

# **Initiatives to Enhance Medium- to Long-Term Corporate Value and ESG Initiatives to Support Sustainable Growth**

September 10, 2024  
Yasuchika Iwasa  
President  
NIPPO LTD.

# Corporate Philosophy and Business Identity

**NIPPO LTD. will continue to provide “unique value” as a “technical innovator” supporting our customers’ manufacturing in our endeavor to enhance mid- to long-term corporate value and develop a sustainable society.**

Since the company's founding in 1952, NIPPO LTD. has supported our customers’ manufacturing both as a trading company specializing in the field of high-performance production components and as a manufacturer of precision-molded plastic components.

"Technical innovator" describes the business style of our company—“thinking of, selecting, and creating unique value” supported by our technical capabilities and strategic thinking, with the employees who embody this style being one of our company's greatest strengths.

We constantly strive to enhance our medium- to long-term corporate value and bring about a sustainable society, continuously helping sustain convenient and prosperous lifestyles by “creating unique value” through new challenges in the development of our customer's manufacturing and technology.

## **1+1=3 More Than the Sum**

As our corporate statement, this expresses the aim to support and contribute to our customers' manufacturing goals by creating added value ("1+1=3 More Than the Sum")—that is, by providing "unique value"—based not simply on addition, but on our unique competitive advantage based on our "thinking of, selecting, and creating unique value" approach to develop products and services.

### **Management Philosophy**

We are committed to promoting both prosperity for our company and happiness for our staff and associates by creating new value, so as to repay society for its blessings.

### **Management Policy**

As a company creating unique value, we will continue to support the world-leading manufacturing of our customers and view our employees as a source of strength for our company, and will make it our goal to be a global company with roots in each of our local communities.

### **Code of Conduct**

We strive to ground actions in the six core concepts that are required in providing unique value: "Customer Creed"; "Basic Consciousness"; "Fairness"; "Taking on Challenges"; "Speed"; and "Communication."

# Business Segment

Manufacturing

Trading

## Mobility

- Power Train Components
- Electronic Control System Components
  - Molded Resin Products, Insert Components
  - Coil Parts and Assembly
  - Processing Metal Components
- Customized Manufacturing Equipment (Automated Machinery, Inspection Machines, etc.)



## Medical and Precision Devices

- Disposable Medical Device Products
- Medical Robots Components
- Printer Parts
- Digital Imaging Components



## Electronics

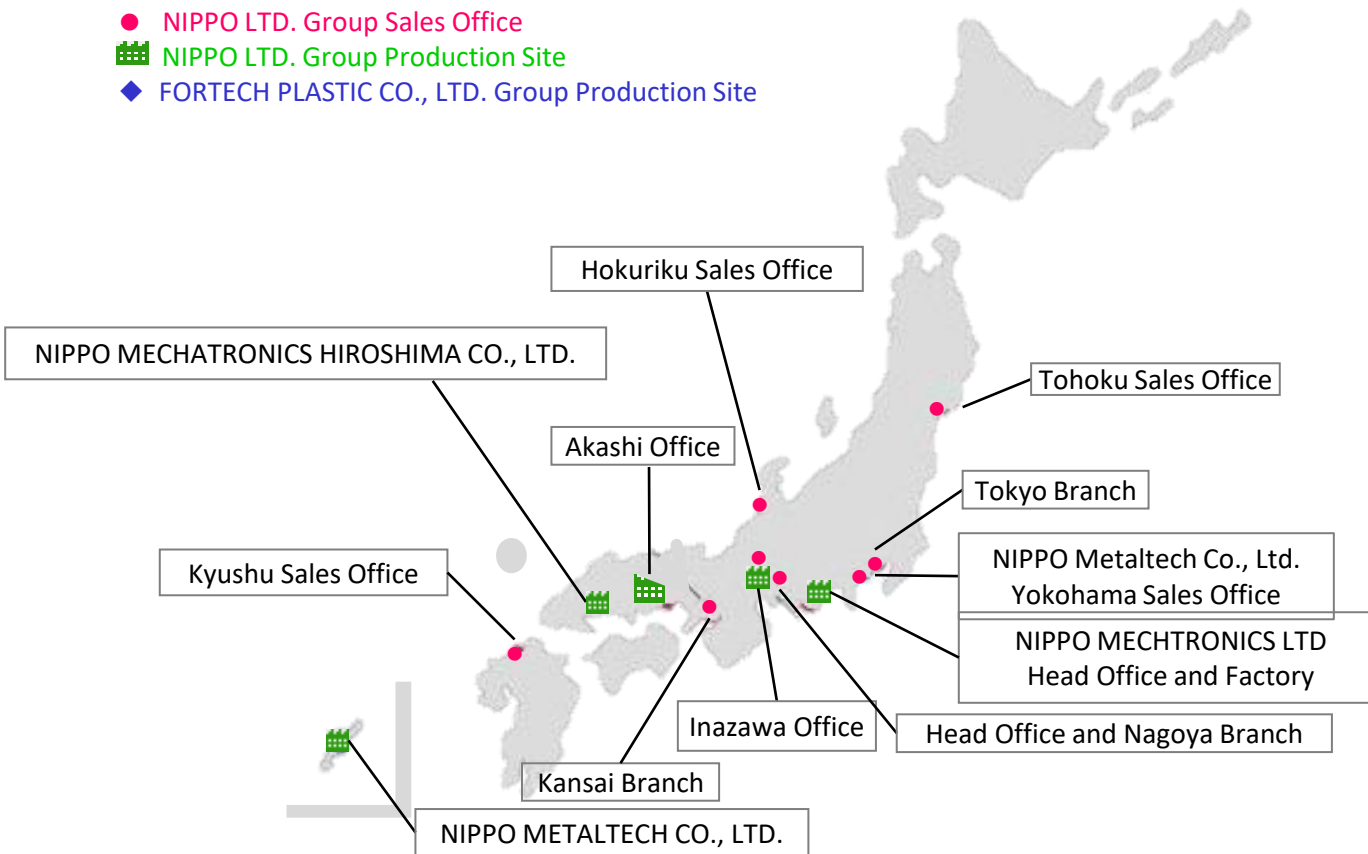
- 【Electronic Components】
- Functional Materials
  - Thin Film Materials
  - Packaging Materials
- Wiring Board Materials
- High Performance Epoxy Adhesives
- Wafer grinding carriers
- Functional Processed Components, Jigs and Tools, Equipment
- 【Housing Fixtures and Equipment】
- Residential Piping Materials
- Water Heater and Piping Materials
- Materials for Household Fuel Cells



# Global Network

Working as our customers' business partner in developing a global business rooted in Japanese and overseas regions

- NIPPO LTD. Group Sales Office
- NIPPO LTD. Group Production Site
- ◆ FORTECH PLASTIC CO., LTD. Group Production Site



- 8 sales offices and 5 production sites



※FORTECH PLASTIC: Business Partner

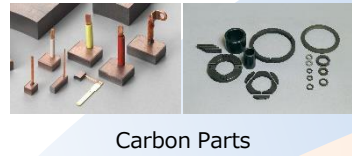
- 7 sales offices and 6 production sites in ASEAN, Greater China, and Mexico \*Fuyu Giken (business partner): 8 sites

## **SECTION 1: Initiatives to Enhance Medium- to Long-Term Corporate Value**

# History of Value Creation

The NIPPO Group was established in 1952 based on the Sales Division of Toho Carbon Manufacturing, an authorized dealer for Hitachi, Ltd. manufacturing and selling carbon blocks. Since then, we have supported our customers' manufacturing as a "unique, value-creating company" fulfilling the dual functions of trading and manufacturing.

Changing Business Trends



Carbon Parts



Varnish Material



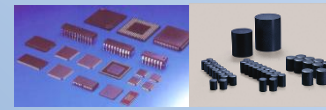
Magnet Parts



Material for housing fixtures and equipment



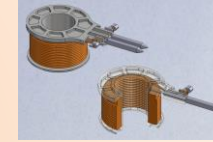
Wiring board materials



Semiconductor and electronic component material



Fuel cell materials



Winding wires Solenoid parts



Gears, rotors Exhaust gas recirculation parts



Insulators Hybrid vehicle parts



Timing chain tensioner Engine parts

Power train components



Camera parts



Wristwatch parts



Audio Visual (AV) equipment



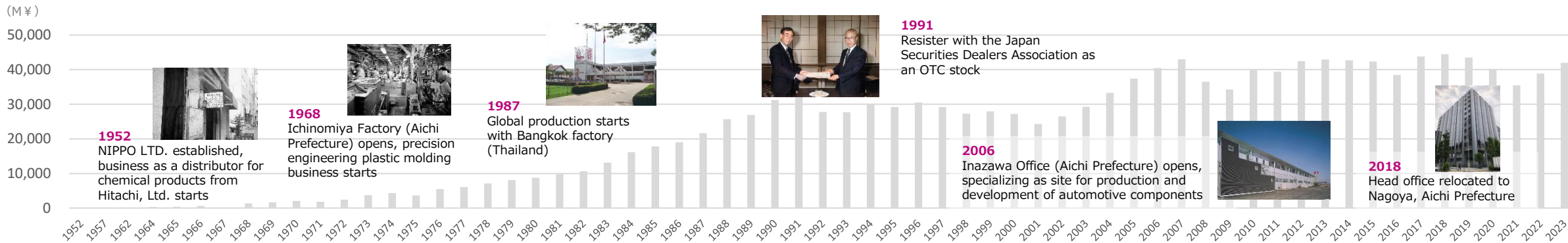
Printer parts



Medical device components

## Medical and Precision Devices

## Mobility



### 1952- Founding

- NIPPO LTD. established (Osaka City, Osaka Prefecture)

### 1960- Development

- 1968 Start of precision engineering plastic molding business
- 1982 Start of development, manufacturing and sales of plastic magnets
- 1982 Start of manufacturing and sales of self-designed, FRP-made product "Fuel Economy Plates" for trucks.

### 1987- Expansion

- 1987 Start of global production
- 1987 Start of manufacturing and sales of our original products "Hys Torque Roller" and "One Way Clutch Unit".
- 1991 Resister with the Japan Securities Dealers Association as an OTC stock.

