



# Sustainability Report 2022

# Contents



Top Message



Overview



Financial Highlights



Philosophy



To Achieve Sustainability



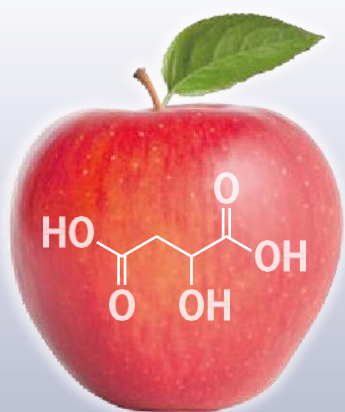
Governance

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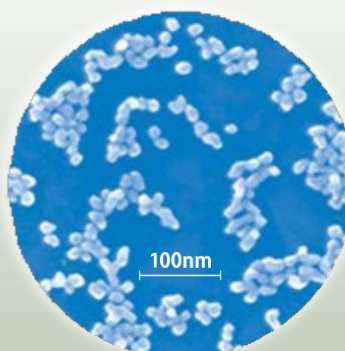
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LIFE SCIENCE



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.

Both businesses performed well in our Financial Results for the fiscal year ended March 31, 2023. In May 2023, we have revised upward our Medium-Term Management Plan ending in FY2025, which was announced in 2021, in light of the changing business environment, including future demand. For the remainder of the plan period, we will continue to strive for net sales of 85 billion yen and operating profit of 19 billion yen as our management targets for the final year of the plan.

We have prepared the FY2022 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.



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



### 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:** 538 (non-consolidated), 859  
(consolidated) (as of March 31, 2023)

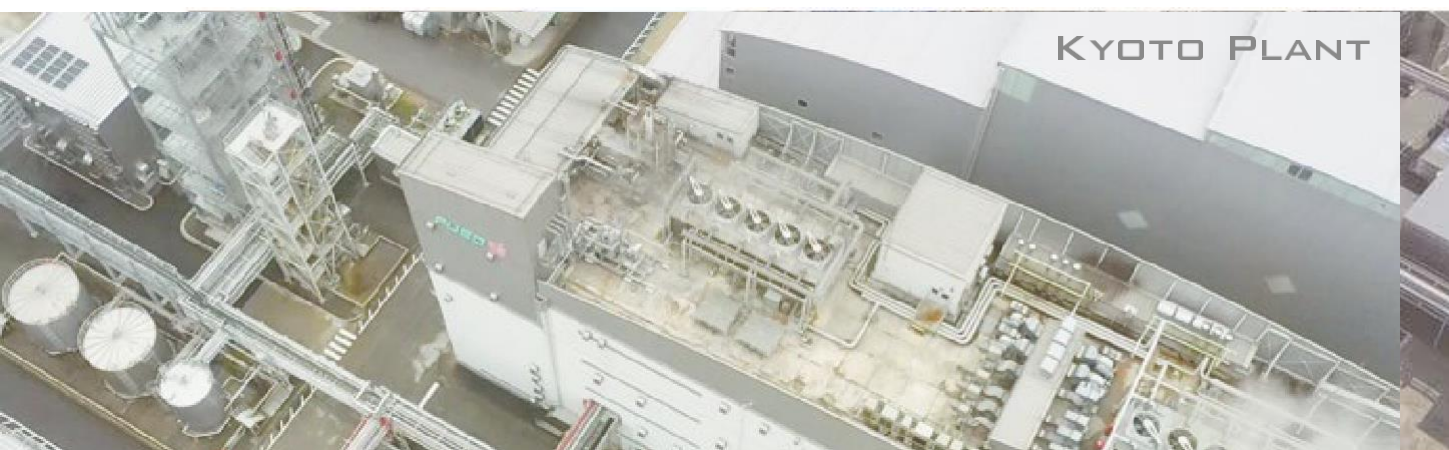
**Number of Consolidated Subsidiaries:** 6

**URL:** <https://fusokk.co.jp/eng/>

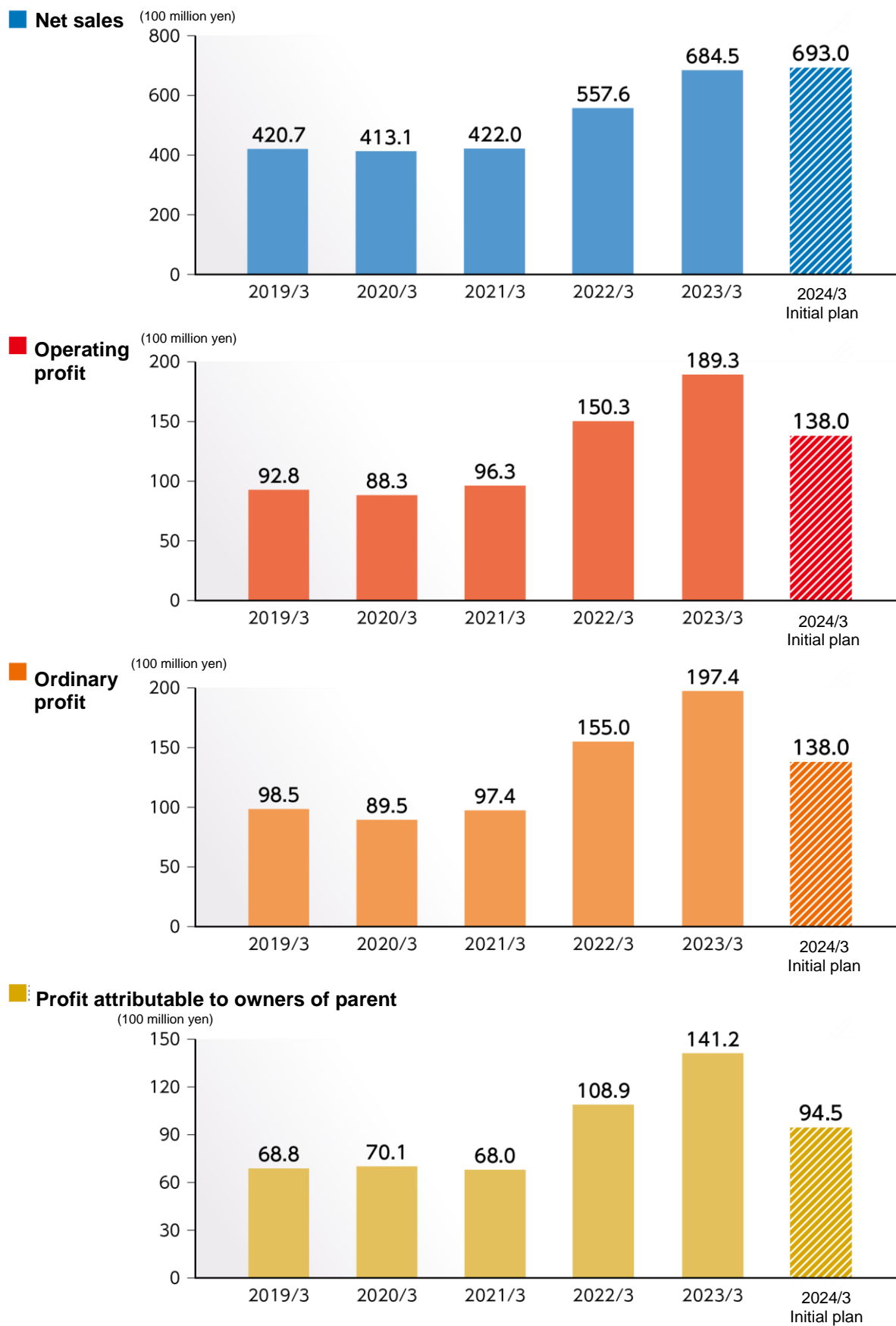
## 3 Financial Highlights

### Financial Results for the Fiscal Year ended March 31, 2023

Consolidated net sales for the fiscal year ended March 31, 2023 were 68,459 million yen (up 12,698 million yen or 22.8% year-on-year). Operating profit was 18,930 million yen (up 3,895 million yen or 25.9% year-on-year), ordinary profit was 19,740 million yen (up 4,230 million yen or 27.3% year-on-year), and profit attributable to owners of parent was 14,129 million yen (up 3,239 million yen or 29.7% year-on-year).



## Performance Trends and Plans





## Company Motto

### Limitless Progress and Creation

## Management Philosophy

- **Value trust, and make it a principle to be reliable**
- **Contribute to the nation and society through technology**
- **Achieve employee fulfillment through prosperous business**

#### ■ 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.

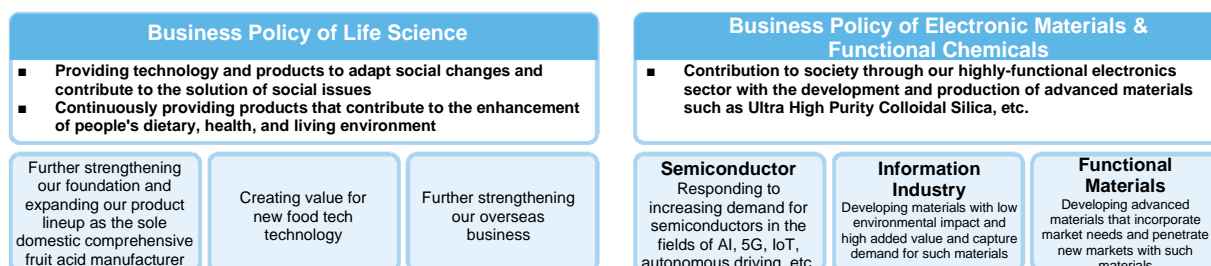
This cycle is created by our employees, who are themselves stakeholders. We are committed to upholding a solid management strategy for the happiness of our employees and their families.



## 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 kind of social issues could be addressed by us, 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 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 collaboration relationships to ensure that we can win trust from all the stakeholders. While we are proud of our history, we will invariably look to 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.

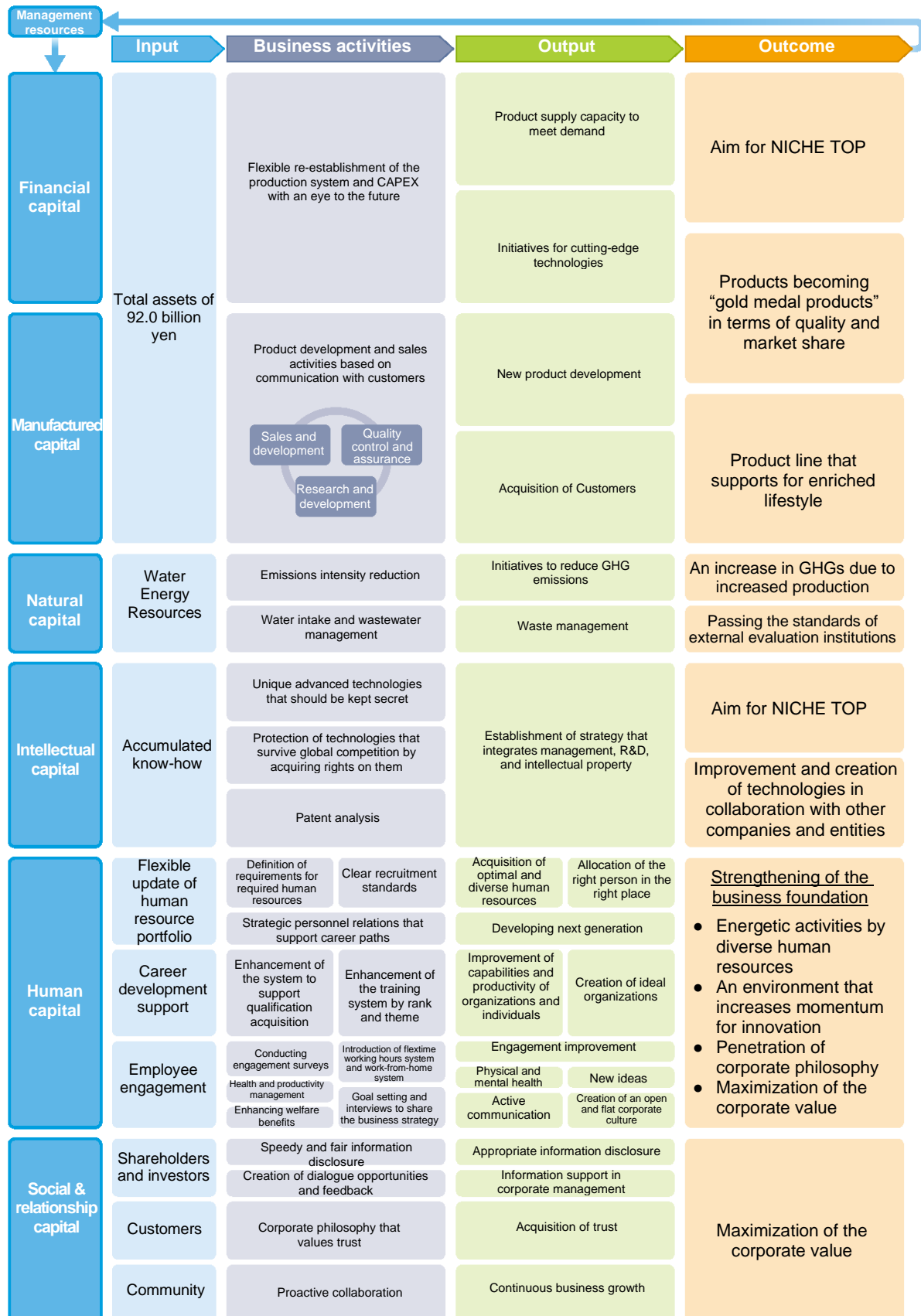
The Board of Directors determines the direction of its corporate strategy, etc., based on which Executive Directors execute their duties. We also have developed an environment that supports risk taking by having in place the Board of Directors Regulations, the Rules on Division of Duties, the Rules on 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.

