

Toward "one-step-ahead, proposal" company with creativity

# Integrated Report 2024



## CONTENTS

### 1 Message

- 01 Contents
- 02 Corporate Philosophy
- 03 History
- 04 Top Message
- 08 Declaration of Employees' Working Environment Improvement

### 2 Value Creation Story

- 10 Value Creation Process
- 11 Long-Term Vision "Challenge 1000"
- 13 Chemicals Operations Top Interview
- 16 Chemicals Operations
- 17 Inorganic Chemicals
- 19 Organic Chemicals
- 21 Fine Chemicals
- 23 Housing Materials Operations Top Interview
- 26 Housing Materials Operations
- 27 Interior Finishing Materials, Exterior Finishing Materials, Paving Materials
- 28 Home Exterior Products
- 29 Landscaping Exterior Products
- 31 Financial Strategy Top Interview
- 34 In-depth Explanation! SHIKOKU KASEI's Financial Strategy

### 3 Foundation to Support Value Creation

- 36 Sustainability in SHIKOKU KASEI Group
- 38 Environmental Efforts
- 45 With Our Customers
- 46 With Our Business Partners
- 47 With Our Employees
- 51 With Local Community
- 52 With Our Shareholders/Investors
- 54 Governance
- 57 Officers
- 61 Message from the Outside Directors

### 4 Data

- 63 SHIKOKU KASEI in Figures
- 64 Financial Highlights
- 65 Consolidated Management Indicators
- 66 Non-Financial Highlights
- 67 ESG Performance Data
- 69 Company Profile
- 70 Stock Overview

#### ● Editing policy

This report provides a systematic overview of the Group's medium- to long-term vision and initiatives for value creation from a financial and non-financial perspective, and is issued as a tool to communicate with any stakeholders, including shareholders and investors. Going forward, we will continue to enhance the content of our integrated reports to enable stakeholders to gain a deeper understanding of the Group.

#### ● Applicable period

January 1, 2023 to December 31, 2023  
(Some content is outside the applicable period.)

#### ● Applicable organization

SHIKOKU KASEI HOLDINGS CORPORATION and its consolidated subsidiaries  
(15 domestic, 1 overseas)

#### ● Reference guidelines

International <IR> Framework (International Integrated Reporting Council [IIRC]), Environmental Accounting Guidelines (Ministry of the Environment)

#### ● Cautionary statement regarding forward-looking statements

The earnings estimate and other forward-looking statements in this report that are not historical facts are based on the information and projections available at the time of writing, and thus involve risks and uncertainties. It therefore bears keeping in mind that a number of factors could cause actual results to differ from the forecasts presented in this report.

Meaning of navigation icons



Directs to the corresponding page within the report



Directs to an external website

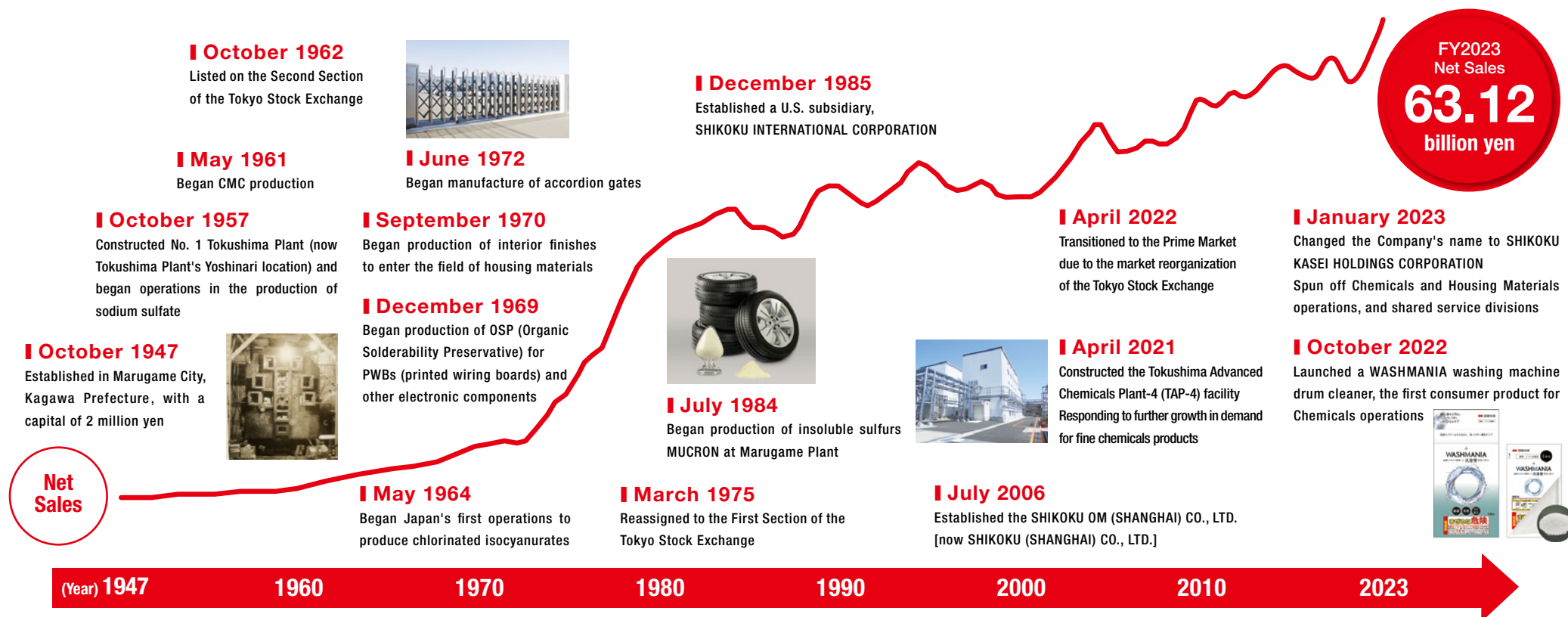
## Corporate Philosophy



### We always value creativity as a driving force for company development

- "Doku-sou-ryoku (creativity)" is the eternal philosophy of SHIKOKU KASEI Group.
- Since inventing an innovative manufacturing method for carbon disulfide, we have considered creativity as the cornerstone of growth and the power of development.
- We will bring together the wisdom of each and every person involved, and will always break new ground using out-of-the-box ideas.

# History



## Founding

In 1947, SHIKOKU CHEMICALS CORPORATION was established in Marugame City, Kagawa Prefecture. In the chaos of the post-war period, the founders developed an innovative manufacturing method for carbon disulfide, the raw material for rayon, a chemical fiber. This is the origin of our creativity.

## Two businesses that continue to evolve

Starting with the development of an innovative manufacturing method for carbon disulfide, the Company has developed its own manufacturing methods for sodium sulfate and chlorinated isocyanurates. In the Chemicals operations, we have expanded into new fields such as fine chemicals and insoluble sulfur. In 1970, we expanded the applications of CMC to include industrial glue, and commercialized interior/exterior finishes and paving materials with our unique technology. Thus we made our first step toward launching the Housing Materials operations in 1972, and also entered the exterior industry with the development of accordion gates. Focusing on the needs of society, we have created many products that combine functionality and design. The Group has developed unique products while continuing to refine its proprietary technologies, achieving world firsts and a high market share in many fields.

## Now

We provide chemicals that work behind the scenes in cars, smartphones, pools, and other objects, and housing materials that liven up living spaces, such as plastered (or mortar-covered) walls, carports, and archways in public facilities. We support prosperous and comfortable lifestyles around the world through our two operations: Chemicals and Housing Materials. Going forward, we will continue to expand the possibilities of both businesses and tap into new markets.



## Top Message



## Top Message

**We have set our vision as "Toward 'one-step-ahead, proposal' company with creativity—Solve social issues with creative ideas, leading the world" in our long-term vision for 2030 "Challenge 1000" (April 2020–December 2029). Please tell us about the steps taken so far that led to the vision.**

The SHIKOKU KASEI Group was founded in Marugame, Kagawa Prefecture in 1947 by a genius engineer named Akitoshi Tazu, who devised an innovative process for producing carbon disulfide—a raw material for the chemical fiber rayon—with capital procured locally.

At the peak of the carbon disulfide market, more than 20 companies were involved, including some SHIKOKU KASEI's predecessors. But the Company's innovative production technology rapidly pushed it to the top. The Group's philosophy, "Doku-sou-ryoku (creativity)," has its roots in the uniqueness of this manufacturing process. The Company also entered the business of sodium sulfate—a raw material for synthetic detergents—in 1957 as a late market entrant, but its innovative production technology helped it to establish a leading position, and it served as a driving force behind the pioneering development of the Company. In 1964, the Company succeeded in commercializing the first disinfectant in Japan, chlorinated isocyanurates. It garnered the Okochi Memorial Technology Prize for outstanding industrial achievement based on superior inventions and ideas in production engineering.

In 1970, the Company entered the market for interior finishing materials. Until then, these materials had been manufactured by hand by plasterers. We utilized our chemical technologies to establish mass production technology, thereby launching our Housing Materials operations—our second business after Chemicals operations. Furthermore, our launch of the accordion gate in 1972 was very successful because the original idea of the pantograph mechanism was well received given Japan's narrow housing conditions. It became the springboard for the present day exterior products business. The ability to merge original ideas with original technologies to advance into new fields and link this to growth is embedded in the DNA of SHIKOKU KASEI Group. With a sense of the history of the accomplishments of our predecessors, we have established vision, "Toward 'one-step-ahead, proposal' company with creativity."

Akitoshi Tazu, the Company's founder, left the phrase, "child prodigy organization," in the company newsletter of the time. In other words, it is not the natural talent of an individual that pulls it together, but the combined efforts of everyone that results in a "genius." It is clear that Tazu himself was innately gifted. At the same time, however, he understood the limits of individual power and the strength of a single person, and

I believe this is precisely our Company's most important concept today. I intend to take the thoughts of our predecessors to heart and practice management based on the participation of all employees.

**Please share with us the progress made in FY2023, the first year of STAGE 2 of Challenge 1000.**

Under Challenge 1000, we set out our vision in 10 years' time. Backcasting from that vision, we established a Business Reform Policy for each business, as well as a Companywide Reform Policy. With events such as the pandemic, the social environment has undergone drastic change. As a result, the business environment has also changed dramatically from what we originally envisioned. Looking at each initiative, more progress has been made on some than expected, while others have been delayed. Now in the fifth year—the midpoint—of the vision, we are conducting a comprehensive review to ensure that it has unifying force by reconfirming the external environment and taking another look at our initiatives.

Themes on which we are making steady progress include, for instance, semiconductor process materials in the fine chemicals field and GliCAP, an agent that improves adhesion in the chemical adhesion process. Leveraging our specialty organic synthesis technology, our development staff worked together with customers to promptly and repeatedly make improvements, and we have become able to visualize commercialization.





Top Message

Meanwhile, in addition to the long-term housing market contraction amidst the decline in the population, the Housing Materials operations have been impacted by soaring construction material prices and delays in construction due to the so-called "2024 problem" in the construction industry. The question becomes how to develop the business in the face of market conditions that remain challenging. A greater focus on the non-residential market and approaching overseas markets, for instance, are ideas with promise. With the spin-off of the Housing Materials operations as SHIKOKU KASEI KENZAI in January 2023, amidst the need for business independence, we have begun working to once again identify business fields to allocate resources and achieve growth in these fields.

**What is your plan for cultivating these new areas of business?**

In the 1980s and 1990s, the SHIKOKU KASEI Group expanded into a wide range of business fields. Later, however, in response to factors such as the economic downturn, the Company narrowed its focus to chemicals and housing materials, referring to its action as a return to its core business. We felt, though, that if these remained our only two core businesses, it would be difficult to "seed" new businesses. Given this, four years ago, we established a division focused on new businesses. Our stance is that we always want employees to try something new, either derived from an existing business or completely off the beaten path. We want to give our people the freedom to try completely new things, thereby breathing new life into the Company. With this in mind, we solicited business ideas from all employees of the Group on the premise that the owners of those ideas would themselves be involved in the business. The response was formidable, as we gathered more than 200 ideas in the first round. We have held two open calls for proposals to date, which have resulted in four themes now underway. In line with our vision, "Solve social issues with creative ideas, leading the world," some of our employees are, for instance, taking on the challenge of solving the food shortage. We have recently launched our third appeal for business ideas. We hope to see all of these themes tackled persistently through the process of trial and error, and we at the Company will lend them our full support. If business takes off from the themes currently being worked on, we believe it will encourage more employees to follow suit. We hope to further cultivate an atmosphere throughout the Company where new challenges are supported and prioritized.

**Just over a year has passed since the shift to a holding company structure, which took place in January 2023. How effective do you feel it has been?**

The holding company structure—or, rather, the "spin-off"—clarified the Company's commitment to each of its businesses by splitting chemicals and housing materials into separate companies. The management team of each company digs deeper into the operations of their respective businesses, which leads to accelerated management decision making. Another secondary effect of the spin-off was the rejuvenation of the management team. With the emergence of Presidents at both companies and the elevation of department front-line general manager-level personnel to Executive Officer positions, we have achieved a greater sense of speed by placing people who grasp front-line realities in management positions. We feel that we have successfully achieved both quickness and speed: starts have become quicker, and execution faster. Shared service divisions have also been spun off into a corporate services company. I feel that finance, human resources and other divisions are becoming more active and serving as a force that supports and encourages the growth of the chemicals and housing materials operating companies.

**You have focused on "employees first" to improve the working environment. Please tell us about current initiatives.**

As a manufacturer, the SHIKOKU KASEI Group once heavily emphasized capital investment for manufacturing and new businesses, which pushed investment in the people who support our business to the back burner. Therefore, in May 2023, we issued a "Declaration of Employees' Working Environment Improvement" to clarify our attitude toward responding to our employees' willingness and enthusiasm to work. We are working to create a workplace as our top priority where the physical and mental health and safety of our employees are ensured, and to foster an environment and organizational culture that facilitates them playing active roles in the Company. In addition to improving each business location and facility, we will strive to create a recruitment and training structure that makes people want to work for the SHIKOKU KASEI Group, as well as a personnel system that is easy to understand and that people are very satisfied with. As part of these efforts, combined with regular salary hikes, we increased wages by an average of about 6.4% in February. For younger employees in particular, the maximum wage increase will exceed 10%. Moreover, from the perspective of securing superior human resources, we boosted the starting salary for new employees joining the Company in April 2024. Improving employee engagement and

## Top Message



actively investing in human capital will allow us to support the growth of the employees who help drive our business and achieve a sustainable increase in our corporate value.

### Please share with us any local community contribution initiatives.

The Group's basic policy under "Challenge 1000" is to realize "YONPO-YOSHI" (favorable in all four directions), which means to contribute to customers, employees, shareholders, and society. Under this policy, we are in the process of contributing to the community and society with the aim of delivering society "a better tomorrow." Following the example of the so-called percentage club—where a certain percentage of disposable income is allocated to social contribution activities—the SHIKOKU KASEI Group is also working to support local communities, with a target of contributing 1% of ordinary profit.

One example would be our special support as the main sponsor for the Kagawa Marugame International Half Marathon since 2023. At the 76th Kagawa Marugame International Half Marathon held on February 3 and 4, 2024, our employees served as volunteers, setting up a food service station and providing the runners with items such as locally grown fruit. We also launched a charity website in conjunction with the marathon, and provided support to Nanao City in Ishikawa Prefecture, a goodwill city of Marugame and severely damaged by the Noto Peninsula Earthquake. We are also considering providing various types of support for the Setouchi Triennale to be held in 2025.

### What is your take on "management that is conscious of cost of capital and stock price" as requested by the Tokyo Stock Exchange (TSE)?

I think it is natural that TSE would issue that request. Management is based on the simple logic of investing funds in investment projects that generate earnings exceeding the cost of capital among various projects, while returning any monies that are unused. Such management skill is subject to the external assessment through stock price. That is our interpretation.

In this respect, the SHIKOKU KASEI Group is very fortunate to currently have a number of large-scale investment projects in the pipeline. To achieve sustainable growth, we will firmly determine the value of our investments while striving to eliminate excess capital. Our intent is to further boost corporate value by returning profits to shareholders or allocating them to growth investment.

### What kind of human resources is the Company in search of?

A breakdown of employees who joined the Company in FY2023 shows that the number of mid-career hires outnumbered new graduates, and our feeling is that this will continue to be the norm. We expect that people will capitalize on the careers they have built to date and bring a new style of thinking and ideas to the SHIKOKU KASEI Group that had not previously existed here.

Meanwhile, I would like new graduates to take in the history that, as I noted earlier, the SHIKOKU KASEI Group has accumulated over the years, and express their own interpretation of the concept of creativity. I hope that they recognize that their current daily work is also a part of the Company's history, and that they will pass "Doku-sou-ryoku (creativity)" on to the next generation of employees.

### What would you like to say to the Company's stakeholders?

The SHIKOKU KASEI Group will soon mark its 80th anniversary, and we will continue to make SHIKOKU KASEI a shining, substantial company as we move toward becoming a 100-year business. We will also disseminate information proactively through a variety of means to ensure that our stance is communicated clearly to our customers, investors, local communities, and other stakeholders.

This is the second year of "STAGE 2" of "Challenge 1000," and we will strive to further improve our accuracy and achieve our targets for "STAGE 3," the final stage. We hope you will continue to support the SHIKOKU KASEI Group.



## Declaration of Employees' Working Environment Improvement

As a manufacturer, by repeatedly increasing production and expanding sales through investments in facilities such as production plants, we have succeeded in achieving growth. We will invest in improving the workplace environment as we receive feedback from employees on aspects they perceive as challenges. And to have our employees realize in visible ways that we do indeed place "employees first," we have declared our commitment to improving the working environment and are implementing improvements accordingly.

### Improve the environment in response to the willingness to work

We declare that we will improve the working environment to satisfy employees who display the willingness to work, and that we will invest in improving the working environment.

- Production facilities and business locations where the physical and mental health and safety of workers are ensured
- Investment in a comfortable work environment
- Development of agile sales bases, etc.

We will accelerate the creation of a work environment employees find comfortable.



Declaration of Employees' Working Environment Improvement

The policy is to  
**"not put off or  
 spare any expense"**  
 when it comes to necessary  
 investments



**Becoming a company where employees can work more cheerfully.**  
**Becoming a company where employees can work with more pride.**  
**We look forward to an exciting company that is constantly**  
**changing for the better, and together we will make it happen.**

## Declaration of Employees' Working Environment Improvement

### Concrete initiatives Establish facilities and bases that respond to workers' motivation

In the interest of creating a comfortable work environment, we have constructed a new welfare building in the Marugame Plant in accordance with the plant policy of "promoting good communication and creating a safe, stable work environment," and taking into account employees' views. At the Tokushima Plant, we are also investigating the possibility of integrating and rebuilding the administration office, manufacturing office, and welfare building—currently separate buildings—into a single structure. A new building for the R&D Center, which will serve as a cornerstone for creativity, has been designed with original features not only to enhance the office environment, but also to be a "place of collaboration" for researchers to gather. The building is scheduled to be completed in 2027.

We are also proceeding with the development of sales offices. Driven by the idea of flexibly locating our bases in optimum locations and preparing facilities that can respond to our workers' motivation, we have opened six offices around Japan from 2023 to 2024, while also renovating our Nagoya sales office.



Nagoya sales office



Tokyo Branch Office

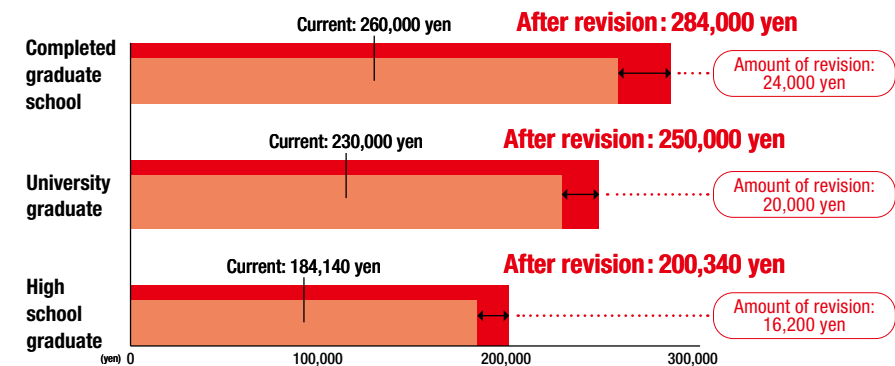
#### column

### Initiatives not related to workplace environment Implemented average wage increase of 6.4%

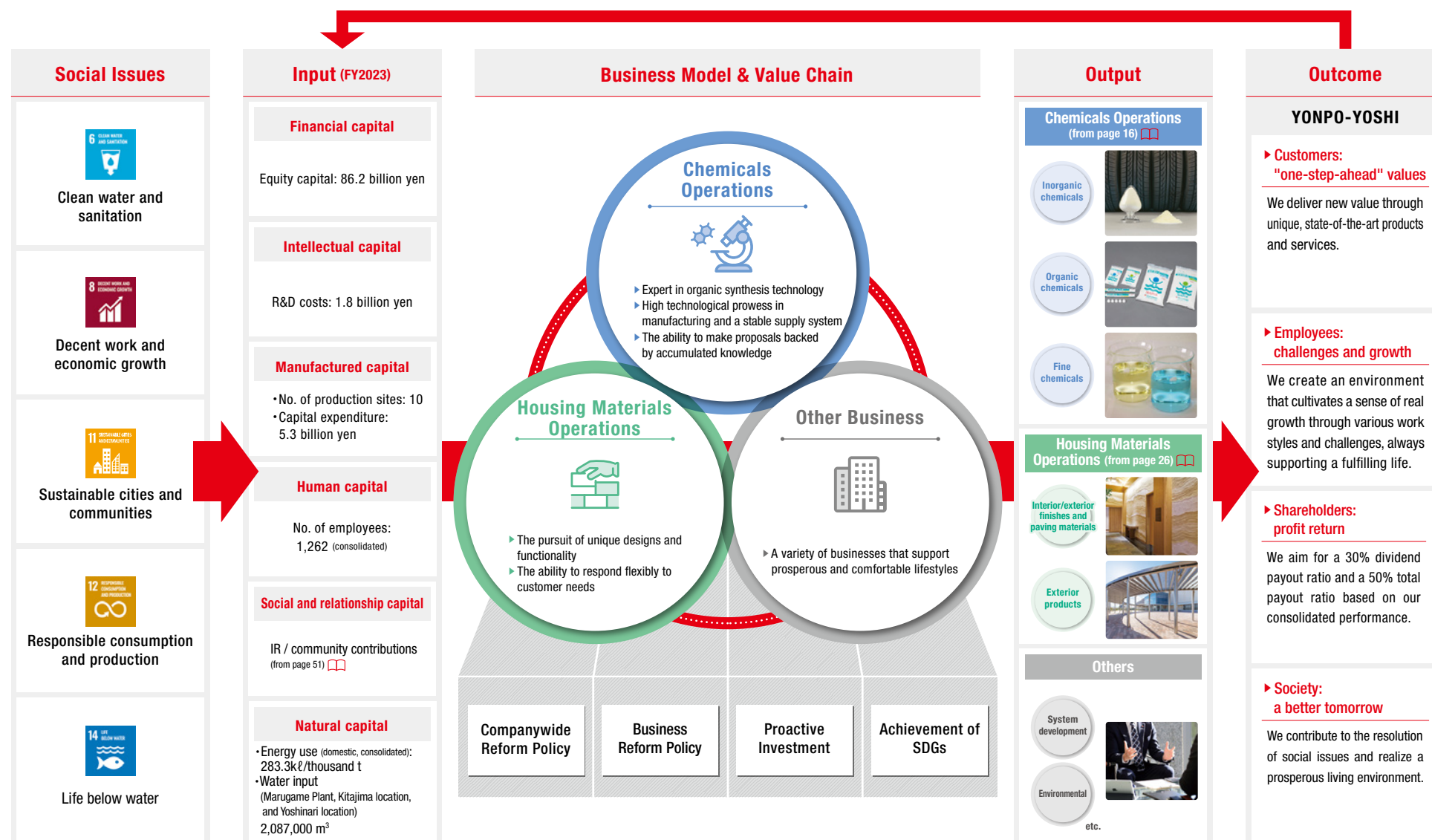
We upgraded our internship program and appointed younger employees as recruiters with the aim of reinforcing recruitment. Moreover, we have begun to consider renewing uniforms. In the interest of augmenting training, we are proactively utilizing the internal commendation system, calling for people to participate actively in cross-industry exchange training, and looking at reviewing the systematic training program, which is scheduled to start operation in FY2025.

In April 2024, in support of our employees' livelihood in the face of rising prices, the Company implemented an average wage increase of 6.4% combined with regular pay hikes. We achieved wage increases of up to 10% or more, especially for our younger employees. In addition, starting in April 2024, we raised starting salaries for high school graduates from 184,140 yen to 200,340 yen, for university graduates from 230,000 yen to 250,000 yen, and for those who completed graduate school from 260,000 yen to 284,000 yen. The aim is to secure superior human resources for tomorrow.

#### ► Increase in starting salary \*Implemented April 1, 2024



# Value Creation Process

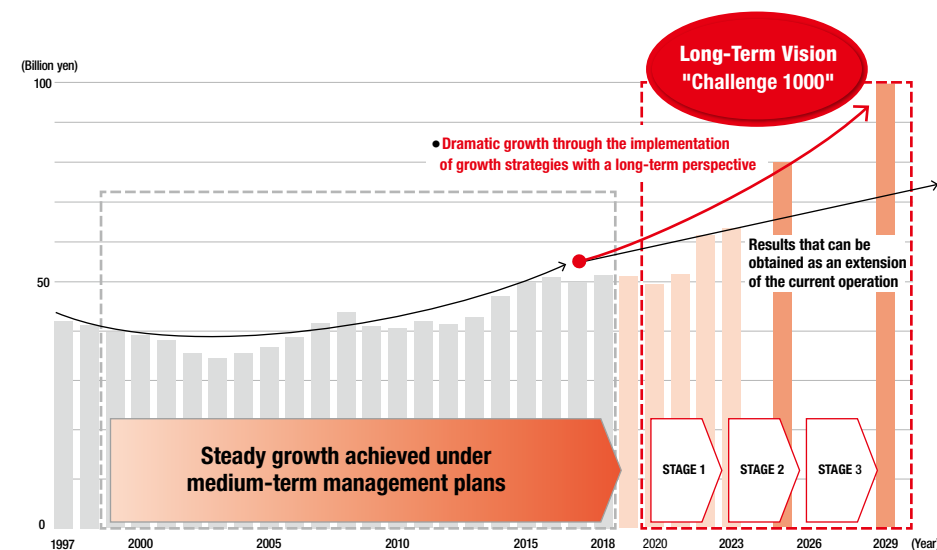


## Long-Term Vision "Challenge 1000"

Thus far, the SHIKOKU KASEI Group has achieved steady growth through the formulation and execution of medium-term management plans. Now, however, we have put forth a long-term vision, "Challenge 1000," using the backcasting method, with the aim of making history by attaining further growth, and ultimately achieving sustainable improvement in corporate value. Under this long-term vision, which we had been unable to fully envision in previous medium-term management plans, we are implementing various initiatives to achieve our 2030 goal: "toward 'one-step-ahead, proposal' company with creativity."

