Sustainability Report

Sustainability Report 2024

2024

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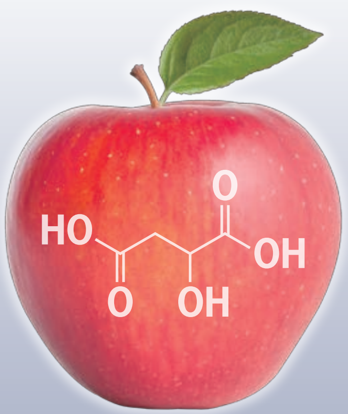
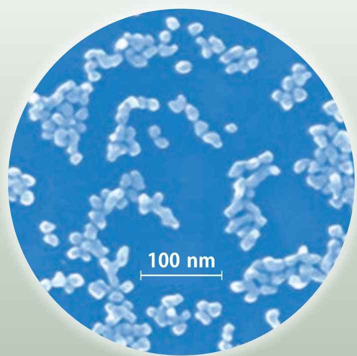


LIFE SCIENCE



ELECTRONIC MATERIALS &
FUNCTIONAL CHEMICALS

Top Message

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, as a frontrunner in the world of global niche companies and based on our management philosophy of "contributing to the nation and society through technology," we continue to play an active part in various aspects of people's lives with our technological capabilities and that adaptability.

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 materials required to manufacture semiconductors used in the development of generative AI and other cutting-edge technologies.

We have prepared the FY2024 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, building on the foundations of our organizational structure to achieve business growth and a sustainable society as we enter the final fiscal year 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.

KASHIMA PLANT

Overview of Fuso Chemical Group

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: 588 (non-consolidated), 915 (consolidated) (as of March 31, 2025)

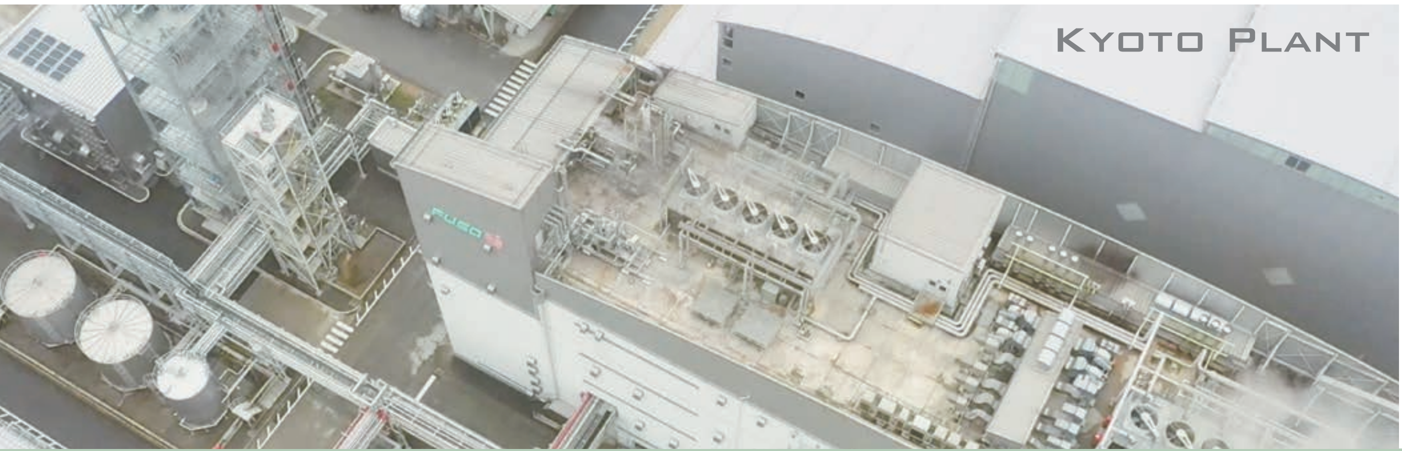
Number of Consolidated Subsidiaries: 6

HP: https://fusokk.co.jp/eng/

Financial Highlights

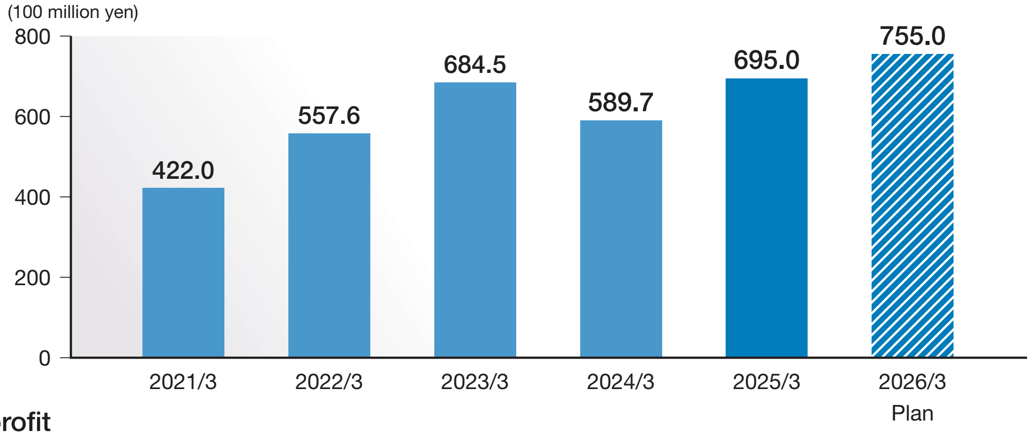
Financial Results for the Fiscal Year ended March 31, 2025

Consolidated net sales for the fiscal year ended March 31, 2025 were 69,501 million yen (up 10,531 million yen or 17.9% year on year). Operating profit was 16,230 million yen (up 5,146 million yen or 46.4% year on year), ordinary profit was 16,561 million yen (up 3,279 million yen or 39.4% year on year), and profit attributable to owners of parent was 11,622 million yen (up 3,279 million yen or 39.3% year on year).

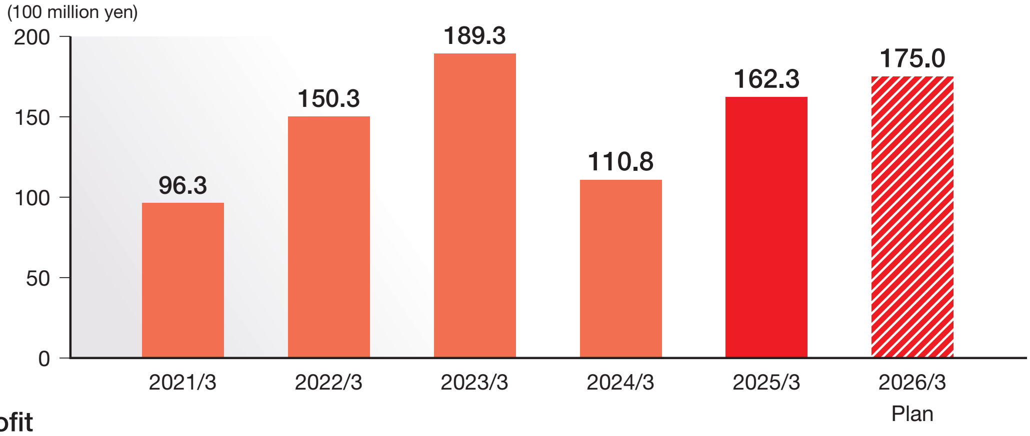


Performance Trends and Plans

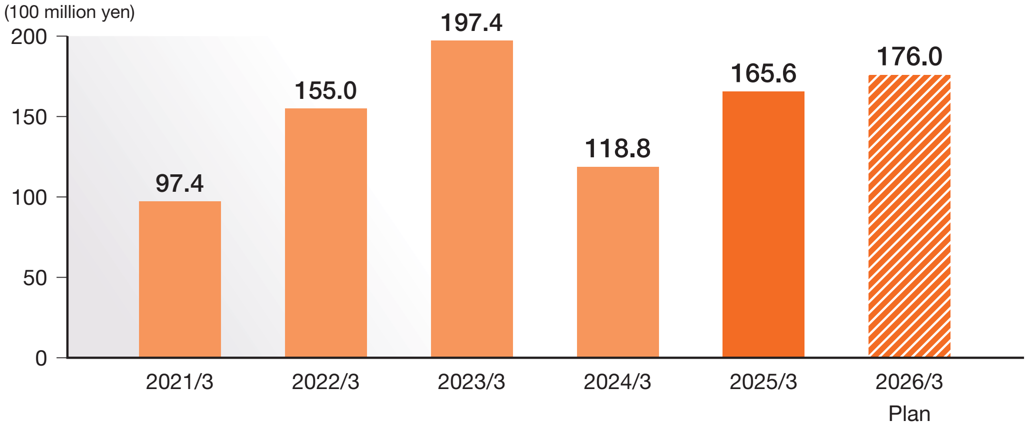
Net sales



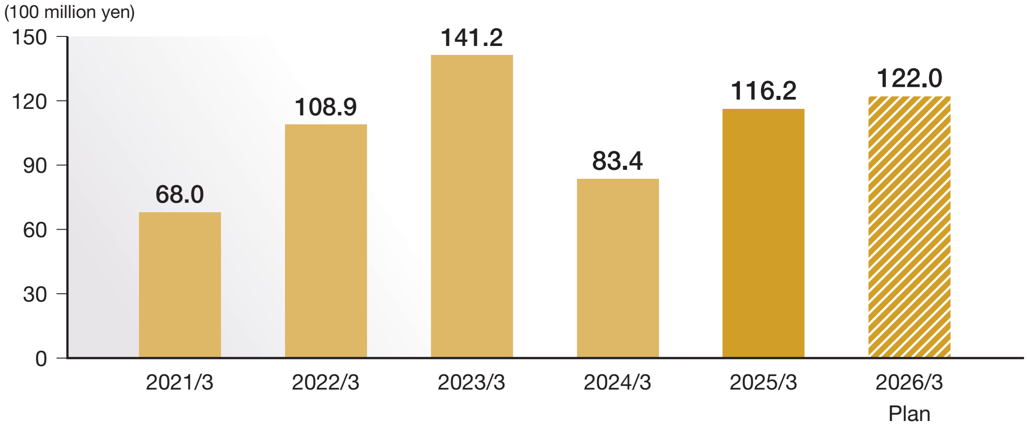
Operating profit



Ordinary profit



Profit attributable to owners of parent



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 kinds of social issues our company could address, as follows.

Business Policy of Life Science

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

Further strengthening our foundation and expanding our product lineup as the sole domestic comprehensive fruit acid manufacturer	Creating value for new food tech technology	Further strengthening our overseas business

Business Policy of Electronic Materials & Functional Chemicals

- Contributing to society by creating a highly functional electronics sector through our development and production of advanced materials such as Ultra High Purity Colloidal Silica.

Semiconductor	Information Industry	Functional Materials
Responding to increasing demand for semiconductors in the fields of AI, 5G, IoT, autonomous driving, etc.	Developing materials with low environmental impact and high added value and capturing demand for such materials	Developing advanced materials that incorporate market needs and penetrating new markets with such materials

Fuso Chemical's Corporate Value Creation Cycle

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

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

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

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

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

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

■ Cycle to achieve value creation

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

Management resources	Input	Business activities	Output	Outcome
Financial capital	Total assets of 141.5 billion yen	Flexible reestablishment of the production system and CAPEX with an eye to the future	Product supply capacity to meet demand Initiatives for cutting-edge technologies	Aim for NICHE TOP Products becoming “gold medal products” in terms of quality and market share
Manufactured capital		Product development and sales activities based on communication with customers Sales and development Quality control and assurance Research and development	New product development Acquisition of customers	Product line that supports for enriched lifestyle
Natural capital	Water energy resources	Emissions intensity reduction Water intake and wastewater management	Initiatives to reduce GHG emissions Waste management	An increase in GHGs due to increased production Passing the standards of external evaluation institutions
Intellectual capital	Accumulated know-how	Unique advanced technologies that should be kept secret Protection of technologies that survive global competition by acquiring rights on them Patent analysis	Establishment of strategy that integrates management, R&D, and intellectual property	Aim for NICHE TOP Improvement and creation of technologies in collaboration with other companies and entities
Human capital	Flexible update of human resources portfolio	Definition of requirements for required human resources Clear recruitment standards Strategic personnel relations that support career paths	Acquisition of optimal and diverse human resources Allocation of the right person in the right place Developing next generation	Strengthening of the business foundation • Energetic activities by diverse human resources • An environment that increases momentum for innovation • Penetration of corporate philosophy • Maximization of the corporate value
	Career development support	Enhancement of the system to support qualification acquisition Enhancement of the training system by rank and theme	Improvement of capabilities and productivity of organizations and individuals Creation of ideal organizations	
	Employee engagement	Conducting engagement surveys Introduction of flextime working hours system and work from home system Health and productivity management Enhanced welfare benefits Goal setting and interviews to share the business strategy	Engagement improvement Physical and mental health New ideas Active communication Creation of an open and flat corporate culture	
Social & relationship capital	Shareholders and investors	Speedy and fair information disclosure Creation of dialogue opportunities and feedback	Appropriate information disclosure Information support in corporate management	Maximization of the corporate value
	Customers	Corporate philosophy that values trust	Acquisition of trust	
	Community	Proactive collaboration	Continuous business growth	

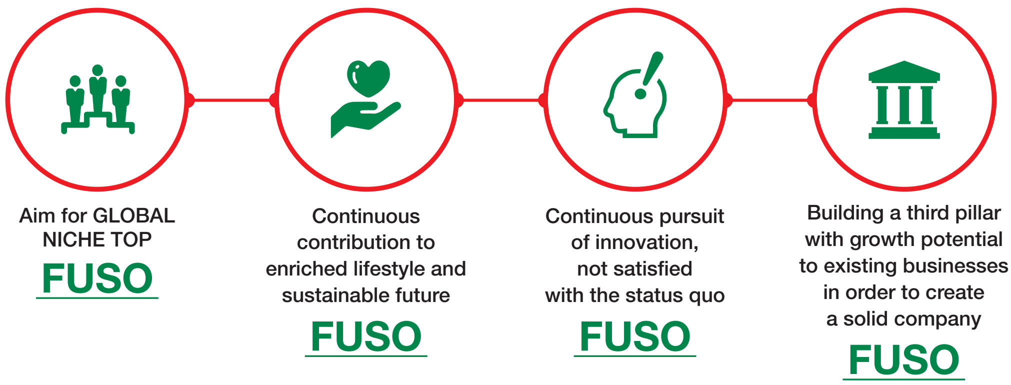
Medium-Term Management Plan “FUSO VISION 2025”

Defining the 5-year period up to FY2025 (fiscal year ending March 31, 2026) as the “5-year period of solidifying our footing for further growth and promoting initiatives to create new business and build a third pillar,” we created the Medium-Term Management Plan “FUSO VISION 2025” (for 5 years from FY2021 to FY2025) and disclosed it in May 2021. Our product line, which responds to the demands of the times to realize a sustainable society, is facing great growth opportunities. By continuously promoting initiatives for addressing changes in the business environment and for creating new value, we will work to achieve the subtheme of the Medium-Term Management Plan “To create Fuso that contributes to the solution of social issues.”
For the fiscal year under review, sales volume increased in the Life Science Business, and the Electronic Materials Business benefited from a recovery in the semiconductor market. As a result, consolidated net sales rose 17.9% and operating profit grew 46.4% compared with the previous fiscal year, marking significant growth. While net sales for FY2025 are expected to increase, market conditions are projected to result in figures falling short of the targets in the Medium-Term Management Plan. Nevertheless, in line with our management policy of integrating growing demand into existing businesses and responding steadily thereto, investing in and exploring new businesses and fields, and reinforcing the management base to support sustainable growth (SDG initiative), we will continue steadily implementing our measures.

