

CSR Report 2022



Management philosophy

Taking on Challenges and Working Together

Providing the value our customers need

Action guideline

- We share the joy of creation by joining our hands together with all associates.
- We make efforts to be a challenger all the time without fear of failure.
- We aim to be a reliable company by facing customers with sincerity.
- We pursue the realization of comfort through commitment and compassion.
- We are committed to safe and secure manufacturing with compliance to the applicable laws and observance to their spirit.



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Editorial policy (regarding publication of this CSR Report)

This CSR Report has been published with the hope of deepening dialogue with stakeholders and contributing to their comprehensive evaluation of the corporate value of the Fujikura Kasei Group. It has been edited under the basic policies of accountability and information disclosure concerning the initiatives undertaken by the Group toward fulfilling its social responsibility and solving social issues.

In this year's report, each section includes information on the business activities of both Fujikura Kasei and the companies of the Fujikura Kasei Group to create a sense of oneness.

Scope of this report

All business activities of Fujikura Kasei and the Fujikura Kasei Group

Period covered by this report

April 1, 2021 ~ March 31, 2022 in principle

*Includes, in part, information on ongoing initiatives, special notes, etc., that fall outside the specified period.

Reference guidelines

ISO26000 (International Organization for Standardization)

"Guidance on Social Responsibility"

Principles of the United Nations Global Compact

TOP MESSAGE

We will respond to changes in the business environment and contribute to solving problems confronting society.

■Our thoughts behind our management philosophy and its relevance to CSR activities

In April 2016, we changed our management philosophy from "Create coating materials for concerned human beings who co-exist with the earth" to "Taking on challenges and working together—Providing the value our customers need." We have disseminated this new philosophy across the company from time to time on various occasions. Therefore, I am certain that today, all of our employees daily engage in their duties toward realizing this philosophy. As an opening to this report, I wish to talk briefly about our management philosophy. Companies cannot exist alone in society. They can only exist within a network of stakeholders and many other parties concerned. Meanwhile, society is full of issues that must be solved and not left to the next generation, as indicated by the SDGs. Social issues are generally large-scale and not something a single company can solve alone. Countries, regions, companies, and people must all cooperate in addressing them to the extent possible by leveraging their knowledge and specialized capabilities in their respective fields. Only then can we pass the baton on to the next generation in ideal state. This thought is condensed in the first half of our management philosophy, "Taking on challenges and working together." It is also precisely the thought that underlies our CSR activities.



■Business overview and our decision to transfer to the Prime Market

In fiscal 2021, our Group sales totaled 48,214 billion yen (down 2.6% from the previous fiscal year) and ordinary profit amounted to 1,449 billion yen (down 23.6% from the previous year). This decrease in both sales and profit can be attributed to several external factors, such as the stagnation of economic activities accompanying the spread of the mutated virus, the declining production of automobiles due to a shortage of semiconductors, and the surge in prices of raw materials. This has awakened us to the urgent need to create a strong business foundation that is affected little by external factors.

As part of this line of thought, we opted to transfer to the Prime Market on occasion of the restructuring of the Tokyo Stock Exchange in April 2022. The Prime Market is oriented to companies that base their business on constructive dialogue with global investors. This means we must enhance our corporate value and gain recognition not only in Japan but also from the world.

In 2000, we established a comprehensive three-way global

alliance with Red Spot Paint & Varnish Co., Inc. in America and Fujichem Sonneborn Ltd. in the UK, to provide uniform products, services, technologies, and quality to the world's markets. Concerted efforts have also been made to enhance safety operations via the alliance. However, to engage in dialogue with global investors, we must globalize not only products but also corporate activities on an even wider scale. This requires efforts in the compliance field, which includes human rights and fair-trade practices and well-balanced responses to risk management and CSR in general.

Furthermore, the Prime Market calls for an even stricter corporate governance code from companies listed in this category. Fujikura Kasei is not yet in compliance with all criteria of the Prime Market. We are explaining our situation with regard to a number of criteria, but we shall take prompt action to realize full compliance hereafter, such as via a report of the Task Force on Climate-related Financial Disclosures (TCFD).

■CSR activities that we will be actively addressing

ESG (environment, society, governance) is an investor-oriented CSR term. All three elements are undoubtedly essential to business, but environmental initiatives are especially so, as Fujikura Kasei and its Group companies engage in manufacturing businesses based on chemistry. Initiatives for business decarbonization and reduction of greenhouse gases are particularly of serious concern to many stakeholders, so we shall endeavor to actively address them in response to social expectations. More specifically, we will aim to reduce Scope 1 and 2 greenhouse gas emissions by 41% by 2030 compared to fiscal 2013.

With regard to Scope 3, we will advance our calculation of emissions and use the information we obtain to strengthen our business strategies.

We will also contribute to a circular economy by using our unique technologies upon gaining a full grasp of the role that society expects of our coating materials and architectural coatings.

Given the marked changes that are occurring in modern society, however, we need to shift our direction toward the next step of CSR activities. I see CSR as having two aspects: "protective CSR" and "active CSR." We have created the foundation of "protective CSR" through the past three years of CSR activities and have achieved our initial target.

Our next step is to achieve "active CSR." In other words, it is time to realize the goal of fulfilling our CSR through our main businesses. This corresponds to the concept of "creating shared value" (CSV), and one of the manifestations of creating shared value is the SDGs. Society is confronted by various issues, but by examining these issues from the perspectives of our company's reason for existence and society's expectation of our company, and by creating products that lead to solutions and contribute to society and growing together with society, I believe we can ultimately achieve a sustainable business.

We are presently working on specific targets for the 11th medium-term management plan that is slated to be launched in fiscal 2023.

■Our future vision

Let us turn once again to our management philosophy. The second half states, "Providing the value our customers need."

Our company has accumulated an 84-year history since 1938 by playing a part in contributing to society through the development of products sought by our corporate clients.

However, when we consider the sustainable growth we must achieve hereafter, we cannot afford to remain as we are. We must focus on developing products with a conscious of customers who exist beyond our corporate clients. Our aim is to be a company capable of developing products that contribute to social development and to solving social issues in the true sense of the word in cooperation with our corporate clients from the customers' standpoint. This is embodied in the phrase "Providing the value our customers need."

■CSR activities that lead to sustainable management

Fujikura Kasei has acquired various certifications, beginning with ISO9001 for quality management systems in 1999, followed by ISO14001 (environment) in 2000, and BS-OHSAS18001 (occupational health and safety, later replaced by ISO45001) in 2004, and still maintain these statuses today. At the same time, however, we are also promoting management activities based on systems we have established such as for chemical substance management and business continuity plans, as sought by our clients and society.

Based on the foundation of the above initiatives, we commenced CSR activities on a full scale in 2019 and have reported the results in the form of a CSR Report from 2020. We can thus say that we are making steady progress in our CSR activities.

■Strong commitment unaffected by social circumstances

The unknown COVID virus that began to rage in the latter half of 2019 has claimed many lives worldwide. However, by leveraging human wisdom, we have moved into the third year of the pandemic while gradually returning to our previous lifestyles—though not with "zero Covid" but "with Covid."

At around the same time, however, in February 2022, the Russian invasion of Ukraine occurred. Many lives are being lost, buildings destroyed, and the problem of refugees and resources is rearing its head. The conflict is liable to set back the needed momentum at a time when the world must act as one to address the SDGs and the climate change issue in order not to pass down a negative legacy to our future generations.

Even amid such social circumstances, we will continue to stand firm in our commitment to steadily do whatever we can at this moment for the future of society.

This CSR Report may have its inadequacies and deficiencies, but we appreciate your continued support as we daily strive to enhance our activities.

Fujikura Kasei Co., Ltd.
President

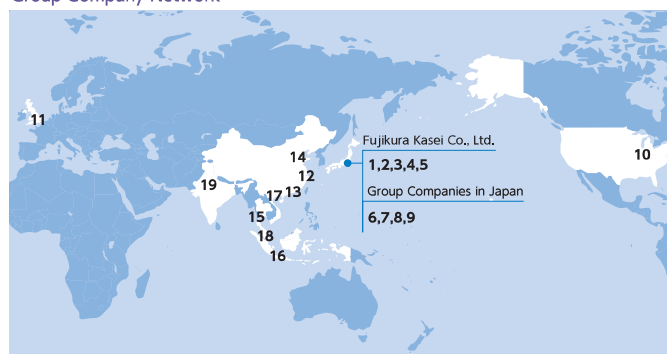
Daisuke Kato

Fujikura Kasei Group

Overview of the Fujikura Kasei Group

The Fujikura Kasei Group works with fellow companies around the world. Our laws, customs and ways of thinking vary by country or region, but we share the same CSR vision. We have just begun to implement CSR activities as a Group, so there are differences in the level of activities according to the history and scale of CSR activities that have so far been implemented respectively by each Group company, but we will strive to raise the CSR level of our Group as a whole and deliver even more substantial reports of our activities.

Group Company Network



Fujikura Kasei Co., Ltd.

1. Head Office	2. Sano Plant	3. R&D Center	4. Nagoya Branch	5. Kuki Logistics Center
6-15, Shibakoen 2-chome, Minato-ku, Tokyo 105-0011 [Main businesses] Business management, sales	Sakaecho 12-1, Sano-shi, Tochigi 327-0816 [Main businesses] Manufacture of coatings for plastics, architectural coatings, conductive coatings, functional polymers/polymers and resins, delivery management	13-1, Sakurada, 5-chome, Kuki-shi, Saitama 340-0203 [Main businesses] Development of technologies and products	Sanbanwarinaka 3-banchi, Nawaenachi, Tokai-shi, Aichi 476-0002 [Main businesses] Color matching and sales of coatings for plastics, delivery management	1205, Takayanagi, Kuki-shi, Saitama 349-1125 [Main businesses] Color matching of coatings for plastics, delivery management

Group Companies in Japan

6. Fujichemi Tokyo Co., Ltd.

Nihontashi Hondomecho First 5F, 1-2-10 Nihontashi Hondomecho, Chuoh-ku, Tokyo

[Main business] Sales and construction management of architectural coatings



7. Fujichemi Kinki Co., Ltd.

Nichirei Tenmashashi Bldg. 1F, 1-3-21 Tenma, Kita-ku, Osaka-shi, Osaka

[Main business] Manufacture, sales and construction management of architectural coatings; manufacture and sales of coatings for plastics; sales of electroconductive coatings and polymers/resins



8. Fuji Chemical Co., Ltd.

2-3-10 Aratsu, Chuoh-ku, Fukuoka-shi, Fukuoka

[Main business] Manufacture, sales and construction management of architectural coatings



9. Tohkoh Jushi Co., Ltd.

NBF Higashi Ginza Square 7F, 1-13-14 Tsukiji, Chuoh-ku, Tokyo

[Main business] Sales of raw materials for synthetic resins; sales of processed items



Group Companies Overseas

10. Red Spot Paint & Varnish Co., Inc.

1107 East Louisiana St, Evansville, Indiana 47711 U.S.A.

[Main business] Development, manufacture and sales of coatings for plastics



11. Fujichem Sonneborn Ltd.

Java Industrial Finishes 91-95 Peregrine Road, Hainault, Ilford Essex, IG6 3XH England

[Main business] Development, manufacture and sales of coatings for plastics



12. Shanghai Fujikura Kasei Coating Co., Ltd.

No.177 Yingqiang Road, Fengxian district, Shanghai 201417, China

[Main businesses] Manufacture and sales of coatings for plastics



13. Fujikura Kasei (Foshan) Coating Co., Ltd.

Room No. E317/318 (Second Region) Jiaxin City Plaza, Yingshun Road, Daliang Town, Shunde District, Foshan City, Guangdong Province, China 528300

[Main businesses] Manufacture and sales of coatings for plastics



14. Fujikura Kasei Coating (Tianjin) Co., Ltd.

Room 2706, Teda Central Hotel, No. 16, 3rd Avenue, Teda, Tianjin, China 300457

[Main businesses] Manufacture and sales of coatings for plastics



15. Fujikura Kasei (Thailand) Co., Ltd.

88/69 Asa Industrial Estate Suvarnabhumi (AIES) Moo 4, Khlongsuan, Bangco, Samutprakarn 10560 Thailand

[Main business] Manufacture and sales of coatings for plastics; sales of architectural coatings and electroconductive coatings



16. PT. Fujikura Kasei Indonesia

Kawasan Industri Jatake, Jl. Industri 3, Blok AC No. 6B, Bunder, Cikupa, Tangerang, Banten, Indonesia 15710

[Main business] Manufacture and sales of coatings for plastics



17. Fujikura Kasei Vietnam Co., Ltd.

Plot 131, Road no.10, Cam Dien-Luong Dien Industrial Park, Luong Dien Commune, Cam Giang District, Hai Duong Province, Vietnam

[Main business] Manufacture and sales of coatings for plastics



18. Fujikura Kasei Malaysia Sdn. Bhd.

No.2, Jalan Palam 34/18A, Taman Perindustrian Pak Chon, 40470 Shah Alam, Selangor Darul Ehsan, Malaysia.