We have set the following "Pillars for Strategy" to make a major shift in our operations: (1) "Business Reform Policy," which calls for changes in each business, (2) "Companywide Reform Policy," which calls for change in the attitudes and work styles of the employees who support our operations, and (3) "Proactive Investment" geared toward business expansion and the rebuilding of our business foundation. We have also placed "Achievement of SDGs," which has become a common mission worldwide, as another pillar.

Under our "YONPO-YOSHI (favorable in all four directions)" activity policy, we are committed to growing together with our customers, employees, shareholders, and society as a good corporate citizen.



### Our Vision for 2030

Toward "one-step-ahead, proposal" company with creativity

Solve social issues with creative ideas, leading the world

### Financial Goals

Net Sales  
**100.0**  
billion yen

Operating Profit  
**15.0**  
billion yen

ROE  
**10%**

### Pillars for Strategy

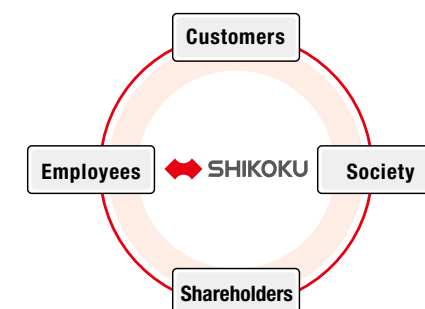
Business Reform Policy

Companywide Reform Policy

Proactive Investment

Achievement of SDGs

### YONPO-YOSHI





## Long-Term Vision "Challenge 1000": Financial Information

## Progress Against Financial Targets

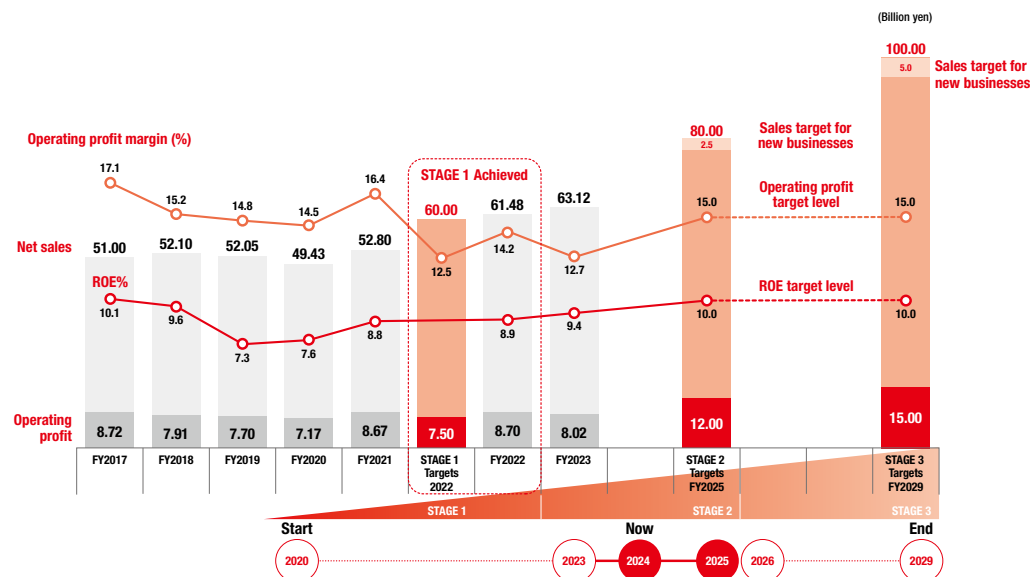
## ► "STAGE 1"

<b>Targets</b>	<b>Net Sales</b>	<b>60.0 billion yen</b>	<b>Operating Profit</b>	<b>7.5 billion yen</b>
<b>Results</b>	<b>Net Sales</b>	<b>61.5 billion yen</b>	<b>Operating Profit</b>	<b>8.7 billion yen</b>

\* Since the final year of Stage 1 was an irregular nine-month period (April to December 2022), results have been adjusted to 12 months (January to December 2022).

## ► "STAGE 2"

<b>Targets</b>	<b>Net Sales</b>	<b>80.0 billion yen</b>	<b>Operating Profit</b>	<b>12.0 billion yen</b>
----------------	------------------	-------------------------	-------------------------	-------------------------



\* In the graph above, results for and before FY2022 have been adjusted to cover the same period as FY2023 (January to December).

## Financial Highlights for FY2023

The Group's net sales amounted to 63,117 million yen (up 2.7% YoY), operating profit to 8,019 million yen (down 7.9% YoY), ordinary profit to 9,280 million yen (down 5.7% YoY), and profit attributable to owners of parent to 7,853 million yen (up 10.9% YoY). Both Chemicals and Housing Materials operations secured record revenues on the back of sales price revision and the effect of yen depreciation on exchange rates. Operating profit and ordinary profit declined, however, owing to higher production costs including raw material costs and the amortization load of new capital expenditure. Meanwhile, we recorded a gain on sale of investment securities under extraordinary income, and profit attributable to owners of parent increased, reaching a new high.

	Previous year* January to December 2022	FY2023	Change / Rate
Net sales	61,475	63,117	+1,642 +2.7%
Operating profit	8,703	8,019	-684 -7.9%
Ordinary profit	9,840	9,280	-560 -5.7%
Profit attributable to owners of parent	7,081	7,853	+772 +10.9%
Exchange rate (for income statement conversion)	1USD = 130JPY 1EUR = 135JPY 1RMB = 19.4JPY	1USD = 140JPY 1EUR = 148JPY 1RMB = 19.8JPY	Net sales: +1.8 billion yen Operating profit: +0.7 billion yen

\* Since 2022 was an irregular nine-month period (April to December 2022), results have been adjusted to 12 months (January to December 2022).

## Chemicals Operations Top Interview



**Getting new business on track and making further investments**

Representative Director, President,  
SHIKOKU CHEMICALS CORPORATION

**Makoto Hamazaki**

## Chemicals Operations Top Interview

### **You assumed the position of President of SHIKOKU CHEMICALS, which was established by spin-off a year ago. Could you describe your intentions for the post once more?**

SHIKOKU CHEMICALS is a company whose business is manufacturing. One of my key missions is to make SHIKOKU CHEMICALS a company where all employees can take pride in engaging in the safe manufacture of high-quality products and the supply of those products to society. The other is to achieve the sustainable growth of the Company in the future. To this end, nothing is more important than creating an environment and corporate culture in which employees can be happy in their work. I will also strive to create a workplace environment in which employees can work comfortably with a sense of purpose. I want all our employees to move forward in the same direction and to unite in our efforts to realize growth.

### **Could you describe the Company's respective strengths in inorganic chemicals, organic chemicals, and fine chemicals?**

In inorganic chemicals, owing to our breakthrough production technologies despite our late start in the industry, we have become Japan's leading manufacturer of carbon disulfide, a raw material for chemical fiber rayon, insoluble sulfur, which is indispensable for the production of radial tires, and sodium sulfate, which is used in detergents and bath salts. We are now Japan's only manufacturer of carbon disulfide, and we have the largest share of Japan's sodium sulfate market and the second largest share of the global market for insoluble sulfur.

In organic chemicals, our mainstay product, chlorinated isocyanurates, is used as a disinfectant for pools, as an example of our mission to "deliver clean to the people of the world." Chlorine-based disinfectants offer extremely high performance. Our washing machine drum cleaner, which we commercialized as a consumer product, has been well received, and we are currently proceeding with the development of a second consumer product of this type. We see ourselves as "chlorine professionals," and with our original technologies and ability to anticipate customers' needs, we are putting proposed solutions to social issues into practice. For example, we are about to start work on a drinking water application project in India.

In fine chemicals, by meeting customers' myriad sophisticated needs, we have cultivated

organic synthesis technologies that are some of the most advanced in the world. Leveraging these technologies, we are engaged in the development and supply of distinctive, advanced-function products for the semiconductor process materials and electronic devices markets, where rapid growth is expected.

### **Could you sum up your Company's business performance for the fiscal year ended December 2023?**

Our net sales of inorganic, organic, and fine chemicals increased by 1.5 billion yen year on year to 43.3 billion yen. On the other hand, operating profit fell by 500 million yen year on year to 6.4 billion yen. In particular, sluggish sales of electronic chemicals in the profitable fine chemicals area and a decline in sales of insoluble sulfur in the Chinese market in the first half of the year had an impact, but these both showed signs of recovery into the second half. This fiscal year, all business divisions are generally off to a good start, and we forecast increases in sales and profit for the full year. In addition, we were able to start a variety of new projects last fiscal year, and I believe that it was a year that enabled us to build the foundations for future growth.

### **Could you describe your initiatives for the creation of new value?**

Firstly, let's look at inorganic chemicals. We are working on the development of a business for hydrogen sulfide, which is a by-product of carbon disulfide production. Hydrogen sulfide is a difficult chemical to handle, and there are very few manufacturers that produce it in large quantities. We also have the technology to produce hydrogen sulfide of high purity, so we are focusing our efforts on this in response to the growing needs of our business partners. We are currently working on technological development with a view to developing products that take advantage of that technology. Besides hydrogen sulfide, we will also work on the development of other new materials that start with carbon disulfide. With regard to insoluble sulfur as well, we have developed technology that will enable the production of high-quality products for high-performance tires that can handle even in the harshest of conditions. Our new production facilities for this production are scheduled for completion in October 2024. In addition, with the aim of strengthening sales in the United States, we recently established a new sales office in Atlanta, our second American base after Los Angeles. This sales office will work to build

## Chemicals Operations Top Interview

relationships with local tire manufacturers, which are concentrated in the mid-east of the United States. We also intend to open up markets in Central and South America, as well as North America.

Regarding the organic chemicals, chlorinated isocyanurates, in December 2023, we took over the ballast water management system business from Kuraray Co., Ltd. With this move, we newly ventured into the device business, in addition to the chemical agents business. Ballast water, which is loaded into ships' hulls to maintain their balance, is ejected at the port where cargo is loaded. Chemical treatment agents are used to prevent damage to the environment caused by the discharge of organisms found in discarded ballast water. By combining the chemical treatment agents and the management system, we will expand the scope of the business with the aim of expanding our market share. In the drinking water application business as well, we have established a local subsidiary in India, from which we will sell products for general consumers. India is a massive market, and we have expectations for its growth. To prepare for the expansion of demand in these areas, in October 2023, we increased our Tokushima Plant's production capacity of chlorinated isocyanurates.

With respect to fine chemicals, leveraging our myriad advanced organic synthesis technologies and low-metal management technologies, we will propose newly developed products to the semiconductor process materials market. For the electronic devices market, we are working on the further technical innovation of GliCAP, an agent that offers excellent electrical conduction properties by forming an organic film directly on the copper surface of PWBs (printed wiring boards) to improve the adhesion of copper and resin. Our aim with this project is to expand the server and package substrates markets and make GliCAP the global standard.

TAP-4, the multi-purpose plant at the Tokushima Plant, which manufactures materials used in semiconductor manufacturing processes, began operating in July 2021. However, with the rapid growth of the market, we believe that new investment will be needed to further increase the plant's facilities.

In addition, the Kagawa Industry Support Foundation awarded its Ashihara Science Award Grand Prize to our resin curing agent (product name: TS-G), which enables curing and forming of epoxy resins under lower temperature conditions than conventional agents. This award is given to research groups that have produced outstanding outcomes that will contribute to the advancement of industrial technology and promotion of industry. Due to the improved energy efficiency during forming that this product offers, it is being adopted as an ingredient in

advanced-function adhesive agents for electronic materials for a growing range of applications, including smartphones and semiconductor equipment.

In these ways, we are making progress at an unprecedented pace in our initiatives for the expansion of existing businesses and the creation of new businesses, and I hope to put these efforts firmly on track.

### A year has passed since the spin-off into a separate company. What kind of changes have you noticed in that time?

Decision-making seems to have become faster. We are working hard to create a culture in which various proposals will be given the go-ahead to try, thus encouraging challenges. I have sensed that a new liveliness has really emerged in the Company since the spin-off. In fact, there have been many proposals made, and we now have multiple projects underway. We intend to engage proactively in new businesses going forward, but to do that, we need to build a culture of continuously generating technologies that have "creativity." I intend to value an atmosphere in which people can communicate with each other across the boundaries of organizations and divisions they belong to.

### What would you like to say to your stakeholders?

As I mentioned at the beginning, SHIKOKU CHEMICALS is a company whose business is manufacturing. We believe that, above all else, ensuring safety is the highest priority of manufacturing, and I hope to instill that awareness anew in all our employees. Having done that, as well as achieving the targets set forth in "Challenge 1000," we hope to keep creating high-quality, unique products and to contribute to the lives of people around the world and the advancement of society.



# Chemicals Operations

## Chemicals that continue to evolve and deepen for the progress of the world

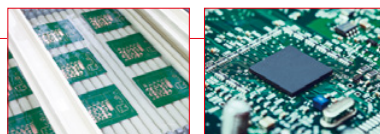
Inorganic chemicals that contribute to the richness of daily life, from tires to textile materials.  
Organic chemicals that clean the world's various water environments, from pools to ballast water.  
Fine chemicals that assist cutting-edge technologies all over the world, from IoT to 5G.  
Our technologies support the safety and advancement of our lives.



### Fine chemicals



Our heat-resistant water-soluble preflux, Glicoat-SMD, which protects the copper circuits on printed wiring boards (PWBs) from oxidation, boasts the top global share.  
We are also rolling out high value-added products in cutting-edge fields, such as compounds that contribute to improving the performance of resins, and GliCAP, an agent that improves adhesion in the chemical adhesion process, for which we aim to become the global standard in the era of 5G (next-generation mobile communications system).



Treatment using Glicoat-SMD heat-resistant water-soluble preflux

### Organic chemicals



Chlorinated isocyanurates were mass produced by SHIKOKU KASEI for the first time in Japan in 1964. NEO-CHLOR, a disinfectant for pools that leverages the excellent properties of those chlorinated isocyanurates, is an example of our products that contribute to improving water sanitation conditions, from the sanitation management of bathing facilities to the wastewater treatment of industrial water, which are in use all over the world.



NEO-CHLOR pool disinfectant



NAPIX automatic chlorine feeder for pools



WASHMANIA washing machine drum cleaner

### Inorganic chemicals



We deliver numerous products that are deeply intertwined in daily life, including (1) insoluble sulfur, MUCRON, which is indispensable for the production of radial tires, (2) carbon disulfide, a raw material for chemical fiber rayon, and (3) sodium sulfate and sodium carbonate, which are used in synthetic detergent powders and bath salts.



Insoluble sulfur, MUCRON, a vulcanizing agent for radial tires



Chemical fiber rayon made with carbon disulfide

## SHIKOKU KASEI Group supporting the Chemicals operations

[Click here for details.](#)

Research and development, manufacture, and sales of inorganic chemicals, organic chemicals, and fine chemicals

**SHIKOKU CHEMICALS CORPORATION**

Manufacture, packaging, and transportation of various products

**SHIKOKU KOSAN CORPORATION**

Marketing and sales of chemicals and housing material products

**SHIKOKU INTERNATIONAL CORPORATION**

Manufacture and sales of carbon disulfide and hydrogen sulfide

**SHIKOKU RYUTAN CO.,LTD.**

Research and development and manufacture of fine chemicals

**MASUDA CHEMICAL INDUSTRIES CO.,LTD.**

## Chemicals Operations Inorganic Chemicals

### From tires to textiles. Supporting the world's many different lifestyles.

SHIKOKU KASEI's beginnings lie in the development of a method for the manufacture of carbon disulfide, the raw material for the chemical fiber, rayon. The technological capabilities thus cultivated have been passed down in an unbroken line to subsequent chemical products. Examples are sodium sulfate, which is used to make synthetic detergents, bath salts, and dyeing auxiliaries, and insoluble sulfur, a vulcanizing agent used in high-performance radial tires. We deliver globally many raw materials that are indispensable to familiar products, with high quality supported by our advanced technologies. Our inorganic chemicals support a wide variety of living situations, from the very familiar to the familiar yet globally active.

Raw material for rayon, a chemical fiber

#### Carbon disulfide

Carbon disulfide, our founding product, is used as the raw material in rayon, a chemical fiber. Rayon, with its excellent water-absorbing and humidity-absorbing properties, is used for clothing and also for wet wipes and other sanitary products.



Synthetic detergent builder

#### Sodium sulfate

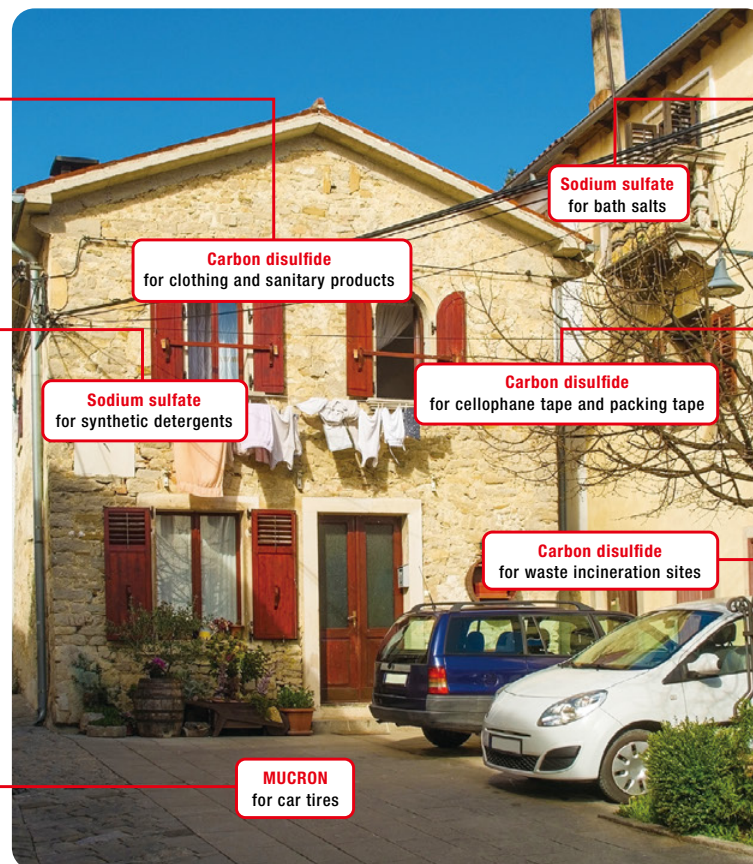
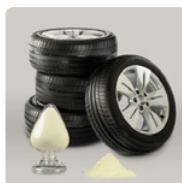
Our sodium sulfate maintains the high quality as the industry's leading manufacturer. It is used as a synthetic detergent builder.



Vulcanizing agent for radial tires

#### Insoluble sulfur, MUCRON

Our insoluble sulfur, MUCRON, brings out the superior performance of high-performance radial tires. It is used not only for car tires, but also for the tires of aircraft and large construction machinery.



Sodium sulfate  
for bath salts

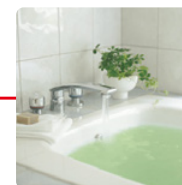
Carbon disulfide  
for clothing and sanitary products

Sodium sulfate  
for synthetic detergents

Carbon disulfide  
for cellophane tape and packing tape

Carbon disulfide  
for waste incineration sites

MUCRON  
for car tires



Promotes warm bath effect of bath salts

#### Sodium sulfate

Sodium sulfate is an ingredient of bath salts. A major component of hot springs, sodium sulfate, works to increase the warm bath effect, so is used as an important active ingredient of bath salts.



Raw material of cellophane and rayon fabric

#### Carbon disulfide

Carbon disulfide is used in the cellophane backing of clear adhesive tape and the rayon fabric of packing tape (cloth type). It is an environmentally friendly material, including not emitting harmful fumes even when burnt.



Raw material of heavy metal fixatives

#### Carbon disulfide

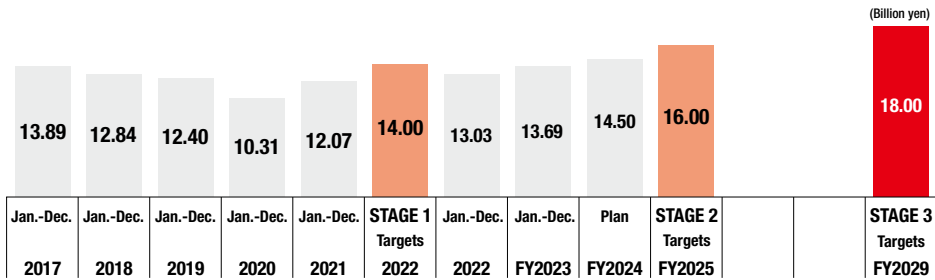
To ensure that harmful heavy metals such as copper and lead found in fly ash after waste incineration do not leak out into the environment, heavy metal fixatives are used as a detoxifying agent. Carbon disulfide is used as a raw material in these fixatives.

Chemicals Operations

Inorganic Chemicals

Business Overview

Although the slackening of the supply-demand balance of insoluble sulfur, a raw material of radial tires, continued in China and other markets, thanks to reviews of sales strategies in response to the weakening yen and other factors, sales are starting to pick up. Sales of carbon disulfide for rayon and cellophane were up year on year, due mainly to the expansion of sales to new overseas customers. Regarding domestic sales of sodium sulfate for bath agents and detergents, profitability improved due to the price pass-through of the impact of the sharp rise in procurement prices due to yen depreciation on exchange rates.



Business Strategy

Our Vision

Recycling difficult-to-handle materials and contributing to technological innovation and environmental preservation around the world

9

Recycling materials and products

12

Environmentally sound production

15

Use of natural resources

Strategic Scenario

- Accumulate sulfur handling technology and synthetic reaction evaluation technology
- Create new value and expand business domains based on the utilization of sulfur

Achievements and Future Initiatives

- ▶ STAGE 1 Initiative Results
- Further quality improvement of insoluble sulfur
  - Started sales of hydrogen sulfide, a by-product of carbon disulfide
- ▶ Initiatives Toward Achieving STAGE 2 Targets
- Enhancement of insoluble sulfur facilities
    - Construction of new plant is progressing well (scheduled for completion in December 2024).  
Floor area: 1,020 m<sup>2</sup> (steel-reinforced concrete 5-story building)  
Total investment: Approximately 4.5 billion yen
  - Work on the development of manufacturing technologies for high-quality products and build frameworks for mass production.
  - Due to the need for manufacturer-approved tasks, the full-scale continuous operation of the new plant and its contribution to profits are expected to be in STAGE 3 and beyond.
  - External sales of hydrogen sulfide are expected to achieve initially projected sales target due to high demand for our high-quality product.
  - Promotion of environmental responses (reduction of GHG emissions, reduction of water usage, use of sustainable raw materials, etc.)
  - Development of new products based on sulfur



Construction works for a new insoluble sulfur plant



## Chemicals Operations Organic Chemicals

### From pools to water for industrial use. Supporting the world's various water environments.

In 1964, we became the first company in Japan to mass produce chlorinated isocyanurates. Since then, we have worked hard to refine various application technologies and create original products using this chemical as a raw material. We have a range of products that target bathing facilities and the sanitary market, including disinfectants for swimming pools and septic tanks. We have also moved into the wastewater treatment field, contributing widely to the water hygiene environment.

#### Chlorine agent for bathwater

##### SPACLEAN

SPACLEAN contributes to the sanitation management of bathing facilities such as hot spring and public bathhouses. Its powerful cleaning action removes scale and slime on the bath tub and keeps the bathwater clean at all times.



#### Automatic chlorine feeder for pools

##### NAPIX

NAPIX, an automatic feeder for NEO-CHLOR, saves labor and ensures safe and certain chlorine management. Its lightweight, compact design has a small footprint for convenient installation.



#### Pool disinfectant

##### NEO-CHLOR

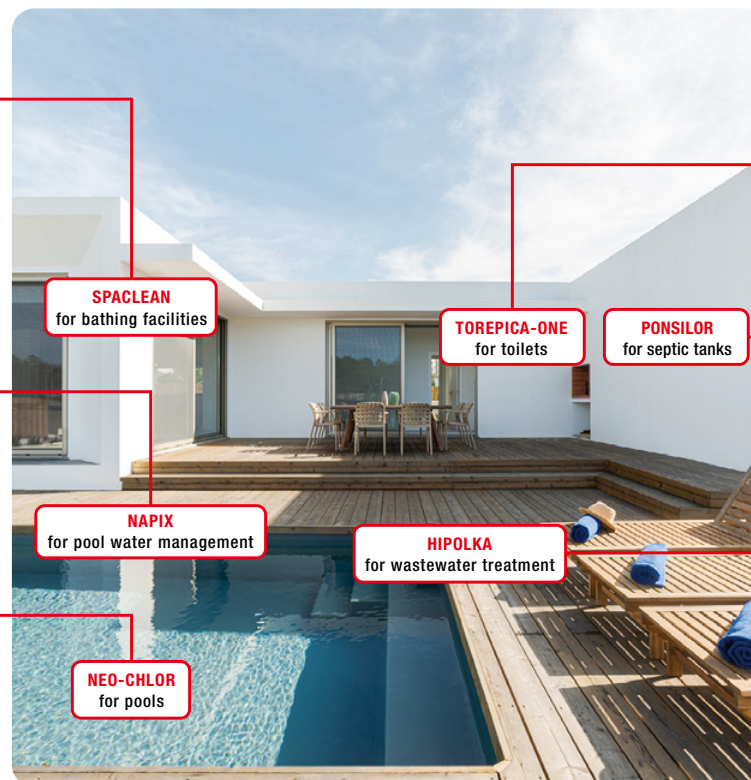
The pool disinfectant NEO-CHLOR has a stable disinfectant effect even under summer's strong UV rays. Demonstrating strong disinfectant power, with little irritation to the eyes, and a high degree of safety, it is a much loved product in many parts of the world.



#### Protecting marine ecosystems

##### NEO-CHLOR MARINE

NEO-CHLOR MARINE protects marine ecosystems. It uses the power of chlorine to exterminate invasive species found in ballast water, which is water pumped into the hulls of ships to maintain balance, thus protecting native species.



**SPACLEAN**  
for bathing facilities

**TOREPICA-ONE**  
for toilets

**PONSILOR**  
for septic tanks

**NAPIX**  
for pool water management

**HIPOLKA**  
for wastewater treatment

**NEO-CHLOR**  
for pools



#### Urinary calculus remover

##### TOREPICA-ONE

TOREPICA-ONE prevents the formation of urinary calculus, which is a cause of the blocking of toilet piping and offensive odors, and removes urinary calculus that has attached to the pipes. It prevents offensive toilet odors, contributing to a fresh, clean environment.