Identification of Materialities

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

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



■ Process to identify materialities

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

1 Process to establish the Medium-Term Management Plan
- Discussion with respective business units
- Discussion at the Board of Directors
- Dialogue with the consultant
- Dialogue with employees

2 Governance by the Board of Directors
- Creation by relevant departments
- Management, supervision, and discussion by the Board of Directors

3 Identification of Materialities

4 Medium-Term Management Plan FUSO VISION 2025
- Fiscal years covered by the plan FY2021-FY2025

<Key approaches for materialities>

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

Capturing and steadily responding to expanding demand	Changes in business foundation that supports sustainable growth	Investment in, and initiatives for, new businesses and fields
• Responding to an increase in demand with large-scale capital investment at the Kashima Office • Establishing production sites in eastern and western Japan to strengthen resilience • Establishing the International Division and strengthening overseas business • Having overseas hubs to handle the Chinese and Southeast Asian markets • Emissions intensity reduction	• Developing advanced materials for the electronic materials field • Consolidating the capabilities of, and strengthening, the Osaka Plant with the fruit acid complex plan • Developing next-generation leaders • Carrying out the work style reform	• Creating value concerning food tech • Building a third pillar with growth potential
8 DECENT WORK AND ECONOMIC GROWTH / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE / 13 CLIMATE ACTION	4 QUALITY EDUCATION / 5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	2 ZERO HUNGER / 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Initiatives of Each Business Unit for Materialities and Social Issues

[Life Science Business Unit]

While expanding our overseas operations, we will maintain safe operations and stable production, strengthen our structures for R&D, quality assurance, and sales, and reinforce supply capacity by steadily bringing new manufacturing facilities online. At the same time, in new product development, an area of recent focus, we will work to increase sales and profits further by accelerating market introduction and appropriately handling issues arising from changes in the market conditions.

Market Environment

Food	• Heightened problem awareness toward food waste/loss • Growing interest in health
Industry	• Heightened awareness toward SDGs
Common	• Shrinking domestic markets • Expansion of overseas markets

Future Outlook

Food	• Development of technology to make efficient use of limited food resources • Development of technology to utilize unused resources as food • Demand increases in Southeast Asia due to population growth and improved living standards
Industry	• Continuous growth in the electronic materials-related market • Changes in demand structure due to the COVID-19 pandemic

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

This fiscal year, we completed in-house production facilities for high-purity organic acids APPLICIOUS. With this facility, we aim to capture demand from the continuously growing electronic materials-related market. By rolling out the quality control system for this product across operations, we will further strengthen quality assurance in domestic and overseas markets, and by supplying stable products, we will accelerate our efforts toward the realization of a sustainable society.

■ Future Growth Strategy

Food shortages in light of population growth and the recent tense world situation remain a concern. While maintaining and improving food self-sufficiency rate is an unavoidable issue, prices of main chemical fertilizers such as nitrogen, phosphorus, and potassium continue to soar due to global instability. Against this backdrop, boosting crop yields will require reducing reliance on chemical fertilizers, and the use of organic acids as a means of improving soil is expected to play an increasingly vital role.

Meanwhile, as part of the international Sustainable Development Goals (SDGs), a target has been set to halve global per capita food waste at the retail and consumer level by 2030 and reduce food loss in production and supply chains such as post-harvest losses. We will continue to contribute to food loss reduction through food tech.

The importance of food for health will continue to increase. By pursuing the functionality of organic acids, we hope to contribute to improving people's lives from a health perspective. The Life Science Business Unit will strive to contribute to the realization of a sustainable society by utilizing organic acids and their applied products, aiming to improve food and health.

For food loss reduction	For strengthening our approach to Chinese market of 1.4 billion people
• Promoting research and product development to suppress microbial growth using organic acids	• Utilization of the Shanghai Food & Seasoning Development Center • Establishment of seasoning business
For diverse food culture in the Southeast Asian market and its development	**For the food tech field**
• Considering local production of food additive formulations in consumption areas	• Promoting research and product development to improve flavor and texture using organic acids

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

• Supporting primary industries

Organic acids are known to be highly reactive, forming complexes with metal ions in the soil and are involved in nutrient absorption by plants and detoxification of harmful elements. Organic acids can solubilize phosphorus in the soil, making it more available to plants, and can be applied to reduce the use of phosphate fertilizers. Citric acid and other organic acids are substances that are deeply related to biological metabolic systems, and are thought to have a positive effect on the growth of plants and soil microorganisms. We believe that by taking a different approach from fertilizers and pesticides, we can contribute to solving the problem of food shortages through stable growth and harvest of crops.

Bio stimulants are a new technology that alleviates plant damage caused by climatic and soil conditions by controlling abiotic stress, thereby enabling the provision of healthy plants. We have focused on a certain active ingredient derived from natural products and found that it enhances the heat stress tolerance of plants. We are working to put this to practical use. This product has the effect of reducing yield loss, plant death, and quality deterioration caused by high temperatures, and contributes to improving the profitability of farmers.

• Supporting reduction of food loss

We are working to contribute to solving the unavoidable problem of food loss in the food industry through food tech technologies that are user-friendly and improve shelf life, by researching and developing compound preparations using organic acids and functional materials. In addition to suppressing spoilage and deterioration of processed foods caused by microorganisms, we are also helping to suppress quality deterioration such as browning of fruits and vegetables through the use of organic acids with antioxidant functions.

• Supporting health: Approach to health through food

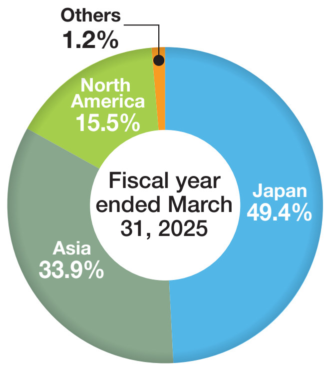
Citric acid has been approved for functional claims such as "relieving fatigue" in notification documents including systematic reviews. Gluconic acid is also known to have the effect of increasing *bifidobacteria*, and in vitro experiments have confirmed that it also has the effect of increasing short-chain fatty acids, which have attracted attention in recent years. We will further advance our research to expand the potential of organic acids for health, and aim to be even more useful in promoting a healthy diet.

[Overseas business]

By responding to demand in Asia and North America, we are aiming for an overseas sales ratio of 50% in the final year of the Medium-Term Management Plan. In April 2025, an International Department was established within the Life Science Business Unit to oversee five overseas subsidiaries. This will enable integrated management of sales and products, and we will work with each company to maximize profits in the Life Science Business. We will also work to expand sales overseas by promoting local manufacturing and technical support for newly developed products, and will review the production structure for existing products both in Japan and overseas to promote efficient business operations.

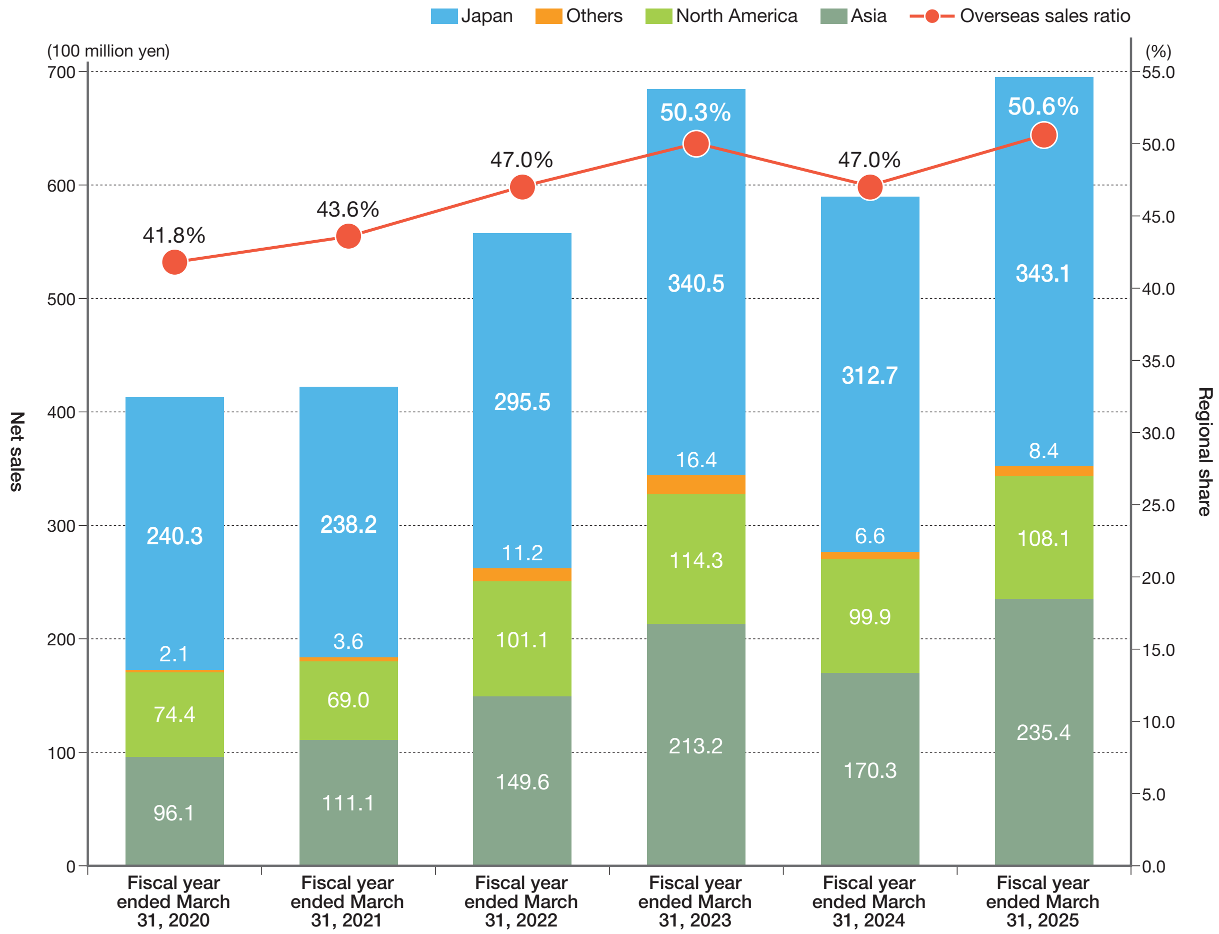
■ Regional situation

In both the Life Science and Electronic Materials businesses, significantly increasing overseas sales is essential to the Company's growth.
In China, we will further expand our FFA business(*) in the country by utilizing the test kitchen at Qingdao Fuso Refining and Processing Co., Ltd. and the Shanghai Food Seasoning Development Center.
In Thailand, FUSO (THAILAND) CO., LTD. is strengthening sales activities not only in Thailand but also in neighboring countries with remarkable economic growth, and is working to grow the FFA business in local foods in each country.
PMP Fermentation Products, Inc. in the United States, as the only manufacturer of gluconic acids in the country, will fulfill its supply responsibility, steadily capture the growing demand in North America, and work to maintain and expand its market share.
In addition, exports of Ultra High Purity Colloidal Silica, a key product of our Electronic Materials Business, to Asia and North America have contributed to improving the overseas sales ratio.



(*) Businesses that utilize the characteristics of fruit acids

■ Sales trends by region



[Electronic Materials Business Unit]

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

Market Environment

Semiconductors Information Industry	• Growing demand for semiconductors due to the spread of AI, 5G and IoT • Increase in consumers who pursue convenience coupled with abundance • Growing demand for low environmental impact, including low power consumption

Future Outlook

Semiconductors	• To cater to the spread of generative AI, semiconductors are increasing significantly in both capacity and processing speed • To reduce their environmental impact, semiconductors are becoming more energy efficient and use less energy
Information Industry	• Spread of functional generative AI as a form of lifestyle interface • Growing demand for low-power-consumption devices for lower environmental impact and improved convenience

Business Policy	• Contributing to society by creating a highly functional electronics sector through our development and production of advanced materials such as Ultra High Purity Colloidal Silica (Quartron®).

• Global market forecasts for semiconductor devices

The global semiconductor market has grown in both demand and progress in technological development due to increased industrial demand and technological development and expansion of information infrastructure such as PCs, smartphones, and the cloud. Now, with the evolution of technologies like generative AI, 5G communication, IoT, and self-driving automobiles, the role of semiconductors is becoming increasingly important as the basis for a more sustainable future. These technological innovations enable advances in energy efficiency and more effective use of resources. As well as expectations for reduced environmental impact, they are predicted to make our lives richer and more convenient. As such, demand for semiconductor devices will steadily grow in the future and as well as being an integral part of the way we live, they will continue to be an important industrial base.

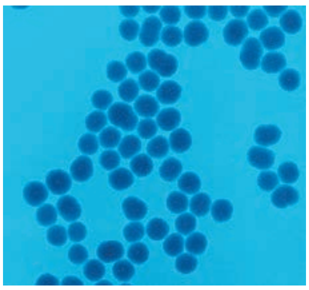
■ Initiatives to support social infrastructure

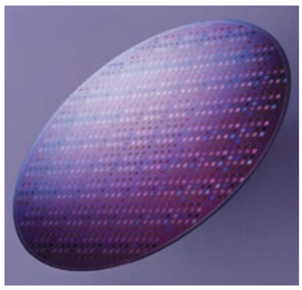
Growth in the semiconductor market is accelerating because of the spread of EVs as society works to decarbonize and the development of the AI technologies that support more advanced energy management. In particular, demand for low-power-consumption, highly functional semiconductor devices is an essential part of efforts to achieve global sustainability targets. Semiconductors are in wide use in everything from the electrical products around us to a variety of products that support social infrastructure. Changes in the global situation, including geopolitical risks, have brought supply chain risks and other issues into focus, and the importance of the semiconductor industry has once again been recognized.