[Main business] Manufacture and sales of coatings for plastics



19. Fujikura Kasei Coating India Private Ltd.

Plot No. 201-202, 225-226, Sector-9, Phase-2, IMT-BAWAL, 123501, Haryana, India

[Main business] Manufacture and sales of coatings for plastics



Company profile

History of its products and technologies and our contribution to society



Company profile

History of its products and technologies and our contribution to society



Contributing to a Decarbonized Society

Addressing Climate Change as a Corporate Social Responsibility

Corresponding SDGs

Recognizing that responding to climate change is a management issue, Fujikura Kasei is not only working to understand its Scope 1 and 2 emissions but is also trying to assess its Scope 3 emissions. Fujikura Kasei has made every effort to calculate greenhouse gas emissions in the

whole supply chain. As well as making disclosures in line with the international framework that is the TCFD, the Company is also helping to reduce its greenhouse gas emissions.



Understanding of Fujikura Kasei and climate change issues

Since the industrial revolution, the mass consumption of fossil fuels, such as oil and coal, has led to large amounts of greenhouse gases like CO₂ being emitted into the atmosphere which has resulted in global warming. Climate change associated with global warming has given rise to concerns about all sorts of impacts on people's lives and ecosystems, including more frequent natural disasters such as heavy rains and floods, food and water shortages, deadly heat waves, and outbreaks of infectious diseases.

To slow down the speed of climate change and transition to a low-carbon society, the Glasgow Climate Pact, agreed in COP 26 in 2021, stated that in order to limit the global

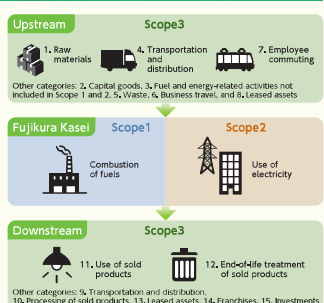
temperature rise to 1.5°C, we must reduce CO₂ emissions by 45% from 2010 levels by 2030 and become net zero by around 2050. Recognizing that responding to climate change is an important corporate social responsibility, Fujikura Kasei is working to reduce its greenhouse gas emissions. Based on the Act on Promotion of Global Warming Countermeasures, we have not only identified CO₂ emissions associated with our business activities, but also established our own long-term environmental targets, our Eco Vision, and made continuous efforts to efficiently use and reduce fuel and electricity, which we have also reported in our CSR report.

Calculating and understanding greenhouse gases throughout the supply chain

The GHG Protocol, which is an international standard for calculating and reporting CO₂ and other greenhouse gas emissions, emphasizes not only greenhouse gas emissions (direct emissions) emitted by a single company but also emissions in the entire supply chain, from upstream to downstream. (Indirect emissions) and the calculations and reporting standards is established for this purpose (see Figure 1). By understanding the overall picture of supply chain emissions (total emissions, emission ratio by emission source), it is possible to identify the targets that should be prioritized to reduce emissions, and to link this to the strategies of reducing environmental impact and business strategies in long-term basis. As well as calculating our own direct emissions, we have proceeded to calculate greenhouse gas emissions throughout the entire supply chain, taking the first step to understanding overall emissions for Fujikura Kasei.

Figure 1. Calculation and reporting standards for greenhouse gases in the supply chain

$$\text{Supply chain emissions} = \text{Scope 1 emissions} + \text{Scope 2 emissions} + \text{Scope 3 emissions}$$



Understanding the actual situation of Scope 3 emissions

In addition to our previous understanding of Scope 1 and 2 emissions, we established an internal SDGs Subcommittee and worked on calculating greenhouse gas emissions throughout the entire supply chain as a Company-wide project in order to understand the actual situation of our Scope 3 emissions. We aggregate the amount of activity (the amount of raw materials purchased, and goods transported, etc.) in-house, and use the database of the Ministry of the Environment's (MoE) Green Value Chain Platform and the Life Cycle Assessment Promotion Consortium's IDEA database to multiply by corresponding emission unit values (see Table 1 for calculation method). The scope of aggregation is based on non-consolidated Fujikura Kasei activities, calculated over four years from fiscal 2018 to fiscal 2021. The Scope 3 categories of 10. Processing of sold products, 11. Use of sold products,

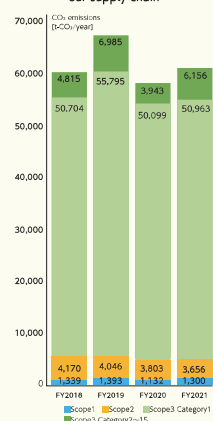
and 12. End-of-life treatment of sold products, are excluded from the calculation because most of our products are intermediate materials for industrial use, and because it is difficult to understand all situations due to the many varied applications and places the products are sold to. As a chemicals manufacturer, we learned that Scope 3 Category 1 emissions, mainly from purchased raw materials, account for more than 80% of our greenhouse gas emissions throughout the entire supply chain (see Figure 2). The raw materials we use are chiefly mined fossil resources, such as petroleum and minerals, which are natural capital. Then, after a number of different processes, such as refining, distillation and synthesizing, the materials are transported to us by vessel or truck. These processes consume a lot of energy and result in a lot of greenhouse gas emissions.

Table 1. Greenhouse gas calculation method for the entire supply chain

Category and calculation method	
Scope1	
Direct emissions	Amount of fuel purchased × basic unit
Scope2	
Energy-derived indirect emissions	Amount of electricity purchased × basic unit
Scope3 Category	
1. Purchased goods and services	Amount of raw material purchased × basic unit from IDEA ver.1.1, ver.1.2
2. Capital goods	Amount of capital investment × MoE's database for chemical products
3. Fuel and energy-related activities not included in Scope 1 and 2	Amount of fuel purchased × basic unit from MoE database Amount of electricity purchased × basic unit from MoE database
4. Upstream transportation and distribution	MoE database transportation ton/km method, procurement, conveyance, goods distribution arranged by us as shipper
5. Waste generated in operations	Amount and type of waste × basic unit from MoE database
6. Business travel	Number of employees × basic unit from MoE database
7. Employee commuting	Number of employees × basic unit from MoE database for the city classification for each office
8. Upstream leased assets	None
9. Downstream transportation and distribution	MoE database transportation ton/km method, goods distribution arranged by customer as shipper
10. Processing of sold products	Not included in calculation this time
11. Use of sold products	Not included in calculation this time
12. End-of-life treatment of sold products	Not included in calculation this time
13. Downstream leased assets	None
14. Franchises	None
15. Investments	None

IDEA is a Life Cycle Inventory database developed to simulate environmental impacts of all Japanese businesses based on national statistics.

Figure 2. CO₂ emissions throughout our supply chain

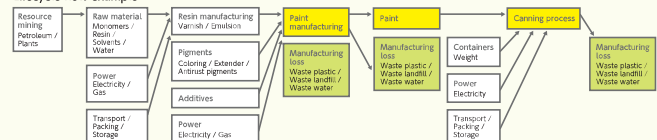


Using calculation results to cut greenhouse gases

Based on the results of calculating greenhouse gas emissions as a Company for the entire supply chain, we are also calculating data on greenhouse gas emissions in the life cycle flow of individual product in each business division. By understanding the emissions of individual product, we can look at ways to take more effective reduction measures. As well as reducing Scope 1 and 2 emissions by reviewing our manufacturing facilities and processes, we will also focus on Scope 3 emissions and will evaluate the change of raw materials having lower basic unit of emissions and the change of products formulation. For example, we will

actively promote emissions reductions by shifting from solvent-borne paints to water-borne paints, studying the use of material recycling such as solvent recovery as well as the use of carbon recycle raw materials including biomass where CO₂ is regarded as a resource and improving the efficiency of our distribution. We will also disclose emissions data (our carbon footprint) for our individual product to customers who use our products, aiming to work with our customers to reduce greenhouse gas emissions throughout the entire supply chain.

Lifecycle flow example



Fujikura Kasei creating new value through tackling climate change

We recognize that responding to climate change is a management issue. Companies listed on the Tokyo Stock Exchange's Prime Market are required to disclose climate change-related risks and opportunities based on the international framework of the TCFD. Using the results of the greenhouse gas emissions in the entire supply chain that we have calculated to date, we are examining the risks and opportunities these have on our business by calculating and disclosing their impact on our finances.

As well as working to reduce greenhouse gas emissions in our products, we will contribute to cut greenhouse gases by having our products used in new technologies and new fields through initiatives with our customers. We view measures to tackle climate change as an opportunity to create innovative value, promote active research and development and innovation in our aim to realize a society that continues to develop sustainably.

CSR Management

Fujikura Kasei upholds the management philosophy of "Taking on Challenges and Working Together—Providing the value our customers need." In line with this philosophy, we are making company-wide efforts to fulfill our CSR so that our products, technologies and all of our business activities continue to be trusted by our stakeholders.

CSR Initiatives

To promote a clear understanding of our CSR activities, we have established a CSR policy and the Fujikura Kasei code of conduct that define the basic philosophy that underlies all our activities.



CSR Policy

We joined society as a company that designs, manufactures, and sells chemicals in 1938, and with the support of many stakeholders, we have grown to become a global company. Going forward, we will continue to maintain sound relationships with our stakeholders, and in order to realize our management philosophy of "Taking on Challenges and Working Together—Providing the value our customers need"—in harmony with society and the earth, we hope to contribute to the sustainable development of society through our business activities. We will carry out CSR activities in order to fulfill our social responsibilities, increase the trust of our stakeholders, and continue to be a company needed by society.

1. We will work to put into practice the "Fujikura Kasei Code of Conduct" in order to fulfill the demands of our stakeholders.
2. We will make full use of our products and our own unique technologies to solve the problems facing society.
3. We will promote CSR activities not only within our company, but also among affiliated companies in Japan and overseas, and the supply chains who cooperate with us.
4. We will widely disclose our CSR activities to everyone in society through our CSR reports and website.
5. In view of the daily changing social conditions, our CSR policy is regularly reviewed for its appropriateness, and necessary revisions are carried out.

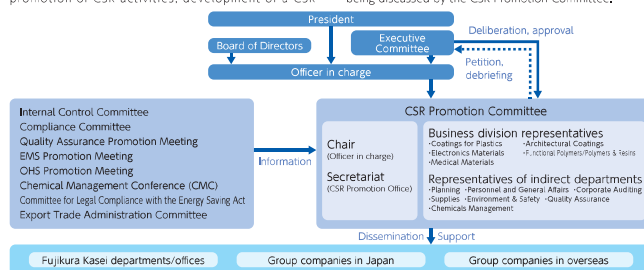
Fujikura Kasei Code of Conduct

1. We will maximize corporate value by achieving management plan according to each company's business style to realize sustainable management.
2. We will continuously strive for R&D and provide excellent products and services.
3. We will respect compliance with laws and regulations, respect the cultures and customs of the countries and areas in which we operate, act according to the common sense of society.
4. We value the fundamental human rights and individuality and eliminate any discrimination.
5. We will create a workplace without harassment.
6. We will not engage in acts of war, civil war or antisocial forces both directly and indirectly.
7. We will consider opinions of each stakeholder and build a proper and transparent partnership.
8. We will establish an occupational safety and health management system and work with priority on safety and health.
9. We will establish an environmental management system and strive to contribute to the environment by reducing the possible environmental impact from our business processes and creating environmentally friendly products.
10. We will establish a quality management system and aim to improve customer satisfaction.
11. We will establish a chemical management system and conduct necessary control according to laws and regulations to minimize health problems associated with chemicals.
12. We will formulate business continuity plans and strive to provide stable supply of our products to customers.
13. Information concerning the Fujikura Kasei Group will be disclosed in a timely and appropriate manner.
14. We will prevent leakage of information to be managed by strict and appropriate information security management.
15. We will properly manage and operate the property of the company (including intellectual property) and will not do any infringement of the property of other companies.
16. We will contribute to the local community through dialogue and activities with the community.

CSR promotion framework

At Fujikura Kasei, a CSR Promotion Committee acts as a conference body for CSR activities. The committee undertakes all possible activities for promoting CSR across the entire Group, such as the planning and promotion of CSR activities, development of a CSR

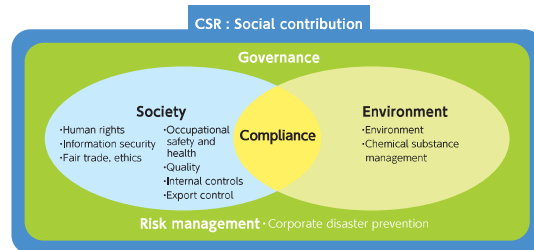
implementation framework, and provision of CSR education. Important matters pertaining to CSR promotion across the Group, including the CSR policy, are adopted by the board of directors and executive committee after being discussed by the CSR Promotion Committee.



Overview of CSR activities

At Fujikura Kasei, we think CSR is a company's ability to respond to social demand through activities to fulfill "corporate social responsibility" in the literal sense of the word and to "create shared value (CSV)." We are particularly directing our efforts to create shared value by utilizing our unique technologies and products. Additionally, we see the SDGs as specific efforts for

addressing social issues (problems) and ESG (environment, society, governance) as efforts identified from the perspective of investors. By attaching importance to the ESG aspects, solutions to social and environmental issues will lead to new business opportunities and higher corporate value. We will thus engage in our activities by incorporating the elements of ESG and the SDGs into our businesses.



Address ESG and create new business opportunities

CSV: Create shared value

Leverage the company's strengths to generate two wheels of economic value and social value

Contribute to realizing the corporate philosophy and to developing a sustainable society, to further enhance corporate value

Materiality

In fiscal 2020, we formulated our materiality as a basis for planning and promoting CSR initiatives, and are working to achieve the goals defined for each materiality issue.