#### Septic tank disinfectant

##### PONSILOR

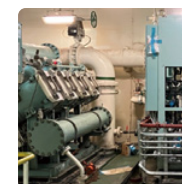
PONSILOR is a disinfectant for septic tanks that has efficient disinfectant power. It quickly deactivates pathogenic bacteria such as E. coli, salmonella typhi, and staphylococci, demonstrating stable disinfectant effects, even in the high humidity of septic tanks, to return the water to a natural, clear stream.



#### Bacterial enzymatic agents for household and industrial wastewater treatment

##### HIPOLKA

The HIPOLKA series of bacterial enzymatic agents contains different highly active beneficial bacteria selected for different applications. Beneficial bacteria to suit the properties of the wastewater work quickly to improve the biological treatment function of activated sludge.



#### Ship ballast water management system

##### MICROFADE

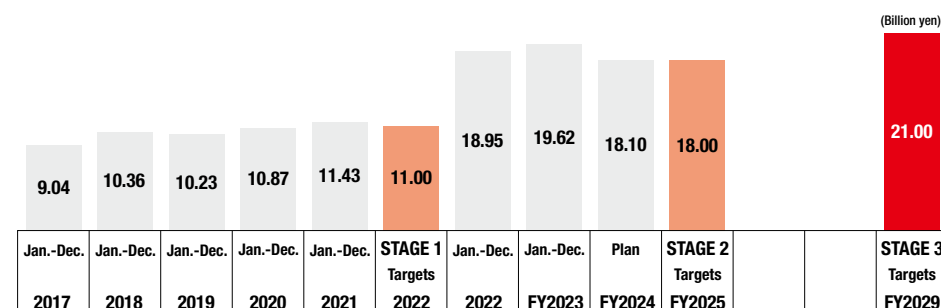
We will operate a comprehensive business by handling the ship ballast water management system as well as selling ballast water treatment agents.



## Chemicals Operations Organic Chemicals

### Business Overview

Sales of chlorinated isocyanurates were up on the previous year due to the penetration of price rises in the Japanese market and a trend of strong post-pandemic demand for pools and baths. In the U.S. market, inventory adjustments and inflation-prompted buyer hesitation have been prolonged since the second half of the year, resulting in a slight decrease from the previous year.



### Business Strategy

Our Vision	Strategic Scenario
<p>A business that protects the environment and sanitation and delivers cleanliness to people around the world</p> 	<p>Anticipate customer needs in response to social issues such as water environment and sanitation, to achieve optimal proposals for disinfection and cleaning with our proprietary technologies and services</p>

### Achievements and Future Initiatives

#### ► STAGE 1 Initiative Results

- Launched our own brand, WASHMANIA
- Released our first own-brand product for general household use in the Chemicals operations
- Constructed NEO2022, a production facility for chlorinated isocyanurates (completed in 2022)

#### ► Initiatives Toward Achieving STAGE 2 Targets

- Business expansion into high added value areas such as sanitary products
- Making progress with the development of new B-to-C products (WASHMANIA series) that apply our proprietary technologies (surface treatment)
- Making progress in many development projects for ODM production, taking on the entire process from product conceptualization to manufacturing and packaging.
- Increase the production capacity of chlorinated isocyanurates
- These works will be completed in 2024. Full-scale operations on three lines will begin making profit contributions in 2025.
- Continued investment in tableting equipment. Aim to be the largest manufacturer of solid chlorine agents in Japan.
- Acquired MICROFADE® ballast water management system business from Kuraray Co., Ltd.
- Take on the challenge of expanding the chemical agents market through system sales.
- Efforts toward the Indian drinking water project
- Set up a local subsidiary in India, one country that has issues with its drinking water situation, after determining that our chlorinated isocyanurates may be a useful solution to that social issue.



WASHMANIA



MICROFADE®

## Chemicals Operations Fine Chemicals

### From semiconductors to energy. Supporting the world's various cutting-edge technologies.

Our Fine Chemicals business began with the production of imidazole derivatives and has since expanded into many different areas in response to customers' needs. Adding to our CUREZOL range of curing agents for epoxy resins, we have also ventured into new fields such as pharmaceutical ingredients and functional materials such as resin modifiers. We have also rolled out PWB-related products such as Gliccoat-SMD, our water-soluble preflux that boasts the top market share in Japan and overseas. Our products support cutting-edge technologies in a wide range of fields around the world.

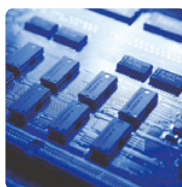
#### Curing agents for epoxy resins

CUREZOL, which demonstrates outstanding properties as a curing agent for epoxy resins, is used in a wide range of fields, including powder coatings, adhesives for automotive structures, and wind power generation facilities.



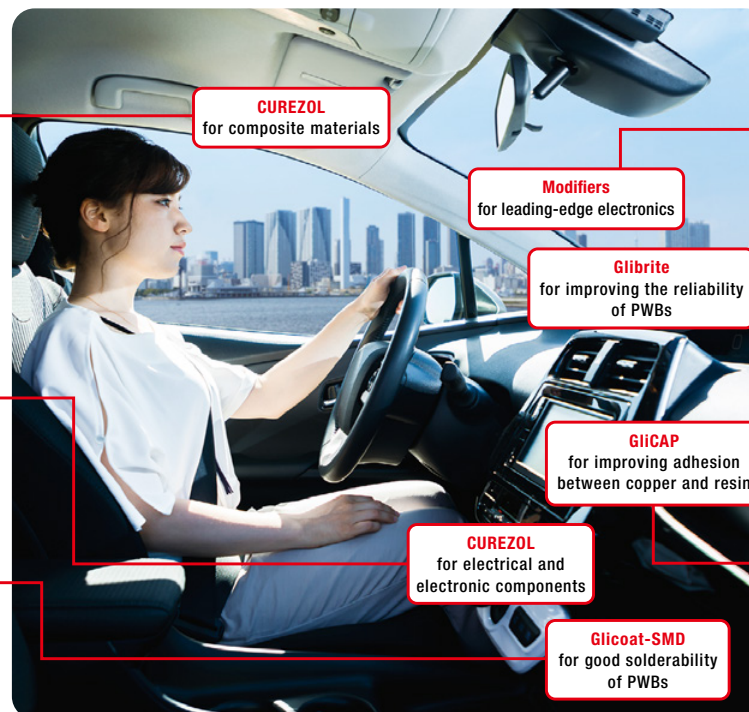
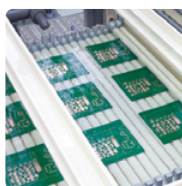
#### Curing agents for epoxy resins

CUREZOL has been adopted for various epoxy compositions for electrical and electronic components, including copper clad laminate and semiconductor sealing materials, which require many different properties such as heat resistance, adhesion, and insulation properties.



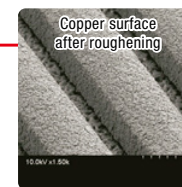
#### Water-soluble preflux for PWBs

Gliccoat-SMD is an environmentally friendly, water-soluble copper surface treatment agent whose main ingredient is imidazole. It forms an organic film on the copper circuits of PWBs to prevent oxidation, ensuring good solderability.



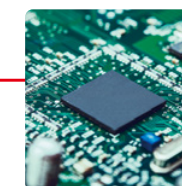
#### Modifiers for high value-added resins

White LEDs are in wide use of liquid-crystal backlights and lighting fixtures. We have created new key materials to meet customers' needs, such as sealing material modifiers, contributing to the further functional improvement of high value-added resins.



#### Copper surface treatment agents

Our Glibrite series roughens the copper surface of PWBs to an optimal state to suit the application. Our GliCAP adhesion improvement process forms an organic film directly on the copper surface to chemically improve the adhesion between copper and resin.



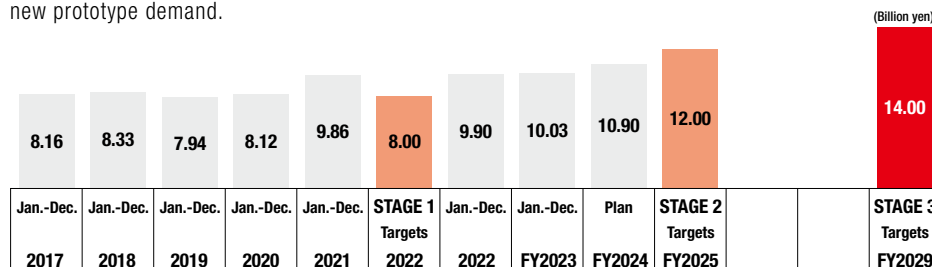
#### Adhesion improvement process

GliCAP improves the adhesion between copper and resin by forming an organic film selectively on the copper surface of PWBs. There is no roughening, so electrical conduction is superior at high frequency bands, making it suitable for the refining of copper circuits.

## Chemicals Operations Fine Chemicals

### Business Overview

Sales of electronic chemical materials, mainly Glicoat-SMD, our water-soluble preflux for PWBs, were slow in the first half of the year, but recent cargo movement has started to recover in the second half and thereafter, as the semiconductor and electronics markets bottomed out and customers made progress in their inventory adjustments. In functional materials, sales of curing agents for epoxy resins (imidazole derivatives) were up on the previous year due to the recovery of electronics market conditions, while sales of resin modifiers (glycoluril acid derivatives, etc.) were stagnant, due mainly to a decline in demand in the market for final products. However, sales of semiconductor process materials were up on the previous year due mainly to progress in customer evaluations and capturing new prototype demand.



### Business Strategy

#### Our Vision

- Contributing to technological advancement by providing highly functional products based on our unique technology
- Creating global standards with our new technologies



#### Strategic Scenario

- Anticipate needs and establish unique themes, to establish technologies with promising customers
- Develop highly functional products based on our accumulated unique technologies
- Set themes based on market trends and develop products leveraging our strengths. Propose total solutions from the perspective of the customer

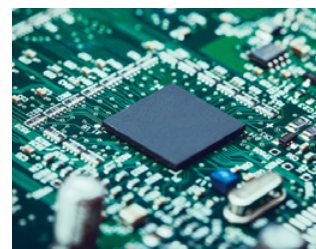
### Achievements and Future Initiatives

#### ► STAGE 1 Initiative Results

- Establishment of the TAP-4 production facility for fine chemicals products (completed in July 2021)
- Installation of solar power generation equipment at the Marugame Plant Glicoat-SMD production facility (capable of covering 100% of Glicoat-SMD production with renewable energy)
- Our relationship with major manufacturers has deepened in semiconductor process materials, and we successfully acquired new projects
- Implementation of activities aimed at adopting GliCAP for server and package substrates

#### ► Initiatives Toward Achieving STAGE 2 Targets

- Functional materials business: Growth of resin modifiers and semiconductor process materials
  - In resin modifiers, in addition to the growth of our current mainstay product, glycoluril acid derivatives (winner of Ashihara Science Award Grand Prize), evaluation of in-development products in the low-permittivity materials and biomass materials fields is progressing.
  - In semiconductor process materials, evaluation of in-development products in the advanced-function films field is progressing with the generational evolution of semiconductor manufacturing processes.
  - MASUDA CHEMICAL INDUSTRIES CO., LTD. was made a subsidiary for the construction of a production framework.
- Electronic chemicals: Growth of GliCAP
  - Sales of GliCAP in 2024 are expected to grow to more than double the previous year's sales.
  - In the server substrate domain, we began achieving results with its adoption in manufacturing lines.
  - In the semiconductor package substrate domain, manufacturing trials for next-generation GPUs are in the final stages.



New Group company, MASUDA CHEMICAL INDUSTRIES



## Housing Materials Operations Top Interview



**Growing our strengths to  
demonstrate our presence**

Representative Director, President,  
SHIKOKU KASEI KENZAI CORPORATION

**Yoshinori Manabe**



## Housing Materials Operations Top Interview

### **You assumed the position of President of SHIKOKU KASEI KENZAI, which was established by spin-off a year ago. Could you describe your intentions for the post once more?**

Unlike SHIKOKU CHEMICALS, which conducts product development based on its core technologies, SHIKOKU KASEI KENZAI CORPORATION handles products that are close to being commodities. A major theme for our company is how we indicate, both internally and to the outside world, a path toward the growth of our company and how we demonstrate our presence. In the twelve months since my appointment, I have sorted out the earnings structure of each product of our company anew, thought about how and where to grow those earnings, and reformulated our business strategy. After sharing the details of that reformulated business strategy with our employees, I hope to work in unison with them to put it into practice.

### **Could you describe the respective strengths of interior/exterior finishes and paving materials, home exterior products, and landscaping exterior products?**

Our company started its business with interior/exterior finishes and paving materials. Plastered (or mortar-covered) walls have been around for centuries as a finishing material for Japan's ancient mud walls. However, by using chemical glues, we were able to commercialize it into a strong finishing material and start mass production. While our distribution channels and sales networks throughout Japan are certainly our strength, the issue is how we can turn these finishes into a sustainable business when the market for the conventional construction methods that use plastered walls is starting to shrink. Our exterior products business started with bringing accordion gates into the world. Subsequently, in a first for the industry, we expanded our operations into non-housing landscaping area such as fences and sliding doors for factories, warehouses, and office buildings. In the landscaping exterior products area, previously, products that had been made by machining metal and assembling it at the factory were the mainstream. However, we shifted to products that could be assembled on site by bringing in aluminum materials, creating a new market as a result. In terms of sales methods as well, we were also the first to introduce sales activities that targeted design firms. In these ways, we have stayed ahead of our competitors in expanding our products and building sales networks in the landscaping area, and the way in

which we have improved and developed our products has been a strength.

### **How did you reformulate the business strategy?**

In the home exterior products area, many of our competitors are large manufacturers, and our market share is limited to around 4%. In the landscaping exterior products area, however, by creating products that are tailored to user needs and demonstrating our presence, we have grown our share to over 50%, and the ratio of sales of home exterior products and landscaping exterior products is around 4 to 6. Regarding home exterior products, because we had such a small share, we thought that it would probably be easy to grow that share, and we concentrated our efforts on marketing to increase it. However, it is no easy feat to increase our market share amid fierce price competition with the large manufacturers. Also, concentrating efforts on a shrinking market, where the number of new housing starts is expected to fall in future, could not be described as efficient. As such, I decided that we could better grow our overall earnings by investing our limited resources into the areas in which we have strengths.

As I mentioned earlier, the area in which we have strengths is the landscaping exterior products domain, where we can leverage our network of design firms to create products to meet their needs. There is the opinion that it would be difficult to further grow our share of a market in which we already have a greater-than-50% share. However, that 50% share is in the market covered by the Japan Exterior Industry Association\*, and there is still a huge market to tap in the non-housing area. I believe that we will pursue the development of products that we have not tackled to date, thereby increasing our sales, which will lead to further strength.

\*Japan Exterior Industry Association: Established in 1977. Along with its 11 members, including SHIKOKU KASEI KENZAI CORPORATION, the Association operates with the objective of contributing to the advancement of the housing industry through the provision of excellent exterior products to the market.

### **What kind of strategy do you have for the interior/exterior finishes and paving materials and home exterior products areas?**

We are certainly not sitting idly by in these areas either. The keyword to increasing earnings in these two divisions, whose markets are starting to shrink, will be "collaboration." By joining forces with other companies that have their own respective strong areas and combining them with our own, we will make new proposals and grow our earnings. One example is a collaboration with a lighting

## Housing Materials Operations Top Interview

manufacturer. In both the interior/exterior finishes and paving materials area and home exterior products area, lighting can be used to showcase the shade of our products. Lighting can also be used to give rooms and spaces a completely different look.

For interior/exterior finishes and paving materials, simply showing the parts of the products to customers and explaining them orally will not give them an adequate image of the products. When we show them the products inside a room, combining them with light, the appeal of our finishes is better conveyed. For this reason, we have also coordinated with a space proposal company to create interior spaces at this year's trade exhibitions, and we have started exhibiting our finishes in combination with lighting in those spaces. We also hope to open up new markets for our interior/exterior finishes and paving materials in other rooms in the home besides Japanese-style tatami rooms and at commercial facilities other than houses.

### Could you sum up your Company's business performance for the fiscal year ended December 2023?

Thanks to price revisions conducted in January, net sales increased by 200 million yen to 18.7 billion yen, but operating profit fell by 200 million yen to 1.5 billion yen. However, I do believe that our employees tried very hard amid the severe circumstances of soaring prices of aluminum, our main raw material, and the decline in new housing starts. This fiscal year as well, with materials prices soaring, the number of people considering building a new home has fallen. It will probably take some time for demand to recover, so we are forecasting an increase in sales and a decrease in profit. Even amid such severe circumstances, we want to be firm about making positive investments.

Our capital investments will be in the expansion and replacement of processing equipment with the aim of making labor savings. We will also proceed with the development of a logistics base. Currently, we have four plants located in Kagawa and Tokushima Prefectures, but our logistics is rather inefficient, with each plant stocking and shipping the respective products that they make. To address this issue, we have recently started deliberations on the development of a distribution center where the products from all four plants could be collected and shipped from. In terms of transportation as well, we are considering the idea of joint deliveries with other companies in the same industry.

### What kind of products do you want to develop going forward?

The exterior industry is facing a somewhat adverse environment, with factors such as the decline in new housing starts and soaring prices of raw materials. On the other hand, the growing frequency and intensity of natural disasters such as earthquakes and typhoons in recent times is causing increased demand for products that have high added value in terms of strength and function. We believe that strengthening these areas is our duty as a manufacturer of exterior products. Something that could also be said of all exterior products is that the keywords of safety and security will become increasingly important themes. We will continue to promote design that will enhance the value of living spaces and the development of products that pursue user convenience. In addition, encouraging our employees "not to say no to customers' requests" and declaring a slogan of "SHIKOKU KASEI that will not say no," we have coordinated with partner companies to make custom-order products to meet such requests. I believe that these kinds of initiatives will give us hints for new product development and will lead to the growth of the Company.

### What would you like to say to your stakeholders?

My intention is not to recklessly chase after the Company's sales. Even if net sales in the interior/exterior finishes and paving materials and home exterior products segments fall due to their shrinking markets, if we can compensate the fall in net sales by elevating our brand strength in the highly profitable landscaping exterior products segment, our profitability will increase as a matter of course.

With the reformulation of our business strategy, the things that we need to do have become clear. Our employees have also changed their mindset, realizing that we can simply grow the areas in which we are strong, and they seem to be more cheerful. Going forward, we will invest in our people in line with this strategy and place efforts into education and training. I hope our stakeholders will look forward to what lies ahead for the Company.

# Housing Materials Operations

## Designing a new lifestyle in the future and contributing to community development around the world for everyone's happiness

Interior finishing materials, exterior finishing materials, and paving materials that provide comfort in living spaces with traditions and new technologies.

Home exterior products that contribute to an affluent lifestyle with their functionality and excellent design.

Landscaping exterior products that create a more comfortable urban space through their beautiful designs.

The well designed and high-quality products that we pursue are enriching secure and comfortable lifestyles.



### Home exterior products



SHIKOKU KASEI was the inventor of the "accordion gate," which has become synonymous with carport-front gates. Our product lineup, which includes gates, fences, carports, decks, and shutters, offers functionality and outstanding design. Coordinating them with SHIKOKU KASEI's unique exterior finishing materials and paving materials will enrich the hearts of those who live there.

### Landscaping exterior products



With a focus on materials and design that many visitors to a place will find pleasing, our landscaping exterior products also propose the creation of public spaces that are functional and comfortable.

Along with meticulous attention to safety, we contribute to the development of beautiful townscapes with proposals that make the most of our ability to respond flexibly to custom orders.



Large accordion gates



Bicycle ports



Archways



Large fences

### Interior finishing materials, exterior finishing materials, paving materials



Our extensive range of finishing materials creates beautiful scenes in all manner of locations, from individual homes to commercial and public facilities.

Including interior finishing materials that have a unique function of adsorbing and decomposing formaldehyde to detoxify it, and paving materials made with recycled materials, we actively engage in the development of products that consider health and the environment as well as design.



Interior finishing materials



Exterior finishing materials



Paving materials



Facades



Carports



Terraces and decks



Aluminum system fences

## SHIKOKU KASEI Group supporting the Housing Materials operations

[Click here for details.](#)

Development, manufacture and sale of interior finishing materials, exterior finishing materials, paving materials, and exterior products

**SHIKOKU KASEI KENZAI CORPORATION**

Manufacture of exterior products

**SHIKOKU KEIZAI CORPORATION**

Manufacture of exterior products

**RYOUWA KASEI KOGYO CO.,LTD.**

Manufacture of exterior products, and store-related products such as shutters

**SHIKOKU KEIZAI KANTO CORPORATION**

Manufacture of exterior products

**SHIKOKU KOHKI CORPORATION**

## Housing Materials Operations Interior Finishing Materials, Exterior Finishing Materials, Paving Materials

### Interiors and even the exterior walls of houses. Making the world's various housing environments healthy.

Our extensive range of interior finishing materials, exterior finishing materials, and paving materials accommodates all manner of scenes, from individual homes to commercial and public facilities. Including interior finishing materials that have a unique function of adsorbing and decomposing formaldehyde, which is a cause of sick house syndrome, to detoxify it and paving materials made with recycled waste materials, we actively engage in the development of products that consider health and the environment as well as design.

#### Finishing materials with richly nuanced expressions created by inorganic materials

Mortar-style finishing materials whose mute textures offer a depth of expression and charm. They can be used on walls, counters, floors, and even curved surfaces.



#### Paving materials with excellent function and design

Water-permeable paving materials made with natural stone, environmentally friendly paving materials made with recycled glass, and paving materials with advanced cushioning provided by rubber chips. A wealth of materials and color variations create beautiful facilities and townscapes.



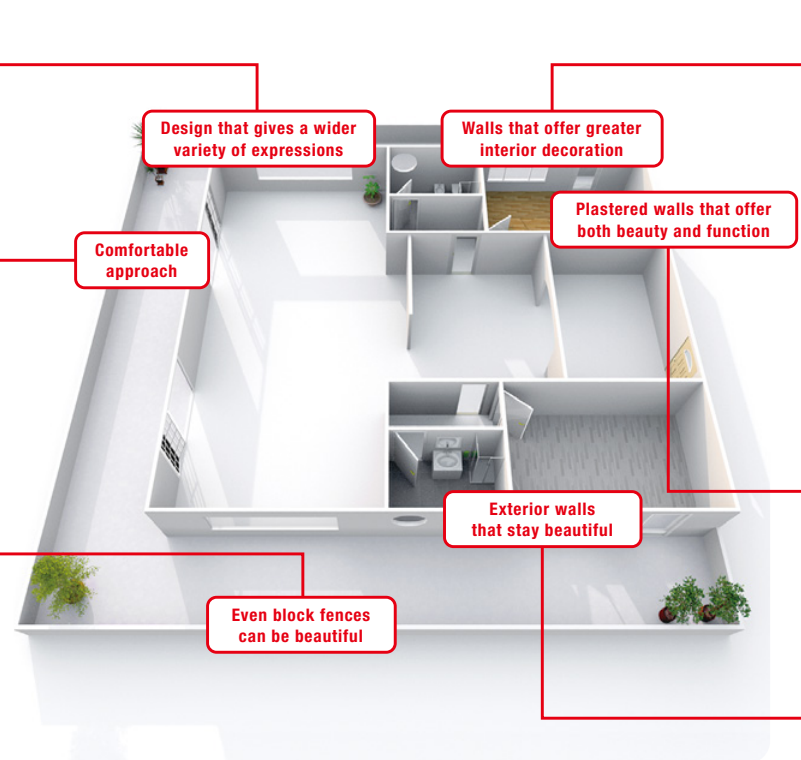
#### Block exterior finishing materials

Slightly elastic exterior finishing materials that are strongly resistant to cracking and can be decorated with a rich variety of patterns, materials that can be directly applied to blocks, and other products realize the creation of unique exterior structures.



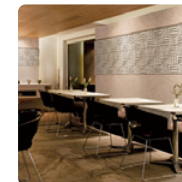
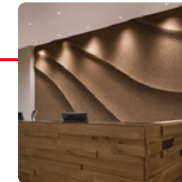
#### Colored topcoats for renovation

So that people can enjoy plastered walls that provide comfort in their homes for many years to come, we have created colored topcoats that allow for easy renovation. Both interior and exterior walls can be reborn into new walls.



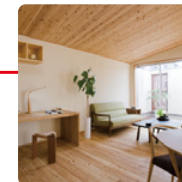
#### Walls with uniquely distinctive designs

Walls with a high degree of aesthetic design have outstanding presence created by tremendously thick coatings. Rich expressions that make the most of plastering techniques and colors with the unique depth of colored clay provide spaces with a dignified appearance.



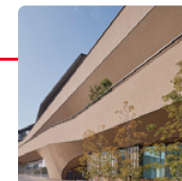
#### Creating safe and comfortable interior spaces

JULUX, whose main ingredient is diatomaceous earth, advanced-function walls made with high-grade charcoal, products that can be easily applied directly with a roller or pallet, and other interior finishing materials that have evolved from traditions improve the interior environment and create comfortable spaces.



#### An extensive range of exterior finishing materials

Our distinctive products include exterior-only elastic walls that prevent cracking, excellent functions such as dirt resistance, and a rich variety of colors and decorations. Customers can choose from a rich variety of designs, from traditionally tasteful to more modern expressions.





## Housing Materials Operations Home Exterior Products

### From gates to carports. We create a variety of housing designs around the world, enriching the hearts of those who live in them.

SHIKOKU KASEI was the first to develop the "accordion gate," which has become synonymous with carport-front gates. From gates and fences to carports, decks, and terraces, we have an extensive range of products that make life more comfortable and secure. Our products are distinctive for their functionality and design. SHIKOKU KASEI's unique total coordination with exterior finishing materials and paving materials expresses the individuality of the people who live there.

#### Elevating the impression of the home around the entrance

We have a full line-up of gates, gateposts, and items for the gate area. We also have a range of gates with electric locks for added security. Our products create the faces of various homes, both closed exterior structures that ensure privacy and more open exteriors.



#### Creating relaxing spaces for an expansive lifestyle

We have an extensive range of terraces, whose flat ceilings harmonize beautifully with the building, and wood-plastic-composite decks. We propose the creation of outdoor living rooms that connect the home's interior and garden as a space for relaxing with family and friends.



#### Exterior structure innovations

We solve the problems of fences that pose a hazard, such as aging block fences. Our aluminum system fences have a light construction that realizes a freedom of expression and easy installation. They open up a wealth of possibilities for elevating the home's appearance.



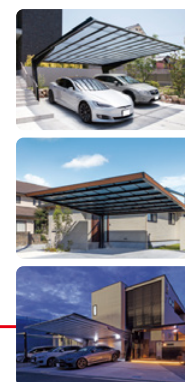
#### People-friendly universal design

Our railings, which were developed to create an environment in which everybody can live in safety and comfort, are in wide use in various locations, from regular houses to hospitals to welfare facilities. With the aims of easy installation and suitability for all conditions, we support the safety of all.