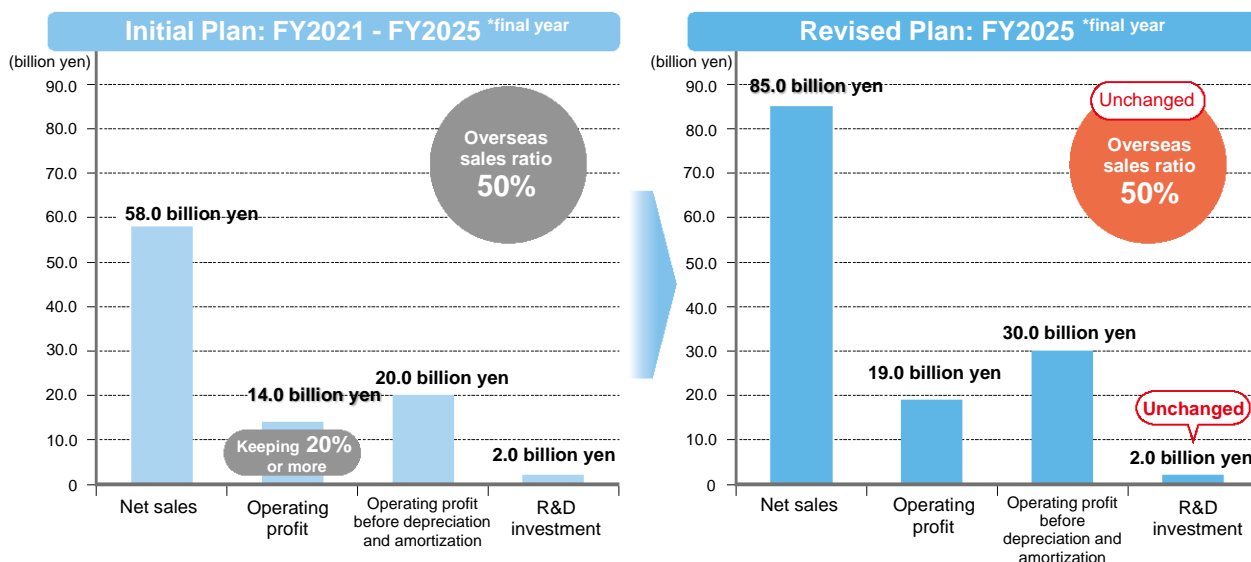


## Medium-Term Management Plan “FUSO VISION 2025”

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 3rd 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, are 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.”

### <Performance goals revised upward>

Against the background of positive changes in the surrounding business environment, our performance considerably exceeded the initial plan; therefore, we have revised the final year management targets for net sales, operating profit, as well as operating profit before depreciation and amortization, which are our key indicators, upward. Meanwhile, there is no change from the initial plan for the management policies and measures other than the management targets.

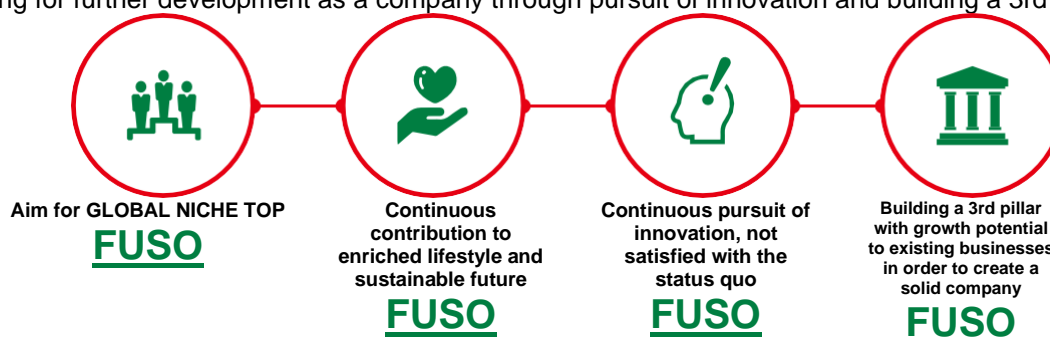


### Identification of Materialities

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.

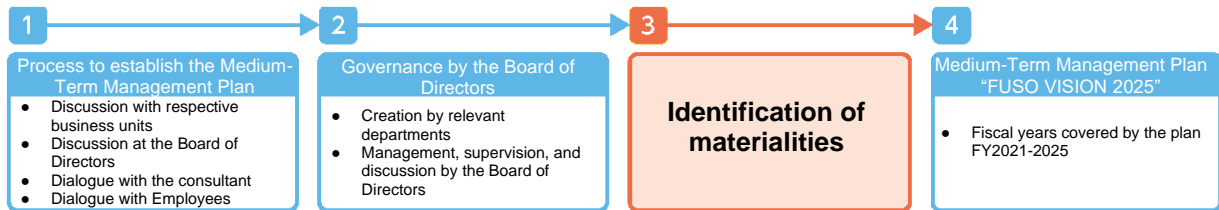
### <Company we should aim to be and materialities (important issues)>

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 3rd pillar.



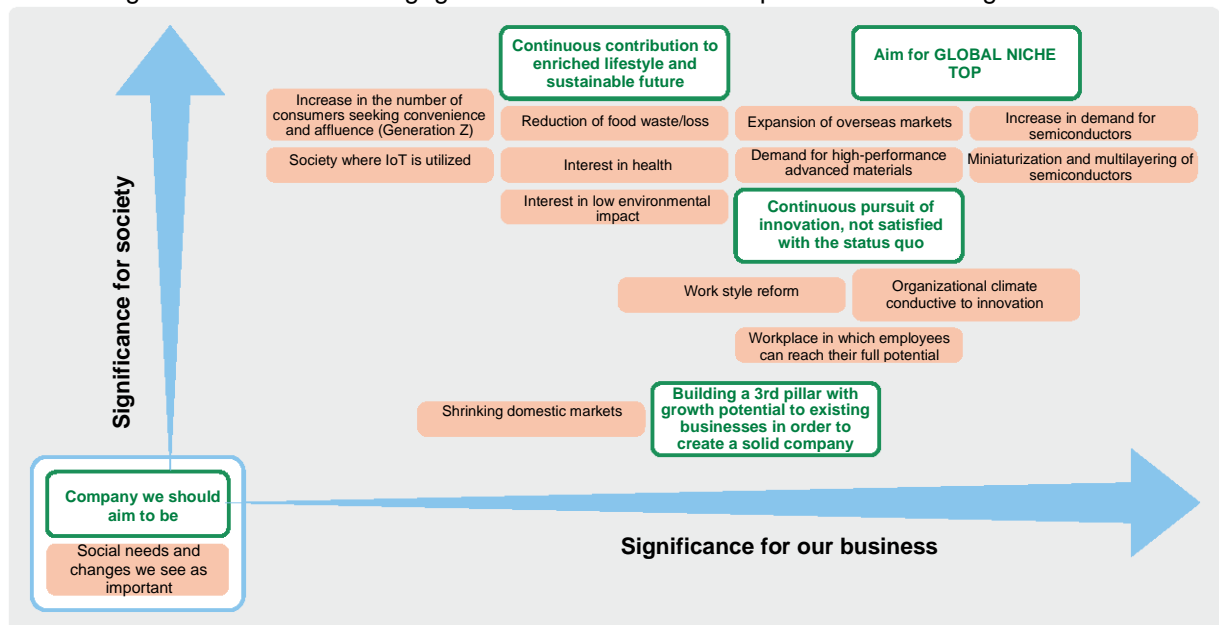
## ■ Process to identify materialities

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.



## <Matrix of “significance for society” and “significance for our business”>

In considering what company we should aim to be, we thought we need to establish a stronger business framework for business fields that are critical to society at first. In addition, through pursuit of innovation, we will further strengthen the technological strength and competitiveness of our product lines. We also selected the establishment of a 3rd pillar in addition to the existing businesses as one of the materialities, considering that we need to be engaged in a business field with potential for future growth.



## <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 created with SDGs in mind and 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, and 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"> <li>Heightened problem awareness toward food waste/loss</li> <li>Growing interest in health</li> </ul>
Industry	<ul style="list-style-type: none"> <li>Heightened awareness toward SDGs</li> </ul>
Common	<ul style="list-style-type: none"> <li>Shrinking domestic markets</li> <li>Expansion of overseas markets</li> </ul>

#### Future Outlook

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

#### Business Policy

- Providing technology and products to adapt 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 has 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 a 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 operations.

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

### ■ Future growth strategy

Food shortages due to population growth remain a concern. Sustainable Development Goals (SDGs) of halving per capita food waste worldwide and reducing food loss in production and supply chains have been set. Malnutrition is also a problem, and we believe that the importance of food for health will continue to increase. We believe that organic acids and their applied products promoted by our Life Science Business Unit can contribute to solving these issues. Considering that social needs including customer needs as well as the use of our existing products will make opportunities to create new added value, we launched new products with a new concept in 2022. "Well Dough S" is one of them. In order for miscellaneous bean flour to replace wheat flour, the former has problems of bean odor and poorer functionality and processability; however, the new product "Well Dough S" improved the bean odor problem and texture and achieved a noodle-making quality similar to that of wheat flour. This product is expected to be used for approaches to solve food problems, which could include the expansion of the use of miscellaneous bean flour and the diversification of ingredients.



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

## ■ 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 sour taste, and when ingested and incorporated into the body, they help recover from fatigue and improve metabolism. Ascorbic acids (vitamin C) also increase 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 acids and other organic acids. The spoilage and deterioration of processed foods caused by microorganisms can be suppressed by combining various organic acids. Meanwhile, degeneration such as browning of fruits and vegetables can also be suppressed by using organic acids that have antioxidant features.



### ● Supporting primary industries with Bio stimulants

Bio stimulants is a new technology which reduces damage to plants resulting from climate and soil conditions by controlling abiotic stress in plants and provides healthy plants by mitigating yield loss due to stress. We have paid attention to "active ingredients derived from certain natural products" for several years and developed products that take advantage of the fact that these active ingredients act on HSP (heat shock protein) expression. We are now evaluating the effects of these products. Under these circumstances, it has been confirmed that these products improve rice's inherent high temperature stress tolerance and reduce damage caused by high temperatures during the ripening period, and these products have begun to be used to produce high-quality rice. 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, and 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"> <li>● Increased telecommuting due to the COVID-19 pandemic</li> <li>● Growing demand for semiconductors due to the spread of 5G and IoT</li> <li>● Increase in consumers who pursue convenience coupled with abundance</li> <li>● Growing demand for low environmental load including low power consumption</li> </ul>
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### Future Outlook

 Semiconductors  Information industry	<ul style="list-style-type: none"> <li>● Growing demand for semiconductors due to the establishment of new lifestyle</li> <li>● Growing demand due to miniaturization and multi-layering of semiconductor wiring</li> <li>● Growing demand for advanced materials that support an increasingly sophisticated lifestyle</li> <li>● Widespread use of materials enabling the reduction of environmental load</li> </ul>
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### 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, 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 self-driving automobiles, IoT, AI, 5G communication, 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.