Goals of our materiality

In selecting our materiality, it is important to consider focusing on essential areas that are impacted the most, with an eye to ensuring the proper selection and concentration of management resources for implementing CSR activities and increasing their efficiency. Our CSR activities consist of various items, but we have identified our materiality divided into five categories, based on

social trends, degree of impact on stakeholders, our medium-term management plan, and other such factors. The five categories have thereafter been reviewed to establish even more specific activity goals, such that we are now approaching our materiality with regard to the seven items shown below.

Fujikura Kasei's Materiality

Materiality	Overview	Priority theme	Related Fujikura Kasei Code of Conduct
Employee safety and health	We pursue our corporate activities with the awareness that our employees are our most important stakeholders. We consistently improve working styles and promote the initiatives for keeping the mental and physical health of our employees in good conditions by establishing and enhancing various programs.	• Creation of a comfortable workplace that gives careful consideration to employee health	4-1
Occupational safety and health	We engage in the manufacturing business and possess many production and research facilities. We thus take measures to create workplaces that ensure the safety and security of our employees.	• Creation of a workplace that guarantees employee occupational safety • Ensuring a strong foundation for employee health and safety	8
Environmental protection (reduction of environmental burden)	As a chemical company, the byproducts of our business activities impact the environment to no small extent. We must thus make active efforts to reduce our burden on the environment for our sake and for the sake of the next generation.	• Reduction of global and regional environmental burden by improving in-house manufacturing processes	9
Environmental and social contribution through business	As a member of society, we must endeavor to solve environmental and social issues to the greatest extent possible by harnessing our unique technologies and products. Doing so will win greater trust in our company and enhance our corporate value.	• Contribution to solving environmental issues by using in-house products and original technologies	2-9-10
Chemical substance management	As a company that works with chemicals, we must go beyond our responsibility of manufacturing and using products to actively maintain an accurate grasp of chemical substances in our raw materials and products in order to provide safe manufacturing processes as well as products.	• Maintenance and enhancement of Fujikura Kasei's chemical substance management (disposal)	1*
Compliance	We must observe many laws, regulations, social norms, customs, and customs in pursuing our business, and are expected to take conscious action to comply with them upon understanding the provisions and explanations that pertain to us.	• Thorough compliance with important laws and regulations • Strong framework for preventing misconduct	3-6-7-13-14-15
Risk management	We bear various risks with our corporate activities, to prevent these risks from surfacing, we must identify potential risks while they are latent and define measures against each of them.	• Establishment of a risk management framework • Creation of a disaster-resilient company	12

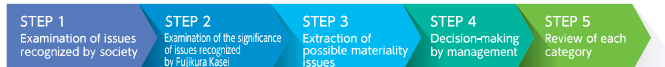
*See page 13 for details of the Fujikura Kasei Code of Conduct.

Process and background of selecting our materiality

Materiality reflects a company's characteristics (expectations from stakeholders, the company's growth strategies, characteristics of the industry to which the company belongs, the circumstances of the company, etc.), and is selected in consideration of the following points.

- (1) The final decision regarding materiality should be made by the corporate manager or the management.
- (2) Materiality should represent issues in which their significance to society matches their significance to the company.

Members of our CSR Promotion Committee are selected from all business divisions (including the medical materials area) and principal indirect departments. Possible materiality issues were selected by the CSR Promotion Committee according to the following procedure.



STEP 1 Examination of issues recognized by society

Heeding the advice of outside professionals, we used items commonly listed in the list of industry-specific issues identified by SASB¹⁾ (chemicals industry) and various other resources²⁾ to assess the priority of issues recognized by society.

STEP 2 Examination of the significance of issues recognized by Fujikura Kasei

Members of the CSR Promotion Committee extracted issues their respective division faces, and the extracted issues were then converted into the language used to describe the issues recognized by society in STEP 1, to assess their priority.

STEP 3 Extraction of possible materiality issues

The priority assessment of issues obtained in STEPS 1 and 2 were arranged in matrix form. The twelve items in the upper right section in Fig. 1 were identified as issues of particular significance both to society and to our company. They were further grouped into five categories, and the resulting five categories were defined as possible materiality issues.

STEP 4 Decision-making by management

The materiality issues were adopted with no change upon deliberation by a conference body of management class members. Subsequently, targets were defined for each materiality issue, and activities were launched toward achieving those targets.

STEP 5 Review of each category

A year after implementing activities toward achieving the materiality goals, the CSR Promotion Committee, upon further discussion, reviewed each category to establish even more specific activity targets.

¹⁾ Sustainability Accounting Standards Board
²⁾ UN Global Compact, ISO26000, OECD Guidelines for Multinational Companies, SDGs, etc.

Contributing to ESG and the SDGs through our materiality

We believe our activities have no meaning unless we share the materiality we have established with society. Thus, to take inventory of the materiality issues we have identified, we have summarized their correlation with representative ESG and SDG targets in the following chart. The SDGs comprise 17 goals and 169 targets. Based on the awareness that each is a significantly large issue, we will work toward each target that pertains to us to the greatest extent possible.

17 goals to change the world

SUSTAINABLE DEVELOPMENT GOALS

ESG	Materiality of the Fujikura Kasei Group	Social issue	Our Group's initiatives	Related SDGs
E	Environmental conservation (reduction of environmental burden)	Global warming	Company-wide reduction of CO ₂ emissions	13
		Energy	Company-wide reduction of energy usage	7, 13
		Waste	Reduction of the discharge of solid/liquid waste	12, 13
		Environmental conservation	Compliance with environmental laws and regulations	12, 13, 14, 15
C	Chemical substance management	Safe products	Safe product design and appropriate disclosure to the next process (B2B, customer)	3, 12, 13, 14, 15
E+S	Environmental & social contribution through business	Corporate social contribution	Creation of products that contribute to the environment and society	1, 2, 3, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17
S	Employee safety and health	Protection of workers	Support for work-life needs Promotion of diversity Management of employee health Achievement of zero workplace accidents Realization of a comfortable workplace environment	1, 3, 5, 8, 10, 11, 12, 13, 14, 15, 16, 17
S+G	Compliance	Fair transactions, ethics	Strengthening awareness of compliance and the foundation of compliance	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17
G	Risk management	Strengthening the management foundation	Identification, evaluation and implementation of measures against management risks	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17
		Supply responsibility	Creation of a disaster-resilient company	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17

Materiality	Goal (KGI)	Means for achieving the goal (KPI)	Progress evaluation index	FY2021 status of KPI achievement	Self-evaluation	FY2022 targets
Employee work styles and health	-P19	Creation of a comfortable workplace that gives careful consideration to employee health	Provision of support for interviews and workshops held	Number of interviews and workshops held	○	Continued implementation of interviews
		Promotion of interviews and workshops held	Number of interviews and workshops held	Number of interviews held when employees take childcare leave or when they return to work, 100%	○	Continued implementation of interviews, and implementation of a survey on working and information security from the perspective of mental environment and career training, continuation of in-house training, and implementation of a collection of stories of in-house training results
Occupational safety and health	-P21	Achievement of zero industrial accidents	Appropriately activities by the Safety and Health Committee	Number of FY19 Sheet 100%	○	Continued implementation of zero industrial accidents
		Realization of a comfortable workplace environment	Promotion of interviews and workshops held	Number of interviews and workshops held	○	Continued implementation of zero industrial accidents
Environmental conservation (reduction of environmental burden)	-P25	Reduction of CO ₂ emissions by 7% by FY2030 compared to FY2013	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Reduction of energy usage by promoting energy-saving activities	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
Environmental conservation (reduction of environmental burden)	-P25	Reduction of energy usage by promoting energy-saving activities	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Reduction of the discharge of waste by 22% by FY2022 compared to FY2017	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
Environmental and social contribution through business	-P31	Contribution to solving environmental issues using Fukushima Kasei's products and unique technologies	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Dissemination of environmental friendly products	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
Chemical substance management	-P33	Waste reduction and upgrading of the Fukushima Kasei Chemical Database (CDB)	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Dissemination of the awareness of chemical substance management	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
Compliance	-P35	Strengthening response to whistleblowing cases	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Strengthening response to whistleblowing cases	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
Risk management	-P39	Establishment of a risk management framework	Compliance with the Industrial Safety and Health Act	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee
		Establishment of a risk management framework	Appropriate activities by the Safety and Health Committee	Number of accidents	○	Completion of the activity plan by the Safety and Health Committee

Internal questionnaire survey (FY2021)

■ Sections that were interesting

Section	Percentage (%)
Top Message	78
History of the FUKU Case Group	68
Special Feature 1: Solving social issues without financial detriment	62
Special Feature 2: Implementing CSR by the same members as sales staff	58
CSR Management	52
Toward the dissemination of CSR among all employees	48
Special Feature 3: Motivating employees through	42
Employee Work Styles and Health	38
Occupational Safety and Health	32
Environmental Conservation (Reduction of Environmental Burden)	28
Environmental & Social Contribution through Business	22
Chemical Substance Management	18
Compliance	12
Risk Management	8
Quality Assurance	5
Contribution to Local Communities	3
CSR Activities by FUKU Case Group Companies	2
Corporate Governance	1
Business Overview	1

CSR awareness

CSR Report 2020

CSR Report 2021

0% 20% 40% 60% 80% 100%

■ I have enough knowledge of CSR to teach others
■ I understand CSR to a certain extent
■ I know the term "CSR"
■ I have heard of CSR for the first time

Relationship between CSR and the company's businesses

CSR Report 2020

CSR Report 2021

0% 20% 40% 60% 80% 100%

■ Closely related
■ Somewhat related
■ Not related much
■ Not related at all

Publication of the revised "Fujiikura Kasei Handbook"

In March 2022, we published a revised version of the Fujikura Case Handbook, which contains a full summary of information that all employees of Fujikura Kasei and Group companies should know. As this was the first revision since we introduced CSR activities in 2019, it was edited with a particular focus on incorporating the latest information on our CSR activity framework. In contrast to the CSR Report, which mainly presents the results of our CSR activities, the Fujikura Case Handbook provides details of each CSR activity, the significance of the activities, and the Fujikura Kasei Group's initiatives from a medium to long-term perspective. The handbook is presently available in Japanese only and distributed to employees of Fujikura Kasei and Group companies in Japan and to Japanese employees in Group companies overseas. We will continue to enhance how this handbook is used by entire Group going forward.

Implementation of a CSR information seminar

We engage in CSR activities as the Fujikura Kasei Group. Thus, to disseminate and strengthen our CSR activities across the entire Group, we held an information seminar for board members and executive employees of all Group companies in Japan and overseas, a total of eight times. Under the theme of "The Fujikura Kasei Group's CSR Initiatives and Activities," the seminar provided information on the background to establishing our CSR materiality and its details. Additionally, in fiscal 2022, each Group company established Key Performance Indicators for each CSR materiality in consideration of the respective characteristics of their country, region and business and launched initiatives as per their KPI.

Reasons for engaging in CSR activities



- Corporate value is the combination of:
 - Sales, profit, financial conditions, etc. = Financial performance
 - Ability to respond to social demand = Non-financial performance

enhanced corporate value and sustainable development can be achieved only by cultivating the ability to respond to social demand, not, in other words, by promoting CSR activities



Safety and Health Initiatives

At Fujikura Kasei, we strive to create a workplace where employees can work safely and securely. To achieve this, we have formulated an Occupational Safety and Health Policy and run an occupational safety and health management system that complies with ISO45001.

OHS Promotion Meeting

The OHS Promotion Meeting discusses the following matters in order to maintain and improve the Occupational Health and Safety Management System (OHSMS).

1. Revisions of laws and regulations, and providing new information
2. Reports on the occurrence and response to work-related accidents
3. Internal and external OHS audits and MR result reporting and response confirmation
4. Annual plan progress report
5. OHSMS secondary document review
6. Recommendations for improving OHS performance across the Group and at each site
7. Exchange of ideas on OHS and other matters

In conjunction with the introduction of the new environmental management system (EMS), the OHS Promotion Meeting worked on a comprehensive review of the OHSMS in fiscal 2021. In order to make the process easier to understand, the OHSMS was changed to the same format as the quality management system (QMS) and the EMS with the process to create the document combined into that equivalent to the EMS, thereby establishing a generic document for both the EMS and OHSMS. By standardizing the provisions of the EMS

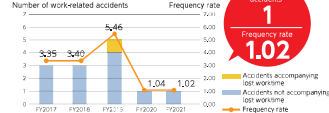
and OHSMS, it is hoped it will deepen the understanding of operation and reduce the time and effort required to create records. In recent years, regulations related to occupational safety and health have continued to be tightened. Going forward, we will continue to appropriately adapt to regulations and promote the activities of the OHS Promotion Meeting in order to create a workplace environment where employees can work safely, securely and in good health.

Activities to achieve zero occupational accidents

Number of work-related accidents

In fiscal 2021, there was one accident, which happened at the Kuki Logistics Center, that did not result in lost worktime. The target for fiscal 2021 was set at zero accidents, but unfortunately this wasn't achieved. We will do everything we can to prevent work-related accidents by seriously looking at repeated accidents which have occurred in the past, examining the danger source from past incidents and risk predictions to re-verify the validity and effectiveness of countermeasures.