#### Carport areas to suit all plans

From models with outstanding design for simple, modern forms to more basic models, our extensive range of carports has something for every plan. We can also combine them with lighting fixtures to create fantastic spaces.



#### Aluminum shutters that protect both aesthetics and car

Taking advantage of the aluminum shutter technology that we developed ourselves, we have produced unit-type facades that combine carport and gate. The total aesthetic arrangement from house entrance to carport area creates a finish that gives a sense of unity with the building.



## Housing Materials Operations Landscaping Exterior Products

### From rooftop greening to garbage containers. We contribute to society by bringing beauty to various townscapes all over the world.

While careful thought is given to materials and designs so that the many visitors to a place will find them pleasing, our landscaping exterior products also propose the creation of more comfortable public spaces. We carefully consider usability and safety so that everyone, from small children to the elderly, can use our products with peace of mind. We are also engaged in the development of greening systems that will contribute to CO<sub>2</sub> emissions reductions and of products taking advantage of our outstanding skills to respond to custom orders.

#### Exterior structure series that allows for total coordination

As well as the functional aspects such as crime prevention and safety, our many exterior structure products are created in harmony with the building and surrounding environment in mind. Large sliding doors, accordion gates, fences, and other products that all have the same design concept make total coordination of the exterior possible.



#### Garbage containers for comfortable housing environments

Our garbage containers were developed with the theme of creating a comfortable environment. They transform the garbage storage area, which tends to be messy and unsanitary, into a clean and beautiful space. Our attention is focused on creating a comfortable living environment even in these kinds of spaces that tend to be overlooked.



Traffic routes that harmonize with urban landscapes

Bringing rich greenery to the urban areas

Facades that can be chosen by function

Clean and sanitary garbage containers

Robust, highly secure fences

Stylish bicycle ports



#### Energy-saving, low-maintenance greening systems

As part of our environmental measures, based on our own cultivation trials and verification results in joint research with a university, we propose unique aerial greening systems that contribute to the reduction of the heat island effect.



#### Archways that bring added comfort to the landscape

Our aluminum archways (pathway shelters) that combine function and beauty have the top share of this market. Harmonizing beautifully with urban spaces, they protect people from rain, sun, and UV rays and add color and comfort to the landscape.



#### Beautiful and functional bicycle ports

Bicycle parking areas are indispensable in various public areas such as outside railway stations, schools, and hospitals. Our bicycle ports are distinctive for their extensive range of designs to suit the area that they will be installed and for their ease of use.



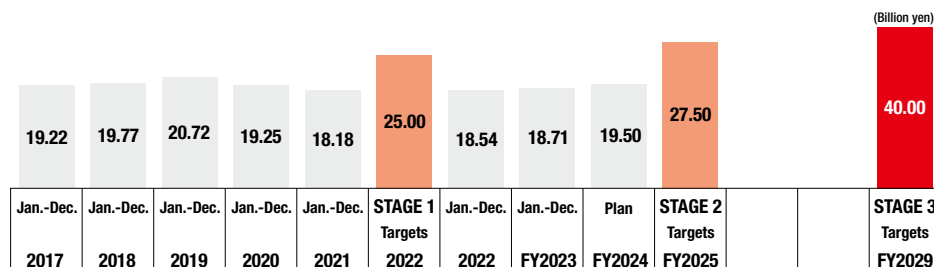
#### Large fences with a diversity of functions, designs, and colors

In addition to functions such as wind prevention, noise prevention, and screening, we propose fences with many different design variations to create different impressions, such as a sharp impression or a dignified appearance.

# Housing Materials Operations

## Business Overview

The trend of decline in new housing starts, particularly owned houses, continues, due to the impact of soaring construction costs, which meant sluggish demand for interior/exterior finishes and paving materials and exterior products. We made efforts to pass the rising costs of raw materials onto sales prices by implementing price revisions in January of this fiscal year, which ensured an increase in sales. However, soaring raw materials costs and increases in selling expenses with the post-pandemic resumption of face-to-face sales activities resulted in a decrease in profit.



## Business Strategy

### Our Vision

Designing a new lifestyle in the future and contributing to community development around the world for everyone's happiness



### Strategic Scenario

- Attract and acquire diverse human resources and engineers in Japan and overseas with unique products that pursue design and functionality
- Promote alliances in unique product categories and expand globally

## Achievements and Future Initiatives

### ► STAGE 1 Initiative Results

- Expanded the lineup of high value-added products
- In interior/exterior finishes and paving materials, began producing tools that make it easy to understand the construction process
- Enhanced sales capabilities through reskilling
- Smart factory initiatives to create a highly efficient production system

### ► Initiatives Toward Achieving STAGE 2 Targets

- Initiatives toward new products and domains
- Solar carports fitted with next-generation solar panels
- Venture into garage domain and expansion of creative lighting through collaborations
- Strengthening of sales activities through organizational changes
- Newly established Special Sales Dept. to strengthen space proposal operations for interior/exterior finishes and paving materials
- Newly established Overseas Sales Dept. to strengthen overseas sales of exterior products
- Enhancement of social media by newly established DX Promotion Sec.
- Strengthening of quality management systems by newly established Quality Assurance Dept.
- Initiatives in legal compliance and construction support
- Make use of trade exhibitions, etc. to hold seminars explaining the Building Standards Act and conduct construction demonstrations
- Initiatives for stable supply of products and strengthening of logistics





## Financial Strategy Top Interview



### **Redefining the roles of head office divisions**

Representative Director, President,  
SHIKOKU KASEI CORPORATE SERVICE CO., LTD.

**Yoshiaki Ando**



## Financial Strategy Top Interview

### **You have assumed the positions of President of SHIKOKU KASEI CORPORATE SERVICE and in charge of Corporate Planning and Management of SHIKOKU KASEI HOLDINGS. Could you describe your intentions for the posts once more?**

At SHIKOKU KASEI CORPORATE SERVICE, I am in charge of the head office shared service divisions, including the General Affairs & Personnel Dept., Information Systems Dept., Finance & Accounting Dept. At SHIKOKU KASEI HOLDINGS, I am in charge of the Corporate Planning Dept., Next Generation Business Development Dept., Sustainability Management Dept., and Internal Audit Dept.

All of these divisions are generally viewed as cost centers that do not have functions that directly generate profits. Under our current structure, their activities are funded by management guidance fees and dividends from the operating companies. The first task that I have set myself, as well as all employees, is to start with a perspective of how those divisions can contribute to the operating companies that are our clients.

### **The work that these head office divisions perform is many and varied, but could you describe your current recognition of the issues and the key points that you are focusing your efforts on?**

The fundamental operations needed for a company to continue its activities indefinitely, such as the running of general meetings of shareholders and Board of Directors meetings, preparation of financial results and accounting ledgers, operation of core systems, recruitment, and calculation of payroll, are truly the infrastructure of the company, none of which can be allowed to stop, not even for a moment. We must continuously arrange and educate the people needed for those operations to connect to the next generation.

As it claims to be a company in pursuit of "global niche," the Group has a compact organization that is skilled at responding to matters with flexibility and agility. This is one factor in the support we have received from customers in such a diverse range of business domains. On the other hand, it also means that we need to give due consideration to the question of whether that very compactness could lead to the risk of insufficient capacity to take on new challenges or of a decline in our ability to keep our business operating in the event of an emergency.

In both the head office divisions and the business divisions, it is not equipment but people that lie at the heart of our activities. With SHIKOKU KASEI HOLDINGS President Watanabe's "employees first" policy at top of mind, I will work on a fundamental review, from scratch, of all factors related to our people, including recruitment, education, workplace environment, and treatment.

### **What is your overall assessment of the fiscal year ended December 31, 2023, which was the first year of the new holding company structure?**

Regarding the objective of the transition to a holding company structure, namely to reinforce our business operation system, this means the bold transfer of authority to the operating companies and speedier decision-making. At the very least, I have noticed freer and more broad-minded debate and a more open atmosphere than before the transition. The individual operating companies are starting to realize smooth company management as they explore the best organizations and operations for them to implement.

On the other hand, regarding the structure on the holding company side, which is to specialize in management functions and be in charge of promoting corporate management strategies, I do feel that not enough is being done. I feel that we need to think about the paths that the entire Group should take and its business portfolio from a macro-economic perspective and to create a centripetal, unifying force in the holding company that will counter the centrifugal force of the operating companies. To that end, I have great expectations of the knowledge and insights of the Outside Directors.

### **You are also in charge of investor relations operations. What is your view of the expectations and evaluation of the shareholders as described in YONPO-YOSHI?**

While there is no need to react to every fluctuation in the share price every day, share price is the most reasonable measure of external evaluation, and I believe that management needs to take it seriously. Nearly a year has already passed since the TSE made its request for improvement of PBR, but our PBR continues to hover in the vicinity of 1. We own multiple unique, cutting-edge materials that take advantage of our organic synthesis capabilities, and we expect future growth in line with the expansion of the electronics market in particular. In our existing businesses of chemicals and

## Financial Strategy Top Interview

housing materials as well, we have built solid business foundations in niche fields. Combined with the asset-light nature of these operations, which have small investment burdens, we have maintained exceptionally high ROIC for the past several decades.

Compared with the evaluation (PBR) of similar Japanese companies that are focused on high value-added functional chemicals, the level of our share price is certainly not satisfactory, and I believe that there is still a gap between that and the true capabilities of the Company.

### What are the reasons for the failure of PBR to rise significantly above 1?

One indisputable reason is the excessive accumulation of capital from the past. Our businesses' large cashflow generation capacity is not in balance with funding demand, and as a result, excess capital has accumulated as financial assets (cash, cross-shareholdings, etc.). My view is that, due to the low evaluation of that excess capital portion, the corporate value of the Company as a whole has been pushed down to a lower level than the value of its businesses.

With such a recognition of the problem, we have actively promoted the elimination of cross-shareholdings, and worked on reducing capital by acquiring all of the Company shares thus released as treasury shares. Much of the elimination of cross-shareholdings undertaken by the Company in recent years has been achieved at the Company's own request.

Going forward, in addition to purchasing treasury shares, while also taking dividend policy in comprehensive account, we will keep working to reduce excess capital as our most pressing financial and capital strategy.

### Do you have any new initiatives that will lead to future growth?

By rights, the ideal state of capital that we should aspire to is a cycle in which excess capital is reinvested into the Company to earn profits in excess of the cost of capital, resulting in the constant growth of the Company's scale. On the operations side, a variety of investment projects are currently under consideration. On our side, to provide support for that kind of growth, for example, we will leverage our expert knowledge as back-room staff in M&As. On the other hand, to ensure that unprofitable capital investments that would harm shareholder value are not made for the sake of reckless expansion of scale, we also need to offer perspectives and judgment

that are always dispassionate and objective.

Another important point from the perspective of share price is the predictability of future cash flows. So that shareholders can make appropriate assessments of corporate value as needed, we will improve the contents and accuracy of our information offerings. Specifically, I am referring to an update of Challenge 1000, which was formulated five years ago, medium-term performance forecasts based on organic growth, and information about capital investment, funding demand, and cash allocations that are consistent with those forecasts.

### What are your responses to climate change?

With the Sustainability Management Dept. playing a central role, we are, of course, proceeding with appropriate institutional responses, such as risk analysis and measurement of emissions in line with the TCFD framework. We emit greenhouse gases in the manufacture of chemical products in particular, and without exaggeration, the reduction of those emissions is the highest priority theme of our corporate social responsibility. Regarding the switch to renewable energy, so far, multiple projects centering on solar power generation have been executed and progress is being made little by little. Going forward, we will consider and implement all manner of methods, including our own investment and PPAs.

### What would you like to say to your stakeholders?

The SHIKOKU KASEI Group is a company of people and technologies. Prompted by the creative method for the manufacture of carbon disulfide devised by our founder, the Company was founded without the backing of large-scale capital. Against this backdrop, all of the products that the Company has created since then are imbued with unique ideas and technical value that are "one-step-ahead," and our customers' recognition of that fact is what has enabled us to grow. Conversely, as our vision "YONPO-YOSHI" (favorable in all four directions) suggests, we hope to offer value that is not on a par but "one-step-ahead" of other companies to all our stakeholders, namely customers, shareholders, employees, and local communities, and in doing so, demonstrate a larger presence in Kagawa and Tokushima, the Shikoku region and Japan, and further, to the entire world. This is what you can look forward to.

## In-depth Explanation! SHIKOKU KASEI's Financial Strategy

To appropriately convert the Company's inherently high operating profitability into share profitability and returns, we will use ROIC management and flexible capital policy to realize appropriately-sized balance sheets and appropriate capital composition. We will also candidly disclose the current state of the Company to lower individual stakeholders' consciousness of risk and stabilize expected returns.

### Consolidated Balance Sheets (as of December 31, 2023)

#### [ Financial assets ]

Cash and deposits  
Securities (short-term bonds)  
Investment securities  
(long-term bonds)  
Investment securities  
(cross-shareholdings)

Approx. **69.8** billion yen  
(up 8.6 billion yen from beginning of year)

#### [ Business assets ]

Trade receivables  
Inventories  
Property, plant and equipment/  
Intangible assets

Chemicals operations:  
Approx. 43.1 billion yen  
Housing Materials operations:  
Approx. 14.4 billion yen  
Total: Approx. **61.1** billion yen

#### [ Excess capital ]

(Risk buffer retention policy)  
Retain 1/3 of annual net sales  
(Allocable funds)  
Consider shareholder returns, with the amount of excess capital excluding risk buffers as the capital that can be reduced if there is no urgent demand for funds.  
In particular, the reduction of cross-shareholdings is prioritized while working on creating business synergies with companies of cross-shareholdings.

#### [ Investment capital ]

(Profit indicators to be compared)  
Operating profit after tax by business → **ROIC by business**  
Chemicals operations  
Approx. 30.1 billion yen (up 1.5 billion yen from beginning of year)  
**ROIC 15.2%**  
Housing Materials operations  
Approx. 8.1 billion yen (down 1.4 billion yen from beginning of year)  
**ROIC 12.0%**

Total: Approx. **39.2** billion yen

#### [ Business liabilities ]

Trade payable  
Labor liabilities and provisions

#### [ Group capital invested ]

(Profit indicators to be compared)  
Profit after tax (operating profit + financial revenue)  
→ **Group ROIC**  
(Target ROIC)  
Set WACC as hurdle rate of ROIC, and aim to achieve WACC of 6% or less by reducing the cost of shareholders' equity through leveraging.

(Current status)  
There is a gap between business ROIC and Group ROIC, and the return on invested capital as a whole is declining due to excess capital with low yields.  
Aims to improve the return on Group ROIC by reducing excess capital to an appropriate amount.

Approx. **109.0** billion yen  
(up 7.1 billion yen from beginning of year)  
**ROIC 5.8%**

#### [ Future Cash Flows (FCF) ]

(Shareholder returns)  
Carry out promptly, targeting 50% of profit  
(Internal reserves)  
Prioritize investments in growth and human capital as risk capital

#### [ Net assets in carrying amount ]

(Profit indicators to be compared)  
Profit → **ROE**  
(Assumed cost of shareholders' equity) 6-8%  
(Target ROE)  
Set 8% as hurdle rate in the short term, to exceed minimum cost of shareholders' equity, and aim to exceed 10% in the future by capital reduction

Approx. **86.1** billion yen  
(up 4.8 billion yen from beginning of year)  
**ROE 9.4%**

#### [ Interest-bearing debt ]

(Basic policy on leveraging)  
• Actively utilize as low-cost funds to the extent that the credit rating can be maintained  
• Set D/E ratio to the 30% level

Approx. **22.2** billion yen  
(up 2.0 billion yen from beginning of year)

#### [ Future net assets ]

Maintain ROE and net asset levels that exceed the cost of shareholders' equity at all times through balance sheet management to secure both aggressive growth strategies and capital efficiency.

In addition, consider capital policies that enhance the attractiveness of share value from perspectives other than profitability (increased liquidity and preferential treatment) and incentive plans that make employees and management more aware of share value.

## In-depth Explanation! SHIKOKU KASEI's Financial Strategy

Although cash and deposits are counted as financial assets, in fact, they are retained in part for the operating companies to execute smooth payments at a level of around one-third of annual net sales. Any cash and deposits on the operating company side that exceed that level are returned to the holding company every year as dividends.

Funds retained by the holding company will be invested in short-term and long-term investment grade bonds until their application as dry powder for investment (or returns) is decided, with the aim of earning yields in excess of debt procurement costs.

Cross-shareholdings are being steadily reduced every year, a trend that will continue unchanged going forward.

Business assets are maintained at a compact scale.

The strength of the Chemicals operations, particularly in the fine chemicals area, is that it relies greatly on intellectual property and mass production expertise, rather than manufacturing equipment, so it does not hold expensive equipment. An investment program for the expansion of production capacity of insoluble sulfur and other chemical products came to an end this year, and the main capital outlays going forward will be for maintenance and replacement.

The business assets of the Housing Materials operations are also compact, even in comparison with the Chemicals operations, and there is a high rate of asset turnover. In exterior products, simple cellular production equipment is used for cutting, machining, and assembling the aluminum bars, and the manufacturing plant is small and agile, with no large-scale mass-production machinery. This is responsible for the ability to respond to custom orders that is our strength.

ROIC as stated here refers to pure ROIC that does not include any cash and deposits whatsoever, and we recognize it as a number that indicates the potential maximum at the current time.

ROIC of the Chemicals operations is being maintained at a high level due to the high ROS (return on sales), particularly for fine chemicals. In the Housing Materials operations, although ROS is not as high as the Chemicals operations, due to its compact invested capital, it is on a comparably high level on a ROIC basis.

Even further divided into sub-segments, we understand that almost all operations have earned ROIC in excess of the cost of capital.

Through 20-30% financial leveraging, we will aim to lower WACC by around 2-3% from cost of shareholders' equity. We have set the hurdle rate for the internal evaluation of general investment projects at 6%.

The reasons for the low level of ROIC on a company-wide basis are the large scale of the financial assets factored in and their low yields (1% or less).

The total payout ratio target is on a flow basis level, but we will reduce excess capital on an assets basis flexibly, without a preoccupation with this target.

In addition, we are currently undertaking a comprehensive examination of our business plan based on the Challenge 1000, as part of which we are re-tallying medium-term funding demand. After that, we will decide on specific cash allocations.

Regarding cost of shareholders' equity, there are various estimation models (e.g., CAPM, APT), but instead of deciding on the sole basis of these models, we place importance on dialogue and exchanges of opinions with investors. When growth expectations and the effects of small-cap stocks are factored in, cost of capital may become even higher, but we recognize it as the minimum hurdle rate.

For interest-bearing debt, we are aiming to lower WACC and procure funds from low-cost bank loans. In addition, the holding company supplies funds to the individual companies using lump-sum borrowings by the holding company.

Currently, net cash (cash and deposits less interest-bearing debt) is in positive figures, but we will strive to realize a WACC-lowering effect by pursuing further cash reductions.

### Consolidated Balance Sheets (as of December 31, 2023)

[ Financial assets ]

[ Excess capital ]

[ Group capital invested ]

[ Business assets ]

[ Investment capital ]

[ Future Cash Flows (FCF) ]

[ Future net assets ]

[ Net assets in carrying amount ]

[ Interest-bearing debt ]

[ Business liabilities ]



# Sustainability in SHIKOKU KASEI Group

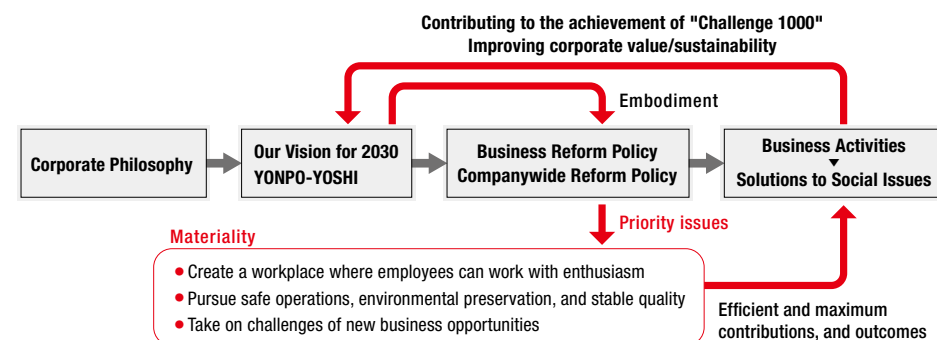
## The Concept of Sustainability

Under our longstanding corporate philosophy of "Doku-sou-ryoku (creativity)," SHIKOKU KASEI Group considers addressing the global environment and social issues as one of the most important matters of management policy.

Our approach to the "vision for 2030," set forth in our long-term vision of "Challenge 1000," and "YONPO-YOSHI (favorable in all four directions)," which is the activity policy, defines our group's sustainability.

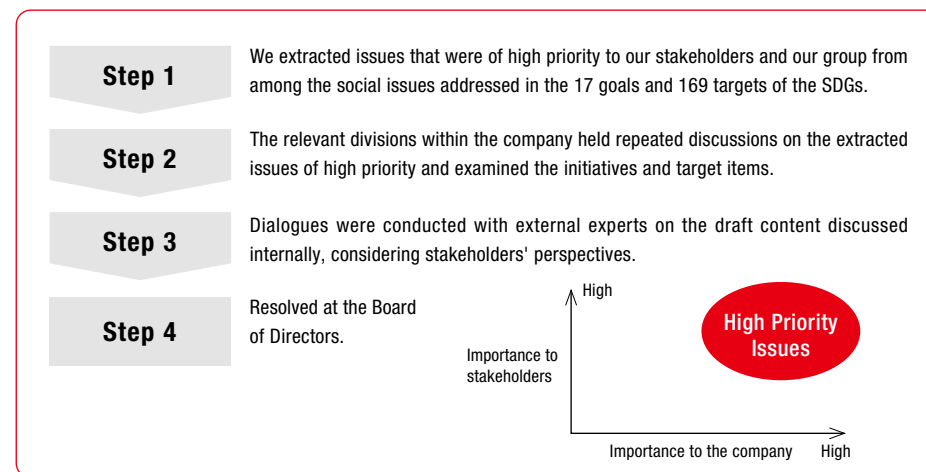
Since environmental and social issues are diverse, we have identified important issues for prioritization (materiality) that will lead to sustainable company and social growth. We will aim to work efficiently and maximally to serve a business that contributes to resolving issues and the realization of a sustainable society.

Moreover, the achievement of the "Challenge 1000" financial goals will also lead to an increase in our management resources. This will enable material solutions that are developed from the current state in terms of both quality and quantity, and lead to greater investment. We believe this will eventually result in a higher level of contribution for each stakeholder listed in the "YONPO-YOSHI" policy and further improve our group's sustainability.



## Identification Process

The materiality of our group was determined through four processes.



## Promotion Structure

Initiatives geared toward achieving the long-term vision, "Challenge 1000," are implemented by each business and group company; this progress is reviewed and managed by each operating company.













In addition, the Corporate Planning Department summarizes and regularly reports on the progress to SHIKOKU KASEI HOLDINGS CORPORATION's Board of Directors and Corporate Strategy Meeting, where decisions are made taking into account the potential impact on the environment and society.


The Group will continue to hold a dialogue with internal and external stakeholders to identify the expectations and demands of society and utilize them to promote sustainability activities.



## Sustainability in SHIKOKU KASEI Group

## Materiality and Initiatives of SHIKOKU KASEI Group

Materiality	Initiatives	KPI	2025 Target	2029 Target
<b>Create a workplace where employees can work with enthusiasm</b> Main connections with "Challenge 1000" <Companywide Reform Policy: creation of company climate, creation of human resources> 	<ul style="list-style-type: none"> <li>Promotion of work-life balance</li> <li>Initiatives for flexible and diverse work styles</li> <li>Promotion of mental and physical health of employees</li> <li>Recruitment and performance of diverse human resources</li> <li>Effective measures to eliminate harassment</li> </ul>	High engagement ratio from the employee survey (base year: 2023)	Score improvement of 3 points	Score improvement of 5 points
		Percentage of persons with high stress by stress check	8% or less	5% or less
		Annual paid leave acquisition rate	70%/person or higher	75%/person or higher
		Health and Productivity Management Outstanding Organization	Certified as a Health and Productivity Management Outstanding Organization	Certified as a White 500 company
		Ratio of female managers	5% or more	10% or more
		Employment ratio of people with disabilities	2.3% or more	2.5% or more
<b>Pursue safe operations, environmental preservation, and stable quality</b> Main connections with "Challenge 1000" <Business Reform Policy>      	<ul style="list-style-type: none"> <li>Fostering a culture of safety</li> <li>Facilitating the transition to a decarbonized society</li> <li>Capital investments in safety/environment/quality</li> <li>Promotion of responsible care activities</li> <li>Strengthening compliance and risk management</li> <li>Establishment of a sustainable supply chain</li> </ul>	Lost time accidents	0 cases/FY	0 cases/FY
		GHG emissions, compared to FY2021	Decreased 16.8%	Decreased 33.6%
		Ratio of renewable energy use	10% or more	30% or more
		Incidence of critical environmental and quality problems	0 cases	0 cases
		Reduction in water consumption (chemical production volume unit at three chemical plants)	3% reduction compared to FY2020	5% reduction compared to FY2020
		Requesting new business partners to comply with CSR	100%	100%
		Sales from new sustainable products and services and the development of new businesses outside the framework of existing businesses	2.5 billion yen	5.0 billion yen
<b>Take on challenges of new business opportunities</b> Main connections with "Challenge 1000" <Business Reform Policy> <Companywide Reform Policy: creation of values>     	<ul style="list-style-type: none"> <li>Creation of products and services to solve social issues</li> <li>Promotion of open innovation</li> <li>Creating a culture, developing human resources, and designing systems to address challenges</li> </ul>	Improvement of new business unit structure	Establishment of a basic operation system	Operation/improvement
		Sales of existing businesses	77.0 billion yen	96.0 billion yen

\* For progress on each KPI, please see ESG Performance Data. 

# Environmental Efforts

## SHIKOKU KASEI Group Responsible Care

SHIKOKU KASEI HOLDINGS CORPORATION

Chief Responsible Care Officer Representative Director, President Mitsunori Watanabe

### Philosophy

We are committed to protecting the global environment, as a broad-minded corporate citizen that works in harmony with nature and contributes to a society.

### Basic Policy



#### ► About Responsible Care

Responsible Care (RC) refers to voluntary activities conducted by the business operators manufacturing or handling chemical substances, for the purpose of protecting the safety, environment and health throughout the entire life cycle of products: development, manufacturing, distribution, use, final consumption, disposal and recycling.

\*Our company promotes its activities as a member of the Responsible Care Committee.

1

Our actions are based on the idea that each company must take steps to reduce greenhouse gas emissions, conserve resources and energy, and minimize the discharge of environmental pollutants and the generation of industrial waste. These measures both protect the environment and ensure safety.

2

We make products that are friendly to both people and nature.

3

Strive to preserve the environment and ensure the safety and health of our employees and citizens, while also considering biodiversity and working in harmony with local communities.