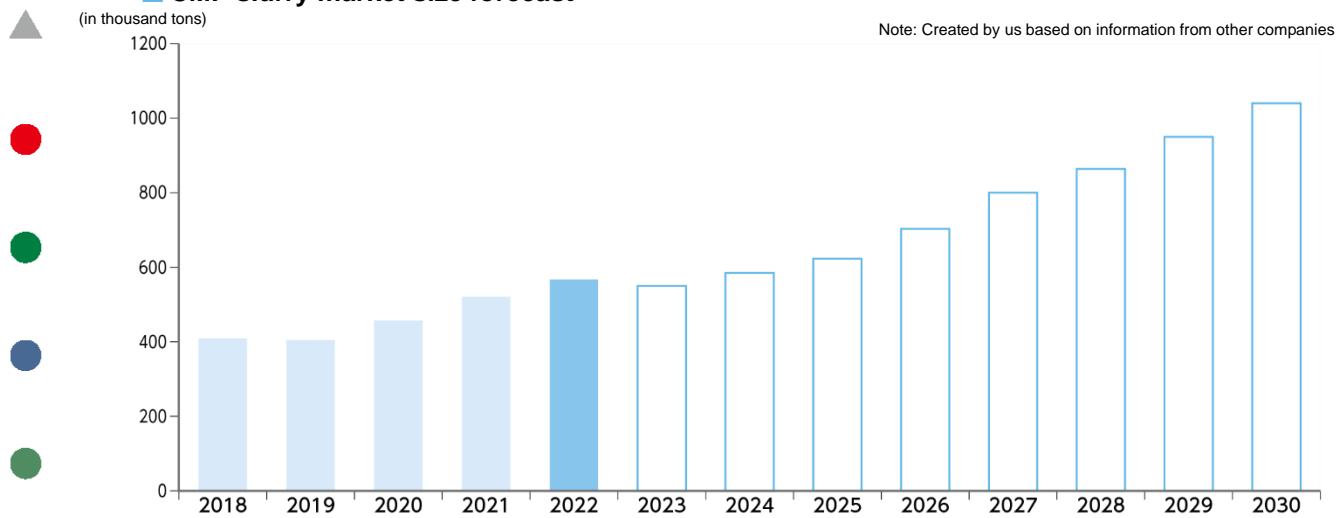
## ■ Initiatives to support social infrastructure

Semiconductors are used for electrical products around us and a variety of products that support social infrastructure. Semiconductors 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 that 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.

### ■ CMP slurry market size forecast

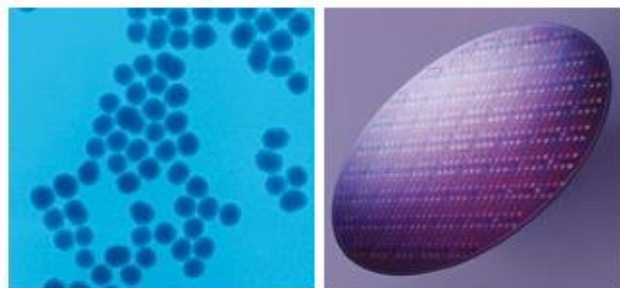


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### ● FUSO technology that supports the advanced semiconductor industry

Ultra High Purity Colloidal Silica, 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 controlling of the size and shape of particles at the nano level.

Semiconductors will continue to be more miniaturized and 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 is utilized by many customers around the world as a critical material in that process.

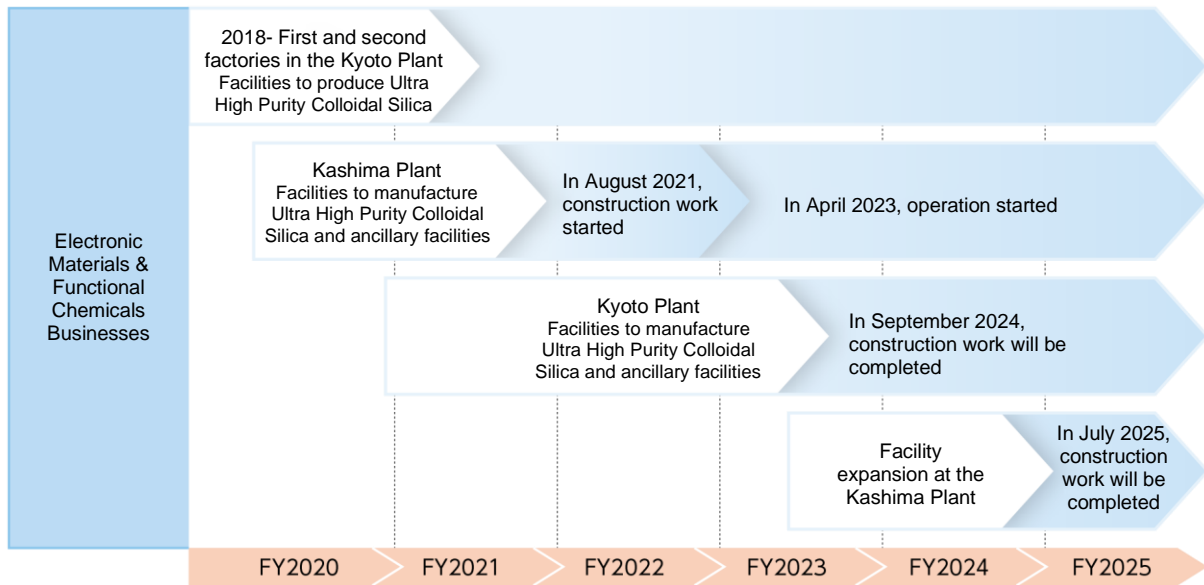


## ■ Development of production and R&D systems in respond to increasing demand

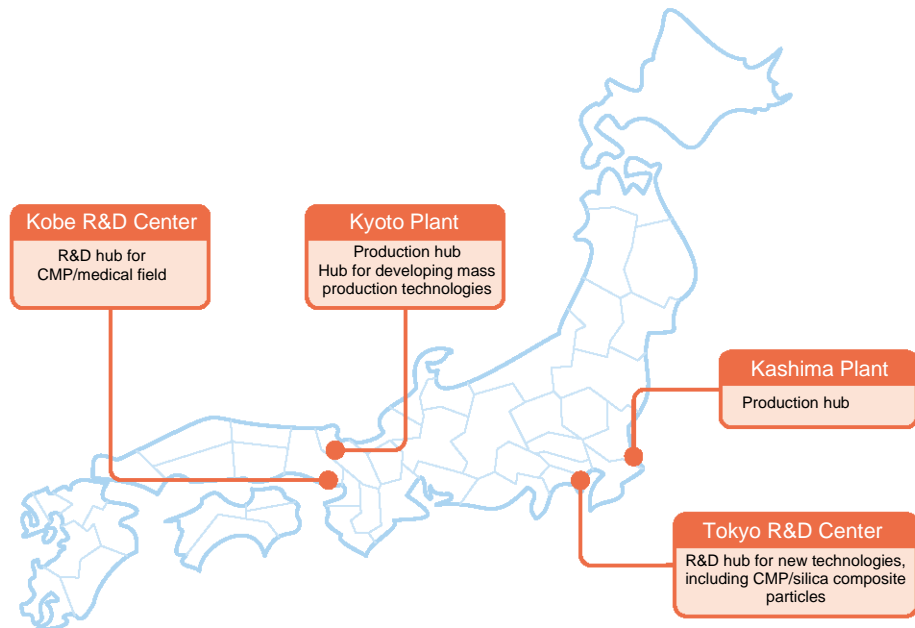
We consider that our role is to further improve technology and develop systems that allow us to provide products without interruption, to realize a sustainable future. To perform this role, we are promoting capital investment to respond to an increase in demand for the establishment of R&D systems, as well as promoting the establishment of resilient production and development systems. We established the Kobe R&D Center in July 2022 as a new R&D center, with the aim of expanding our research into the application field of semiconductor technology.

In terms of the production, not only do we respond to the increasing demand, but we also started operation of a production line for Ultra High Purity Colloidal Silica at the Kashima Plant in April 2023, with the aim of introducing a disaster-resilient two-hubs 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.

# 5 To Achieve Sustainability



## Production and development hubs



## [International Business Unit]

We established the International Business Unit in April 2021 with the aim of establishing collaboration between our overseas subsidiaries and strengthening governance of them. 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

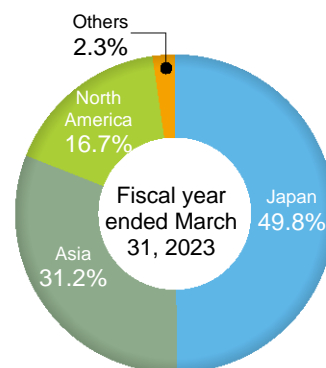
Significantly increasing overseas sales is essential for the growth of both our Life Science Business and Electronic Materials Business.

In FY2022, we built the Shanghai Food & Seasoning Development Center in Qingdao Fuso Refining & Processing Co., Ltd. By utilizing it together with the test kitchen located in Qingdao, we are accelerating the development of food additive pharmaceutical preparations and new food products in China.

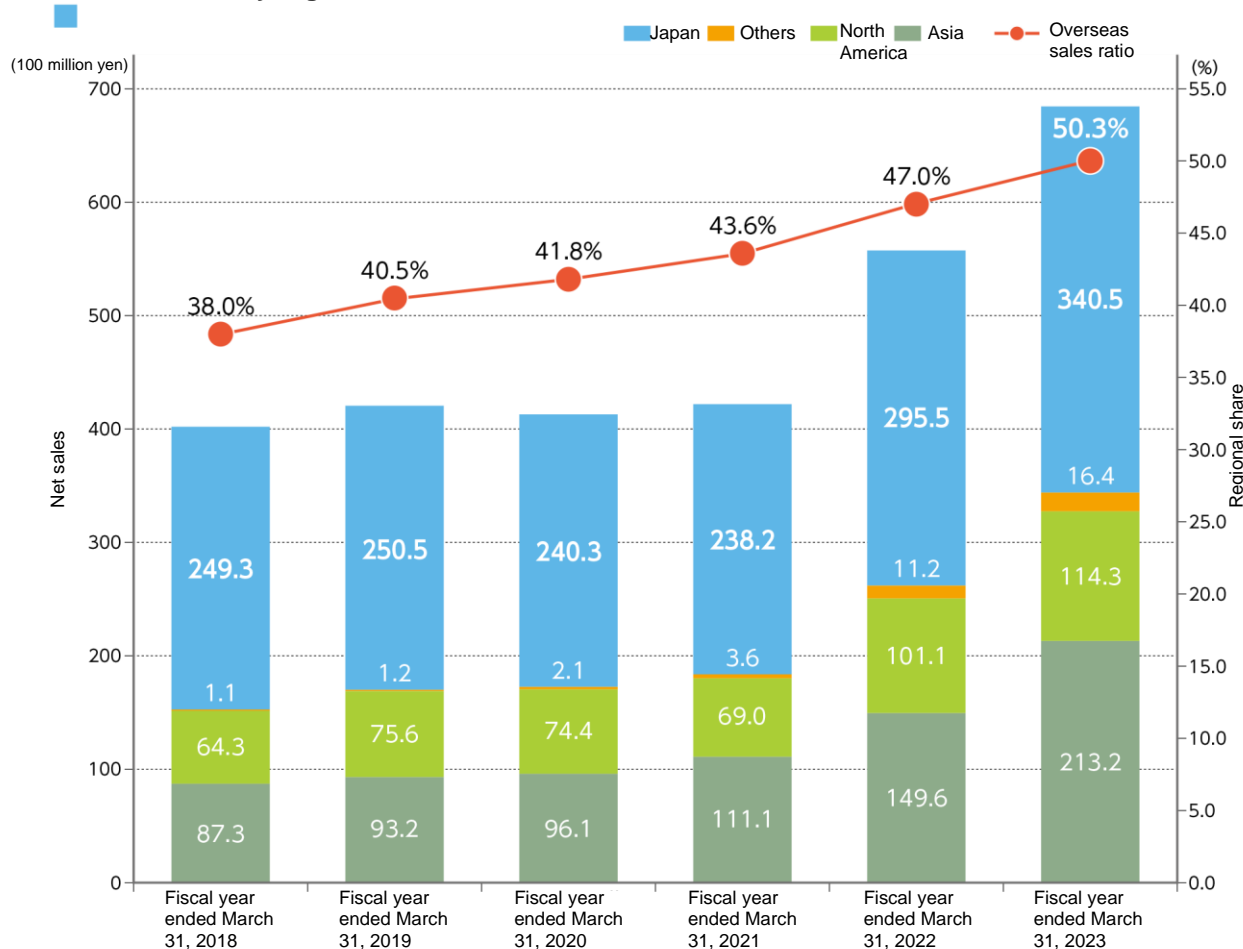
FUSO (THAILAND) CO., LTD in Thailand has strengthened its sales activities in countries around Thailand and is working hard to increase the number of cases in which our food additive pharmaceutical preparations are used in local foods in Thailand and surrounding countries as well as promoting new development.

PMP Fermentation Products, Inc. in the United States intends to strengthen its sales activities to its existing business partners, including the sales of sodium gluconate, and aims to increase the market share by acquiring new business.