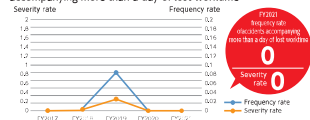
Number of work-related accidents and their frequency rate



Industrial accident indices

In fiscal 2021 there were no accidents that required time off from work making the frequency rate and severity rate of accidents accompanying more than a day of lost worktime equal to zero. Although there were some minor accidents, they did not result in lost workdays, so we were able to maintain a frequency rate of one or more lost days and a severity rate of zero. Going forward, we will continue to incorporate the frequency rate and severity rate of one or more days off work as indicators in the event of an accident, and monitor them as indicators to measure the seriousness of accidents.

Frequency rate and severity rate of accidents accompanying more than a day of lost worktime



Best practices

Efforts to eliminate accidents when opening cans

Cuts caused by opening cans is one of the work-related accidents unique to the paint industry. After semi-finished products were stored in 18-liter square can at Fujikura Kasei Coating India they were then opened from the top and the contents poured into large tanks at the time of commercialization. The opened can leaves a jagged edge which has in some cases led to accidents when workers come into contact with the edge, even when protective equipment is worn, during insertion and subsequent processing.

For this reason, Fujikura Kasei Coating India now stores semi-finished products in 200kg open drums. By using a lifter to pour the paint during production, they no longer need to take the tops off cans thereby eliminating accidents such as cuts and flesh wounds. An additional consequence from using a lifter is that workers are now not having to repeatedly load the heavy 18-liter square can meaning they no longer suffer from lower back pain.

Work before and after improvements made

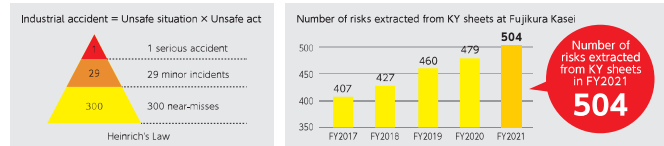


Safety and health initiatives — Safety best practices

Risk prediction (KY) activities

Every year at Fujikura Kasei we engage in activities to predict potential risks across the company. In fiscal 2021, we identified 504 potential risks (104% on last year) within the company. Needless to say, we are working hard to reduce the number of potential safety and health risks at each business site. Herbert Heinrich of the United States proposed a theory,

or relationship, which states that there are 29 minor incidents behind one serious accident, and an additional 300 near-misses behind that. We aim to achieve zero occupational accidents by raising awareness among all employees of this idea, continuously minimizing potential risks.



Safety best practices

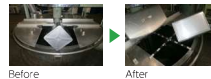
Identified risk 1

Potential risk

To ensure all the contents of the raw materials in the 18-liter square can are poured out, the can is rested on the tank and tilted but there is a risk that it will fall into the tank.

Measures

A special jig is used instead.



Identified risk 2

Potential risk

When evacuating in an emergency, such as an earthquake after sunset, there is a danger of falling over steps or other obstacle if the lights go out because of a power cut.

Measures

High-intensity chemical lights that can be used immediately in times of evacuation are now installed.





Safety and Health Initiatives

Forklift safety training

Safety training was held at each business site in fiscal 2021 to prevent forklift accidents from happening on the premises. As in fiscal 2020, explanations were given on safety technologies and reach truck skills were assessed by experts, and hazard prediction training was carried out on forklift accidents and unsafe behavior not only for employees but also for contractors who drive forklifts on-site.



Initiatives to raise awareness on safety among employees

Fujikura Kasei Coating (Tianjin) is working with government agencies to ensure safe operations. Accidents are the result of a combination of unsafe situations and unsafe behavior. Like other Group companies, Fujikura Kasei Coating (Tianjin) strives to improve unsafe workplace conditions on a daily basis, but at the same time, also believes that it is necessary to raise awareness on safety issues among employees. For this reason, and in response to requests from government agencies, employees have signed up to the Safe Production Goals with the aim of having each employee take responsibility for the goals.

To maintain and improve safety awareness among all its employees, Fujikura Kasei Indonesia communicates its safety precautions, work plans, and other important matters and latest information to employees in each department (production, research, warehouse) in the factory every day.



The cover of the document signed by every employee

The signed Safe Production Goals



Briefing session for engineering and quality control departments

Safety and health initiatives — Improvement activities

Reducing harmful odors

There were some instances of insufficient local ventilation when handling organic solvents. However, we improved the work environment by efficiently using local ventilation and covering the areas with hoods to prevent the spread of solvent odors.



Before

After

Conscious of realizing a more comfortable working environment and reducing CO₂ emissions, we installed another combustion deodorizer that functions for both the work room and cleaning room. Having an additional deodorizer has improved the environment as each room can now be used independently of the other. Among the various deodorizers available, we chose an adsorption type deodorizer to reduce CO₂ emissions during operation. And by being independent of each other, the wind speed in both the work room and the cleaning room has stabilized. This has not only created a more comfortable working environment, but also means that the combustion deodorizers are used for less time thereby reducing CO₂ emissions.



Reducing lower back pain

Although work with a high risk of backache still remained due to the reliance on manpower for some of the heavy loading work, a special handling device was installed to reduce the risk of backache and to improve efficiency so that work could be carried out by one person instead of the normal two.



Activities to realize a comfortable working environment

Making the workplace an easier place to work

A preventive measures team continued its work at the Sano Plant in fiscal 2021 to prevent human error. They encouraged workers at the plant to jot down some key "points of note" on many different aspects such as safety, the environment, quality, the workplace, and the five S's (sort, set in order, shine, standardize, and sustain). These keywords were posted on a board where everyone could see the topics which they could work on by themselves. Although no specific target was set for the number of "points of note," everyone worked toward resolving 70% of the topics raised. As a result of the activities over the year, there were 718 "points of note," an increase of about 22% from the previous year. Through everyone's efforts the 70% target was smashed with 100% of the points resolved. We will continue to pursue activities aimed at preventing all human error while realizing a comfortable working environment.



Safety best practices

To prevent any mistakes when shipping products, a system was set up to indicate the shipping day. This system has been improved with better visibility and display. By improving visibility it is hoped it will make it easier to perform the task of checking and bring us one step closer to a comfortable working environment.



Before

After

Reducing workloads with a labeler and palletizer

Products finished in tanks are canned in designated containers, labeled, and loaded onto pallets for warehouse storage and shipping. Until now, employees had to do the work of attaching product labels and loading the cans onto pallets one by one. This however was giving backache to employees from the continuous work of moving heavy objects (about 20 kg). In view of this situation, Fujikura Chemical introduced a labeler and palletizer. Fujikura Kasei will continue to improve the workplace so that employees come under less stress.



The labeling machine

The palletizer

Zero accidents at the Sano Plant

In fiscal 2021, there were no accidents at the Sano Plant. This includes accidents accompanying and not accompanying by lost working time. It is thought that they were able to accomplish this achievement by raising awareness on safety among all employees through various activities including those of the Safety and Health Committee, risk prediction, safety training, and improvement activities by the Prevention Measures Team, and through activities aimed at eliminating unsafe situations and unsafe behavior. Fujikura Kasei will continue to improve the level of its activities to ensure there are no accidents in the workplace.



Materiality

Environmental Conservation (Reduction of Environmental Burden)

Corresponding SDGs



Environmental Conservation Activities

At Fujikura Kasei, we manufacture environment friendly products that can coexist with Earth, befitting a company that handles chemical substances and chemical reactions. Additionally, we systematically engage in company-wide environmental improvement activities to reduction of environmental burden accompanying our business activities.

EMS Promotion Meeting

The EMS Promotion Meeting holds conferences on the following matters to maintain and enhance our environmental management system (EMS).

1. Provision of information on amendments and updates to laws and regulations
2. Reporting of the occurrences and status of responses to environmental accidents
3. Reporting of the results of internal/external environmental audits and MR, and verification of responses
4. Reporting of the progress of annual plans
5. Examination of EMS secondary documents
6. Proposals for improving the environmental performance of our entire company and of each site
7. Information exchange concerning issues related to the environment

In fiscal 2021, the EMS Promotion Meeting, in response to growing environmental demand from stakeholders, conducted a comprehensive review of our environmental management system to strengthen compliance with the requirements of environmental standards and to examine the validity and effectiveness of each process. As the new system called for a renewal of document formats, members of the EMS Promotion Meeting prepared the documents in cooperation with all

divisions and departments before commencing operations of the new environmental management system in July 2021. A change in EMS managers was also made on the occasion of the comprehensive review, so fiscal 2021 marked a fresh start. Given the increasing importance of environmental improvement activities going forward, we will continue our EMS improvement activities in line with the flow of the times.

Report of the Committee for Legal Compliance with the Energy Saving Act

In fiscal 2021, the Committee for Legal Compliance with the Energy Saving Act reviewed the control standards that govern rational energy use. Items to be numerically controlled were increased to reduce any wasteful use of energy, and energy flow diagrams were prepared as accompanying materials for

utility facilities to uncover any non-rational energy uses. Additionally, in preparation for the large-scale review of CO₂ reduction targets in fiscal 2022, report forms have been revised to enable CO₂ emission calculations to be performed daily.

EHS Global Meeting

Our major regional sites of Fujikura Kasei, Red Spot Paint & Varnish (U.S.A.), and Fujichem Sonneborn (U.K.) have held annual meetings of managers in charge of environment, health, and safety since 2016, to enhance the level of EHS activities by mutually sharing each company's initiatives and

performance data. In-person meetings could not be held in fiscal 2021 due to COVID-19, but EHS activities were continued via Web conference.

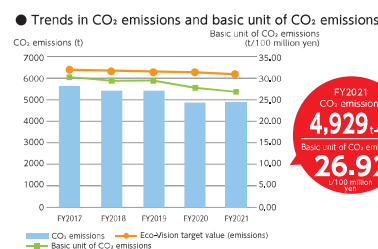


Eco-Vision performance data

Trends in CO₂ emissions and basic unit of CO₂ emissions

Target Reduce CO₂ emissions by 7% by FY2030 compared to FY2013

In fiscal 2021, our CO₂ emissions increased by a slight 0.5% compared to fiscal 2020, and our basic unit of CO₂ emissions decreased by approximately 4%. We assume this increase in CO₂ emissions was affected by our increased fuel usage in fiscal 2021. Meanwhile, we think our basic unit of CO₂ emissions decreased owing to our strong sales in the first half of the year. We will continue to promote rational and improved energy use to achieve our CO₂ reduction target.



Changes in the CO₂ reduction situation accompanying the targets towards carbon neutrality

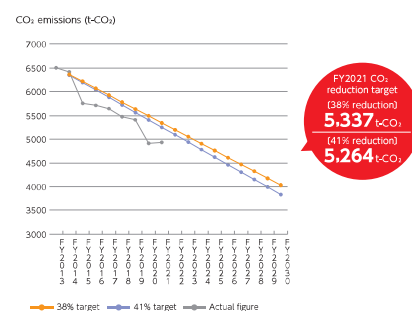
On October 22, 2021, the Plan for Global Warming Countermeasures was adopted in a Cabinet meeting, with a target to reduce greenhouse gas emissions by 46% by fiscal 2030 (compared to fiscal 2013)*. The plan also called for a further challenge by the Japanese government to achieve a reduction of 50%. Under the plan, industrial sectors were required to raise their previous target of 7% to 38%. We therefore took into consideration the government's "further challenge to

achieve a greater reduction" and changes in the environment surrounding our company such as natural disasters caused by climate change, and established a new target to reduce CO₂ emissions by 41% by fiscal 2030 (compared to fiscal 2013), beginning in fiscal 2022.

* The Plan for Global Warming Countermeasures is a comprehensive plan announced by the government based on the Act on Promotion of Global Warming Countermeasures, revised for the first time in five years since May 16, 2015.

New CO₂ reduction target and actual figures

We verified our status of CO₂ emissions against the new CO₂ reduction target we aim to achieve from fiscal 2022, and found we have achieved both the 38% reduction target required of industrial sectors by the Act on Promotion of Global Warming Countermeasures and our voluntary 41% reduction target. Nevertheless, we will continue our efforts to reduce CO₂ emissions by focusing on energy-saving activities, continual capital investments, energy creation, and renewable energy use.



Materiality

Environmental Conservation (Reduction of Environmental Burden)

Corresponding SDGs



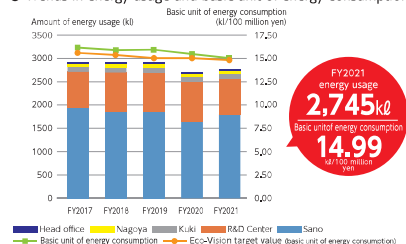
Environmental Conservation Activities

Trends in energy usage and basic unit of energy consumption

Target Continue to reduce the five-year average basic unit of energy consumption by more than 1% per year

Our energy usage in fiscal 2021 increased by approximately 3% from the previous year. While our basic unit of energy consumption decreased by about 2%, we were unable to achieve our target with a result of 14.99kL/100 million yen against the Eco-Vision target of 14.79kL/100 million yen for fiscal 2021. In fiscal 2021, we reduced our energy usage by approximately 1% from the previous year, but our fuel usage increased by some 15% because of the increase in electric usage. This resulted in a roughly 3% increase in energy usage as a whole. Strong sales in the first half of the year contributed to the 2% decrease in our basic unit of energy consumption, but this was not enough to achieve our target. Thus, we will make ongoing efforts to reduce our energy usage and basic unit of energy consumption by further rationalizing energy usage and eliminating wasteful uses.