• Supporting the future

The semiconductor market is expected to see dramatic growth going forward, not only as the driver of technological innovation, but also as an important industrial base that supports the development of a sustainable society. Through our development of materials used in semiconductor technologies that support next-generation green technologies, we will play a part in the creation of a future that is more sustainable with a lower environmental impact.

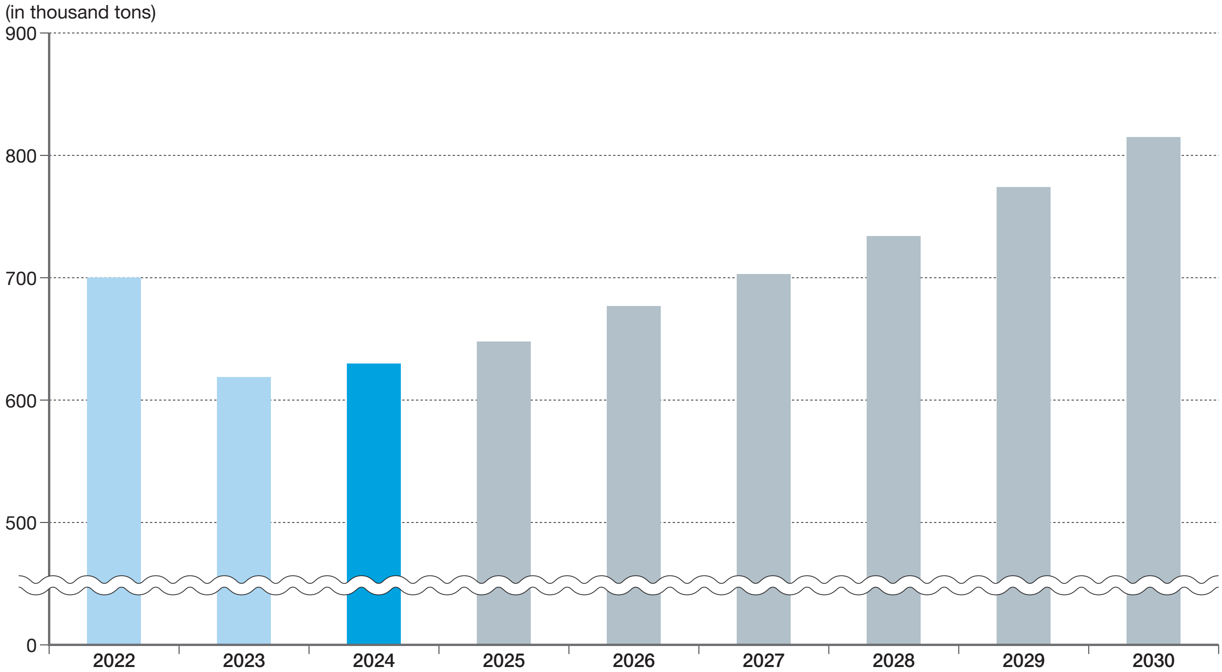
• FUSO technology that supports the advanced semiconductor industry





Ultra High Purity Colloidal Silica (Quartron®), one of our "gold medal products," is utilized as the main material for abrasives utilized in the semiconductor production process. In the increasingly sophisticated semiconductor field, our strength lies in our unique technology that allows us to control the size and shape of particles at the nano level.
Semiconductors are becoming more miniaturized, multi-layered, and highly integrated to bring about higher functions and lower power consumption. 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 patterns. Our Ultra High Purity Colloidal Silica (Quartron®) is widely utilized by many customers around the world as a critical material in that process.

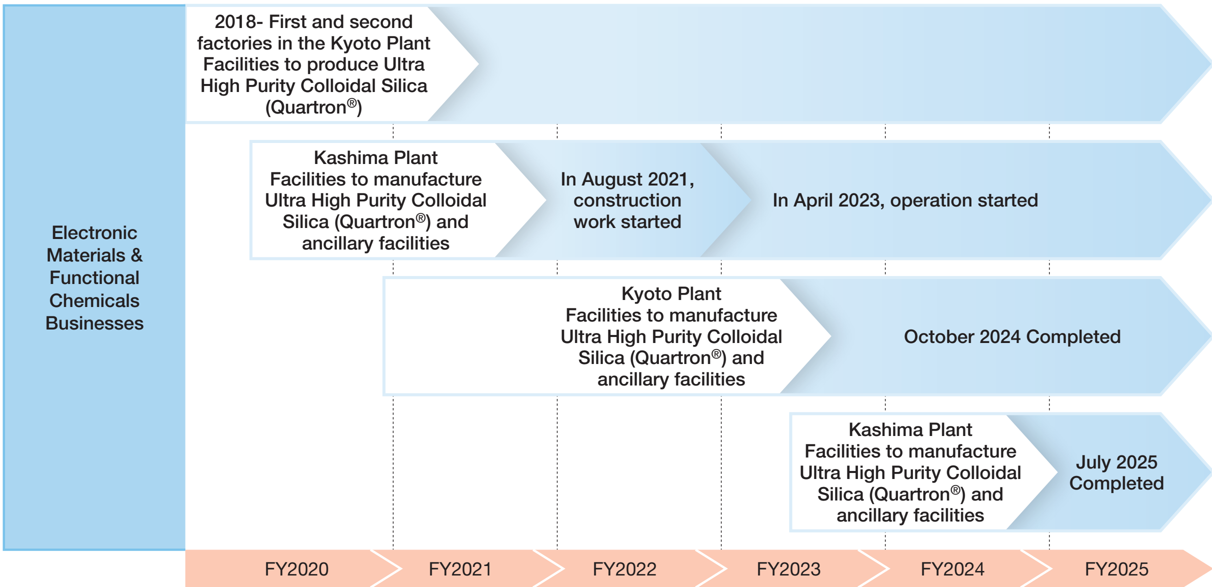
CMP slurry market size forecast



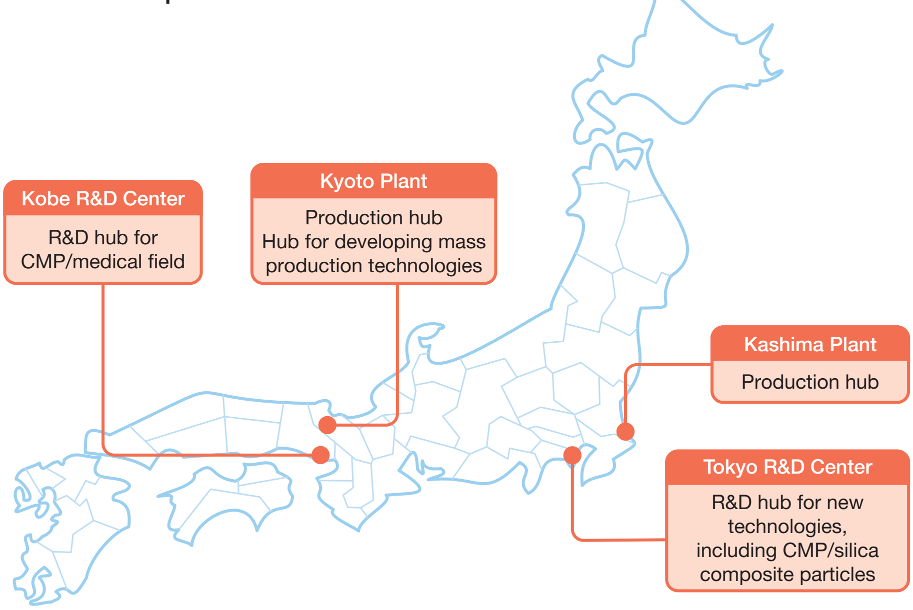
Source: Fuji Chimera Research Institute

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

We consider that our role is to further improve technology and develop systems that allow us to provide products without interruption, to realize a sustainable future. To perform this role, we are establishing an R&D system, promoting capital investment to respond to an increase in demand, as well as promoting the establishment of resilient production and development systems. Specifically, we have two R&D hubs: the Kobe R&D Center and the Tokyo R&D Center. At the Kobe R&D Center, we are working to further enhance the functionality of Ultra High Purity Colloidal Silica (Quartron®) and to apply the technologies fostered in the semiconductor field to the development of functional materials for cosmetics, medical care, and biotechnology, thereby developing products that improve people's lives and well-being and continuously contribute to a sustainable future. At the Tokyo R&D Center, we are developing Hollow Silica Powder (Miralica™), which contributes to high-speed communications such as 5G/6G, the foundation of IoT, and to energy conservation. In terms of production, not only do we respond to the increasing demand, but we also started the operation of a production line for Ultra High Purity Colloidal Silica (Quartron®) at the Kashima Plant in April 2023, with the aim of introducing a disaster-resilient two-hub system with the Kyoto Plant, which is responsible for current production. Furthermore, we carried out additional facility upgrades at the Kyoto Plant in October 2024 and at the Kashima Plant in July 2025, resulting in production capacity approximately 1.5 times the FY2022 level.



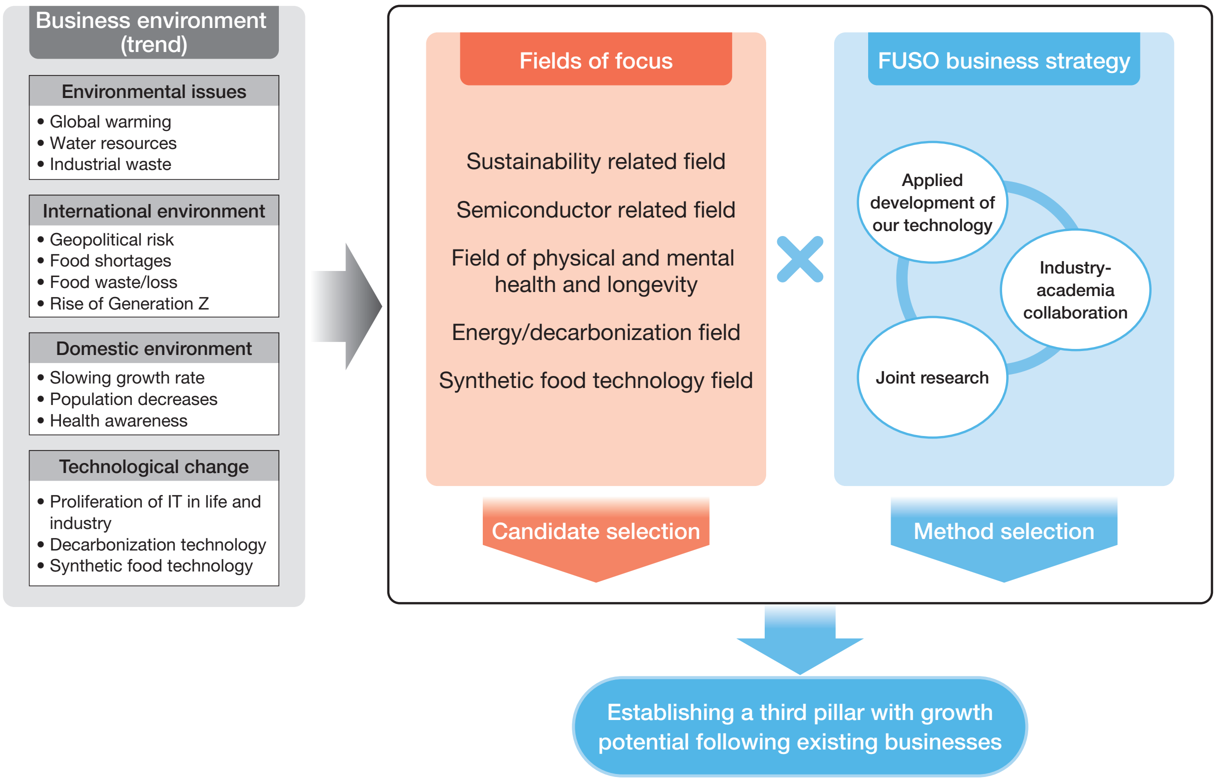
Production and development hubs



Investment Strategy for the Establishment of a Third Pillar

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

Conceptual diagram of investments including those through funds, etc.



Sustainability Management

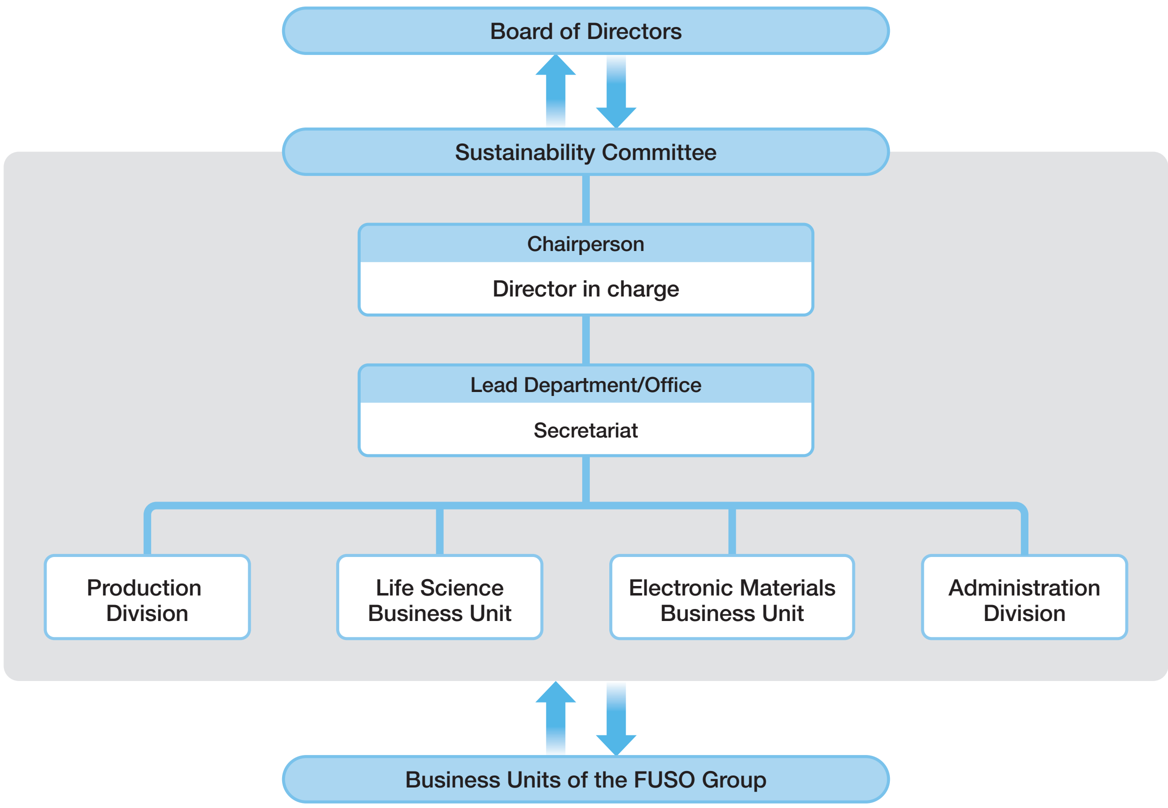
In December 2021, we created and announced the Sustainability Fundamental Policy with the aim of ensuring corporate growth and business continuity. By reflecting governance that is conscious of environmental and social sustainability in our management, we will work to achieve a sustainable society through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

Sustainability Fundamental Policy

We as a front-runner of the global niche top company continue to play an active role in various aspects of people's quality of life, with its applicability and technical capabilities.
We provide fruit acids and their derivatives, which contribute to food and other industries, and silica-related products, which are essential to the semiconductor industry in the future society, thereby building a foundation for growth into the future.
We have strong desire to continuously contribute to the sustainable society with insatiable aspirations under our motto "Limitless Progress and Creation" and work to improve our corporate value permanently.