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



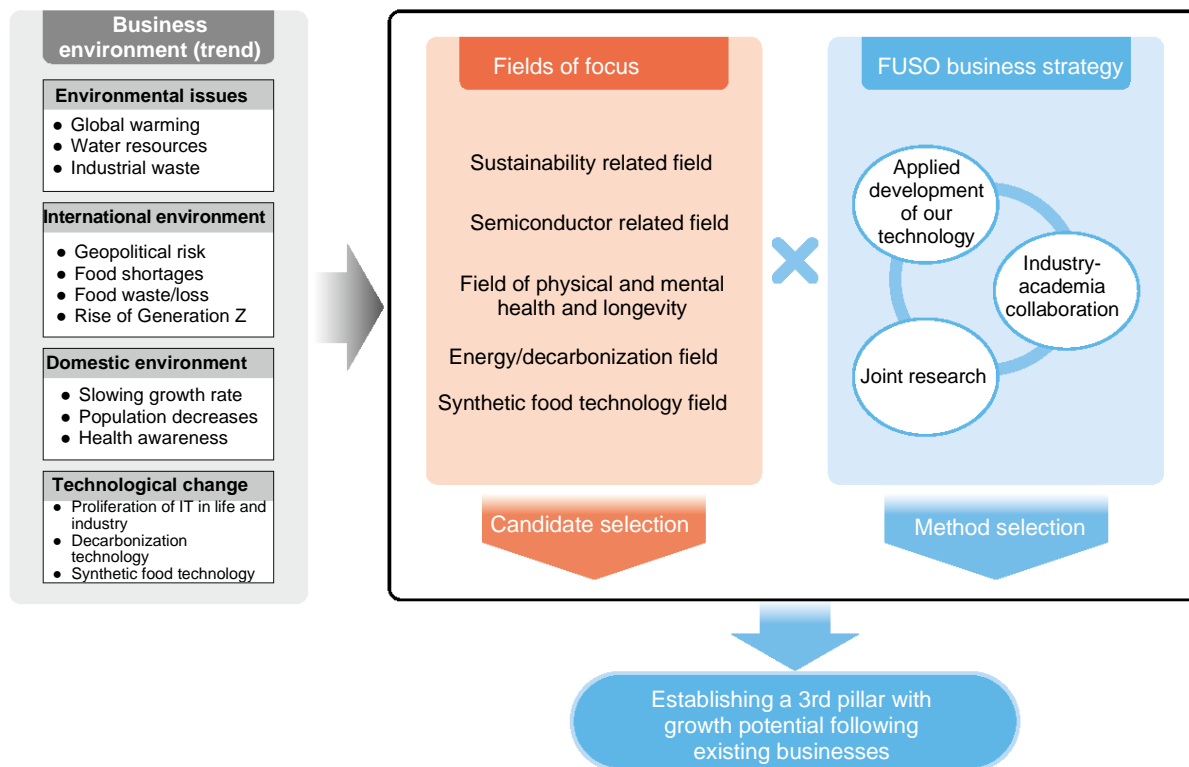
### ■ Sales trends by region



## Investment Strategy for the Establishment of a 3rd Pillar

We believe that the establishment of a new business to serve as our 3rd pillar following the Life Science Business and 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 3rd 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 its 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

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

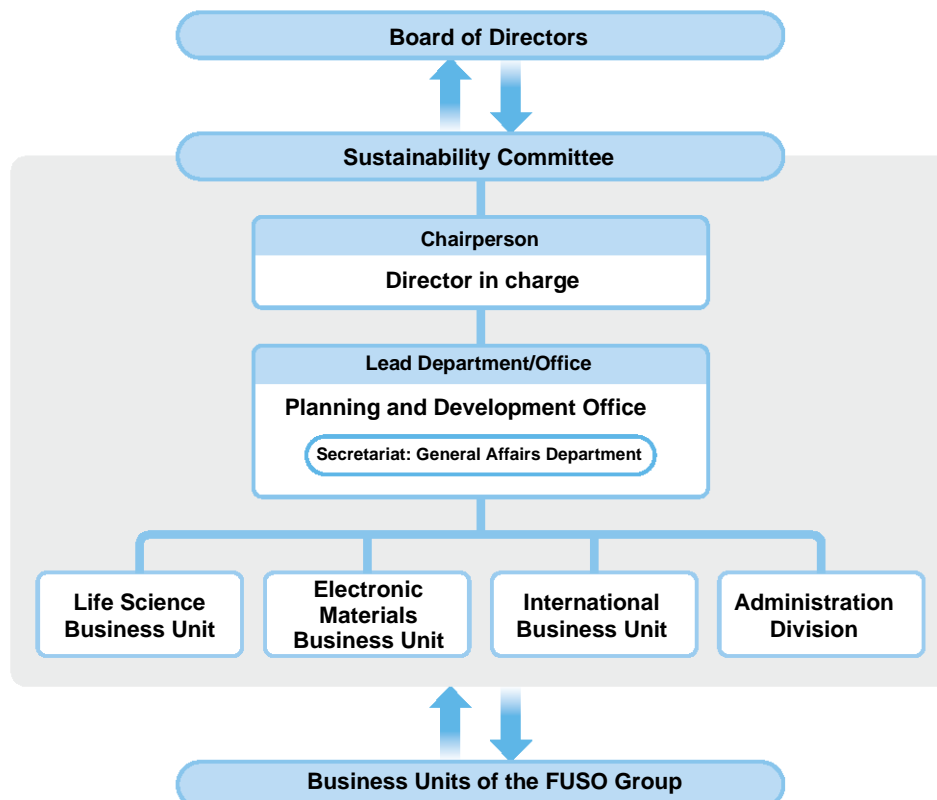
The Company provides fruit acids and their derivatives, which are contribute to food and other industries, and silica-related products, which are essential to the semiconductor industry in future society, thereby building a foundation for growth into the future.

The Company has strong desire to continuously contribute to the sustainable society with insatiable aspirations under the Company's motto "Limitless Progress and Creation" and works to improve its 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.

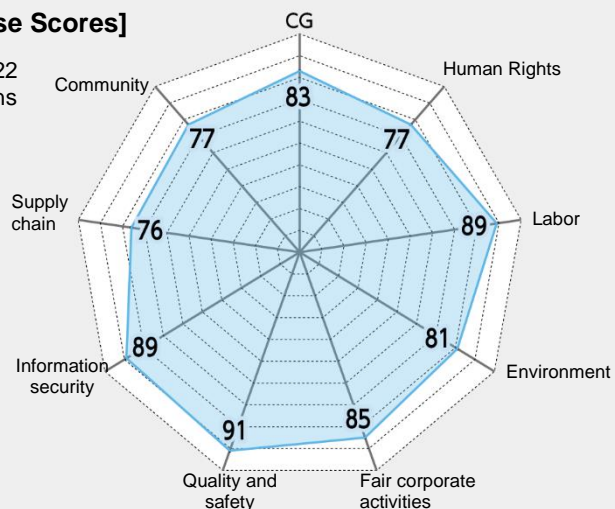
Four Declarations	Ten Principles	Our Efforts
Human Rights	Principle 1: Support and respect the protection of human rights Principle 2: No complicity in human rights abuses	<ul style="list-style-type: none"> <li>The Code of Conduct and Corporate Governance Guidelines set out our efforts to respect human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

### <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 CO<sub>2</sub> emissions is still limited to domestic operating companies, the Sustainability Committee reports CO<sub>2</sub> emissions from business activities and promotes efforts to reduce emissions intensity. (Note: Current CO<sub>2</sub> emissions and efforts to reduce emissions intensity are shown on pages 31–33)

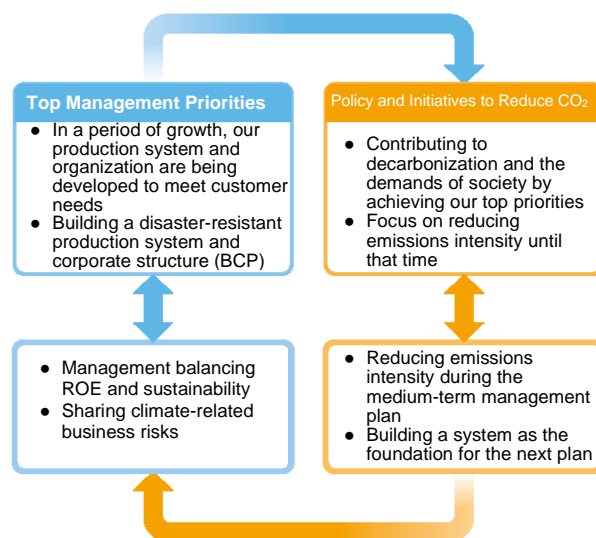
#### ■ Status of Efforts and Current Policy

<b>Governance</b> Organizational governance with respect to climate-related risks and opportunities	<ul style="list-style-type: none"> <li>The Board of Directors provides oversight and evaluates reports and proposals from the Sustainability Committee.</li> <li>The Sustainability Committee meets once every six months, and as needed.</li> <li>The Sustainability Committee discusses and confirms progress on climate-related risks, opportunities, policies, and targets, and reports to the Board of Directors.</li> </ul>
<b>Strategy</b> Current and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial plans	<ul style="list-style-type: none"> <li>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.</li> <li>Risk that business units will see a sharp increase in raw materials, energy, and other costs even under the 2°C scenario.</li> <li>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.</li> </ul>
<b>Risk Management</b> Methods to identify, assess, and manage the organization's climate-related risks	<ul style="list-style-type: none"> <li>Risks are identified for each business unit based on scenario analysis.</li> <li>Shared with the Risk Management Committee to review and evaluate risks from multiple perspectives.</li> <li>Identified risks are discussed by the Board of Directors and reflected in strategy.</li> </ul>
<b>Indicators and Targets</b> Indicators and targets used to assess and manage climate-related risks and opportunities	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions are expected to increase partly due to large capital expenditure underway.</li> <li>We will limit the increase in CO<sub>2</sub> emissions through efforts to reduce emissions intensity as production volume significantly increases.</li> <li>We aim to resolve social issues through initiatives in each business as part of the Medium-Term Management Plan “FUSO VISION 2025”.</li> </ul>

### <Future Initiatives to Reduce CO<sub>2</sub> Emissions>

Although our domestic operating companies only manage their emissions according to Scope 2, going forward we will monitor the emissions of all companies, including overseas group companies, and promote initiatives to reduce emissions.

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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions under Scope 3, including those of group companies, and to make specific efforts to reduce CO<sub>2</sub> 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 CO<sub>2</sub> emissions after FY2025, when the foundation for addressing CO<sub>2</sub> including group companies is scheduled to be in place.

### Schedule for CO<sub>2</sub> 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 address Scope 3, which includes the supply chain, etc. 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 <sub>2</sub> emissions, including in the supply chain.

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

## 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 <sub>2</sub> 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 <sub>2</sub> 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 has climate change countermeasures through food tech and health-related products, and will expand commercial opportunities 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 are building a production system that enables us to secure raw materials at reasonable prices. We will tackle CO<sub>2</sub> emissions through reduction of emissions intensity and underutilized technologies.

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

## ■ 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 will make two investments in the Kashima Plant (approximately 18 billion yen in Phase 1 and 20 billion yen in phase 2) and one in the Kyoto Plant (approximately 10 billion yen) 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 internal costs. We established the Kobe R&D Center in July 2022 as a new R&D hub, and together with the Tokyo R&D Center, it is ready to respond to future changes in semiconductor manufacturing technology.

	Advantages <Opportunity>	Disadvantages <Risk>
<b>1.5°C Scenario</b>	<ul style="list-style-type: none"> <li>Increase in demand for semiconductors (Electric vehicles, digital transformation [DX], Metaverse, etc.)</li> <li>Development of energy-saving equipment</li> <li>Development of energy-saving materials</li> </ul>	<ul style="list-style-type: none"> <li>Ingredient procurement uncertainty</li> <li>High fuel prices</li> <li>Requests for environmental measures by partners (medium)</li> </ul>
<b>4.0°C Scenario</b>	<ul style="list-style-type: none"> <li>Increase in demand for semiconductors</li> <li>Development of energy-saving equipment</li> <li>Development of energy-saving materials</li> </ul>	<ul style="list-style-type: none"> <li>Ingredient procurement uncertainty and high prices</li> <li>High price of non-fossil energy</li> <li>Requests for environmental measures by partners (strong)</li> <li>Trade impediments such as carbon taxes</li> <li>Increased CO<sub>2</sub> emissions due to increased production</li> </ul>

## 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.

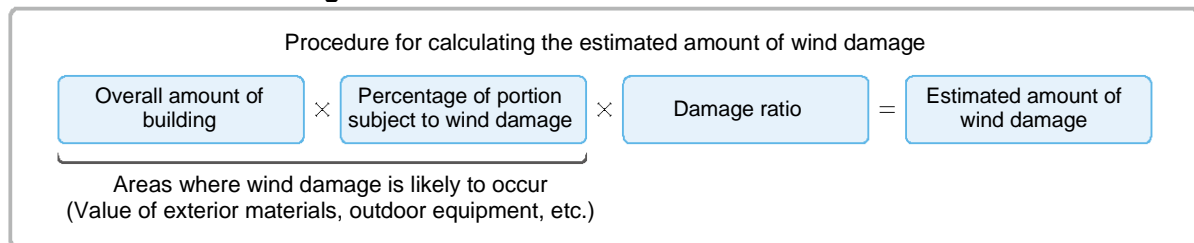
The projected damage and operating income impact calculated for 2022 are shown below. Both the projected damage and the operating income impact are partially covered by insurance, which controls the impact on our finances.