### 2001- Renewal

- 2002 Introduction of corporate headquarters system as one measure to strengthen marketing system
- 2004 Listed on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange)
- 2006 Opening of Inazawa Office in Inazawa City, Aichi Prefecture
- 2011 Start of medical equipment manufacturing in Korat (Thailand)

### 2016- Change

- 2016 Formulation of Management Strategy based on long-term vision and medium-term management plan
- 2018 Headquarters relocated to Nagoya City, Aichi Prefecture
- 2020 Multiple listings on Nagoya Stock Exchange
- 2022 Shift to new market categories of Tokyo Stock Exchange "Standard Market" and Nagoya Stock Exchange "Main Market".

NOTE : The company has adopted the Revenue Recognition Accounting Standards since FY2021

History and Sales Trends

# Establishment Phase of Medium-Term Management Plan 2022-2028

<p><b>Our Purpose</b></p>	<p>To provide unique value to our customers, who are leading the world in manufacturing, and continue to support their manufacturing efforts.</p>
<p><b>Our Goal</b></p>	<p>To become a unique company that continues to grow and view its employees as a source of strength.</p>

## Phases of Medium-Term Management Plan



<p><b>Phase</b></p>	<p>Period <u>for facing the challenge of building new business models</u>, while stabilizing our financial base</p>	<p><b><u>A period for actively promoting sales of new products and materials</u></b> developed through the “creating the new business models” phase</p>	<p>A period for realizing <u>even higher growth</u> in terms of both business scale and earnings by further expanding business areas</p>
	<p><b>Strengthen business foundation</b></p>	<p><b>Prepare for stepping up</b></p>	<p><b>Step up</b></p>

# Value Creation Process

The NIPPO Group conducts business in three core business segments: Electronics; Mobility; and Medical and Precision Devices. As a "technical innovator" supporting our customers' manufacturing efforts, we apply six types of capital and two functions (trading and manufacturing), and through our approach of "thinking, selecting, and creating," we continue to provide "unique value"—something more than the sum of its parts—and contribute to enhance medium- to long-term corporate value and in achieving a sustainable society.

## Principal Capital (as of end of FY 2022)

<b>Financial</b>	Total assets	30,755 million yen
	Equity ratio	48.1 %
<b>Manufacturing</b>	Fixed assets	13,002 million yen
	Capital investment expenses	1,279 million yen
<b>Intellectual</b>	Patents held	22
	R&D expenses	64 million yen
<b>Human</b>	Number of employees (non-consolidated)	319
	Number of employees (consolidated)	2,830
<b>Social</b>	Domestic group companies	3
	Overseas group companies	10
	Business partners	6
<b>Natural</b>	Electricity usage	42,324,963 kWh
	Water consumption	110,040 m <sup>3</sup>

## Business Activities

### Our Strengths

As a "technical innovator," we utilize a business style that combines trading and manufacturing functions, with employees who embody this style.

(Business Segment)

Electronics

Mobility

Medical and Precision Devices

### Medium-Term Management Plan 2025 (FY2023-FY2025)

A period for actively promoting sales of new products and materials developed through the "creating the new business models"

(Initiatives to Address Materiality)

#### Protecting the Global Environment

- Reducing CO2 emissions
- Developing environmentally friendly products



#### Observance of Compliance

- Continuing, auditing, and supervision of compliance awareness activities



#### Harmonizing with and Contributing to Society

- Efforts to strengthen human capital
- Diversity initiatives

## Corporate Philosophy

We are committed to promoting both prosperity for our company and happiness for our staff and associates by creating new value, so as to repay society for its blessings.

## Business Vision

- **Electronics** : Develop as a materials and parts trading company with manufacturing functions
- **Mobility** : Evolve from Tier 2 to Tier 1.5 manufacturer
- **Medical & Precision Devices** : Grow as medical device component OEM manufacturer

## Medium-Term Management Plan 2025 - Quantitative Targets

3-year Cumulative Total of Consolidated Operating Income : 5.73bJPY

3-year average ROE  $\geq$  10.0%

Seg. Sales/Income in FY2025 (Ref)

■ **Electronics** : 18.10bJPY/1.30bJPY

■ **Mobility** : 16.50bJPY/1.54bJPY

■ **Medical and Precision Devices** : 7.50bJPY/0.20bJPY

## Sustainability targets

■ Reduction rate in CO2 emissions : by 2050, achieving carbon neutrality (effectively zero CO2 emissions), in 2030, at least 25% in comparison with FY2021 ※targeting SCOPE ½

■ Employee Satisfaction rate : FY2025  $\geq$  65%

■ Percentage of woman employees among employees at assistant manager level (including general staffs) : FY2025 40%

Medium-term Management Plan 2025 ([https://www.nip.co.jp/english/ir/.assets/cyukei2025\\_en.pdf](https://www.nip.co.jp/english/ir/.assets/cyukei2025_en.pdf))

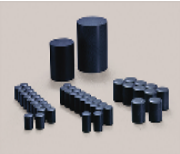









ESG data ( <https://www.nip.co.jp/english/esg/#esgdata> )



# Business Portfolio

## Basic Policy Regarding Our Business Portfolio

1. With our focus on the three business segments of Electronics, Mobility, and Medical and Precision Devices, we take on the challenge of creating a competitive advantage in these domains while aiming to expand our business with the creation of a new, fourth segment including niche domains.
2. In each business segment, we will strategically invest management resources to businesses exhibiting high potential for growth and profitability and promote the shift of resources to these domains. Simultaneously, we plan to downsize or withdraw from businesses in each segment that does not contribute directly or indirectly to the growth of operating income (amount) or that is deemed unlikely to make a commensurate contribution over time.
3. To identify management indicators considering the cost of capital and to ensure the linkage between these management indicators and our business activities (operations), we set operating income (amount) growth targets for each business segment, with the Board of Directors supervising efforts to achieve medium- to long-term improvement in corporate value and regular reviews of our business portfolio.

	Main Businesses		New Businesses		Strengthening Functions
Electronics	 Semiconductor materials	 Wiring board materials	 Hydrogen energy components	 Power device components	<b>Strengthening manufacturer functions</b> <ul style="list-style-type: none"> <li>• Film slit processing</li> <li>• High performance adhesives</li> <li>• Wafer polishing carriers</li> <li>• In-house planned products</li> </ul>
Mobility	 Electronic control parts	 Coil parts	 Sensor related parts	 Automation	<b>Enhancing cost competitiveness</b> <ul style="list-style-type: none"> <li>• Promoting automation in mass production and inspections process</li> </ul>
Medical & Precision Devices	 Disposable parts for medical equipment		 Parts for medical robots		<b>Enhancing cost competitiveness</b> <ul style="list-style-type: none"> <li>• Promoting automation in mass production and inspections process</li> </ul>

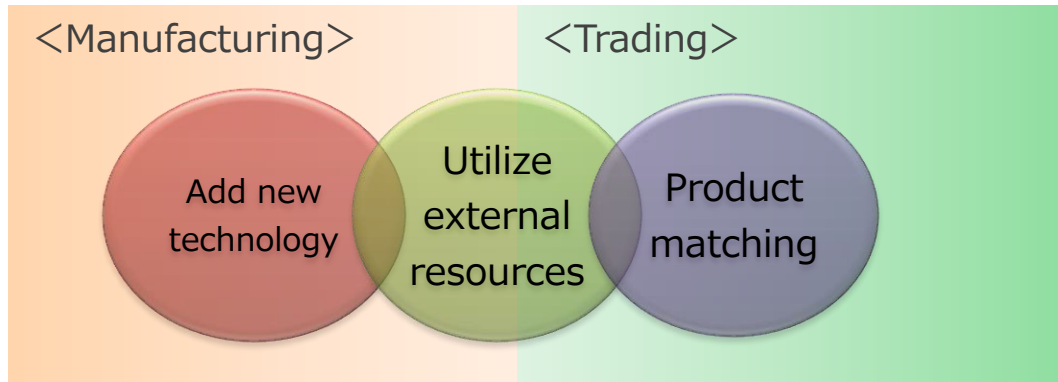
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Create new business segments

Downsize or withdraw from businesses in each business segment that do not contribute directly or indirectly to the growth of operating income (amount) and that cannot be expected to contribute as time passes.

# Measures to Create New Business Segments

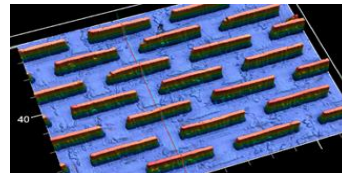
## Novelty product development



### ■ Collaboration with Universities

#### 【Joint research with Nagoya Institute of Technology】

Developed the world's first "defogger" pattern-molded plastic product that automatically transports liquids with fine patterns.



(image)

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## Product development with **environmental contribution** as a keyword

### ■ Market Development in the Field of Hydrogen Energy

Expand the product lineup by combining in-house resources and that of partners, targeting the key materials necessary to generate "hydrogen energy," which is attracting attention as a carbon free next-generation energy source.



### ■ Development of Environment-friendly Products

【In-house project】 (Green Development Project)  
Young employees take the lead in creating new business models and developing products based on the keyword of "carbon neutral."

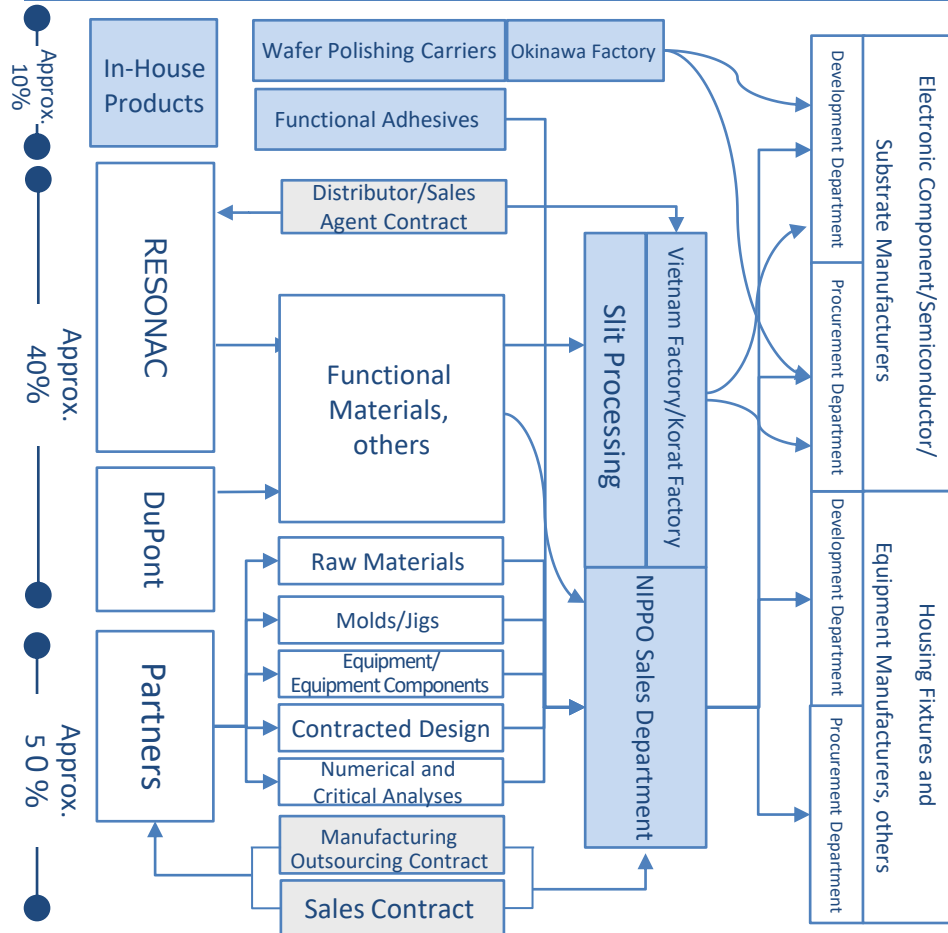
Create a new business that contributes to "enhance mid- to long-term corporate value and develop a sustainable society"!