Trends in energy usage and basic unit of energy consumption

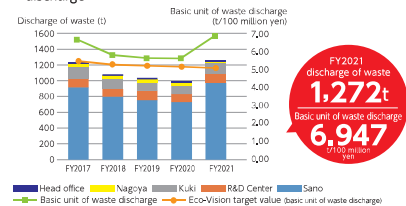


Trends in the discharge of waste and the basic unit of waste discharge

Target Reduce the discharge of waste by 7% by FY2022 compared to FY2017

Our discharge of waste in fiscal 2021 increased by 3% compared to the previous year despite our efforts to achieve our reduction target of 5.6%. This increase can be attributed to the recategorization of waste oil from a valuable resource to a specially controlled industrial waste due to a change in demand, and the increased frequency of the vacuum processing of sludge. We have launched activities to address this situation by establishing a waste reduction working group. In consideration of the future of waste treatment, the working group agreed to continue upholding the target for reducing the basic unit of waste discharge (sales) by 1% or more compared to each previous year until 2030 by adopting fiscal 2021 as the reference year for waste reduction targets from fiscal 2022 and on.

Trends in the discharge of waste and the basic unit of waste discharge



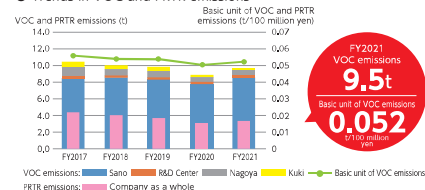
Performance data of other targets

Anti-pollution measure: Reduction of VOC emissions

The graph at right shows the total emissions of five organic solvents that are subjects of VOC surveys and PRTR substances.

VOC emissions in fiscal 2021 increased approximately 7% from fiscal 2020. We were unable to reduce our emissions of VOCs and PRTR substances in fiscal 2021 compared to fiscal 2020 due to an increase in production and an increase in the usage of raw materials accompanying a change in the composition of products. We will continue our efforts to reduce VOCs and PRTR substances.

Trends in VOC and PRTR emissions

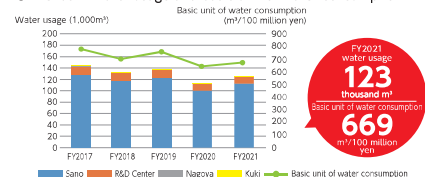


Resource conservation measure: Changes in water usage and basic unit of water consumption

We used approximately 10% more water in fiscal 2021 compared to fiscal 2020.

Although we endeavored to save water and reduce the amount of water we use in our production processes, we think our water usage increased due to the increased production of products requiring large volumes of water. Hereafter, we expect an increase in the sales of water-based products and consequently an increase in water usage as well. However, we intend to make every effort to reduce our water usage by examining how we may rationalize the use of the resource that is just as important as energy.

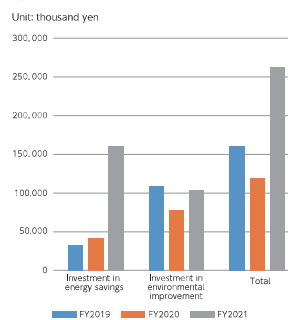
Trends in water usage and basic unit of water consumption



Environmental investment report

In fiscal 2021, we continued to make environmental investments, including energy savings, as before. The total investment of approximately 260 million yen we made in fiscal 2021 is expected to have an effect worth a crude oil equivalent of 41.6kL/year, corresponding to a reduction of 71.6t-CO₂s. We will continue to make active environmental investments hereafter.

Trends in environmental investments



FY2021 environmental investment

Investment item	Investment amount (thousand yen)	Corresponding SDGs
Investment in energy savings	158,436	7, 13
Investment in environmental improvement	103,672	11, 13
Total	262,108	



Environmental Conservation Activities

EMS activity case examples

Active utilization of renewable energy sources

Amid rapid changes in the business environment toward realizing a decarbonized society, Plant No.3 at Sano Plant switched to a power supply derived from 100% renewable energy sources in May 2021. We intend to expand our utilization of renewable energy sources even further in the future.



Energy certificate

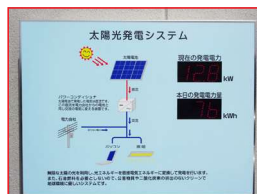
Introduction of solar panels and electric vehicles (EVs)

In creating a business continuation plan (BCP) and planning energy-saving initiatives, we explored the possibility of combining solar power generation and batteries. In the event of a power failure caused by a disaster or other such event, general batteries are too costly in terms of running costs to be used as an emergency power supply. Therefore, we focused on electric vehicles (EVs). By introducing EVs, we

have secured power supply in response to our BCP. We have also saved energy by establishing a cycle in which we can use solar-generated electricity for self-consumption. We generated some 10,000 kWh of electricity after introducing solar generation facilities. As a spillover effect, we have also reduced gasoline consumption by our company cars.

Results after introducing solar generation facilities

Month & Year	Generated electricity (kWh/month)
Oct., 2021	1,548
Nov., 2021	1,422
Dec., 2021	1,547
Jan., 2022	1,319
Feb., 2022	1,949
Mar., 2022	2,305

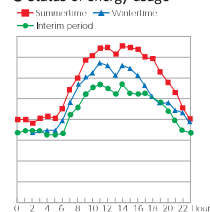


Energy-saving optimization diagnosis at R&D Center

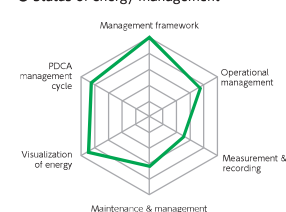
R&D Center, which engages in research and development activities, has undergone an "energy-saving optimization diagnosis" by The Energy Conservation Center, Japan (ECCJ). More specifically, it received a diagnosis and exchanged views on its status of energy usage, status of energy management, and energy reduction potential, among others. The plant's characteristics were revealed by dividing

its energy usage into summertime, wintertime, and interim periods, and the diagnosis results were used to review maintenance and management operations, upgrade large-scale air conditioners, and adopt LED lighting. The results will also be used as a reference to promote continuous energy-saving activities hereafter.

Status of energy usage



Status of energy management



Reducing waste by reviewing bad inventory

Quality of coating film is affected by the coating and its application work. When coating the exterior walls or roof of a house, for example, the necessary amount is calculated based on the area of the relevant surface before delivery. However, excesses and shortages are likely to occur because onsite work is done by human beings. As shortages lead to a delay in the work process, there are many cases where companies that perform the application work order more than the calculated amount and must take home the

excess as a result. Some types of coating cannot be used in a different site and end up as waste with an expired shelf life (this becomes bad inventory). Fujichem Kinki launched an initiative in fiscal 2018 to improve this situation. As a result of reviewing the necessary amount of coatings based on previous records and providing guidance to contractors, it reduced its waste of coatings from 7,249 cans in fiscal 2018 to 49 cans in fiscal 2021.

Separated discharge of plant exhaust

A new plant was completed at Fujikura Kasei Vietnam in August 2021 and commenced operations on a full scale in December. The region where the new plant is located has environmental restrictions regarding plant wastewater and exhaust. Therefore, in reference to the new plant at Fujikura

Kasei Thailand that was completed and began operations earlier, Fujikura Kasei Vietnam adopted a system that separates factory exhaust ducts into DC (Dust Collection) and PE (Production Exhaust) and releases them into the atmosphere after respectively treating them in an appropriate manner.



Separated exhaust ducts



Dust collector



Exhaust treatment unit

Materiality

Environmental & Social Contribution through Business



Environmental & Social Contribution through Business

At Fujikura Kasei, we pursue environmental and social contribution activities through our business practices, to fulfill our corporate social responsibility.

Our unique technologies and products

The roles expected of companies has increased within the scope of the United Nations' Sustainable Development Goals (SDGs). Furthermore, the focus of CSR is shifting toward "solving social issues and contributing to society through business."

As a manufacturer that handles chemical substances, we

believe it is important to address environmental issues, in particular, among diverse social issues. We are thus committed to implementing activities from the aspects of reducing environmental burden by improving in-house manufacturing processes and solving social issues through our business.

Basic concept of environmental and social contribution

Contribute to environmental conservation and the realization of a better society through business activities



Solving environmental and social issues
(environmental conservation, traffic safety, medicine and health, etc.)

Products that contribute to the environment

Coatings for plastics business

Dissipates heat with enhanced heat radiation paint

With the progress of the digital society, demand for electronic devices has been on the rise with their wider use in social infrastructure, cars, houses, and other settings in recent years. Amid the demand for smaller, more functional and design-conscious products, heat generated from an increase in functionality in electronic devices has become a major issue related to the performance, reliability, and safety of parts and equipment. Our heat-dissipating paint RECRACK 3900TMS is a paint that maximizes the heat radiation function, proffering a wholly unique paint design so that heat can be dissipated efficiently. By reducing the amount of power needed to cool off the heat, the product also contributes to decarbonization.

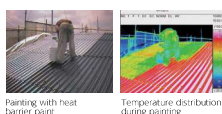


RECRACK 3900TMS

Architectural coatings business

Reduces painted roof temperatures by 25°C

Heat barrier paint keeps temperatures down on the surface of the coating film by effectively reflecting light rays in the near-infrared wavelength range, which accounts for about 50% of sunlight, to give superb anti-heat properties. Roof paints in particular can lower the coating surface temperature by up to 25°C compared to conventional paints. And since the heavy metal of chromium is not used in the paint, something often contained within heat barrier paints, and because it uses special infrared reflecting pigments, it can be applied in dark-colored coatings, usually something that is considered to be disadvantageous in terms of anti-heat properties. Being a completely one-component water-based paint, the product is also considered to be good for the environment during work.



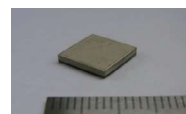
Painting with heat barrier paint

Temperature distribution during painting

Electronics materials business

Contributing to energy reduction and improved efficiency in electronics component manufacturing

Although some conventional methods of plating film formation have their merits for mass-produced products, they do also come with their problems, including high installation costs for facilities and equipment, slow and time consuming film formation speed, not to mention the large amounts of energy (heat) required. By using our painting method that uses conductive paste, we have been able to reduce initial installation costs, assist with small-lot production of many products, and save energy by shortening the process. Our products contribute greatly to freedom of design by enabling electronic components to be made smaller, lighter, thinner and with more integration, leading the way in the IoT device market.



A module shield component for use in communications

Functional polymers/polymers & resins business

Developing solvent-free adhesives

The adhesives developed by this business unit are used in a variety of applications, such as optical adhesives used in general-purpose double-sided tapes and smartphones. At present, most of our adhesives contain 50% or more organic solvents. However, worldwide demand for less use of organic solvent adhesives is on the rise. As well as conventional organic solvent-based adhesives, we are also focusing on the development of eco-friendly solvent-free adhesives.



A solvent-free adhesive

Tohkoh Jushi

Reducing steam leakage, contributing to fuel reduction

Tohkoh Jushi has launched its Steam Trap, a product that enables reductions in boiler fuel in line with the social demand for less carbon emissions. The Steam Trap is a module for discharging the water that accumulates when the steam produced by a steam boiler, steam heater, or heat exchanger, etc., comes into contact with an object. The greatest feature of this product is that it reduces the chance of steam from leaking out, resulting in a fuel reduction. The product was installed on a test basis at the Fujikura Kasei Sano Plant when, after installing it in seven different locations, it was found to reduce steam leakages, keeping fuel consumption and costs down.



The Steam Trap

Products that contribute to society

Medical materials area

Using test reagents with confidence around the world

Diabetes has become a worldwide problem. We believe that it is important to prevent the severity of diabetes through early diagnosis and to allow patients the proper guidance from doctors. It is for this purpose that we provide test reagents to be widely used around the world. In countries where domestic industry is underdeveloped, it is difficult to widely disseminate expensive imported reagents to the general public, which is a major barrier to widespread testing and early diagnosis. We aim to provide our own products at reasonable prices, to have them widely used with peace of mind, for a world where everyone can make early diagnoses. And in many countries where medical care costs are thin on the ground, we hope to improve the quality of life of patients and reduce medical expenses by detecting and treating patients before their symptoms become too problematic.



HbA1c reagent



Management of Chemical Substances to Retain Trust

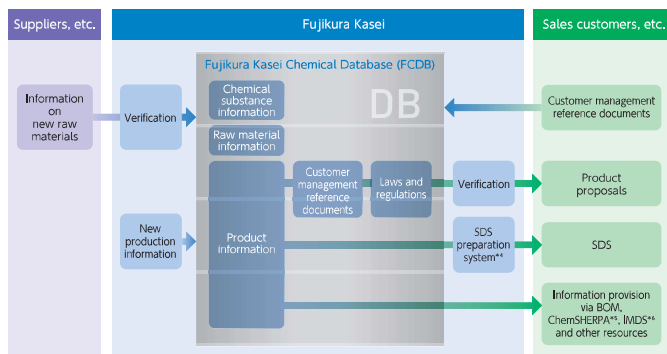
Chemical substances benefit our lives. At the same time, however, they can pose a serious health risk to a human being and can result in environmental pollution if they are handled improperly. At Fujikura Kasei, we have a strict management framework in place that includes within its scope not only our business partners but also all parties beyond, to fulfill our social responsibility as a company that handles chemical substances.