Organizational Structure

In October 2021, we established an internal Sustainability Committee to promote sustainability initiatives.
In order to build strategic management for social issues such as climate change, we work to compile affairs and data handled by respective business units and offices and share and implement established plans with respective business units.
The Sustainability Committee periodically reports on the progress of initiatives to the Board of Directors, which supervises the progress of sustainability initiatives.



Participation in Initiatives

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

■ Measures for the United Nations Global Compact

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

Four Declarations	Ten Principles	Our Efforts
Human Rights	Principle 1: Support and respect the protection of human rights Principle 2: No complicity in human rights abuses	• The Code of Conduct and Corporate Governance Guidelines set out our efforts to respect human rights.
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	• The Code of Conduct and Corporate Governance Guidelines set out our efforts to respect human rights. • In FY2022, a questionnaire survey was conducted to promote and investigate suppliers' participation in general
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	• Our sustainability policy is included in the Corporate Governance Report and Corporate Governance Guidelines
Anti-Corruption	Principle 10: Work against corruption in all its forms, including extortion and bribery	• We have established a Code of Conduct and are working to prevent corruption

<Results of the FY2024 Supplier CSR Survey>

We issued the first questionnaire to our top 100 suppliers to verify the soundness of our supply chain in FY2022. In FY2024, we formulated the Fuso Chemical Group Sustainable Procurement Guidelines and conducted a CSR questionnaire, expanding the scope to include overseas business partners, with the aim of promoting sustainable procurement in collaboration with suppliers. The survey results confirmed that the supply chain is at an appropriate level, with the exception of environmental measures. We will work together with our suppliers to improve in this area. Going forward, we will continue conducting regular supply chain surveys and promote CSR procurement that enhances social sustainability in collaboration with our suppliers.

Outline of Survey [Average Response Scores]

Survey Period: October to November 2024
Survey Content: Status of ESG initiatives
Participants: Top 123 suppliers of the Company (102 valid 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.

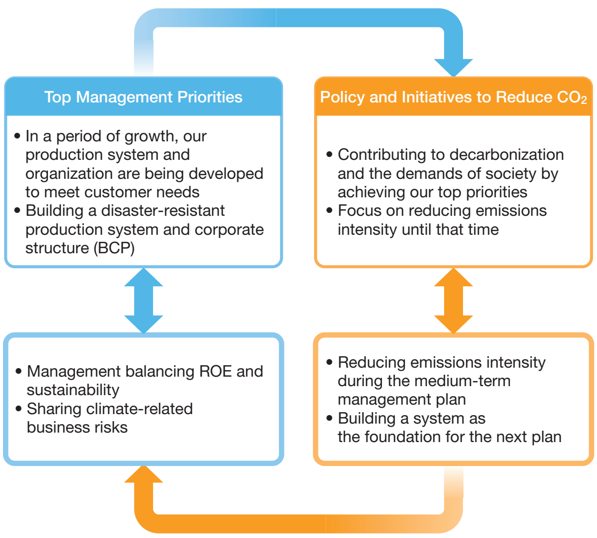
Status and Views on the TCFD Proposed Disclosure Items

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_2 emissions is still limited to domestic operating companies, the Sustainability Committee reports CO_2 emissions from business activities and promotes efforts to reduce emissions intensity. (Note: Current CO_2 emissions and efforts to reduce emissions intensity are shown on pages 36–38)

Status of Efforts and Current Policy

Governance Organizational governance with respect to climate-related risks and opportunities	• The Board of Directors provides oversight and evaluates reports and proposals from the Sustainability Committee. • The Sustainability Committee meets once every six months, and as needed. • The Sustainability Committee discusses and confirms progress on climate-related risks, opportunities, policies, and targets, and reports to the Board of Directors.
Strategy Current and potential impacts of climate-related risks and opportunities on the organization’s business, strategy, and financial plans	• Even if carbon pricing is reflected in profit and loss in the short term, the impact will be limited because the company secures earnings through investment plans based on ROE. If carbon pricing rises sharply in the medium to long term, the impact on profit and loss will be significant. • Risk that business units will see a sharp increase in raw materials, energy, and other costs even under the 2°C scenario • Opportunities from increased demand for our technology due to food waste loss and the advancement of energy-saving equipment to address environmental and social issues
Risk Management Methods to identify, assess, and manage the organization’s climate-related risks	• Risks are identified for each business unit based on scenario analysis • Shared with the Risk Management Committee to review and evaluate risks from multiple perspectives • Identified risks are discussed by the Board of Directors and reflected in strategy
Indicators and Targets Indicators and targets used to assess and manage climate-related risks and opportunities	• CO_2 emissions are expected to increase partly due to large capital expenditure underway • We will limit the increase in CO_2 emissions through efforts to reduce emissions intensity as production volume significantly increases • We aim to resolve social issues through initiatives in each business as part of the Medium-Term Management Plan “FUSO VISION 2025”

<Future Initiatives to Reduce CO_2 Emissions>
At the December 2023 meeting of the Sustainability Committee, we decided to introduce CO_2 emissions calculation software, and from FY2024 we began calculating Scope 1 through Scope 3 emissions across all group companies. Many of our products are necessary to achieve a sustainable society, and we are investing in equipment to meet the demands of our partners. Therefore, our efforts to reduce CO_2 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 and to make specific efforts to reduce CO_2 emissions.



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_2 emissions after FY2026, when the foundation for addressing CO_2 including group companies is scheduled to be in place.

CO_2 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.
	FY2022 – FY2024	Scope 2 (2)	Continuing to intensify efforts to reduce emissions intensity. It is difficult to set specific reduction targets due to the large capital expenditure underway, and we intend to formulate specific initiatives for FY2026, when the next medium-term management plan is scheduled to begin.
		Scope 3 (1)	In addition to ongoing efforts to address emissions intensity, we aim to build a foundation through Scope 1 to Scope 3 calculations, including overseas consolidated subsidiaries. We aim to work on establishing a management system that includes overseas consolidated subsidiaries.
Short Term	FY2025		We now calculate Scope 1 to Scope 3 emissions for all group companies.
Short-to-Medium Term	FY2026 and beyond	Scope 3 (2)	We aim to put in place a management system for Scope 3 standards, and to endeavor to reduce CO_2 emissions, including in the supply chain.

			2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CO_2 Initiatives	Emissions Intensity Initiatives	Scope 2 Reduction Initiatives (1)	• Energy conservation efforts at each business location • Review and streamlining of work processes													
		Scope 2 Reduction Initiatives (2)					• Initiatives to reduce emissions intensity • Review of emissions intensity as part of facility expansion plan • Initiated efforts to establish KPIs									
	Zero CO_2 Initiatives	Scope 3 Reduction Initiatives (1)							• Initiatives to reduce emissions intensity • Implementation of Scope 3 calculation software Asuene • Calculation of emissions of consolidated subsidiaries							
		Scope 3 Reduction Initiatives (2)										• Initiatives to reduce emissions intensity • Establishing KPIs • Formulation of plan to reduce CO_2 • Consideration of implementing carbon accounting • Supply chain reduction plan				

Risks and Opportunities

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

Category			Expected Impact on the Company	Potential Financial Impact
Physical	Opportunity		Improving resilience by decentralizing production sites	High
	Risk		Damage to facilities / distribution disruptions due to wind and water damage and rising sea levels	
Transition	Policy and Regulation	Opportunity	Increased demand for semiconductors / support for semiconductor peripheral companies / attracting overseas semiconductor manufacturers	Medium
		Risk	Introduction of carbon taxation, etc. / delayed CO_2 policy decisions / creation of emissions trading market	
	Technology	Opportunity	Request for additional capital expenditure / miniaturization and multilayering of semiconductors / food processing technology demand	High
		Risk	More sophisticated needs of partners and technological innovation	
	Market and Reputation	Opportunity	Strengthening carbon measures by securing profits	High
		Risk	Low appreciation for growth focus / exclusion from supply chain due to delayed CO_2 initiatives	
	Economic Security/Tariffs	Opportunity	Increased demand for semiconductors / increased beverage and food processing needs due to global population growth	High
		Risk	Raw material procurement uncertainty / geopolitical risk / US tariff policies	

■ Life Science Business Unit

• Handling Advantages <Opportunity>

The Life Science Business Unit leverages food tech to achieve product lines that can contribute to the reduction of CO_2 emissions by addressing the issue of food loss, as well as products that contribute to people's health. We will expand commercial opportunities for these products not only in the domestic market but also through overseas expansion. We will also strengthen our efforts in food tech through R&D and industry-academia-government collaboration.

• Handling Disadvantages <Risk>

We have established a cost-competitive production system, particularly through capital investment in the Kashima Plant. In addition to strengthening our supply capacity, we have built a production system that enables us to secure raw materials at reasonable prices. We will tackle CO_2 emissions through reduction of emissions intensity and underutilized technologies.

	Advantages <Opportunity>	Disadvantages <Risk>
1.5°C Scenario	• Needs for shelf life measures • Use in response to health-conscious trend • Increase in processed foods	• Ingredient procurement uncertainty • High fuel prices • Requests for environmental measures by partners (medium)
4.0°C Scenario	• Needs for shelf life measures • Foods to alleviate tiredness • Increase in processed foods	• Ingredient procurement uncertainty and high prices • High price of non-fossil energy • Trade impediments due to carbon taxes • Requests for environmental measures by partners (strong)

Electronic Materials Business Unit

• Handling Advantages <Opportunity>

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

• Handling Disadvantages <Risk>

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

	Advantages <Opportunity>	Disadvantages <Risk>
1.5°C Scenario	• Increase in demand for semiconductors (Electric vehicles, digital transformation [DX], artificial intelligence [AI], etc.) • Development of energy-saving equipment • Development of energy-saving materials	• Ingredient procurement uncertainty • High fuel prices • Requests for environmental measures by partners (medium)
4.0°C Scenario	• Increase in demand for semiconductors • Development of energy-saving equipment • Development of energy-saving materials	• Ingredient procurement uncertainty and high prices • High price of non-fossil energy • Requests for environmental measures by partners (strong) • Trade impediments such as carbon taxes • Increased CO_2 emissions due to increased production

Financial Impacts of Climate Change

We are collaborating with non-life insurers to regularly calculate the estimated amount of damage from disasters with reference to hazard maps and other information provided by the Ministry of Land, Infrastructure, Transport and Tourism and local governments.
We also calculate the estimated amount of damage to our profit and loss, and to control the impact on profit and loss, part of the operating income impact amount is covered by insurance. We will continue to regularly review financial impacts and respond by visualizing expected financial impacts of climate change.
The projected damage and operating income impact calculated for 2022 are shown below. Both the projected damage and the operating income impact are partially covered by insurance, which controls the impact on our finances.

Expected amount of damage

Expected type of damage	Expected amount of damage	Impact on operating profit
Wind, hail, and snow damage	2.8 billion yen	2.4 billion yen
Water damage	5.6 billion yen	1.3 billion yen

Formula

The estimated wind damage amount is calculated as follows.

Procedure for calculating the estimated amount of wind damage

$$\underbrace{\text{Overall amount of building} \times \text{Percentage of portion subject to wind damage}}_{\text{Areas where wind damage is likely to occur (Value of exterior materials, outdoor equipment, etc.)}} \times \text{Damage ratio} = \text{Estimated amount of wind damage}$$

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 in Japan is currently 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