# Business Strategy and Business Model (Electronics)

## Sources of Competitive Advantage

- Problem-solving technical business style conducted in collaboration with partner companies
- Superior quality assurance system equivalent to that of a manufacturer, despite being a trading company
- Offering high value-added products that combine trading company and manufacturer functions

## Value Chain



## Risks

- Changes in supply chains due to reorganization of suppliers/customers' business
- Increased procurement costs due to sharp increases in material prices
- Accelerating cost competition for general-purpose materials

## Opportunities

- Increasing need for functional materials due to the evolution of next-generation communications technologies
- Greater demand for polishing carriers due to the increasing precision of semiconductor wafers
- Increased demand for hydrogen energy-related components due to the progress of carbon neutrality
- Return of domestic production activity due to fluctuations in exchange rates and developing geopolitical risks

## Efforts to Create a Sustainable Competitive Advantage

	Category	Measures	
Increase in Added Value	Shift to High Value-added Products	Electronics and semiconductor materials	Match products that can solve customer issues
		Wiring Board Materials	Shift to high-end wiring board products with high added value
		Hydrogen Energy Products	Increase for unit product orders through partner collaboration
Strengthening Manufacturer Functions	Wafer Polishing Carriers	Increase profitability by improving productivity and expanding sales channels through cooperation with partners	
	Film Slit Processing Products	Expand business by expanding the clean room floor space at the Vietnam factory and constructing a new clean room at the Korat factory	
	Functional Adhesives	Boost development of original high-performance adhesives	

## Business vision

Develop as a materials and components trading company with manufacturing functions

# Business Strategy and Business Model (Mobility)

## Sources of Competitive Advantage

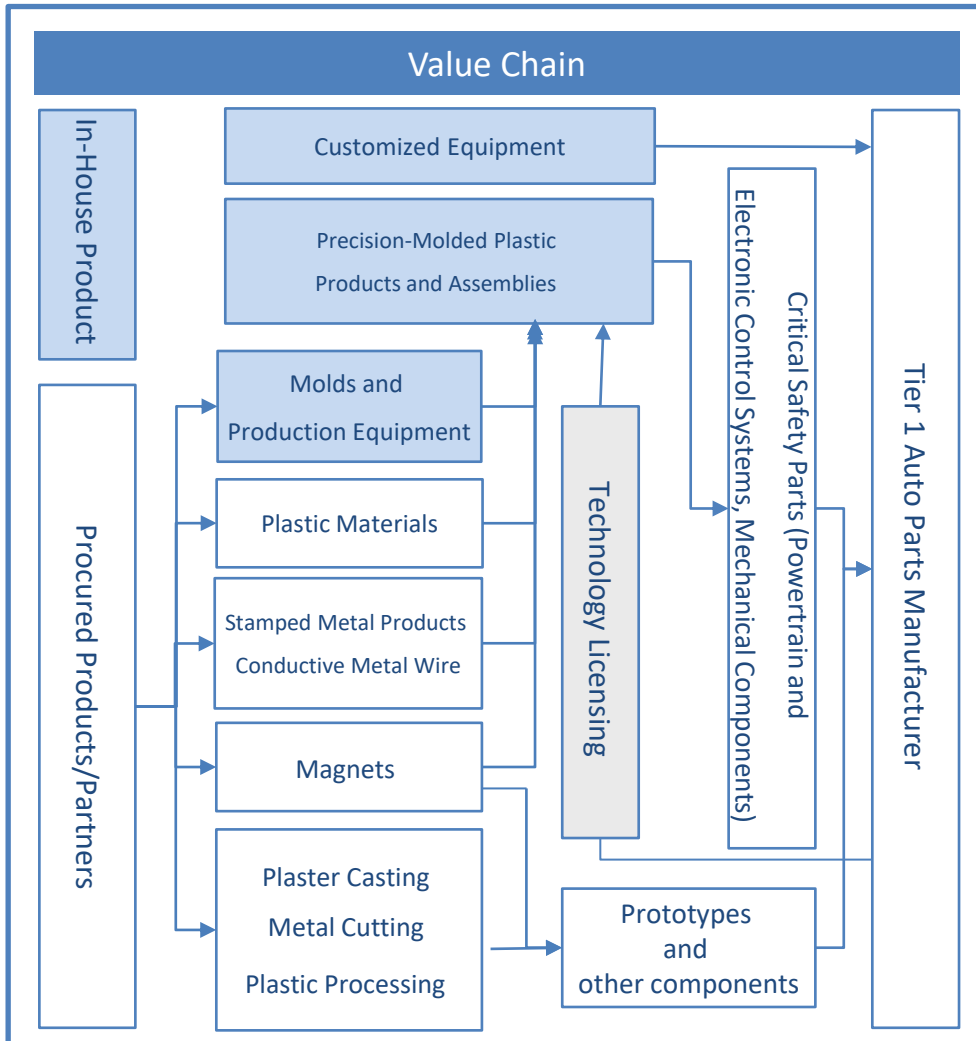
- Mass production technology for coil (wound wire) parts
- Quality control technology for critical safety parts
- Equipment technology supporting high-quality and efficient mass production activities

## Risks

- Shift to electric (EVs) (surpassing expected speeds)
- Disruption of supply chains due to disasters and countries' risks
- Reduced production by automobile and auto parts manufacturers due to prolonged semiconductor shortages
- Compensation for recalls due to defective parts
- Sharp increases in transportation and personnel expenses

## Opportunities

- Increased demand for electronic control system parts (ECUs, PCUs, motors, etc.)
- Progress in electrification leading to increased demand for new materials satisfying requirements for electrical properties and reduced weight
- Advances in automated driving resulting in increased demand for new materials used to ensure safety



## Efforts to Create a Sustainable Competitive Advantage

Category	Measures
Strengthening Differentiated Technologies	Coil Parts, Thin-Wall Molding <ul style="list-style-type: none"> <li>• Unitization of products combining thin-wall molding technologies, winding technologies, independently procured products, etc.</li> <li>• Acquire techniques for evaluating electrical characteristics and reliability</li> </ul>
	<ul style="list-style-type: none"> <li>• Shift to molded insert products, Teflon coatings, and other high value-added products</li> <li>• Acquire techniques for evaluating bonding of plastics with dissimilar materials</li> </ul>
Incorporate New Products	<ul style="list-style-type: none"> <li>• New product development combining technologies possessed by NIPPO and partners</li> </ul> Target: Autonomous driving-related parts, units, etc.
Enhance Cost Competitiveness	<ul style="list-style-type: none"> <li>• Promote automation by incorporating equipment independently manufactured by NIPPO (produced in-house) and sales of equipment produced in-house</li> </ul>
Reinforce Responses for BCP	<ul style="list-style-type: none"> <li>• Promote production in optimal locations, optimize locations for logistics sites and warehouses</li> </ul>

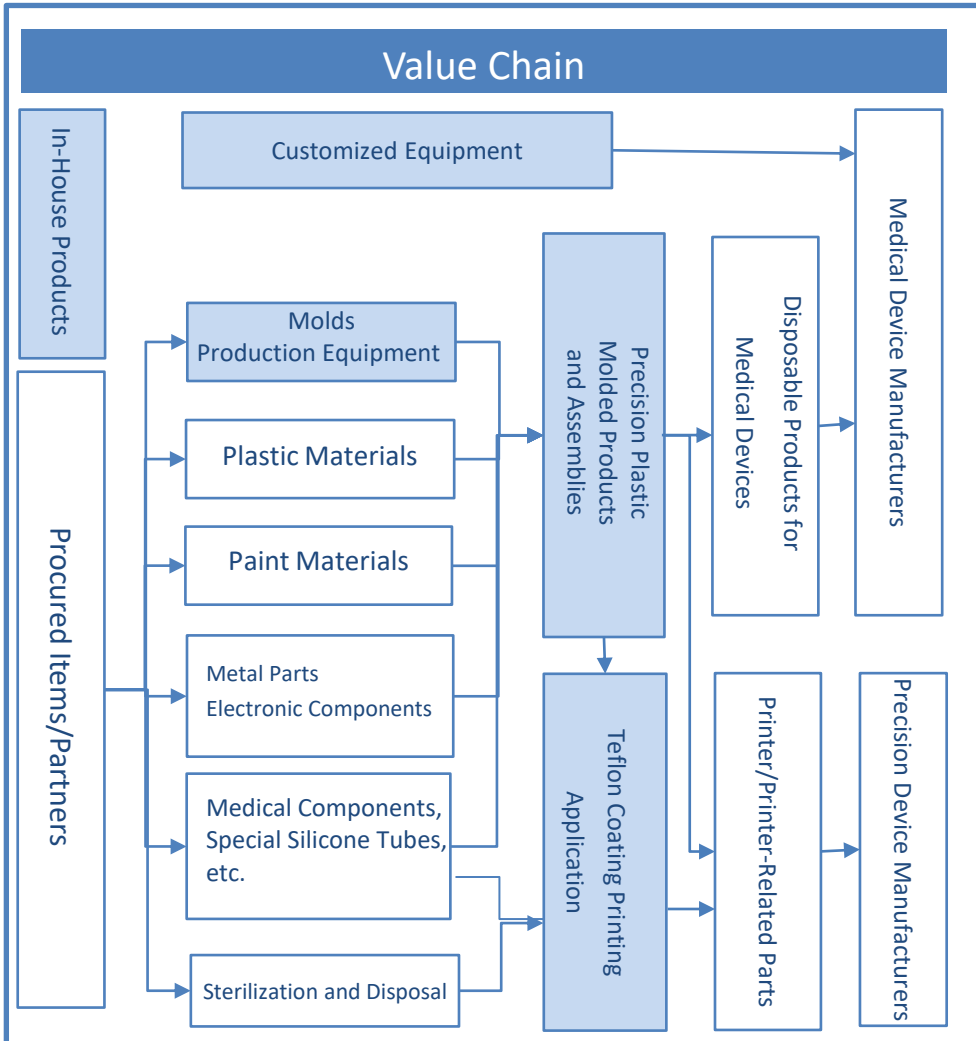
## Business vision

Evolve from Tier 2 to Tier 1.5 manufacturer

# Business Strategy and Business Model (Medical and Precision Devices)

**Sources of Competitive Advantage**

- Environment, technology, and licensing for specially controlled medical devices
- ISO 13485-conformant quality control technology