4

Strive for safety and environmental considerations throughout the entire life cycle of our products to mitigate risks and achieve continuous improvement.

5

Actively provide product safety, environmental and quality information.

6

We follow domestic and overseas laws and regulations and take active environmental protection measures.

In order to achieve the "Priority Goals of Environmental Protection," the Group formulates annual plans at each facility and implements target management and continuous improvement through PDCA (plan, do, check, act).

#### ► Responsible Care Practices

- ① Establishment of basic policies and targets related to environment, health, and safety
- ② Understanding the status of Responsible Care implementation
- ③ Promotion of environmental impact reduction activities including climate change response (from page 39)
- ④ Promotion of energy and resource conservation
- ⑤ Reduction and recycling of industrial waste
- ⑥ Conducting surveys on the amount of chemical substances discharged into the environment
- ⑦ Cooperation in environmental conservation activities in the local community
- ⑧ Public announcement of plans and results related to environment and safety
- ⑨ Employee awareness education

#### ► Promotion Structure

Board of Directors

Representative Director, President

RC Promotion Committee

• Basic Policy for Responsible Care, Priority Goals of Environmental Protection

Management Activities [Sustainability Management Dept.]

• Action plans, safety and health education

Information Activities [Chemicals Compliance Promotion Committee]

• Information collection

Environmental Conservation [Each facility]

• Energy-saving activities, chemical substance management, resource saving, occupational health and safety activities, internal audits, waste reduction activities

Communication with Local Community [General Affairs/Public Relations Department]

## Environmental Efforts

### Climate Change Action (Commitment to TCFD\* Recommendations)

SHIKOKU KASEI Group recognizes that the long-term impacts (risks and opportunities) of climate change on our business activities are significant and that addressing climate change is an important management issue. The international frameworks, the Paris Agreement and the Sustainable Development Goals (SDGs) also necessitate stronger action on climate change. As such, we expressed our support for the TCFD recommendations in March 2023. Our group aims to contribute to the realization of a sustainable society by working in harmony with the global environment in all aspects of business activities.

\*TCFD: Task Force on Climate-related Financial Disclosures. Individual companies are required to disclose the impact of climate change on their financial reporting.

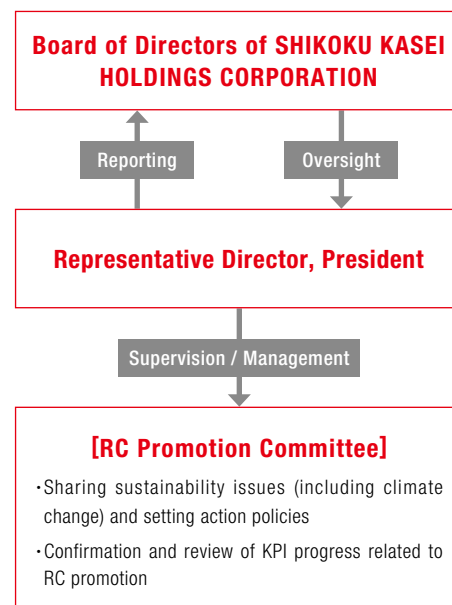
### Governance

Our group's sustainability activities, are overseen by the Board of Directors and reflected in management.

To strengthen the Group's overall sustainability activities, the President is positioned as the Chief Responsible Care\* Officer. Additionally, an RC Promotion Committee, consisting of officers, has been established under this position.

RC Promotion Committee meetings (held twice a year) check the progress of targets and set agendas for continuous improvement under the leadership of the committee chair, who is responsible for promoting specific activities. The results were reported and supervised by the Board of Directors.

\* For more information on Responsible Care, please see page 38. 



### Strategy

The Group has identified the following as material, physical and transition risks and opportunities related to climate change. Based on scenario analysis, we will continue efforts to increase resilience to climate change.

Type of Risks / Opportunities				
Transition Risk	Policy / Legal / Regulatory Risk	2℃		Strengthening legal regulations
		2℃		Expansion of information disclosure obligations
	Technology Risk	2℃		Delayed response to environment-friendly technologies
		2℃		Increased investment and R&D costs for environment-friendly technologies
	Market Risk	2℃	4℃	Decreased demand for products with high environmental impact
		2℃		Longer product life cycle
	Reputation Risk	2℃		Decline in appreciation by stakeholders
Physical Risk	Acute Risk	2℃	4℃	Incidence of abnormal weather
	Chronic Risk		4℃	Increased abnormal weather
Opportunities	Improvement of Resource Efficiency	2℃		Improved resource conservation and recycling
	Energy Sources	2℃		Shifting energy sources to create business opportunities
	Products and Services	2℃	4℃	Increased opportunities to capture markets through the development of environment-friendly products and goods
	Stock Market	2℃	4℃	Enhance corporate image by promoting environment-friendly products and information disclosure
	Resilience	2℃		Improved ability to adapt quickly to market changes associated with climate change

To identify and assess risks, we referred to the Guidebook for Promoting Decarbonization Management published by the Ministry of the Environment and other sources. Most material risks and opportunities were identified by assessing the risks and opportunities faced by the Group in relation to climate change using the criteria in the table on the right, based on the timing of manifestation and the degree of impact on the Company's business.

Time of Risk Manifestation		Business Impact	
Likelihood of Incidence	Timing	Magnitude of Impact	Impact
10-30 years	Long term	Significant impact	Large
3-10 years	Medium term	Temporary impact	Medium
0-3 years	Short term	Minor impact	Small



## Environmental Efforts

### Risk Management

The identification of company-wide risks and the policies for responding to the material risks are reviewed annually, following consultation with the RC Promotion Committee and risk management divisions. The results of the risk assessment are then reported by the RC Promotion Committee to the Board of Directors, which is responsible for corporate risks, and further climate change risks are incorporated into the corporate risks.

### Indicators and Targets

The GHG emissions were selected as indicators of climate change. In addition, we disclose the following indicators for Scope 1 and 2 as GHG emissions.

Item	Scope	Target	Policy
Reduction in greenhouse gas (GHG) emissions (CO <sub>2</sub> equivalent)	SHIKOKU KASEI Group	Scope 1, 2 <ul style="list-style-type: none"> <li>FY2026: reduction by 21% from FY2021</li> <li>FY2031: reduction by 42% from FY2021</li> </ul>	In response to more stringent regulations on the environment, obtaining SBT* certification is becoming more common among our customers, and they require us to set CO <sub>2</sub> emissions reduction target and to report emissions in accordance with the SBT criteria. Accordingly, we will set targets in accordance with the SBT criteria, switching from targets based on existing national policies, and proactively address environmental issues. * SBT (Science Based Targets): CO <sub>2</sub> emissions reduction targets for companies based on the Paris Agreement, which replaces the framework of the Kyoto Protocol.  Target level <ul style="list-style-type: none"> <li>Scope 1, 2: reduction by at least 4.2% per year</li> <li>Scope 3: reduction by at least 2.5% per year</li> </ul>
		Scope 3 <ul style="list-style-type: none"> <li>Identify Scope 3 emissions to set the base year</li> </ul>	<div> <div> <ul style="list-style-type: none"> <li>Scope 1, 2</li> </ul> <b>[Plant facilities]</b> <ul style="list-style-type: none"> <li>Strengthening energy-saving measures for existing facilities</li> <li>Installation of energy-saving equipment</li> <li>Introduction of renewable energy</li> <li>Change to energy with lower environmental burden</li> <li>Collecting information on decarbonization technologies</li> </ul> <b>[Development]</b> <ul style="list-style-type: none"> <li>Development of decarbonization technologies and new products</li> </ul> <b>[Office]</b> <ul style="list-style-type: none"> <li>Energy saving in offices</li> <li>Electrification of company vehicles</li> <li>Change to decarbonized work styles</li> </ul> </div> <div> <ul style="list-style-type: none"> <li>Scope 3</li> </ul> <ul style="list-style-type: none"> <li>Use of consultants</li> <li>Data collection and calculation by the responsible department</li> </ul> </div> </div>

• Scope 1: Direct GHG emissions from the business itself (fuel combustion and industrial processes)  
 • Scope 2: Indirect emissions from electricity, heat, and steam supplied by other companies

(Excerpts from the Priority Goals of Environmental Protection in FY2023)

### Items to Be Considered for Disclosure in the Future

We will continue to consider ways to expand our disclosure of the scenario analysis and the financial impact of each risk and opportunity.

## Chemical Substance Management

### Correspondence Situation of PRTR System

The PRTR system specifies requirements for the business operators to grasp and voluntarily control the volume of chemical substances, which can be hazardous to human health and the ecosystem, discharged to the environment and moved as contained in the wastes. The top four substances (accounting for 86.8%) of emissions and movement: carbon disulfide, toluene, ethylbenzene and xylene.

#### Gas emission washing treatment facility (Tokushima Plant (Kitajima location))



This is the facility for gathering chlorine generated in the process of manufacturing chlorinated isocyanurates and treating it by washing.

#### Equipment for recovery of carbon disulfide (Marugame Plant)



This is the equipment for recovering carbon disulfide used in the process of manufacturing insoluble sulfur.

## Environmental Audit, Education

### Progress on Activities

Our Marugame Plant and Tokushima Plant acquired the certification of ISO 14001, the international standard for environmental conservation in 2002. We have been developing our environmental conservation activities with the participation of all employees. We conduct risk assessment, education, and self-audit in accordance with the activity plan.

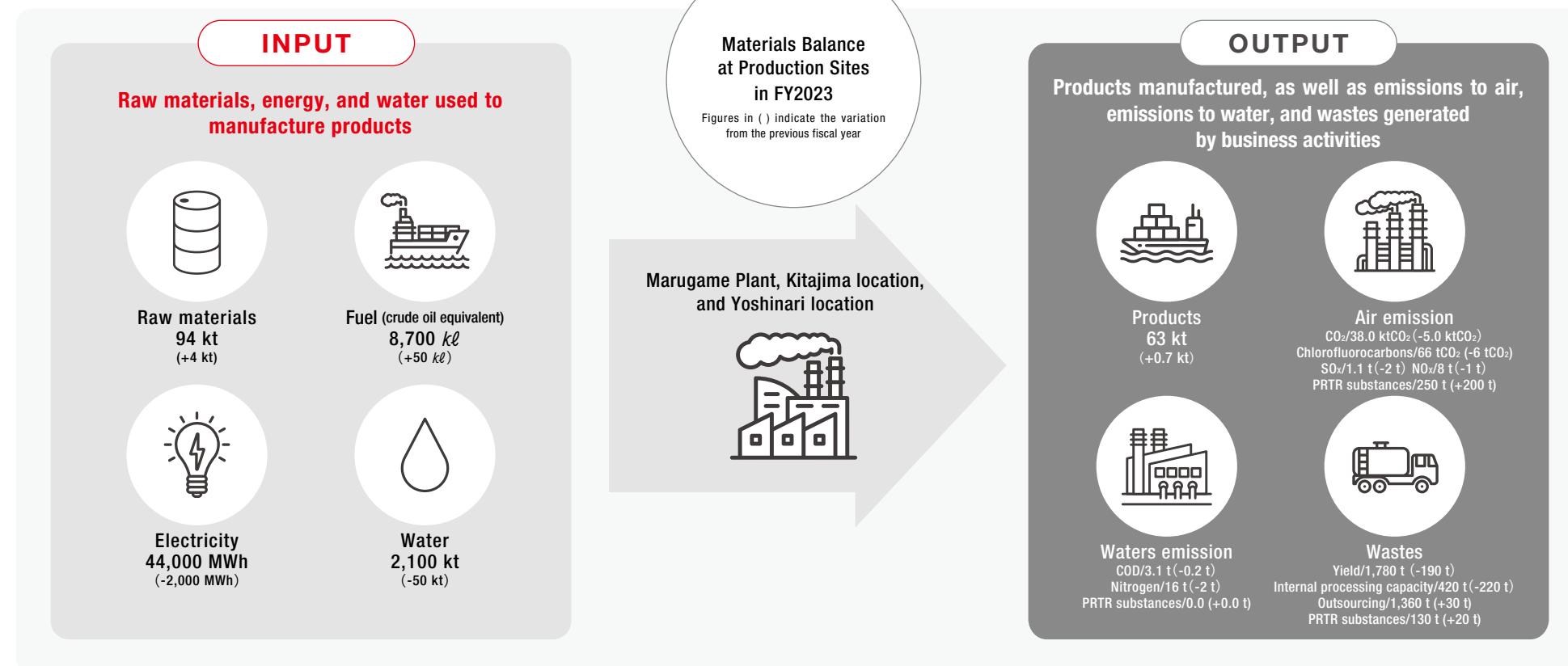
## Environmental Efforts

### Environmental Conservation

We aim to contribute to ensuring the protection of the environment, safety and health of the community residents and our employees by continuously reducing environmental burdens caused by the greenhouse gas, chemical substances, and industrial wastes emitted from each of our plants and facilities.

### Overview of Environmental Burden

(To understand the environmental burden of production activities)



\* We changed to include wastes generated by the prototype.

\* We have confirmed that the risk to the production business associated with water is low according to the water risk map (AQUEDUCT).

## Environmental Efforts

## Priority Goals and Results of Environmental Protection in FY2023

Priority Goals	Scope	Target	Results	Evaluation
①Reduction in greenhouse gas (GHG) emissions (CO <sub>2</sub> equivalent)	SHIKOKU KASEI Group (Scope 1, 2)	<ul style="list-style-type: none"> <li>FY2029: reduction by 38% from FY2013</li> <li>FY2025: reduction by 30% from FY2013 (Total emission)</li> </ul>	Reduction by 9.8% from FY2013	×
②Reduction in energy consumption (Crude oil equivalent)	SHIKOKU KASEI Group (Scope 1, 2)	<ul style="list-style-type: none"> <li>Reduction by 1% compared to the previous year (Unit consumption of energy)</li> </ul>	+1.1% from the previous year	×
	SHIKOKU KASEI (Scope 1, 2)	<ul style="list-style-type: none"> <li>Reduction by 1% of the 5-year average (Unit consumption of energy)</li> </ul>	Reduction by 2.1% of the 5-year average	○
	SHIKOKU KASEI (Transportation)	<ul style="list-style-type: none"> <li>Reduction by 1% compared to the previous year (Unit consumption of energy)</li> </ul>	+45% from the previous year (+3.7% for the same loading rate as the previous year)	×
③Reduction in water consumption	The three chemical plants	<ul style="list-style-type: none"> <li>FY2025: 3% reduction from FY2020 (Production volume unit)</li> </ul>	+7.1% from FY2020	×
④Expanding the ratio of renewable energy sources in electricity consumption	SHIKOKU KASEI Group	<ul style="list-style-type: none"> <li>FY2025: 10% or more</li> </ul>	1.6% Marugame Plant: 840,000 kWh (Solar power) SHIKOKU KASEI Group: 52,453,000 kWh	×
⑤Scope 3 initiatives	SHIKOKU KASEI Group	<ul style="list-style-type: none"> <li>Scope 3 calculation</li> </ul>	Calculated on a monetary basis	○
⑥Reduction in industrial waste to be processed internally	Plant facilities	<ul style="list-style-type: none"> <li>Equal to the previous year or lower</li> </ul>	Reduction by 7% from the previous year	○
⑦Participation and cooperation in safety and environmental conservation activities	SHIKOKU KASEI Group	<ul style="list-style-type: none"> <li>Safe and stable operations</li> <li>Participation in local environmental conservation activities</li> <li>Promotion of environmental conservation activities in cooperation with business partners</li> </ul>	<ul style="list-style-type: none"> <li>We have continued accident- and injury-free operations</li> <li>We are working in cooperation with business partners by presenting our procurement policy</li> </ul>	○

■ Scope : SHIKOKU KASEI Group : All of the SHIKOKU KASEI Group companies  
 : SHIKOKU KASEI : SHIKOKU KASEI HOLDINGS, SHIKOKU CHEMICALS, SHIKOKU KASEI KENZAI, SHIKOKU KASEI CORPORATE SERVICE  
 : The three chemical plants : Marugame Plant, Tokushima Plant, Oita Plant  
 : Plant facilities : Marugame Plant, Tokushima Plant, Tadotsu Plant, Naruto Plant, Ranzan Plant, Oita Plant, Takase Plant

## Environmental Efforts

## Priority Goals of Environmental Protection in FY2024

Item	Scope	Target	Policy
①Reduction in greenhouse gas (GHG) emissions (CO <sub>2</sub> equivalent)	SHIKOKU KASEI Group	Scope 1, 2 ● FY2026: reduction by 21% from FY2021 ● FY2031: reduction by 42% from FY2021  Scope 3 ● Identify Scope 3 emissions to set the base year	In response to more stringent regulations on the environment, obtaining SBT* certification is becoming more common among our customers, and they require us to set CO <sub>2</sub> emissions reduction target and to report emissions in accordance with the SBT criteria. Accordingly, we will switch from targets based on existing national policies to targets in accordance with the SBT criteria, and proactively address environmental issues (For results against targets based on existing national policies (compared to FY2013), please see ESG Performance Data).  * SBT (Science Based Targets): CO <sub>2</sub> emissions reduction targets for companies based on the Paris Agreement, which replaces the framework of the Kyoto Protocol. Target level ● Scope 1, 2: reduction by at least 4.2% per year ● Scope 3: reduction by at least 2.5% per year  ■ Scope 1, 2 <b>[Plant facilities]</b> ● Strengthening energy-saving measures for existing facilities ● Installation of energy-saving equipment ● Introduction of renewable energy ● Change to energy with lower environmental burden ● Collecting information on decarbonization technologies  <b>[Development]</b> ● Development of decarbonization technologies and new products  <b>[Office]</b> ● Energy saving in offices ● Electrification of company vehicles ● Change to decarbonized work styles  ■ Scope 3 ● Use of consultants ● Data collection and calculation by the responsible department
②Reduction in water consumption	The three chemical plants	Production volume unit ● FY2025: 3% reduction from FY2020 ● FY2029: 5% reduction from FY2020	● Improving facilities and increasing efficiency ● Promoting reuse and recycling ● Utilizing new technologies such as water-saving devices
③Expanding the ratio of renewable energy sources in electricity consumption	SHIKOKU KASEI Group	● FY2025: 10% or more ● FY2029: 30% or more	● Introduction of renewable energy facilities ● Procurement of renewable energy power
④Reduction in industrial waste to be processed externally	Plant facilities	● Equal to the previous year or lower	● Working on 3R activities, for example, with reviews of raw materials and packaging ● Promotion of the use of groupware and digitalization of documents
⑤Participation and cooperation in safety and environmental conservation activities	SHIKOKU KASEI Group	● Safe and stable operations ● Participation in local environmental conservation activities ● Promotion of environmental conservation activities in cooperation with business partners	● Facility maintenance, facility security, and disaster prevention ● Participation in local activities near our operation sites ● Operation of the procurement system

■ Scope : SHIKOKU KASEI Group : All of the SHIKOKU KASEI Group companies  
 : The three chemical plants : Marugame Plant, Tokushima Plant, Oita Plant  
 : Plant facilities : Marugame Plant, Tokushima Plant, Tadotsu Plant, Naruto Plant, Ranzan Plant, Oita Plant, Takase Plant, Masuda Chemical



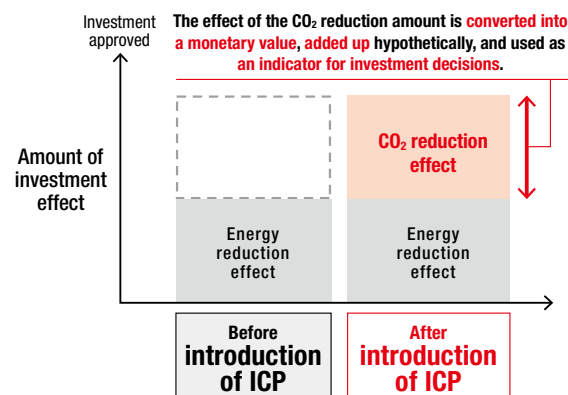
## Environmental Efforts

### ICP (Internal Carbon Pricing)

ICP system is a mechanism under which companies set their own carbon price to promote decision-making on decarbonization investments and smooth decarbonization levels from a long-term perspective. Currently, companies all over the world are adopting the ICP system, which is included as a recommended item in the disclosure requirements of TCFD (Task Force on Climate-related Financial Disclosures).

We will proactively address the climate change issues by utilizing the ICP system as an environmental investment decision.

Overview of the ICP system	
Internal carbon price	12,000 yen/t-CO <sub>2</sub>
Scope of application	Investments in energy saving and introduction of new technologies
Scope	Scope 1, 2 (CO <sub>2</sub> emissions of the company)
Utilization method	Investment in targeted facilities is converted into costs using the internal carbon price, which is used as a reference when selecting facilities.



### Increasing the Ratio of Renewable Energy Use through Various Methods

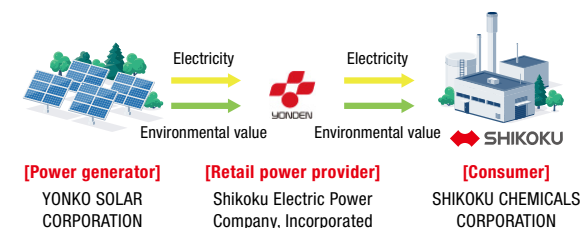
"Achievement of SDGs" is one of the four Pillars for Strategy in the long-term vision, "Challenge 1000." We aim to increase the ratio of renewable energy use to 10% or more by 2025.

One of the initiatives to achieve our goal is the installation of solar panels in each operation site. We added new solar panels on the rooftop of the warehouse in the north area of the Marugame Plant. This has increased the overall solar power generation capacity of the Marugame Plant to 1,449 kWh, leading to a reduction of 736 tons of CO<sub>2</sub> emissions per year. The installation of solar panels was implemented through a system called "internal carbon pricing (ICP)." ICP is a method that prices the CO<sub>2</sub> emitted in the course of business and converts the effect of reducing the CO<sub>2</sub> emissions into a monetary value when installing new equipment, which is incorporated into the investment decisions. Utilizing this method makes it easier to make capital investments to reduce CO<sub>2</sub> emissions.

In addition, for the electricity used in the Tokushima Plant, we adopted an "off-site corporate PPA" that generates electricity from a reservoir in Miki Town, Kagawa Prefecture. Off-site corporate PPA is a mechanism in which a power generator (YONKO SOLAR CORPORATION) installs and operates a power source (solar power generation) outside the premises of the land of a consumer (SHIKOKU CHEMICALS CORPORATION), and the electricity generated there is purchased by a retail power provider (Shikoku Electric Power Company, Incorporated) to be supplied to the consumer. We can reliably procure electricity derived from renewable energy sources on a large scale outside of our own premises. We also have the benefit of being able to leave the installation and operational management of power generation equipment to the power generator. Total generation output will be 2,035 kWh, leading to the annual reduction of CO<sub>2</sub> emissions by 1,503 tons. The operation is expected to start in February 2025.



North area of the Marugame Plant: solar panels



# With Our Customers

## Quality Initiatives

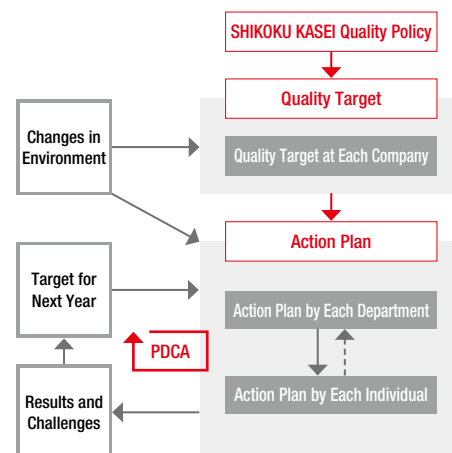
### SHIKOKU KASEI Quality Policy

"Improve not only products, but also the levels of all activities"

Under the long-term vision "Challenge 1000," SHIKOKU KASEI Group will aim to achieve a state in which each and every one of us continues to provide products, services, and values that are one step ahead.

To achieve these goals, we have established the SHIKOKU KASEI Quality Policy and will implement PDCA cycle activities based on this policy across the Group. SHIKOKU KASEI Quality refers to the quality of all activities related to products, services, and values provided by SHIKOKU KASEI Group to our customers.

In addition to the quality of products, we will strive to continuously improve SHIKOKU KASEI Quality through efforts, for example, to improve the quality of services, take into consideration environment and safety, and increase the level of satisfaction at related departments within the Company.



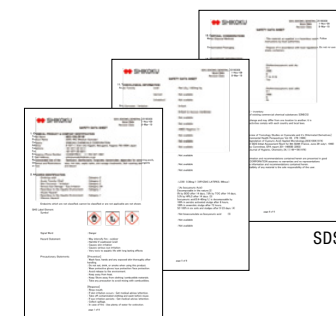
## Progress on Activities

The quality assurance system for our group is based on ISO 9001. Marugame Plant, Tokushima Plant (Kitajima location, Yoshinari location), SHIKOKU KEIZAI CORPORATION, SHIKOKU KOHKI CORPORATION, and SHIKOKU ANALYTICAL LABORATORIES have obtained ISO 9001 certification and have received maintenance and updates from qualified certification organizations. No serious quality problems occurred during this fiscal year.

## Product Liability

### Product Safety

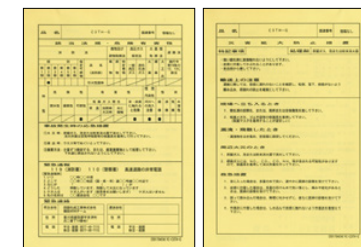
To ensure that our customers handle chemical products safely, we comply with the regulations of each country based on the UN-recommended GHS\* guidelines and publish SDS (safety data sheets) for all chemical products on our website. The SDS clearly describes chemical hazard and toxicity information, first aid measures, measures to be taken in case of fire or leakage, handling and storage precautions, physical and chemical properties, information on environmental impacts, toxicological information, disposal and transport precautions, and applicable laws and regulations. We have also established an internal database so that our employees can access this information and use it for safety and legal compliance, and we regularly conduct surveys on the environmental management status and regulated substances for our business partners and strive to provide information promptly.



\*GHS: Globally Harmonized System of Classification and Labelling of Chemicals

### Safety in Logistics

In case of accidents during transportation, we issue the emergency contact card, "Yellow Card," containing the contents of safe measures to be taken by the carrier, police, firefighters, and other people concerned in dealing with the accidents. We also annually provide contract carriers with training for unexpected accidents including things to be carried with them in transportation. These cards contain information such as names of the substances transported, their properties, first aid measures, and emergency contact.



# With Our Business Partners

## Procurement

### Procurement Policy

Regarding procurement, we have established a procurement policy to ensure fair and transparent trading with our business partners, and we aim to fulfill our social responsibility in cooperation with them. Our group's procurement policy also covers conflict minerals (tin, tungsten, tantalum, and gold)\* produced in the Democratic Republic of Congo and surrounding conflict areas.

#### ► Compliance with Laws and Social Norms

We will comply with all domestic and foreign laws, social norms, and international rules.

