including Independent External Directors.

5. Dialogue with shareholders

We strive to engage ourselves in dialogue with shareholders and investors by holding financial results briefings for institutional investors and visiting investors on a semi-annual basis. In addition, we comply as much as possible with requests from shareholders and investors for individual meetings. Any concerns and requests received from shareholders and investors are put together by the Division Manager of the Administration Division, reported to the Board of Directors, and reflected in business management.

■ Cycle to achieve value creation

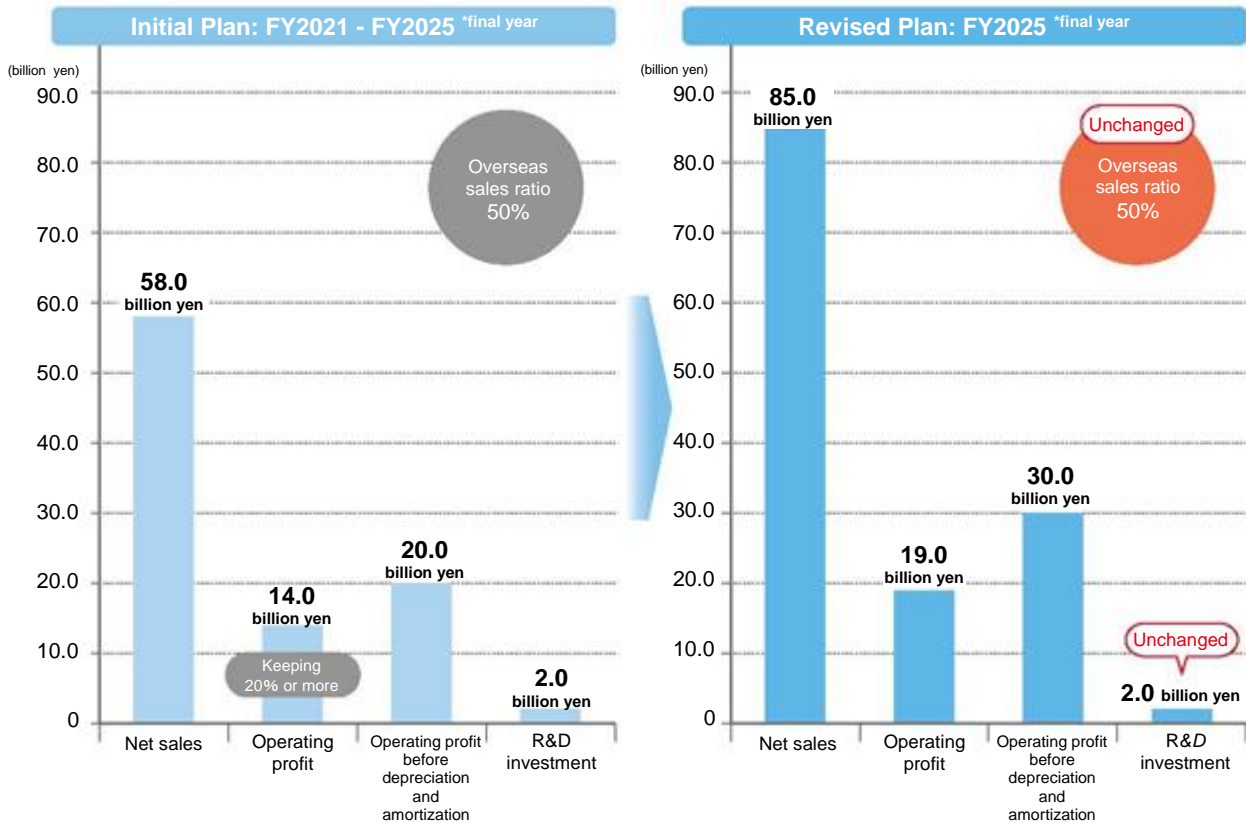
The following table shows the cycle to achieve the value creation. Considering that our products are connected to social issues and people's daily lives, we believe that the demand will continue to grow steadily.



Medium-Term Management Plan “FUSO VISION 2025”

Defining the 5-year period up to FY2025 (fiscal year ending March 31, 2026) as the “5-year period of solidifying our footing for further growth and promoting initiatives to create new business and build a third pillar,” we created the Medium-Term Management Plan “FUSO VISION 2025” (for 5 years from FY2021 to FY2025) and disclosed it in May 2021. Our product line, which responds to the demands of the times to realize a sustainable society, is facing great growth opportunities. By continuously promoting initiatives for addressing changes in the business environment and for creating new value, we will work to achieve the subtheme of the Medium-Term Management Plan “To create Fuso that contributes to the solution of social issues.”

Both consolidated net sales and operating profit for the fiscal year under review were lower than those for the previous fiscal year, mainly due to the impact of the slump in the semiconductor market. However, we believe that this situation is due to short-term economic cycles and we do not intend to change the medium- to long-term management policies and measures set forth in FUSO VISION 2025. Therefore, we will not change management targets for the final year that were revised on May 11, 2023, and will steadily promote the measures set forth in FUSO VISION 2025 to achieve the targets.

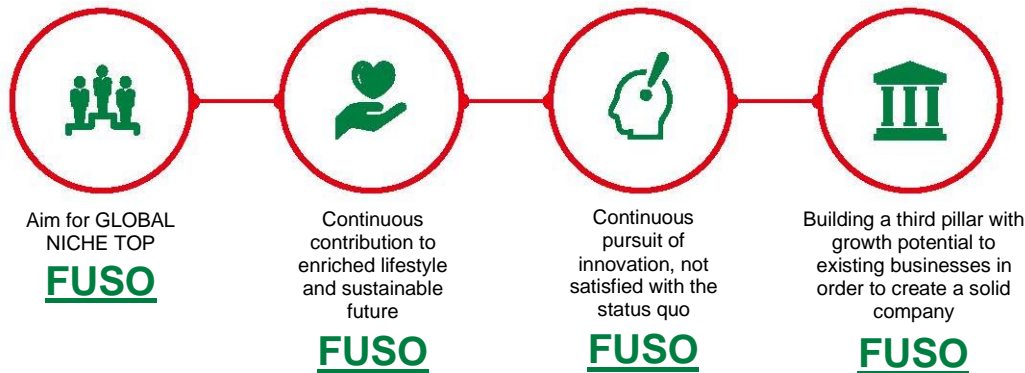


Identification of Materialities

We announced our Medium-Term Management Plan (for the period of five years from the fiscal year ended March 31, 2022 to the fiscal year ending March 31, 2026) in May 2021, and identified materialities. To be a company which can create both social and economic value, we repeatedly considered and discussed what issues we should address.

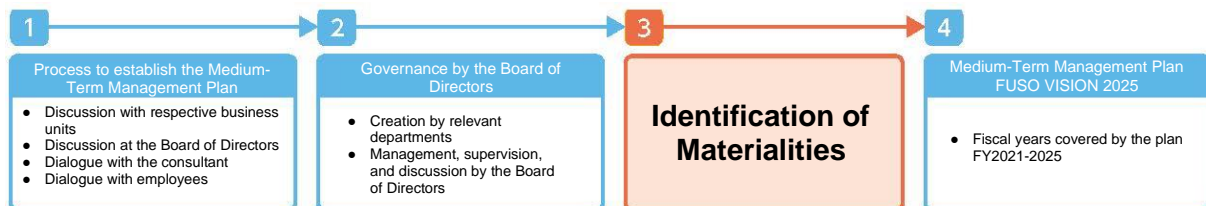
<Company we should aim to be and materialities (important issues)>

Our business scale is not necessarily large; however, we have high profitability with top market shares in some global and niche markets. We believe that we can contribute to enriched lifestyle and sustainable future through our major product lines centered on food and semiconductors. We are committed to promoting the development of advanced technologies, not satisfied with the status quo, aiming for further development as a company through pursuit of innovation and building a third pillar.



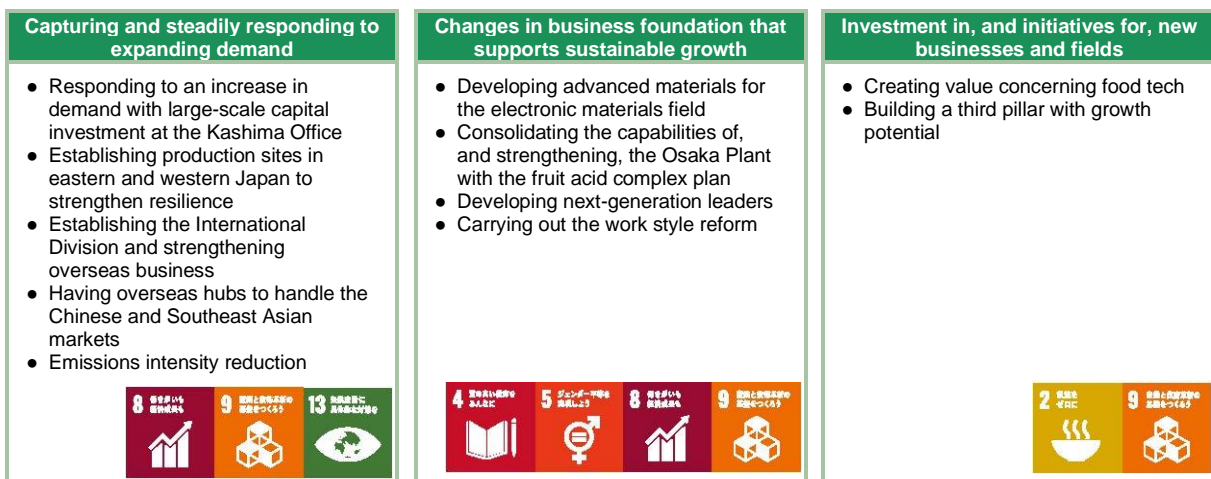
■Process to identify materialities

In the identification process, each relevant department considered materialities by making a matrix of "significance for our business" and "significance for society" and the Board of Directors discussed and determined them.



<Key approaches for materialities>

We aim to implement materiality governance through three key approaches. In addition, our business activities themselves are connected to the resolution of social issues and the development of industry. Our business strategy was designed with SDGs in mind, and our respective business units are working based on the three key approaches.



Initiatives of Each Business Unit for Materialities and Social Issues

[Life Science Business Unit]

The Life Science Business Unit will work to increase its sales and profits by expanding its production and supply framework, developing new products, releasing them into markets at an early stage, and appropriately handling issues arising from changes in the market environment.

Market Environment

| | |
|----------|---|
| Food | <ul style="list-style-type: none"> Heightened problem awareness toward food waste/loss Growing interest in health |
| Industry | <ul style="list-style-type: none"> Heightened awareness toward SDGs |
| Common | <ul style="list-style-type: none"> Shrinking domestic markets Expansion of overseas markets |

Future Outlook

| | |
|----------|---|
| Food | <ul style="list-style-type: none"> Development of technology to make efficient use of limited food resources Development of technology to utilize unused resources as food Demand increases in Southeast Asia due to population growth and improved living standards |
| Industry | <ul style="list-style-type: none"> Continuous growth in the electronic materials-related market Changes in demand structure due to the COVID-19 pandemic |

Business Policy

- Providing technology and products to adapt to social changes and contribute to the solution of social issues
- Continuously providing products that contribute to the enhancement of people's dietary, health, and living environment

New production facilities have started operating at the Osaka Factory. The facilities to produce coated fruit acids have started operating. Coated fruit acids are made by coating various organic acids with oils and fats to give them new features and are expected to be used for new applications. As proof of quality, these coated fruit acids have been certified under the international food safety management system "FSSC22000."^(*) Several companies have already determined to use these coated fruit acids, and we have promoted them not only in Japan but also overseas. Furthermore, in order to improve manufacturing efficiency, we are integrating the Osaka Factory and the Juso Factory, the main plant performing blending of fruit acids and manufacturing of subdivided products, as part of efforts to consolidate manufacturing hubs. The construction of the new facilities to which operations will be transferred from the Juso Factory was completed in December 2022, and we are currently making preparations at a rapid pace for the start of the operations.

(*) FSSC22000: An international standard established by the Global Food Safety Initiative (GFSI), headquartered in Paris

Future growth strategy

Food shortages in light of population growth and the recent tense world situation remain a concern. While maintaining and improving food self-sufficiency rate is an unavoidable issue, prices of chemical fertilizers such as nitrogen, phosphorus, and potassium continue to soar due to global instability. In order to increase crop production, we believe that methods to improve soil without solely relying on chemical fertilizers will be essential in the days to come.

Meanwhile, the SDGs goals of halving per capita food waste worldwide and reducing food loss in production and supply chains have been set. There is also the problem of malnutrition. The importance of food for health will continue to increase.

By actively working to solve these wide-ranging issues through the organic acids and their applied products developed by the Life Science Business Unit, we intend to contribute to improving people's food and health.



| | |
|--|--|
| For food waste/loss reduction and food tech field <ul style="list-style-type: none"> Hydrophobic materials for the frozen food market Development of alternative protein materials | For strengthening our approach to Chinese market of 1.4 billion people <ul style="list-style-type: none"> Utilization of the Shanghai Food & Seasoning Development Center Establishment of seasoning business |
| For diverse food culture in the Southeast Asian market and its development <ul style="list-style-type: none"> Expansion of the food business, including supplies to processed food and chicken breast meat | For the food tech field <ul style="list-style-type: none"> Development and marketing of alternative protein materials that match local trends |

■ **Initiatives of the Life Science Business Unit to Support a Sustainable Society**

● **Supporting health: Approaches to health through food**

Against the backdrop of the recent rise in health consciousness, the word "sour" seems to have become a popular word that gives people the impression that it is good for health. Many products that claim to be "sour" are on the market, and they contain organic acids. Malic and citric acids give a sour taste, and when ingested and incorporated into the body, they help recover from fatigue and improve metabolism. Ascorbic acid (vitamin C) also increases the body's resistance due to its antioxidant properties. These are examples of why these organic acids are used. We are working on adding new features to organic acids, such as delivering organic acids to the intestines or mitigating the impact on constituents susceptible to damage from acids, by adding coatings to these organic acids or taking similar measures to control the timing of elution. Through this approach, we hope to be even more helpful in terms of healthy eating habits.

● **Supporting food waste/loss reduction**

We are striving to contribute to solving the food waste/loss problem, which the food industry cannot avoid, by utilizing malic acid and other organic acids. The spoilage and deterioration of processed foods caused by microorganisms can be suppressed by combining various organic acids. Meanwhile, degradation such as the browning of fruits and vegetables can also be suppressed by using organic acids that have antioxidant features.

● **Supporting primary industries**

Bio stimulants are a new technology which reduces damage to plants resulting from climate and soil conditions by controlling abiotic stress in plants and provides healthy plants. We have paid attention to "active ingredients derived from certain natural products" and revealed that they would increase the tolerance of plants to high temperature stress. These active ingredients have the effect of reducing yield decline, withering, and quality deterioration caused by high temperatures, contributing to increased profitability of farmers.



The Life Science Business Unit is also working on the use of organic acids in agriculture. Organic acids have the potential to be applied to phosphate reduction in fertilizers, as they can solubilize phosphorus remaining in the soil from excessive fertilization and convert it into a form that is readily available to plants. In addition, organic acids such as citric acid are substances deeply related to the metabolic systems of living organisms and are thought to have a positive impact on the growth of plants and soil microorganisms.

By adopting different approaches from fertilizers and pesticides, we intend to continuously contribute to solving the food shortage problem through stable growth and harvest of agricultural crops.



[**Electronic Materials Business Unit**]

The Electronic Materials Business Unit will work to increase its sales and profits by expanding its production and supply framework, developing new products, releasing them into markets at an early stage, and appropriately handling issues arising from changes in the market environment.