**Risks**

- (Common to Both) Change in supply chain due to partners restructuring their businesses
- (Precision Devices) Decrease in printer demand due to increasingly paperless work
- (Medical Devices) Recall payouts due to defective components and other factors

**Opportunities**

- Increased demand for medical robots due to labor shortages at medical institutions
- Increased demand for telemedicine, including online medical examinations and remote device operation due to labor shortages at medical institutions, prevention of nosocomial infections, and other developments
- Increased demand for high-quality, high-precision components due to an increase in medical lawsuits

## Efforts to Create a Sustainable Competitive Advantage

Category	Measures
Strengthening Differentiated Technologies	<ul style="list-style-type: none"> <li>• Enhance assembly, adhesion technology, surface treatment technology, and validation skills</li> <li>• Acquire knowledge on specialized material processing for medical device components</li> </ul>
Enhance cost competitiveness	<ul style="list-style-type: none"> <li>• Promote automation with in-house equipment and create production lines capable of handling integrated production, from component units to finished products</li> </ul>
Expand subcontracted manufacturing of medical device components	<ul style="list-style-type: none"> <li>• Scale up contract manufacturing by building a production system for medical device components in Japan</li> <li>• Scale up contract manufacturing by strengthening overseas (ASEAN) production system</li> </ul>
Reinforce the Equipment Business	<ul style="list-style-type: none"> <li>• Lateral development (sales) of devices produced in-house utilizing equipment technology developed with automotive parts</li> </ul>

**Business vision**

**Develop as an OEM manufacturer of medical equipment components**

## **SECTION 2: ESG Initiatives Supporting Sustainable Growth**

# Sustainability Policy

The NIPPO Group's management philosophy expresses our mission to promote both prosperity for our company and happiness for our staff and associates by creating new value so as to repay society for its blessings.

We have established the following policies as sustainability policies based on our "Compliance Declaration and Code of Conduct," which we are bound to follow as a good corporate citizen, and commit ourselves through our business activities to enhancing our medium- to long-term corporate value and bringing about a sustainable society in accordance with the SDGs.

## Social Policies

- We understand and respect the basic human rights guaranteed by Japan's Constitution and the laws and regulations of each individual country, as well as the basic human rights stipulated in international guidelines.
- We respect every country's and region's culture and customs, and we strive to harmonize with and contribute to our local communities in cooperation with our diverse stakeholders.

## Environmental Policies

- We promote business activities that help protect the global environment and continuously work to improve such activities.
- We are proactive in dealing with the risks of climate change and strive to reduce CO2 emissions in the process of manufacturing and selling our products and materials

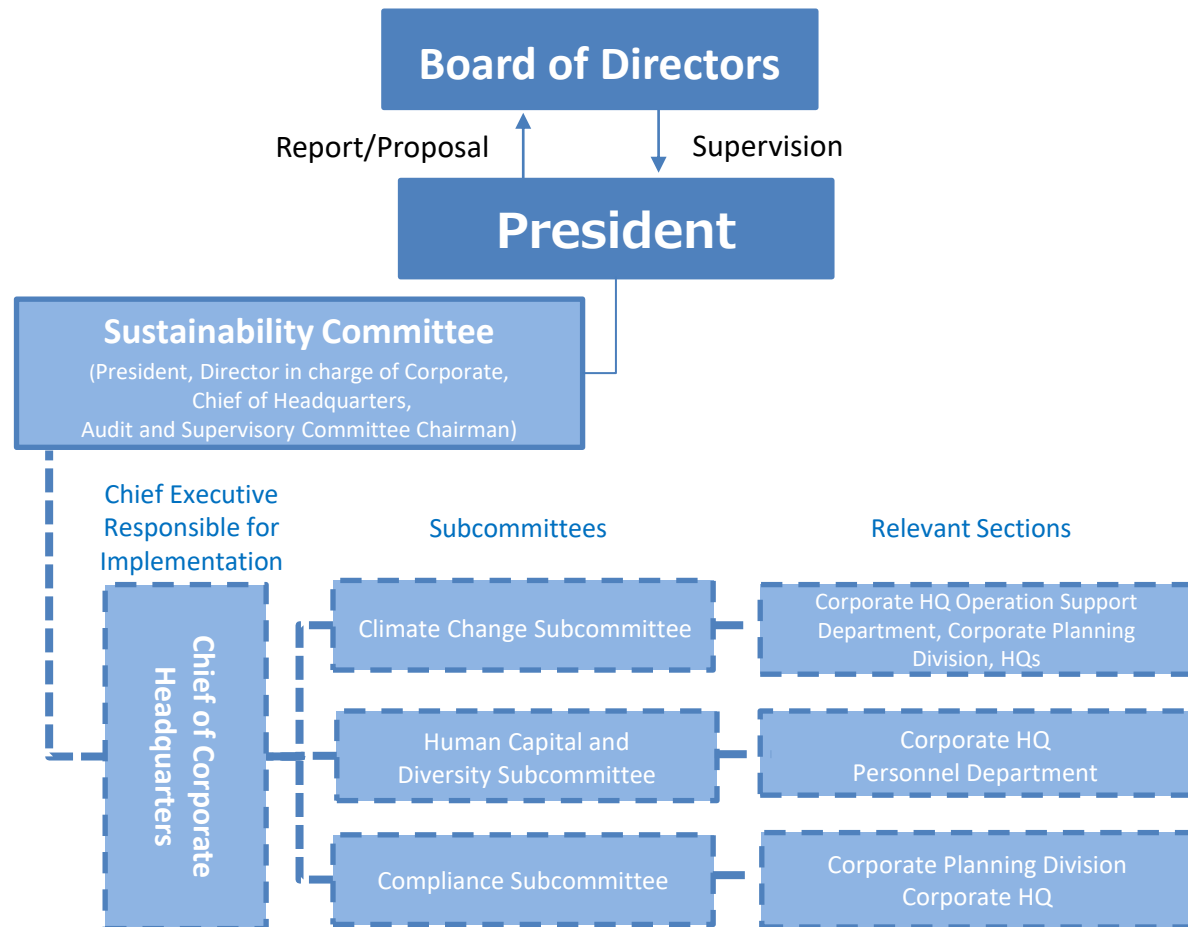
## Stakeholder Policies

Customers	With our new challenge of "creating and providing unique value," we support our customers' manufacturing businesses, and contribute to technological development and fuller, more convenient lifestyles around the world.
Suppliers	We strive to build relationships as a trusted business partner based on the spirit of fairness and the philosophy of mutual prosperity through free and equitable business dealings.
Employees	We adhere to the principle of mutual respect for one another's values and thinking, regardless of nationality, race, gender, age, religion, and other differences. We are committed to creating a workplace environment where employees can work with peace of mind as they take on challenges together, supporting our employees in their aim to build more enriching lives.
Shareholders/ Investors	We disclose information to our shareholders and investors in a timely and appropriate manner and emphasize constructive dialogue aimed at enhancing medium- to long-term corporate value.
Local Community	As a good corporate citizen with roots in the community, we actively engage in programs that contribute to society.

# Sustainability System

Based on our Sustainability Policy, the NIPPO Group has established the Sustainability Committee, which is chaired by the president, as a framework for promoting initiatives to improve medium- to long-term corporate value and create a sustainable society. To promote sustainability, we plan to identify and review materiality as well as review efforts to address identified materiality. Subcommittees will promote specific initiatives to maintain and improve each identified materiality, with the results of the activities being reported to the Sustainability Committee every six months. In addition, the Board of Directors will supervise the activities of this committee and subcommittees via the annual management review.

## Sustainability System Chart



## Roles of Each Institution (Organization)

	Roles
Board of Directors	<ul style="list-style-type: none"> <li>• Determine basic policies for sustainability-related initiatives</li> <li>• Supervise sustainability-related management issues</li> </ul>
President	<ul style="list-style-type: none"> <li>• Chief executive responsible for dealing with sustainability-related management issues</li> <li>• Report and provide recommendations to the Board of Directors regarding sustainability-related management issues</li> <li>• Develop Sustainability Committee activities with advice from the Board of Directors</li> </ul>
Sustainability Committee	<ul style="list-style-type: none"> <li>• Identify and review materiality</li> <li>• Review subcommittee's initiatives for each identified materiality</li> <li>• Resolve other sustainability-related problems and issues</li> </ul>
Subcommittees	<ul style="list-style-type: none"> <li>• Promote specific initiatives to maintain and improve identified materiality</li> <li>• Report to the Sustainability Committee on the results of activities</li> </ul> <p>*In order to link the sustainability promotion system and the Group's risk management system, Chief Executive Responsible for Implementation of the subcommittees and Chief of Risk Management Headquarters are appointed concurrently.</p>