### Expected amount of damage

Expected type of damage	Expected amount of damage	Impact on operating profit
Wind, hail and snow damage	1.3 billion yen	1 billion yen
Water damage	3.1 billion yen	2.6 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	Policy and regulation	<ul style="list-style-type: none"> <li>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.</li> <li>Although we have been able to reduce CO<sub>2</sub> emissions intensity by more than 30%, total CO<sub>2</sub> 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.</li> </ul>
	Disclosure of sustainability, etc.	<ul style="list-style-type: none"> <li>In 2022, we announced non-financial and other information in line with the TCFD through this report. 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.</li> </ul>
	Management of GHG emissions volume	<ul style="list-style-type: none"> <li>We will establish a system to manage GHG emissions in accordance with Scope 3, including group companies.</li> <li>We will consider reducing GHG emissions throughout the supply chain and guidance, etc.</li> </ul>
	Other	<ul style="list-style-type: none"> <li>We cannot operate our business without emitting CO<sub>2</sub>. 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.</li> </ul>



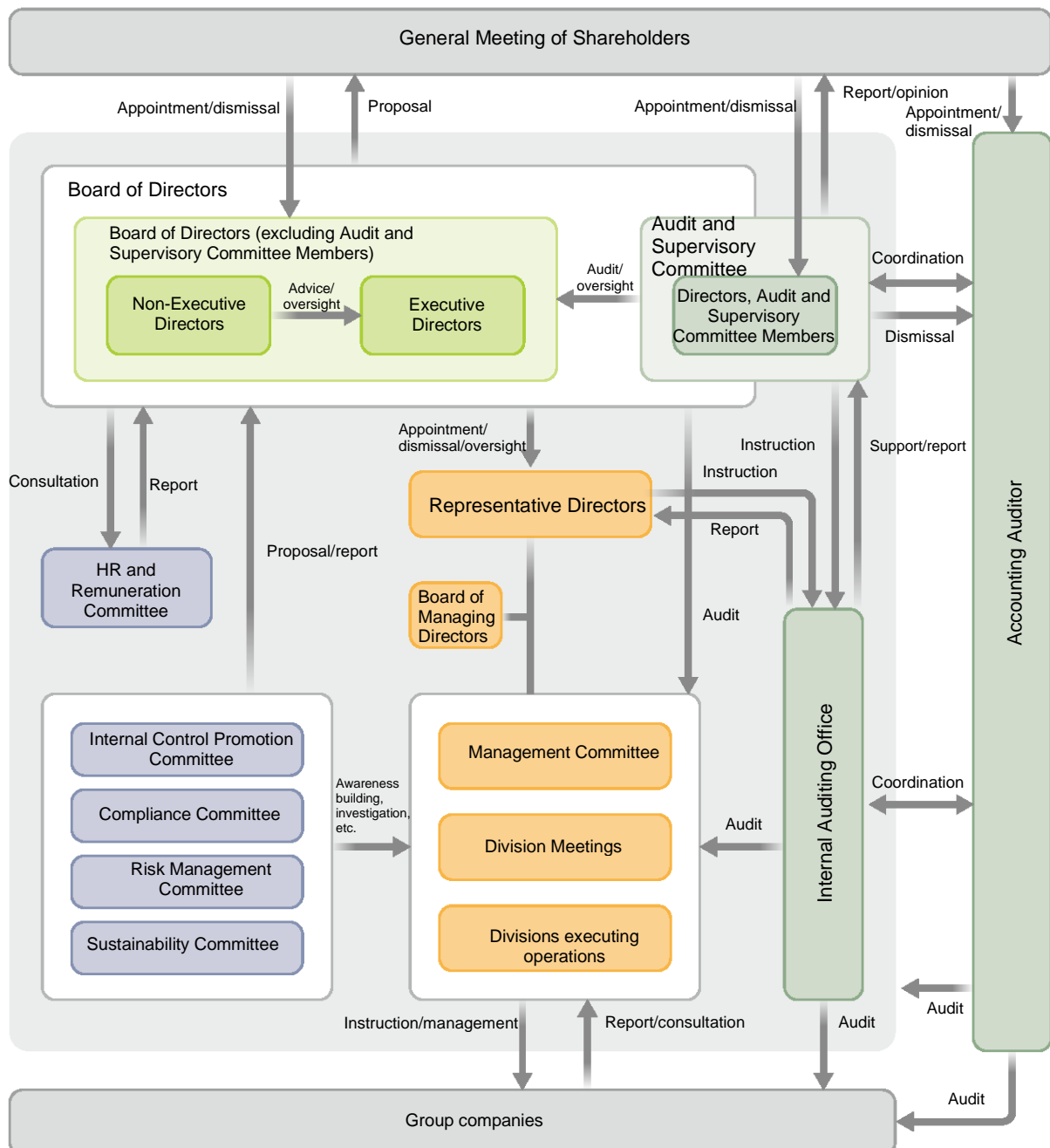
## Corporate Governance

We strive to fulfil 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 execution of duties 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

### ■ 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 legal compliance, and that they understand, and are conscious of, discharging Directors' duties. 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 reports to the Board after deliberating the matter upon consultation by the Board.

### ■ Skill Matrix

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					●		●		●			
Motoki Sugimoto	Board Director							●	●	●			
Atsushi Fujioka	Board Director					●	●			●			
Hakaru Hyakushima	Board Director	○	○			●					●		●
Yoshiki Kinoshita	Board Director, Audit and Supervisory Committee Member	○	○	◎	◎		●					●	●
Fumiaki Hirata	Board Director, Audit and Supervisory Committee Member	○	○	○	○	●		●	●				
Sayaka Eguro	Board Director, Audit and Supervisory Committee Member	○	○	○	○		●			●		●	●

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

### ■ Share of Female Directors

Share of Women on the Board					
	FY2018	FY2019	FY2020	FY2021	FY2022
Total	11	10	10	10	10
Number of women	2	2	2	2	2
Share of women	18.2%	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 is aimed at increasing the effectiveness of the Board of Directors and further strengthen its management function. In June 2018, we changed our organizational design to a company with 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**

FY2022 evaluation results showed improvements in four out of five categories. In overall evaluation interviews, all Directors stated that improvements have been made in such areas as discussions of focus themes and shift to paperless operations, and many commented that the effectiveness of the Board of Directors has been improving year by year. Based on the analysis of these self-evaluation results, the Board of Directors is 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

Other: In FY2022, we confirmed the implementation status of measures for countering issues, based on opinions of Directors and Audit and Supervisory Committee Members provided in the effectiveness evaluation conducted in the previous year.

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

We will continue our efforts to make further improvements in this fiscal year to enhance the Board of Directors' effectiveness by formulating an annual improvement plan that covers areas pointed out by Directors as requiring improvements. At the same time, we will work to make our corporate governance structure even stronger.

## **Response to Internal Control**

### ■ **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 (full-time Audit and Supervisory Committee Members only), and the Management Committee, as well as by receiving reports on important agenda items from Directors in charge.

In addition, the Audit and Supervisory Committee conducts audits on development and operation of internal control system, risk management system, and the like based on the audit policy and audit plan, and other matters it sets forth.

### ■ **Status of internal audits**

As for an organization that conducts internal audits, the Internal Auditing Office is established as a dedicated organization independent from divisions executing operations. It has two members. The Internal Auditing Office conducts operational audits, accounting audits, and special assignments instructed by Representative Directors, covering the Group. It is also responsible for secretariat operations for the Audit and Supervisory Committee.

### ■ **Status of accounting audits**

The Directors who are Audit and Supervisory Committee Members, as well as the Audit and Supervisory Committee, evaluate the status, using as standards the items set forth by the Audit and Supervisory Committee for an audit firm. As the result, they have found no problem in the execution of duties by the audit firm, regarding all evaluation items including quality control; communication with Audit and Supervisory Committee Members, the management, and other relevant parties; group audits; and fraud risk.

### ■ **Internal Control Promotion Committee**

The Internal Control Promotion Committee, supervised by the Representative Director & President, is set up to develop and operate internal controls based on the basic policy 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.

## **Audit System and Audit Status**

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



## Compliance

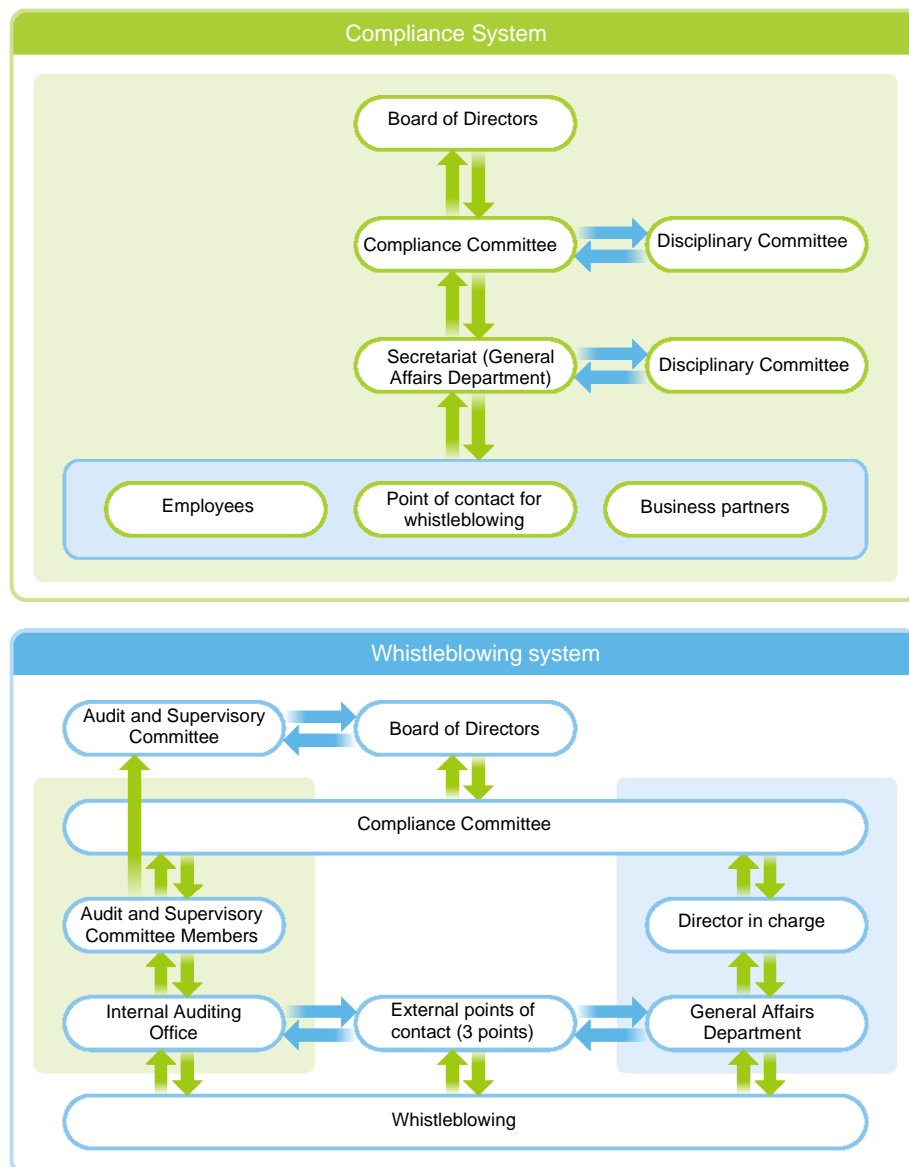
### Compliance System

#### ■ Compliance Committee

As the organizational structure for compliance, the Compliance Committee meets every three months and reports full-time Directors on compliance status. In addition, it 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 the points of contact for whistleblowing to encourage their usage. 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 receiving a complaint and the like, we quickly respond to them through close communication with customers and end users, and relevant committees investigate into 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 reassure that 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 <sup>(*)</sup>	○
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. If any violation, complaint, or trouble has happened, we share in the Group the causes and measures taken and strive to prevent recurrence and occurrence of similar incidents, as measures to counter risks. 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 a Representative Director, is set up to regularly check 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.