#### ► Fair, Just, and Transparent Trading

We will conduct our trading in a fair, just, and transparent manner.

#### ► Consideration for Human Rights, Environment, and Other Social Responsibilities

To realize a sustainable society, we will strive to procure goods with due consideration of human rights and the preservation of the global environment.

#### ► Optimal Procurement

We will conduct optimal procurement for the Company by comprehensively assessing quality, price, delivery time, service responsiveness, occupational health and safety, and the environment.

#### ► Building Partnerships

All officers and employees of the SHIKOKU KASEI Group shall comply with and live the Charter of Corporate Behavior and Code of Business Conduct and strive to build a relationship of mutual cooperation and trust with our business partners.

\* Conflict minerals: Some minerals produced in the Democratic Republic of Congo and neighboring countries are used to finance inhumane armed groups. Efforts to eliminate the use of such conflict minerals, including the Financial Regulatory Reform Act passed in the United States in 2010, are expanding worldwide. The Group takes the issue of conflict minerals seriously and will practice responsible mineral sourcing to ensure that it is not complicit in conflict and inhumane activities.

### Matters to be Addressed with Business Partners

SHIKOKU KASEI Group recognizes that, in order to earn the trust of society in the course of its business activities, it is necessary to address social responsibility not only within the Group, but also throughout the entire supply chain, including the business partners.

We are committed to working with our business partners on the following topics to fulfill our corporate social responsibility and achieve mutual prosperity and survival.

#### (1) Compliance with Laws and Regulations, Social Norms, and Ethics

#### (2) Respect for Human Rights and Fair Trade

#### (3) Focus on Occupational Safety, Health, Environmental Protection, and Quality

\* We may check the status of actions on the above topics in our survey and audits.

### Conducting Questionnaires to Suppliers

We conduct questionnaires to new and existing suppliers and prioritize transactions with suppliers that meet our standards while also conducting awareness-raising and improvement activities with them.

#### ► Main survey items in the questionnaire

Sustainability, health and safety, environment, and quality

### On-site Audits of Suppliers

The Group visits domestic and overseas suppliers to audit their efforts in sustainability, health and safety, environment, and quality, promoting sustainable procurement.

# With Our Employees

## Respect for Human Rights and Labor Management

### Respect for Human Rights

We respect the individuality and the rights of all people.

We do not discriminate on the basis of birth, nationality, ethnicity, belief, religion, gender, age, disability, educational background, etc.

### Non-complicity in Human Rights Violations

We request that all employees refrain from infringing on human rights or discriminating against others, and that they not become involved in human rights violations, even indirectly.

### Employment and Labor Policies

#### ▶ Prohibition of Forced Labor and Child Labor

We prohibit the employment of children who have not reached the working age stipulated by national and local laws and regulations. In addition, we will not tolerate forced labor, slave labor, or labor from human trafficking. We require our business partners to do the same. We will not impose unreasonable restrictions on employees leaving their jobs or terminating employment at any time.

#### ▶ Good Labor-Management Relations

We guarantee the freedom of employees to form a union and approve the right to collective bargaining.

#### ▶ Correct and Fair Compensation

We pay our employees fair and correct compensation in accordance with all applicable wage laws, including minimum wage, overtime, and legally mandated benefits laws.

#### ▶ Elimination of Discrimination

We ensure equal opportunity in recruitment, assignment, promotion, and competence development.

### Remedial Action

If our business activities have resulted in a human rights violation, we will take appropriate measures to remedy and correct it.

In 1966, we concluded a labor agreement with our labor union. We are committed to respecting each other's positions and cooperating with each other in the spirit of mutual trust to ensure the sound development of the Company and the improvement of the welfare of union members. We have promised to comply with the safe and peaceful labor-management relationship that we have established.

Our company aims to "create a bright workplace where the human rights of each employee are respected, and individual abilities and individuality can be fully demonstrated," and is engaged in human rights awareness for employees. To avoid forced labor, we provide harassment prevention education to managers. In addition, we adopt procedures to confirm that workers are at or older than the minimum age based on identification documents at the time of employment to avoid employment of child labor.

### Management of Working Hours

In order to optimize the working hours and working hours management, we have used the cloud system and established a mechanism to effectively understand and manage the working hours, and allow employees and their superiors to check the working conditions at all times. To reduce overtime work, for example, we are working to optimize the working hours and improve the management of working hours with the introduction of a system that generates an alert when the monthly overtime work hours or the total working hours reach a certain number.



## With Our Employees

### Support and Development of Employees

With a declining birthrate and an aging population, we are offering employees various kinds of support programs that make it possible for them to achieve a balance between work and family, encouraging employees who need to provide childcare or nursing care to work with peace of mind. In the future, we will continue to foster a workplace environment and climate to realize an environment where all employees can work with peace of mind.

#### ▶ Period of Childcare / Nursing Care Leave

Employees are able to take childcare leave until the child turns the age of 2 years. They may also take up to one year of leave for each family member in need of nursing care, which may be divided into at most three times in a case. In addition, employees eligible for childcare short-time work can reduce their working hours by up to two hours per day until their child reaches the beginning of the fourth grade in elementary school.

#### ▶ Accumulated Annual Leave

For general employees, up to 40 days of expired, unused paid leave accumulated over a period extending up to three years may be used as sick leave.

#### ▶ Mutual Aid Association

In accordance with the spirit of mutual cooperation, we implement mutual relief and welfare enhancement for employees, including injury and disease benefits, congratulatory or condolence money, and solatium money.

#### ▶ Mutual Aid Society

In accordance with the spirit of mutual cooperation, we provide mutual relief to members as benefits such as a child education pension to support the healthy development of the children of any member who dies or retires due to severe disability.

### Human Resource Development

#### Ideal Candidate Profile

"Human resources with a strong sense of mission and the ability of taking on challenges by themselves"

We are focusing on securing and developing excellent human resources, aiming at "Toward 'one-step-ahead, proposal' company with creativity," as stated in the long-term vision "Challenge 1000." In particular, with regard to training employees who engage in business activities, we are working on the

development and use of human resources that take advantage of each employee's strengths and abilities from a mid-and long-term perspective. The Company provides employees with the tools and support they need to engage in the independent and ongoing development of their abilities. As a means of providing on-the-job training in daily operations, we have implemented a system of work targets. Every six months, employees meet with their superiors to complete a full management cycle of Plan, Do, Check, and Action, which means goal setting, implementation to achieve goals, confirmation of performance, and making use of their results next. Superiors hold periodic meetings with employees to set goals, check interim progress, and assess outcomes, through discussion and guidance, to steadily raise the business execution capabilities of each employee, with the aim of further boosting their department's performance.

Stages	Group training/education			Capacity development		Career development	
	Training by job level/age	Education by job level	Company-wide education	By item/factor			
Stage in which managerial competence is demonstrated						Career development interview	
Stage in which management/practical skills are demonstrated	Training for newly appointed managers						Every 5 years starting at age of 40
	Career design training (35 years old)					Career path	
Stage in which practical skills are mastered	Training for mid-level employees (around 30 years old)						Job description document Business/career examination Self-reporting system
Stage in which basic skills are acquired	Training for year 3 employees						
	Training for year 2 employees						
	Follow-up training						
	Training for new employees						

## With Our Employees

## Employee Engagement

### Summary of Employee Engagement Survey Results

#### Purpose of survey

With our corporate philosophy of "Doku-sou-ryoku (creativity)," SHIKOKU KASEI Group aims to contribute to solving social issues through the creation of new value. To achieve our goal, it is essential not only to ensure the physical and mental health and safety of our employees, but also to create an organization with high engagement where employees resonate with the Company's vision and are motivated and act independently. The Group understands the actual status of employee engagement through the "engagement survey," to promote measures for the Company and employees to grow together.

#### Our vision for 2030

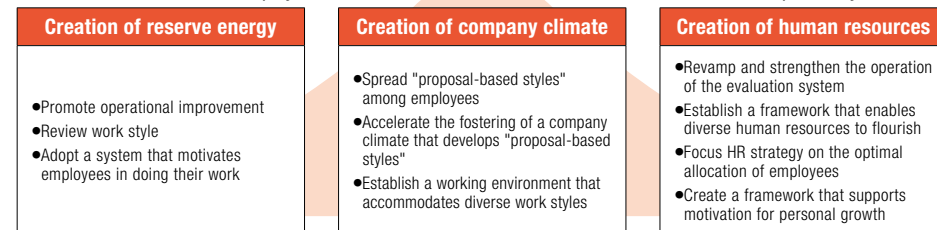
#### Toward "one-step-ahead, proposal" company with creativity

Solve social issues with creative ideas, leading the world

High state of engagement

#### Employees' "growth" and "rejuvenation" of an organization

The state where employees resonate with our "vision" and are motivated and act independently



#### Survey method

[Subject of the survey] The Company and its group companies (SHIKOKU CHEMICALS CORPORATION, SHIKOKU KASEI KENZAI CORPORATION, SHIKOKU KASEI CORPORATE SERVICE CO., LTD.)

[Survey period] From December 6, 2023 to December 27, 2023 (three weeks) [Survey method] Web-based method

#### Summary of the survey results

Engagement score (deviation)\* was as follows. The overall results of the survey are disclosed on intranet page available to all group employees. In addition, the results by department are presented to managers to encourage them to use the results to make changes to improve day-to-day management and engagement in their respective workplaces.

Number of targets	Number of responses	Response rate	Engagement score
658 persons	565 persons	85.9%	50

\* Items are surveyed, tabulated, and quantified, with the focus on job discretion, job satisfaction, relationships with superiors and coworkers, and trust in and contribution to the organization.

### SHIKOKU KASEI Group's Strengths and Challenges

Our group has set our vision for 2030 as "Toward 'one-step-ahead, proposal' company with creativity." We believe that the Group's sustainable growth will be achieved when each employee resonates with our vision, and is motivated and acts independently in their own duties with the awareness that the status quo is not acceptable and it must be changed.

In this regard, the engagement survey results showed that "the degree of understanding of and satisfaction with career support and human resource training system" was relatively high as the Group's strength, and that "understanding and acceptance of the personnel evaluation system" has been relatively widespread. As one basic policy of our "Companywide Reform Policy" stated in the long-term vision "Challenge 1000," the Group has worked on the "creation of human resources" to encourage individuals to take on challenges, including the expansion of the educational system to support employees' growth and creation of a framework for fair evaluation. We evaluate that the survey results show that our initiatives have been steadily progressing.

On the other hand, the survey results also revealed that we need to accelerate our "initiatives for health and productivity management" and "promotion of diversity and inclusion (D&I)" as our challenges. As an initiative for health and productivity management, we established the "Health Declaration" in 2023, and developed a "Health and Productivity Management Promotion System" headed by the Group's top management. We have also begun career education for women and proactive recruitment of foreign nationals as part of D&I promotion measures. We will also continue to support our diverse employees in balancing work and life so that they can choose flexible work styles according to changes in their life stages such as childcare and nursing care.

### Engagement Score Targets

Going forward, we will continue to create opportunities to think and have a dialogue with employees while utilizing data, and develop an environment that supports diverse work styles and challenges, thereby aiming to foster an organizational culture that promotes the growth and challenges of the employees who support our business.

Indicator	KPI	
	2025 Target	2029 Target
Engagement Score (base year: 2023)	Score improvement of 3 points	Score improvement of 10 points

## With Our Employees

### Occupational Safety and Health

In our company, the corporate safety and health meeting, chaired by the Representative Director, President, determines the basic policy on safety and health management and other important matters concerning the promotion of safety management. Based on the decisions made at this meeting, each site devises the "Safety and Health Activity Plan" every year to prevent accidents. Under the "Safety and Health Activity Plan" prepared at each site, we hold joint labor-management safety and health committees on a regular basis to promote improvements in the workplace environment. Furthermore, the Marugame and Tokushima Plants have established and actively operated the occupational safety and health management systems in accordance with ISO 45001.

Operation site	Days of achievement
Marugame Plant	1,430 days
Tokushima Plant (Kitajima location)	208 days
Tokushima Plant (Yoshinari location)	10,393 days

### Holding the Convention for Safety and Health in Production & Technology Division

The Convention for Product/Technology Safety and Health is organized at the Marugame and Tokushima Plants, and aims to make both plants reliable for local communities by building a culture fostered on the concept which shows that "Safety overrides everything else." Top management shares their plans to ensure safety, employees communicate with each other through presentations on risk prediction activities, and excellent safety and health activities are recognized.



Commendation for safety

### Education on Safety

Our safety activities focus on risk assessment, extraction of near-miss incidents and concerns, and risk prediction to prevent the occurrence of serious industrial accidents. In addition, our education and training aim to prevent accidents by improving individual risk sensitivity, for example through safety education involving simulations in which participants can virtually experience an accident caught in a machine and a potential risk in a plant such as combustion and explosion.



Education involving simulations

### Education on Health

In activities for occupational health, we work for employees' health management through the implementation of periodical health checkups, counseling, and stress checks for all employees because mental and physical fatigue or poor physical condition may cause occupational accidents. We also provide education on harassment to improve our work environments, where fundamental human rights are respected.



Succession of safety (Marugame Plant)

### Relationship with Labor Union

Labor and management work in collaboration in a relationship of mutual trust. We focus on specific collaborative themes such as revision of the personnel system, reduction of overwork, promotion of yearly paid vacations, and review of the personnel evaluation system. We hold regular meetings of the labor-management council to discuss workplace issues and improve the workplace environment.

### Security and Disaster Prevention

We proactively conduct regular education and training programs on disaster prevention and security, as well as comprehensive disaster drills, to be prepared for unexpected accidents. In addition, we developed BCP\* to secure the safety of employees and ensure early resumption of business activities in preparation for the "Major Nankai Trough Earthquake" that is expected to occur in the near future.

\* BCP (Business Continuity Plan): A summary of countermeasures for business continuity in case of disasters and accidents



Comprehensive disaster drill in Tokushima Plant

## With Local Community

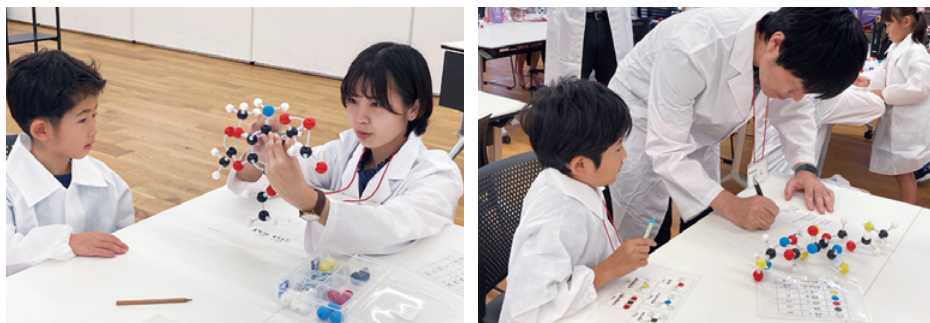
### Conducting "Job Experience of a Chemist" Workshop for Elementary School Students

Our group has held lectures for high school students by dispatching employees as instructors. In August 2023, we held a workshop for elementary school students, the first of its kind for the Group, called "Let's Create the One and Only Molecule in the World—Job Experience of a Chemist—" in Marugame City, Kagawa Prefecture, our hometown.

This event was held jointly with KANKO MANABONECT CO., LTD. and MARUGAME MARUTASU in the hope that we can provide children with an opportunity to experience the work of local companies and to think about their dreams and the jobs they want to have in the future.

In the workshop, employees from the Research and Development, SHIKOKU CHEMICALS served as instructors. They explained that atoms have "hands" to connect with each other and the rules for making molecules, as well as the appeal of working in chemistry. Students who participated in the workshop put on white lab coats and worked to make their own original molecules using molecular models, feeling as if they were chemists. The employees told them that when a new molecule is actually created, the company would obtain a patent for it. This time, the employees gave them a "Children's Patent Certificate."

Comments from students who participated include "I enjoyed doing what I could not experience in my ordinary life, such as making original molecules" and "I might become a chemist for a bit because it was fun." We will continue our activities to provide opportunities for people of all ages to become more familiar with the idea of work and to think about the future, so that these activities will lead to the development of the human resources of the next generation.



### Special sponsor for the 76th Kagawa Marugame International Half Marathon

Our group supports various activities as a contribution to the community with a desire to deliver "a better tomorrow" to society. Among our efforts is special sponsorship of "Kagawa Marugame International Half Marathon."

Kagawa Marugame International Half Marathon is one of the most historic half marathons in Japan, and more than 8,000 runners from 47 prefectures in Japan and 26 countries and regions participated in the 2024 event. A bond exists between the event and our group as the 1st event was held in 1947, the year our company was founded. We became a special sponsor for the 75th event held in 2023 for the first time, and employees of the Group and their family members participated in the event as runners and staff. At the 76th event held on February 3 and 4, 2024, our employees and their family members operated food service station. As the second attempt following the previous year, food service stations were set up in two locations of Utazu Town (13.5 km point) and Marugame City (18.6 km point). Cherry tomatoes (produced in Kagawa Prefecture), bananas, and sweets were offered in Utazu Town, while "Sanukihime" (strawberries) and "Sanuki Kiwikko" (kiwi fruit) were offered in Marugame City. Runners from all over the country enjoyed the fruits produced in Kagawa Prefecture. In addition, washing machine drum cleaner "WASHMANIA," a product of the Company, was given to all runners as a participation prize.

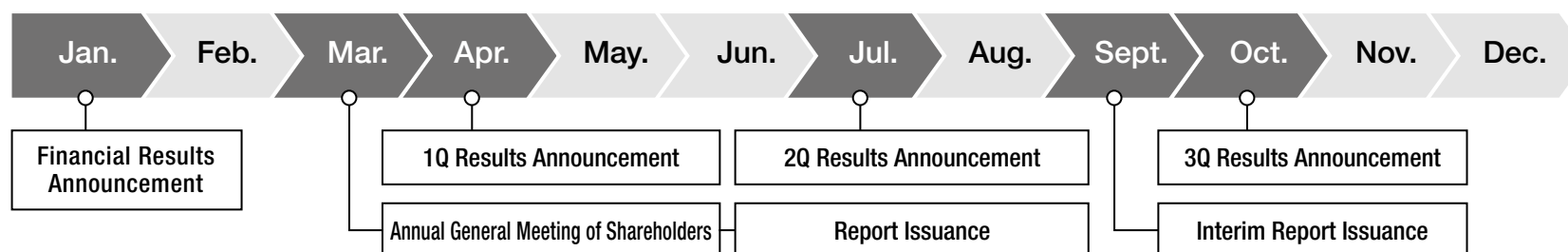
We also launched a charity website during the event. In 2023, we collected donations for the restoration of the stone wall of Marugame Castle, and in 2024, we raised donations for Nanao City in Ishikawa Prefecture, a goodwill city of Marugame City, which was severely damaged by the Noto Peninsula Earthquake. We sent specialty products of Kagawa Prefecture as gifts in return to those who provided support. We will continue to support the event so that it will help give vitality and courage to runners of Japan and abroad.





## With Our Shareholders/Investors

### IR Calendar



### Disclosure Policy

#### Basic Policy

In the "Charter of Corporate Behavior," our group defines the basic policy for timely disclosure of company information as "We will proactively, effectively, and fairly disclose corporate information, engage in a constructive dialogue with a wide range of stakeholders surrounding the company, and strive to enhance corporate value."

We believe that the foundation of information disclosure is a constructive dialogue with stakeholders through proper information disclosure to various stakeholders surrounding our group, including shareholders, investors, business partners, and communities.

#### Information Disclosure Standard

Our group conducts information disclosure in accordance with the Financial Instruments and Exchange Act and other laws and regulations, as well as in accordance with the regulations for timely disclosure defined by the securities listing regulations of stock exchanges. In addition, we will proactively disclose information that does not apply to the aforementioned laws and regulations but that would have an important influence on the decisions of investors when we judge that the information significantly affects stakeholders.

#### Information Disclosure Method

Our group conducts information disclosure according to the applicable laws and regulations as well as in accordance with the regulations for timely disclosure.

In addition, information that is the subject of regulations for timely disclosure shall be posted on TDnet, which is operated by the Tokyo Stock Exchange, our website, and so on, following the regulations. Other information that would have a significant impact on stakeholders shall be disclosed as required using appropriate methods, such as announcements through seminars for institutional investors, our website, and so on.

#### Quiet Period

To prevent leakage of financial results and ensure fair information disclosure, we have designated a period from the day following the last day of the financial period (including quarterly financial periods) until the day of the financial results announcement as a quiet period.

Even during the quiet period, we will conduct timely disclosure of information whose disclosure is required as per the applicable laws and regulations, including the regulations for timely disclosure.

#### Forward-looking Statement

The information disclosed by our group includes forward-looking statements, such as a performance outlook, plans, and goals. Such information may be significantly different from actual results because of various risks and uncertainties such as economic status, market trends, and changes in various regulations.

When considering the corporate value of our group, please pay attention to the points above.

## With Our Shareholders/Investors

### Annual General Meeting of Shareholders

We recognize the general meeting of shareholders as an opportunity for constructive dialogue with shareholders and investors, and are working to establish an environment for facilitating the smooth exercise of voting rights through means such as early dispatching and disclosure of convocation notices and participating in a web-based voting platform.

#### ▶ Early Dispatch of the Notice of General Meeting of Shareholders

The notice will be sent out at least three weeks prior to the date of the Annual General Meeting of Shareholders. In addition, matters subject to measures for electronic provision will be posted on the Company's website, etc., by the day before the date of mailing.

#### ▶ Electronic Exercise of Voting Rights

Voting rights can be exercised via the Internet.

#### ▶ Participation in the Electronic Voting Rights Exercise Platform and Other Initiatives to Improve the Environment for the Exercise of Voting Rights by Institutional Investors

We participate in the voting rights exercise platform for institutional investors operated by ICJ, Inc.

#### ▶ Provision of Notice of General Meeting of Shareholders (Summary) in English

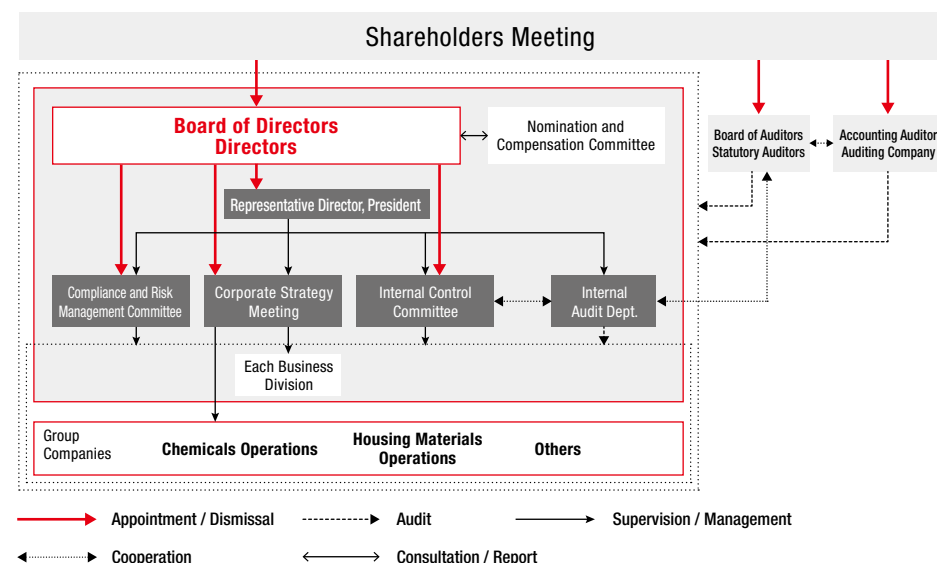
We create an English version of the Notice of General Meeting of Shareholders (Summary) and post it on the Company's website, etc.



# Governance

## Corporate Governance

Our company recognizes that establishing both an organization where corporate governance is functioning effectively and a transparent management system that puts shareholders first is an important measure to continuously improve corporate value. Specifically, we strive to establish a system to ensure its effectiveness, focusing on securing shareholder rights and equality, appropriate collaboration with stakeholders other than shareholders, appropriate information disclosure and transparency, proper execution of the roles and responsibilities of the Board of Directors, and constructive dialogue with shareholders.



## Internal Control System

### Basic Approach

In the process of sharing and implementing management strategies by officers and employees, our company recognizes that preparing and properly operating the internal control system is the basis of establishing a compliance system to ensure that the execution of duties complies with the laws and articles of incorporation, striving to enhance and improve the system.

## Development Status

► In internal control, according to the "Basic Policy for Establishment of Internal Control System" resolved by the Board of Directors, various compliance-related regulations, such as "Charter of Corporate Behavior," "Code of Business Conduct," "Compliance Management Regulations," and "Whistle-blowing Protection Regulations" covering the entire group of the Company, have been prepared. We have also organized a "Compliance and Risk Management Committee," chaired by an officer in charge of Group Compliance, for effective management of compliance activities, striving to establish a system for proper checks. As for internal control related to financial reporting, we have established the "Internal Control Committee" with the Representative Director, President as the chairperson, making efforts to continuously maintain and control the internal control function based on the "Basic Policy on Internal Control for Financial Reporting."

► For risk management, the "Basic Risk Management Regulations," which are the highest standard for risk management, have been established, and each General Manager conducts the management within the scope of their control in accordance with the "Risk Management Manual." In addition, we have set up a system for appropriate risk management where the aforementioned "Compliance and Risk Management Committee" oversees company-wide risk management with the Representative Director, President defined as the highest responsible person for risk management.

► Information related to the execution of duties by the Directors is recorded and stored either in written documents or on electromagnetic media based on the "Document Handling Regulations," and Directors and Statutory Auditors can always view these documents, etc. in accordance with the regulations. In addition, the execution of the Company's and group companies' business, including the progress of the medium-term management plan and annual plan, is reported to all Directors and Statutory Auditors in the form of a monthly business execution report created by the Representative Directors of each group company, based on internal regulations such as the "Group Management Regulations."

► As a system to ensure the appropriate execution of duties within the corporate group, including subsidiaries, the Company sends at least one Director or Statutory Auditor to each subsidiary, and these officers report on the business execution status of each subsidiary at the regular meetings of the Board of Directors as appropriate. Moreover, based on the "Group Management Regulations," we manage subsidiaries as necessary depending on their circumstances, always maintain close coordination while respecting their independence, and aim for the comprehensive growth of the Group. At the same time, we have dedicated personnel for the finances of affiliates within the Group's financial department, ensuring the propriety of internal financial controls.

Governance

Policy for Determining Directors' Compensation

The Company's Board of Directors has resolved a policy for determining the details of compensation for individual Directors. In such resolution by the Board of Directors, the details to be resolved were deliberated at a voluntary advisory committee, consisting mainly of Outside Directors ("Nomination and Compensation Committee"), and then reported to the Board of Directors.

(Summary of the details of the determination policy)

► Basic Policy

The compensation for Directors (excluding Outside Directors) consists of base compensation, performance-linked compensation, and stock compensation. The ratio is approximately 60:25:15 (base compensation: performance-linked compensation: stock compensation). Compensation for Outside Directors consists only of base compensation.