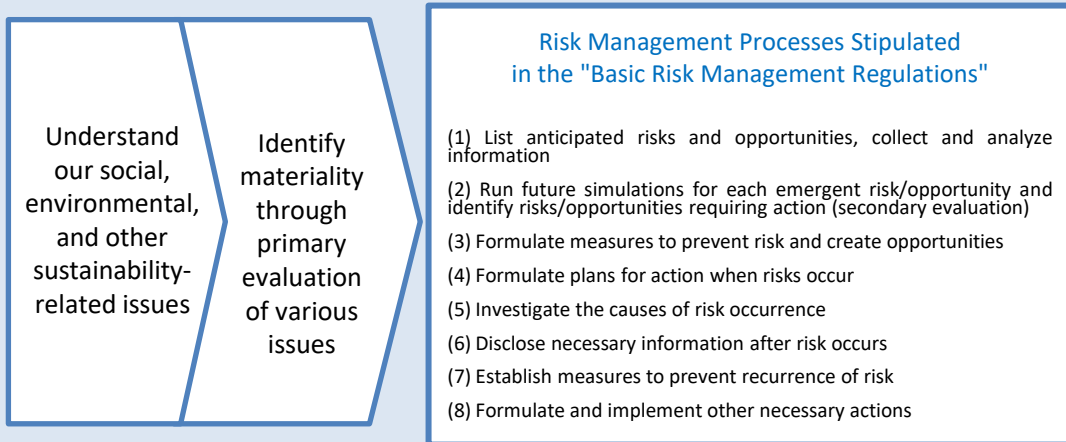


# Materiality Identification and Review Process and Risk Management System

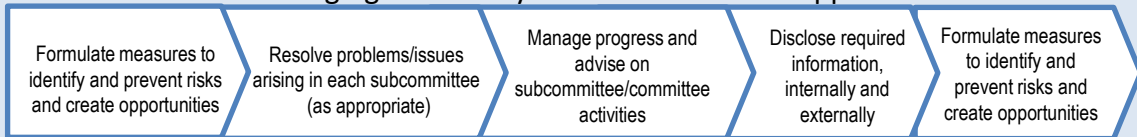
The Sustainability Committee is tasked with providing the NIPPO Group with an understanding of the company's social and environmental problems and other sustainability-related issues, identifying materiality following a primary evaluation of the impacts these issues have on NIPPO's stakeholders, on society, and on the company's management and business. A secondary evaluation of materiality that have been identified involves elucidating the risks and opportunities for each one and determining the specific efforts necessary to maintain and improve them. The aim is to create an efficient and effective management system by integrating each process for identifying, reviewing, maintaining and improving materiality with the Risk Management System, based on the Basic Risk Management Regulations separately established by the Group.

## Materiality Identification and Review Processes

### ● Processes for distinguishing, identifying, and evaluate materiality and their risks and opportunities



### ● Processes for Managing Materiality and Their Risks and Opportunities



Be constantly aware of link between the "long-term vision" and "medium-term management plan," proceed through the PDCA cycle

## Integration with Risk Management System

Risk Management System Stipulated in the "Basic Risk Management Rules"		Sustainability System	
Risk Category	Chief of Risk Management Headquarters	Subcommittee	Chief Executive Responsible for Implementation
<ul style="list-style-type: none"> <li>• Risks related to climate change</li> <li>• Risks related to labor issues (human capital, diversity, etc.)</li> <li>• Risks related to compliance</li> <li>• Risks related to disasters and accidents</li> <li>• Risks related to information security</li> <li>• Risks related of trade, other risks</li> </ul>	Chief of Corporate Headquarters	<ul style="list-style-type: none"> <li>• Climate Change Subcommittee</li> <li>• Human Capital and Diversity Subcommittee</li> <li>• Compliance Subcommittee</li> </ul>	Chief of Corporate Headquarters
<ul style="list-style-type: none"> <li>• Risks related to technology and patents</li> <li>• Risks related to sales transactions</li> <li>• Risks related to purchasing transactions</li> <li>• Risks related to distribution</li> <li>• Other risks related to transactions</li> </ul>	Chief of Business Headquarters	—	—

\* The aim is to create an efficient and effective management system by integrating the framework for materiality initiatives carried out by subcommittees under the Sustainability Committee with the risk management system stipulated in the Basic Risk Management Regulations.

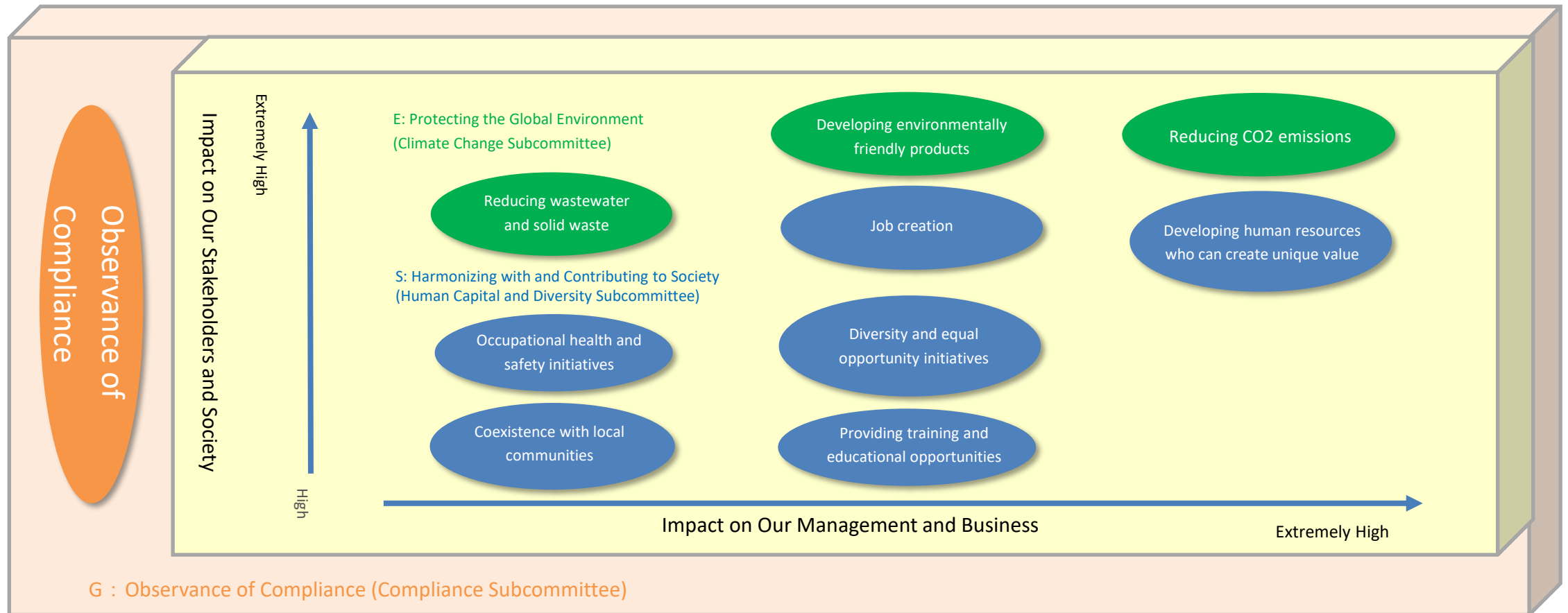
\* Please refer to "Risk Management System" under "Basic Risk Management Regulations" on Page 28.

# Evaluation and Identification of Materiality

The NIPPO Group recognizes that compliance is the most important undertaking for a company seen as a public institution. In addressing this, we identify the social and environmental problems and other sustainability-related issues (materiality) that affect the company and incorporate this materiality in our business strategy so as to enhance our medium- to long-term corporate value and successfully achieve a sustainable society through the creation of unique value.










## Materiality Identified by the Company and Subcommittees Responding

E: Environmental Issues S: Social Issues G: Governance Issues



# Specific Initiatives to Identify Materiality

The NIPPO Group identifies risks and opportunities related to the identified materiality and promotes initiatives in line with the countermeasures formulated for each, and we strive to improving medium- to long-term corporate value and achieving a sustainable society.

	Materiality	Risk and Opportunity		NIPPO Initiatives	Related SDGs
E Environment	<b>Protecting the Global Environment</b> <ul style="list-style-type: none"> <li>Reducing CO2 emissions</li> <li>Developing environmentally friendly products</li> <li>Reducing wastewater and solid waste</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Increased costs following stricter reporting requirements for CO2 emissions, the introduction of carbon pricing, and the additional excesses for corrective measures and emissions control</li> <li>Decreased sales due to delayed responses to market changes, such as lower demand for printers resulting from the shift to paperless operations and the electrification of automobile engines</li> <li>Increase demand from the business partners to reduce CO2 emissions and impact of that on company's evaluation</li> <li>Damage to our own factories due to increases in abnormal weather and natural disasters</li> </ul>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>Increasing need for environmentally friendly products that help reduce environmental impact and lower CO2 emissions</li> <li>Increasing need for products related to CO2 separation, capture, and utilization, with "carbon neutral" being the operating key phrase</li> <li>Increasing need for components related to hydrogen energy, which is attracting attention as a next-generation, non-CO2-emitting energy source</li> </ul>	E-1 Reducing CO2 emissions	 
				E-2 Developing environmentally friendly products	  
S Social	<b>Harmonizing with and Contributing to Society</b> <ul style="list-style-type: none"> <li>Developing human resources who can create unique value</li> <li>Job creation</li> <li>Diversity and equal opportunity initiatives</li> <li>Providing training and educational opportunities</li> <li>Occupational health and safety initiatives</li> <li>Coexistence with local communities</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>Results of decline in the working population: Existing employees</li> <li>Increased workload</li> <li>Lower productivity and work engagement</li> <li>Increased wages</li> <li>Employee attrition</li> <li>Work environments not meeting world's needs: Lower productivity and morale</li> <li>Employee attrition</li> <li>Reduced innovation</li> </ul>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>We will contribute to sustainable corporate growth and a sustainable of society by ensuring this is a company where all employees—who are the source of our strength—respect each other's individuality and can continue in their work with peace of mind.</li> </ul>	S-1 Initiatives to Strengthen Human Capital -1 Initiatives to Strengthen Human Capital	 
				S-2 Creating a Workplace Environment Where Diverse Employees Can Play an Active Role -1 Creating a Workplace Environment Where Employees Can Work Safely and Securely -2 Creating a Workplace Environment Where Everyone Can Play an Active Role	
G Governance	<b>Observance of Compliance</b>	<b>Risks</b> <ul style="list-style-type: none"> <li>Decline in social trust/credibility due to non-compliance</li> </ul>		G Continuing Compliance Awareness Programs with Auditing and Oversight	

# E-1 Reducing CO2 emissions

The NIPPO Group has identified the global issue of “protection of the global environment” as one of its material issues, and recognizes that it is a company’s responsibility to address this issue. Among these, we believe that concrete efforts to address climate change are urgently needed. In December 2022, we announced our support for the TCFD recommendations, and the Climate Change Subcommittee discussed the risks and opportunities, and responses that climate change could affect our business. We are also disclosing information in accordance with these recommendations.