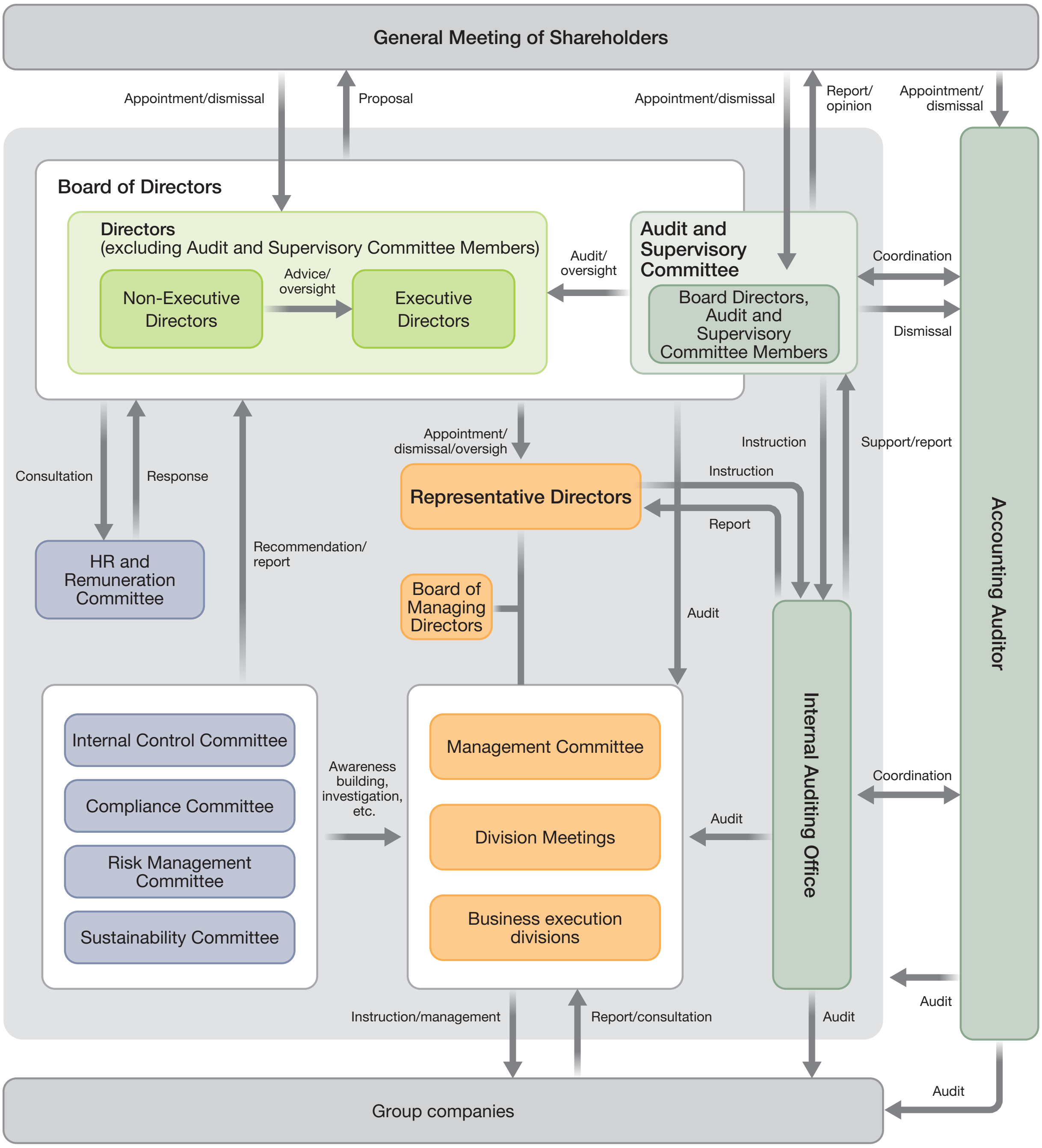
Item		Expected amount of damage
Transition Risk	Policies and regulations	• Japan has submitted an NDC to the United Nations, stating its ambitious goal to reduce greenhouse gas emissions by 46% of 2013 levels (stretch target: 50%) by 2030, in accordance with the aim of carbon neutrality by 2050. • Although we have been able to reduce CO_2 emissions intensity by more than 30%, total CO_2 emissions have increased, partly due to an increase in sales. Our goal is to develop a response plan in line with government targets.
	Disclosure of sustainability, etc.	• We have announced non-financial and other information in line with the TCFD through this report every year since 2022. We will continue to disclose non-financial information every year while enhancing the content of our disclosures. It is also our policy to respond appropriately to information disclosures required by the TSE and the initiatives.
	Management of GHG emissions volume	• We plan to complete the establishment of a system for managing GHG emissions in accordance with Scope 3, including group companies, in FY2025. Scope 1 through Scope 3 emissions for FY2024, including group companies, will be disclosed on our website. • We will consider reducing GHG emissions throughout the supply chain and guidance, etc.
	Other	• We cannot operate our business without emitting CO_2. In this context, it is necessary to consider trading emission credits to achieve the same level of reduction as the policy target. We will study the emissions trading market and how to use it.

Corporate Governance

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

Organizational Structure

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



Board of Directors

In FY2024, the Board of Directors met 14 times, and each Director's attendance record is provided below.

Position	Name	Number of times held	Number of attendances
Representative Director & Chairman	Misako Fujioka	14	13
Representative Director & President	Shinichi Sugita	14	14
Senior Managing Director	Haruo Masauji	14	14
Senior Managing Director	Takashi Tanimura	14	14
Board Director	Motoki Sugimoto	14	14
Board Director	Atsushi Fujioka	14	14
Board Director	Hakaru Hyakushima	14	14
Board Director (Audit and Supervisory Committee Member)	Yoshiki Kinoshita	3	3
Board Director (Audit and Supervisory Committee Member)	Fumiaki Hirata	14	14
Board Director (Audit and Supervisory Committee Member)	Sayaka Eguro	14	14
Board Director (Audit and Supervisory Committee Member)	Kei Takeuchi	11	11

■ Appointment of Directors

Our Board of Directors consists of ten Directors, including two women (as of March 2025). Preconditions for appointing directors are that they have high moral standards beyond mere legal compliance and that they understand, and are conscious of, fulfilling their duties as directors. Given that we operate the Life Science Business and the Electronic Materials & Functional Chemicals Business and expand business overseas, the basic policy for the Board of Directors is to be composed of internal directors who have expertise in these business operations and external directors who have professional knowledge and the like on corporate management, finance, legal affairs, etc. Director candidates are appointed by approval of the Board of Directors based on a report by the HR and Remuneration Committee, which the committee responds to the Board after deliberating the matter upon consultation by the Board.

■ Skill Matrix (as of June 2025)

Name	Position	Gender	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	IT
Misako Fujioka	Representative Director & Chairman	Female				○	●	●					●	●	
Shinichi Sugita	Representative Director & President	Male				○	●		●	●		●	●		
Haruo Masauji	Senior Managing Director	Male					●		●	●	●				
Atsushi Fujioka	Managing Director	Male					●	●			●				●
Motoki Sugimoto	Board Director	Male							●	●	●				
Hiroyuki Ito	Board Director	Male					●	●				●	●	●	●
Norikazu Miyamoto	Board Director	Male						●	●	●					
Hakaru Hyakushima	Board Director	Male	○	○			●					●		●	
Fumiaki Hirata	Board Director, Audit and Supervisory Committee Member	Male	○	○	◎	◎	●		●	●					
Sayaka Eguro	Board Director, Audit and Supervisory Committee Member	Female	○	○	○	○		●			●		●	●	
Kei Takeuchi	Board Director, Audit and Supervisory Committee Member	Male	○	○	○	○	●		●	●	●				

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

Percentage of Female Directors

	FY2021	FY2022	FY2023	FY2024	FY2025
Total	10	10	10	10	11
Number of women	2	2	2	2	2
Percentage of women	20.0%	20.0%	20.0%	20.0%	18.2%

Board of Directors' Effectiveness Evaluation

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

• Results of the Board of Directors' effectiveness analysis and evaluation

Again in FY2024, we evaluated the effectiveness of our Board of Directors from the perspective of whether it is appropriate for a company listed on the Prime Market. As a result, evaluations for the majority of items were at a higher level than the prior fiscal year; however, there was no significant improvement in the evaluation of efforts to address issues in item "Agenda of the Board of Directors," for which improvement was required in the prior year. Meanwhile, evaluations of other items were higher than the prior year. As a result of discussions based on the analysis of the self-evaluation results above, our Board of Directors has been judged to be functioning effectively.

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

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

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

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

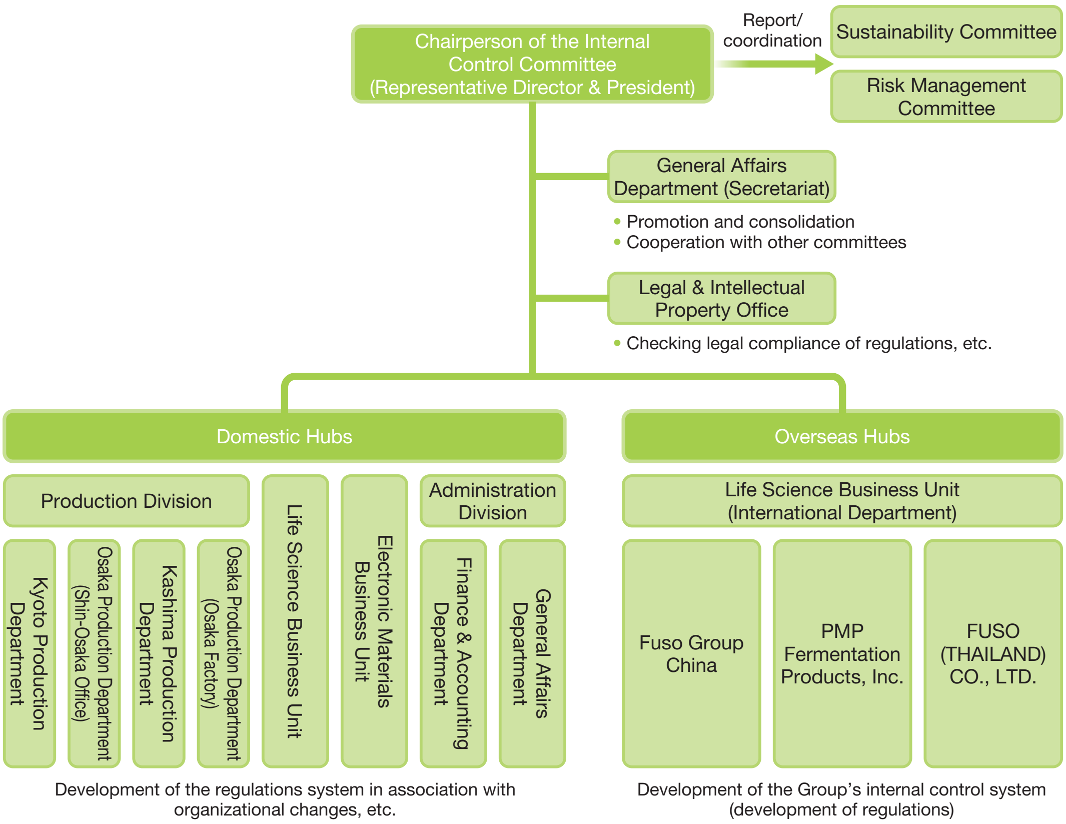
Detailed URL: Board of Director Effectiveness Evaluation (updated: July 1. 2025)

Response to Internal Control

■ Internal Control Committee (held twice in FY2024)

The Internal Control Committee chaired by the Representative Director & President has been established to develop and operate the internal control system based upon basic policies determined by the Board of Directors. The Board of Directors supervises the development and operation as well as the effectiveness of internal control over financial reporting. In FY2023, we reviewed the internal control system where the Internal Auditing Office is responsible for promotion and audits, revising the system to increase its effectiveness by assigning the General Affairs Department, Administration Division to handle promotion, while the Internal Auditing Office focuses solely on audits. In response to revisions to the internal control reporting system, which started in FY2024, we are working to enhance the development and operation of the Group’s internal control system by reviewing and revising the evaluation scope and identifying issues.

<Internal Control Promotion System>



Audit System and Audit Status

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

■ Audits by the Audit and Supervisory Committee and its structure

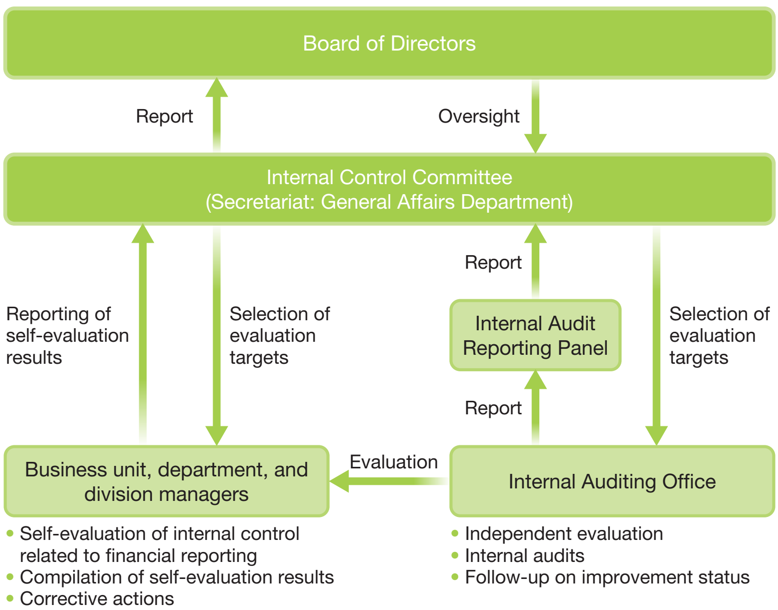
The Audit and Supervisory Committee is composed of three external directors including full-time Audit and Supervisory Committee Members. It manages and supervises the business execution status by attending the meetings of the Board of Directors, the Board of Managing Directors (limited to full-time Audit and Supervisory Committee Members), and the Management Committee, as well as by receiving reports on important agenda items from the responsible Directors. The committee met 13 times in FY2024, and the attendance record of each Audit and Supervisory Committee Member is provided below. In addition, the Audit and Supervisory Committee conducts audits on the development and operation of the internal control system, the risk management system, and the like based on the audit policy, audit plans, etc. it has established.

Position	Name	Number of times held	Number of attendances
Board Director (Audit and Supervisory Committee Member)	Fumiaki Hirata	13	13
Board Director (Audit and Supervisory Committee Member)	Sayaka Eguro	13	13
Board Director (Audit and Supervisory Committee Member)	Kei Takeuchi	10	10
Board Director (Audit and Supervisory Committee Member)	Yoshiki Kinoshita	3	3

■ Status of internal audits

The Internal Auditing Office has been established as a dedicated organization to conduct internal audits. It has three members as of FY2025 and operates independently from the divisions responsible for executing operations. It conducts operational and accounting audits of the goup companies, as well as special assignments targeting the group companies as instructed by Representative Directors. It also serves as the secretariat of the Audit and Supervisory Committee.