Market Environment

| | |
|--|--|
|  Semiconductors  Information Industry | <ul style="list-style-type: none"> ● Growing demand for semiconductors due to the spread of AI, 5G and IoT ● Increase in consumers who pursue convenience coupled with abundance ● Growing demand for low environmental impact, including low power consumption |
|--|--|

Future Outlook

| | |
|--|--|
|  Semiconductors | <ul style="list-style-type: none"> ● Growing demand for semiconductors due to the establishment of new lifestyle ● Growing demand due to miniaturization and multi-layering of semiconductor wiring |
|  Information Industry | <ul style="list-style-type: none"> ● Growing demand for advanced materials that support an increasingly sophisticated lifestyle ● Widespread use of materials enabling the reduction of environmental impact |

Business Policy

- **Contribution to society through our highly functional electronics sector with the development and production of advanced materials such as Ultra High Purity Colloidal Silica (Quartron®), etc.**

● **Global market forecasts for semiconductor devices**

The global semiconductor market is seeing growth in demand and progress in technological development due to the increase in demand for PCs and smart phones and industrial demand so far and due to technological development and expansion of information infrastructure such as the cloud. A sustainable future we are aiming for, where 5G communication, IoT, self-driving automobiles, etc. become widespread, will be achieved through the development of various electronics industries. In that future, daily life will be richer and convenient. Bolstered by the demand for electric vehicles, AI, etc. due to decarbonization initiatives, the global semiconductor market will continue to be an important and growing market as an important industrial base.



■ Initiatives to support social infrastructure

Semiconductors are used for electrical products around us and a variety of products that support social infrastructure. Semiconductor shortages due to the world situation, COVID-19 pandemic, etc. have brought to light the problems of “not being able to produce products,” “not being able to procure products needed to maintain lifelines,” and the importance of the semiconductor industry has been once again recognized.

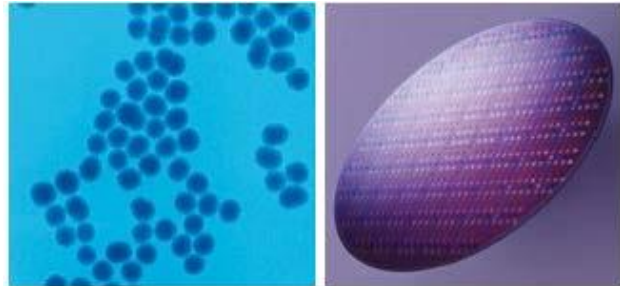
● Supporting the future

Semiconductors, which are now essential to society, play critical roles in energy, environmental issues, and the information technology field, all of which will affect the future. Our Electronic Materials Business Unit will continue to fulfill its responsibility as a business unit of a company that supports the semiconductor industry.

● FUSO technology that supports the advanced semiconductor industry

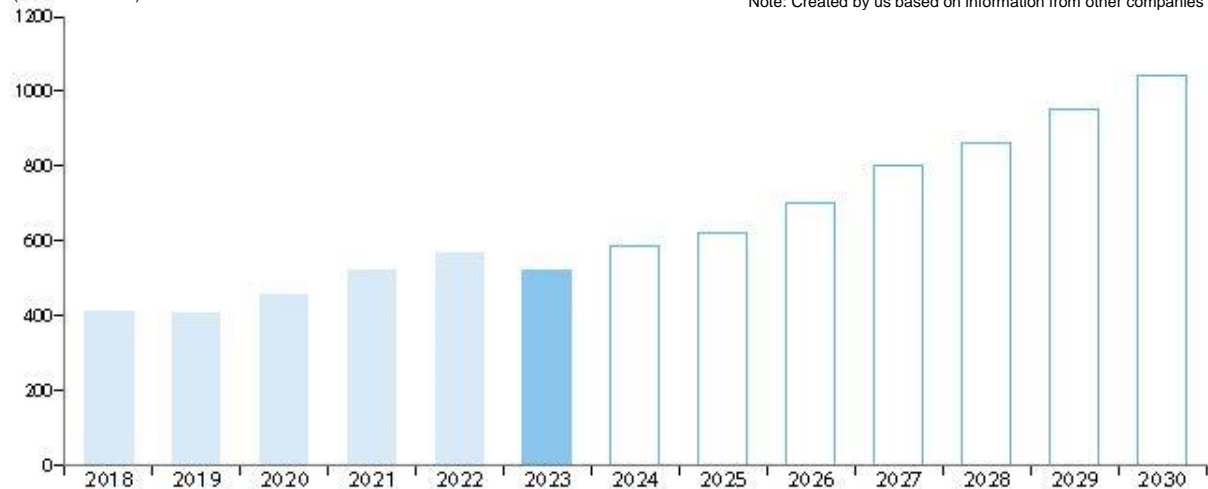
Ultra High Purity Colloidal Silica (Quartron®), one of our “gold medal products,” is utilized as the main material for abrasives utilized in the semiconductor production process. In the increasingly sophisticated semiconductor field, our strength lies in our unique technology that allows us to control the size and shape of particles at the nano level.

Semiconductors will continue to be more miniaturized, multi-layered, and highly integrated. In the chemical mechanical polishing (CMP) process, which requires particularly high technology among the semiconductor production process, it is necessary to flatten the surface without damaging semiconductor wiring. Our Ultra High Purity Colloidal Silica (Quartron®) is utilized by many customers around the world as a critical material in that process.



■ CMP slurry market size forecast

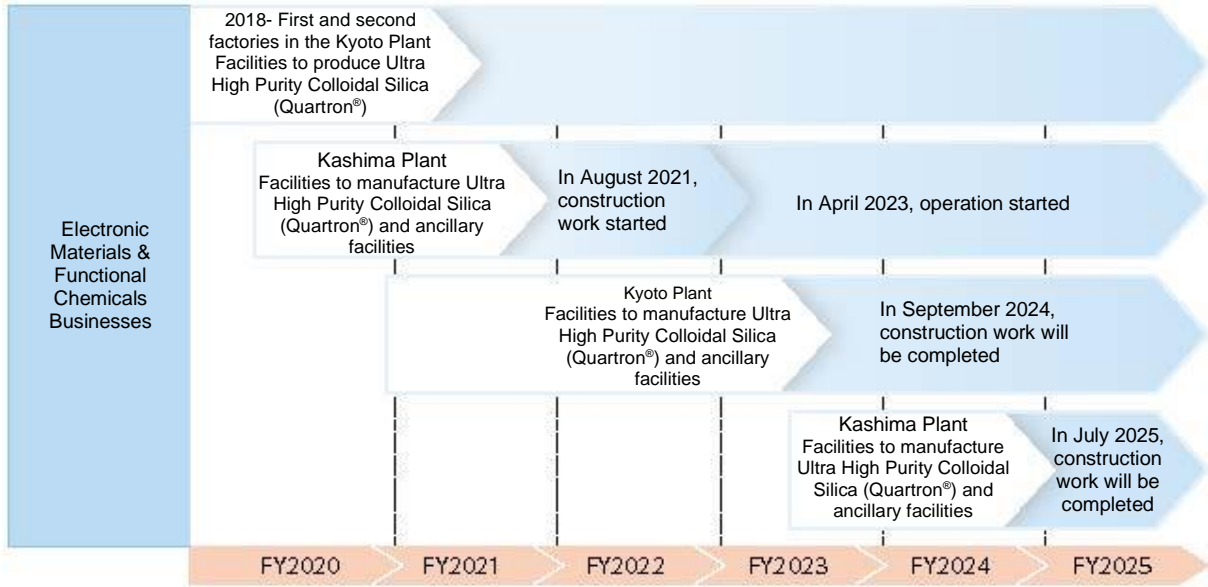
(in thousand tons)



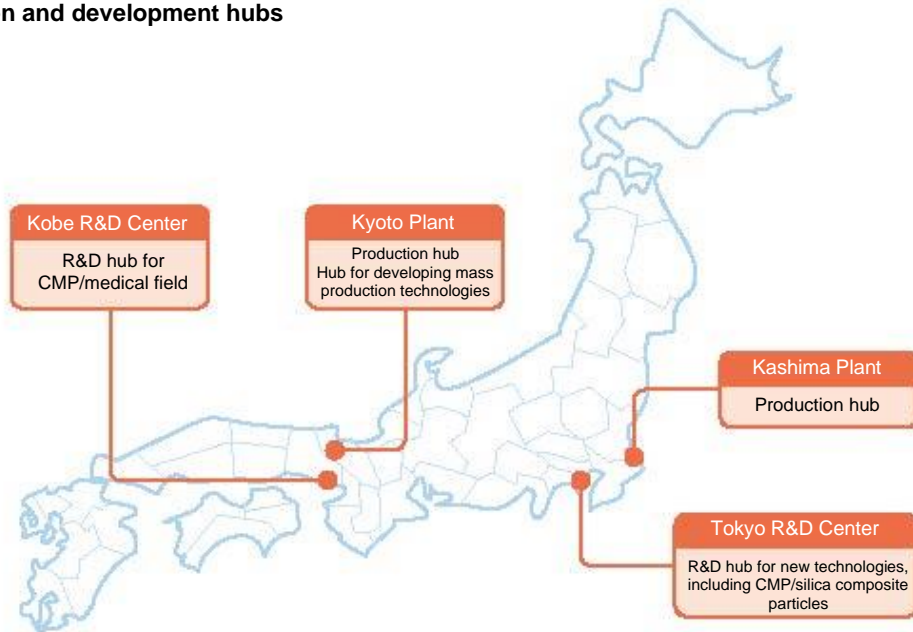
■ Development of production and R&D systems in response to increasing demand

We consider that our role is to further improve technology and develop systems that allow us to provide products without interruption, to realize a sustainable future. To perform this role, we are promoting capital investment to respond to an increase in demand for the establishment of R&D systems, as well as promoting the establishment of resilient production and development systems. At the Kobe R&D Center, our new R&D hub, we have rolled out Ultra High Purity Colloidal Silica (Quartron®) technologies fostered in the semiconductor field to the development of functional materials for fields of cosmetics, medical care, biotechnology, etc., thereby developing products that improve people’s lives and wealth and continuously contribute to a sustainable future.

In terms of production, not only do we respond to the increasing demand, but we also started the operation of a production line for Ultra High Purity Colloidal Silica (Quartron®) at the Kashima Plant in April 2023, with the aim of introducing a disaster-resilient two-hub system with the Kyoto Plant, which is responsible for current production. We also plan to additionally strengthen the facilities of the Kyoto and Kashima Plants, in 2024 and 2025, respectively. In 2025, when the strengthening of the facilities is scheduled to be completed, the production capacity will be 1.5 times the level in FY2022.



■ Production and development hubs



[International Division]

We established the International Division in April 2021 with the aim of establishing collaboration between our overseas subsidiaries and strengthening their governance. Our goal for the overseas sales ratio in the final year of our Medium-Term Management Plan is 50%. We intend to achieve it by responding to demand in the Asian region and North America.

■ Situation by region

Significantly increasing overseas sales is essential for the growth of both our Life Science Business and Electronic Materials Business.

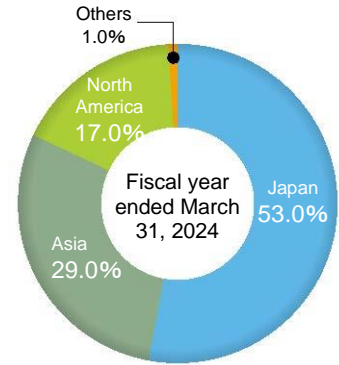
In China, we will further expand our FFA business (*) by utilizing the test kitchen in Qingdao Fuso Refining & Processing Co., Ltd. as well as Shanghai Food & Seasoning Development Center.

FUSO(THAILAND)CO., LTD. is strengthening sales activities not only in Thailand but also in neighboring countries with significant economic growth with the aim of growing the FFA business for local foods of each country.

PMP Fermentation Products, Inc. in the United States increased its manufacturing capacity for gluconic acids by 20% in FY2023. By utilizing this increased capacity, we will steadily capture the growing demand in North America and strive to expand our market share.

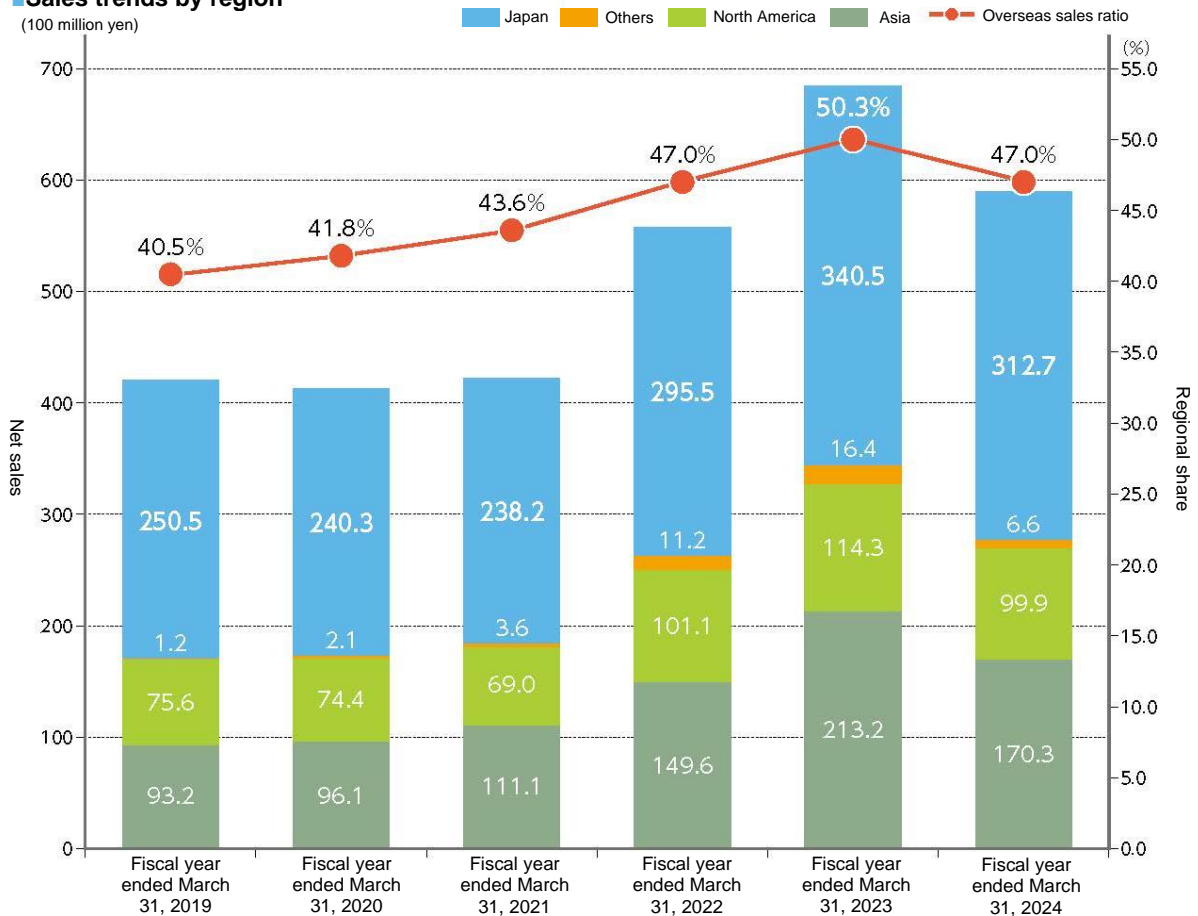
Exports of Ultra High Purity Colloidal Silica, a key product of our Electronic Materials Business, to the Asian region and North America have contributed to improving overseas sales ratio.