※ For risks and opportunities identified by our company and specific initiatives, please refer to "Information Disclosure Based on TCFD Recommendations" ([https://www.nip.co.jp/english/esg/.assets/tcf\\_d\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/tcf_d_en.pdf)).

## ● Metrics and Targets


	FY2023 Results	FY2025 Target	FY2050 Target
Reduction rate in CO2 emissions (in comparison with FY2021)	+ 2%	Reduce $\geq$ 25%	carbon neutrality (effectively zero CO2 emissions)

- We have set a target for reducing CO2 emissions, the greenhouse gas with the greatest impact on global warming.”
- Results for each fiscal year : [https://www.nip.co.jp/english/esg/.assets/esg\\_environment\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_environment_en.pdf)
- We will make an announcement about the range of “SCOPE 3” that can be managed in practice once we have determined that information and are prepared to disclose it.

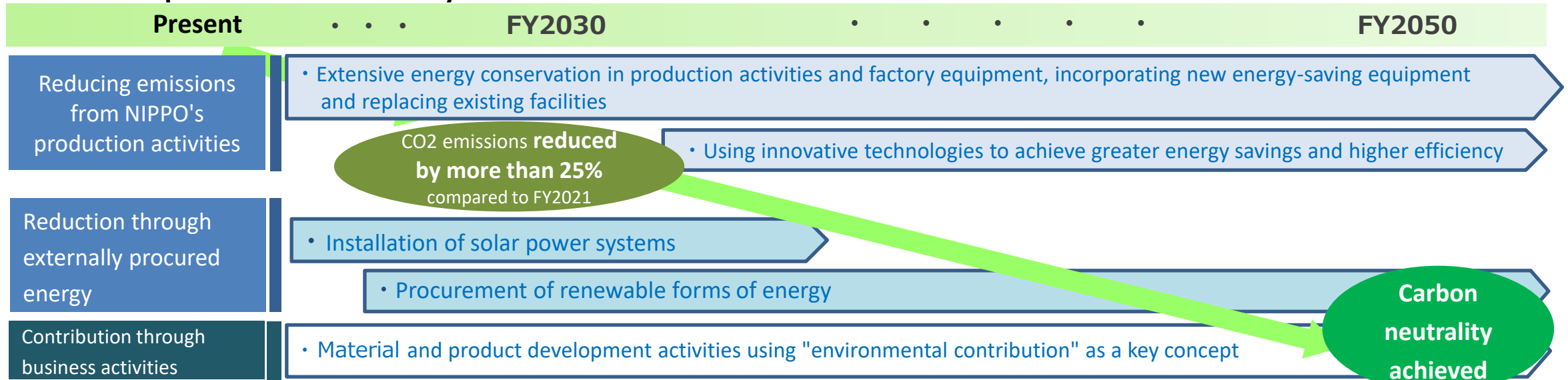
**TOPICS**

**Installation of self-consumption solar power generation system**

With an aim of reducing CO2 emissions and power costs by switching some of the electricity used in our factories to clean energy, we installed solar power generation systems at our production sites. In FY2023, we installed and started operation of self-consumption solar power generation systems at each of the Inazawa and Malaysia plants.



## ● Roadmap to Carbon Neutrality



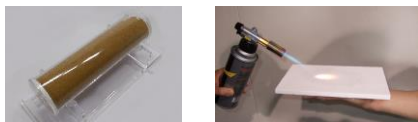
# E-2 Developing environmental contribution products

The NIPPO Group, in order to create new business segments, help protect the global environment by promoting the material and product development activities using "environmental contribution" as a key concept,.

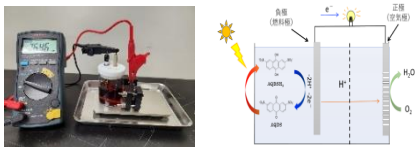
## Hydrogen energy-related business development

Targeting key materials necessary to generate hydrogen energy, which is a carbon free and next-generation energy source, we are accelerating efforts to commercialize it by combining the resources of our company, partner companies, and universities.

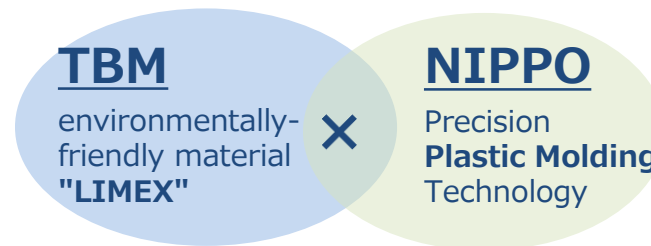
- ① Expansion of product lineup by utilizing the resources of partner companies
  - Sales of fuel cell components
  - Development of water electrolysis cells



- ② Joint research and development with Nagoya Institute of Technology
  - Development of a "New Type of Fuel Cell" that does not require Hydrogen Gas Supply



## Start preparations for contract production of "LIMEX Pellet\*"



In Mar. 2024, we established a capital and business alliance with TBM Co., Ltd. and our Vietnam plant is now preparing for contract production of LIMEX Pellet. In the future, we will also work on joint development of new LIMEX materials.

\* LIMEX Pellet contains more than 50% inorganic substances such as calcium carbonate, which is expected to reduce the amount of petroleum-derived plastics used and greenhouse gas emissions, including CO2.

## Green Development Project

As an in-house project, a Green Development Project was launched in 2022 and are working on the development of environmental contribution products.

Centered on industry-academia-government collaboration, the project is promoting activities with the goal of "creating a new business model and developing products that will lead the era 30 years from now" in light of the "14 fields to grow" indicated by the Japan government.

In addition, as 8 out of the 12 members of this project are in their twenties, we are also striving to develop human resources by providing opportunities to younger generation so that they will play a central role in our company in 20 or 30 years.

### Ongoing Themes

Direct capture of CO2 from the atmosphere using wave energy, chemical reactions, etc.

Development of products using plants that absorb a lot of CO2.  
(Fiber, powder, activated carbon, etc.)

# S Initiatives to Strengthen Human Capital and Increase Diversity

The NIPPO Group's employees—who we consider to be our technical innovators—are the source of our competitive advantage, and we may say that their existence is our strength. We enable "unique value creation" through the active participation and diverse perspectives of each employee as well as their mutual coexistence and cooperation. In order to continue this practice, the NIPPO Group is placing even greater focus on efforts to strengthen human capital and increase diversity.

## ■ Three Initiatives for "Unique Value Creation"

### S-1. Initiatives to Strengthen Human Capital

#### • Developing human resources who can create unique value

Continuously maintaining our practice of unique value creation requires employees to continue honing their expertise, to respect each other's values and ways of thinking, and to support derivation of the ideas and challenges of "more than the sum." Thus, we strive to create a workplace environment in which employees have a high degree of work engagement and are actively involved.

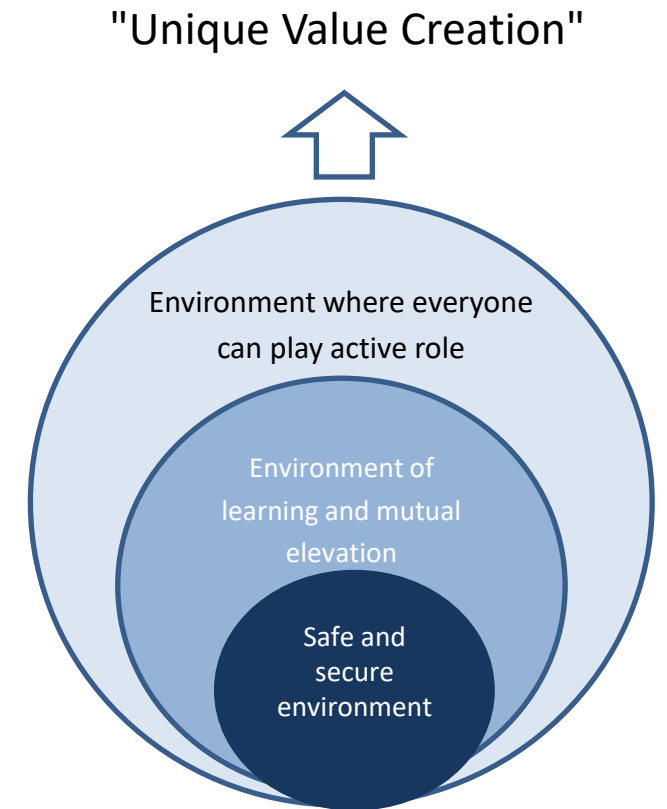
### S-2. Creating a Workplace Environment Where Diverse Employees Can Play an Active Role

#### • Creating a workplace environment where employees can work safely and securely

We consider an environment in which employees can work in safety and with peace of mind to be a basic condition in continuing to create unique value. We will introduce and review various personnel systems as we strive to create a comfortable working environment based on work style reform/innovation.

#### • Creating a workplace environment where everyone can play an active role

We consider an environment in which diverse perspectives—that is, an environment enabling discussions between those with diverse characteristics, including gender and internationality, regardless of position, career, or age—to be a basic condition in continuing to create unique value. We will introduce and review various personnel systems for the diversification of human resources as we strive to create opportunities for everyone to play an active role.



# S-1 Initiatives to Strengthen Human Capital

## ■ Developing Human Resources Who Can Create Unique Value

### ● Metrics and Targets

	FY2023 Results	FY2025 Target
Participation rate of level-specific training	95%	100%
Participation rate of training for managers	100%	100%

• Results for each fiscal year: [https://www.nip.co.jp/english/esg/.assets/esg\\_society\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_society_en.pdf)

### (1) Stratified Human Resource Development System

To develop technical innovators with technology and strategic thinking from a medium- to long-term perspective, we have been phasing in a mutual learning form of training based on the concept of "teaching, learning, and growing together." In concrete terms, based on work requirements set for each level, we provide opportunities to carefully consider what employees want to be in the future and steps in achieving that.