<Evaluation Structure> (As of April 2025)



■ Status of accounting audits

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

Compliance

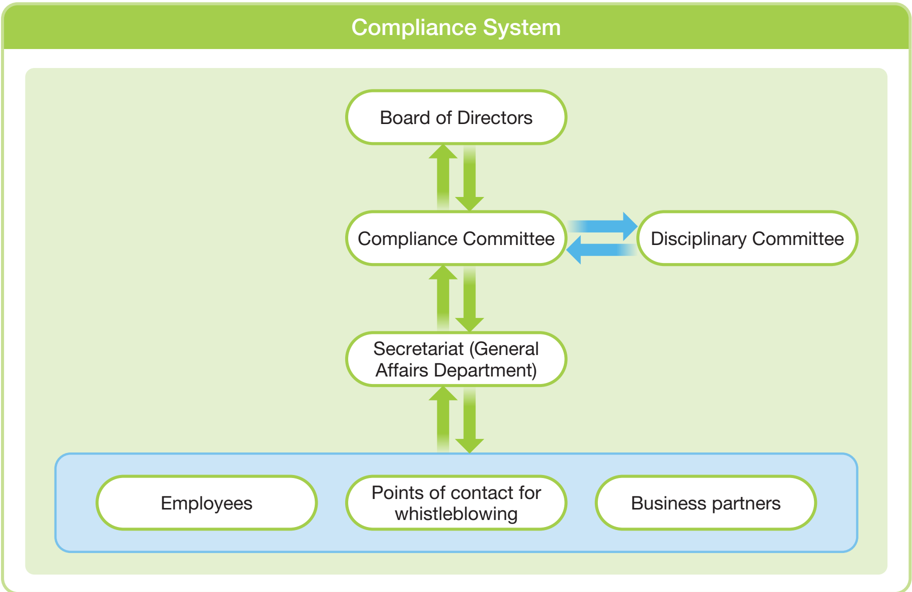
Compliance System

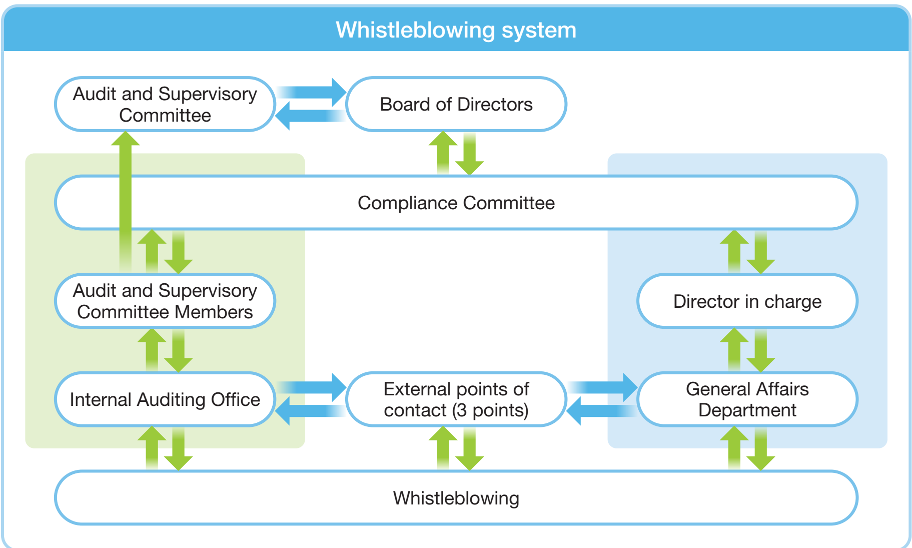
■ Compliance Committee (held five times in FY2024)

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

■ Points of contact for whistleblowing

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





■ Initiatives to ensure compliance

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

Declaration of Partnership Building

We hereby declare our commitment to focus on the following items to build new partnerships through collaboration and mutual prosperity with business partners in our supply chain and other operators engaged in value creation.

1. Mutual prosperity throughout the entire supply chain and new collaboration beyond scale, corporate group, etc.

By working through direct business partners to reach the next tier of partners (from Tier N to Tier N+1), we will strive to enhance added value across the entire supply chain, while also aiming to build mutual prosperity with business partners through collaboration that transcends existing business relationships, corporate scale, and other boundaries. In doing so, we will also support the introduction of telework and the formulation of BCPs (Business Continuity Plans) for business partners, from the perspective of business continuity during disasters and work style reform.

(Individual items)

- We have established the Sustainable Procurement Guidelines and will promote initiatives toward a sustainable society targeted by our Group.
  Through supplier questionnaire surveys and other measures, we will work with business partners, including subcontractors, to promote green procurement that takes environmental protection and reduction of environmental impact into consideration, as well as to promote health and productivity management through initiatives such as reducing overtime work.

2. Compliance with the Promotion Standards

(1) Price determination method

We will not make unreasonable requests for cost reductions. In determining transaction prices, we will hold discussions with subcontractors at least once a year and decide prices after sufficient discussion to include appropriate profit for subcontractors and to enable improvement of working conditions at subcontractors. In doing so, we will take appropriate actions as outlined in the Guidelines for Price Negotiations for the Appropriate Passing on of Labor Costs.
If raw material costs or energy costs rise, we will aim to pass on the full amount of the appropriate increase in costs. Furthermore, in concluding contracts, including the determination of transaction prices, we will clearly indicate and provide the contractual terms in writing or equivalent form.

(2) Payment terms for lump-sum settlements or bills of exchange, including electronically recorded monetary claims

As a general rule, subcontracting payments will be made in cash or by electronically recorded monetary claims. When paying by bills of exchange, etc., we will not require the bill recipient to bear discount fees or other costs, and the payment period will be within 60 days.

(3) Intellectual property and know-how

In conducting transactions, we will adhere to the Basic Concepts set out in the Guidelines on Transactions Involving Intellectual Property and the Contract Templates and will not demand unilateral non-disclosure agreements, disclosure of know-how by exploiting a superior bargaining position, or free transfer of intellectual property rights.

(4) Avoiding undue burden associated with work style reform, disasters, etc.

We will not impose undue burdens on subcontractors by issuing short delivery orders or sudden specification changes without appropriate cost sharing, ensuring that business partners can also adapt to work style reform. In the event of a disaster, we will avoid imposing unilateral burdens on subcontractors in business transactions and will give due consideration to continuing business relationships as much as possible when business resumes.

3. Other (optional description)

We have established a Code of Conduct as part of our corporate social responsibility, and will maintain sound and fair transactions with all stakeholders, including business partners, in pursuit of mutual prosperity.
We have also made a voluntary action declaration regarding White Logistics.

Quality Control System

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

■ Quality Control

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

■ Quality Assurance

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

Quality Assurance Standards

Offices and Plants	ISO 9001	FSSC 22000	GMP	KES
Kyoto Production Dept.	○	–	–	○
Kashima Production Dept.	○	○	–	○
Osaka Production Dept. (Shin-Osaka Office)	–	–	Pharmaceutical products(*)	○
Osaka Production Dept. (Osaka Factory)	–	○	Food additives	○

ISO 9001: International standards on quality management systems
FSSC 22000: International standards on food safety management systems that enhance ISO 22000 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 countries and regions where our subsidiaries are located. As a risk countermeasure, in the event of any violation, complaint, or incident, we share the causes and corrective actions within the Group and strive to prevent the recurrence and the occurrence of similar incidents. In addition, offices and plants are working to enhance safety education and other relevant internal training programs.

Risk Management System

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

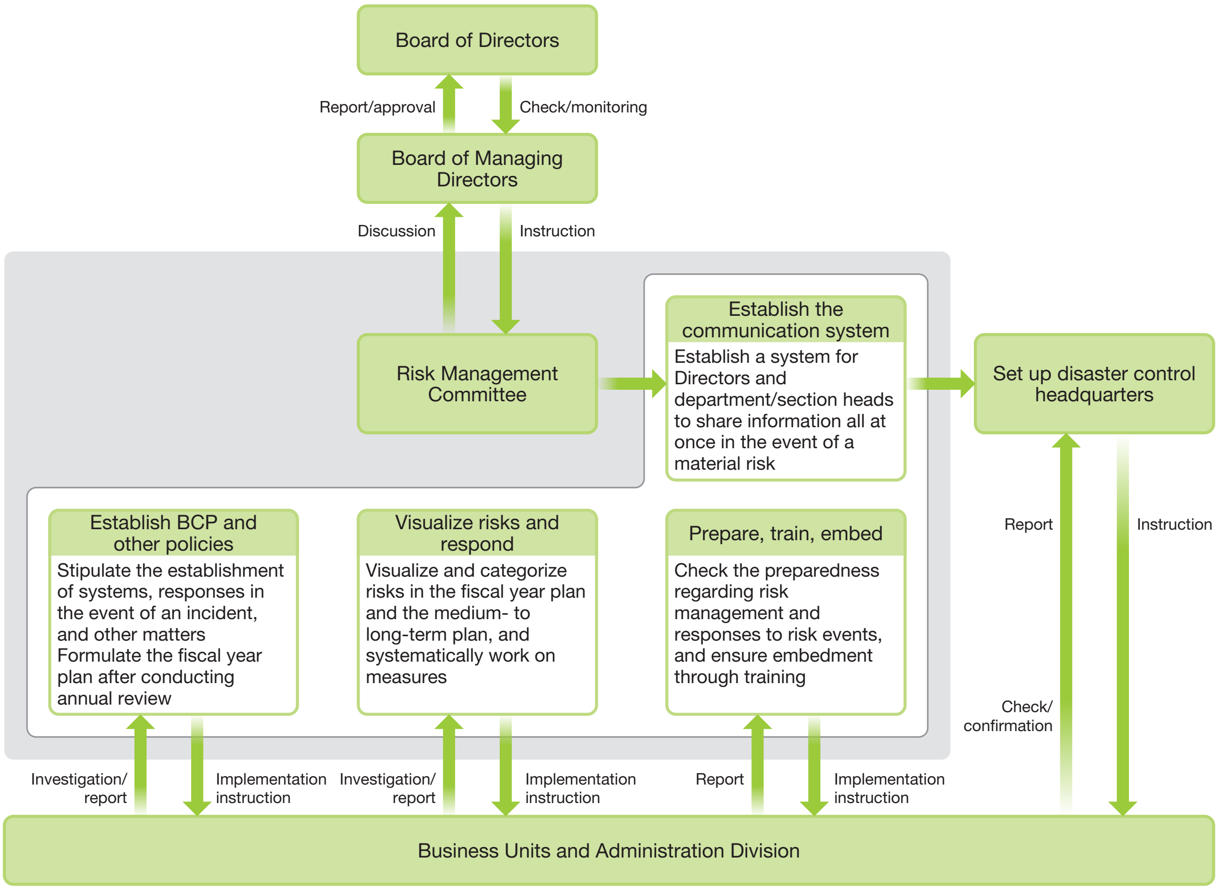
■ Company-wide Risk Management Committee (held twice in FY2024)

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

■ Roles of the Board of Directors

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

■ Risk Management System



■ Certifications Acquired

As part of our BCP measures, in November 2023 we obtained Resilience Certification from the Association for Resilience Japan, recognizing us as an organization contributing to national resilience.
Furthermore, in October 2024, our Administration Division, which oversees company-wide systems and operations to ensure comprehensive information security against threats such as targeted attacks and ransomware, obtained ISMS certification (ISO/IEC 27001: 2022).

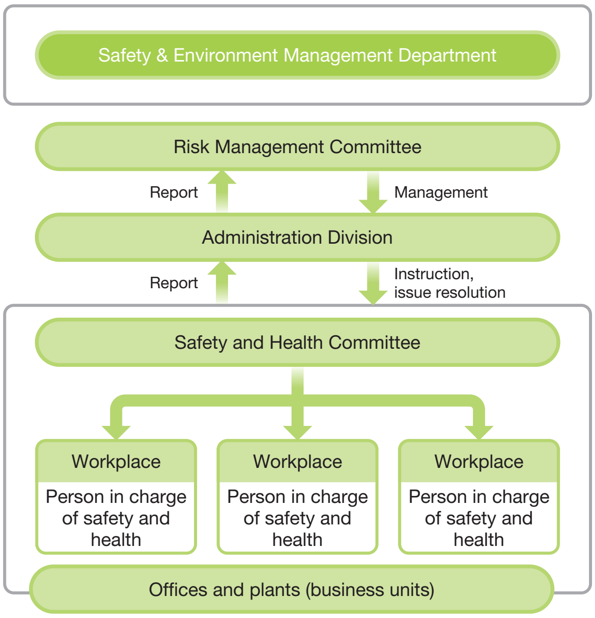
レジリエンス認証
事業継続および社会貢献
認証・登録番号E0000137

ISO/IEC 27001
JQA-IM2130

Safety and Health Management

■ Safety management systems at offices and plants

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



■ Roles of the Safety and Health Committee

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

Response to Infectious Diseases

In the event of the spread of an infectious disease, our full-time Directors and the Administration Division will set up a response headquarters, which will take action to ensure the continuity of our business operations. Seeing that the suspension of our production lines has an impact on the production activity in supply chains and, in turn, a significant impact on society, we will take the measures described below.
We will prevent the formation of infection clusters by thoroughly managing the health of employees and their family members, putting in place a work environment and system from the perspective of preventing infections, and establishing a system for prompt reporting of infectious cases. Thanks to the efforts of every employee and the cooperation of our business partners, our production lines have been operating continuously since the global COVID-19 pandemic to the present day without interruption.

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

Basic Policy on Information Security

We recognize that protecting important information assets handled in our business is a key part of our social responsibility. Guided by the following principles, we are committed to ensuring robust information security.

1. Establishing an Information Security Management Framework
We clearly define responsibilities for information security and maintain a company-wide management framework. Under this structure, all employees work together to properly manage and safeguard our information assets.

2. Protecting Information Assets
In line with the Fuso Chemical Group Code of Conduct, we protect all business-related information assets, such as customer information, technical data, R&D results, and manufacturing process details, against risks including unauthorized access, leakage, alteration, loss, or destruction.

3. Educating Employees and Stakeholders
We provide regular training and awareness programs on information security for employees and related stakeholders. These initiatives ensure that everyone understands its importance and acts with a strong sense of responsibility.

4. Continual Improvement
We operate an Information Security Management System (ISMS) and continuously improve our management framework through regular evaluation and review.

5. Securing the Supply Chain
We address information security risks across our entire supply chain and protect all related information assets appropriately.

Through this policy, the Fuso Chemical Group is committed to safeguarding information security and maintaining the trust of both society and our business partners.