Chemical substance management initiatives

At Fujikura Kasei, we believe it is important to think about the health not only of our employees who manufacture our products and customers who directly use our products but also of everyone up to all end users, and to design products that do not impose severe adverse impacts on the environment. Based on this awareness, we have created and incorporated a Chemical Management System (CMS) in our QMS^{*1}, EMS^{*2} and

OHSMS^{*3}, to be operated integrally with these systems. We must also take the responsibility to convey proper information on chemical substances contained in our products. We achieve this by managing chemical substances according to the scheme shown below, centered primarily on the Fujikura Kasei Chemical Database (FCDB). Through this scheme, we endeavor to provide products that our customers can use without worry.

Our chemical substance management scheme



^{*1} QMS: Quality Management System ^{*2} EMS: Environmental Management System ^{*3} OHSMS: Occupational Health and Safety Management System
^{*4} SDS: Safety Data Sheet ^{*5} ChemSHERPA: A common scheme for conveying information on the chemical substance content of products
^{*6} IMDS: Stands for International Material Data System; A database of materials and its scheme.

Restrictions on chemical substances in products

Substances that, when used, have a markedly adverse impact on people's health and the environment are restricted by laws, regulations, and industrial standards. At Fujikura Kasei, we widely designate such substances as "prohibited substances." Substances that are not restricted but pose a concern regarding their effects are designated as "approval required substances," and are managed upon determining whether they may be used or whether their use should be restricted via an assessment by our Chemical Management Conference

(CMC). Substances that are restricted in part according to their purpose or by country are properly managed by widely seeking information on them as "controlled substances." In compliance with company standards, we also take thorough measures to handle substances that are newly restricted by laws and regulations and products that have been found to contain restricted substances, by replacing them with alternative products or terminating their usage as the situation demands.

TOPICS

Global EHS Meeting

Every year, three companies in Group, Fujikura Kasei, Red Spot Paint & Varnish and Fujichem Sonneborn hold a Global EHS Meeting on Environmental Health and Safety (EHS) and Occupational Health and Safety (OHS) to exchange the idea and information. The meeting is usually hosted on a rotating basis but owing to the pandemic it was difficult for people to visit other countries and so it was held online in fiscal 2021.

Taking advantage of the fact that it is easier to participate online, Chemical Management System (CMS) related matters were added to the agenda for discussion in fiscal 2021. Each company is conducting activities in response to respective customer demand and their national situation. The meeting has become a great opportunity to make our activities more collaborative in the future.



Attendees at the Global EHS Meeting



Material used in the meeting

Training for employees

As stated in our KPIs, we believe that improving the capabilities of our employees is an essential part of properly managing chemical substances. We have regular trainings for employees who join our company as per their knowledge. New employee training and sixth-month follow-up training are mandatory to all employees. Through those trainings, we are ensuring that they are at the minimum required level in terms of their

capabilities. Other trainings are available in accordance with the duties of each employee such as training on the proper use of the FCDB, training on laws and regulations on chemical substances management in each country. We are striving to improve employee capabilities by appropriate combinations of internal and external training programs.



Training for employees



Compliance

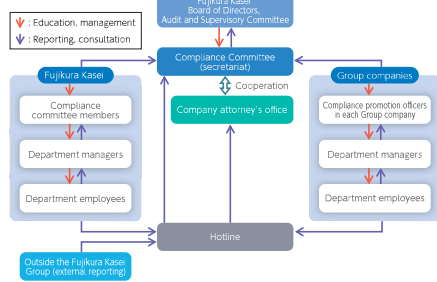
We consider compliance as a cornerstone of our corporate activities. Compliance includes not only legal compliance but also promises with customers and social rules and norms. As a company that operates on a global scale, we aim to promote a global standard of compliance (friendly to people and the environment) while also giving due consideration to customs and practices in each country and region where our affiliates are located.

Compliance Initiatives

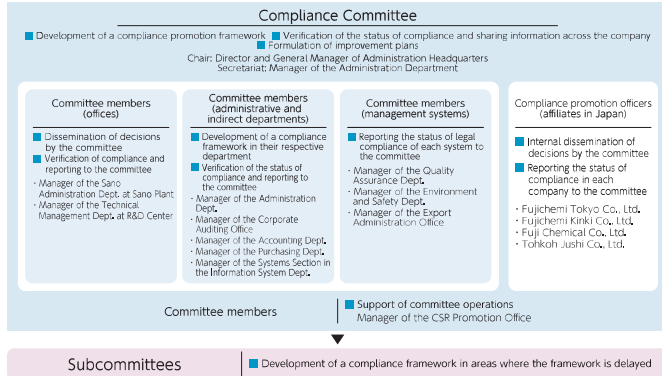
Compliance promotion framework

To strengthen compliance across our Group, the Compliance Committee appoints compliance committee members to Fujikura Kasei and compliance promotion officers to major subsidiaries. These officers disseminate information on legal trends to members of their department or Group company, and hold study workshops for employees. We also have a Compliance Hotline (whistleblowing system) in place, so that employees who discover a wrongdoing or business activity that might be in violation of a law or regulation could report it to the Compliance Committee Secretariat or the company attorney's office without suffering any disadvantage whatsoever.

Compliance framework



Structure and role of the Compliance Committee



Report of compliance activities

Establishment of a compliance framework

The Compliance Committee assessed the difference between the level of compliance sought by society and the Group's actual status of compliance via a customer questionnaire, and it then created a check sheet based on categories specified by the

Responsible Business Alliance (RBA), Japan Electronics and Information Technology Industries Association (JEITA), and Japan Auto Parts Industries Association (JAPIA).

Assessment of the present status of compliance using a compliance check sheet

Category	Requirements	Major relevant laws/regulations	Group's status of compliance and judgment regarding future actions
Human rights	<ul style="list-style-type: none"> No forced labor No child labor, consideration for young workers Consideration of working hours etc. 	Labor Standards Act, etc.	<ul style="list-style-type: none"> Requirements are stipulated in part in company regulations, labor agreements, etc., but are obscure. <p>→Need improvement</p>
Safety and health	<ul style="list-style-type: none"> Workers' safety Emergency preparation Work-related accidents and illnesses etc. 	Industrial Safety and Health Act, etc.	<ul style="list-style-type: none"> Responses are made based on an occupational safety and health management system.
Environment	<ul style="list-style-type: none"> Environmental permits and reports Reduction of energy consumption and GHG emissions etc. 	Law concerning Pollutant Release and Transfer Register (PRTR), Act on the Regulation of Manufacture and Evaluation of Chemical Substances, Air Pollution Control Act, etc.	<ul style="list-style-type: none"> Responses are made based on an environmental management system.
Fair trade and ethics	<ul style="list-style-type: none"> Corruption prevention No inappropriate giving and receiving of benefits Proper information disclosure Export control etc. 	Unfair Competition Prevention Act, Companies Act, Financial Instruments and Exchange Act, Foreign Exchange and Foreign Trade Act, etc.	<ul style="list-style-type: none"> With the exclusion of export control, requirements are stipulated in part in company regulations, etc., but are obscure. <p>→Need improvement</p>
Quality and safety	<ul style="list-style-type: none"> Product safety assurance Quality management etc. 	Toxic Substances Control Act (TSCA), Product Liability Act, etc.	<ul style="list-style-type: none"> Responses are made based on a quality management system.
Information security	<ul style="list-style-type: none"> Protection against computer network threats Prevention of personal information leakage etc. 	Basic Act on Cybersecurity, Act on the Protection of Personal Information, etc.	<ul style="list-style-type: none"> Rules exist but are inadequate. <p>→Need improvement</p>

As can be seen in the above chart, improvements will be made in the areas of human rights, fair trade and ethics, and information security in response to the level of compliance sought by society.

Materiality

Compliance

Compliance

Corresponding SDGs

Establishment of subcommittees

An administrative department assumes responsibility for addressing human rights, given the nature of the issue, but with regard to fair trade, ethics, and information security, a subcommittee for each was organized under the Compliance Committee, as there were no specific departments in charge of these issues. The subcommittees are company-wide organizations composed of members

representing management departments and business divisions in each site, with the chairman of the Compliance Committee (Director and General Manager of Administration Headquarters) concurrently acting as the leader. To enhance our responses, the subcommittees have created policies that clarify the company's intentions and commitment. These policies are as provided below.

[Human rights policy]

We, as Fujikura Kasei, engage in our businesses while paying due respect for the dignity and thoughts of each individual based on the management principle of "Taking on challenges and working together—Providing the value our customers

need." Additionally, as a good corporate citizen, we will address human rights issues in cooperation with our business partners, board members, employees, and all stakeholders concerned, with the aim of realizing a sustainable society.

1. Scope of application

This policy applies to Fujikura Kasei as a corporate entity and to all board members and employees of the company. We also request all our business partners involved in our products and services to make the best effort to respect human rights.

2. Prohibited matters and considerations

- We will not engage in forced labor, nor will we impose unreasonable constraints on working conditions.
- We will not employ children under the age of 15. Our criteria for working age will be set to a minimum age of 18 as a rule. When we employ individuals under the age of 18 in exceptional cases, we will not put them to dangerous or hazardous tasks.
- We will give due consideration to the health and safety of our employees and manage working hours and personnel affairs in compliance with relevant laws.
- We will pay appropriate wages and allowances in compliance with relevant laws, and will not make unreasonable reductions to payments that could jeopardize the livelihoods of our employees.
- No inhuman treatment of workers will be allowed, such as physical or emotional oppression or verbal discrimination, including acts of harassment.
- We will tolerate no form of discrimination whatsoever (race, gender, physical features, religion, etc.).
- We will respect labor unions and workers' collective bargaining rights.
- We will install sanitary facilities and provide welfare facilities and a dorm/company housing program to protect our employees' health.
- We will strive to establish good communication with our employees and create opportunities for dialogue.
- We will respect our employees' basic human rights associated with all of the above.

[Fair trade and ethics policy]

Our corporate activities are made possible by our firm partnership with our business partners. As a member of society, we will steadily comply with the following provisions

and engage in corporate activities with a fair and sincere attitude so that we may gain the trust of all our stakeholders.

1. Corruption prevention

We will not engage in or be a party to bribery, excessive gifts and business entertainment, threats, or embezzlement, and will comply with this policy on a continuous basis.

2. Prohibition of unfair competition

We will neither give nor receive goods or services that have direct or indirect value for the purpose of acquiring new businesses or inappropriate advantages.

3. Proper information disclosure

We will provide or disclose accurate information so that our stakeholders can make appropriate judgment about our company, and will not make any false report regarding the information we provide/disclose.

4. Respect for intellectual property rights

We will respect not only our own intellectual property rights but also the intellectual property rights of our competitors and business partners.

5. Compliance with laws, regulations, and social norms

We will comply with all laws, regulations, and social norms concerning fair competition and fair trade as we pursue fair business practices, and will not engage in cartels or other such restrictive agreements, unfair transactions, or misleading representations. We will neither make contact with anti-social forces nor slander, defame, or infringe on the rights of others.

6. Protection of whistleblowers

We will protect the confidentiality of the information we obtain via internal reports of wrongdoings and the anonymity of whistleblowers, and will eliminate any retribution against whistleblowers.

7. Responsible procurement of minerals

We will properly judge and address the use of conflict minerals in our products in line with our quality management system and chemical substance management system.

We will seek our business partners' understanding and cooperation with this policy and together strive to realize a sustainable society as good corporate citizens.

[Information security policy]

Based on an awareness of the importance of our social responsibility regarding our information assets, which includes customer information and employee personal information, we

will endeavor to ensure their proper management within our daily operations in line with the information security policy shown below.

- We will disclose the information assets we ought to manage within our business activities and strive to maintain and enhance our information security through an effective means for properly protecting our information assets.
- We will comply with all relevant laws and regulations related to information assets.
- We will provide education and training on the proper management of information assets so that all our employees, including board members, gain an awareness of the importance of information security.
- In the event an information security accident occurs and affects our customers or other stakeholders, we will promptly report the incident to all parties concerned and take the necessary measures.

With regard to "fair trade and ethics" and "information security," we will disseminate a proper understanding by providing employee education based on educational materials that detail our specific approaches to each policy.

To promote information security, we have also created a list of information assets that must be managed by the organization and by individual employees. Our improved framework is shown below.

Human rights

- Policies

Fair trade

- Policies, educational materials

Information security

- Policies, educational materials
- List of information assets

Strengthening our compliance framework

Totokoh Jushi has recently signed an advisory contract with a lawyer in response to the changes taking place in today's business environment. Considering its size, the company has hitherto sought the services of a lawyer on an as-needed basis without entering into an advisory contract with any specific law firm or lawyer. However, it now receives the lawyer's support in preparing basic transaction agreements (Japan, U.S., China, South Korea), performing legal checks of agreements, implementing training programs on harassment prevention and the drafting of agreements, establishing usage regulations for its online store, and consulting about daily operations and legal matters. The lawyer also attends monthly business conferences and advises on compliance issues as necessary.



Business conference held with the attendance of a lawyer

Activities for raising awareness of compliance

In fiscal 2021, compliance training programs were individually implemented in Japan at Fujichem Kasei, Fujichem Kasei Kinki, Fujichem Kasei Chemical and overseas at Fujikura Kasei Indonesia, Fujikura Kasei Malaysia, Shanghai Fujikura Kasei Coating, and Fujikura Kasei Coating (Tianjin). Additionally, at Red Spot Paint & Varnish and Fujichem Sonneborn, which lead our company's compliance promotion activities, audits have been held to verify their status of compliance.