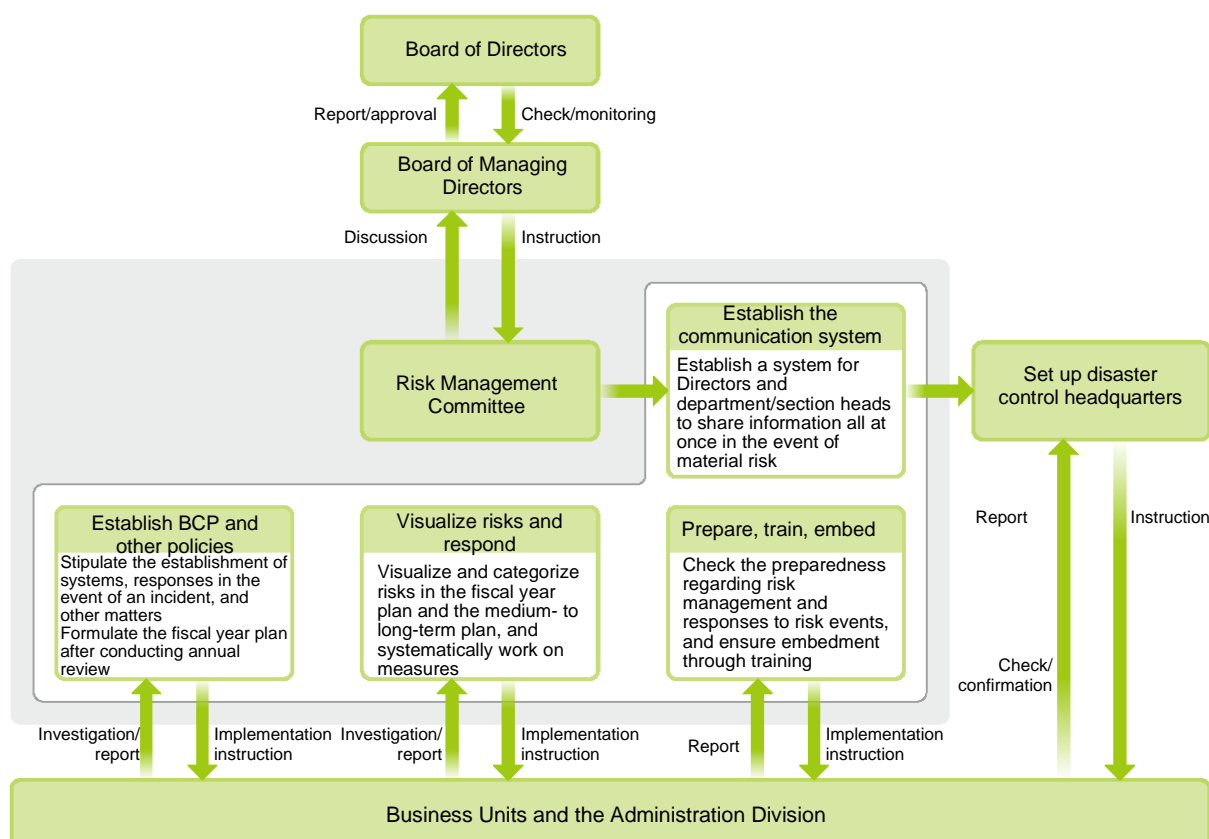
#### ■ Company-wide Risk Management Committee

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, checks and decides on measures to be taken in the following fiscal years, and exercises supervision.

#### ■ Risk Management System



## Safety and Health Management

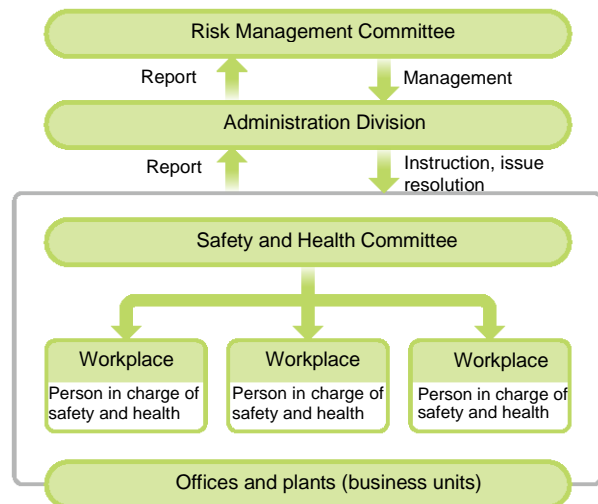
### ■ Safety management systems at offices and plants

Shin-Osaka Office, Kyoto Plant, Kashima Plant, and Osaka Factory strive to thoroughly manage safety according to situations of their respective production sites, to prevent industrial and equipment accidents as well as to improve the work environment. We engage in safety activity, setting the goal of “zero disaster/accident.” Regrettably, we had one accident accompanied by lost worktime in FY2022. In the event of an industrial accident, we investigate into the cause to prevent recurrence and share the case with all of our offices and plants to prevent similar disasters and accidents from happening.

Number of accidents accompanied by lost worktime in the Group: FY2021: 0

FY2022: 1

Targeting zero in FY2023



### ■ 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 has a system in place for discussing the issues reported to come up with solutions, and, if necessary, will report them to business divisions and the Administration Division for improvement.

### ■ COVID-19 Responses

Our full-time Directors and the Administration Division have set up the COVID-19 Response Committee and implemented measures for business continuation. Seeing that suspension of our production lines has an impact the production activity in supply chains and, in turn, a significant impact on society, we have taken the following measures.

We have strived to prevent the formation of COVID-19 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 COVID-19 cases. Owing to the efforts of every employee and the cooperation of business partners, our production lines kept running during the global pandemic that lasted from the end of 2019 to the end of FY2022.

Infection prevention items	Details
Disinfection	Took antibacterial measures and installed body temperature measurement devises, disinfection solutions, and the like, at facilities and other places
Prevention	Formulated infection prevention manuals, encouraged mask wearing, installed acrylic boards and other dividers, recommended working from home and remote meetings, distributed free test kits to employees including kits for their family members, provided remote medical consultation, and the like
Systems	Work-from-home system, flexible working hours system, expanded application of special paid leave, relaxation of standards for commuting, and the like

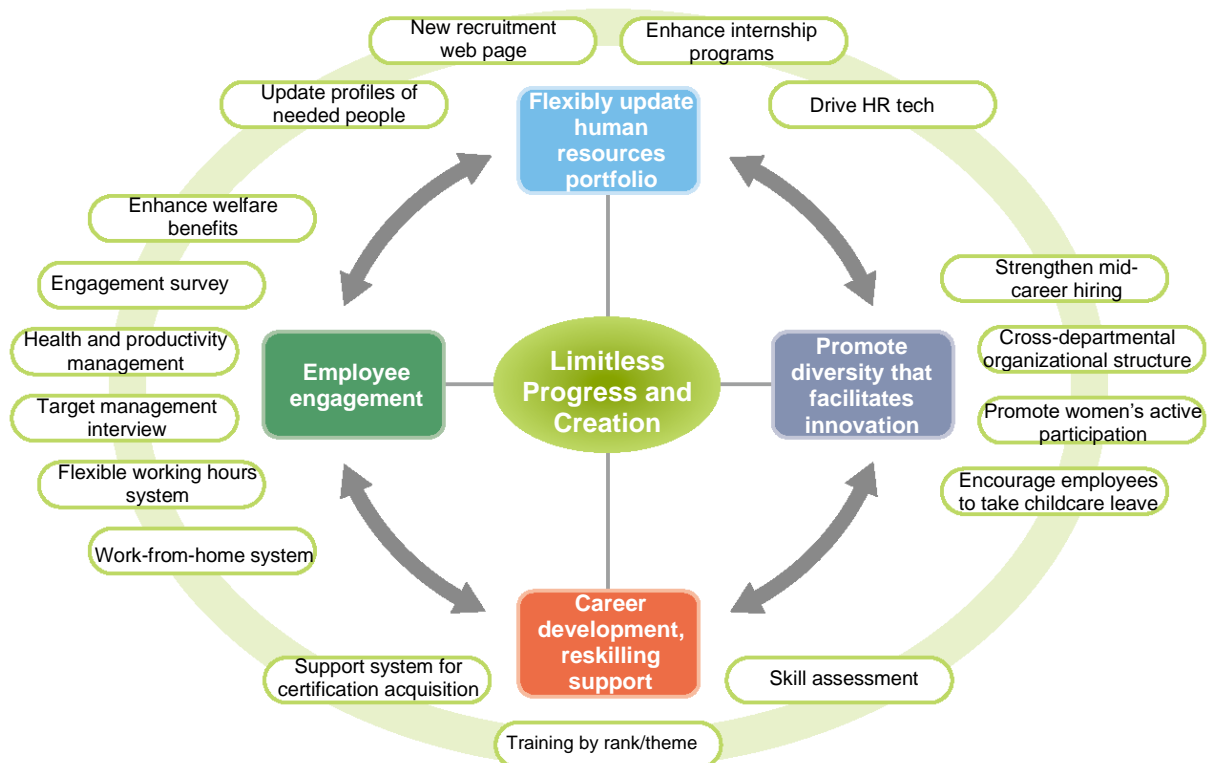
## HR Strategy

### 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 set up the HR Meeting as a discussion organization participated by full-time Directors excluding Audit and Supervisory Committee Members. By exchanging views of business units and of Directors, the Meeting discusses fair evaluation of all employee, as well as succession plans for key positions and 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 three times in FY2022.

## Management Goals, and 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 enable 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 capturing 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 his/her 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.

#### ■ Training expenses per employee

Item	FY2020	FY2021	FY2022
Training expenses per employee	10,001 yen	18,223 yen	28,267 yen

#### <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 in-scope 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 his or her career.

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

#### <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 are one of our top priorities, as we are strengthening our production systems to meet increasing demand. We recruit new graduates mainly in research and development, production, and analysis divisions, while hiring mid-career workers in light of optimum personnel deployment based on business strategies.

Production division's offices and plants are facing fierce local competition in hiring people. We continue our efforts to strengthen headcount by also trying such approaches as direct recruiting and referral recruiting.

#### <Recruitment status>

##### ■ Number of employees hired

Item	FY2020	FY2021	FY2022
Number of new graduate hires	13	12	14
Number of mid-career hires	23	26	49
Total	36	38	63

##### ■ Share of mid-career hires in regular workers

Item	FY2020	FY2021	FY2022
Share of mid-career hires in regular workers	61 %	69 %	77 %

## <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 35).

### ■ Retention rate of new graduates in the third year after joining

Item	Joined April 1, 2018	Joined April 1, 2019	Joined April 1, 2020
Retention rate of new graduates in the third year after joining	83.3 %	61.9 %	100 %

### ■ Average service years of all employees

Item	FY2020	FY2021	FY2022
Average service years	12.9 years	13.3 years	12.8 years

## Intellectual Property Strategy

### Intellectual Property Strategy Initiatives

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

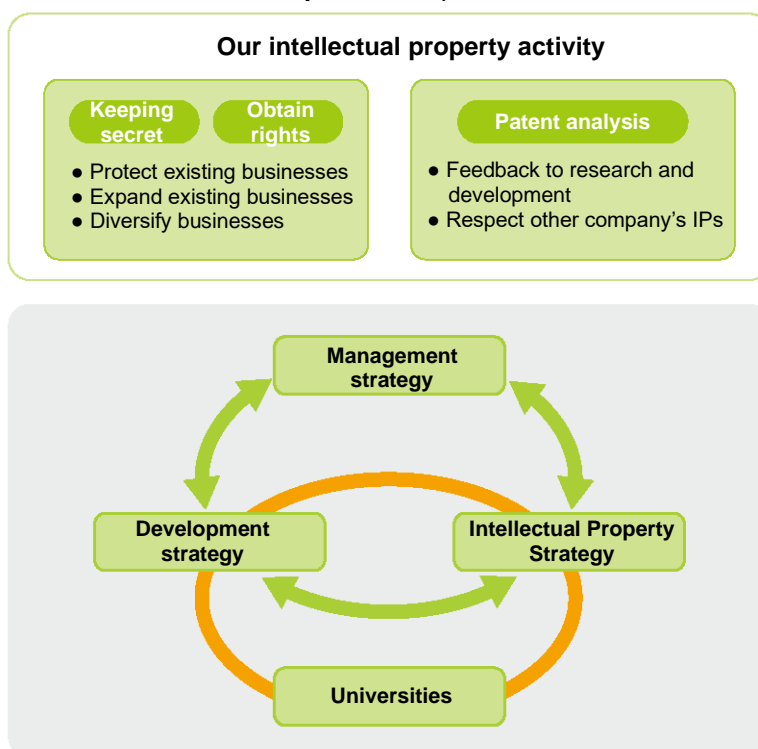
We are a niche top company having high technology capabilities in certain fields. Therefore, up until now, keeping our technologies secret enabled us to increased our corporate value. Global competition, however, led us to believe that we need to balance between keeping secrets and obtaining rights. Thus, we have changed our intellectual property strategy to aim for acquisition of rights 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 by 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 hold meetings of the Invention Screening Committee attended by the management, development divisions, and the Legal & Intellectual Property Office. The Committee evaluates IP activities conducted in 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 intend to issue a questionnaire to our top partners in order to analyze the current situation in the supply chain and consider countermeasures.