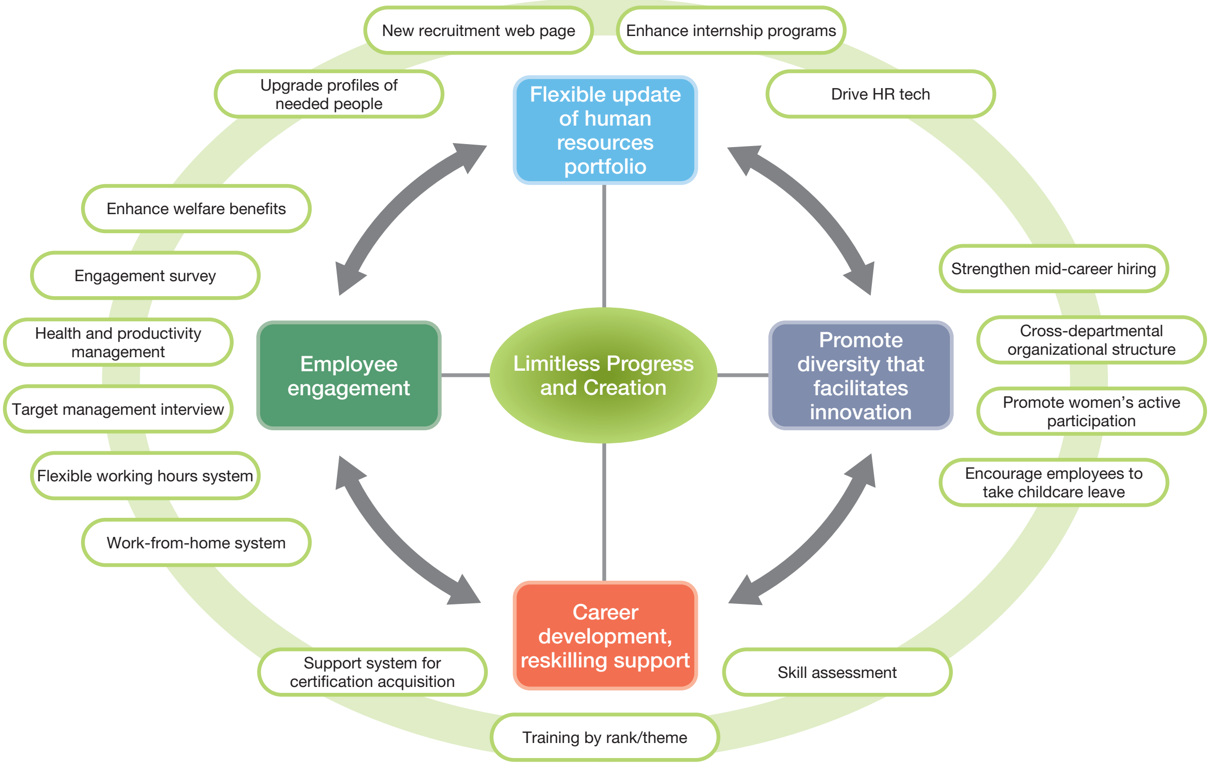
HR Strategy

Human Resources Development Policy

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

■ Organizational Structure

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



■ HR Meeting

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

■ HR and Remuneration Committee

The HR and Remuneration Committee is set up for handling personnel affairs of Directors (including Audit and Supervisory Committee Members) and Executive Officers. The Board of Directors consults the HR and Remuneration Committee for changes in executive-level personnel. The Committee will meet in response to such consultation, deliberate on the appointment and dismissal of Directors and Executive Officers as well as Director remuneration, and submit a report to the Board of Directors. The Committee met seven times in FY2024.

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

To achieve management goals, it is important to support the growth of employees continuously. We believe that it is important to establish a human resources development system that enables employees to envisage their career development, partly to increase employee satisfaction in terms of work-life balance.
The Human Resources Department has built a training system by identifying the requirements of needed human resources and development challenges through repeated communication with business units.

■ Building human resources development system and environment

We have a company-wide training framework in place for our employees to acquire required skills and know-how, in addition to on-the-job training at the workplace. Our training programs include not only those for selected/appointed people provided under human resources development plans, like trainings by rank, but also elective trainings such as language programs and e-learning, enabling each employee to think autonomously about their own growth and pursue self-development with corporate support.

<Education/Training Framework>

1. Training framework
   Themes are set based on “human resources development challenges” by rank.
2. Training implementation plan (three-year plan)
   Starting from FY2025, we plan to expand our training programs and will implement them systematically.
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	FY2022	FY2023	FY2024
Training expenses per employee	28,267 yen	43,540 yen	37,920 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 certifications, including TOEIC, and provide up to 300,000 yen of lump-sum money according to the certification recommendation point calculated by multiplying the applicable indicators.
The certification acquisition system incentivizes each employee to develop their career.

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 4,000 free e-learning courses for reskilling and career development of employees.

■ Recruitment

Recruiting and retaining human resources is one of our top priorities as demand for our products continues to grow. Based on medium- to long-term business plans, we formulate recruitment plans and recruit new graduates mainly in research and development and production divisions, while hiring mid-career workers in light of optimum personnel deployment based on business strategies. The offices and plants with production functions are facing particularly fierce competition in hiring people. To strengthen our workforce in these circumstances, we effectively manage the status of applications and the progress of screening with a recruitment management system and collaborate with recruitment agencies (for example, providing opportunities to hear needs directly from the hiring divisions) and have adopted recruiting approaches such as direct recruiting and referral recruiting. We have also begun holding company information sessions in the vicinity of production sites.

<Recruitment status>

Number of employees hired

Item	FY2022	FY2023	FY2024
Number of new graduate hires	14	15	11
Number of mid-career hires	49	39	38
Total	63	54	49

Share of mid-career hires in regular workers

Item	FY2022	FY2023	FY2024
Share of mid-career hires in regular workers	77.8%	72.2%	77.6%

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

Retention rate of new graduates for the past three years

Item	FY2022	FY2023	FY2024
Retention rate of new graduates in the third year after joining	100.0%	100.0%	92.9%

Average service years of all employees

Item	FY2022	FY2023	FY2024
Average service years	12.8 years	12.3 years	12.3 years

Intellectual Property Strategy

Intellectual Property Strategy Initiatives

Protecting proprietary intellectual property and respecting other companies’ intellectual property

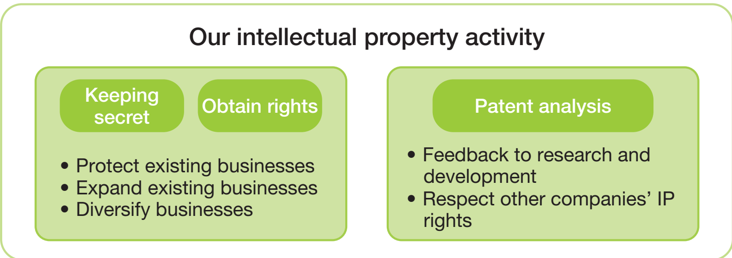
We are a niche top company having high technology capabilities in certain fields. Therefore, up until now, keeping our technologies secret enabled us to increase our corporate value. Global competition, however, led us to believe that we need to balance between keeping secrets and obtaining rights. Thus,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

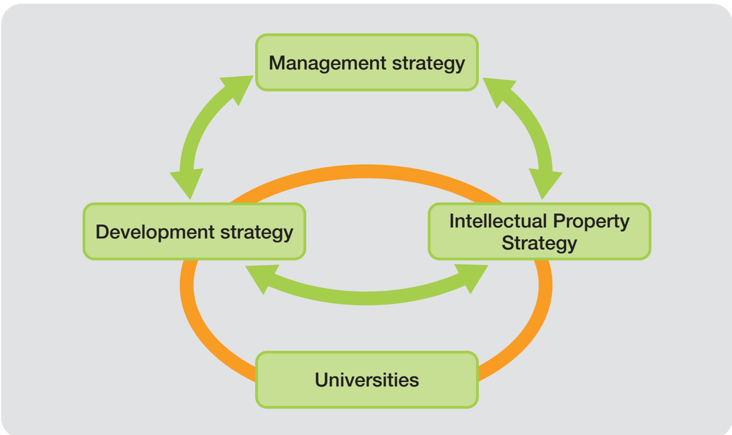
Triune intellectual property activities

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

Industry-academia collaboration

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





We supply high-quality products domestically and internationally with our advanced technological capabilities. Recognizing our corporate social responsibility toward the environment, we have established a basic environmental policy to protect the environment and prevent pollution.
However, we are still in the process of developing an environmental monitoring system for group companies and the supply chain as a whole. We are currently working on establishing a group-wide management system. Regarding the supply chain, we are reviewing our methods for issuing questionnaires to our partners and are developing a system to analyze and evaluate the current situation in the supply chain.

Environmental Policy

1. **We are constantly aware of environmental aspects and promote environmental protection and prevention of pollution in all of our business activities.**
2. **We strive to enhance our environmental management with strict adherence to relevant laws and regulations, with consideration given to social needs.**
3. **To the extent permitted by technology and economics, we minimize emissions of CO_2 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

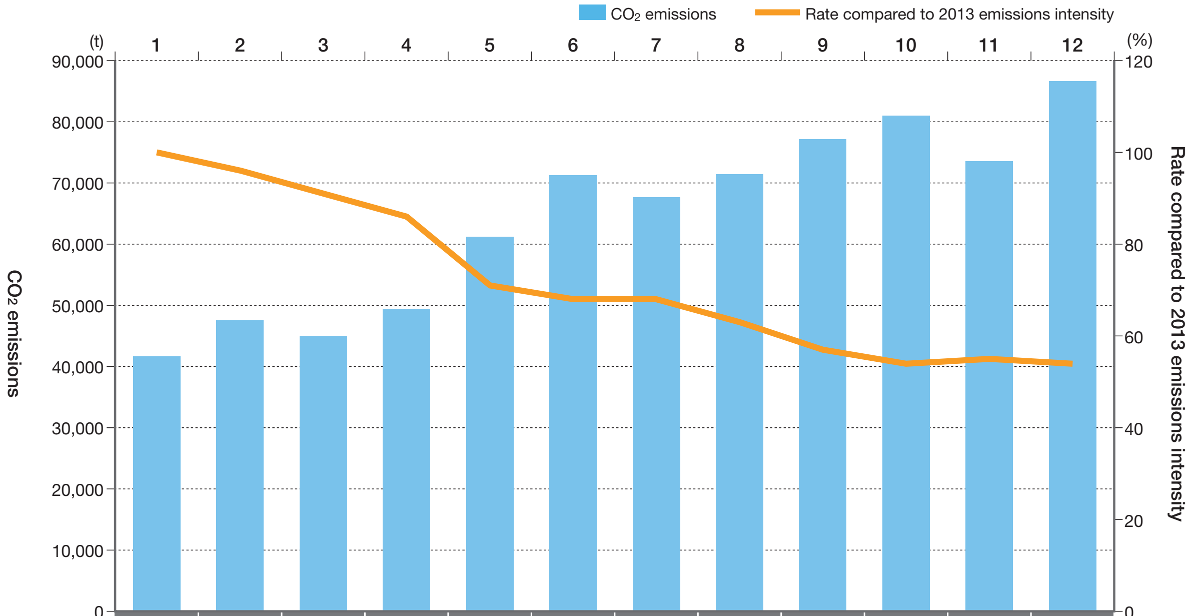
The Agency for Natural Resources and Energy, part of the Ministry of Economy, Trade and Industry (METI), launched the “Business Classification Evaluation System” in 2016 (for FY2015) to encourage businesses that use energy in factories and other facilities to further rationalize their energy use. Under 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_2 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. To address Scope 3 (upstream and downstream emissions), we decided to implement calculation software (Asuene) in December 2023. In FY2024, we tackled Scope 3 calculation for domestic businesses and performed group-wide calculations for gradually expanding it to group companies. Since the products involved in our businesses cannot be manufactured without CO_2 emissions, our current CO_2 reduction target is managed by the reduction of CO_2 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_2 emissions of the entire FUSO CHEMICAL Group.

■ CO_2 emissions
(only emissions from energy use of FUSO CHEMICAL CO., LTD. on a stand-alone basis)

■ Change in CO_2 emissions and emissions intensity



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CO_2 (t)	41,670	47,538	44,977	49,447	61,245	71,296	67,638	71,405	77,151	80,967	73,561	86,618
Emissions intensity at four plants	100%	96%	91%	86%	71%	68%	68%	63%	57%	54%	55%	54%

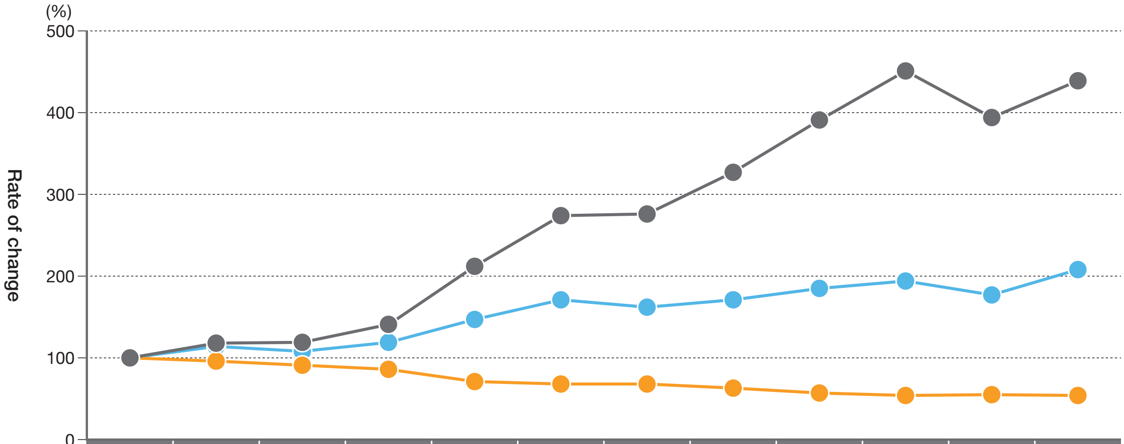
CO_2 emissions from energy use amounted to 86,618 tons in FY2024.
Although we are currently considering energy conservation and the use of various in-house resources, CO_2 emissions are expected to increase due to the large capital expenditure currently underway. Scope 1 through Scope 3 emissions for all group companies in FY2024 are scheduled to be disclosed on our website in October with third-party assurance.

■ Environmental data
Environmental data for the reporting year
For details, please refer to the “Environmental Data” available on the FUSO CHEMICAL website.
(https://fusokk.co.jp/eng/sustainability/environment).

Emissions intensity initiatives

While the production volume of products has increased significantly, our efforts to lower emissions intensity have curbed the increase in CO_2 emissions. In FY2024, we reduced emissions intensity by approximately 46% compared to FY2013, partly due to the addition of the Kashima Plant.
Although CO_2 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



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CO_2 (t)	100%	114%	108%	119%	147%	171%	162%	171%	185%	194%	177%	208%
Emissions intensity at four plants	100%	96%	91%	86%	71%	68%	68%	63%	57%	54%	55%	54%
Total production volume (t)	100%	118%	119%	141%	212%	274%	276%	327%	391%	451%	394%	439%

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

Water Environment Conservation

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

Resource Conservation / Waste Reduction

Chemical Disposal and Recycling

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

Biodiversity Conservation

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_2 emissions, water environment conservation, and management of chemical substances and waste.

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

Other Environmental Initiatives

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

For a Better Work Environment

Health and Productivity Management

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

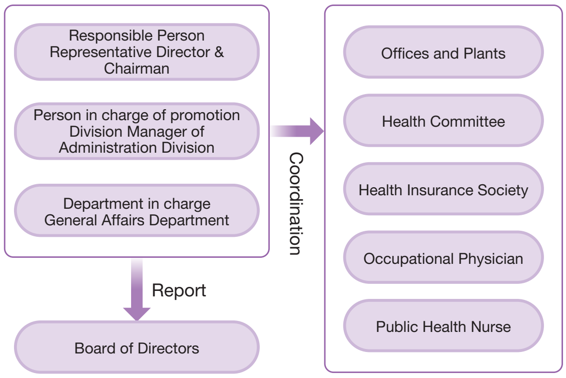
FUSO health and productivity declarations: Good products come from employees who are both physically and mentally healthy.