Item	Content
1. Training	Compliance training for all employees
2. Audits	Compliance audits for all business divisions
3. Promotion	Compliance promotion activities for all business divisions
4. Others	Compliance promotion activities for all business divisions

Example record of implementation of compliance training (Fujikura Kasei Indonesia)

Remaining issues

As described above, our Group companies have thus far engaged in activities to promote compliance awareness by holding training programs based on laws and regulations in their country. In addition to company-specific rules, in fiscal 2022, we will select common issues as a global company

and aim to ensure even stronger compliance by creating guideline documents, promoting dissemination activities in each company, and seeking corrective action, as necessary, after relevant activities are implemented.

Materiality Risk Management



Risk Management

At Fujikura Kasei, we strive to ensure sound and smooth business operations by developing a management framework for preventing risks related to business as a whole and defining methods for responding to risks should they occur.

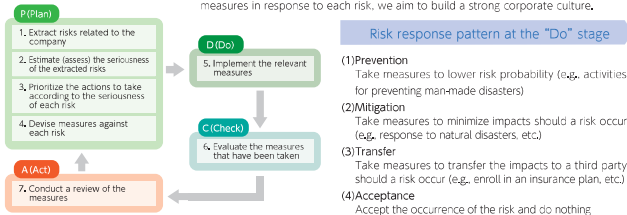
Our concept of risk management

Preventing the occurrence of serious risks and minimizing the impact of serious risks on our business activities in the event they occur, are priority management issues at our company. We are thus working to develop a risk management framework that would minimize stakeholder impact as much as possible, and establishing measures in response to each type of risk.

Type of risk	Management framework	Chief department in charge
Environment	Environmental management system	Environment & Safety Dept.
Occupational safety and health	Occupational safety and health management system	Environment & Safety Dept.
Quality	Quality management system	Quality Assurance Dept.
Accounting	Calculated control	Accounting Dept.
Other (before occurrence)	Comprehensive risk management	Compliance Committee
Other (after occurrence)	Comprehensive responses	Emergency Response Headquarters (headed by President)

Basic concept of risk response

We have laid out a clear process of risk management in preparation against unexpected situations, such as by extracting business-related risks. By defining proper measures in response to each risk, we aim to build a strong corporate culture.



Corporate disaster prevention

Introducing the concept of corporate disaster prevention

We will newly introduce the concept of "corporate disaster prevention" by reconsidering the conventional definition of BCP (business continuity plan), which broadly included "disaster prevention plans" that defined initial responses in the event of a disaster or accident and subsequent "early recovery plans."

Corporate disaster prevention can be understood as the combination of disaster prevention plans and BCPs, with BCPs placing weight on initiatives for the early recovery of business activities. In fiscal 2021, we reviewed our disaster prevention plans in conjunction with occupational health and safety issues.

Disaster prevention plans

Case examples of corporate disaster prevention activities

Emergency drills

Natural disasters come in various forms. In Japan, emergency drills are commonly held in preparation against earthquakes. In particular, but in Foshan, China, where Fujikura Kasei (Foshan) Coating is located, natural disasters caused by typhoons comprise the greatest risk. Employees of Fujikura Kasei (Foshan) Coating participated in a typhoon emergency drill held in March 2021 by the Shunde District Emergency Management Bureau and learned about proper responses to potential disasters.



Typhoon emergency drill

Plant designed to ensure prompt fire-fighting activities

At Fujikura Kasei Vietnam, a new company building was constructed with emergency entrance symbols affixed to the windows to ensure prompt fire-fighting activities in the event of a fire.

Safety confirmation

When a disaster occurs, employee safety takes priority above all else. Therefore, their safety is confirmed, such as by a roll call after they have all secured their safety. However, many employees of sales departments, for example, work away from their office. Therefore, Fujikura Kasei, Fujichemi Tokyo, and Fujichemi Kinki have introduced a safety confirmation system.



Symbol from inside the building



Symbol from outside the building

Business continuity plans (BCP)

Fujichem Sonneborn conducted a thorough review of its business continuity plan (BCP) in reaction to the COVID-19 pandemic. It aimed to strengthen its BCP to prepare against unforeseen situations that are likely to occur in the future and secure business continuity and employee safety. Its new BCP basically provides specific guidance on actions, team responsibilities, contact routes, and other such matters that

need to be established when a threat is confirmed. To complement the plan, scenario-based drills will be held to identify and strengthen any weaknesses. Red Spot Paint & Varnish has also established a risk management framework and is striving to create a strong post-disaster recovery program as part of the framework.

Case example of a BCP activity Selection of sub-suppliers

Any delays in product supplies in the event of a disaster or other such circumstance will disrupt the economic activities of customers and business partners in the supply chain. Therefore, most companies endeavor to maintain a steady supply of products by formulating a BCP or BCI. At Fujikura Kasei Indonesia, efforts are being made to ensure a steady supply of products even if its suppliers become unable to deliver raw materials due to a disaster, by selecting sub-suppliers since it also allows us to have the stock of raw materials at more than one location as a result.

Information security

Information security measures

At Fujikura Kasei, we have created a framework that enables us to respond to accidents and risks of information leaks caused by cyber-attacks. Under this framework, we have formulated information security policies, created

education documents, and compiled records of information assets that must be managed, including client information and employee personal information.

Case example of an information security measure Separated storage of color sample panels

Color matching formulation is important for paint production. As a measure to prevent any leakage of this important information, Fujikura Kasei Malaysia stores its color matching formulation and color sample panels in separate places.

Quality Assurance



Producing Products from our Customers' Standpoint

Our products are purchased by corporate customers as industry goods. To convince our customers that purchasing Fujikura Kasei's products leads to guaranteed assurance, we engage in quality assurance activities with the aim not only to improve the quality of our products but also to enhance the quality of our work.

Our basic concept of quality assurance

We produce our products always from the standpoint of our customers and engage in company-wide quality assurance activities.

Quality assurance framework

Quality management system certification

To meet customer expectations, we have acquired and maintained ISO9001 certification for our quality management system, and endeavor not only to guarantee product quality but also to enhance work quality. Some business departments

have already acquired and maintain sector-specific quality management system certification (ISO13485, IATF16949) to respond to increasingly sophisticated customer demands.

Quality management system certification status

Management system	Year of certification	Scope of application
ISO9001	1999*1	(Whole company) Design, development, production and sales of coatings conductive paste, and chemical products (except for in vitro diagnostic and all productshandled in Medical Material Departments).
ISO13485	2007*2	(Medical Material Dept.) Design and manufacture of in-vitro diagnostic reagents for measuring of proteins, enzymes, lipids/lipoproteins, carbohydrates, hormones, therapeutic drugs.
IATF16949	2019*3	(Electronics Materials Division) Design and manufacture of conductive and insulation pastes.

*1 Japan Management Association (Quality Assurance) registration Center (JMA-QA) *2 NCS Japan Inc. *3 Loka Limited

Quality assurance framework

To maintain product quality (including the management of chemicals in products*), we have a quality assurance framework in place for all processes from the planning, design, manufacture and shipment of products to their use by customers.

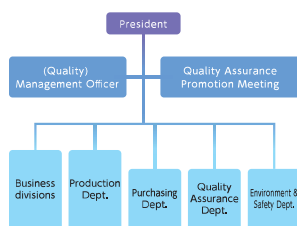
In the event of a quality flaw or customer complaint, our business divisions and production departments work as one to investigate the cause and take action to prevent recurrence.

To guarantee quality always from the standpoint of customers, the Quality Assurance Department exists as a separate department independent of other business divisions and the production department and reports directly to the president. Additionally, we have established a Quality Assurance Promotion Meeting composed of members from each division and department to pursue activities such as for maintaining and improving our company-wide management system and proposing solutions to quality-related issues.

From fiscal 2018, the Quality Assurance Department has taken the initiative in promoting and supporting the early implementation of a design review with the objective of preventing customer complaints. With regard to complaints that have been received from customers, however, efforts are

being made to prevent similar complaints by strengthening the review and follow-up of measures.

*4 Details on the management of chemical substances contained in products are provided in the section on chemical substance management on pages 33-34.



Quality assurance activities

Quality maintenance activities of the Fujikura Kasei Group

To raise the quality of the entire Group, we are encouraging our Group companies both in Japan and overseas to acquire ISO9001 certification, and are implementing quality maintenance activities. Among our 14 Group companies*1 in Japan and overseas, twelve (86%) have acquired ISO9001 certification to date. Although we were unable to make local visits to Group companies in fiscal 2021 as in the previous year, we endeavored to mutually maintain the quality of our Group by exchanging views via web conferences.

*1 Companies that have production sites, including Fujikura Kasei

ISO9001 certification status of Group companies in Japan and overseas that have production sites

	Number of production site companies	Number of certifications acquired	Certification rate
Japan	4	3	75%
Overseas	10	9	90%
Total	14	12	86%

Quality improvement activities

We actively implement quality improvement activities selected from among those proposed under a company-wide system that encourages improvement proposals. In fiscal 2021, two quality improvement activities received

the Award for Outstanding Quality Improvement Activity. They effectively reduced the risks of quality problems from product designs and manufacturing process designs, and contributed to increasing customer satisfaction and productivity.

TOPICS

Internal auditor workshop by inviting an external lecturer

To enhance the quality of our annual internal audits, we engage in various initiatives to extract meaningful recommendations that lead to operational improvement.

As part of these initiatives, we invited an external lecturer to hold an auditor capacity-building workshop at R&D Center (attended by 37 participants, including online participants from other business sites). The lecturer's professional perspective benefitted the workshop participants, such that they were able to make double the number of meaningful recommendations in this fiscal year's internal audit compared to the previous year. Operational improvements were made based on these recommendations.



Conducting a mock audit in the internal auditor workshop

Establishment of a system for using up architectural coatings

Fujichemi Tokyo engages in the sales and construction management of architectural coatings. It is endeavoring to strengthen its quality assurance system by issuing a standards book on "safety" and "quality" standards among other elements and standardizing its education and training programs for employees and designated construction companies.

Coatings are applied to buildings not only to enhance their appearance (color and patterns) but also to protect wall materials from rain, wind, UV, etc. However, to reach the original appearance for paints and performance of paint film (and ensure their quality), they need to be applied at specified film thickness.

The management of architectural coatings is normally entrusted to a designated construction company, but quality assurance has not always been adequate, because it is difficult to objectively verify whether or not coatings have been applied at their specific film thickness.

To address this problem, Fujichemi Tokyo established a system for using up architectural coatings (Standards Book No. 17) so all designated construction companies can apply coatings as specified and verify their film thickness.

By thoroughly disseminating the standards book to all employees and designated construction companies and guaranteeing unified quality, Fujichemi Tokyo has realized a system of assuring high-quality coating performances.



Overview of the system

- (1) To apply coatings at the specified thickness
 - a) Specify coating specifications and tools (rollers, guns, compressors) to each housing manufacturer
 - b) Calculate the required number of cans from the coating area and prescribed coating thickness, and deliver only the required number of cans to the client
- (2) Verify that the coating has been used up
 - a) The construction company uses up all cans of coating that have been delivered
 - b) Take a photo of the coating cans before and after their application and verify that they have been used up
 - c) Prepare a note of confirmation and keep it in salekeeping (guarantee of high-quality coating performance)

Contribution to Local Communities



Contribution to Local Communities

Fujikura Kasei and its Group companies engage in social contribution activities that conform to the characteristics of the region where they are located. Some of the major activities in fiscal 2021 are introduced below.

Support activities for flood victims

On December 18, 2021, Selangor State in Malaysia faced one of the worst flood damages in the past half-century. Many people lost their homes or suffered damage to their private properties including their cars and homes. The residential district in Taman Sri Muda suffered the most damage, with close to 9,000 houses affected by the flood that brought devastation worth some 20,000 ringgits (approx. 600,000 yen) per household. As the town is located a mere 7km from Fujikura Kasei Malaysia, the company decided to provide relief to flood victims in Taman Sri Muda. First, donations were solicited from employees unaffected by

the flood, and the offer was put forward to the village chief of Taman Sri Muda. Thanks to his cooperation, Fujikura Kasei Malaysia's support activities proceeded smoothly, and daily necessities, food, and cash were provided to approximately 30 households. This might seem like an extremely small number of beneficiaries when considering the total number of affected households, but we believe the company provided the greatest possible support for a company of its size. Continued support will be extended to the victims of the flood so they may return to their ordinary peaceful life as quickly as possible.



Flooding in Taman Sri Muda



Basic necessities and food assembled to support flood disaster victims



Support activities for flood disaster victims

Cooperation in an audit demo video produced by the Chinese Ministry of Environmental Protection

In Foshan City, a video shooting competition was launched inviting district environmental bureaus to shoot a video showing whether inspections and audits are performed appropriately and how they are performed, with regard to environmental responses and the management system of manufacturing companies that handle hazardous items. The environmental bureau in Shunde District, where Fujikura Kasei (Foshan) Coating is located, chose Fujikura Kasei (Foshan) Coating as its subject for its size, management status, cleanliness, and other such aspects. A number of

cameramen accompanied by officers of the bureau visited the company and took video shootings of audit scenes, including staff responses to suggestions that are made on a daily basis. The video (and contest) is intended to be used as part of the campaign to prevent plant disasters in Foshan district companies that manufacture hazardous chemicals. For example, it will be used in part in workshops for companies seeking to acquire a management permit for hazardous chemicals or a safe production permit.



Blood donation activities

Due to COVID-19, blood for use in surgery is in shortage throughout the world as in Japan. In response to this situation, our R&D Center has received a mobile blood bank from the Japanese Red Cross Society three times a year, as mentioned in the 2020 CSR Report, and continues the activity today.