(*) Businesses that utilize the characteristics of fruit acids



■ Sales trends by region

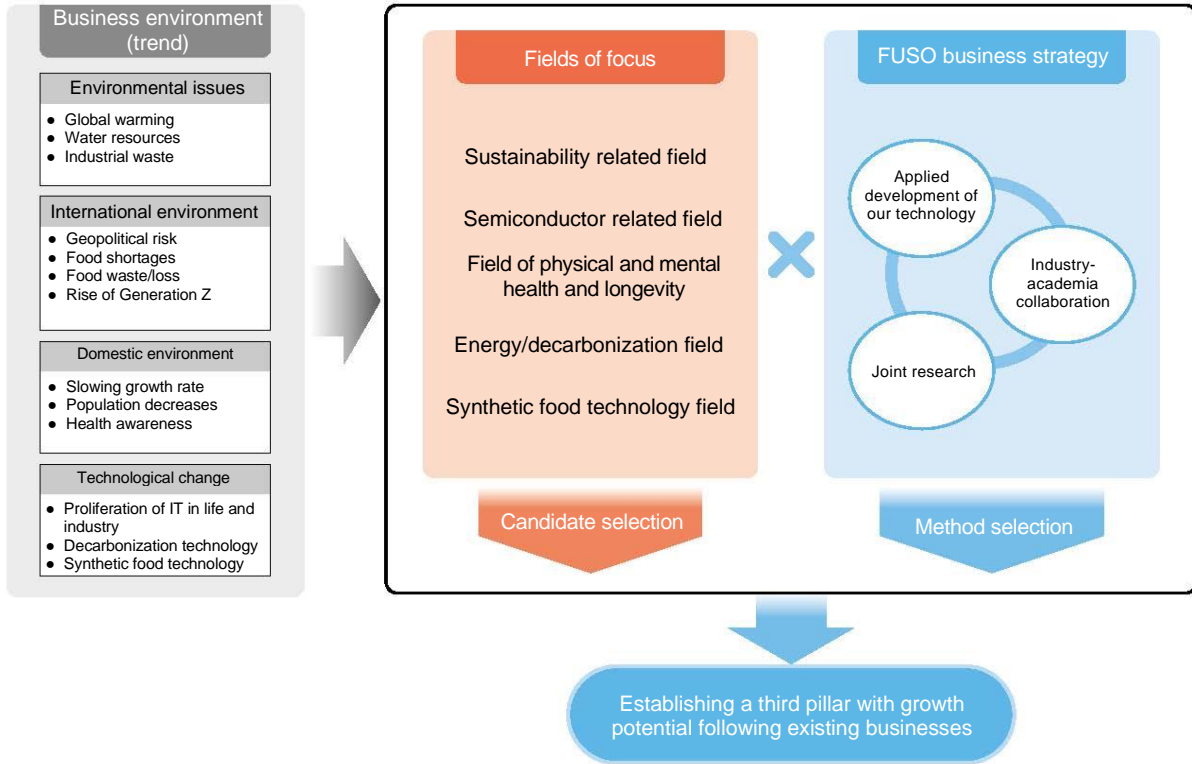
(100 million yen)



Investment Strategy for the Establishment of a Third Pillar

We believe that the establishment of a new business to serve as our third pillar following the Life Science Business and the Electronic Materials & Functional Chemicals Businesses is critical for our future growth. We are pursuing materials and chemical technologies that solve social issues and are working to establish a third pillar while providing our solutions through investment, scaling up, etc.

- Conceptual diagram of investments including those through funds, etc.



Sustainability Management

In December 2021, we created and announced the Sustainability Fundamental Policy with the aim of ensuring corporate growth and business continuity. By reflecting governance that is conscious of environmental and social sustainability in our management, we will work to achieve a sustainable society through our corporate activities.

Sustainability Fundamental Policy

We as a front-runner of the global niche top company continue to play an active role in various aspects of people's quality of life, with its applicability and technical capabilities.

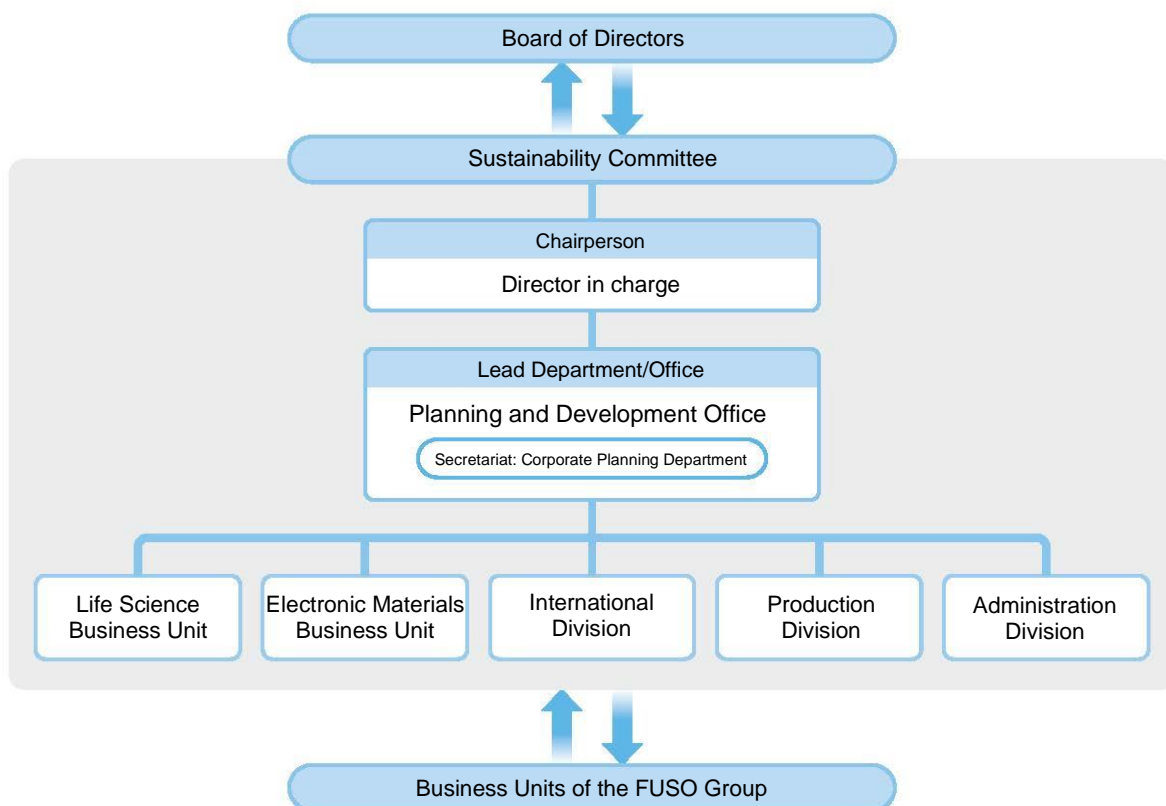
We provide fruit acids and their derivatives, which contribute to food and other industries, and silica-related products, which are essential to the semiconductor industry in the future society, thereby building a foundation for growth into the future.

We have strong desire to continuously contribute to the sustainable society with insatiable aspirations under our motto "Limitless Progress and Creation" and work to improve our corporate value permanently.

Organizational Structure

In October 2021, we established an internal Sustainability Committee to promote sustainability initiatives. In order to build strategic management for social issues such as climate change, we work to compile affairs and data handled by respective business units and offices and share and implement established plans with respective business units.

The Sustainability Committee periodically reports on the progress of initiatives to the Board of Directors, which supervises the progress of sustainability initiatives.



Participation in Initiatives

In promoting sustainability, we endorsed the TCFD, a climate-related financial information task force. We have clarified our approach to climate change as one of the key issues affecting our business continuity. We also participate in the United Nations Global Compact, which is recognized by the international community as a set of universal values adopted and agreed upon worldwide, and endorse the 10 principles in the four areas of human rights, labor, environment, and anti-corruption. As a global business, we are committed to achieving these aims, and continue to strive toward them. By participating in these initiatives, we will make our management structure more robust.

■ Measures for the United Nations Global Compact

We joined the United Nations Global Compact in May 2022. We will accelerate our sustainability efforts through management aimed at sustainable growth and proactive disclosure of our corporate stance.

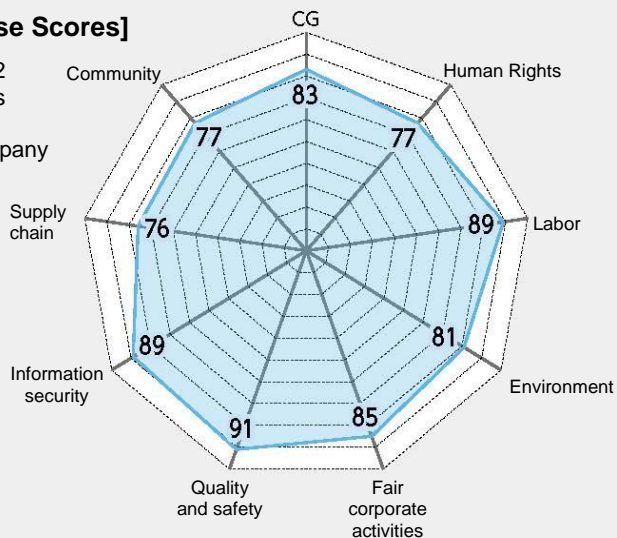
| Four Declarations | Ten Principles | Our Efforts |
|-------------------|---|--|
| Human Rights | Principle 1: Support and respect the protection of human rights | <ul style="list-style-type: none"> The Code of Conduct and Corporate Governance Guidelines set out our efforts to respect human rights. |
| | Principle 2: No complicity in human rights abuses | |
| Labor | Principle 3: Uphold the freedom of association and collective bargaining | <ul style="list-style-type: none"> The Code of Conduct and Corporate Governance Guidelines set out our efforts to respect human rights. In FY2022, a questionnaire survey was conducted to promote and investigate suppliers' participation in general |
| | Principle 4: Elimination of forced labor | |
| | Principle 5: Effective abolition of child labor | |
| | Principle 6: Elimination of discrimination in respect of employment and occupation | |
| Environment | Principle 7: Support a precautionary approach to environmental challenges | <ul style="list-style-type: none"> Our sustainability policy is included in the Corporate Governance Report and Corporate Governance Guidelines |
| | Principle 8: Initiatives to promote greater environmental responsibility | |
| | Principle 9: Development and diffusion of environmentally friendly technologies | |
| Anti-Corruption | Principle 10: Work against corruption in all its forms, including extortion and bribery | <ul style="list-style-type: none"> We have established a Code of Conduct and are working to prevent corruption |

<Results of the FY2022 Supplier CSR Survey>

This was the first questionnaire issued to our top 100 suppliers since we joined the United Nations Global Compact. Going forward, we plan to expand the scope of the survey and work with suppliers to effect CSR procurement that enhances social sustainability.

■ Outline of Survey [Average Response Scores]

Survey Period: September to December 2022
Survey Content: Compliant with United Nations Global Compact
Participants: Top 100 suppliers of the Company (97 responses)



Information Disclosures under the TCFD Framework

As the world moves toward sustainability, it is essential to consider business continuity risks and business creation opportunities. Our business and product lineup are becoming increasingly globalized, and we believe that conforming to sustainable society initiatives not only in Japan but also overseas will enhance our corporate value and give us a strong competitive edge.

Status and Views on the TCFD Proposed Disclosure Items

Based on the IPCC “1.5°C Special Report,” we recognize that one of our management challenges is measures against climate change caused by rising temperatures and other factors. The current status of governance, strategy, and risk management is shown in the table below. Although measurement of CO₂ emissions is still limited to domestic operating companies, the Sustainability Committee reports CO₂ emissions from business activities and promotes efforts to reduce emissions intensity. (Note: Current CO₂ emissions and efforts to reduce emissions intensity are shown on pages 32–34)

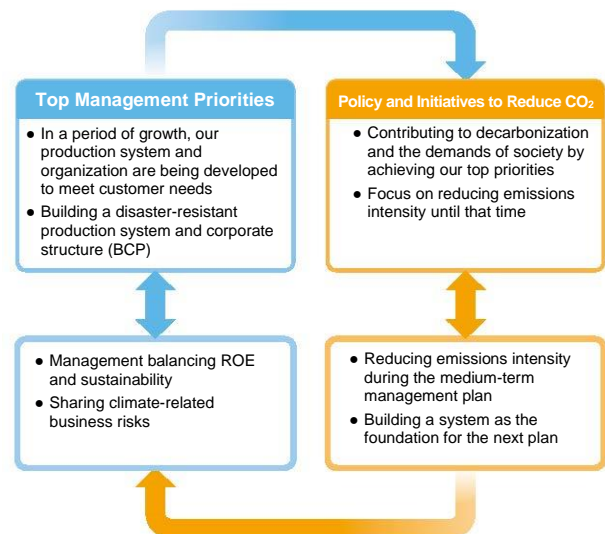
■ Status of Efforts and Current Policy

| | |
|---|--|
| <p>Governance Organizational governance with respect to climate-related risks and opportunities</p> | <ul style="list-style-type: none"> • The Board of Directors provides oversight and evaluates reports and proposals from the Sustainability Committee. • The Sustainability Committee meets once every six months, and as needed. • The Sustainability Committee discusses and confirms progress on climate-related risks, opportunities, policies, and targets, and reports to the Board of Directors. |
| <p>Strategy Current and potential impacts of climate-related risks and opportunities on the organization’s business, strategy, and financial plans</p> | <ul style="list-style-type: none"> • Even if carbon pricing is reflected in profit and loss in the short term, the impact will be limited because the company secures earnings through investment plans based on ROE. If carbon pricing rises sharply in the medium to long term, the impact on profit and loss will be significant. • Risk that business units will see a sharp increase in raw materials, energy, and other costs even under the 2°C scenario • Opportunities from increased demand for our technology due to food waste loss and the advancement of energy-saving equipment to address environmental and social issues |
| <p>Risk Management Methods to identify, assess, and manage the organization’s climate-related risks</p> | <ul style="list-style-type: none"> • Risks are identified for each business unit based on scenario analysis • Shared with the Risk Management Committee to review and evaluate risks from multiple perspectives • Identified risks are discussed by the Board of Directors and reflected in strategy |
| <p>Indicators and Targets Indicators and targets used to assess and manage climate-related risks and opportunities</p> | <ul style="list-style-type: none"> • CO₂ emissions are expected to increase partly due to large capital expenditure underway • We will limit the increase in CO₂ emissions through efforts to reduce emissions intensity as production volume significantly increases • We aim to resolve social issues through initiatives in each business as part of the Medium-Term Management Plan “FUSO VISION 2025” |

<Future Initiatives to Reduce CO₂ Emissions>

Although our domestic operating companies currently only manage their emissions according to Scope 1 and 2, the Sustainability Committee decided at its December 2023 meeting to introduce software to calculate CO₂ emissions, and we are in the process of calculating Scope 1 through Scope 3 emissions at our domestic operating companies.

Many of our products are necessary to achieve a sustainable society, and we are investing in equipment to meet the demands of our partners. Therefore, our efforts to reduce CO₂ emissions are expected to remain limited to the reduction of intensity for the time being. In June 2023, the ISSB issued its disclosure standards. Going forward, while closely monitoring discussions in Japan, we aim to establish a management system for CO₂ emissions under Scope 3, including those of group companies, and to make specific efforts to reduce CO₂ emissions from FY2025.



Climate Change Risk Response Schedule

We are currently working to reduce emissions intensity to address climate change risks. We aim to develop a specific strategy for CO₂ emissions after FY2025, when the foundation for addressing CO₂ including group companies is scheduled to be in place.