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

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

■ Health and productivity management promotion system

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



■ Certified as Health and Productivity Management Organization

In March 2021, we internally and externally announced the FUSO health and productivity declarations “Good products come from employees who are both physically and mentally healthy.” Under this slogan, we have been strengthening various initiatives related to employee health.
For three consecutive years from 2022 through 2025, we have been certified as a “Health and Productivity Management Organization” by the Ministry of Economy, Trade and Industry (METI). This certification is given to corporations that demonstrate excellence in health and productivity management. We will continue to take the initiative to maintain and promote employee health and make the workplace a healthier place to work.


認定証

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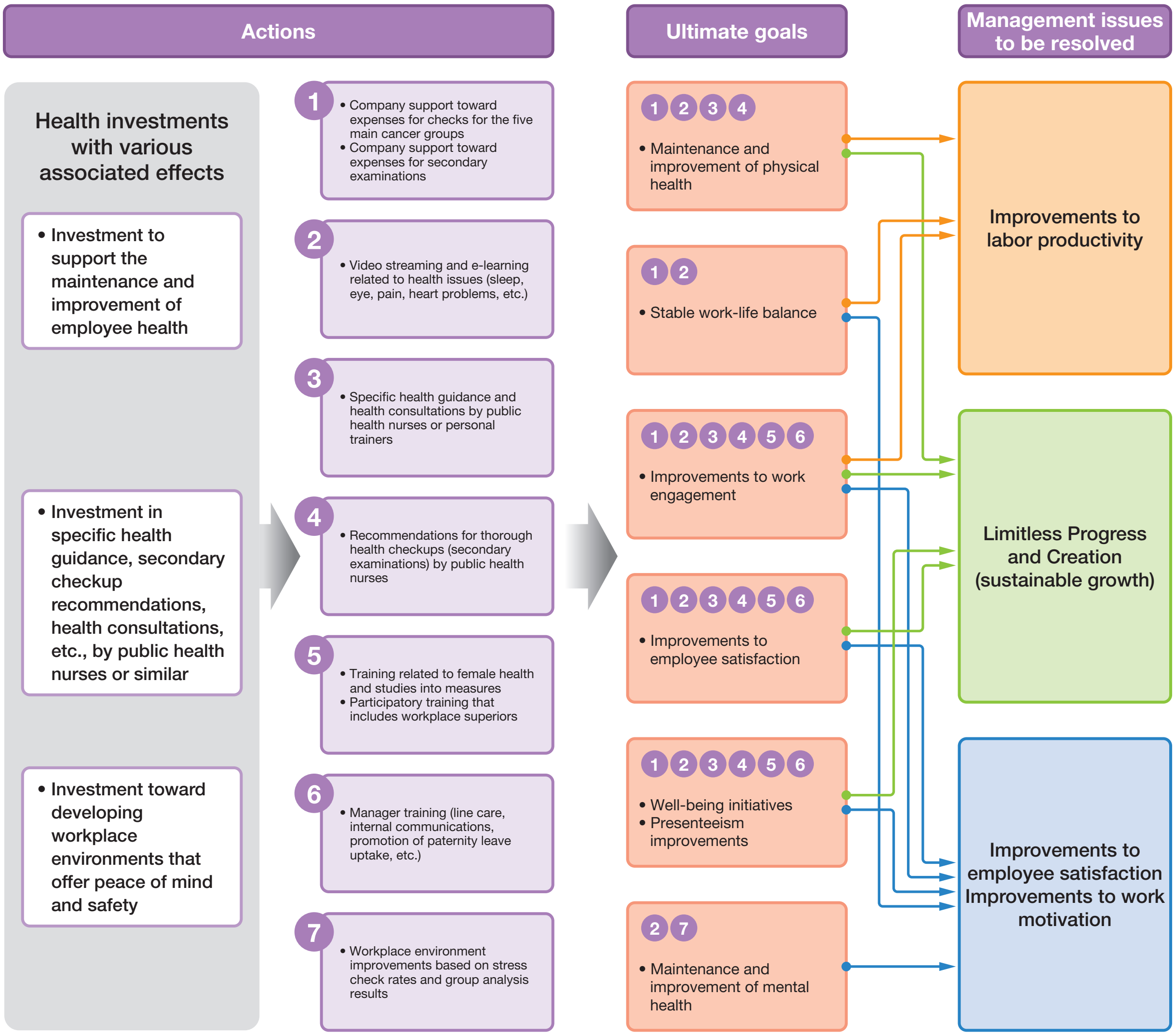
FY2025 health & productivity management strategy map



Initiatives on physical and mental health

(1) Physical health

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

Major health indicators and KPIs

Major health indicators	FY2023 results	FY2024 results	FY2025 KPIs
Regular checkup rate	100%	100%	100%
Special checkup rate	98.5%	98.0%	100%
Appropriate weight maintenance rate	65.8%	63.6%	69.0%
Smoking rate	27.0%	28.1%	22.0%
Regular exercise rate	26.1%	27.8%	30.0%
Presenteeism	91.6%	91.4%	93.0%
Company-wide average overtime worked	13.4 hours	14.5 hours	–

Major initiatives for promoting health and productivity

Monitoring employees' health status	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 and give guidance by public health nurses
	Review shared facilities to prevent infections
Education, training	Provide self-care training to all employees
	Provide line-care training for all managers
Improve ways of working	Encourage leaving work on time by setting no-overtime days
	Share monthly data to curb long work hours

(2) Mental health initiatives

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

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

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

■ Stress check rate

FY2021	90.7%
FY2022	89.0%
FY2023	89.6%
FY2024	84.1%

(3) Coordination with the Health Insurance Society

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

■ Business Casual

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

■ Paid leave days taken

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

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

	FY2022	FY2023	FY2024
Days granted	18.6 days	18.3 days	18.3 days
Days taken	13.0 days	13.8 days	13.4 days
Utilization rate	70.1%	74.6%	73.3%

KPI: 71% utilization rate

■ Enhancing welfare programs

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

■ Welfare benefits for health and productivity management and higher engagement

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

Labor Relations

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

Employee Engagement Survey

We annually conduct an engagement survey to assess the current state of employee engagement and identify related issues.
In the survey, questions were categorized into three areas: work, workplace, and company. We measured total engagement, focusing on whether employees find meaning and value in their current work, workplace, and company and whether they want to contribute to the workplace.
The survey results for last fiscal year and this fiscal year indicated that total engagement was in a good state. In particular, across all generations, there was a high level of alignment with the company's philosophy and products and services, as well as a strong willingness to contribute to the workplace. On the other hand, the sense of growth and contribution through work was somewhat low, highlighting the need to further enhance employees' sense of growth and contribution. We also received feedback calling for a review of internal systems and operations, which we are now considering.
Moving forward, we will continue conducting regular surveys and use the results to plan HR initiatives aimed at strengthening the organization, improving productivity, and promoting employee growth and career development.

Supporting Diverse Ways of Working

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

Promote Women's Active Participation

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

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

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

Initiatives and plans concerning continued employment and workplace culture

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

Numerical targets of the general employer action plan and progress at the end of FY2024

	Target (FY2025)	Target (Current fiscal year)
Share of female workers in regular employees	At least 18%	19.8%
Share of female workers in leader positions	At least 12%	15.1%
Share of men who have taken childcare leave	At least 10%	70.0%

We have also seen an increase in the number of women in career-track positions through the hiring of new graduates and mid-career workers. On the recruitment front, we are screening candidates irrespective of gender, as indicated by the ratio of women who graduated from universities among our new graduate hires is 53.3% (three-year average) and the ratio of women among our mid-career hires is 21.1% (same period). In addition, the share of women in managerial positions increased from 1.2% in FY2019 to 3.3% at the end of FY2024, showing a gradual expansion of opportunities for women. We will further advance our initiatives going forward.

Composition of managers (As of April 1, 2025)

	Number of women	Number of men	Total	Percentage of women
Managerial positions	2	58	60	3.3%
Department heads	0	21	21	–
Officers	2	14	16	12.5%
Directors	2	8	10	20%
Executive Officers	0	6	6	–

*Excluding those seconded to subsidiaries or other group companies

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

	Number of women	Number of men	Total	Percentage of women
April 2022	2	2	4	50.0%
April 2023	3	5	8	37.5%
April 2024	3	0	3	100%

Status of mid-career hiring

	Number of women	Number of men	Total	Percentage of women
FY2022	7	42	49	14.3%
FY2023	10	29	39	25.6%
FY2024	10	30	40	25.0%

Holding a women's health seminar

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

Certified as "Leading Companies with Actively Participating Women in Osaka City"

On January 10, 2022, we were certified as one of the "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. As of January 2025, we hold the highest-level three-star ranking. We will continue to promote initiatives supporting women's participation and aim to obtain additional external certifications as part of these efforts.

Leading Companies with Actively Participating Women
Certified by Osaka city

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Supporting Child-Rearing

We have created an environment according to the Act on Advancement of Measures to Support Raising Next-Generation Children, so that employees can balance between work and childrearing. The general employer action plan has been formulated to establish systems for supporting employees who are raising children and caring for family members while working, such as leave and shortened working hours systems for childcare and family care. This plan aims to create a workplace where each employee can demonstrate their potential to the fullest.
In FY2024, 13 employees (including seven 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%. With regard to men's childcare leave, we are promoting uptake through initiatives such as messages from management encouraging leave, internal publication of case examples, distribution of explanatory materials on the system and procedures, and holding briefing sessions. As a result of these efforts, the percentage of men taking childcare leave in FY2024 rose by 45 points from the previous fiscal year to reach 70%.

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 taking maternity and childcare leave

	FY2022	FY2023	FY2024
Number of employees who took maternity leave	4	5	5
Number of employees who took childcare leave	7	8	13
female recipients	5	5	6
male recipients	2	3	7
Rate of return to work after childcare leave	100%	100%	100%

■ Employer-provided babysitter support services

In 2023, we started using the employer-provided babysitter support services of the Children and Families Agency. We subsidize some of the fees for using the babysitter dispatch services, on condition that certain requirements are met.
In addition, our welfare services include support according to the age of children and parent's work status.

Support for Active Participation of Seniors

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

Social Contribution Activities

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

Local Community Activities

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

In 2024, we donated 20 million yen to Fukuchiyama City under the corporate version of the Hometown Tax Donation system. This donation was used to replace a high-standard ambulance, which is now supporting lifesaving activities in Fukuchiyama City. On March 21, 2025, a training drill using the new ambulance bearing our company logo was demonstrated, and we were presented with a letter of appreciation. Guided by our policy that our business is sustained by local communities, we will continue contributing through such initiatives. In 2025, we donated to elementary and junior high schools in Fukuchiyama City and provided support for the community bus operation project in Kamisu City under the newly introduced corporate hometown tax system.

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

Qingdao Fuso Refining & Processing Co., Ltd., our group company in China, is our base for overseas strategy. Since its foundation in 1994, we have built a robust business. Since 2000, we have been donating scholarship funds to university students from Qingdao City. Active engagement with and contributions to local communities have also helped us secure competent human resources locally. We plan to continue our donation activities in FY2025.

■ Volunteer activities

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

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

■ Local community engagement activities

Kyoto Production Dept.: We have participated in Osadano Industrial Park’s Ekiden road relay races and other sports events, local exchange events, and the like. We have continued participating in and cooperating with the local exchange events, which resumed in FY2024 after cancelations due to the COVID-19 pandemic.

Kashima Production Dept.: We take part in the Kamisu Festival held in August.

■ Cleaning activities

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

Kashima Production Dept.: As a member of the Kashima Eastern Industrial Complex, we conduct regular cleanup activities. We did the cleanup five times in FY2024.

■ Internal AED training

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

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

■ Status of AED installation at our offices and plants

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

■ FUSO Festival

Our Kyoto Plant annually holds the FUSO Festival on its premises. This event resumed in 2023 after cancellations since FY2020 to prevent the spread of the pandemic.

Education Support Activities

■ Work experience program

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

■ Summer Science Workshop

On Sunday, August 4, 2024, we once again held our science experiment workshop for parents and children. The event introduced the features and benefits of our food-related products through quizzes and experiments, helping participants gain a deeper understanding of our company and its products in a fun way. Applications exceeded those of last year, and over 80% of participants indicated in their survey responses that they came to understand how adjusting souring agents and pH can contribute to food safety and reducing food loss. We will continue building on initiatives like this to support our future business and company growth.

Other Support and Donations

■ Club partner contract with Kashima Antlers F.C.

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

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

Kashima Production Dept.: We make donations to Kamisu City Council of Social Welfare. In FY2024, we donated four boxes of unused calendars and pocket notebooks, 472 used stamps, cash, and other items.

Editorial Policy

We prepared this Sustainability Report to inform our stakeholders about our sustainability initiatives that are not included in the FY2024 securities report for our 68th fiscal year. This report is also designed to assist in recruiting new talent who will carry out our future as it will help them better understand our sustainability efforts.
We have obtained third-party assurance for key figures in the report and made efforts to provide accurate information, including posting assurance details on our website. We plan to publish the details of the third-party assurance for the FY2024 report on our website by October.
We will continue our efforts to enhance the content of the report so that it will be used for a deeper understanding of our Group and better communication.

About Data Posted

Covered period: April 1, 2024 to March 31, 2025
(including some data for FY2025)

Financials: Include FUSO CHEMICAL CO., LTD. and its consolidated subsidiaries
For the latest financial data, see IR information on our website.

Other data: Data of FUSO CHEMICAL CO., LTD. during the covered period
(Consolidated data is indicated as "consolidated.")
(For data outside the covered period, the period covered is stated.)

Guideline: This report includes information to be disclosed under the Global Reporting Initiative (GRI) Standards.

Third-party assurance: Data with third-party assurance is stated as "data with assurance." The assurance details are posted on our website.

Others: Asterisks (*) indicate terms, proper nouns, and other words in sentences requiring an explanation, which is provided at the end of the applicable item.

Disclaimers: This report contains forward-looking statements that are based on plans, outlooks, and management policies/strategies of FUSO CHEMICAL CO., LTD. and its group subsidiaries as of the date of issuance. These forward-looking statements are based on information available at the time they are made. The actual results or directions of business activities may differ depending on future changes in the operating environment.
We would appreciate your understanding on the above points.

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