Among our Group companies, employees of Fujikura Kasei Thailand participated in a blood drive sponsored by the Industrial Estate Authority of Thailand in September 2021. Blood collected via this event has been donated to the Thai Red Cross Society to help save people's lives.



Employees of Fujikura Kasei Thailand waiting their turn to donate blood



Blood drive

Donation activities

In fiscal 2021, local contribution activities consisted mostly of ordinary donation activities due to COVID-19 restrictions, as in fiscal 2020. Even amid these restrictions, however, Red Spot Paint & Varnish in America actively engaged in donations activities as shown below.

Description	Company
Donated an hour's worth of wages every month to United Way (welfare council). A total of 81 employees donated a total of 25,647 dollars (approx. 3.33 million yen).	Red Spot Paint & Varnish (U.S.A.)
Donated canned goods and cash to a local community event. The cash was given to people in need to cover their food expenses.	Red Spot Paint & Varnish (U.S.A.)
Delivered Christmas presents to local families in need (three families).	Red Spot Paint & Varnish (U.S.A.)
Donated a total of 57,750 dollars (approx. 7.5 million yen) to organizations other than the above.	Red Spot Paint & Varnish (U.S.A.)
Provided financial assistance to Barnardo's, Dove Hospice, and Ashgate Hospice.	Fujichem Sonneborn (U.K.)
Made a donation to Fujikura Gakuen (support facility for people with intellectual disabilities).	Fujikura Kasei
Made donations to the Red Feather Community Chest and Japanese Red Cross Society.	Fujikura Kasei Head Office
Donated a stockpile of emergency supplies to the Hasuda City welfare council.	Fujikura Kasei R&D Center



Christmas presents delivered to local families in need



Some of the organizations to which donations were made

Corporate Governance



Corporate Governance

In the investment field, the term ESG is commonly used as a collective concept, but we regard E (environment) and S (society) as being on an equal level and G (governance) as the foundation upon which E and S activities are implemented. We are committed to developing an even stronger governance framework, to engage in activities as one with the aim of promoting co-existence and co-prosperity between all employees and society and achieving sustainable growth.

Our basic concept of corporate governance

We regard corporate governance as a priority management issue, and engage in various policies to increase business efficiency, promote prompt decision-making, and strengthen the supervisory function of management. We will also act on

our basic internal control policy to balance efficiency and control toward increasing corporate value and to aim to create internal controls appropriate to our company.

Our corporate control framework

(1) Board of Directors

Our Board of Directors is composed of 7 directors, 2 outside directors and 3 directors who are Audit and Supervisory Committee members. As decision-making bodies, the Board of Directors and the Executive Committee discuss, deliberate, and decide on company-wide management issues. Additionally, a business executive meeting composed of directors and department managers is held regularly every month to promote effective business management.

(2) Audit and Supervisory Committee

Pursuant to the Companies Act, we have installed an Audit and Supervisory Committee. It is composed of three Audit and Supervisory Committee members, including two outside directors.

(3) Nomination and Remuneration Committee

The Meeting of the Board of Directors held on March 30, 2022 passed a resolution to install a Nomination and

Remuneration Committee as an arbitrary advisory body to the Board of Directors. The committee, composed of three members that include one inside director and two outside directors, is responsible for the selection of directors and representative directors, the deliberation of original proposals regarding the remuneration of board members, and other such matters. Recommendations made by the Nomination and Remuneration Committee are given due respect by the Meeting of the Board of Directors when it decides on candidate directors. Because having the deliberation of committee from a majority of outside directors enhances the objectivity and transparency in the process of the selection, nomination and remuneration of candidate directors (excluding audit members).

*The three members of the Nomination and Remuneration Committee are the President (Chairman), Mr. Torao Iida, Vice Director, and Mr. Wataru Ito, Audit and Supervisory Committee Member.

Directors

Post	Name	Role and responsibility
President	Daisuke Kato	
Senior Vice President	Hiroaki Watanabe	Director of R&D Center, General Manager of the Polymers & Resins Div., Medical Materials Dept., Quality Assurance Dept., CSR
Senior Vice President	Hisashi Kajiwara	General Manager of the Architectural Coatings Div., affiliated companies (three sales companies of architectural coatings)
Executive Director	Masahiro Takano	Director of Sano Plant, Environment and Safety Dept., Export Administration Office
Executive Director	Satoshi Watanabe	General Manager of the Electronic Materials Div., affiliated companies (synthetic resins)
Executive Director	Hitoshi Kawaguchi	General Manager of the Coatings for Plastics Div., affiliated companies (overseas)
Executive Director	Susumu Kurihara	General Manager of Administration Headquarters, Corporate Auditing Office, affiliated companies (Japan)
Executive Director	Osamu Tanaka	Outside director
Executive Director	Yoichi Nagahama	Outside director
Executive Director	Yoshizo Shimoda	Audit and supervisory committee member
Executive Director	Mitsuyoshi Naka	Outside audit and supervisory committee member
Executive Director	Takashi Watanabe	Outside audit and supervisory committee member

Initiatives taken in FY2021

(1) Reduction of cross-shareholdings

To strengthen our relationship with our business partners, we hold listed stocks in the form of cross-shareholdings at times, upon comprehensively considering medium to long-term economic rationality and future prospects. We review the shares we hold every year in terms of whether our reason for owning them is appropriate, whether their benefits and risks measure up to their capital cost, and other such factors by taking into account changes in our business environment. When certain shares are deemed no longer worth holding, we actively sell them to reduce our number of cross-shareholdings. In fiscal 2021, we sold our share of four stock names that we held.

(2) Establishment of a nomination and remuneration committee

We have established a nomination and remuneration committee as mentioned on page 45.

(3) Introduction of a performance-based remuneration system

At the board of directors' meeting held on March 30, 2022, we revised our policy for determining the remuneration of individual directors. At the same time, we passed a resolution to introduce a performance-based remuneration system. The changes will be applied beginning with the remuneration for executive directors elected in the June 2022 ordinary general meeting of shareholders.

Policy for determining the remuneration of individual directors

- The remuneration of Fujikura Kasei executive directors (hereinafter, directors' remuneration) shall be based on a system that functions as an incentive for each executive director to fulfill their duties based on the company's management philosophy and strive toward a sustainable enhancement of corporate value.
- To ensure greater objectivity and transparency of the process for determining directors' remuneration, a nomination and remuneration committee shall be established as advisory body to the board of directors. More than half the members of the committee shall be independent outside directors.
- Directors' remuneration shall comprise an appropriate balance of fixed remuneration and performance-based remuneration to ensure amounts that correspond to each executive director's position, responsibility, achievements, etc.
- The fixed remuneration shall be a monetary remuneration paid monthly. The nomination and remuneration committee shall discuss the payment amount in consideration of each executive director's position, responsibility, etc. and recommend the determined amount to the board of directors.

5. The performance-based remuneration shall be a monetary remuneration paid once yearly. The nomination and remuneration committee shall discuss the rate of achievement of the consolidated operating profit target for each accounting year, the validity of its ratio in reference to the fixed remuneration, etc. and recommend the determined amount to the board of directors.

6. The remuneration for individual executive directors shall be determined by the president who has been entrusted with this matter from the board of directors, within the amount approved by the general meeting of shareholders. The president shall respect the recommendation by the nomination and remuneration committee when determining remuneration amounts for individual executive directors.

7. The remuneration for outside directors (excluding directors who are members of the audit and supervisory committee) shall consist of a fixed remuneration only.

8. The remuneration for directors who are members of the audit and supervisory committee shall be determined by a conference of the audit and supervisory committee, within the amount approved by the general meeting of shareholders.

Status of responses to the corporate governance code (explanatory items)

Item	Description	Response
Supplementary principle 3-1-3	Disclosure of information related to sustainability (human capital, investment in intellectual properties, TCFD)	Examined in the 11th medium-term management plan and slated to be disclosed
Supplementary principle 4-1-3	Formulation and disclosure of a succession plan	Examined by the nomination and remuneration committee
Supplementary principle 4-2-1	Introduction of LTI and company stock remuneration	Examined by the nomination and remuneration committee
Supplementary principle 4-2-2	Disclosure of basic policies regarding human capital, intellectual properties, and the business portfolio	Examined in the 11th medium-term management plan and slated to be disclosed
Supplementary principle 5-2-1	Disclosure of basic policies and the status of review of the business portfolio	Examined in the 11th medium-term management plan and slated to be disclosed

Overview of the Fujikura Kasei Group

Business overview

Our business areas have widely expanded from the original coatings and resin materials businesses the company has engaged in since its founding, to now include the in-vitro diagnostic pharmaceutical products business.

The Coatings for Plastics Business is centered on coatings for plastic materials as its main products, and responds to needs in a wide range of business areas that include automotive parts, home appliances, cosmetic containers, agricultural materials, and hobby supplies.

The Architectural Coatings Business mainly handles paints for residential exterior walls, and undertakes exterior wall painting works in an integrated fashion, from the painting of newly built residential homes to re-painting (renovation) works.

The Electronics Materials Business provides a wide lineup of the Dotite® brand of electroconductive resin materials such as pastes, adhesives, and shields to the electric and electronic equipment sectors.

The Functional Polymers/Polymers & Resins Business handles resin materials, and has a share in numerous markets, including the markets for adhesives, resins for printer toners, molding materials, stationary materials, electronic component materials, medical materials.

The Synthetic Resins Business, run by a subsidiary of our company, engages in the sale of raw synthetic resin materials and processed synthetic resin products.

Profile

■Founding

September 22, 1938 (Fujikura Kasei Co., Ltd.)

■No. of employees (as of March 31, 2022)

1,269 (442 in Fujikura Kasei alone)

■Capital related information (as of March 31, 2022)

- Capital: 5,352 billion yen
- No. of issued shares: 32,716,878
- No. of shareholders: 3,497
(excl. shareholders owning shares of less than one unit)
- Major shareholder: Fujikura, Ltd.

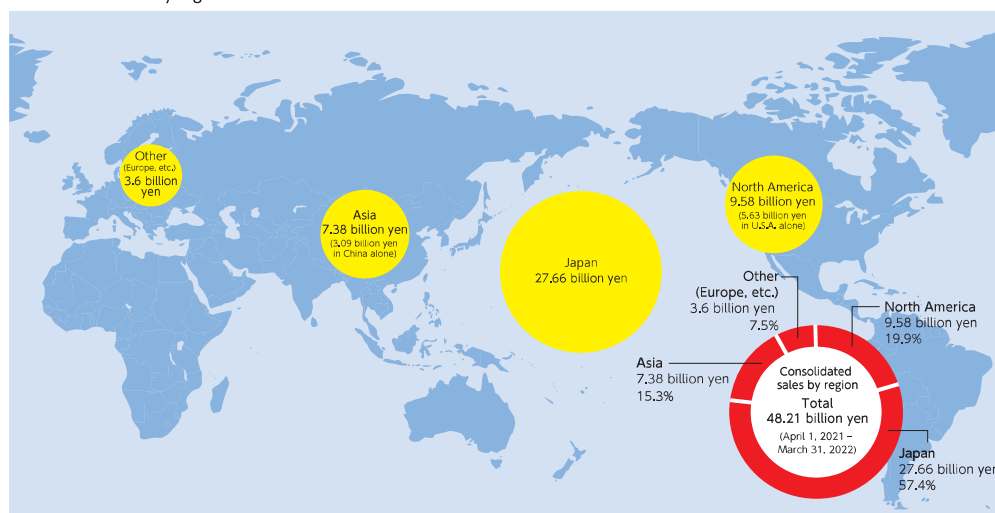
■Consolidated financial information (for the term ended March 2022)

- Total assets: 52,763 billion yen
- Net assets: 38,52 billion yen
- Capital ratio: 67.8%
- Book value per share: 1,124 yen

■Consolidated R&D related information (for the term ended March 2022)

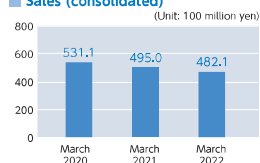
- R&D expenses: 2,584 billion yen
- Percentage of sales: 5.4%

Consolidated sales by region

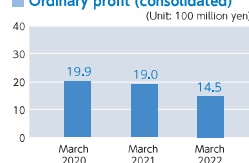


Financial highlights

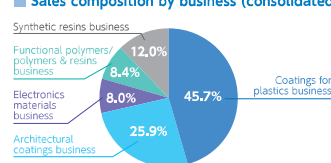
■Sales (consolidated)



■Ordinary profit (consolidated)



■Sales composition by business (consolidated)





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▶Fujichemi Kinki Co., Ltd.

▶Fuji Chemical Co., Ltd.

▶Tohkoh Jushi Co., Ltd.

<Overseas>

▶Red Spot Paint & Varnish Co., Inc.

▶Fujichem Sonneborn Ltd.

▶Fujikura Kasei Coating (Tianjin) Co., Ltd.

▶Fujikura Kasei (Foshan) Coating Co., Ltd.

▶Shanghai Fujikura Kasei Coating Co., Ltd.

▶Fujikura Kasei (Thailand) Co., Ltd.

▶PT. Fujikura Kasei Indonesia

▶Fujikura Kasei Malaysia Sdn. Bhd.

▶Fujikura Kasei Vietnam Co., Ltd.

▶Fujikura Kasei Coating India Private Ltd.

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