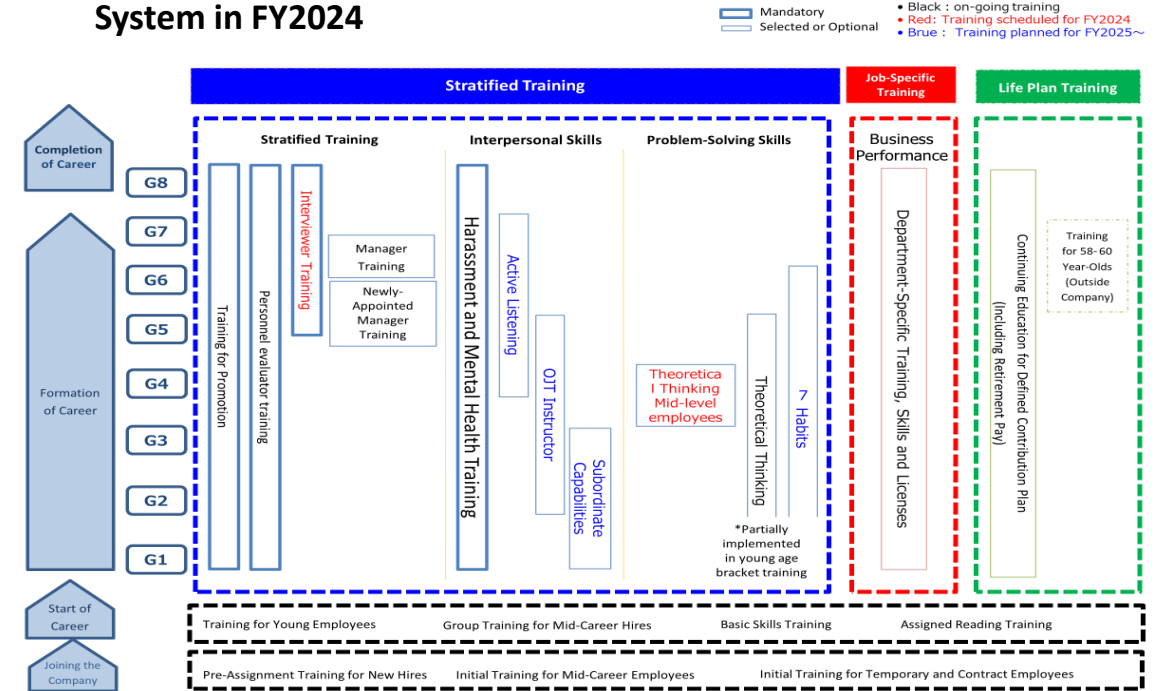
### (2) Developing Candidates for Management

For the purpose of improving the organization's ability to achieve goals, we conduct training in line with the training system aimed at strengthening management capabilities for managers and candidates for management positions. For example, at the "Basic Management Training" program for management candidates, they learn basic knowledge about management, such as how to lead the organization to achieve its goals and producing results through subordinates, and then they analyze issues in their own departments and integrate the results and action plans with their department heads in an aim to provide them with an opportunities to acquire practical basis knowledge and experience.

### (3) Enhancement Through Job-Specific Training

We conduct training specific to each business division, allowing trainees to acquire the knowledge and skills required in their specialized fields, as we strive to create a system that enables our personnel to grow through their work.

## ● Human Resource Development System in FY2024



**TOPICS** Basic skills improvement program "NIPPO Skill License System"

As one of our efforts to strengthen human capital, which is our materiality, we have introduced the "NIPPO Skills License System" that is an in-house basic skills improvement program aimed at "developing human resources who can create unique value."

As an example, in the field of plastic injection molding technology, after a predetermined education and evaluation, more than 50 people have been certified as instructors at five plants in Japan, Thailand (Bangkok Korat), Vietnam, and Indonesia.



# S-2 Creating a Workplace Environment Where Diverse Employees Can Play an Active Role

## ■ Creating a Workplace Environment Where Employees Can Work Safely and Securely

### (1) Periodic Examinations with a “Management and Labor Assessment” by a Certified Labor and Social Security Attorney

As we aim to be a company that values each and every employee, we were certified as a company that has passed the management and labor assessment, following a certified social insurance and labor consultant's assessment of our compliance with labor and social insurance laws and regulations and of our initiatives to reform the workplace environment.



### (2) Increasing the Childcare Leave Rate

We have focused on creating a system and workplace environment that allows employees to take leaves of absence for a childbirth, childcare, or other reasons without worrying, while also enabling them to return to work without difficulty.

	FY2023 Results	FY2025 Target
Male Employees	50%	≥ 15%
Women Employees	100%	100%

### (3) Initiatives to Improve Mental Health and Employee Satisfaction

Recognizing that our employees' mental health is a basic condition in leading a happy life for them and their families as well as in maintaining a lively workplace, we have been working to improve mental health, not only in terms of mental illness, but also with measures to revitalize communication in the workplace.

	FY2023 Results	FY2025 Target
Stress Check Index *1	99	94
Employee Satisfaction *2	55.1%	≥ 65%
High Stress Percentage*3	21.2%	< 10%
Turnover Rate *4	6.9%	< 5%

\* 1 Stress Check Index: An indicator of "comprehensive health risk" established by the Ministry of Health, Labor and Welfare. The national average is set at 100. The higher index (above 100) indicates the higher risk that the working environment is having a negative impact on workers' health.

\*2 Employee Satisfaction: Index of job satisfaction based on stress checks (percentage of employees who are "satisfied" or "somewhat satisfied" with their jobs)

\*3 High Stress Percentage: Percentage of "employees deemed to be highly stressed" according to stress checks

\*4 Turnover Rate: Turnover rate of regular employees (excluding mandatory retirement)

• Results for each fiscal year: [https://www.nip.co.jp/english/esg/.assets/esg\\_society\\_en.pdf](https://www.nip.co.jp/english/esg/.assets/esg_society_en.pdf)

TOPICS

### Initiatives to ensure that employees can continue to work safely and securely while giving birth and parenting

We believe that providing the necessary support at each stage of pregnancy, childbirth, and parenting will lead to "the creation of a workplace culture in which both men and women can balance parenting and work" and "the creation of a work environment in which taking childcare leave does not stop career development." We have also revised HR system and held individual briefing sessions for employees before and after childcare leave.

New HR systems
Maternity checkup leave
Paid leave for childcare
Partial salary payment during childcare leave





# S-2 Creating a Workplace Environment Where Diverse Employees Can Play an Active Role

## ■ Creating a Workplace Environment Where Everyone Can Play an Active Role

### (1) Ensuring Diversity in Core Human Resources

As we believe a multifaceted perspective enhances an organization's growth, one aim is to increase the percentage of woman employees in career-track and professional positions as well as employees at assistant manager level.

	FY2022 Results	FY2025 Target
Percentage of woman employees in career-track and professional positions (not including managers)	9.8%	15%
Percentage of woman employees among employees at assistant manager level (including general staffs)	30.5%	40%

• Results for each fiscal year : [https://www.nip.co.jp/english/esg/assets/esg\\_society\\_en.pdf](https://www.nip.co.jp/english/esg/assets/esg_society_en.pdf)

### (2) Company-wide Project Initiatives

We continue to create a system that allows any interested individual to take on the challenge of new initiatives and gain successful experience without the limits imposed by occupational classifications or specializations, thereby providing opportunities to encounter "more than the sum," an experience that results from discussions featuring multiple perspectives.

TOPICS

#### Systems that reward employees who take on challenges and enhance their engagement

As part of our efforts to create a workplace environment where diverse employees can play an active role, we have established a new system to support employees who take on challenges and enhance their engagement from FY2024.

##### ■ Special Promotion System

In FY2024, we introduced a system that allows employees who have taken on challenges and achieved higher results to be promoted at an earlier stage.

##### ■ In-house multi-job and in-house internship system

In fiscal 2024, we introduced a system that allows employees with high aspirations to gain diverse work experience while staying at our company. This system also aims to develop human resources with multiple skills based on diverse personal network and multiple experience, and to create new value that is not bound by existing frameworks.

##### **【In-house multi-job system】**

A system in which departments that need support from other departments set recruitment guidelines and recruit employees [who want to take on the challenge](#) of their work.

##### **【In-house internship system】**

A system that allows employees who are interested in the work of other departments to apply for the work and gain work experience there so that they can use it for future career development.

# G Continuing Compliance Awareness Programs with Auditing and Oversight

The NIPPO Group has identified "observance of compliance" as the company's most important materiality. We have incorporated the "Compliance Declaration and Code of Conduct" into our "Compliance Guidebook" as a fundamental set of directives to be observed in the execution of our daily duties. We always take the ethical path and proceed with good social sense so that we may be deemed a good corporate citizen.

## Compliance Training System

Follow-up for managers

- Training for managers  
Labor management, harassment, etc.

Follow-up for all employees

- Compliance training for all employees
- Thematic compliance training (optional)  
Subcontracting law, environmental laws and regulations, harassment, etc.