Schedule for CO₂ Emissions Initiatives

| Category | Period | Initiative |
|---------------------|---------------|--|
| Progress | By FY2021 | Scope 2 (1) Reviewed and streamlined work processes as part of energy conservation efforts. Made efforts to reduce emissions intensity. Efforts to reduce emissions intensity gradually showing results. |
| Short Term | FY2022–2024 | Scope 2 (2) Continuing to intensify efforts to reduce emissions intensity. It is difficult to set specific reduction targets due to the large capital expenditure underway, and we intend to formulate specific initiatives for FY2026, when the next medium-term management plan is scheduled to begin. |
| | | Scope 3 (1) In addition to ongoing efforts to address emissions intensity, we aim to build a foundation through Scope 1 to Scope 3 calculations, including overseas consolidated subsidiaries. We aim to work on establishing a management system that includes overseas consolidated subsidiaries. |
| Medium to Long Term | Beyond FY2025 | Scope 3 (2) We aim to establish a management system for emissions corresponding to Scope 3 standards and work toward reducing CO ₂ emissions, including in the supply chain. |

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | |
|-----------------------------|----------------------------------|-----------------------------------|--|------|------|------|------|------|------|------|------|------|------|------|------|--|
| CO ₂ Initiatives | Emissions Intensity Initiatives | Scope 2 Reduction Initiatives (1) | <ul style="list-style-type: none"> Energy conservation efforts at each business location Review and streamlining of work processes | | | | | | | | | | | | | |
| | | Scope 2 Reduction Initiatives (2) | <ul style="list-style-type: none"> Initiatives to reduce emissions intensity Review of emissions intensity as part of facility expansion plan Initiated efforts to establish KPIs | | | | | | | | | | | | | |
| | Zero CO ₂ Initiatives | Scope 3 Reduction Initiatives (1) | <ul style="list-style-type: none"> Initiatives to reduce emissions intensity Implementation of Scope 3 calculation software Monitoring status of consolidated subsidiaries | | | | | | | | | | | | | |
| | | Scope 3 Reduction Initiatives (2) | <ul style="list-style-type: none"> Initiatives to reduce emissions intensity Establishing KPIs Formulation of plan to reduce CO₂ Consideration of implementing carbon accounting Supply chain reduction plan | | | | | | | | | | | | | |

Risks and Opportunities

After collecting and analyzing information on the global situation and future projections, we identified the risks and opportunities for our company posed by climate change. The transition risks for each are risks related to the transition to a low-carbon economy. Physical risks are risks related to physical changes caused by climate change. We also considered the impact of the situation in Ukraine and geopolitical risks in East Asia.

| Category | Expected Impact on the Company | | Potential Financial Impact | |
|-------------------|--------------------------------|--|--|--------|
| Physical | Opportunity | Improving resilience by decentralizing production sites | High | |
| | Risk | Damage to facilities / distribution disruptions due to wind and water damage and rising sea levels | | |
| Transition | Policy and Regulation | Opportunity | Increased demand for semiconductors / support for semiconductor peripheral companies / attracting overseas semiconductor manufacturers | Medium |
| | | Risk | Introduction of carbon taxation, etc. / delayed CO ₂ policy decisions / creation of emissions trading market | |
| | Technology | Opportunity | Request for additional capital expenditure / miniaturization and multilayering of semiconductors / food processing technology demand | High |
| | | Risk | More sophisticated needs of partners and technological innovation | |
| | Market and Reputation | Opportunity | Strengthening carbon measures by securing profits | High |
| | | Risk | Low appreciation for growth focus / exclusion from supply chain due to delayed CO ₂ initiatives | |
| Economic Security | Opportunity | Increased demand for semiconductors / increased beverage and food processing needs due to global population growth | Medium | |
| | Risk | Raw material procurement uncertainty / geopolitical risk | | |



■ Life Science Business Unit

● Handling Advantages <Opportunity>

The Life Science Business Unit leverages food tech to achieve product lines that can contribute to the reduction of CO₂ emissions by addressing the issue of food loss, as well as products that contribute to people’s health. We will expand commercial opportunities for these products not only in the domestic market but also through overseas expansion. We will also strengthen our efforts in food tech through R&D and industry-academia-government collaboration.

● Handling Disadvantages <Risk>

We have established a cost-competitive production system, particularly through capital investment in the Kashima Plant. In addition to strengthening our supply capacity, we have built a production system that enables us to secure raw materials at reasonable prices. We will tackle CO₂ emissions through reduction of emissions intensity and underutilized technologies.

| | Advantages <Opportunity> | Disadvantages <Risk> |
|----------------|---|--|
| 1.5°C Scenario | <ul style="list-style-type: none"> Needs for shelf life measures Use in response to health-conscious trend Increase in processed foods | <ul style="list-style-type: none"> Ingredient procurement uncertainty High fuel prices Requests for environmental measures by partners (medium) |
| 4.0°C Scenario | <ul style="list-style-type: none"> Needs for shelf life measures Foods to alleviate tiredness Increase in processed foods | <ul style="list-style-type: none"> Ingredient procurement uncertainty and high prices High price of non-fossil energy Trade impediments due to carbon taxes Requests for environmental measures by partners (strong) |

■ Electronic Materials Business Unit

● Handling Advantages <Opportunity>

Global demand for semiconductors is expected to continue to rise steadily as the industry seeks to respond to geopolitical risks. The production of cutting-edge semiconductors is also an important part of climate change efforts, and in order to fulfill our supply responsibility, we completed the Phase 1 of construction at the Kashima Plant in April 2023, and are implementing Phase 2 as well as additional facility construction at the Kyoto Plant to establish a highly resilient production system for our East and West production bases.

● Handling Disadvantages <Risk>

The semiconductor industry occupies an important position in the quest for a sustainable society. Therefore, we believe that we will likely be able to respond flexibly to rising raw material prices, but first, we will focus on reducing our environmental impact and achieving zero emissions while reducing internal costs. We will work with the Kobe R&D Center and the Tokyo R&D Center to develop new materials that can contribute to energy conservation while responding to future changes in semiconductor manufacturing technology.

| | Advantages <Opportunity> | Disadvantages <Risk> |
|----------------|--|---|
| 1.5°C Scenario | <ul style="list-style-type: none"> Increase in demand for semiconductors (Electric vehicles, digital transformation [DX], artificial intelligence [AI], etc.) Development of energy-saving equipment Development of energy-saving materials | <ul style="list-style-type: none"> Ingredient procurement uncertainty High fuel prices Requests for environmental measures by partners (medium) |
| 4.0°C Scenario | <ul style="list-style-type: none"> Increase in demand for semiconductors Development of energy-saving equipment Development of energy-saving materials | <ul style="list-style-type: none"> Ingredient procurement uncertainty and high prices High price of non-fossil energy Requests for environmental measures by partners (strong) Trade impediments such as carbon taxes Increased CO₂ emissions due to increased production |

Financial Impacts of Climate Change

We are collaborating with non-life insurers to regularly calculate the estimated amount of damage from disasters with reference to hazard maps and other information provided by the Ministry of Land, Infrastructure, Transport and Tourism and local governments.

We also calculate the estimated amount of damage to our profit and loss, and to control the impact on profit and loss, part of the operating income impact amount is covered by insurance. We will continue to regularly review financial impacts and respond by visualizing expected financial impacts of climate change.

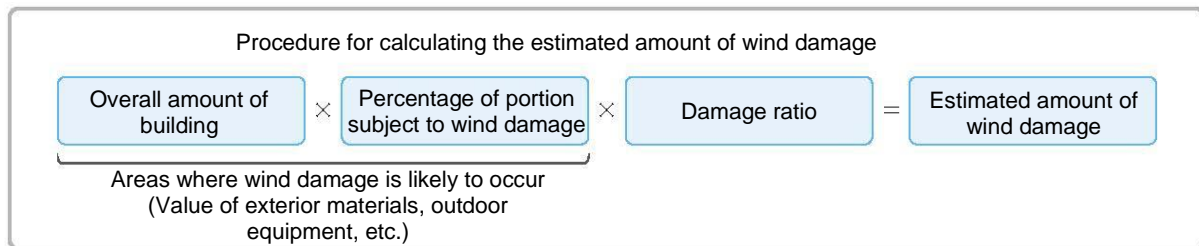
The projected damage and operating income impact calculated for 2022 are shown below. Both the projected damage and the operating income impact are partially covered by insurance, which controls the impact on our finances.

■ Expected amount of damage

| Expected type of damage | Expected amount of damage | Impact on operating profit |
|-----------------------------|---------------------------|----------------------------|
| Wind, hail, and snow damage | 1.5 billion yen | 1.2 billion yen |
| Water damage | 4.4 billion yen | 3.7 billion yen |

■ Formula

The estimated wind damage amount is calculated as follows.



■ Measures to address profits and losses from climate change

We believe that our products are consistent with the needs of society and can adapt to change even amid tax changes and carbon pricing due to climate change. The maximum impact through 2025 is expected to be approximately 1 billion yen, but this is expected to be absorbed by earnings from increased revenues due to large capital expenditure and other factors.

■ Handling of other risks

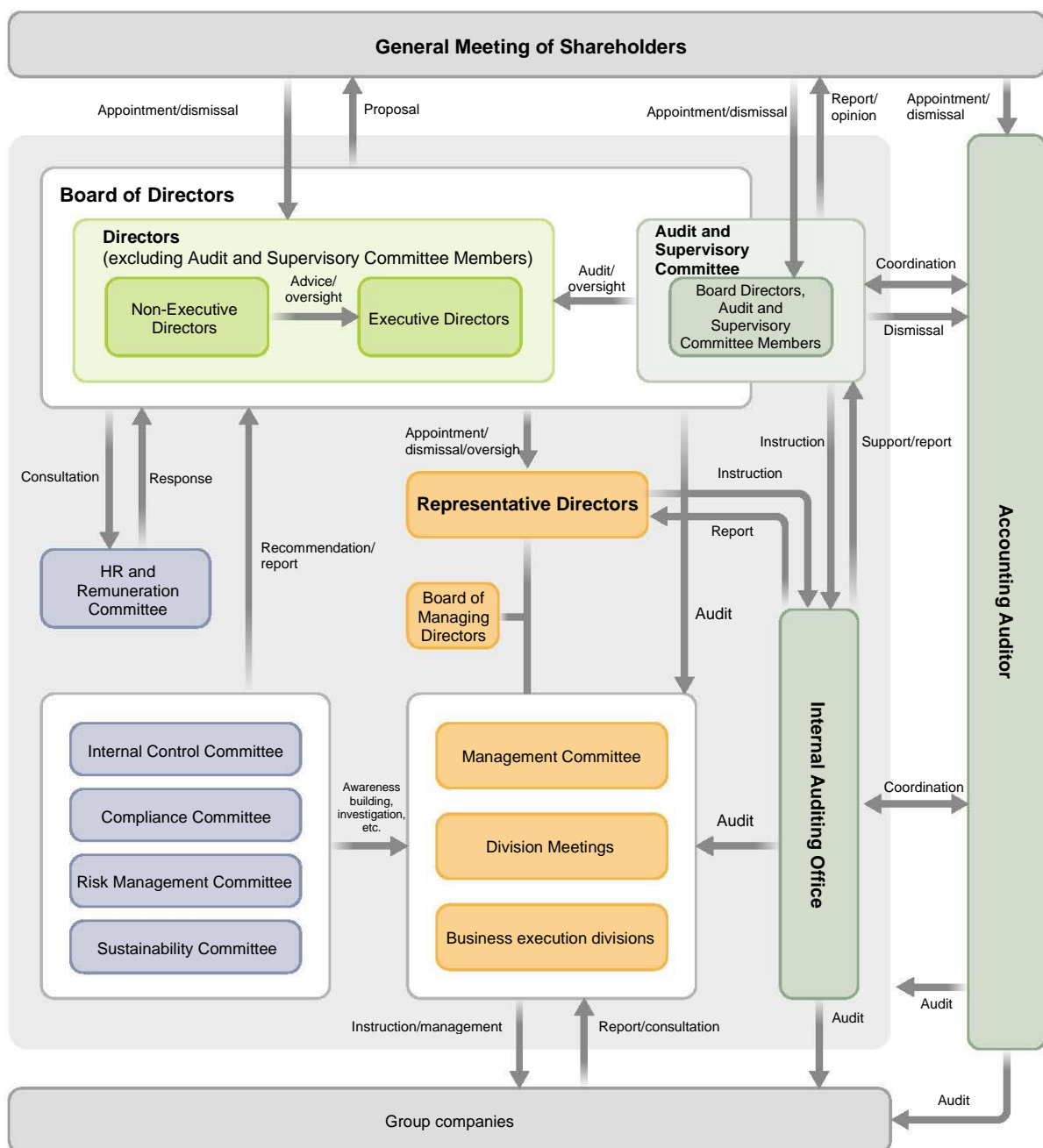
| | Item | Policy and Initiatives |
|-----------------|------------------------------------|---|
| Transition Risk | Policies and regulations | <ul style="list-style-type: none"> Japan has submitted an NDC to the United Nations, stating its ambitious goal to reduce greenhouse gas emissions by 46% of 2013 levels (stretch target: 50%) by 2030, in accordance with the aim of carbon neutrality by 2050. Although we have been able to reduce CO₂ emissions intensity by more than 30%, total CO₂ emissions have increased, partly due to an increase in sales. Our goal is to develop a response plan in line with government targets by 2025. |
| | Disclosure of sustainability, etc. | <ul style="list-style-type: none"> We have announced non-financial and other information in line with the TCFD through this report every year since 2022. We will continue to disclose non-financial information every year while enhancing the content of our disclosures. It is also our policy to respond appropriately to information disclosures required by the TSE and the initiatives. |
| | Management of GHG emissions volume | <ul style="list-style-type: none"> We will establish a system to manage GHG emissions in accordance with Scope 3, including group companies. We will consider reducing GHG emissions throughout the supply chain and guidance, etc. |
| | Other | <ul style="list-style-type: none"> We cannot operate our business without emitting CO₂. In this context, it is necessary to consider trading emission credits to achieve the same level of reduction as the policy target. We will study the emissions trading market and how to use it. |

Corporate Governance

We strive to fulfill our social responsibility to all stakeholders, while at the same time achieving sustainable growth and higher corporate value, setting forth basic matters concerning corporate governance as follows.

Organizational Structure

The status of duty execution is supervised with information shared at the Board of Directors and the Management Committee consisting of Directors, Executive Officers, and heads of consolidated subsidiaries. Audit and Supervisory Committee Members attend relevant meetings to ensure the effectiveness of audits on business execution. We strive to increase management transparency through timely information disclosure and promote communication with our stakeholders, including shareholders, through active investor relations activities.



Board of Directors

In FY2023, the Board of Directors met 13 times, all of which were attended by all the Directors.

■ Appointment of Directors

Our Board of Directors consists of 10 Directors including two women. Preconditions for appointing directors are that they have high moral standards beyond mere legal compliance and that they understand, and are conscious of, fulfilling their duties as directors. Given that we operate the Life Science Business and the Electronic Materials & Functional Chemicals Business and expand business overseas, the basic policy for the Board of Directors is to be composed of internal directors who have expertise in these business operations and external directors who have professional knowledge and the like on corporate management, finance, legal affairs, etc. Director candidates are appointed by approval of the Board of Directors based on a report by the HR and Remuneration Committee, which the committee responds to the Board after deliberating the matter upon consultation by the Board.

■ Skill Matrix (as of October 2024)

| Name | Position | External | Independent | Committee | | Major skills, experience, etc. of Directors | | | | | | | | |
|-------------------|--|----------|-------------|-----------------------|---------------------|---|---------------------|-------------------------------------|------------------|-----------------|---------------------|-----------|------------------------|---|
| | | | | Audit and Supervisory | HR and Remuneration | Corporate management | Sustainability, ESG | Technology, research, manufacturing | Sales, marketing | Global business | Finance, accounting | HR, labor | Legal, risk management | |
| Misako Fujioka | Representative Director & Chairman | | | | ○ | ● | ● | | | | | | ● | ● |
| Shinichi Sugita | Representative Director & President | | | | ○ | ● | | ● | ● | | ● | | ● | |
| Haruo Masauji | Senior Managing Director | | | | | ● | | ● | ● | | | | | |
| Takashi Tanimura | Senior Managing Director | | | | | ● | | ● | | ● | | | | |
| Atsushi Fujioka | Managing Director | | | | | ● | ● | | | | ● | | | |
| Motoki Sugimoto | Board Director | | | | | | | ● | ● | | ● | | | |
| Hakaru Hyakushima | Board Director | ○ | ○ | | | ● | | | | | ● | | | ● |
| Fumiaki Hlrata | Board Director, Audit and Supervisory Committee Member | ○ | ○ | ◎ | ◎ | ● | | ● | ● | | | | | |
| Sayaka Eguro | Board Director, Audit and Supervisory Committee Member | ○ | ○ | ○ | ○ | | ● | | | | ● | | ● | ● |
| Kei Takeuchi | Board Director, Audit and Supervisory Committee Member | ○ | ○ | ○ | ○ | ● | | ● | ● | | ● | | | |

Note: The person marked ◎ on the Committee columns indicate the committee chairperson.