► Policy for Determining the Amount of Individual Base Compensation

Base compensation is a fixed monthly compensation based on position, determined in consideration of social standards and other factors.

► Policy for Determining the Content and Amount of Performance-linked Compensation

Performance-linked compensation is determined as monetary compensation, a short-term incentive, based on standard amounts specific to each position, considering the Company's annual business performance, including consolidated net sales and consolidated operating profit, and a qualitative evaluation of the status of execution of duties and the degree of contribution, and is paid monthly in conjunction with the base compensation.

► Policy for Determining the Content and Amount of Non-monetary Compensation

Non-monetary compensation is set as stock compensation, a medium- to long-term incentive, aiming to clarify the link between the Directors' compensation and the Company's stock value, with the intent that Directors share both profits and risks from stock price fluctuations with all shareholders, thus fostering a heightened awareness to contribute to medium- to long-term performance improvement and increased corporate value. A stock compensation system using a trust has been adopted for non-monetary compensation.

Under this system, one share is assigned one point, and in addition to the base points set for each position, performance-linked points are awarded according to results. In calculating performance-linked points, consolidated net sales, consolidated operating profit, and consolidated ROE are used as clear and objective performance indicators based on results, considering the financial goals set forth in the long-term management plan. Performance-linked points are awarded according to the degree of achievement of each indicator. They are based on the percentage of achievement compared to the previous fiscal year for consolidated net sales and consolidated operating profit, and for consolidated ROE, they are based on actual values based on financial statements as of the end of each fiscal year. The shares are delivered to each Director upon their retirement.

► Matters concerning the determination of details of individual compensation, etc. of Directors

Decisions on base compensation and performance-linked compensation are delegated to the Representative Director, President based on the resolution by the Board of Directors, within the maximum amount of total compensation determined by the resolution of the General Meeting of Shareholders. This authority entails the decision on the individual payment amounts for each Director. For stock compensation, amounts are determined based on the stock compensation system. The delegation of authority to the Representative Director, President is subject to deliberation by the Nomination and Compensation Committee, a voluntary advisory committee consisting mainly of Outside Directors. The authority and operation of the Nomination and Compensation Committee are stipulated in the Nomination and Compensation Committee Regulations. With the Representative Director, President as the chairman, it deliberates on the basic policy for officer compensation, the compensation framework, compensation amount, etc., and reports to the Board of Directors.

Evaluation of the Effectiveness of the Board of Directors

The Company regularly conducts a questionnaire survey targeting all Directors and Statutory Auditors on matters such as the composition of the Board of Directors, its operation, how discussions should be conducted, the support system for officers, constructive dialogue with shareholders, and contributions to the Board of Directors. Based on the aggregation and analysis results of the survey, we evaluate the overall effectiveness of the Board of Directors and discuss its improvements and enhancements. Moreover, to enhance the fairness and objectivity of the evaluation, we have appointed a third party for the aggregation and analysis of the questionnaire.

Target	All Directors and Statutory Auditors (including outside officers)
Evaluation method	Anonymous questionnaire
Summary of questions (about 40 questions) * Multiple-choice and descriptive	Composition of the Board of Directors, operation of the Board of Directors, discussions of the Board of Directors, monitoring function of the Board of Directors, performance of internal and Outside Directors, support system for Directors and Statutory Auditors, training, dialogue with shareholders (investors), individual initiatives, summary
Aggregation and analysis	Conducted by a third-party, external organization

(Evaluation for FY2023)

Based on the results of the aggregation and analysis of this questionnaire, we have evaluated that the overall effectiveness of the Board of Directors is reasonably secured. On the other hand, regarding the issues identified for further enhancement of the functions of the Board of Directors and deeper discussions, we will continue to make ongoing improvements and strive to enable the Board of Directors to fulfill its roles and responsibilities even more effectively.



## Governance

### Elimination of Antisocial Forces

#### Basic Approach

We confront any antisocial forces that threaten the order and safety of civil society with a resolute organizational stance and have a system in place that will not comply with their unjust demands, regardless of the circumstances, in collaboration with related agencies.

#### Development Status

The Group's "Charter of Corporate Behavior" declares thorough organizational crisis management in preparation for actions by antisocial forces and groups, terrorism, cyberattacks, natural disasters, etc., that threaten civil and corporate activities and we specify concrete standards of action aimed at excluding antisocial forces and groups in our "Code of Business Conduct." We are advancing the establishment of a management system through the formulation of regulations such as the "Compliance Management Regulations," the establishment of a control structure by the "Compliance and Risk Management Committee," the distribution of the "Compliance Handbook" to all group officers and employees, and by having them submit a pledge to adhere to the said handbook.

### Cross-shareholdings

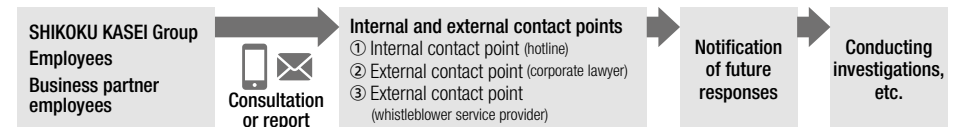
The Company acquires and holds shares of business partners when deemed beneficial for improving our medium- to long-term corporate value from the perspective of building and strengthening relationships. Every year, the Board of Directors verifies the rationality of continuing to hold all of these shares, considering both quantitative aspects such as trading volume and dividends, and qualitative aspects such as the importance of strengthening relationships in future business strategies. As a result of verification, for shares not recognized as contributing to our medium- to long-term corporate value, we proceed with phased, planned sales after discussions with the business partners, considering stock prices and market impact, and we will continue to aim for a reduction in cross-shareholdings.

When exercising voting rights for shares held, if a situation arises in the entity held that might greatly damage shareholder value, such as corporate scandals, we comprehensively consider factors such as whether it damages the corporate value of the entity held or contributes to its medium- to long-term corporate value, and make decisions on whether to approve or disapprove of all proposals.

### Internal Reporting System

We have set up both internal and external (counsel lawyers, internal reporting service providers) contact points to accept consultations and reports from our employees and those of our business partners regarding corporate ethics in general including legal compliance within the Group. Reports can be made anonymously, and the confidentiality and privacy of the whistleblower is strictly observed. The Compliance and Risk Management Committee, upon receiving a consultation or report, conducts investigations with full consideration for the privacy of the whistleblower. In addition, the "Whistle-blowing Protection Regulations" specify that people who consult or report will not be treated unfairly in any way.

#### Whistleblower reporting route



### Information Security

The Group recognizes that information assets including personal data of customers, information from our business partners, trade secrets held by the Group, and the systems that manage such information are important management resources and sources of competitiveness. In order to appropriately protect our information assets and prevent problems related to information security, we have formulated a Basic Policy on Information Security and manage and operate information assets appropriately.

#### (Management system)

The Compliance and Risk Management Committee chaired by the officer in charge of group compliance is at the top position, with company-wide information security discussed and policy decisions made by the subordinate "Information Security Subcommittee." This subcommittee designates an information security officer to handle specialized information security issues, and it shares and resolves critical information security topics.

#### (Initiatives to strengthen information security)

In order to appropriately protect information assets, we have established information security-related regulations and are working to enhance the maintenance and management of information security. In addition, we regularly provide targeted attack email simulation training by sending emails mimicking such attacks and e-learning education to enhance the awareness of information security of the Group employees, including those overseas.

## Officers



## Officers

1

Representative Director, President  
Mitsunori Watanabe

Apr. 1980 Joined the Company  
 Mar. 2002 General Manager, Corporate Planning Dept., the Company  
 Jun. 2013 Executive Officer; General Manager, Corporate Planning Dept., the Company  
 Jun. 2014 Director; Executive Officer; General Manager, Corporate Planning and Secretariat, the Company  
 Jun. 2016 Director; Executive Officer; General Manager, Corporate Planning, the Company  
 Mar. 2017 Director; Executive Officer; Deputy Head, Planning and Management, the Company  
 Feb. 2018 Director; Executive Officer; Deputy Head, Planning and Management; Head, Osaka Branch Office, the Company  
 Mar. 2019 Director; Executive Officer; Head, Corporate Strategy Division, the Company  
 Jun. 2019 Director; Managing Executive Officer; Head, Corporate Strategy Division, the Company  
 Apr. 2022 Director; Managing Executive Officer; Head, Corporate Strategy & Business Promotion, the Company  
 Jan. 2023 Representative Director, President, the Company (to present)  
 Jan. 2024 Director, SHIKOKU KASEI CORPORATE SERVICE CO., LTD. (to present)

2

Senior Managing Executive Director  
Jun Matsubara

Apr. 1976 Joined the Company  
 Mar. 2000 General Manager, Logistics & Purchasing Dept., Chemicals Operations, the Company  
 Jun. 2001 General Manager, Operational Management & Planning Dept., Chemicals Operations, the Company  
 Jun. 2005 General Manager, Operational Management & Planning, Chemicals Operations, the Company  
 Jun. 2007 Executive Officer; General Manager, Operational Management & Planning, Chemicals Operations, the Company  
 Jun. 2011 Statutory Auditor, the Company  
 Jun. 2019 Director; Managing Executive Officer; Head, Chemicals Sales & Marketing Division, the Company  
 Apr. 2022 Director; Managing Executive Officer; Head, Chemicals Business, the Company  
 Jan. 2023 Executive Director, the Company  
 Mar. 2023 Senior Managing Executive Director, in charge of Group Compliance, the Company (to present)

3

Executive Director  
Yoshinori Manabe

Apr. 1988 Joined the Company  
 Mar. 2005 General Manager, Logistics & Purchasing Dept., Housing Materials Operations, the Company  
 Mar. 2017 Executive Officer; General Manager, Sales & Marketing, Housing Materials Operations, the Company  
 Jun. 2018 Executive Officer; Deputy Head, Housing Materials Operations; General Manager, Sales & Marketing, Housing Materials Operations, the Company  
 Mar. 2019 Executive Officer; Deputy Head, Business Promotion Division, the Company  
 Jun. 2019 Director; Executive Officer; Head, Business Promotion Division, the Company  
 Apr. 2022 Director; Executive Officer; Deputy Head, Corporate Strategy & Business Promotion, the Company  
 Jan. 2023 Executive Director, the Company (to present)  
 Representative Director, President, SHIKOKU KASEI KENZAI CORPORATION (to present)

4

Executive Director  
Makoto Hamazaki

Apr. 1980 Joined the Company  
 Mar. 2002 General Manager, Technology Dept., the Company  
 Sept. 2004 Deputy Manager, Tokushima Plant, the Company  
 Mar. 2008 Deputy Manager, Marugame Plant, the Company  
 Jun. 2012 Manager, Marugame Plant, the Company  
 Mar. 2015 Executive Officer; Manager, Marugame Plant, the Company  
 Jun. 2018 Director; Executive Officer; Head, Production and Technology; Manager, Marugame Plant, the Company  
 Mar. 2019 Director; Executive Officer; Head, Production and Technology Division, the Company  
 Apr. 2022 Director; Executive Officer; Deputy Head, Chemicals Business; Head, Production and Technology, the Company  
 Jan. 2023 Executive Director, the Company (to present)  
 Representative Director, President, SHIKOKU CHEMICALS CORPORATION  
 Mar. 2023 Representative Director, President; Head, Sales & Marketing Division, SHIKOKU CHEMICALS CORPORATION  
 Jan. 2024 Representative Director, President, SHIKOKU CHEMICALS CORPORATION (to present)

5

Director  
Yuichi Ikeda

Apr. 1992 Joined the Company  
 Mar. 2006 Leader, Minute Chemicals Team, R&D Center, the Company  
 Mar. 2018 Deputy Manager, Tokushima Plant; General Manager, Engineering Dept., the Company  
 Mar. 2019 Manager, Tokushima Plant, the Company  
 Apr. 2021 General Manager, Research and Development, Research and Development of Chemical Products Division; Head, R&D Center, the Company  
 Jun. 2021 Executive Officer; General Manager, Research and Development, Research and Development of Chemical Products Division; Head, R&D Center, the Company  
 Apr. 2022 Executive Officer; General Manager, Research and Development, Chemicals Business; Head, R&D Center, the Company  
 Jan. 2023 Executive Officer, the Company  
 Director; Managing Executive Officer; Head, Research and Development, SHIKOKU CHEMICALS CORPORATION (to present)  
 Mar. 2023 Director, the Company (to present)

6

Director  
Yoshiaki Ando

Apr. 1990 Joined Nomura Securities Co., Ltd.  
 Apr. 2019 Deputy Manager, Takamatsu Branch Office; Manager, Corporate Finance Sec., Nomura Securities Co., Ltd.  
 Apr. 2021 Joined the Company  
 General Manager, Assistant to Head, Corporate Strategy Division, the Company  
 Jun. 2021 General Manager, Finance & Accounting Dept., Business Promotion Division, the Company  
 Apr. 2022 General Manager, Corporate Strategy and Finance, Corporate Strategy & Business Promotion; General Manager, Finance & Accounting Dept., the Company  
 Jun. 2022 Executive Officer; General Manager, Corporate Strategy and Finance, Corporate Strategy & Business Promotion, the Company  
 Jan. 2023 Executive Officer; General Manager, the Company  
 Representative Director, President, SHIKOKU KASEI CORPORATE SERVICE CO., LTD. (to present)  
 Mar. 2023 Director, in charge of Corporate Planning and Management, the Company (to present)

## Officers

7

Outside Director

Kiyoshi Mori

Apr. 1984 Joined MITSUI & CO., LTD.  
 Jan. 2002 General Manager, Metals No. 2 Dept., MITSUI & CO. (SHANGHAI) LTD.  
 Feb. 2005 General Manager, Coal No. 2 Dept., Coal and Nuclear Fuel Division, MITSUI & CO., LTD.  
 Jul. 2007 Vice President, Inner Mongolia Erdos Electric Power & Metallurgy Co., Ltd.  
 Oct. 2011 General Manager, Ferro-Alloys Dept., MITSUI & CO., LTD.  
 Apr. 2012 General Manager, Chinese Business Dept., MITSUI & CO., LTD.  
 Mar. 2014 Director & President, MITSUI & CO. (GUANGDONG) LTD.  
 Apr. 2017 President & CEO, Mitsui Bussan Metals Co., Ltd.  
 Apr. 2019 Officer, MITSUI & CO., LTD.  
 Jun. 2021 Outside Director, the Company (to present)

8

Outside Director

Shoichiro Tonomura

Apr. 1981 Joined Asahi Chemical Industry Co., Ltd. (currently Asahi Kasei Corp.)  
 Apr. 1991 Head, LSI and Information Technology Research Laboratory, Asahi Chemical Industry Co., Ltd.  
 Sept. 1999 Head, Central Research Laboratory, Asahi Chemical Industry Co., Ltd.  
 Jun. 2006 General Manager, Substrate Materials Business Division, Asahi Kasei Microdevices Corp.  
 Apr. 2008 Executive Officer; Head, Research and Development Center, Asahi Kasei Corp.  
 Apr. 2011 Executive Officer; Senior General Manager, Fuji Office, Asahi Kasei Corp.  
 Oct. 2013 Executive Director, Japan Science and Technology Agency  
 Oct. 2015 Senior Fellow, Japan Science and Technology Agency  
 Apr. 2016 Auditor, Kobe University (to present)  
 Mar. 2024 Outside Director, the Company (to present)

9

Outside Director

Minoru Ota

Apr. 1987 Registered as attorney-at-law (Dai-Ichi Tokyo Bar Association)  
 Joined Adachi, Henderson, Miyatake & Fujita  
 Sept. 1991 Joined Tsunematsu Yanase & Sekine (currently Nagashima Ohno & Tsunematsu)  
 Jun. 1994 Graduated from University of Washington School of Law  
 Aug. 1994 Visiting Lawyer, General Electric Company  
 Jan. 1996 Partner, Tsunematsu Yanase & Sekine  
 Apr. 1996 Part-Time Lecturer, Nagoya University School of Law  
 Apr. 2004 Professor, Keio University Law School  
 Nov. 2006 Audit & Supervisory Board Member, FAST RETAILING CO., LTD.  
 Jan. 2022 Senior Counsel, Nagashima Ohno & Tsunematsu (to present)  
 Mar. 2024 Outside Director, the Company (to present)

10

Outside Director

Sachiko Ishikawa

Jul. 1985 Protection Officer, United Nations High Commissioner for Refugees (UNHCR) Thailand Office  
 Oct. 1988 Protection Officer, UNHCR Hong Kong Office  
 Jan. 1990 Consultant (Refugee Status Determination), UNHCR Thailand Office  
 Jun. 1992 Assistant Program Officer, Southeast Asia Cooperation Fund, The Sasakawa Peace Foundation (based in Bangkok)  
 Feb. 1995 Program Officer, Southeast Asia Cooperation Fund, The Sasakawa Peace Foundation (based in Bangkok)  
 Apr. 1999 Regional Project Formulation Advisor, Japan International Cooperation Agency (JICA) Thailand Office  
 Jun. 2002 Project Formulation Advisor, JICA Malaysia Office  
 Oct. 2002 Regional Project Formulation Advisor, JICA Thailand Office and Regional Support Office for Asia  
 Mar. 2005 Senior Advisor (Peacebuilding and South-South Cooperation), JICA  
 Mar. 2013 Completed Ph.D. program in Peace and Conflict Studies, School of Social Science, Universiti Sains Malaysia  
 Apr. 2021 Professor, Ritsumeikan University College of International Relations (to present)  
 Mar. 2024 Outside Director, the Company (to present)

11

Statutory Auditor

Kazuhiko Katayama

Apr. 1983 Joined the Company  
 Mar. 2003 General Manager, Operational Management & Marketing Administration Dept., the Company  
 Jun. 2007 General Manager, Finance & Accounting Dept., the Company  
 Jun. 2016 Executive Officer; General Manager, Finance & Accounting Dept., the Company  
 Mar. 2018 Executive Officer; General Manager, Finance & Accounting Dept.; General Manager, Group Business Support Dept., the Company  
 Jun. 2018 Executive Officer; General Manager, Finance & Accounting Dept., the Company  
 Mar. 2019 Executive Officer; General Manager, Finance, Accounting & Information Systems Dept.; Head, Osaka Branch Office, the Company  
 Jun. 2019 Executive Officer; General Manager, Finance, Accounting & Information Systems Dept.; General Manager, Group Business Support Dept.; Head, Osaka Branch Office, the Company  
 Apr. 2021 Executive Officer; General Manager, Finance & Accounting Dept., the Company  
 Jun. 2021 Statutory Auditor, the Company (to present)

12

Statutory Auditor

Kenji Tanabe

Feb. 1990 Joined the Company  
 Mar. 2009 General Manager, Administration Department, SHIKOKU KEIZAI CORPORATION  
 Jun. 2012 Director; General Manager, General Administration Department, Nippon Ryutan Kogyo Co., Ltd. (currently SHIKOKU RYUTAN CO., LTD.)  
 Jun. 2018 General Manager, Group Business Support Dept., the Company  
 Jun. 2019 Statutory Auditor, the Company (to present)



## Officers

13

Outside Statutory Auditor  
Koji Nishihara

Apr. 1981 Joined Nisshin Spinning Co., Ltd. (currently Nisshinbo Holdings Inc.)  
 Apr. 2009 Director; Executive Managing Officer; General Manager, Administration Division; General Manager, Business Administration Dept.; General Manager, Overseas Business Dept., Nisshinbo Brake Inc.  
 Jun. 2011 Representative Director, President, Nisshinbo Brake Inc.  
 Jun. 2015 Director and Managing Officer, Nisshinbo Holdings Inc.  
 Jun. 2017 Representative Director, Chairman, Nisshinbo Brake Inc.  
 Mar. 2019 Executive Managing Officer, Nisshinbo Holdings Inc.  
 Jun. 2019 Outside Statutory Auditor, the Company (to present)  
 Jul. 2019 President & CEO, NJ Components Co., Ltd.  
 Mar. 2020 Executive Officer, Japan Radio Co., Ltd.  
 Director, Nagano Japan Radio Co., Ltd.  
 Mar. 2024 Senior Advisor, Nagano Japan Radio Co., Ltd. (to present)

14

Outside Statutory Auditor  
Hiroyasu Kawai

Oct. 1981 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)  
 Apr. 1985 Registered as Certified Public Accountant  
 Jun. 1999 Partner, Deloitte Touche Tohmatsu LLC  
 Jun. 2007 Managing Partner of Okayama Office, Deloitte Touche Tohmatsu LLC  
 Jan. 2012 Managing Partner of Takamatsu Office, Deloitte Touche Tohmatsu LLC  
 Managing Partner of Matsuyama Office, Deloitte Touche Tohmatsu LLC  
 Sept. 2023 Retired from Deloitte Touche Tohmatsu LLC  
 Oct. 2023 Established Kawai CPA Office  
 Representative, Kawai CPA Office (to present)  
 Mar. 2024 Outside Statutory Auditor, the Company (to present)  
 Jun. 2024 Director (Audit and Supervisory Committee Member), THE CHUGOKU BANK, LTD. (to present)

## ► Skills Matrix

	Name	Particularly expected knowledge, experience, abilities, etc.						
		Management/ Business strategy	ESG	Sales/ Marketing/ Procurement	R&D/ Technology/ Production	Finance/ Accounting	Labor/ Legal/ Risk management	Internationality
Directors	Mitsunori Watanabe	●	●			●	●	
	Jun Matsubara	●	●			●	●	
	Yoshinori Manabe	●	●	●		●	●	●
	Makoto Hamazaki	●	●	●	●		●	●
	Yuichi Ikeda	●	●		●			
	Yoshiaki Ando	●	●	●		●	●	
	Kiyoshi Mori <div>Outside Independent</div>	●	●	●				●
	Shoichiro Tonomura <div>Outside Independent</div>	●	●	●	●			●
	Minoru Ota <div>Outside Independent</div>	●	●				●	●
	Sachiko Ishikawa <div>Outside Independent</div>		●				●	●
Statutory Auditors	Kazuhiko Katayama		●			●		●
	Kenji Tanabe		●			●		
	Koji Nishihara <div>Outside Independent</div>		●				●	●
	Hiroyasu Kawai <div>Outside</div>		●			●	●	

\*The matrix above does not describe all knowledge, experience, abilities, etc. possessed by each officer.

## Message from the Outside Directors



## Message from the Outside Directors

### Minoru Ota

**I intend to fulfill my duties to allow the Company to leverage its creativity and take flight globally as a Shikoku-based company that represents Shikoku and Japan.**

As an attorney, I have been involved in corporate legal work in Japan and overseas for many years. That work is not confined to merely providing services as an external legal expert. In my involvement in projects and disputes on which my corporate clients have staked their very survival, I have taken the time to hold thorough discussions with the management team and on many occasions, I have put heart and soul into seeking out the company's and its stakeholders' best interests. I believe that the Company's aspiration, as instilled in its company name that includes "Shikoku," is to leverage the creativity that it espouses in its corporate philosophy to take flight globally as a company that represents Shikoku and as a Shikoku-based company that represents Japan. Desiring to use my own experience to assist the Company in making the realization of that aspiration a certainty, I hoped to become a member of the management team as an Outside Director. That hope was realized, and I was elected and appointed. I now intend to fulfill the responsibilities of that position.

### Kiyoshi Mori

**I will work to deepen the "creativity" espoused in the corporate philosophy at the Company's respective sites and, together with the management team, create a company that is brimming with vitality.**

This fiscal year is the halfway mark of "Challenge 1000" (long-term vision from 2020), in which the Company made a bold change of direction toward proactive management. It has reached the point where it should sum up how far it has grown its strengths and taken action in growth areas, and rebuild a new strategy for the next five years. It must confirm where it currently stands in its quiet and steady management efforts to support sustainable growth, such as zero carbon initiatives, the strengthening of human capital, and DX, and present a path toward the future.

Since the transition to a holding company structure in January last year, the Board of Directors has become a forum of open debate in which the voices at the frontlines of the operating companies are being put to use. The driving force of the Company's history, which began with its founding business of carbon disulfide and went on to develop new businesses one after another, is the "creativity" espoused in its corporate philosophy. It has used that creativity to refine its original technologies, open up new markets, and create new social needs. I hope to deepen that "creativity" at the Company's respective sites and work together with the management team to create a company that is brimming with vitality.

### Sachiko Ishikawa

**From the perspective of promotion of corporate governance, I will make contributions in the "creation of diversity and inclusion" and in "the company's openness to the international community."**

I imagine that, rather than anticipation, many employees felt anxiety about what kind of contribution the Company's first female Outside Director could make. From the perspective of promotion of corporate governance, I will be happy if I can make contributions in the "creation of diversity and inclusion" and in "the company's openness to the international community." First, in the area of "creation of diversity and inclusion," I will aim to create sound, highly productive workplaces through the active participation and promotion of women and cooperation with employees with physical disabilities. Next, in the area of "the company's openness to the international community," alongside the promotion of contributions to the SDGs, CSV (Creating Shared Value) is important for contributing to solutions to social problems while also pursuing profit. Initiatives such as the acceptance of foreign-national interns and workers and overseas volunteer activities as a means of self-improvement for employees are areas that are common to both diversity and internationality. In these various areas, I hope to take advantage of the kinds of government-private sector collaborations that have been encouraged in recent years to aim for "an energetic company that is one step ahead with its creativity" with you.

### Shoichiro Tonomura

**I hope to put my experience and expertise cultivated working for private-sector companies and a university toward the realization of "Challenge 1000."**

The long-term vision "Challenge 1000" of the SHIKOKU KASEI Group holds much appeal. In the Chemicals operations, based on the original technologies that it has cultivated over many years, the Group aims to expand areas in which future growth is expected, such as electronic functional materials, mobility, and environmental sanitation. In the Housing Materials operations, it is embarking on the challenge of creating high value-added towns that pursue both design and functionality. I have great hopes that the Company will realize our vision for 2030 of "solving social issues with creative ideas, leading the world" set forth in "Challenge 1000," through sharing the corporate philosophy among all employees. In my involvement in new business development and the electronic materials business in the private sector, I have experienced a few successes and many failures. In my later position working for a university, I have made small efforts to the promotion of industry-government-academic collaborations. I hope to put my experiences to date toward the realization of "Challenge 1000."

## SHIKOKU KASEI in Figures

### Corporate History



\On October 10, 2024/

Anniversary  
of  
foundation

**77<sup>th</sup>**

### Patent Ownership Breakdown

In Japan

**60%**

Overseas

**40%**



### Turnover Rate



**4.0%**  
(2023)

**15.0%** in all industries  
**10.2%** in manufacturing industry

### Market Share



**Glicoat-SMD**

\*Water-soluble preflux for PWBs  
See page 21 for details.

World  
**1**  
No. share

**Insoluble sulfur**

\*Vulcanizing agent to bond rubber molecules  
See page 17 for details.

World  
**2**  
No. share

**Landscaping  
exterior products**

See page 29 for details.