## 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 CO<sub>2</sub> 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.

### CO<sub>2</sub> Emissions Initiatives

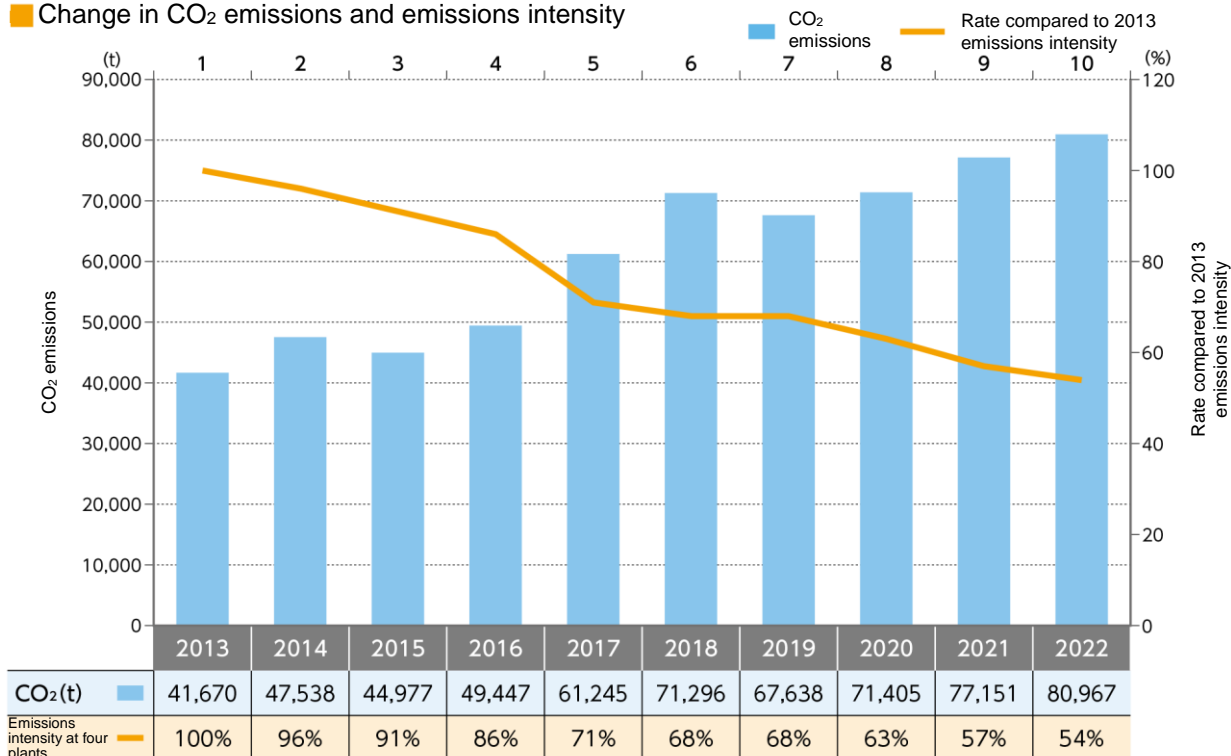
Our group-wide total greenhouse gas emissions (Scope 1: own direct emissions, Scope 2: indirect emissions related to own electricity and heat use) are managed based on calculations made in accordance with the Act on the Rational Use of Energy. Preparations are underway to address Scope 3 (upstream and downstream emissions) as soon as possible on or after FY2023.

Since the products involved in our businesses cannot be manufactured without CO<sub>2</sub> emissions, our current CO<sub>2</sub> reduction target is managed by the reduction of CO<sub>2</sub> 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 CO<sub>2</sub> emissions of the entire FUSO CHEMICAL Group.



## ■ CO<sub>2</sub> emissions (only emissions from energy use of FUSO CHEMICAL CO., LTD. on a stand-alone basis)

### ■ Change in CO<sub>2</sub> emissions and emissions intensity



CO<sub>2</sub> emissions from energy use amounted to 80,967 tons in FY2022.

Although we are currently deliberating energy conservation and the use of various in-house resources, CO<sub>2</sub> emissions are expected to increase due to the large capital expenditure currently underway.

## ■ Environmental data

The environmental data for the reporting year will be guaranteed by EY Ernst & Young ShinNihon LLC. If we receive a guarantee, we will disclose it in the environmental data on our website.

For details, please refer to the “Environmental Data” available on the FUSO CHEMICAL website ([https://fusokk.co.jp/sustainabilitys/sustainabilitys\\_cat/environment](https://fusokk.co.jp/sustainabilitys/sustainabilitys_cat/environment)).

Item	Content	Units	FY2021	FY2022
GHG emissions	Scope 1 (*1)	t-CO <sub>2</sub>	45,730	51,208
	Scope 2	t-CO <sub>2</sub>	31,421	29,760
Energy consumption	Oil (*2)	GJ	439	416
	Gas (*3)	GJ	916,389	1,026,265
	Steam	GJ	13,966	8,901
	Electricity	MWh	87,073	92,960
Water consumption		1,000 m <sup>2</sup>	3,373	3,601

\*1 Only energy emissions on a stand-alone basis

\*2 Oil: Main energy consumption comes from the use of gasoline and diesel oil

\*3 Gas: Main energy consumption comes from the use of piped natural gas

## ■ List of calculation standards

Calculation period: FY2022 (April 1, 2022–March 31, 2023)

Scope of Organization: FUSO CHEMICAL CO., LTD. and FUSO CORPORATION CO., LTD.

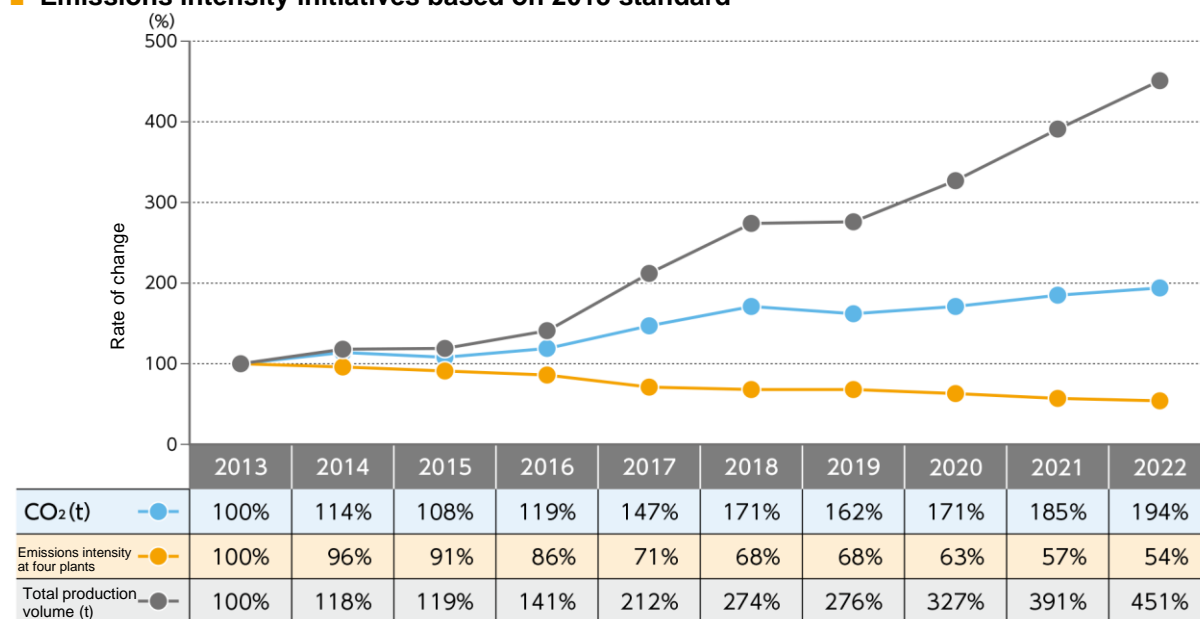
Disclosure item	Category	Definition, calculation method, etc.
Energy consumption	Gas and oil consumption	Act on Rationalizing Energy Use and Shifting to Non-Fossil Energy (Act on the Rational Use of Energy) Act on Promotion of Global Warming Countermeasures (Global Warming Act) <Conversion> Gas and oil consumption = $\Sigma$ gas and oil purchases x calorific value conversion factor steam consumption = steam purchases x calorific value conversion factor Electricity consumption = $\Sigma$ aggregate bills from electric utilities, etc.
	Steam consumption	
	Electricity consumption	
GHG emissions	Scope 1 and 2 emissions	Act on Rationalizing Energy Use and Shifting to Non-Fossil Energy (Act on the Rational Use of Energy) Act on Promotion of Global Warming Countermeasures (Global Warming Act) Ministry of the Environment, "List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication System" and "Emission Factors by Electric Utility" <Conversion> GHG emissions = $\Sigma$ energy consumption x GHG emission factor
Water consumption	Water consumption	Total based on invoices from the water utility (partly measured by in-house meters) Water consumption: water supply, industrial water, etc.

## ■ Emissions intensity initiatives

While the production volume of products has increased significantly, our efforts to lower emissions intensity have curbed the increase in CO<sub>2</sub> emissions. In FY2022, we reduced emissions intensity by approximately 46% compared to FY2013, partly due to the addition of the Kashima Plant.

Although CO<sub>2</sub> 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, and Juso Factory have obtained Step 1 certification. In addition, we plan to acquire certification at our Kashima Plant this year.

## 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

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 CO<sub>2</sub> 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 discharge 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.

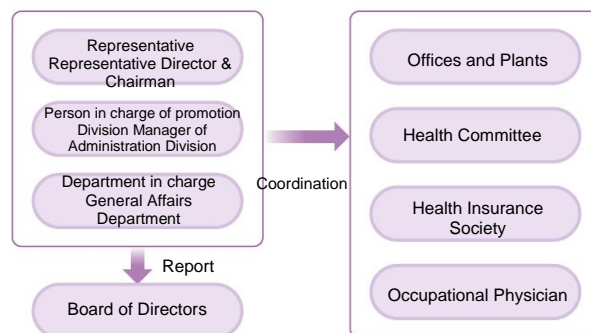
FUSO health and productivity declarations: Good products come from employees who are both physically and mentally healthy

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.

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

#### ■ 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 announced the FUSO Health Declaration, “Good products come from employees who are both physically and mentally healthy,” both internally and externally. Under this slogan, we have been strengthening various initiatives related to employee health. We received the certification, “Health and Productivity Management Outstanding Organization Recognition Program 2023,” for the second year in a row, under a recognition program hosted by the Ministry of Economy, Trade and Industry (METI). We will continue to keep in taking initiatives to promote the health of our employees and the creation of a healthy workplace.



#### ■ Initiatives on physical and mental health

##### (1) Physical health

We actively drive the efforts to maintain and promote the health of our employees by establishing a health and productivity management system 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 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 FY2023, 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 KPIs	FY2022 results	FY2023 KPIs
Regular checkup rate	100 %	100 %	100 %
Special checkup rate	96 %	94.5 %	97 %
Appropriate weight maintenance rate	64 %	63.5 %	65 %
Smoking rate	26 %	27.4 %	25 %
Regular exercise rate	26 %	26.9 %	28 %
Company-wide average overtime worked	-	15.6 hours	-

### ■ Major initiatives for promoting health and productivity

Capturing health	Achieve a regular checkup rate of 100% Improve the stress check rate
Prevention measures	Set up a point of contact for consultation Recommend interviews with occupational health physicians 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 exceeded 90%. We utilize the checks for early identification of work environment issues and discussion of improvements.

For example, we worked on improving the work environment by holding meetings for highly stressed workplaces to brief on issues, and then submitted corrective action plans.

When a 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 his or her consent. We also do a follow-up after return to work to support successful resumption of work.

### ■ Stress check rate

FY2020	90.5 %
FY2021	90.7 %
FY2022	89.0 %

## (3) Coordination with the Health Insurance Society

We have worked on promoting the health of our employees together with OSAKA YAKUGYOU Health Insurance Society, which awarded us the Certificate of Health and Productivity Declarations and published it on its website. Th website allows each member of the Society to check his or her regular medical checkup results and view evaluation. In addition, the Health Insurance Society is collaborating with companies to, based on the checkup results, recommend employees with health problems to have a second checkup.