■ Percentage of Female Directors

| Percentage of female directors among all directors | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 |
| Total | 11 | 10 | 10 | 10 | 10 | 10 |
| Number of women | 2 | 2 | 2 | 2 | 2 | 2 |
| Percentage of women | 18.2% | 20.0% | 20.0% | 20.0% | 20.0% | 20.0% |

Board of Directors' Effectiveness Evaluation

We have been conducting the evaluation since FY2016 by surveying Directors and interviewing them individually about five items concerning the overall effectiveness of the Board of Directors. This aims to increase the effectiveness of the Board of Directors and further strengthen its management function. In addition, in June 2018, we changed our organizational structure to a company with an Audit and Supervisory Committee. Since then, we have also been evaluating the effectiveness of the Audit and Supervisory Committee.

We enhance our corporate governance structure by utilizing the effectiveness evaluation to increase medium- to long-term corporate value.

● **Results of the Board of Directors' effectiveness analysis and evaluation**

Again in FY2023, we evaluated the effectiveness of our Board of Directors from the perspective of whether it is appropriate for a company listed on the Prime Market. As a result, evaluations for the majority of items were at the same level the prior fiscal year; however, there was no significant improvement in the evaluation of efforts to address issues in item "Agenda of the Board of Directors," for which improvement was required in the prior year. Meanwhile, evaluations of other items remained almost the same as the prior year. As a result of discussions based on the analysis of the self-evaluation results above, our Board of Directors has been judged to be functioning effectively.

<Evaluation Items of the Board of Directors' Effectiveness Evaluation>

- (1) Composition of the Board of Directors (2) Operation of the Board of Directors (3) Agenda of the Board of Directors
- (4) System for supporting the Board of Directors (5) Response to shareholders and stakeholders

● **Future initiatives based on the Board of Directors' effectiveness evaluation results**

At meetings of our Board of Directors, opinions were expressed regarding the identification of issues to improve the effectiveness and future initiatives for the issues. The Board of Directors will develop an improvement plan based on the points for improvement raised in the opinions and work on improvements, further increasing the effectiveness of the Board of Directors, and building a stronger corporate governance system.

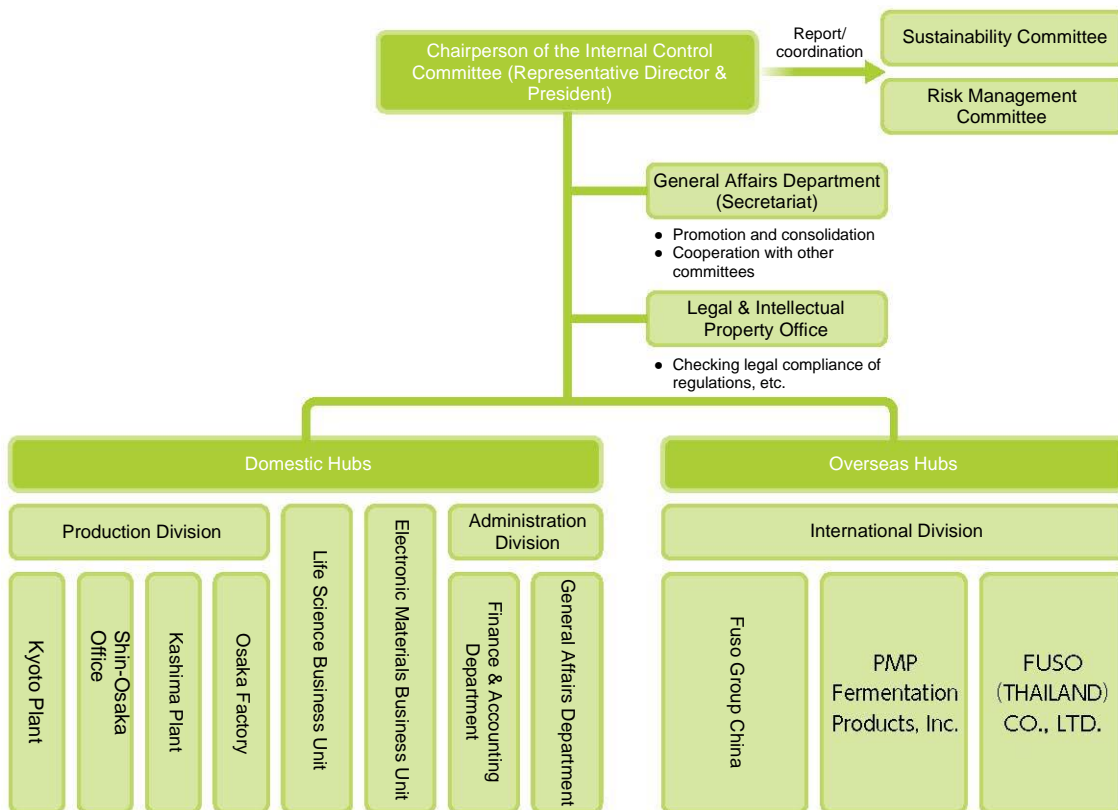
Detailed URL: Board of Director Effectiveness Evaluation (updated: July 1, 2024)

Response to Internal Control

■ **Internal Control Committee (held twice in FY2023)**

The Internal Control Committee chaired by the Representative Director & President has been established to develop and operate the internal control system based upon basic policies determined by the Board of Directors. The Board of Directors supervises the development and operation as well as the effectiveness of internal control over financial reporting. In FY2023, we reviewed the internal control system where the Internal Auditing Office is responsible for promotion and audits, revising the system to increase its effectiveness by assigning the General Affairs Department, Administration Division to handle promotion, while the Internal Auditing Office focuses solely on audits. In response to revisions to the internal control reporting system scheduled to start in FY 2024, we are working to enhance the development and operation of our internal control system by reviewing and revising the evaluation scope and identifying issues.

<Internal Control Promotion System>



Development of the regulations system in association with organizational changes, etc.

Development of the Group's internal control system (development of regulations)

Audit System and Audit Status

The Audit and Supervisory Committee, internal audit teams, and the external accounting auditor conduct audits appropriately by actively cooperating with each other.

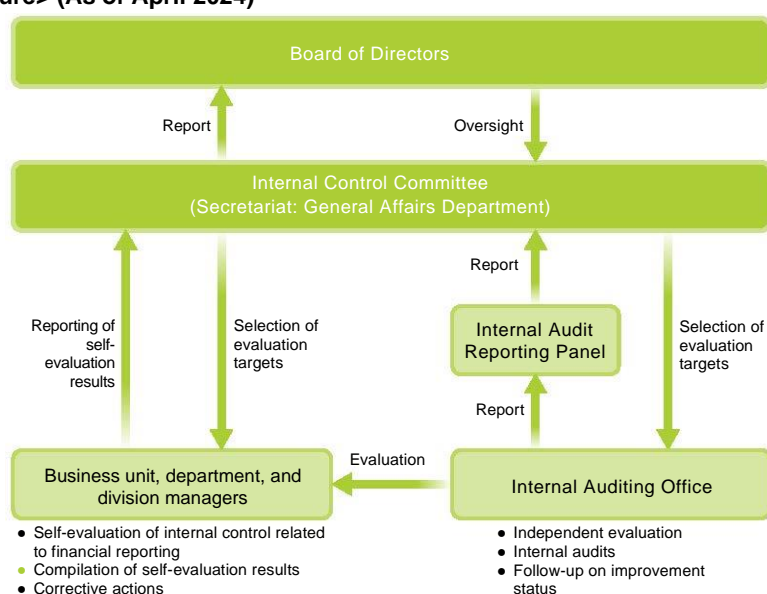
■ Audits by the Audit and Supervisory Committee and its structure

The Audit and Supervisory Committee is composed of three external directors including full-time Audit and Supervisory Committee Members. It manages and supervises the business execution status by attending the meetings of the Board of Directors, the Board of Managing Directors (limited to full-time Audit and Supervisory Committee Members), and the Management Committee, as well as by receiving reports on important agenda items from the responsible Directors. The committee met 13 times in FY2023, with all Audit and Supervisory Committee Members present at each meeting. In addition, the Audit and Supervisory Committee conducts audits on the development and operation of the internal control system, the risk management system, and the like based on the audit policy, audit plans, etc. it has established.

■ Status of internal audits

The Internal Auditing Office has been established as a dedicated organization to conduct internal audits. It has two members and operates independently from the divisions responsible for executing operations. It conducts operational and accounting audits of the Group companies, as well as special assignments targeting the Group companies as instructed by Representative Directors. It also serves as the secretariat of the Audit and Supervisory Committee.

<Evaluation Structure> (As of April 2024)



■ Status of accounting audits

The directors who are members of the Audit and Supervisory Committee, as well as the Audit and Supervisory Committee itself, evaluate the audit firm based on the criteria established by the Audit and Supervisory Committee. As a result, they have found no issues in the execution of duties by the audit firm regarding all evaluation items, including quality control, communication with Audit and Supervisory Committee Members, management, and other relevant parties, group audits, and fraud risk.



Compliance

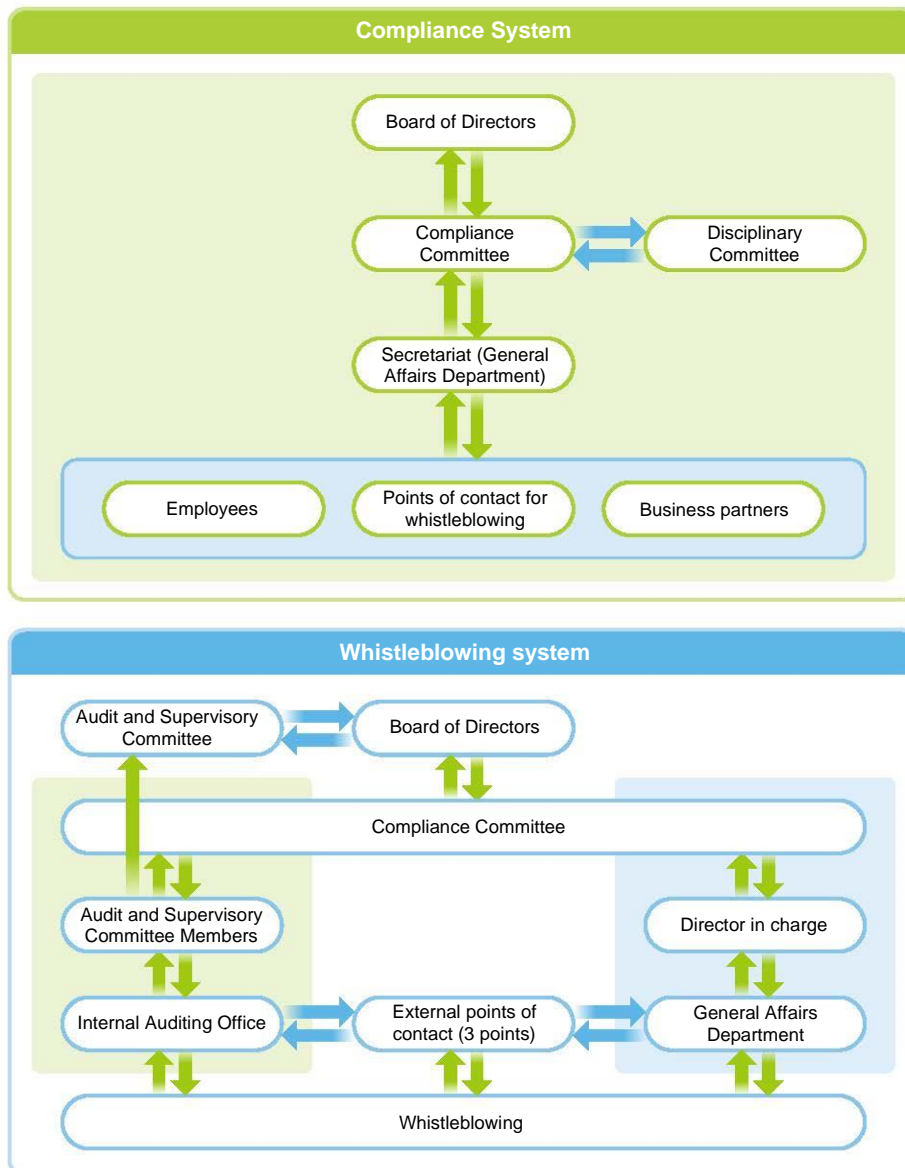
Compliance System

■ **Compliance Committee (held five times in FY2023)**

As part of the organizational structure for compliance, the Compliance Committee meets every three months and reports to full-time directors on compliance status. In addition, the committee meets on an as-needed basis when it needs to discuss a material compliance violation or compliance-related responses.

■ **Points of contact for whistleblowing**

We have external points of contact set up for reporting compliance and harassment issues, as well as our subcontractor-related issues.



■ **Initiatives to ensure compliance**

To ensure compliance, we have established the Code of Conduct, distributed the Code of Conduct Guidebook to all employees including those in our group companies to raise legal compliance awareness on a daily basis, and disseminated information regarding the points of contact for informants to encourage their use. Furthermore, we distribute compliance newsletters every three months to embed compliance awareness.

Quality Control System

Many of our products are used by prominent companies in the industries involved. Therefore, we have a control system in place for responding to high-standard requests for quality. Each business unit sets forth the Rules on Analysis and Control and the Rules on Quality Assurance Operations to ensure the reliability of products. When a complaint or similar issue arises, we quickly respond through close communication with the customers and end users, and relevant committees investigate the causes and work to prevent recurrence.

■ Quality Control

To accurately judge the quality of products, we strive to increase the reliability of analysis results by confirming required analysis technologies and going through proper analysis processes. We will continue our efforts to build a further advanced quality control system by working to maintain and improve the analysis precision and make it more efficient at each site, while also strengthening human resources through enhanced training and education.

■ Quality Assurance

Based on the idea that our top priority is to steadily provide quality that earns the continued trust of our customers, we have built a system for conducting quality assurance in an integrated manner, covering stages from product planning, design, manufacturing, shipping, to post-sales support. We have created processes for communicating with customers about the quality and functions of products, starting from the planning and development stages, and securing steady quality in production. We also have a system in place for the final pre-shipment inspection to guarantee that the quality required by customers is secured throughout all production activities.

■ Quality Assurance Standards

| Offices and Plants | ISO9001 | FSSC22000 | GMP | KES |
|--------------------|---------|-----------|--|--------------------------------------|
| Kyoto Plant | ○ | — | — | ○ |
| Kashima Plant | ○ | ○ | — | (To acquire certification in FY2023) |
| Shin-Osaka Office | — | — | Pharmaceutical products ^(*) | ○ |
| Osaka Factory | — | ○ | Food additives | ○ |
| Juso Factory | — | — | Food additives | ○ |

ISO9001: International standards on quality management systems

FSSC22000: International standards on food safety management systems that enhance ISO22000 with additional requirements

GMP: Good Manufacturing Practices on the production and quality control of pharmaceutical products, recommended by the World Health Organization in 1969

(*) Shin-Osaka Office meets the GMP standards for pharmaceutical products.

KES: Environmental Management System standards originating from Kyoto, the place where the Kyoto Protocol was adopted

Risk Management

We comply with the laws and regulations of Japan as well as of counties and regions where our subsidiaries are located. As a risk countermeasure, in the event of any violation, complaint, or incident, we share the causes and corrective actions within the Group and strive to prevent the recurrence and the occurrence of similar incidents. In addition, offices and plants are working to enhance safety education and other relevant internal training programs.

Risk Management System

The Risk Management Committee, supervised and managed by the Representative Director, is set up to regularly assess and review company-wide risks, such as by identifying risks of each business unit and by checking the business continuity plan (BCP) structure and cyber security, in addition to responding to emergency situations.