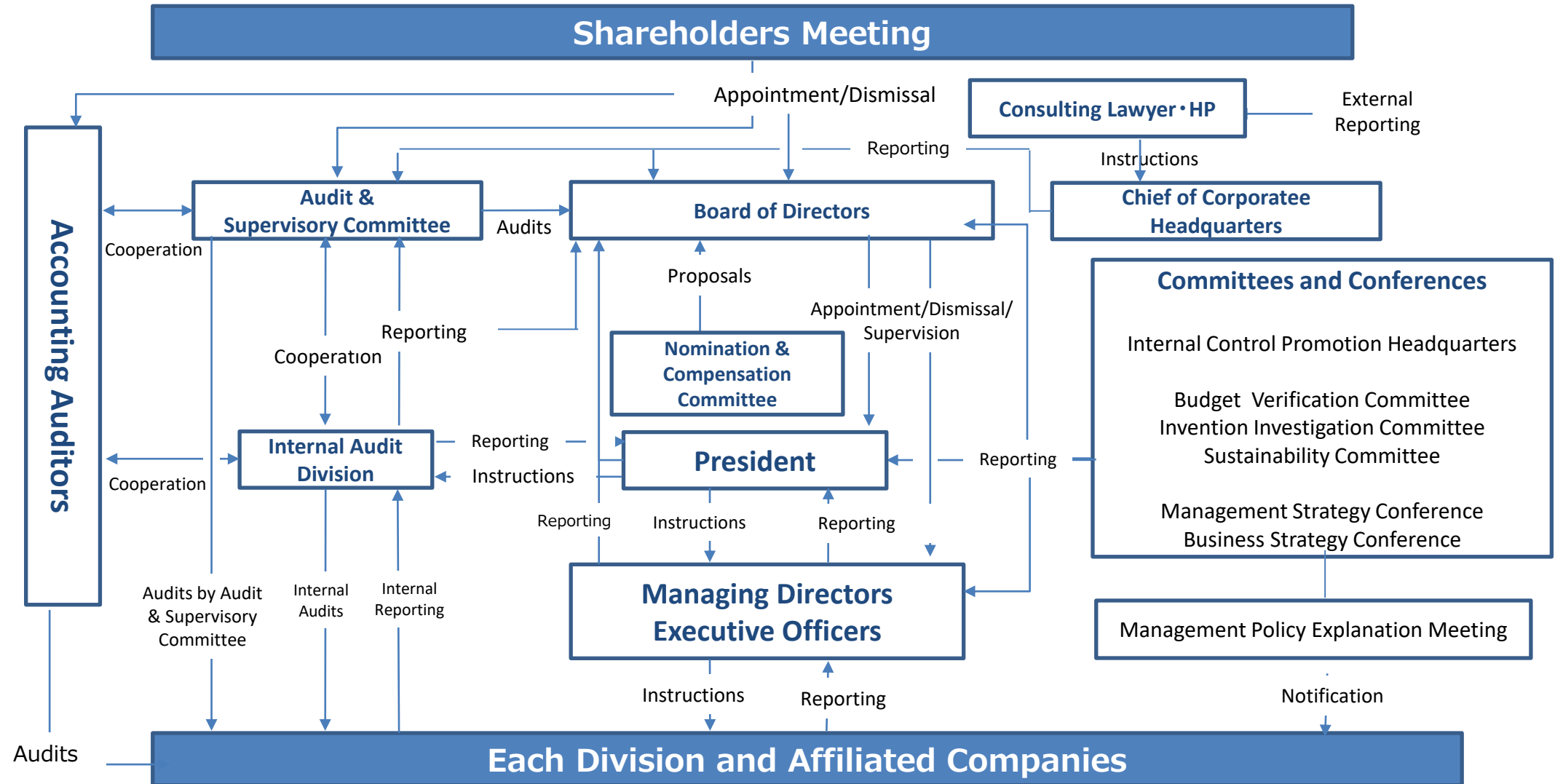
For New employees

- Pre-assignment training for new hires
- Mid-career employee training  
Importance of compliance, internal management systems, etc.

### Basic Issues Requiring Compliance in the Execution of Regular Operations as Stipulated in the "Compliance Guidebook"

- Respect for Human Rights
- Prohibiting Discrimination
- Prohibiting Harassment
- Ensuring Health and Safety
- Fair Manufacturing
- Tackling Environmental Challenges
- Compliance with Chemical Substance Regulations
- Proactive Communication
- Fair Procurement Practices
- Free and Fair Competition
- Compliance with Import/Export Regulations
- Appropriate Information Disclosure
- Ensuring Accuracy of Financial Reporting
- Prohibiting Insider Trading
- Prohibiting Transactions Constituting Competition with Company Business or Conflicts of Interest
- Prohibiting Corruption
- Eliminating All Connections to Anti-Social Forces
- Prohibiting Private or Unauthorized Use of Company Property
- Protecting Classified Company Information
- Protecting Personal Information
- Protecting Intellectual Property

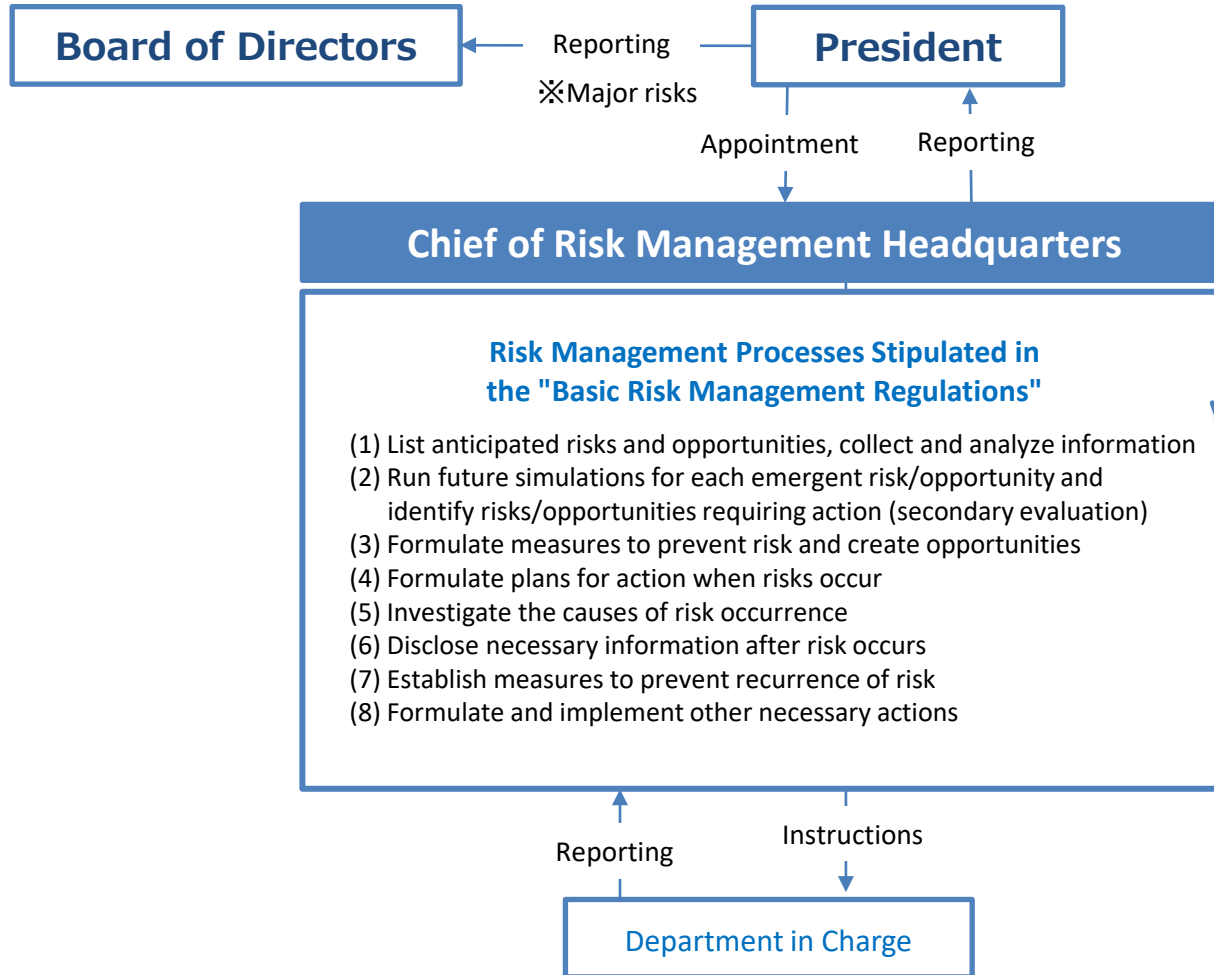
# G Corporate Governance System



\*1. For details on the status of the Corporate Governance Code initiatives, please refer to <https://www.nip.co.jp/esg/.assets/CorporateGovernanceCode.pdf>. (Japanese)

\*2. To secure and enhance the company's corporate value and our shareholders' shared interests, the Company, upon approval of the 73rd Ordinary General Meeting of Shareholders, implemented the "Countermeasures to Large-scale Purchases of Company Shares (Takeover Defense Measures)" plan. For details, please refer to [https://www.nip.co.jp/english/ir/shareholder/ir\\_baishu\\_boei.html](https://www.nip.co.jp/english/ir/shareholder/ir_baishu_boei.html).

# G Risk Management System



**Appointment categories for Chief of Risk Management Headquarters**

Risk contents	Chief of Risk Management Headquarters
<ul style="list-style-type: none"> <li>Risks related to climate change</li> <li>Risks related to labor issues (human capital, diversity, etc.)</li> <li>Risks related to compliance</li> <li>Risks related to disasters and accidents</li> <li>Risks related to information security</li> <li>Risks related to trade, other risks</li> </ul>	Chief of Corporate Headquarters
<ul style="list-style-type: none"> <li>Risks related to technologies and patents</li> <li>Risks related to sales transactions</li> <li>Risks related to purchasing transactions</li> <li>Risks related to logistics</li> <li>Risk related to other transactions</li> </ul>	Chief of Business Headquarters

※ The diagram for auditing and supervision is the same as the corporate governance system.

# Disclosure of ESG Information

Non-financial information on the environment, society, and governance is disclosed on our website as "ESG data."

\* Respective data subject to disclosure may change based on the progress of this initiative at our company.

Information Disclosed		
<b>E</b> nvironmental Issues	<ul style="list-style-type: none"> <li>• CO2 emissions</li> <li>• Waste emissions (non-consolidated)</li> <li>• Electricity usage</li> </ul>	<ul style="list-style-type: none"> <li>• Water usage</li> <li>• Sales of energy-saving and environmentally friendly products</li> </ul>
<b>S</b> ocial Issues	<ul style="list-style-type: none"> <li>• Number of employees</li> <li>• New graduate and mid-career hires (number)</li> <li>• Managers (number of people)</li> <li>• Percentage of woman employees in career-track and professional positions (not including managers)</li> <li>• Percentage of woman employees among employees at assistant manager level (including general staffs)</li> <li>• Employment rate for persons with disabilities</li> <li>• Turnover</li> <li>• Length of service</li> <li>• Average annual income (by job category)</li> <li>• Occupational accidents (number of days)</li> <li>• Occupational accidents (frequency)</li> </ul>	<ul style="list-style-type: none"> <li>• Average days of paid leave taken</li> <li>• Number of employees taking childcare leave</li> <li>• Number of employees taking nursing care leave</li> <li>• Stress Check Index</li> <li>• Employee Satisfaction Index</li> <li>• Percentage of high-stress employees</li> <li>• Regular health check-up rate</li> <li>• Participation rate of rank-based training</li> <li>• Participation rate of managerial training</li> <li>• Number of training sessions related to technology and skills</li> <li>• Number of participants in training related to technology and skills</li> <li>• Number of newly qualified employees</li> </ul>
<b>G</b> overnance Issues	<ul style="list-style-type: none"> <li>• Board of Director effectiveness (ratio of independent directors/ratio of women directors / ratio of foreign directors / number of board meetings / skill set)</li> <li>• Number of participants in compliance training</li> <li>• Number of legal violations</li> </ul>	<ul style="list-style-type: none"> <li>• Number of internal reports</li> <li>• Number of external reports</li> </ul>