### ■ Office Casual

Since October 2021, to promote diversity and to create a healthier and more comfortable work environment, we have designated "Office Casual" for both men and women throughout the year as the standard for attire at work. (The standards of attire at offices and plants are determined by Heads of offices and plants according to the needs of safety and other measures.) 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 putting in place a management structure conscious of health and productivity management. We recommend taking five or more consecutive days of leave during the summer vacation season from July to September, striving to create an environment that makes it easier for employees to take leave.

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

	Days granted	Days taken	Utilization rate
FY2020	19.1 days	12.2 days	63.7 %
FY2021	19.3 days	12.5 days	65.1 %
FY2022	18.6 days	13.0 days	70.1 %

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 full life. While we ended COVID-19 allowance in April 2023 when the classification of the disease was downgraded to category 5, we introduced living support allowance in May to help employees cope with rising prices.

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

Welfare services	Link to external services (e.g., family-care product rentals, 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.
	Volunteer leave system, childcare/family-care leave system, scholarship program, company loan program, etc.
	Flexible working hours system, work-from-home system
Allowances according to attendance	Family allowance, company housing allowance, overseas allowance, manager allowance, city allowance
	Living support allowance (time-limited measure), etc.
	Certification acquisition allowance (over 150 certifications covered), granting of long-service award 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 conditions of employees' action and treatment, with the labor and the management deepening their understanding of each other for better business management.

## Employee Engagement Survey

We believe that employee engagement is critical for sustainable management of our company. We conducted an engagement survey in March 2022 to check the state of employee engagement.

The survey results showed high engagement with 65.1% of respondents answering that they see themselves working at FUSO for long and 79.9% feeling proud of being FUSO employees. Also, 79.5% said they found meaning in work, indicating good results overall.

An analysis by survey category found age and gender characteristics. Characteristics by department were also seen in response trends. We will take various measures by referring to the survey results.

The relatively high engagement results have shown that our company has a strength in employee engagement. We will work to further strengthen our organization by raising the numbers even higher.

Going forward, we plan to conduct the engagement survey on a regular basis, which we will refer to in formulating our HR strategy, as an indicator to measure employee satisfaction.

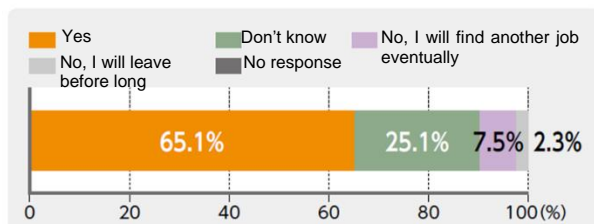
**Survey period:** March 10 to 28, 2022

**Subjects:** 490 employees at work

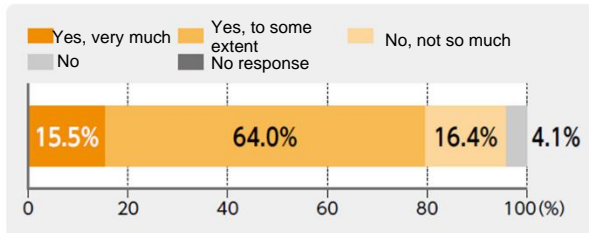
**Respondents:** 439 employees (response rate: 89.6%)

**Survey method:** Anonymous survey by age, gender, and department

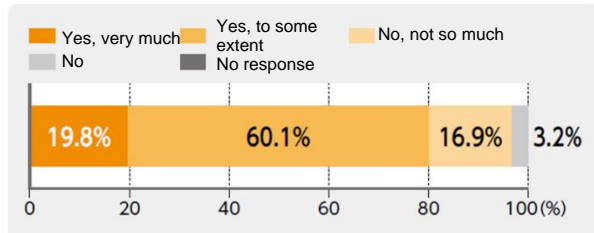
#### ■ Do you see yourself working here for long?



#### ■ Do you find your work meaningful?



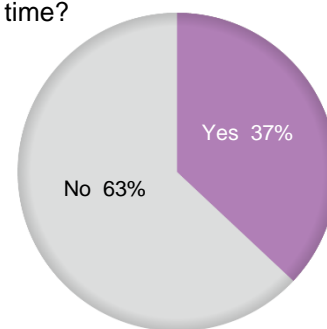
#### ■ Do you feel proud of being a member of this company?



#### ■ Issues revealed by the engagement survey

While 65% of respondents said they see themselves working at FUSO for long, over 60% answered that they cannot picture how their career will look like in five years' time. We see this as an issue that reflects employees' awareness of our company's being in a rapid growth phase. Currently, we are promoting reviews of our HR and training systems to improve the structure for energizing, and harnessing the abilities of, individual employees.

#### ■ Can you picture how your career will look like in 5 years' time?



Survey Company: Japan Institute for Women's Empowerment & Diversity Management  
The mark "◎" indicates that FUSO's result is higher by 10 percentage points or more compared with the standard survey result.

Questions		Subject	FUSO's results (2022)		Standard survey
Company policy	Know the goals set in the general employer action plan	Non-management employees	Men 40.8%		Men 31.5%
			Women 63.2%	◎(Women)	Women 47.9%
Motivation	Working to achieve better-than-expected results	Non-management employees	Men 25.5%		Men 18.9%
			Women 33.8%	◎(Women)	Women 23.5%
	Have goals for future work and career and acting accordingly	Non-management employees	Men 61.6%		Men 36.9%
			Women 55.9%	◎(Men)	Women 48.3%
Development	Find meaning in current job	Non-management employees	Men 77.5%		Men 52.8%
			Women 88.2%	◎	Women 60.2%
Workplace culture	My supervisor expresses his/her expectations in words, or I see them in his/her behavior or mood	Non-management employees	Men 79.2%		Men 56.7%
			Women 83.9%	◎	Women 63.7%
Workplace culture	The culture allows me to freely express my thoughts	Non-management employees	Men 61.6%		Men 32.2%
			Women 58.8%	◎	Women 47.7%

## Supporting Diverse Ways of Working

Our Medium-Term Management Plan “FUSO VISION 2025” sets “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 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

Since April 2021	Established a promotion organization
Since September 2021	Captured the actual status by surveying the management and managers on promotion of women's active participation; developed ideas for raising women's career awareness, eliminating gender biases, correcting long work hours, and the like
Since April 2022	Developed a diversity promotion plan; internally communicating information on career paths of various role models
Since July 2022	Provided diversity training programs for the management and managers (at least once a year); created and used a guidebook on such matters as appropriate talent development for managers who have female subordinates

#### Achievement during a period from April 1, 2021 to March 31, 2023

	FY2021	FY2022	Achievement
Raise the share of female workers in regular employees to at least 17%	16.4%	17.6%	Achieved
Raise the share of men who have taken childcare leave to at least 25%	7.7%	15.4%	Not achieved
Maintain the share of women who have taken childcare leave at 100%	100.0%	100.0%	Achieved
Raise the number of childcare leave days taken by men to at least 5 days	45 days	- (Not applicable)	Achieved
Raise the number of childcare leave days taken by women to at least 330 days	330.5 days	356.0 days	Achieved

We have also seen an increase in the number of women in career-track positions through hiring of new graduates and mid-career workers. On the recruitment front, we are screening candidates irrespective of gender, as indicated by that the ratio of women who graduated universities among our new graduate hires is 50.0% and the ratio of women among our mid-career hires is 43.5%. In addition, the share of women in managerial positions increased from 1.2% in FY2019 to 2.3% in FY2022, suggesting that women's field of active participation is gradually expanding.

#### Composition of managers (As of April 1, 2022)

	Number of women	Number of men	Total	Share of women
Managerial positions	2	82	84	2.3 %
Including department heads	0	23	23	-
Officers	2	11	13	15.4 %
Including Executive Officers	0	3	3	-

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

	Number of women	Number of men	Total	Share of women
April 2020	4	4	8	50.0 %
April 2021	4	4	8	50.0 %
April 2022	2	2	4	50.0 %

### ■ Status of mid-career hiring

	Number of women	Number of men	Total	Share of women
FY2020	10	13	23	43.5 %
FY2021	9	17	26	34.6 %
FY2022	7	42	49	14.29 %

### ■ 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 (the highest).



## 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 is 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, and to create a workplace where each of employees can demonstrate their potential to the fullest. In FY2022, seven employees (including two 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 can be used “until the child enters the third year of elementary school,” longer than “until the child reaches the age of three” as stipulated by the applicable law. In addition, we have a system for family care leave, the shortened work hours system for family care, and a system for giving money gift for childbirth. We have promoted these systems more actively than 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

	FY2020	FY2021	FY2022
Number of employees who took maternity leave	3	5	4
Number of employees who took childcare leave	6	8	7
including women	6	7	5
including men	0	1	2
Rate of return to work after childcare leave	100 %	100 %	100 %

### ■ Employer-provided babysitter support services

In May this year, we started using the employer-provided babysitter support services of the Children and Families Agency of Japan. We subsidize some of 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 hometown taxation system)

On October 17, 2022, a ceremony for making donations under the corporate version of hometown taxation system was held in Fukuchiyama City Hall in Kyoto Prefecture. With attendance of Mr. Kazuo Ohashi, Mayor of Fukuchiyama City, and executives of the Fukuchiyama fire fighting head office, our President Sugita made the opening speech, presented the list of gift items, and donated 20 million yen, which was allocated to expenses for purchasing fire pump-mounted vehicles.



We will continue our contribution activity based on our policy that we can operate our business because local communities exist.

#### ■ Over 20 years of history providing scholarships programs for 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 robust business. Since 2000, we have been donating scholarship money for university students from Qingdao City. Active exchanges with and contributions to local communities also helped us locally secure competent human resources.

#### ■ Volunteer activities

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

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

#### ■ Local exchange activities

We have been participating Osadano Industrial Park's Ekiden road relay races and other sports events, local exchange events, and the like. The COVID-19 pandemic led to cancellations of these events, but we expect to resume these activities in FY2023.

#### ■ Cleaning activities

Kyoto Plant: We have resumed cleaning activities after temporary suspension due to the COVID-19. Since FY2022, we have been conducting cleanup activities around our Kyoto Plant every Thursday, with our employees more sparsely deployed.

Kashima Plant: As a member of the Kashima Eastern Industrial Complex, we conduct regular cleanup activities. We did the cleanup six times in FY2022.



### ■ Internal AED training

Shin-Osaka Office invited an external speaker to provide internal AED training so that we can be of help in case someone requires an AED. In addition, 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	○
Kashima Plant	○
Osaka Factory	○

### ■ FUSO Festival

Every August, we open part of our Kyoto Plant premises to host a summer vacation event. (Since FY2020, the event has been cancelled to prevent the spread of COVID-19). We welcome employees, their families and friends, and local residents to these events. They are good opportunities for attendees to learn more about us, and have become a regular community activity.

## Education Support Activities

### ■ Work experience program

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

### ■ Plant tour

We have given a plant tour for undergraduate students who major in regional management at a local university, the University of Fukuchiyama, to learn about our business.

### ■ Experimental classroom for children

At the Fuso Festival, which is aimed predominantly at elementary and junior high school students, participants had the opportunity to perform scientific experiments and engage in activities that convey the mystery and wonder of science.

## 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.



### ■ 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 FY2022, we donated alpha rice for 250 meals, 22 boxes of preservable water, 362 used stamps, cash, and other items.

## Editorial Policy

We prepared this Sustainability Report so that our stakeholders can know about our sustainability initiatives not stated in the FY2022 securities report. This report is also intended to be used in recruiting new talent who will shoulder our company in the future, for better understanding of our sustainability efforts. We obtained third-party assurance by an audit firm for important numbers among data shown in the report, focusing on providing correct information such as by posting assurance details on our website. We expect to publish third-party assurance for the FY2022 report in around September on our website.

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

### About Data Posted

<b>Covered period</b>	: April 1, 2022 to March 31, 2023 (including some content of FY2023)
<b>Financials</b>	: Include FUSO CHEMICAL CO., LTD. and its consolidated subsidiaries For latest financial data, see IR information on our website.
<b>Other data</b>	: 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.)
<b>Guideline</b>	: This report includes information to be disclosed under the Global Reporting Initiative (GRI) Standards.
<b>Third-party assurance</b>	: Data with third-party assurance by Ernst & Young ShinNihon LLC. is stated as “in-scope of assurance.” Other assurance details are posted on our website.
<b>Others</b>	: Asterisks (*) indicate terms, proper nouns, and other words in sentences requiring an explanation, which is provided at the end of the applicable item.
<b>Disclaimers</b>	: 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. Such 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 this point.
<b>Inquiries about the content of this report should be directed to</b>	
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