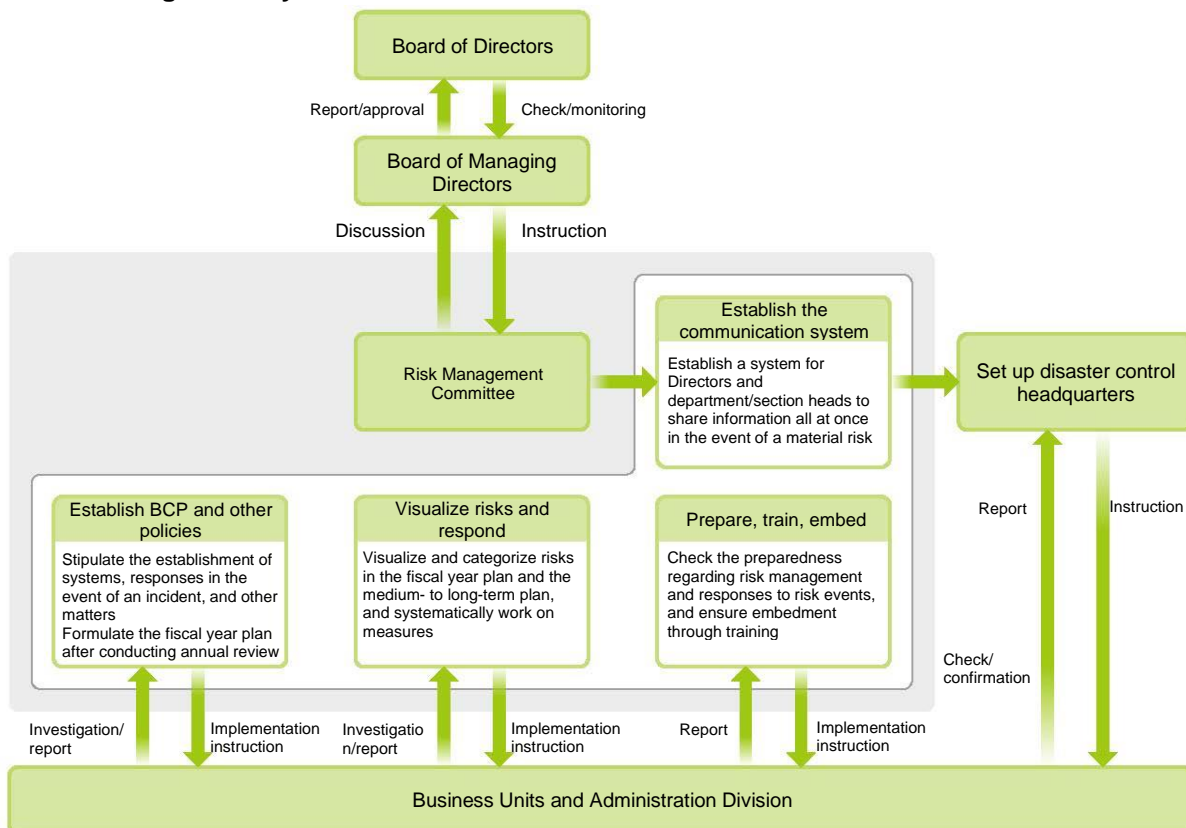
■ Company-wide Risk Management Committee (held twice in FY2023)

We consolidated business units' risk management councils in FY2021 and now hold meetings of the Risk Management Committee, a company-wide organization. The Committee evaluates risks to BCP, cyber security, and business units, measured by the degree of impact, and formulates countermeasures as the next fiscal year's plan and the medium-term plan.

■ Roles of the Board of Directors

Upon receiving a report on the company-wide risk management from the Risk Management Committee, the Board of Directors monitors and evaluates risks, reviews and decides on measures to be taken in the following fiscal years, and exercises supervision.

■ Risk Management System



Safety and Health Management

■ Safety management systems at offices and plants

In April 2024, we established the Safety & Environment Management Department to strengthen our safety management systems. As a department responsible for company-wide safety and environment management, this department works to prevent industrial and equipment accidents and improve the work environment. On the other hand, our production facilities, Shin-Osaka Office, Kyoto Plant, Kashima Plant, and Osaka Factory, are committed to ensuring thorough safety management tailored to their respective manufacturing operations. The Safety & Environment Management Department will play a leading role in promoting operations related to safety, health, disaster control, and the work environment, sharing actual industrial accidents among our offices and plants, and preventing similar disasters and accidents.



■ Roles of the Safety and Health Management Committee

Each business unit holds monthly meetings of the Safety and Health Committee. Persons in charge of safety and health from across workplaces attend the meetings of the Safety and Health Committee, which embeds company-wide safety awareness and conducts patrols. Persons in charge of safety and health report issues of their workplaces, if any, to the Safety and Health Committee. The Committee discusses the issues reported to come up with solutions and, if necessary, reports them to the Safety & Environment Management Department, business divisions, and the Administration Division for improvement.

■ Response to Infectious Diseases

In the event of the spread of an infectious disease, our full-time Directors and the Administration Division will set up a response headquarters, which will take action to ensure the continuity of our business operations. Seeing that the suspension of our production lines has an impact on the production activity in supply chains and, in turn, a significant impact on society, we will take the measures described below.

We will prevent the formation of infection clusters by thoroughly managing the health of employees and their family members, putting in place a work environment and system from the perspective of preventing infections, and establishing a system for prompt reporting of infectious cases. Thanks to the efforts of every employee and the cooperation of our business partners, our production lines have been operating continuously since the global COVID-19 pandemic to the present day without interruption.

| Infection prevention items | Details |
|----------------------------|--|
| Disinfection | Taking antibacterial measures and installing body temperature measurement devices, disinfection devices, and disinfection solutions at facilities and other places |
| Prevention | Formulating infection prevention manuals, encouraging mask wearing, installing acrylic boards and other dividers, recommending working from home and remote meetings, distributing free test kits to employees and their family members, and providing remote medical consultation |
| Systems | Introducing a work-from-home system and a flexible working hours system, expanding the application of special paid leave, and relaxing standards for commuting |

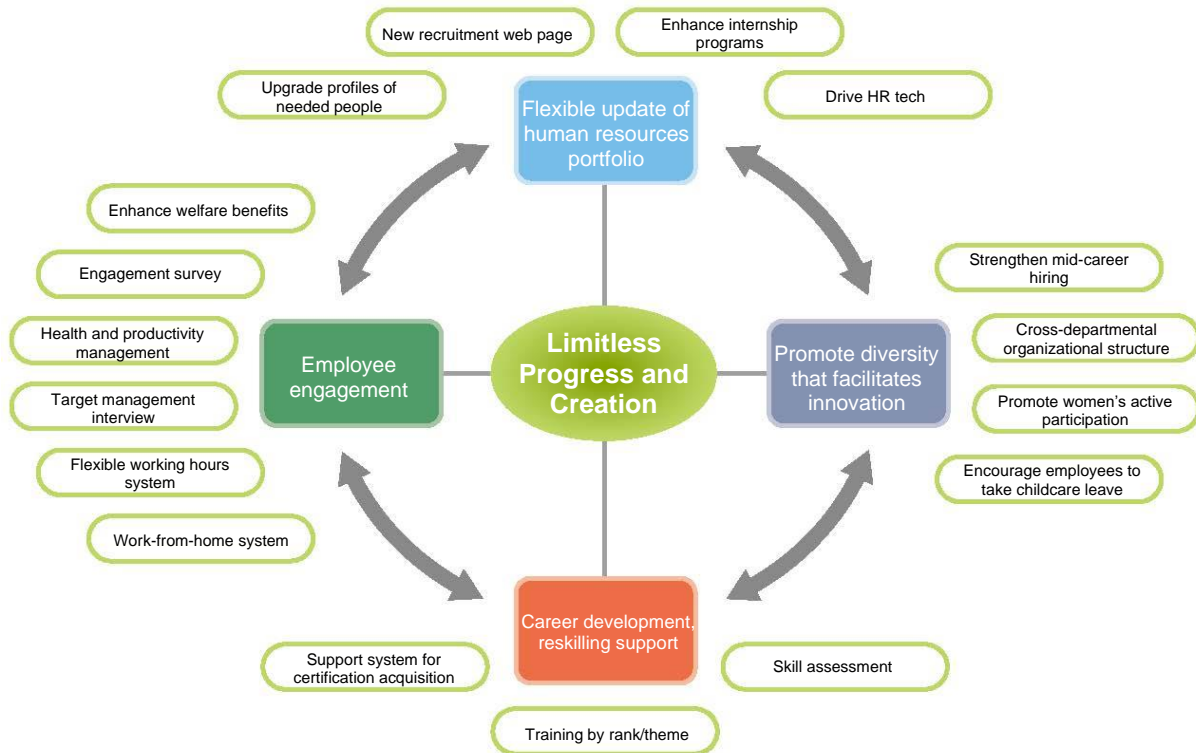
HR Strategy

Human Resources Development Policy

For FUSO CHEMICAL to become a company that wins international competitions, it needs to have an HR strategy that clarifies images of required talent and ideal organization in order to work for our Company Motto, "Limitless Progress and Creation." It is the people working at FUSO CHEMICAL who maximize our corporate value and realize "Progress and Creation." Our Management Philosophy includes that we "achieve employee fulfillment through prosperous business" as we believe that our company's sustainable growth and employees' growth/self-actualization and stable living are two sides of the same coin.

■ Organizational Structure

We upgraded the HR Section in the General Affairs Department to the level of an independent department, the Human Resources Department, in July 2020, and subdivided it into the HR Section and the Labor Section in July 2022 to enhance human resources and strengthen labor management. We have also worked on new initiatives such as driving digital transformation in areas including recruitment, system, attendance, and payroll management, as the HR strategy for increasing corporate value.



■ HR Meeting

We divide our business year into two halves and hold HR Meetings several times during each period. At these meetings, all of our full-time Directors attend and align on employee evaluation standards across departments, discuss succession plans for key positions, and review specific plans for utilizing and developing core personnel.

■ HR and Remuneration Committee

The HR and Remuneration Committee is set up for handling personnel affairs of Directors (including Audit and Supervisory Committee Members) and Executive Officers. The Board of Directors consults the HR and Remuneration Committee for changes in executive-level personnel. The Committee will meet in response to such consultation, deliberate on the appointment and dismissal of Directors and Executive Officers as well as Director remuneration, and submit a report to the Board of Directors. The Committee met five times in FY2023.

Management Goals, and the Human Resources Development System to Support Self-Fulfillment

To achieve management goals, it is important to support the growth of employees continuously. We believe that it is important to establish a human resources development system that enables employees to envisage their career development, partly to increase employee satisfaction in terms of work-life balance.

The Human Resources Department has built a training system by identifying the requirements of needed human resources and development challenges through repeated communication with business units.

■ Building human resources development system and environment

We have a company-wide training framework in place for our employees to acquire required skills and know-how, in addition to on-the-job training at the workplace. Our training programs include not only those for selected/appointed people provided under human resources development plans, like trainings by rank, but also elective trainings by job type so that each employee thinks about their career autonomously with corporate support provided for career development.

<Education/Training Framework>

1. Training framework

Themes are set based on “human resources development challenges” by rank.

2. Training implementation plan (three-year plan)

We systematically provide training by setting themes and formulating the three-year plan.

3. Others

In addition to trainings by rank, we continue to examine and work on the training design based on approaches other than rank-based ones, such as “training for selected people” and “compliance training by rank” aimed at nurturing next-generation leader candidates.

<Certification acquisition system>

We make clear what certifications are recommended for acquisition by granting points to certifications required for the performance of work. We assign indicators that show the levels of “difficulty” and “recommendation” to 151 certifications, including TOEIC, and provide up to 300,000 yen of lump-sum money according to the certification recommendation point calculated by multiplying the applicable indicators.

The certification acquisition system incentivizes each employee to develop their career.

<Establishing an environment for reskilling>

Our welfare system offers around 900 free e-learning courses for reskilling and career development of employees.

■ Recruitment

Recruiting and retaining human resources is one of our top priorities as demand for our products continues to grow.

We recruit new graduates mainly in research and development and production divisions, while hiring mid-career workers in light of optimum personnel deployment based on business strategies. The offices and plants with production functions are facing particularly fierce competition in hiring people. To strengthen our workforce in these circumstances, we effectively manage the status of applications and the progress of screening with a recruitment management system and have adopted recruiting approaches such as direct recruiting and referral recruiting.

<Recruitment status>

■ Number of employees hired

| Item | FY2021 | FY2022 | FY2023 |
|------------------------------|-----------|-----------|-----------|
| Number of new graduate hires | 12 | 14 | 15 |
| Number of mid-career hires | 26 | 49 | 39 |
| Total | 38 | 63 | 54 |

■ Training expenses per employee

| Item | FY2021 | FY2022 | FY2023 |
|---------------------------------------|------------|------------|------------|
| Training expenses per employee | 18,223 yen | 28,267 yen | 43,540 yen |

| Career development support system |
|---|
| Certification acquisition recommendation system |
| Study-abroad system |
| Domestic study program |
| Commendation/reward system for special achievements |

■ Share of mid-career hires in regular workers

| Item | FY2021 | FY2022 | FY2023 |
|---|--------|--------|--------|
| Share of mid-career hires in regular workers | 68.42% | 77.77% | 72.22% |



<Post-recruitment status>

Our Medium-Term Management Plan “FUSO VISION 2025” sets the “promotion of diversity and awareness reform” as a goal. We work to establish an employment environment where each of employees feels secure and can have a long career with us (see Page 36).

■ **Retention rate of new graduates for the past three years**

| Item | FY2021 | FY2022 | FY2023 |
|---|--------|--------|--------|
| Retention rate of new graduates in the third year after joining | 75.0% | 100.0% | 100.0% |

■ **Average service years of all employees**

| Item | FY2021 | FY2022 | FY2023 |
|-----------------------|------------|------------|------------|
| Average service years | 13.3 years | 12.8 years | 12.3 years |

Intellectual Property Strategy

Intellectual Property Strategy Initiatives

■ **Protecting proprietary intellectual property and respecting other companies' intellectual property**

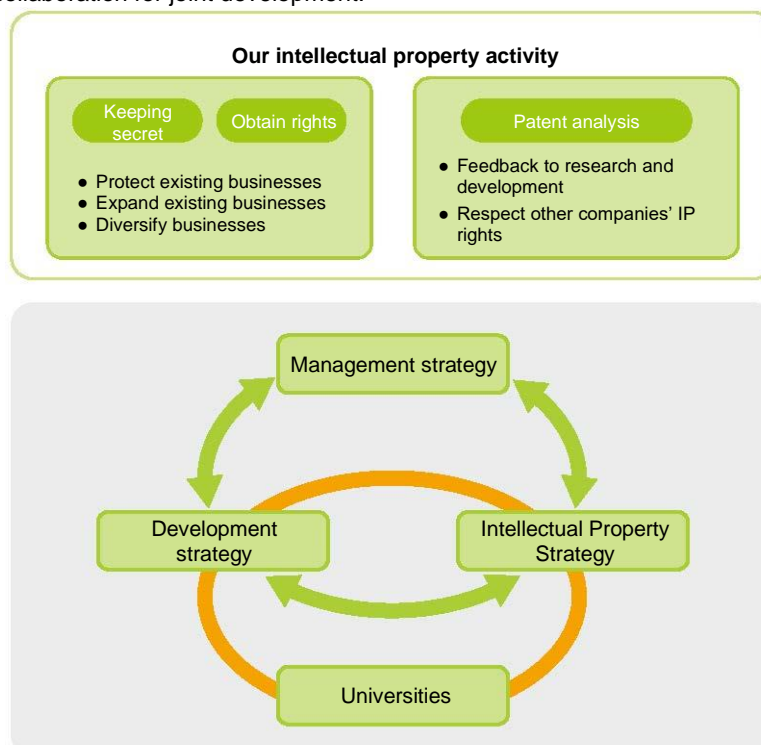
We are a niche top company having high technology capabilities in certain fields. Therefore, up until now, keeping our technologies secret enabled us to increase our corporate value. Global competition, however, led us to believe that we need to balance between keeping secrets and obtaining rights. Thus, we have changed our intellectual property strategy to actively pursue rights acquisition in some technologies. On the other hand, we have established a monitoring system for preventing infringement of third parties' intellectual property rights, and take appropriate actions such as conducting investigations and implementing measures.

■ **Triune intellectual property activities**

To strengthen triune activities of management strategy, development strategy, and intellectual property strategy, since 2021, we have held meetings of the Invention Screening Committee attended by the management, development divisions, and the Legal & Intellectual Property Office. The Committee evaluates IP activities conducted each year from the perspectives of management, development, and intellectual property.