Industry  
**1**  
No. share

### Mid-Career Hiring Rate

**64.3%**  
(2023)



### Average Length of Service

**15.5** years



National average length of service

**12.0** years for all

**13.5** years for men / **9.4** years for women

For men

**16.0** years

For women

**13.8** years

### Membership in Employee Shareholding Association

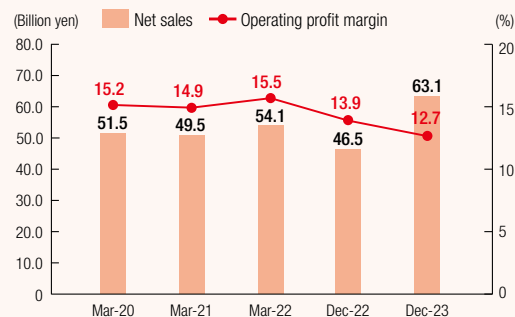
**99.0%**  
(As of the end of December 2023)



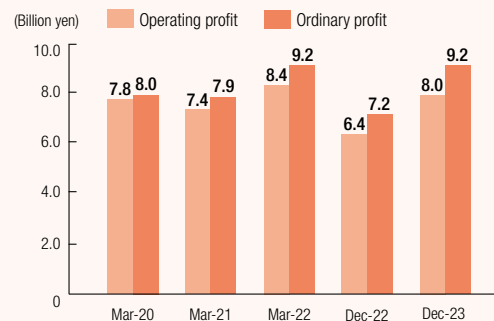


# Financial Highlights (January 1, 2023 to December 31, 2023\*)

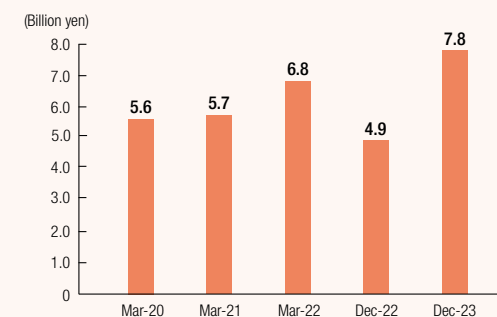
## Net sales / Operating profit margin



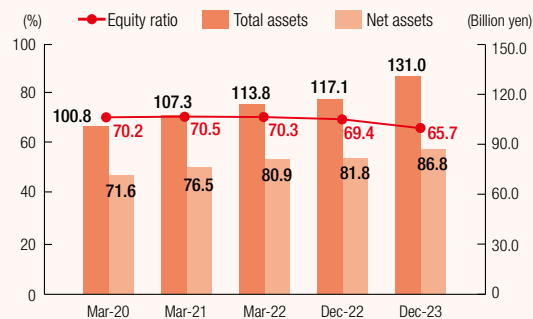
## Operating profit / Ordinary profit



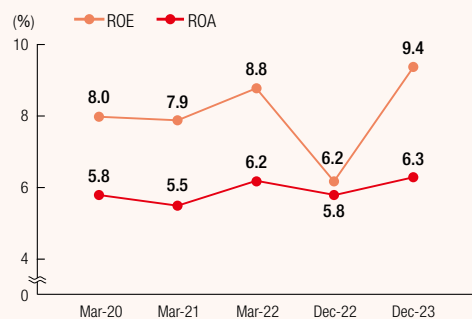
## Profit attributable to owners of parent



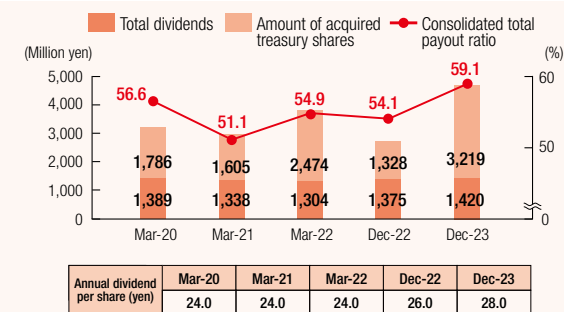
## Equity ratio



## Return on equity (ROE) / Return on assets (ROA)



## Shareholder returns



We aim to achieve a total payout ratio of 50% during the period of our long-term vision, "Challenge 1000," which spans through 2030.

\* From the fiscal year ended December 31, 2022, the fiscal year-end (the last day of the fiscal year) has changed from March 31 to December 31. As it was a transition period for this change in fiscal year-end, the fiscal year ended December 31, 2022 had an irregular nine-month period.

# Consolidated Management Indicators

	March 2020 100th fiscal year	March 2021 101st fiscal year	March 2022 102nd fiscal year	December 2022 103rd fiscal year	December 2023 104th fiscal year
Net sales (Million yen)	51,564	49,590	54,137	46,566	63,117
Ordinary profit (Million yen)	8,022	7,997	9,291	7,270	9,280
Profit attributable to owners of parent (Million yen)	5,610	5,760	6,878	4,997	7,853
Comprehensive income (Million yen)	4,412	7,732	8,138	3,988	9,449
Net assets (Million yen)	71,647	76,566	80,908	81,806	86,867
Total assets (Million yen)	100,896	107,344	113,805	117,176	131,046
Net assets per share (Yen)	1,241.76	1,360.26	1,487.55	1,541.17	1,703.25
Basic earnings per share (Yen)	96.92	103.27	125.52	93.78	152.12
Diluted earnings per share (Yen)	—	—	—	—	—
Equity ratio (%)	70.2	70.5	70.3	69.4	65.7
Return on equity (%)	8.0	7.9	8.8	6.2	9.4
P/E ratio (times)	10	12	10	13	11
Cash flows from operating activities (Million yen)	7,385	7,411	5,089	2,919	12,950
Cash flows from investing activities (Million yen)	-6,018	-2,999	-5,087	-3,669	-3,559
Cash flows from financing activities (Million yen)	3,875	89	-1,809	1,423	-2,810
Cash and cash equivalents at end of period (Million yen)	32,607	37,207	35,755	36,683	43,597
Number of employees [excluding average number of temporary employees] (People)	1,206[153]	1,194[145]	1,210[133]	1,223[133]	1,262[144]

## (Notes)

1. Diluted earnings per share is not stated as there are no dilutive shares.
2. The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied from the beginning of the 102nd fiscal year. The major management indicators, etc. for the 102nd fiscal year onwards are indicators after the application of the accounting standard.
3. By resolution at the 102nd Annual General Meeting of Shareholders held on June 24, 2022, the fiscal year-end changed from March 31 to December 31. Accordingly, the 103rd fiscal year was the nine-months period between April 1, 2022 and December 31, 2022.

Financial statements are available on the Company's website.

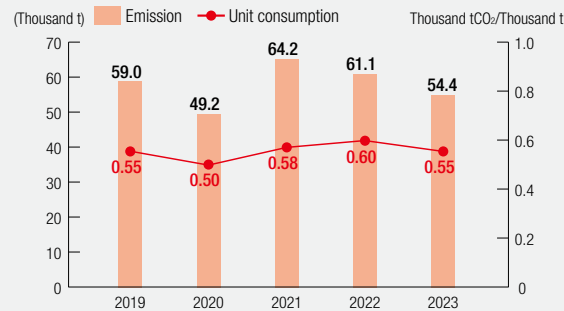
IR Library 

<https://www.shikoku.co.jp/eng/ir/#irlibrary>

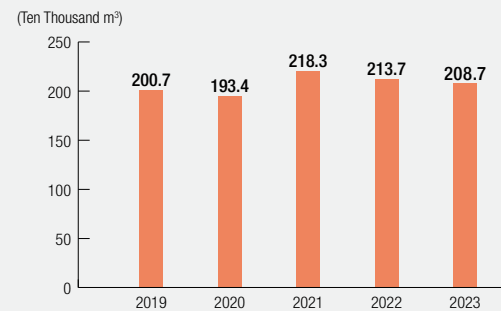
## Non-Financial Highlights

(★April 1, 2023 to March 31, 2024)  
(●April 1, 2023 to December 31, 2023)

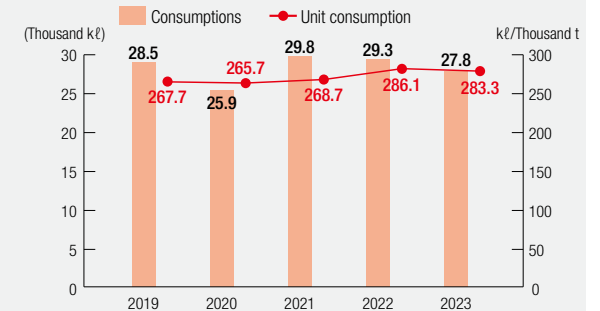
### ★CO<sub>2</sub> emissions (domestic consolidated subsidiaries)



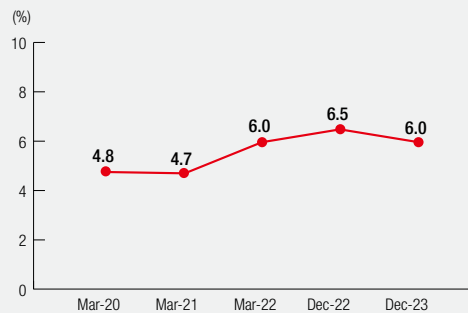
### ★Water input (Marugame Plant, Kitajima location, and Yoshinari location)



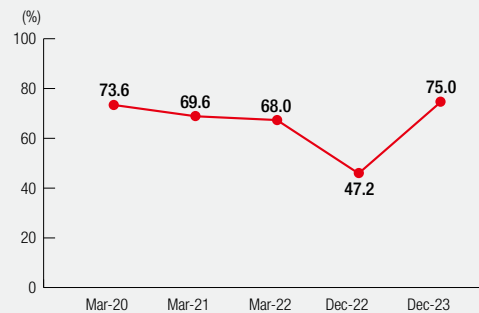
### ★Energy consumption (domestic consolidated subsidiaries)



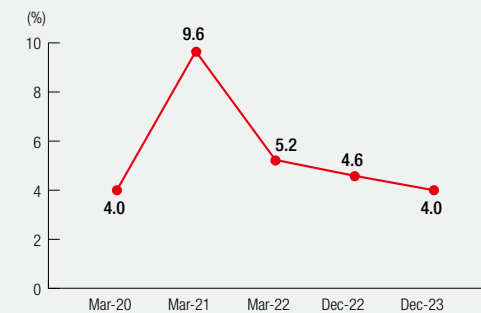
### ●Ratio of female managers (The four SHIKOKU KASEI companies\*)



### ●Rate of paid holiday use (The four SHIKOKU KASEI companies\*)



### ●Turnover rate (The four SHIKOKU KASEI companies\*)



\*The four SHIKOKU KASEI companies: SHIKOKU KASEI HOLDINGS, SHIKOKU CHEMICALS, SHIKOKU KASEI KENZAI, SHIKOKU KASEI CORPORATE SERVICE

# ESG Performance Data

	Indicator		Unit	Scope	2019	2020	2021	2022 <sup>1</sup>	2023
Environmental	CO <sub>2</sub> emission	Emission	Thousand t	The four SHIKOKU KASEI companies	42.2	32.9	47.9	43.2	38.4
		Unit consumption	Thousand tCO <sub>2</sub> /Thousand t	The four SHIKOKU KASEI companies	0.7	0.6	0.6	0.7	0.6
		Emission (from FY2013)	%	The four SHIKOKU KASEI companies	100.9	78.7	114.5	103.3	91.7
		Emission	Thousand t	Domestic consolidated subsidiaries	59.0	49.2	64.2	61.1	54.4
		Unit consumption	Thousand tCO <sub>2</sub> /Thousand t	Domestic consolidated subsidiaries	0.55	0.50	0.58	0.60	0.55
	Energy consumption (Crude oil equivalent)	Consumptions	Thousand kℓ	The four SHIKOKU KASEI companies	20.0	17.7	21.8	20.4	19.7
		Unit consumption	kℓ/Thousand t	The four SHIKOKU KASEI companies	311.8	308.7	293.2	325.4	311.9
		Consumptions	Thousand kℓ	Domestic consolidated subsidiaries	28.5	25.9	29.8	29.3	27.8
		Unit consumption	kℓ/Thousand t	Domestic consolidated subsidiaries	267.7	265.7	268.7	286.1	283.3
	Ratio of renewable energy use	%	The four SHIKOKU KASEI companies	—	—	—	0.6	1.6	
	Energy basic unit for product transportation	Transport volume	Million ton-kilometers	The four SHIKOKU KASEI companies	36.8	32.3	33.0	35.6	34.5
		Unit consumption	kℓ /million ton-kilometers	The four SHIKOKU KASEI companies	76.6	76.9	76.6	75.1	112.6
	SO <sub>x</sub> and NO <sub>x</sub> emissions	CO <sub>2</sub> emissions	kt	The four SHIKOKU KASEI companies	7.5	6.6	6.7	7.1	10.3
		SO <sub>x</sub>	t	Marugame Plant, Kitajima location, and Yoshinari location	1.2	1.5	1.1	2.9	1.1
		NO <sub>x</sub>	t	Marugame Plant, Kitajima location, and Yoshinari location	12.2	10.2	9.4	8.0	8.4
		SO <sub>x</sub> allowable ratio	%	Marugame Plant, Kitajima location, and Yoshinari location	0.3	0.3	0.2	0.6	0.2
		NO <sub>x</sub> allowable ratio	%	Marugame Plant, Kitajima location, and Yoshinari location	23.2	20.5	19.2	15.1	14.6
	Soot and dust emissions	Soot and dust	t	Kitajima location and Yoshinari location	0.1	0.8	0.0	0.1	0.8
	Water input and drainage	Input	Ten thousand m <sup>3</sup>	Marugame Plant, Kitajima location, Yoshinari location, and Oita Plant	—	201.5	225.5	223.7	217.1
		Drainage	Ten thousand m <sup>3</sup>	Marugame Plant, Kitajima location, Yoshinari location, and Oita Plant	—	196.1	219.6	214.8	210.0
	Water pollutant emissions	Reduction (from FY2020)	%	Marugame Plant, Kitajima location, Yoshinari location, and Oita Plant	—	0.0	-1.4	5.7	7.1
		COD	t	Marugame Plant, Kitajima location, and Yoshinari location	3.5	4.3	3.2	3.3	3.1
		Total nitrogen	t	Marugame Plant, Kitajima location, and Yoshinari location	12.6	16.2	17.8	18.2	16.1
		Total phosphorus	t	Marugame Plant, Kitajima location, and Yoshinari location	0.05	0.08	0.09	0.07	0.08
		Waste emissions <sup>2</sup>	Emission	t	Marugame Plant, Kitajima location, and Yoshinari location	1,474.0	1,755.6	1,824.4	1,972.4
	Emission and movement of substances specified in PRTR <sup>3</sup>	Unit consumption	kg/t	Marugame Plant, Kitajima location, and Yoshinari location	64.2	57.5	74.4	62.6	63.2
		Total	t	Marugame Plant, Kitajima location, and Yoshinari location	168.8	230.8	230.9	188.2	381.1
		Air	t	Marugame Plant, Kitajima location, and Yoshinari location	111.5	120.5	112.7	81.0	254.5
		Public waters	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.2	0.4	0.2	0.2
		Industrial waste	t	Marugame Plant, Kitajima location, and Yoshinari location	57.3	110.6	117.8	107.0	126.3
	Emission and movement of carbon disulfide	Air	t	Marugame Plant, Kitajima location, and Yoshinari location	111.0	120.2	112.7	81.0	254.5
		Public waters	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
	Emission and movement of toluene	Air	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Public waters	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	Marugame Plant, Kitajima location, and Yoshinari location	24.2	72.1	48.8	45.1	29.9
	Emission and movement of xylene	Air	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Public waters	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	Marugame Plant, Kitajima location, and Yoshinari location	9.5	9.7	21.7	17.5	21.3
	Emission and movement of ethylbenzene	Air	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Public waters	t	Marugame Plant, Kitajima location, and Yoshinari location	0.0	0.0	0.0	0.0	0.0
		Industrial waste	t	Marugame Plant, Kitajima location, and Yoshinari location	11.2	11.4	25.5	20.6	25.1



## ESG Performance Data

	Indicator	Unit	Scope	2019	2020	2021	2022 <sup>*4</sup>	2023
Social	Work-related fatalities	Case	The four SHIKOKU KASEI companies	0	0	0	0	0
	Rate of accidents resulting in absence from work	—	Marugame Plant, Kitajima location, and Yoshinari location	10.3	0.0	2.7	5.3	0.0
	Lost time accidents (4 days or more)	Case	Marugame Plant, Kitajima location, and Yoshinari location	3	0	0	2	0
	Number of employees	People	SHIKOKU KASEI Group	1,206	1,194	1,210	1,223	1,262
		People	The four SHIKOKU KASEI companies	660	618	619	624	620
	Number of employees (men)	People	The four SHIKOKU KASEI companies	538	495	492	494	484
	Number of employees (women)	People	The four SHIKOKU KASEI companies	122	123	127	130	136
	Average age (men)	Age	The four SHIKOKU KASEI companies	40.3	41.0	40.8	40.6	40.8
	Average age (women)	Age	The four SHIKOKU KASEI companies	39.9	39.8	39.3	39.3	40.4
	Average length of service (men)	Years	The four SHIKOKU KASEI companies	15.4	16.9	16.7	16.3	16.0
	Average length of service (women)	Years	The four SHIKOKU KASEI companies	14.0	14.1	13.9	13.8	13.8
	Average monthly overtime hours	Hours	The four SHIKOKU KASEI companies	17.3	16.2	17.7	12.5	15.7
	Number of new graduate hires	People	The four SHIKOKU KASEI companies	18	18	21	22	15
	Number of new graduate hires (men)	People	The four SHIKOKU KASEI companies	13	11	16	15	13
	Number of new graduate hires (women)	People	The four SHIKOKU KASEI companies	5	7	5	7	2
	Number of mid-career hires	People	The four SHIKOKU KASEI companies	17	9	15	15	19
	Hiring ratio (new graduate hires) (Number of new graduate hires / Number of new hires)	%	The four SHIKOKU KASEI companies	51.4	66.7	58.3	59.5	44.1
	Hiring ratio (mid-career hires) (Number of mid-career hires / Number of new hires)	%	The four SHIKOKU KASEI companies	48.6	33.3	41.7	40.5	55.9
	Ratio of women among new hires <sup>*5</sup>	%	The four SHIKOKU KASEI companies	33.3	38.5	25.0	19.4	26.2
	Turnover rate	%	The four SHIKOKU KASEI companies	4.0	9.6	5.2	4.6	4.0
	Number of employees who acquired childcare/family care leave; figures in ( ) indicate the number of male employees	People	The four SHIKOKU KASEI companies	2(0)	6(3)	7(4)	9(1)	8(5)
	Percentage of persons with high stress	%	The four SHIKOKU KASEI companies	8.6	8.6	8.5	10.4	20.5
	Rate of paid holiday use	%	The four SHIKOKU KASEI companies	73.6	69.6	68.0	47.2	75.0
Governance	Annual average salary	Million yen	The four SHIKOKU KASEI companies	6.90	6.71	6.78	6.81	6.92
	Donations to local communities	Million yen	The four SHIKOKU KASEI companies	53.6	8.4	51.5	0	44.6
	Number of Internal Directors	People	SHIKOKU KASEI HOLDINGS CORPORATION	8	7	7	7	6
	Number of Outside Directors	People	SHIKOKU KASEI HOLDINGS CORPORATION	2	3	4	4	4
	Number of Internal Auditors	People	SHIKOKU KASEI HOLDINGS CORPORATION	2	2	2	2	2
	Number of Outside Auditors	People	SHIKOKU KASEI HOLDINGS CORPORATION	2	2	2	2	2
	Number of female executives	People	SHIKOKU KASEI HOLDINGS CORPORATION	0	0	0	0	0
	Number of managers	People	The four SHIKOKU KASEI companies	126	129	134	123	116
	Number of female managers	People	The four SHIKOKU KASEI companies	6	6	8	8	7
	Ratio of female managers	%	The four SHIKOKU KASEI companies	4.8	4.7	6.0	6.5	6.0

The four SHIKOKU KASEI companies: SHIKOKU KASEI HOLDINGS CORPORATION, SHIKOKU CHEMICALS CORPORATION, SHIKOKU KASEI KENZAI CORPORATION, SHIKOKU KASEI CORPORATE SERVICE CO., LTD.

SHIKOKU KASEI Group: All of the SHIKOKU KASEI Group companies

\*1 FY2022 covers the period from April 1, 2022 to March 31, 2023.

\*2 Waste emissions was changed to include waste used in prototype production.

\*3 The top four substances (accounting for 86.8%) of emissions and movement: carbon disulfide, toluene, xylene and ethylbenzene.

\*4 FY2022 covers the nine-month period from April 1, 2022 to December 31, 2022.

\*5 Ratio of women among new hires is calculated according to the definition under the Act on the Promotion of Women's Active Engagement in Professional Life: Number of females hired (including mid-career hires) / Total number of employees hired (including mid-career hires)

# Company Profile

## Corporate Profile (as of the end of March 2024)

Corporate name	SHIKOKU KASEI HOLDINGS CORPORATION		
Foundation	October 10, 1947		
Capital	6,867 million yen		
Head Office	8-537-1, Doki-cho-higashi, Marugame, Kagawa 763-8504 Japan		
Representative	Mitsunori Watanabe, Representative Director, President		
Number of group employees	1,262		
Business description and major products			
▶ Chemicals Operations	Inorganic chemicals	:	Carbon disulfide, insoluble sulfur, sodium sulfate
	Organic chemicals	:	Chlorinated isocyanurates (NEO-CHLOR)
	Fine chemicals	:	Electronic chemicals, functional materials
▶ Housing Materials Operations	Interior/exterior finishes and paving materials	:	Interior finishing materials, exterior finishing materials, paving materials
	Exterior products	:	Housing exteriors, landscaping exterior products
▶ Others	IT systems, fast-food sales and other service operations		

## Group Information

### Group Companies

#### Holding company

- SHIKOKU KASEI HOLDINGS CORPORATION

#### Chemicals Operations

- SHIKOKU CHEMICALS CORPORATION Head Office
- Tokyo Branch Office
- Osaka Branch Office
- R&D Center
- Marugame Plant
- Tokushima Plant Kitajima location
- SHIKOKU CHEMICALS CORPORATION Shenzhen Representative Office
- SHIKOKU CHEMICALS CORPORATION Taiwan Representative Office
- SHIKOKU KOSAN CORPORATION
- SHIKOKU INTERNATIONAL CORPORATION
- SHIKOKU RYUTAN CO., LTD.
- MASUDA CHEMICAL INDUSTRIES CO., LTD.

#### Housing Materials Operations

- SHIKOKU KASEI KENZAI CORPORATION Head Office
- Osaka Branch Office

#### Sales Office

- Sapporo
- Nagoya
- Sendai
- Osaka
- Kitakanto
- Okayama
- Chiba
- Hiroshima
- Tokyo
- Shikoku
- Kanagawa
- Kyushu
- Shizuoka

- Tokushima Plant Yoshinari location
- SHIKOKU KEIZAI CORPORATION Tadotsu Plant
- SHIKOKU KEIZAI CORPORATION Naruto Plant
- SHIKOKU KEIZAI KANTO CORPORATION
- SHIKOKU KOHKI CORPORATION
- RYOUWA KASEI KOGYO CO., LTD.

#### Corporate Service

- SHIKOKU KASEI CORPORATE SERVICE CO., LTD.

#### Related Operations

- SHIKOKU SYSTEM KOHBOH CORPORATION
- SHIKOKU FOODS & TRADING COMPANY
- SHIKOKU FOODS & INSURANCE SERVICE CO., LTD.
- SHIKOKU ANALYTICAL LABORATORIES
- SHIKOKU ENVIRONMENTAL BUSINESS COMPANY
- SHIKOKU (SHANGHAI) CO., LTD.

## Stock Overview

### Status of Shares (as of the end of December 2023)

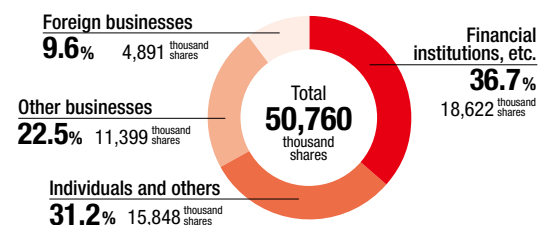
Total number of shares authorized to be issued	235,850,000 shares
Total number of issued shares	50,694,142 shares (excluding 66,521 treasury shares)
Number of shareholders	8,958

### Major Shareholders

Name	Number of shares held (thousand shares)	Shareholding ratio (%)
Nisshinbo Holdings Inc.	5,580	11.00
Shikoku Kyoueikai	4,664	9.20
The Master Trust Bank of Japan, Ltd. (Trust account)	3,718	7.33
Nippon Life Insurance Company	3,295	6.50
The Hyakujushi Bank, Ltd. Retirement Benefit Trust Account re-entrusted by The Master Trust Bank of Japan, Ltd.	2,530	4.99
The Kagawa Bank, Ltd.	2,500	4.93
Custody Bank of Japan, Ltd. (Trust account)	2,213	4.36
The Iyo Bank, Ltd.	1,500	2.96
HSBC PRIVATE BANK (SUISSE) SA GENEVA – SEGREG HK IND1 CLT ASSET	1,056	2.08
MUFG Bank, Ltd.	947	1.87

(Notes) ● The shareholding ratio is calculated after deducting treasury shares (66,521 shares).  
 ● The treasury shares above do not include the 109,894 shares of the Company held by the Custody Bank of Japan, Ltd. as trust assets for the stock compensation system.  
 ● The number of shares held by The Hyakujushi Bank, Ltd. Retirement Benefit Trust Account re-entrusted by The Master Trust Bank of Japan, Ltd. includes the 190,000 shares held in the name of The Hyakujushi Bank, Ltd.

### Distribution of Shares by Shareholder



#### Shareholder memo

Fiscal year	From January 1 to December 31
Annual General Meeting of Shareholders	Every March
Record date	Annual General Meeting of Shareholders : December 31 Year-end dividend : December 31 Interim dividend : June 30 In addition, when necessary, an extraordinary record date can be set with prior notice.
Shareholder register administrator and special account management institution	Sumitomo Mitsui Trust Bank, Limited
Shareholder register administrator's office	4-5-33 Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
Mailing address and inquiries	2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited Toll-free number: 0120-782-031 (available from 9:00 to 17:00, excluding Saturdays, Sundays, and holidays)
Notification method	Notifications will be made electronically on the Company's website. <a href="https://www.shikoku.co.jp/eng/">https://www.shikoku.co.jp/eng/</a> However, in the event that we cannot provide a notification electronically due to accidents or unavoidable circumstances, we will publish them in the Nihon Keizai Shimbun.

**Toward "one-step-ahead, proposal" company with creativity**



8-537-1, Doki-cho-higashi, Marugame, Kagawa 763-8504 Japan

Phone. +81-877-22-4111

<https://www.shikoku.co.jp/eng>