■ **Industry-academia collaboration**

We are working to accumulate and utilize technologies for developing high-quality unique products and technologies that can be leveraged in solving social issues, based on core technologies we have, through industry-academia collaboration for joint development.



We supply high-quality products domestically and internationally with our advanced technological capabilities. Recognizing our corporate social responsibility toward the environment, we have established a basic environmental policy to protect the environment and prevent pollution.

However, we are still in the process of developing an environmental monitoring system for group companies and the supply chain as a whole. We are currently working on establishing a group-wide management system.

Regarding the supply chain, we are reviewing our methods for issuing questionnaires to our partners and are developing a system to analyze and evaluate the current situation in the supply chain.

Environmental Policy

1. **We are constantly aware of environmental aspects and promote environmental protection and prevention of pollution in all of our business activities.**
2. **We strive to enhance our environmental management with strict adherence to relevant laws and regulations, with consideration given to social needs.**
3. **To the extent permitted by technology and economics, we minimize emissions of CO₂ and environmental pollutants, reduce industrial waste, and promote recycling as part of our activities to preserve the environment, and strive continuously to enhance their effectiveness.**
4. **We work to educate our employees and heighten their awareness concerning environmental preservation.**
5. **All employees are made aware of this policy and commit publically to follow it.**

Energy Reduction Efforts

The Agency for Natural Resources and Energy, part of the Ministry of Economy, Trade and Industry (METI), launched the "Business Classification Evaluation System" in 2016 (for FY2015) to encourage businesses that use energy in factories and other facilities to further rationalize their energy use. Under this system, all businesses that submit periodic reports to the Ministry of Economy, Trade and Industry under the Act on the Rational Use of Energy are classified into four levels (S, A, B, and C), and the best businesses are announced. We have received an S ranking as an excellent business under this system.

CO₂ Emissions Initiatives

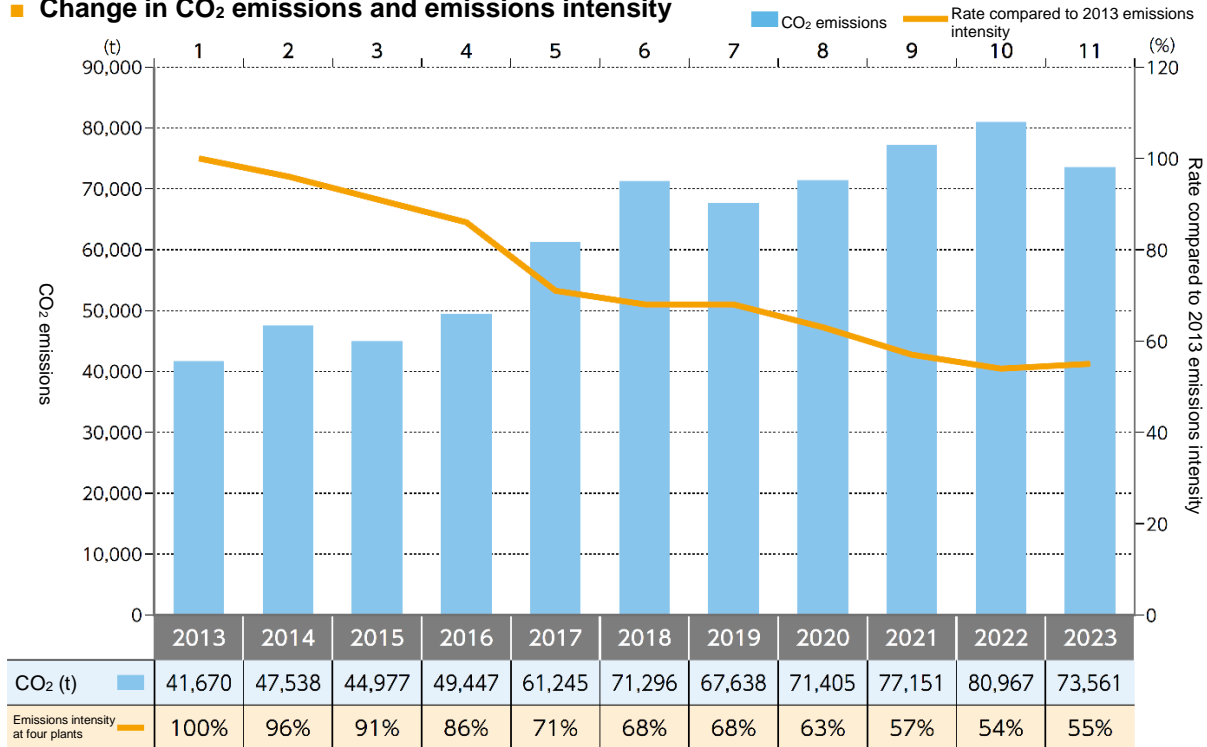
Our group-wide total greenhouse gas emissions (Scope1: own direct emissions, Scope 2: indirect emissions related to own electricity and heat use) are managed based on calculations made in accordance with the Act on the Rational Use of Energy. To address Scope 3 (upstream and downstream emissions), we decided to implement calculation software in December 2023. In FY2024, we are preparing to tackle Scope 3 calculation for domestic businesses and gradually expand it to group subsidiaries.

Since the products involved in our businesses cannot be manufactured without CO₂ emissions, our current CO₂ reduction target is managed by the reduction of CO₂ emissions intensity compared to FY2013. Our intention is to summarize our approach toward carbon neutrality from FY2030 to FY2050 as soon as we have a system in place to manage the CO₂ emissions of the entire FUSO CHEMICAL Group.



■ CO₂ emissions (only emissions from energy use of FUSO CHEMICAL CO., LTD. on a stand-alone basis)

■ Change in CO₂ emissions and emissions intensity



CO₂ emissions from energy use amounted to 73,561 tons in FY2023.

Although we are currently considering energy conservation and the use of various in-house resources, CO₂ emissions are expected to increase due to the large capital expenditure currently underway.

■ Environmental data

Environmental data for the reporting year

For details, please refer to the “Environmental Data” available on the FUSO CHEMICAL website.

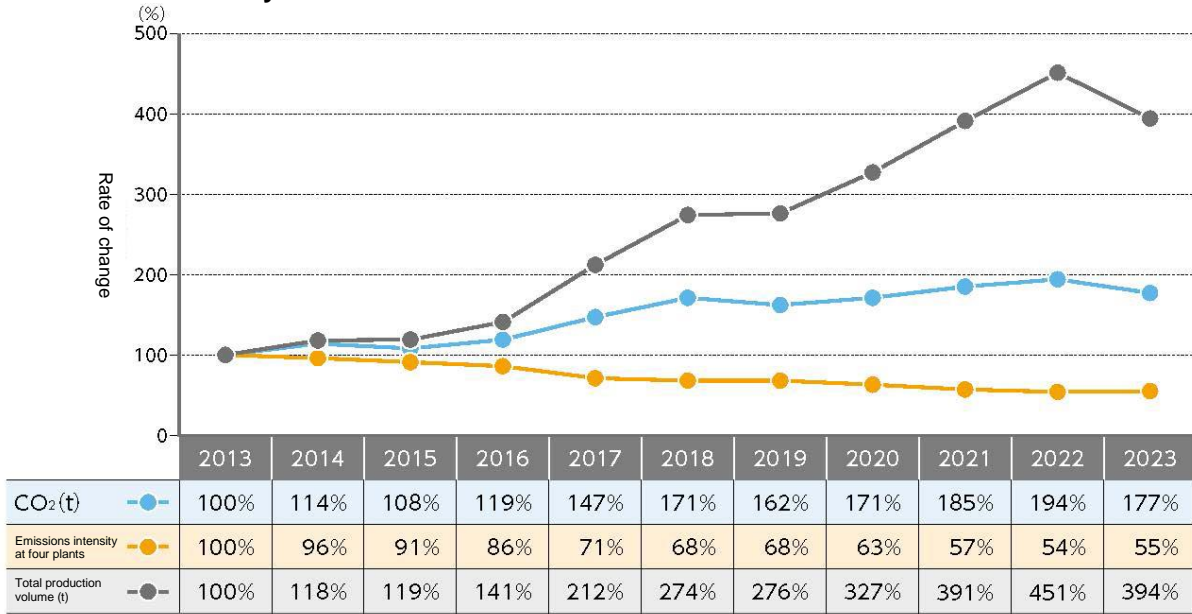
(<https://fusokk.co.jp/eng/sustainability/environment>).

■ Emissions intensity initiatives

While the production volume of products has increased significantly, our efforts to lower emissions intensity have curbed the increase in CO₂ emissions. In FY2023, We reduced emissions intensity by approximately 45% compared to FY2013, partly due to the addition of the Kashima Plant.

Although CO₂ emissions will increase for the time being due to large capital expenditure, we will continue to make strong efforts to reduce emissions intensity.

■ Emissions intensity initiatives based on 2013 standard



■ **KES Environmental Management System**

KES (Kyoto Environmental Management System Standard) is an environmental management system standard from Kyoto, the birthplace of the Kyoto Protocol. It was established based on the concept of ISO 14001, the international standard for environmental management systems. As a result of our environmental management audit, the Kyoto Plant has obtained KES Step 2 certification, and the Shin-Osaka Office, Osaka Factory, Juso Factory, and Kashima Plant have obtained Step 1 certification. KES has been implemented at all production sites. Going forward, we will continue to improve our environmental management system and strive to use energy effectively, reuse resources, and reduce waste.

Water Environment Conservation

In order to monitor the use of water resources (water intake, wastewater discharge, etc.), we manage the monthly usage of water resources at each of our offices and plants. In the area of water resources, we comply with local systems and laws and regulations, and take action according to the characteristics of each region and business. Although some business locations use large amounts of water resources, none have particularly significant problems. We will take responsibility for and work to preserve the water environment in order to maintain biodiversity.

Resource Conservation / Waste Reduction

Chemical Disposal and Recycling

We are addressing chemical emissions in the production process by enhancing and expanding facilities to reduce emissions. In compliance with laws on the handling of chemical emissions, we monitor the amount of chemical substances discharged into the environment (air and public waters) and the amount transferred outside our business locations (sewage and waste disposal), and report the results to the national government through prefectural governments.

Biodiversity Conservation

35

As a manufacturing company, we believe that we need to make effective and long-term efforts to protect biodiversity in the course of our business activities. For this reason, we do not operate in areas that threaten biodiversity, but we will make specific efforts in addition to the aforementioned reduction of CO₂ emissions, water environment conservation, and management of chemical substances and waste.

| Activity item | Activity content |
|---------------|--|
| Procurement | CSR procurement including supply chain |
| Manufacturing | Intensity reduction, resource recycling, etc. |
| Waste | Waste reduction, legal compliance |
| Water usage | Usage reduction and legal compliance in consideration of water resources |
| Other | Promotion throughout supply chain, employee training, donations, etc. |

Other Environmental Initiatives

■ **White Logistics Declaration**

We have been working with logistics providers to build an environment- and people-friendly distribution system to address the driver shortage. We will work on further improving distribution efficiency with the cooperation of our partners. We will work to steadily improve the working environment of logistics providers, and to achieve sustainable distribution through cooperation with logistics providers.

For a Better Work Environment

Health and Productivity Management

We believe that globally disseminating FUSO products under our company motto of “Limitless Progress and Creation” is how we fulfill our social responsibility. A major precondition for this is that our employees and their family members are physically and mentally healthy. In March 2021, we announced FUSO health and productivity declarations to clarify that the management is committed to supporting the maintenance and promotion of employees’ health.

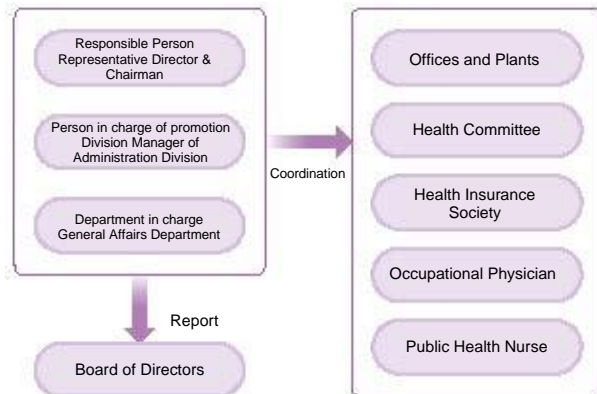
FUSO health and productivity declarations: Good products come from employees who are both physically and mentally healthy.

We as FUSO promise to all employees to support their work-life balance and promise to create and maintain a “healthy” work environment where each employee can maintain and improve their health. By creating such environment, we believe that employees can work lively and develop good products which contribute to society.

FUSO CHEMICAL CO., LTD.
Misako Fujioka
Representative Director & Chairman

Health and productivity management promotion system

By establishing a health and productivity management system, we actively drive the efforts to maintain and promote the health of our employees in cooperation with relevant parties both inside and outside the company. An overview of these efforts is reported to the Board of Directors on a regular basis.



Certified as Health and Productivity Management Organization

In March 2021, we internally and externally announced the FUSO health and productivity declarations “Good products come from employees who are both physically and mentally healthy.” Under this slogan, we have been strengthening various initiatives related to employee health.

For three consecutive years from 2022 through 2024, we have been certified as a “Health and Productivity Management Organization” by the Ministry of Economy, Trade and Industry (METI). This certification is given to corporations that demonstrate excellence in health and productivity management.

We will continue to take the initiative to maintain and promote employee health and make the workplace a healthier place to work.



Initiatives on physical and mental health

(1) Physical health

By establishing a health and productivity management system, we actively drive the efforts to maintain and promote the health of our employees in cooperation with relevant parties both inside and outside the company. We have achieved the regular medical checkup rate of 100% by raising awareness with dissemination of health-related information on a daily basis while sending a checkup notice to those who have and have not undergone the checkup. Although we have not achieved some of the key performance indicators (KPIs) set for FY2022, our continued efforts, including follow-ups on checkups and information dissemination, led to improvements from the previous year.

For FY2024, we plan to systematically direct attention to health and productivity management through e-learning, training, and other initiatives.



■ Major health indicators and KPIs

| Major health indicators | FY2022 results | FY2023 results | FY2024 KPIs |
|--------------------------------------|----------------|----------------|-------------|
| Regular checkup rate | 100% | 100% | 100% |
| Special checkup rate | 94.5% | 98.5% | 100% |
| Appropriate weight maintenance rate | 63.5% | 65.8% | 67.0% |
| Smoking rate | 27.4% | 27.0% | 23.0% |
| Regular exercise rate | 26.9% | 26.1% | 29.0% |
| Presenteeism | — | 91.6% | 92.0% |
| Company-wide average overtime worked | 15.6 hours | 13.4 hours | — |

■ Major initiatives for promoting health and productivity

| | |
|-------------------------------------|--|
| Monitoring employees' health status | Achieve a regular checkup rate of 100% |
| | Improve the stress check rate |
| | Set up a point of contact for consultation |
| Prevention measures | Recommend interviews with occupational health physicians and give guidance by public health nurses |
| | Review shared facilities to prevent infections |
| Education, training | Provide self-care training to all employees |
| | Provide line-care training for all managers |
| Improve ways of working | Encourage leaving work on time by setting no-overtime days |
| | Share monthly data to curb long work hours |

(2) Mental health Initiatives

The rate of undergoing stress checks, which we have been conducting since FY2019, has consistently remained around 90%. We utilize the checks for early identification of work environment issues and discussion of improvements.

As part of our efforts, we presented an improvement plan, held briefing sessions to address the challenges in highly stressful workplaces identified through the stress checks, and worked on improving the work environment.

When someone takes leave, we coordinate with the person's doctor and the occupational physician, and if necessary, offer a rework program to help the person return to work, with their consent. We also conduct follow-up support after the employee returns to work to ensure a successful and sustainable reintegration.

(3) Coordination with the Health Insurance Society

We have been working with the Osaka Yakugyo Health Insurance Society to promote the health of our employees. As part of this initiative, we were awarded the Certificate of Health and Productivity Declaration, which has been published on the Society's website. The website allows each member of the Society to access and review their regular medical checkup results and evaluations. In addition, the Health Insurance Society collaborates with companies to recommend follow-up examinations for employees identified as having potential health problems based on their checkup results.

■ Stress check rate

| | |
|--------|-------|
| FY2021 | 90.7% |
| FY2022 | 89.0% |
| FY2023 | 89.6% |

■ Business Casual

Since October 2021, to create a healthier and more comfortable work environment, we have adopted a year-round "Business Casual" dress code as the standard for attire at work. However, due to safety requirements and other operational needs, the standards of attire at individual offices and plants may be adjusted at the discretion of the office or plant heads. We promote a lively and healthy workplace that fits FUSO well to help our employees come up with more flexible and imaginative ideas, so that we can contribute to our customers and society.

■ Paid leave days taken

We visualize the state of employee attendance using an attendance management system, thereby establishing a management structure focused on health and productivity management. We recommend taking five or more consecutive days of leave during the summer vacation period from July to September, striving to create an environment that encourages employees to take leave more easily.

■ Paid leave days taken (utilization rate only, calculated using the total numbers of leave days granted and leave days taken of all employees)

| | FY2021 | FY2022 | FY2023 |
|------------------|-----------|-----------|-----------|
| Days granted | 19.3 days | 18.6 days | 18.3 days |
| Days taken | 12.5 days | 13.0 days | 13.8 days |
| Utilization rate | 65.1% | 70.1% | 74.6% |

KPI: 71% utilization rate

■ **Enhancing welfare programs**

Our major welfare services and programs for supporting diverse ways of working are stated below. We aim to enable our employees to work with a sense of security and plan a fulfilling life.

■ **Welfare benefits for health and productivity management and higher engagement**

| | |
|---|--|
| Welfare services | Link to external services (e.g., family-care product rentals and family care/childcare subsidies) |
| | Accommodation discount service, use of partner resort facilities, etc. |
| Programs for diverse ways of working | Domestic study program, study-abroad program, overseas posting program, re-employment program, etc. |
| | Well-being leave system, childcare/family-care leave system, scholarship program, company loan program, etc. |
| Allowances according to attendance | Flexible working hours system and work-from-home system |
| | Family allowance, overseas allowance, manager allowance, city allowance, and company housing program |
| | Certification acquisition allowance (over 150 certifications covered), the granting of long-service awards and special leave, etc. |

Labor Relations

As for relationships with employees, our Compliance Code of Conduct stipulates that we respect their basic rights. We create opportunities for dialogue with the labor union and employee representatives on employee conduct and working conditions, fostering mutual understanding between labor and management for better business operations.

Employee Engagement Survey

We annually conduct an engagement survey to assess the current state of employee engagement and identify related issues.

In this year’s survey, questions were categorized into three areas: work, workplace, and company. We measured total engagement, focusing on whether employees find meaning and value in their current work, workplace, and company and whether they want to contribute to the workplace.

The survey results for this fiscal year indicated that total engagement was in a good state. In particular, across all generations, there was a high level of alignment with the company’s philosophy and products and services, as well as a strong willingness to contribute to the workplace. On the other hand, the sense of growth and contribution through work was somewhat low, highlighting the need to further enhance employees’ sense of growth and contribution.

Moving forward, we will continue conducting regular surveys and use the results to plan HR initiatives aimed at strengthening the organization, improving productivity, and promoting employee growth and career development.



Supporting Diverse Ways of Working

Our Medium-Term Management Plan “FUSO VISION 2025” sets the “promotion of diversity and awareness reform” as a goal. We push ahead with the creation of an organization where employees with diverse viewpoints and values can find meaning in their work while achieving self-actualization, for the continuous pursuit of innovation, not satisfied with the status quo.

Promote Women’s Active Participation

We believe that we can keep growing as a company by creating a work environment where employees with diverse values respect each other and have a long career while being themselves. We formulate the general employer action plan to foster a workplace culture for helping employees to balance work and family regardless of their gender, and for enabling them to choose from diverse ways of working through life events, such as raising children and caring for family members.

General employer action plan under the Act on the Promotion of Women’s Active Engagement in Professional Life

- Plan period** 3 years from April 1, 2023 to March 31, 2026
- Target 1:** Raise the share of female workers in regular employees to at least 18%
- Target 2:** Raise the share of female workers in leader positions to at least 12%
- Target 3:** Raise the share of men who have taken childcare leave to at least 10%

Initiatives and plans concerning continued employment and workplace culture

| | | |
|------------------------|----------|---|
| From April 2023 | Target 1 | Actively communicate our initiatives and plans to potential job applicants through briefings for job applicants, recruitment websites, and other channels |
| | Target 2 | Provide company-wide training by rank to employees, including those at pre-leader levels |
| | Target 3 | Internally share the childcare leave system for male employees and actual cases of male employees taking childcare leave |
| From April 2024 | Target 1 | Raise employees’ awareness and understanding of our child-raising systems and programs to help them balance work and child-raising, family care, etc. |
| | Target 2 | Include career training in training by rank on a trial basis |
| | Target 3 | Discuss how to encourage employees to take childcare leave, including granting special paid leave that can be taken for child-raising purposes |
| From April 2025 | | Analyze the progress of our initiatives and plans and review them to ensure the targets are met |

Numerical targets of the general employer action plan and progress at the end of FY2023

| | Result (FY2023) | Target (FY2025) |
|--|-----------------|-----------------|
| Share of female workers in regular employees | 18.4% | At least 18% |
| Share of female workers in leader positions | 11.9% | At least 12% |
| Share of men who have taken childcare leave | 25.0% | At least 10% |

We have also seen an increase in the number of women in career-track positions through the hiring of new graduates and mid-career workers. On the recruitment front, we are screening candidates irrespective of gender, as indicated by the ratio of women who graduated from universities among our new graduate hires is 37.5% and the ratio of women among our mid-career hires is 25.6%. In addition, the share of women in managerial positions increased from 1.2% in FY2019 to 3.4% in FY2023, suggesting that women’s field of active participation is gradually expanding.

Composition of managers (As of April 1, 2024)

| | Number of women | Number of men | Total | Percentage of women |
|------------------------------|-----------------|---------------|-------|---------------------|
| Managerial positions | 2 | 56 | 58 | 3.4% |
| Including department heads | 0 | 20 | 20 | — |
| Officers | 2 | 13 | 15 | 13.3% |
| Including Executive Officers | 0 | 5 | 5 | — |

* Excluding those seconded to subsidiaries or other group companies

Status of new graduate hiring (university and graduate school graduates)

| | Number of women | Number of men | Total | Percentage of women |
|------------|-----------------|---------------|-------|---------------------|
| April 2021 | 4 | 4 | 8 | 50.0% |
| April 2022 | 2 | 2 | 4 | 50.0% |
| April 2023 | 3 | 5 | 8 | 37.5% |

■ Status of mid-career hiring

| | Number of women | Number of men | Total | Percentage of women |
|--------|-----------------|---------------|-------|---------------------|
| FY2021 | 9 | 17 | 26 | 34.6% |
| FY2022 | 7 | 42 | 49 | 14.3% |
| FY2023 | 10 | 29 | 39 | 25.6% |

■ Holding a women’s health seminar

In March 2024, we held a women’s health seminar aimed at promoting female empowerment, which was attended by 60 out of 91 eligible participants. This seminar consisted of lectures on age-related changes in women’s bodies, women-specific illnesses and symptoms, and a survey. The participants shared suggestions and exchanged opinions on how they can improve the workplace environment and how they can gain a deeper understanding of their own health to better engage in their work.

■ Certified as “Leading Companies with Actively Participating Women in Osaka City”

On January 10, 2022, we were certified as “Leading Companies with Actively Participating Women in Osaka City.” This is a certification awarded by Osaka City to companies that have satisfied standards for such items as the share of women in managerial positions, measures for balancing work and life, and initiatives for encouraging men to take childcare leave. We are awarded the two-star ranking.



Supporting Child-Rearing

We have created an environment according to the Act on Advancement of Measures to Support Raising Next-Generation Children, so that employees can balance between work and childrearing. The general employer action plan has been formulated to establish systems for supporting employees who are raising children and caring for family members while working, such as leave and shortened working hours systems for childcare and family care. This plan aims to create a workplace where each employee can demonstrate their potential to the fullest. In FY2023, eight employees (including three men) took childcare leave, while 100% of eligible women took the leave. In addition, the ratio of women who have returned to work after taking childcare leave remained at 100%. The shortened working hours system allows for leave until the child completes the third year of elementary school, exceeding the legal provision of leave until the child reaches the age of three. In addition, we have established a family care leave system, a shortened working hours system for family care, and a monetary gift system for childbirth. We started actively promoting these systems in FY2022 in an effort to create an atmosphere that makes it easier to use those systems.

| General Employer Action Plan under the Act on Advancement of Measures to Support Raising Next-Generation Children | |
|---|---|
| Plan period: | 3 years from April 1, 2023 to March 31, 2026 |
| Goal 1: | Raise the share of men who have taken childcare leave to at least 10% |
| Goal 2: | Promote diverse ways of working |

■ Number of employees who took maternity leave, childcare leave

| | FY2021 | FY2022 | FY2023 |
|--|--------|--------|--------|
| Number of employees who took maternity leave | 5 | 4 | 5 |
| Number of employees who took childcare leave | 8 | 7 | 8 |
| female recipients | 7 | 5 | 5 |
| male recipients | 1 | 2 | 3 |
| Rate of return to work after childcare leave | 100% | 100% | 100% |



■ Employer-provided babysitter support services

In 2023, we started using the employer-provided babysitter support services of the Children and Families Agency. We subsidize some of the fees for using the babysitter dispatch services, on condition that certain requirements are met.

In addition, our welfare services include support according to the age of children and parent's work status.

Support for Active Participation of Seniors

We have a re-employment system for employees who want to continue working after the mandatory retirement age of 60, with the upper limit set at the age of 65. They help develop successors, leveraging their abundant knowledge and experience.

Social Contribution Activities

In accordance with our Management Philosophy, "contribute to the nation and society," we promote activities aimed at benefiting, and supporting the development of, local communities and other stakeholders while communicating with society.

Local Community Activities

■ Continue donations using the Regional Revitalization Tax System (corporate version of the Hometown Tax Donation System)

In 2023, we donated 20 million yen to Fukuchiyama City under the corporate version of the Hometown Tax Donation system. This donation will be allocated to the replacement of approximately 50 local school buses, facilitating the commute for students attending Oe Gakuen schools. On April 8, 2024, two new school buses with our corporate logo were presented at a certificate-of-appreciation ceremony. We will continue our contribution activities based on our policy that our business operates in conjunction with local communities.



■ Over 20 years of experience providing scholarship programs for local students in Qingdao

Qingdao Fuso Refining & Processing Co., Ltd., our group company in China, is our base for overseas strategy. Since its foundation in 1994, we have built a robust business. Since 2000, we have been donating scholarship funds to university students from Qingdao City. Active engagement with and contributions to local communities have also helped us secure competent human resources locally.

■ Volunteer activities

Kyoto Plant: We have been recovering resources, such as cardboard and newspapers, from elementary schools in Fukuchiyama City, as well as donating magazines to Fukuchiyama Public Library.

Kashima Plant: We have also been actively participating as standing guards to ensure traffic safety around neighboring elementary schools.

■ Local community engagement activities

We have participated in Osadano Industrial Park's Ekiden road relay races and other sports events, local exchange events, and the like. We plan to continue participating in and cooperating with the local exchange events, which will resume in FY2024 after cancelations due to the COVID-19 pandemic.

■ Cleaning activities

Kyoto Plant: In FY2022, We resumed cleanup activities around the plant every Thursday, after a temporary suspension due to the pandemic. We also participate in cleanup activities at the industrial park as part of cleaning patrols organized by the park.

Kashima Plant: As a member of the Kashima Eastern Industrial Complex, we conduct regular cleanup activities. We did the cleanup six times in FY2023.

■ Internal AED training

We registered our AED-installed offices and plants with the AED map so that they can contribute to local communities in case AEDs are needed.

* AED (Automated External Defibrillator)
Reference: AED map by Japan Foundation for Emergency Medicine
<https://www.qqzaidanmap.jp/>

■ Status of AED installation at our offices and plants

| Name of Office/Plant | Installation status |
|--|---------------------|
| Osaka Head Office | ○ |
| Tokyo Head Office | ○ |
| Shin-Osaka Office | ○ |
| Kyoto Plant (First and Second Factories) | ○ |
| Kashima Plant | ○ |
| Osaka Factory | ○ |

■ FUSO Festival

Our Kyoto Plant annually holds the FUSO Festival on its premises. This event resumed in 2023 after cancellations since FY2020 to prevent the spread of the pandemic. We welcome employees, their families, friends, and local residents to this event as a great opportunity to learn more about our company and strengthen our ties with the local community.

Education Support Activities

■ Work experience program

Our Kyoto Plant offers vocational training and internships for students of local schools.

■ Summer Science Workshop

On Monday, August 28, 2023, we held a science experiment workshop for parents and children. On the day of the event, employees involved in our product development acted as the "Sour Squad" to conduct engaging experiments, introducing the essential role of sour flavors in enhancing the enjoyment of everyday meals. This event showcased how our souring agents not only ensure food safety but also enrich dietary experiences and contribute to reducing food waste. We will continue to explore ways to connect more closely with our users to provide information that allows them to use products containing our souring agents more confidently.



Other Support and Donations

■ Club partner contract with Kashima Antlers F.C.

We concluded a club partner contract with Kashima Antlers F.C. effective from February 2023. In addition to engaging in activities aimed at increasing our brand engagement, we leverage the collaboration with Kashima Antlers F.C. to make Kashima Plant a business base that is rooted in and contributes to local communities through tours of the Kashima Stadium and our plant.



■ Plant's activities rooted in local communities

Valuing our connection with local communities, we have been supporting and making donations to them for many years. We believe that invigorated employees and their family members living in the neighborhood of our plants, and in turn revitalized local communities as a whole, are critical resources in our value creation cycle.

Kyoto Plant: We donate books to Fukuchiyama Public Library and cooperate with local elementary and junior high schools in their resource recovery activities.

Kashima Plant: We make donations to Kamisu City Council of Social Welfare. In FY2023, we donated one box of unused calendars and pocket notebooks, 412 used stamps, cash, and other items.



Editorial Policy

We prepared this Sustainability Report to inform our stakeholders about our sustainability initiatives that are not included in the FY2023 securities report. This report is also designed to assist in recruiting new talent who will carry out our future as it will help them better understand our sustainability efforts. We have obtained third-party assurance for key figures in the report and made efforts to provide accurate information, including posting assurance details on our website. We plan to publish the details of the third-party assurance for the FY2023 report on our website by October.

We will continue our efforts to enhance the content of the report so that it will be used for a deeper understanding of our Group and better communication.

About Data Posted

- Covered period** : April 1, 2023 to March 31, 2024
(including some data for FY2024)
- Financials** : Include FUSO CHEMICAL CO., LTD. and its consolidated subsidiaries
For the latest financial data, see IR information on our website.
- Other data** : Data of FUSO CHEMICAL CO., LTD. during the covered period
(Consolidated data is indicated as “consolidated.”)
(For data outside the covered period, the period covered is stated.)
- Guideline** : This report includes information to be disclosed under the Global Reporting Initiative (GRI) Standards.
- Third-party assurance** : Data with third-party assurance is stated as “data with assurance.” The assurance details are posted on our website.
- Others** : Asterisks (*) indicate terms, proper nouns, and other words in sentences requiring an explanation, which is provided at the end of the applicable item.
- Disclaimers** : This report contains forward-looking statements that are based on plans, outlooks, and management policies/strategies of FUSO CHEMICAL CO., LTD. and its group subsidiaries as of the date of issuance. These forward-looking statements are based on information available at the time they are made. The actual results or directions of business activities may differ depending on future changes in the operating environment.
We would appreciate your understanding on the above points.
- Inquiries about the content of this report should be directed to**
: Planning and Development Office, FUSO CHEMICAL CO., LTD.



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